

Conference Call: 14 March 2024, 14:00 pm CET

00:00:01 Operator

Good afternoon, ladies and gentlemen, and welcome to the Rheinmetall AG conference call regarding fiscal year 2023 report. At this time all participants have been placed on a listen-only mode. The floor will be opened for questions following the presentation.

Let me now turn the floor over to your host, Armin Papperger, CEO of Rheinmetall AG.

0:00:27 Armin Papperger

Thank you very much. Good afternoon together. So Dagmar Steinert and myself will give you an overview about the information, and all the information about fiscal year 2023.

We start with page number 3, and on that we see the tensions. Everybody of us know that we have increasingly globally tensions, from US election, where nobody knows what's going on, about the budget here in Europe, via the Gaza conflict, and for sure, the war in Ukraine, down to the South China Sea conflict. With that conflict, we see that the need for defence, and especially the need of the products that Rheinmetall has, will grow over the next years.

The next page will show us the figures of the year 2023. On the sales side we have EUR7.176bn. We didn't book about EUR420m, where we had goods ready in 2023, especially again trucks and ammunition. And we will make these sales and we skip these sales to 2024. The EBIT pre-PPA is on the level of EUR968m, not what we wanted to reach of the EUR1bn, but very near. And operating margins is growing up to EUR918m and EBIT ROS to 12.8%.

Operational free cash flow is EUR356m and there is also about EUR250m came in also on 3 January, so that the real operational free cash flow is still better.

Very positive is Rheinmetall nominations. So we booked businesses of nearly EUR20bn. This is doubling the nominations from 2022 to 2023. The Rheinmetall backlog is growing from EUR26bn to EUR38bn and I think very positive is we can pay a much higher dividend. The dividend will be EUR5.70.

If you have a look to the next slide, we see that especially the Chancellor but also the coalition in Germany is very clear and had a lot of discussions with different European governments, that is said we Europeans, we must do more for our security. We have to invest more, and we have to do something to create our future. The Chancellor is really with us, and if you see what is expected, and a very clear Minister of Finance, Vice-Chancellor and Chancellor say we have to reach 2% target, so that over the next years we expect that there will be spendings of about EUR80bn from the German side year-by-year for defence.

So what are the big tickets now for Rheinmetall and what is the future and what do we see over the next five to 10 years? We want to give you an overview about the big tickets of Rheinmetall. The number one for sure is Artillery and Artillery Ammunition. Artillery systems will grow and Artillery Ammunitions. And here we will grow up this year to 700,000 rounds but with new factories, especially in Ukraine and also Lithuania.

Our new target is that we are end of 2026 ready to produce 1m projectiles per year. If you count that the mean value of a projectile is EUR3,500, and if you see that we need propulsion systems and the mean value is four modular charges, or four modules per one projectile, we have the possibility to grow up to EUR3.5bn if the customer is ordering full shots more than EUR3.5bn, so it could be EUR4.5bn or EUR5bn per year.

This is then the capacity that we have, and it's by far the biggest producer of – we are then the biggest producer of artillery ammunition worldwide, and we are able to produce also the products, like RDX and also the propulsion systems by ourselves, so that we have a 100% vertical integration.

The next slide, page number 7, will show you that. Let me start with Australia. So we double the capacity at the moment from the shell production. We go via South Africa. Here we tripled the capacity of propulsion systems and also doubled the capacity of projectile projection, so

that we will grow up on a projectile site 150,000 rounds from 70,000, and from 1,000 tonnes propulsion system to 3,000 tonnes.

Let's go to Spain. After acquiring Expal, we also in some times, we tripled the production of powder and we grow up between 350,000 and 400,000 rounds on the projectile side.

Very strong growth is Germany, because we create now in Germany our plant Niedersachsen and this Niedersachsen plant will have a capacity of 200,000 rounds of projectiles plus 1,900 tonnes of explosives and 3,000 rocket engines and warheads and other components for that, so the biggest investment at the moment.

Hungary: the Hungarian side is now nearly ready. This year, the first ammunition will go out. On the Italian side we increase our capacity, especially on Sardinia, for the warheads and for filling of Artillery. And there is a decision now also from the European Union that also the plant in Romania, there will be some grants from the European Union for that factory. We will make a decision hopefully tomorrow in Romania to make the first steps to build up this factory, where we also create another 1,000 to 1,500 tonnes of propulsion systems.

There are two new factories and with these factories I told you we are able to make these 700,000, and these 11,000 tonnes of propulsions. And now Ukraine, where we signed an MOU on the Munich Security Conference is coming up, with a capacity also of 150,000 in Lithuania, with maximum 100,000, so that we grow up to more than 1m rounds, if that is ready. It will be ready after 12 to 15 months, after T-Zero, so that we are at the moment, that this is our planning. But I think that the governments go that way and go forward with us. So Artillery Ammunition, absolutely number one for us.

On the next slide you see that the Chancellor and Defence Minister, and the Prime Minister of Denmark was also with us, made the first steps to build up the factory. And on the next page you see that we have also target on the rocket artillery, so not only a distance of 40 km or maximum of 60 – 70 km, which is barrel based Artillery, is on a good way in Rheinmetall but also the rockets side, and on the rocket side we have a medium-term sales potential of EUR1bn to EUR1.5bn.

So we are at the moment in cooperation with US partners for the HIMARS systems, but also with Israeli partners for the PULS system and we booked also the first 300m in Spain for the

PULS systems for rockets. I think it will continue; the need of long-range artillery is huge, a really, really huge need about that. So we see that is a great potential for us.

Next page shows the mid-term sales potential on the medium caliber. We made all investments in medium caliber. There are some smaller investments now in Spain to enlarge the case production, but we see a potential of EUR800m per year on the medium caliber. We have a very good booked business and it will continue and it will hurry up, because of the air defence business. You need this medium caliber ammunition and this special ammunition from Rheinmetall, with airburst technology, and we are at the moment the only producer in the world for that ammunition and we see a huge potential in the future.

Next slide shows that there is an opportunity and a potential of EUR1bn. We have the capacity – it's a done deal, everything is invested, and we can make this EUR1bn without any more investments.

Also all investments are done on the Infantry side, on the next page, page number 12. And we see EUR300m to EUR400m per year, also good order book and a very strong need from Ukraine, but also for restocking on the infantry ammunition, so that there is also a good chance for us to grow in that area.

On the next page we see now the key technology. And the key technology is not the projectile. It's also good technology, which is here inside, but the powder is really the key technology. The plants that we have in Aschau, South Africa, Spain but also in Switzerland, are outstanding factories. We are able now with the investments that I told before to build up this powder capacity of up to 11,000 tons. This is enough to fill these artillery rounds.

If more contracts will come, then we will invest again, but the huge investments are done before. And powder production is minimum investment of EUR400m, but everything is there and the only thing that we have to invest is in Romania, but the Romanian government will do that, so very positive for our cash flow.

