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Rheinmetall: First Quarter with Growth in Sales and Earnings in Both Sectors

- Consolidated sales up 14% to €1,173 million in first quarter
- Defence posts sales growth of 23% to €509 million, operating earnings improved by €14 million
- Automotive increases sales to €664 million and operating earnings at an even faster rate to €55 million
- Group EBIT positive again: €23 million increase to €22 million
- Order backlog over €7 billion for the first time

The Düsseldorf-based Rheinmetall Group started the new fiscal year with substantial sales growth and increased earnings in both corporate sectors. Operating improvements have returned Rheinmetall to an overall positive result (EBIT) in the first quarter of 2015 – after a loss in the same period of the previous year. The order backlog also grew to more than €7 billion, reaching a new high.

The technology group confirms its 2015 forecast and continues to aim for consolidated sales between €4.8 billion and €5.0 billion and an operating margin of around 5%.

Armin Papperger, CEO of Rheinmetall AG: “Past efforts are now beginning to pay off. With an improvement in performance, our Defence sector is ideally positioned to return to profit. In Automotive, we are still on the road to success, having increased the margin to over 8%. However, we will not rest on our laurels. Instead, we will make every effort to continue building on our market positions around the world with our excellent product portfolio – in Automotive and in Defence.”

In the first quarter of 2015, Rheinmetall generated consolidated sales of €1,173 million. Compared to the same quarter of the previous year, this means business volume increased by €142 million or 14%.

In the first quarter of 2015, the operating result (EBIT before special items) increased by €22 million year on year to €22 million. This improvement is attributable to sales growth in both corporate sectors and to the program launched in 2013 to increase

cost efficiency in both sectors. Earnings before interest and taxes (EBIT) likewise amounted to €22 million after €-1 million in the previous year. In the first quarter of 2014, non-recurring effects (restructuring) of €1 million were still incurred in the Defence sector.

With growth of €436 million, the order backlog in the Rheinmetall Group was €7.1 billion at the end of the first quarter.

Defence: Sales Growth and Recovery of Operating Earnings

With a significant increase in sales and an improvement of – still negative – earnings (EBIT), Rheinmetall Defence has initiated a return to positive earnings figures in fiscal 2015.

The sector's sales amounted to €509 million in the first quarter of 2015. They were therefore €95 million or 23% higher than the previous year's figure of €414 million. Adjusted for currency effects, the growth was 20%.

Defence thus performed well in the traditionally rather weak first quarter, especially as the market environment in many Western nations is characterized by stagnating or declining defense budgets.

The operating result (EBIT before special items) improved by €14 million year on year to €-28 million (2014: €-42 million). In addition to the increase in sales in the Combat Systems division, the Wheeled Vehicles area also contributed to the improvement of earnings. As no non-recurring effects materialized in the reporting period, EBIT in the first quarter of 2015 also amounted to €-28 million (previous year: €-43 million).

The Defence sector posted a solid order intake of €542 million in the first quarter of 2015, which is less than the comparatively high prior-year figure of €675 million. The book-to-bill ratio continues to be positive. The sector's order backlog reached a new record value of €6,629 million (March 31, 2015).

Automotive: Sales Growth and Sharper Rise in Earnings

With 8% more sales and an even sharper increase in EBIT (+20%), the Automotive sector is profiting from its pioneering product portfolio, its positioning in the automotive industry's growth markets – especially China – and last but not least its improved operating performance.

Rheinmetall Automotive's sales increase is in stark contrast to the global automotive industry, which grew by 1.2% in the first quarter of 2015. China remained a growth driver with an 8.5% rise in production. Rheinmetall Automotive (KSPG) is now represented there with 12 locations. Western Europe (growth of +2.9%) and the NAFTA region (+2.3%) are also important sales markets for KSPG.

A strategic alliance that KSPG arranged with the Japanese Riken Corporation in April 2015 for global cooperation on the development and distribution of piston systems is targeting the global markets. By cooperating with Riken, KSPG is securing and strengthening its leading competitive and market positions with regard to piston modules in major automotive markets, such as China.

With their extensive expertise in pistons (KSPG) and piston rings (Riken), each partner is an ideal complement to the other. The partnership will be further supported by a piston ring joint venture in China, to be founded in the second half of 2015 and based at one of Riken's existing production sites in Wuhan, Hubei Province. Riken and KSPG have already been working together for years in cooperation with Shriram in India.

In the first quarter of 2015, Rheinmetall Automotive (KSPG) generated sales of €664 million, compared to €617 million in the previous year. When adjusted for currency effects, the growth in sales was 5%.

In the same period, EBIT improved by €9 million to €55 million. The operating earnings margin thus increased to 8.3%, following 7.5% in the previous year. The Chinese joint venture companies which are not included in the Automotive sector's sales figures increased their sales by 41% to €212 million in the first three months of the year (on a 100% basis).

Unchanged Expectations for 2015 as a Whole

Sales – For the current fiscal year, Rheinmetall continues to expect consolidated sales of between €4.8 billion and €5.0 billion. €2.3 to 2.4 billion is expected for the Defence sector and €2.5 to 2.6 billion for Automotive.

Operating earnings and EBIT – In the Defence sector, Rheinmetall expects a margin of 3% based on operating earnings. For the Automotive sector, the 2015 margin target is expected to be achieved with an operating margin of 8%. After taking account of holding costs, which are forecast at approximately €20 million, this results in a margin expectation for the current fiscal year of around 5%.

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