



RHEINMETALL AG Q2 CONFERENCE CALL  
**Strong margin and cash performance in Q2**

August 2021

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## Q2 2021 Group Highlights

### Macro

- Higher 2022 defence budget proposals in all home markets
- Semi-conductor shortage slowed LV-production recovery

### Performance\*

- Sales increased to €1.315m
- Recovery mode and cost discipline helped to almost double results to €106m
- OFCF turned positive from -€210 last year to €15m
- EPS climbed to €1.45 after minus 9 Eurocent last year
- Rheinmetall joins UN GC: Commitment to corporate responsibility and sustainability

### Portfolio

- Pistons will be reported retrospectively as discontinued operations from Q2 onwards
- Additional impairment required due to deterioration of long-term market outlook
- Disposal process of the piston business under way

Q2 2021 Pistons process update:

## Accelerated decline of ICE puts asset valuation under stress



Start of piston disposal

Further deterioration of market environment

- EU announces end of combustion engine by 2035
- OEMs outrun each other with announcements of full portfolio electrification

€110m Impairment of discontinued piston business

- No cash impact
- No guidance impact
- Financial performance of core business fully intact!



# Q2 2021 Group Highlights

## Positive news flow for heavy armour!



### Germany

#### Puma

#### Retrofitting contract – Upgrade to new design

- Order volume: ~€420m
- Timeframe: 2021 – 2029

#### Kodiak

#### The Bundeswehr's new combat engineer vehicle

- Order volume: €293m
- Timeframe: 2023 – 2029

Entire German order intake in Q2



### UK

#### Challenger 3

#### Modernizing the UK's main battle tank Challenger 2

- Order volume: €770m
- Timeframe: 2021 – 2027
- Order intake Q2



### USA

#### OMFV

#### Team LYNX down-selected

Developmental contract for the Phase 2 - Digital Design of the program

Design Phase starts OMFV program, continues through early 2023, foundation for future development and production phases

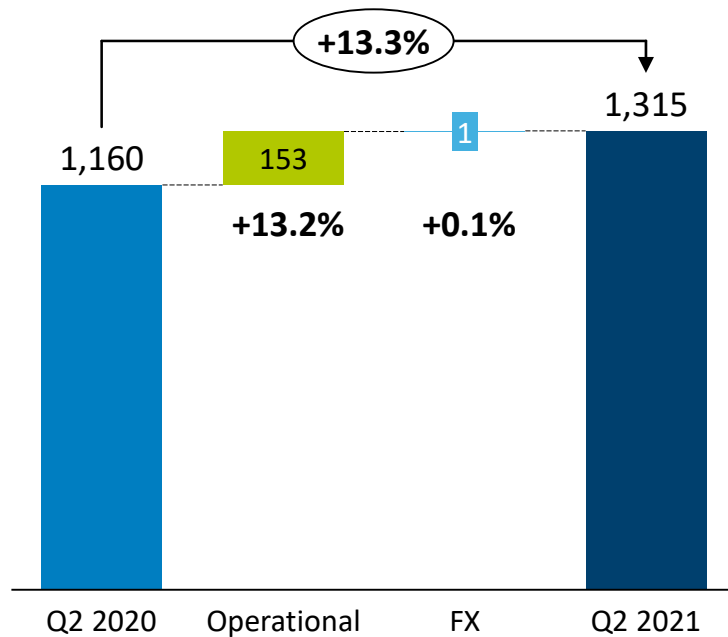
- Potential: ~3.800 Vehicles
- Timeframe: 2030+
- Order intake in Q3

