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Rheinmetall Presents Quarterly Figures:

Sales growth and significant increase in consolidated result Forecast: 2015 sales to rise to over €5 billion

- Consolidated sales grow 11% to €3,582 million after three quarters
- Defence posts sales growth of 17% to €1,625 million, operating earnings improved by €73 million
- Automotive increases sales by 7% to €1,957 million and operating result by 18% to €164 million
- Significant rise in Group EBIT: growth of €117 million to €140 million
- Earnings per share improve from €-0.39 to €1.89

With good business performance in both corporate sectors and a significant rise in the consolidated result, Düsseldorf-based Rheinmetall AG is on the home stretch for a successful fiscal year 2015. Both sectors are generating sales growth and boast a strong upturn in earnings.

The successful business performance in the first three quarters has prompted the technology group to increase its annual forecast for 2015 slightly. Rheinmetall is now targeting consolidated sales of €5.1 billion (previous forecast: €5.0 billion) and an operating margin slightly above 5% (previously: around 5%).

Armin Papperger, CEO of Rheinmetall AG: “Rheinmetall is back on track and has put itself in a strong position with its deployment in numerous important markets. This is also demonstrated by the good development of sales and orders. Our products in the Defence sector serve the demand for equipment for armed forces that is rising again in many countries. In the Automotive sector, the issues of fuel and emissions reduction are still highly topical – and here, too, our pioneering technologies make us optimally poised to continue building on our market positions.”

In the first nine months of 2015, Rheinmetall generated consolidated sales of €3,582 million. Compared to the same period of the previous year, this is an increase in business volume of €367 million or 11%. Adjusted for currency effects, growth came to 9%.

Earnings before interest and taxes (EBIT) in the first nine months of 2015 improved considerably and climbed €117 million to €140 million (Q3 2014: €23 million). In the same period of the previous year, negative non-recurring effects (including for restructuring) of €16 million were incurred in the Defence sector.

The Group's operating result (EBIT before special items) increased in the same period from €39 million to €140 million. This corresponds to growth of €101 million.

This significant rise in earnings increased earnings per share from €-0.39 (2014) to €1.89 in the period under review.

The Rheinmetall Group's order backlog remained at a record level, and at €6,988 million on September 30, 2015, was €405 million higher than the corresponding figure of the previous year (€6,583 million).

The proportion of sales achieved abroad remained at a high level (74%). In addition to the German market (26%), the key regions in terms of sales volumes were Europe excluding Germany (36%), followed by Asia (21%) and North America (11%).

The financing of the Group's business activities is served by a new five-year syndicated loan of €500 million, which Rheinmetall agreed at attractive terms in September 2015. It replaces the former five-year syndicated loan and also offers two options for extension at one year each.

Defence: sales growth and recovery of operating earnings

The Defence sector generated sales of €1,625 million in the first nine months of 2015. This corresponds to growth of €241 million or 17% compared to the previous year's figure of €1,384 million. Adjusted for currency effects, the growth was 15%.

The sector's earnings before interest and taxes (EBIT) increased by €89 million year on year to €-11 million. The considerable sales increase in the Combat Systems division had a particularly positive effect on earnings development.

On the basis of the individual quarters of the current fiscal year, the Defence sector's earnings performance shows a positive trend. Operating earnings reached €16 million in the third quarter after €-28 million in the first three months and €1 million in the second quarter of 2015. Traditionally, major sales and earnings contributions are not generated in the Defence business until the fourth quarter.

The Defence sector posted a solid order intake of €1,774 million in the first nine months of 2015, exceeding the prior-year figure (€1,592 million). Key orders received in the third quarter of 2015 included protected and unprotected wheeled vehicles and air defence systems for countries in Asia, equipment for infantry in the MENA region and various ammunition orders.

The book-to-bill ratio remains higher than 1. The sector's order backlog as of September 30, 2015, amounted to €6,547 million, €382 million higher than the previous year.

Automotive: further sales growth and strong upturn in earnings

Rheinmetall Automotive achieved sales of €1,957 million in the first nine months of 2015. With growth of €126 million or 7% compared to the same period of the previous year, the sector again exceeded the global market growth of automotive production (light vehicles up to 3.5 tons) of 1%. When adjusted for currency effects, the growth in sales was 4%.

The growth in earnings was disproportionately high. In the first nine months of this year, Rheinmetall's Automotive sector generated a €25 million or 18% improvement in the operating result to €164 million. The operating earnings margin thus increased to 8.4%, following 7.6% in the same period of the previous year. In addition to the sales growth, this increase is above all attributable to improved operating performance. As in the previous year, no non-recurring effects materialized, so operating earnings (before special items) corresponded to EBIT.

The slower growth of the automotive industry in China resulted in somewhat muted sales performance at the Chinese joint venture companies, which are not included in the Automotive sector's sales figures. Nonetheless, they enjoyed growth of 27% (calculated on a 100% basis) in the first nine months of 2015, with sales amounting to €587 million as against €461 million in the previous year. Adjusted for currency effects, the joint ventures' sales growth was 7%, while Chinese automotive production grew by 3% in the first nine months.

The Chinese 100% subsidiaries of Rheinmetall Automotive are also growing. Their sales volume increased from €36 million (as of Q3 2014) to €64 million as of September 30, 2015.

To expand its position in China, the world's largest automotive market, Rheinmetall Automotive founded a joint venture with the Japanese Riken Corporation in September for the collaborative production of piston rings. It is based on Riken's pre-existing large production site in the Chinese province of Hubei, in which Rheinmetall Automotive now holds a 30% interest. Both companies, market leaders in the fields of piston and piston ring technology, have thus strengthened their pre-existing global cooperation.

As a respected supplier, Rheinmetall supports automotive manufacturers in meeting strict regulations regarding pollutant emissions. For example, Rheinmetall Automotive received two major orders for innovative components for reducing emissions just in September. The ordered products, which are worth a total of more than €300 million, are modules for reducing emissions for a large European automotive manufacturer and for a major American customer.

Forecast for 2015 as a whole

Sales – For 2015 as a whole, Rheinmetall now expects consolidated sales of approximately €5.1 billion and is therefore slightly increasing its forecast, which was already adjusted upward to €5.0 billion in August, again. The improvement is due to higher forecast sales in the Defence sector at present, which are now expected to amount to €2.5 billion compared to the €2.4 billion previously estimated.
For the Automotive sector, the forecast raised to €2.6 billion in August is confirmed.

Operating earnings and EBIT – For the Defence sector, Rheinmetall now expects a margin of slightly more than 3% based on operating earnings. Previously, a margin of 3% was forecast. For the Automotive sector, the margin target of 8% is still expected to be achieved. After taking account of holding costs of approximately €20 million, this results in a margin expectation for the Group of slightly above 5% for the current fiscal year. The Group forecast for the margin was previously around 5%.

The forecasts are based on the assumption of continued stable development of the global automotive industry and require the high sales expected in the Defence sector for the fourth quarter to be realized as envisaged.