Dräger

Half-yearly financial report
January 1 to June 30, 2010
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP AT A GLANCE

		Six months 2006	Six months 2007	Six months 2008	Six months 2009	Six months 2010	Change on 2009 in %
Order intake	€ million	931.5	914.7	954.5	932.8	1,048.9	+12.4
Orders on hand [1]	€ million	370.8	392.1	494.9	439.5	496.5	+13.0
Net sales	€ million	819.6	837.4	863.5	893.9	1,016.7	+13.7
EBITDA [2]	€ million	77.7	76.7	86.4	46.0	128.8	+180.0
EBIT [3]	€ million	52.8	50.9	47.6	15.1	102.6	+579.5
in % of net sales (EBIT margin)	%	6.4	6.1	5.5	1.7	10.1	
Earnings after income taxes	€ million	23.3	24.1	23.3	1.3	55.9	
Minority interests after income taxes	€ million	8.5	5.0	5.6	1.7	1.1	–35.3
Earnings per share after minority interests							
per preferred share	€	1.03	1.35	1.18	–0.13	3.75	
per common share	€	1.00	1.32	1.15	–0.16	3.72	
Equity [1]	€ million	522.1	502.3	535.2	543.5	578.2	+6.4
Equity ratio [1]	%	33.5	31.2	33.8	31.6	29.3	
Capital employed [1, 4]	€ million	941.5	985.5	960.5	944.6	952.4	+0.8
EBIT [5]/Capital employed (ROCE)	%	13.8	14.8	12.6	7.8	17.6	
Net financial debt [1, 6]	€ million	253.8	322.6	279.0	256.3	350.1	+36.6
Headcount [1]		9,887	10,169	10,697	11,027	11,139	+1.0

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Capital employed = Total assest less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[5] EBIT of the last twelve months
[6] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

CONTENTS

Letter from the Executive Board Chairman

Dear Shareholders,

In the second quarter of 2010, we set four important milestones in the history of our company that will be remembered for a long time to come:

1. After taking over the 25 percent Siemens share in the medical division, we are now 100 percent Dräger again.
2. We have significantly improved our financing structure after the successful capital increase with around EUR 100 million net proceeds. We achieved an equity ratio of approximately 29 percent as of June 30, 2010. This gives us a solid foundation on which to build our future growth and at the same time gives us sufficient resources to master difficult economic times. We paid the EUR 175 million cash component of the purchase price from existing liquidity in the second quarter of 2010, then we will repay the Siemens vendor note in the third quarter of 2010.
3. With the capital increase at the end of June 2010, we strengthened our orientation in the capital market as a listed family company. For the first time, investors have been given the opportunity to buy common shares with voting rights. We are deeply convinced about our decision to open more to the capital market.
4. Dräger is becoming increasingly competitive by introducing new products and streamlining its cost management. We achieved our medium-term goal – a Group EBIT margin of 10 percent – for the first time with a lot of momentum in the first half of 2010. After only six months, EBIT already amounted to around EUR 100 million, EUR 20 million up year-on-year. This development was driven by our positive general trend, high volumes of net sales as well as an advantageous product mix, the weak euro and extraordinary income from the sale of software rights. Even assuming that we are going to lose some of this momentum in the second half of the year, we are confirming our increased forecast from June: During the entire year, we are aiming to increase net sales to reach a medium single-digit percentage figure and almost double our EBIT margin year-on-year to between 7 percent and 8 percent. We are therefore getting much closer to our targeted medium-term earnings than in the past three years.

But the fact that is much more important than this present achievement is that we are laying the foundation for the future, which defines our sustained value. And we have already achieved a lot. We want to make sure that Dräger will remain one of the global market leaders in the "Technology for Life" sector and provide even more value to customers, employees and shareholders than it already does today.

Best regards,

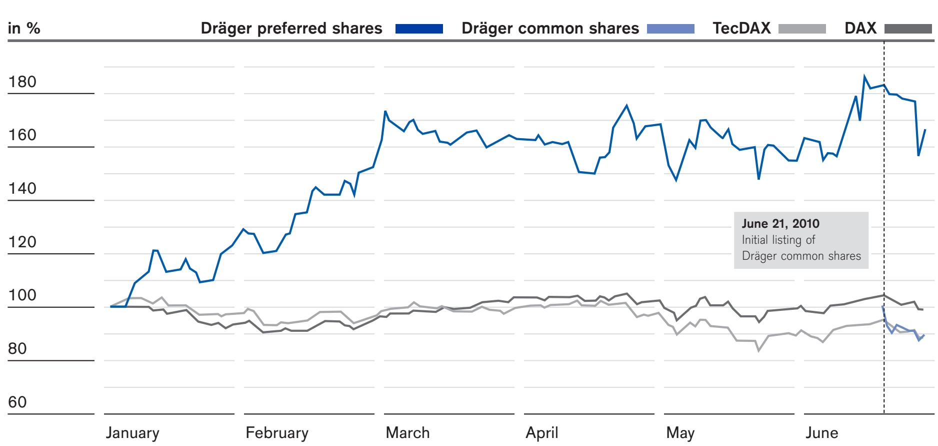
Stefan Dräger

Dräger shares

SHARE PRICE DEVELOPMENTS

In the second quarter of 2010, the Dräger preferred shares continued their positive trend from the first three months of 2010. On June 30, 2010, the price of the preferred shares was still considerably up on the DAX (–1 percent) and the TecDAX (–12 percent), gaining around 48 percent since the beginning of the year. The actual increase in value for shareholders however was considerably higher, as they received subscription rights as well as a dividend. The Dräger common shares were introduced on the stock exchange on June 21, 2010. For more details on the capital increase, please refer to page 6 of the management report.

DRÄGER GROUP SHARE PRICE DEVELOPMENTS 2010 (VERSUS TECDAX +DAX)



DRÄGER SHARES – BASIC FIGURES

	Common share	Preferred share
Securities identification number (WKN)	555060	555063
ISIN [1]	DE0005550602	DE0005550636
Ticker symbol	DRW	DRW3
Reuters symbol	DRWG.DE	DRWG_p.DE
Bloomberg symbol	DRW8	DRW3
Main stock exchange	Frankfurt/Xetra	Frankfurt/Xetra

[1] International Stock Identification Number

DRÄGER SHARES – KEY FIGURES

Common shares [1]	Six months 2010	Six months 2009
No. of shares	10,160,000	6,350,000
High (in €)	46.50	–
Low (in €)	40.40	–
Share price as of June 30 (in €)	41.44	–
Average daily trading volume	72,227	–

Preferred shares	Six months 2010	Six months 2009
No. of shares	6,350,000	6,350,000
High (in €)	56.25	26.78
Low (in €)	31.35	13.28
Share price as of June 30 (in €)	46.45	17.79
Average daily trading volume	59,758	29,866

	Six months 2010	Six months 2009
Market capitalization [2]	715,987,900	225,933,000

[1] Initial listing at Frankfurt Stock Exchange on June 21, 2010.
[2] The market capitalization of common shares in 2009 was based on the price of preferred shares.

Management report of the Dräger Group for the first half of 2010

Important changes in fiscal year 2010

CAPITAL INCREASE

With effect from June 30, 2010, Drägerwerk AG & Co. KGaA increased its capital stock by EUR 9,753,600 to EUR 42,265,600 by issuing 3,810,000 new no-par bearer shares (no-par shares) with a share of EUR 2.56 each in capital stock (new common shares) with full dividend rights as from January 1, 2010 in return for cash.

The transaction was implemented in two stages: Firstly, the company preplaced existing common shares with institutional investors, then it carried out an increase of authorized capital. On June 15, 2010, the issuing banks Goldman Sachs International, London, Great Britain, and M.M.Warburg & CO KGaA, Hamburg, Germany, assumed the contractual obligation to implement and take over the new common shares (hard underwriting) – subject to certain conditions and rights of withdrawal, and particularly subject to corresponding resolutions of Drägerwerk AG & Co. KGaA and Drägerwerk Verwaltungs AG.

For the preplacement, the issuing banks used a so-called accelerated bookbuilt offering (ABO) for selling a total of 1,039,200 existing common shares without subscription rights to institutional investors at EUR 41.00 each (ABO price). These common shares were previously held by Dr. Heinrich Dräger GmbH.

The capital increase was carried out by partially using the authorization issued by the resolution of the annual shareholders' meeting of Drägerwerk AG & Co. KGaA on May 8, 2009, to the general partner of Drägerwerk AG & Co. KGaA, Drägerwerk Verwaltungs AG, to increase the capital stock of the company, with the approval of the Supervisory Board of the company, until May 7, 2014, through a single or multiple issue of new bearer common shares (no-par shares) in return for cash and/or deposits in kind by up to EUR 16,256,000.00 (approved capital).

All shareholders received an indirect subscription right in accordance with Sec. 186 [5] AktG ["Aktiengesetz": German Stock Corporation Act] for new common shares at a ratio of 10:3 at a subscription price of EUR 27.50 each. Subscription rights for preferred shares were traded on the regulated market (floor trading) at Frankfurt Stock Exchange between June 18, 2010 and June 28, 2010, 24:00 hours. In the subscription period from June 17, 2010 to June 30, 2010, all 1,905,000 subscription rights for existing common shares and 1,886,037 of a total of 1,905,000 subscription rights for preferred shares were exercised. The subscription rate therefore totals 99.5 percent. The 18,963 unsubscribed new common shares were sold for EUR 41.00 each on July 2, 2010.

The existing common shares were admitted to the regulated market and at the same time to the Prime Standard of Frankfurt Stock Exchange on June 18, 2010. They were listed on June 21, 2010. The new common shares were admitted to the regulated market and at the same time to the Prime Standard of Frankfurt Stock Exchange on July 2, 2010, after the capital increase had been entered in the commercial register on June 30, 2010. They were listed on July 5, 2010. All common shares as well as all preferred shares of Drägerwerk AG & Co. KGaA have therefore been listed for trading on the stock exchange.

Net proceeds amounted to EUR 99.9 million after deducting EUR 4.4 million in transaction fees (including tax advantage). This figure will increase by EUR 0.7 million in the third quarter of 2010 through the sale of unsubscribed common shares at the beginning of July.

According to the terms and conditions for series A, K and D participation certificates, if the company carries out a capital increase and issues subscription rights for new shares to shareholders, holders of participation certificates have the right to acquire further participation certificates from participation capital, which must be increased correspondingly, at terms and conditions comparable to those of the capital increase. This subscription right is subject to the condition precedent that the company's annual shareholders' meeting must give its approval and the exclusion or limitation of any other legal subscription rights, if this is necessary for guaranteeing the subscription rights of participation certificate holders.

In accordance with the terms and conditions of participation certificates, if the annual shareholders' meeting does not approve to participation certificate holders exercising their subscription rights or if other legal subscription rights cannot be excluded or limited to the required extent, the company must issue cash compensation to the amount of the loss it deems participation certificate holders would incur through the capital increase (Sec. 315 BGB ["Bürgerliches Gesetzbuch": German Civil Code]).

The company recognized EUR 7.8 million in provisions to cover for this contingency on June 30, 2010, which resulted in retained earnings decreasing by EUR 5.7 million, adjusted for a tax advantage.

