Dräger

Quarterly Statement
January 1 to March 31, 2016
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Three months 2012	Three months 2013	Three months 2014	Three months 2015	Three months 2016
Order intake	€ million	550.9	571.3	544.6	615.3	599.6
Net sales	€ million	529.3	533.8	513.2	545.5	532.4
EBITDA [1,9]	€ million	61.8	56.5	36.1	20.7	4.1
EBIT [2,9]	€ million	46.8	39.8	19.0	1.1	–15.7
in % of net sales (EBIT margin)	%	8.8	7.5	3.7	0.2	–2.9
Interest result [9]	€ million	–9.8	–6.5	–6.2	–5.6	–4.4
Income taxes [9]	€ million	–11.5	–10.7	–4.3	1.4	6.4
Earnings after income taxes [9]	€ million	25.5	22.6	8.5	–3.1	–13.6
Earnings attributable to shareholders [3,9]	€ million	24.1	21.1	7.9	–3.2	–13.6
Earnings per share [3,9]						
per preferred share	€	1.47	1.29	0.49	–0.18	–0.76
per common share	€	1.45	1.27	0.47	–0.20	–0.78
Earnings per share on full distribution [4,9]						
per preferred share	€	1.12	0.99	0.39	–0.18	–0.76
per common share	€	1.10	0.97	0.37	–0.20	–0.78
Equity [5,9]	€ million	668.7	765.2	826.3	899.7	907.8
Equity ratio [5,9]	%	33.0	36.3	40.6	39.0	40.3
Capital employed [5,6,9]	€ million	882.4	954.1	1,045.4	1,269.7	1,248.2
EBIT [2,7]/capital employed [5,6,9] (ROCE)	%	24.7	23.4	17.2	12.7	4.0
Net financial debt [5]	€ million	138.9	78.2	93.2	150.4	153.3
DVA [8,9]	€ million	138.9	142.1	90.3	60.2	–39.5
Headcount as of March 31		12,114	12,707	13,426	13,698	13,679

1 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = Earnings before net interest result and income taxes
3 On the basis of the proposed dividend
4 Based on an imputed actual full distribution of earnings attributable to shareholders
5 Value as of reporting date
6 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
7 Value of the last twelve months
8 Dräger Value Added = EBIT less cost of capital (until 2015: 9 %, from 2016: 7 %) of average invested capital
9 Due to the first-time application of IAS 19 (2011) in fiscal year 2013 values for 2012 were adjusted in accordance IAS 8.

Dräger Group in the first quarter of 2016

RESTRAINED BUSINESS PERFORMANCE FOR DRÄGER

- Order intake and net sales stable (net of currency effects)
- Gross profit and margin down due to negative currency and mix effects
- Functional costs down
- Negative result due to the decline in gross profit
- Forecast for 2016 remains unchanged
- Implementation of the new organization on target, new segment reporting by regions

“Business development in the first quarter of fiscal year 2016 was restrained, as expected, due to the low number of orders on hand at the end of 2015. Stagnant net sales and the negative impact of currency and mix effects on the gross margin in particular, in addition to price effects, have resulted in a loss in the first quarter. On the bright side, the counter-measures we have taken with regard to costs are having an effect. As a result, functional costs, even net of currency effects, have already gone down by more than 4 percent,” said Stefan Dräger, Chairman of the Executive Board of Drägerwerk Verwaltungs AG.

Possible rounding differences in this quarterly statement may lead to slight discrepancies.

AMENDMENTS TO SEGMENT REPORTING

Segment reporting in the quarterly and annual reports is geared towards the organizational and management system (pursuant to IFRS 8).

Until the end of fiscal year 2015, the Company was managed through the two divisions: the medical division and the safety division. An expanded functional Executive Management Team (EMT) was responsible for the operating management of the two divisions.

We have realigned our organizational and management system to put the spotlight on the customer even more and make our internal decision-making processes more efficient. In fiscal year 2016, the Executive Board is managing the operating business by means of the three regions: Europe, Americas, and Africa, Asia and Australia. In each case, one member of the Executive Board is fully responsible for the business performance of the Company in one of the three regions. The respective Executive Board member assumes this regional responsibility in addition to his functional tasks.

Segment reporting will also change beginning in 2016 with the change to the management approach. The new segment reporting is geared towards the business responsibility of the three Executive Board members with regional responsibilities and is broken down into the regions Europe (Dr. Reiner Piske), Americas (Rainer Klug), and Africa, Asia and Australia (Anton Schrofner).

The regionally focused management approach results in the following changes to our segment reporting:

- Reporting is structured according to the regions Europe, Americas, and Africa, Asia and Australia.
- Several key figures (including order intake, net sales and EBIT) are reported using the previous medical division/safety division structure for informational purposes.
- For reporting EBIT, cross-regional costs are now allocated to the three segments with a plan-based formula. A large portion of these costs will be assigned to the regions using a net sales formula.
- Apart from the key influencing factors of net working capital (trade receivables, trade payables, inventories including prepayments received), reporting capital employed also includes long-term capital, such as property, plant and equipment. This is assigned to the segments using a net sales formula.
- Key figures that cannot be reasonably allocated to the regions, such as net financial debt, are only reported at Group level.

The change in segment reporting results in slight variations of the order intake and net sales per region, compared to the figures reported in the previous year.

