Dräger Group
H1/2008 report
(amended version)

Q2

THE DRÄGER GROUP AT A GLANCE

		H1 2006	H1 2007	H1 2008	Change vs. 2007 in %
Order intake	€ million	931.5	914.7	954.5	4.4
Orders on hand	€ million	370.8	392.1	494.9	26.2
Net sales	€ million	819.6	837.4	863.5	3.1
EBITDA before non-recurring expenses	€ million	77.7	76.7	86.4	12.6
EBIT before non-recurring expenses	€ million	52.8	50.9	58.9	15.7
in % of net sales (EBIT margin before non-recurring expenses)	%	6.4	6.1	6.8	
Non-recurring expenses	€ million	0.0	0.0	11.3	
EBIT	€ million	52.8	50.9	47.6	(6.5)
Net profit	€ million	23.3	24.1	23.3	(3.3)
Minority interests in profit	€ million	8.5	5.0	5.5	10.0
Earnings per share after minority interests					
per limited preferred share	€	1.03	1.35	1.18	(11.6)
per limited common share	€	1.00	1.32	1.15	(12.9)
Equity	€ million	522.1	502.3	535.2	6.5
Equity ratio	%	33.5	31.2	33.8	
Capital employed	€ million	941.5	985.5	960.5	(2.5)
EBIT before non-recurring expenses/capital employed (ROCE)	%	5.6	5.2	6.2	
Net financial debt	€ million	275.2	344.5	302.1	(12.3)
Headcount as of June 30		9,887	10,169	10,697	5.2

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Letter from the Executive Board Chairman

Dear Shareholders,

Your Company has big plans for fiscal year 2008. We want to lay the foundations in 2008 that will enable us to grow faster and generate greater revenues than our competitors in the medium and long term. We will be investing a great deal of effort and money in 2008 to bolster the key success factors of innovation, quality and efficiency, because we will only be able to maintain our leading competitive position for many generations to come if we can guarantee the greatest possible customer value long term. To be able to concentrate on customer value in line with our principle of “Technology for Life”, we aim to become lean and flexible and to reduce the administrative paperwork for the subsidiaries. We are also investing in research and development, manufacturing and information technology to increase our innovative power, further improve our quality and enable us to become even more efficient. We have made great progress with this process of change in the first half of 2008 and intend to reap the first rewards at the end of 2008.

Despite the cooling economic environment and the negative effects of the strong euro, which in particular impacts the safety devision, your Company’s operational performance was very good in the first six months of the year. The Dräger Group’s order intake, which exceeded EUR 950 million, topped the prior year by 4 percent (net of currency effects: around 8 percent). Net sales were well above the budgeted figures, recording growth of around 3 percent, or a good 6 percent net of currency effects. EBIT before non-recurring expenses grew at an above-average rate of almost 16 percent, taking it to EUR 59 million. In addition, we have already posted more than EUR 11 million in non-recurring expenses for personnel measures and IT restructuring, which represents half of the budgeted amount. In line with this, even after non-recurring expenses, EBIT of around EUR 48 million is only slightly below the prior-year figure of EUR 51 million. However, the particularly high income growth of over 20 percent experienced in the second quarter will not continue for the entire fiscal year. However, we still expect net sales to increase slightly and EBIT before non-recurring expenses to remain stable in 2008.

We want to avoid getting drawn into thinking in quarters. We are focussed on our long-term goals, and we think in terms of and for generations. This is one of the characteristics of a listed family-run company. This is what makes us successful. And this is how we want to work for you.

Sincerely,

Stefan Dräger

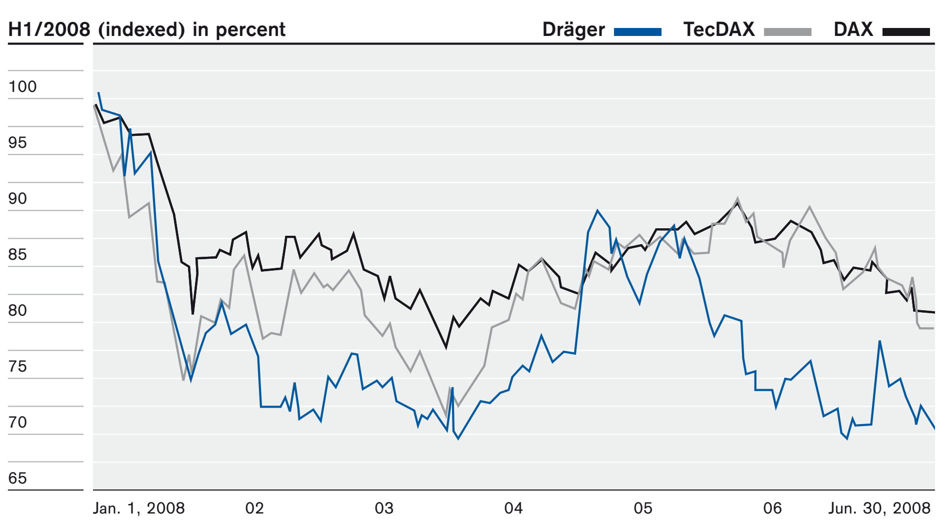
The Dräger share

The Dräger share in the first half of 2008

During the first half of 2008, the performance of the Dräger share in a weak market environment was not satisfactory. The Dräger share's closing price of EUR 35.38 on June 30, 2008 represents a drop in price of approximately 30 percent, meaning that its performance was weaker than that of the DAX and TecDax, which recorded losses of around 20 percent.

The Dräger share opened at EUR 50.37 on the first trading day of 2008, and on January 3 it achieved its annual high to date of EUR 50.63. The stock exchanges were shaken up by the US subprime crisis and the increase in commodity and energy prices, which also affected the Dräger share. Its price had fallen to EUR 35.82 by mid-February and on the day Dräger presented its preliminary figures for 2007, February 21, it stood at EUR 37.84. When the final figures for 2007 were presented at the annual accounts press conference on March 18, the share price was EUR 37.01, and on March 20 it reached EUR 34.97 – its lowest price in the first half of 2008. The share price rose to EUR 44.13 on the back of a slight improvement in the market and the publication of the figures for the first quarter on May 8. Mirroring the general performance of the stock exchange, however, the price of the Dräger share dropped again during the month of June and ended the first six months of 2008 on June 30 at a disappointing EUR 35.38.

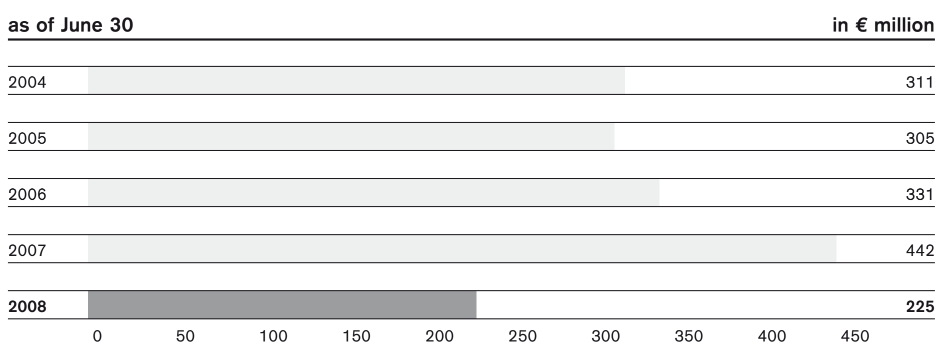
PERFORMANCE OF THE DRÄGER PREFERRED SHARE (WKN 555063/ISIN DE0005550636)



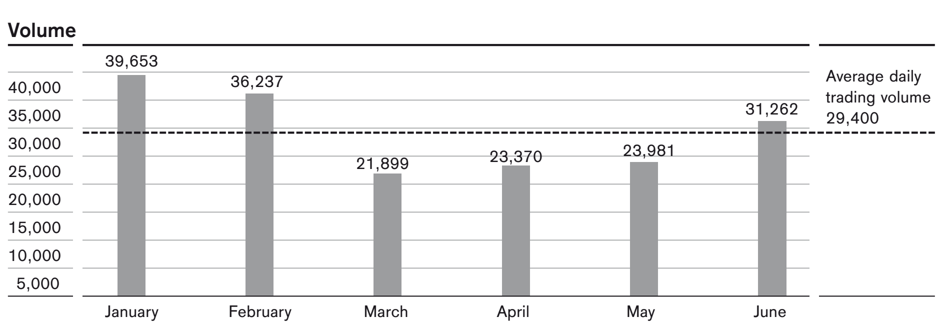
Market capitalization and trading volume

The price of the Dräger share has almost halved in comparison with June 30, 2007, primarily as a result of the weak market environment. The market capitalization of the preferred shares fell from around EUR 442 million to approx. EUR 225 million. The average daily trading volume dropped from 40,495 shares in the first half of 2007 to 29,400 shares in the first half of 2008.

MARKET CAPITALIZATION OF PREFERRED SHARES



AVERAGE DAILY TRADING VOLUME PER MONTH



Earnings per share

Earnings per share (EPS) for limited preferred shares amounted to EUR 1.18 for the first half of 2008 (H1/2007: EUR 1.35). At EUR 1.15 (H1/2007: EUR 1.32), the earnings per limited common share are lower as they bear a lower dividend claim than limited preferred shares. Minority interests in net profit amounted to EUR 5.5 million in the first half (H1/2007: EUR 5.0 million).

Dividend for fiscal year 2007

On May 9, 2008, the annual general meeting approved the proposal by the general partner's executive board and the Supervisory Board of Drägerwerk AG & Co. KGaA to distribute a dividend on the same level as fiscal year 2006 of EUR 0.49 per limited common share and EUR 0.55 per limited preferred share.

Continuing intensive communication with capital market players

We continued our policy of providing clear information to capital market players in the first months of fiscal year 2008, reporting on our current business performance as well as on strategic goals and measures within the Dräger Group. We communicate regularly, in detail and openly. This involves both the publication of our quarterly and half-yearly figures as well as ad hoc reports on important events, such as in March this year when we reported on extensive changes in Dräger's Executive and Supervisory Boards.

We place great importance on maintaining personal contact, so we exchange information in one-on-one discussions, roadshows, presentations and telephone conferences. This frequently also involves visits to our headquarters in Lübeck to provide a direct insight into our operations and facilitate personal contact with our management and employees.

In addition, all up-to-date information is available on our website (www.draeger.com).

Close eye being kept on our development

Currently, our Company's performance is being observed and evaluated on an ongoing basis by 14 analysts from the following institutions: Bankhaus Lampe, Berenberg Bank, CA Cheuvreux, Deutsche Bank, Dresdner Kleinwort, DZ Bank, equinet, HSBC, LBBW, MainFirst, Nord/LB, Sal. Oppenheim, UniCredit and WestLB.

DRÄGER SHARE INDICATORS

		H1 2006	H1 2007	H1 2008
Share figures				
No. of shares	No.	12,700,000	12,700,000	12,700,000
thereof limited common shares	No.	6,350,000	6,350,000	6,350,000
thereof limited preferred shares	No.	6,350,000	6,350,000	6,350,000
Free-float limited preferred shares	%	100	100	100
Trading figures				
Average daily trading volume	No.	35,499	40,495	29,400
High	€	58.00	73.80	50.63
Low	€	44.25	54.10	34.97
Share price as of June 30	€	52.15	69.60	35.38
Market capitalization as of June 30	€	331,152,500	441,960,000	224,663,000
Earnings figures as of June 30				
Earnings per limited preferred share	€	1.03	1.35	1.18
Earnings per limited common share	€	1.00	1.32	1.15
Cash flow (from operating activities) per share	€	(1.65)	3.85	3.11
Equity per share	€	41.11	39.55	42.14
Price-to-book ratio		1.3	1.8	0.8

Management report of the Dräger Group for the first half of 2008 (amended version)

General economic conditions

Overall economic development: risks to the global economy are on the increase

According to the Organisation for Economic Co-operation and Development (OECD) in its forecast published on June 20, 2008, the risks to the development of the global economy have increased since we published our Q1/2008 report on May 8, 2008, mainly due to high commodity prices and turmoil on the financial markets. Between March 31, 2008 and June 30, 2008, the price of a barrel of North Sea Brent jumped from around USD 102 to USD 140. At the same time, the euro/US dollar exchange rate remained high (approx. EUR/USD 1.58), which meant that unlike in previous months, the exchange rate did not cushion the increase in the price of oil in the eurozone. The OECD predicts that the eurozone economy will be overshadowed by a credit crunch, lower real income, less exports and the loss of market share.

