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Rheinmetall in the first quarter of 2020:

Strong performance at Defence sees Rheinmetall through coronavirus crisis

- **Consolidated sales** increase by 1.1% to €1,358 million during the first quarter
- Coronavirus crisis reduces **consolidated operating earnings** from €54 million to €34 million
- **Automotive:** Crisis-related decline in sales of around 14% to €618 million. Operating earnings shrink from €49 million to €10 million
- Significant growth in **Defence:** Sales increase by 18% to €740 million. Operating earnings more than triple year-on-year to €29 million
- **Order backlog** increases by 13% to €10.3 billion
- **Forecast** for fiscal 2020 confirmed with regard to the Defence sector; a forecast for Automotive is currently impossible

In the first quarter of fiscal 2020, Rheinmetall AG in Düsseldorf succeeded in further increasing consolidated sales overall and partially heading off crisis-related adverse performance in the Automotive sector as well as on the earnings side. The Defence sector, which recorded significant growth in sales and earnings, played a decisive role in this development. The figures for the Automotive sector, on the other hand, are already showing the effects of the coronavirus crisis, which has engulfed the global automotive industry, particularly towards the end of the first quarter, and has triggered substantial decreases in production worldwide.

The technology group confirms its 2020 forecast from March of this year for the expected business performance of the Defence sector. A forecast for the Automotive sector is currently impossible due to persistent uncertainties in regard to the future development of demand and production in the automotive industry.

“Rheinmetall is fighting against the coronavirus crisis with all of our strength – and not only at the business level,” says Armin Papperger, CEO of Rheinmetall AG. “We are aware of our responsibility in this context, both for protecting the health of our 30,000 employees worldwide as well as for society as a whole. As such, it is currently a key priority of ours to help those who help us: This includes measures such as procuring protective equipment from China in large quantities, manufacturing components for medical devices, and supplying disinfectants and other urgently needed goods. We are dedicating all available resources towards dealing with this crisis, and hope to serve as a capable and reliable partner with respect to government health and crisis response measures so that we can overcome the situation together.”

Armin Papperger: “Our Defence sector has proven robust and resilient under these challenging macroeconomic circumstances and will help us to soften the

► Key facts

- ▷ Consolidated sales increase to €1,358 million
- ▷ Automotive: Positive operating earnings of €10 million despite decrease in sales due to coronavirus
- ▷ Defence triples operating earnings to €29 million
- ▷ Forecast for Defence confirmed

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impact of the crisis at the Group level. This is currently expected to remain the case over the further course of the year, too. We had a successful start to the fiscal year in Defence and profitably expanded the business volume during the first quarter. Like all other automotive suppliers, we have had to significantly limit our production in the Automotive sector. This will have a considerable negative impact on us in the second quarter in particular. However, in light of the market recovery beginning to take effect in China and the resumption of production by our international customers, we are confident that we will be able to ramp up manufacturing further at a number of our Automotive sites in the second quarter.”

Rheinmetall provides assistance in the battle against coronavirus

In the context of the current virus-related threat situation, the technology group is making substantial contributions towards resolving the urgent shortage of protective equipment for medical and nursing personnel. Rheinmetall has already procured a million respiratory masks from China and had them delivered to Germany. The Group has now concluded an exclusive framework agreement with the Procurement Office of the Bundeswehr that encompasses the supply of large quantities of medical protective equipment in the coming months. This includes 20 million respiratory masks of various types and protective suits, goggles and gloves in comparably large quantities.

A Rheinmetall site in South Africa is producing disinfectants, including for the German market. Roughly half a million liters of disinfectant will soon be delivered to Germany for use by the medical sector, with up to another million liters then to follow at a later date.

A major priority of the company's management during the coronavirus situation is the protection of the employees of both sectors at the Group's roughly 130 sites worldwide. Comprehensive measures have been adopted in order to minimize the risk of infection for employees and to ensure the highest possible level of safety in operational processes.

Shortfalls in orders from customers in the Automotive sector will be addressed with a variety of measures for reducing production which will be adjusted according to the respective situations of the different Automotive sites. Consistent efforts are being made to ensure that the plants' supply chain remains functional as far possible. At the same time, all necessary preparations have been made at Automotive for a controlled restart of the plants which were required to suspend production by government order.

Rheinmetall AG: Slight increase in sales; order backlog of more than €10 billion

Rheinmetall AG is reporting consolidated sales of €1,358 million for the first quarter of 2020, after €1,342 million in the same quarter of the previous year. This represents growth of €15 million or 1.1%.

The order backlog for the Group remains at a high level. As of the end of the quarter (March 31, 2020), it amounts to €10.3 billion after €9.1 billion in the previous year, equating to growth of 13%.

Operating earnings amounted to €34 million during the reporting period, after €54 million in the first quarter of the previous year. This decrease was entirely due to the Automotive sector, which posted a decline in operating earnings of €-39 million. By contrast, the Defence sector increased its operating earnings by €20 million to €29 million. The operating earnings margin decreased accordingly from 4.0% in the previous year to 2.5% in the first quarter of 2020.

