PRESS RELEASE

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Rheinmetall achieves success in crisis year 2020: Defence secures high sales and earnings level – Automotive makes positive contribution to operating result

Fiscal 2020

- Consolidated sales down 6% to €5,875 million in the year of coronavirus
- Consolidated operating result reaches €426 million
- High operating free cash flow of €217 million
- Defence: Operating result improves by 21% to €414 million, operating margin increases to 11.1%
- Positive despite crisis: Automotive generates operating result of €33 million
- Group's order intake rises by 8% to €8.5 billion; order backlog reaches record figure of €13.4 billion
- Group's operating margin comes to 7.3%, after 8.1% in the previous year
- Proposed dividend of €2.00 per share

Outlook for 2021 foresees sales growth and improved margins

- Rheinmetall expects sales and earnings growth in 2021
- Consolidated sales to grow by between 7% and 9%
- Group's operating margin expected to be between 8% and 9%

New medium-term targets for 2025:

- Consolidated sales in the core business to increase to around €8.5 billion by 2025
- Anticipated medium-term operating margin of at least 10%

Rheinmetall AG, Düsseldorf, closed fiscal 2020 with the third-best operating result of the company's recent history. Despite the critical strain on the business with automotive products, the Group successfully offset the losses from the first half of 2020 in the Automotive sector and generated a positive operating result in 2020 as a whole. In conjunction with the successful business performance in the Defence sector, the Group's consolidated operating result in 2020 came to €426 million. Given the Group's robust financial position and results of operations, Rheinmetall AG intends to pay the shareholders a dividend of €2.00 per share for the past fiscal year.

Armin Papperger, CEO of Rheinmetall AG: "We are proud that we coped so successfully with the coronavirus crisis in 2020, which was our third-best year in terms of our operating result. Our liquidity did not suffer. On the contrary, we are reporting strong cash flow of over €200 million. This means that we are able to

Key facts

- Consolidated sales reach €5,875 million
- Consolidated operating result of €426 million
- Operating free cash flow of €217 million
- Record order backlog of €13.4 billion
- Proposed dividend of €2.00
- Sales and earnings growth forecast for 2021
- New medium-term targets set for 2025

Contact

Dr. Philipp von Brandenstein
Head of Corporate Communications
Rheinmetall AG
Tel.: +49 (0)211 473 4320
philipp.vonbrandenstein@rheinmetall.com

Social media

@Rheinmetallag
@Rheinmetallag

propose a dividend of €2.00 to the Annual General Meeting. And with regard to our markets, we acquired many important orders and increased our order backlog to a record figure of over €13 billion. On top of this come our framework agreements for military trucks and ammunition worth more than €3.5 billion."

"Our successes in the past fiscal year make us extra motivated to usher in a new important chapter in the company's history in 2021. We are ending the current partition into the Automotive and Defence sectors and placing the Group's five divisions under the direct leadership of the Group's Executive Board. By repositioning as an integrated technology group, we also intend in particular to promote technology sharing among the divisions. At the same time, we will practice active portfolio management and concentrate on the business areas with sustainable and value-enhancing potential for growth and earnings. Security technology and electromobility will be of central importance here."

Group proves resilient in the crisis: Sales and operating result remain at a high level – order backlog reaches a new high at over €13 billion

In fiscal 2020, which was strongly impacted by the global coronavirus crisis, the Rheinmetall Group generated consolidated sales of €5,875 million. This meant that sales were down by €380 million or 6% on the previous year; the sales decline adjusted for currency and M&A effects was 5.5%.

That said, fiscal 2020 was characterized by the contrary development of sales in the Automotive and Defence sectors. While the Defence sector increased its sales once again, Automotive's sales performance was influenced by negative development in the global automotive industry, where production and sales figures in 2020 fell well short of previous years.

At 66%, the international share of consolidated sales in the year under review was lower than the previous year's figure of 69%.

On December 31, 2020, the order backlog in the Rheinmetall Group was €13.4 billion, a new high. This represents an increase on the figure at the end of the previous year (€10.8 billion on December 31, 2019) of around €2.5 billion or 23%.

In fiscal 2020, the Rheinmetall Group achieved a consolidated operating result (EBIT before special items) of €426 million, which was €79 million lower than the corresponding previous year result (€505 million). The Group's operating margin was 7.3%, which was slightly lower than the previous year's figure of 8.1%.

