

# CONFERENCE CALL Q2 2023

Transformation for growth

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# Q2 2023 Group highlights

## Momentum compounding

### Solid Q2 financials

- Sales rose 6% to €1,498m
- Operating result improved to €118m
- Margin softened to 7.9%
- OFCF lowered to €-219m

### RHM nomination tripled

- RHM nomination grows to €4,092m mostly driven by Ukrainian and German orders
- RHM backlog jumps above €30bn

### EXPAL deal closed

- EXPAL closed July 31<sup>st</sup>
- €1.2bn pre-closing adjustments
- Further growth of the core business

## Q2 2023 Market update: Germany

# Time becomes number one priority in German defence procurement



**Boris Pistorius**  
*Minister of Defence*

*„The **top priority** for all of us in the future is the **time factor**. (...) The **goal** is first and foremost to **realize the product** that can be used by the troops **as quickly a possible**.“*

*„By 2031, we must and want to invest well over **€20bn** in munitions.“*



**Benedikt Zimmer**  
*State Secretary of the Federal MoD*

*“The **factor time** has now a **top priority**. The aim is to **accelerate procurement**.“*

*“The **time factor** has the **highest priority** and, with **immediate effect**, is the **determining factor** in all current and new Bundeswehr armament projects (...).“*



**Annette Lehnigk-Emden**  
*Director-general BAAINBw*

# Q2 2023 Market update: Germany

## Rheinmetall set to benefit from accelerated German procurement



## Q2 2023 Market update: Germany

### Massive increase of order intake over the last couple of weeks

Q2

- 50 **Puma 2<sup>nd</sup>** lot €501m - delivery 2025-2027
- 57 **heavy tractor units** >€50m - delivery 2023-2024
- 367 **load-handling systems** >€285m - delivery fulfilled Q3 2023

July

- 3,058 **Caracal** (GER & NL) ~€1.9bn - series delivery starts 2025
- 120 mm **tank ammunition** ~€4bn with 1<sup>st</sup> call-off ~€309m
- 155mm **artillery ammunition** ~€1.3bn with 1<sup>st</sup> call-off ~€127m
- 30mm **Puma ammunition** ~€67m



>€8bn

# Taking responsibility in a changing world Rheinmetall supports Ukraine in all areas

## RHM nomination 2023

Order intake already > €1bn  
with more to come in 2023



Air defence systems & ammunition ✓



105mm ammunition ✓



Artillery ✓



3 lots Marder (60 vehicles) & ammunition ✓



14 Leopard 2 & ammunition ✓



- Miscellaneous ✓
- Surveil Spire
  - Luna NG
  - Caracal
  - Field hospital
  - Trucks (div.)



### Expected

- Leopard 1
- Mobile air defence
- Fuchs
- Additional ammunition contracts

Booked YTD

# Taking responsibility in a changing world

## Ukraine picks Rheinmetall to strengthen strategic capabilities

### Strategic cooperation with Ukraine signed



Closing expected  
end of Q3 ✓



**Maintenance of  
military vehicles  
JV with Ukroboronprom**



**Ammunition  
med & large cal**



**Air defence  
stationary & mobile**

2023

Potential timeline



## Q2 2023 Market update: USA

# XM30 finalist – American Rheinmetall achieves a major breakthrough



- OMFV renamed to XM30 combat vehicle program
- American Rheinmetall down-selected along with GDLS, with first year funding of ~\$100m
- Next steps:
  - Phase 3: detailed design phase
  - Phase 4: build and test of 7 prototype vehicles (option for 4 more)
- Winner to be announced end of 2027
- Start of production expected in 2029

# Q2 2023 Market update: international markets

## International pipeline filled with major project wins



- Contract with Australian Navy for MASS ship protection systems
- Used for Hobart-class destroyers and ANZAC-class frigates
- €125m** (option up to ~€610m to equip entire fleet)



MASS ship protection



- Largest single call-off from existing contract with Norway
- > €150m** for around 300 trucks TG3 MIL
- Delivery starts end of 2026



TG3 MIL



- Supply of key components for Leopard 2 A7
- Worth **€129m** for 54 tank guns, fire control units and sensor units + option for 18 additional vehicles
- Delivery starts in 2024



Leopard 2A7



- Framework contract for logistic vehicles of up to 1,375 HX and TG vehicles
- Worth up to **€525m**
- Delivery starts in 2023



