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Rheinmetall with sales growth and improved result in the first six months of 2014

- **Consolidated sales up 8% to €2,131 million in the first half of 2014**
- **Defence posts sales growth of 7% to €895 million**
- **Automotive with sharp increase in earnings to €93 million**
- **Group EBIT improves by €49 million to €30 million**
- **Forecast for full year 2014 updated**

The Düsseldorf-based Rheinmetall Group expanded its business volume with increased sales in the Automotive and Defence sectors in the first six months of 2014 and generated another positive result (EBIT). The operating improvement was driven by positive earnings development in the Automotive sector, whereas the Defence sector is still lagging behind due to factors including seasonal effects. The Aluminium-Technologie business unit is no longer included in the figures. As was recently announced, this is set to continue in the form of a joint venture with a long-standing Chinese partner. The previous period's figures have been adjusted accordingly.

In the first six months of 2014, Rheinmetall generated consolidated sales of €2,131 million; compared to the previous year, this is an increase in business volume of €156 million or 8%. After adjustment for negative currency effects, sales grew by 11%.

Around three quarters of sales (76%) were generated abroad. Here, the key regions in terms of sales were Europe excluding Germany (40%), Asia (17%) and North America (10%).

With most restructuring measures having been completed, leading to a significant reduction in special items, earnings before interest and taxes (EBIT) increased from €-19 million in the same period of the previous year to €30 million in the first six months of 2014, an improvement of €49 million.

The operating result (EBIT before special items) at Group level increased by €4 million year on year to €32 million. This positive earnings development is primarily due to sales growth.

Defence: Sales up on previous year

Sales development and the order situation in the Defence sector appear robust, despite a challenging market environment, whereas the income situation is still unsatisfactory.

At €895 million, Rheinmetall Defence's sales rose by €61 million or 7% in the first six months of 2014 compared to €834 million in the previous year. However, these additional sales were primarily generated in business areas with lower earnings contributions, whereas products with stronger earnings in the area of ammunition posted lower sales.

Consequently, the operating result (EBIT before special items) for the first six months of the year declined slightly year on year, falling by €4 million to €-52 million. However, when the first two quarters of fiscal 2014 are compared, this highlights a positive trend for operating earnings development: While Defence posted an operating result of €-42 million for the first three months of 2014, losses generated in the second quarter were limited to €-10 million.

After special items (restructuring) of €2 million, EBIT totaled €-54 million in the first six months of the year. EBIT in the same period of the previous year (€-74 million) still included special items in the amount of €26 million.

At €1,074 million, the order intake remains at a high level. Although the same figure for the previous year was €208 million higher (€1,282 million), this was dominated by a large order totaling €475 million.

The sector's order backlog increased once again. In a difficult market environment, Rheinmetall Defence had orders worth €6,174 million on its books as at June 30, 2014, a significant increase of €791 million compared to the previous year's figure of €5,383 million.

Automotive: Sales growth and strong upturn in earnings

In the first six months of 2014, the Automotive sector again posted sales development that clearly exceeded market growth and saw a strong upturn in earnings. As a result, Automotive is still the main driving force behind the Rheinmetall Group's positive financial performance for the time being, which is due to the sector's optimized cost structure and its consistent focus on positioning itself in international growth markets, in addition to growth.

Rheinmetall Automotive achieved sales of €1,236 million in the first six months of 2014. This equates to an increase of €95 million or almost 8% compared with the previous year. After adjustment for currency effects, sales grew by 12%. In the first six months of 2014, Rheinmetall Automotive benefited from the ongoing positive development of the automotive industry with global production growth of almost 4% for passenger cars. Production figures rose 5% year on year in the triad markets of NAFTA, Japan and Western Europe.

The Automotive sector posted a much stronger increase in the operating result (EBIT before special items) compared to sales growth. In the first six months of 2014, the Automotive sector generated a €17 million or 22% improvement in the operating result to €93 million. The operating result margin was thus 7.5%, following 6.7% in the same period of the previous year.

The Chinese joint ventures, which are not included in the sales figures for the Automotive sector, enjoyed growth of 22% (calculated on a 100% basis) in the first six months of 2014, with sales amounting to €300 million as against €246 million in the previous year. Chinese automotive production grew by 10% in the first half of 2014 compared with the same period of the previous year.

Rheinmetall updates outlook for 2014

Sales – Due to the contribution of the Aluminium-Technologie business unit to a joint venture with the Chinese company HUAYU Automotive Systems Co. Ltd (HASCO), sales of approximately €200 million which were included in the original sales forecast no longer apply to the Automotive sector or the Rheinmetall Group.

As a result, Rheinmetall now expects the Group to achieve sales of between €4.6 billion and €4.7 billion in the current fiscal year (previously: €4.8 billion to €4.9 billion) and the Automotive sector sales of between €2.3 billion and €2.4 billion (previously: €2.5 billion to €2.6 billion). The Defence sector is expected to achieve sales of around €2.3 billion over 2014 as a whole on the basis of the high order backlog, even in a difficult market environment.

Operating result – As a result of the planned joint venture with HASCO and the associated loss of sales from the Aluminium-Technologie business unit, Rheinmetall has also updated the forecast for the Automotive sector's operating result in fiscal 2014, lowering it by €10 million to between €155 million and €165 million. However, provided that the development of global automotive production proves just as robust up to the end of the year as it did in the first six months, the original forecast for the operating result of between €165 million and €175 million may still be achieved, despite reclassifying the Aluminium-Technologie business unit.

Due to the fact that the export license for the Mulino combat training center in Russia has been withdrawn owing to changes in the political environment, it is no longer possible to fulfill the respective contract from today's perspective. Rheinmetall already assumes that this will lead to financial burdens in the current fiscal year. The forecast for the Defence sector's operating result has therefore been adjusted from between €85 million and €95 million previously to between €65 million and €75 million. However, Rheinmetall is working hard to ensure that these burdens are kept as low as possible including the utilization of all available legal options.

Consequently, Rheinmetall expects the Group to achieve an operating result (EBIT) of between €200 million and €220 million in fiscal 2014 (previously: €230 million to €250 million).