If you go now to page number 14, this is another point where we see huge opportunities. Now let's go to the Vehicles. On the vehicle side we have now the opportunity that we are in all programs. We have a good contract of Challenger 3 that will continue. We have the good contract on Panther KF51 to make this product ready for serial production and I expect also that very soon the first bigger contracts are coming there. We are part of the Main Ground

Combat System, especially about that where we have a very special know-how. Leopard 2 Upgrade and I call it Leopard 3, because I believe that between Main Ground Combat System and Leopard 2, a Leopard 3 can come and will create also a lot of opportunities for us.

And we are part of the European Defence Fund where we have a 50-50 ArGe [working group] with our friends from Munich and so we see a mid-term sales potential of EUR2bn per year with all these programs which are running.

Next page gives you an overview about the increasing for infantry fighting vehicle 8x8, 6x6 and 4x4 platforms. So the infantry fighting vehicle over the next 10 years, there is a huge need, and there is not only the US program; that's a very important program. And without the US, we see a mid-term potential of EUR2bn per year. With US, it's for sure much higher. It could double, because the United States needs between 150 and 200 vehicles per year, which is for sure also minimum EUR2bn. But the EUR2bn without US per year is possible. And we booked Caracal, we booked a lot of Boxer contracts, heavy weapon carrier will come now. We are expecting new infantry fighting vehicle contracts on the Lynx side and also for the second lot Puma, there is a chance to book more products.

On the next page you see the acquisition we did last year and on the acquisition side we acquired 72.5% of Automecanica Medias in Romania, and this acquisition gives us a potential of another EUR300m sales. What is the reason for that? Because it is a huge factory, but they had not a lot of contracts. We fill this factory now, and we filled it with the first contract before Christmas of EUR350m from air defense side. We expect some Vehicle programs, we expect maintenance, and we can produce a lot of components for the Rheinmetall group inside Romania. In Romania, because the wages are very low, our expectation is that we are able to reach an EBIT ROS of 20% so that with a very small investment - because we were able to get this company with an investment of less than EUR20m - I think over the next years it is possible to make between EUR40m and EUR60m profit per year.

Page no. 17 shows us that there is a huge need of logistic vehicles. Logistic vehicles are the backbone of the Bundeswehr. We have a lot of old vehicles, we delivered in between some thousand UTFs and also WLS, but there is a huge need of thousands or ten thousands of vehicles over the next years.

The capacity that we have in Vienna is growing up now to 4,500 vehicles and the price of a WLS is about half a million, between EUR500k and EUR600k so we expect that mid-term sales potential and we will reach it, I think, this year is EUR1.5bn per year without United States of America. If US will come again, we are able to double that, I think.

Page no. 18 shows that Rheinmetall is the European V-SHORAD system house, and on the V-Shorad side we are the number one in the world: more than 40 customers using our technologies. With the European Sky Shield initiative where 21 users, European countries, are inside this initiative, we see a multi-billion potential. The first orders came in and the orders are usually between EUR0.5bn and EUR1bn.

The Skyranger 30 for me is a huge opportunity and also the Skyguard Next Generation. If the 21 users are inside our books, we have 60 customers around the world, and only the ammunition need that they have over the next years is absolutely huge, so that we see a mid-term sales potential inclusive ammunition of EUR2.5bn per year.

Page no. 19 is the importance of digitization and on the digitization and Rheinmetall more and more is going into this digitization area. So we started with a soldier system. And with the soldier system we step now into the middleware together with Blackned and that gives us the opportunity to make the digitization for D-LBO, for the land-based operations. Here is a multi-billion opportunity. The first contracts will be signed now this year or the first contract is signed. Second digitization of the Hungarian armed forces and also TAWAN, the tactical wide area network is where Rheinmetall is inside. We have here cooperation with Airbus; on D-LBO we have a cooperation with KMW so that we are in all these programs. Let me say, we have minimum 50% of all that programs.

There is also great potential in the air force sector, especially if we are able to make the sustainment on the F-35. I think there is a huge opportunity also in the air force side and also on the civilian side we see opportunities. Mid-term sales potential is EUR2bn per year.

Aviation: as you know the trigger point for us was the F-35 but also some other sustainment for helicopters and other things. Our target in the field of aviation is sales potential of EUR1bn per year, and we think it is possible very soon.

Page 21 gives you now an overview about the American defense market and on the defense market I'm positive after some meetings in the United States, I'm very positive that the US

boys are doing a great job there. The Rheinmetall Vehicle Systems USA is very successful, they are very innovative and the customers love them. So that I see the final award decision will be end of 2026 or 2027, and I believe that there is a good chance. We will see. It's nothing at the moment in our calculations, but if it comes, I think we have a huge opportunity to create the next booster for Rheinmetall.

The same for the CTT program, there is a need of more than 40,000 trucks and the final award decision is in 2026 so that very soon we have a clear picture about the story going forward into the USA.

We have a very dominant business at the moment on security, but there is also some civilian business. It's shrinking and shrinking, and it's not a strong growing business, and if you see that we have growth rates of up to 40% in the defense side, and the growth rate on the civilian business is maybe 1% or 2%, so you see that this business is going down. Our expectation is that in 2026 we have less than 20% civilian business, less than 10% automotive business. So there is no longer a dependence on that area, and what we did is, I think we brought our people on the piston business into a good new home, people who take care about that, and in Rheinmetall site we cannot longer pay attention on that thing. So we found good people and good companies who took over the large bore and also the small bore pistons.

We sold the Riken JV. We closed it in Q2 2023 and we sold all Shriram shares. The last shares we sold in February 2024. So at the end of the day, we are very happy that our people have a good new home.

So on the next page, on 23, you see then Rheinmetall has to take responsibility and our mission, our commitment and our purpose is very clear. We have to serve our customers. This is the most important thing: we have to deliver. That is the reason that we are investing a lot. As you know, we have still firepower but we invested EUR1.2b in the acquisition of Expal and we have now valuable stocks of EUR3.2bn which is very important for us to deliver.

Over the last two years we have also CapEx of more than EUR1bn which is good to grow and which is very reachable because our customers give us cash and even down payment. Later Dagmar will give you an overview about that thing.

We empower governments and that's also important: to empower governments to protect the population, to protect the people. That's the number one what governments have to do.

We are investing a lot and we develop also new technologies. Also, there is a huge investment program from the Rheinmetall side.

And now I'm happy to hand over to Dagmar, she takes care about the financials.

Dagmar Steinert

Yes, thank you, Armin. So, let's move on to page 25. As you can see, the year 2023 really set a new milestone regarding sales growth and profitability. We increased our sales by nearly 12% to EUR7.2bn, with almost 36% of the sales volume resulting from the fourth quarter. Weapon and Ammunition as well as Vehicle Systems were the driving forces behind that growth. Our operating result, which is reported excluding PPA effects, rose by around 20% including EUR536m in the fourth quarter to EUR980m.