PURCHASE OF THE 25 PERCENT SHARE IN DRÄGER MEDICAL AG & CO. KG FROM SIEMENS

According to the contractual stipulations, the purchase of the 25 percent share in Dräger Medical AG & Co. KG from Siemens became effective April 30, 2010.

The acquisition price comprises a cash component of EUR 175 million, a vendor note of EUR 68.5 million and a variable option component. The vendor note was divided into three tranches of EUR 18.75 million (tranche I), EUR 40.0 million (tranche II) and EUR 9.75 million (tranche III).

The cash component was due on the effective date of the sale and was paid on April 30, 2010. Tranches I and II of the vendor note with terms of five and three years respectively were repaid early on July 20, 2010, from the inflow of cash and cash equivalents provided by the capital increase. This payment is not recognized in the interim financial statements as of June 30, 2010, as it was made after the reporting date.

CHANGES IN THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG

The Supervisory Board of Drägerwerk Verwaltungs AG has extended the contract of Gert-Hartwig Lescow, CFO, by five years until the end of March 2016. Gert-Hartwig Lescow has been a member of the Executive Board of Drägerwerk Verwaltungs AG since April 1, 2008.

The Supervisory Board of Drägerwerk Verwaltungs AG also appointed a new Executive Board member. Toni Schrofner will be responsible for production and logistics as from September 1, 2010.

Dr. Herbert Fehrecke, Vice Chairman of the Executive Board and previously in charge of this area, assumed the responsibility for research and development from Dr. Ulrich Thibaut on July 1, 2010. Dr. Ulrich Thibaut left the company on his own request on June 30, 2010, to take up new professional challenges. Dr. Fehrecke remains in charge of procurement, IT and quality.

NOTES TO THE TURNAROUND PROGRAM

The turnaround program was still on schedule in the second quarter of 2010. Savings increased by EUR 12.0 million year-on-year (2nd quarter 2009: savings were up EUR 14.1 million compared to the 2nd quarter 2008). The costs for implementing these measures amounted to EUR 0.1 million in the second quarter of 2010 (2nd quarter 2009: EUR 3.5 million).

Total savings in the first half of the year were therefore EUR 23.9 million higher than in the first six months of fiscal year 2009 (6 months 2009: up EUR 14.1 million on the first half of 2008). As before, cost reductions were mainly achieved in procurement (by lowering the costs of production materials, other materials and services), travel and communications, marketing and sales and logistics. The closure of the site in Best, Netherlands, which went according to schedule, including transferring the production of home and emergency ventilation equipment and other functions to Lübeck, has also started to generate savings. Apart from saving costs, turnaround measures have also increased efficiency and therefore helped improve net sales and margins in the service areas. Implementation costs totaled EUR 0.5 million in the first half of 2010 (6 months 2009: EUR 3.5 million).

The company anticipates that turnaround measures will realize a positive effect of around EUR 80 million, measured against net sales, cost structure and exchange rates in 2008 (the benchmark year for the turnaround program), and incur further implementation costs in the region of EUR 10 million for the entire fiscal year 2010. Compared to the net effect (cost reductions less implementation costs) of around EUR 45 million in fiscal year 2009, this would amount to a further saving of around EUR 25 million.

Dräger Group is aiming to achieve the full effects of the turnaround program as from 2011 – saving approximately EUR 100 million annually compared to net sales, cost structure and exchange rates in 2008.

General economic conditions

GLOBAL ECONOMY: UPWARD TREND STABILIZES IN THE SECOND QUARTER OF 2010

After significant growth in the fourth quarter of 2009, the real global gross domestic product (GDP) continued to rise steeply in the first quarter of 2010, according to a study by the Kiel Institute for the World Economy ("Institut für Weltwirtschaft": IfW). The GDP was 4.5 percent higher than in the prior year, as production had bottomed out during the global recession. The Institute also expects global production to increase considerably in the second quarter. But due to the previous economic slump, large capacities are still idle.

Although in the first quarter of 2010, production in industrialized countries slowed down a little compared to the fourth quarter of 2009, it became more varied. But it should be considered that to a large extent, the economic upturn is due to companies changing their inventories management and financial policies that still have an expansive effect in most countries. Recovery in industrialized countries is therefore still rather uncertain.

The German Institute for Economic Research ("Deutsches Institut für Wirtschaftsforschung": DIW) anticipates economic growth of 0.9 percent in Germany in the second quarter of 2010. The Bundesbank also has a positive view of developments in the second quarter. According to its findings, the order situation in the industrial sector has improved significantly. The global economic upturn is the main driving force behind the increasing recovery of the German economy, which is becoming particularly apparent through the quickly rising number of orders from abroad.

INFLATION CURBED

The Institute for the World Economy points out that in view of interest rates and inflation momentum remaining low, the trend towards higher rates of inflation is mainly fuelled by the recovery of commodity prices. Inflationary pressure has gone up in recent months in a number of emerging countries – especially in India and China.

EXCHANGE RATE

In nominal effective terms and in view of considerable fluctuations, the euro has become even weaker in recent months. The euro lost throughout the period. On July 7, 2010, the date of the European Central Bank (ECB) report, the euro's nominal effective exchange rate (measured against the currencies of 21 important eurozone trade partners) was 4.8 percent below the level at the end of March and 8.9 percent below the prior year's average. The euro also lost against the US dollar, a currency particularly important to Dräger, dropping to a level last recorded at the beginning of 2006. On July 7, 2010, the euro came to USD 1.26, 6.8 percent below its price at the end of March 2010, or around 10 percent below its 2009 average.

SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

The positive trend in the medical technology industry continued in the second quarter of 2010. Demand in Germany was up slightly year-on-year. Markets in the rest of Europe also developed positively overall – despite extremely different developments in some cases caused by structural differences. In the Americas region, demand increased, particularly in the US, and growth in South and Latin America continued. Asian markets, especially China, continued to develop and modernize their medical technology infrastructure.

SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

Safety technology markets were able to benefit from the economic recovery. Rising commodity prices, for instance, affected Germany's chemical industry, which has made a surprisingly swift recovery from the crisis. Demand in individual countries in the rest of Europe partially reflects the impact of the financial crisis. The development in markets such as the US was rather slow, which was compensated to some extent by the effects of stockpiling inventories in the first half of 2010. In contrast, core business in other regions such as Asia grew significantly, with the steel, supplier and automotive industries in particular recording positive growth.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Second quarter			Six months		
		Second quarter 2010	Second quarter 2009	Change in %	Six months 2010	Six months 2009	Change in %
Order intake	**€ million**	**560.7**	**484.2**	**+15.8**	**1,048.9**	**932.8**	**+12.4**
Orders on hand [1]	**€ million**	**496.5**	**439.5**	**+13.0**	**496.5**	**439.5**	**+13.0**
Net sales	**€ million**	**550.8**	**468.7**	**+17.5**	**1,016.7**	**893.9**	**+13.7**
EBITDA [2]	**€ million**	**78.8**	**25.0**	**+215.2**	**128.8**	**46.0**	**+180.0**
Depreciation/amortization	€ million	13.0	16.4	–20.7	26.2	30.9	–15.2
EBIT [3]	**€ million**	**65.8**	**8.6**	**+665.1**	**102.6**	**15.1**	**+579.5**
Earnings after income taxes	**€ million**	**37.2**	**1.4**	**+2,557.1**	**55.9**	**1.3**	
Earnings per share							
per preferred share	€	2.37	–0.03		3,75	–0.13	
per common share	€	2.36	–0.04		3,72	–0.16	
Research and development costs	**€ million**	**34.2**	**38.0**	**–10.0**	**68.1**	**75.2**	**–9.4**
Equity ratio [1]	**%**	**29.3**	**31.6**		**29.3**	**31.6**	
Cash flow from operating activities	**€ million**	**–1.1**	**38.3**	**–102.9**	**25.1**	**44.2**	**–43.2**
Net financial debt [1, 8]	**€ million**	**350.1**	**256.3**	**+36.6**	**350.1**	**256.3**	**+36.6**
Investments	**€ million**	**13.6**	**12.4**	**+9.7**	**21.3**	**23.3**	**–8.6**
Capital employed [1, 4]	**€ million**	**952.4**	**944.6**	**+0.8**	**952.4**	**944.6**	**+0.8**
Net working capital [1, 5]	**€ million**	**439.3**	**482.6**	**–9.0**	**439.3**	**482.6**	**–9.0**
EBIT/net sales	**%**	**11.9**	**1.8**		**10.1**	**1.7**	
EBIT [6]**/capital employed**	**%**	**17.6**	**7.8**		**17.6**	**7.8**	
Gearing [7, 8]	**Factor**	**0.6**	**0.5**		**0.6**	**0.5**	
Total headcount [1]		**11,139**	**11,027**	**+1.0**	**11,139**	**11,027**	**+1.0**

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[6] EBIT of the last twelve months
[7] Gearing = net financial debt/equity
[8] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

The Dräger Group's business performance in the first half of 2010

ORDER INTAKE

	Second quarter				Six months			
in € million	Second quarter 2010	Second quarter 2009	Change in %	Net of currency effects in %	Six months 2010	Six months 2009	Change in %	Net of currency effects in %
Germany	109.9	104.5	+5.2	+5.2	218.3	204.2	+6.9	+6.9
Rest of Europe	195.8	185.9	+5.3	+2.8	369.5	359.6	+2.8	+0.5
Americas	143.6	87.7	+63.7	+52.0	248.4	165.8	+49.8	+43.8
Asia/Pacific	76.8	64.0	+20.0	+5.1	150.1	129.4	+16.0	+6.8
Other	34.6	42.1	–17.8	–21.1	62.6	73.8	–15.2	–18.6
Total	**560.7**	**484.2**	**+15.8**	**+10.5**	**1,048.9**	**932.8**	**+12.4**	**+9.0**

In the first half of 2010, order intake increased by 9.0 percent (net of currency effects) compared to the first half of 2009. The Americas region was the main contributor with +43.8 percent. Order intake in the medical division went up by 12.3 percent (net of currency effects) and by 3.4 percent in the safety division.

ORDERS ON HAND

in € million	June 30, 2010	June 30, 2009	Change in %	Net of currency effects in %
Germany	96.0	75.9	+26.5	+26.5
Rest of Europe	169.2	203.8	–17.0	–18.8
Americas	126.2	61.4	+105.5	+85.9
Asia/Pacific	68.5	56.9	+20.4	+4.5
Other	36.6	41.5	–11.8	–14.3
Total	**496.5**	**439.5**	**+13.0**	**+7.1**

Equipment orders on hand covered a 3.1 month period as of June 30, 2010 (June 30, 2009: 2.4 months). On December 31, 2009, they covered a period of 3.0 months.

