Fiscal year 2014:
Dräger with new record order intake and net sales

- Net sales up by 4.0 percent (net of currency effects)
- EBIT margin at 7.3 percent
- Equity ratio breaches the 40 percent mark
- Distribution rate and dividend rise

Lübeck – Drägerwerk AG & Co. KGaA reached new records in order intake and net sales in fiscal year 2014.

Order intake increased by 1.3 percent to EUR 2,415.5 million (2013: EUR 2,384.6 million). Net sales rose by 2.5 percent year on year to EUR 2,434.7 million (2013: EUR 2,374.2 million). Net of currency effects, order intake increased by 2.8 percent and net sales by 4.0 percent. Order intake and net sales increased in almost all regions (net of currency effects).

“We can look back on a fiscal year of mixed performance. Weak business development in the first half of the year was followed up by a brilliant end to the year,” says Stefan Dräger, Chairman of the Executive Board of Drägerwerk Verwaltungs AG.

The medical division business performed weakly in the three key markets of the US, China and Russia. By contrast, performance in South Europe was particularly strong, experiencing double-digit year-on-year growth.

Earnings before interest and taxes (EBIT) fell by 11.1 percent to EUR 178.6 million (2013: EUR 200.8 million). The EBIT margin stood at 7.3 percent (2013: 8.5 percent) and therefore below the EBIT margin range of 4.5 percent to 6.5 percent, which was lowered the previous summer. The euro exchange rate had a negative impact overall on the result. The euro may have lost a significant amount of ground in the second half of the year, but the currency’s strength across the year as a whole had a negative impact on the EBIT margin. Net profit fell by 12.7 percent to EUR 104.7 million (2013: EUR 119.9 million). Dräger Value Added (DVA), a key management figure, declined by 28.4 percent to EUR 81.6 million (2013: EUR 113.9 million).

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Extremely strong fourth quarter

In the fourth quarter, order intake rose by 5.5 percent (net of currency effects) to EUR 672.1 million (2013: EUR 627.9 million). Net sales at Dräger actually increased by 6.3 percent (net of currency effects) to EUR 769.7 million (2013: EUR 718.2 million), a new record for the traditionally strong final quarter. EBIT rose by 8.7 per cent to EUR 97.3 million in the fourth quarter (2013: EUR 89.5 million), equating to a fourth-quarter EBIT margin of 12.6 percent (2013: 12.5 percent).

Development of individual financial figures

Fiscal year 2014 saw gross profit fall by EUR 9.5 million to EUR 1,138.0 million. At 46.7 percent, the gross margin was 1.6 percentage points down on the prior-year figure. The decrease was due to lower pricing in several large projects, combined with an unfavorable product and country mix. The increase in the value of the euro over the course of the year had a negative impact on the gross margin – particularly in the first half of the year.
Functional costs rose by 3.4 percent (net of currency effects). Net of positive currency effects, sales and marketing costs were slightly up year on year (+2.3 percent). Research and development (R&D) expenditure continued to rise, increasing by 4.9 percent (net of currency effects). The research and development ratio therefore amounted to 8.7 percent of net sales (2013: 8.5 percent). Moreover, investments in the development of the standardized, global IT infrastructure remained at a high level.
The cash inflow from operating activities stood at EUR 188.0 million in fiscal year 2014 (2013: EUR 68.3 million). One of the main reasons for this was the improvement in working capital management.

Distribution and dividends rise

A total of EUR 104.7 million was added to equity from operating activities in the fiscal year 2014. A further EUR 34.9 million came from the exercising of eleven options, which were issued in 2009 as part of the acquisition of the Siemens shares in Dräger Medical GmbH. The change in actuarial parameters for pension provisions in fiscal year 2014, particularly the further lowering of the underlying interest rate, reduced equity after tax effects by EUR 56.9 million.

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The equity ratio as of 31 December 2014 came to 40.1 percent. In accordance with the distribution policy, this results in the distribution rate doubling to 30 percent of net profit less the share in net profit of non-controlling interests. The Executive Board will therefore propose to the annual shareholders' meeting on April 30, 2015 a dividend per common share of EUR 1.33 (2013: EUR 0.77) and a dividend per preferred share of EUR 1.39 (2013: EUR 0.83).