The key figures from the last five years reported using the new regional segment structure are available on the Dräger website under Investor Relations.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Three months		
		2016	2015	Change in %
Order intake	**€ million**	**599.6**	**615.3**	**–2.5**
Net sales	**€ million**	**532.4**	**545.5**	**–2.4**
EBITDA [1]	**€ million**	**4.1**	**20.7**	**–80.3**
Depreciation	€ million	–19.7	–19.6	–0.5
EBIT [2]	**€ million**	**–15.7**	**1.1**	**> –100.0**
Interest result	€ million	–4.4	–5.6	+21.6
Income taxes	€ million	6.4	1.4	> +100.0
Earnings after income taxes	**€ million**	**–13.6**	**–3.1**	**> –100.0**
Earnings per share [3]				
per preferred share	€	–0.76	–0.18	> –100.0
per common share	€	–0.78	–0.20	> –100.0
Earnings per share on full distribution [4]				
per preferred share	€	–0.76	–0.18	> –100.0
per common share	€	–0.78	–0.20	> –100.0
Research and development costs	€ million	–54.2	–56.3	+3.7
Equity ratio [5]	%	40.3	39.0	
Cash flow from operating activities	€ million	10.4	–62.6	> +100.0
Net financial debt [5]	€ million	153.3	150.4	+1.9
Investments	€ million	24.2	91.3	–73.5
Capital employed [5,6]	€ million	1,248.2	1,269.7	–1.7
Net working capital [5,7]	€ million	562.5	618.1	–9.0
EBIT [2]/net sales	%	–2.9	0.2	
EBIT [2,8]/capital employed [5,6] (ROCE)	%	4.0	12.7	
Net financial debt [5]/EBITDA [1,8]	Factor	1.14	0.63	
Gearing [9]	Factor	0.17	0.17	
DVA [8,10]	€ million	–39.5	60.2	> –100.0
Headcount as of March 31		13,679	13,698	–0.1

Business Performance of the Dräger Group

ORDER INTAKE

in € million	2016	2015	Change in %	Three months Net of currency effects in %
Europe[1]	324.0	341.4	–5.1	–3.8
Americas[1]	115.8	116.4	–0.6	+5.2
Africa, Asia, Australia[1]	159.9	157.5	+1.5	+5.0
Total	**599.6**	**615.3**	**–2.5**	**+0.2**
thereof medical division	383.5	402.5	–4.7	–2.2
thereof safety division	216.2	212.8	+1.6	+4.6

[1] Value for 2015 adjusted due to new segmentation

ORDER INTAKE

Order intake (net of currency effects) was stable in the first quarter. The development in the regional segments ran counter to this trend. In the Europe segment, we registered a drop in demand by 3.8 percent (net of currency effects) in the first quarter. The weak performance posted by products from the medical division played a significant role. Order intake in Germany rose slightly, however. Among other factors, healthy demand in our service business made a positive impact in this regard. In the Americas segment, orders increased by 5.2 percent (net of currency effects). In particular, the strong rise in order intake for products from the safety division (net of currency effects) contributed to this development, while demand for products from the medical division experienced only a slight increase. In the Africa, Asia and Australia segment, we expanded order intake by 5.0

Footnotes for page 4

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] EBIT = Earnings before net interest result and income taxes
[3] On the basis of the proposed dividende
[4] Based on an imputed actual full distribution of earnings attributable to shareholders
[5] Value as of reporting date
[6] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[7] Net working capital = current, non-interest-bearing assets plus non-current trade receiveables less current, non-interest-bearing debt
[8] Value of the last twelve months
[9] Gearing = Net financial debt/equity
[10] Dräger Value Added = EBIT less cost of capital (2015: 9 %, 2016: 7 %) of average invested capital

percent (net of currency effects) in the first quarter. In particular, the rise in demand for products from the medical division made a positive impact in this regard, while the orders for products from the safety division remained at a stable level.

With respect to the medical division's products, demand increased only in our service business and in hospital infrastructure systems. We witnessed a drop in demand, however, concerning patient monitoring and clinical data management, in the business with ventilation, thermoregulation and anesthesia products, as well as in the hospital consumables business.

We recorded a significant rise in order intake for products from the safety division, which was driven by a larger order in engineered solutions. However, demand in the maintenance and equipment rental business as well as in stationary gas detection systems also grew. Demand for alcohol testing devices went down, and there was also less demand for personal protective equipment for fire services and for industrial occupational health and safety products.

NET SALES

				Three months
in € million	2016	2015	Change in %	Net of currency effects in %
Europe[1]	299.7	296.5	+1.1	+2.6
Americas[1]	103.9	113.1	–8.1	–3.6
Africa, Asia, Australia[1]	128.8	135.9	–5.2	–2.0
Total	**532.4**	**545.5**	**–2.4**	**+0.2**
thereof medical division	338.2	354.3	–4.6	–2.1
thereof safety division	194.2	191.2	+1.6	+4.4

[1] Value for 2015 adjusted due to new segmentation

NET SALES

Net sales (net of currency effects) were stable in the first quarter. Here, too, a divergent trend emerged in the regional segments. In the Europe segment, we increased net sales by 2.6 percent (net of currency effects) in the first quarter. Positive net sales development in the safety division contributed to this result, while net sales declined in the medical division. The rise in net sales even amounted to 6.1 percent in Germany, where deliveries of products from the safety division rose in particular. In the Americas segment, deliveries were down 3.6 percent year on year in the first quarter (net of currency effects). Higher net sales (net of currency effects) for products from the safety division were offset by a considerable decrease in net sales for products from the medical division. Net sales in the Africa, Asia and Australia segment fell by 2.0 percent (net of currency effects). While net sales for products from the medical division remained stable, deliveries for products from the safety division witnessed a significant decline (net of currency effects).