The Dräger Group has barely felt the effects of the downward economic trend as yet. Both divisions are only minimally affected by economic cycles, and even the increase of almost 85 percent in the price of oil within one year is currently only minimally affecting the Company's procurement activities. Dräger has primarily noticed a gradual increase in freight costs.

However, the euro, which is up 16 percent against June 30, 2007, is having a detrimental effect on the safety division's exports. The medical division, where Dräger has significant manufacturing capacity in the US, is currently benefitting from the weak US dollar.

Development of the medical technology industry

As regards the market environment and competitive situation, the medical technology industry has seen the consolidation process continue in the first half of 2008, with further M&A activities taking place in an environment characterized by the persistently strained financial situation in many countries' public and private healthcare systems and high cost-consciousness on the demand side. Against this backdrop, competition will remain intense in 2008.

The clinical APOC market, which has a volume of around EUR 18 billion, is expected to see global growth rates of between 2 and 3 percent in 2008. The market will continue to stagnate in Germany.

The safety technology industry

The safety division's market has a global volume totaling approximately EUR 5 billion. Thanks to higher environmental awareness and an increased need for safety, year-on-year growth is expected to be between 2 and 5 percent, with different regions experiencing vastly different growth rates. The considerable cost benefits enjoyed by US-based competitors on the back of the weak US dollar against the euro intensified competition in the first half of 2008, in particular in project business but also in national tenders. The consolidation process continued through mergers and acquisitions.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Order intake	**€ million**	**460.7**	**469.8**	**954.5**	**914.7**	**4.4**
Orders on hand	**€ million**	**494.9**	**392.1**	**494.9**	**392.1**	**26.2**
Net sales	**€ million**	**457.8**	**444.9**	**863.5**	**837.4**	**3.1**
EBITDA before non-recurring expenses	**€ million**	**55.5**	**46.4**	**86.4**	**76.7**	**12.6**
Depreciation/amortization	€ million	14.1	12.9	27.5	25.8	6.6
EBIT before non-recurring expenses	**€ million**	**41.4**	**33.5**	**58.9**	**50.9**	**15.7**
Non-recurring expenses	€ million	4.2	0.0	11.3	0.0	
EBIT	**€ million**	**37.2**	**33.5**	**47.6**	**50.9**	**(6.5)**
Net profit	**€ million**	**19.2**	**16.6**	**23.3**	**24.1**	**(3.3)**
Earnings per share						
per limited preferred share	€	1.15	0.95	1.18	1.35	(11.6)
per limited common share	€	1.14	0.94	1.15	1.32	(12.9)
R&D costs	**€ million**	**30.6**	**30.4**	**60.3**	**60.0**	**0.5**
Equity ratio	**%**	**33.8**	**31.2**	**33.8**	**31.2**	
Cash flow from operating activities	**€ million**	**21.0**	**20.6**	**39.5**	**48.9**	**(19.2)**
Net financial debt	**€ million**	**302.1**	**344.5**	**302.1**	**344.5**	**(12.3)**
Investments	**€ million**	**18.4**	**29.3**	**39.2**	**87.1**	**(55.0)**
Capital employed	**€ million**	**960.5**	**985.5**	**960.5**	**985.5**	**(2.5)**
Net working capital	**€ million**	**495.6**	**521.2**	**495.6**	**521.2**	**(4.9)**
EBIT before non-recurring expenses/net sales	**%**	**9.0**	**7.5**	**6.8**	**6.1**	
EBIT before non-recurring expenses/ capital employed (ROCE)	**%**	**4.3**	**3.4**	**6.2**	**5.2**	
Gearing	**Factor**	**0.6**	**0.7**	**0.6**	**0.7**	
Headcount as of June 30		**10,697**	**10,169**	**10,697**	**10,169**	**5.2**

Business performance of the Dräger Group in the first half of 2008

ORDER INTAKE

in € million	Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Germany	104.2	101.5	203.1	197.5	2.8
Rest of Europe	194.7	187.0	388.5	366.9	5.9
Americas	76.9	96.8	189.2	180.8	4.6
Asia/Pacific	54.7	57.1	105.3	104.1	1.2
Other	30.2	27.4	68.4	65.4	4.6
Total	**460.7**	**469.8**	**954.5**	**914.7**	**4.4**

Order intake developed well in all regions in the first half of 2008, increasing 4.4 percent (net of currency effects: 7.9 percent) against the same prior-year period to EUR 954.5 million (H1/2007: EUR 914.7 million). A major order won by the medical division boosted its contribution by 5.4 percent, while safety's orders increased by 2.2 percent.

Against the second quarter of 2007 (EUR 469.8 million), order intake remained stable at EUR 460.7 million.

ORDERS ON HAND

in € million	June 30, 2008	June 30, 2007	Change in %
Germany	93.9	91.7	2.4
Rest of Europe	241.8	176.7	36.8
Americas	89.0	68.2	30.5
Asia/Pacific	41.2	36.2	13.8
Other	29.0	19.3	50.3
Total	**494.9**	**392.1**	**26.2**

At EUR 494.9 million, orders on hand as of June 30, 2008 were a substantial 26.2 percent higher than in the prior year (June 30, 2007: EUR 392.1 million). The equipment orders on hand cover a three-month period (June 30, 2007: 2.7 months). This figure was calculated based on the average net sales over the past 12 months.

NET SALES

in € million	Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Germany	103.7	87.5	184.6	164.5	12.2
Rest of Europe	193.3	192.0	363.2	345.9	5.0
Americas	78.6	84.1	153.7	170.8	(10.0)
Asia/Pacific	52.5	47.2	104.3	92.9	12.3
Other	29.7	34.1	57.7	63.3	(8.8)
Total	**457.8**	**444.9**	**863.5**	**837.4**	**3.1**

Net sales grew by 3.1 percent (net of currency effects: 6.6 percent) to EUR 863.5 million in the first half of 2008 (H1/2007: EUR 837.4 million). Both divisions contributed to this, with medical recording a 1.2 percent increase in net sales while safety generated year-on-year net sales growth of 6.0 percent in the first half of 2008.

The greatest net sales growth was recorded in the Asia/Pacific region (up 12.3 percent to EUR 104.3 million) and Germany (up 12.2 percent to EUR 184.6 million) as well as the rest of Europe (up 5.0 percent to EUR 363.2 million). By contrast, net sales fell by 10.0 percent to EUR 153.7 million in the Americas region, largely as a result of exchange rate effects.

At EUR 457.8 million, net sales in the second quarter exceeded the prior-year figure by 2.9 percent (Q2/2007: EUR 444.9 million).

EBIT before non-recurring expenses tops prior year

Due to changes in the product mix and a higher volume of long-term construction contracts in process (valued according to stage of completion), the gross margin decreased from 48.8 percent in the first half of 2007 to 47.3 percent a year later. Gross profit remained stable thanks to the higher volume of net sales.

Functional costs (research and development costs, marketing costs, sales and general administrative expenses, and other operating income/expenses) including non-recurring expenses increased by EUR 3.3 million, but as a proportion of sales they fell from 42.8 percent to 41.9 percent. The research and development costs contained therein totaled EUR 60.3 million, representing 7.0 percent of net sales in the first half of 2008 compared with 7.2 percent in the first half of 2007. The 0.2-percentage point drop is chiefly attributable to the weakening of the US dollar, as a significant portion of research and development is carried out in the US.

As announced for fiscal year 2008, the Company recorded non-recurring expenses for personnel measures and IT restructuring in the first half of 2008 of EUR 11.3 million, of which EUR 10.6 million are contained in the general administrative expenses and EUR 0.7 million in research and development costs. This means that around half of the non-recurring expenses of between EUR 20 million and EUR 25 million announced for the fiscal year have already been posted.

Dräger increased EBIT before non-recurring expenses by 15.7 percent against the first half of 2007, thus taking it to EUR 58.9 million (H1/2007: EUR 50.9 million). EBIT after non-recurring expenses came to EUR 47.6 million (H1/2007: EUR 50.9 million) and net profit decreased to EUR 23.3 million (H1/2007: EUR 24.1 million).

In the second quarter of 2008, EBIT before non-recurring expenses rose 23.6 percent in comparison with the prior-year quarter to EUR 41.4 million (Q2/2007: EUR 33.5 million). At EUR 460.7 million, order intake remained slightly below that of the first half of 2007 (EUR 469.8 million). Net sales in the second quarter exceeded the prior-year value by 2.9 percent (EUR 457.8 million; Q2/2007: EUR 444.9 million).

Investments

Investment in intangible assets totaled EUR 2.7 million in the first half of 2008 (H1/2007: EUR 51.1 million, including goodwill of EUR 46.7 million in connection with the acquisition of a 10 percent stake in Dräger Medical AG & Co. KG). During the same period, Dräger invested EUR 36.5 million in property, plant and equipment (H1/2007: EUR 36.0 million). EUR 10.4 million (H1/2007: EUR 16.7 million) of this was for medical's new administration building in Lübeck. Depreciation, amortization and write-downs came to EUR 27.5 million and covered 70 percent of investment (H1/2007: 64 percent excluding goodwill investment).

Cash flow statement

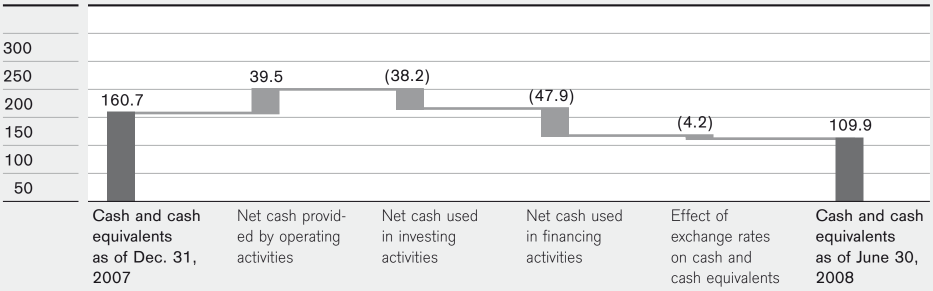
The cash flow from operating activities was weaker in the first half of 2008 than in the prior-year period, falling from EUR 48.9 million to EUR 39.5 million. This was in particular due to a lesser reduction of trade receivables and the steeper increase in other assets, which outweighed the positive effects of the more moderate increase in inventories.

Cash flow from investing activities decreased from EUR 85.0 million to EUR 38.2 million compared with the first half of 2007, which included EUR 46.7 million from the acquisition of a 10 percent stake in Dräger Medical AG & Co. KG. Net of this effect, cash flow remained at the prior-year level.

Cash flow from financing activities totaled –EUR 47.9 million (H1/2007: –EUR 36.3 million) and is shaped by the repayment of liabilities to banks (prior year: bank loans raised) as well as by lower distributions to minority interests.

CASH FLOW RECONCILIATION

December 2007 to June 2008 **in € million**



Financial management

As a result of the reclassification of a note loan due in the first quarter of 2009 from non-current to current note loans, the non-current interest-bearing loans decreased compared with December 31, 2007. This was contrasted by short-term financing for the new building being replaced by long-term financing. After the medical building was officially accepted as of May 1, 2008, the short-term interim financing was replaced by non-current loans.

The long-term financing comprises a European Recovery Program (ERP) environmental protection loan of EUR 26 million granted by the Reconstruction Loan Corporation ("Kreditanstalt für Wiederaufbau": KfW) and around EUR 19.4 million from bank loans. These loans have been granted for a 15-year period.

The KfW funds carry a fixed interest rate of 4.45 percent for ten years.

The other loans are floating-rate loans. Medical's interest rate risk is hedged via an interest rate swap (variable to fixed). The swap also has a 15-year term.

Furthermore, through active cash management we succeeded in reducing current loans and liabilities to banks.

Net assets

The Dräger Group's equity decreased by EUR 10.0 million in the first half of the year to EUR 535.2 million, whereas the equity ratio increased by 0.5 percentage points to 33.8 percent due to the reduction in total assets. Equity was reduced by dividend payments and distributions to minority interests and to participation certificate holders of EUR 26.4 million (H1/2007: EUR 37.9 million) and currency translation differences of EUR 7.4 million (H1/2007: EUR 1.1 million). By contrast, the Group's equity was boosted by its net profit of EUR 23.3 million (H1/2007: EUR 24.1 million).