Efficiency program

As part of its "Fit for Growth" program, Dräger resolved a number of measures in 2014 geared towards boosting competitiveness and efficiency. The "SHAPE" part of the program centers on processes and structures in Sales, Marketing and Administration. The cornerstones of this aspect are effective cost management and a further improvement in working capital. The "FIT!" part of the program is about bringing the customer benefits of innovations to the market more quickly. The program covers all phases of the product lifecycle, from the product idea through development to the successful market launch – known as "time to market". The optimization of the global footprint is another main component of the "Fit for Growth" program. The wide network of sites that has grown over time will be reviewed with the aim of improving efficiency. At the Lübeck site, Dräger is investing over EUR 70 million in its "factory of the future" in order to improve production and logistics processes. For the USA, Dräger has decided to close its site in Pittsburgh in July 2016. The reason for this consolidation is to move all customer activities such as Sales and Service to the existing Dräger site in Houston, Texas. There the global responsibility for strategy and business development with customers in the oil and gas industry will be located in future. This decision sees Dräger reinforce its access to the most important growth markets for its safety division in the USA and beyond. The administrative areas in Pittsburgh will be consolidated at other Dräger sites. A total of 150 employees are affected by the closure of the Pittsburgh site. Dräger is offering some of these employees the opportunity to switch to another Dräger site.

"Our 'Fit for Growth' efficiency program will further strengthen our competitive position," explains Stefan Dräger, Chairman of the Executive Board of

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Drägerwerk Verwaltungs AG. “Our internal processes and structures are in particular focus. Restructuring our production sites in the USA is an important milestone.”

Mergers and acquisitions

Dräger has added a key technology with a promising future to its gas detection portfolio, strengthening its strategic position in the oil and gas industry and the chemicals industry. Dräger has signed a contract through Dräger Holding International GmbH, a subsidiary of Drägerwerk AG & Co. KGaA, agreeing to the purchase of a 100 percent stake in GasSecure AS, Oslo, Norway. The start-up company, founded in 2008 and since 2010 financed by venture capital, has developed a truly wireless optical gas sensor that detects hydrocarbons and has a market-ready product based on this technology. The parties have agreed to a purchase price of between EUR 55 million and EUR 60 million.

Outlook

Dräger anticipates net sales growth of 2.0 percent to 5.0 percent (net of currency effects) in fiscal year 2015. In terms of the EBIT margin, Dräger forecasts a figure between 6.0 percent and 8.0 percent for the full year. This is based on the assumption of a stabilizing economy in Europe – particularly in South Europe – and North America, sustained market growth in developing countries and stable exchange rates.

Disclaimer

This press release contains statements on the future development of Dräger Group. These forward-looking statements are based on the current expectations, presumptions, and forecasts of the Executive Board as well as the information available to it to date and have been prepared to the best of its knowledge and belief. No guarantee or liability for the occurrence of the future developments and results specified can be assumed in respect of such forward-looking statements. Rather, the future developments and results are dependent on a number of factors. They entail risks and uncertainties beyond the Company’s control and are based on assumptions which could prove to be incorrect. Notwithstanding any legal requirements to adjust forecasts, Dräger does not assume any obligation to update the forward-looking statements contained in this report. You will find all important financial dates on our Company website at www.draeger.com under Investor Center/Financial Calendar.

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Key figures for fiscal year 2014 (in EUR million)

	2014	2013	Change
Group			
Order intake	2,415.5	2,384.6	+1.3 %
Net sales	2,434.7	2,374.2	+2.5 %
EBIT	178.6	200.8	-11.1%
EBIT margin	7.3 %	8.5 %	
Net profit	104.7	119.9	-12.7 %
Earnings per preferred share[1] (€)	5.73	6.94	-17.4 %
Earnings per common share[1] (€)	5.67	6.88	-17.5 %
Earnings per preferred share[2] on full distribution (€)	4.58	5.30	-13.7 %
Earnings per common share[2] on full distribution (€)	4.52	5.24	-13.8 %
Dräger Value Added (DVA)	81.6	113.9	-28.4 %
Employees	13,737	13,334	+3.0 %
Medical division			
Order intake	1,576.2	1,558.6	+1.1 %
Net sales	1,585.4	1,544.7	+2.6 %
EBIT	128.9	153.3	-15.9 %
EBIT margin	8.1 %	9.9 %	
Safety division			
Order intake	883.7	859.8	+2.8 %
Net sales	890.9	864.4	+1.8 %
EBIT	88.4	89.2	-1.0 %
EBIT margin	9.9 %	10.3 %	

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

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