Half-yearly financial report
January 1 to June 30, 2019
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Six months 2015	Six months 2016	Six months 2017	Six months 2018	Six months 2019
Order intake	€ million	1,249.3	1,221.1	1,302.0	1,273.8	1,320.4
Net sales	€ million	1,179.5	1,111.4	1,116.0	1,115.8	1,235.9
Gross profit	€ million	540.8	486.6	498.2	473.7	524.3
Gross profit/Net sales	%	45.8	43.8	44.6	42.5	42.4
EBITDA [1,2]	€ million	62.7	46.5	60.1	5.9	47.7
EBIT [2,3]	€ million	22.7	5.5	19.1	–36.6	–12.2
EBIT [3]/Net sales [4]	%	1.9	0.5	1.7	–3.3	–1.0
Interest result	€ million	–11.3	–8.4	–6.8	–6.2	–8.9
Income taxes	€ million	–3.7	1.8	–4.0	13.4	6.5
Net profit	€ million	7.7	–1.1	8.2	–29.3	–14.6
Earnings per share on full distribution [5]						
per preferred share	€	0.35	–0.05	0.36	–1.59	–0.82
per common share	€	0.32	–0.08	0.33	–1.62	–0.85
DVA [4,6,7]	€ million	62.0	–39.4	64.5	13.8	–8.1
Equity [4,8]	€ million	931.1	895.0	1,000.2	1,023.0	1,034.8
Equity ratio [4,8]	%	41.2	39.5	45.6	44.6	41.9
Capital employed [2,8,9]	€ million	1,310.0	1,259.2	1,229.9	1,299.0	1,451.8
EBIT [3,6]/Capital employed [8,9] (ROCE) [4]	%	12.8	3.9	12.2	7.7	6.0
Net financial debt [2,8]	€ million	189.9	150.6	41.8	78.8	171.2
Headcount as of June 30		13,851	13,412	13,484	14,042	14,671

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 For effects of the first-time application of IFRS 16 on this key figure as of June 30, 2019 see table on page 11.
3 EBIT = earnings before net interest result and income taxes
4 The first-time application of IFRS 16 impacts this key figure. Therefore, comparability is limited.
5 Based on an imputed actual full distribution of earnings attributable to shareholders
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
8 Value as of reporting date
9 Capital Employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

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

This half-yearly 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.

Dear Shareholders, dear Employees, dear Readers,

Dräger saw a solid start to fiscal year 2019. We are able to report respectable net sales performance for both the first quarter, traditionally our weakest, and the second quarter. Our record number of orders at the start of the year gave us a good foundation for achieving this development. In the first half of the year, our net sales rose by 10 percent (net of currency effects), with both medical and safety products as well as all regions making a contribution. Our order intake increased by 3 percent (net of currency effects) in the first six months of 2019. All regions, especially the Americas, recorded higher orders. The rise in demand was fueled by safety products. By contrast, demand for medical products was down slightly in the first half of the year, but recovered toward the end of the second quarter.

Thanks to the very positive net sales performance, our earnings before interest and taxes (EBIT) improved significantly year on year in the first six months of 2019. At EUR –12 million and an EBIT margin of –1 percent, however, EBIT remained negative. The marked increase in net sales has not led to an over-proportionate rise in gross profit as product and country mix effects burdened the margin. Additionally the implementation of our investment program led to a planned cost increase.

So what is next for us in the short to medium term? Thanks to the increase in net sales in the first half of the year, we are well on track to reaching our net sales forecast for fiscal year 2019. We even expect to end up in the upper range of the bandwidth of 1 to 4 percent net sales growth (net of currency effects). And with the fourth quarter—our strongest one—yet to come, we will also achieve the expected EBIT margin of 1 to 3 percent.

The medical and safety markets continue to grow and as such remain intact. The general economic conditions have deteriorated since last year, however. Global economic growth has lost momentum, largely on account of the increasing uncertainty, the escalation of trade conflicts, and the stalemate surrounding Brexit. Over time, all of them could have an effect on our markets. These influential political factors, which are already having a negative impact on prosperity, are unfortunate, and their influence is hard for companies to control.

We are facing up to the challenges placed on us by our customers and markets, and we aim to position our company soundly to take on the challenges of the future:

Launched in 2018, our program of making investments in research and development, as well as in specific capabilities in sales, marks an important step toward achieving this goal and strengthening Dräger’s medium-term growth potential.

We still need to work harder on our competitiveness, especially in the medical division. What we need here is more innovation and tempo. That is why we are adapting our organization and allocating responsibility more clearly as part of a restructuring program to ensure that our customers’ interests are also better represented at headquarters. The project is on schedule and will be completed and implemented by the end of the year.

Best regards,

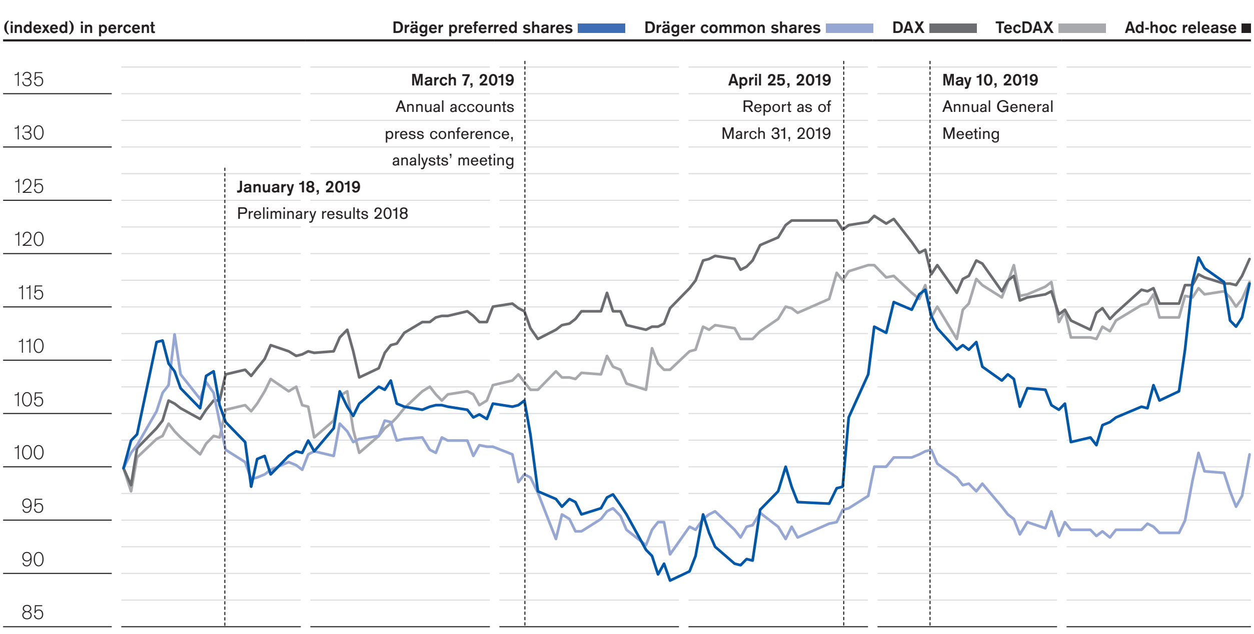
Stefan Dräger

The Dräger shares

Dräger common shares and preferred shares began the new fiscal year trading at EUR 41.60 and EUR 47.24 respectively. The Dräger shares developed positively in the first few weeks of the fiscal year 2019, before prices dipped at the beginning of March with the publication of the final business figures for 2018. Bolstered by the publication of figures for the first quarter of the year in April, the price of Dräger preferred shares rose significantly again and has been trading above the price at the start of the year ever since. The price of Dräger common shares developed less dynamically by comparison, only matching the price at the start of the year toward the end of the quarter.

As of June 30, 2019, Dräger common shares closed at EUR 42.15, up 1 percent on the beginning of the year. Dräger preferred shares closed the half-year at EUR 55.40, an increase of 17 percent. In the first half of the year, the SDAX index rose by 20 percent to around 1,378 points. The TecDAX index also developed positively in the first half of the year, rising by 18 percent to roughly 2,876 points.

PERFORMANCE OF THE DRÄGER SHARES



DRÄGER SHARES – BASIC FIGURES

	Common shares	Preferred shares
Securities identification number (WKN)/ISIN [1]	555060/DE0005550602	555063/DE0005550636
Ticker symbol/Reuters symbol/ Bloomberg symbol	DRW/DRWG.DE/DRW8	DRW3/DRWG_p.DE/DRW3
Main stock exchange	Frankfurt/Xetra	Frankfurt/Xetra
Market segment	Prime Standard	Prime Standard
Index	–	TecDAX, SDAX
Initial listing	2010	1979

[1] International Securities Identification Number

DRÄGER SHARES KEY FIGURES

	Six months 2019	Six months 2018
Common shares		
No. of shares as of the reporting date	10,160,000	10,160,000
High (in €)	46.80	66.50
Low (in €)	38.20	49.20
Share price on the reporting date (in €)	42.15	51.20
Average daily trading volume [1]	2,527	3,846
Earnings per common share on full distribution (in €) [2]		
Undiluted/diluted (in €)	–0.85	–1.62
Preferred shares		
No. of shares as of the reporting date	7,600,000	7,600,000
High (in €)	56.60	88.25
Low (in €)	42.26	59.40
Share price on the reporting date (in €)	55.40	61.50
Average daily trading volume [1]	20,285	42,103
Earnings per preferred share on full distribution (in €) [2]		
Undiluted/diluted (in €)	–0.82	–1.59
Market capitalization (in €)	849,284,000	987,592,000

[1] All German stock exchanges (Source: Designated Sponsor).
[2] Based on an imputed actual full distribution of earnings attributable to shareholders.

Management Report of the Dräger Group for the First Half of 2019

General economic conditions

SLOWDOWN IN GLOBAL ECONOMIC GROWTH

According to the Institute for the World Economy (IfW), global economic development has lost significant momentum since the second half of 2018. Political uncertainty, such as the trade conflicts triggered by the U.S., the ongoing ambiguity over the final terms of Brexit, and the economic slowdown in China are having a negative impact on the outlook. The rate of expansion of the global economy is expected to decline in 2019 compared to prior years to 3.2 percent. There has also been a slowdown in the eurozone economy due to weaker stimulus from the international economy. The IfW only expects growth to reach 1.2 percent in 2019. In Germany, the economy will cool off significantly, with global political uncertainty impacting the domestic economy. As a result, the IfW has revised its economic forecast for Germany in 2019 to growth of 0.6 percent.

MONETARY POLICY RESPONDING TO ECONOMIC DEVELOPMENT AND INFLATION

Following four hikes in the prior year, the U.S. Federal Reserve (the Fed) did not increase interest rates any further. In fact, the Fed has also recently raised the prospect of responding accordingly to growing uncertainty and the potential economic implications of the trade dispute. The European Central Bank (ECB) maintained its benchmark rate at the record low in 2019 and declared that it would be able to take monetary policy measures should these be required due to economic development and inflation.