NET SALES

in € million	Second quarter 2010	Second quarter 2009	Change in %	Net of currency effects in %	Six months 2010	Six months 2009	Change in %	Net of currency effects in %
	Second quarter				Six months			
Germany	107.8	99.6	+8.2	+8.2	200.9	189.3	+6.1	+6.1
Rest of Europe	206.8	185.4	+11.5	+9.4	390.4	351.0	+11.2	+9.0
Americas	121.1	93.3	+29.8	+19.1	206.5	173.6	+19.0	+13.3
Asia/Pacific	79.4	58.1	+36.7	+19.6	149.1	115.8	+28.8	+18.8
Other	35.7	32.3	+10.5	+6.7	69.8	64.2	+8.7	+5.2
Total	**550.8**	**468.7**	**+17.5**	**+12.2**	**1,016.7**	**893.9**	**+13.7**	**+10.2**

In the first six months of 2010, net sales rose by 10.2 percent (net of currency effects) compared to the first half of 2009. Both divisions contributed to this rise. Net sales in the medical division went up by 13.7 percent (net of currency effects) and in the safety division by 3.4 percent (net of currency effects).

EARNINGS

The gross margin in the first half of 2010 was significantly above the prior-year figure, the main reasons being increased net sales, a shift of the product mix towards the equipment business, which has stronger margins, positive currency effects and savings from the turnaround program.

Gross profit went up from EUR 97.1 million to EUR 489.1 million year-on-year.

Compared to the first half of 2009, additional saving from the turnaround program amounted to EUR 23.9 million in the first half of 2010 (before implementation costs of EUR 0.5 million). Major contributors were procurement and lower costs for travel and telecommunications, marketing and sales and logistics. These savings were offset by increased personnel expenses, particularly in the functional areas marketing and sales and general administration, the reasons for this being a larger number of employees and accruals for profit shares, which rose in line with the positive result in the first half of the year. Impairment losses on trademarks and patent rights of EUR 2.0 million in fiscal year 2009 led to comparatively low costs in 2010.

Income from the sale of software codes in 2010 amounted to EUR 4.4 million and increased other operating income.

Research and development expenses dropped to 6.7 percent of net sales year-on-year (6 months 2009: 8.4 percent), mainly due to the decision made in 2009 to terminate a development project in the medical division.

Dräger Group's EBIT therefore rose significantly to a total of EUR 102.6 million, more than six times as high as in the same period in the prior year (6 months 2009: EUR 15.1 million). With 10.1 percent, the EBIT margin was considerably up on the prior year (6 months 2009: 1.7 percent).

The positive development of the Dräger preferred share compared to December 31, 2009, pushed up the cash component of the purchase price of the 25 percent share in Dräger Medical AG & Co. KG as of the reporting date. In the first half of 2010, EUR 3.9 million was recognized as expenses under “Other financial result” to cover this (1st quarter 2009: EUR 6.4 million).

The interest result dropped by EUR 3.3 million year-on-year. This was mainly the result of EUR 140.0 million in additional note loans being taken out in April 2009 and the vendor note, which started bearing interest in April 2010. In addition, loan commitment fees for the loan agreement which was concluded with KfW (Kreditanstalt für Wiederaufbau) in 2009 and which has not yet been used, and the EUR 240 million syndicated loan taken out in March 2010 were included in the interim financial statements as of June 30, 2010.

Income taxes were calculated on the basis of earnings before income taxes and anticipated group tax rate of 36 percent.

Earnings after income taxes also increased considerably by EUR 54.6 million to EUR 55.9 million year-on-year.

When calculating the interest in net profit of participation certificates (without minimum dividend), the dividend for participation certificates in 2009 of EUR 4.00 was taken into account.

INVESTMENTS

In the first six months of 2010, investments in intangible assets amounted to EUR 2.2 million (1st quarter 2009: EUR 3.8 million). During the same period, Dräger invested EUR 19.0 million in property, plant and equipment (6 months 2009: EUR 19.5 million). Depreciation and amortization covered the full amount of all investments.

CASH FLOW STATEMENT

In the first half of 2010, cash inflow from operating activities amounted to EUR 25.1 million (6 months 2009: cash inflow of EUR 44.2 million). This year-on-year drop is mainly due to inventories going up by EUR 48.9 million (6 months 2009: EUR 17.2 million) as a result of increased stockpiling activities – in response to the consistently positive order situation – and trade receivables decreasing less than before by just EUR 16.2 million (6 months 2009: EUR 71.7 million) as a result of increased net sales for the first half of the year. Earnings after income taxes, on the other hand, went up by EUR 61.2 million (net of depreciation and amortization, changes in provisions recognized directly in equity and other non-cash income). Trade payables rose by a total of EUR 6.6 million compared to December 31, 2009 (6 months 2009: EUR –28.4 million). In April 2010, Dräger paid the EUR 175.0 million cash component of the total purchase price of EUR 250.6 million for the acquisition of the 25 percent share in Dräger Medical AG & Co. KG. EUR 52.2 million of this payment were for the acquired goodwill totaling EUR 74.8 million, pushing up the cash outflow from investing activities to EUR 69.9 million (6 months 2009: EUR 23.1 million).

The remaining part of the cash component of EUR 122.8 million was used for the shares acquired from Siemens, amounting to EUR 175.8 in total. Cash inflow from the par value of issued common shares during the capital increase at the end of June 2010 increased cash and cash equivalents by EUR 9.8 million. The EUR 90.2 million premium was still recognized as a non-cash expense as of June 30, 2010. Together, these transactions amounted to EUR 113.7 million cash outflow from financing activities (6 months 2009: EUR 83.0 million). Cash inflow during the same period in the prior year mainly resulted from taking out EUR 140.0 million in note loans and at the same time repaying a note loan in the amount of EUR 25.0 million.

Cash inflow from operating activities included EUR 16.5 million in income taxes paid (6 months 2009: EUR 7.8 million), EUR 1.2 million in interest received (6 months 2009: EUR 1.8 million) and EUR 20.3 million in interest paid (6 months 2009: EUR 13.3 million).

Cash and cash equivalents as of June 30, 2010, exclusively comprised cash, of which EUR 11.4 million was subject to restrictions (June 30, 2009: EUR 5.8 million).

Relevant balance sheet items are stated net of currency effects in the cash flow statement and may therefore differ from the amounts published in the balance sheet as of the reporting date.

Financial management

BORROWING

Dräger regularly used the syndicated credit line taken out on March 16, 2010, totaling EUR 240 million, during the normal course of business by making daily use of current accounts in Germany and abroad. The company also utilized the cash credit line once during the reporting period by drawing EUR 20 million in one month, which it repaid in full by June 30, 2010.

Dräger uses this cash credit line to finance the daily operations of its German and foreign subsidiaries.

DIVIDEND AND PARTICIPATION CERTIFICATE PAYMENTS

On May 10, 2010, Drägerwerk AG & Co. KGaA distributed a dividend totaling EUR 4.7 million to shareholders. Of this amount, EUR 2.2 million pertained to common shares and EUR 2.5 million to preferred shares. Drägerwerk AG & Co. KGaA also distributed a total of around EUR 5.7 million to holders of series A, K and D participation certificates.

NET ASSETS

Dräger Group's equity rose by EUR 184.4 million to EUR 578.2 million in the first half of 2010, mainly due to the half-year result of EUR 55.9 million and the capital increase carried out in June 2010. The equity ratio went up to 29.3 percent (December 31, 2009: 20.9 percent).

Total assets increased by EUR 86.1 million to EUR 1,972.0 million in the first six months of 2010. Whereas inventory levels and other current assets increased, cash and cash equivalents decreased. At the same time, equity as well as current loans and liabilities to banks went up in particular on the liabilities side, while other current financial liabilities dropped significantly.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Second quarter			Six months		
		Second quarter 2010	Second quarter 2009	Change in %	Six months 2010	Six months 2009	Change in %
Order intake	**€ million**	**375.2**	**310.2**	**+21.0**	**698.8**	**605.4**	**+15.4**
Orders on hand [1]	**€ million**	**340.8**	**250.2**	**+36.2**	**340.8**	**250.2**	**+36.2**
Net sales	**€ million**	**369.0**	**309.8**	**+19.1**	**675.3**	**578.1**	**+16.8**
EBITDA [2]	**€ million**	**57.9**	**19.6**	**+195.4**	**103.7**	**29.0**	**+257.6**
Depreciation/amortization	€ million	5.3	11.2	–52.7	10.8	17.9	–39.7
EBIT [3]	**€ million**	**52.6**	**8.4**	**+526.2**	**92.9**	**11.1**	**+736.9**
Earnings after income taxes	**€ million**	**37.6**	**5.9**	**+537.3**	**65.4**	**7.6**	**+760.5**
Research and development costs	**€ million**	**23.6**	**28.3**	**–16.6**	**47.3**	**55.9**	**–15.4**
Cash flow from operating activities	**€ million**	**10.2**	**32.2**	**–68.3**	**49.3**	**56.4**	**–12.6**
Net financial debt [1, 8]	**€ million**	**–248.2**	**–135.8**	**+82.8**	**–248.2**	**–135.8**	**+82.8**
Investments	**€ million**	**6.8**	**4.8**	**+41.7**	**10.7**	**10.3**	**+3.9**
Capital employed [1, 4, 9]	**€ million**	**579.6**	**606.3**	**–4.4**	**579.6**	**606.3**	**–4.4**
Net working capital [1, 5]	**€ million**	**313.9**	**327.3**	**–4.1**	**313.9**	**327.3**	**–4.1**
EBIT/net sales	**%**	**14.3**	**2.7**		**13.8**	**1.9**	
EBIT [6]/capital employed	**%**	**26.2**	**8.3**		**26.2**	**8.3**	
Gearing [7, 8]	**Factor**	**–0.3**	**–0.2**		**–0.3**	**–0.2**	
Total headcount [1]		**6,350**	**6,312**	**+0.6**	**6,350**	**6,312**	**+0.6**

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[6] EBIT of the last twelve months
[7] Gearing = net financial debt/equity
[8] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[9] The goodwill from the acquisition of the 10 percent share in Dräger Medical AG & Co. KG from Siemens in 2007 is recognized in the consolidation segment.

Business performance of the medical division

ORDER INTAKE

in € million	Second quarter 2010	Second quarter 2009	Change in %	Net of currency effects in %	Six months 2010	Six months 2009	Change in %	Net of currency effects in %
	Second quarter				Six months			
Germany	78.5	66.3	+18.4	+18.4	154.9	137.0	+13.1	+13.1
Rest of Europe	124.5	118.6	+5.0	+2.6	228.2	224.4	+1.7	–0.5
Americas	95.1	58.1	+63.7	+50.8	174.7	111.8	+56.3	+49.9
Asia/Pacific	51.6	41.0	+25.9	+11.4	97.6	82.7	+18.0	+10.8
Other	25.5	26.2	–2.7	–5.2	43.4	49.5	–12.3	–14.5
Total	**375.2**	**310.2**	**+21.0**	**+15.5**	**698.8**	**605.4**	**+15.4**	**+12.3**

Order intake rose by 12.3 percent (net of currency effects) in the first half of 2010. Growth in the second quarter of 2010 had even more momentum than in the first quarter. Order intake went up by 15.5 percent (net of currency effects) year-on-year, mainly due to considerable growth in the Americas region (+50.8 percent net of currency effects).