In the first quarter, we achieved net sales growth only in the service business of the medical division. Overall, net sales for patient monitoring and clinical data management, as well as for ventilation and thermoregulation equipment, remained virtually unchanged. By contrast, deliveries of products related to anesthesia, hospital infrastructure systems and the hospital consumables business decreased.

Among safety division products, we recorded net sales growth in particular in the maintenance and rental equipment business, in personal protection equipment for fire services and in industrial occupational health and safety products. Net sales for stationary gas detection systems and alcohol testing devices fell.

EARNINGS

In the first quarter of 2016, gross profit developed at a lower rate than net sales, with a decrease of EUR 34.5 million to EUR 223.4 million (3 months 2015: EUR 257.8 million). At 42.0 percent, our gross margin was 5.3 percentage points lower than in the prior year. All three segments contributed to this negative development. The increase in the value of the euro compared to other important Group currencies had a distinctly negative impact on the gross margin. A less favorable product and country mix and weaker price performance also weakened the margin. In the medical division in particular, the share of net sales accounted for by services went up. As a rule, services have a smaller margin.

Functional costs showed positive development, falling by 4.2 percent (net of currency effects). Currency effects provided relief for functional costs; as a result, the decline in nominal terms amounted to 5.6 percent.

Net of relief effects related to currency, sales and marketing costs were down 2.5 percent year on year. Among other factors, cost-saving measures are having an effect in the Americas segment. Expenditures on research and development fell by 3.5 percent (net of currency effects). At 10.2 percent of net sales, the research and development (R&D) ratio was approximately on par with the prior year (3 months 2015: 10.3 percent). Net of currency effects, administrative costs were down 7.6 percent on the first quarter in 2015. The administrative costs contain additional expenditures for our Fit for Growth efficiency program in the amount of EUR 2.6 million. In the prior year, the administrative costs included provisions for the closure of our site in Pittsburgh, United States (EUR 3.7 million). Net of these effects, the administrative costs still fell by 5.9 percent (net of currency effects) due to savings from the efficiency program, among other reasons. Personnel costs rose slightly by 1.5 percent (net of currency effects), and amounted to 0.2 percent in nominal terms.

At EUR 0.1 million, the other financial result increased by a significant margin year on year (3 months 2015: EUR –3.5 million). The improvement is due primarily to the fact that, unlike in the prior year, in total no currency-related valuation losses occurred.

In total, Group earnings before interest and taxes (EBIT) amounted to EUR –15.7 million (3 months 2015: EUR 1.1 million). The EBIT margin fell from 0.2 percent in the prior-year period to –2.9 percent.

The interest result improved to EUR –4.4 million (3 months 2015: EUR –5.6 million). The tax rate rose to 32.1 percent (3 months 2015: 30.5 percent). Earnings after income taxes amounted to EUR –13.6 million, down EUR 10.5 million year on year (3 months 2015: EUR –3.1 million).

INVESTMENTS

In the first quarter of 2016, we invested EUR 22.2 million in property, plant and equipment (3 months 2015: EUR 27.9 million) and EUR 2.1 million in intangible assets (3 months 2015: EUR 63.4 million).

Within the scope of the “factory of the future” project for modernizing the production site in Lübeck, we invested an additional EUR 7.1 million in property, plant and equipment (3 months 2015: EUR 9.3 million).

The strong drop in investments compared to the first quarter of 2015 is due primarily to the fact that the acquisition of the company GasSecure AS is included in the prior-year figure.

Depreciation and amortization came to EUR 19.7 million in the first quarter of 2016 (3 months 2015: EUR 19.6 million). Investments covered 122.8 percent of depreciation, meaning that non-current assets rose by EUR 4.5 million net.

CASH FLOW STATEMENT

Due to the elimination of exchange rate effects, the underlying changes recognized in the cash flow statement cannot be directly reconciled with the items of the published balance sheet.

In the first three months of fiscal year 2016, the Dräger Group generated cash inflow from operating activities of EUR 10.4 million compared to cash outflow of EUR 62.6 million in the prior-year period. A main factor behind this development was the fact that other assets increased by only EUR 25.0 million (3 months 2015: EUR 67.6 million) and inventories by only EUR 19.1 million (3 months 2015: EUR 56.2 million). In addition, at EUR 102.4 million, trade receivables decreased more than in the prior-year period (EUR 65.2 million). Earnings before net interest result, income taxes, depreciation and amortization (EBITDA) – adjusted for cash-neutral changes to provisions and other non-cash earnings/ expenses – improved as well to EUR −6.5 million (3 months 2015: EUR −13.0 million). Countering this, other liabilities increased by only EUR 21.5 million (3 months 2015: 59.8 million), and at EUR 46.8 million, trade payables decreased by more than in the prior-year period (EUR 34.6 million).

Cash outflow from investing activities fell to EUR 17.4 million (3 months 2015: EUR 79.2 million). The decrease was primarily due to the fact that the EUR 53.1 million purchase price payment for the shares in GasSecure AS, Oslo, Norway, were included in the prior-year period.

Cash inflow from financing activities of EUR 13.3 million was mainly impacted by the arrangement of a note loan in the amount of EUR 60.0 million and the concurrent repayment of bank loans and liabilities to banks totaling EUR 46.4 million.

