Dräger

Quarterly Statement
January 1 to September 30, 2018
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Nine months 2014	Nine months 2015	Nine months 2016	Nine months 2017	Nine months 2018
Order intake	€ million	1,743.4	1,895.1	1,849.1	1,928.3	1,931.2
Net sales	€ million	1,664.9	1,783.6	1,704.3	1,737.0	1,729.1
Gross profit	€ million	773.4	793.5	747.6	776.8	732.7
in % of net sales (gross margin)	%	46.5	44.5	43.9	44.7	42.4
EBITDA [1]	€ million	135.8	62.0	89.7	105.8	22.0
EBIT [2]	€ million	81.2	0.2	28.1	43.5	–41.0
in % of net sales (EBIT margin)	%	4.9	0.0	1.6	2.5	–2.4
Interest result	€ million	–17.8	–14.4	–12.3	–9.9	–9.5
Income taxes	€ million	–20.9	3.1	–3.3	–9.1	15.8
Net profit	€ million	42.5	–11.1	12.5	24.5	–34.7
Earnings per share on full distribution [3]						
per preferred share	€	1.90	–0.58	0.54	1.05	–1.85
per common share	€	1.85	–0.63	0.49	1.01	–1.90
Equity [4]	€ million	839.0	898.1	894.1	1,008.8	1,028.8
Equity ratio [4]	%	39.8	40.4	39.4	45.0	44.9
Capital employed [4,5]	€ million	1,112.9	1,256.4	1,238.7	1,213.7	1,283.4
EBIT [2,6]/Capital employed [4,5] (ROCE)	%	15.3	7.8	7.6	12.6	5.6
Net financial debt [4]	€ million	118.9	165.5	121.0	16.1	69.3
DVA [6,7]	€ million	76.2	–11.8	6.7	67.0	–16.1
Headcount as of September 30		13,698	14,014	13,292	13,642	14,233

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = earnings before net interest result and income taxes
3 Based on an imputed actual full distribution of earnings attributable to shareholders
4 Value as of reporting date
5 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
6 Value of the last twelve months
7 Dräger Value Added = EBIT less cost of capital (through 2015: 9 %, from 2016: 7 %) of average invested capital

The first nine months of 2018 at a glance

DRÄGER SEES GROWTH NET OF CURRENCY EFFECTS

– Order intake and net sales up (net of currency effects)
– Order intake much improved in third quarter
– Negative currency effects and higher costs are a burden
– Earnings negative

“Net of currency effects, net sales performance was generally solid in the first nine months of 2018. We are well on track to achieving our net sales forecast. The EBIT margin, however, will fall short of the forecast range, especially due to more pronounced negative currency effects and higher costs,” said Stefan Dräger, Chairman of the Executive Board of Drägerwerk Verwaltungs AG. “Investing in our innovative strength and in sales continues to be the right step with the aim of strengthening our prospects for the future.”

Possible rounding differences in this financial report may lead to slight discrepancies.

This quarterly financial report has been set up in German and English language. In case of any discrepancy between the German and English version, the German version shall prevail.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Third quarter			Nine months		
		2018	2017	Changes in %	2018	2017	Changes in %
Order intake	**€ million**	**657.4**	**626.3**	**+5.0**	**1,931.2**	**1,928.3**	**+0.2**
Net sales	**€ million**	**613.3**	**621.0**	**–1.2**	**1,729.1**	**1,737.0**	**–0.5**
Gross profit	**€ million**	**259.1**	**278.7**	**–7.0**	**732.7**	**776.8**	**–5.7**
EBITDA [1]	**€ million**	**16.2**	**45.7**	**–64.7**	**22.0**	**105.8**	**–79.2**
EBIT [2]	**€ million**	**–4.4**	**24.4**	**> –100.0**	**–41.0**	**43.5**	**> –100.0**
Net profit	**€ million**	**–5.4**	**16.2**	**> –100.0**	**–34.7**	**24.5**	**> –100.0**
Earnings per share on full distribution [3]							
per preferred share	€	–0.26	0.69	> –100.0	–1.85	1.05	> –100.0
per common share	€	–0.28	0.68	> –100.0	–1.90	1.01	> –100.0
Research and development costs	€ million	63.7	59.8	+6.6	191.6	171.7	+11.6
Equity ratio [4]	%	44.9	45.0		44.9	45.0	
Cash flow from operating activities	€ million	24.7	47.3	–47.6	–42.0	78.5	> –100.0
Net financial debt [4]	€ million	69.3	16.1	> +100.0	69.3	16.1	> +100.0
Investments	€ million	19.1	21.7	–11.6	54.0	63.7	–15.4
Capital employed [4,5]	€ million	1,283.4	1,213.7	+5.7	1,283.4	1,213.7	+5.7
Net working capital [4,6]	€ million	616.8	537.7	+14.7	616.8	537.7	+14.7
Gross profit/net sales	%	42.2	44.9		42.4	44.7	
EBIT [2]/net sales	%	–0.7	3.9		–2.4	2.5	
EBIT [2,7]/Capital employed [4,5] (ROCE)	%	5.6	12.6		5.6	12.6	
Net financial debt [4]/EBITDA [1,7]	Factor	0.44	0.07		0.44	0.07	
Gearing [8]	Factor	0.07	0.02		0.07	0.02	
DVA [7,9]	€ million	–16.1	67.0	> –100.0	–16.1	67.0	> –100.0
Headcount as of September 30		14,233	13,642	+4.3	14,233	13,642	+4.3

