Q3/2005 report
Dräger Group

Contents

Preliminary remarks

Preparation of the interim financial statements

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

Business performance as of September 30, 2005

Dräger Group

Further increase in order intake and revenues

At the end of the third quarter of 2005, both order intake and revenues were substantially higher year on year, up 11.7 percent and 9.6 percent, respectively. At €1,211.5 million, order intake roughly corresponded to three quarters of the anticipated annual figure, and, as in prior years, was significantly higher than the revenues of €1,114.2 million.

Up 17.6 percent to €224.6 million, revenue growth was the most pronounced in the Americas. This increase was driven by Dräger Medical with strong project business in Central and South America. Revenues rose slightly in North America, but were outshone by order intake, which grew 13 percent year on year. Even after three quarters, Dräger Safety's sound performance in core business was unable to offset the fall in project business.

In Europe excluding Germany, both subgroups contributed to revenue growth of 11.2 percent to €438.6 million. In Germany, consolidated revenues were down 3.1 percent at €250.7 million, due in part to Dräger Medical's weak domestic market, where a fall of 7.3 percent to €172.6 million was reported. Dräger Safety, on the other hand, grew revenues 10.5 percent in core business.

In the Asia/Pacific region, revenues picked up noticeably during the first nine months thanks to the upward trend in core business, increasing by 10.9 percent to €136.2 million. Overall, the Dräger Group maintained its market position in Asia and the US and even extended it in Europe and the other regions.

Increase in operating result on target

At €66.7 million, the nine-month EBIT (before non-recurring expenses) was 11.5 percent higher than in the prior year. This was achieved on the back of higher revenues despite a slightly lower gross margin and a moderate increase in functional costs.

The gross margin was shaped by competition, the regional structure of revenues and the product mix. At 49.3 percent, it was only slightly down on the prior-year figure of 49.5 percent after nine months.

Functional costs for research and development, sales and marketing as well as general administrative expenses increased less steeply than revenues, growing 6.7 percent overall to €481.7 million.

The higher financial expense of €21.1 million in the first nine months of 2005 (9M 2004: €16.4 million) is due to the increase in financial debt, and to export financing costs and hedging transaction losses, which were triggered by the rise in the US dollar to EUR/USD 1.20 as of September 30, 2005.

After nine months, the tax load ratio still lay at 49 percent. This was chiefly due to the weight of the additional expenses of Drägerwerk AG in comparison to the positive results of the subgroups, whose weighting will decrease for 2005 as a whole. Furthermore, the impact of the reorganization of Dräger Medical AG & Co. KGaA as Dräger Medical AG & Co. KG, which will legally come into effect in the fourth quarter upon being entered in the commercial register, will be noticeable as of year-end.

At €23.5 million, net profit was still significantly down on the prior-year figure of €29.0 million, which included a significant contribution from the result of the Group's discontinued operations (€10.3 million).

Net assets and financial position still stable

As a result of the net profit in the first nine months and currency translation differences, combined with the dividends and profit shares distributed to minority interests, equity rose by €8.9 million to €486.2 million; the equity ratio stands at 32.7 percent (December 31, 2004: 33.5 percent).

The increase in net assets by €63.0 million to €1,486.1 million compared to December 31, 2004 is largely the result of the rise in inventories, in spite of a simultaneous decrease in current receivables. The rise in net assets was financed by additional current liabilities to banks. The changes increased capital employed to €845.3 million (December 31, 2004: €792.9 million), while net financial debt also rose to €263.5 million (December 31, 2004: €218.3 million). This change is reflected in the cash flow statement as the total cash flow from operating activities and investing activities plus the dividends and distributions paid out to minority interests. Cash and cash equivalents of €181.1 million continue to be held as a strategic reserve.