Order intake for specific products, particularly in the business areas monitoring, systems and IT, anesthesia and infrastructure projects, increased in the second quarter of 2010. As in the first quarter of 2010, Dräger received a large monitoring order from Brazil. Several infrastructure projects orders came in from various countries, especially in Europe. Dräger also recorded positive growth in the anesthesia business area, supported by a consistently positive trend in the US.

Order intake in Germany developed positively, mainly thanks to large orders for lifecycle solutions technical equipment management and increased infrastructure projects order volumes.

The order situation in the rest of Europe developed rather differently, but overall slightly positive compared to the second quarter in the prior year. While Russia and France recorded considerable growth, demand in Greece and Austria fell significantly below the prior year’s levels.

In the Americas region, order intake went up to a particularly high level compared to the relatively weak second quarter in 2009, which was still feeling the effects of the crisis. The main reasons for this were the already mentioned monitoring order from Brazil and stronger market development in the US. Order intake in the US grew by 42.9 percent (net of currency effects) in the second quarter of 2010.

The positive development in Australia and India was a particular growth driver in the Asia/Pacific region in the second quarter of 2010.

Compared to the second quarter in the prior year, the order situation in several Arab and African countries was weaker. This resulted in lower order intake in the other countries region.

ORDERS ON HAND

in € million	June 30, 2010	June 30, 2009	Change in %	Net of currency effects in %
Germany	68.6	47.8	+43.5	+43.5
Rest of Europe	107.8	95.6	+12.8	+10.3
Americas	92.5	43.8	+111.2	+87.8
Asia/Pacific	48.4	35.9	+34.8	+18.3
Other	23.5	27.1	–13.3	–16.0
Total	**340.8**	**250.2**	**+36.2**	**+28.5**

As of June 30, 2010, orders on hand (net of currency effects) were up 28.5 percent against the prior-year period, mainly due to the positive order situation in the US, Germany and Brazil. Equipment orders on hand covered a 3.6 month period (June 30, 2009: 2.4 months).

Without taking into account currency effects, orders on hand in the areas ventilation and monitoring, systems and IT doubled compared to June 30, 2009.

NET SALES

	Second quarter				Six months			
in € million	Second quarter 2010	Second quarter 2009	Change in %	Net of currency effects in %	Six months 2010	Six months 2009	Change in %	Net of currency effects in %
Germany	74.4	70.3	+5.8	+5.8	138.1	129.7	+6.5	+6.5
Rest of Europe	125.3	117.1	+7.0	+5.0	238.1	212.2	+12.2	+9.9
Americas	92.5	62.6	+47.8	+36.5	152.9	117.3	+30.3	+24.6
Asia/Pacific	50.9	35.6	+43.0	+26.6	97.3	72.2	+34.8	+26.9
Other	25.9	24.2	+7.0	+4.8	48.9	46.7	+4.7	+2.7
Total	**369.0**	**309.8**	**+19.1**	**+14.0**	**675.3**	**578.1**	**+16.8**	**+13.7**

In the first half of 2010, net sales in the medical division rose by 13.7 percent (net of currency effects), especially in the Americas and Asia/Pacific regions.

The areas ventilation, anesthesia, monitoring, systems and IT and lifecycle solutions were the main contributors to the increase in net sales in the second quarter of 2010 compared to the same period in the prior year.

In Germany, net sales growth – just as order intake – was driven by technical device management and infrastructure projects.

Net sales went up in the rest of Europe, one of the reasons being the delivery of the last and largest part of a large Ukrainian order for ventilation devices from the prior year. Net sales growth in Spain was based on the delivery of ventilation devices. In Austria, Dräger invoiced a large monitoring order. Net sales in Italy and Great Britain, on the other hand, were much lower than in the second quarter of the prior year. Local political changes and the economic situation in Italy resulted in delayed orders. In Great Britain, large orders had been delivered in the same period in the year before.

In the second quarter of 2010, the delivery of large monitoring and ventilation devices orders to Brazil and also the continuing positive trend in the US pushed up net sales in the Americas region by 30.6 percent (net of currency effects).

The Asia/Pacific region also recorded considerable net sales growth in the second quarter of 2010, mainly due to the continuing positive development in China and Australia, where Dräger was able to increase net sales, particularly in view of the positive economic situation.

The slight rise in net sales in the other countries region compared to the second quarter of 2009, is partly attributable to the delivery of an order for heat therapy devices to Uzbekistan and higher net sales in the Unit Arab Emirates and Kazakhstan.

EARNINGS

The gross margin in the first quarter of 2010 was significantly above the prior-year figure, mainly because of increased net sales, positive currency effects, a shift of the product mix towards the equipment business, which has stronger margins, and savings from the turnaround program.

Lower functional costs, achieved with the help of the turnaround program amongst other things, and income from the sale of software codes also boosted earnings. Expenses for efficiency improvement measures were much lower than in the prior year.

In the first half of 2010, the medical division managed to save a total of EUR 16.6 million more than in the first six months of 2009 under the turnaround program (6 months 2009: EUR 8.7 million compared to the 1st half 2008). Implementation costs of EUR 0.4 million were incurred in the first half of 2010 (6 months 2009: EUR 3.5 million).

Research and development expenses came to EUR 47.3 million in the first half of 2010, 15.4 percent (net of currency effects: 15.8 percent) lower year-on-year. The comparatively lower costs were mainly due to the decision made by the medical division in 2009 to discontinue a development project in response to changed conditions in the market. The closure of the site in Best, Netherlands, higher impairment losses on patents in the prior year and the implementation of the turnaround program also led to comparatively lower costs.

In view of the improved profitability of the medical division, EBIT rose significantly to EUR 92.9 million in the first half of 2010 (6 months 2009: EUR 11.1 million). At 13.8 percent, the EBIT margin was up considerably on the prior year's value of 1.9 percent.

INVESTMENTS

In the first half of 2010, the medical division invested EUR 10.7 million in intangible assets and property, plant and equipment (6 months 2009: EUR 10.3 million). These investments mainly related to replacements. Depreciation and amortization amounted to EUR 10.8 million in the first six months of 2010 and covered the investments in full, as in the prior year.

NET ASSETS

As of June 30, 2010, capital employed decreased by EUR 26.7 million to EUR 579.6 million (June 30, 2009: EUR 606.3 million), some of the reasons being increased current provisions, trade payables, impairment losses on property, plant and equipment and patents in the second half of the prior year as well as higher prepayments and tax liabilities. Increased receivables and inventories, on the other hand, pushed up this figure.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Second quarter			Six months		
		Second quarter 2010	Second quarter 2009	Change in %	Six months 2010	Six months 2009	Change in %
Order intake	**€ million**	**192.8**	**179.8**	**+7.2**	**365.1**	**339.9**	**+7.4**
Orders on hand [1]	**€ million**	**157.9**	**190.3**	**–17.0**	**157.9**	**190.3**	**–17.0**
Net sales	**€ million**	**186.0**	**165.7**	**+12.3**	**353.0**	**328.7**	**+7.4**
EBITDA [2]	**€ million**	**21.9**	**13.0**	**+68.5**	**39.8**	**29.0**	**+37.2**
Depreciation/amortization	€ million	5.3	5.5	–3.6	10.5	11.0	–4.5
EBIT [3]	**€ million**	**16.6**	**7.5**	**+121.3**	**29.3**	**18.0**	**+62.8**
Earnings after income taxes (before profit/loss transfer)	**€ million**	**11.1**	**4.7**	**+136.2**	**19.6**	**11.4**	**+71.9**
Research and development costs	**€ million**	**9.8**	**9.6**	**+2.1**	**19.6**	**18.4**	**+6.5**
Cash flow from operating activities	**€ million**	**9.2**	**12.4**	**–25.8**	**20.3**	**9.6**	**+111.5**
Net financial debt [1, 8]	**€ million**	**19.3**	**63.4**	**–69.6**	**19.3**	**63.4**	**–69.6**
Investments	**€ million**	**5.5**	**4.9**	**+12.2**	**8.8**	**9.4**	**–6.4**
Capital employed [1, 4]	**€ million**	**205.6**	**240.2**	**–14.4**	**205.6**	**240.2**	**–14.4**
Net working capital [1, 5]	**€ million**	**127.0**	**161.2**	**–21.2**	**127.0**	**161.2**	**–21.2**
EBIT/net sales	**%**	**8.9**	**4.5**		**8.3**	**5.5**	
EBIT [6] **/capital employed**	**%**	**20.1**	**22.9**		**20.1**	**22.9**	
Gearing [7, 8]	**Factor**	**0.1**	**0.4**		**0.1**	**0.4**	
Total headcount [1]		**4,352**	**4,296**	**+1.3**	**4,352**	**4,296**	**+1.3**

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[6] EBIT of the last twelve months
[7] Gearing = net financial debt/equity
[8] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

Business performance of the safety division

ORDER INTAKE

in € million	Second quarter 2010	Second quarter 2009	Change in %	Net of currency effects in %	Six months 2010	Six months 2009	Change in %	Net of currency effects in %
	Second quarter				Six months			
Germany	38.7	44.0	–12.0	–12.0	78.4	79.7	–1.6	–1.6
Rest of Europe	71.3	67.3	+5.9	+3.1	141.3	135.2	+4.5	+2.1
Americas	48.5	29.6	+63.9	+54.4	73.7	54.0	+36.5	+31.1
Asia/Pacific	25.2	23.0	+9.6	–6.1	52.5	46.7	+12.4	–0.4
Other	9.1	15.9	–42.8	–47.2	19.2	24.3	–21.0	–26.7
Total	**192.8**	**179.8**	**+7.2**	**+2.2**	**365.1**	**339.9**	**+7.4**	**+3.4**

Total order intake in the safety division grew by 3.4 percent (net of currency effects) in the first half of 2010 and 2.2 percent (net of currency effects) in the second quarter of 2010. The positive development in the Americas region compensated for the weaker development in Germany and the other countries region.

The Germany region closed the first half of the year with figures slightly below those in the prior year. The main reason was the order for equipping the "Puma" armored personnel carrier with ABC filter protection systems, which was awarded in the second quarter of 2009. The German military ordered the "Dräger LAR 5000" diving apparatus in the second quarter of 2010. Dräger also received an order from the Hesse fire service for the "Dräger PSS 90" breathing apparatus. A waste management company in Lower Saxony placed an order for four refuge chambers. In addition, the petrochemical industry placed an order for a shutdown project.

In the rest of Europe region, Dräger received further orders from the British fire service for the "Dräger PSS 7000" breathing apparatus in the second quarter of 2010. Russia ordered the "Dräger Alcotest 6810" alcohol detection device for its police force. Norwegian and Dutch oil and gas companies ordered the "Dräger X-am 2000" gas detection device.

One of the main drivers of the extremely positive development in the Americas region was the order for components for the production of a deep sea diving system, which was received in the second quarter of 2010 and amounts to a lower double-digit million euro figure. These are components from the deep sea diving project that remained unfinished in the prior year and was written off in full in the fourth quarter of 2009. In addition, orders for the "Dräger Interlock XT" electronic immobilizer as well as the "Dräger Alcotest 9510" and "Dräger Alcotest 8610" alcohol detection devices pushed up figures in the alcohol detection business. Dräger also received orders for the "Dräger PSS BG 4" respiratory protection device and oxygen self-rescuers from the mining industry. Order intake in the US in the second quarter of 2010, adjusted for the effects from the deep sea diving project, was up 9.4 percent (net of currency effects) on the figures in the second quarter of 2009.

