H1/2005 report
Dräger Group

Contents

Preliminary remarks

Preparation of the interim financial statements

The Dräger Group's consolidated financial statements as of December 31, 2004 were prepared for the first time in accordance with International Financial Reporting Standards (IFRSs). The effects of the transition to the new accounting standards were discussed in detail in the annual report containing these financial statements. Accordingly, the interim financial statements and interim reports of the Dräger Group for fiscal year 2005 will likewise be prepared in accordance with IFRSs (IAS 34), with any comparative prior-year figures in the reports also reconciled to IFRSs.

Business performance H1/2005

Dräger Group

Increase in order intake and revenues as planned

At the end of the first six months, both order intake and revenues were substantially higher year on year, up 12.5 percent and 9.6 percent, respectively. At €806.8 million, order intake for the first time roughly corresponded to half of the anticipated annual figure, and, as in prior years, was significantly higher than the revenues of €739.9 million.

Up 24.7 percent to €148.4 million, revenue growth was the most pronounced in the Americas. This increase was driven by Dräger Medical with strong project business in Central and South America. Revenues rose slightly in the US, but were outshone by order intake which grew 26 percent year on year. Positive developments in US core business at Dräger Safety were unable to compensate fully for the decline in project business in the first half. The Group's market position in Europe was also strengthened.

In Europe excluding Germany, both subgroups contributed equally to revenue growth of 10.9 percent to €295.8 million. In Germany, consolidated revenues were down 4.6 percent at €164.9 million, due in part to Dräger Medical's weak domestic market, where a fall of 9.0 percent to €113.0 million was reported. Dräger Safety, on the other hand, grew revenues 34.0 percent to €68.4 million.

In the Asia/Pacific region, revenues picked up during the first six months thanks to the upward trend in core business, increasing by 5.2 percent to €90.3 million. Overall, the Dräger Group either maintained its market position or, in the growth regions of the Americas and Asia/Pacific in particular, even extended it.

Increase in operating result on target

At €47.6 million, the six-month EBIT (before non-recurring expenses) is 6.0 percent higher than in the prior year. This was achieved on the back of higher revenues despite a slightly lower gross margin and a moderate increase in functional costs.

The gross margin is shaped by competition, the regional structure of revenues and the product mix. At 49.8 percent of revenues for the first half, it remained stable against the first quarter. On a broader six-month basis, the year-on-year decrease (prior-year margin: 50.3 percent) narrowed significantly as the gross margin in the second quarter of 2005 was higher than in the prior year.

Up 6 percent to €317.5 million, functional costs increased at a slower pace than revenues. The increase is mainly a result of the new US sales organization and Dräger Medical's takeover of Air-Shields in the prior year.

The higher finance expense of €16.0 million in the first six months (H1/2004: €11.1 million) is the result on the one hand of the increase in net financial debt by some €100 million to €274 million, and of export financing costs and hedging transaction losses on the other hand, which were triggered by the rise in the US dollar to EUR/USD 1.21 as of June 30, 2005.

At €17.9 million, net profit is still significantly down on the prior-year figure of €27.1 million, which included a significant contribution from the result of the discontinued operations (€9.8 million).

Net assets and financial position

As a result of the net profit in the first half, the currency translation differences recorded as well as the dividends and profit shares distributed to minority interests, equity rose by €5.3 million to €482.6 million; the equity ratio stood at 32.7 percent (December 31, 2004: 33.5 percent).

The increase in net assets by €52.2 million to €1,475.3 million compared to December 31, 2004 is largely the result of the rise in inventories, in spite of a simultaneous decrease in current receivables. The increase in net assets was financed by additional current bank liabilities. The changes led to an increase in capital employed to €845.5 million (December 31, 2004: €792.9 million), while net financial debt also rose to €274.0 million (December 31, 2004: €218.3 million). This change is reflected in the cash flow statement as the total cash flow from operating activities and investing activities plus the dividends and distributions paid out to minority interests. Cash and cash equivalents of €165.9 million (December 31, 2004: €178.0 million) continue to be held as a strategic reserve.

