

Press release

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Dräger expects faster sales recognition in the fourth quarter of 2022

- Noticeable increase in order intake in the first nine months
- Net sales and earnings significantly below prior year, in particular due to disrupted supply chains
- Slight easing of supply situation in the third quarter
- Strong acceleration in sales recognition expected in fourth quarter

Lübeck—Drägerwerk AG & Co. KGaA has increased its order intake in the first nine months of 2022 by around 6 percent (net of currency effects) to EUR 2,424.2 million (9 months 2021: EUR 2,237.0 million). Net sales and earnings, on the other hand, declined significantly. Net sales fell by 18.0 percent (net of currency effects) to EUR 2,027.0 million (9 months 2021: EUR 2,402.9 million). Earnings before interest and taxes (EBIT) amounted to EUR -148.3 million (9 months 2021: EUR 257.0 million). The EBIT margin was -7.3 percent (9 months 2021: 10.7 percent). For the fourth quarter, Dräger expects a strong acceleration in sales recognition. However, Dräger assumes that it will not be able to achieve the original full-year guidance.

“In the first nine months of the current fiscal year, demand for our ›Technology for Life‹ has increased noticeably despite the unfavorable economic conditions. This shows that we are well positioned for the future with our product portfolio,” says Stefan Dräger, Chairman of the Executive Board of Drägerwerk Verwaltungs AG.

Good order intake, but delayed sales recognition

After the very sharp decline at the beginning of the prior year as pandemic-driven demand normalized, order intake in the first nine months of 2022 rose by 5.6 percent (net of currency effects). The largest growth driver was the Europe region. In the Africa, Asia, and Australia region, demand also increased noticeably. In nominal terms, order intake recorded growth of 8.4 percent.

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The potential sales from the high order backlog could only be recognized to a very limited extent. This was due in particular to the continuing disruption to supply chains and the associated slow improvement in the availability of intermediate products required to manufacture and deliver end products to customers. As a result, net sales in the first nine months of 2022 decreased by 18.0 percent (net of currency effects). In nominal terms, the decline was 15.6 percent.

Both divisions with higher demand

In the medical business, order intake increased by 1.2 percent in the first nine months of 2022 (net of currency effects). The division benefited in particular from significantly higher product demand in hospital infrastructure, anesthesia and thermoregulation. This contrasted with a significant decline in demand for ventilators compared to the previous year, when demand was high due to the pandemic.

In the safety business, order intake increased by 13.0 percent (net of currency effects) due to strong demand in all product areas. Growth was driven in particular by respiratory and personal protection products, gas detection devices and occupational health and safety equipment.

Demand for Dräger Service was also strong in both divisions.

However, net sales declined significantly in both divisions. Net of currency effects, the medical and safety businesses recorded a decrease of 22.2 and 10.9 percent, respectively.

Earnings under pressure

Earnings development in the first nine months of 2022 was impacted in particular by the decline in net sales and the lower gross margin. At 40.5 percent, the gross margin was significantly below the prior-year figure (9 months 2021: 48.4 percent). This was due to the changed product and country mix as well as higher procurement costs, particularly for electronic components, whose prices have risen sharply due to the shortage situation. Earnings after taxes amounted to EUR -112.7 million (9 months 2021: EUR 170.6 million).

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Business performance in the third quarter

In the third quarter of 2022, order intake of EUR 776.6 million was 2.2 percent higher than the high prior-year figure (Q3 2021: EUR 759.6 million). Net of currency effects, order intake remained roughly at the prior-year level (-0.9 percent). An increase in Europe and the Americas contrasted with a significant decline in Africa, Asia, and Australia. The medical business recorded a decrease of 7.8 percent (net of currency effects) to EUR 465.3 million (Q3 2021: EUR 485.7 million). It should be taken into account that Dräger had received larger corona-related orders for ventilators from Asia in the prior year. The safety business reported growth of 11.3 percent (net of currency effects) to EUR 311.3 million (Q3 2021: EUR 273.9 million). Dräger's net sales decreased by 9.1 percent (net of currency effects). The gross margin was 40.6 percent (Q3 2021: 46.9 percent). EBIT amounted to EUR -36.6 million (Q3 2021: EUR 47.9 million). The EBIT margin was -5.0 percent (Q3 2021: 6.2 percent).