The high sales share of weapon and ammunition let our operating margin increase to 12.8%. The main driver for the higher EBIT pre-PPA is a divestment of the Shriram shares.

Let's move on to page 26 for the presentation of our earnings per share and dividend per share. The strong improvement of our operating result lifted the basic earnings per share for the continued operations pre-PPA to EUR14.65. We propose a dividend increase from EUR4.30 to a record high of EUR5.70 to the AGM. This results in a payout ratio of around 39% which marks the top of the corridor that we gave you at our Capital Market Day in November last year.

Please turn to page 27 for a look at Rheinmetall's operating free cash flow and, of course, the working capital development.

The fourth quarter cash generation increased the operating free cash flow for the full year to EUR356m, which reflects our highly seasonal business. Massive customer prepayments in Weapon and Ammunition and Vehicle Systems helped to reach this significant improvement of EUR508m compared to the previous year. We had cash-slipover effect of around EUR250m as Armin already mentioned.

Weapon and Ammunition and Vehicle Systems mainly caused the increase of inventory levels by EUR1.3bn to EUR3.2bn in anticipation of the upcoming customer orders.

Let us move to page 28. Even after the acquisition of Expal our balance sheet remains very strong and provides enough firepower for further inorganic growth. Our net financial position of EUR1bn came significantly down in the fourth quarter due to a high cash intake. Consequently, our equity ratio improved again to 31.1% in the fourth quarter 2023; in the third quarter it was 29.6%. The maturity profile is pretty relaxed until 2028 and 2030 when the convertible becomes due.

Moving on to the next page, Rheinmetall nomination. Our Rheinmetall nomination doubled compared to the previous year to almost EUR20bn. A high number of fixed orders, large framework contracts that increased by EUR7bn against previous year and a stable number of booked business from our civil divisions pushed our Rheinmetall backlog close to EUR40bn.

Let's move to the next page for a detailed look into our backlog. Weapon and Ammunition and Vehicle Systems are the main drivers behind the strong backlog increase to almost EUR40bn. Two long-term ammunition framework contracts for tank and artillery ammunition from Germany and contracts from Ukraine helped Weapon and Ammunition to achieve a new record high of above EUR11bn.

The Caracal framework contract for Germany and the Netherlands, a new framework contract for trucks in Austria as well as the second lot Puma for the German Bundeswehr are only a few projects, which are included in the Vehicle Systems backlog.

Electronic Solutions saw major orders for air defense from Austria and Romania. Over the mid-term, we expect more air defense orders within the European Sky Shield Initiative. The Rheinmetall backlog for our civil divisions remains stable. Our current backlog volume of almost EUR40bn results in a very high backlog coverage for the running year.

Please turn to page 31. Vehicle Systems grew sales by almost 15% to EUR2.6bn with an operating margin of 12.4% in 2023. Main driver were the ramp up of the Hungarian Lynx program and the contribution of the various swap agreements in the context of the Ukraine War. This is an outstanding performance, especially since the fourth quarter did not report any growth as sales were held back by customer-agreed delays into 2024. Weapon and Ammunition reported the strongest growth of 29% to almost EUR1.8bn and a great margin of 23%. Germany and Ukraine as well as other NATO countries created the highest growth

momentum. Former Expal contributed with EUR171m, slightly short of the expected EUR200m sales due to sales delay into 2024.

The operating result increased by more than EUR100m to EUR403m, including a contribution from Expal of EUR37m. We reported various smaller one-off effects from the integration of Expal, which had a slight impact on the margin. Increasing volumes and a more favorable product mix caused that development. The fourth quarter reported an impressive sales increase of 43%, ending at EUR817m and an operating result of EUR241m. Main driver behind sales growth were high deliveries to Germany and Ukraine, especially for 155mm ammunition. Margin remained on a very high level of almost 30%, but stayed a bit below the previous year's level.

Electronic solution reported an annual sales growth of around 13% to EUR1.3bn and a strong improvement of the operating result to EUR150m lifting the operating margin to 11.4%. Key sales driver were the ramp up of the Hungarian Lynx and the German Puma. Additional support came from the delivery of Skynex air defense systems and leverage created the biggest momentum for the profit improvement. Our Civil business recovered from the cyber-attack in the second quarter of 2023 and reported a slight sales growth. However, margins were still impacted by cost increases that were not fully passed through to customers. The overall impact of the cyber incident was at the expected level of around EUR10m. The disposal of the Amprio business and the restructuring of our Chinese casting business supported our operating result with almost EUR10m.

This closes my part of that presentation and I'm happy to hand back to you, Amin for the outlook.

Armin Papperger

Thanks Dagmar. On the outlook, you can see and I think very important is also in 2023, as I told before, that's important for you, we took 420 million over ready products. These were EUR360m trucks, which were 100% ready and also EUR60m ammunition. Sales Dagmar told you something about the Spanish side into 2024. What does it mean? It means that we are able on the operation side to produce the products. So we have the capacity and we are able to produce it. Sometimes you are in negotiation with customers to say okay, we are not able to take it over. I tell you the point on the truck side, the EUR360m we have to take over to

2024 because the inflation rate was higher and we were not happy with the inflation rate that was quite calculated five years ago. So we have an agreement now and we made this agreement yesterday with the German government that we can add some costs on the inflation side. And at the end of the day we have higher prices. And for us it was better to get these higher prices than only to get the sales and to reduce our profitability.

So therefore, number one we are able to produce number two in 2024 on the sales because of the investments and the CapEx we made. Very clear that we are able to produce for EUR10bn. The growth rate will come from the defense business. It will be a very small growth from the civilian business and that is the reason that the profitability also will grow and the operational margin is going up to 14, to 15% EBIT ROS. This usually is the target as you know, that we wanted to reach in 2026. We are a little bit earlier now about that, but we take care about that we continuously improve our performance. And the other positive thing is that our cash conversion rate should be even if we grow so strong on the level of 40%, there is also another trigger point which is important for you. It is still unofficial, but we get a grant from the European Union and the Rheinmetall group for all the different factories. We have a grant of around EUR140m which will help us in growth, in cash, and in also profitability because we did all that investment. All in all in a nutshell a very good year 2023. And we expect a better year 2024. Thank you for your attention.

00:36:40 Operator

Ladies and gentlemen, if you would like to ask a question, please press nine and star on your phone. If you would like to withdraw your question, please press nine and star a second time. Please press nine and star now to register your question. The first question comes from Sebastian Growe from BNP Paribas. You have the stage.

00:37:05 Sebastian Growe

Yes, hi. Good afternoon, Mrs. Steinert and also Mr. Papperger. The first one would be on the order pipeline. I understood at earlier conferences this year, you pointed to a total nomination potential of between EUR28bn and EUR36bn this year. However, when I look at the recent order announcements, it seems that this might have further increased beyond those ranges. So the first question that I then have is if you could provide an update please on the pipeline, and especially also shed some light on how you would see firm orders in

comparison with potential frame agreements. And if I may specifically also ask for an update around the EUR8bn to EUR10bn artillery contract from Germany, that would be the first part.