Dräger Group

		Q2 2005	Q2 2004	H1 2005	H1 2004
Order intake	**€ million**	**414.3**	**365.6**	**806.8**	**717.0**
Revenues by region					
Germany	€ million	88.5	98.6	164.9	172.8
Rest of Europe	€ million	158.0	136.3	295.8	266.8
Americas	€ million	80.1	65.5	148.4	119.0
Asia/Pacific	€ million	50.1	44.1	90.3	85.8
Other	€ million	21.8	17.7	40.5	30.6
Total revenues	**€ million**	**398.5**	**362.2**	**739.9**	**675.0**
EBITDA before non-recurring expenses[1]	**€ million**	**41.4**	**35.2**	**70.2**	**63.8**
Amortization/depreciation	€ million	11.8	8.1	22.6	18.9
EBIT before non-recurring expenses[2]	**€ million**	**29.6**	**27.1**	**47.6**	**44.9**
Non-recurring expenses	€ million	0.0	4.3	0.0	4.8
EBIT[2]	**€ million**	**29.6**	**22.8**	**47.6**	**40.1**
Capital employed[3]	**€ million**	**845.5**	**748.0**	**845.5**	**748.0**
Investments	**€ million**	**16.9**	**13.4**	**26.1**	**28.0**
Net financial debt	**€ million**	**274.0**	**177.0**	**274.0**	**177.0**
EBIT before non-recurring expenses/revenues	**%**	**7.4**	**7.5**	**6.4**	**6.7**
EBIT before non-recurring expenses/ capital employed	**%**	**3.5**	**3.6**	**5.6**	**6.0**
Net financial debt/ EBITDA before non-recurring expenses	**Factor**	**6.6**	**5.0**	**3.9**	**2.8**
Employees at the end of the reporting period					
Germany		4,325	4,718	4,325	4,718
Abroad		5,324	5,171	5,324	5,171
Total headcount		**9,649**	**9,889**	**9,649**	**9,889**

1 EBITDA = Earnings before net interest expense, income taxes, depreciation and amortization
2 EBIT = Earnings before net interest expense and income taxes
3 Capital employed = Total assets less deferred tax assets, cash and cash equivalents and non-interest bearing liabilities

Business performance of the segments

Dräger Medical

- Double-digit order intake and revenue growth continues
- EBIT growing faster than revenues

Dräger Medical closed the first half of the year with EBIT (before non-recurring expenses) of €34.1 million. Compared to the prior year, this corresponds to an increase of 22.7 percent (H1/2004: €27.8 million before non-recurring expenses). Revenues rose by 12.7 percent to €492.1 million (H1/2004: €436.5 million). The reasons for this development include the further expansion in the global sales structure and the ongoing drive to improve internal processes. At 6.9 percent, the EBIT margin was higher than in the prior year (H1/2004: 6.4 percent).

The subgroup increased its order intake by 19.2 percent to €545.5 million year on year (H1/2004: €457.4 million). The marked double-digit growth in order intake and revenues in the first six months, well above the guidance of 5 to 7 percent for 2005, must be seen in the light of the subgroup's efforts to improve the linearity of its business performance, i.e. the measures introduced to improve the linearity of revenues are starting to take effect.

The figures for the second quarter break down as follows: at €281.7 million, order intake was up 19.3 percent on the prior-year figure of €236.2 million. At €265.9 million, revenues increased by 12.5 percent against the second quarter of 2004 (€236.3 million). EBIT amounted to €22.2 million (second quarter of 2004: €17.8 million (before non-recurring expenses)).

Overall, the Americas achieved the largest growth in order intake among the regions recording 66.5 percent (to €123.6 million). This is attributable to a number of projects and the investments made in the new subsidiaries in Canada, Chile and Mexico in the prior year, as well as to the account management sales model in the US, where growth, adjusted for exchange differences, was up 26 percent against the prior year. The integration of Air Shields is also yielding positive contributions in the US. Furthermore, Dräger Medical boosted its access to the US market by concluding a further 12 agreements in the first half of 2005 with group purchasing organizations, that is the purchasing departments of hospital chains.

In Germany, order intake and revenues were down again (down 7.2 percent and 9.0 percent, respectively, against the prior year), which is mainly a reflection of the shrinking German market. There continues to be an investment backlog in German hospitals coupled with uncertainties due to the prolonged political wrangling over the country's healthcare system.

In the rest of Europe and in Asia/Pacific, double-digit growth against the prior year was seen in order intake (23.1 percent and 14.5 percent year on year) and revenues (11.2 percent and 10.7 percent year on year). The well established sales structure in Europe is the driving force behind the ongoing success and growth in market share. In Asia/Pacific, Dräger Medical continues to be a successful player in the expanding healthcare sector thanks to its clear sales strategy.