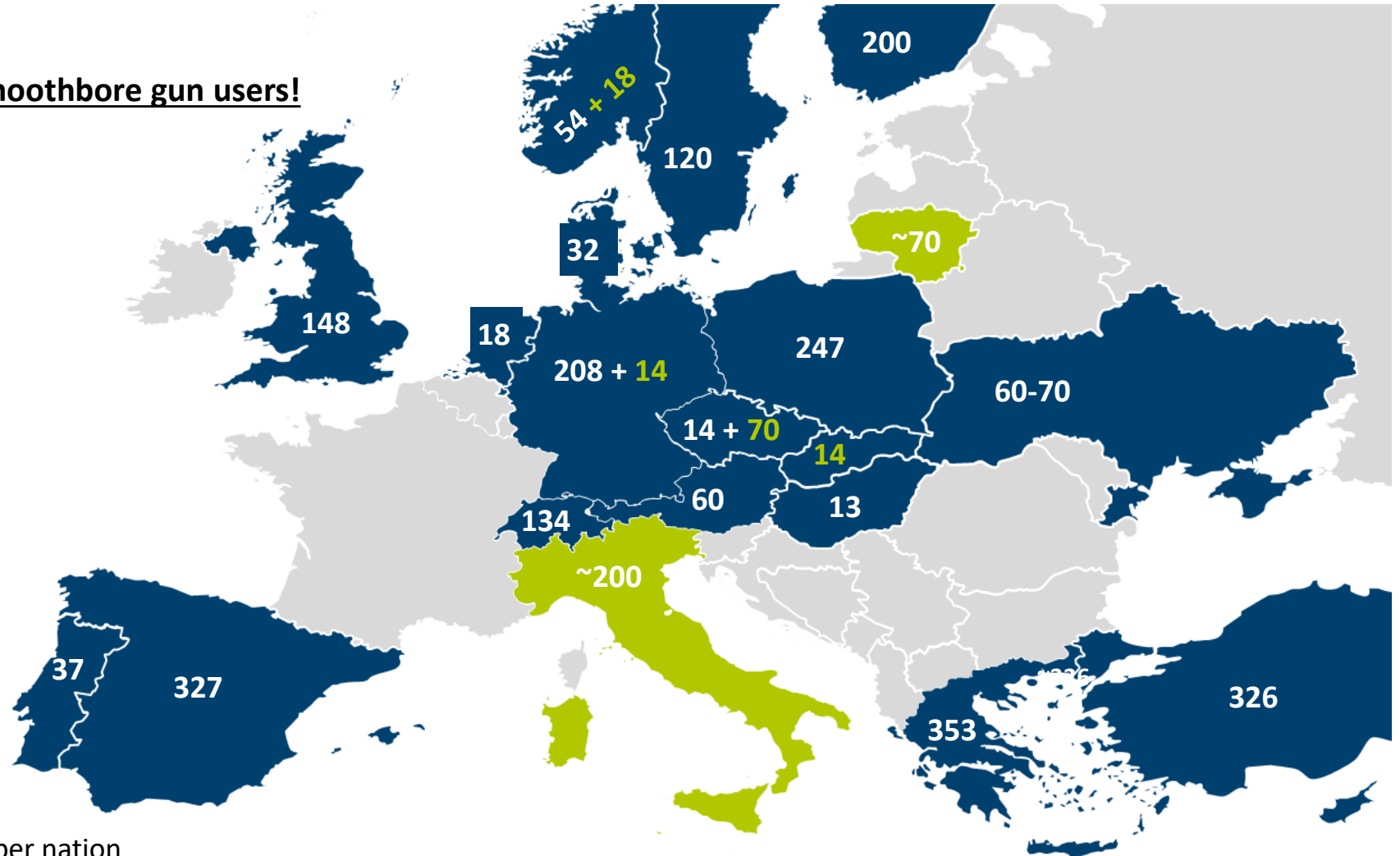
HX family

# Q2 2023 Market update: international markets

## Update on our European customer potential for tank ammunition

**More than 2,700 Rheinmetall smoothbore gun users!**

Existing user ■  
 New pot. user / upgrade ■



Numbers represent main battle tanks per nation

## Q2 2023 Operational update

# ¡Bienvenida Rheinmetall EXPAL Munitions!



- Acquisition closed July 31<sup>st</sup>
- Acquisition value of €1.2bn before purchase price adjustment
- Development and manufacturing of artillery ammunition, mortar grenades, medium caliber ammunition and rocket propulsion systems
- Significant increase of production capacities
- Expected sales 2023 after closing of €150-190m

## Q2 2023 Operational update

### Transformation in the civil market progressing



#### Emission reduction

- Strategic truck contract for valves with emission reduction capabilities
- Light weight engine block solution for hybrid vehicles



#### Alternative powertrain

- New customer for H<sub>2</sub> recirculation blower
- Launching customer for HV cooling pump
- Cathode flaps now with 5 customers and triple digit million backlog



#### Innovations

- Pilot project for curb stone charger successfully started in Cologne
- Important step within the mobility revolution



