press release

RHEINMETALL

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Rheinmetall's sales above €5 billion for the first time Outlook for 2016: sales growth and further improvement in earnings

Outlook for 2016

- Consolidated sales set to grow to €5.5 billion – with further improvement in operating margin to 6 %
- Automotive expects further sales growth and a margin of 8 %
- Defence anticipates organic growth and an improved margin of 4.5 % to 5 %

The 2015 fiscal year

- Consolidated sales grow by 11 %, surpassing €5 billion for the first time – earnings before interest and tax up significantly year-on-year, at €287 million
- Automotive posts record EBIT of €216 million
- Defence achieves turnaround and generates EBIT of €90 million
- Dividend proposed to rise to €1.10

The Düsseldorf-based Rheinmetall Group is anticipating further organic sales growth and an improvement in earnings in both its corporate sectors, Automotive and Defence, in fiscal 2016. Consolidated sales, which came to €5,183 million in 2015, surpassing the €5 billion mark for the first time, are expected to grow to around €5.5 billion in 2016. The Group's EBIT margin is set to rise to around 6 %, compared with 5.5 % in the previous year, thanks to a further improvement in profitability in Defence business.

Armin Papperger, CEO of Rheinmetall AG, says: "Rheinmetall remains on track for growth. After our sales significantly exceeded the €5 billion mark in 2015, we are aiming for €5.5 billion this year. We have also made it our goal to increase our margin further. Our earnings development thus also remains positive. As long as the automotive industry remains stable we will succeed in meeting our target. We are convinced of this. The macro-environment is improving on the Defence side, particularly on our domestic markets. The international conflict situation is leading many countries to spend more on their armed forces again."

Strong sales growth in 2015

The Rheinmetall Group achieved sales of €5,183 million in fiscal 2015, representing growth of 11 % compared with the previous year's figure of €4,688 million. After adjustment for currency effects, growth came to 8 %. Once again, both corporate sectors contributed to this growth.

Earnings before interest and taxes (EBIT) rose from €102 million in 2014 to €287 million in 2015. Unlike in the previous year, when negative non-recurring effects of €58 million in the Defence sector led to a reduction in EBIT, no such effects occurred in fiscal 2015, so that the operating result corresponded to reported EBIT.

The Group's net income for the last fiscal year came to €160 million, compared with €21 million in 2014. Taking into account earnings attributable to minority interests, this brings earnings per share to €3.88 (2014: €0.47).

The Executive and Supervisory Boards will therefore propose to the Annual General Meeting on May 10, 2016 to increase the dividend to €1.10 per share. A dividend of €0.30 per share was paid in the previous year.

Defence records substantial profits again and returns to profitable growth

The Defence sector achieved a turnaround in fiscal 2015 as planned, increasing its sales significantly. The sector recorded revenue of €2,591 million in the last fiscal year, corresponding to robust growth of 16 % (2014: €2,240 million).

The order situation in the Defence sector was again very pleasing last year. The order intake for 2015 totaled €2,693 million, only slightly below the previous year's figure (2014: €2,812 million) and exceeding annual sales. A book-to-bill ratio of over 1 was thus achieved again. The order backlog stood at €6,422 million at the end of 2015, remaining at the record level reached in the previous year (2014: €6,516 million). The high order backlog will secure a significant portion of the planned organic growth in the Defence sector for 2016 and subsequent years.

The Defence sector recorded significant growth in earnings before interest and taxes (EBIT). After a loss of €67 million in 2014, positive EBIT of €90 million was achieved in the last fiscal year. This improvement in earnings was essentially due to strong sales growth, the successful outcome of restructuring measures in the last years, and the discontinuation of negative non-recurring effects, which had reduced earnings in the Defence sector by €58 million in fiscal 2014.

Automotive achieves new records for sales and earnings

The Automotive sector benefited in fiscal 2015 from global demand and the trend towards environmentally friendly mobility, to which it has geared a large part of its product range for years. This means that the sometimes severe declines in automotive production in individual markets such as Brazil and Russia were more than offset overall. With sales growth of 6 % to €2,592 million (2014: €2,448 million), the sector once again grew more strongly than global automotive production, which increased by around 1 % in 2015.

The main driver of growth was the Mechatronics division, with sales growth of 10 %. Its products play an important part in meeting regulatory targets for the reduction of emissions and consumption. The Hardparts division recorded double-digit growth once again with its Chinese joint ventures. These companies, which were founded together with the partner SAIC, are China's largest manufacturer of passenger car pistons and cylinder heads.

The Chinese 50/50 joint ventures in the Automotive sector, whose sales are not consolidated at Rheinmetall, continued their successful development in fiscal 2015. Their revenue grew by 25 % to €785 million (2014: €628 million). After adjustment for currency effects, growth came to 7 %. The 100 % subsidiaries in China that are included in consolidation achieved even more dynamic growth. Their sales rose by 62 % (after adjustment for currency effects: 39 %) to €86 million in fiscal 2015 (2014: €53 million). Chinese automobile production grew by 4 % last year.

Earnings before interest and taxes (EBIT) totaled €216 million in the Automotive sector in fiscal 2015, an increase of €32 million or 17 % compared with the previous year. The EBIT margin thus increased to 8.3 %, after 7.5 % in 2014. The target margin of 8 % was therefore actually exceeded slightly.

Outlook for 2016

Sales growth set to continue in both corporate sectors

Rheinmetall expects the Group to continue growing during the current fiscal year. An increase in sales to around €5.5 billion is anticipated in 2016, compared with about €5.2 billion in 2015. As in previous years, this growth will be driven by both corporate sectors. This positive development will require the global automotive sector to remain stable and large projects in the Defence sector to be implemented according to schedule.

Based on the relatively high coverage of sales expectations for 2016 on the basis of the existing order backlog at the beginning of the year, including in a multi-year comparison, Rheinmetall forecasts sales growth to around €2.8 billion in the Defence sector, compared with just under €2.6 billion in 2015. On the basis of the experts' current forecast of growth of about 3 % in worldwide automotive production in the current year, Rheinmetall expects growth in the Automotive sector to be slightly above market growth and anticipates sales of €2.7 billion in fiscal 2016.

Improved earnings and further increase in profitability at Defence

Rheinmetall anticipates a further increase in earnings in fiscal 2016. Following a return to a positive result in the last fiscal year and in view of anticipated sales growth in 2016, a further improvement in profitability is expected in the Defence sector.

A sales margin of between 4.5 % and 5.0 % is forecast for the Defence sector in fiscal 2016, based on operating earnings before interest and tax (EBIT). Profitability is expected to remain stable in the Automotive sector in 2016, with the margin expected to be about 8 %. Taking into account holding costs of around €20 million, this results in an anticipated margin of about 6 % for the Rheinmetall Group.