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4 Value as of reporting date
5 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
6 Net working capital = current, non-interest-bearing assets plus non-current trade receivables less current, non-interest-bearing debt
7 Value of the last twelve months
8 Gearing = Net financial debt/equity
9 Dräger Value Added = EBIT less cost of capital of average invested capital

Business Performance of the Dräger Group

ORDER INTAKE

in € million	Third quarter 2018	2017	Changes in %	Net of currency effects in %	Nine months 2018	2017	Changes in %	Net of currency effects in %
Europe	341.9	343.2	–0.4	+1.7	1,048.5	1,050.0	–0.1	+1.6
Americas	135.1	120.4	+12.2	+17.4	363.2	379.5	–4.3	+4.0
Africa, Asia, Australia	180.4	162.7	+10.9	+13.0	519.5	498.9	+4.1	+8.4
Total	**657.4**	**626.3**	**+5.0**	**+7.6**	**1,931.2**	**1,928.3**	**+0.2**	**+3.8**
thereof medical business	427.8	412.4	+3.7	+6.2	1,242.9	1,253.4	–0.8	+2.8
thereof safety business	229.7	213.9	+7.4	+10.4	688.3	674.9	+2.0	+5.7

ORDER INTAKE

In the first nine months of the year, we increased our order intake by 3.8 percent (net of currency effects). All segments contributed to this increase. At 8.4 percent (net of currency effects), order intake in the Africa, Asia, and Australia segment saw the strongest rise. In the Americas segment, order intake increased by 4.0 percent (net of currency effects). We also recorded positive development in the Europe segment in the first nine months of the year, with growth of 1.6 percent (net of currency effects). Order intake in Germany rose by 5.2 percent. In the third quarter, the number of orders in the Americas segment and in the Africa, Asia, and Australia segment saw a double-digit rise (net of currency effects), whereas growth in Europe remained moderate.

Demand for medical technology products increased in the first nine months of the year, especially for anesthesia machines, hospital consumables, thermoregulation equipment, patient monitoring, and clinical data management. Orders were up slightly year on year in our service business. By contrast, demand for ventilators and hospital infrastructure systems was down.

With regard to safety products, we registered higher demand in gas detection, engineered solutions, services, and alcohol detection devices in the first nine months of the year. Order intake remained largely unchanged year on year for safety accessories and for respiratory and personal protection products.

NET SALES

in € million	2018	2017	Changes in %	Net of currency effects in %	2018	2017	Changes in %	Net of currency effects in %
	Third quarter				Nine months			
Europe	339.3	342.4	–0.9	+1.0	984.1	960.7	+2.4	+4.0
Americas	116.6	117.1	–0.4	+4.0	317.7	344.7	–7.8	–0.0
Africa, Asia, Australia	157.3	161.5	–2.6	–0.1	427.3	431.5	–1.0	+3.2
Total	**613.3**	**621.0**	**–1.2**	**+1.3**	**1,729.1**	**1,737.0**	**–0.5**	**+3.0**
thereof medical business	376.0	399.9	–6.0	–3.8	1,080.2	1,106.3	–2.4	+1.1
thereof safety business	237.3	221.1	+7.3	+10.3	648.9	630.7	+2.9	+6.5

NET SALES

Net sales rose by 3.0 percent (net of currency effects) during the first nine months of 2018. In the third quarter, net sales increased by 1.3 percent (net of currency effects).

EARNINGS

Gross profit declined by EUR 44.1 million to EUR 732.7 million (9 months 2017: EUR 776.8 million) in the first nine months of 2018. At 42.4 percent, the gross margin was 2.3 percentage points lower than in the prior year. The increase in the value of the euro compared to major currencies had a negative impact on gross profit and the gross margin. Unfavorable mix and margin effects, as well as higher quality-related costs, also strained our gross profit.

All three segments recorded a decline in their margins. While gross profit fell in in the Americas and in Africa, Asia, and Australia, gross profit in Europe was on par with the prior year thanks to higher net sales.

In the third quarter, the gross margin stood at 42.2 percent (Q3 2017: 44.9 percent). It fell year on year in all three segments. We recorded the steepest drop in the Americas. Negative currency effects were especially pronounced in Latin America in the third quarter, in particular due to the devaluation of the Argentine peso and the Brazilian real.