Faster sales recognition expected in the fourth quarter

Dräger expects a strong acceleration in sales recognition in the fourth quarter. "Global supply chain issues remain a challenge. In the third quarter, however, our supply situation eased slightly in some product areas. We are confident that this development will continue in the fourth quarter, enabling us to recognize a good portion of the potential net sales from our high order backlog," says Stefan Dräger. "Although this means we will no longer be able to achieve our full-year targets, an improved supply situation opens up the possibility for us to return to profitable growth next year."

Further information is available in the financial report at www.draeger.com.

Disclaimer

This press release 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 date. They were compiled to the best of the company's knowledge. Dräger does not provide any warranty nor assume any responsibility for the future developments and results described above. These are dependent on a number of factors. They entail various risks and contingencies outside of the company's influence and are based on assumptions which could prove to be incorrect. Dräger does not assume any responsibility for updating the forward-looking statements contained in this report. This does not infringe any legal stipulations on the adjustment of forecasts. Please go to Investor Relations / Definitions of financial indicators at www.draeger.com for information on alternative performance measures used.

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Key figures for the first nine months of 2022 (€ million)	9M 2022	9M 2021	Change	Net of currency effects
Order intake	2,424.2	2,237.0	+8.4 %	+5.6 %
Europe	1,289.8	1,222.7	+5.5 %	+7.1 %
Americas	480.4	439.0	+9.4 %	-1.2 %
Africa, Asia, and Australia	654.1	575.4	+13.7 %	+7.6 %
<i>Order intake, medical division</i>	<i>1,462.1</i>	<i>1,400.1</i>	<i>+4.4 %</i>	<i>+1.2 %</i>
<i>Order intake, safety division</i>	<i>962.0</i>	<i>836.9</i>	<i>+14.9 %</i>	<i>+13.0 %</i>
Net sales	2,027.0	2,402.9	-15.6 %	-18.0 %
Europe	1,106.1	1,359.8	-18.7 %	-17.9 %
Americas	423.0	462.1	-8.5 %	-17.6 %
Africa, Asia, and Australia	498.0	581.0	-14.3 %	-18.6 %
<i>Net sales, medical division</i>	<i>1,208.3</i>	<i>1,505.5</i>	<i>-19.7 %</i>	<i>-22.2 %</i>
<i>Net sales, safety division</i>	<i>818.7</i>	<i>897.4</i>	<i>-8.8 %</i>	<i>-10.9 %</i>
EBIT	-148.3	257.0		
EBIT margin	-7.3 %	10.7 %		
Earnings after income taxes	-112.7	170.6		
<i>EBIT margin, medical division</i>	<i>-9.7 %</i>	<i>11.4 %</i>		
<i>EBIT margin, safety division</i>	<i>-3.9 %</i>	<i>9.6 %</i>		
Employees	16,252	15,883		

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Key figures for the third quarter of 2022 (€ million)	Q3 2022	Q3 2021	Change	Net of currency effects
Order intake	776.6	759.6	+2.2 %	-0.9 %
Europe	420.7	407.3	+3.3 %	+5.1 %
Americas	164.4	142.3	+15.5 %	+1.7 %
Africa, Asia, and Australia	191.5	210.0	-8.8 %	-14.3 %
<i>Order intake, medical division</i>	<i>465.3</i>	<i>485.7</i>	<i>-4.2 %</i>	<i>-7.8 %</i>
<i>Order intake, safety division</i>	<i>311.3</i>	<i>273.9</i>	<i>+13.6 %</i>	<i>+11.3 %</i>
Net sales	724.6	769.6	-5.8 %	-9.1 %
Europe	387.2	426.4	-9.2 %	-8.2 %
Americas	159.4	146.5	+8.8 %	-4.1 %
Africa, Asia, and Australia	178.0	196.6	-9.5 %	-14.9 %
<i>Net sales, medical division</i>	<i>431.1</i>	<i>470.0</i>	<i>-8.3 %</i>	<i>-12.1 %</i>
<i>Net sales, safety division</i>	<i>293.5</i>	<i>299.6</i>	<i>-2.0 %</i>	<i>-4.5 %</i>
EBIT	-36.6	47.9		
EBIT margin	-5.0 %	6.2 %		
Earnings after income taxes	-34.8	30.8		
<i>EBIT margin, medical division</i>	<i>-8.5 %</i>	<i>5.5 %</i>		
<i>EBIT margin, safety division</i>	<i>-0.0 %</i>	<i>7.4 %</i>		
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