INFLATION FALLS AGAIN, EURO INCONSISTENT

The rate of inflation in the eurozone declined further in 2019, moving away from the ECB's target. In June 2019, prices increased by 1.3 percent in the eurozone compared to the same month the prior year. In Germany, prices rose by 1.6 percent year on year in the same period.

The euro lost value slightly against the U.S. dollar over the first six months of 2019. The euro also gained in value compared to various emerging market currencies on a year-on-year basis.

MARKET AND INDUSTRY PERFORMANCE

The industries of the Europe segment that are relevant to Dräger turned in a good performance in the first half of 2019. Demand for medical products developed rather positively despite cost pressure. In Germany, medical technology manufacturers recorded net sales growth. Smaller countries, such as Belgium, also offered numerous business opportunities as a result of new hospital projects. In the course of the economic recovery in Southern Europe, the medical technology market is also showing slightly positive development, with demand increasing in Spain and Italy. There was also growth in the Northern European medical technology market, even though German manufacturers have lost market share here in the past few years. In spite of rising demand, Russia remained a challenging market for international medical technology manufacturers due to its political situation.

With regard to safety technology, Europe's industrial markets saw positive development overall. The European chemical industry recorded growth at its major hubs such as Antwerp. In France, on the other hand, economic and political uncertainty saw growth deteriorate. Sales in the fire service market continued to be limited to replacement and expansion investment, due to budget pressure.

The Americas segment developed positively overall. The North American market for medical technology devices remains characterized by budgetary rigor and the merging of hospitals. Opportunities tend to arise here through innovative healthcare solutions and products. The Latin American market also showed positive development. We are observing positive effects particularly in Mexico and Brazil, driven by state reforms.

Sales of safety technology products continued to increase in North America. The chemical industry was in extremely positive shape, as was the oil and gas industry. This growth was bolstered by tax breaks granted by the U.S. government. Following economic crises in certain countries, demand in Latin America for chemical products rose again, meaning that the chemical industry there was able to recover. Demand has also improved in the oil and gas and mining industries.

Market and industry performance in the Africa, Asia, and Australia segment was mixed. According to our assessment, the medical technology markets of key Asian countries experienced growth. This was primarily due to the increasing financial means of the middle class and their rising standards. There was a significant demand for investments in Australia, too. Major African markets recorded a slowdown in growth.

The Chinese chemical market saw a significant decline in its development, which was caused by trade restrictions imposed by the U.S. investments in the Chinese oil and gas sector are also relatively restrained at the moment. By contrast, several investment projects are currently pending in the chemical as well as the oil and gas industries in North Africa and the Middle East. Numerous investment projects in the mining industry and offshore sector were also initiated in Australia.

OVERALL ASSESSMENT OF THE UNDERLYING CONDITIONS

Political uncertainty such as the trade conflicts originating from the U.S. are impacting trade flows and economic exchange. In addition, persistent ambiguity over the final terms of Brexit is also negatively affecting the outlook. The danger of further escalation in the Middle East also presents another risk.

Medical and safety technology markets remain in robust shape overall and continue on a course of growth with a degree of difference from region to region.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Second quarter			Six months		
		2019	2018	Changes in %	2019	2018	Changes in %
Order intake	**€ million**	**672.8**	**652.3**	**+3.1**	**1,320.4**	**1,273.8**	**+3.7**
Net sales	**€ million**	**634.3**	**620.2**	**+2.3**	**1,235.9**	**1,115.8**	**+10.8**
Gross profit	**€ million**	**270.0**	**268.5**	**+0.5**	**524.3**	**473.7**	**+10.7**
Gross profit/Net sales	%	42.6	43.3		42.4	42.5	
EBITDA [1,2]	**€ million**	**28.8**	**24.7**	**+16.6**	**47.7**	**5.9**	**> +100.0**
EBIT [2,3]	**€ million**	**–1.5**	**3.2**	**> –100.0**	**–12.2**	**–36.6**	**+66.7**
EBIT[3]/Net sales [4]	%	–0.2	0.5		–1.0	–3.3	
Net profit	**€ million**	**–4.5**	**–0.4**	**> –100.0**	**–14.6**	**–29.3**	**+50.2**
Earnings per share on full distribution [5]							
per preferred share	€	–0.25	0.01	> –100.0	–0.82	–1.59	+48.4
per common share	€	–0.26	0.00	> –100.0	–0.85	–1.62	+47.5
DVA [4,6,7]	€ million	–8.1	13.8	> –100.0	–8.1	13.8	> –100.0
Research and development costs	€ million	65.8	65.9	–0.1	129.0	127.9	+0.9
Equity ratio [4,8]	%	41.9	44.6		41.9	44.6	
Cash flow from operating activities [2]	€ million	8.0	–41.8	> +100.0	31.3	–66.7	> +100.0
Net financial debt [2,8]	€ million	171.2	78.8	> +100.0	171.2	78.8	> +100.0
Investments [2]	€ million	41.3	14.1	> +100.0	60.6	34.8	+74.0
Capital employed [2,8,9]	€ million	1,451.8	1,299.0	+11.8	1,451.8	1,299.0	+11.8
Net working capital [4,8,10]	€ million	675.2	626.8	+7.7	675.2	626.8	+7.7
EBIT [3,6]/Capital employed [8,9] (ROCE) [4]	%	6.0	7.7		6.0	7.7	
Net financial debt [8]/EBITDA [1,4,6]	Factor	0.90	0.42		0.90	0.42	
Gearing [4,11]	Factor	0.17	0.08		0.17	0.08	
Headcount as of June 30		14,671	14,042	+4.5	14,671	14,042	+4.5

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5 Based on an imputed actual full distribution of earnings attributable to shareholders
6 Value of the last twelve months
7 Dräger Value Added = EBIT less cost of capital of average invested capital
8 Value as of reporting date
9 Capital Employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
10 Net working capital = current, non-interest-bearing assets plus non-current trade receivables less current, non-interest-bearing debt
11 Gearing = Net financial debt/equity

EFFECTS OF THE APPLICATION OF IFRS 16 BEGINNING JANUARY 1, 2019 ON KEY FIGURES AS OF JUNE 30, 2019

in € million	Increase/Improvement as of June 30, 2019
EBITDA	22.7
EBIT	2.1
Cash flow from operating activities	20.6
Net financial debt	110.0
Investments	26.3
Capital employed	105.1

Business performance of the Dräger Group

ORDER INTAKE

	Second quarter				Six months			
in € million	2019	2018	Changes in %	Net of currency effects in %	2019	2018	Changes in %	Net of currency effects in %
Europe	362.4	365.1	–0.7	–0.3	711.3	706.6	+0.7	+1.3
Americas	140.4	117.5	+19.5	+17.7	262.2	228.0	+15.0	+12.4
Africa, Asia, and Australia	169.9	169.7	+0.1	–0.6	346.8	339.1	+2.3	+0.7
Total	**672.8**	**652.3**	**+3.1**	**+2.9**	**1,320.4**	**1,273.8**	**+3.7**	**+3.1**
thereof medical business	425.9	413.6	+3.0	+2.4	804.4	815.1	–1.3	–2.1
thereof safety business	246.9	238.7	+3.4	+3.7	515.9	458.7	+12.5	+12.4

ORDER INTAKE

Order intake (net of currency effects) increased by 3.1 percent in the first half of 2019. All segments played a part in this increase, with the rise in the Americas segments proving to be the most significant contributor. Demand rose by 2.9 percent (net of currency effects) in the second quarter due solely to higher demand in the Americas segment. By contrast, order intake in Europe and in the Africa, Asia, and Australia segment declined slightly. Demand for safety technology products increased substantially in the first half of the year, with gains also recorded in the second quarter. Although orders for medical technology products decreased in the first half of the year (net of currency effects), growth was recorded in the second quarter.

In terms of medical technology products, demand for service business, thermoregulation equipment, and hospital consumables rose in the first half of the year. This was offset by a decline in orders for hospital infrastructure systems, ventilation and anesthesia devices, as well as patient monitoring and clinical data management.

All safety technology product areas contributed to the rise in order intake in the first half of the year. Gas detection products, safety service business, respiratory and personal protection products, and alcohol detection devices all saw orders rise — in some cases significantly.

NET SALES

in € million	Second quarter 2019	Second quarter 2018	Changes in %	Net of currency effects in %	Six months 2019	Six months 2018	Changes in %	Net of currency effects in %
Europe	341.5	357.1	–4.4	–3.8	668.2	644.7	+3.6	+4.4
Americas	129.4	107.6	+20.3	+17.9	251.6	201.0	+25.1	+22.1
Africa, Asia, and Australia	163.5	155.5	+5.1	+4.1	316.2	270.0	+17.1	+15.5
Total	**634.3**	**620.2**	**+2.3**	**+2.0**	**1,235.9**	**1,115.8**	**+10.8**	**+10.3**
thereof medical business	393.5	394.3	–0.2	–0.6	762.0	704.2	+8.2	+7.5
thereof safety business	240.8	226.0	+6.6	+6.4	474.0	411.6	+15.2	+15.0

NET SALES

Net sales increased by 10.3 percent (net of currency effects) in the first half of 2019. All segments contributed to this increase, with the most significantly increase reported in the Americas segment. In the second quarter, net sales increased by 2.0 percent (net of currency effects). This was primarily due to the extremely positive development in the Americas segment. Net sales also rose in the Africa, Asia, and Australia segment, but declined slightly in Europe.

EARNINGS

Gross profit increased by EUR 50.6 million to EUR 524.3 million (6 months 2018: EUR 473.7 million) in the first half of 2019. Significant net sales growth in the reporting period was the reason for this trend. At 42.4 percent, the gross margin was roughly at the same level as the previous year (6 months 2018: 42.5 percent). Negative product mix and margin effects were partially offset by slightly positive currency effects and a slight reduction in quality costs.

Gross profit increased across all three segments, with the Americas segment making a disproportionately high contribution to growth. The Africa, Asia, and Australia segment was able to improve its gross margin by 0.3 percentage points, with the Europe and Americas segments falling just short of prior-year figures. Nevertheless, the latter two segments were also able to increase their gross profit considerably.

Gross profit improved by EUR 1.4 million in the second quarter. The gross margin declined by 0.7 percentage points year on year to 42.6 percent. The Africa, Asia, and Australia segment saw its gross profit increase in the second quarter, while in Europe, gross profit fell by EUR 8.4 million to EUR 139.5 million.

Functional costs rose by 4.3 percent in the first half of the year (net of currency effects). In nominal terms, this increase amounted to 5.0 percent on account of negative currency effects. Wage and salary increases, as well as increased expenses in our ongoing investment program focusing on specific sales skills contributed to this rise.

Adjusted for currency effects, sales and marketing costs were 5.3 percent higher in the first half of 2019 than in the comparison period. The largest increase was recorded in the Africa, Asia, and Australia segment.

Adjusted for the change in exchange rates, research and development (R&D) costs declined by 0.5 percent (nominal: 0.9 percent increase). The ratio of R&D costs to net sales (R&D ratio) therefore stood at 10.4 percent (6 months 2018: 11.5 percent). Net of currency effects, our administrative costs were 0.7 percent higher year on year in the first six months.

The other financial result changed by EUR –0.4 million to EUR –2.0 million (6 months 2018: EUR –1.6 million), primarily due to higher currency-related valuation losses.

