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Rheinmetall starts new fiscal year with sales growth and high order intake

- Consolidated sales climb 12% to €1,080 million in the first quarter
- Defence sees a 62% increase in orders to €675 million
- Automotive achieves record sales of €666 million in the first quarter
- Operating improvement of €15 million results in break-even (EBIT)
- Forecast for 2014 as a whole confirmed

The Dusseldorf-based Rheinmetall Group started the 2014 fiscal year with sales growth and improved earnings. Both sectors contributed to the growth. The operating improvements, which were recorded by the Group's Automotive sector in particular, allowed Rheinmetall to break even (EBIT) again in the first quarter after a loss in the previous year.

Armin Papperger, CEO of Rheinmetall AG: "We are making good progress with the implementation of our strategy program 'Rheinmetall 2015', with which we intend to return to our earlier profitability. We are back on track for growth and are improving our earnings. With a record order backlog and promising market positions in numerous countries, we have good prospects for future success."

In the first quarter of 2014, Rheinmetall generated consolidated sales of €1,080 million; compared to the previous year, this is an increase in business volume of €115 million or 12%. The growth in new orders was even more pronounced: With a €343 million increase to €1,361 million, the order backlog reached a new high at nearly €6.7 billion at the end of the first quarter (previous year: €5.4 billion).

The sales growth and the first effects of the program to increase cost efficiency that was launched last year resulted in an improvement in the operating result. In the first quarter of 2014, the operating result (EBIT before special items) improved by €15 million year on year to a just positive €1 million. In the previous year, an operating loss of €14 million was generated after the first three months. In the first quarter of 2014, the Group broke even before interest and taxes (EBIT) after a loss of €-19 million in the same quarter of the previous year.

Defence: High order intake in difficult market environment

In a market environment characterized by stagnating or declining defence budgets in many western states, the Defence sector performed well once again. Rheinmetall

Defence increased its order intake by 62% to €675 million in the first quarter of 2014 (previous year: €416 million). The Defence sector's order backlog is therefore nearly 25% higher than in the previous year at a new record level of €6,224 million (previous year: €5,002 million).

At €414 million, the Defence sector's sales rose by €51 million or 14% on the €363 million of the previous year; however, they did not reach the figures of years prior to 2013 in the traditionally weak opening quarter for defence business.

The operating result (EBIT before special items) and EBIT improved only slightly by €1 million year on year. The operating result showed a loss of €-42 million after €-43 million in the previous year. EBIT after three months totaled €-43 million (previous year €-44 million).

This development is due to improvements in earnings in the Defence divisions Electronic Solutions and Wheeled Vehicles, but these improvements were nearly offset by a fall in earnings in the Combat Systems division, mainly because of the continuing weakness of the munitions business.

Automotive: Sales growth and strong upturn in earnings

In the first quarter of 2014, the Automotive sector benefited from a generally robust automotive industry with global production growth of 5% for passenger cars. Production figures also rose 7% year on year in Western Europe. Rheinmetall Automotive (KSPG) achieved sales of €666 million in the first quarter of 2014. With growth of €64 million or 11% compared to the same period of the previous year, the sector again exceeded the growth of the market.

The growth in earnings before interest and taxes (EBIT) was disproportionately high. In the first three months of this year, Rheinmetall's Automotive sector generated a €20 million or 74% improvement in EBIT to €47 million. The operating earnings margin was thus 7.1%, following 5.1% in the previous year. In addition to the sales growth and an improved operating performance, the increase in earnings is also attributable to initial savings made as a result of last year's restructuring program.

The Chinese joint ventures, which are not included in the figures for the Automotive sector, increased their sales by 24% to €150 million (calculated on a 100% basis) in the first three months of the year, while Chinese automotive production grew by 10%.

Expectations for 2014 as a whole unchanged

In light of the business development in the first quarter, Rheinmetall is not changing its forecast for 2014 as a whole: Consolidated sales are forecast at between €4.8 billion and €4.9 billion. €2.3 billion of this is expected in Defence, €2.5 billion to €2.6 billion in Automotive. Initial positive effects from the restructuring measures will affect the operating result (EBIT before special items): Overall, Rheinmetall expects an operating result of between €230 million and €250 million in the Group. €85 million to €95 million of this is attributable to Defence, €165 million to €175 million to Automotive. Subsequent expenses arising from non-recurring effects

and restructuring measures of €10 million are expected, meaning between €220 million and €240 million is forecast for the EBIT of the Group.

The forecasts are based on the assumption that the global automotive industry will continue developing stably and that all major projects in the Defence sector will be realized as planned.