Cash and cash equivalents as of March 31, 2016 amounted to EUR 176.9 million (December 31: EUR 172.8 million) and exclusively comprised cash, of which EUR 9.5 million (December 31, 2015: EUR 8.9 million) is subject to use restrictions.

Financial Management

BORROWING

The number of note loans has increased compared to the borrowing described in the 2015 annual report. In the first quarter of 2016, we took out a note loan in the amount of EUR 60.0 million.

A note loan in the amount EUR 57.5 million will be due in December 2016. As of March 31, 2016, total note loans amounted to EUR 156.0 million (December 31, 2015: EUR 95.9 million).

NET ASSETS

Equity decreased by EUR 38.1 million to EUR 907.8 million in the first three months of 2016. The equity ratio came to 40.3 percent as of March 31, 2016, slightly below the figure from December 31, 2015 (40.9 percent). The adjustment of the underlying interest rate for German pension provisions from 2.25 percent to 2.0 percent increased pension provisions by EUR 17.6 million; the net amount of this adjustment of EUR 12.2 million after deferred tax liabilities reduced reserves from retained earnings recognized directly in equity.

The balance sheet total decreased by EUR 57.9 million to EUR 2,253.5 million in the first quarter of 2016. On the assets side, we reduced trade receivables by EUR 111.1 million. In contrast, other current assets increased by EUR 29.1 million and inventories by EUR 13.3 million. Deferred tax assets also rose by EUR 9.9 million, due largely to the adjustment of the underlying interest rate for German pension provisions.

The change on the liabilities side resulted mainly from lower trade payables (EUR −46.2 million). In contrast, loans and liabilities to banks increased by EUR 12.4 million. Among other considerations, this reflects the arrangement of a EUR 60 million note loan against the simultaneous reduction of current loans.

DRÄGER VALUE ADDED

Our Dräger Value Added (DVA) fell by EUR 99.8 million to EUR −39.5 million year on year as of March 31, 2016 (year on year as of March 31, 2015: EUR 60.2 million). Our rolling EBIT went down substantially by EUR 110.7 million year on year. Despite an increase in average invested capital, capital costs decreased by EUR 10.9 million, as we have used a lower weighted average cost of capital since 2016. This weighted average cost of capital was revalued and reduced by two percentage points to a current level of 7 percent to take into account the fall in interest rates.

Average capital employed rose by 14.6 percent to EUR 1,278.5 million. The increase is mainly due to a rise in non-current assets, as well as higher trade receivables and inventories. The development of current assets is also reflected in days of working capital (coverage of current assets), which rose by 2.9 days to 122.5 days.

BUSINESS PERFORMANCE OF EUROPE SEGMENT

				Three months
		2016	2015	Change in %
Order intake with third parties [6]	**€ million**	**324.0**	**341.4**	**–5.1**
Net sales with third parties [6]	**€ million**	**299.7**	**296.5**	**+1.1**
EBITDA	**€ million**	**4.2**	**11.6**	**–63.4**
Depreciation	€ million	–9.6	–9.7	+1.5
EBIT [1]	**€ million**	**–5.3**	**1.9**	**> –100.0**
Capital employed [2,3]	€ million	575.1	586.1	–1.9
EBIT [1]/net sales	%	–1.8	0.6	
EBIT [1,4]/capital employed [2] (ROCE)	%	9.1	20.5	
DVA [5]	€ million	10.5	72.5	–85.5

[1] EBIT = Earnings before net interest result and income taxes
[2] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[3] Value as of reporting date
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital (2015: 9 %, 2016: 7 %) of average invested capital
[6] Value for 2015 adjusted due to new segmentation

Business Performance of Europe Segment

ORDER INTAKE

in € million	2016	2015	Change in %	Three months Net of currency effects in %
Medical division[1]	186.7	206.5	–9.6	–8.5
Safety division[1]	137.3	134.9	+1.8	+3.5
Total	**324.0**	**341.4**	**–5.1**	**–3.8**
thereof Germany	125.4	123.7	+1.3	+1.3

[1] Value for 2015 adjusted due to new segmentation

ORDER INTAKE

In Europe, including Germany, order intake fell by 3.8 percent (net of currency effects). Increased demand for products from the safety division, due primarily to an order for a tunnel rescue train, were offset by a considerable decrease in demand for products from the medical division. Lower order intake levels in Turkey, the United Kingdom and Russia contributed in particular to this drop. The rise in demand in Switzerland, due primarily to an order for a tunnel rescue train, was unable to compensate for decreases in other countries in Europe. With regard to products, only the hospital infrastructure business recorded an uptick in order intake, apart from engineered solutions and the service business, while the other product areas posted considerable drops in some cases.

NET SALES

in € million	2016	2015	Change in %	Three months Net of currency effects in %
Medical division[1]	172.9	177.4	–2.6	–1.2
Safety division[1]	126.8	119.1	+6.5	+8.4
Total	**299.7**	**296.5**	**+1.1**	**+2.6**
thereof Germany	114.4	107.9	+6.1	+6.1

[1] Value for 2015 adjusted due to new segmentation

NET SALES

Net sales in Europe, including Germany, increased by 2.6 percent (net of currency effects), which was driven by a significant rise in the deliveries of products from the safety division. Particularly in Germany and several countries in southern and southeastern Europe, net sales rose significantly, though we recorded growth in Norway and Switzerland as well. Net sales dropped considerably in the United Kingdom and Azerbaijan. With regard to products, we achieved good growth in net sales for personal protective equipment for fire services, in the industrial occupational health and safety business and in the service business. Net sales of anesthesia devices and ventilation and thermoregulation equipment, on the other hand, were down significantly.