Group earnings before interest and taxes (EBIT) amounted to EUR –12.2 million in the first half of the year (6 months 2018: EUR –36.6 million). As a result, the EBIT margin improved to –1.0 percent (6 months 2018: –3.3 percent). In the second quarter, EBIT declined by EUR 4.7 million to EUR –1.5 million. Despite high sales volumes, a lower profit margin and higher functional costs negatively impacted Group earnings in the second quarter.

The interest result declined by EUR 2.7 million to EUR –8.9 million (6 months 2018: EUR –6.2 million). The tax rate in the first six months of 2019 was 30.8 percent (6 months 2018: 31.4 percent). Earnings after income taxes amounted to EUR –14.6 million, up EUR 14.7 million year on year (6 months 2018: EUR –29.3 million).

INVESTMENTS

In the first half of 2019, we invested EUR 58.4 million in property, plant and equipment (6 months 2018: EUR 33.6 million) and EUR 2.2 million in intangible assets (6 months 2018: EUR 1.2 million). The effect of the first-time application of IFRS 16 (recognition of rights of use) in 2019 amounted to EUR 26.3 million in property, plant and equipment for the first half of 2019. Without this change, investments would have declined by EUR 1.5 million.

Depreciation and amortization amounted to EUR 59.9 million in the first half of 2019 (EUR 20.6 million of which from the first-time application of IFRS 16). Without the IFRS 16 effect, depreciation and amortization would have declined by EUR 3.2 million (6 months 2019: EUR 42.5 million).

CASH FLOW STATEMENT [1]

In the first six months of fiscal year 2019, the Dräger Group recorded cash inflow from operating activities of EUR 31.3 million compared to cash outflow of EUR 66.7 million in the prior-year period. Key factors in this development were improved profitability and the EUR 34.0 million stronger decrease in trade receivables. In addition, inventories rose by EUR 61.5 million but to a lesser extent than in the previous year (EUR 86.1 million), and cash outflow from income taxes declined by EUR 24.6 million. By contrast, other liabilities saw a smaller increase at EUR 18.5 million compared to the previous year (EUR 27.6 million). The increase of depreciation of EUR 20.6 million is due to the first-time application of IFRS 16.

Cash outflow from investing activities remained virtually constant at EUR 29.3 million (6 months 2018: EUR 29.4 million). At EUR 20.3 million, the significant investments were made at the subsidiaries in Germany.

Besides net repayments of bank loans and current account liabilities of EUR 13.9 million, cash outflow from finance activities of EUR 33.6 million primarily resulted from the increased repayment of lease liabilities owing to the first-time application of IFRS 16 of EUR 15.7 million.

Cash and cash equivalents as of June 30, 2019 exclusively comprised cash, of which EUR 6.2 million (December 31, 2018: EUR 4.3 million) are subject to restrictions.

[1] 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.

Financial management

BORROWING

A master loan agreement with bilateral credit lines of EUR 377.0 million with a term until June 2022 exists in order to secure working capital financing in the medium term. These credit lines were utilized as sureties in Germany and abroad and as cash facilities. Note loans totaled EUR 60.0 million as of June 30, 2019. A note loan of EUR 38.5 million was repaid as planned in December 2018.

NET ASSETS

The Dräger Group's equity declined by EUR 45.9 million to EUR 1,034.8 million in the first six months of 2019. The equity ratio came to 41.9 percent, down on the figure as of December 31, 2018 (44.8 percent). The negative result as well as the adjustment in interest rates for pension provisions were mainly responsible for the lower equity ratio.

Total assets increased by EUR 58.7 million to EUR 2,469.0 million in the first half of 2019. On the assets side, non-current assets increased by EUR 114.1 million. The main effect here was the first-time recognition of rights of use pursuant to IFRS 16 of EUR 114.8 million. Current assets fell by EUR 55.4 million. Inventories increased by EUR 62.8 million, while trade receivables declined by EUR 119.3 million and cash and cash equivalents by EUR 29.4 million.

Besides the change in equity (EUR –45.9 million), the changes on the liabilities side primarily resulted from the increase in non-current liabilities of EUR 117.2 million. Two factors worth mentioning in this regard are the rise in non-current financial liabilities (EUR +78.0 million) on account of IFRS 16 Leases and the increased provisions for pensions (EUR +41.3 million).

DRÄGER VALUE ADDED

Dräger Value Added (DVA) decreased by EUR 22.0 million to EUR –8.1 million year on year in the 12 months to June 30, 2019 (12 months to June 30, 2018: EUR 13.8 million). Rolling EBIT fell year on year by EUR 13.0 million. The average capital employed increased by EUR 128.0 million to EUR 1,359.5 million, primarily as a result of the first-time application of IFRS 16. The increase in average receivables (+7.5 percent) and inventories (+12.3 percent) also contributed here. As a consequence, capital costs increased by EUR 9.0 million to EUR 95.2 million (12 months to June 30, 2018: EUR 86.2 million).

BUSINESS PERFORMANCE OF EUROPE SEGMENT

		Second quarter				Six months			
		2019	2018	Changes in %	Net of currency effects in %	2019	2018	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**362.4**	**365.1**	**–0.7**	**–0.3**	**711.3**	**706.6**	**+0.7**	**+1.3**
thereof Germany	€ million	146.0	147.3	–0.9	–0.9	293.2	286.3	+2.4	+2.4
Net sales with third parties	**€ million**	**341.5**	**357.1**	**–4.4**	**–3.8**	**668.2**	**644.7**	**+3.6**	**+4.4**
thereof Germany	€ million	140.9	142.1	–0.8	–0.8	263.3	254.2	+3.6	+3.5
EBITDA [1,2]	**€ million**	**23.9**	**31.8**	**–24.7**		**36.9**	**33.3**	**+10.7**	
EBIT [2,3]	**€ million**	**8.8**	**21.2**	**–58.4**		**6.8**	**12.5**	**–45.2**	
EBIT [3]/Net sales [2]	%	2.6	5.9			1.0	1.9		
Capital employed [2,4,5]	€ million	671.4	597.9	+12.3		671.4	597.9	+12.3	
EBIT [3,6]/Capital employed [4,5] (ROCE) [2]	%	11.4	16.9			11.4	16.9		
DVA [2,6,7]	€ million	33.2	61.2	–45.7		33.2	61.2	–45.7	

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2 The first-time application of IFRS 16 impacts this key figure. Therefore, comparability is limited.
3 EBIT = earnings before net interest result and income taxes
4 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
5 Value as of reporting date
6 Value of the last twelve months
7 Dräger Value Added = EBIT less cost of capital of average invested capital

Business performance of Europe segment

In Europe, order intake rose by 1.3 percent in the first six months of 2019 (net of currency effects). The positive demand trend in Germany, France, Portugal, and the Czech Republic was offset by a decline in demand in Austria, Spain, Russia, and Croatia. In the second quarter, orders declined slightly (net of currency effects).

Order intake for gas detection products, service business for safety products, respiratory and personal protection products, and thermoregulation equipment increased in the first half of the year. By contrast, demand was down in patient monitoring and clinical data management, hospital infrastructure business, and for ventilators.

Orders in Germany rose by 2.4 percent in the first half of the year. We also recorded a rise in demand for gas detection, respiratory and personal protection products, as well as in the service business for safety products, while demand for hospital infrastructure business as well as patient monitoring and clinical data management declined.

Net sales in the Europe segment rose by 4.4 percent (net of currency effects) in the first six months of the year, with deliveries in Germany rising by 3.5 percent. Deliveries in Europe, on the other hand, decreased by 3.8 percent (net of currency effects) in the second quarter, but only by 0.8 percent in Germany.

EARNINGS

With higher net sales volume, gross profit improved by 2.4 percent in the first half of 2019. The gross margin decreased by 0.5 percentage points. This was due to the rise in cross-segment costs, which were only able to be partially compensated for through positive product mix and other margin effects. Gross profit declined by 5.7 percent in the second quarter, while the gross margin fell by 0.6 percentage points.

Functional costs in the first half of 2019 were up year on year by 4.9 percent (net of currency effects; 4.7 percent in nominal terms). This was due to the rise in selling expenses and increased cross-segment functional costs. In the second quarter, functional costs increased by 3.2 percent (net of currency effects; 3.0 percent in nominal terms).

In the first half of 2019, EBIT in the Europe segment came to EUR 6.8 million (6 months 2018: EUR 12.5 million), while the EBIT margin stood at 1.0 percent (6 months 2018: 1.9 percent). In the second quarter, EBIT stood at EUR 8.8 million (second quarter 2018: EUR 21.2 million). The EBIT margin for the second quarter stood at 2.6 percent (second quarter 2018: 5.9 percent).

Dräger Value Added in the Europe segment fell by EUR 28.0 million to EUR 33.2 million year on year in the twelve months to June 30, 2019 (12 months to June 30, 2018: EUR 61.2 million). Rolling EBIT fell year on year by EUR 24.9 million. Capital costs were up by EUR 3.1 million on account of the increase in capital employed.

BUSINESS PERFORMANCE OF AMERICAS SEGMENT

		Second quarter				Six months			
		2019	2018	Changes in %	Net of currency effects in %	2019	2018	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**140.4**	**117.5**	**+19.5**	**+17.7**	**262.2**	**228.0**	**+15.0**	**+12.4**
Net sales with third parties	**€ million**	**129.4**	**107.6**	**+20.3**	**+17.9**	**251.6**	**201.0**	**+25.1**	**+22.1**
EBITDA [1,2]	**€ million**	**2.7**	**–9.9**	**> +100.0**		**1.1**	**–22.3**	**> +100.0**	
EBIT [2,3]	**€ million**	**–4.1**	**–15.4**	**+73.1**		**–12.4**	**–33.2**	**+62.5**	
EBIT [3]/Net sales [2]	%	–3.2	–14.3			–4.9	–16.5		
Capital employed [2,4,5]	€ million	331.3	305.3	+8.5		331.3	305.3	+8.5	
EBIT [3,6]/Capital employed [4,5] (ROCE) [2]	%	–2.8	–8.3			–2.8	–8.3		
DVA [2,6,7]	€ million	–32.2	–45.6	+29.4		–32.2	–45.6	+29.4	

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6 Value of the last twelve months
7 Dräger Value Added = EBIT less cost of capital of average invested capital

Business performance of Americas segment

Orders in the Americas segment increased by 12.4 percent in the first six months of 2019 (net of currency effects). The growth in order intake in the U.S., Argentina, Brazil, and Mexico, which was significant in some cases, was offset by declines in Panama and the Dominican Republic. In the second quarter, order intake rose by 17.7 percent (net of currency effects).

Almost all product areas contributed to the growth in order intake in the first half of the year. Demand grew particularly for gas detection products, thermoregulation equipment, service business for medical products, and alcohol detection devices as well as for service business for safety products and ventilators. Order intake remained unchanged for anesthesia devices.

Net sales in the Americas segment increased by 22.1 percent (net of currency effects) in the first half of the year. In the second quarter, deliveries increased by 17.9 percent (net of currency effects), thanks in no small part to strong development in the U.S.

