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Growth in Sales and Earnings at Rheinmetall: Automotive Back on Growth Path, Defence Significantly Improved

- **Consolidated sales grow adjusted for currency effects 10 % to €2,599 million**
- **Operating earnings for the Group increase by €24 million (30 %) to €103 million**
- **Strong sales growth in Defence of 19 % to €1,250 million and positive operating earnings**
- **Automotive increases sales after good second quarter to €1,349 million, profitability with 8.3 % at persistently high level**
- **Order backlog in the Group reaches €7.3 billion**

The Düsseldorf-based Rheinmetall Group ended the first half of the year with substantial sales growth and a sharp rise in operating earnings. The upward trend is being driven by both sectors of the technology group. While Defence is seeing high growth both in sales and order intake, Automotive shows persistently high profitability and is now returning to its growth path with an increase in sales after a slightly weak first quarter.

The Düsseldorf-based technology group has confirmed its annual forecast for 2016 and continues to target consolidated sales of roughly €5.5 billion and an operating margin of around 6 % for the fiscal year.

Armin Papperger, CEO of Rheinmetall AG: "We are seeing profitable growth in both sectors. In Defence, with our broad technological portfolio, we are benefiting from growing global demand for defense products. This is evidenced by the amount of orders obtained recently: Our order backlog in Defence has never been higher. Automotive remains continuously highly profitable and more than compensated in the second quarter for the slight drop in sales at the start of the year. With our pioneering technologies and global positioning, we are confident of participating further in the growth of the major automotive markets."

In the first half of 2016, Rheinmetall generated consolidated sales of €2,599 million, an increase of €205 million or 9 % on the same period of the previous year. Adjusted for currency effects, the growth was 10 %, with the proportion of business activities abroad increasing to 78 % after 75 % in the first half of 2015.

Operating earnings for the Group (EBIT) grew at a higher rate of 30 % or by €24 million to €103 million.

The Rheinmetall Group's order backlog remains at a record level. Like three months ago, it was about €7.3 billion on June 30, 2016, which represents growth of €181 million on the comparative figure for the previous year.

Defence: Strong Order Intake and Significant Increase in Operating Earnings

The Defence sector posted a high order intake of €1,751 million in the first half of 2016, considerably exceeding the prior-year figure (H1/2015: €1,235 million) with growth of 42 %. The sector's order backlog reached a new record value of €6,905 million (June 30, 2016).

The largest single orders in the second quarter of 2016 were acquired by the Defence divisions Weapon and Ammunition and Electronic Solutions. For example, one international customer ordered munitions worth just over €400 million to be delivered until 2022. A major modernization order from the Swiss Armed Forces has a mid-eight-figure volume in euros and includes the modification of the Swiss Air Force's air defense systems until 2019.

At €1,250 million, the Defence sector's sales rose by €196 million or 19 % on the previous year's figure in the first half of the year. Operating earnings (EBIT) improved by €29 million year on year to €2 million and were therefore positive again in the first half of a year for the first time since 2012.

Automotive: Profitability with 8.3 % at high level

Rheinmetall Automotive generated sales of €1,349 million in the first half of 2016, an increase of 1 % from the previous year's figure. With operating earnings (EBIT) of €112 million and an EBIT margin of 8.3 %, the margin target of 8 % was exceeded.

In the market segment for light vehicles (vehicles up to six tons), Rheinmetall Automotive again outperformed the market with its positioning in the major global growth markets. While worldwide automotive production increased by 2.2 % in the first half of 2016, Rheinmetall posted sales growth of 3.3 % with light vehicle products for automotive manufacturers. The Aftermarket business grew by nearly 3 %. In contrast, the business with large-bore pistons, e.g. for ships and heavy-duty trucks, which was influenced by the oil price, shrank by around 8 %.

Joint Ventures with Chinese Partners Continue to Grow

The significant joint ventures, which are not included in the sales figures for the Automotive sector, increased their sales in the first half of 2016.

OUTLOOK

Sales Growth in Both Corporate Sectors

In 2016, Rheinmetall expects the growth to continue and sales to rise by more than 5 % to around €5.5 billion, compared with €5.2 billion in 2015. As in the previous year, this growth will be driven by both corporate sectors.

For the Defence sector, sales are expected to grow to around €2.8 billion after just under €2.6 billion in 2015, because the sales forecast for 2016 is very well covered by the current order backlog. The development of sales in the Automotive sector will be determined by cyclical factors. Experts from IHS currently expect global automotive production to rise by 3.2 % this year. In this context, Rheinmetall Automotive expects sales to grow to around €2.7 billion in 2016 as a whole.

Improved Earnings and Further Increase in Profitability at Defence

Rheinmetall anticipates further improvements in Group earnings in fiscal year 2016. In connection with the sales growth in 2016, profitability is expected to continue increasing in the Defence sector, with a forecasted return on sales of between 4.5 % and 5.0 % based on operating earnings before interest and taxes. Profitability is expected to remain stable at Rheinmetall Automotive in 2016, with the return expected to be about 8 %. Taking into account holding costs of around €20 million, this results in an expected return of about 6 % for the Rheinmetall Group.