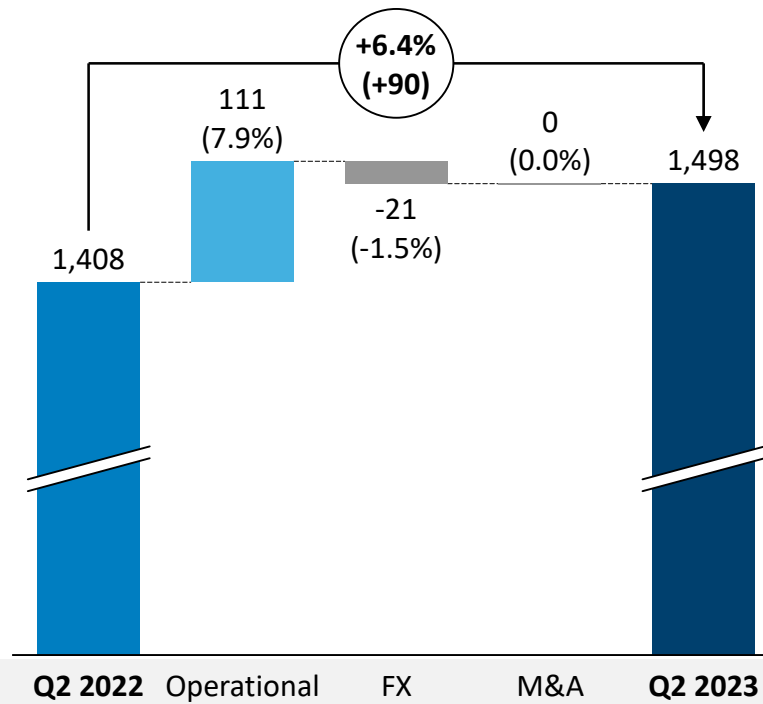
# Financials

# Q2 2023: Key financial data

## Solid improvement yields best Q2 ever

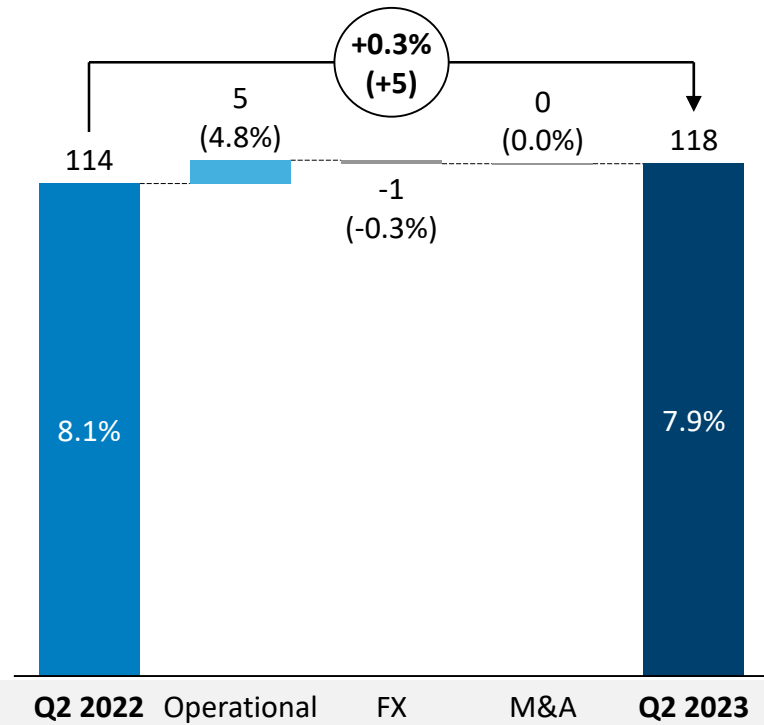
### Sales <sup>1)</sup>

in €m



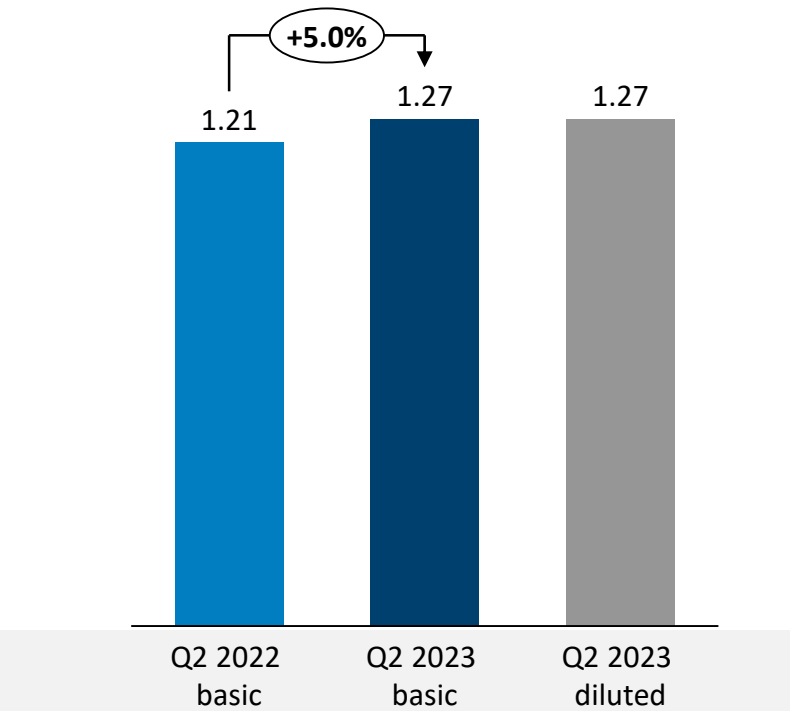
### Operating result and margin in % <sup>1)</sup>

in €m



### Earnings per share <sup>1,2)</sup>

in €m



1) Continuing operations only

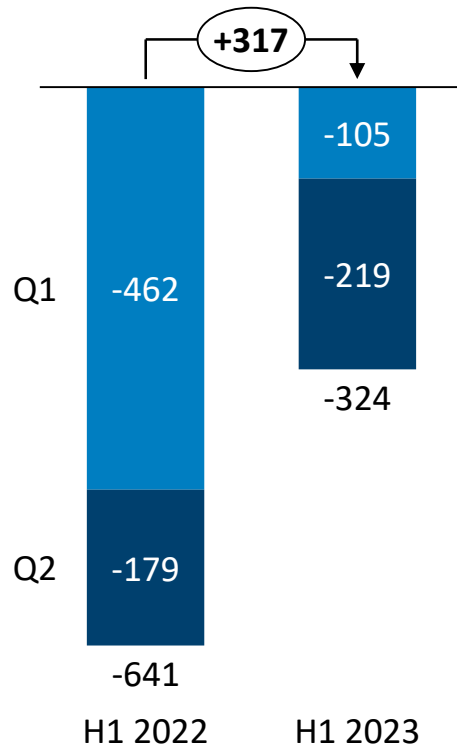
2) Details of the dilution effect from convertible bond can be found in the appendix

# Q2 2023: Key financial data

## Inventory build-up in anticipation of rising customer demand

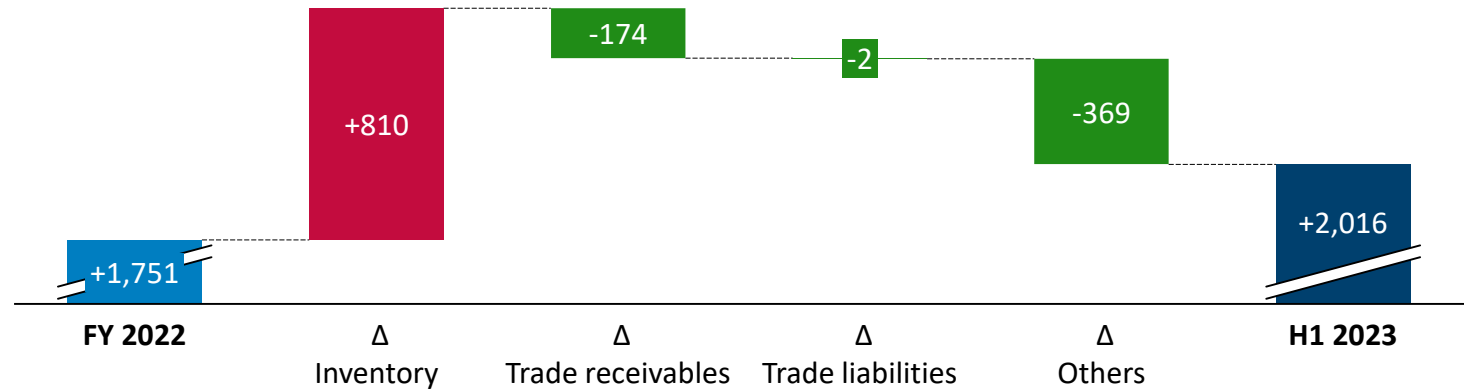
### Operating free cash flow<sup>1)</sup>