The operating result in fiscal 2020 was adjusted for special items totaling €337 million. These special items mainly related to the non-cash impairment of €300 million that was incurred in the Automotive sector as a result of the lower growth momentum in international automotive manufacturing that became apparent in the medium term. The special items also included provisions of €40 million for restructuring measures in the Automotive sector. Positive special items of €3 million were recognized in the Defence sector, which were due to restructuring measures (€-7 million) and a subsequent purchase price adjustment in connection with the sale of a product area in fiscal 2012 (€10 million). Taking into account all special items, EBIT in the Rheinmetall Group was €89 million, down €422 million on the previous year's figure of €512 million.

Earnings after taxes of €1 million were €353 million lower than the previous year's figure of €354 million. After deduction of earnings attributable to non-controlling interests of €27 million (previous year: €19 million), earnings attributable to shareholders of Rheinmetall AG were €-27 million, compared with €335 million in the previous year. This results in earnings per share of €-0.62, compared with €7.77 in the previous year. In fiscal year 2020, earnings per share adjusted for special items amounted to €5.88. On this basis, a dividend payment for fiscal 2020 of €2.00 per share will be proposed to the Annual General meeting, compared with €2.40 in the previous year. This equates to a payout ratio of 34% of adjusted earnings per share (previous year: 31%).

The operating free cash flow generated in the Rheinmetall Group in fiscal 2020 amounted to €217 million or 3.7% of sales. It was therefore at the upper end of the target range of 2% to 4% of sales.

Defence: Operating result increases by 21% to €414 million,
operating margin rises to a good 11%

In 2020, the business performance with Defence products was again characterized by the high worldwide demand in the military sector and by Rheinmetall's successful positioning in major markets around the globe.

The Defence sector generated sales of €3,723 million in fiscal 2020, exceeding the previous year's figure by €201 million or around 6%. Taking into account exchange rate changes and M&A activities, organic growth was approximately 5%.

The increase in sales was achieved through, among other factors, the higher supply volumes of Boxer vehicles to the Australian armed forces and the shipment of logistic vehicles (trucks) to the German armed forces. The Vehicle Systems division increased its sales by 2% to €1,823 million in fiscal 2020. In the Weapon and Ammunition division, growth in export business and the supply of medical protective equipment led to a sales increase of around 17% to €1,196 million. The Electronic Solutions division, on the other hand, suffered a slight dip in sales of nearly 2% to €931 million.

Rheinmetall Defence acquired orders of €6,387 million in the period under review, after €5,186 million in the previous year. This represents an increase of €1,201 million, or 23%. The Hungarian armed forces' order for over 200 units of the newly developed Lynx infantry fighting vehicle amounted to over €2 billion and was thus the largest single order on the books. Further orders were also acquired for military logistic vehicles for the German armed forces with a total value of €865 million, including special swap body trucks for nearly €300 million and other logistic vehicles worth over €450 million.

The Defence sector's overall book-to-bill ratio was 1.7 in 2020 (previous year: 1.5). Each Defence division had a book-to-bill ratio of more than 1, which underscores their future growth potential.

As of December 31, 2020, the order backlog was €12.9 billion. Compared with the figure of €10.4 billion at the end of the previous year, this represents an increase of €2.5 billion or 24%.

The operating result (EBIT before special items) amounted to €414 million in fiscal 2020, after the previous year's figure of €343 million. This means that earnings improved by 21%, particularly due to the positive development in the Weapon and Ammunition (+50%) and Electronic Solutions (+23%) divisions, while the Vehicle Systems division's operating result was at the same high level as in the previous year.

The operating margin in the Defence business therefore increased from 9.8% in the previous year to 11.1% in the period under review.

Automotive: Positive operating result – upward trend in the second half of 2020

In the Automotive sector, the negative impact of the coronavirus crisis left its mark in all relevant markets. The first half of 2020 was particularly affected, with a sharp drop in sales of -34% as a result of the extensive production shutdowns in automotive plants outside China during the second quarter. This was followed by improved business performance in the second half of the year with the gradual restart of global vehicle production. However, the sector's sales for 2020 as a whole declined by 21% or €585 million to €2,151 million. Adjusted for currency effects, the decline in sales was 19%. According to the latest market data, global automotive production shrank by over 16% in the same period.

