

Press release

No. 36 / April 26, 2018

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First quarter of 2018: Dräger off to a weak start to the fiscal year

- Rise in order intake and orders on hand
- Decline in net sales
- Earnings negative
- Forecast for the fiscal year confirmed, lower end of EBIT-forecast more likely

Lübeck – Drägerwerk AG & Co. KGaA increased order intake (net of currency effects) in the first quarter of 2018, whereas net sales declined.

Order intake increased in the first three months net of currency effects by 2.6 percent, while it decreased by 2.8 percent in nominal terms to EUR 621.4 million (3 months 2017: EUR 639.4 million). Order volume (net of currency effects) increased both in the Africa, Asia, and Australia region and the Americas region, while order intake in Europe fell just short of the figure from the prior year. Orders for medical products grew in the first three months (net of currency effects), while demand for safety products declined. In the first quarter of 2018, Dräger's net sales were down by 7.4 percent in nominal terms to EUR 495.6 million (3 months 2017: EUR 535.0 million). Net of currency effects, net sales fell by 2.5 percent.

“Dräger saw a weak start to the new fiscal year. Net sales have declined, while our earnings suffered in the first quarter from the relatively low net sales volume and a weak gross margin. At the same time, we have started to invest in R&D and sales. The strong euro also burdened our EBIT,” said Stefan Dräger, Chairman of the Executive Board of Drägerwerk Verwaltungs AG.

“However, we were able to increase order intake net of currency effects, which caused our orders on hand to further rise as well. We expect to see a significant increase in net sales development in the upcoming quarters, which is why we are leaving our net sales forecast unchanged.”

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Decline in margins and earnings

In the first quarter of 2018, gross profit fell by EUR 35.3 million to EUR 205.1 million. At 41.4 percent, Dräger's gross margin was down on the figure from the prior year (3 months 2017: 44.9 percent). Apart from adverse mix effects, the increase in the value of the euro compared to other important Group currencies had a distinctly negative impact on the gross margin.

Functional costs in the first quarter of 2018 were up by 6.6 percent year on year (net of currency effects). Sales and marketing costs rose by 5.5 percent (net of currency effects), research and development (R&D) costs increased by 14.5 percent (net of currency effects), and administrative costs were up 3.2 percent year on year (net of currency effects).

Overall, Dräger generated Group earnings before interest and taxes (EBIT) of EUR -39.8 million (3 months 2017: EUR 2.3 million). The EBIT margin fell from 0.4 percent in the prior-year period and now stands at -8.0 percent. Earnings after income taxes totaled EUR -29.0 million in the first quarter of 2018 (3 months 2017: EUR -0.7 million).

Outlook

For fiscal year 2018, Dräger continues to expect net sales growth of between 2.0 and 5.0 percent (net of currency effects) and an EBIT margin of between 4.0 and 6.0 percent. Due to the restrained business development in the first quarter and currency effects, the EBIT margin is likely to come out in the lower range of the guidance.

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 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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Key figures for the first three months of 2018 (EUR million)

	Q1 2018	Q1 2017	Change	Net of currency effects
Order intake	621.4	639.4	-2.8%	+2.6%
Net sales	495.6	535.0	-7.4%	-2.5%
Europe segment	287.6	298.9	-3.8%	-2.5%
Americas segment	93.5	107.5	-13.0%	-0.8%
Africa, Asia, and Australia segment	114.5	128.6	-11.0%	-4.0%
<i>Additional information on net sales</i>				
Medical products	309.9	336.4	-7.9%	-2.8%
Safety products	185.7	198.6	-6.5%	-2.0%
EBIT	-39.8	2.3		
EBIT margin	-8.0%	0.4 %		
EBIT margin for Europe segment	-3.0%	1.7%		
EBIT margin for Americas segment	-19.0%	-4.4%		
EBIT margin for Africa, Asia, and Australia segment	-11.6%	1.5%		
<i>Additional information on EBIT margin</i>				
Medical products	-11.8%	-2.1%		
Safety products	-1.7%	4.8%		
Earnings after income taxes	-29.0	-0.7		
Employees	13,866	13,352		
EPS preferred share ¹ in €	-1.60	-0.04		
EPS common share ¹ in €	-1.62	-0.06		

¹ Based on an imputed full distribution

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