EARNINGS

The gross margin decreased considerably year on year (−5.6 percentage points), which is due to negative mix, price and currency effects.

Functional costs fell by 5.0 percent due to savings related to sales and marketing costs, supported by a favorable development of exchange rates. Furthermore, the allocated, cross-segment costs went down.

In total, earnings before interest and taxes (EBIT) for the Europe segment amounted to EUR −5.3 million (3 months 2015: EUR 1.9 million). As a result, the EBIT margin fell from 0.6 percent in the prior-year period to −1.8 percent.

BUSINESS PERFORMANCE OF AMERICAS SEGMENT

				Three months
		2016	2015	Change in %
Order intake with third parties [6]	**€ million**	**115.8**	**116.4**	**–0.6**
Net sales with third parties [6]	**€ million**	**103.9**	**113.1**	**–8.1**
EBITDA	**€ million**	**–3.5**	**0.6**	**> –100.0**
Depreciation	€ million	–5.2	–5.2	–1.4
EBIT [1]	**€ million**	**–8.8**	**–4.6**	**–89.6**
Capital employed [2,3]	€ million	287.4	285.5	+0.7
EBIT [1]/net sales	%	–8.4	–4.1	
EBIT [1,4]/capital employed [2] (ROCE)	%	–7.9	0.7	
DVA [5]	€ million	–42.7	–20.6	> –100.0

1 EBIT = Earnings before net interest result and income taxes

2 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

3 Value as of reporting date

4 Value of the last twelve months

5 Dräger Value Added = EBIT less cost of capital (2015: 9 %, 2016: 7 %) of average invested capital

6 Value for 2015 adjusted due to new segmentation

Business Performance of Americas Segment

ORDER INTAKE

in € million	2016	2015	Change in %	Three months Net of currency effects in %
Medical division[1]	76.8	80.3	–4.3	+1.6
Safety division[1]	39.0	36.2	+7.8	+13.3
Total	**115.8**	**116.4**	**–0.6**	**+5.2**

[1] Value for 2015 adjusted due to new segmentation

ORDER INTAKE

In the Americas, order intake increased by 5.2 percent (net of currency effects), which was driven especially by the significant rise in demand for products from the safety division. In particular, the development of demand in Canada and the United States, as well as in several countries in South America, contributed to this trend. Order intake was down in Mexico and Ecuador as a result of larger orders in the first quarter of 2015. With the exception of the hospital infrastructure business, patient monitoring and clinical data management as well industrial occupational health and safety, demand for the products increased in all business areas. We succeeded in recording significant growth (net of currency effects) for engineered solutions, stationary gas detection and ventilation and thermoregulation products.

NET SALES

in € million	2016	2015	Change in %	Three months Net of currency effects in %
Medical division[1]	69.2	77.9	–11.1	–6.6
Safety division[1]	34.7	35.2	–1.5	+2.8
Total	**103.9**	**113.1**	**–8.1**	**–3.6**

[1] Value for 2015 adjusted due to new segmentation

NET SALES

Net sales decreased by 3.6 percent (net of currency effects); a considerable decline in net sales for products from the medical division played a significant role in particular. Deliveries decreased in Mexico and the United States, while they picked up in many countries in Central and South America. A sharp fall in net sales was seen for anesthesia devices, industrial occupational health and safety products, and patient monitoring and clinical data management. A significant increase in deliveries for engineered solutions, personal protective equipment for fire services, the hospital consumables business and the service business was unable to offset this drop.

EARNINGS

The gross margin fell by 5.2 percentage points. Negative currency effects (especially with regard to Brazil, Colombia and Argentina), as well as price pressure and product mix effects, all had a negative impact on the gross margin.

In the first quarter functional costs went down by 8.5 percent due to positive currency effects, reductions in personnel and further targeted cost savings. Furthermore, the allocated, cross-segment costs went down.

Earnings before interest and taxes (EBIT) for the Americas segment amounted to EUR −8.8 million (3 months 2015: EUR −4.6 million). The EBIT margin fell by 4.3 percentage points to −8.4 percent.

BUSINESS PERFORMANCE OF AFRICA, ASIA AND AUSTRALIA SEGMENT (AAA)

				Three months
		2016	2015	Change in %
Order intake with third parties [6]	**€ million**	**159.9**	**157.5**	**+1.5**
Net sales with third parties [6]	**€ million**	**128.8**	**135.9**	**–5.2**
EBITDA	**€ million**	**3.3**	**8.5**	**–60.9**
Depreciation	€ million	–4.9	–4.8	–3.6
EBIT [1]	**€ million**	**–1.6**	**3.8**	**> –100.0**
Capital employed [2,3]	€ million	385.7	398.1	–3.1
EBIT [1]/net sales	%	–1.2	2.8	
EBIT [1,4]/capital employed [2] (ROCE)	%	5.3	9.7	
DVA [5]	€ million	–7.4	8.3	> –100.0

[1] EBIT = Earnings before net interest result and income taxes

[2] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

[3] Value as of reporting date

[4] Value of the last twelve months

[5] Dräger Value Added = EBIT less cost of capital (2015: 9 %, 2016: 7 %) of average invested capital

[6] Value for 2015 adjusted due to new segmentation

Business Performance of Africa, Asia and Australia Segment (AAA)

