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## **Rheinmetall Group starts well into fiscal 2019 Sales and earnings increase in the first quarter**

- Consolidated sales grow by 6.6% to €1,343 million
- Consolidated operating earnings rise by 15% to €54 million
- Automotive: operating earnings margin remains at high level of 6.9% despite decline in sales
- Considerable growth in Defence: Sales increase by 24% to €629 million – operating earnings already positive in the first quarter at €9 million
- Order backlog increased by 26% to €9.1 billion
- Forecast for fiscal 2019 confirmed

Rheinmetall AG in Düsseldorf started fiscal 2019 with an increase in sales and a substantial improvement in earnings. In terms of sales, the Group's business performance in the first quarter of 2019 saw high growth in the Defence sector and, as expected, a slight decline in Automotive, which is attributable to the weaker development of the global automotive markets.

The technology group confirms its 2019 forecast from March of this year and continues to expect organic consolidated sales growth of between 4% and 6% before currency effects and an operating margin of around 8% for the year as a whole.

Armin Papperger, Chief Executive Officer of Rheinmetall AG: "Rheinmetall has made a successful start to the new fiscal year. At Group level, we can boast solid growth in both sales and income and are sticking to the targets we have set for this fiscal year. Our Defence sector developed particularly positively in the first quarter. We are therefore very confident that we will continue to expand our business and increase the sector's profitability year-on-year. Given the extensive backlog of demand in armed forces' procurement, we continue to see major opportunities in the Defence sector – in Germany and internationally.

Automotive continues to prove very profitable, although we are also feeling the effects of the declining auto industry. However, our pioneering technologies, global network of locations and very efficient cost management put us in a very flexible position to continue being successful. With products for fuel efficiency and emissions reduction, and increasingly for electromobility as well, we want to continue expanding our global market positions."

Rheinmetall AG is reporting consolidated sales of €1,343 million for the first quarter of 2019, after €1,260 million in the same quarter of the previous year. This represents

growth of €83 million or 6.6%. Adjusted for currency effects, the growth is 6.5%. The international share of sales was 73% in the first quarter of 2019.

The order backlog has reached a new record level. At the end of the quarter (March 31, 2019), it amounted to €9.1 billion after €7.2 billion in the previous year, equating to growth of 26%.

Operating earnings before interest and taxes increased by 15% in the reporting period from €47 million in the previous year to €54 million in the first quarter of 2019. The operating earnings margin at Group level therefore rose from 3.7% to 4.0%.

Earnings per share grew considerably, rising around 35% from €0.55 to €0.74.

### **Automotive: slight sales decline after market slump – profitability remains robust**

Rheinmetall Automotive could not escape the negative development of the global automotive markets in the first quarter of 2019 and posted sales of €714 million, down 4.9% on the previous year (€751 million). The global production of light vehicles (vehicles under 6 t) declined by 5.7% in the first quarter of 2019.

The sector's operating earnings decreased by €16 million or around 25% to €49 million. Nevertheless, the operating earnings margin remained at a relatively high level of 6.9% (previous year: 8.6%).

The Mechatronics division is reporting a sales decline of 6.5% to €401 million in the first quarter of 2019. Operating earnings amounted to €31 million in the first quarter of 2019 after €44 million in the previous year. Earnings were primarily influenced by the decline in sales and by start-up costs and costs for the alignment of the product portfolio to the requirements of e-mobility.

At €252 million, the Hardparts division's sales were 0.9% lower year-on-year. Due in particular to lower earnings contributions from companies accounted at-equity, the operating earnings of the first three months of 2019 fell to €13 million after €18 million in the previous year.

In the Aftermarket division, sales fell by 7.6% year-on-year to €85 million in the first quarter of 2019. The division's operating earnings amounted to €7 million after €8 million in the same period of the previous year.

In a significantly declining market environment – light vehicle production in China fell by 12% compared to the same quarter of the previous year – the joint ventures in China, which are not included in the Automotive sector's sales figures, achieved growth on a par with the previous year at €219 million in the first quarter of 2019 (previous year at €218 million).

### **Defence: sales increase significantly – earnings already positive in first quarter**

The Defence sector made a successful start to the new fiscal year and increased its sales by 24% to €629 million after €509 million in the same quarter of the previous year.

Rheinmetall Defence's earnings also grew significantly, and the sector is reporting positive income in the first quarter for the first time in seven years. Operating earnings amounted to €9 million after €-13 million in the previous year. This industry is typically characterized by low sales and earnings figures at the start of the year.

In the first three months of 2019, Rheinmetall Defence posted orders worth €564 million, after €857 million in the first quarter of 2018. The decline is chiefly due to a high-volume ammunition order, which had an effect of €380 million in the same quarter of the previous year. The order backlog increased to €8,615 million after €6,740 million in the previous year.

The Weapon and Ammunition division posted sales of €177 million in the first quarter, €38 million or 27% higher than in the previous year. The previous year's loss of €-19 million was lowered by €8 million to €-11 million by the increased sales in particular.

Sales in the Electronic Solutions division of €168 million were €42 million or 33% higher than in the previous year, so the division achieved a clear improvement in operating earnings from €-1 million in the previous year to €10 million.

Sales in the Vehicle Systems division were increased by €32 million to €329 million due to higher deliveries. The higher truck deliveries compensate for lower sales with tactical vehicles. At €12 million (previous year: €11 million), operating earnings are up slightly on the previous year.

### **Outlook unchanged: Rheinmetall continues its growth trajectory**

Rheinmetall still anticipates another phase of organic growth for the Group in the current fiscal 2019. Starting from around €6.1 billion in fiscal 2018, Rheinmetall AG's annual sales are expected to grow organically and before currency effects by 4% to 6% in the current fiscal year. This sales growth will be supported by a dynamic performance in the Defence sector. Noticeable contributions to growth from the Automotive sector cannot be expected in fiscal 2019, on the other hand, on account of the general development of the market.

Sales performance in the Automotive sector will be strongly influenced by economic developments in the automotive markets of Europe, North and South America and Asia as well as by a noticeable market recovery that is expected in the second half of the year. Against the background of currently cautious market expectations in the automotive sector, Rheinmetall forecasts – in terms of the whole year – a rather stagnant to slightly positive sales performance overall, before currency effects, for the Automotive sector.

For the Defence sector, Rheinmetall expects sales growth of between 9% and 11% before currency effects in fiscal 2019, which is already assured thanks to relatively high coverage through the existing order backlog.

### **Further absolute improvement in earnings expected in fiscal 2019**

Based on the expected development of the market and the sales forecast derived from that, Rheinmetall expects an operating earnings margin of around 8% for the Automotive sector in fiscal 2019. Rheinmetall anticipates a further improvement in operating earnings in the Defence sector in 2019 and forecasts an operating earnings margin of between 8.0% and 8.5%.

Taking into account holding costs, the Rheinmetall Group's projected operating earnings margin comes to around 8%.

**Statements and forecasts referring to the future**

*This release contains statements referring to the future. These statements are based on the current estimates and forecasts of Rheinmetall AG and the information currently available to it. The statements referring to the future are not to be understood as guarantees of the future developments and results that they describe. These instead depend on a number of factors. They involve various risks and uncertainties and are based on assumptions that may prove to be inaccurate. Rheinmetall does not undertake a commitment to update statements referring to the future made in this release.*