# Q2 2021 Group Highlights: Key financial data

## High volumes and strict cost discipline triggered the EPS recovery

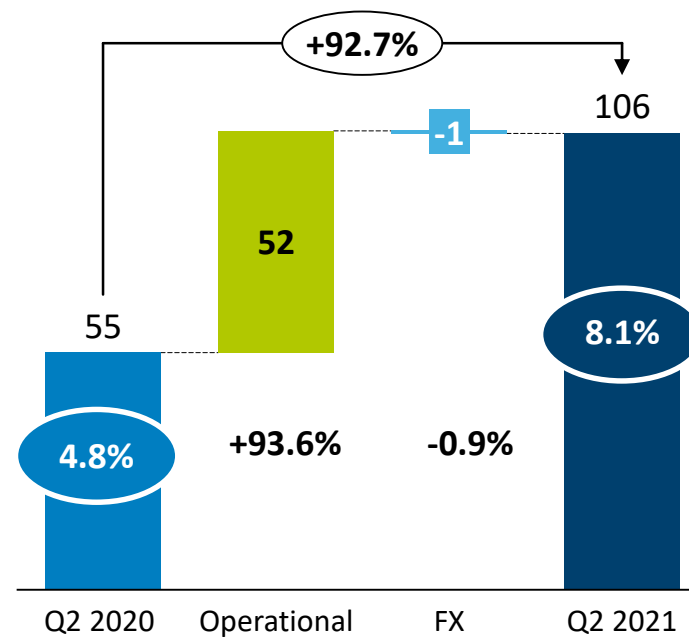
### Sales\*

in €m



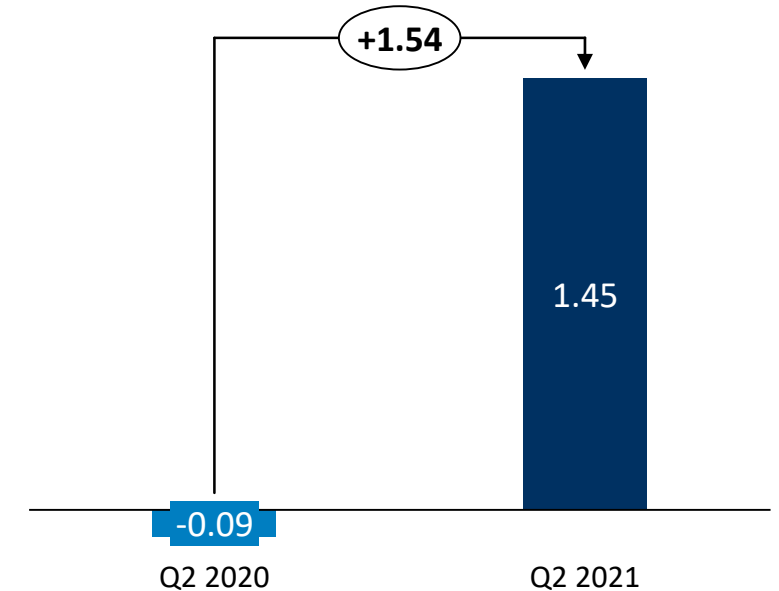
### Operating result and margin\*

in €m



### Earnings per share\*

in €

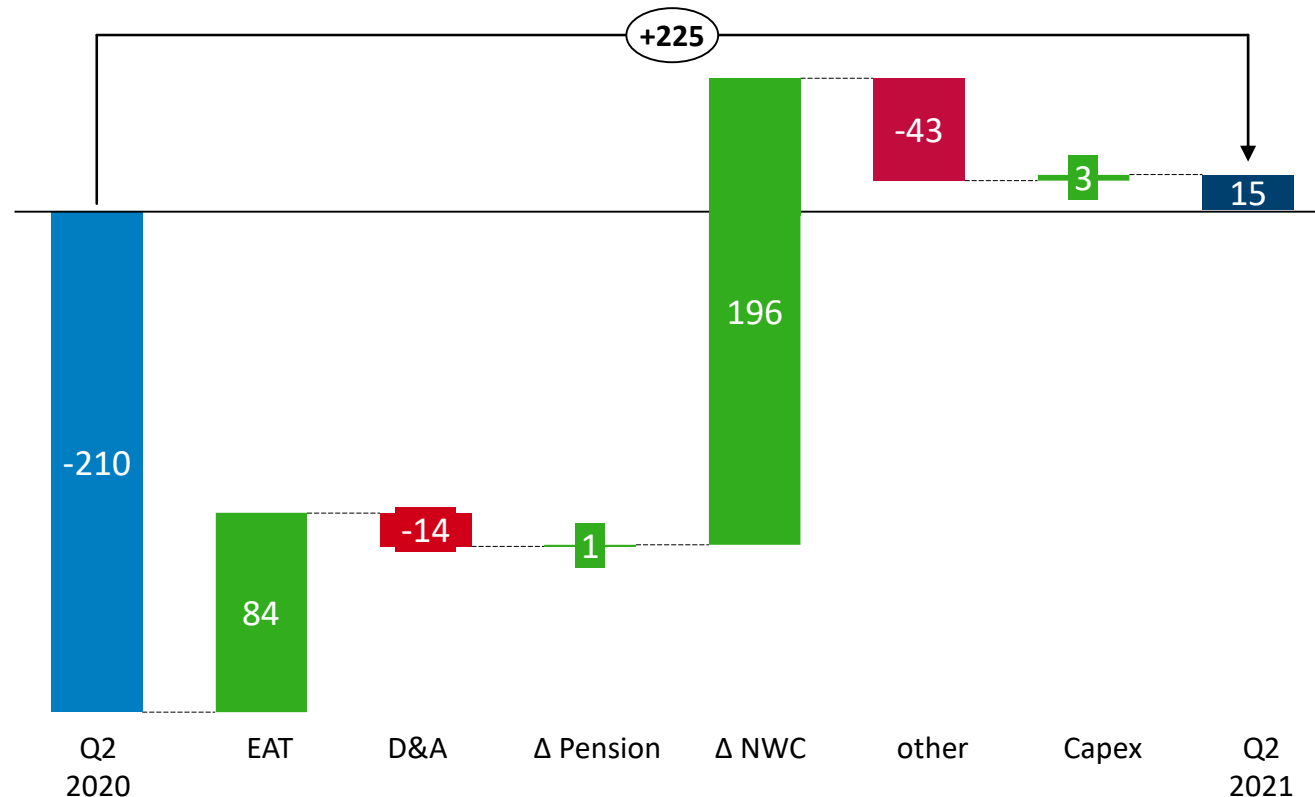


# Q2 2021 Group Highlights: Key financial data

## Earnings and working capital improvements accelerated OFCF generation

### Operating Free Cash flow\*

in €m

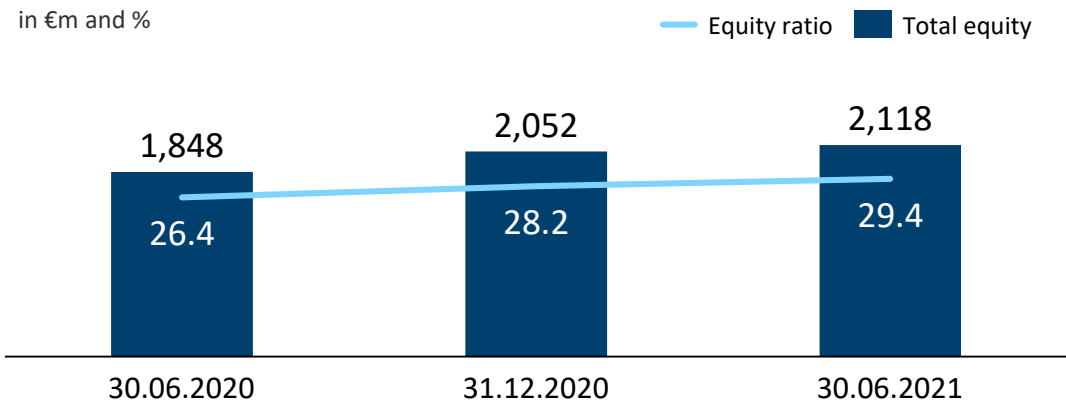


- Excellent earnings recovery with significantly improved group margins
- Strict working capital discipline and high cash in of milestone payments held back by minor raw material price inflation
- Capex on low level, FY expected to remain slightly below 6% on sales

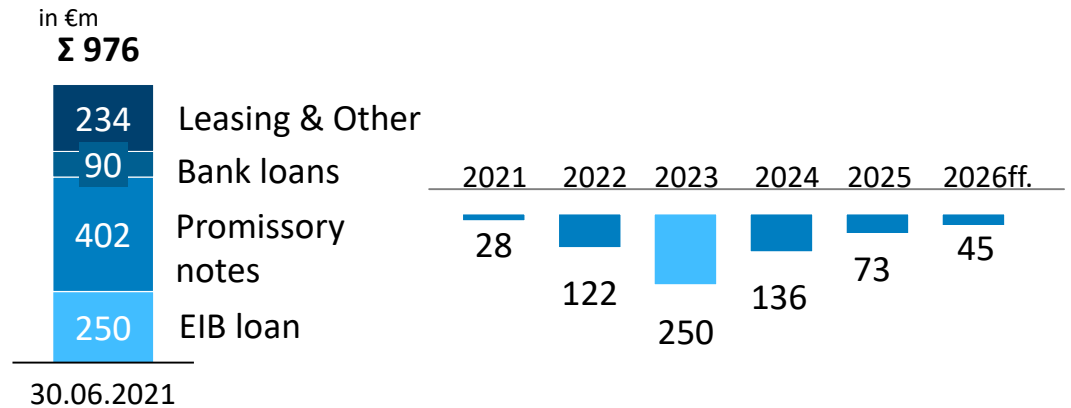
# Q2 2021 Group Highlights: Key financial data

