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First half of 2022

Rheinmetall Boosts Profitability: Operating Result and Margin Improved Further

- Consolidated sales increase by €92 million to €2,674 million
- Consolidated operating result improved from €191 million to €206 million – increase of 8%
- Operating margin of 7.7% exceeds previous year's level of 7.4%
- Growth in orders for the Group
- Annual sales forecast for 2022 updated, earnings forecast confirmed

The Düsseldorf-based Rheinmetall Group continued to strengthen its profitability in the first half of 2022. The consolidated operating result rose to €206 million, exceeding the previous year's record figure by €15 million with a similarly improved operating margin.

The Rheinmetall Group is updating its annual forecast from March 2022 and now expects organic sales growth of around 15% and an operating margin of over 11% in fiscal 2022.

Armin Papperger, Chief Executive Officer of Rheinmetall AG: "Rheinmetall remains on track for growth. After six months, our sales and operating result are higher than in the previous year. This makes us very optimistic for fiscal 2022 as a whole. We are seeing an increasing order intake – also in the civilian business, where we make important contributions for the technological transformation toward climate-friendly mobility and new forms of energy supply, for example by means of hydrogen technology. And in light of the current security policy situation, our products will help to strengthen defence capabilities in numerous countries in the months and years to come. With our military systems, we bear responsibility for security and thus for peace and freedom."

Rheinmetall AG: operating margin improved to 7.7%

Consolidated sales increased by €92 million or 3.5% year-on-year to €2,674 million in the first half of 2022 (previous year: €2,582 million).

After six months, the operating result continued to increase year-on-year and reached a new record figure for the first half of the year. At €206 million, the operating result exceeded the previous year's figure of €191 million by €15 million or 8%. This improvement is based predominantly on sales growth in the high-margin Weapon and Ammunition division. A better product mix and strict cost management also had a positive effect. The operating margin of 7.7% exceeded the previous year's level of 7.4%.

Earnings per share from continuing operations decreased year-on-year from €2.50 to €2.28 in the first half of fiscal 2022. Adjusted for special effects, earnings per share from continuing operations amounted to €2.63 as at 30 June 2022 (previous year: €2.50).



► Key facts

- ▷ Consolidated sales above the previous year's level at €2,674 million
- ▷ Consolidated operating result improved 8% to €206 million
- ▷ Operating margin further increased from 7.4% to 7.7%
- ▷ Earnings forecast for fiscal 2022 confirmed

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Vehicle Systems: further improvement in operating margin

At €851 million, sales in the Vehicle Systems division in the first half of 2022 were €19 million or 2% lower than the previous year's figure. The order intake decreased by €1,293 million as against the prior-year figure to €680 million. This decline resulted primarily from large single orders (Challenger 2 upgrade for Great Britain, Puma modernization and armored engineering vehicle for the German armed forces), which increased the previous year's figure well above average. At €10.3 billion, the order backlog as at June 30, 2022, was down €232 million or 2% year-on-year.

Despite the slight decline in sales, the operating result improved from €65 million to €75 million in the first six months of 2022. This positive trend can be attributed to an improved product mix and strict cost management. The operating margin of 8.8% exceeded the previous year's level of 7.5%.

Weapon and Ammunition: new order intake record

The Weapon and Ammunition division generated sales of €564 million in the first half of 2022, up €93 million or around 20% on the figure for the previous year. The high increase in sales mainly resulted from munitions and propellant deliveries to an international customer. In the first half of 2022, the order intake increased to a record level of €1,542 million (previous year: €429 million). A munitions order from Hungary particularly contributed to this increase. The order backlog therefore increased by €1.2 billion or around 45% to €3.9 billion as at June 30, 2022 (previous year: €2.7 billion).

The operating result improved by €24 million to €71 million in the first half of 2022 (previous year: €47 million). This positive development was attributable both to the increase in sales and to higher income from investments. The operating margin was increased to 12.5%, compared with 10% in the previous year.

Electronic Solutions: order backlog increases to €2.7 billion

The Electronic Solutions division increased sales by €49 million to €411 million in the first half of 2022 (previous year: €362 million). The order intake likewise increased significantly by €258 million or 58% to €702 million. Major new orders in the first half of 2022 related to combat helmets for the German Bundeswehr and numerous smaller projects. On June 30, 2022, the order backlog amounted to €2.7 billion, up around 15% on the previous year's figure (previous year: €2.4 billion).

The operating result declined by €4 million to €25 million in the first half of 2022 (previous year: €29 million), chiefly due to the acquisition of the activities of the drone manufacturer EMT and increased costs for further know-how development in the area of cyber security. The operating margin decreased to 6.1% (previous year: 8.0%).

Sensors and Actuators: stable operating margin in a declining market environment

Sales in the Sensors and Actuators division declined by around €7 million year-on-year to €691 million in the first half of 2022 (previous year: €697 million). The decline in sales mainly resulted from lower customer call-offs due to the continuing shortage in the supply of semiconductors. Booked business for the first six months of fiscal 2022 was increased by around 50% to a volume of €1,431 million (previous year: €951 million).

The operating result declined slightly by €1 million to €50 million in the first half of 2022 (previous year: €51 million). At 7.3%, the operating margin remained at the previous year's high level (previous year: 7.3%).

Materials and Trade: sales increased again

The Materials and Trade division increased its sales to €374 million in the first half of 2022, thus exceeding the previous year's level by €54 million or around 17%. This growth in sales can be attributed primarily to strong aftermarket performance. In the first six months of fiscal 2022, the division generated booked business of €403 million. This represents an increase of 23% compared to the same period of the previous year (€327 million).

At €27 million, the Materials and Trade division's operating result was at the previous year's level in the first half of 2022 (previous year: €27 million). The operating margin decreased to 7.2% (previous year: 8.5%). While the increased sales had a positive effect, earnings were affected by a decline in the earnings of the Chinese joint ventures accounted for using the equity method.

Outlook: strong sales growth with stable high margins

The annual forecast communicated to the capital market in March 2022 was updated on the basis of current market outlooks. The Rheinmetall Group continues to expect sales to grow in fiscal 2022 and confirms its earnings forecast.

In light of the persistently high risks regarding the development of global automotive production, the company now expects organic sales growth in the current fiscal year to be around 15% and thus at the lower end of the previous forecast range, which projected organic growth between 15% and 20%.

Rheinmetall confirms the current earnings forecast for fiscal 2022, expecting an improvement in the operating result and an operating margin of over 11% in 2022.

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.