Total assets decreased by EUR 55.5 million to EUR 1,582.0 million in the first six months of 2008, primarily as a result of the drop in trade receivables in comparison with the high level of receivables at year-end, which was due to a high volume of net sales in the fourth quarter of 2007. In addition, the Company had lower cash and cash equivalents (primarily as a result of netting with current liabilities to banks), and higher inventories, current tax refund claims and other current assets.

The non-current assets of EUR 567.2 million are fully funded by the total non-current capital.

On the liabilities side of the balance sheet, there was a decrease in particular in trade payables and other current financial liabilities.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Order intake	**€ million**	**303.0**	**315.3**	**623.0**	**591.0**	**5.4**
Orders on hand	**€ million**	**276.3**	**240.1**	**276.3**	**240.1**	**15.1**
Net sales	**€ million**	**287.1**	**284.4**	**551.2**	**544.4**	**1.2**
EBITDA before non-recurring expenses	**€ million**	**30.2**	**26.2**	**48.3**	**40.4**	**19.6**
Depreciation/amortization	€ million	6.3	5.8	12.3	11.5	7.0
EBIT before non-recurring expenses	**€ million**	**23.9**	**20.4**	**36.0**	**28.9**	**24.6**
Non-recurring expenses	€ million	2.2	0.0	2.6	0.0	
EBIT	**€ million**	**21.7**	**20.4**	**33.4**	**28.9**	**15.6**
Net profit	**€ million**	**15.2**	**14.0**	**23.5**	**20.2**	**16.3**
R&D costs	**€ million**	**22.4**	**22.7**	**44.3**	**45.6**	**(2.9)**
Cash flow from operating activities	**€ million**	**31.6**	**36.0**	**55.6**	**72.4**	**(23.2)**
Net financial debt	**€ million**	**(107.6)**	**(75.2)**	**(107.6)**	**(75.2)**	**43.1**
Investments	**€ million**	**62.6**	**5.0**	**67.6**	**10.4**	
Capital employed	**€ million**	**638.0**	**618.0**	**638.0**	**618.0**	**3.2**
Net working capital	**€ million**	**361.4**	**388.6**	**361.4**	**388.6**	**(7.0)**
EBIT before non-recurring expenses/net sales	**%**	**8.3**	**7.2**	**6.5**	**5.3**	
EBIT before non-recurring expenses/ capital employed (ROCE)	**%**	**3.7**	**3.3**	**5.6**	**4.7**	
Gearing	**Factor**	**(0.2)**	**(0.1)**	**(0.2)**	**(0.1)**	
Headcount as of June 30		**6,276**	**6,094**	**6,276**	**6,094**	**3.0**

Business performance of the medical division

Products launched/new markets tapped

Dräger received an excellent response to Infinity Omega Widescreen, the patient monitor launched in December 2007 as the first component of the Infinity Acute Care System (Infinity ACS). The Infinity ACS was supplemented by the ambulatory "Infinity M300" patient monitor, which received market approval in June 2008 and was then installed for the first time (Germany, US). This monitor remotely transmits the patient's vital signs without restricting his/her movement, thus increasing the patient's mobility and accelerating his/her recovery. In the anesthesia segment, the Primus IE anesthesia device was launched. It adds Infinity-ACS functionalities to the existing "Primus" and integrates it into the Infinity system. The launch of the "Oxylog 2000 plus" in the emergency ventilation segment is a considerable boost to the lower-priced end of the product portfolio.

ORDER INTAKE

in € million	Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Germany	68.8	71.4	130.2	124.6	4.5
Rest of Europe	124.4	117.2	242.8	226.7	7.1
Americas	55.0	69.9	137.8	125.4	9.9
Asia/Pacific	33.1	36.0	63.1	62.6	0.8
Other	21.7	20.8	49.1	51.7	(5.0)
Total	**303.0**	**315.3**	**623.0**	**591.0**	**5.4**

At EUR 623.0 million, order intake was 5.4 percent (net of currency effects: 9.1 percent) above the prior-year period (H1/2007: EUR 591.0 million), primarily due to a major order from South America in the first quarter of 2008.

In the Americas region, order intake rose by 9.9 percent (net of currency effects: 20.1 percent) to EUR 137.8 million (H1/2007: EUR 125.4 million). This was significantly influenced by the aforementioned tender business in South America and positive business performance in Brazil where, among other things, Dräger won a major order for the "Oxylog 3000" emergency ventilator (both in the first quarter of 2008). Order intake in the US remained below the prior-year value, and net of currency effects was only slightly above it.

At the end of the first half of 2008, the Asia/Pacific region's order intake of EUR 63.1 million was on a par with the prior year (H1/2007: EUR 62.6 million). Order intake developed particularly well in China now that the policy of restrictive investment in healthcare observed in 2007 has been overcome. In the second quarter of 2008 neither Japan nor Australia was able to maintain the pleasing order intake of the first quarter.

In Germany, order intake remained relatively strong despite slowing compared with the first three months of 2008, with growth of 4.5 percent taking it to EUR 130.2 million (H1/2007: EUR 124.6 million).

ORDERS ON HAND

in € million	June 30, 2008	June 30, 2007	Change in %
Germany	57.4	53.0	8.3
Rest of Europe	108.1	98.7	9.5
Americas	69.1	54.2	27.5
Asia/Pacific	19.6	19.5	0.5
Other	22.1	14.7	50.3
Total	**276.3**	**240.1**	**15.1**

At EUR 276.3 million, orders on hand as of June 30, 2008 were a substantial 15.1 percent (net of currency effects: 18.5 percent) higher than the prior year (June 30, 2007: EUR 240.1 million). The equipment orders on hand cover a three-month period (June 30, 2007: 2.6 months). Orders on hand increased in particular in the Americas and other countries regions.

NET SALES

in € million	Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Germany	67.7	58.9	120.9	107.9	12.0
Rest of Europe	110.9	110.8	214.8	206.3	4.1
Americas	57.0	58.4	111.6	122.5	(8.9)
Asia/Pacific	31.3	28.8	63.2	57.0	10.9
Other	20.2	27.5	40.7	50.7	(19.7)
Total	**287.1**	**284.4**	**551.2**	**544.4**	**1.2**

Net sales grew by 1.2 percent (net of currency effects: 4.9 percent) to EUR 551.2 million in the first half of 2008 (H1/2007: EUR 544.4 million).

With net sales of EUR 111.6 million, the Americas region remains 8.9 percent below the prior-year figure (H1/2007: EUR 122.5 million) at mid-year due to unearned net sales from tender business and the performance of the US dollar exchange rate. Business was disappointing in the US, where net sales were also below the prior-year level in local currency. Dräger expects restructuring to lead to an improvement medium term.

Net sales growth of 10.9 percent in the Asia/Pacific region, taking net sales to EUR 63.2 million (H1/2007: EUR 57.0 million), stems from an excellent order intake in the first quarter of 2008.

In Germany, year-on-year net sales growth of 12.0 percent, taking net sales to EUR 120.9 million (H1/2007: EUR 107.9 million), is also attributable to good order intake in the first quarter of 2008. However, it must still be assumed that the market will be flat, shaped by an ongoing investment backlog. At EUR 214.8 million, net sales in the rest of Europe region are up 4.1 percent, in line with expectations (H1/2007: EUR 206.3 million). A major tender contract in southeast Europe, which has not yet been delivered in full, as well as the positive business development in the UK and Russia provided positive impetus.

Earnings top prior year

The gross margin was below the prior-year figure in the first half of 2008 as it was impacted by some tender transactions. With a slight increase (1.2 percent) in net sales, however, this was more than offset primarily by significantly lower functional costs. The decrease in functional costs was chiefly attributable to the development of the exchange rate, as it eased costs incurred in the US dollar zone, translated into euros. The functional costs include non-recurring expenses of EUR 2.6 million (H1/2007: no non-recurring expenses).

Medical was able to increase EBIT before non-recurring effects by 24.6 percent year on year to EUR 36.0 million in the first six months (H1/2007: EUR 28.9 million).

In the second quarter of 2008, the division generated EBIT before non-recurring expenses of EUR 23.9 million which represents a 17.2 percent increase in comparison with the same quarter in 2007 (Q2/2007: EUR 20.4 million). The EBIT margin before non-recurring expenses improved to 8.3 percent (Q2/2007: 7.2 percent).

Investments

The medical division invested EUR 67.6 million in intangible assets and property, plant and equipment in the first half of 2008 (H1/2007: EUR 10.4 million). This is due to the new administration building in Lübeck having been taken over from MOLVINA Vermietungsgesellschaft mbH und Co. Objekt Finkenstraße KG (Dräger Group real estate company) in May 2008. The first units moved into the building immediately afterwards. Research and development, marketing and sales and some areas of administration will follow during the third quarter. The investment in the building, in the form of a finance lease, totaled EUR 46.0 million plus operational facilities amounting to EUR 6.8 million which are owned by Dräger Medical AG & Co. KG. In connection with this, a total of EUR 2.2 million was invested to replace office equipment.

In order to ensure strong growth in China, the Chinese sales and manufacturing companies invested EUR 2.3 million (H1/2007: EUR 0.9 million) in a new building with three times as much usable space in the first half of 2008. The companies are due to move into the new building in the second half of 2008.

Depreciation, amortization and write-downs amounted to EUR 12.3 million in the first half of 2008, accounting for 18 percent of investments. In the comparable prior-year period, depreciation, amortization and write-downs completely covered investment.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Order intake	**€ million**	**163.9**	**160.9**	**343.2**	**335.8**	**2.2**
Orders on hand	**€ million**	**219.6**	**153.1**	**219.6**	**153.1**	**43.4**
Net sales	**€ million**	**176.8**	**167.1**	**324.4**	**306.0**	**6.0**
EBITDA before non-recurring expenses	**€ million**	**25.6**	**20.9**	**40.5**	**38.2**	**6.0**
Depreciation/amortization	€ million	5.6	5.2	11.0	10.2	7.8
EBIT before non-recurring expenses	**€ million**	**20.0**	**15.7**	**29.5**	**28.0**	**5.4**
Non-recurring expenses	€ million	0.4	0.0	5.6	0.0	
EBIT	**€ million**	**19.6**	**15.7**	**23.9**	**28.0**	**(14.6)**
Net profit (before profit/loss transfer)	**€ million**	**13.9**	**10.4**	**16.3**	**18.5**	**(11.9)**
R&D costs	**€ million**	**8.2**	**7.2**	**15.5**	**13.8**	**12.3**
Cash flow from operating activities	**€ million**	**(1.8)**	**(3.6)**	**20.8**	**2.8**	
Net financial debt	**€ million**	**52.8**	**73.1**	**52.8**	**73.1**	**(27.8)**
Investments	**€ million**	**6.3**	**6.4**	**11.7**	**11.4**	**2.6**
Capital employed	**€ million**	**222.9**	**240.8**	**222.9**	**240.8**	**(7.4)**
Net working capital	**€ million**	**144.6**	**161.7**	**144.6**	**161.7**	**(10.6)**
EBIT before non-recurring expenses/net sales	**%**	**11.3**	**9.4**	**9.1**	**9.2**	
EBIT before non-recurring expenses/ capital employed (ROCE)	**%**	**9.0**	**6.5**	**13.2**	**11.6**	
Gearing	**Factor**	**0.3**	**0.5**	**0.3**	**0.5**	
Headcount as of June 30		**4,059**	**3,848**	**4,059**	**3,848**	**5.5**

Business performance of the safety division

Products launched/new markets tapped

The safety division launched, among other things, the new self-contained breathing apparatus "PSS 7000" with its electronic modules "Bodyguard 7000" and "Sentinel 7000" in the first half of 2008. The devices are particularly comfortable to wear (light, sturdy, carbon fiber composite back plate), offer optimum weight distribution thanks to the patented sliding and swivelling waist belt, have improved airline positioning and include many other innovations to improve customer value.

ORDER INTAKE

in € million	Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Germany	41.6	36.5	84.6	85.0	(0.5)
Rest of Europe	70.3	69.8	145.7	140.2	3.9
Americas	21.9	26.9	51.4	55.4	(7.2)
Asia/Pacific	21.6	21.1	42.2	41.5	1.7
Other	8.5	6.6	19.3	13.7	40.9
Total	**163.9**	**160.9**	**343.2**	**335.8**	**2.2**

In the first six months of 2008, the safety division's order intake rose by 2.2 percent (net of currency effects: 5.4 percent) to EUR 343.2 million. This growth was fuelled by the development of business in the rest of Europe and Asia/Pacific regions as well as in parts of the other countries region.