EARNINGS

Gross profit rose by 24.2 percent in the first half of 2019 on account of the significant rise in net sales. The gross margin was 0.3 percentage points lower than in the previous year. This was due to negative product mix and other margin effects, some of which were offset by positive currency effects. Gross profit climbed by 17.2 percent in the second quarter. The gross margin decreased by 1.2 percentage points in the second quarter. This was primarily due to the rise in cross-segment costs.

Functional costs in the first half of 2019 were down year on year by 0.5 percent (net of currency effects; +1.5 percent in nominal terms). This decline was due to a decline in the charging of cross-segment costs. In the second quarter, functional costs decreased by 5.2 percent (3.7 percent in nominal terms).

In the first half of 2019, EBIT in the Americas segment came to EUR –12.4 million (6 months 2018: EUR –33.2 million), while the EBIT margin stood at –4.9 percent (6 months 2018: –16.5 percent). In the second quarter, EBIT stood at EUR –4.1 million (second quarter 2018: EUR –15.4 million). The EBIT margin for the second quarter stood at –3.2 percent (second quarter 2018: –14.3 percent).

Dräger Value Added in the Americas segment climbed by EUR 13.4 million to EUR –32.2 million year on year in the 12 months to June 30, 2019 (12 months to June 30, 2018: EUR –45.6 million). Rolling EBIT rose year on year by EUR 15.9 million. Capital costs were up by EUR 2.5 million on account of the increase in capital employed.

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

		Second quarter				Six months			
		2019	2018	Changes in %	Net of currency effects in %	2019	2018	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**169.9**	**169.7**	**+0.1**	**–0.6**	**346.8**	**339.1**	**+2.3**	**+0.7**
Net sales with third parties	**€ million**	**163.5**	**155.5**	**+5.1**	**+4.1**	**316.2**	**270.0**	**+17.1**	**+15.5**
EBITDA [1,2]	**€ million**	**2.1**	**2.8**	**–22.9**		**9.7**	**–5.1**	**> +100.0**	
EBIT [2,3]	**€ million**	**–6.2**	**–2.7**	**> –100.0**		**–6.6**	**–15.9**	**+58.6**	
EBIT [3]/Net sales [2]	%	–3.8	–1.7			–2.1	–5.9		
Capital employed [2,4,5]	€ million	449.1	395.8	+13.5		449.1	395.8	+13.5	
EBIT [3,6]/Capital employed [4,5] (ROCE) [2]	%	4.5	6.1			4.5	6.1		
DVA [2,6,7]	€ million	–9.1	–1.7	> –100.0		–9.1	–1.7	> –100.0	

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5 Value as of reporting date
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Business performance of Africa, Asia, and Australia Segment (AAA)

Order intake in the Africa, Asia, and Australia segment increased by 0.7 percent (net of currency effects) in the first half of 2019. Solid demand in China, Taiwan, Saudi Arabia, and Pakistan contributed to this positive trend, whereas orders from Egypt were down. In the second quarter, orders declined slightly (net of currency effects).

The strongest order growth rates in the first half of the year with regard to products were registered with gas detection products, respiratory and personal protection products in the safety technology portfolio, patient monitoring and clinical data management, and service business in the medical technology portfolio. By contrast, order intake in hospital infrastructure business, thermoregulation products, and anesthesia devices and ventilators declined.

Net sales in the Africa, Asia, and Australia segment increased by 15.5 percent in the first six months of the year (net of currency effects). In the second quarter, deliveries increased by 4.1 percent (net of currency effects).

EARNINGS

Gross profit rose by 18.0 percent in the first half of 2019 on account of the significant rise in net sales. The gross margin rose by 0.3 percentage points. This was due to positive currency effects and a reduction in cross-segment costs, which successfully balanced out the negative product mix and other margin effects. Gross profit only rose by 1.3 percent in the second quarter. The gross margin fell by 1.6 percentage points as a result of negative product mix and other margin effects and negative currency effects.

Functional costs in the first half of 2019 were up year on year by 7.9 percent (net of currency effects; 9.0 percent in nominal terms). This was primarily due to the rise in selling expenses. In the second quarter, functional costs increased by 5.0 percent (net of currency effects; 6.0 percent in nominal terms).

EBIT for the Africa, Asia, and Australia segment stood at EUR –6.6 million after the first half of 2019 (6 months 2018: EUR –15.9 million). The EBIT margin rose from –5.9 percent to –2.1 percent. EBIT in the second quarter came to EUR –6.2 million (second quarter 2018: EUR –2.7 million). The EBIT margin was –3.8 percent (second quarter 2018: –1.7 percent).

Dräger Value Added in the Africa, Asia, and Australia segment decreased by EUR 7.4 million to EUR –9.1 million year on year in the 12 months to June 30, 2019 (12 months to June 30, 2018: EUR –1.7 million). Rolling EBIT fell year on year by EUR 4.0 million. Capital costs were up by EUR 3.4 million on account of the increase in capital employed.

Additional information on medical and safety business

INFORMATION ON THE MEDICAL BUSINESS

		Second quarter				Six months			
		2019	2018	Changes in %	Net of currency effects in %	2019	2018	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**425.9**	**413.6**	**+3.0**	**+2.4**	**804.4**	**815.1**	**–1.3**	**–2.1**
Europe	€ million	208.5	216.1	–3.5	–3.1	395.8	412.5	–4.0	–3.7
Americas	€ million	95.6	78.8	+21.3	+19.2	171.4	153.5	+11.7	+9.2
Africa, Asia, and Australia	€ million	121.8	118.7	+2.6	+1.4	237.2	249.1	–4.8	–6.6
Net sales with third parties	**€ million**	**393.5**	**394.3**	**–0.2**	**–0.6**	**762.0**	**704.2**	**+8.2**	**+7.5**
Europe	€ million	198.2	209.6	–5.4	–4.7	381.4	376.8	+1.2	+2.1
Americas	€ million	82.7	73.6	+12.4	+10.2	164.5	135.7	+21.3	+18.1
Africa, Asia, and Australia	€ million	112.7	111.1	+1.4	+0.1	216.0	191.7	+12.7	+10.8
EBIT [1,2,3]	**€ million**	**–10.2**	**–5.4**	**–87.0**		**–27.4**	**–42.1**	**+34.9**	
EBIT [1,2]/Net sales [3]	%	–2.6	–1.4			–3.6	–6.0		
Research and development costs	€ million	46.4	45.3	+2.4		89.9	87.4	+2.9	

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.

3 The first-time application of IFRS 16 impacts this key figure. Therefore, comparability is limited.

INFORMATION ON THE SAFETY BUSINESS

		Second quarter				Six months			
		2019	2018	Changes in %	Net of currency effects in %	2019	2018	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**246.9**	**238.7**	**+3.4**	**+3.7**	**515.9**	**458.7**	**+12.5**	**+12.4**
Europe	€ million	153.9	149.0	+3.3	+3.9	315.5	294.1	+7.3	+8.2
Americas	€ million	44.9	38.7	+15.8	+14.6	90.8	74.5	+21.9	+19.2
Africa, Asia, and Australia	€ million	48.1	51.0	–5.6	–5.3	109.6	90.0	+21.8	+20.8
Net sales with third parties	**€ million**	**240.8**	**226.0**	**+6.6**	**+6.4**	**474.0**	**411.6**	**+15.2**	**+15.0**
Europe	€ million	143.3	147.5	–2.9	–2.4	286.8	267.9	+7.0	+7.7
Americas	€ million	46.7	34.0	+37.3	+34.7	87.1	65.4	+33.2	+30.3
Africa, Asia, and Australia	€ million	50.8	44.4	+14.3	+14.1	100.1	78.3	+27.9	+27.0
EBIT [1,2,3]	**€ million**	**8.7**	**8.6**	**+0.6**		**15.2**	**5.5**	**> +100.0**	
EBIT [1,2]/Net sales [3]	%	3.6	3.8			3.2	1.3		
Research and development costs	€ million	19.5	20.6	–5.6		39.1	40.5	–3.6	

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.

3 The first-time application of IFRS 16 impacts this key figure. Therefore, comparability is limited.

CHANGED CONDITIONS AFTER THE CLOSING OF THE INTERIM REPORTING PERIOD

There were no significant changes between the end of the first half of 2019 and the time this interim financial report was prepared.

Research and development

In the first half of 2019, we invested EUR 129.0 million in research and development (R&D) (6 months 2018: EUR 127.9 million). The R&D expenses amounted to 10.4 percent of net sales (6 months 2018: 11.5 percent).

The focal point of R&D in medical technology remains expanding our product portfolio in the area of intensive care and in the operating room, with activities centered on developing system solutions.

We launched the Clinical Assistance Package system solution for anesthesia workstations (CAP OR) in the first half of 2019. Seamless documentation of treatment data is becoming increasingly important within the scope of digitalization in the healthcare industry. At the same time, medical devices must also be able to share medical data with other devices as directly as possible, so that clinical situations can be visualized in context in an enhanced form, with devices becoming simpler and safer to use. CAP OR meets customers' demands for standardized interfaces between medical devices and IT systems for documentation purposes and is also the first step toward ensuring interoperability among medical devices themselves.

CAP OR offers new functionalities in the combination of anesthesia devices and patient monitoring systems, such as the option to input patient demographic data, synchronization of all system times down to the millisecond, convenient alarm deactivation, and automatic, dynamic retrieval of use interfaces at the workstation. The new CAP OR solution ensures that a range of our products that we have developed for the operating room work together as an integrated system. These include: Perseus A500 sw 2.0n and, in future Atlan A3X0 in conjunction with the Connectivity Converter CC300 sw 1.1, IACS Monitor sw VG7.1, and Infinity Gateway sw VF8. CAP OR is based on the new SDC protocol (service-oriented device connectivity), which has since been defined as a standard by the IEEE (Institute of Electrical and Electronic Engineers). This technology allows new functions to be added at a later date, particularly in the area of assistance systems, and will ultimately pave the way for automation, laying the foundations for future growth.

In the first half of 2019, we unveiled the new Atlan anesthesia device at the German Anesthesia Congress in Leipzig and at the European Anesthesia Congress in Vienna to a professional audience. Atlan is a major step forward in our efforts to renew our medical technology portfolio. The Atlan is more than simply an anesthesia device—it is an entirely new family of anesthesia devices. It is an ergonomic all-rounder workstation suitable for most patient groups, interventions, and spatial requirements. The Atlan also features a network connection (SDC), a large touchscreen, and a completely revised user interface. It will be available in a number of different variants with numerous configuration options, allowing it to be tailored to specific customer requirements and extended in the event of subsequent investments in additional equipment. This allows hospitals to provide the same anesthesia workstation with the same user interface in all operating rooms. This helps to prevent mistakes being made in the operating room, reduces training expenses, and simplifies device management. The Atlan is available to order since July 2019.

The focus of innovation in terms of safety business is on expanding the Dräger product portfolio and developing systems to deliver complete solutions for customers.