Dräger Medical

		Q2 2005	Q2 2004	H1 2005	H1 2004
Order intake	**€ million**	**281.7**	**236.2**	**545.5**	**457.4**
Revenues by region					
Germany	€ million	59.8	73.0	113.0	124.2
Rest of Europe	€ million	95.0	78.8	178.0	160.0
Americas	€ million	59.4	40.5	107.9	74.2
Asia/Pacific	€ million	34.6	29.7	61.9	55.9
Other	€ million	17.1	14.3	31.3	22.2
Total revenues	**€ million**	**265.9**	**236.3**	**492.1**	**436.5**
EBITDA before non-recurring expenses[1]	**€ million**	**28.1**	**21.7**	**45.3**	**36.9**
Amortization/depreciation	€ million	5.9	3.9	11.2	9.1
EBIT before non-recurring expenses[2]	**€ million**	**22.2**	**17.8**	**34.1**	**27.8**
Non-recurring expenses	€ million	0.0	4.2	0.0	4.7
EBIT[2]	**€ million**	**22.2**	**13.6**	**34.1**	**23.1**
Capital employed[3]	**€ million**	**569.0**	**507.0**	**569.0**	**507.0**
Investments	**€ million**	**7.7**	**6.6**	**11.9**	**12.9**
Net financial debt	**€ million**	**(87.8)**	**(153.0)**	**(87.8)**	**(153.0)**
EBIT before non-recurring expenses/revenues	**%**	**8.3**	**7.5**	**6.9**	**6.4**
EBIT before non-recurring expenses/ capital employed	**%**	**3.9**	**3.5**	**6.0**	**5.5**
Net financial debt/ EBITDA before non-recurring expenses	**Factor**	**(3.1)**	**(7.1)**	**(1.9)**	**(4.1)**
Employees at the end of the reporting period					
Germany		2,401	2,458	2,401	2,458
Abroad		3,436	3,318	3,436	3,318
Total headcount		**5,837**	**5,776**	**5,837**	**5,776**

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The solutions business conducted in partnership with Siemens Medical Solutions generated a major order from Memorial Health Systems in Springfield, Illinois, USA, in the first half. Dräger Medical was able to contribute anesthesia and ventilation machines and incubators as well as patient monitors.

In Latin America, Dräger Medical won a major order from the Cuban exporter CIMEX for a large number of ventilation and anesthesia machines, operating room lamps, gas supply systems and various accessories for fitting out local hospitals.

The progress made by the innovation campaign is evidenced by renewed high research and development expenditure of €38.7 million, which corresponds to 8 percent of revenues. The Apollo anesthesia machine, which was unveiled for the first time in October last year and was approved by the FDA in the first quarter of 2005, has reaped its first successes in the US market.

Competition remains tough with persistent pressure on prices. Dräger Medical is facing this challenge by continuously improving its cost structures and internal processes. The positive business performance in the first half of 2005 shows that the company has held its position well, despite the ever-worsening business environment.

Dräger Safety

- Strong first half in 2005
- Subsidiaries' development pleasing

In the first half of 2005, Dräger Safety generated EBIT of €24 million, up 12.7 percent on the prior year (H1/2004: €21.3 million). This result is attributable to further effective measures to improve processes as well as to encouraging development at the subsidiaries. The EBIT margin rose to 9.1 percent (H1/2004: 8.8 percent).

The transfer of a subsidiary of Dräger Interservices GmbH within the Group yielded additional net profit of €2.1 million for Dräger Safety.

The global revenues of Dräger Safety rose in the first six months of 2005 by 9.7 percent to €264.3 million (H1/2004: €240.9 million). This increase was generated across all product and service divisions, both in core business and project business, and through the integration of Dräger Interservices GmbH (€12.3 million). Order intake rose by 6.1 percent to €277.7 million (prior year: €261.8 million).

The upward trend in the first six months was mainly due to a strong second quarter in order intake and revenues. As such, order intake and revenues in this quarter were considerably higher than in the same prior-year quarter at €141.3 million (up 9.5 percent) and €141.1 million (up 10.6 percent), respectively. EBIT amounted to €12.9 million (second quarter of 2004: €11.7 million).