## Sound balance sheet provides financial flexibility

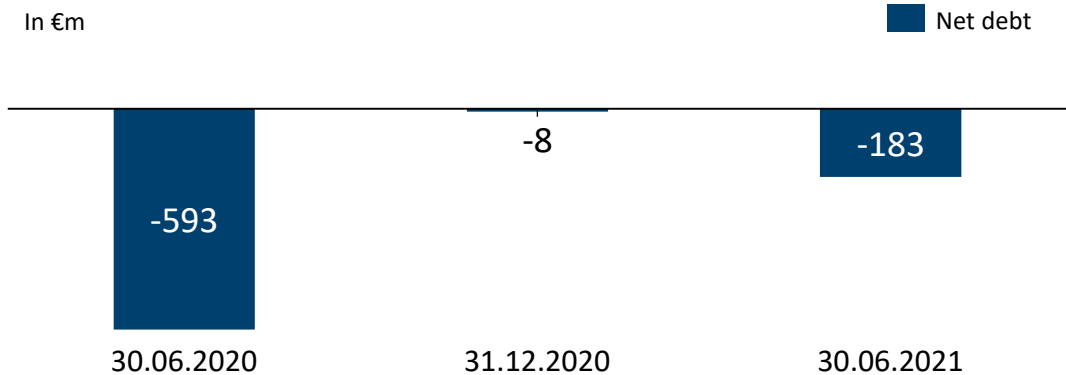
### Equity and Equity ratio



### Gross debt and maturity profile



### Net financial position\*



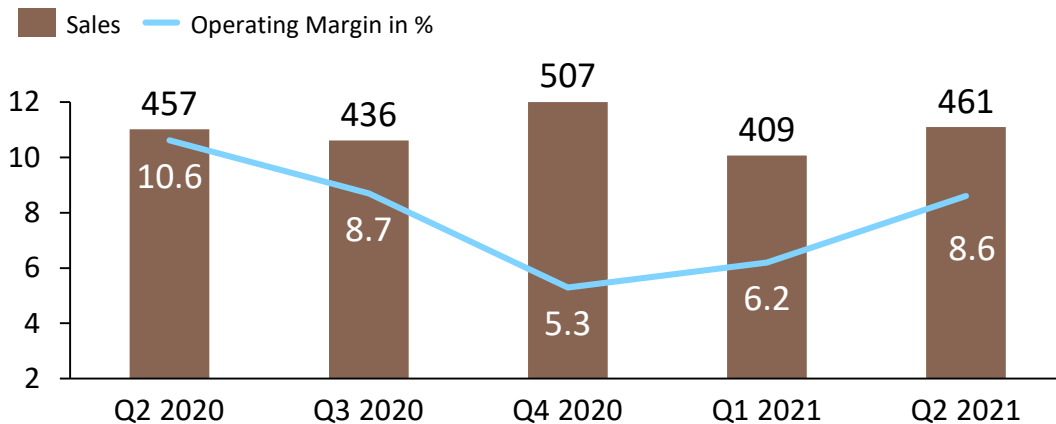
### Highlights / Comments

- Equity ratio of 29.4% with further improvement
- High cash position of €793m
- Undrawn credit lines of €0.9 bn per end of Q2
- Net financial position significantly improved
- Moody's confirmed "Baa3 stable" June 2021



## Q2 2021 Division Highlights

### Strong order intake propelled backlog to new record level

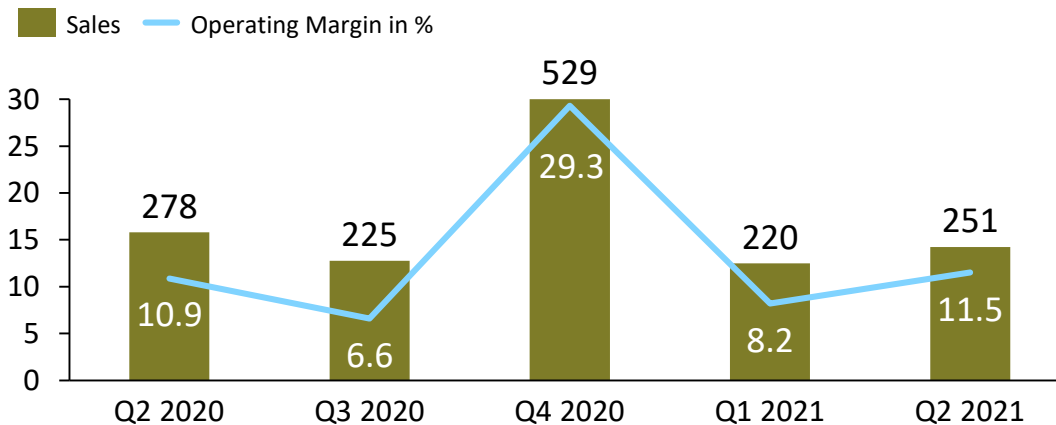


In €m	Q2			YTD		
	2020	2021	Δ	2020	2021	Δ
<b>Order intake</b>	411	1.795	337%	548	1.973	260%
<b>Order backlog</b>				6.416	10.542	+64%
<b>Sales</b>	457	461	+1%	903	870	-4%
<b>Operating result</b>	49	40	-18%	84	65	-23%
<b>Operating margin</b>	10.6%	8.6%	-2.0%p	9.3%	7.5%	-1.8%p
<b>EBIT</b>	49	40	-18%	84	65	-23%
<b>Operating FCF</b>	-59	96	155	-94	184	278

- Challenger, Puma and Kodiak included in Q2 order intake lifted backlog to record €10.5bn
- Margin declined due to sales mix effects
- Excellent cash flow mostly drive by strong reduction of trade receivables

## Q2 2021 Division Highlights

### High quality sales and cost discipline supported margin improvement

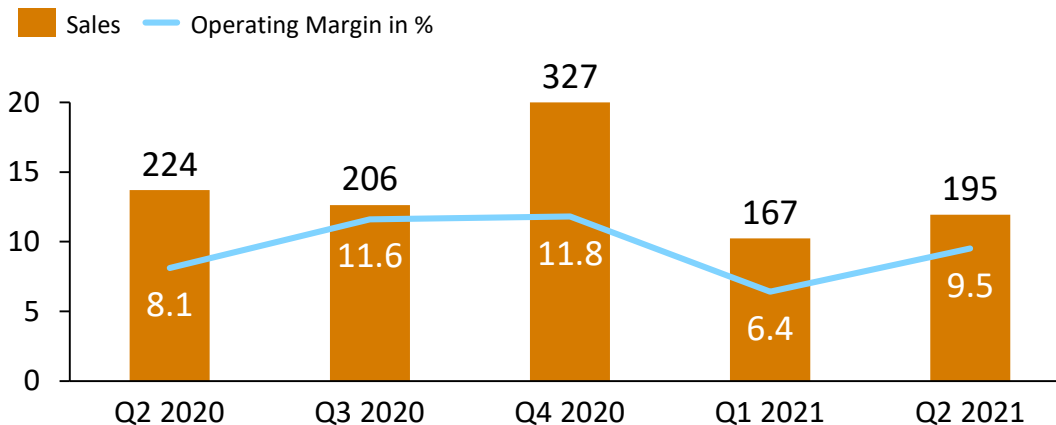
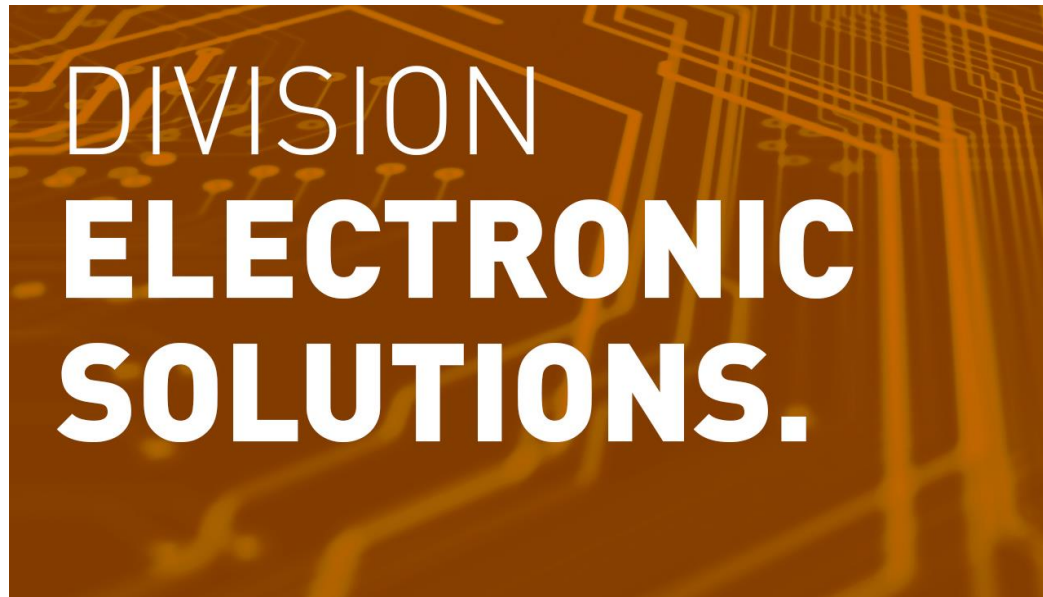