Functional expenses increased by 7.9 percent (net of currency effects) in the first nine months of the year. Currency effects provided some relief for functional expenses; as a result, the increase in nominal terms amounted to 5.6 percent. Factors behind this rise included planned increases in expenses for product development and sales, higher freight costs, as well as wage and salary increases. Net of relief effects related to currency, selling and marketing costs were up 7.4 percent year on year (4.5 percent in nominal terms). The increase was most marked in the Americas, as well as in the Africa, Asia, and Australia segment, and was largely due to higher logistics costs. However, the increase in these costs was lower in the third quarter than in the first half of the year.

Expenditure on research and development increased by 13.2 percent (net of currency effects; 11.6 percent in nominal terms). At 11.1 percent of net sales, the research and development (R&D) ratio was up on the prior year (9 months 2017: 9.9 percent). Net of currency effects, our administrative costs were 8.2 percent higher year on year (5.0 percent in nominal terms). All told, personnel costs increased by 6.3 percent (net of currency effects), or by 4.3 percent in nominal terms.

The other financial result stood at EUR –2.6 million (9 months 2017: EUR –3.2 million).

Total Group earnings before interest and taxes (EBIT) amounted to EUR –41.0 million in the first nine months of the year (9 months 2017: EUR 43.5 million). As a result, the EBIT margin fell to –2.4 percent (9 months 2017: 2.5 percent). EBIT fell by EUR 28.8 million year on year to EUR –4.4 million in the third quarter.

The interest result improved slightly to EUR –9.5 million (9 months 2017: EUR –9.9 million). Net of tax effects related to prior years, the tax rate stood at 32.5 percent and was therefore on par with the prior year. Due to non-periodic tax effects, the actual tax rate was 31.3 percent (9 months 2017: 27.1 percent).

INVESTMENTS

In the first nine months of 2018, Dräger invested EUR 52.1 million in property, plant, and equipment (9 months 2017: EUR 57.5 million) and EUR 1.9 million in intangible assets (9 months 2017: EUR 6.3 million). They largely related to replacement investments. In addition, a sum of EUR 4.8 million was invested in the construction project in Krefeld for sales and service activities relating to safety products. The project was largely brought to a close in the second quarter. Investments in intangible assets in the prior year also included the acquisition of the gas detection company bentekk GmbH.

Depreciation and amortization stood at EUR 63.1 million (9 months 2017: EUR 62.4 million) in the first nine months of 2018. Investments covered 85.6 percent of depreciation, meaning that non-current assets saw a net decrease of EUR 9.1 million.

EQUITY

Dräger's equity declined by EUR 39.6 million to EUR 1,028.8 million in the first nine months of 2018. The equity ratio stood at 44.9 percent as of September 30, 2018, down on the figure from December 31, 2017 (45.4 percent). The negative result as well as the dividend payment carried out, which was partially compensated for by a reduction in pension provisions, are mainly responsible for the lower equity ratio. The adjustment of the calculation parameters for German pension provisions, particularly the increase of the underlying interest rate from 1.75 percent to 2.00 percent in the third quarter, decreased pension provisions by EUR 16.2 million; the net amount of this adjustment of EUR 11.1 million after deferred tax liabilities increased reserves from retained earnings recognized directly in equity.

DRÄGER VALUE ADDED

Dräger Value Added (DVA) decreased by EUR 83.2 million to EUR –16.1 million year on year in the 12 months to September 30, 2018 (12 months to September 30, 2017: EUR 67.0 million). Rolling EBIT fell year on year by EUR 81.1 million. Capital costs rose by EUR 2.1 million, since average capital employed increased by 2.4 percent to EUR 1,248.2 million. In terms of current assets, the rise in trade payables was only partially able to offset the rise in inventories, deferred taxes, and trade receivables.

This trend is also reflected in part in days working capital (coverage of current assets), which rose by 1 day to 114.9 days.

BUSINESS PERFORMANCE OF EUROPE SEGMENT

		Third quarter				Nine months			
		2018	2017	Changes in %	Net of currency effects in %	2018	2017	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**341.9**	**343.2**	**–0.4**	**+1.7**	**1,048.5**	**1,050.0**	**–0.1**	**+1.6**
thereof Germany	€ million	136.4	136.9	–0.4	–0.4	422.7	401.6	+5.2	+5.2
Net sales with third parties	**€ million**	**339.3**	**342.4**	**–0.9**	**+1.0**	**984.1**	**960.7**	**+2.4**	**+4.0**
thereof Germany	€ million	132.5	130.9	+1.2	+1.2	386.7	374.9	+3.1	+3.1
EBITDA [1]	**€ million**	**22.8**	**33.3**	**–31.3**		**56.1**	**72.3**	**–22.3**	
EBIT [2]	**€ million**	**12.9**	**23.0**	**–43.9**		**25.4**	**42.3**	**–40.0**	
Capital Employed [3,4]	€ million	587.5	565.6	+3.9		587.5	565.6	+3.9	
EBIT [2]/Net sales	%	3.8	6.7			2.6	4.4		
EBIT [2,5]/Capital employed [3,4] (ROCE)	%	15.5	17.9			15.5	17.9		
DVA [5,6]	€ million	50.9	61.8	–17.6		50.9	61.8	–17.6	

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Business performance of Europe segment

ORDER INTAKE

Net of currency effects, order intake in Europe was up 1.6 percent year on year in the first nine months of 2018. Orders mainly increased for safety technology products. Demand for medical products increased only slightly. The increase in order intake was particularly due to the development of demand in Germany, Sweden, Turkey, and Croatia. This was offset by declines in orders in countries such as Austria, the United Kingdom, and Spain.