Adjusted to allow for exchange rate fluctuations, order intake and revenues were down on the prior year in the Americas. This market experienced above-average growth in the first half of 2004 due to projects. In core business, the Company was again able to fend off competition on the American market with its innovative products and services. Many US and Canadian companies are opting time and again for safety solutions from Lübeck.

The New York Fire Department continued to equip its firefighters with Dräger Safety respiratory protection equipment. Furthermore, the US government awarded Dräger Safety Inc., Pittsburgh, a silver medal from the Defense Supply Center in honor of its outstanding quality and reliable supply performance. American business with the immobilizer, Dräger Interlock, recorded a 20 percent increase in the reporting period.

With order intake up 17.2 percent in the Asia/Pacific region, Dräger expanded its market position there through core and project business. Fire protection and industrial customers in particular ordered equipment and solutions from Dräger Safety to protect their staff and production facilities as well as for training purposes. Revenues were lower than in the prior year. The development in China was particularly pleasing. Japan placed sizeable orders for respiratory protection equipment as well as the relevant logistics for deployment by firefighting crews and emergency care organizations.

Business fared very well in many European countries in the first six months of 2005. For Europe (excluding Germany), revenue growth of 10.3 percent was achieved with order intake up 2.7 percent. The successful Dräger Alcotest 6510 breathalyzer is now taking Ireland and Scandinavia by storm. Despite the strained financial situation and the resulting tight rein on public spending, Germany generated year-on-year revenue growth of 10 percent in the first six months of 2005, excluding Dräger Interservices GmbH's revenues of €12.3 million. Technische Hilfswerk now uses portable gas detectors from Dräger Safety, having already opted for helmets from Dräger Safety's head protection range HPS 4100.

At €13.1 million, investments in property, plant and equipment in the first half of 2005 exceeded those of the prior year (€10.7 million), remaining on a high level. Research and development expenses amounted to €11.9 million (4.5 percent of revenues) and were mainly incurred in the development of new products.

In June, Dräger Safety unveiled a series of new devices as well as other comprehensive service packages at Interschutz in Hanover, the largest trade fair in the world for fire prevention and policing. A new unique breathing mask for fire fighters, the new small Pac series single-gas detection devices and software solutions for managing fire departments were some of the excellent innovations to be found on Dräger Safety's stand. With a view in particular to the World Cup in 2006, all visitors' eyes were on a new electronic field operation plan which simultaneously interconnects all the organizations involved in a major operation, regardless of their location.

The tailor-made system solutions strategy pursued by the Safety Solutions business unit is winning through. With the delivery and positioning of further rescue trains for the Austrian rail authority (ÖBB), Dräger Safety successfully established the new tunnel safety concept drawn up in collaboration with the client. Overall, Dräger Safety is supplying five rescue trains to ÖBB.

Dräger Safety

		Q2 2005	Q2 2004	H1 2005	H1 2004
Order intake	**€ million**	**141.3**	**129.0**	**277.7**	**261.8**
Revenues by region					
Germany	€ million	37.2	27.3	68.4	51.0
Rest of Europe	€ million	63.0	57.5	117.8	106.8
Americas	€ million	20.7	25.0	40.5	44.8
Asia/Pacific	€ million	15.5	14.4	28.4	29.9
Other	€ million	4.7	3.4	9.2	8.4
Total revenues	**€ million**	**141.1**	**127.6**	**264.3**	**240.9**
EBITDA before non-recurring expenses[1]	**€ million**	**17.0**	**15.2**	**31.7**	**28.2**
Amortization/depreciation	€ million	4.1	3.5	7.7	6.9
EBIT before non-recurring expenses[2]	**€ million**	**12.9**	**11.7**	**24.0**	**21.3**
Non-recurring expenses	€ million	0.0	0.0	0.0	0.0
EBIT[2]	**€ million**	**12.9**	**11.7**	**24.0**	**21.3**
Capital employed[3]	**€ million**	**190.0**	**170.3**	**190.0**	**170.3**
Investments	**€ million**	**8.7**	**4.8**	**13.1**	**10.7**
Net financial debt	**€ million**	**39.3**	**25.5**	**39.3**	**25.5**
EBIT before non-recurring expenses/revenues	**%**	**9.1**	**9.2**	**9.1**	**8.8**
EBIT before non-recurring expenses/ capital employed	**%**	**6.8**	**6.9**	**12.6**	**12.5**
Net financial debt/ EBITDA before non-recurring expenses	**Factor**	**2.3**	**1.7**	**1.2**	**0.9**
Employees at the end of the reporting period					
Germany		1,700	1,449	1,700	1,449
Abroad		1,882	1,847	1,882	1,847
Total headcount		**3,582**	**3,296**	**3,582**	**3,296**

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Drägerwerk AG/other companies/consolidation

Now that the service and production companies have been sold, there are no other major companies contained in this category except Drägerwerk AG and a number of consolidation items.

