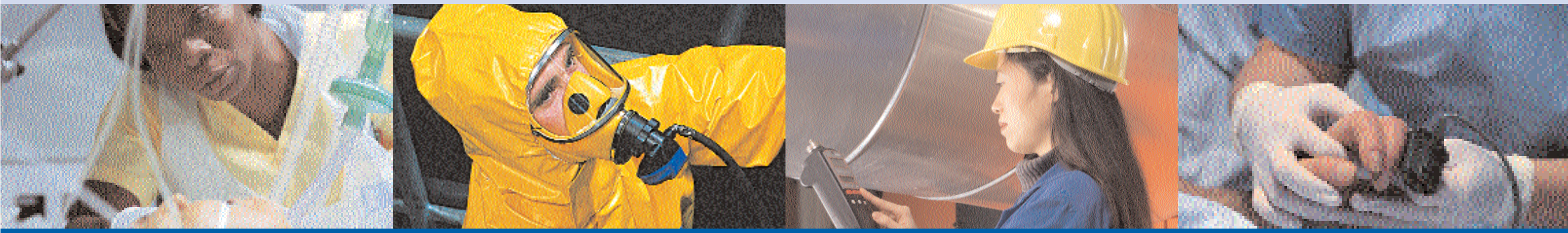
Dräger



H1/2003 report
Dräger Group

Highlights in H1/2003

- *Lead-up preparations for operating the joint venture with Siemens concluded as of June 30, 2003 (Dräger Medical)*
- *Worldwide sales training with IBM Global Services already completed on three continents; of the some 1,000 sales staff, 20 percent now trained (Dräger Medical)*
- *Fabius Tiro: a new inhalation anesthetizing device specifically for preoperating rooms showcased to the German Anesthetics Congress in April (Dräger Medical)*
- *Market leader for breathalyzers in France (Dräger Safety)*
- *Strong order intake in North America (Dräger Safety)*
- *Sale of Dräger Aerospace consummated*
- *H1/2003 order intake up 1.2 and sales up 1.0 percent over year-earlier level; exchange rate adjusted, both figures up by 5.8 percent*
- *Despite one-off H1 expenses, EBIT steady*
- *Net income rising to €34.2 million due to the extraordinary gain from the disposal of Dräger Aerospace*

Dräger Group—H1 up to expectations
Despite still vast uncertainty as to economic trends in Europe and the United States, the Dräger Group's H1/2003 performance was up to expectations.

Although the euro continued to gain, especially over the US dollar—both order intake and sales advanced over the year-earlier figures by 1.2 and 1.0 percent, respectively. Adjusted for the exchange rate effects, the improvements over the year-earlier order intake and sales were as high as 7.0 and 6.8 percent, respectively. H1 order intake at €666 million was, as usual, higher than sales at €616 million. Especially the volume of orders booked by Dräger Safety continued strong, gaining 8.7 percent (parity-adjusted 15.8 percent).

Compared with H1/2002, the period under review saw a sharp rise in one-off burdens, mainly in readiness for the joint venture between Dräger Medical and Siemens, the sale of a ProTech GmbH operating unit, and the purging of IT activities. Additionally, currency translation of the separate financial statements reduced EBIT by €2.8 million versus H1/2002.

Although these burdens were partly offset by a one-time license fee and despite the ensuing additional expenses of close to €9 million, the Group's H1/2003 EBIT of €33.5 million was of the year-earlier magnitude.

The Dräger Group's net income for H1/2003 hiked to €34.2 million, up by €22.9 million from €11.3 million a year ago. This surge was primarily due to an extraordinary capital gain of €20.5 million from the disposal of Dräger Aerospace. Exchange rate effects scaled back net income by €2.2 million in comparison to the year-earlier level.

The Dräger Group's net assets and financial position, too, further improved in the first six months of 2003 from the situation at December 31, 2002. Seasonal factors caused inventories to inch up and trade receivables to creep down. Cash & cash equivalents rose due to the higher cash inflow from receivables collected by non-German companies. Versus December 31, 2002, equity climbed €14.0 million to 184.3 million, the increase being the net balance of the rise in net income less negative parity effects and the cash dividends paid out for 2002. The Group's equity of €184.3 million thus outnumbers net financial debt of €174.0 million, mainly thanks to the gain and cash inflow from the disposal of Dräger Aerospace. €168.3 million of financial debts has a remaining term of one to six years.

Except for the one-time preparatory expenses, the semiannual financial statements as of June 30, 2003, do not yet account for the joint venture of Dräger Medical and Siemens. Merely the €6.9 million contribution paid in on June 23, 2003, by Siemens AG in connection with Dräger Medical AG & Co. KGaA's capital increase has been recognized among the sundry liabilities. The accounting for assets and liabilities, as well as the effects on equity, minority interests and goodwill will be detailed after the JV's official inception (July 1, 2003) in the 3Q/2003 report.