In €m	Q2			YTD		
	2020	2021	Δ	2020	2021	Δ
<b>Order intake</b>	296	201	-32%	624	429	-31%
<b>Order backlog</b>				2.409	2.682	+11%
<b>Sales</b>	278	251	-10%	445	471	+6%
<b>Operating result</b>	30	29	-5%	15	47	213%
<b>Operating margin</b>	10.9%	11.5%	0.6%p	3.4%	10.0%	+6.6%p
<b>EBIT</b>	28	29	+2%	13	47	+259%
<b>Operating FCF</b>	-70	-22	+48	-142	-78	+64

- Order intake slower but expected to accelerate in H2 2021
- Only minor sales reduction in Q2 despite €60m advanced delivery in Q1
- Cash in of trade receivables main driver for OFCF improvement

## Q2 2021 Division Highlights

### Margin expansion driven by favorable sales mix and strict cost management



In €m	Q2			YTD		
	2020	2021	Δ	2020	2021	Δ
<b>Order intake</b>	102	226	+122%	426	444	4%
<b>Order backlog</b>				2.191	2.376	+8%
<b>Sales</b>	224	195	-13%	398	362	-9%
<b>Operating result</b>	18	18	0%	29	29	0%
<b>Operating margin</b>	8.1%	9.5%	+1.3%p	7.3%	8.0%	+0.8%p
<b>EBIT</b>	18	18	0%	29	29	0%
<b>Operating FCF</b>	-12	-47	-35	-56	-137	-81

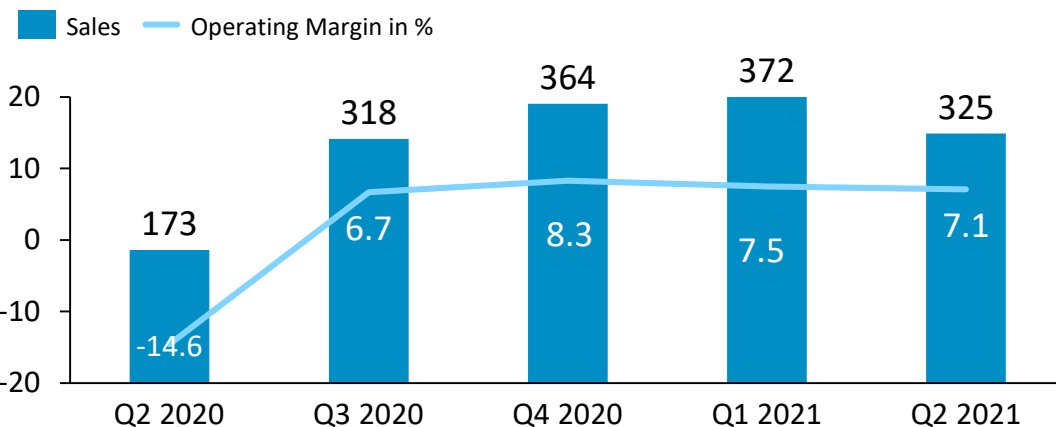
- Order intake includes large international air defence project
- Sales negatively affected by phase out of Gladius deliveries
- Absolute operating result on same high level as last year
- Increase of project related working capital burdened OFCF

# Q2 2021 Division Highlights

## Market recovery held back by chip-shortage



	Q2			YTD		
In €m	2020	2021	Δ	2020	2021	Δ
<b>Booked Business</b>	511	295	-42%	982	951	-3%
<b>Sales</b>	173	325	88%	521	697	+34%
<b>Operating result</b>	-25	23	+48	-16	51	+67
<b>Operating margin</b>	-14.6%	7.1%	+21.7%p	-3.0%	7.3%	+10.3%p
<b>EBIT</b>	-31	23	+54	-22	51	73
<b>Operating FCF</b>	-66	10	+75	-98	-29	+70



- Booked business mainly lower due to project delays to Q3, but share of alternative powertrains orders reached already 25%
- Strong market recovery and favorable ramp-up effect led to FX-adjusted growth of 90% held back by chip-shortage
- Result turnaround driven by higher volumes and continued cost discipline
- Earnings growth and disciplined working capital management essential for the cash flow improvement

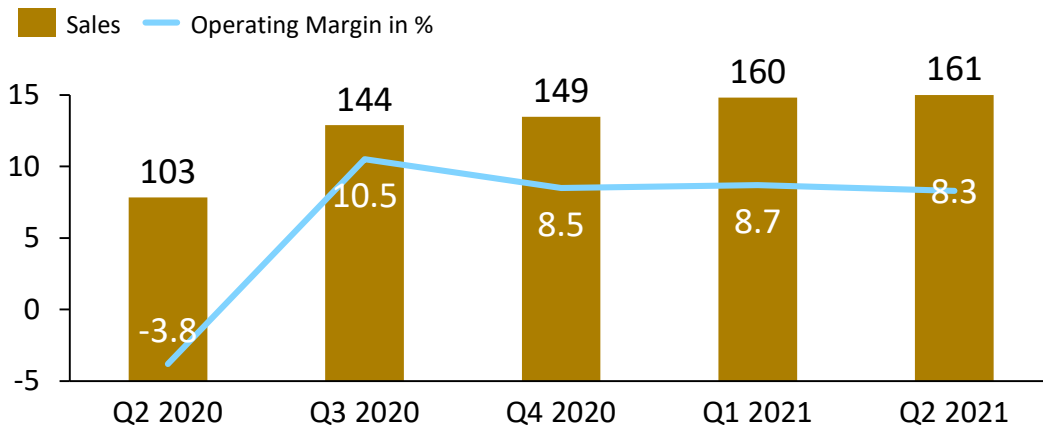


# Q2 2021 Division Highlights

## Further normalization of the business environment



	Q2			YTD		
In €m	2020	2021	Δ	2020	2021	Δ
<b>Booked Business</b>	140	154	+10%	277	327	+18%
<b>Sales</b>	103	161	+56%	243	320	+32%
<b>Operating result</b>	-4	13	+17	3	27	+24
<b>Operating margin</b>	-3.8%	8.3%	+12.0%p	1.2%	8.5%	+7.3%p
<b>EBIT</b>	-31	13	+44	-24	27	+51
<b>Operating FCF</b>	-10	10	+21	-12	1	+13