00:37:50 Armin Papperger

So the order pipeline, our expectation is really very optimistic and there is an opportunity if everything going right, that only from Germany that we get Rheinmetall nominations up to EUR30bn only from the German side. And what is the reason for that? Number one and the biggest thing is as I said before, also is artillery ammunition and we are at the moment in negotiation with the German government for 2.2 million rounds artillery. 2.2 million rounds, what does it mean? It means that we have only for the projectiles up to 9 billion. But if they, and they need also the charges, and they need also the fuses. And if you see that one modular charge price is EUR250, fuse price usually is about EUR700, so we can expect that there is a double-digit billion contract only from the artillery side.

Heavy Weapon carrier another EUR2.5bn fixed contract. From the artillery side, our expectation is that between EUR1bn and EUR2bn will be fixed. And if it is a EUR10bn or EUR12bn contract direct, rest is frame contract and year by year booked. The reason for this frame contract was that we produce now 200,000 in Germany. Because the Werk Niedersachsen is especially programmed also for this 10 or 11 years program where we can produce 200,000 rounds per year. And EUR 2.2m, what does it mean? More than 10 years work also there. This is exactly what the government wants, this is exactly what the Chancellor says. We have to have long-term contracts to go forward and this helps us a lot.

A very positive thing is also that all the frame contracts that we signed, that we fulfilled over, it's an overfilling about that. So most of the customers said, Okay, we need at the next frame contract. And this, for example, for the old if I say old, last year frame contract for artillery of EUR1.5bn, which was a much smaller one, we got it after six or seven months. We got it from a frame contract to a fixed contract. So that my expectation is also for that, that maybe there is a possibility to get two or three years fixed from the 10 years frame contract.

Vehicle, from the vehicle side, Boxer, the medium weight class vehicles, this will be a fixed contract, other ammunition will be fixed contract like tank ammunition. We ordered still some tank ammunition. Air defence is huge. These are fixed contracts, these are no frame contracts on the air defence side. And if you have, for the first vehicles, if there is, and the

vehicle price, if you have Skyranger, it's going up to EUR10m to EUR15m. So if every country needs 30 to 40, as I said, it's always with ammunition between half a billion and EUR1b. So multi-billion fixed contracts. So I'm, at the moment, we are on a very good way. And you will see maybe again, we are very conservative in this what we told you last time.

00:41:34 Sebastian Growe

Yes, it sounds like that. I can't spare you one question and that is around the overfunding situation in Germany. So obviously late last week, we had some noise around the potential EUR6bn hole for the current discussions when it comes to the ordinary budget and then Germany for the defence side. So can you help us understand how the contracts are structured on your end? So what's the risk eventually that the customer can walk away and push it out? So if you could help us there, that would be much appreciated.

00:42:02 Armin Papperger

All these contracts I discussed at the moment are coming out of the EUR100bn budget. This is the point where we get really a big piece of them. And as I said, if I count up everything, it will be and maybe you remember two years ago where the people or where we discussed to say okay, how can you tell us that you get EUR35bn or EUR40bn out of the EUR100bn you take. It will happen. This is exactly the piece that we will get. So our calculation was not so bad and we have a good hit rate in that area. But all what I said, artillery ammunition, tank ammunition, Schwerer Waffenträger, Boxer, et cetera, et cetera. But there is much more. There are now also for Ukraine, for example, out of this EUR8bn budget, are artillery stuff. This is Boxer with artillery where our friends from Munich and Rheinmetall share 50/50 on that. It's a multi-billion contract that will come up. So huge opportunities. But I only speak about the German side, but there is also huge opportunities on the international side.

I will meet tomorrow the prime minister in Romania. So we speak about vehicle programs. We speak about ammunition programs there. Hungary is something coming up. The whole Eastern European part is looking forward. Spain, if you see what we booked now over the last and in the next two months, and over the last two months, if I count everything up, there is more than EUR1bn that we book in Spain. Spain is a new market for us, but it hurries up a lot. So there are huge opportunities. And what we have at the moment to take care is really to bring it into the right direction and to deliver.

00:43:57 Sebastian Growe

Okay, thank you for this. And then the very last question, if I may, just around electronic solutions. I recall that at the Capital Markets Day, you had pointed to a potential of up to EUR5bn when it comes to air defense. You now also talked about the European Sky Shield Initiative and the related potential and I have counted around EUR3bn of orders since December alone. So can you provide us also here with an update where this can go eventually? I've seen and noted obviously the EUR2bn that you put in the slide deck as a midterm sales potential. And maybe there's also a relevant question, I guess, in this regard, help us a bit at least better understand the profitability around air defense. Because my impression is that there's very much deviation between the bits and pieces inside electronic solutions.

00:44:42 Armin Papperger

So, if you see long term, my expectation is that as I said 50 to 60 countries will be our countries on air defence side. Only with ESSI (*European Sky Shield Initiative*), with more than 20 countries and every country will order something. And if I say it's very conservative, half a billion, and this is the minimum that they have to order, it's half a billion. So then you see that there is a potential also conservative of EUR20bn. It's a very simple calculation. The point is that these are the systems. The point is that every nation needs ammunition. And on the ammunition side, we are the only producer of the so-called AHEAD ammunition of that and they need, and if there is a conflict they have to fire that ammunition. So at the end of the day, there is a huge potential also, from the ammunition side, which is going forward.

So I agree with you that we were on the Capital Markets Day, conservative. But at the end of the day, and you see we booked now really, you're right, we booked some billions, and we will book much more. But if we grow, if we grow up, and the big ticket has shown year by year to EUR2.5bn, or EUR3bn, it's good. Profitability, there will be a leverage effect also. At the moment, we are on a level of 15% on profitability on the air defense side. There will be a leverage effect and I think with the leverage effect, maybe it can be a little bit more.

00:46:43 Sebastian Growe

All right. Looking forward to it. Thank you.

00:46:46 Armin Papperger

Thank you.

00:46:47 Operator

The next question comes from Sven Weier from UBS. Mr. Weier the floor is yours.

00:46:55 Sven Weier

Thanks for taking my questions. Good afternoon, everybody. The first one, Mr. Papperger, just to follow up on the introductory remarks you mentioned about the different businesses and the midterm sales potential. I was just wondering if you could reconfirm that you had those projects in mind when you talked about reaching EUR15bn of sales in '26 and EUR20bn in the next seven to eight years, if these are still the right numbers. Or if we should even see higher than that. That's the first one. Thank you.