The negative revenues are equal to intra-subgroup consolidated revenues, while EBIT mainly reflects expenses incurred by Drägerwerk AG for services which are not charged to the subgroups or third-parties.

The prior-year figures accounted for the service and production companies, which have since been sold.

Drägerwerk AG/other companies/consolidation

		Q2 2005	Q2 2004	H1 2005	H1 2004
Order intake	**€ million**	**(8.7)**	**0.4**	**(16.4)**	**(2.2)**
Revenues by region					
Germany	€ million	(8.5)	(1.7)	(16.5)	(2.4)
Rest of Europe	€ million	0.0	0.0	0.0	0.0
Americas	€ million	0.0	0.0	0.0	0.0
Asia/Pacific	€ million	0.0	0.0	0.0	0.0
Other	€ million	0.0	0.0	0.0	0.0
Total revenues	**€ million**	**(8.5)**	**(1.7)**	**(16.5)**	**(2.4)**
EBITDA before non-recurring expenses[1]	**€ million**	**(3.7)**	**(1.7)**	**(6.8)**	**(1.3)**
Amortization/depreciation	€ million	1.8	0.7	3.7	2.9
EBIT before non-recurring expenses[2]	**€ million**	**(5.5)**	**(2.4)**	**(10.5)**	**(4.2)**
Non-recurring expenses	€ million	0.0	0.1	0.0	0.1
EBIT[2]	**€ million**	**(5.5)**	**(2.5)**	**(10.5)**	**(4.3)**
Capital employed[3]	**€ million**	**86.5**	**70.7**	**86.5**	**70.7**
Investments	**€ million**	**0.6**	**2.0**	**1.2**	**4.4**
Net financial debt	**€ million**	**322.5**	**304.5**	**322.5**	**304.5**
EBIT before non-recurring expenses/revenues	**%**				
EBIT before non-recurring expenses/ capital employed	**%**				
Net financial debt/ EBITDA before non-recurring expenses	**Factor**				
Employees at the end of the reporting period					
Germany		224	811	224	811
Abroad		6	6	6	6
Total headcount		**230**	**817**	**230**	**817**

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Outlook

The Dräger Group does not expect the global economy to pick up during the second half of fiscal year 2005. Dräger Medical and Dräger Safety are facing difficult challenges in their markets as a result of competition in operating business and consolidation among providers and customers.

In 2005, the income and efficiency-boosting measures taken in all of the Dräger Group's business units and the ongoing expansion in the product and technology portfolio will be continued. At the same time, focus will be on system solutions from Dräger Medical and Dräger Safety, with the latter providing comprehensive hazard management in particular.

Both subgroups are aiming to strengthen and develop their market position in all regions. Focusing on the US and Asia/Pacific, revenue growth of 5 to 7 percent is expected; the currently higher growth rates are due to the steps taken to improve the revenue curve. Both subgroups also intend to increase EBIT ahead of revenues.

Overall, the Dräger Group expects revenue growth of 5 to 7 percent, with an increase in EBIT and net profit of up to 10 percent.

Interim financial statements of the Dräger Group as of June 30, 2005 (short version)

Income statement	Q2 2005 € million	Q2 2004 € million	H1 2005 € million	H1 2004 € million
Revenues	**398.5**	**362.2**	**739.9**	**675.0**
Cost of sales	(200.1)	(187.0)	(371.5)	(335.5)
Gross profit	**198.4**	**175.2**	**368.4**	**339.5**
Research and development costs	(26.3)	(27.0)	(50.9)	(52.7)
Marketing and selling expenses	(104.6)	(95.2)	(204.1)	(191.2)
General administrative expenses	(35.2)	(30.1)	(62.5)	(55.6)
	(166.1)	**(152.3)**	**(317.5)**	**(299.5)**
	32.3	**22.9**	**50.9**	**40.0**
Financial result	**(8.7)**	**(5.4)**	**(16.0)**	**(11.1)**
Earnings before income taxes	**23.6**	**17.5**	**34.9**	**28.9**
Income taxes	(10.6)	(6.9)	(17.0)	(11.6)
Result from discontinued operations	0.0	0.8	0.0	9.8
Net profit	**13.0**	**11.4**	**17.9**	**27.1**
Minority interests in net profit	5.3	4.1	8.0	6.9
Result after minority interests	7.7	7.3	9.9	20.2
Earnings per share [1]				
› per preferred share (in €)	0.61	0.58	0.80	1.61
› per common share (in €)	0.60	0.57	0.77	1.58