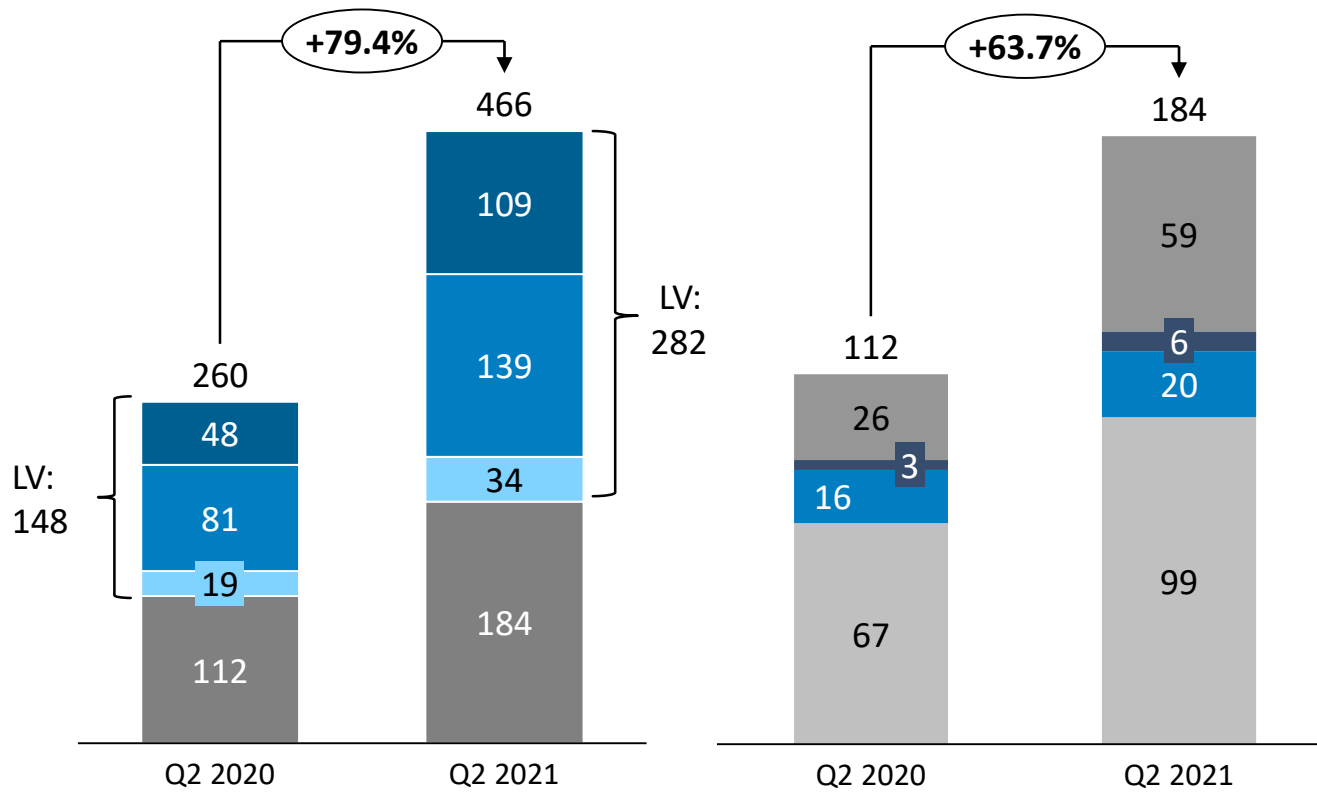
- Sales and booked business recovered from Covid impacted Q2 2020
- Operating result gained significantly on strong volume recovery and continued strict cost discipline
- Operating FCF improved on higher profits, but was held back by adverse raw material price development

# Q2 2021 Key end market developments

## Diesel sales with strongest growth momentum

### LV / Non-LV\* sales split

in €m



Diesel/Gasoline without sales shares with BU Trade

### Sales by key end markets

in €m

	Delta Absolut	Delta in %
Diesel	+61	>100%
Gasoline	+58	+71.6%
Other LV	+15	+81.6%
<hr/>		
<b>LV Business</b>	<b>+135</b>	<b>+91.3%</b>
<hr/>		
Truck	+32	>100%
Industry	+3	>100%
Cont. Cast	+5	+28.8%
Trade	+31	+46.5%
<hr/>		
<b>Non-LV</b>	<b>+72</b>	<b>+63.7%</b>



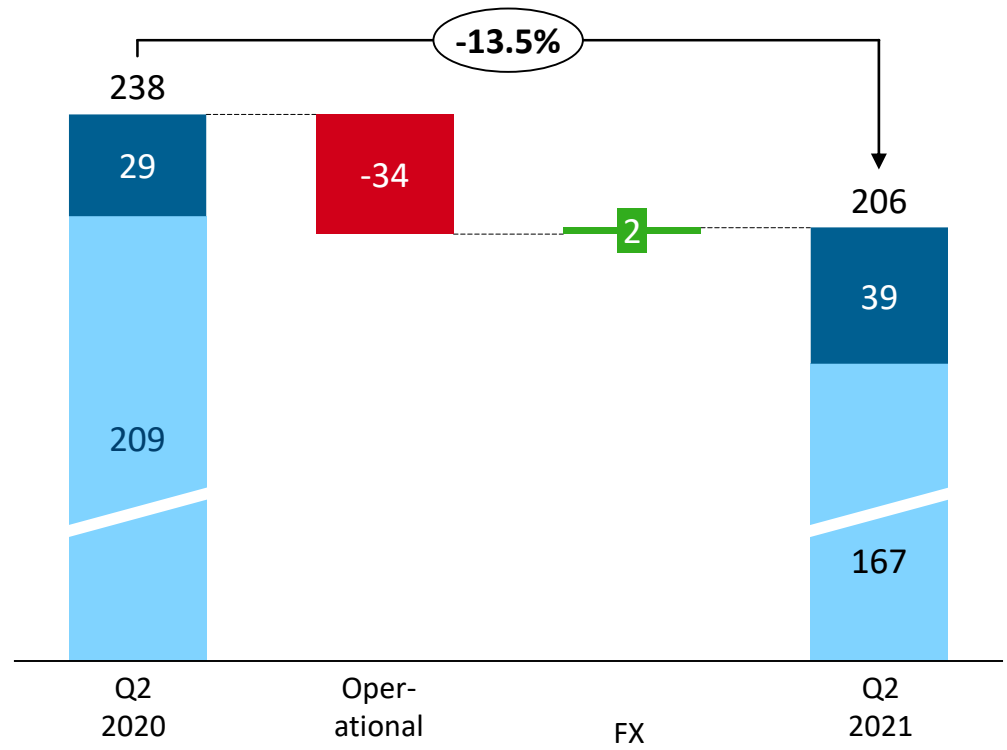
# Q2 2021 China

## Casting business caught between lower sales and cost inflation

Rheinmetall JV core customers sales declined over proportionately by -19.6% vs -5% market decline

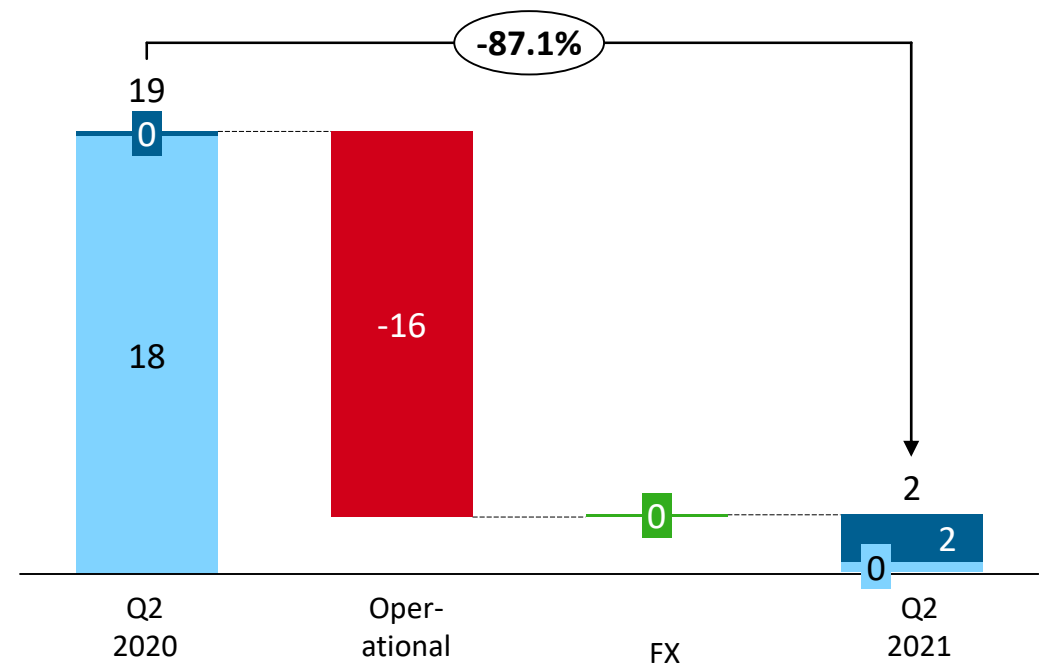
Volume decline and extreme aluminum price hikes impacted EBIT