00:47:29 Armin Papperger

Mr. Weier, I love to be higher in that area, but first of all, I want to reach it. The EUR10bn this year, EUR15bn, and I think we are very, very looking forward over the years, if we say okay, we want to grow over the next seven years to EUR20bn. So if it is more, I appreciate that. But first of all, this is what I want to reach. This is our internal target. And as you know, if it is going better, I'm happy, I'm very happy about that. But I can tell you, at the moment, no other figures. And this is where we shape the whole organization. If the order pipeline, and if the order backlog is growing stronger and stronger and stronger, and if we have another EUR10bn which we not expected because we are so successful, then we have to invest a little bit more also into the capacities and then we have to grow stronger. But at the moment, I think we have to deliver.

00:48:36 Sven Weier

And I mean, you already said earlier, you will almost achieve needs, the margin target for '26 is 15% at the high end. I mean, what margin does go alongside the EUR15bn then? Are we talking 16% to 17%? Or what do you have in mind for this?

00:48:56 Armin Papperger

The point is, I think it's a very simple calculation. The civilian business which is less than 10% will be lower and lower and will be, let me say a very small amount of our sales. I expect that on the defense side, that we are able and that must be our target, that on the defense side, we are able to make 18%, 19% EBIT ROS.

00:49:23 Sven Weier

Okay. Very clear. And then I just wanted to make sure I understood your previous comments regarding Sebastian's questions about the pipeline that you said EUR30bn potential in Germany or EUR13bn this year?

00:49:37 Armin Papperger

Three, zero. Thirty.

00:49:41 Sven Weier

And because you know what I'm wondering, and I think in the same report that Sebastian mentioned, there was also mentioned that the special fund is already overbooked with stuff, right? Because everything has gotten much more expensive. Also the weapon carrier, the F-35. So how does it square if the EUR30bn are taken from the special fund?

00:50:04 Armin Papperger

It's not overbooked, it's not overbooked. The only thing what they have is that these programs are financed. There are some things which cost more. But there are some huge programs which are, let me say at the moment, out of priority. And that is the reason that it is not overbooked, that is number one. Number two, and in all the discussions I have, and this is crystal clear, the budget, the regular budget must grow up to EUR80bn of EPL 14, number one. Or they need a second Sondervermögen or Sonderdebt [special fund], however you call it. And I personally believe it is much easier to bring the second thing, a second Sondervermögen [special fund] to create security for, national security for Germany. And that has to happen, I think, next year, because otherwise they are running out of Verpflichtungsermächtigungen [commitment appropriations], and I believe it will happen.

Is it a risk for us? No, because we booked all that things. So we are happy for this year. And Dagmar, you have seen what we have for coverage, the coverage for this year. It's nearly

100%. So everything which is, and we book a lot of business also for this year. So there is even potential for, to have, to grow, to grow more. But next year, it's also 80% done and without all these bookings that we have in '25, and in '26 it's also huge. So up to '20, I can see up to '26, '27 that our growth story continues. And that gives me confidence that, first of all, we have time, even if there is a delay of half a year, a political delay to make decisions in Germany and elections, et cetera, et cetera, it doesn't hurt us. And the second point is that there is a need and all the discussions we have with the opposition with the Christian Democrats, Social Democrats, Green Party and Liberals, all of them said we have to invest in our security. National security is so important, we have to spend the money full stop.

00:52:35 Sven Weier

And the final question I have for you, Mr. Papperger on the US project you talked about, right? And you know, you mentioned the decisions are likely falling into a period with a new president. So how able, how willing would you be to team up with your competitors to have like maybe a shared project at the end of the day, and a joint project with those you compete against at the moment?

00:53:02 Armin Papperger

If the customer likes that, I'm always open. For me, it's not a problem to share. But this is a decision from the customer. The point from my side is, first of all, we will fight hard. There is a two-year period where we fight hard and we can fight hard because we got nearly \$800 million from the US government to fight and they want to see us to fight, to give the best technologies into the United States, and to show them that the prototypes that we are delivering are great things, to make America great again. So this is exactly what we want. And that is the reason and we do it with our US boys. There are no European boys inside, only US boys. And we are a US company. And this is exactly what both parties, Democrats and also the Republicans from President Trump, if he's president, or former President Trump sees. He doesn't like imports from Europe to the US. We will produce every small screw in the United States and I think this is the right thing to go forward. And we have, at the moment good R&D centers, very good R&D centers, and the American customers like it. And when I was last there, I had some meetings with secretaries in Pentagon and they are very positive. But you never know at the end of the day, what happens. But for us, it is a really great experience what we see. And we have, I think we have a good chance.

00:54:47 Sven Weier

That's very clear. Thank you, Mr. Papperger.

00:54:51 Operator

The next question is Sash Tusa from Agency Partners. Mr. Tusa, the stage is yours.

00:54:59 Sash Tusa

Thank you very much indeed. Good afternoon. I have two questions. The first, your guidance of around EUR10bn of revenues for the current year. Given that you have 89% order cover, and around over EUR400m of product already made, which you should presume deliver in the first half, it doesn't actually seem a particularly aggressive target. Are you expecting or are you concerned that there might be some more cutoff effect at the end of this year? And hence there may be some deliveries that slip into next year? Are you putting a bit of risk into your forecast? And then the second question, which is a rather wider one, could you talk about the supply chain for ammunition and particularly for explosives and where you see the pinch points being and where you see the supplies being most favorable at present?

00:55:59 Armin Papperger

Yes, Sash. So the point is that this is the calculation that we have and as you said, the first quarter will, you will see in the first quarter that we are on a very good way in the growth. We will have a very good growth in the first quarter and a very profitable first quarter. We never ever, it's not the Q1 call today, but we never ever have seen such a quarter like we've seen now. This is number one. The second point is I'm an entrepreneur. And as an entrepreneur, I'm looking on the profitability. And I can make a bet with you that the profitability will be between EUR1.4bn and EUR1.5bn. If it is EUR10bn, EUR9.5bn or EUR10.2bn, this is what we have minimum. And that is for me the importance. That is for me the important stuff. Are we profitable? Can we create cash? And the other thing is also cash, we don't lose cash. And as you know, if you have a company which is growing 40% usually, you have to invest such a lot of money, that you have no positive cash flow. We will get a positive cash flow again, because we get good down payments in this area. So is it so that we make exactly EUR10bn? I must say, I don't know. But is it so that we make minimum EUR1.4bn profit? That is a yes, I will bet.

00:57:34 Sash Tusa

That's fair enough. I certainly won't take that bet then, thank you. And supply chain?

00:57:40 Armin Papperger

On the supply chain side at the moment, we have no big problems. And the reason for that is, as I said, we have EUR3.2bn valuable goods in our stocks. So we take care about that to buy in early. This maybe is not the optimum for the cash flow, that's for sure. But at the end of the day, it's optimal for us to deliver. And this is the right way. I believe it is, this the right way to especially if we have war in Europe, to deliver and not to make an optimization on the cash side. But we have no problems at the moment on the supply for our shops, and we have no problem at the moment also, on the human resource side. This is the next point to say we get people. The people love us at the moment and the people want to come to Rheinmetall.