ORDER INTAKE

in € million	2016	2015	Change in %	Three months Net of currency effects in %
Medical division[1]	120.0	115.8	+3.6	+6.6
Safety division[1]	39.9	41.7	–4.3	+0.6
Total	**159.9**	**157.5**	**+1.5**	**+5.0**

[1] Value for 2015 adjusted due to new segmentation

ORDER INTAKE

In the Africa, Asia and Australia segment, we expanded order intake by 5.0 percent (net of currency effects), which was driven especially by demand for products from the medical division. The healthy demand in Indonesia, China, Australia, India and Egypt in particular was a key factor in this trend, whereas the number of orders in Saudi Arabia and the United Arab Emirates dropped considerably. In terms of products, we recorded strong growth in the patient monitoring and clinical data management business. We also succeeded in increasing orders in the hospital infrastructure business, for anesthesia devices and in industrial occupational health and safety. Business with engineered solutions and stationary gas detection systems, on the other hand, declined.

NET SALES

in € million	2016	2015	Change in %	Three months Net of currency effects in %
Medical division[1]	96.1	99.0	–3.0	–0.2
Safety division[1]	32.7	36.9	–11.2	–6.8
Total	**128.8**	**135.9**	**–5.2**	**–2.0**

[1] Value for 2015 adjusted due to new segmentation

NET SALES

Net sales decreased by 2.0 percent (net of currency effects); in particular a decline in net sales for products from the safety division played a significant role. We recorded a strong rise in net sales in Iran. We also increased deliveries in several countries in Southeast Asia and Africa. On the other hand, net sales in Saudi Arabia, the United Arab Emirates, Japan and South Korea dropped considerably. In terms of products, we recorded a strong rise in demand for anesthesia devices, ventilation and thermoregulation equipment, as well as in patient monitoring and clinical data management. This was offset by a significant drop in deliveries for engineered solutions, the hospital infrastructure business, hospital consumables and stationary gas detection systems.

EARNINGS

Gross profit decreased in the first quarter of 2016 as a result of the lower net sales volume. The gross margin also went down (−4.1 percentage points) due to negative currency, mix and price effects.

Functional costs decreased by 4.0 percent due to positive currency effects and reductions in personnel. Furthermore, the allocated cross-segment costs went down.

EBIT for the segment fell by 141.6 percent (EUR −5.4 million) from EUR 3.8 million to EUR −1.6 million.

Additional information on the medical and safety divisions

INFORMATION ON THE MEDICAL DIVISION

				Three months	
		2016	2015	Change in %	Net of currency effects in %
Order intake with third parties	**€ million**	**383.5**	**402.5**	**–4.7**	**–2.2**
Europe [1]	€ million	186.7	206.5	–9.6	–8.5
Americas [1]	€ million	76.8	80.3	–4.3	+1.6
Africa, Asia, Australia [1]	€ million	120.0	115.8	+3.6	+6.6
Net sales with third parties	**€ million**	**338.2**	**354.3**	**–4.6**	**–2.1**
Europe [1]	€ million	172.9	177.4	–2.6	–1.2
Americas [1]	€ million	69.2	77.9	–11.1	–6.6
Africa, Asia, Australia [1]	€ million	96.1	99.0	–3.0	–0.2
EBIT [2]	**€ million**	**–17.0**	**3.8**	**> –100.0**	
Research and development costs	€ million	38.6	41.4	–6.8	
EBIT [2]/net sales	%	–5.0	1.1		

[1] Value for 2015 adjusted due to new segmentation
[2] EBIT = Earnings before net interest result and income taxes

INFORMATION ON THE SAFETY DIVISION

				Three months	
		2016	2015	Change in %	Net of currency effects in %
Order intake with third parties	**€ million**	**216.2**	**212.8**	**+1.6**	**+4.6**
Europe [1]	€ million	137.3	134.9	+1.8	+3.5
Americas [1]	€ million	39.0	36.2	+7.8	+13.3
Africa, Asia, Australia [1]	€ million	39.9	41.7	–4.3	+0.6
Net sales with third parties	**€ million**	**194.2**	**191.2**	**+1.6**	**+4.4**
Europe [1]	€ million	126.8	119.1	+6.5	+8.4
Americas [1]	€ million	34.7	35.2	–1.5	+2.8
Africa, Asia, Australia [1]	€ million	32.7	36.9	–11.2	–6.8
EBIT [2]	**€ million**	**1.3**	**–2.7**	**> –100.0**	
Research and development costs	€ million	15.7	14.9	+4.9	
EBIT [2]/net sales	%	0.7	–1.4		

[1] Value for 2015 adjusted due to new segmentation
[2] EBIT = Earnings before net interest result and income taxes

Outlook

FUTURE SITUATION OF THE COMPANY

The following section should be read in conjunction with the “Future Situation of the Company” section in the management report of the 2015 annual report (pages 125 et seq.), which describes our expectations for 2016 in detail. The following table provides an overview of our expectations regarding the development of various forecast figures. The forecast period is based on the fiscal year.