Sales in €m



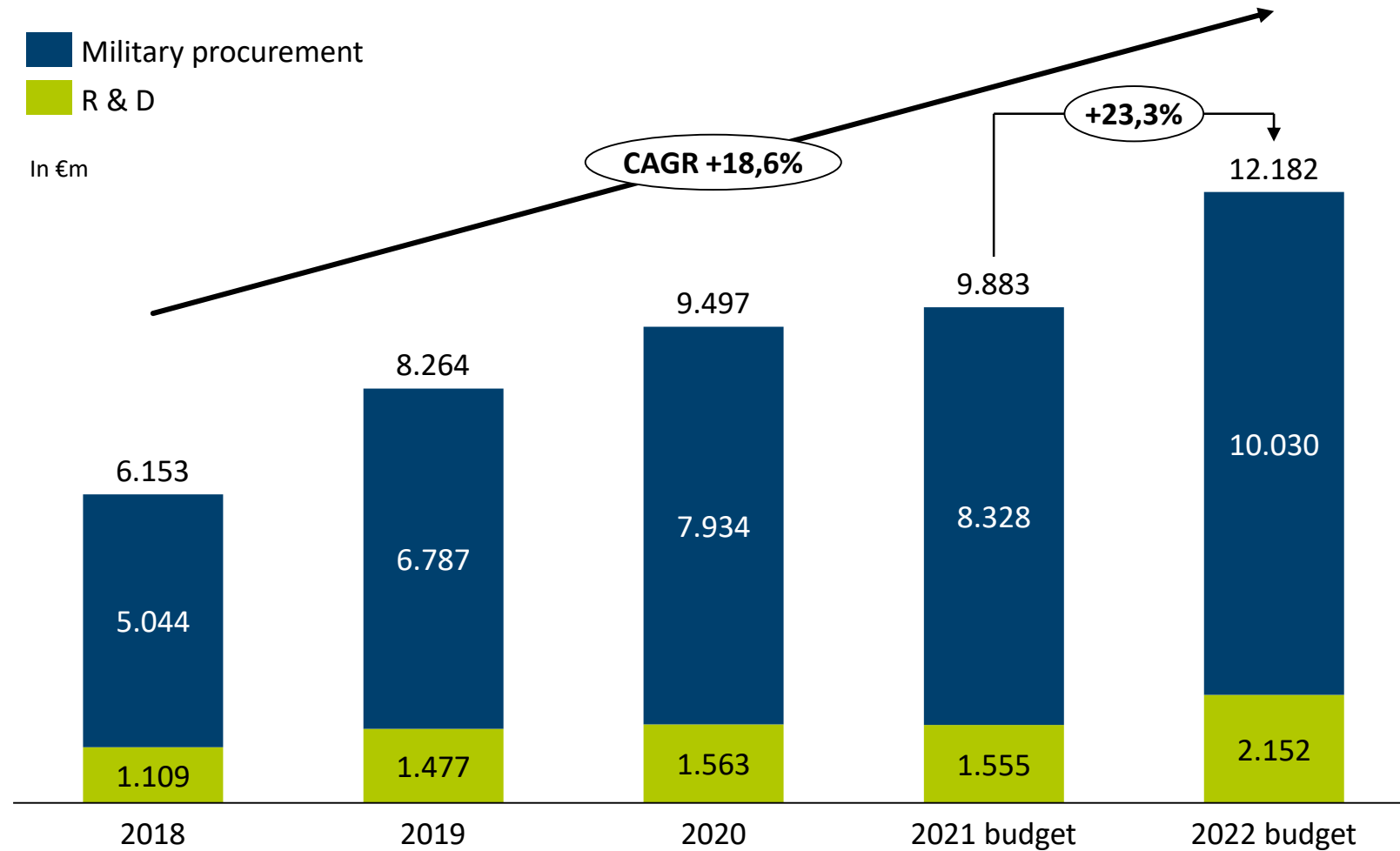
EBIT in €m

■ Wholly owned foreign enterprise  
■ Joint Venture



# Q2 2021 Markets & Drivers

## Germany increased procurement budget more than 20% for 2022



### Highlights

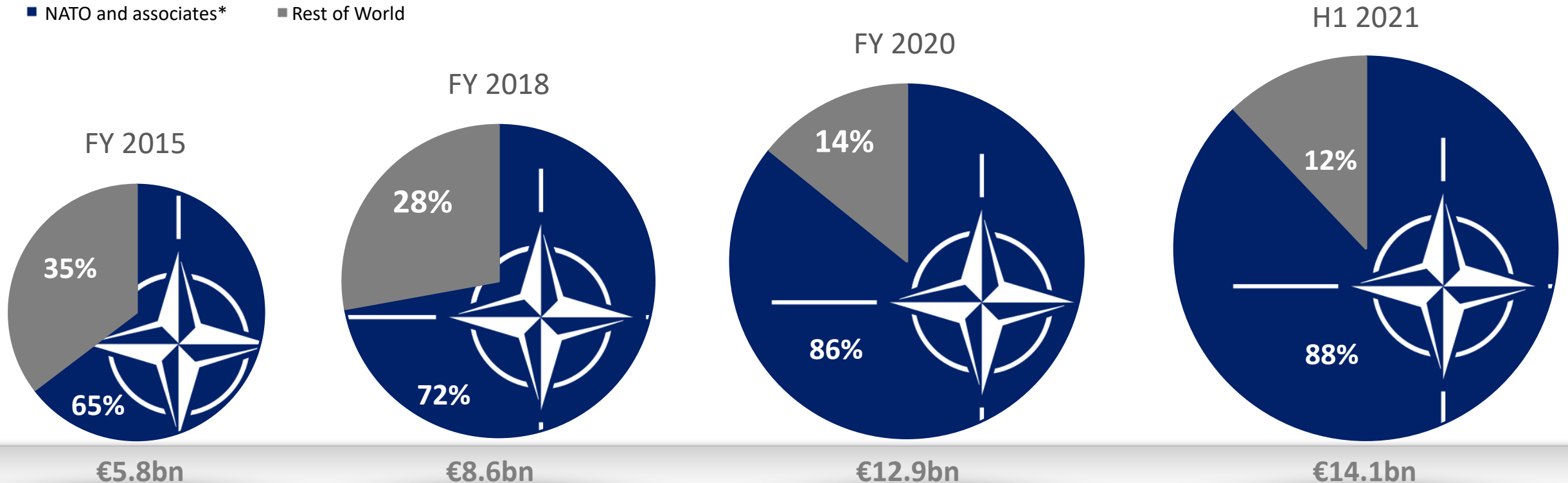
- German military procurement budget exceeds €10bn for the first time in 2022
- Military procurement in line with 20% invest target of NATO in 2022
- R&D budget increases by ~40% providing additional opportunities for Rheinmetall