00:58:36 Sash Tusa

Okay, thank you very much.

00:58:38 Armin Papperger

It's a pleasure.

00:58:40 Operator

The next question comes from Michael Raab from Kepler. Mr. Raab, the line is now open for you.

00:58:48 Michael Raab

Hi, everyone. Mike Raab, Kepler Cheuvreux. I'd like to place two questions here. First of all, Mr. Papperger, when I look at the sales potential that you depicted for the individual product groups for the mid-term, just doing the simple math, adding them all up, you get to a corridor of between EUR17.6bn and EUR18.2bn to be precise. Now you're indicating this is for the midterm. What is specifically your definition for midterm, if one could say so?

00:59:19 Armin Papperger

It's longer than 2025, as we said on the Capital Markets Day. And the question before was also yeah, is this EUR14bn to EUR15bn enough? Yes, we want first of all reach the EUR15bn. If everything, this is a potential, if everything which is in the potential is coming up, your calculation is absolutely right. There is more in. But 100% hit rate usually is not possible.

00:59:51 Michael Raab

Yes, so that's why I'm asking. Okay, cool. Thank you. Then the second question I'm having and than I'm already done is why would the Panther not qualify as Leopard 3?

01:00:06 Armin Papperger

Because he has the wrong name. As you know, yeah. It's exactly the point. Sorry to say that.

01:00:17 Michael Raab

Okay, but from a technology standpoint, you could rebadge, rename, whatever. So technologically, is there any obstacle?

01:00:26 Armin Papperger

No. This is a fantastic product and I can tell you also one, it's not a secret because it will be very soon in the newspapers. We signed now the R&D programs in Germany, also for the 130, and for the 130 ammunition. So this is one technological milestone that the Panther has also inside. But that is what I mean. We have the Panther, the Panther is a medium, mid-term tank and I personally believe that there will be a decision also in Germany. Because the Main Ground Combat System, we need up to 2040, '45 that we have in between. I call it Leopard 3, however, the German government will call it maybe Leopard 2+ or whatever I call it, Leopard 3. And I believe that a lot of technologies that we have in the Panther will be implemented also in the Leopard 3.

01:01:32 Michael Raab

Okay, back to the Panther gap. Thank you.

01:01:36 Armin Papperger

Thanks.

01:01:39 Operator

The next question comes from Christoph Laskawi from Deutsche Bank. Mr. Laskawi, the stage is yours.

01:01:47 Christoph Laskawi

Good afternoon. Thank you for taking my questions. There will be three. The first one will be on vertical integration in the US. You expect announcements relatively soon. Would you need to increase the vertical integration before any announcement in the US? So do you need to buy there? Second question then, what's the ammo share that's in the air defense business of EUR2.5bn? And then a technical question just in Q4, if I understood it correctly, you moved business from ammo to electronic solutions. Could you just remind us what that was and why you did it? Thank you.

01:02:28 Armin Papperger

I didn't get the last question. Can you say it again, please?

01:02:31 Dagmar Steinert

I got the last question.

01:02:32 Armin Papperger

You got it? Okay. Then I take the first two and Dagmar takes the last one. So, vertical integration, very clever question because you are totally right. We are looking at the moment for acquisitions also in the United States. We want to do that and we have to do that because at the end of the day, we must be a bigger player if you get such a big, such big contracts. We need bigger factories and we are looking for that, and this is one of our targets to have a decision this year. Second point is ammunition share. So we expect that we have to produce 500,000 rounds per year continuously. And the price of one round will be between EUR1,100 and EUR1,200. So you see that we have between EUR500m and EUR700m on ammunition. Dagmar?

01:03:43 Dagmar Steinert

Okay. The reorganization of the divisions we moved from the division weapon and ammunition, Rheinmetall Canada to electronic solutions and there we are talking about a sales volume of EUR110m.

01:04:05 Christoph Laskawi

Thank you. A follow-up if I may, just on the vertical integration in the US. Is there any potential size that you are looking at? Or it could be very small up to very big? Any comments there?

01:04:20 Armin Papperger

It will be not very big but also not small.

01:04:25 Christoph Laskawi

Understood. Thank you.

01:04:31 Operator

The next question comes from Carlos Iranzu Perez. Mr. Iranzu Perez, the stage is yours.

01:04:38 Carlos Iranzu Perez

Thanks for taking my questions and good afternoon. First one, in the presentation you have updated in mid-term sales target within weapons and ammo, and all these artillery numbers add up to roughly EUR7bn. So this compares to the 2023 CMD guidance of around EUR4bn, so could you please help us to understand this material growth was 2026 and the timeline to achieve this? Thank you.

01:05:09 Armin Papperger

So yeah, the first thing is to that, up to 2026 only the artillery ammunition if it said. If the full package artillery with propulsion systems, and also with fuses will come, there is a potential up to EUR5bn only on artillery ammunition. It's EUR1bn for tank ammunition and the rest is the rest. So but it's I think, a very good figure and we can reach that in 2026.

01:05:43 Carlos Iranzu Perez

Okay, very clear. Thank you.

01:05:45 Armin Papperger

And Spain will be an important driver for that. So as you know, that Madrid is the center of competence for indirect fire. So we have, it's a headquarter of indirect fires in Madrid. And so this is, this will be by far the biggest center of competence worldwide for indirect fire. Madrid, because we guide from Madrid the Spanish factories, but also South Africa and Australia.

01:06:16 Carlos Iranzu Perez

Super clear. Thank you. And I have a follow up on weapons and ammo as well, on the margin side. You are guiding for margins of 25%, 26% in 2024 and at the CMD, you guided for margins of 26% in 2026. So that implies very little operating leverage in 2025, '26. So why is that?

01:06:41 Armin Papperger

Now look, I think that's a very good margin. That is one point. And on the other point, if you, we want to be very fair to our customers. And the, if there is a leverage, there is a leverage effect for sure also, but there are some investments and we want to pay back, also from that side. And we don't want, let me say to, over rate these discussions that we have with our customers. Sometimes you have to give the customers also an effect. If he buys a lot for a lot, for some years, you have to give them something. You have to give them some money back. And so therefore I think, if we are between 25% and 30% in this area, it's a very good margin, I think.

01:07:39 Carlos Iranzu Perez

Very clear. Thank you.

01:07:40 Armin Papperger

Thank you.

01:07:43 Operator

The next question comes from George McWhirter from Berenberg. Mr. McWhirter, the stage is yours.

01:07:50 George McWhirter

Good afternoon. Thank you for my question. Just on the aviation midterm guidance of about a billion euros of revenue, it seems a bit higher than the F-35 contract that you recently signed. Please, can you comment on any additional options you see in the aviation sector just to get to that 1 billion level? Thank you.