In particular, demand for products increased in anesthesia machines, safety technology service, patient monitoring and clinical data management, and medical accessories in the first nine months of the year. Order intake also rose for gas detection products, alcohol detection devices, and engineered solutions. Demand fell in the hospital infrastructure business and for personal protection products in the safety technology portfolio in particular.

NET SALES

Net sales in Europe increased by 4.0 percent (net of currency effects) during the first nine months of the year. In the third quarter, net sales grew by 1.0 percent (net of currency effects).

EARNINGS

Accompanied by a rise in sales volume, gross profit was on par with the prior year after the first nine months of fiscal year 2018. The gross margin fell by 1.0 percentage points. Despite a rise in net sales (net of currency effects), the gross margin decreased by 1.2 percentage points, mainly due to negative currency effects.

Functional expenses were 5.6 percent higher year on year in the first nine months of 2018 (net of currency effects; +4.9 percent in nominal terms) and rose by 4.5 percent in the third quarter (net of currency effects; 4.0 percent in nominal terms). This was primarily due to the higher cross-segment functional expenses.

EBIT for the Europe segment stood at EUR 25.4 million after nine months and was therefore down by EUR 16.9 million year on year (9 months 2017: EUR 42.3 million). The EBIT margin fell from 4.4 percent to 2.6 percent. It decreased to 3.8 percent in the third quarter (third quarter 2017: 6.7 percent).

In the Europe segment, Dräger Value Added fell by EUR 10.9 million to EUR 50.9 million year on year in the 12 months to September 30, 2018 (12 months to September 30, 2017: EUR 61.8 million). Against the backdrop of higher capital employed, capital costs increased by EUR 1.0 million to EUR 40.2 million.

BUSINESS PERFORMANCE OF AMERICAS SEGMENT

		Third quarter				Nine months			
		2018	2017	Changes in %	Net of currency effects in %	2018	2017	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**135.1**	**120.4**	**+12.2**	**+17.4**	**363.2**	**379.5**	**–4.3**	**+4.0**
Net sales with third parties	**€ million**	**116.6**	**117.1**	**–0.4**	**+4.0**	**317.7**	**344.7**	**–7.8**	**–0.0**
EBITDA [1]	**€ million**	**–7.4**	**–0.1**	**> –100.0**		**–29.7**	**6.6**	**> –100.0**	
EBIT [2]	**€ million**	**–12.8**	**–5.5**	**> –100.0**		**–46.0**	**–9.4**	**> –100.0**	
Capital Employed [3,4]	€ million	310.8	284.2	+9.4		310.8	284.2	+9.4	
EBIT [2]/Net sales	%	–11.0	–4.7			–14.5	–2.7		
EBIT [2,5]/Capital employed [3,4] (ROCE)	%	–10.5	3.4			–10.5	3.4		
DVA [5,6]	€ million	–53.3	–11.2	> –100.0		–53.3	–11.2	> –100.0	

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Business performance of Americas segment

ORDER INTAKE

Order intake in the Americas segment rose by 4.0 percent net of currency effects in the first nine months of the year. With growth of 17.4 percent (net of currency effects), orders for medical and safety products alike rose significantly during the third quarter. In the first nine months of the year, the increase in orders was concentrated in Mexico, Argentina, Canada, and Chile. By contrast, order intake fell in the United States, Colombia, Ecuador, and Peru.

In terms of products, we recorded significant growth in order intake in the first nine months of the year, especially for anesthesia machines, gas detection products, medical accessories, and engineered solutions. Orders of ventilators and thermoregulation equipment also increased. By contrast, demand was down in patient monitoring and clinical data management and in the hospital infrastructure business.

NET SALES

Net sales were on par with the prior year (net of currency effects) during the first nine months. In the third quarter, Dräger recorded a 4.0 percent increase (net of currency effects).

EARNINGS

Gross profit was 17.0 percent lower in the first nine months of 2018 due to negative exchange rate effects and slightly unfavorable mix and margin effects. As a result, the gross margin fell by 5.1 percentage points. In the third quarter, gross profit was down 15.2 percent year on year despite higher net sales. The gross margin fell by 7.9 percentage points. These developments were due to negative currency effects in Latin America and unfavorable margin effects.

Functional expenses were up by 9.0 percent year on year in the first nine months of 2018 (net of currency effects; 3.6 percent in nominal terms) due to higher cross-segment functional expenses and higher planned selling and marketing costs as part of the investment program. Net of currency effects, functional expenses were on par with the prior year in the third quarter (+0.4 percent net of currency effects; –3.1 percent in nominal terms).