in €m



### Working Capital<sup>1)</sup>

in €m



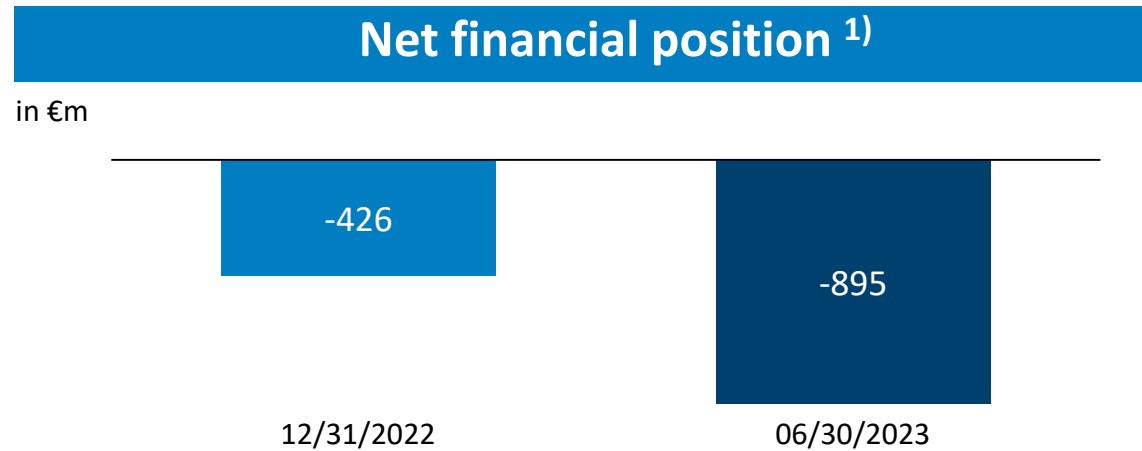
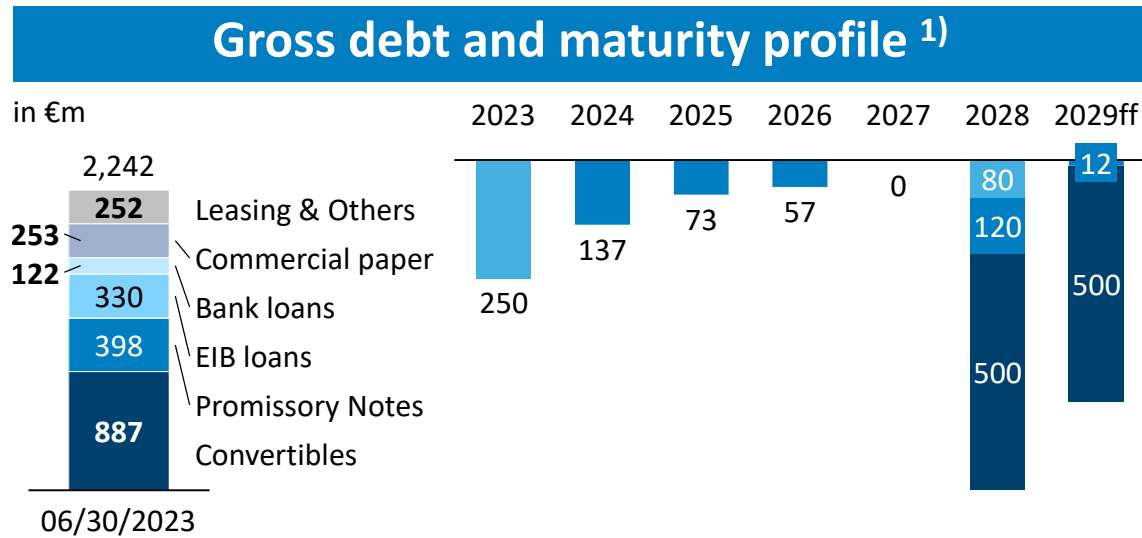
### Comments

- Inventory build-up mainly driven by divisions Vehicle Systems and Weapon and Ammunition
- Higher prepayments mitigated further working capital build-up

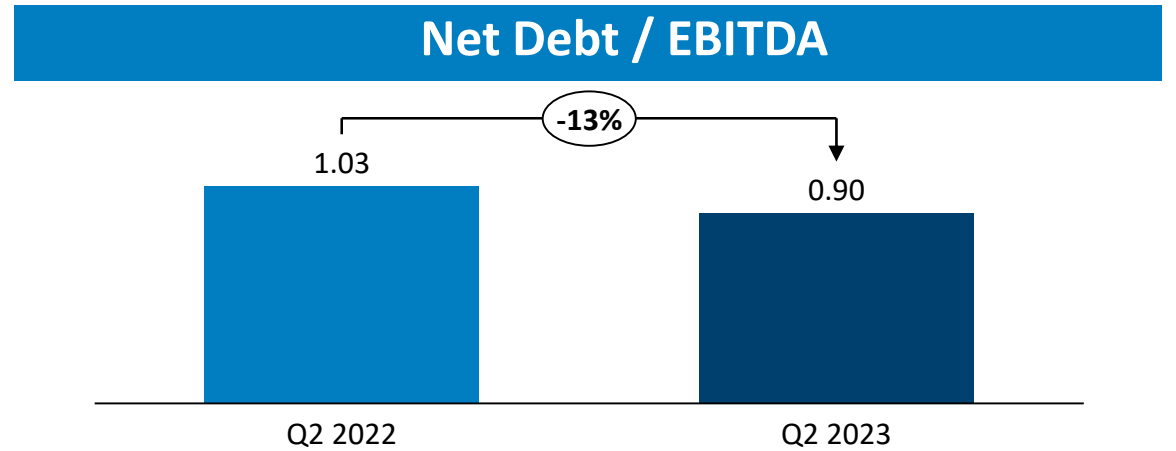


# Q2 2023: Balance Sheet

## EXPAL financing completed



- ### Comments
- Convertible bonds issued in Q1 with a nominal value of €1.0bn, due to IFRS accounting split into a debt and an equity component
  - Strong cash position of €1,347m build-up for purchase price payment (Expal); additionally, securities held for trade with a value of €134m per end of H1
  - Undrawn cash credit lines of €0.9bn per end of H1
  - Investment Grade Rating Baa2 stable outlook (Moody's)