01:08:09 Armin Papperger

So the, you are totally right. The F-35 will be half of them about 50%. The others will be the sustainment business, not only on the F-35, but also sustainment on helicopters and other things. And number three is that, at the moment, different producers of airplanes are coming to us if we are with the technology. And with everything that we learned now, if we can produce some other components for them. And that is the potential that we see.

01:08:45 George McWhiter

Thank you.

01:08:47 Armin Papperger

It's a pleasure.

01:08:50 Operator

At the moment, there are no further questions. This is the chance for you, if you would like to ask a question, please press nine and star on your phone. The next questioner is Christian Cohrs from Warburg Research. Mr. Cohrs, you can ask your question now.

01:09:10 Christian Cohrs

Yes hello. Good afternoon. Two questions left for me. First on CapEx. At the Capital Markets Day, I think you stated something like 7% of sales would be CapEx in 2024. Is this still valid? That would actually be EUR700m compared to your EUR10bn guidance. Or do we have also to take into account the EUR300m investment in Unterlüß? So then a total of EUR1bn. Maybe you can shed some light on that. And then lastly, looking at your minorities, all your fully consolidated earnings are up massively. But looking at the minority line RMMV lower

earnings, Denel lower earnings, maybe you can provide a brief explanation for that. Thank you.

01:10:11 Dagmar Steinert

Yes, I take the question with the minorities and yes, we have lower earnings from RMMV. Of course, we are missing our trucks, which we didn't deliver in 2023. We see as well, lower earnings from Rheinmetall Denel ammunition. But they had extraordinary high earnings in 2022. And these are both companies which lead to the fact that we have minorities of EUR52m in '23 and compared with EUR66m in 2022.

01:11:00 Armin Papperger

Second point of CapEx, yes, you are totally right. It will be in that area about EUR700m. Positive thing, as I said, we will have a lot of down payments, number one, and maybe I didn't tell it right. But the positive thing, very positive thing is we'll get EUR140m from the European Union for investments. So this is a grant, this is let me say, a present from Europe to Rheinmetall because of all the investments that we have, and that helps us a lot, for sure to pay the bills.

01:11:38 Christian Cohrs

Understood. Thank you.

01:11:39 Armin Papperger

And by the way, this is not in the calculations in between.

01:11:46 Operator

Thank you. The next question comes from Ben Heelan from Bank of America. Mr. Heelan, you can ask your question now.

01:11:54 Benjamin Heelan

Yes, thank you for having me at the end. I wanted to ask Armin around some of the numbers in the presentation again, because you talk about the midterm sales potential for artillery, rocket artillery, mid-caliber ammo, tank ammo, infantry ammo. And adding those all up you get to around EUR7bn for that weapons and ammo as a midterm sales potential. Obviously,

you've given us 2026 guidance in November of over EUR4bn. I think in one of the questions you talked about that potentially being five now. So is seven where this business can go towards the end of this decade? Appreciate you probably don't want to give like firm guidance for '28, '29, etc. But how should we think about that EUR7bn if we just simply add up all those numbers in the weapons ammo? Is EUR7bn what that revenue line could be at some point and how should we think about that? Thank you.

01:12:52 Armin Papperger

If you calculate up 100%, it's EUR7bn, I 100% agree. But if we go, let me say, to be sure that because we speak about potential and about operational planning. On the operational planning, if you see that we are on an area of EUR5bn to EUR6bn on the ammunition side, I think that would be very, very realistic. The potential is really EUR7bn. But as I said before, you'll never ever have a 100% hit rate in this area. So what we do is, we go through all the countries and these are the potentials and this is the capacity that we build up. We have really a capacity if everything is going forward, if the crisis is going forward that the customers order more, we really can make EUR7bn. This is the potential that we have. This is a capacity also. But for my calculations, yes, I said between EUR5bn and EUR6bn is a fair value. But if you see that we said between EUR5bn and EUR6bn on the ammunition side, and if we make between 25% and 30% profit, it's a great value. It's not so bad.

01:14:06 Benjamin Heelan

Yeah, no, that's very fair. And a quick follow on, obviously, you did the Expal acquisition last year. It's been very successful. Is there more in the pipeline? How should we think about M&A '24 and '25?

01:14:20 Armin Papperger

Yeah, if you see, we make M&A year by year and again, nobody at the moment has really calculated our Romanian business, which I tried to calculate that we will make EUR40m to EUR60m profit also per year over the next years after filling that company. And we try to go into acquisitions. One target is US, as we discussed before with Mr. Laskawi, but we also have other opportunities, also on the weapon and on the ammunition side. But as I said, I cannot go into details about the M&A because we always have NDAs and you will get the

information as soon as possible and as you always do. If it is a big acquisition, we give you an extra call to inform the investors and the analysts about that.

01:15:19 Benjamin Heelan

Very clear. Thank you, Armin.

01:15:21 Armin Papperger

It's a pleasure.

01:15:23 Operator

The next question comes from Dario Dickmann from HSBC. Mr. Dickmann, the line is open for you.

01:15:32 Dario Dickmann

Hello, also from my side. Coming back to your comments on the next Leopard generation and the implemented technology, does this mean that your share inside of the new Leopard should be significantly higher compared to the Norwegian Leos, for example?

01:15:51 Armin Papperger

Yes.

01:15:52 Dario Dickmann

Okay. And last one, at the CMD when talking about potentials, you also mentioned mortar potentials of around EUR600m and weapons of EUR1bn. Does this have to come on top of the ones presented in your presentation?

01:16:12 Armin Papperger

There are some things, which are not at the moment in the presentation. And I can tell you what happens also on the weapon side. And therefore you see for sure, and now you got me, there is for sure more potential also. So the weapon production only in Unterlüß and the price of a weapon is between EUR1m and EUR2m if it is an artillery weapon or a tank weapon. Only on the weapon side, we will grow up to 250 weapons per year. So between EUR300m and EUR500m we can produce weapons for artillery and also for tanks. But I hope

that you see that we want to give you an overview about the big tickets and the EUR250m is not a real big ticket because this would be the smallest number of all of them. But we have to cut it sometimes and otherwise, I for sure can give you a much better overview. And there is some potential in, but and this is also invested. So we produced earlier also up to 50 weapons per year and we do have now the capacity of 250. And all the equipment is in place and we are on the way. And we need it because we need now a long-term agreement also on the weapons side to help the Ukrainians. So Ukraine will need between 50 and 100 weapons per year because they fire such a lot that the weapons or the barrels for sure are destroyed sometimes. So there are smaller things, but these are not like the big tickets like artillery where we have between EUR3.5bn and EUR5bn.

01:18:09 Dario Dickmann

Okay, thank you. And last question maybe you mentioned earlier, the artillery system on the Boxer with your partner in Munich being shared 50/50, is that right?

01:18:22 Armin Papperger

Yes.

01:18:22 Dario Dickmann

So the RCH 155. Okay.