Despite a major order from the health authorities in Singapore in the second quarter of 2009 for respiratory protection masks, figures in the Asia/Pacific region remained at the prior year's level (net of currency effects). Dräger continued to convince the Australian market with its respiratory protection and alcohol detection devices. China ordered breathing apparatus for its mining industry.

The decrease in the other countries region exclusively pertains to the order from a petrochemical company in Oman received in the prior year, which amounted to a figure at the upper end of the single-digit million euro region. The South African subsidiary developed extremely positively, receiving an order from the mining industry for the "Dräger Oxyboks K 35" oxygen self-rescuer. The transport industry placed further orders with Dräger for the "Dräger Alcotest 7110" alcohol detection device.

ORDERS ON HAND

in € million	June 30, 2010	June 30, 2009	Change in %	Net of currency effects in %
Germany	29.6	29.1	+1.7	+1.7
Rest of Europe	61.4	108.2	–43.3	–44.5
Americas	33.7	17.6	+91.5	+81.3
Asia/Pacific	20.1	21.0	–4.3	–19.0
Other	13.1	14.4	–9.0	–11.1
Total	**157.9**	**190.3**	**–17.0**	**–20.4**

While core business developed positively in the first half of the year, Dräger recorded 20.4 percent (net of currency effects) less orders on hand as of June 30, 2010 compared to the end of the first half of 2009 due to effects from the project business (especially deep sea diving systems). The decrease in the rest of Europe region was largely attributable to the cancellation of an order for a deep sea diving system at the end of 2009. Deep sea diving projects in this region totaled EUR 17.1 million (June 30, 2009: EUR 63.8 million). The above order for deep sea diving components particularly influenced the development in the Americas region. The decrease in the Asia/Pacific and other countries regions was caused by the delivery of half masks in Singapore in the second half of 2009 and partial invoicing of a project in Oman. Equipment orders on hand covered a 2.4 month period (June 30, 2009: 2.4 months).

NET SALES

in € million	Second quarter 2010	Second quarter 2009	Change in %	Net of currency effects in %	Six months 2010	Six months 2009	Change in %	Net of currency effects in %
	Second quarter				Six months			
Germany	37.6	36.1	+4.2	+4.2	74.4	72.5	+2.6	+2.6
Rest of Europe	81.5	68.3	+19.3	+16.8	152.3	138.8	+9.7	+7.6
Americas	28.6	30.7	–6.8	–16.3	53.6	56.3	–4.8	–10.1
Asia/Pacific	28.5	22.5	+26.7	+8.4	51.8	43.6	+18.8	+5.3
Other	9.8	8.1	+21.0	+12.3	20.9	17.5	+19.4	+12.0
Total	**186.0**	**165.7**	**+12.3**	**+6.6**	**353.0**	**328.7**	**+7.4**	**+3.4**

In the first half of 2010, net sales at the safety division grew by 3.4 percent (net of currency effects) year-on-year and by 6.6 percent (net of currency effects) in the second quarter of 2010. The positive development in the rest of Europe and other countries regions exceeded declining net sales in the Americas region.

Net sales development in the Germany region was up on the prior year, as an aircraft fire training system, amongst other orders, was successfully delivered to Leipzig Airport in the second quarter of 2010. Dräger also carried out and invoiced shutdown projects for the petrochemical industry.

Net sales in the rest of Europe region were significantly above the prior year's level (net of currency effects), one of the reasons being the positive development in Great Britain as a result of the delivery of breathing apparatus, especially "Dräger PSS 7000" and stationary gas detection systems for the petrochemical industry in the second quarter of 2010. A Norwegian customer also received a completed deep sea diving system. In Russia, the order for "Dräger Alcotest 6810" alcohol detection devices was delivered. Even the extremely positive development in South America and the further rising Interlock business in the US were not able to compensate for the decrease in the remaining countries of the Americas region. In the second quarter of 2010, net sales in the US dropped by 7.2 percent (net of currency effects) year-on-year. While net sales from projects failed to reach the prior year's level, core business developed positively despite the challenging economic situation.

Like order intake, net sales in the Asia/Pacific region developed positively. Companies in the petrochemical and semi-conductor industries were supplied with stationary gas detection systems. In Australia, Dräger delivered alcohol detection, respiratory protection and gas detection devices. Customers from the Indian mining industry, fire services, oil and gas industry and shipping industry received the "Dräger Oxy SR IS", "Dräger PA 91", "Dräger Pac 7000" and "Dräger PSS Dive" oxygen self-rescuers.

One of Dräger's successes in the other countries region was in the oil and gas industry in Oman. In South Africa, Dräger exceeded its net sales in the prior year by delivering breath alcohol detection devices and oxygen self-rescuers.

EARNINGS

Shifts in the product mix towards more profitable products, positive currency effects and high capacity utilization at production sites resulted in an improved gross margin.

As planned, research and development costs rose 6.5 percent to EUR 19.6 million year-on-year (6 months 2009: EUR 18.4 million). Marketing, sales and administration costs were up on the prior year, some of the reasons being increased personnel expenses, the newly established company in Finland and currency effects.

Thanks to the higher gross margin, the safety division managed to push up its EBIT by 62.8 percent to EUR 29.3 million in the first six months of 2010 (6 months 2009: EUR 18.0 million). The EBIT margin was 8.3 percent (6 months 2009: 5.5 percent).

INVESTMENTS

The safety division continued to invest according to plan. Investments in intangible assets and property, plant and equipment amounted to EUR 8.8 million (6 months 2009: EUR 9.4 million). At EUR 10.5 million, depreciation and amortization exceeded the investment volume (as in the prior year).

NET ASSETS

As expected, capital employed dropped due to reduced receivables and significantly lower inventories, amounting to EUR 205.6 million at the end of the first six months of 2010 (June 30, 2009: EUR 240.2 million).

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

		Second quarter			Six months		
		Second quarter 2010	Second quarter 2009	Change in %	Six months 2010	Six months 2009	Change in %
Order intake Germany	**€ million**	**3.7**	**4.3**	**–14.0**	**7.5**	**8.3**	**–9.6**
Orders on hand Germany [1]	**€ million**			**+0.0**			**+0.0**
Net sales Germany	**€ million**	**5.8**	**4.3**	**+34.9**	**9.6**	**8.3**	**+15.7**
EBITDA [2]	**€ million**	**20.2**	**28.4**	**–28.9**	**8.7**	**27.0**	**–67.8**
Depreciation/amortization	€ million	2.4	2.5	–4.0	4.9	4.8	+2.1
EBIT [3]	**€ million**	**17.8**	**25.9**	**–31.3**	**3.8**	**22.2**	**–82.9**
Earnings after income taxes	**€ million**	**5.4**	**20.0**	**–73.0**	**–15.0**	**11.5**	**–230.4**
Research and development costs	**€ million**	**0.7**	**0.1**	**+600.0**	**1.1**	**0.9**	**+22.2**
Cash flow from operating activities	**€ million**	**5.5**	**29.8**	**–81.5**	**–17.7**	**16.4**	
Net financial debt [1, 4]	**€ million**	**579.6**	**328.6**	**+76.4**	**579.6**	**328.6**	**+76.4**
Investments	**€ million**	**1.3**	**2.6**	**–50.0**	**1.8**	**3.8**	**–52.6**
Capital employed [1, 5]	**€ million**	**870.8**	**678.8**	**+28.3**	**870.8**	**678.8**	**+28.3**
Net working capital [1, 6]	**€ million**	**–13.6**	**–13.3**	**+2.3**	**–13.6**	**–13.3**	**+2.3**
Total headcount [1]		**437**	**419**	**+4.3**	**437**	**419**	**+4.3**

[1] Value as of June 30
[2] Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt

Drägerwerk AG & Co. KGaA/other companies

EARNINGS

As discussed in the 2009 annual report, Drägerwerk AG & Co. KGaA provides services to the divisions and their subsidiaries.

EBIT in this area dropped to EUR 3.8 million year-on-year (6 months 2009: EUR 22.2 million), the main reason being that up to now, Dräger Medical AG & Co. KG has not yet made any payments to Dräger Medical Holding GmbH, which is linked to Drägerwerk AG & Co. KGaA through a profit transfer agreement (6 months 2009: EUR 32.2 million). The payment will be made in the third quarter of 2010. The profit transferred by Dräger Safety AG & Co. KGaA, on the other hand, was around EUR 19 million higher than in the prior year (6 months 2009: EUR 4.0 million).

The measurement of the option component of the purchase price for the 25 percent share in Dräger Medical AG & Co. KG impacted earnings by EUR 3.9 million in the first half of 2010.

INVESTMENTS

In the first half of 2010, investments in intangible assets and property, plant and equipment came to EUR 1.8 million (6 months 2009: EUR 3.8 million).

Reconciliation of figures at group level

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

Research and development

In the first half of 2010, research and development costs at Dräger Group came to EUR 68.1 million (6 months 2009: EUR 75.2 million). This is equivalent to 6.7 percent of net sales (6 months 2009: 8.4 percent).

Research and development costs in the medical division decreased to EUR 47.3 million in the first six months of 2010 (6 months 2009: EUR 55.9 million). The termination of a development project, the closure of the site in Best, Netherlands, and impairment losses in the prior year were responsible for this. Research and development costs therefore amounted to 7.0 percent of net sales (6 months 2009: 9.7 percent).

The safety division spent EUR 19.6 million on research and development, which corresponds to 5.6 percent of net sales (6 months 2009: EUR 18.4 million, 5.6 percent of net sales).

The highlight for research and development in the second quarter of 2010 was the world's largest trade show for fire and rescue services, the "Interschutz" trade show in Leipzig. Dräger introduced its "Dräger CPS 5900" and "Dräger CPS 7900" chemical protection suits, which offer protection against mechanical and chemical environmental risks, as well as the new generation of dynamic test devices for personal protection equipment "Dräger Quaestor 5000" and "Dräger Quaestor 7000". Dräger also exhibited the new thermal imaging cameras for fire fighters, "Dräger UCF 6000" and "Dräger UCF 7000". Both cameras deliver extremely high picture quality and are user friendly. The "Dräger UCF 7000" is also one of the first thermal imaging cameras that is approved for use in potentially explosive atmospheres. The new devices "Dräger PSS 3000" and "Dräger PSS 5000" were added to the compressed air breathing apparatus product group.

Personnel

PERSONNEL EXPENSES

in € thousand	Six months 2010	Six months 2009
Wages and salaries	292,286	274,728
Social security contributions and related employee benefits	50,195	47,663
Pension expenses	6,459	7,284
	348,940	**329,675**

Personnel expenses rose by around 5.8 percent year-on-year, the reasons for this being a larger number of employees, the collective agreement concluded in Germany in 2009 and accruals and deferrals for profit shares, which went up in line with the positive result in the first half of the year. They include the remuneration of Executive Board members of the general partner, Drägerwerk Verwaltungs AG, Lübeck.