Dräger Group

		Q3 2005	Q3 2004	9M 2005	9M 2004
Order intake	**€ million**	**404.7**	**367.8**	**1,211.5**	**1,084.8**
Revenues by region					
Germany	€ million	85.8	85.9	250.7	258.7
Rest of Europe	€ million	142.8	127.6	438.6	394.4
Americas	€ million	76.2	71.9	224.6	190.9
Asia/Pacific	€ million	45.9	37.0	136.2	122.8
Other	€ million	23.6	19.0	64.1	49.6
Total revenues	**€ million**	**374.3**	**341.4**	**1,114.2**	**1,016.4**
EBITDA before non-recurring expenses[1]	**€ million**	**31.2**	**25.6**	**101.4**	**89.4**
Amortization/depreciation	€ million	12.1	10.7	34.7	29.6
EBIT before non-recurring expenses[2]	**€ million**	**19.1**	**14.9**	**66.7**	**59.8**
Non-recurring expenses	€ million	1.2	2.4	1.2	7.2
EBIT[2]	**€ million**	**17.9**	**12.5**	**65.5**	**52.6**
Capital employed[3]	**€ million**	**845.3**	**800.2**	**845.3**	**800.2**
Investments	**€ million**	**11.0**	**11.1**	**37.1**	**39.1**
Net financial debt	**€ million**	**263.5**	**233.9**	**263.5**	**233.9**
EBIT before non-recurring expenses/revenues	**%**	**5.1**	**4.4**	**6.0**	**5.9**
EBIT before non-recurring expenses/ capital employed	**%**	**2.3**	**1.9**	**7.9**	**7.5**
Net financial debt/ EBITDA before non-recurring expenses	**Factor**	**8.4**	**9.1**	**2.6**	**2.6**
Headcount at the end of the reporting period					
Germany		4,332	4,408	4,332	4,408
Abroad		5,313	5,310	5,313	5,310
Total headcount		**9,645**	**9,718**	**9,645**	**9,718**

1 EBITDA = Earnings before net interest expense, income taxes, depreciation and amortization
2 EBIT = Earnings before net interest expense and income taxes
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Business performance of the segments

Dräger Medical

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

Nine-month figures for 2005 show double-digit growth

Dräger Medical closed the first nine months with EBIT (before non-recurring expenses) of €49.2 million. Compared to the prior year, this corresponds to an increase of 43.0 percent (9M 2004: €34.4 million before non-recurring expenses of €7.2 million). At 6.6 percent, the EBIT margin was significantly higher than in the same prior-year period (2004: 5.2 percent). Revenues rose by 12.8 percent to €747.4 million (9M 2004: €662.8 million).

Order intake rose by 16.6 percent from €704.2 million in 2004 to the current €821.4 million. The reasons for this development include the further expansion of the global sales structure and the ongoing drive to improve internal processes. The marked double-digit growth in order intake, revenues and EBIT in the first nine months, clearly above guidance for 2005 of 5 to 7 percent, is attributable to the trend towards a more linear development in revenues, i.e. the measures aimed thereat are beginning to take effect.

Very promising EBIT trend in the third quarter

The figures for the third quarter break down as follows: EBIT (before non-recurring expenses) increased from €6.6 million in 2004 to the current €15.1 million. At 5.9 percent, the EBIT margin was significantly higher than in the prior year (2004: 2.9 percent). The Company generated revenue growth of 12.8 percent to 255.3 million (Q3 2004: €226.3 million). Order intake rose 11.8 percent from €246.8 million in 2004 to €275.9 million in 2005. However, this further growth increasingly comprises project business which will not produce revenues until 2006.

Foreign business still strong

Overall, the Americas achieved the largest growth in order intake among the regions, recording 41.3 percent (to €183.2 million). This is attributable to a number of projects and the investments made in the new subsidiaries in Canada, Chile and Mexico in the prior year, as well as to the improved sales coverage in the US.

In Germany, order intake and revenues were down again (down 4.8 percent and 7.3 percent, respectively, against the prior year), which is mainly a reflection of the shrinking German market. There continued to be an investment backlog in German hospitals coupled with uncertainties due to the prolonged political wrangling over the country's healthcare system.