01:18:26 Armin Papperger

The reason for that is very clear, because we have an agreement with KMW that everything which is coming on the Boxer now starting from this year, all the contracts will be shared 50/50 between KMW and us. If there is our turret or if there is whatever is on, we share it 50/50, which is a good solution.

01:18:50 Dario Dickmann

Okay, great. Thank you very much.

01:18:52 Armin Papperger

Pleasure.

01:18:54 Operator

The next question comes from Sebastian Growe from BNP Paribas. Mr. Growe, the stage is yours.

01:19:01 Sebastian Growe

Yeah, me again. Thanks for taking my follow-up questions. Two quick ones, easy ones and one more delicate one eventually. So the first one is just on M&A and then just a simple yes, no question. For the EUR20b that you had put in the sort of more longer term, is any M&A included here or not at all as we speak? The second question is...

01:19:17 Armin Papperger

No, it's not included.

01:19:23 Sebastian Growe

The second one would then on PPA be a question. I think Ms. Steiner, you said before that you would expect something like an EUR80m eventually for '24 and then it would come down towards the EUR30m or so, and then eventually EUR20m by '26 or so. Would you confirm that today?

01:19:23 Dagmar Steinert

I have to revise that number. In 2023, all In, we had EUR70m PPA. EUR40m was Expal and EUR20m was 4iG, 10% old acquisitions. In 2024, we expect EUR100m, and then it comes down '25 to around EUR70m, '26, EUR40m around that.

01:19:23 Sebastian Growe

Okay. And the last one is then on the infringement proceedings in Spain, can you just provide us with an update or your view on the matter?

01:20:24 Armin Papperger

You think with cartel authorities?

01:20:27 Sebastial Growe

The legal case around, yes, exactly.

01:20:30 Armin Papperger

Yeah, we see not a real case about that. What happened is the following thing. So we had a due diligence and in the due diligence phase, the seller has to fill, as you know, the data and there was a small company, civilian company, and they got some ingredients from the explosive site and this was not on the list. They forgot it and after the closing, the cartel authorities gave us, let me say green light and in that process, this smaller company said, okay, but we need also to protect that you give us whatever. It's not a lot. It's some 100 kilograms, what is going on. And so we gave this information now to the commission, to the monopoly commission, cartel authority, and we think that we can sort it out very soon. There is no, I see no bigger problem.

01:21:36 Sebastian Growe

That's good. All right. Thank you.

01:21:39 Armin Papperger

Thank you.

01:21:41 Operator

The next question comes once again from Sven Weier from UBS. Mr. Weier, you can ask your question now.

01:21:48 Sven Weier

Yes, thank you. Just one on CapEx. To clarify is the EUR700m already after the EUR300m down payment you get from the German government? Or is that the gross CapEx? And also related to that I was wondering about the leasing cash out. I think the total leasing cash out is including interest for EUR62m. I was just wondering now that the new Weeze plant and Hungary, which I think are going to be leased, how that charge is going to develop in the coming years. Thank you.

01:22:21 Dagmar Steinert

Yes, regarding the CapEx, I start with cash out for CapEx. In '23, we had EUR384m cash out for CapEx, and roughly EUR700m CapEx for 2024. They are excluding our new production in

Niedersachsen, our new plant, so it will be it will be a higher number. But on the other hand, as Armin already mentioned, we get grants from the government. We will get additional down payments and so on. And, of course, there's always a share of leasing CapEx, but that's not a cash out. You don't see it in the cash flow statement and so on. So that's why we start just reporting as the CapEx number, the cash out CapEx.

01:23:27 Sven Weier

Yes, I was just referring to the EUR62m you had in total of leasing payback and interest.

01:23:32 Dagmar Steinert

Yes, that's, of course, including leasing and everything: leasing and development and so on.

01:23:44 Armin Papperger

Cash out for factory in Niedersachsen will be for this year and for next year. So, we have to pay something this year, but also next year, because we will be ready next year, April. This is the idea and as you know, if you have everything finished then you pay the final bills. So, this will be for this year and for next year, but you can see that the EUR700m is a very good figure. The positive thing is that for the ammunition contract, we are in negotiation with the German government at the moment that we get a huge amount of down payment. So that for the operation, for the cash flow, it's very positive for us.

01:24:34 Sven Weier

Understood. Thank you both.

01:24:35 Armin Papperger

Thank you.

01:24:37 Operator

The next question comes from Michael Raab from Kepler. Mr. Raab, the line is open for you.

01:24:44 Michael Raab

Yes, hi. Thanks, me again. CapEx is a really good buzzword. Sorry, I also have to ask for that again, just to make really sure someone like me also got it right. This year's, say EUR600m,

EUR700m roundabout includes already a part of the investment for Unterlüß, or does that come on top of it?

01:25:07 Armin Papperger

It includes, the EUR700m includes a part of that. And if you see, there are three different stages of our investment that the total investment is EUR300m. From the EUR300m you can see there is a forging, then there is a filling plant, and there is an assembly plant and then this will be on the level of EUR200m. And then there will be a missile plant and an RDX plant, which is then the other EUR100m. And so, if you see that, that the forging and the filling plant will be ready in April next year, then it should be, let me say around, it's a rough calculation. EUR100m will be this year in.

01:25:59 Michael Raab

Okay. And then based on that, if we were to move forward on the timeline, would we extrapolate the 7% CapEx because you have more add-on projects coming?

01:26:12 Armin Papperger

No.

01:26:13 Michael Raab

Or would the CapEx to sales ratio trail off again? And if so, to what levels?

01:26:18 Armin Papperger

5% is our target, but in such a strong growth rate that we have at the moment I think it is, it must be possible. And if you build such big factories like Werk Niedersachsen, I think that is important that we invest also more. But as I said at the end of the day, to be fair enough 50% of Werk Niedersachsen is paid from the European Union if you count that in total for the whole Rheinmetall group. But at the end of the day, if I count that, so this is a political decision that they want to go forward with that investment to protect Europe.

01:27:01 Michael Raab

So logically, we would presume that the absolute CapEx amount is bound for an increase in the next couple of years, say mid-term, but relative to sales, it's going to come down. Okay, thank you.

01:27:14 Armin Papperger

5% to 6% is my expectation, between 5% and 6% is my expectation.

01:27:19 Michael Raab

All right. Very good. Thank you.

01:27:23 Operator

There are no further questions. Thank you very much. I hand over to Armin Papperger for closing words.

01:27:31 Armin Papperger

Yes, thank you very much. Thanks for your time. Thanks for these very interesting questions, and hope I see you soon. And I'm very happy to see all of you soon in the next Capital Markets Day because that is an international Capital Markets Day, and I think I have a look now to Dirk, and he will be very happy over the next month to give you information about that. Au revoir, bye-bye.

01:28:05 Operator

Thank you for participating in the conference call. This call is now closed.