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## **Rheinmetall: consolidated sales up 9 % - Automotive sector increases earnings significantly**

- Consolidated sales up 9 % to €3,215 million in the first nine months of 2014
- Defence posts sales growth of almost 10 % to €1,384 million
- Automotive increases sales to €1,831 million – operating result grows disproportionately to €139 million
- Group EBIT improves by €25 million to €23 million
- Annual forecast adjusted: Group operational earnings expected to total €150 million

The Düsseldorf-based Rheinmetall Group generated consolidated sales of €3,215 million in the first nine months of 2014, increasing its business volume by €259 million or 9 % year-on-year. Growth stood at 11 % after adjusting for currency effects.

The sales growth and the effects of the program to increase cost efficiency that was launched last year led to a significant improvement in profitability and results in the Automotive sector. In contrast, the operational earnings for the Defence sector fell year on year in the first nine months of 2014, due to internal and external negative effects. The total Group operational earnings (EBIT before special items) declined from €58 million in the first nine months of the previous year to €39 million in the same period of the current fiscal year.

Group earnings before interest and taxes (EBIT) rose from a loss of €-2 million in the first nine months of 2013 to €23 million in the first nine months of the current year, due to a significant reduction in special items (restructuring).

### **Defence sales up year-on-year – result negatively impacted by internal and external effects**

At €1,384 million, the Defence sector's sales rose by €121 million or 10 % in the first nine months of 2014, compared with €1,263 million in the previous year. Growth stood at 11% after adjusting for currency effects.

Defence recorded a solid order intake in the period under review, achieving a positive book-to-bill ratio of 1.2 once again. At €1,592 million, the order intake fell significantly short of the previous year's figure of €2,644 million. However, it must be borne in mind that the large orders in Qatar (€475 million) and Australia (around €1,100 million) were recorded in the previous year. At a value of €6,165 million as at September 30, 2014, the sector's order backlog was only slightly lower than the previous year's record level of €6,285 million.

The operational earnings (EBIT before special items) declined year-on-year, falling by €32 million to €-84 million. The improvement in earnings in the Wheeled Vehicles division did not offset the fall in earnings in the Electronic Solutions and Combat Systems divisions.

In the Electronic Solutions division, the withdrawal of the export license for the combat training center to be delivered to Russia, together with a decline in sales due to market forces and unexpected cost overruns for development projects at a Scandinavian subsidiary, had a negative impact on the operational earnings.

In the Combat Systems division, the general weakness of the market, combined with delays in the issuing of export licenses, particularly for ammunition and protection systems, led to unexpectedly large profit losses. Furthermore, provisions had to be made in the third quarter of 2014 for possible warranty claims arising from a deal involving naval gun systems.

EBIT amounted to €-100 million in the first nine months (previous year: €-90 million). Special items due to restructuring fell substantially from €38 million to €6 million, as expected. As well as restructuring costs, however, there was a one-off expense of €10 million for corporate transactions in connection with the final contractual step in the sale of the product unit airborne systems, which took place in 2012.

### **Automotive: sales growth and strong upturn in earnings**

The Automotive sector once again performed considerably better than the market, increasing sales by 8 % or €138 million to €1,831 million in the first nine months. Adjusted for currency effects, sales growth came to 11 %. Global production growth in the automotive industry amounted to around 4 % in the same period, while growth in the triad markets of Western Europe, NAFTA and Japan totaled approximately 5 %. In particular, Rheinmetall Automotive has benefited from the high demand for products to reduce fuel consumption and emissions on all key automotive markets, driven by legal requirements.

Compared with its sales growth, Rheinmetall Automotive has recorded disproportionately high growth in its operational earnings (EBIT before special items). In the first nine months of this year, Rheinmetall's Automotive sector generated a €25 million or 22 % improvement in the operational earnings to €139 million. The operational result margin therefore increased to 7.6 %, compared with 6.7 % in the previous year.

In addition to the sales growth and an improved operating performance, the increase in earnings is above all attributable to savings made as a result of last year's successful restructuring program.

The Chinese joint ventures, which are not included in the sales figures for the Automotive sector, enjoyed growth of 23 % (calculated on a 100 % basis) in the first nine months of 2014, with sales amounting to €461 million as against €374 million in the previous year. Chinese automotive production grew by 11 % in the first nine months of 2014 compared with the same period of the previous year.

**Rheinmetall adjusts Group forecasts for 2014:  
Automotive stronger, Defence weaker**

Rheinmetall AG is lowering its 2014 forecast for the Group operational earnings (EBIT before special items) to €150 million. The previous forecast for the Group operational earnings in the current fiscal year was between €200 million and €220 million. This adjustment is due to significantly lower earnings expectations for the Defence sector and a higher forecast for the Automotive sector.

The Automotive sector is now expected to achieve an operational earnings of €180 million for continuing operations in 2014, i.e. not including the Aluminium-Technologie business unit, which is to be incorporated into a joint venture. The previous forecast was between €155 million and €165 million. In its new forecast for the Automotive sector, Rheinmetall expects to generate annual sales of approximately €2.4 billion, at the upper end of the range of €2.3 billion to €2.4 billion that was previously forecast. The Automotive sector, which will therefore generate more than half of the Group's sales once again, is also growing faster than global automotive production in the current fiscal year. In addition the sector is benefiting from increasing profitability, thanks to the restructuring measures that were successfully implemented last year.

Rheinmetall has lowered its 2014 sales forecast for the Defence sector from €2.3 billion to around €2.2 billion, largely due to delays in export business and the general weakness of the market. With regard to the operational earnings in the Defence sector, Rheinmetall is now anticipating a slight loss of €-10 million before special items. The Group had previously forecast positive operational earnings of €65 million to €75 million for the Defence sector. About half of the adjustment to the earnings forecast is due to a drop in sales caused by a general slowdown in the markets and to export licenses that were not granted or were granted only after a delay. Unexpected cost overruns in development projects at a Scandinavian subsidiary, the provision for potential warranty claims from a deal with naval gun systems and a deterioration in the product mix were also factors in the adjustment of the operational earnings forecast for fiscal 2014.

In addition, Rheinmetall is currently expecting non-operational special items to amount to €20 million in 2014, having previously forecast negative special items of €10 million. As well as delayed costs from the previous year's restructuring program, these non-recurring effects include an expense for corporate transactions in connection with the sale of the product unit airborne systems in 2012. Not yet included are the potential negative financial effects expected as a result of administrative offense proceedings against a Rheinmetall subsidiary in Bremen.