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

Drägerwerk AG & Co. KGaA: Dräger revises 2015 earnings forecast

Based on the preliminary results, Drägerwerk AG & Co. KGaA has revised its earnings forecast for 2015. Dräger now anticipates an EBIT margin of between 5.0 and 7.0 percent for 2015. Originally, an EBIT margin of between 6.0 and 8.0 percent was forecasted.

Dräger recorded a year-on-year rise in order intake in the second quarter of 10.3 percent. Net sales rose by 13.2 percent to EUR 634.0 million. Net of currency effects, order intake increased by 4.4 percent and net sales rose by 6.8 percent. Orders in the medical division increased by 11.3 percent (5.3 percent net of currency effects), while net sales rose by 14.5 percent (7.6 percent net of currency effects). In the safety division, orders were up by 8.5 percent (2.8 percent net of currency effects), whereas net sales increased by 11.0 percent (5.4 percent net of currency effects). Total Group EBIT came in at EUR 21.7 million (prior-year quarter: EUR 15.0 million), equating to an EBIT margin of 3.4 percent (prior-year quarter: 2.7 percent).

As a result, net sales rose year on year in the first half of 2015 by 9.9 percent (3.4 net of currency effects). Total EBIT stood at EUR 22.7 million (6 months 2014: EUR 34.0 million). The EBIT margin fell from 3.2 percent in the prior-year period to 1.9 percent.

Business development fell short of expectations in certain particularly profitable countries for Dräger in the Asia Pacific and Americas region. This applies above all to China and USA, and no significant improvement is expected in demand in the second half of the year.

Next to lower net sales from especially profitable regions, a change in the product mix in the first half of the year toward lower-margin products had a negative impact on the gross margin. This neutralized positive currency effects. The gross margin stood at 45.8 percent (6 months 2014: 45.7 percent).

In the first half of 2015, functional expenses rose net of currency effects by 6.3 percent compared to the prior-year figure. Due to the weak euro this corresponds to a nominal growth of 12.4 percent.

Dräger’s high US dollar cost position means that the continued weakness of the euro is barely having any positive effects on the EBIT margin.

New full-year forecast for 2015:

Net sales growth net of currency effects is expected to come in at the previously forecast range of 2.0 to 5.0 percent for 2015 (net of currency effects). The gross margin is not likely to match the previous year's level. Dräger expects its EBIT margin to stand at between 5.0 and 7.0 percent (previously 6.0 to 8.0 percent) and does not anticipate any significant changes in relevant exchange rates in this regard.

The medium-term guidance remains unchanged.

Dräger will publish its full results for the first six months of the fiscal year on July 30, 2015.

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