HEADCOUNT AS OF THE BALANCE SHEET DATE

	June 30, 2010	December 31, 2009	June 30, 2009
Medical division	6,350	6,305	6,312
Safety division	4,352	4,336	4,296
Drägerwerk AG & Co. KGaA/ other companies	437	430	419
Dräger Group total	**11,139**	**11,071**	**11,027**
Germany	4,937	4,845	4,857
Other countries	6,202	6,226	6,170
Turnover in % of employees (Basis: Average over the last 12 months)	5.1	5.5	6.8
Sick days in % of work days (Basis: Average over the last 12 months)	3.4	3.0	2.9

Since December 31, 2009, Dräger Group has increased headcount by an additional 68 people. Employee numbers went up mainly in the medical division, where an increase in employees – mainly in marketing and sales as well as production – was offset by a decrease in employees due to the closure of the site in Best, Netherlands, as part of the turnaround program.

The extremely positive order situation demanded greater flexibility. This was created by increasing the number of temporary staff by 156 to 611 as of June 30, 2010 (December 31, 2009: 455 temporary staff).

Risks to future development

The structure of our risk management system and significant risks to our net assets, financial position and results of operations are outlined in the annual report for fiscal year 2009.

Changed conditions after the close of the interim reporting period

There were no significant changes between the end of the first six months of 2010 and the time this interim financial report was prepared.

Outlook

FUTURE MARKET ENVIRONMENT

In its study from June 16, 2010, “Weltkonjunktur im Sommer 2010” (World economy in summer 2010), the Institute for the World Economy increased its March forecast for the growth of the global gross domestic product (GDP). The analysts now expect the global GDP to rise by 4.4 percent in 2010 (March forecast: 3.7 percent). But the researchers emphasize that the confidence crisis in the eurozone has shown that recovery of the industrialized countries is faced with considerable risks. The high level of government debt in the industrialized countries is generally proving the most significant risk to the economy and growth. According to the IfW, the global economy will lose momentum in the second half of the year. Economic stimulus packages coming to and end in many countries will turn into a problem. In some countries, including some of the large emerging countries, lead indicators have already dropped considerably. The IfW nevertheless forecasts global production to grow by 3.7 percent in 2011 (March forecast: 3.6 percent).

According to the June 2010 forecast published by the Bundesbank, the adjusted German GDP will grow by 1.9 percent this year and 1.4 percent in 2011. Compared to the December 2009 forecast, these figures have been increased by 0.3 percentage points for 2010 and 0.2 percentage points for 2011. Despite the economy making considerable progress, it will not yet reach pre-crisis production levels. Initially, export and momentum from inventory cycles will be the main drivers. Government stabilization measures, on the other hand, will lose in importance. In the opinion of Bundesbank, companies will increase their investing activities in the medium term and private spending is also likely to rise again.

FUTURE SITUATION OF THE COMPANY

As in the first quarter of 2010, net sales continued to develop positively in the second quarter. Dräger expects total net sales growth in fiscal year 2010 to reach a medium single-digit percentage figure in view of this situation as well as the currently very positive order situation and continued net sales growth, particularly in the Asia/Pacific and Americas regions.

This estimate is based on the assumptions that the global economy will continue to recover, public investment programs are reduced in Europe and the emerging markets continue to grow.

The situation in the markets and sectors remains highly volatile and economic forecasts continue to fluctuate considerably. This could affect customers' investment decisions and therefore Dräger. Tight government budgets could also curb planned investments. Banks have only relaxed their lending policies slightly and this is no yet enough to encourage private investors.

Due to the positive development in the first half of 2010 – higher net sales, the positive shift in the product mix, advantageous currency effects – Dräger now forecasts an EBIT margin between 7 percent and 8 percent for the entire fiscal year 2010, not including changes from the measurement of the option component of the purchase price for the 25 percent share in Dräger Medical AG & Co. KG, which is recognized above EBIT.

Dräger also anticipates savings of EUR 80 million before the deduction of EUR 10 million in implementation costs from the planned continuation of the turnaround program for 2010 measured against net sales, cost structure and currency rates in fiscal year 2008.

In addition, Dräger has now managed to sell a deep sea diving system, which was fully written off in the fourth quarter of 2009. This generated income in the higher single-digit million region and was a positive contribution to earnings.

The estimated development of net sales and margins in fiscal year 2010 is based on the assumption that the markets relevant to Dräger will continue their steady development, that the turnaround program will be continued successfully and that exchange rates will remain at the current level.

FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements. The statements are based on the current expectations, presumptions, and forecasts of the Executive Board of Drägerwerk Verwaltungs AG as well as the information available to date. These forward-looking statements do not provide any warranty for the future developments and results contained therein. The future developments and results are dependent on a number of factors; they entail various risks and contingencies and are based on assumptions which could prove to be incorrect. Dräger does not assume any responsibility for updating the forward-looking statements contained in this report.

Interim financial statements of the Dräger Group as of June 30, 2010

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Note	Second quarter 2010	Second quarter 2009	Six months 2010	Six months 2009
		€ thousand	€ thousand	€ thousand	€ thousand
Net sales		550,889	468,721	1,016,750	893,945
Cost of sales		–289,859	–269,837	–527,700	–502,018
Gross profit		**261,030**	**198,884**	**489,050**	**391,927**
Research and development costs		–34,200	–37,999	–68,064	–75,168
Marketing and selling expenses		–136,864	–129,411	–262,548	–253,803
General administrative expenses		–27,710	–22,688	–56,608	–49,289
Other operating income		1,537	1,216	7,295	2,885
Other operating expenses		–2,065	–1,897	–3,340	–3,230
		–199,302	**–190,779**	**–383,265**	**–378,605**
		61,728	**8,105**	**105,785**	**13,322**
Profit from investments in associates		0	0	271	279
Profit from other investments		76	0	143	0
Other financial result		4,059	484	–3,585	1,483
Financial result (excluding interest result)	**7**	**4,135**	**484**	**–3,171**	**1,762**
EBIT		**65,863**	**8,589**	**102,614**	**15,084**
Interest result	7	–10,114	–7,815 [1]	–17,824	–14,496 [1]
Earnings before income taxes		**55,749**	**774** [1]	**84,790**	**588** [1]
Income taxes	8	–18,594	595 [1]	–28,937	666 [1]
Earnings after income taxes		**37,155**	**1,369** [1]	**55,853**	**1,254** [1]

Earnings after income taxes		**37,155**	**1,369** [1]	**55,853**	**1,254** [1]
thereof minority interests in net profit		646	1,066	1,128	1,693
thereof share in net profit for participation certificates (without minimum dividend) [2]		6,499	682	7,316	1,364
thereof net profit after minority interests		30,010	–379	47,409	–1,803
Earnings per share [3]					
per preferred share (in €)		2.37	–0.03 [1]	3.75	–0.13 [1]
per common share (in €)		2.36	–0.04 [1]	3.72	–0.16 [1]

The calculation of earnings per share was based on 12.7 million shares. Additional shares issued as part of the capital increase on June 30, 2010, are only included in the calculation of earnings per share as of July 1.

[1] The values were adjusted. See Note 4.
[2] The dividend for participation certificates in the prior year (2010: EUR 4.00; 2009: EUR 3.50) was taken into account on a pro rata basis for the calculation of this figure.
[3] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Note	June 30, 2010	December 31, 2009
		€ thousand	€ thousand
Assets			
Intangible assets	9	279,708	278,889
Property, plant and equipment	9	249,331	245,933
Investments in associates		757	757
Other non-current financial assets		11,838	11,668
Non-current tax refund claims		0	0
Deferred tax assets		94,872	94,778
Other non-current assets		26,974	25,651
Non-current assets		**663,480**	**657,676**
Inventories	10	369,672	299,942
Trade receivables and construction contracts		523,396	511,411
Other current financial assets	11	132,088	28,695
Cash and cash equivalents	12	212,488	344,051
Current tax refund claims		24,675	16,139
Other current assets	13	46,175	27,914
Current assets		**1,308,494**	**1,228,152**
Total assets		**1,971,974**	**1,885,828**

	Note	June 30, 2010	December 31, 2009
		€ thousand	€ thousand
Equity and liabilities			
Capital stock	14	42,266	32,512
Capital reserves	15	129,619	39,449
Retained earnings incl. group earnings	16	333,019	303,326
Participation capital		56,086	56,086
Other comprehensive income		10,172	–42,043
Minority interests		7,021	4,490
Equity		**578,183**	**393,820**
Obligations from participation certificates		29,327	28,739
Provisions for pensions and similar obligations		170,519	170,173
Other non-current provisions	18	37,596	35,332
Non-current interest-bearing loans	17	356,411	382,283
Other non-current financial liabilities		87,760	79,798
Deferred tax liabilities		13,749	17,952
Other non-current liabilities		748	666
Non-current liabilities		**696,110**	**714,943**
Other current provisions	18	211,657	186,479
Current loans and liabilities to banks		124,722	83,597
Trade payables		140,673	127,141
Other current financial liabilities	19	70,306	235,170
Current tax liabilities		47,202	40,125
Other current liabilities		103,121	104,553
Current liabilities		**697,681**	**777,065**
Total equity and liabilities		**1,971,974**	**1,885,828**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

	Six months 2010	Six months 2009
	€ thousand	€ thousand
Earnings after income taxes	**55,853**	**1,254** [1]
Currency translation adjustment for foreign subsidiaries	43,759	5,595
Change in the fair value of financial instruments recognized directly in equity	–1,202	81
Deferred taxes on changes to the fair value of financial instruments recognized directly in equity	326	–22
Actuarial gains/losses from defined benefit pension plans	266	193
Deferred taxes on actuarial gains/losses from defined benefit pension plans	0	0
Total income and expense recognized directly in equity after taxes	**43,149**	**5,847**
Earnings after income taxes and total income and expense recognized directly in equity after taxes	**99,002**	**7,101** [1]
thereof minority interests in net profit	2,522	1,950
thereof share in net profit for participation certificates (without minimum dividend) [2]	7,316	1,364
thereof net profit to be allotted to shareholders	89,164	3,787

As in the prior year, no amounts were reclassified from equity to profit or loss in the first half of the year.

[1] The values were adjusted. See Note 4.
[2] The dividend for participation certificates in the prior year (2010: EUR 4.00; 2009: EUR 3.50) was taken into account on a pro rata basis for the calculation of this figure.