EXPECTATIONS FOR FISCAL YEAR 2016

	Results achieved in 2015	Forecast 2016 according to the annual report	Current forecast
Net sales	+2.9 % (net of currency effects)	0.0–3.0 % (net of currency effects)	Confirmed
EBIT margin	2.6 %	3.5–5.5 % [1]	Confirmed
DVA	EUR −46.3 million	Improvement	Confirmed
Other forecast figures			
Gross margin	44.9 %	Down year on year	Confirmed
Research and development costs	EUR 231.1 million	EUR 225–235 million	Confirmed
Net interest result	EUR −17.2 million	On par with prior year	Confirmed
Effective tax rate	32.8 %	30–33 %	Confirmed
Days working capital (DWC)	121.2 days	119–121 days	Confirmed
Operating cash flow	59.8 % of EBIT	> 60 % of EBIT	Confirmed
Investment volume	EUR 196.8 million	EUR 110–120 million	Confirmed
Equity ratio	40.9 %	Increase	Confirmed
Net financial debt	EUR 145.3 million	Improvement	Confirmed

[1] Based on exchange rates at the start of fiscal year 2016

FORWARD-LOOKING STATEMENTS

This document 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 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 that could prove to be incorrect. Dräger does not assume any responsibility for updating the forward-looking statements made in this report.

This document constitutes a quarterly report pursuant to Section 51a of the exchange rules for the Frankfurt Stock Exchange.

Lübeck, Germany, April 25, 2016

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Rainer Klug
Gert-Hartwig Lescow
Dr. Reiner Piske
Anton Schrofner

Further financial information

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Three months 2016	Three months 2015
Net sales	532,405	545,525
Cost of sales	–309,046	–287,698
Gross profit	**223,360**	**257,827**
Research and development costs	–54,214	–56,305
Marketing and selling expenses	–134,652	–140,985
General administrative costs	–50,701	–55,542
Other operating income	1,818	1,516
Other operating expenses	–1,381	–1,913
	–239,129	**–253,229**
	–15,770	**4,598**
Profit from other investments	34	–
Other financial result	67	–3.542
Financial result (before interest result)	**101**	**–3,542**
EBIT	**–15,669**	**1,056**
Interest result	–4,369	–5,569
Earnings before income taxes	**–20,038**	**–4,513**
Income taxes	6,422	1,375
Earnings after income taxes	**–13,615**	**–3,138**
Earnings after income taxes	**–13,615**	**–3,138**
Non-controlling interests in net profit	25	87
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]	–	–
Earnings attributable to shareholders	–13,640	–3,225
Undiluted earnings per share [2]		
per preferred share (in €)	–0.76	–0.18
per common share (in €)	–0.78	–0.20
Diluted earnings per share [2]		
per preferred share (in €)	–0.76	–0.17
per common share (in €)	–0.78	–0.19
Undiluted earnings per share on full distribution [2]		
per preferred share (in €)	–0.76	–0.18
per common share (in €)	–0.78	–0.20
Diluted earnings per share on full distribution [2]		
per preferred share (in €)	–0.76	–0.17
per common share (in €)	–0.78	–0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	Three months 2016	Three months 2015
Earnings after income taxes	**–13,615**	**–3,138**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	–17,648	–33,078
Deferred taxes on remeasurements of defined benefit pension plans	5,472	10,254
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	–12,130	33,056
Change in the fair value of financial assets designated as available for sale recognized directly in equity	–	–18
Change in the fair value of derivative financial instruments recognized directly in equity	–238	–183
Deferred taxes on changes in the fair value of derivative financial instruments recognized directly in equity	75	18
Other comprehensive income (after taxes)	**–24,470**	**10,049**
Total comprehensive income	**–38,085**	**6,911**
thereof earnings attributable to non-controlling interests	37	238
thereof earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]	–	–
thereof earnings attributable to shareholders	–38,122	6,673

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 0.00 (March 31, 2015: EUR 0.00) based on earnings in the first three months of 2016 and the temporary amendment of Dräger`s dividend policy announced in the capital market information on March 9th, 2016, to distribute EUR 0.19 per preferred share and a dividend of EUR 0.13 per common share until earnings have improved significantly and stabilized (March 31, 2015: Distribution of around 30% of total Group net profit less earnings attributable to non-controlling interests).

Footnotes for page 26

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 0.00 (March 31, 2015: EUR 0.00) based on earnings in the first three months of 2016 and the temporary amendment of Dräger`s dividend policy announced in the capital market information on March 9th, 2016, to distribute EUR 0.19 per preferred share and a dividend of EUR 0.13 per common share until earnings have improved significantly and stabilized (March 31, 2015: Distribution of around 30% of total Group net profit less earnings attributable to non-controlling interests).

[2] 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

in € thousand	March 31, 2016	December 31, 2015
Assets		
Intangible assets	350,211	351,776
Property, plant and equipment	406,795	406,355
Investments in associates	231	231
Other non-current financial assets	11,064	11,613
Deferred tax assets	145,256	135,322
Other non-current assets	2,121	1,881
Non-current assets	**915,678**	**907,177**
Inventories	415,316	401,978
Trade receivables and receivables from construction contracts	600,185	711,323
Other current financial assets	48,652	47,708
Cash and cash equivalents	176,875	172,767
Income tax refund claims	16,716	19,386
Other current assets	76,848	47,724
	1,334,593	**1,400,885**
Assets held for sale	3,188	3,334
Current assets	**1,337,781**	**1,404,220**
Total assets	**2,253,459**	**2,311,397**