EBIT for the Americas segment stood at EUR –46.0 million after the first nine months of 2018, which is a considerable year-on-year decrease (9 months 2017: EUR –9.4 million). The EBIT margin fell from –2.7 percent in the prior year to –14.5 percent. In the third quarter of 2018, the EBIT margin stood at –11.0 percent, down 6.3 percentage points year on year.

Dräger Value Added in the Americas segment fell by EUR 42.1 million to EUR –53.3 million year on year in the 12 months to September 30, 2018 (12 months to September 30, 2017: EUR –11.2 million). With capital employed on par with the prior year, capital costs remained unchanged at EUR 20.7 million.

BUSINESS PERFORMANCE OF AFRICA, ASIA, AND AUSTRALIA SEGMENT

		Third quarter				Nine months			
		2018	2017	Changes in %	Net of currency effects in %	2018	2017	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**180.4**	**162.7**	**+10.9**	**+13.0**	**519.5**	**498.9**	**+4.1**	**+8.4**
Net sales with third parties	**€ million**	**157.3**	**161.5**	**–2.6**	**–0.1**	**427.3**	**431.5**	**–1.0**	**+3.2**
EBITDA [1]	**€ million**	**0.7**	**12.6**	**–94.3**		**–4.4**	**27.0**	**> –100.0**	
EBIT [2]	**€ million**	**–4.6**	**6.9**	**> –100.0**		**–20.5**	**10.6**	**> –100.0**	
Capital Employed [3,4]	€ million	385.2	364.0	+5.8		385.2	364.0	+5.8	
EBIT [2]/Net sales	%	–2.9	4.3			–4.8	2.5		
EBIT [2,5]/Capital employed [3,4] (ROCE)	%	3.3	11.5			3.3	11.5		
DVA [5,6]	€ million	–13.7	16.4	> –100.0		–13.7	16.4	> –100.0	

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Business performance of Africa, Asia, and Australia segment

ORDER INTAKE

In the Africa, Asia, and Australia segment, order intake increased by 8.4 percent (net of currency effects) in the first nine months of the year. This development was also supported by a strong third quarter with an increase of 13.0 percent (net of currency effects). China, Japan, and Australia were the main drivers of order growth in the first nine months of the year. A major project in Botswana also had a positive effect. By contrast, demand was down in Pakistan, Saudi Arabia, Angola, and Uganda.

In terms of products, we recorded the strongest growth in orders in the first nine months of the year in the hospital infrastructure business and in gas detection products. Demand for thermoregulation, patient monitoring and clinical data management, as well as anesthesia products also increased. By contrast, order intake for ventilators and hospital consumables fell.

NET SALES

Net sales in the Africa, Asia, and Australia segment increased by 3.2 percent in the first nine months of the year (net of currency effects). In the third quarter, deliveries were stable (net of currency effects).

EARNINGS

With net sales up slightly (net of currency effects), gross profit was down 6.9 percent after nine months. The gross margin fell by 2.8 percentage points. In the third quarter, the gross margin decreased by 1.9 percentage points, accompanied by lower net sales. Negative currency effects were the main reason for the drop in gross margin.

Functional expenses were up by 11.2 percent year on year after nine months (net of currency effects; 9.0 percent in nominal terms). They rose by 10.5 percent (net of currency effects) in the third quarter (9.7 percent in nominal terms). Higher cross-segment functional expenses and higher logistics costs were the main reasons for this development.

EBIT for the Africa, Asia, and Australia segment stood at EUR –20.5 million after nine months, declining year on year (9 months 2017: EUR 10.6 million). The EBIT margin fell to –4.8 percent (9 months 2017: 2.5 percent). In the third quarter, the EBIT margin fell to –2.9 percent (third quarter 2017: 4.3 percent).

Dräger Value Added in the Africa, Asia, and Australia segment decreased by EUR 30.1 million to EUR –13.7 million year on year in the 12 months to September 30, 2018 (12 months to September 30, 2017: EUR 16.4 million). With higher capital employed, capital costs increased by EUR 1.1 million to EUR 26.4 million.

Additional information on the medical and safety business

INFORMATION ON THE MEDICAL BUSINESS

		Third quarter				Nine months			
		2018	2017	Changes in %	Net of currency effects in %	2018	2017	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**427.8**	**412.4**	**+3.7**	**+6.2**	**1,242.9**	**1,253.4**	**–0.8**	**+2.8**
Europe	€ million	206.6	210.0	–1.6	+0.3	619.1	624.7	–0.9	+0.6
Americas	€ million	95.7	84.0	+13.8	+19.0	249.2	265.5	–6.1	+2.0
Africa, Asia, Australia	€ million	125.5	118.4	+6.0	+7.6	374.6	363.2	+3.1	+7.2
Net sales with third parties	**€ million**	**376.0**	**399.9**	**–6.0**	**–3.8**	**1,080.2**	**1,106.3**	**–2.4**	**+1.1**
Europe	€ million	195.0	202.4	–3.6	–2.2	571.8	564.2	+1.3	+2.7
Americas	€ million	77.1	83.2	–7.3	–3.2	212.8	233.4	–8.8	–1.0
Africa, Asia, Australia	€ million	103.9	114.3	–9.1	–7.0	295.6	308.6	–4.2	–0.3
EBIT [1,2]	**€ million**	**–14.0**	**9.1**	**> –100.0**		**–56.2**	**4.7**	**> –100.0**	
Research and development costs	€ million	43.9	42.1	+4.2		131.2	120.4	+9.0	
EBIT [1]/net sales	%	–3.7	2.3			–5.2	0.4		