In the rest of Europe and in Asia/Pacific, double-digit growth against the prior year was seen in order intake (24.3 percent and 16.4 percent year on year) and revenues (12.9 percent and

Dräger Medical

		Q3 2005	Q3 2004	9M 2005	9M 2004
Order intake	**€ million**	**275.9**	**246.8**	**821.4**	**704.2**
Revenues by region					
Germany	€ million	59.6	61.9	172.6	186.1
Rest of Europe	€ million	88.6	76.2	266.6	236.2
Americas	€ million	56.2	49.9	164.1	124.1
Asia/Pacific	€ million	31.9	24.3	93.8	80.2
Other	€ million	19.0	14.0	50.3	36.2
Total revenues	**€ million**	**255.3**	**226.3**	**747.4**	**662.8**
EBITDA before non-recurring expenses[1]	**€ million**	**20.9**	**11.4**	**66.2**	**48.3**
Amortization/depreciation	€ million	5.8	4.8	17.0	13.9
EBIT before non-recurring expenses[2]	**€ million**	**15.1**	**6.6**	**49.2**	**34.4**
Non-recurring expenses	€ million	1.2	2.5	1.2	7.2
EBIT[2]	**€ million**	**13.9**	**4.1**	**48.0**	**27.2**
Capital employed[3]	**€ million**	**568.6**	**534.6**	**568.6**	**534.6**
Investments	**€ million**	**3.2**	**6.1**	**15.1**	**19.0**
Net financial debt	**€ million**	**(103.7)**	**(127.7)**	**(103.7)**	**(127.7)**
EBIT before non-recurring expenses/revenues	**%**	**5.9**	**2.9**	**6.6**	**5.2**
EBIT before non-recurring expenses/ capital employed	**%**	**2.7**	**1.2**	**8.7**	**6.4**
Net financial debt/ EBITDA before non-recurring expenses	**Factor**	**(5.0)**	**(11.2)**	**(1.6)**	**(2.6)**
Headcount at the end of the reporting period					
Germany		2,410	2,455	2,410	2,455
Abroad		3,411	3,468	3,411	3,468
Total headcount		**5,821**	**5,923**	**5,821**	**5,923**

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17.0 percent year on year). The well-established sales structure in Europe was the driving force behind the ongoing success and growth in market share.

In Asia/Pacific, Dräger Medical continued to be a successful player in the expanding healthcare sector thanks to its clear sales strategy.

Spitalzentrum Biel AG, Switzerland, placed an order with Dräger Medical to supply and set up a large number of anesthesia systems for induction areas and operating rooms.

The divisions anesthesia, intensive care and neonatal experienced double-digit growth in order intake in the first nine months. In addition, Dräger Medical gained further market shares in Monitoring.

Overall, competition continued to be tough with ongoing pressure on prices. Dräger Medical rose to this challenge by continuously improving its cost structures and internal processes. By relocating anesthesia production from Telford in the US to Lübeck in Germany, the Company improved its process and cost structure. Since September 2005, Fabius GS and Primus anesthesia equipment has been supplied globally from Lübeck. The positive business performance in the first nine months of 2005 shows that the company has held its position well, despite the ever-worsening business environment.

Investment in the future is opening up new therapeutic possibilities

The progress made by the innovation campaign is evidenced by renewed high research and development expenditure of €59.4 million, which corresponds to 8.0 percent of revenues. The introduction of SmartCare® in the US has shown the first signs of success. This automated ventilator weaning software was licensed by the Federal Drug Administration (FDA) in the second quarter of 2005. In the third quarter, Dräger Medical unveiled another option for the Zeus® anesthesia device to the European medical market. The new 3.05 software, which is not yet available in the US or Canada, gives Zeus® an enhanced additional feature, allowing it to control all types of anesthesia gases, which makes it particularly suitable for use in pediatric ventilators.

Dräger Safety

- EBIT still growing significantly faster than revenues
- Core business particularly positive

Good growth after nine months

Dräger Safety generated EBIT of €32.1 million in the first nine months of 2005, which was 14.6 percent up on the same prior-year period (€28.0 million). Core business and a pleasing performance by many subsidiaries forged this positive development, which saw the EBIT margin rise to 8.2 percent (2004: 7.8 percent).