At EUR 84.6 million, order intake was at the prior-year level in Germany. The prior-year figure contains a major order which will be processed over a period of several years. In the first half of 2008, the division won orders for respiratory protection equipment and training galleries for fire departments, industry and mines, for example.

In the rest of Europe region, the first half of 2008 went well. Order intake increased by 3.9 percent (net of currency effects: 5.6 percent), taking it to EUR 145.7 million. High demand for respiratory protection and gas detection equipment was the driving force behind positive performance in Europe overall. The Norwegian offshore industry ordered stationary gas detection devices. Dräger received a major order in Italy to supply the police and Carabinieri with the tried-and-tested "Dräger 7110" breathalyzer.

At EUR 51.4 million, order intake in the Americas region was 7.2 percent (net of currency effects: 2.2 percent) below the prior-year figure (H1/2007: EUR 55.4 million). Dräger met the extremely tough National Fire Protection Association standards for the new self-contained breathing apparatus “PSS 7000”, and the electronic module “Sentinel 7000” and received approval in May 2008. The Canadian navy placed an order for the Dräger “PSS 100” breathing apparatus. Fire services showed particular interest in real fire training systems for firefighters. Business in Central and South America was also very pleasing, in particular at the subsidiaries in Mexico and Brazil. A petroleum corporation in Mexico will be using safety division breathing apparatus in the future.

Order intake in the Asia/Pacific region was increased by 1.7 percent (net of currency effects: 5.8 percent) to EUR 42.2 million (H1/2007: EUR 41.5 million). In Australia, Dräger breathalyzers beat strong competitors in tenders. Dräger received an order from the fire service in New Zealand for our thermal imaging camera.

The safety division expanded its market position in the other countries region. Order intake growth, which was above average, came to 40.9 percent (net of currency effects: 50.4 percent), bringing order intake to EUR 19.3 million (H1/2007: EUR 13.7 million).

ORDERS ON HAND

in € million	**June 30, 2008**	**June 30, 2007**	**Change in %**
Germany	37.5	39.8	(5.8)
Rest of Europe	133.7	78.0	71.4
Americas	19.9	14.0	42.1
Asia/Pacific	21.6	16.7	29.3
Other	6.9	4.6	50.0
Total	**219.6**	**153.1**	**43.4**

With orders on hand of EUR 219.6 million as of June 30, 2008 (June 30, 2007: EUR 153.1 million), representing year-on-year growth of 43.4 percent (net of currency effects: 45.9 percent), the safety division has a good foundation on which to build. The equipment orders on hand cover a 2.9-month period (June 30, 2007: 2.8 months).

The allocation of the orders on hand and the period of time they cover are in line with our expectations. In the rest of Europe, three orders totaling approx. EUR 80 million were received for deep-sea diving systems.

NET SALES

in € million	Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Germany	42.1	35.2	75.8	69.6	8.9
Rest of Europe	82.4	81.2	148.4	139.6	6.3
Americas	21.6	25.7	42.1	48.3	(12.8)
Asia/Pacific	21.2	18.4	41.1	35.9	14.5
Other	9.5	6.6	17.0	12.6	34.9
Total	**176.8**	**167.1**	**324.4**	**306.0**	**6.0**

Safety's net sales grew by 6.0 percent (net of currency effects: 9.1 percent) to EUR 324.4 million (H1/2007: EUR 306.0 million). This growth was achieved despite the strained public finances in some countries and tougher competition due to the strong euro. Core business and successful business performance in Germany, the rest of Europe, Asia/Pacific, and other countries again made a significant contribution to the positive development. Global net sales growth exceeded the forecast average growth for the industry.

Against the backdrop of the strained public finances and tougher competition, net sales in Germany rose by 8.9 percent to EUR 75.8 million (H1/2007: EUR 69.6 million). The new portable multi-gas and single-gas detection devices and stationary gas monitoring systems were key net sales drivers. "Shutdown & Rental Management" successfully implemented projects to manage safety aspects and ensure that occupational health and safety standards are maintained during the temporary shutdown of refineries or chemical production plants.

At 6.3 percent (net of currency effects: 7.7 percent), net sales growth in the rest of Europe surpassed order intake growth, reaching EUR 148.4 million (H1/2007: EUR 139.6 million). In Spain, Dräger came out top against competitors' devices with the portable multi-gas detection device "Dräger X-am 5000". The Swiss army ordered oxygen self-rescuers, and further orders for the "Dräger Alcotest 6810" breathalyzer were received from the UK. In May 2008, we handed over the first deep-sea diving system to our customer in Norway.

At EUR 42.1 million, net sales in the Americas region were 12.8 percent (net of currency effects: 3.9 percent) below the prior year (H1/2007: EUR 48.3 million). We were unable to achieve the budgeted growth in the US in the first half of 2008 for regulatory reasons. Positive impetus came from orders to supply the North American market with alcotest devices, Dräger tubes and the "Dräger Interlock XT" electronic immobilizer, which does not allow the car engine to be started until the driver's breath alcohol has been tested.

The safety division’s market position was further expanded by its core and project business in the Asia/Pacific region, with growth of 14.5 percent (net of currency effects: 19.2 percent) to EUR 41.1 million (H1/2007: EUR 35.9 million). Orders for large numbers of the long-term breathing apparatus “Dräger PSS BG 4” were received from the Chinese mining industry. Further orders from the petrochemicals industry and the semi-conductor industry underscore the strong market position and customer confidence in the equipment of the “Gas Detection Systems” segment.

Net sales in the other countries region grew by 34.9 percent (net of currency effects: 45.2 percent) to EUR 17.0 million (H1/2007: EUR 12.6 million). The subsidiary in South Africa was particularly successful. The petrochemical industry in the Middle East placed an order for a respiratory air system for an entire onshore plant. Furthermore, breathing apparatus was supplied to Saudi Arabia and the United Arab Emirates.

Earnings top prior year

Shifts in the product mix and the strong euro led to a weaker gross margin. The functional costs (excluding non-recurring expenses), which rose at a lower rate than net sales, helped to improve earnings.

EBIT before non-recurring expenses improved by 5.4 percent, reaching EUR 29.5 million in the first half of 2008 (H1/2007: EUR 28.0 million). Safety’s EBIT margin before non-recurring expenses came to 9.1 percent in the first half of 2008 (H1/2007: 9.2 percent). Non-recurring expenses amounted to EUR 5.6 million (H1/2007: no non-recurring expenses).

In the second quarter of 2008, the safety division doubled its EBIT before non-recurring expenses (EUR 20.0 million; Q2/2007: EUR 15.7 million) compared with the first quarter of 2008, which represents a 27.4 percent increase on the second quarter of 2007. It achieved an EBIT margin of 11.3 percent (Q2/2007: 9.4 percent).

Investments

Safety is investing increasingly in manufacturing processes of the future, with investments in intangible assets and property, plant and equipment totaling EUR 11.7 million (H1/2007: EUR 11.4 million). Depreciation, amortization and write-downs of EUR 11.0 million cover 94 percent (H1/2007: 89 percent) of the investment volume.

BUSINESS PERFORMANCE OF DRÄGERWERK AG & CO. KGAA/OTHER COMPANIES

		Q2 2008	Q2 2007	H1 2008	H1 2007	Change in %
Order intake Germany	**€ million**	**3.3**	**1.8**	**6.9**	**3.5**	**97.1**
Orders on hand Germany	**€ million**					
Net sales Germany	**€ million**	**3.3**	**1.8**	**6.9**	**3.5**	**97.1**
EBITDA before non-recurring expenses	**€ million**	**49.5**	**53.0**	**45.8**	**55.3**	**(17.2)**
Depreciation/amortization	€ million	2.2	1.9	4.2	4.1	2.4
EBIT before non-recurring expenses	**€ million**	**47.3**	**51.1**	**41.6**	**51.2**	**(18.8)**
Non-recurring expenses	€ million	1.0	0.0	2.5	0.0	
EBIT	**€ million**	**46.3**	**51.1**	**39.1**	**51.2**	**(23.6)**
Net profit	**€ million**	**40.2**	**44.4**	**28.4**	**38.8**	**(26.8)**
R&D costs	**€ million**	**0.0**	**0.5**	**0.5**	**0.6**	**(16.7)**
Cash flow from operating activities	**€ million**	**42.2**	**41.3**	**10.2**	**31.6**	**(67.7)**
Net financial debt	**€ million**	**356.8**	**351.4**	**356.8**	**351.4**	**1.5**
Investments	**€ million**	**2.3**	**11.3**	**12.7**	**18.6**	**(31.7)**
Capital employed	**€ million**	**687.0**	**669.3**	**687.0**	**669.2**	**2.6**
Net working capital	**€ million**	**(17.7)**	**(32.6)**	**(17.7)**	**(32.6)**	**(45.7)**
Headcount as of June 30		**362**	**227**	**362**	**227**	**59,5**

Business performance of Drägerwerk AG & Co. KGaA/ Other companies

Drägerwerk AG & Co. KGaA provides services to the divisions and their subsidiaries. This includes the services provided by the legal, tax, insurance, treasury, Corporate Communications, investor relations, financial control, Group accounting, Corporate IT, HR, internal audit and basic research departments. Real estate is managed by a real estate company listed under “other companies”. The services to our divisions are closely coordinated with them and invoiced in accordance with arm’s length principles, as between unrelated parties.

Corporate Communications and Corporate IT have already been established at Drägerwerk AG & Co. KGaA as shared services for all Group companies. In order to make better use of economies of scope it is planned to extend the shared service activities to other suitable functions.

Earnings of Drägerwerk AG & Co. KGaA/Other companies

EBIT before non-recurring expenses of EUR 41.6 million (H1/2007: EUR 51.2 million) is the product of the earnings before non-recurring expenses of the companies grouped here and the investment result of EUR 49.1 million (H1/2007: EUR 59.3 million). It includes the dividend for fiscal year 2007 of EUR 34.4 million by Dräger Medical AG & Co. KG to Dräger Medical Holding GmbH in the first half of 2008 (H1/2007: EUR 43.1 million for 2006), which is dependent on the medical division’s result. As is the case every year, the result excluding investment income is negative, as Drägerwerk AG & Co. KGaA in particular performs group functions.

Expenses not allocated to projects in the divisions for research activities at Drägerwerk AG & Co. KGaA came to EUR 0.5 million in the first half of 2008 (H1/2007: EUR 0.6 million). 52 employees currently work in the development department in Lübeck (H1/2007: 46 employees).

Investments

Investment in intangible assets and property, plant and equipment totaled EUR 12.7 million (H1/2007: EUR 18.6 million) in the first half of 2008, of which EUR 10.4 million (H1/2007: EUR 16.7 million) is attributable to the medical division’s new administration building in Lübeck.

Reconciliation of figures at group level

To reconcile figures at group level, consolidations between medical, safety and Drägerwerk AG & Co. KGaA and other companies have to be accounted for. These are detailed in the segment report of the notes to this report.

Research and development

Expenses for research and development (R&D) remained high in the first six months of 2008. The Dräger Group's total R&D expenditure amounted to EUR 60.3 million (H1/2007: EUR 60.0 million), which represents 7.0 percent (H1/2007: 7.2 percent) of net sales. In the first half of the year, the medical division spent EUR 44.3 million (H1/2007: EUR 45.6 million), representing 8.0 percent (H1/2007: 8.4 percent) of net sales, and the safety division spent EUR 15.5 million (H1/2007: EUR 13.8 million), representing 4.8 percent (H1/2007: 4.5 percent) of net sales.

The number of people employed in research and development at the Dräger Group rose to 986 (H1/2007: 928) as of June 30, 2008. 703 (H1/2007: 680) of them work for medical, 231 (H1/2007: 202) for safety and 52 (H1/2007: 46) in basic research at Drägerwerk AG & Co. KGaA.

The Dräger Group's basic research and research and development units filed a total of 69 international patents in the first half of 2008 (H1/2007: 46). This highlights the Group's immense innovative strength, which is the foundation for healthy growth in the future.

In the first half of 2008, R&D in the medical and safety divisions focused on bringing several products to market maturity.