1 EBIT = earnings before net interest result and income taxes

2 Business figures are determined on the basis of products' allocation to the medical business. Non-product-related costs, including costs for the headquarters, are distributed using a plan-based net sales formula.

INFORMATION ON THE SAFETY BUSINESS

		Third quarter				Nine months			
		2018	2017	Changes in %	Net of currency effects in %	2018	2017	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**229.7**	**213.9**	**+7.4**	**+10.4**	**688.3**	**674.9**	**+2.0**	**+5.7**
Europe	€ million	135.3	133.2	+1.6	+3.9	429.4	425.3	+1.0	+3.0
Americas	€ million	39.5	36.3	+8.6	+13.9	114.0	114.0	–0.0	+8.7
Africa, Asia, Australia	€ million	54.9	44.3	+23.9	+27.3	144.9	135.6	+6.8	+11.5
Net sales with third parties	**€ million**	**237.3**	**221.1**	**+7.3**	**+10.3**	**648.9**	**630.7**	**+2.9**	**+6.5**
Europe	€ million	144.3	140.0	+3.1	+5.5	412.2	396.5	+4.0	+6.0
Americas	€ million	39.6	33.9	+16.8	+21.7	104.9	111.3	–5.8	+2.0
Africa, Asia, Australia	€ million	53.4	47.2	+13.0	+16.5	131.7	122.9	+7.2	+12.0
EBIT [1,2]	**€ million**	**9.6**	**15.2**	**–37.0**		**15.1**	**38.8**	**–61.0**	
Research and development costs	€ million	19.9	17.7	+12.3		60.4	51.2	+18.0	
EBIT [1]/net sales	%	4.0	6.9			2.3	6.1		

1 EBIT = earnings before net interest result and income taxes

2 Business figures are determined on the basis of products' allocation to the safety business. Non-product-related costs, including costs for the headquarters, are distributed using a plan-based net sales formula.

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 2017 annual report (page 53 et seq.), which describes our expectations for 2018 in detail. The following table provides an overview of the expectations regarding the development of various forecast figures. The forecast horizon is the fiscal year.

EXPECTATIONS FOR FISCAL YEAR 2018

	Results achieved Fiscal year 2017	Forecast 2018 according to the annual report	Current forecast
Net sales	3.3 % (net of currency effects)	+2.0–5.0 % (net of currency effects)	Confirmed
EBIT margin	6.1 %	4.0–6.0 % [1]	2.0–3.5 %
DVA	EUR 70.7 million	EUR 15–65 million	EUR –40–0 million
Other forecast figures:			
Gross margin	44.8 %	44.0–46.0 %	42.5–44.0 %
Research and development costs	EUR 234.7 million	EUR 245–260 million	Confirmed
Interest result	EUR –12.8 million	Slight improvement	Confirmed
Days working capital (DWC)	111.7 days	On par with prior year	Confirmed
Investment volume [2]	EUR 106.2 million	EUR 85–100 million [2]	Confirmed
Net financial debt	EUR –29.2 million	Slight improvement	Slight deterioration

1 Based on exchange rates at the start of fiscal year 2018
2 Excluding company acquisitions

Negative currency effects due to the rise in the euro’s value compared to the currencies of some emerging economies, as well as unplanned expenses for logistics and quality-related measures, had a negative impact on earnings. Dräger is also making targeted investments in innovation and sales with the aim of strengthening its future prospects. The EBIT margin is therefore now expected to be in a range between 2.0 and 3.5 percent. We have changed the expected gross margin accordingly to between 42.5 and 44.0 percent.

As a result of the weaker earnings performance, DVA is now expected to come in between EUR –40 million and EUR 0 million. We also anticipate a slight rise in net financial debt due to the earnings performance and the associated deterioration in operating cash flow.

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 guarantee of 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 statement pursuant to Section 51a of the exchange rules for the Frankfurt Stock Exchange.

