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Interim report after nine months

Rheinmetall: Profitable growth with significant increase in earnings and margin

- Consolidated sales grow by around 6% to over €3.8 billion
- Operating result improves by 45% to €297 million
- Operating margin of 7.7% significantly exceeds previous year's level of 5.7%
- Continued high growth in orders
- Earnings per share from continuing operations double to €4.16
- Annual forecast for 2021 adjusted: Operating margin of around 10% with sales growth of around 6%

The Düsseldorf-based Rheinmetall AG is entering the home stretch of the current fiscal year with significant sales growth in civilian business and a considerably increased consolidated operating result. In its global business with civilian products, Rheinmetall's sales performance in the first three quarters significantly exceeded the global production increases in the automotive sector. At the same time, the technology group again recorded a high order intake from the military sector. The Group's profitability increased significantly with an operating margin of 7.7%.

Primarily due to the ongoing shortages of semiconductors and of certain raw materials, the Group anticipates slightly slower sales growth in its forecast for fiscal 2021 compared to its previous expectations. With regard to the operating margin, Rheinmetall now expects to achieve a figure at the upper end of the previously forecast range.

Armin Papperger, Chief Executive Officer of Rheinmetall AG, comments: "Rheinmetall remains on a profitable growth trajectory. We have set a new record high for the operating result after nine months. In civilian business, we managed to increase our sales significantly again. With an ever-growing share of sales in the field of alternative drive technologies, we are well on track to manage the transformation of the industry in our civilian business. And with regard to military products, we are benefiting from increasing budgets in several markets and persistently high demand for modern equipment for the armed forces. We have now expanded our very high order backlog to more than €14 billion with major new orders, thus reaching a completely new level for Rheinmetall."

Rheinmetall Group: Sales and operating result up year-on-year

Rheinmetall increased its consolidated sales by around 6% year-on-year to €3,841 million in the first three quarters of 2021, compared with €3,633 million in the same period of the previous year. This increase in sales was largely attributable to the economic recovery in the automotive industry, after sales in the comparative

▶ Key facts

- ▶ Consolidated sales increase by €208 million to €3,841 million
- ▶ New record: Consolidated operating result rises from €205 million to €297 million
- ▶ Operating margin grows from 5.7% to 7.7%
- ▶ Earnings per share increase from €2.08 to €4.16
- ▶ Forecast for 2021 modified slightly

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prior-year period had been impacted by the cyclical weaker development of the automotive markets and by the pandemic-related declines in global automotive manufacturing.

The Rheinmetall Group's operating result increased significantly in the first three quarters of 2021. The Group generated an operating result of €297 million, thus exceeding the previous year's figure (€205 million) by around €91 million. In addition to the positive sales performance, this improvement was particularly due to cost reduction measures that the company management had initiated back in 2020 in response to the negative effects of the coronavirus pandemic. The operating margin also developed positively, rising from 5.7% in the comparative period of the previous year to 7.7% in the first three quarters of 2021.

Earnings per share from continuing operations doubled year-on-year from €2.08 to €4.16 in the first nine months of fiscal 2021.

Vehicle Systems: New orders worth almost €2.5 billion gained

At €1,304 million, sales in the Vehicle Systems division, which operates in the sector of military wheeled and tracked vehicles, were down around 3% in the first three quarters of 2021 compared to the previous year's figure (€1,339 million). This was particularly due to the expiration of two major projects. By contrast, the order intake increased significantly by €1,728 million to €2,456 million compared to the same period of the previous year (€728 million). Major incoming orders included the commission to modernize Challenger main battle tanks in the UK and orders from the German Bundeswehr to deliver Kodiak armored engineering vehicles and upgrade the Puma infantry fighting vehicle.

Due to the decline in sales, the operating result for the nine-month period was down slightly on the previous year's figure (€122 million) at around €104 million. The operating margin was 8.0% after 9.1% in the same period of the previous year.

Weapon and Ammunition: Strong increase in operating margin

The Weapon and Ammunition division generated sales of €700 million with its weapon system and ammunition activities in the first three quarters of 2021, up around 4% on the previous year's figure of €670 million. The order intake amounted to €752 million and thus fell short of the previous year's high figure (€867 million). In the previous year, the development of the order intake had been positively influenced by a large single order of €80 million for the delivery of artillery propellants to an international customer and by higher orders from German and British customers.