We launched the X-pid 8500 in the first half of 2019. It has been specially designed for the U.S. market and is a further addition to our range of newly developed X-pid 9000/9500 detection instruments, which we launched in other markets in 2018. The mobile gas chromatograph, which was developed by our Hamburg-based subsidiary bentekk GmbH and manufactured at Dräger MSI GmbH in Hagen, Germany, sets new standards when it comes to recognizing and identifying volatile organic substances. The system consists of a sensor and operating unit and allows carcinogenic substances to be measured with laboratory precision. Thanks to the intuitive app, it is also simple to use—even in potentially explosive atmospheres.

We have also launched a brand-new gas detection instrument that provides even greater safety and efficiency, the Polytron 8900 UGLD. Conventional gas warning systems only detect a leak once the leaking gas is in direct proximity to the detection instrument. The Polytron 8900 UGLD ultrasound sensor, on the other hand, detects leaking gas independently of the ambient conditions, such as wind, before a gas detection sensor measures a critical concentration. The sensor is also part of the Polytron 8000 series and therefore offers the same design, a familiar user interface, and reduced training and maintenance expenses for customers.

With the new Dräger X-plore 1900, we have developed a high-performance, single-use dust mask for protection against fine dust and particles. It can be used in industrial applications, in mining, and in the trade industry. The CoolSAFE filter material makes for high filtration efficiency and low breathing resistance. The Dräger X-plore 1900 is available in all three EN protection classes which are easily recognizable through their color coding. The half mask features a high level of comfort, optimum fit, and ease of use and is available in two sizes. The three-part folding design offers high flexibility in terms of fit, so the mask easily adjusts to the wearer's face. Even when the wearer speaks, the mask does not shift.

The new Dräger X-plore Bayonet Filter offers users in a variety of industries protection against particles and dust, such as woodwork and mining. The filter can be safely and quickly fitted to the mask thanks to a bayonet fastener. To make sure that the particle filter paper always meets the high quality standards Dräger sets for its products, we manufacture it ourselves. The special combination and fold of the paper ensures that breathing resistance remains low, increasing the level of comfort as a result. The hydrophobic filter paper and the improved casing also offer splash protection.

Personnel

WORKFORCE TREND

		June 30, 2019	December 31, 2018	June 30, 2018
Germany		6,940	6,815	6,588
Other		7,731	7,584	7,454
Dräger Group total		**14,671**	**14,399**	**14,042**
Turnover of employees (Basis: average of the past twelve months)	%	4.9	5.0	5.0
Sick days of work days in Germany (Basis: average of the past twelve months)	%	5.6	5.8	5.9
Temporary staff in Germany (incl. short-term project employment)		462	398	603

As of June 30, 2019, the Dräger Group employed 14,671 people worldwide, 629 more than in the previous year (June 30, 2018: 14,042); this equates to a 4.5 percent rise in headcount. In Germany, the number of people working for the Dräger Group increased by 352 year on year, while the number of people working abroad grew by 277. As of June 30, 2019, 52.7 percent of employees were working outside of Germany, which is the same as on June 30, 2018.

The number of employees in Germany in Production, Quality Assurance, Logistics, and Purchasing increased particularly as a result of transitioning employees from part-time contracts (+99). The number of employees in Sales also climbed by 99. In Service (+78), the number of employees rose predominantly due to an increase in technicians in Maintenance and Rental Services of the safety business. In General Administration (+36), Research and Development (+31), and Marketing (+9), the number of employees increased to a lesser extent.

The increase in personnel abroad largely pertained to Service (+130). It is spread among numerous sales and service companies in various countries, such as France, Brazil, and Mexico. We also recruited additional employees in Sales abroad (+100), primarily in countries in the Africa, Asia, and Australia region as well as in Latin America.

Of the 14,671 employees worldwide, 58.8 percent (June 30, 2018: 58.4 percent) worked in Sales, Marketing, and Service; 20.7 percent (June 30, 2018: 21.0 percent) worked in Production, Quality Assurance, Logistics, and Purchasing; 9.8 percent (June 30, 2018: 10.0 percent) worked in Research and Development; and 10.7 percent (June 30, 2018: 10.7 percent) worked in General Administration.

Personnel expenses within the Group rose by 7.5 percent year on year (6.5 percent net of currency effects) to EUR 554.2 million. That increase was due to both the increase in headcount and the higher average cost per employee. The cost per employee increased by an average of 2.5 percent (net of currency effects: 1.5 percent). That was caused by raises in accordance with the wage agreements in the metal and electrical industries and increased pension expenses in Germany as well as increases in wages and salaries abroad. The personnel cost ratio came to 44.8 percent in the first half of 2019 (6 months 2018: 46.2 percent).

PERSONNEL EXPENSES [1]

in € thousand	Six months 2019	Six months 2018
Wages and salaries	**456,490**	**422,748**
Social security contributions and related employee benefits	84,943	77,352
Pension expenses	12,719	15,477
	554,152	**515,577**

[1] Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck.

RISKS TO FUTURE DEVELOPMENT

The material risks to our net assets, financial position, and results of operations, as well as the structure of our risk management system, are outlined in the annual report for fiscal year 2018 on pages 43 et seq. The annual report may be downloaded online at **www.draeger.com**.

There were no material changes for the forecast period compared to the 2018 annual report. In addition, Dräger has not currently identified any individual or aggregated risks that could have a material impact on the company's continued existence as a going concern.

Outlook

FUTURE MARKET ENVIRONMENT

The International Monetary Fund (IMF) expects the global economy to grow by 3.2 percent in 2019, which would represent a slowdown in growth compared to the previous year. The global economy is expected to experience somewhat stronger growth again in 2020.

Increasing trade conflicts and duties, particularly between the U.S. and China, have played a major role in the downturn in growth. As a result, the business climate and financing conditions have also deteriorated.

According to the IMF, the risks currently outweigh the opportunities - particularly in the case of a further escalation in trade conflicts.

IMF FORECAST FROM JULY 2019 ON GROSS DOMESTIC PRODUCT (GDP) GROWTH

in %	2019	2020
Global economy	3.2	3.5
U.S.	2.6	1.9
Eurozone	1.3	1.6
Germany	0.7	1.7
China	6.2	6.0

In the view of the Bundesbank, economic development in Germany is currently cooling off noticeably following its boom phase. The reason for this trend has been the general downturn in German industry triggered by sluggish export development. Germany's economy is expected to only grow by 0.6 percent in 2019 and by 1.2 percent in 2020.

FUTURE MARKET AND SEGMENT SITUATION

We expect slight growth in the medical technology market in Europe. Medical technology markets in Southern Europe have recovered, and sentiment on the German market is one of cautious optimism. However, the outlook for the U.K. remains uncertain due to the political situation. Digital healthcare is a clear growth market and is being applied in many countries on an increasing basis. We expect to see further investment here moving forward.

We believe that most key European industrial markets will develop positively, with the exception of the U.K. Spain is experiencing dynamic growth, while France is expected to record marginal growth in 2019. Numerous investment projects are currently pending in North and Central Europe, which promise positive market development moving forward.

We expect to see positive development for the Americas segment. There is high cost pressure in the North American medical technology market, which will open the door to many new hospital buildings in the medium term as part of efforts to merge hospital sites.

Digital healthcare is also playing an increasingly important part in the healthcare sector. We also expect to see positive development for the market in Latin America. Policymakers are responding to challenges presented by an ageing population and are looking to raise the general level of healthcare provision.

We assume that the industrial markets in the Americas will continue to grow, driven by North America in particular. However, growth in the U.S. has taken an initial turn for the worse due to the dwindling effect of tax reforms and bad relations in global trade. We expect key South American industrial markets to be restrained but positive in their development. We continue to observe investment in the chemical and mining industries, though structural issues and political instability are dampening the outlook.

We expect to see positive development for the Africa, Asia, and Australia segment. The Chinese medical technology market is primarily fueled by the increasing purchasing power of the middle classes. This is bolstering the need for modern, high-quality healthcare, in many cases in private facilities. This phenomenon is also being observed in many other South-East Asian countries and in India, and is making for bright market prospects. We also expect to see rising demand for medical technology products in Australia. In the Middle East and Africa, we anticipate opportunities for medical products in countries with a wide range of different starting conditions and a great deal of investment backlog.

We expect to see positive development for industrial markets in those sectors that are relevant to us. Despite slowing momentum, the Chinese economy is likely to continue turning in a robust performance. While the trade conflict with the U.S. is continuing to have a negative impact on parts of the Chinese economy, demand for safety technology is high due to rising environmental and occupational health and safety standards. The Indian economy is also experiencing stable and dynamic growth after the government was buoyed by a strong election result. In Australia, we continue to observe positive investment momentum in the mining industry. In the Middle East, we expect to see investments in oil and gas pumping stations and in mining. In Africa, we have found that individual markets are developed in an extremely varied manner but do offer solid opportunities in some areas.

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 2018 annual report (pages 54 et seq.), which describes expectations for 2019 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 2019

	Results achieved in fiscal year 2018	Forecast for fiscal year 2019	Current forecast
Net sales	3.9 % (net of currency effects)	+1.0 to 4.0 % (net of currency effects)	Upper end of the range
EBIT margin	2.4 %	1.0 to 3.0 % [1]	Confirmed
DVA	EUR –26.5 million	EUR –60 to –10 million	Confirmed
Other forecast figures:			
Gross margin	42.7 %	On par with prior year (+/– 1 percentage point)	Confirmed
Research and development costs	EUR 252.2 million	EUR 260 to 275 million	Confirmed
Net interest result	EUR –11.0 million	On par with prior year	Confirmed
Days Working Capital (DWC)	117.4 days	Stable development [2]	Confirmed
Investment volume [3]	EUR 77.8 million	EUR 85 to 100 million [4]	Confirmed
Net financial debt [5]	EUR 43.3 million	Improvement	Confirmed

1 Based on exchange rates at the start of fiscal year 2019 excluding restructuring expenses
2 Calculation methods for this figure will be adjusted in fiscal year 2019.
3 Excluding company acquisitions
4 Excluding investments in right of use assets according to IFRS 16
5 The amount as of December 31, 2018 would have been higher by EUR 101.2 million from the first-time application of IFRS 16 from January 1, 2019 (adjusted amount as of December 31, 2018: EUR 144.5 million).

DRÄGER MANAGEMENT ESTIMATE

The development of the global trade and the global economy has weakened again since last year. Uncertainty originating from trade conflicts and their effects on international economic integration are having a negative impact on the outlook. The unresolved conclusion to Brexit is also having an effect in Europe.

By increasing net sales in the first half of the year, we are on track to reaching the net sales forecast in fiscal year 2019 and now expect to achieve net sales growth at the upper end of our forecast range of 1.0 percent to 4.0 percent. We are also confident of meeting our forecast EBIT margin. The final quarter of the year will make an important contribution to earnings this year, too.

We continue to work tirelessly on strengthening our growth prospects over the medium term. Our aim is to raise our rate of innovation through targeted investments in research and development. By strengthening our sales organization as well, we intend to improve Dräger's market position in selected markets.

At the moment, we are strengthening customer focus at headquarters as part of a comprehensive project. To do so, we will be organizing responsibilities for business activities in the medical division and the safety division. These divisions will form the basis for future corporate management. The organizational changes will be implemented effective as of fiscal year 2020.

FORWARD-LOOKING STATEMENTS

This management report 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.