in € thousand	March 31, 2016	December 31, 2015
Equity and liabilities		
Capital stock	45,466	45,466
Capital reserves	234,028	234,028
Reserves retained from earnings, incl. group result	600,817	626,634
Participation capital	29,497	29,497
Other comprehensive income	–3,615	8,691
Non-controlling interests	1,651	1,614
Equity	**907,843**	**945,929**
Liabilities from participation certificates	22,006	21,779
Provisions for pensions and similar obligations	307,086	288,147
Other non-current provisions	55,961	56,646
Non-current interest-bearing loans	196,053	138,118
Other non-current financial liabilities	27,972	27,604
Non-current income tax liabilities	4,330	4,392
Deferred tax liabilities	3,221	3,431
Other non-current liabilities	6,342	5,762
Non-current liabilities	**622,972**	**545,880**
Other current provisions	216,472	232,984
Current interest-bearing loans and liabilities to banks	124,095	169,662
Trade payables	140,187	186,405
Other current financial liabilities	36,906	25,343
Current income tax liabilities	30,137	37,751
Other current liabilities	174,847	167,442
Current liabilities	**722,644**	**819,588**
Total equity and liabilities	**2,253,459**	**2,311,397**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Three months 2016	Three months 2015
Operating activities			
	Earnings after income taxes	–13,615	–3,138
+	Write-down/write-up of non-current assets	19,734	19,644
+	Interest result [1]	4,369	5,569
–	Income taxes [1]	–6,422	–1,375
–	Decrease in provisions [1]	–14,884	–8,610
+/–	Other non-cash expenses/income [1]	4,312	–25,085
–	Gains from the disposal of non-current assets	–31	–92
–	Increase in inventories	–19,141	–56,152
–	Increase in leased equipment	–4,147	–1,137
+	Decrease in trade receivables	102,383	65,175
–	Increase in other assets [1]	–24,996	–67,565
–	Decrease in trade payables	–46,801	–34,610
+	Increase in other liabilities [1]	21,479	59,840
–	Cash outflow for income taxes [1]	–10,189	–12,149
–	Cash outflow for interests [1]	–1,970	–3,683
+	Cash inflow from interests [1]	337	810
	Cash inflow/outflow from operating activities	**10,418**	**–62,558**
Investing activities			
–	Cash outflow for investments in intangible assets	–2,037	–1,098
+	Cash inflow from the disposal of intangible assets	–	67
–	Cash outflow for investments in property, plant and equipment	–15,845	–25,662
+	Cash inflow from disposals of property, plant and equipment	530	944
–	Cash outflow for investments in non-current financial assets	–11	–791
+	Cash inflow from the disposal of non-current financial assets	–	368
–	Cash outflow from the acquisition of subsidiaries	–	–53,063
	Cash outflow from investing activities	**–17,363**	**–79,237**
Financing activities			
–	Cash outflow from the acquisition of treasury shares for the employee share program	–	–1,143
+	Cash provided by raising loans	59,949	12
–	Cash used to redeem loans	–1,910	–26,683
+/–	Net balance of other liabilities to banks	–44,455	6,836
–	Net balance of finance lease liabilities repaid/incurred	–273	–423
+/–	Cash inflow/outflow from the changes in shareholdings in subsidiaries	–	–4,000
–	Profit distributed to non-controlling interests	0	–
	Cash inflow/outflow from financing activities	**13,310**	**–25,401**
Change in cash and cash equivalents in the reporting period		**6,365**	**–167,197**
+/–	Effect of exchange rates on cash and cash equivalents	–2,256	12,277
+	Cash and cash equivalents at the beginning of the reporting period	172,767	296,855
	Cash and cash equivalents on reporting date	**176,875**	**141,935**

[1] Payments for income taxes and interests are shown separately in the cash flow statement. Prior year's figures were adjusted accordingly.

For notes to the cash flow statement, please see page 8.

BUSINESS PERFORMANCE OF THE SEGMENTS

		Europe		Americas		Africa, Asia, Australia		Dräger Group	
		2016	2015	2016	2015	2016	2015	2016	2015
Order intake with third parties [6]	**€ million**	**324.0**	**341.4**	**115.8**	**116.4**	**159.9**	**157.5**	**599.6**	**615.3**
Net sales with third parties [6]	**€ million**	**299.7**	**296.5**	**103.9**	**113.1**	**128.8**	**135.9**	**532.4**	**545.5**
EBITDA	**€ million**	**4.2**	**11.6**	**–3.5**	**0.6**	**3.3**	**8.5**	**4.1**	**20.7**
Depreciation	€ million	–9.6	–9.7	–5.2	–5.2	–4.9	–4.8	–19.7	–19.6
EBIT [1]	**€ million**	**–5.3**	**1.9**	**–8.8**	**–4.6**	**–1.6**	**3.8**	**–15.7**	**1.1**
Capital employed [2,3]	€ million	575.1	586.1	287.4	285.5	385.7	398.1	1.248.2	1.269.7
EBIT [1]/net sales	%	–1.8	0.6	–8.4	–4.1	–1.2	2.8	–2.9	0.2
EBIT [1,4]/capital employed [2] (ROCE)	%	9.1	20.5	–7.9	0.7	5.3	9.7	4.0	12.7
DVA [5]	€ million	10.5	72.5	–42.7	–20.6	–7.4	8.3	–39.5	60.2

[1] EBIT = Earnings before net interest result and income taxes
[2] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[3] Value as of reporting date
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital (2015: 9 %, 2016: 7 %) of average invested capital
[6] Value for 2015 adjusted due to new segmentation

FINANCIAL CALENDAR

Report as of March 31, 2016, Conference call	April 26, 2016
Annual shareholders' meeting, Lübeck, Germany	April 27, 2016
Report as of June 30, 2016, Conference call	July 28, 2016
Report as of September 30, 2016, Conference call	November 3, 2016

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

Corporate Communications
Tel. + 49 451 882 - 3998
Fax + 49 451 882 - 3944

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