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	Second quarter 2010	Second quarter 2009	Six months 2010	Six months 2009
	€ thousand	€ thousand	€ thousand	€ thousand
Operating activities				
Earnings after income taxes	37,155	1,369 [1]	55,853	1,254 [1]
+ Depreciation/amortization of non-current assets	13,052	16,425	26,229	30,891
+/– Increase/decrease in provisions	–106	–10,698 [1]	17,111	–15,169 [1]
– Other non-cash expenses	–14,280	–3,070 [1]	–24,591	–3,588 [1]
–/+ Loss/gain from the disposal of non-current assets	374	–2	–412	–55
–/+ Increase/decrease in inventories	–2,423	17,143	–48,865	–17,244
–/+ Increase/decrease in trade receivables	–23,327	–27	16,224	71,713
–/+ Increase/decrease in other assets	–6,434	787	–32,868	–8,072
+/– Increase/decrease in trade payables	1,952	2,221	6,603	–28,358
+/– Increase/decrease in other liabilities	–7,091	14,165 [1]	9,821	12,861 [1]
Net cash provided by/used in operating activities	**–1,128**	**38,313** [1]	**25,105**	**44,233** [1]
Investing activities				
– Cash outflow for investments in intangible assets	–53,882	–2,365	–54,827	–3,457
+ Cash inflow from the disposal of intangible assets	3	11	5	59
– Cash outflow for investments in property, plant and equipment	–11,694	–9,848	–18,730	–19,150
+ Cash inflow from disposals of property, plant and equipment	967	297	2,285	708
– Cash outflow for investments in non-current financial assets	–30	–44	–90	–236
+ Cash inflow from the disposal of non-current financial assets	1,737	0	1,740	0
– Cash outflow from the acquisition of subsidiaries	0	–109	0	–1,039
Net cash used in investing activities	**–62,899**	**–12,058**	**–69,617**	**–23,115**
Financing activities				
– Distribution of dividends	–9,806	–8,464	–9,806	–8,464 [1]
+ Cash provided by raising loans	0	139,782	0	139,782
– Cash used to redeem loans	–283	–475	–1,858	–27,595
+/– Increase/decrease in the net balance of other bank liabilities	9,595	–23,730	11,027	–9,770
–/+ Net balance of finance lease liabilities repaid/incurred	82	–140	–15	–238
+ Cash inflows from capital increases	9,754	205	9,754	205
– Decrease in capital as a result of the purchase of the 25 percent share in Dräger Medical AG & Co. KG	–122,760	0	–122,760	0
– Profit distributed to minority interests	0	–10,853	–2	–10,891
Net cash provided by/used in financing activities	**–113,418**	**96,325** [1]	**–113,660**	**83,029** [1]
Change in cash and cash equivalents in the fiscal year	**–177,445**	**122,580**	**–158,172**	**104,147**
+/– Effect of exchange rates on cash and cash equivalents	16,366	–51	26,609	508
+ Cash and cash equivalents at the beginning of the fiscal year	373,567	107,294	344,051	125,168
Cash and cash equivalents as of June 30 of the fiscal year	**212,488**	**229,823**	**212,488**	**229,823**

For notes to the cash flow statement, please see page 15.

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

STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

					Other comprehensive income						
	Capital stock	Capital reserves	Retained earnings including group result	Partici-pation capital	Actuarial gains and losses recognized directly in equity	Currency translation differences	Derivative financial instru-ments	Total other compre-hensive income	Total equity interest held by share-holders of Drägerwerk AG & Co. KGaA	Minority interests	Equity
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
January 1, 2009	**32,512**	**38,867**	**290,913**	**56,086**	**–6,334**	**–37,034**	**–349**	**–43,717**	**374,661**	**179,142**	**553,803** [1]
Total income and expense recognized directly in equity			–440		174	5,374	43	5,591	5,151	1,950	7,101 [1]
Capital increase		582							582		582
Distributions			–8,464						–8,464	–10,891	–19,355 [1]
Change in scope of consolidation/ other			1,181						1,181	147	1,328 [1]
June 30, 2009	**32,512**	**39,449**	**283,190**	**56,086**	**–6,160**	**–31,660**	**–306**	**–38,126**	**373,111**	**170,348**	**543,459** [1]
January 1, 2010	**32,512**	**39,449**	**303,326**	**56,086**	**–10,725**	**–30,928**	**–390**	**–42,043**	**389,330**	**4,490**	**393,820**
Reclassification of actuarial gains and losses recognized directly in equity			–10,725		10,725			10,725			
Capital increase	9,754	90,170	–5,682						94,242		94,242
Total income and expense recognized directly in equity			54,990			42,366	–876	41,490	96,480	2,522	99,002
Distributions			–9,806						–9,806	–2	–9,808
Change in scope of consolidation/ other			916						916	11	927
June 30, 2010	**42,266**	**129,619**	**333,019**	**56,086**	**0**	**11,438**	**–1,266**	**10,172**	**571,162**	**7,021**	**578,183**

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

Notes of the Dräger Group as of June 30, 2010 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for fiscal year 2009 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In fiscal year 2010, the interim financial statements of Dräger Group have therefore also been prepared in accordance with IFRS 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 interim financial report was not audited or reviewed by an auditor.

The interim report was prepared in euros. Unless stated otherwise, all figures are disclosed in thousands of euros (EUR thousand); as a result, differences may occur due to rounding.

2 ACCOUNTING POLICIES

The group applied the same accounting principles as in the 2009 group financial statements 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 2009 annual report. The report is available for download online at www.draeger.com.

In preparing the interim financial statements, the group opted 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.

Accruals and deferrals were recognized where claims or obligations partially arose in the period under review.

The following new standards and amendments to existing standards published by the IASB, which have already been approved, were applied for the first time in this interim report:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (revised 2008)
- IFRS 3 “Business Combinations” (revised 2008) and IAS 27 “Consolidated and Separate Financial Statements” (revised 2008)
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”
- FRIC 12 “Service Concession Arrangements”
- IFRIC 15 “Agreements for the Construction of Real Estate”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- IFRIC 17 “Distributions of Non-cash Assets to Owners”
- IFRIC 18 “Transfers of Assets from Customers”
- Amendments to IFRS 2 “Share-based Payment”
- Improvements to IFRSs (2009)

– Amendments to IFRIC 14 "IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The first-time application of these new and amended standards did not have any significant effects on the net assets, financial position and results of operations of the Dräger Group.

3 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

There were no significant changes to the scope of consolidation compared to December 31, 2009, and June 30, 2009. The same consolidation principles were applied as in the 2009 group financial statements.

4 CHANGES TO REPORTING METHODS FOR PARTICIPATION CERTIFICATES

In order to comply with the new statutory provisions of IAS 32 on the classification 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 2009 decreased by EUR 0.4 million due to the interest result dropping by EUR 0.6 million and income taxes by EUR 0.2 million. The increase in equity attributable to participation certificates came to EUR 32.3 million as of June 30, 2009.

Please refer to Note 3 in the notes to the 2009 annual report (page 133) for more information.

5 PURCHASE OF THE 25 PERCENT SHARE IN DRÄGER MEDICAL AG & CO. KG FROM SIEMENS

On March 26, 2010, the European Commission approved the purchase of all shares in Siemens Medical Holding GmbH. The only condition for rendering the purchase effective according to the purchase agreement signed on December 29, 2009, has therefore been met. This agreement stipulates that the execution date is always the last day of a month (or the next business day, should this date fall outside ordinary business hours), whereby a minimum of five working days must elapse between the approval date and the end of the month. For this reason, the transaction was executed on April 30, 2010. As explained in the annual report 2009, Dräger was already entitled to the acquired shares on December 31, 2009, from a financial point of view.

6 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Six months 2010	Six months 2009
Order intake	**€ million**	**698.8**	**605.4**
Orders on hand [1]	**€ million**	**340.8**	**250.2**
Net sales	**€ million**	**675.3**	**578.1**
thereof intersegment	€ million	0.9	1.8
thereof third-party	€ million	674.4	576.3
EBITDA	**€ million**	**103.7**	**29.0**
Depreciation/amortization	€ million	10.8	15.9
Impairment losses	€ million	0.0	2.0
EBIT	**€ million**	**92.9**	**11.1**
Earnings after income taxes (safety division: before profit/loss transfer)	**€ million**	**65.4**	**7.6**
thereof profit/loss from investments in associates	€ million	0.0	0.0
Net profit after minority interests	€ million	–	–
Earnings per share			
per preferred share	€	–	–
per common share	€	–	–
Research and development costs	**€ million**	**47.3**	**55.9**
Cash flow from operating activities	**€ million**	**49.3**	**56.4**
Capital employed [1]	**€ million**	**579.6**	**606.3** [3]
Assets [1]	**€ million**	**974.0**	**893.2** [3]
thereof investments in associates	€ million	0.0	–
Liabilities [1]	**€ million**	**352.4**	**265.1**
Net financial debts [1, 2]	**€ million**	**–248.2**	**–135.8**
Investments	**€ million**	**10.7**	**10.3**
Non-cash expenses	€ million	76.4	54.6
EBIT/net sales	**%**	**13.8**	**1.9**
EBIT [4] **/capital employed**	**%**	**26.2**	**8.3** [3]
Gearing [2]	**Factor**	**–0.3**	**–0.2**
Total headcount [1]		**6,350**	**6,312**

[1] Value as of June 30
[2] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[3] The goodwill from the acquisition of the 10 percent share in Dräger Medical AG & Co. KG from Siemens in 2007 is recognized in the consolidation segment.
[4] EBIT of the last twelve months

	Safety division		Drägerwerk AG & Co. KGaA/ other companies		Consolidation		Dräger Group
Six months 2010	Six months 2009	Six months 2010	Six months 2009	Six months 2010	Six months 2009	Six months 2010	Six months 2009
365.1	**339.9**	**7.5**	**8.3**	**–22.5**	**–20.8**	**1.048.9**	**932.8**
157.9	**190.3**	**0.0**	**0.0**	**–2.2**	**–1.0**	**496.5**	**439.5**
353.0	**328.7**	**9.6**	**8.3**	**–21.2**	**–21.2**	**1.016.7**	**893.9**
14.0	12.8	6.3	6.6	–21.2	–21.2	–	–
339.0	315.9	3.3	1.7	0.0	0.0	1.016.7	893.9
39.8	**29.0**	**8.7**	**27.0**	**–23.4**	**–39.0**	**128.8**	**46.0**
10.5	11.0	4.9	4.8	0.0	–2.8	26.2	28.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
29.3	**18.0**	**3.8**	**22.2**	**–23.4**	**–36.2**	**102.6**	**15.1**
19.6	**11.4**	**–15.0**	**11.5**	**–14.1**	**–29.2**	**55.9**	**1.3**
0.0	0.0	0.3	0.3	0.0	0.0	0.3	0.3
–	–	–	–	–	–	54.7	–0.4
–	–	–	–	–	–	3.75	–0.13
–	–	–	–	–	–	3.72	–0.16
19.6	**18.4**	**1.1**	**0.9**	**0.1**	**0.0**	**68.1**	**75.2**
20.3	**9.6**	**–17.7**	**16.4**	**–26.8**	**–38.2**	**25.1**	**44.2**
205.6	**240.2**	**870.8**	**678.8**	**–703.6**	**–580.7** [3]	**952.4**	**944.6**
362.3	**375.9**	**1,029.4**	**722.2**	**–730.6**	**–598.6** [3]	**1,635.1**	**1,392.7**
0.5	0.4	0.2	0.3	0.0	0.0	0.7	0.7
147.7	**127.2**	**114.2**	**39.1**	**–2.1**	**–15.5**	**612.2**	**415.9**
19.3	**63.4**	**579.6**	**328.6**	**–0.6**	**0.0**	**350.1**	**256.3**
8.8	**9.4**	**1.8**	**3.8**	**0.0**	**–0.2**	**21.3**	**23.3**
31.2	24.0	17.9	7.3	–8.5	–5.6	117.0	80.3
8.3	**5.5**					**10.1**	**1.7**
20.1	**22.9**					**17.6**	**7.8**
0.1	**0.4**					**0.6**	**0.5**
4,352	**4,296**	**437**	**419**			**11,139**	**11,027**

Consolidation amounts essentially relate to the elimination of order intake and net sales as well as income between segments, the elimination of income from investments and, in the case of assets, the effects of accounting for acquisitions.