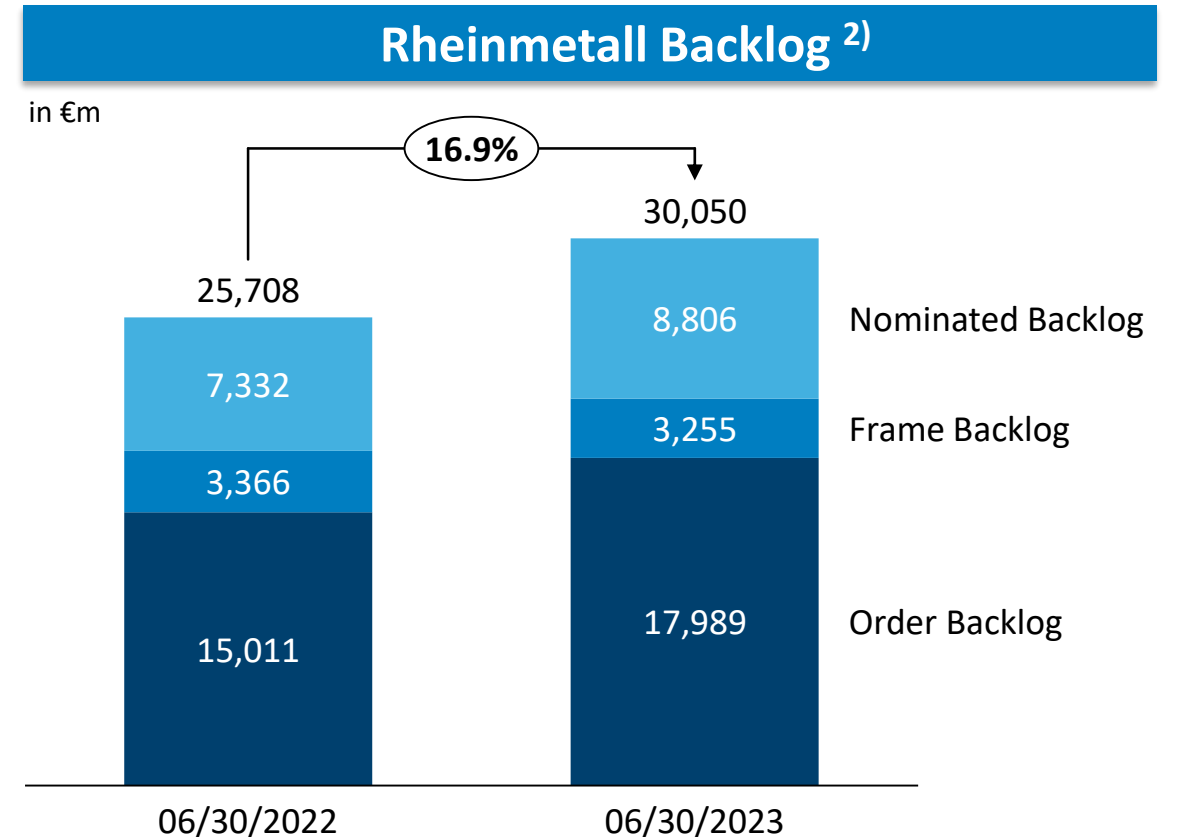
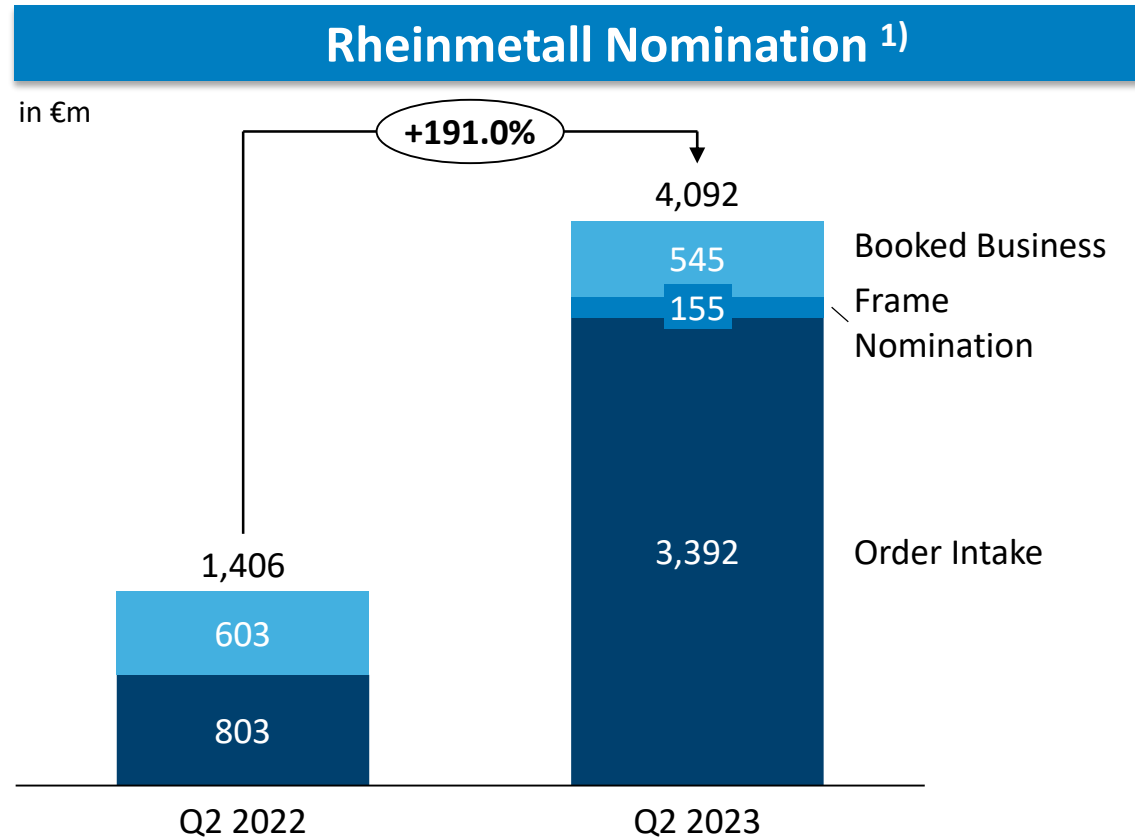
## Q2 2023: Divisions

### Acceleration of the security business held back by civil performance

in €m	Sales*			Operating Result*			Margin*		OFCF*		
	Q2 2022	Q2 2023	delta	Q2 2022	Q2 2023	delta	Q2 2022	Q2 2023	Q2 2022	Q2 2023	delta
<b>Vehicle Systems</b>	451	<b>550</b>	22.0%	46	<b>57</b>	23.2%	10.2%	<b>10.3%</b>	(16)	<b>(253)</b>	-237
<b>Weapon and Ammunition</b>	307	<b>360</b>	17.3%	39	<b>65</b>	67.8%	12.7%	<b>18.2%</b>	(51)	<b>49</b>	100
<b>Electronic Solutions</b>	243	<b>249</b>	2.6%	21	<b>16</b>	-22.6%	8.7%	<b>6.6%</b>	(30)	<b>(17)</b>	13
<b>Sensors and Actuators</b>	343	<b>344</b>	0.2%	24	<b>9</b>	-62.6%	7.1%	<b>2.7%</b>	(21)	<b>(37)</b>	-15
<b>Materials and Trade</b>	184	<b>154</b>	-16.0%	11	<b>5</b>	-52.2%	5.9%	<b>3.4%</b>	3	<b>0</b>	-3
<b>Non-divisional / Consolidation</b>	(120)	<b>(160)</b>	-32.9%	(28)	<b>(35)</b>	-24.2%			(64)	<b>38</b>	102
<b>Rheinmetall Group</b>	1,408	<b>1,498</b>	6.4%	114	<b>118</b>	4.0%	8.1%	<b>7.9%</b>	(179)	<b>(219)</b>	-41