[1] The dividend premium of €0.06 on preferred shares is recognized pro rata on a quarterly basis.

Balance sheet of the Dräger Group as of June 30, 2005	June 30, 2005		Dec. 31, 2004
	€ million	€ million	€ million
Assets			
Intangible assets	177.1		176.5
Property, plant and equipment	193.0		189.2
Non-current financial assets	26.3		30.4
Deferred tax assets	82.6		76.9
Non-current assets		**479.0**	**473.0**
Inventories	312.0		260.4
Trade receivables	439.2		455.6
Other current financial assets	79.2		56.1
Cash and cash equivalents and securities	165.9		178.0
Current assets		**996.3**	**950.1**
Total assets		**1,475.3**	**1,423.1**

	June 30, 2005		Dec. 31, 2004
	€ million	€ million	€ million
Equity and liabilities			
Equity		**482.6**	**477.3**
Participation capital	74.8		74.8
Provisions for pensions and similar obligations	157.5		155.5
Non-current loans	104.0		107.4
Other non-current financial liabilities and provisions	25.9		24.5
Deferred tax liabilities	17.9		16.7
Non-current liabilities		**380.1**	**378.9**
Short-term loans and liabilities to banks	261.0		214.1
Other current financial liabilities and provisions	351.6		352.8
Current liabilities		**612.6**	**566.9**
Total equity and liabilities		**1,475.3**	**1,423.1**

Statement of changes in equity	Paid-in capital		Earned equity				Minority interests	Equity
	Capital stock	Additional paid-in capital	Reserves retained from earnings	Group net earnings	Other comprehensive income			
					Currency translation differences	Fair value measurement of derivative hedging instruments		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
January 1, 2004	**32.5**	**38.9**	**156.3**	**4.7**	**(13.2)**	**0.0**	**224.1**	**443.3**
Currency translation differences					4.7		1.0	5.7
Group net profit				27.1				27.1
Minority interests in net profit				(6.9)			6.9	0.0
Distributions				(4.7)			(3.2)	(7.9)
Transfer to reserves								0.0
Change in consolidated group/other			(3.9)				2.6	(1.3)
June 30, 2004	**32.5**	**38.9**	**152.4**	**20.2**	**(8.5)**	**0.0**	**231.4**	**466.9**
January 1, 2005	**32.5**	**38.9**	**173.9**	**5.3**	**(16.9)**	**0.0**	**243.6**	**477.3**
Currency translation differences					9.5		4.1	13.6
Group net profit				17.9				17.9
Minority interests in net profit				(8.0)			8.0	0.0
Distributions				(5.3)			(20.9)	(26.2)
Transfer to reserves								0.0
Change in consolidated group/other			0.2				(0.2)	0.0
June 30, 2005	**32.5**	**38.9**	**174.1**	**9.9**	**(7.4)**	**0.0**	**234.6**	**482.6**

Cash flow statement of the Dräger Group	H1 2005 € million	H1 2004 € million
Operating activities		
Group net profit	17.9	27.1
+ Amortization/depreciation of non-current assets	22.6	18.9
– Gain from the disposal of non-current assets	(0.3)	(1.2)
+/– Other changes in other assets and other liabilities	(60.8)	(52.7)
Net cash used in/provided by operating activities	**(20.6)**	**(7.9)**
Investing activities		
– Cash outflow for investments in intangible assets and property, plant and equipment	(24.8)	(25.4)
+/– Other cash inflow/outflow for investments	6.2	(4.7)
+ Cash inflow from the sale of subsidiaries	10.5	14.0
Net cash provided by/used in investing activities	**(8.1)**	**(16.1)**
Financing activities		
– Distribution of dividends	(5.3)	(4.7)
+/– Net balance of bank loans raised/redeemed and other liabilities to banks	39.0	31.0
+/– Other changes	(0.2)	(6.4)
– Profit distributed to minority interests	(20.9)	(3.2)
Net cash provided by financing activities	**12.6**	**16.7**
Change in cash and cash equivalents in the period under review	**(16.1)**	**(7.3)**
+/– Effect of exchange rates on cash and cash equivalents	4.0	(0.7)
+ Cash and cash equivalents at the beginning of the fiscal year [1]	178.0	186.3
Cash and cash equivalents as of June 30 of the fiscal year [1]	**165.9**	**178.3**

