Fiscal year 2015:
Dräger's earnings decline despite net sales record

- Net sales up by 2.9 percent net of currency effects
- EBIT margin at 2.6 percent
- Non-recurring expenses impact earnings
- Efficiency program intensified

Lübeck – Drägerwerk AG & Co. KGaA achieved record-breaking order intake and net sales in fiscal year 2015.

Order intake increased by 4.8 percent to EUR 2,532.2 million (2014: EUR 2,415.5 million), while net sales was up by 7.2 percent year on year at EUR 2,608.9 million (2014: EUR 2,434.7 million). Net of currency effects, order intake rose by 0.8 percent and net sales by 2.9 percent.

Net sales increases were recorded above all in Europe, and particularly here in Germany. The positive trend from the prior year also continued in South Europe. The Middle East, Africa and Other Countries region recorded solid net sales growth (net of currency effects). Performance in both the Asia/Pacific and Americas regions fell short of expectations (net of currency effects).

"Fiscal year 2015 was disappointing overall," said Stefan Dräger, CEO of Drägerwerk Verwaltungs AG. "We had to adjust our forecasts twice during the year, but were able to achieve record-breaking net sales thanks to a strong finish to the year in the fourth quarter. That being said, our margin declined further, as our costs rose more sharply than our net sales in 2015 on the whole."

Earnings before interest and taxes (EBIT) fell by 62.7 percent, coming in at EUR 66.7 million (2014: EUR 178.6 million). The EBIT margin stood at 2.6 percent (2014: 7.3 percent). The value of the euro had a negative impact overall on our result. The US dollar remained strong, while emerging economy currencies in particular lost value. Net profit decreased by 68.2 percent to EUR 33.3 million (2014: EUR 104.7 million). Dräger Value Added (DVA), which

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is the most important management figure for the Group, was negative at EUR - 46.3 million (2014: EUR 81.6 million).

Extremely strong net sales in fourth quarter

In the fourth quarter, order intake fell net of currency effects by 6.9 percent to EUR 637.2 million (2014: EUR 672.1 million). Dräger increased net sales (net of currency effects) by 4.4 percent to EUR 825.4 million (2014: EUR 769.7 million), setting a new record in the traditionally strong final quarter. EBIT declined by 31.7 percent to EUR 66.5 million in the fourth quarter (2014: EUR 97.3 million) and included one-off expenses for the “Fit for Growth” efficiency program. The EBIT margin came to 8.1 percent in the fourth quarter (2014: 12.6 percent).

Development of individual financial figures

Gross profit rose by EUR 33.6 million in fiscal year 2015 to EUR 1,171.7 million, and therefore not as sharply as net sales. At 44.9 percent, the gross margin was down 1.8 percent year on year due to lower pricing. Also, higher quality costs had an effect on gross profit. All in all, currency effects had a negative impact on gross margin development.

Functional costs rose by 13.5 percent in fiscal year 2015. One-off expenses for the “Fit for Growth” efficiency program, which were mostly incurred in the fourth quarter, impacted earnings in the amount of close to EUR 35 million. Changes in exchange rates also resulted in a rise in functional costs. Net of these effects, functional costs rose by 5.4 percent. Sales and marketing costs were up slightly year on year (+6.6 percent; net of currency effects). Research and development (R&D) expenditure continued to rise as planned, increasing by 3.7 percent (net of currency effects). The research and development ratio therefore amounted to 8.9 percent of net sales (2014: 8.7 percent). Administrative expenses rose net of currency effects and one-off expenses for the efficiency program increased by 4.5 percent.

Adjustment to the dividend policy

Dräger has adjusted its dividend policy in light of earnings performance and the ongoing restructuring process. The Executive Board, together with the Supervisory Board, plan to propose to the annual shareholders’ meeting on

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April 27, 2016 a dividend of EUR 0.19 per preferred share (2014: EUR 1.39) and a dividend of EUR 0.13 per common share (2014: EUR 1.33). This would result in a distribution rate of 10.9 percent (2014: 30.1 percent) of Group net profit, less earnings attributable to non-controlling interests. Dräger will only decide on its future earnings appropriation policy once earnings have improved significantly and stabilized.

