

Capital Market Information

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First half of 2016: Dräger cuts costs

- Net sales fall, order intake increases slightly
- costs down, efficiency program takes effect
- EBIT down in the first half of the year, but on par with the prior year in the second quarter

Lübeck – Drägerwerk AG & Co. KGaA recorded a slight rise (net of currency effects) in order intake in the first half of 2016, while net sales were down. Earnings remained down on the prior-year period following the weak start to the year.

Order intake grew by 0.5 percent (net of currency effects) to EUR 1,221.1 million in the first six months of the year (6 months 2015: EUR 1,249.3 million). In nominal terms, order intake fell by 2.3 percent. In Europe and the Americas, orders increased net of currency effects, whereas they fell in Africa, Asia, and Australia. Dräger net sales declined in the first half of 2016 by 3.3 percent (net of currency effects) to EUR 1,111.4 million (6 months 2015: EUR 1,179.5 million). In nominal terms, net sales fell by 5.8 percent. Net sales were down in all regions, with the sharpest declines in Africa, Asia, and Australia.

“In terms of net sales and earnings, we are down year on year after the first six months of 2016. On the bright side, however, our order book has increased and our EBIT was essentially on par with the prior year in the second quarter, despite a drop in net sales. This shows that the cost-cutting measures are starting to work,” said Stefan Dräger, Chairman of the Executive Board of Drägerwerk Verwaltungs AG.

Second quarter 2016

In the second quarter of 2016, Dräger’s order intake rose by 0.9 percent net of currency effects. While orders in Europe as well as in the Americas increased net of currency effects, they fell significantly in Africa, Asia, and Australia. In the second quarter, Dräger’s net sales were down 6.3 percent year on year (net of currency effects). Net sales were down in all regions, with the sharpest declines in Asia, Africa, and Australia. Despite the fall in

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net sales volume, the gross margin was up year on year. Functional costs declined by 5.8 percent (net of currency effects).

Earnings before interest and taxes (EBIT) stood at EUR 21.2 million in the second quarter (Q2 2015: EUR 21.7 million), with an EBIT margin of 3.7 percent (Q2 2015: 3.4 percent).

Earnings after six months

Gross profit fell to EUR 486.6 million in the first half of 2016 (6 months 2015: EUR 540.8 million). The increase in the value of the euro compared to important Group currencies had a negative impact on earnings. Functional costs fell by 5.0 percent in the first half of the year (net of currency effects). Net of currency effects, sales and marketing costs were down 6.5 percent year on year. Both research and development expenditure, and administrative costs declined by 3.9 percent year on year (net of currency effects).

Overall, Dräger generated Group earnings before interest and taxes (EBIT) of EUR 5.5 million in the first half of 2016 (6 months 2015: EUR 22.7 million). The EBIT margin came to 0.5 percent (6 months 2015: 1.9 percent). Earnings after income taxes stood at EUR -1.1 million (6 months 2015: EUR 7.7 million).

“Our Fit for Growth efficiency program comprises the right measures. As a result, costs are already down and we are able to improve our earnings situation short term. Midterm, further positive effects will result from accelerating the speed of innovation,” said Stefan Dräger. “Then we will be able to harvest the fruits of our efforts. Our markets are promising and our business model is fundamentally intact.”

Outlook

For fiscal year 2016, Dräger continues to expect net sales growth (net of currency effects) in the previously forecast range of 0.0 to 3.0 percent. Dräger again anticipates an EBIT margin of between 3.5 and 5.5 percent.

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Key figures for the first six months of 2016 (€million)

	Q2 2016	Q2 2015	H1 2016	H1 2015	Change	Net of currency effects
Order intake	621.4	634.0	1,221.1	1,249.3	- 2.3%	+ 0.5%
Net sales	579.0	634.0	1,111.4	1,179.5	- 5.8%	- 3.3%
Europe segment	324.5	349.9	624.2	646.4	- 3.4%	- 1.9%
Americas segment	112.2	119.6	216.2	232.8	- 7.1%	- 2.6%
Africa, Asia & Australia segment	142.3	164.5	271.1	300.4	- 9.8%	- 6.7%
<i>Additional information on net sales</i>						
Medical division	365.9	405.8	704.1	760.2	- 7.4%	- 4.9%
Safety division	213.1	228.2	407.4	419.4	- 2.9%	- 0.3%
EBIT	21.2	21.7	5.5	22.7		
EBIT margin	3.7%	3.4%	0.5%	1.9%		
<i>Additional information on EBIT</i>						
Medical division	7.9	11.2	- 9.1	15.0		
Safety division	13.4	10.5	14.6	7.8		
Earnings after income taxes	12.5	10.9	-1.1	7.7		
EPS preferred share ¹ in € Full distribution	0.53	0.52	-0.23	0.35		
EPS common share ¹ in € Full distribution	0.52	0.51	-0.26	0.32		

¹ Based on an imputed actual full distribution of earnings attributable to shareholders

Disclaimer

This Capital Market Information contains statements on the future development of Dräger Group. These forward-looking statements are based on the current expectations, presumptions, and forecasts of the Executive Board as well as the information available to it to date and have been prepared to the best of its knowledge and belief. No guarantee or liability for the occurrence of the future developments and results specified can be assumed in respect of such forward-looking statements. Rather, the future developments and results are dependent on a number of factors. They entail risks and uncertainties beyond the Company's control and are based on assumptions which could prove to be incorrect. Notwithstanding any legal requirements to adjust forecasts, Dräger does not assume any obligation to update the forward-looking statements contained in this report. You will find all important financial dates on our Company website at www.draeger.com under Investor Center/Financial Calendar.

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