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

Dräger Safety's global revenues rose year on year by 9.5 percent to €391.3 million in the first nine months of 2005 (2004: €357.3 million). This growth was again achieved through core business, but also on the back of projects in many of the regions and product divisions as well as the integration of Dräger Interservices GmbH (€18.3 million). Order intake rose by 8 percent to €414.6 million (9M 2004: €383.9 million).

Strong third quarter

EBIT stood at €8.1 million in the third quarter of 2005 (Q3 2004: €6.7 million), which corresponds to an increase of 20.9 percent. The EBIT margin rose to 6.4 percent (Q3 2004: 5.8 percent). Dräger Safety's revenues stood at €127 million (Q3 2004: €116.4 million), 9.1 percent up on the prior-year figure. €136.9 was generated in order intake (Q3 2004: €122.1 million) which equals a 12.1 percent gain on the prior year. In terms of core business, all regions contributed to the growth of the subgroup in the first nine months of 2005.

Growth across all regions

The Company held its market position in the Americas. However, revenues fell short of the comparable prior-year period. This region experienced above-average revenue growth from project business in the prior year. The current trend has again been particularly bolstered by the subgroup's core business. Orders for equipping the New York fire department and a power company in New York City with portable gas detectors and for supplying the Puerto Rican police with escape masks provided positive impetus for business performance.

Dräger Safety's core business was also stable in Asia/Pacific, with order intake up and revenues unchanged against the prior year. Stationary gas monitoring equipment and systems for industrial use were the main growth drivers.

Business was also good in many European countries in the first three quarters of the year. In Europe excluding Germany, order intake and revenues were up 6.6 percent and 8.7 percent, respectively. The British subsidiary Draeger Safety UK Ltd. commissioned a new technology center at its registered office in Blyth. In addition to a state-of-the-art development and construction center, it also houses the UK headquarters for Dräger Gas Detection Systems.

The Dräger Alcotest 6510 breathalyzer was approved for use for the first time by the British police. This will put us in good stead when seeking approval in other countries. Business with safety applications for oil and gas rigs in the North Sea was also strong.

Despite the strained financial situation and the resulting tight rein on public spending, Germany generated year-on-year revenue growth of 10.5 percent in the first three quarters of 2005, excluding Dräger Interservices GmbH's revenues of €18.3 million.

Innovations underlining our competitive edge

Research and development expenses amounted to €18 million (4.6 percent of revenues) and were largely channeled into new products, such as the multi-gas detection device X-am 7000 PID (photo ionization detection) which can simultaneously be equipped with five sensors out of a possible 29. This device can be used by firefighters, in industry or by power companies to individually measure almost any type of gaseous pollutant. Another example is the new Dräger FPS 7000 full respiratory protection mask which was developed, in particular, for use by fire departments. Its large visor does not distort the wearer's vision. The ability of the mask and inner-mask to be adjusted ensure excellent fit and comfort.

Dräger Safety

		Q3 2005	Q3 2004	9M 2005	9M 2004
Order intake	**€ million**	**136.9**	**122.1**	**414.6**	**383.9**
Revenues by region					
Germany	€ million	34.2	25.3	102.6	76.3
Rest of Europe	€ million	54.2	51.4	172.0	158.2
Americas	€ million	20.0	22.0	60.5	66.8
Asia/Pacific	€ million	14.0	12.7	42.4	42.6
Other	€ million	4.6	5.0	13.8	13.4
Total revenues	**€ million**	**127.0**	**116.4**	**391.3**	**357.3**
EBITDA before non-recurring expenses[1]	**€ million**	**12.4**	**10.6**	**44.1**	**38.8**
Amortization/depreciation	€ million	4.3	3.9	12.0	10.8
EBIT before non-recurring expenses[2]	**€ million**	**8.1**	**6.7**	**32.1**	**28.0**
Non-recurring expenses	€ million	0.0	0.0	0.0	0.0
EBIT[2]	**€ million**	**8.1**	**6.7**	**32.1**	**28.0**
Capital employed[3]	**€ million**	**193.0**	**176.4**	**193.0**	**176.4**
Investments	**€ million**	**6.0**	**3.8**	**19.1**	**14.5**
Net financial debt	**€ million**	**45.4**	**38.3**	**45.4**	**38.3**
EBIT before non-recurring expenses/revenues	**%**	**6.4**	**5.8**	**8.2**	**7.8**
EBIT before non-recurring expenses/ capital employed	**%**	**4.2**	**3.8**	**16.6**	**15.9**
Net financial debt/ EBITDA before non-recurring expenses	**Factor**	**3.7**	**3.6**	**1.0**	**1.0**
Headcount at the end of the reporting period					
Germany		1,704	1,441	1,704	1,441
Abroad		1,897	1,836	1,897	1,836
Total headcount		**3,601**	**3,277**	**3,601**	**3,277**