1 Cash and cash equivalents include available-for-sale securities

Further explanations

When preparing the interim financial statements as of June 30, 2005 for the Dräger Group, Drägerwerk AG, Lübeck, applied International Financial Reporting Standards, using the same standards and interpretations as for the 2004 annual financial statements. The same accounting policies and consolidation methods were also used, and the consolidated group has not changed since December 31, 2004. Currency translation by companies in the Dräger Group and the translation of the financial statements were carried out according to the methods stated in the 2004 annual report. Any significant year-on-year changes in the results of operations as well as in the Group's net assets and financial position as of December 31, 2004 are discussed in the section, "Business performance H1/2005".

The interim financial statements have not been reviewed by an auditor.

Effects of transition from HGB to IFRSs

a) Reconciliation of equity as of June 30, 2004

	€ million
Equity under HGB (including minority interests)	**520.0**
Asset-backed securities	(2.8)
Recognition of internally developed software	2.2
Goodwill	3.4
Valuation adjustment of building components/adjustment of depreciation	(1.9)
Recognition of finance leases	0.2
Inventory valuation	13.3
Adjustment of bad debt allowances	5.4
Deferred taxes (net)	48.0
Remeasurement/reversal of other provisions	2.0
Consolidation of real estate companies	(11.7)
Remeasurement of pension provisions	(35.9)
Other effects	(0.5)
Reclassification of participation capital	(74.8)
Equity under IFRSs (including minority interests)	**466.9**

From December 31, 2003 to June 30, 2004, equity under IFRSs as opposed to HGB developed as follows:

	HGB	IFRSs	Deviation
	€ million	€ million	€ million
December 31,2003	499.2	443.3	(55.9)
June 30,2004	520.0	466.9	(53.1)
Change	**20.8**	**23.6**	**2.8**

The change breaks down as follows:	
Change in net profit for H1/2004	1.9
Elimination of goodwill amortization under HGB	3.4
Other comprehensive income	(2.5)
	2.8

b) Reconciliation of net profit for H1/2004:

	€ million
Net profit under HGB (including minority interests)	**25.2**
Recognition/valuation adjustment of internally developed software	(0.4)
Valuation adjustment of building components/adjustment of depreciation	(0.2)
Inventory valuation	3.4
Adjustment of bad debt allowances	(1.9)
Deferred taxes	(0.7)
Consolidation of real estate companies (SPEs)	0.6
Remeasurement of pension provisions	0.8
Other effects	0.3
Net profit under IFRSs (including minority interests)	**27.1**

The differences under a) and b) result from the roll forward of the reconciliation items disclosed in the annual report. Reference is made to the explanations in Note 2 of the notes to the financial statements in the 2004 annual report.

The transition had no significant impact on the EBIT (before non-recurring expenses) of the Dräger Medical and Dräger Safety subgroups for the first half of 2004. For the holding company and other companies, EBIT was mainly affected by changes in the consolidated group (SPEs), the measurement of pensions, and inventory valuation.

EBIT[1] before non-recurring expenses	**H1 2004 HGB old definition € million**	**H1 2004 HGB new definition € million**	**H1 2004 IFRSs € million**
Dräger Medical	28.7	25.4	27.8
Dräger Safety	21.0	20.4	21.3
Holding company/other companies/consolidation	(8.7)	(7.9)	(4.2)
Dräger Group	**41.0**	**37.9**	**44.9**

[1] EBIT = Earnings before net interest expense, income taxes, and result from discontinued operations

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 diary

H1/2005 report Conference call	August 11, 2005
Q3/2005 report Conference call	November 10, 2005
Annual stockholders' meeting	June 2, 2006
Annual stockholders' meeting	May 11, 2007

Notes

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