# Q2 2023: Nomination and Backlog

## Rheinmetall Nomination tripled versus previous year



1) Rheinmetall Nomination = Order Intake (Div. W+A, ES, VS) + Frame Nomination (Div. W+A, ES, VS: New Frame agreements – call offs from existing frame backlog) + Booked Business (Div. S+A, M+T)

2) Rheinmetall Backlog = Order backlog (signed and fixed contracts) + Frame Backlog (signed frameworks incl. truck and ammunition framework agreements for several years) + Nominated backlog (inventory figure aligned to the annual sales planning S+A/M+T based on the nomination letters of the booked business)



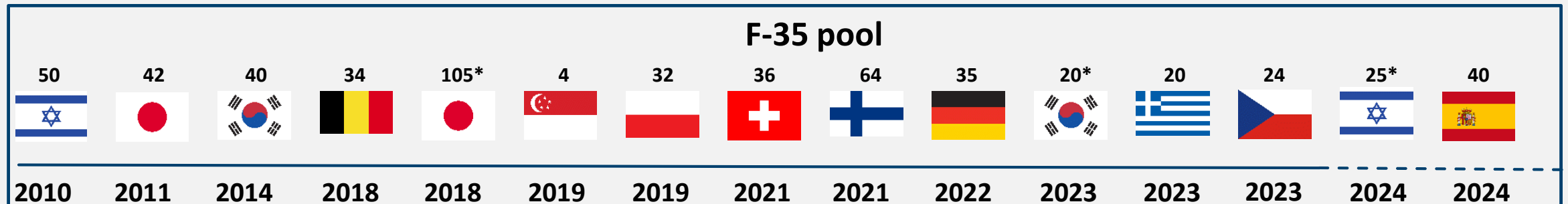
# OUTLOOK

# Outlook

## F-35 opens a new dimension for Rheinmetall



- Ground-breaking of greenfield production plant in Weeze on August 1st
- F-35 center fuselage production to commence in 2025
- New plant due to produce at least 400 F-35A fuselage sections
- Matches increased demand by countries
- Ramp-up of additional 400 service headcounts