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Drägerwerk AG/other companies/consolidation

Now that the service and production companies have been sold, there are no other major companies contained in this category in 2005 except Drägerwerk AG and a number of consolidation items.

The negative revenues are largely attributable to the revenues (to be consolidated) between the subgroups, mainly services by Interservices GmbH for Dräger Medical. EBIT largely reflects expenses of Drägerwerk AG which are not charged on to the subgroups or third parties as services.

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

Drägerwerk AG/other companies/consolidation

		Q3 2005	Q3 2004	9M 2005	9M 2004
Order intake	**€ million**	**(8.1)**	**(1.1)**	**(24.5)**	**(3.3)**
Revenues by region					
Germany	€ million	(8.0)	(1.3)	(24.5)	(3.7)
Rest of Europe	€ million	0.0	0.0	0.0	0.0
Americas	€ million	0.0	0.0	0.0	0.0
Asia/Pacific	€ million	0.0	0.0	0.0	0.0
Other	€ million	0.0	0.0	0.0	0.0
Total revenues	**€ million**	**(8.0)**	**(1.3)**	**(24.5)**	**(3.7)**
EBITDA before non-recurring expenses[1]	**€ million**	**(2.1)**	**3.6**	**(8.9)**	**2.3**
Amortization/depreciation	€ million	2.0	2.0	5.7	4.9
EBIT before non-recurring expenses[2]	**€ million**	**(4.1)**	**1.6**	**(14.6)**	**(2.6)**
Non-recurring expenses	€ million	0.0	(0.1)	0.0	0.0
EBIT[2]	**€ million**	**(4.1)**	**1.7**	**(14.6)**	**(2.6)**
Capital employed[3]	**€ million**	**83.7**	**89.2**	**83.7**	**89.2**
Investments	**€ million**	**1.7**	**1.2**	**2.9**	**5.6**
Net financial debt	**€ million**	**321.8**	**323.3**	**321.8**	**323.3**
EBIT before non-recurring expenses/revenues	**%**				
EBIT before non-recurring expenses/ capital employed	**%**				
Net financial debt/ EBITDA before non-recurring expenses	**Factor**				
Headcount at the end of the reporting period					
Germany		218	512	218	512
Abroad		5	6	5	6
Total headcount		**223**	**518**	**223**	**518**

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Outlook

Revenues and earnings forecasts unchanged

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

The initiated income and efficiency-boosting measures will be pursued further in all divisions of the Dräger Group in 2005. At the same time, focus will be on system solutions from Dräger Medical and Dräger Safety, with the latter providing comprehensive hazard management in particular.

Both subgroups are aiming to strengthen and develop their market position in all regions. Overall, revenue growth of 5 to 7 percent is expected, the current improvement is due to the steps taken to improve the revenue curve. Dräger Medical and Dräger Safety aim to increase EBIT ahead of revenues in the current fiscal year.