Group indicators

Sales and earnings

		H1/2003•	H1/2002•
Order intake	€ mill.	665.7	657.5
Net sales	€ mill.	616.3	610.5
EBIT	€ mill.	33.5	33.6
Interest expense	€ mill.	6.8	7.5
Tax expense	€ mill.	10.6	12.8
Dividend for participation certificates (prorated)	€ mill.	2.4	2.0
Extraordinary gain	€ mill.	20.5	0.0
Net income	€ mill.	34.2	11.3
Earnings per share	€	2.69	0.89
EpS after minority interests	€	2.60	0.78
Average total headcount		10,213	9,761
Employees in Germany		5,838	5,805
Capital expenditures	€ mill.	22.2	17.6

Balance sheet

		6/30/2003•	12/31/2002
Fixed assets	€ mill.	188.9	201.0
Inventories	€ mill.	221.7	213.0
Trade receivables	€ mill.	332.1	342.7
Cash & cash equivalents	€ mill.	58.2	42.4
All other assets	€ mill.	65.9	46.4
Total assets	**€ mill.**	**866.8**	**845.5**
Equity	€ mill.	184.3	170.1
Pension accruals	€ mill.	126.9	129.0
Other accruals	€ mill.	166.0	154.1
Financial debts	€ mill.	232.2	231.7
All other liabilities	€ mill.	157.4	160.6
Total equity & liabilities	**€ mill.**	**866.8**	**845.5**
Capital employed	**€ mill.**	**542.8**	**531.5**

• The H1 financial data has not been audited.

Change in CE and EBIT disclosure principles: other than in previous publications, capital employed now includes cash & cash equivalents (previously deducted), and EBIT represents the earnings before interest expense (formerly net interest result) and all taxes. The year-earlier comparatives have been restated accordingly.

Segment report

		Dräger Medical		Dräger Safety	
		H1/2003	H1/2002	H1/2003	H1/2002
Sales and earnings					
Order intake	€ mill.	405.8	413.8	248.8	228.9
Net sales	€ mill.	377.5	371.1	230.2	227.6
EBIT	€ mill.	23.5	20.9	19.3	23.0
Interest expense	€ mill.	2.2	2.6	1.1	1.6
Tax expense	€ mill.	7.7	7.3	6.1	6.7
Dividend for participation certificates (prorated)	€ mill.	–	–	–	–
Extraordinary result•	€ mill.	–	–	–	–
Net income	€ mill.	13.6	11.0	12.1	14.7
Capital expenditures	**€ mill.**	**8.1**	**6.5**	**9.1**	**4.6**

		6/30/2003	12/31/2002	6/30/2003	12/31/2002
Capital employed	**€ mill.**	**304.0**	**328.8**	**175.1**	**164.8**
Average headcount					
Total		**5,175**	**4,934**	**3,400**	**3,289**
thereof Germany		2,643	2,664	1,569	1,559

• €20.5 million capital gain from the disposal of Dräger Aerospace GmbH.

Holding Company Others Consolidation		Dräger Group	
H1/2003	H1/2002	H1/2003	H1/2002
11.1	14.8	665.7	657.5
8.6	11.8	616.3	610.5
(9.3)	(10.3)	33.5	33.6
3.5	3.3	6.8	7.5
(3.2)	(1.2)	10.6	12.8
2.4	2.0	2.4	2.0
20.5	0.0	20.5	0.0
8.5	(14.4)	34.2	11.3
5.0	**6.5**	**22.2**	**17.6**

6/30/2003	12/31/2002	6/30/2003	12/31/2002
63.7	**37.9**	**542.8**	**531.5**
1,638	**1,642**	**10,213**	**9,865**
1,626	1,620	5,838	5,843

Dräger Medical

Dräger Medical elevates operating EBIT by 37 percent
With operating EBIT up 37 percent (before JV-related one-off expenses of €5.1 million), Dräger Medical posted an operating result of €28.6 million (up from €20.9 million for H1/2002), equivalent to an EBIT margin of 7.6 percent (up from 5.6).

For Q2/2003, EBIT (excluding JV-related one-time expenses) reached €17.8 million (up from €15.9 million). For the tenth quarter running this subgroup has therefore outperformed its year-earlier quarterly EBIT, not least of all because of the steadily leaner cost structures worldwide. Accordingly, the Q2 EBIT margin has mounted to 8.4 percent (from 7.8 percent in Q2/2002).

Since Dräger Medical is well balanced in value-added terms, the weak US dollar eroded earnings by less than 2 million.

In contrast, the exchange rate did significantly impact on sales. While net sales had added up to €371.1 million for H1/2002, they climbed a mere 1.7 percent to €377.5 million. Applying like-for-like currency translation rates produces a sales rise of 7.2 percent.

In terms of order intake, Q2/2003 showed an improvement versus the weak Q1/2003. Order influx for this second quarter totaled €213.7 million, which compared with Q2/2002's €206.5 million is a growth of 3.5 percent at current exchange rates, parity-adjusted as much as 9.1 percent.

Hence, aggregate order intake for H1/2003 at €405.8 million was only slightly short of the year-earlier €413,8 million, despite a Q1 decline of 7.3 percent. One of the reasons for this upturn is that Asian business was no longer infected by the SARS epidemic. Up 20.1 percent over H1/2002, the Asia-Pacific region showed heartening growth. In contrast, the end of the Iraq war has so far not reawakened the Near & Middle East from its expenditure apathy.