# Q2 2021 Markets & Drivers

## High NATO order backlog reduces export risk significantly

### Military order backlog

■ NATO and associates\*    ■ Rest of World

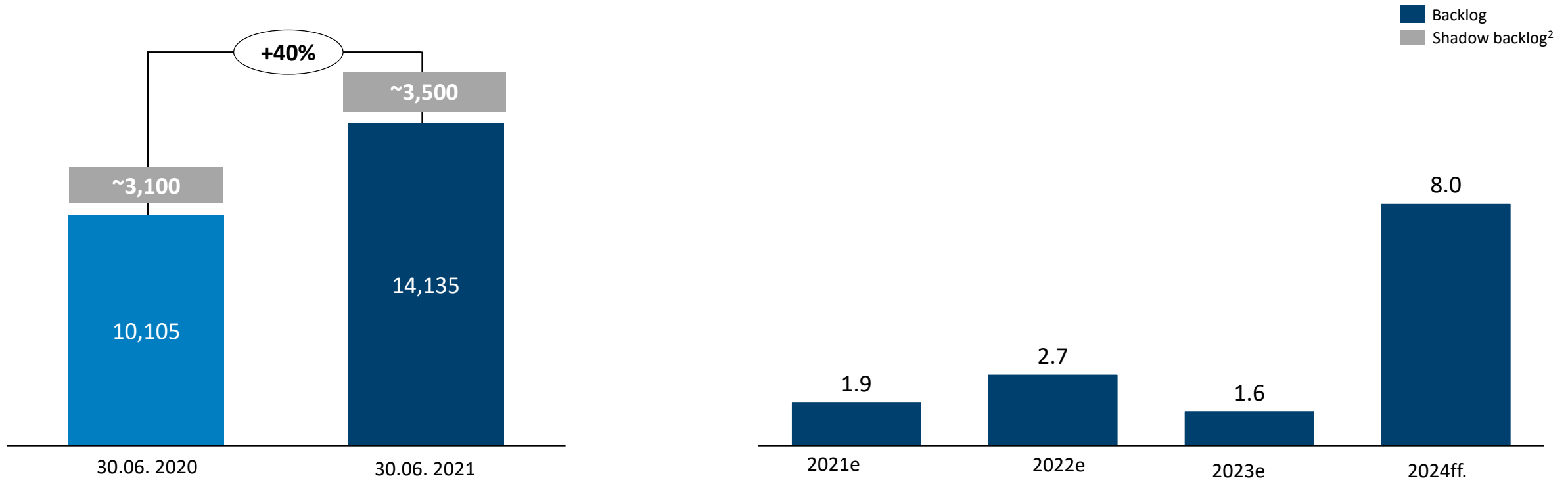


# Q2 2021 Markets & Drivers

## Build up of military backlog continues

### Order Backlog Profile <sup>1</sup>

in €bn

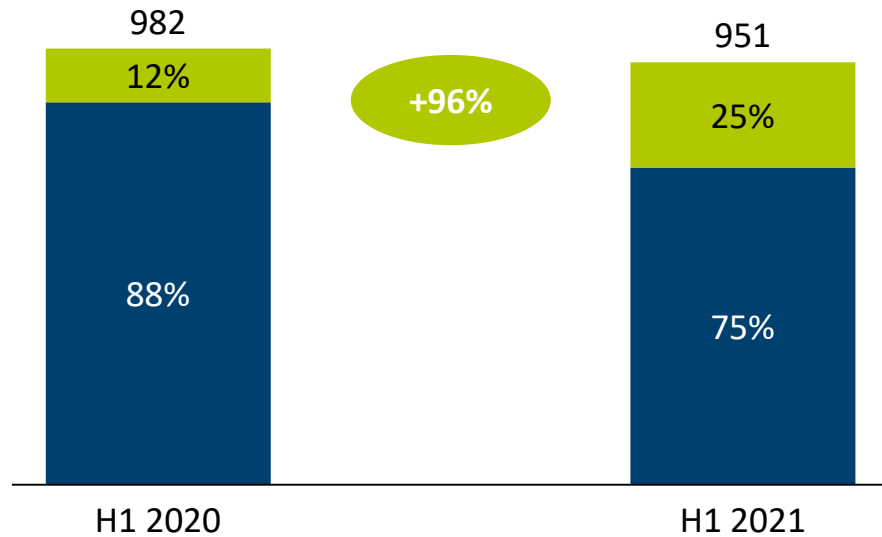


# Q2 2021 Markets & Drivers

## Electrification trend well reflected in S+A booked business growth

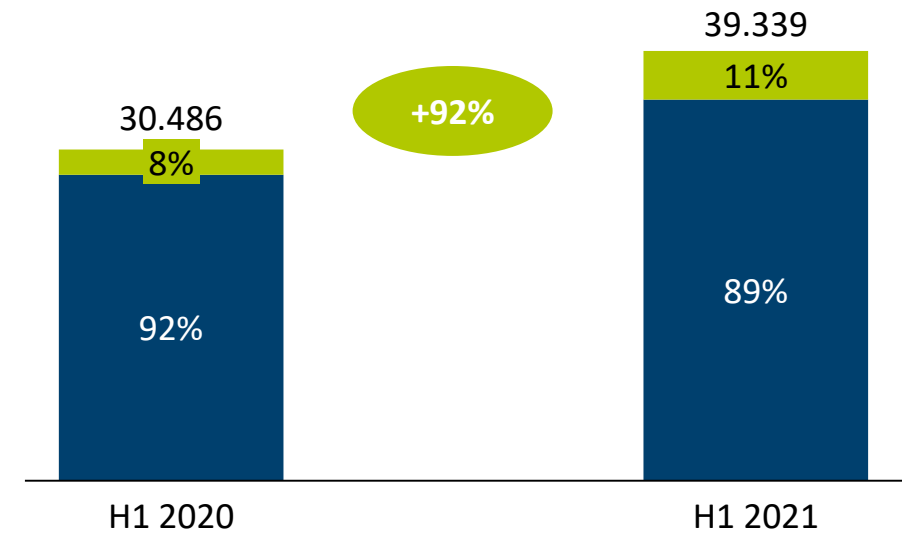
### S+A Booked Business

In €m



### IHS LV production

In million units

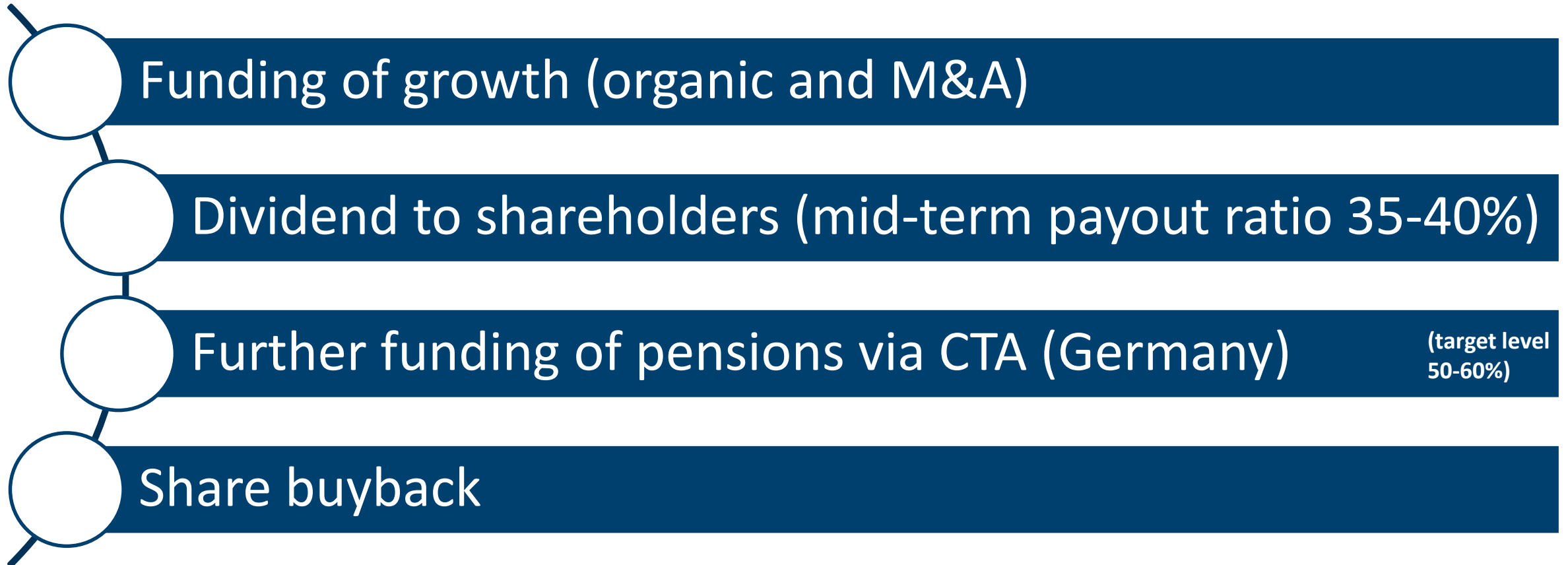


Source: IHS, Status 08/2021

Alternative Powertrain Internal Combustion Engine

## Capital allocation

**Our capital allocation policy is geared towards business growth**





# Outlook

## FY Guidance confirmed

### Q3 trading update

- Strong order intake expected
- Sales growth of around 5%
- Operating margin expected between 7 to 8%

## FY 2021 Guidance

### Operational sales growth

**7-9%**

(2020 IFRS 5 adjusted: €5,406m)

### Operating margin

**9-10%**

(2020 IFRS 5 adjusted: 8.4%)

# Next events and IR contacts

## Next Events

Commerzbank, Corporate Conference	] All investor meetings will be virtual	01 Sep 2021
Morgan Stanley, Industrial CEOs Unplugged		10 Sep 2021
Bank of America, Global Defence Forum 2021		14 Sep 2021
UBS, Quo Vadis Industrials Tour		17 Sep 2021
Berenberg and Goldman Sachs, German Corporate Conf.		22 Sep 2021
10th Baader Investment Conference		23 Sep 2021
Metzler Dialog		09 Nov 2021
UBS, European Conference 2021		10 Nov 2021
Q3 2021 report		05 November 2021

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## Quick link to documents

[Corporate Presentation](#)

(link)



[Interim Report](#)

(link)



[Annual Report](#)

(link)



# APPENDIX

# Balance Sheet

	31.12.2020	30.06.2021	Δ
<b>Non-current assets</b>	<b>2.928</b>	<b>2.583</b>	<b>-345</b>
Goodwill	476	478	2
Other intangible assets	240	256	16
Right of use assets	233	217	-16
Property, plant and equipment	1.132	1.020	-112
Investment property	39	38	-1
Investments carried at equity	288	200	-88
Other non-current financial assets	271	186	-85
Deferred tax assets	249	189	-60
<b>Current assets</b>	<b>4.339</b>	<b>4.620</b>	<b>281</b>
Inventories	1.573	1.675	102
Contractual assets	352	385	33
Trade receivables	1.170	1.144	-26
Other current assets	192	244	52
Income tax receivables	24	37	13
Cash and cash equivalents	1.027	793	-234
Assets held for disposal	0	342	342
<b>Total assets</b>	<b>7.267</b>	<b>7.204</b>	<b>-63</b>

	31.12.2020	30.06.2021	Δ
<b>Equity</b>	<b>2.053</b>	<b>2.118</b>	<b>65</b>
Share capital	112	112	-
Additional paid-in capital	556	561	5
Retained earnings	1.233	1.267	34
Treasury shares	-13	-9	4
Rheinmetall AG shareholders' equity	1.888	1.930	42
Minority interests	165	188	23
<b>Non-current liabilities</b>	<b>2.326</b>	<b>1.875</b>	<b>-451</b>
Provisions for pensions and sim. obligations	1.177	882	-295
Other non-current provisions	191	193	2