Medical division

The medical division's development team has again in the first half of 2008 reached important milestones in completing products:

In the area of anesthesia, the new anesthesia device "Primus IE" was brought to market maturity in April 2008. Updated software for the "Zeus" anesthesia workstation was launched in June. In the area of ventilation, Dräger revised the successful "Evita" critical care ventilator. The "Savina" ventilator received approval as the newly developed "Savina Color" with a new design and high-contrast color display screen in March 2008 and was launched globally. The ambulatory telemetry system "Infinity M300" was launched in June 2008. Development teams in the US, Germany and China are working hard to complete the Infinity Acute Care system. Additional Infinity ventilation products will be launched in the second half of 2008.

Safety division

The safety division's development teams also developed important products to market maturity.

The "Dräger DrugTest 5000" launched in the spring enables the simple, fast and accurate analysis of six different pharmacological classes of substances. With this product, Dräger is entering a new and promising field – using biochemical procedures to detect substances in oral fluid samples. Furthermore, the electronic modules of the "PSS 7000" self-contained air breathing apparatus were completed for the European ("Bodyguard 7000") and the US ("Sentinel 7000") markets. In addition, the safety division successfully launched the "Dräger FPS 7000", which now includes the "FPS-COM". It is the first communication system in the world to be integrated into a firefighter's respiratory protection mask and comprises a voice amplifier and a radio communication unit.

Personnel

WORKFORCE TREND OF THE DRÄGER GROUP

	Employees as of	
	June 30, 2008	**June 30, 2007**
Medical	6,276	6,094
Safety	4,059	3,848
Drägerwerk AG & Co. KGaA/Other companies	362	227
Dräger Group total (excluding apprentices)	**10,697**	**10,169**
Turnover in % of employees	6.5	5.2
Sick days in % of work days	3.0	3.0
Personnel expenses in % of total operating performance	34.5	35.3

The year-on-year increase in headcount from 10,169 to 10,697 is primarily due to newly formed entities and the expansion of companies abroad. A total of 56 percent of all employees work abroad (H1/2007: 56 percent). In Germany, the headcount of 4,694 employees as of June 30, 2008 exceeds that of twelve months earlier by 182. The ratio of sick days to work days remained at the pleasingly low level of 3 percent in the first half of the year.

Manufacturing, logistics and IT

Medical's manufacturing and logistics sites were placed under common management in the first half of 2008, removing one hierarchy level from the organizational structure to make it leaner. Focusing on value-adding processes ensures that processes are customer-oriented and aims to improve quality and efficiency.

Following on from the improvement in delivery excellence in most areas in 2007, our reliability in supplying replacement parts and accessories is now well above 95 percent.

By systematically expanding logistics models such as, for example, vendor-managed inventory (VMI), lead time has been steadily reduced and supply flexibility has been improved again.

The safety division uses the Six Sigma method to systematically improve quality and solve problems. As part of this program, Green Belt and Black Belt training in manufacturing and logistics was completed at the Lübeck and Blyth sites in the first half of 2008. On account of its positive results, the program will be extended to other functional areas and sites.

Safety is running a project to optimize warehousing in order to improve its return on capital employed. It aims to significantly increase the rate of turnover at the manufacturing warehouses, and has set the strategic goal of increasing the turnover rate from the current 5 to 8 by 2013.

The Company has expanded its manufacturing capacity for soda lime by 50 percent at the Lübeck site to enable it to meet the still growing demands of the medical and safety divisions.

The Technical Inspection Authority (North) (TÜV-Nord) certified and audited for the first time in the first half of 2008 the global quality management system implemented by safety in accordance with ISO 9001:2000. The certification firm satisfied itself of the quality management system's effectiveness at a total of three manufacturing sites and six sales companies in North and South America and in Europe. It did not discover any discrepancies. This proves the effectiveness of the safety division's global quality management system.

The most important areas of action for IT at Dräger this year and in the coming years are to establish a standardized group-wide IT infrastructure, to harmonize and standardize the group-wide application landscape, to optimize the IT supplier portfolio and to establish a global IT organization.

The "it works" program was launched in 2008 as the first step towards standardizing IT infrastructure. It aims to modernize, standardize and optimize the hardware and software (PCs, notebooks and the relevant software) used by Dräger employees as well as user services and is currently being implemented.

The local IT network (LAN) has been enhanced in Germany, so the focus is now on standardizing and optimizing the international IT infrastructure.

Phoenix, a program which will run for several years, has been set up to standardize and harmonize the business processes and IT systems in the medical and safety divisions group-wide throughout the world. The first phase focusses on improving system support for sales and service processes.

Environmental protection

The publication of a modified quality and environmental policy, which also covers climate protection, will highlight for all Dräger companies and employees the world over that Dräger intends to make an active contribution towards reducing CO_2 emissions. The energy consumption data collected to date are currently being analyzed in detail to facilitate the definition of specific savings targets.

The successful external audit of Dräger's environmental management system in February 2008 secured ISO 14001 certification for the Lübeck site and the Dräger companies located there for the next three years until February 12, 2011. There were no discrepancies in the re-certification audit. The external auditor's recommendations have now almost all been implemented or are in the process of being implemented with their implementation being closely monitored by the management.

Implementing the requirements of REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) is an important part of Dräger companies' current activities. As an importer and manufacturer of certain chemicals and since it uses various substances, for example in manufacturing soda lime, detection tubes and impregnated activated carbon, as well as using numerous preparations, the requirements apply in particular to Dräger Safety AG & Co KGaA. An implementation action plan has been derived by a REACH task force. To maintain legal certainty, this includes the appointment of a competent service provider for the pre-registration of chemicals required since June 1, 2008 and participation in the SIEF (Substance Information Exchange Forum) for the subsequent registration phase. By contrast, Dräger Medical AG & Co. KG is barely affected by REACH and will essentially provide obligatory additional information to users of selected products.

Studien- und Fördergesellschaft der Schleswig-Holsteinischen Wirtschaft e.V. awarded the Dräger environmental officer the environmental protection pin and paid tribute to the continued success over many years in product and manufacturing-related environmental protection.

Opportunities and risks relating to future development

There has been no change in the Group's opportunities and risks since the publication of the 2007 annual report on March 18, 2008.

Changed conditions after the close of the first half of 2008

There were no significant changes between the end of the first half of 2008 and the time this H1 report was prepared.

Outlook

Future market environment

The global economy grew by almost 5 percent in 2006 and 2007. However, leading economic institutes expect the growth rate to slow to between 3.5 percent and 3.9 percent in 2008 and 2009.

The OECD's 2008 forecast anticipates that the economies of the 30 OECD states will grow by a mere 1.8 percent in 2008 and 1.7 percent in 2009. The US economy is forecast to slow considerably again this year, from 2.2 percent to 1.2 percent. The economy even contracted by 0.5 percent in the second quarter of 2008. As the third quarter is expected to record a plus of 0.7 percent, the prevailing opinion is that it is too early to speak of a recession.

In the eurozone, the economy will grow by 1.7 percent this year, and by 1.4 percent in 2009. The OECD's respective forecasts for Germany are 1.9 percent and 1.1 percent. Both the Ifo Institute and the Institut der deutschen Wirtschaft are more optimistic in their forecasts of 2.4 percent and 2.5 percent for 2008 on the back of the strong first quarter.

Deutsche Bank anticipates that inflation concerns will be a deciding factor for international capital markets. It states that higher energy and food prices are putting pressure on costs, wages in emerging markets are rising and the weak US dollar is pushing import prices up in the US. The overall inflation rate in the eurozone is now over 3 percent, and in the US it has even topped the 4 percent mark. Inflation in emerging markets is driven in particular by rising food prices.

Future situation of the Company

The medical division's business performance in the first half of 2008 has again confirmed its expectations for the current fiscal year of achieving stable EBIT before non-recurring expenses. The division is powering ahead with the internal process improvements. The non-recurring expenses incurred in connection with restructuring have remained within budget. At the same time, the medical division has been successful in proving its innovative strength by continuously updating its portfolio through launches of new devices.

As well as a deterioration in the macroeconomic conditions, the safety division anticipates further consolidation in its markets in 2008 and 2009. For the current fiscal year, the division expects the EBIT margin before non-recurring expenses to stabilize at around 10 percent following its excellent performance in 2007.

The Dräger Group has confirmed its expectations for fiscal year 2008 as the divisions have performed as predicted. A slight increase in net sales and a stable EBIT before non-recurring expenses compared with 2007 are the targets for the current fiscal year. As planned, non-recurring expenses are expected to come to between EUR 20 million and EUR 25 million. These non-recurring expenses will contribute to particularly strong high income growth mid and long-term. The forecasts regarding investment and financing have not changed since the Q1 report published on May 8, 2008 either.

Interim financial statements of the Dräger Group as of June 30, 2008 (amended version)

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Note	Q2 2008	Q2 2007	H1 2008	H1 2007
		€ million	€ million	€ million	€ million
Net sales	6	**457.8**	**444.9**	**863.5**	**837.4**
Cost of sales		(241.0)	(233.7)	(455.0)	(428.8)
Gross profit		**216.8**	**211.2**	**408.5**	**408.6**
Research and development costs		(30.6)	(30.4)	(60.3)	(60.0)
Marketing and selling expenses		(122.1)	(120.0)	(239.0)	(238.2)
General administrative expenses		(29.7)	(28.5)	(63.0)	(59.5)
Other operating income		1.3	1.4	2.5	2.8
Other operating expenses		(1.2)	(1.5)	(2.1)	(3.7)
Functional costs		**182.3**	**179.0**	**361.9**	**358.6**
		34.5	**32.2**	**46.6**	**50.0**
Profit from investments in associates		0.0	0.0	0.3	0.2
Other financial result		2.7	1.3	0.7	0.7
Financial result (before interest result)	7	**2.7**	**1.3**	**1.0**	**0.9**
EBIT		**37.2**	**33.5**	**47.6**	**50.9**
Interest result [2]	7	**(6.3)**	**(6.7)**	**(12.6)**	**(12.0)**
Earnings before income taxes [2]		**30.9**	**26.8**	**35.0**	**38.9**
Income taxes [2]	8	(11.7)	(10.2)	(11.7)	(14.8)
Net profit [2]		**19.2**	**16.6**	**23.3**	**24.1**

Net profit [2]		**19.2**	**16.6**	**23.3**	**24.1**
minority interests in net profit		3.5	3.4	5.5	5.0
share in net profit for participation certificates (without minimum dividend) [2]		1.1	1.1	2.9	2.2
net profit to be allotted to shareholders [2]		14.6	12.1	14.9	16.9
Earnings per share [1]					
per limited preferred share (in €) [2]		1.15	0.95	1.18	1.35
per limited common share (in €) [2]		1.14	0.94	1.15	1.32

[1] The dividend premium of EUR 0.06 on limited preferred shares is recognized pro rata on a quarterly basis.
[2] The values were adjusted. See Note 4.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Notes		June 30, 2008	December 31, 2007
		€ million	€ million	€ million
Assets				
Intangible assets	9	218.6		223.7
Property, plant and equipment	9	252.7		240.6
Investments in associates		0.7		0.7
Other non-current financial assets	10	18.0		19.5
Non-current tax refund claims		1.2		1.2
Deferred tax assets		68.9		70.6
Other non-current assets	11	7.1		10.1
Non-current assets			**567.2**	**566.4**
Inventories	12	328.5		308.2
Trade receivables and construction contracts		494.9		550.0
Other current financial assets	13	23.9		16.1
Cash and cash equivalents		109.9		160.7
Current tax refund claims		21.1		14.3
Other current assets	14	36.5		21.8
Current assets			**1,014.8**	**1,071.1**
Total assets			**1,582.0**	**1,637.5**

	Notes		June 30, 2008	December 31, 2007
		€ million	€ million	€ million
Equity and liabilities				
Capital stock		32.5		32.5
Capital reserves		38.9		38.9
Retained earnings [1]		255.5		262.0
Participation capital [1]		56.1		56.1
Other comprehensive income		(36.2)		(30.0)
Group net earnings [1]		17.8		6.6
Minority interests		170.6		179.1
Equity [1]			**535.2**	**545.2**
Obligations from participation certificates [1]		27.1		26.6
Provisions for pensions and similar obligations		169.5		169.9
Other non-current provisions	15	29.1		28.8
Non-current interest-bearing loans	16	297.2		300.7
Other non-current financial liabilities	17	7.0		7.3
Deferred tax liabilities [1]		18.5		18.8
Other non-current liabilities		0.1		0.1
Non-current liabilities [1]			**548.5**	**552.2**
Other current provisions	15	145.9		148.9
Current loans and liabilities to banks	16	87.7		107.3
Trade payables		98.1		113.8
Other current financial liabilities [1]	18	49.1		63.2
Current tax liabilities		39.1		34.0
Other current liabilities	19	78.4		72.9
Current liabilities [1]			**498.3**	**540.1**
Total equity and liabilities			**1,582.0**	**1,637.5**

[1] The values were adjusted. See Note 4.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE OF THE DRÄGER GROUP

	H1 2008	H1 2007
	€ million	€ million
Change in the fair value of financial instruments recognized directly in equity	(0.3)	0.0
Currency translation adjustment for foreign subsidiaries	(7.4)	(1.1)
Changes in value recognized directly in equity	**(7.7)**	**(1.1)**
Net profit [1]	23.3	24.1
Earnings after taxes and changes in value recognized directly in equity [1]	**15.6**	**23.0**
net profit to be allotted to shareholders [1]	8.7	16.2
minority interests	4.0	4.6
share in net profit for participation certificates (without minimum dividend, after taxes) [1]	2.9	2.2

[1] The values were adjusted. See Note 4.