Lübeck, August 7, 2019

The general partner
Drägerwerk Verwaltungs AG,
represented by its Executive Board

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

Interim financial statements of the Dräger Group as of June 30, 2019

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Notes	Second quarter 2019	Second quarter 2018	Six months 2019	Six months 2018
Net sales		634,303	620,223	1,235,931	1,115,787
Cost of sales		–364,353	–351,684	–711,636	–642,127
Gross profit		**269,951**	**268,539**	**524,295**	**473,660**
Research and development costs		–65,815	–65,910	–129,003	–127,895
Marketing and selling expenses		–151,252	–146,807	–302,438	–284,584
General administrative costs		–51,526	–54,200	–101,071	–99,912
Impairment losses/gains from the reversal of impairment on financial and contract assets		–2,411	869	–2,399	1,902
Other operating income		804	2,982	1,439	4,525
Other operating expenses		–230	–1,745	–970	–2,854
		–270,430	**–264,810**	**–534,442**	**–508,818**
		–479	**3,729**	**–10,147**	**–35,157**
Profit from investments in associates		–	180	–	180
Profit from other investments		–	–	–	–
Other financial result		–1,047	–749	–2,035	–1,615
Financial result (before interest result)	**5**	**–1,047**	**–569**	**–2,035**	**–1,435**
EBIT [1]		**–1,526**	**3,161**	**–12,182**	**–36,593**
Interest result	5	–4,847	–2,991	–8,892	–6,184
Earnings before income taxes		**–6,374**	**170**	**–21,074**	**–42,777**
Income taxes	6	1,849	–532	6,482	13,450
Earnings after income taxes		**–4,525**	**–362**	**–14,592**	**–29,327**
Earnings after income taxes		**–4,525**	**–362**	**–14,592**	**–29,327**
Earnings to non-controlling interests		–60	–454	255	–760
Earnings attributable to shareholders and holders of participation certificates [2]		–4,465	92	–14,848	–28,567
Undiluted/diluted earnings per share on full distribution [3]					
per preferred share (in €)		–0.25	0.01	–0.82	–1.59
per common share (in €)		–0.26	0.00	–0.85	–1.62

[1] For effects of the first-time application of IFRS 16 on this key figure as of June 30, 2019 see table on page 11, as well as note number 2 and 7.

[2] The holders of the participation certificates do not participate in the negative earnings after income taxes.

[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	Six months 2019	Six months 2018
Earnings after income taxes	**–14,592**	**–29,327**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	–41,688	–2,315
Deferred taxes on remeasurements of defined benefit pension plans	13,104	726
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	5,469	–213
Change in the cash flow hedge reserve recognized directly in equity	–5,862	–855
Deferred taxes on changes in the cash flow hedge reserve recognized directly in equity	1,694	294
Other comprehensive income (after taxes)	**–27,283**	**–2,364**
Total comprehensive income	**–41,875**	**–31,691**
thereof earnings attributable to non-controlling interests	307	–853
thereof earnings attributable to shareholders and holders of participation certificates [1]	–42,182	–30,839

[1] The holders of the participation certificates do not participate in the negative earnings after income taxes.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	June 30, 2019	December 31, 2018
Assets			
Intangible assets	7	334,580	336,019
Property, plant and equipment	7	530,891	429,109
Investments in associates		395	395
Non-current trade receivables	9	2,382	2,518
Other non-current financial assets		14,622	17,946
Deferred tax assets		161,296	144,659
Other non-current assets		3,666	3,077
Non-current assets		**1,047,831**	**933,723**
Inventories	8	522,035	459,186
Trade receivables and contract assets	9	592,004	703,882
Other current financial assets		39,231	37,383
Cash and cash equivalents		150,204	179,561
Current income tax refund claims		28,549	36,641
Other current assets	10	89,111	59,851
Current assets		**1,421,134**	**1,476,504**
Total assets		**2,468,966**	**2,410,227**

in € thousand	Notes	June 30, 2019	December 31, 2018
Equity and liabilities			
Capital stock		45,466	45,466
Capital reserves		234,028	234,028
Reserves retained from earnings, incl. group result		742,606	790,039
Participation capital		29,497	29,497
Other comprehensive income		–18,546	–19,796
Non-controlling interests		1,734	1,426
Equity		**1,034,783**	**1,080,659**
Liabilities from participation certificates		25,415	24,842
Provisions for pensions and similar obligations		380,601	339,295
Other non-current provisions	11	45,244	46,083
Non-current interest-bearing loans and liabilities to banks		124,142	125,076
Other non-current financial liabilities	12	102,864	24,866
Non-current income tax liabilities		15,704	15,686
Deferred tax liabilities		1,096	1,323
Non-current contract liabilities	13	21,536	20,101
Other non-current liabilities	14	6,853	8,963
Non-current liabilities		**723,456**	**606,235**
Other current provisions	11	187,898	201,267
Current interest-bearing loans and liabilities to banks		78,736	90,098
Trade payables		166,989	201,438
Other current financial liabilities	12	66,482	34,277
Current income tax liabilities		17,702	23,082
Current contract liabilities	13	118,854	94,947
Other current liabilities	14	74,064	78,224
Current liabilities		**710,726**	**723,332**
Total equity and liabilities		**2,468,966**	**2,410,227**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Second quarter 2019	Second quarter 2018	Six months 2019	Six months 2018
Operating activities					
	Earnings after income taxes	–4,525	–362	–14,592	–29,327
+	Write-down of non-current assets	30,279	21,500	59,853	42,472
+	Interest result	4,847	2,991	8,892	6,184
+/–	Income taxes	–1,849	532	–6,482	–13,450
+/–	Increase/decrease in provisions	1,476	–4,162	–18,605	–17,846
+/–	Other non-cash expenses/income	1,846	3,062	–2,221	6,584
+/–	Losses/gains from the disposal of non-current assets	–97	–833	346	–915
–	Increase in inventories	–18,707	–17,416	–61,474	–86,082
–	Increase in leased equipment	–3,132	–3,009	–5,807	–6,010
+/–	Decrease/increase in trade receivables	34,032	–22,333	116,112	82,130
+/–	Decrease/increase in other assets	1,242	1,702	–21,763	–19,387
+/–	Increase/decrease in trade payables	–12,415	5,671	–32,412	–28,267
+/–	Increase/decrease in other liabilities	–16,264	–11,311	18,509	27,651
+	Dividends received	0	180	–	180
–	Cash outflow for income taxes	–6,797	–17,020	–3,605	–28,228
–	Cash outflow for interests	–3,377	–1,519	–6,555	–3,289
+	Cash inflow from interests	433	523	1,107	875
	Cash inflow/outflow from operating activities	**6,993**	**–41,804**	**31,302**	**–66,724**
Investing activities					
–	Cash outflow for investments in intangible assets	–1,141	–2,003	–2,784	–2,400
–	Cash outflow for investments in property, plant and equipment	–14,381	–11,863	–27,712	–27,712
+	Cash inflow from disposals of property, plant and equipment	242	1,074	1,581	1,365
–	Cash outflow for investments in non-current financial assets	–7	–614	–12	–621
+	Cash inflow from the disposal of non-current financial assets	120	5	120	6
–	Cash outflow from the acquisition of subsidiaries	–	–	–500	–
	Cash outflow from investing activities	**–15,168**	**–13,401**	**–29,307**	**–29,362**
Financing activities					
–	Distribution of dividends (including dividends for participation certificates)	–4,001	–11,042	–4,001	–11,042
+	Cash provided by raising loans	499	85	6,825	357
–	Cash used to redeem loans	–3,382	–3,431	–6,851	–6,846
+/–	Net balance of other liabilities to banks	16,823	5,387	–13,879	6,930
–	Repayment of lease liabilities	–9,122	–292	–15,690	–553
	Cash inflow/outflow from financing activities	**817**	**–9,293**	**–33,596**	**–11,153**
Change in cash and cash equivalents in the reporting period		**–7,358**	**–64,498**	**–31,601**	**–107,239**
–	Effect of exchange rates on cash and cash equivalents	–1,033	–265	2,244	–937
+	Cash and cash equivalents at the beginning of the reporting period	158,595	204,154	179,561	247,568
	Cash and cash equivalents on reporting date	**150,204**	**139,391**	**150,204**	**139,391**

For notes to the cash flow statement, please see page 14.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

					Other comprehensive income						
in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Currency translation adjustments	Cash flow hedge reserves	Financial assets available for sale	Total other comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2018	**45,466**	**234,028**	**780,913**	**29,497**	**–21,494**	**–1,398**	**70**	**–22,822**	**1,067,081**	**1,262**	**1,068,343**
Adjustments due to amended accounting standards	–	–	–2,569	–	–	–	–70	–70	–2,640	–2	–2,641
January 1, 2018, after adjustments	**45,466**	**234,028**	**778,344**	**29,497**	**–21,494**	**–1,398**	**0**	**–22,892**	**1,064,441**	**1,261**	**1,065,702**
Earnings after income taxes	–	–	–28,567	–	–	–	–	0	–28,567	–760	–29,327
Other comprehensive income	–	–	–1,590	–	–120	–562	–	–682	–2,272	–92	–2,364
Total comprehensive income	**0**	**0**	**–30,156**	**0**	**–120**	**–562**	**0**	**–682**	**–30,839**	**–853**	**–31,691**
Distributions	–	–	–11,042	–	–	–	–	0	–11,042	–	–11,042
Changes in the scope of consolidation/other	–	–	0	–	–	–	–	0	0	0	0
June 30, 2018	**45,466**	**234,028**	**737,145**	**29,497**	**–21,615**	**–1,960**	**0**	**–23,574**	**1,022,561**	**408**	**1,022,968**
January 1, 2019	**45,466**	**234,028**	**790,039**	**29,497**	**–17,718**	**–2,078**	**0**	**–19,796**	**1,079,233**	**1,426**	**1,080,659**
Earnings after income taxes	–	–	–14,848	–	–	–	–	0	–14,848	255	–14,592
Other comprehensive income	–	–	–28,585	–	5,417	–4,167	–	1,250	–27,335	52	–27,283
Total comprehensive income	**0**	**0**	**–43,432**	**0**	**5,417**	**–4,167**	**0**	**1,250**	**–42,182**	**307**	**–41,875**
Distributions	–	–	–4,001	–	–	–	–	0	–4,001	–	–4,001
June 30, 2019	**45,466**	**234,028**	**742,606**	**29,497**	**–12,301**	**–6,245**	**0**	**–18,546**	**1,033,050**	**1,734**	**1,034,783**

Notes of the Dräger Group as of June 30, 2019 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM GROUP FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, Germany, prepared its Group financial statements for fiscal year 2018 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In fiscal year 2019, the interim financial statements of the Dräger Group have therefore also been prepared in accordance with IFRS, and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC).

The interim report should be read in connection with the disclosures in the Dräger IFRS annual report as of December 31, 2018. It was not audited or reviewed by an auditor.

The interim report was prepared in euros. Unless otherwise stated, all figures are disclosed in thousands of euros (EUR thousand); as a result, differences may occur due to rounding.