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

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

Income statement	Q3 2005 € million	Q3 2004 € million	9M 2005 € million	9M 2004 € million
Revenues	**374.3**	**341.4**	**1,114.2**	**1,016.4**
Cost of sales	(193.7)	(177.3)	(565.2)	(512.8)
Gross profit	**180.6**	**164.1**	**549.0**	**503.6**
Research and development costs	(26.9)	(24.7)	(77.8)	(77.4)
Marketing and selling expenses	(106.2)	(103.7)	(310.3)	(294.9)
General administrative expenses	(31.1)	(23.4)	(93.6)	(79.0)
	(164.2)	**(151.8)**	**(481.7)**	**(451.3)**
	16.4	**12.3**	**67.3**	**52.3**
Profit/loss from investments in associates	0.0	0.0	0.0	0.0
Profit/loss from other investments	0.8	0.0	1.1	0.3
Other financial result	0.7	0.2	(2.9)	0.0
Financial result (before net interest result)	**1.5**	**0.2**	**(1.8)**	**0.3**
EBIT	**17.9**	**12.5**	**65.5**	**52.6**
Net interest result	**(6.6)**	**(5.5)**	**(19.3)**	**(16.7)**
Earnings before income taxes	**11.3**	**7.0**	**46.2**	**35.9**
Income taxes	(5.7)	(5.6)	(22.7)	(17.2)
Result from discontinued operations	0.0	0.5	0.0	10.3
Net profit	**5.6**	**1.9**	**23.5**	**29.0**

Minority interests in net profit	3.7	0.2	11.7	7.1
Result after minority interests	1.9	1.7	11.8	21.9
Earnings per share [1]				
› per preferred share (in €)	0.15	0.14	0.95	1.75
› per common share (in €)	0.13	0.12	0.90	1.70

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

Balance sheet of the Dräger Group as of September 30, 2005	Sept. 30, 2005		Dec. 31, 2004
	€ million	€ million	€ million
Assets			
Intangible assets	177.5		176.5
Property, plant and equipment	192.2		189.2
Non-current financial assets	27.7		30.4
Deferred tax assets	83.7		76.9
Non-current assets		**481.1**	**473.0**
Inventories	329.8		260.4
Trade receivables	417.3		455.6
Other current financial assets	76.8		56.1
Cash and cash equivalents and securities	181.1		178.0
Current assets		**1,005.0**	**950.1**
Total assets		**1,486.1**	**1,423.1**

	Sept. 30, 2005		Dec. 31, 2004
	€ million	€ million	€ million
Equity and liabilities			
Equity		**486.2**	**477.3**
Participation capital	74.8		74.8
Provisions for pensions and similar obligations	157.7		155.5
Non-current loans	107.9		107.4
Other non-current financial liabilities and provisions	25.8		24.5
Deferred tax liabilities	18.3		16.7
Non-current liabilities		**384.5**	**378.9**
Short-term loans and liabilities to banks	261.9		214.1
Other current financial liabilities and provisions	353.5		352.8
Current liabilities		**615.4**	**566.9**
Total equity and liabilities		**1,486.1**	**1,423.1**

Statement of changes in equity

	Paid-in capital		Earned equity				Minority interests	Equity
	Capital stock	Additional paid-in capital	Reserves retained from earnings	Group net earnings	Other comprehensive income			
					Currency translation differences	Fair value measurement of derivative hedging instruments		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
January 1, 2004	**32.5**	**38.9**	**156.3**	**4.7**	**(13.2)**	**0.0**	**224.1**	**443.3**
Currency translation differences					2.5		0.3	2.8
Group net profit				29.0				29.0
Minority interests in net profit				(7.1)			7.1	0.0
Distributions				(4.7)			(2.7)	(7.4)
Transfer to reserves								0.0
Change in consolidated group/other			(1.7)				2.5	0.8
September 30, 2004	**32.5**	**38.9**	**154.6**	**21.9**	**(10.7)**	**0.0**	**231.3**	**468.5**
January 1, 2005	**32.5**	**38.9**	**173.9**	**5.3**	**(16.9)**	**0.0**	**243.6**	**477.3**
Currency translation differences					9.1		4.4	13.5
Group net profit				23.5				23.5
Minority interests in net profit				(11.7)			11.7	0.0
Distributions				(5.3)			(21.4)	(26.7)
Transfer to reserves								0.0
Change in consolidated group/other			0.3				(1.7)	(1.4)
September 30, 2005	**32.5**	**38.9**	**174.2**	**11.8**	**(7.8)**	**0.0**	**236.6**	**486.2**