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	Q2 2008 € million	Q2 2007 € million	H1 2008 € million	H1 2007 € million
Operating activities				
Group net profit [1]	19.2	16.6	23.3	24.1
Depreciation/amortization of non-current assets	14.1	12.9	27.5	25.8
Increase (+)/decrease (–) in provisions	(10.6)	(5.8)	(2.0)	(3.0)
Other non-cash expenses (+)/income (–) [1]	(0.1)	6.1	12.2	7.1
Gain (–)/loss (+) on the disposal of non-current assets	0.0	0.1	0.0	0.0
Increase (–)/decrease (+) in inventories	(9.3)	(8.2)	(26.5)	(47.3)
Increase (–)/decrease (+) in trade receivables	(10.4)	(10.9)	51.4	70.6
Increase (–)/decrease (+) in other assets	12.5	(1.8)	(29.7)	(15.0)
Increase (+)/decrease (–) in trade payables	(1.8)	9.8	(14.3)	(7.5)
Increase (+)/decrease (–) in other liabilities [1]	7.4	1.8	(2.4)	(5.9)
Net cash provided by operating activities [1]	**21.0**	**20.6**	**39.5**	**48.9**
Investing activities				
Cash outflow for investments in intangible assets	(1.8)	(8.7)	(2.9)	(51.1)
Cash inflow from the disposal of intangible assets	0.4	0.2	0.4	0.2
Cash outflow for investments in property, plant and equipment	(16.5)	(20.7)	(36.3)	(35.8)
Cash inflow from disposals of property, plant and equipment	1.0	0.7	1.2	1.0
Cash outflow for investments in financial assets	(1.6)	0.0	(1.6)	(0.1)
Cash inflow from the disposal of financial assets	0.7	0.7	1.0	0.8
Net cash used in investing activities	**(17.8)**	**(27.8)**	**(38.2)**	**(85.0)**
Financing activities				
Distribution of dividends [1]	(13.8)	(13.8)	(13.8)	(13.8)
Net balance of bank loans raised (+)/redeemed (–) and other liabilities to banks	(10.2)	(42.9)	(21.3)	65.2
Net balance of finance lease liabilities incurred (+)/repaid (–)	(0.2)	(0.2)	(0.3)	(0.3)
Cash outflows (–) from capital decreases/ inflows (+) from capital increases	0.1	6.6	0.1	(63.3)
Profit distributed to minority interests	(12.1)	(23.2)	(12.6)	(24.1)
Net cash used in financing activities [1]	**(36.2)**	**(73.5)**	**(47.9)**	**(36.3)**
Change in cash and cash equivalents in the period under review	**(33.0)**	**(80.7)**	**(46.6)**	**(72.4)**
Effect of exchange rates on cash and cash equivalents	0.2	(1.3)	(4.2)	(2.4)
Cash and cash equivalents at the beginning of the reporting period	142.7	192.8	160.7	185.6
Cash and cash equivalents as of June 30 of the fiscal year	**109.9**	**110.8**	**109.9**	**110.8**

For further notes to the cash flow statement, please see Note 20.

[1] The values were adjusted. See Note 4.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

	Contributed capital			Earned equity			Minority interests	Equity
	Capital stock	Capital reserves	Partici-pation capital [1]	Retained earnings	Group net earnings	Other compre-hensive income		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
January 1, 2007 [1]	**32.5**	**38.9**	**56.1**	**219.2**	**6.6**	**(27.9)**	**251.5**	**576.9**
Distributions [1]				(7.2)	(6.6)		(24.1)	(37.9)
Currency translation differences						(0.7)	(0.4)	(1.1)
Group net profit [1]					24.1			24.1
Minority interests in net profit					(5.0)		5.0	0.0
Buyback of 10 percent interest in Dräger Medical AG & Co. KG							(63.3)	(63.3)
Change in scope of consolidation/other [1]				(0.7)		0.9	2.0	3.6
June 30, 2007 [1]	**32.5**	**38.9**	**56.1**	**212.7**	**19.1**	**(27.7)**	**170.7**	**502.3**
January 1, 2008 [1]	**32.5**	**38.9**	**56.1**	**262.0**	**6.6**	**(30.0)**	**179.1**	**545.2**
Distributions [1]				(7.2)	(6.6)		(12.6)	(26.4)
Change in fair values						(0.3)		(0.3)
Currency translation differences						(5.9)	(1.5)	(7.4)
Group net profit [1]					23.3			23.3
Minority interests in net profit					(5.5)		5.5	0.0
Change in scope of consolidation/other [1]				0.7			0.1	0.8
June 30, 2008 [1]	**32.5**	**38.9**	**56.1**	**255.5**	**17.8**	**(36.2)**	**170.6**	**535.2**

[1] The values were adjusted. See Note 4.

Notes of the Dräger Group as of June 30, 2008 (amended version)

1 Basis of preparation of the interim financial statements

As in 2006, Drägerwerk AG & Co. KGaA, Lübeck, prepared its Group financial statements for fiscal year 2007 in accordance with the International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Accordingly, in fiscal year 2008, the interim financial statements of the Dräger Group will also be prepared in accordance with IFRSs and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC). The H1 report was not audited or reviewed by an auditor.

The H1 report was prepared in euros. Unless stated otherwise, all figures are disclosed in millions of euros (EUR million); rounding differences may arise as a result.

2 Accounting policies

The same accounting principles as in the Group financial statements for 2007 were applied in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the Group financial statements in the annual report for 2007. The report may be downloaded on the internet at www.draeger.com.

In preparing the interim financial statements, use was made of the option to present condensed financial statements with selected explanatory notes. Overall, greater use was made of estimates in determining carrying amounts than at fiscal year-end.

Items of accrual and deferral were recognized where claims or obligations partially arose in the period under review.

3 Scope of consolidation and consolidation principles

There were no changes to the scope of consolidation compared to December 31, 2007 and the changes compared to June 30, 2007 were insignificant. The same consolidation principles as in the Group financial statements for 2007 were applied.

4 Changes to reporting methods for participation certificates

In order to comply with the new statutory provisions of IAS 32 on the classifications of equity and debt, Dräger evaluated its reporting methods for participation capital and decided they should be amended. To allow for an easier comparison, previous years' figures were adjusted accordingly. Earnings after income taxes for the first half of 2008 increased, going up to a net profit of EUR 23.3 million (H1/2007: EUR 24.1 million) due to the interest result enhancing by EUR 3.1 million (H1/2007: EUR 3.1 million) and the income taxes increasing by EUR 0.5 million (H1/2007: EUR 1.2 million). The increase in equity attributable to participation certificates came to EUR 35.7 million as of June 30, 2008 (December 31, 2007: EUR 39.7 million).

Please refer to Note 3 in the notes to the 2007 annual report (page 102) for more information.

5 Segment report

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical	
		H1 2008	H1 2007
Order intake	**€ million**	**623.0**	**591.0**
Orders on hand	**€ million**	**276.3**	**240.1**
Net sales	**€ million**	**551.2**	**544.4**
thereof intersegment net sales	€ million	0.4	0.7
EBITDA before non-recurring expenses	**€ million**	**48.3**	**40.4**
Depreciation/amortization	€ million	12.3	11.5
EBIT before non-recurring expenses	**€ million**	**36.0**	**28.9**
Non-recurring expenses	€ million	2.6	–
EBIT	**€ million**	**33.4**	**28.9**
Net profit (Safety: before profit/loss transfer)	**€ million**	**23.5**	**20.2**
thereof profit/loss from investments in associates	€ million	–	–
Net profit after minority interests	€ million	–	–
Earnings per share			
per limited preferred share	€	–	–
per limited common share	€	–	–
R&D costs	**€ million**	**44.3**	**45.6**
Cash flow from operating activities	**€ million**	**55.6**	**72.4**
Capital employed	**€ million**	**638.0**	**618.0**
Assets	**€ million**	**902.4**	**880.7**
thereof investments in associates	€ million	–	–
Liabilities	**€ million**	**237.7**	**222.7**
Net financial debt	**€ million**	**(107.6)**	**(75.2)**
Investments	**€ million**	**67.6**	**10.4**
Non-cash expenses	€ million	39.9	42.1
EBIT before non-recurring expenses/net sales	**%**	**6.5**	**5.3**
EBIT before non-recurring expenses/capital employed	**%**	**5.6**	**4.7**
Gearing	**Factor**	**(0.2)**	**(0.1)**
Headcount as of June 30		**6,276**	**6,094**

Consolidation amounts essentially relate to the elimination of order intake and net sales between segments, the elimination of income from investments and, in the case of assets, capital consolidation effects.

The negative amount disclosed under investments in the consolidation column for fiscal year 2008 arises from the elimination of the new administration building from

	Safety		Drägerwerk AG & Co. KGaA Other companies		Consolidation		Dräger Group	
	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
	343.2	**335.8**	**6.9**	**3.5**	**(18.6)**	**(15.6)**	**954.5**	**914.7**
	219.6	**153.1**	**–**	**–**	**(1.0)**	**(1.1)**	**494.9**	**392.1**
	324.4	**306.0**	**6.9**	**3.5**	**(19.0)**	**(16.5)**	**863.5**	**837.4**
	13.8	13.2	4.8	2.6	(19.0)	(16.5)	–	–
	40.5	**38.2**	**45.8**	**55.3**	**(48.2)**	**(57.2)**	**86.4**	**76.7**
	11.0	10.2	4.2	4.1	–	–	27.5	25.8
	29.5	**28.0**	**41.6**	**51.2**	**(48.2)**	**(57.2)**	**58.9**	**50.9**
	5.6	–	2.5	–	0.6	–	11.3	–
	23.9	**28.0**	**39.1**	**51.2**	**(48.8)**	**(57.2)**	**47.6**	**50.9**
	16.3	**18.5**	**28.4**	**38.8**	**(44.9)**	**(53.4)**	**23.3**	**24.1**
	–	–	0.3	0.2	–	–	0.3	0.2
	–	–	–	–	–	–	17.8	19.1
	–	–	–	–	–	–	1.18	1.34
	–	–	–	–	–	–	1.15	1.31
	15.5	**13.8**	**0.5**	**0.6**	**–**	**–**	**60.3**	**60.0**
	20.8	**2.8**	**10.2**	**31.6**	**(47.1)**	**(57.9)**	**39.5**	**48.9**
	222.9	**240.8**	**687.0**	**669.2**	**(587.4)**	**(542.5)**	**960.5**	**985.5**
	355.0	**352.7**	**729.5**	**713.6**	**(610.1)**	**(557.1)**	**1,376.8**	**1,389.9**
	0.5	0.5	0.2	0.3	–	–	0.7	0.8
	122.3	**104.1**	**37.0**	**37.1**	**(24.4)**	**(15.6)**	**372.6**	**348.3**
	52.8	**73.1**	**356.8**	**351.4**	**0.1**	**(4.8)**	**302.1**	**344.5**
	11.7	**11.4**	**12.7**	**18.6**	**(52.8)**	**46.7**	**39.2**	**87.1**
	23.1	25.6	12.8	11.9	–	–	75.8	79.6
	9.1	**9.2**	**–**	**–**	**–**	**–**	**6.8**	**6.1**
	13.2	**11.6**	**–**	**–**	**–**	**–**	**6.1**	**5.2**
	0.3	**0.5**	**–**	**–**	**–**	**–**	**0.6**	**0.7**
	4,059	**3,848**	**362**	**227**	**–**	**–**	**10,697**	**10,169**

Medical's assets due to a finance lease concluded with the real estate company MOLVINA, which is included in the Group financial statements.