2 ACCOUNTING POLICIES

The same accounting principles were applied in preparing the interim financial statements and calculating the comparative figures as in the Group financial statements for 2018. A detailed description of these methods is published in the notes to the Group financial statements in the 2018 annual report in Note 7.

The annual report may also be downloaded online at **www.draeger.com**.

In preparing the interim financial statements, the Group opted to present condensed financial statements with selected explanatory notes. In general, greater use was made of estimates in determining carrying amounts than at fiscal year-end.

Accruals and deferrals were recognized where claims or obligations partially arose in the period under review.

The following new standards and amendments to existing standards published by the IASB, which have already been adopted in EU law, are to be applied for the first time in fiscal year 2019, in the event that transactions fall within the respective scopes of application:

- The new IFRS 16 “Leases” (issued January 2016) replaces the current standard on lease accounting (IAS 17) as well as the interpretations IFRIC 4, SIC-15, and SIC-27. IFRS 16 defines a lease as an agreement under which the right to control the use of an identifiable asset is transferred and under which the customer has the right to both define the use of this asset and benefit from the use of this asset during the term of use. The material changes affected by IFRS 16 relate to how the lessee accounts for these leases. The lessee is required to recognize assets and liabilities for the rights and obligations arising under all existing leases. The effects of IFRS 16 on accounting largely concerned leases that, as operating leases, had not been capitalized under IAS 17 and had been recognized as rental expenses. These leases are now reported together with the corresponding lease liability pursuant to IFRS 16. The transition to IFRS 16 took place using the modified retrospective approach as of January 1, 2019; the option to not adjust prior-year figures was exercised. Consequently, lease liabilities of the leases in existence as of January 1, 2019 were recognized at the present value of future lease payments in consideration of a term-specific, country-specific and currency-specific incremental borrowing rate. The average incremental borrowing rate was 3.63 percent. Leases that had already been accounted for as finance leases pursuant to IAS 17 were reclassified at their carrying values as of January 1, 2019 into rights of use and lease liabilities. These leases are only measured pursuant to IFRS 16 subsequently.

The first-time application of IFRS 16 resulted in the following adjustment effect as of January 1, 2019:

EFFECT OF FIRST-TIME APPLICATION OF IFRS 16

in € thousand	December 31, 2018	Adjustment	January 1, 2019
Property, plant and equipment	429,109	99,924	529,033
Other provisions	247,350	–1,277	246,073
Other financial liabilities	59,143	101,201	160,344

Dräger's essential leases concern rented office space, service areas, and production areas (most of which with contractual terms of between three and five years) and the vehicle fleet (the majority of which with contractual terms of between three and four years).

The amount of the rights of use is equal to the amount of the lease liabilities, adjusted for deferred lease liabilities as at December 31, 2018 (see also Note 7 with regard to the figures and development through the period). Future outstanding minimum lease payments of non-cancelable operating leases reported in the notes as of December 31, 2018 can be reconciled to lease liabilities as of January 1, 2019 as follows:

RECONCILIATION OF MINIMUM LEASE PAYMENTS AS AT DECEMBER 31, 2018 TO THE LEASE LIABILITIES AS AT JANUARY 1, 2019

in € thousand	
Minimum lease payments of operate lease contracts as at December 31, 2018	105,982
less: effect of discounting with incremental borrowing rate	–9,001
add: finance lease liabilities recognized as at December 31, 2018	7,654
less: short-term leases recognized as an expense	–2,601
less: low value contracts recognized as an expense	–971
add: adjustment as a result of a different treatment of extension and termination options	10,157
less: concluded contracts before commencement date (before capitalization as right of use asset)	–2,540
add: provisions for potetial losses	1,645
Other	1,184
Lease liability recognized as at January 1, 2019	**111,509**

Dräger exercised the following practical expedient permitted by the standard in the first-time application of IFRS 16:

- Dräger based considerations as to whether an agreement includes or constitutes a lease on its evaluations pursuant to IAS 17 or IFRIC 4.
- A single discounting rate was applied to groups of leases with similar properties.
- Existing evaluations of onerous contracts were retained.
- Initial direct costs are not taken into consideration in the measurement of the right of use asset at the time of first application.
- In the case of contractual options to extend or terminate leases, the term of the lease is determined retrospectively.

In accordance with IFRS 16, the initial measurement of right of use assets is based on the value of the corresponding lease liability, adjusted for completed lease payments and received lease incentives; initial, directly attributable costs; and the expected costs at the point of recognition in order to restore the leased asset to its original or the contractually agreed condition at the end of the lease. The initial measurement of the lease liabilities takes place at the present value of future lease payments. Lease payments include:

- fixed lease payments,
- variable lease payments that are pegged to indices,
- payments resulting from options to buy, where there is a sufficient degree of certainty at the point of measurement that the option will be exercised,
- any expected payments from agreed guaranteed residual values and contractual payments due to options to terminate leases being exercised.

Leases with terms of twelve months or less or where the value of the leased asset is no higher than EUR 5,000 new are not accounted for and instead are recognized as expenses on a straight-line basis.

The application of IFRS 16 has resulted in some permanent adjustments to certain key Dräger figures compared to the previous accounting methods under IAS 17:

- Balance sheet: Dräger's total assets have increased, and the share of total equity and liabilities attributable to equity has declined.
- Income statement: EBIT and EBITDA have improved
- Cash flow statement: Significant decline in cash outflows from operating activities, as operating rental and leasing expenses have been significantly reduced and only the remaining interest expenses at Dräger are attributable to the cash outflows from operating activities. The repayment of the rise in lease liabilities is reported within cash outflows from financing activities, which have risen accordingly.

– IFRIC Interpretation 23 (issued June 2017) clarifies the accounting of uncertain deferred and current tax liabilities. In assessing uncertainty, Dräger must judge the likelihood that the tax authorities concerned will follow the relevant applied or planned tax assessment. This does not have a material impact on Dräger's Group financial statements.
– The amendments to IFRS 9 "Prepayment Features with Negative Compensation" (issued October 2017) govern how certain financial instruments with prepayment features are classified under IFRS 9. In addition, it also clarifies the recognition of financial liabilities as a result of modification. This does not have a material impact on Dräger's Group financial statements.
– The amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures (issued October 2017)" clarify that an entity must apply IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture that largely form part of the net investment in the associate or joint venture but to which the equity method is not applied. This does not impact Dräger's Group financial statements.
– The amendments in the "Annual Improvements to IFRSs 2015–2017 Cycle" (issued December 2017) refer to the following standards:

- IFRS 3 "Business Combinations": The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements of successive business combinations. This includes the remeasurement of interests in the assets and liabilities of the joint operation at fair value held prior to the obtaining of control. The acquirer remeasures the entirety of its previously held interests in the joint operation. This does not impact Dräger's Group financial statements.
- IFRS 11 "Joint Arrangements": A party that holds an interest in a joint operation but does not has joint control could acquire joint control of a joint operation in which the activity constitutes a business as defined in IFRS 3. The changes clarify that the entity does not remeasure previously held interests in that business. This does not impact Dräger's Group financial statements.
- IAS 12 "Income Tax": The changes clarify that the income tax consequences of dividends are recognized in the same way as the items giving rise to those tax consequences. As a result, income taxes are to be recognized in profit or loss unless the underlying transaction was recognized directly in equity. This does not impact Dräger's Group financial statements.

- IAS 23 “Borrowing Costs”: The amendments clarify that a company must treat any loans originally taken out to develop a qualifying asset as part of the borrowing in a general sense if most activities required to prepare this asset for its intended use or sale have been completed. A company applies these changes to borrowing costs that are incurred at or after the beginning of the annual reporting period in which the entity applies these changes for the first time. This does not materially impact Dräger’s Group financial statements.

– The amendments to IAS 19 “Plan Amendment, Curtailment or Settlement (issued February 2018)” specifies how companies determine ongoing service costs for the remainder of the period when changes to a defined benefit pension plan occur. The actuarial assumptions used in the remeasurement of net liabilities (assets) from defined benefit pension plans and that reflect the services offered as part of the plan and plan assets following this event are to be included here. It is possible that these amendments will have an effect on Dräger’s Group financial statements, however, this depends on whether changes to defined benefit pension plans are made, which rarely happens within the Group.

Further new mandatory standards or amendments of standards that apply only to fiscal years beginning on or after January 1, 2020, and/or that have not yet been endorsed, as well as their impact, can be found in the Dräger IFRS annual report as of December 31, 2018.

3 CHANGES IN THE SCOPE OF CONSOLIDATION

In February 2019, the final two options to acquire the remaining 25 percent of shares in bentekk GmbH, Hamburg, Germany, for a total of EUR 500 thousand were exercised. This makes bentekk GmbH, Hamburg, Germany, a wholly owned subsidiary of the Dräger Group.

In June 2019, Italian subsidiary Draeger Safety Italia S.p.A., Corsico-Milano, Italy, was merged with Italian subsidiary Draeger Italia S.p.A., Corsico-Milano (formerly: Draeger Medical Italia S.p.A.) with retroactive effect as of January 1, 2019.

4 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Europe		Americas		Africa, Asia, and Australia		Dräger Group	
		Six months 2019	Six months 2018	Six months 2019	Six months 2018	Six months 2019	Six months 2018	Six months 2019	Six months 2018
Order intake with third parties	**€ million**	**711.3**	**706.6**	**262.2**	**228.0**	**346.8**	**339.1**	**1,320.4**	**1,273.8**
Net sales with third parties	**€ million**	**668.2**	**644.7**	**251.6**	**201.0**	**316.2**	**270.0**	**1,235.9**	**1,115.8**
EBITDA [1,2]	**€ million**	**36.9**	**33.3**	**1.1**	**–22.3**	**9.7**	**–5.1**	**47.7**	**5.9**
Depreciation/Amortization	€ million	–30.0	–20.8	–13.5	–10.9	–16.3	–10.8	–59.9	–42.5
EBIT [2,3]	**€ million**	**6.8**	**12.5**	**–12.4**	**–33.2**	**–6.6**	**–15.9**	**–12.2**	**–36.6**
Capital employed [2,4,5]	€ million	671.4	597.9	331.3	305.3	449.1	395.8	1,451.8	1,299.0
EBIT [3]/Net sales [6]	%	1.0	1.9	–4.9	–16.5	–2.1	–5.9	–1.0	–3.3
EBIT [2,7]/Capital employed [4,5] (ROCE) [6]	%	11.4	16.9	–2.8	–8.3	4.5	6.1	6.0	7.7
DVA [6,7,8]	€ million	33.2	61.2	–32.2	–45.6	–9.1	–1.7	–8.1	13.8

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 For effects of the first-time application of IFRS 16 on this key figure as of June 30, 2019 see table on page 11.
3 EBIT = earnings before net interest result and income taxes
4 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
5 Value as of reporting date
6 The first-time application of IFRS 16 impacts this key figure. Therefore, comparability is limited.
7 Value of the last twelve months
8 Dräger Value Added = EBIT less cost of capital of average

The key figures from the segment report are as follows:

EBIT

in € thousand	Six months 2019	Six months 2018
Earnings after income taxes	–14,592	–29,327
+ Interest result	8,892	6,184
+ Income taxes	–6,482	–13,450
EBIT	**–12,182**	**–36,593**

CAPITAL EMPLOYED

in € thousand	June 30, 2019	June 30, 2018
Total assets	2,468,966	2,295,900
– Deferred tax assets	–161,296	–146,474
– Cash and cash equivalents	–150,204	–139,391
– Non-interest-bearing liabilities	–824,192	–711,004
Capital employed	**1,333,273**	**1,299,031**

DVA

in € thousand	June 30, 2019	June 30, 2018
EBIT (of the last twelve months)	87,057	100,058
– Cost of capital (Basis: average of capital employed in the past twelve months)	–95,167	–86,210
DVA	**–8,110**	**13,849**

The business performance of the individual segments is detailed in the management report accompanying these interim financial statements.