Adjustment of the organization and new structure of regions

Dräger is adjusting its organization so that it is able to respond more quickly to market developments moving forward. Country organizations, which act within the framework of the corporate strategy, will be fully responsible for operational business in the future. The country organizations are grouped together into six regions, each of which is managed by a member of the Executive Board, who will assume this regional role in addition to his or her functional tasks. In future, the Company headquarters will concentrate on strategic management and defining standards. This will create clear responsibilities and generate greater customer intimacy while strengthening the entrepreneurial approach.

Efficiency program intensified

In 2014, Dräger launched its efficiency program “Fit for Growth,” which comprises a wide range of measures geared towards boosting competitiveness and productivity over the coming years. Given the unsatisfactory cost and earnings trend in fiscal year 2015, it was decided to intensify the “Fit for Growth” program and add further short- to medium-term cost-cutting measures.

Cost-cutting targets have been set for 2016 and 2017 for the headquarters in Lübeck and for foreign subsidiaries. Besides reducing personnel expenses, these targets also include cutting non-personnel expenses such as expenses for external service providers. In Lübeck, Dräger plans to reduce the number of employees by a total of 200 by the end of fiscal year 2016. The aim is to organize redundancies in the most socially acceptable manner possible and reach agreements through mutual consent. As a result, Dräger is offering a voluntary redundancy program at the Lübeck site, which comprises an attractive severance package and support in seeking new career

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opportunities. The program runs from February 1 to the end of April 2016. Once it has been concluded, Dräger will assess the results and decide on the need for the further measures.

“There is no way than to counteract our rise in costs and the negative earnings trend, even if this may mean that some difficult decisions will have to be made,” said Stefan Dräger, CEO of Drägerwerk Verwaltungs AG. “Backed by an effective organization and a lower cost base, we will be able to generate sustained positive results moving forward, even in a more difficult environment. After all, our markets are intact and offer fundamentally positive outlooks for the future.”

Outlook

Dräger believes that growth momentum will slow down compared to the prior year and plans to generate net sales growth in fiscal year 2016 of between 0 and 3 percent (net of currency effects). Provided there are no major changes in exchange rates compared to the start of the fiscal year, negative currency effects are anticipated in fiscal year 2016. In 2016, our EBIT will also be negatively impacted by restructuring expenses of roughly EUR 10 million linked to our “Fit for Growth” efficiency program. Dräger expects its full-year EBIT margin to stand at between 3.5 and 5.5 percent.

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Key figures for fiscal year 2015 (in EUR million)

	2015	2014	Change
Group			
Order intake	2,532.2	2,415.5	+4.8 %
Net sales	2,608.9	2,434.7	+7.2 %
EBIT	66.7	178.6	-62.7%
EBIT margin	2.6 %	7.3 %	
Net profit	33.3	104.7	-68.2 %
Earnings per preferred shares[1] (€)	1.89	5.73	-67.0 %
Earnings per common share[1] (€)	1.83	5.67	-67.7 %
Earnings per preferred share[2] on full distribution (€)	1.46	4.58	-68.2 %
Earnings per common share[2] on full distribution (€)	1.40	4.52	-69.1 %
Dräger Value Added (DVA)	-46.3	81.6	-156.7 %
Employees	13,936	13,737	+1.4 %
Medical division			
Order intake	1,646.0	1,569.8	+4.9 %
Net sales	1,698.8	1,577.2	+7.7 %
EBIT	46.2	107.6	-57.1 %
EBIT margin	2.7 %	6.8 %	
Safety division			
Order intake	886.2	845.7	+4.8 %
Net sales	910.1	857.5	+6.1 %
EBIT	20.5	71.0	-71.2 %
EBIT margin	2.2 %	8.3 %	

[1] On the basis of the proposed dividend
[2] Based on an imputed actual full distribution of earnings attributable to shareholders

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