Automotive hampered by coronavirus – positive operating earnings despite substantial decline in sales

In the first quarter of 2020, Rheinmetall Automotive did not escape the downward trend on the global automotive markets and the effects of the coronavirus crisis, and reported decreased sales of €618 million for the first quarter of 2020 after €714 million in the same period of the previous year.

This represents a decrease of €96 million or 13.5%. In comparison, the number of vehicles under 6 t produced worldwide outside of China decreased by 14.7% year-on-year. Calculated including the Chinese market, global automotive production decreased during the first quarter of 2020 by as much as 23% year-on-year.

Despite these industry-wide difficulties, Rheinmetall Automotive can report positive earnings for the first quarter of 2020. Operating earnings amounted to €10 million after €49 million in the same period of the previous year. The operating earnings margin of the sector therefore decreased to 1.7% (previous year: 6.9%).

The Mechatronics division is reporting a sales decline of 13% to €348 million in the first quarter of 2020. Operating earnings amounted to €9 million in the first quarter of 2020 after €31 million in the previous year.

At €210 million, the Hardparts division's sales were down in the first quarter of 2020, falling by 16% year-on-year. The operating earnings for the first three months of 2020 decreased from €13 million in the previous year to €-3 million.

In the Aftermarket division, sales for the first quarter of 2020 remained stable at the same level as the previous year. The sales volume generated by the division of €83 million stands only €2 million below the previous year's figure of €85 million. The decrease amounts to 2.4%. The division's operating earnings amounted to €4 million (Q1 2019: €8 million).

The joint ventures in China, which are not included in the Automotive sector's sales figures, were affected by the coronavirus crisis at an earlier point in the quarter and are reporting significant production downtime following government-ordered closures (which have now been lifted). These companies generated sales of only €144 million in the first quarter. This corresponds to a decrease by 34% relative to the figure for the same period of the previous year of €219 million. In comparison, light vehicle production in China decreased by 47% during the same period relative to the same quarter of the previous year. Production at the Chinese joint venture has now almost returned to the level from before the outbreak of the coronavirus crisis.

Defence: Substantial increase in sales – earnings tripled and order intake up by almost one third

The Defence sector has been largely unaffected by the coronavirus, and has had a successful start to the new fiscal year. The sector strongly increased its sales, with growth of about 18% to €740 million following €629 million in the corresponding quarter of the previous year.

The operating earnings of Rheinmetall Defence more than tripled relative to the figure for the same quarter of the previous year, climbing from €9 million to €29 million. The sector's operating margin climbed from 1.4% (Q1 2019) to 3.9% in the first three months.

Order intake also registered significant growth with an increase of 30%. In the first three months of 2020, Rheinmetall Defence posted orders of €731 million, after €564 million in the first quarter of 2019. The order backlog totaled €10,034 million, 16% higher than the previous year's figure (€8,615 million).

The Weapon and Ammunition division generated sales of €167 million in the first quarter, €38 million or 6% below the figure for the previous year. This decrease in sales is a result of outstanding and pending export licenses, mainly for foreign subsidiaries. In terms of earnings, this led to a decrease in operating earnings of €-11 million to €-16 million.

With sales of €174 million, the Electronic Solutions division registered an increase of €7 million or 4% year-on-year. At €11 million (previous year: €10 million), operating earnings were improved slightly.

Sales in the Vehicle Systems division increased by roughly one third to €446 million due to higher deliveries in the area of tactical and logistical vehicles. This corresponds to growth of €117 million or

36%. At the same time, the division tripled its earnings from €12 million in the same quarter of the previous year to €36 million in the first quarter of 2020 thanks to successful project progress and high-margin products.

Outlook for 2020: Defence forecast confirmed, forecast for Automotive not yet possible at present

Rheinmetall does not currently expect the COVID-19 crisis to have any lasting impact on the Defence sector's business performance in the current year. For this reason, it is confirming the annual forecast for the Defence sector published in mid-March 2020, which anticipates sales growth of between 5% and 7% for 2020 as a whole. The Defence sector's operating margin is expected to come to between 9% and 10%.

In the Automotive sector, the potential effects of the COVID-19 crisis on end-customer demand, automotive manufacturers' production figures and global supply chains cannot be reliably forecast at present. An adjusted outlook for the Automotive sector for 2020 as a whole that reflects the changed market situation therefore is not yet possible under the circumstances due to the high level of uncertainty.

Rheinmetall expects that sales and operating earnings in the Automotive sector and the Group will be significantly lower than in previous forecasts, which did not yet account for the effects of the coronavirus crisis.

Statements and forecasts referring to the future

This release contains statements referring to the future. These statements are based on the current estimates and forecasts of Rheinmetall AG and the information currently available to it. The statements referring to the future are not to be understood as guarantees of the future developments and results that they describe. These instead depend on a number of factors. They involve various risks and uncertainties and are based on assumptions that may prove to be inaccurate. Rheinmetall does not undertake a commitment to update statements referring to the future made in this release.