Lübeck, October 29, 2018

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	Third quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017
Net sales	613,289	620,997	1,729,076	1,736,981
Cost of sales	–354,207	–342,335	–996,334	–960,166
Gross profit	**259,082**	**278,662**	**732,742**	**776,815**
Research and development costs	–63,734	–59,766	–191,629	–171,661
Marketing and selling expenses	–146,658	–140,870	–431,242	–412,831
General administrative costs	–50,510	–52,178	–150,422	–143,300
Result arising from impairment/ reversal of impairments and derecognition of financial assets [1]	–1,570	–	332	–
Other operating income	–1,684	1,628	2,841	6,473
Other operating expenses	1,545	–2,221	–1,309	–8,983
	–262,611	**–253,407**	**–771,429**	**–730,302**
	–3,529	**25,255**	**–38,687**	**46,513**
Profit from investments in associates	65	215	245	215
Profit from other investments	–	–	–	0
Other financial result	–965	–1,079	–2,580	–3,249
Financial result (before interest result)	**–900**	**–864**	**–2,335**	**–3,034**
EBIT	**–4,429**	**24,391**	**–41,022**	**43,479**
Interest result	–3,292	–3,070	–9,476	–9,911
Earnings before income taxes	**–7,721**	**21,320**	**–50,498**	**33,568**
Income taxes	2,356	–5,092	15,806	–9,105
Earnings after income taxes	**–5,365**	**16,229**	**–34,692**	**24,463**
Earnings after income taxes	**–5,365**	**16,229**	**–34,692**	**24,463**
Non-controlling interests in net profit	–607	–107	–1,368	111
Earnings attributable to shareholders and holders of participation certificates [2]	–4,758	16,335	–33,325	24,352
Undiluted/diluted earnings per share on full distribution [3]				
per preferred share (in €)	–0.26	0.69	–1.85	1.05
per common share (in €)	–0.28	0.68	–1.90	1.01

1 The new item is in accordance with the amendments of IAS 1.82 which result from the application of IFRS 9. The prior year's figures have not been adjusted.

2 The holders of the participation certificates do not participate in these negative earnings after income taxes for the first nine months of the financial year 2018.

3 The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	Nine months 2018	Nine months 2017
Earnings after income taxes	**–34,692**	**24,463**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	16,200	17,983
Deferred taxes on remeasurements of defined benefit pension plans	–5,094	–5,651
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	–3,006	–26,848
Change in the fair value of derivative financial instruments recognized directly in equity	1,221	515
Deferred taxes on changes in the fair value of derivative financial instruments recognized directly in equity	–356	–167
Other comprehensive income (after taxes)	**8,965**	**–14,169**
Total comprehensive income	**–25,727**	**10,294**
thereof earnings attributable to non-controlling interests	–1,470	–93
thereof earnings attributable to shareholders and holders of participation certificates [1]	–24,258	10,387

1 The holders of the participation certificates do not participate in these negative earnings after income taxes for the first nine months of the financial year 2018.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	September 30, 2018	Dezember 31, 2017
Assets		
Intangible assets	336,517	342,485
Property, plant and equipment	426,968	432,294
Investments in associates	420	420
Other non-current financial assets	15,884	17,068
Deferred tax assets	140,774	133,563
Other non-current assets	2,942	2,996
Non-current assets	**923,505**	**928,827**
Inventories	512,906	387,720
Trade receivables and contract assets [1]	557,991	669,175
Other current financial assets	32,443	39,281
Cash and cash equivalents	135,781	247,568
Current income tax refund claims	30,646	24,295
Other current assets	95,969	57,500
Current assets	**1,365,735**	**1,425,539**
Total assets	**2,289,240**	**2,354,366**
Equity and liabilities		
Capital stock	45,466	45,466
Capital reserves	234,028	234,028
Reserves retained from earnings, incl. group result	745,082	780,913
Participation capital	29,497	29,497
Other comprehensive income	–24,931	–22,822
Non-controlling interests	–377	1,262
Equity	**1,028,764**	**1,068,343**
Liabilities from participation certificates	24,640	23,761
Provisions for pensions and similar obligations	300,546	312,977
Other non-current provisions	52,294	51,108
Non-current interest-bearing loans and liabilities to banks	127,593	137,788
Other non-current financial liabilities	24,232	25,251
Non-current income tax liabilities	21,428	21,523
Deferred tax liabilities	1,004	1,263
Other non-current liabilities	21,680	14,904
Non-current liabilities	**573,415**	**588,575**
Other current provisions	194,957	195,081
Current interest-bearing loans and liabilities to banks	69,132	71,485
Trade payables	185,579	202,917
Other current financial liabilities	35,336	21,599
Current income tax liabilities	18,902	33,784
Other current liabilities	183,154	172,581
Current liabilities	**687,061**	**697,448**
Total equity and liabilities	**2,289,240**	**2,354,366**

