Ad hoc report in accordance with Sec. 15 of the German Securities Trading Act

Drägerwerk AG & Co. KGaA: Dräger revises 2014 earnings and net sales forecast

Based on provisional figures Drägerwerk AG & Co. KGaA revises its 2014 earnings and net sales forecast. Besides the continuously strong Euro, the substantially lower business from Russia compared to prior years and the momentarily slow demand from medical customers in the US as well as a weak business performance in some countries in Asia-Pacific are responsible for the deteriorating business prospects.

Second quarter 2014:
In the second quarter of the year, Dräger recorded a decline in order intake of 2.3 percent to EUR 574.8 million (Q2 2013: EUR 588.5 million). Net sales fell by 1.2 percent to EUR 559.9 million (Q2 2013: EUR 566.8 million). Net of currency effects, order intake rose by 1.5 percent and net sales rose by 2.0 percent.
In the medical division, orders were down by 2.9 percent (an increase of 1.2 percent net of currency effects), while orders in the safety division climbed by 2.1 percent (5.3 percent net of currency effects). Group EBIT came in at EUR 15.0 million in the second quarter (Q2 2013: EUR 39.4 million), equating to an EBIT margin of 2.7 percent (Q2 2013: 7.0 percent).

First half 2014:
As a result, orders in the first half of the year were down by 3.5 percent year on year (increase of 0.4 percent net of currency effects). Net sales at Dräger in the first half of the year fell by 2.5 percent (increase of 1.2 percent net of currency effects). Total EBIT stood at EUR 34.0 million (6 months 2013: EUR 79.2 million). The EBIT margin fell from 7.2 percent in the prior-year period to 3.2 percent.

Next to the slow demand from some countries mentioned above, delays in the licensing of new products in the safety division contributed to the decline in net sales on the U.S. market. Furthermore, an unfavorable country mix and a change in the product mix toward lower-margin products, as well as a number of lower-margin projects also had a substantial negative impact on the gross margin. Currencies had an additional negative impact so that the gross margin stood at 45.7 percent (6 months 2013: 49.7 percent).
Due to positive currency effects, functional expenses fell by 2.0 percent compared to the prior-year figure. Net of currency effects functional expenses rose slightly by 0.5 percent. The persistently strong euro continued to have a negative impact of about 1.5 percentage points on the EBIT margin.

New guidance for fiscal 2014:

Against the backdrop of weaker-than-expected demand in the first six months of 2014, Dräger anticipates full-year net sales growth (net of currency effects) of 2.0 to 4.0 percent (until now: 3.0 to 6.0 percent). Based on current exchange rates, this would result in a negative effect of more than 2 percentage points on full-year reported net sales growth when compared to the average exchange rates of the prior year (until now: approximately 3 percentage points).

The gross margin is not likely to match the prior year's level.

Dräger now forecasts a full-year EBIT margin including currency effects of between 4.5 and 6.5 percent.

The current weaker-than-expected development of net sales and profitability means that the medium-term guidance needs to be reviewed. Any necessary adjustments to the medium-term profitability and net sales targets will be made once the results for fiscal year 2014 are published.

Dräger is working on a set of measures that will lead to greater efficiency in the short to medium term.

Dräger will publish its full results for the first six months of the fiscal year on July 31, 2014.

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