Despite a strong June, H1/2003 order intake in the USA was down by 14 percent, mainly due to the weak dollar.

Dräger Safety

Successful H1/2003—EBIT matches budget—global growth in high-volume products

In the first six months of 2003, Dräger Safety achieved its budgeted EBIT. At €19.3 million (€20.5 million at LFL exchange rates) this compares with €23.2 million for H1 of the year before. The change is mainly related to temporary consolidation effects during H1/2003. The EBIT margin amounted to 8.4 percent (down from 10.1 percent). By mid-2003, worldwide sales by Dräger Safety rose to €230.2 million (up from €227.6 million). In terms of last year's exchange rates, the growth was 7.6 percent, in terms of current ones 1.1 percent. Hence, Dräger Safety's sales have again outpaced the market.

At €248.8 million (up from €228.9 million), order intake climbed 8.7 percent (exchange rate adjusted 15.8 percent).

Capital expenditures exceeded the year-earlier's by €4.5 million and were mainly related to rationalizing and expanding production for new products.

Business flourished particularly in the NAFTA region, specifically through high-volume products. Order booked in the United States for civilian protection ("domestic preparedness") and in Canada for mining rescue gear propelled orders up 41 percent (at LFL exchange rates) and 21.1 percent by current exchange rates. Against tough rivals, Dräger equipment competed successfully, chiefly on account of its highly effective innovative technology.

In the wake of the SARS pulmonary epidemic, demand in the Asia-Pacific region for the Piccola filtrating respiratory protection face masks continued into the current second quarter. H1/2003 had seen the countries affected by SARS place orders for these masks at a value of around €7 million.

Europe was another region in which Dräger Safety again expanded business and extended market shares. In France, for instance, Dräger Safety accelerated to become the foremost supplier of breathalyzer equipment, now that the French police are immediately gearing themselves with the Dräger Alcotest 7110 whose measurements may be effectively used in courts of law against traffic offenders as an alternative to blood samples.

Holding Company, Others, Consolidation

Drägerwerk AG as holding company is an intragroup service provider, while its service and production companies mostly supply products or render services within the Dräger Group. Up to June 10, 2003, the order intake and net sales reported for this segment mainly reflected data of Dräger Aerospace, however, whose performance in the period is recognized in the extraordinary result.

The negative segment EBIT of €9.3 million improved slightly from the year-earlier, equally red, €10.3 million and is the result of additional expenses for the holding company’s activities and of nonrecurring expenses allocable to the companies subsumed in this segment. The segment bottom line was bettered by the cash inflow from a one-time license fee. The segment’s net income of €8.5 million (up from an H1/2002 net loss of €14.4 million) was substantially influenced by the extraordinary €20.5 million gain from the divestment of Dräger Aerospace.

Prospects

The latter half of 2003 will be largely determined by the start-up of the joint venture between Dräger Medical and Siemens as of July 1, 2003. The additional equity will further enhance the balance sheet structure; the financial position will gain from the additional cash inflow, provided that Siemens is able to finalize within 2003 the sale of its Life Support Systems. Dräger Medical forecasts, however, that the sales budgeted at €975 million for fiscal 2003, which will include the joint venture for six months, is not achievable. Exchange rate adjusted, Dräger Medical is expecting sales of €940 million. Currency parities are not expected to sway earnings since the input-output structure of the value-added chain is well balanced through matching currencies. Before one-time expenses of €35 million for the venture's integration phase, Dräger Medical is predicting an EBIT of €95 million.

In order to extend its product lineup, Dräger Safety will in the latter half of 2003 take over RWE Piller GmbH's respiratory air business. An agreement to this effect was signed in July. In doing so, Dräger Safety is underscoring its role as a supplier of integrated hazard management systems. Based in Osterode, in Germany's Harz mountains, this RWE Piller division specializes in the development, planning and manufacture of vehicle-mounted respiratory supply systems. Despite sales expected to be somewhat lower at €460 million due to exchange rates, Dräger Safety maintains its forecast of achieving the budgeted EBIT of €39 million.

For the Dräger Group as such, excluding the joint venture and despite the changed parities, 12-month sales are expected to match the 2002 volume (just as in H1/2003) and that incremental JV business will raise sales to €1,415 million. Group EBIT (before one-time expenses for integrating the joint venture) and net income are still expected to add up to €98 million and €37 million, respectively.

Dräger

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Financial diary

H1/2003 report Conference call	August 14, 2003
Q3/2003 report Conference call	November 13, 2003
Annual stockholders' meeting	June 11, 2004
Annual stockholders' meeting	June 10, 2005

Future-oriented statements

This interim report contains statements and forecasts referring to the Dräger Group's and its companies' future development, as well as economic and political trends. These forecasts are estimates based on all the information available to us to date. If the underlying assumptions do not materialize, or if further risks surface, the actual figures may differ from such estimates and currently expected results. We therefore do not give any warranty for such statements and estimates.