Services rendered between the segments follow the arm's length principle.

5 FINANCIAL RESULT

FINANCIAL RESULT

in € thousand	Six months 2019	Six months 2018
Financial result (before interest result)	**–2,035**	**–1,435**
Interest and similar income	1,363	1,141
Interest and similar expenses	–10,255	–7,325
Interest result	**–8,892**	**–6,184**

6 INCOME TAXES

Income taxes for the first half of 2019 were calculated on the basis of an anticipated Group tax rate of 32.5 percent (6 months 2018: 32.5 percent).

7 INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

in € thousand	Carrying value January 1, 2019	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value June 30, 2019
Intangible assets	336,019	2,199	316	–3,954	334,580
Property, plant and equipment	529,033	58,381	–626	–55,897	530,891
thereof right of use assets					
from land and buildings	69,322	17,349	9,153	–11,010	84,815
from other plant factory and office equipment	27,926	8,940	–15	–8,804	28,046
from leased assets	2,677	0	0	–772	1,905

Pursuant to IAS 36, an impairment test was carried out for all relevant cash-generating units as of December 31, 2018. The planning figures used as part of this impairment test continue to apply in these interim financial statements of 2019. As of June 30, 2019, checks were performed to establish whether there are any indications that assets may be impaired. No requirement for further impairments was determined.

8 INVENTORIES

INVENTORIES

in € thousand	June 30, 2019	December 31, 2018
Finished goods and merchandise	284,445	252,558
Work in progress	76,929	56,799
Raw materials, consumables and supplies	157,084	146,545
Payments made	3,576	3,284
	522,035	**459,186**

9 TRADE RECEIVABLES AND CONTRACT ASSETS

TRADE RECEIVABLES AND CONTRACT ASSETS

	June 30, 2019			December 31, 2018		
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	551,646	2,382	554,029	670,919	2,518	673,437
Contract assets	40,358	–	40,358	32,963	–	32,963
	592,004	**2,382**	**594,387**	**703,882**	**2,518**	**706,400**

10 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

in € thousand	June 30, 2019	December 31, 2018
Prepaid expenses	39,545	27,388
Other tax refund claims	33,000	26,676
Remaining other current assets	16,566	5,787
	89,111	**59,851**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. Other tax refund claims primarily include VAT claims. Remaining other current assets increased as a result of reporting date factors.

11 OTHER PROVISIONS

As of June 30, 2019, other non-current provisions mainly comprise provisions for personnel obligations of EUR 36,225 thousand (December 31, 2018: EUR 36,170 thousand).

Other current provisions as of June 30, 2019, also included monthly accruals and mainly consisted of provisions for personnel obligations of EUR 66,703 thousand (December 31, 2018: EUR 81,248 thousand), provisions for outstanding invoices of EUR 45,744 thousand (December 31, 2018: EUR 40,266 thousand), and warranty provisions of EUR 34,001 thousand (December 31, 2018: EUR 34,014 thousand).

12 OTHER FINANCIAL LIABILITIES

Other financial liabilities include for the first time the non-current lease liabilities amounting to EUR 84,664 thousand to be recognized according to IFRS 16 (December 31, 2018: non-current finance lease liabilities pursuant to IAS 17 of EUR 7,363 thousand), and current lease liabilities of EUR 33,875 thousand (December 31, 2018: current finance lease liabilities pursuant to IAS 17 of EUR 291 thousand).

13 CONTRACT LIABILITIES

CONTRACT LIABILITIES

			June 30, 2019			December 31, 2018
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Deferred income	69,512	20,393	89,905	50,471	19,372	69,842
Prepayments received	49,342	1,143	50,485	44,477	729	45,206
	118,854	**21,536**	**140,391**	**94,947**	**20,101**	**115,048**

14 OTHER LIABILITIES

OTHER LIABILITIES

			June 30, 2019			December 31, 2018
in € thousand	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Other taxes	36,806	–	36,806	41,810	–	41,810
Liabilities to employees and for social securities	32,811	–	32,811	32,064	–	32,064
Deferred other income	1,227	6,278	7,505	913	6,727	7,640
Remaining liabilities	3,221	575	3,796	3,437	2,235	5,672
	74,064	**6,853**	**80,918**	**78,224**	**8,963**	**87,187**

15 FINANCIAL INSTRUMENTS

In the following table, the carrying values of financial assets and liabilities not regularly recognized at fair value are compared with their fair values.

FINANCIAL INSTRUMENTS - ASSETS

					June 30, 2019					December 31, 2018
	Carrying amount				**Fair value**	**Carrying amount**				**Fair value**
in € thousand		**Level 1**	**Level 2**	**Level 3**	**Total**		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – at amortized cost										
Trade receivables and contract assets	594,387	–	–	–	0	706,400	–	–	–	0
Other financial assets	43,255	–	43,235	–	43,235	39,912	–	39,892	–	39,892
Cash	150,204	–	–	–	0	179,561	–	–	–	–
	787,846	**0**	**43,235**	**0**	**43,235**	**925,873**	**0**	**39,892**	**0**	**39,892**
Financial assets – at fair value through profit and loss										
Derivatives	3,668	–	3,668	–	3,668	8,488	–	8,488	–	8,488
Equity instruments	6,385	–	–	6,385	6,385	6,383	–	–	6,383	6,383
Debt instruments	546	546	–	–	546	546	546	–	–	546
	10,598	**546**	**3,668**	**6,385**	**10,598**	**15,416**	**546**	**8,488**	**6,383**	**15,416**
	798,444	**546**	**46,903**	**6,385**	**53,833**	**941,289**	**546**	**48,380**	**6,383**	**55,308**

FINANCIAL INSTRUMENTS - LIABILITIES

	June 30, 2019					December 31, 2018				
	Carrying amount				Fair value	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost										
Trade payables	166,989	–	–	–	0	201,438	–	–	–	0
Loans and liabilities to banks	202,879	–	199,993	–	199,993	215,173	–	210,779	–	210,779
Other financial liabilities	178,630	–	178,600	–	178,600	71,262	–	71,258	–	71,258
	548,498	**0**	**378,592**	**0**	**378,592**	**487,874**	**0**	**282,037**	**0**	**282,037**
Financial liabilities – at fair value through profit and loss										
Derivatives	16,131	–	16,131	–	16,131	12,723	–	12,723	–	12,723
	564,629	**0**	**394,724**	**0**	**394,724**	**500,596**	**0**	**294,760**	**0**	**294,760**

Level 1:
Prices in the active markets are assumed in unchanged form for identical financial assets or financial liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:
Uses largely observable input factors that can be directly (i.e., price) or indirectly (i.e., derived from prices) observed for financial assets or financial liabilities; these do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and/or interest rates and the observable closing rates and/or interest rates, which are then discounted using an interest rate that takes into account Dräger’s company-related risks.

The fair value of level 2 financial assets and liabilities measured at amortized cost is determined using the discounted cash flow method by replacing the interest rates used in the initial calculation of non-current financial assets and liabilities with interest rates derived from current company-related interest rate curves on the balance sheet date. As part of the first-time application of IFRS 16 as of January 1, 2019, lease liabilities were measured at the interest rates valid at this point in time. Given that there have been no significant changes in these interest rates in the past six months, the fair value of the lease liabilities does not deviate significantly from the carrying values.

Level 3:
Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. In the

Dräger Group, only equity instruments are allocated to level 3. Dräger applies the discounted cash flow method when measuring equity instruments.

No significant reclassifications between the levels were carried out in the past two fiscal years.

16 RELATED-PARTY TRANSACTIONS

Services were rendered for Stefan Dräger as well as companies and persons related to Stefan Dräger, the Dräger-Stiftung, and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 29 thousand (6 months 2018: EUR 4 thousand) in the first half of 2019. Receivables in this respect amounted to EUR 19 thousand as of June 30, 2019 (June 30, 2018: EUR 15 thousand).

Services in the amount of EUR 302 thousand were rendered for working groups (ARGEN) in the first half of 2019 (6 months 2018: EUR 11 thousand). Receivables in this respect amounted to EUR 302 thousand (June 30, 2018: EUR 11 thousand).

Rental services and other services totaling EUR 60 thousand (6 months 2018: EUR 9 thousand) were rendered by Group companies for associate MAPRA Assekuranzkontor GmbH in the first half of 2019. Receivables in this respect amounted to EUR 1 thousand as of June 30, 2019 (June 30, 2018: EUR 63 thousand). There were no liabilities.

The remuneration of the employee representatives on the Supervisory Board for work performed in addition to the Supervisory Board activities was also concluded at arm’s length terms and conditions. Overall, remuneration is of immaterial importance for the Dräger Group.

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0 percent of the capital. Only a few transactions are conducted with the general partner, as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA.

These include the contractually agreed remuneration for its executive bodies. These expenses comprise the remuneration of the Executive Board, the remuneration of its Supervisory Board, liability remuneration, as well as other expenses.

Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 2,556 thousand as of June 30, 2019 (June 30, 2018: EUR 3,771 thousand). Expenses for Drägerwerk Verwaltungs AG services amounted to EUR 2,295 thousand in the first half of the year (6 months 2018: EUR 1,091 thousand). Services in the amount of EUR 12 thousand were rendered for Drägerwerk Verwaltungs AG in the first half of 2019 (6 months 2018: EUR 5 thousand); there were no receivables in this respect.

In fiscal year 2018, Drägerwerk AG & Co. KGaA granted Drägerwerk Verwaltungs AG an interest-bearing loan of EUR 600 thousand with a term until May 2, 2023. Repayment is made in annual installments. Drägerwerk Verwaltungs AG repaid EUR 120 thousand of the loan in the first half of 2019. This loan was valued at EUR 480 thousand on June 30, 2019.

All transactions with related parties were conducted at arm’s length terms and conditions.

17 SUBSEQUENT EVENTS

There were no significant changes between the end of the first half of 2019 and the time this interim financial report was prepared.

Lübeck, August 7, 2019

The general partner
Drägerwerk Verwaltungs AG,
represented by its Executive Board

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

MANAGEMENT COMPLIANCE STATEMENT

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework for the interim financial statements, the Group interim financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, the group interim management report presents business performance including business results and the situation of the Group so as to give a true and fair view, and that the material opportunities and risks relating to the Group's development in the remaining fiscal year have been described.

Lübeck, August 7, 2019

The general partner
Drägerwerk Verwaltungs AG,
represented by its Executive Board

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

FINANCIAL CALENDAR

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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