1 In the prior year the title of the item was "Trade receivables and receivables from construction contracts".

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Third quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017
Operating activities					
	Earnings after income taxes	–5,365	16,229	–34,692	24,463
+	Write-down/write-up of non-current assets	20,586	21,337	63,059	62,369
+	Interest result	3,292	3,070	9,476	9,911
+	Income taxes	–2,356	5,092	–15,806	9,105
+/–	Increase/decrease in provisions	19,187	24,610	1,341	–23,539
+	Other non-cash expenses	6,097	8,447	12,681	20,259
+/–	Losses/gains from the disposal of non-current assets	511	524	–404	–493
–	Increase in inventories	–46,688	–25,471	–132,770	–84,434
–	Increase in leased equipment	–3,070	–2,699	–9,080	–7,514
+/–	Decrease/increase in trade receivables	16,316	–24,586	98,446	109,246
+/–	Decrease/increase in other assets	8,141	15,301	–11,246	–17,808
+/–	Increase/decrease in trade payables	13,949	12,850	–14,318	–10,851
+/–	Increase/decrease in other liabilities	3,746	–1,645	31,397	14,218
+	Dividends received	65	–	245	–
–	Cash outflow for income taxes	–8,692	–5,033	–36,920	–22,662
–	Cash outflow for interests	–1,277	–1,385	–4,566	–5,451
+	Cash inflow from interests	303	625	1,178	1,670
	Cash outflow/inflow from operating activities	**24,745**	**47,265**	**–41,979**	**78,488**
Investing activities					
–	Cash outflow for investments in intangible assets	–719	–1,783	–3,119	–2,920
+	Cash inflow from the disposal of intangible assets	–	1	–	1
–	Cash outflow for investments in property, plant and equipment	–14,485	–17,635	–42,198	–47,399
+	Cash inflow from disposals of property, plant and equipment	334	132	1,699	2,284
–	Cash outflow for investments in non-current financial assets	–8	–13	–629	–47
+	Cash inflow from the disposal of non-current financial assets	165	0	171	241
–	Cash outflow from the acquisition of subsidiaries	–	–	–	–980
	Cash outflow from investing activities	**–14,713**	**–19,298**	**–44,075**	**–48,818**
Financing activities					
–	Distribution of dividends (including dividends for participation certificates)	–	–	–11,042	–4,001
+	Cash provided by raising loans	9	9	366	18
–	Cash used to redeem loans	–3,597	–3,992	–10,443	–7,792
+/–	Net balance of other liabilities to banks	–8,657	4,389	–1,727	–28,891
+/–	Net balance of finance lease liabilities repaid/incurred	168	–340	–385	–1,012
–	Profit distributed to non-controlling interests	–168	–	–168	–161
	Cash outflow from financing activities	**–12,246**	**–1,071**	**–23,399**	**–42,976**
Change in cash and cash equivalents in the reporting period		**–2,213**	**26,896**	**–109,452**	**–13,306**
–	Effect of exchange rates on cash and cash equivalents	–1,397	–2,166	–2,335	–7,794
+	Cash and cash equivalents at the beginning of the reporting period	139,391	175,651	247,568	221,481
	Cash and cash equivalents on reporting date	**135,781**	**200,381**	**135,781**	**200,381**

BUSINESS PERFORMANCE OF THE SEGMENTS

		Europe		Americas		Africa, Asia, Australia		Dräger Group	
		Nine months 2018	Nine months 2017	Nine months 2018	Nine months 2017	Nine months 2018	Nine months 2017	Nine months 2018	Nine months 2017
Order intake with third parties	**€ million**	**1,048.5**	**1,050.0**	**363.2**	**379.5**	**519.5**	**498.9**	**1,931.2**	**1,928.3**
Net sales with third parties	**€ million**	**984.1**	**960.7**	**317.7**	**344.7**	**427.3**	**431.5**	**1,729.1**	**1,737.0**
EBITDA [1]	**€ million**	**56.1**	**72.3**	**–29.7**	**6.6**	**–4.4**	**27.0**	**22.0**	**105.8**
Depreciation/Amortization	€ million	–30.8	–29.9	–16.2	–16.0	–16.1	–16.4	–63.1	–62.4
EBIT [2]	**€ million**	**25.4**	**42.3**	**–46.0**	**–9.4**	**–20.5**	**10.6**	**–41.0**	**43.5**
Capital employed [3,4]	€ million	587.5	565.6	310.8	284.2	385.2	364.0	1,283.4	1,213.7
EBIT [2]/Net sales	%	2.6	4.4	–14.5	–2.7	–4.8	2.5	–2.4	2.5
EBIT [2,5]/Capital employed [3,4] (ROCE)	%	15.5	17.9	–10.5	3.4	3.3	11.5	5.6	12.6
DVA [5,6]	€ million	50.9	61.8	–53.3	–11.2	–13.7	16.4	–16.1	67.0

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = Earnings before net interest result and income taxes
3 Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
4 Value as of reporting date
5 Value of the last twelve months
6 Dräger Value Added = EBIT less cost of capital of average invested capital

FINANCIAL CALENDAR

Report as of September 30, 2018, Conference call	October 30, 2018
Annual accounts press conference	March 7, 2019
Analysts' meeting	March 7, 2019
Report as of March 31, 2019, Conference call	April 25, 2019
Annual shareholders' meeting, Lübeck, Germany	May 10, 2019
Report as of June 30, 2019, Conference call	August 8, 2019
Report as of September 30, 2019, Conference call	October 30, 2019

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