The continued high sales level and a good product mix led to a significant improvement in the result in the Weapon and Ammunition division. The operating result grew by €43 million to €73 million (previous year: €30 million). As a result, the operating margin improved to 10.4%, compared to 4.4% in the same period of the previous year.

Electronic Solutions: Order intake increased by over 20%

With sales of €558 million, the Electronic Solutions division, which develops and produces solutions in the field of defence electronics, was down around 8% compared to the figure of €604 million achieved in the same period of the previous year. By contrast, the division significantly increased its order intake by 22% to €695 million in the first nine months (previous year: €569 million). Major new orders related to the upgrade program for the German armed forces' Puma infantry fighting vehicle and an air defence project for an international customer.

In the first three quarters of 2021, the operating result declined to €48 million after €53 million in the same period of the previous year. At 8.6%, the operating margin remained at the previous year's good level (8.8%).

Sensors and Actuators: Significant increase in sales and operating result

The Sensors and Actuators division, which does business with its components and control systems for reducing emissions and for thermal management, increased its sales significantly by around 20% to €1,007 million in the first three quarters of 2021, after €838 million in the same period of the previous year. The division thus significantly outstripped the development of production figures in the global automotive industry, where the increase for light vehicles up to 6 tons came to around 10%. However, the previous year was impacted by the sometimes significant production restrictions in the automotive industry, particularly during the first phase of the coronavirus pandemic. In the current year, the reduced availability of semiconductors, which meant that several automotive manufacturers could only produce considerably fewer vehicles than originally planned, prevented more significant sales growth in the Sensors and Actuators division.

Booked business for the first nine months of fiscal 2021 amounted to €1,480 million, representing an increase of around 13% on the previous year's level (€1,309 million). 56% of this was attributable to new business, while 44% related to extensions and increases in the volume of existing customer projects. The percentage of booked business with alternative drive technologies increased year-on-year from 16% to 31%.

In the first three quarters, the division increased its operating result by around €69 million year-on-year from €6 million to €74 million. This increase was attributable firstly to the growth in sales and secondly to the measures introduced to reduce costs sustainably in the wake of the coronavirus pandemic. As expected, the operating margin therefore recovered to around 7.4%, after 0.7% in the comparative period of the previous year.

Materials and Trade: Operating result more than doubled

The Materials and Trade division, which supplies plain bearings and structural components and conducts global aftermarket business, also significantly increased its business volume in the first three quarters of 2021. Sales amounted to €485 million, significantly exceeding the previous year's figure of €387 million with growth of around 25%.

This sales growth mainly resulted from increased production in the international automotive industry as compared to the previous year, which had been impacted by pandemic-related plant closures and production cuts. In the first nine months of fiscal 2021, the division generated booked business of €515 million. This represents an increase of around 25% compared to the same period of the previous year (€412 million).

The operating result in the Materials and Trade division more than doubled year-on-year from €18 million to €38 million in the first three quarters of 2021. In particular, the sales increases combined with continued strict cost management contributed to this good development of the earnings situation. The operating margin rose from 4.7% in the previous year to 7.9% after the first nine months of 2021.

Outlook: Forecasts for sales and operating margin modified slightly

Chiefly due to the still limited availability of raw materials and semiconductor components, which has led to lower delivery call-offs by major customers, Rheinmetall is forecasting slightly lower sales growth of around 6% for fiscal 2021, measured against the pro forma sales of €5,406 million in 2020. The original forecast anticipated sales growth between 7% and 9%.

With regard to the earnings performance in fiscal 2021, Rheinmetall expects to reach the upper end of the original forecast for the operating margin of 9% to 10% as a result of strict cost management and further savings in the context of the Group restructuring. Rheinmetall now anticipates an operating margin of around 10%.

Forward-looking statements and projections

This publication includes forward-looking statements. These statements are based on Rheinmetall AG's current estimates and projections and information available at this stage. Forward-looking statements are not a guarantee of future performance. They depend on a number of factors, include various risks and uncertainties and are based on assumptions that may prove to be incorrect. Rheinmetall is under no obligation to update the forward-looking statements in this publication.