

November 9, 2012

## **Rheinmetall: faring well in a difficult market environment – 2012 sales and earnings forecasts adjusted**

- **Consolidated sales up 5% to €3,275 million**
- **Automotive generates growth in sales and stable earnings**
- **Defence enjoys strong growth in orders (+21%)**
- **Consolidated earnings before interest and taxes (EBIT) of €177 million, after €203 million in the previous year**
- **Forecasts for fiscal 2012 adjusted**

The Rheinmetall Group fared well in an increasingly difficult market environment in the first nine months of 2012, and sales and incoming orders both increased against the strong period of the previous year. While the Automotive sector returned to the high level of earnings of the previous year, earnings in the Defence sector fell short of the figure for the first three quarters of 2011.

After the first nine months of 2012, Rheinmetall AG recorded consolidated sales of €3,275, which is a 5% increase (Q1-Q3 2011: €3,105 million). The share of consolidated sales generated outside Germany rose from 71% to 74% in the reporting period. In the first three quarters of 2012, incoming orders rose 10% to €3,394 million (Q1-Q3 2011: €3,090 million).

Earnings before interest and taxes (EBIT) after the first nine months are lower than the previous year's record figure of €203 million at €177 million. Consolidated earnings fell €11 million to €108 million. This means earnings per share exceed the prior-year figure of €3.04 at €3.06.

Klaus Eberhardt, CEO of Rheinmetall AG: "Despite the declining automotive industry in Western Europe and the cost-cutting measures in many western defence budgets, Rheinmetall has performed well, not least thanks to our consistent strategy of internationalization. The robust sales and order performance shows that Rheinmetall is in a strong position in the Automotive and Defence markets. We are combating the lower earnings in the Defence sector with measures to reduce costs and increase efficiency, in order to strengthen the profitability of the Defence sector again in a sustainable manner, even under the currently difficult market conditions."

## **Defence enjoys strong growth in orders and high order backlog**

In the first nine months of 2012, the Defence sector generated sales of €1,470 million. This is an increase of €100 million or 7% compared with the prior-year figure of €1,370 million. The growth resulted from companies included in consolidation for the first time, which increased sales by €183 million year-on-year. This primarily related to the first-time inclusion of the logistical vehicles from the Rheinmetall MAN Military Vehicles GmbH (RMMV) joint venture. Adjusted for changes in the consolidated group, Defence sales were €73 million or 5% lower than the prior-year figure.

The Defence sector generated significant growth in incoming orders: In the first three quarters of 2012, new orders increased by €275 million or 21% from the prior-year figure of €1,303 million to €1,578 million. On September 30, 2012, the order backlog was €4,528 million as against €4,746 on September 30 of the previous year, thus remaining at a high level. The 5% decline is primarily attributable to the reduction in production figures for the new Puma infantry fighting vehicle for the German armed forces, which was already accounted for in the order books at the end of 2011.

After the first three quarters of 2012, earnings before interest and taxes (EBIT) in the Defence sector were €79 million, down on the prior-year figure of €104 million. After adjustment for one-off effects and companies included in consolidation for the first time, EBIT in the first nine months of 2012 were €53 million after €93 million in the same period of the previous year; this decrease is attributable to declines in sales and to weaker margins in the former consolidated group. In the case of vehicle systems, Rheinmetall Defence responded quickly by introducing structural measures to adjust capacity and boost efficiency.

## **Automotive benefits from internationalization and product strategy**

In the first three quarters of 2012, the Automotive sector (KSPG) generated sales of €1,805 million, exceeding the previous year's figure by €70 million or 4%. On the one hand, the growth is the result of the high level of demand for products addressing the trend for reducing consumption and exhaust gases. On the other hand, the Automotive sector is also benefiting from its consistent internationalization strategy. In this respect, the sector continued on its growth path based on the high level of the previous year, even though automotive production declined by 3% in the German home market and 8% in Western Europe.

The Chinese joint ventures (50%/50% holdings), which are not included in the sales figures for the sector, enjoyed extremely robust sales growth of 36% in the first nine months of 2012, with sales amounting to €298 million as against €219 million in the previous year (data on the basis of 100%). This means that both joint ventures have continued to outperform automotive production in China, which grew by 9% on the same period of the previous year.

In the first nine months of 2012, the Automotive sector generated EBIT of €115 million, reaching the level of the previous year. These earnings absorbed one-off start-up costs in the truck business as well as project costs from the relocation of production units from Brazil and the USA to Mexico.

The margin in the Automotive Sector was 6.4% after 6.6% in the same period of the previous year.

## **2012 outlook: Rheinmetall adjusts sales and earnings forecasts**

In view of the generally difficult market environment in automotive and defence business, Rheinmetall is adjusting its previous sales and earnings forecasts.

Based on current expert estimates, which assume continued weak development for European automotive production in the fourth quarter of 2012, Rheinmetall is forecasting sales growth of around 3% to almost €2.4 billion and earnings before interest and taxes (EBIT) at the same level as the previous year (EBIT 2011: €151 million) for the Automotive sector in 2012. Previously, forecasts for the Automotive sector expected sales of just over €2.4 billion and slightly improved earnings year-on-year.

In fiscal 2012, Rheinmetall is forecasting sales of €2.4 billion in the Defence sector. The previous forecast predicted sales of €2.5 billion. The lowering of the sales forecast by around €100 million is primarily attributable to the market development in short-term business with logistical vehicles. The Defence sector's earnings performance in the first three quarters of 2012, which was weak compared with the previous year despite non-recurring income, will not be reversed even given a strong fourth quarter. For 2012 as a whole, therefore, earnings before interest and taxes (EBIT) between €170 million and €180 million are expected for the Defence sector. This earnings forecast considers all expenses for structural measures to adjust capacity and increase efficiency to be posted in the fourth quarter of 2012.

For the Rheinmetall Group, a new sales forecast of €4.8 billion and – including all holding company expenses – an earnings guidance (EBIT) of approximately €300 million for both sectors can be derived from these forecasts. Previous expectations anticipated consolidated sales of approximately €4.9 billion and EBIT around the same as the previous year, when record earnings of €354 million were generated.

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