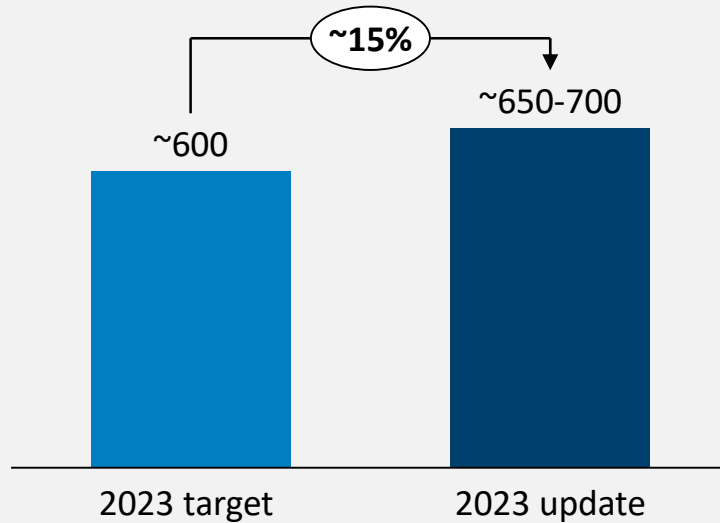


# Outlook

## We invest in our future!

### CAPEX

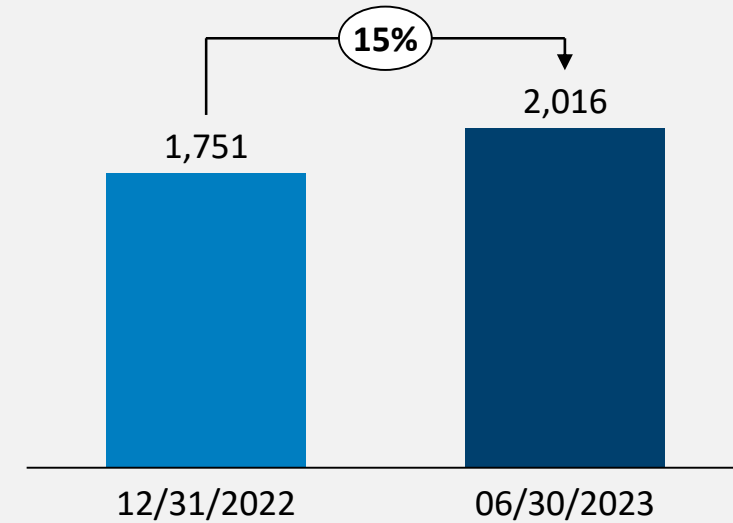
in €m



- Urgent demand requires rapid investment in our capacities

### Working Capital

in €m

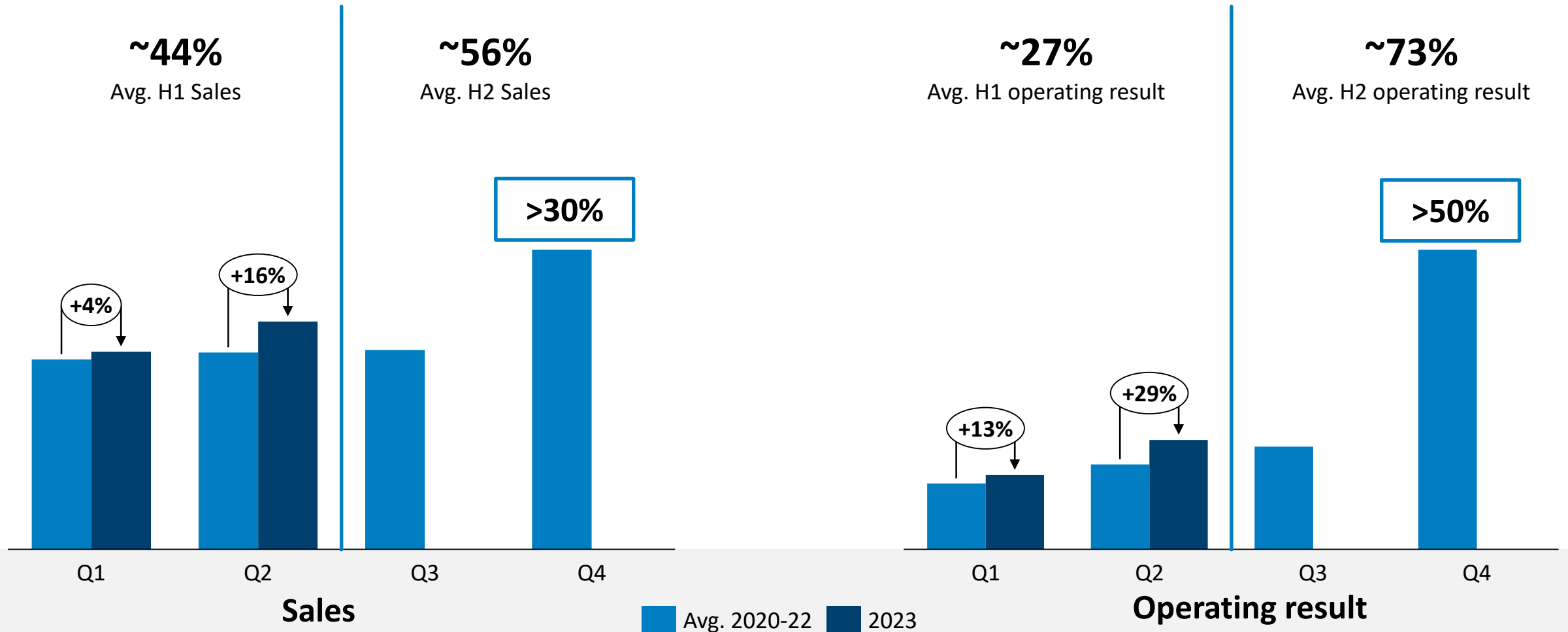


- Substantial increase in inventories drives working capital growth

→ Preparation for growth affects free cash flow generation

# Outlook

## Pronounced backend loading as expected



## Outlook

### **Growth becomes tangible in the mid-term**

- Strong book to bill ratio (LTM) of 2.6x
- German contract award makes noticeable progress
- Expal integration offers significant capacity expansion and capability enhancement for large caliber ammunition
- Successful diversification in new markets like F-35
- Rheinmetall fully committed to timely capacity increase and order execution



# Outlook

## FY 2023 guidance confirmed

	Guidance 2023e	EXPAL	2022
Sales	Between €7.4 to 7.6 bn	€150-190m	€ 6.4 bn
Operating Margin	Around 12%	Around 25%	11.8%
Operating free cash flow	4-6% OFCF to sales		€-152 m

Sales guidance includes FX effects and excludes contributions from acquisitions.  
 EXPAL pro forma will be fully consolidated for the period August – December 2023.



# Q&A

**Thank you for your  
attention!**



## Next events and IR contacts

### Next Events

Commerzbank & ODDO BHF Corporate Conference	6 Sep
UBS, Quo Vadis Industrials Tour, virtual	15 Sep
Berenberg and Goldman Sachs 12 <sup>th</sup> German Corp. Conference	20 Sep
Baader Investment Conference	21 Sep
<b>Q3/2023 report</b>	<b>9 Nov</b>
<b>Capital Markets Day</b>	<b>20/21 Nov</b>
Metzler Roundtable	27 Nov
Deutsches Eigenkapitalforum	28 Nov
Goldman Sachs Industrial Conference	6 Dec
Berenberg European Conference	7 Dec
Kepler Cheuvreux, CEO Tour, virtual	11 Dec

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Quick link to  
our documents





# APPENDIX

# Outlook

## Group - forecast business performance in 2023

		2023	2022
<b>Sales</b>			
Group	€ million	sales growth to €7.4 bn to €7.6 bn	6,410
Division Vehicle Systems	€ million	sales growth 25% to 30%	2,270
Division Weapon and Ammunition	€ million	sales growth 25% to 30%	1,470
Division Electronic Solutions	€ million	sales growth 15% to 20%	1,063
Division Sensors and Actuators	€ million	sales growth 5% to 8%	1,382
Division Materials and Trade	€ million	sales growth 4% to 7%	743
<b>Operating result margin</b>			
Group	%	operating result margin around 12%	11.8
Division Vehicle Systems	%	operating result margin 11% to 13%	11.4
Division Weapon and Ammunition	%	operating result margin 20% to 22%	20.8
Division Electronic Solutions	%	operating result margin 11% to 13%	11.1
Division Sensors and Actuators	%	operating result margin 7% to 9%	6.9
Division Materials and Trade	%	operating result margin 9% to 11%	9.1
<b>OFCF (in relation to sales)</b>			
Group	%	4% to 6 %	(2.4)

# Statement of financial positions

€ million	6/30/2023	12/31/2022
<b>Assets</b>		
Goodwill	481	483
Other intangible assets	347	338
Right-of-use assets	248	209
Property, plant and equipment	1,141	1,137
Investment property	23	24
Investments accounted for using the equity method	387	408
Other non-current assets	194	187
Deferred taxes	136	98
<b>Non-current assets</b>	<b>2,958</b>	<b>2,884</b>
Inventories	2,786	1,976
Contract assets	446	362
Trade receivables	1,439	1,548
Other current assets	284	242
Income tax receivables	24	23
Securities held for trade	134	132
Cash and cash equivalents	1,347	545
Assets held for sale	323	377
<b>Current assets</b>	<b>6,783</b>	<b>5,206</b>
<b>Total assets</b>	<b>9,742</b>	<b>8,089</b>

€ million	6/30/2023	12/31/2022
<b>Equity and liabilities</b>	<b>-</b>	<b>-</b>
Share capital	112	112
Capital reserves	685	566
Retained earnings	2,020	2,140
Treasury shares	(5)	(6)
<b>Rheinmetall AG shareholders' equity</b>	<b>2,811</b>	<b>2,812</b>
Non-controlling interests	269	271
<b>Equity</b>	<b>3,079</b>	<b>3,083</b>
Provisions for pensions and similar obligations	485	484
Other non-current provisions	195	205
Non-current financial debts	1,579	517
Other non-current liabilities	62	56
Deferred taxes	114	78
<b>Non-current liabilities</b>	<b>2,436</b>	<b>1,341</b>
Other current provisions	613	674
Current financial debts	663	454
Contract liabilities	1,597	1,120
Trade liabilities	932	931
Other current liabilities	176	200
Income tax liabilities	36	67
Liabilities directly related to assets held for sale	210	220
<b>Current liabilities</b>	<b>4,226</b>	<b>3,665</b>
<b>Total equity and liabilities</b>	<b>9,742</b>	<b>8,089</b>