In fiscal 2020, the Mechatronics division's sales fell by 21% to €1,202 million, with the greatest decline in sales with customers in Europe. Sales in the Hardparts division came to €688 million and were thus 27% lower than in the previous year. For small-bore pistons, this sales decline was chiefly attributable to the performance of the markets in Europe and North America, whereas large-bore pistons suffered in general from the global weakness in this market segment. In contrast, sales in the Aftermarket division proved largely stable during the crisis and fell by only 4% to €345 million.

The joint ventures operated with Chinese partners in China and Germany are accounted for using the equity method and are therefore not included in consolidated sales. The sales of these companies totaled €1,129 million in 2020, which corresponds to a decline of 11% year-on-year, or 9% after adjustment for currency effects.

The operating result of Rheinmetall Automotive (EBIT before special items) was €33 million in the year under review, after €184 million in the previous year. Despite the substantial declines in sales, the Automotive sector managed to generate a positive operating result. This is thanks primarily to strict cost management and an extensive production adjustment program introduced immediately in the early phase of the pandemic. The operating margin in fiscal 2020 decreased to 1.5%, compared with 6.7% in the previous year.

Rheinmetall Group forecast for 2021 and new medium-term targets foresee sales growth and improved margins

In the course of restructuring the Group, the organisational separation of Rheinmetall into two halves, Automotive and Defence, will be eliminated. Therefore the reporting from fiscal 2021 onward will be exclusively at Group and division level.

Based on the current outlooks for the relevant markets, Rheinmetall anticipates growth in the Group's sales over fiscal 2021 and both an improved operating result and an improved operating margin. The Rheinmetall Group's annual sales are expected to increase by between 7% and 9% against the previous year's level in fiscal 2021 (previous year: €5,875 million).

Based on this sales forecast and taking into account holding costs, an improvement in the Group operating result and an increase in the Group operating margin to between 8% and 9% (previous year: 7.3%) are expected in fiscal 2021.

Development of divisions and business areas in fiscal 2021

For the **Vehicle Systems** division, Rheinmetall anticipates a continued growth trajectory for sales, which in 2021 will be supported in particular by shipments of logistic vehicles to the German armed forces and by the Australian Boxer order (pro forma sales 2020: €1,846 million). In terms of margin development, on the basis of the planned product mix the operating margin is expected to reach the high level of the previous year (pro forma margin 2020: 8.1%).

In the **Weapon and Ammunition** division, the German armed forces' munitions procurement programs as well as sales from international orders are contributing to the continued growth trajectory in fiscal 2021. Significant growth in sales (previous year: €1,196 million) and a year-on-year improvement in the operating margin (previous year: 15.5%) are expected for the division in 2021.

For the **Electronic Solutions** division, Rheinmetall anticipates slight growth in sales in 2021, which will not start to pick up speed until subsequent years with the rise in unit figures for large-volume vehicle programs (pro forma sales 2020: €935 million). The operating margin is expected to be on a par with the previous year (pro forma margin 2020: 9.8%).

In light of the projected market recovery and the envisaged series launch of new products in fiscal 2021, the **Sensors and Actuators** division is anticipating significant growth in sales (previous year's sales: €1,202 million). On the basis of this higher sales forecast, the division is expecting to see a substantial increase in its operating margin (previous year: 3.0%).

Strong growth in sales is also expected for the **Materials and Trade** division in fiscal 2021 (pro forma sales 2020: €546 million). Based on this growth, the division is also anticipating a tangible improvement in its operating margin (pro forma margin 2020: 5.2%).

The non-core **small- and large-bore pistons** business is also expecting to see sales pick up, albeit with the growth momentum dampened by the continuing downturn on the large-bore pistons markets (pro forma sales 2020: €479 million). In terms of the operating result and the operating margin, a return to positive figures is expected after a loss in fiscal 2020 (pro forma margin 2020: -4.5%).

Medium-term targets for 2025

Looking ahead to 2025, Rheinmetall has set new medium-term targets for sales, earnings and cash flow.

Consolidated sales in the five divisions of the core business are to increase to a total of around €8.5 billion by 2025.

The Group's profitability is to improve by the same date, resulting in an operating margin of at least 10%.

The target corridor for operating free cash flow in 2025 has been increased to around 3% to 5% of sales.

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.