Capital Market Information

Dräger grows net of currency effects

Strong euro impacts earnings negatively

Lübeck – After three record-breaking years in a row, Drägerwerk AG & Co. KGaA achieved stable order intake and net sales development in fiscal year 2013. Order intake fell by 0.9 percent to EUR 2,384.6 million (2012: EUR 2,405.5 million). At EUR 2,374.2 million, net sales was on the level of the prior year (2012: EUR 2,373.5 million). However, net of currency effects, order intake rose by 2.2 percent and net sales by 3.1 percent. The reason for this is the considerable increase in the strength of the euro compared to many emerging-market currencies, and also in relation to currencies such as the Japanese yen. Net sales increased in Germany in 2013, while the rest of Europe saw a decline net of currency effects. In the Asia/Pacific and Americas regions, Dräger increased its net sales adjusted for currency effects. In the Asia/Pacific region, but also in Africa and the Middle East significant growth was achieved.

Earnings before interest and taxes (EBIT) fell by 12.8 percent to EUR 200.8 million (2012: EUR 230.3 million). The EBIT margin reached 8.5 percent (2012: 9.7 percent) and was therefore within the forecast range of 8.0 percent to 10.0 percent. Overall, changes in exchange rates negatively impacted the EBIT margin by more than one percentage point. Net profit fell by 11.6 percent to EUR 119.9 million (2012: EUR 135.7 million). Dräger Value Added (DVA), a key performance management figure, fell by 24.1 percent to EUR 113.9 million (2012: EUR 150.0 million).

Another positive final quarter

In the traditionally strong fourth quarter, order intake rose by 3.1 percent (net of currency effects) to EUR 627.9 million (2012: EUR 636.7 million). Dräger increased net sales by 2.9 percent (net of currency effects) to EUR 718.2 million (2012: EUR 726.9 million). EBIT fell by 3.6 percent to EUR 89.5 million in the fourth quarter (2012: EUR 92.9 million), equating to a fourth-quarter EBIT margin of 12.5 percent (2012: 12.8 percent).

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“We simply have to withstand the headwind from changes in exchange rates; there isn’t much we can do over the short term,” says Stefan Dräger, Chairman of the Executive Board of Drägerwerk Verwaltungs AG. “We have stood strong in the face of similar issues on many occasions in our 125-year history and continued to pursue our long-term strategy.”

Development of individual financial figures

Functional costs continued to rise in 2013, above all as a result of increased sales and marketing costs – for example, for the development of the sales structure in emerging markets. Research and development costs also rose further, with the R&D ratio up by 8.5 percent in 2013 (2012: 8.3 percent). Investment came to EUR 110.6 million, up from EUR 78.2 million in the prior year. These investments mainly concerned the modernization and construction of production and administrative facilities in Germany and abroad as well as replacements. In fiscal year 2013, Dräger generated cash inflow from operating activities of roughly EUR 68 million (2012: EUR 176.8 million). The decline in cash inflow from operating activities was due to the increase in working capital; receivables in particular rose disproportionately to net sales.

Equity ratio and dividend proposal

The Executive Board will propose to the annual shareholders’ meeting on May 9, 2014 a dividend per common share of EUR 0.77 (2012: EUR 0.86) and a dividend per preferred share of EUR 0.83 (2012: EUR 0.92). In accordance with the dividend policies, 15 percent of Group net profit (less the share for non-controlling interests) will once again be distributed. As soon as the Group equity ratio exceeds 40 percent, the distribution rate will be increased to 30 percent. At the end of fiscal year 2013, the Dräger equity ratio stood at 39.5 percent (2012: 34.7 percent).

Consolidation in the Czech Republic

As part of its production consolidation strategy in the Czech Republic, Dräger is currently planning to pool medical product sales and close the production site in Polička (Daniševský spol. s r.o.). Dräger also has a

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production site in Chomutov/Klasterec, Czech Republic, which is currently being expanded. A total of 78 people are currently employed at the Polička site, more than half of whom in sales and service. Sales and service employees based in Polička are to be consolidated at the Dräger subsidiary in Prague (Dräger Medical s.r.o.). The pooling of resources in a single sales company will strengthen Dräger's position in the Czech market. A socially acceptable solution is currently being developed for the 30 employees in production and administration who are affected.

Higher growth anticipated in 2014

For fiscal year 2014, Dräger expects net sales growth of between 3 percent and 6 percent and a Group EBIT margin of between 8.0 percent and 10.0 percent. This is based on the assumption of a stabilizing economy in Europe – particularly in Southern Europe – and North America, sustained market growth in developing countries and stable exchange rates.

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Key figures 2013 (in EUR millions)

	2013	2012	Change
Group			
Incoming orders	2,384.6	2,405.5	-0.9%
Net sales	2,374.2	2,373.5	+0.0%
EBIT	200.8	230.3	-12.8%
EBIT margin	8.5%	9.7%	
Net profit	119.9	135.7	-11.6%
Earnings per preferred share[1] (€)	6.94	7.73	-10.2%
Earnings per common share[1] (€)	6.88	7.67	-10.3%
Earnings per preferred share[2] on full distribution (€)	5.30	5.90	-10.2%
Earnings per common share[2] on full distribution (€)	5.24	5.84	-10.3%
Dräger Value Added (DVA)	113.9	150.0	-24.1%
Employees	13,334	12,516	+6.5%
Medical division			
Incoming orders	1,558.6	1,558.4	+0.0%
Net sales	1,544.7	1,558.0	-0.9%
EBIT	153.3	185.3	-17.3%
EBIT margin	9.9%	11.9%	
Safety division			
Incoming orders	859.8	880.8	-2.4%
Net sales	864.4	849.3	+1.8%
EBIT	89.2	97.3	-8.3%
EBIT margin	10.3%	11.5%	

[1] On the basis of the expected dividend
[2] Based on an imputed actual full distribution of earnings attributable to shareholders

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