

November 3, 2016

***Rheinmetall with Quarterly Figures:***

**Strong Growth in Sales and Earnings  
Forecast: 2016 Sales to Rise to €5.6 Billion**

- Consolidated sales rise 10% to €3,904 million adjusted for currency effects
- Operating earnings for the Group increase by 30% or €42 million to €182 million
- Strong sales growth in Defence of 18% to €1,912 million and considerably improved operating earnings of €32 million
- Automotive increases sales after good third quarter of 2016 to €1,992 million, operating margin at high level of 8.2%
- Order backlog remains over €7 billion

With substantial growth in sales and earnings, Düsseldorf-based Rheinmetall AG is on the home stretch for a successful fiscal year 2016. In the first nine months of the year, both sectors increased their business volume, with Defence growing particularly strongly in terms of sales and significantly increasing its earnings. Automotive is characterized by stable business development with continued high profitability.

The successful business performance in the first three quarters has prompted the technology group to adjust its annual forecast for 2016. Rheinmetall is now targeting consolidated sales of €5.6 billion (previous forecast: €5.5 billion) and an operating margin of around 6% (unchanged).

Armin Papperger, CEO of Rheinmetall AG, says:

“We are delighted with the persistently positive development in the Group. The strong growth shows that we are very well positioned in key markets as a global technology group. With our Defence sector, we are benefiting from many countries’ growing demand for security precaution solutions, both in civil and military areas. With our diverse product range, we are in the best position to build on our market positions and keep growing organically. In the Automotive sector, we are not only devoted to the highly topical issues of fuel and emissions reduction, but are also expanding our expertise to alternative drive technologies. In addition, we are benefiting from the growth in the key automotive markets around the world.”

In the first nine months of 2016, Rheinmetall generated consolidated sales of €3,904 million. Compared to the same period of the previous year, this is an increase in business volume of €322 million or 9%. Adjusted for currency effects, growth came to 10%.

Earnings before interest and taxes (EBIT) in the first nine months of 2016 increased by a substantial €42 million or 30% to €182 million. Earnings before taxes (EBT) increased from €96 million to €140 million (+46%). Consolidated earnings reached €99 million after €64 million in the same period of the previous year (+55%).

This increased earnings per share from €1.89 (2015) to €2.22 in the period under review.

The Rheinmetall Group's order backlog also increased, and at €7,359 million on September 30, 2016, was €371 million higher than the corresponding figure of the previous year (€6,988 million).

The proportion of sales achieved abroad remained at a high level (77%). In addition to the German market (23%), the key regions in terms of sales volumes were Europe excluding Germany (33%), followed by Asia (22%) and North and South America (13%).

### **Defence: Strong Growth in Sales, Earnings and Order Intake**

At €1,912 million, the Defence sector's sales rose significantly by €287 million or 18% in the first nine months of 2016 compared to €1,625 million in the previous year. Adjusted for currency effects, the growth was 20%.

The sector's earnings before interest and taxes (EBIT) improved by €43 million year on year to €32 million and were therefore positive in the first nine months of a year for the first time since 2012.

The considerable sales increase in the Weapon and Ammunition division, which generated sales growth of around 50% to €720 million, had a particularly positive effect on earnings development.

The Electronic Solutions division increased its sales only slightly from €488 million to €501 million. The Vehicle Systems division boasts substantial growth of 16%. Chiefly due to a truck order for Australia, sales increased from €787 million to €909 million in the first nine months of the year.

The Defence sector is also reporting substantial growth of around one third in order intake. In the first nine months of 2016, orders of €2,325 million were taken, equating to growth of 31% or €551 million compared to the previous year (€1,774 million).

The Vehicle Systems division registered the largest single order in the third quarter of 2016. A total of 88 GTK Boxer armored transport vehicles are to be delivered to the Lithuanian armed forces by an industrial cooperation. The share of the sales attributable to Rheinmetall from this order, which will be carried out from 2017 to 2021, comprises €166 million.

The book-to-bill ratio was 1.2. The sector's order backlog as of September 30, 2016, amounted to €6,891 million, €344 million higher than the corresponding figure for the previous year.

### **Automotive: Target Margin Exceeded at 8.2%**

Rheinmetall Automotive generated – driven by sales growth of 4% in the third quarter – sales of €1,992 million in the first nine months of 2016, an increase of 2% from the previous year's figure. With operating earnings (EBIT) of €163 million and an operating margin of 8.2%, the margin target of 8% was exceeded slightly.

The sales growth is driven by the Mechatronics and Aftermarket divisions. The Mechatronics division continued its growth course and increased its sales to €1,141 million (+5%).

The Aftermarket division also grew. It achieved sales of €225 million, equating to growth of 4%.

The current weakness in the market for large-bore pistons caused by decreases in demand, e.g. for heavy all-wheel drive commercial vehicles, and the continuing sharp decline in automotive production in Brazil led to a decline in sales in the Hardparts division to €699 million after €727 million in the previous year.

### **Joint Ventures with Chinese Partners Continue to Grow**

The joint venture companies in China not included in the Automotive sector's sales figures increased their sales by 6% from €587 million to €620 million in the first nine months of 2016.

The sales of the 100% subsidiaries in China grew by 16% to €74 million.

## **OUTLOOK**

### **Adjusted Sales Forecast for the Group**

For 2016 as a whole, Rheinmetall is adjusting the current sales forecast from €5.5 billion to €5.6 billion. This is due to higher forecast sales in the Defence sector at present, which are now expected to amount to €2.9 billion compared to the €2.8 billion previously estimated. For the Automotive sector, the sales forecast of around €2.7 billion for the year as a whole is confirmed.

### **Improvement in Earnings and Further Increase in Profitability at Defence**

Rheinmetall still anticipates further improvements in Group earnings in fiscal 2016. In connection with the sales growth in 2016, profitability is expected to continue increasing in the Defence sector, with a forecast 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.