Key figures from the segment report break down as follows:

EBIT/EBITDA

€ thousand	Six months 2010	Six months 2009
Earnings after income taxes	55,853	1,254
+ Interest result	17,824	14,496
+ Income taxes	28,937	–666
EBIT	**102,614**	**15,084**
+ Depreciation/amortization	26,229	30,891
EBITDA	**128,843**	**45,975**

CAPITAL EMPLOYED

€ thousand	June 30, 2010	June 30, 2009
Balance sheet total	1,971,974	1,720,639
– Deferred tax assets	–94,872	–71,223
– Cash and cash equivalents	–212,488	–229,823
– Non-interest bearing liabilities	–712,212	–474,960
Capital employed	**952,402**	**944,633**

ASSETS

€ thousand	June 30, 2010	June 30, 2009
Balance sheet total	1,971,974	1,720,639
– All other financial assets	–4,748	–5,760
– Deferred tax assets	–94,872	–71,223
– Tax refund claims (current and non-current)	–24,675	–21,107
– Cash and cash equivalents	–212,488	–229,823
Assets	**1,635,191**	**1,392,726**

LIABILITIES

€ thousand	June 30, 2010	June 30, 2009
Liabilities recognized in the balance sheet	1,393,791	1,177,180
– Provisions for pensions and similar obligations	–170,519	–167,115
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–97,937	–79,940
– Interest-bearing liabilities	–513,297	–514,263
Liabilities	**612,038**	**415,862**

NET FINANCIAL DEBTS

€ thousand	June 30, 2010	June 30, 2009
Non-current interest-bearing loans	356,411	430,416
+ Current loans and liabilities to banks	124,722	52,460
+ Liabilities from finance leases	2,837	3,204 [1]
+ Liabilities from the purchase of the 25 % share	78,642	0
– Cash and cash equivalents	–212,488	–229,823
Net financial debts	**350,124**	**256,257** [1]

[1] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

NON-CASH EXPENSES

€ thousand	Six months 2010	Six months 2009
Write-downs on inventories	12,564	10,396
+ Bad debt allowances	2,293	2,931
+ Allocations to provisions	102,066	66,998
Non-cash expenses	**116,923**	**80,325**

Gearing is the ratio of net financial debt to equity.

GEARING

€ thousand	June 30, 2010	June 30, 2009
Non-current interest-bearing loans	356,411	430,416
+ Current loans and liabilities to banks	124,722	52,460
+ Liabilities from finance leases	2,837	3,204 [1]
+ Liabilities from the purchase of the 25 % share	78,642	0
– Cash and cash equivalents	–212,488	–229,823
Net financial debts	**350,124**	**256,257** [1]
Equity	578,183	543,459
Gearing	**0.6**	**0.5** [1]

[1] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

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 individual segments is detailed in the management report accompanying these interim financial statements. Services rendered between the divisions are accounted for using the arm’s length principle.

7 FINANCIAL RESULT

FINANCIAL RESULT

€ thousand	Six months 2010	Six months 2009
Financial result (before interest result)	**–3,171**	**1,762**
Interest and similar income	1,246	2,275
Interest and similar expenses	–19,070	–16,771
Interest result	**–17,824**	**–14,496**

The financial result changed, mainly due to the valuation of the liability arising from the option components of the purchase price of the 25 percent share in Dräger Medical AG & Co. KG. In the first half of 2010, a total of EUR 3.9 million was recognized as expenses under “Other financial result” to cover this.

Increasing interest expenses in the first half of 2010 compared to the first six months of 2009 are mainly attributable to taking on additional note loans of EUR 140.0 million in April 2009 and the vendor note issued by Siemens in April 2010. Loan commitment fees for the loan agreed with Kreditanstalt für Wiederaufbau (KfW) in September 2009, which has as yet not been used, and for the syndicated loan of EUR 240,0 million have been recognized in the half-yearly financial report 2010.

8 INCOME TAXES

Income taxes for the first half of 2010 were calculated on the basis of an anticipated group tax rate of 36 percent (6 months 2009: 38 percent), without taking into account tax refunds for prior years of EUR 1.6 million.

9 NON-CURRENT ITEMS (SELECTED ASSETS)

NON-CURRENT ITEMS (SELECTED ASSETS)

€ thousand	Carrying value January 1, 2010	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value June 30, 2010
Intangible assets	278,889	2,228	3,760	5,169	279,708
Property, plant and equipment	245,933	19,029	5,429	21,060	249,331

10 INVENTORIES

INVENTORIES

€ thousand	June 30, 2010	December 31, 2009
Finished goods and merchandise	189,687	146,698
Work in process	57,021	42,470
Raw materials, consumables and operating supplies	106,085	89,311
Prepayments made	16,879	21,463
	369,672	**299,942**

Dräger Group's inventories increasing by EUR 69.7 million in the first half of 2010 was mainly due to a large order backlog.

11 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets were up EUR 94.5 million on December 31, 2009, mainly due to posting a receivable consisting of premiums from the capital increase not yet paid in as of June 30, 2010.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents dropped as a result of the payment of the EUR 175 million cash component of the purchase agreement for the 25 percent share in Dräger Medical AG & Co. KG to Siemens on June 30, 2010.

13 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

€ thousand	June 30, 2010	December 31, 2009
Prepaid expenses and deferred charges	26,475	17,299
All other current assets	19,700	10,615
	46,175	**27,914**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. All other current assets went up due to the balance sheet date.

14 CAPITAL STOCK

The capital stock of Drägerwerk AG & Co. KGaA now amounts to EUR 42,266 thousand. With effect from June 30, 2010, Drägerwerk AG & Co. KGaA increased its share capital by EUR 9,753,600 to EUR 42,265,600 by issuing 3,810,000 new ordinary bearer shares (no-par value shares), each with a notional value in share capital of EUR 2.56 per share and with full dividend rights as of January 1, 2010.

15 CAPITAL RESERVES

The capital reserves of Drägerwerk AG & Co. KGaA were accrued from premiums.

CAPITAL RESERVES AS OF JUNE 30, 2010

€ thousand	Amount
Capital reserves as of January 1, 2010	39,449
Increase of capital reserves on June 30, 2010	90,170
Capital reserves as of June 30, 2010	**129,619**

The premium per share is the difference between the issue price of EUR 27.50 and the par value of EUR 2.56. The capital increase as of June 30, 2010, is as follows:

INCREASE OF CAPITAL RESERVES ON JUNE 30, 2010

	No.	Premium per share in €	Amount in € thousand
New common shares (total)	3,810,000		
Common shares not yet issued as of June 30, 2010	–18,963		
Common shares issued as of June 30, 2010	3,791,037	24.94	94,548
Less transaction fees, taking into account tax advantage			–4,378
Increase of capital reserves on June 30, 2010			90,170

The new common shares were offered to the shareholders at a ratio of 10:3 at a subscription price of EUR 27.50 each by way of an indirect subscription right (Sec. 186 [5] AktG ["Aktiengesetz": German Stock Corporation Act]). In the subscription period from June 17, 2010, to June 30, 2010, all previous subscription rights for common shares (1,905,000) as well as 1,886,037 of a total 1,905,000 subscription rights for preferred shares were exercised. The subscription rate therefore totals 99.5 percent.

Taking into account transaction fees and tax advantages, EUR 90,170 thousand were added to capital reserves, which amounted to EUR 129,619 thousand in total as of June 30, 2010.

The 18,963 unsubscribed new common shares were sold for EUR 41.00 each on July 2, 2010.

16 RESERVES RETAINED FROM EARNINGS, INCL. GROUP RESULT/ OTHER COMPREHENSIVE INCOME

Since fiscal year 2010, actuarial gains and losses recognized directly in equity are no longer included in "Other comprehensive income", but in "Reserves retained from earnings" instead. The balance carried forward was reclassified accordingly as of January 1, 2010.

According to the terms and conditions for series A, K and D participation certificates, if the company carries out a capital increase and issues subscription rights for new shares to shareholders, holders of participation certificates have the right to acquire further participation certificates from participation capital, which must be increased correspondingly, at terms and conditions comparable to those of the capital increase. On June 30, 2010, Dräger recognized EUR 7.8 million as a provision for this, which resulted in retained earnings dropping by EUR 5.7 million, taking into account a tax advantage.

17 NON-CURRENT INTEREST-BEARING LOANS

Non-current interest-bearing loans went down compared to December 31, 2009, as a result of a note loan amounting to EUR 24.5 million, due in April 2011, being reclassified.

18 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of June 30, 2010, mainly comprised provisions for personnel obligations of EUR 20,031 thousand (December 31, 2009: EUR 18,662 thousand).

Other current provisions as of June 30, 2010, also included monthly accruals and chiefly consisted of tax provisions of EUR 28,488 thousand (December 31, 2009: EUR 29,275 thousand), provisions for personnel obligations of EUR 51,823 thousand (December 31, 2009: EUR 59,875 thousand) and warranty provisions of EUR 41,746 thousand (December 31, 2009: EUR 35,716 thousand).

19 OTHER CURRENT FINANCIAL LIABILITIES

The EUR 175 million cash component of the purchase agreement for the 25 percent share in Dräger Medical AG & Co. KG, which had been included in other current financial liabilities as of December 31, 2009, was paid on April 29, 2010 from cash and cash equivalents.

20 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

€ thousand	June 30, 2010	December 31, 2009
Guarantees	7,709	4,758

Guarantees were given as part of phased retirement agreements.

21 RELATED PARTY TRANSACTIONS

In the first half of 2010, credit notes to companies related to Stefan Dräger and the Dräger Foundation were issued to an amount of EUR 15 thousand net for services billed but not rendered in 2009 (invoices issued in the first half of 2009: EUR 31 thousand). In the first six months of 2010, services amounted to EUR 4 thousand.

Claudia Dräger, Stefan Dräger's wife, is an employee of Drägerwerk AG & Co. KGaA.

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

Lübeck, Germany, July 28, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss

MANAGEMENT COMPLIANCE STATEMENT

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework for the interim financial statements, the group interim financial statements give a true and fair view of the net assets, financial position and results of operations of the group, the group interim 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 remaining fiscal year have been described.

Lübeck, Germany, July 28, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss

FINANCIAL CALENDAR

Report as of June 30, 2010, conference call, Lübeck	August 5, 2010
Report as of September 30, 2010, conference call, Lübeck	November 4, 2010
Annual shareholders' meeting, Lübeck	May 6, 2011

Drägerwerk AG & Co. KGaA
Moislinger Allee 53 – 55
23558 Lübeck, Germany
www.draeger.com

Corporate Communications
Tel. +49 451 882 – 2185
Fax +49 451 882 – 3944

Investor Relations
Tel. +49 451 882 – 2685
Fax +49 451 882 – 3296