# Income Statement

€million	Q2 2023	Q2 2022	H1 2023	H1 2022
<b>Sales</b>	<b>1,498</b>	<b>1,408</b>	2,861	2,674
Changes in inventories and work performed by the enterprise and capitalized	213	86	545	229
<b>Total operating performance</b>	<b>1,711</b>	<b>1,494</b>	<b>3,405</b>	<b>2,902</b>
Other operating income	22	39	55	68
Cost of materials	861	714	1,754	1,398
Personnel costs	507	464	1,007	921
Amortization, depreciation and impairment	63	62	126	122
Other operating expenses	183	166	365	319
Result from investments accounted for using the equity method	(4)	(2)	(17)	15
Other financial result	3	(21)	2	(40)
<b>Earnings before interest and taxes (EBIT)</b>	<b>118</b>	<b>104</b>	<b>193</b>	<b>185</b>
Interest income	3	1	19	2
Interest expenses	18	7	41	14
<b>Earnings before taxes (EBT)</b>	<b>103</b>	<b>98</b>	<b>171</b>	<b>172</b>
Income taxes	(31)	(30)	(51)	(45)
<b>Earnings from continuing operations</b>	<b>72</b>	<b>68</b>	120	128
Earnings from discontinued operations	1	5	5	6
<b>Earnings after taxes</b>	<b>73</b>	<b>73</b>	<b>125</b>	<b>134</b>
Of which:				
<i>Non-controlling interests</i>	17	16	15	29
<i>Rheinmetall AG shareholders</i>	56	57	110	105
<b>Basic earnings per share</b>	<b>€1.29</b>	<b>€1.33</b>	€2.53	<b>€2.42</b>
Basic earnings per share from continuing operations	€1.27	€1.21	€2.42	€2.28
Basic earnings per share from discontinued operations	€0.02	€0.12	€0.11	€0.14
<b>Diluted earnings per share</b>	<b>€1.29</b>	<b>€1.33</b>	€2.53	<b>€2.42</b>
Diluted earnings per share from continuing operations	€1.27	€1.21	€2.42	€2.28
Diluted earnings per share from discontinued operations	€0.02	€0.12	€0.11	€0.14

# Cashflow Statement

€million	H1 2023	H1 2022
Earnings after taxes	125	134
Amortization / depreciation / impairment of property, plant and equipment, intangible assets and investment	126	122
Allocation of CTA assets to secure pension and partial retirement obligations	(12)	(50)
Other changes in pension provisions	4	(12)
Income / expenses from disposals of non-current assets	(10)	(1)
Changes in other provisions	(22)	(20)
Changes in working capital	(350)	(589)
Changes in receivables, liabilities (without financial debt) and prepaid & deferred items	(120)	(131)
Pro rata income / loss from investments accounted for using the equity method	17	(15)
Dividends received from investments accounted for using the equity method	4	4
Other non-cash expenses and income	16	0
<b>Cash flow from operating activities <sup>1</sup></b>	<b>(223)</b>	<b>(557)</b>
Of which continuing operations	(199)	(549)
Of which discontinued operations	(24)	(8)
Investments in property, plant and equipment, intangible assets and investment property	(132)	(100)
Cash inflows from the disposal of property, plant and equipment, intangible assets and investment property	(2)	4
Cash inflows from disinvestments in consolidated companies and financial assets	48	0
Cash outflows for investments in consolidated companies and financial assets	(8)	(198)
<b>Cash flow from investing activities</b>	<b>(94)</b>	<b>(294)</b>
Of which continuing operations	(72)	(287)
Of which discontinued operations	(22)	(7)
Dividends paid out by Rheinmetall AG	(187)	(143)
Other profit distributions	(4)	(6)
Borrowing of financial debts	394	299
Repayment of financial debts	(76)	(108)
Cash inflows from the issuance of convertible bonds - Addition to equity	113	-
Cash inflows from the issuance of convertible bonds - Fair value financial liability	887	-
Transaction costs for the issuance of convertible bonds	(7)	-
<b>Cash flow from financing activities</b>	<b>1,121</b>	<b>42</b>
Of which continuing operations	1,094	62
Of which discontinued operations	27	(20)
<b>Changes in cash and cash equivalents</b>	<b>804</b>	<b>(809)</b>
Changes in cash and cash equivalents due to exchange rates	(9)	3
<b>Total change in cash and cash equivalents</b>	<b>795</b>	<b>(806)</b>
<b>Opening cash and cash equivalents January 1</b>	<b>568</b>	<b>1,058</b>
<b>Closing cash and cash equivalents June 30</b>	<b>1,363</b>	<b>251</b>
Closing cash and cash equivalents June 30 from discontinued operations	16	15
<b>Closing cash and cash equivalents as per consolidated statement of financial position</b>	<b>1,347</b>	<b>236</b>



# Derivation of diluted earnings per share

	Continuing Operations	Discontinued Operations	H1 2023	Continuing Operations	Discontinued Operations	H1 2022
<b>Earnings after taxes in € million - Rheinmetall AG shareholders</b>	<b>105</b>	<b>5</b>	<b>110</b>	<b>99</b>	<b>6</b>	<b>105</b>
Adjustment for interest expense in respect of the convertible bond in € million	15	-	15	-	-	-
Effect of adjustment for interest expense in respect of the convertible bond on personnel expenses in € million	(1)	-	-1	-	-	-
Tax effects on the adjustment for interest expense in respect of the convertible bond and on the effect on personnel expenses in €million	(4)	-	-4	-	-	-
<b>Diluted earnings after taxes in € million - Rheinmetall AG shareholders</b>	<b>115</b>	<b>5</b>	<b>120</b>	<b>99</b>	<b>6</b>	<b>105</b>
<b>Weighted number of shares in millions - basic</b>		<b>43,40</b>			<b>43,35</b>	
Effect from the potential conversion of the convertible bond in millions		2,60			-	
<b>Weighted number of shares in millions - diluted</b>		<b>46,00</b>			<b>43,35</b>	
<b>Basic earnings per share</b>	<b>€ 2,42</b>	<b>€ 0,11</b>	<b>€ 2,53</b>	<b>€ 2,28</b>	<b>€ 0,14</b>	<b>€ 2,42</b>
<b>Diluted earnings per share</b>	<b>€ 2,51</b>	<b>€ 0,10</b>	<b>€ 2,61</b>	<b>€ 2,28</b>	<b>€ 0,14</b>	<b>€ 2,42</b>
<b>Adjusted diluted earnings per share (due to antidilutive effect)</b>	<b>€ 2,42</b>	<b>€ 0,11</b>	<b>€ 2,53</b>	-	-	-