In fiscal year 2007, investments in the consolidation column comprise goodwill of EUR 46.7 million from the acquisition of a 10 percent interest in Dräger Medical AG & Co. KG.

The key figures from the segment report are as follows:

EBIT/EBITDA

in € million	H1 2008	H1 2007
Net profit	23.3	24.1
+ Interest result	12.6	12.0
+ Income taxes	11.7	14.8
EBIT	**47.6**	**50.9**
+ Non-recurring expenses	11.3	0.0
EBIT before non-recurring expenses	**58.9**	**50.9**
+ Depreciation/amortization	27.5	25.8
EBITDA before non-recurring expenses	**86.4**	**76.7**

CAPITAL EMPLOYED

in € million	June 30, 2008	June 30, 2007
Total assets	1,582.0	1.609.9
– Deferred tax assets	(68.9)	(75.3)
– Current securities	0.0	(12.5)
– Cash and cash equivalents	(109.9)	(110.8)
– Non-interest-bearing liabilities	(442.7)	(425.8)
Capital employed	**960.5**	**985.5**

ASSETS

in € million	June 30, 2008	June 30, 2007
Total assets	1,582.0	1,609.9
– All other financial assets	(4.1)	(3.8)
– Deferred tax assets	(68.9)	(75.3)
– Tax refund claims (current and non-current)	(22.3)	(17.6)
– Current securities	0.0	(12.5)
– Cash and cash equivalents	(109.9)	(110.8)
Assets	**1,376.8**	**1,389.9**

LIABILITIES

in € million	June 30, 2008	June 30, 2007
Liabilities recognized in the balance sheet	1,046.8	1,107.6
– Provisions for pensions and similar obligations	(169.5)	(195.7)
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	(88.7)	(104.1)
– Interest-bearing liabilities	(416.0)	(459.5)
Liabilities	**372.6**	**348.3**

NET FINANCIAL DEBT

in € million	June 30, 2008	June 30, 2007
Obligations from participation certificates	27.1	26.1
+ Non-current interest-bearing loans	297.2	275.6
+ Current loans and liabilities to banks	87.7	153.6
– Cash and cash equivalents	(109.9)	(110.8)
Net financial debt	**302.1**	**344.5**

NON-CASH EXPENSES

in € million	H1 2008	H1 2007
Write-downs on inventories	9.3	8.3
+ Losses from bad debt allowances	1.0	2.6
+ Allocations to provisions	65.5	68.7
Non-cash expenses	**75.8**	**79.6**

Gearing is the ratio of net financial debt to equity. Tax accruals and deferrals during the year are taken into account in the capital employed, assets and liabilities items of the segment report.

The business performance of the individual segments is detailed in the management report accompanying these interim financial statements. Services rendered between the divisions follow the arm's length principle.

6 Net sales

NET SALES

in € million	H1 2008	H1 2007
Medical	551.2	544.4
Safety	324.4	306.0
Drägerwerk AG & Co. KGaA/Other companies	6.9	7.7
Segment net sales	**882.5**	**858.1**
Intersegment net sales	(19.0)	(20.7)
Net sales	**863.5**	**837.4**

A breakdown of net sales by region is shown in the sections covering the performance of the Group and the medical and safety divisions.

7 Financial result

FINANCIAL RESULT

in € million	H1 2008	H1 2007
Financial result (before interest result)	**1.0**	**0.9**
Interest and similar income	3.2	4.2
Interest and similar expenses	(15.8)	(16.2)
Interest result	**(12.6)**	**(12.0)**

8 Income taxes

The income taxes for the first half of 2008 were calculated on the basis of an anticipated Group tax rate of 38 percent. The tax refund for prior years of EUR 0.9 million received in the first half of 2008 was deducted.

9 Non-current assets (selected items)

NON-CURRENT ASSETS (SELECTED ITEMS)

in € million	Carrying value January 1, 2008	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value June 30, 2008
Intangible assets	223.7	2.7	(0.8)	7.0	218.6
Property, plant and equipment	240.6	36.5	(3.9)	20.5	252.7

EUR 10.4 million (H1/2007: EUR 16.7 million) of additions to property, plant and equipment was for Medical's new administration building in Lübeck.

The column disposals and other changes contains currency translation differences of EUR 0.6 million relating to intangible assets and of EUR 2.7 million relating to property, plant and equipment.

10 Other non-current financial assets

OTHER NON-CURRENT FINANCIAL ASSETS

in € million	June 30, 2008	December 31, 2007
Trade receivables	3.8	8.2
Finance lease receivables	5.4	5.6
Other loans	3.3	2.7
Positive fair values of derivatives	3.5	2.1
All other non-current financial assets	2.0	0.9
	18.0	**19.5**

11 Other non-current assets

OTHER NON-CURRENT ASSETS

in € million	June 30, 2008	December 31, 2007
Equipment leased out	3.5	3.7
All other non-current assets	3.6	6.4
	7.1	**10.1**

12 Inventories

INVENTORIES

in € million	June 30, 2008	December 31, 2007
Finished products and merchandise	163.8	151.4
Work in process	57.9	48.2
Raw materials, consumables and supplies	99.8	96.2
Prepayments made	7.0	12.4
	328.5	**308.2**

The increase in work in process and finished products and merchandise is chiefly connected to the rise in order volume.

13 Other current financial assets

OTHER CURRENT FINANCIAL ASSETS

in € million	June 30, 2008	December 31, 2007
Positive fair values of derivatives	5.8	4.9
Receivables from investment allowances	0.6	4.1
Notes receivable	9.9	2.6
Receivables from employees	2.6	2.3
Finance lease receivables	1.7	1.2
Receivables from associates	1.0	0.9
Other current financial assets	2.3	0.1
	23.9	**16.1**

Receivables from investment allowances for medical's new administration building in Lübeck were reduced by a further instalment of EUR 3.5 million by Investitionsbank Schleswig-Holstein.

As of June 30, 2008, notes receivable mainly relate to subsidiaries in Japan and Spain.

14 Other current assets

OTHER CURRENT ASSETS

in € million	June 30, 2008	December 31, 2007
Prepaid expenses and tax accruals	26.6	10.2
All other current assets	9.9	11.6
	36.5	**21.8**

The increase in prepaid expenses and tax accruals is largely attributable to interim cut-offs.

15 Other non-current and current provisions

Other non-current provisions as of June 30, 2008 mainly comprise provisions for personnel obligations of EUR 17.3 million (December 31, 2007: EUR 16.9 million).

Other current provisions as of June 30, 2008 also include monthly cut-offs and chiefly consist of tax provisions of EUR 31.0 million (December 31, 2007: EUR 26.7 million), provisions for personnel obligations of EUR 39.8 million (December 31, 2007: EUR 53.8 million) and warranty provisions of EUR 21.6 million (December 31, 2007: EUR 21.7 million).

16 Non-current interest-bearing loans/current loans and liabilities to banks

Non-current interest-bearing loans rose by EUR 21.4 million in comparison to December 31, 2007 due to a refinancing of medical's administration building in Lübeck. At the same time, non-current interest bearing loans decreased as a result of the reclassification of loans of EUR 25 million, due in the first quarter of 2009, from non-current to current.

17 Other non-current financial liabilities

OTHER NON-CURRENT FINANCIAL LIABILITIES

in € million	June 30, 2008	December 31, 2007
Finance lease liabilities (lessee)	2.7	2.7
Other liabilities to employees	2.6	4.6
All other non-current financial liabilities	1.7	0.0
	7.0	**7.3**

18 Other current financial liabilities

OTHER CURRENT FINANCIAL LIABILITIES

in € million	June 30, 2008	December 31, 2007
Other liabilities to employees and for social security	31.5	36.4
Distribution for participation capital	0.0	7.8
Finance lease liabilities	1.3	1.4
Negative fair values of derivatives	0.4	0.4
Other liabilities	15.9	17.2
	49.1	**63.2**

19 Other current liabilities

OTHER CURRENT LIABILITIES

in € million	June 30, 2008	December 31, 2007
Prepayments received	47.6	51.1
Deferred income	30.3	21.8
Other	0.5	0.0
	78.4	**72.9**

20 Notes to the cash flow statement

The consolidated cash flow statement is presented separately in this H1 report before the notes to the financial statements.

The cash flows are broken down according to net cash provided by/used in operating activities (using the indirect method), investing activities and financing activities. Changes in the balance sheet items recognized in the cash flow statement are translated into euros net of currency effects and cannot, therefore, be reconciled with the published balance sheet figures.

Net cash provided by operating activities includes EUR 14.2 million (H1/2007: EUR 11.6 million) in income taxes paid, EUR 3.2 million (H1/2007: EUR 3.9 million) in interest received, and EUR 13.9 million (H1/2007: EUR 10.5 million) in interest paid.

Cash and cash equivalents as of June 30, 2008 exclusively comprise cash, of which EUR 3.6 million (June 30, 2007: EUR 2.6 million) is subject to restrictions.

The changes in the cash flow statement are explained in the management report accompanying this H1 report.

21 Contingent liabilities and other financial obligations

There were no significant changes in contingent liabilities and other financial obligations as of June 30, 2008 compared to those disclosed in the annual report for 2007.

22 Changes in the Supervisory Board

The annual general meeting of Drägerwerk AG & Co. KGaA on May 9, 2008 appointed the following six persons as members of the Supervisory Board representing the shareholders effective as of the close of the meeting:

- Senator Hon. Prof. Dr. h. c. mult. Nikolaus Schweickart, lawyer with his own law practice and former Chairman of the Executive Board of Altana AG, Bad Homburg, Germany
- Dr. Thorsten Grenz, self-employed management consultant, Strande, Germany
- Uwe Lüders, Chairman of the Executive Board of L. Possehl GmbH & Co., Lübeck, Germany
- Jürgen Peddinghaus, self-employed management consultant, Hamburg, Germany
- Dr. Klaus Rauscher, former Chairman of the Executive Board of Vattenfall Europe AG, Berlin, Germany
- Dr. Reinhard Zinkann, managing partner of Miele & Cie. KG, Gütersloh, Germany

The six Supervisory Board members representing the employees were elected on April 8, 2008 in accordance with the provisions of the German Codetermination Act ("Mitbestimmungsgesetz": MitbestG). The following persons were appointed as employee representatives to the Supervisory Board effective as of the close of the annual general meeting on May 9, 2008:

- Daniel Friedrich, District Secretary IG Metall Küste, Hamburg, Germany
- Siegfrid Kasang, Works Council Chairman of Dräger Medical AG & Co. KG, Lübeck, Germany; Group Works Council Chairman of the medical division; Group Works Council Chairman of Drägerwerk AG & Co. KGaA, Lübeck, Germany
- Bernd Mussmann, Works Council Vice-Chairman and Group Works Council Vice-Chairman of Dräger Safety AG & Co. KGaA, Lübeck, Germany
- Walter Neundorf, Senior Executive of Dräger Medical AG & Co. KG, Lübeck, Germany
- Thomas Rickers, 1st Delegate of IG Metall, Lübeck/Wismar, Lübeck, Germany
- Ulrike Tinnefeld, Technical Editor of Dräger Safety AG & Co. KGaA

At its constituent meeting on May 9, 2008, the newly appointed Supervisory Board elected Prof. Dr. Nikolaus Schweickart as Chairman.

23 Changes in the Executive Board

On March 17, 2008, the Supervisory Board of Drägerwerk Verwaltungs AG appointed three new members to the Executive Board effective as of April 1, 2008:

- Dr. Herbert Fehrecke, Production and Logistics
- Gert-Hartwig Lescow, CFO
- Dr. Dieter Pruss, Sales and Marketing, safety division

Prof. Dr. Albert Jugel and Hans-Oskar Sulzer resigned as members of the Executive Board as of March 31, 2008.