Cash flow statement of the Dräger Group	9M 2005 € million	9M 2004 € million
Operating activities		
Group net profit	23.5	29.0
+ Amortization/depreciation of non-current assets	34.7	29.7
– Gain from the disposal of non-current assets	(0.8)	1.4
+/– Other changes in other assets and other liabilities	(55.4)	(84.3)
Net cash used in/provided by operating activities	**2.0**	**(24.2)**
Investing activities		
– Cash outflow for investments in intangible assets and property, plant and equipment	(35.8)	(36.4)
+/– Other cash inflow/outflow for investments	6.4	0.6
+/– Cash inflow from the sale/cash outflow from the acquisition of subsidiaries	10.5	(22.3)
Net cash provided by/used in investing activities	**(18.9)**	**(58.1)**
Financing activities		
– Distribution of dividends	(5.3)	(4.7)
+/– Net balance of bank loans raised/redeemed and other liabilities to banks	43.8	77.5
+/– Other changes	(1.8)	(6.0)
– Profit distributed to minority interests	(21.4)	(2.7)
Net cash provided by financing activities	**15.3**	**64.1**
Change in cash and cash equivalents in the period under review	**(1.6)**	**(18.2)**
+/– Effect of exchange rates on cash and cash equivalents	4.7	(0.7)
+ Cash and cash equivalents at the beginning of the fiscal year [1]	178.0	186.3
Cash and cash equivalents as of September 30 of the fiscal year [1]	**181.1**	**167.4**

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

Further explanations

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

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

Effects of transition from HGB to IFRSs

a) Reconciliation of equity as of September 30, 2004

	€ million
Equity under HGB (including minority interests)	**517.8**
Asset-backed securities	(2.5)
Recognition of internally developed software	2.0
Goodwill	5.7
Valuation adjustment of building components/adjustment of depreciation	(2.0)
Recognition of finance leases	0.2
Inventory measurement	13.9
Adjustment of bad debt allowances	5.4
Deferred taxes (net)	47.9
Remeasurement/reversal of other provisions	2.0
Consolidation of real estate companies	(11.0)
Remeasurement of pension provisions	(35.8)
Other effects	(0.3)
Reclassification of participation capital	(74.8)
Equity under IFRSs (including minority interests)	**468.5**

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

	HGB € million	IFRSs € million	Deviation € million
December 31,2003	499.2	443.3	(55.9)
September 30,2004	517.8	468.5	(49.3)
Change	**18.6**	**25.2**	**6.6**
The change breaks down as follows:			
Change in net profit as of September 30, 2004			2.4
Elimination of goodwill amortization under HGB			5.7
Other comprehensive income			(1.5)
			6.6

b) Reconciliation of net profit as of September 30, 2004:

	€ million
Net profit under HGB (including minority interests)	**26.6**
Recognition/valuation adjustment of internally developed software	(0.6)
Valuation adjustment of building components/adjustment of depreciation	(0.3)
Inventory measurement	4.0
Adjustment of bad debt allowances	(1.9)
Deferred taxes	(0.8)
Consolidation of real estate companies (SPEs)	0.7
Remeasurement of pension provisions	0.9
Other effects	0.4
Net profit under IFRSs (including minority interests)	**29.0**

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

The transition had no significant impact on the EBIT (before non-recurring expenses) of the Dräger Medical and Dräger Safety subgroups as of September 30, 2004. For the holding company and other companies, EBIT was mainly affected by changes in the consolidated group (SPEs), the measurement of pensions, and inventory valuation.

EBIT[1] before non-recurring expenses	**9M 2004 HGB old definition € million**	**9M 2004 HGB new definition € million**	**9M 2004 IFRSs € million**
Dräger Medical	36.0	30.8	34.4
Dräger Safety	28.5	27.4	28.0
Holding company/other companies/consolidation	(7.9)	(7.2)	(2.6)
Dräger Group	**56.6**	**51.0**	**59.8**

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

Forward-looking statements

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

Financial diary

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

Notes

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