24 Related party transactions

Business was transacted in 2008 with the following related companies that are part of the widespread share portfolio of the Dräger family, including Executive Board member Stefan Dräger and Supervisory Board member (until May 9, 2008) Theo Dräger. Dräger GmbH, Dräger Objekt Finkenstraße GmbH & Co. KG and Dräger Objekt Lachswehrallee GmbH & Co. KG have leased various real properties to Drägerwerk AG & Co. KGaA which are located close to the latter's Moislinger Allee head office. Rental payments came to EUR 857 thousand in the first half of 2008 (H1/2007: EUR 839 thousand).

Services were rendered for companies and foundations related to the Dräger family for EUR 29 thousand (H1/2007: EUR 19 thousand). In addition, Herbert Rehn GmbH generated net sales of EUR 965 thousand (H1/2007: EUR 876 thousand) from glass products and assembly contracts. This resulted in receivables of EUR 176 thousand (H1/2007: EUR 81 thousand) from Dräger Group companies. Mrs. Claudia Dräger is an employee of Drägerwerk AG & Co. KGaA.

All transactions with related parties were conducted at arm's length terms and conditions.

Lübeck, Germany, April 28, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Ulrich Thibaut

Management compliance statement

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework for interim financial reporting, the Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, the Group management report presents business performance including business results and the situation of the Group so as to give a true and fair view, and that the significant opportunities and risks relating to the Group's development in the remainder of the fiscal year have been described.

Lübeck, Germany, April 28, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Ulrich Thibaut

Forward-looking statements

This report contains forward-looking statements. The statements are based on the current expectations, presumptions, and forecasts of the Executive Board as well as the information available to it to date. The forward-looking statements do not provide any warranty for the future developments and results contained therein. Rather, the future developments and results are dependent on a number of factors; they entail various risks and uncertainties and are based on assumptions which could prove to be incorrect. We are under no obligation to update the forward-looking statements contained in this report.

FINANCIAL CALENDAR

Report as of June 30, 2008, conference call, Lübeck	August 7, 2008
Report as of September 30, 2008, conference call, Lübeck	November 6, 2008
Annual general meeting, Lübeck	May 8, 2009

Glossary

Anesthesia work stations
Systems for administering anesthetic gas including the related monitoring, alarm and protection equipment.

Arm's length principle
Principle used in tax law for business conducted as if between unrelated parties.

Audit Committee
Supervisory Board committee which deals with audit matters.

Black belt
Black belts are responsible for quality improvement; they take over project management tasks and are experts in applying various Six Sigma methods.

Capital employed
The interest-bearing capital used in a company. At Dräger, this is total assets less deferred tax assets, cash and cash equivalents, other interest-bearing assets, and non-interest-bearing liabilities.

Cash flow
Shows the change in cash and cash equivalents during a specific reporting period, and provides information on a company's financial strength.

Cash management
All measures taken as part of short-term financial management of cash investments with the aim of safeguarding liquidity and achieving the highest possible efficiency in payment transactions.

Change management
All tasks, measures and activities which are intended to bring about comprehensive, cross-departmental and substantial change within the company (e.g. the implementation of new strategies or structures).

Closed-circuit breathing apparatus
A closed-circuit breathing apparatus supplies the user with up to four hours of breathable air irrespective of the ambient atmosphere. It is particularly suitable for lengthy operations in toxic environments.

Corporate compliance
Corporate compliance is the adherence by a company, its bodies and employees to all legal obligations and prohibitions, corporate values and policies, and general morals and ethics.

Corporate governance
International parlance, meaning the responsible governance and control of a company with the sustained creation and addition of shareholder value in mind.

Currency option
Risks from exchange rate fluctuations can be hedged using a currency option. When purchasing a currency option, the buyer acquires the right, but not the obligation, to buy or sell a currency at a defined exchange rate on a defined date.

Declaration of conformity
Declaration by the Executive Board and Supervisory Board on the current and future extent of conformity with the German Corporate Governance Code.

Derivatives
Instruments whose value is mainly derived from a specified price as well as the price fluctuations and expectations of an underlying asset (e.g. shares, foreign currency, interest securities).

Directors' dealings
Director's dealings are securities transactions conducted by persons with management functions at a listed stock corporation in that corporation's own shares or in related financial instruments. According to Sec. 15a WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act), these persons, including those who are closely related to them, must report securities transactions of this kind immediately.

Dividends
Portion of net earnings distributed to shareholders.

EBIT
Abbreviation of "Earnings before interest and taxes". Earnings before net interest result and income taxes. Any earnings from discontinued operations are not included in this item.

EBITDA
Abbreviation of "Earnings before interest, taxes, depreciation and amortization". Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses. Any earnings from discontinued operations are not included in this item.

EBIT margin
Figure used to evaluate the profitability of a company. The EBIT margin is given in percent and is the EBIT (if applicable, before non-recurring expenses) divided by net sales.

Emerging markets

Up-and-coming market, emerging economy "Second world" countries usually have an emerging market. This includes large countries such as Brazil, the People's Republic of China and India, but also smaller countries in eastern Europe such as Bulgaria and Romania.

Environmental management system

An environmental management system is the part of a company's management system which defines in a structured manner areas of responsibility, conduct, processes and provisions for the implementation of the corporate environmental policy.

Equity

A company's net assets equal to the balance of assets and liabilities. Equity is made available by the owners on the foundation of a company and changes over time, mainly as a result of retained earnings.

Equity ratio

The equity ratio is the ratio of equity to total capital. The more equity a company has, the better its credit rating, the greater its financial stability and independence from external lenders.

Firefighting and rescue trains

Firefighting and rescue trains are firefighting, equipment and rescue containers mounted on railcars. They are used by the fire service in the event of fires in railroad tunnels to transport firefighters to the scene and evacuate people safely.

Forward exchange contract

Risks from exchange rate fluctuations can be hedged using a forward exchange contract. This is a binding agreement to exchange one currency for another currency on a date and at an exchange rate fixed when the contract is entered into.

Free float

Shares of a company which are traded freely on the stock exchange.

Gearing

Indicator of the debt co-efficient, i.e., the ratio of debt to equity financing. At Dräger, the gearing factor is the ratio of net financial debt to equity.

General partner

Partner of a limited partnership with full personal liability.

German Corporate Governance Code

The German Corporate Governance Code is an important piece of legislation governing the management and monitoring of German listed companies and contains nationally and internationally recognized standards for proper and responsible corporate governance. The purpose of the Code is to make the corporate governance system clearer and easier to understand and to foster the trust of investors, customers, employees and the public in the management and oversight of German stock corporations.

Goodwill

Goodwill is any excess of the cost of the acquisition in an asset deal over the fair value of the identifiable assets and liabilities acquired on the date of acquisition.

Green belt

Green belts participate in projects or lead smaller projects themselves, reporting to black belts. They are experts in applying various Six Sigma methods.

Gross margin

Gross profit as a percentage of net sales.

HGB

Abbreviation of "Handelsgesetzbuch" (German Commercial Code).

IFRSs

Abbreviation of "International Financial Reporting Standards". Standards for the preparation of financial statements by companies. In the EU, the application of IFRSs for the Group financial statements of listed companies has been mandatory since 2005.

Income statement

The income statement is a comparison of expenses and income used to determine the earnings of a company. It is a mandatory element of the financial statements under HGB and IFRSs.

Incubator

Self-contained incubator for premature and sick babies which regulates the microclimate (including temperature, humidity, concentration of oxygen, light, noise level).

Interest rate caps

Interest rate caps are interest derivatives which offer an upper ceiling on the variable interest rate on underlying transactions.

Interest rate swaps

An interest rate swap is an agreement between two contractual parties to exchange different interest cash flows with each other. As an interest rate derivative, it can be used both to hedge interest rate risk and as a speculative investment which benefits from certain changes in interest rates.

Joint venture

In this instance, the term joint venture refers to the collaboration with Siemens in the Medical division, in which Siemens has a 25 percent stake via Dräger Medical Holding GmbH.

KonTraG

Abbreviation of “Gesetz zur Kontrolle und Transparenz im Unternehmensbereich” (German Act on Corporate Control and Transparency).

Limited common share

Limited shares are shares issued by a partnership limited by shares (KGaA). Common shares guarantee the shareholder rights defined in the German Stock Corporation Act, in particular the right to vote at the annual general meeting.

Limited preferred share

Limited shares are shares issued by a partnership limited by shares (KGaA). The preferred share grants the bearer preferences compared to a common share, which can involve a certain type of voting right (but not a majority voting right), the dividend claim or the distribution of liquidation assets. The Dräger preferred shares traded on the stock exchange are non-voting preferred shares with a cumulative preferential right to the distribution of profit. No more than half of the capital stock may be issued as non-voting preferred shares.

Market capitalization

Current stock market value of a company. The stock market value is calculated by multiplying the share price by the number of tradable shares. At Dräger, these are the limited preferred shares.

“Mark-to-market” valuation

The valuation of financial instruments at current market prices.

Monitoring

Displaying and monitoring patient data.

Net earnings

Net earnings (or accumulated loss) pursuant to Sec. 158 AktG (“Aktiengesetz”: German Stock Corporation Act) is the net profit/loss for the year plus/minus the following items:
+/– Profit brought forward from the prior year
+ Transfers from the capital reserves
+/– Transfers from/to reserves retained from earnings

Net financial debt

Interest-bearing debt (e.g. participation capital, loans, other liabilities to banks) less cash and cash equivalents and interest-bearing assets.

Net profit

The net profit is the positive result of a fiscal year disclosed in the income statement.

Net profit margin

The net profit margin is the ratio of net profit to net sales. It is the percentage share of net sales left over as profit for a company.

Net working capital

Current, non-interest-bearing assets less current non-interest-bearing debt.

Outsourcing

Subcontracting company services or functions to specialized service providers.

Participation certificate

Participation certificates are a type of investment somewhere between a share and a bond. They entitle the bearer to redeem the nominal amount and usually also grant a share in net profits or liquidation proceeds. Voting and other rights granted to shareholders, however, are excluded. The profit participation of these certificates usually exceeds the return on fixed-interest securities. Participation capital is subordinate to all other company creditors. Consequently, in the event of liquidation all of the company's other creditors are satisfied first. Under HGB, participation certificates are recognized in equity; under IFRSs, they are disclosed in debt.

Partnership limited by shares

A partnership limited by shares (“Kommanditgesellschaft auf Aktien”: KGaA) is a form of corporation of which at least one partner (general partner), which can also be a legal entity such as a stock corporation, is fully liable. The remaining partners (limited shareholders) have an interest in the capital stock, which is divided into shares, and are only liable up to the amount of their investment. The company is managed and represented by the general partner.

Percentage of completion

Percentage of completion is the method according to IFRSs of accounting for long-term construction contracts specifically negotiated for the construction of individual assets or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. Net sales and profits from construction contracts are recognized by reference to the stage of completion.

Premium

Premium is a markup on the nominal value of a security and is generally quoted in percent.

Retained earnings

Retained earnings are undistributed profits recognized in the current or a prior fiscal year which are disclosed in equity.

R&D

Abbreviation for “Research and development”.

REACH

Abbreviation of “Registration, evaluation, authorization and restriction of chemicals”. EU regulation.

Resource allocation

The allocation of scarce resources (e.g. commodities, energy, cash) to various uses.

Risk management

Systematic approach to identifying and evaluating potential risks and selecting and implementing steps to address such risks.

ROCE

Abbreviation of “Return on capital employed”. The figure shows how effectively and profitably a company employs its capital. It is the ratio of EBIT before non-recurring expenses to capital employed.

RoHS

Abbreviation of “Restriction of the use of certain hazardous substances in electrical and electronic equipment”. EC directive.

Shared services

Centralized service processes within a company. Similar processes from different areas of a company are pooled and provided by a centralized department.

Six Sigma

Method to increase productivity by consistently reducing the error rate of processes, products and services. Six Sigma improvement projects are carried out by specially trained employees. Their level of training and their management function correspond with the belt colors of Japanese martial arts.

Supply chain management

Process-oriented, effective and efficient management of the supply chain. The aim is to optimize the procurement, production and supply of products and services to the customer.

TecDAX

Leading stock index for the technology sector, which reflects the value growth of the 30 largest technology stocks, in terms of trading volume and market capitalization, on the Prime Standard of the Frankfurt Stock Exchange.

Warming therapy

Support for premature babies in regulating their body temperature provided by radiant warmers, heated mattresses or incubator.

Xetra

Electronic trading platform operated by Deutsche Börse AG for shares, exchange-traded funds and subscription rights.

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