Non-current financial debts	873	733	-140
Other non-current liabilities	82	64	-18
Deferred tax liabilities	4	4	-
<b>Current liabilities</b>	<b>2.888</b>	<b>3.211</b>	<b>323</b>
Other current provisions	796	709	-87
Current financial debts	150	243	93
Contractual liabilities	968	1.136	168
Trade liabilities	700	624	-76
Other current liabilities	198	158	-40
Income tax liabilities	76	92	16
Liabilities in direct relation to assets held f. disp.	0	250	250
<b>Total liabilities</b>	<b>7.267</b>	<b>7.204</b>	<b>-63</b>

# Cashflow Statement

H1 2020	H1 2021	Δ		Q2 2020	Q2 2021	Δ
-234	31	265	<b>Net income</b>	-252	-27	225
414	210	-204	Amortization, depreciation and impairments	339	149	-190
-42	-25	17	Allocation of CTA assets to secure pension and partial retirement obligations	0	0	-
0	0	-0	Changes in pension provisions	0	0	0
-9	-46	-37	Income from disposition of non-current assets	-68	-123	-55
-373	-136	237	Changes in other provisions	-192	-24	168
-65	0	66	Changes in inventories	3	87	84
14	-15	-29	Changes in receivables, liabilities (without financial debts) and prepaid & deferred items	13	-6	-19
-23	-10	13	Pro rata income from investments carried at equity	-24	-34	-10
-314	23	337	Dividends received from investments carried at equity	-172	40	212
-77	-110	-33	Other non-cash expenses and income	-33	-50	-17
<b>64</b>	<b>-124</b>	<b>-188</b>	<b>Cashflows from operating activities</b>	<b>86</b>	<b>-108</b>	<b>-194</b>
<b>-327</b>	<b>-211</b>	<b>116</b>	<b>Cashflows from investing activities</b>	<b>-119</b>	<b>117</b>	<b>236</b>
<b>-6</b>	<b>0</b>	<b>6</b>	<b>Cashflows from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
-334	-211	123	Changes in financial resources	-119	-117	2
920	1.027	107	Changes in cash and cash equivalents due to exchange rates	705	934	229
<b>-334</b>	<b>211</b>	<b>545</b>	<b>Total change in financial resources</b>	<b>-119</b>	<b>-117</b>	<b>2</b>
<b>920</b>	<b>1.027</b>	<b>107</b>	<b>Cash and cash equivalents 31.12.2020</b>	<b>705</b>	<b>934</b>	<b>229</b>
<b>586</b>	<b>817</b>	<b>231</b>	<b>Cash and cash equivalents 30.06.2021</b>	<b>586</b>	<b>817</b>	<b>231</b>

# Income Statement

H1 2020	H1 2021	Δ		Q2 2020	Q2 2021	Δ
2.372	2.582	210	Sales	1.160	1.315	155
167	114	-53	Changes in inventory and other own work capitalized	45	29	-16
<b>2.539</b>	<b>2.696</b>	<b>157</b>	<b>Total operating performance</b>	<b>1.205</b>	<b>1.343</b>	<b>138</b>
45	52	7	Other operating income	22	30	8
1.303	1.300	-3	Cost of materials	585	635	50
763	838	75	Personnel expenses	369	423	54
138	116	-22	Amortization, depreciation and impairment	73	58	-15
287	303	16	Other operating expenses	142	154	12
-14	11	25	Income from investments carried at equity	-14	4	18
-17	-11	6	Other net financial income	-23	-1	22
<b>62</b>	<b>190</b>	<b>128</b>	<b>Earnings before interests and taxes (EBIT)</b>	<b>21</b>	<b>106</b>	<b>85</b>
4	3	-1	Net interest income	2	1	-1
-22	-18	4	Interest expenses	-12	-7	5
<b>43</b>	<b>176</b>	<b>133</b>	<b>Earnings before taxes (EBT)</b>	<b>11</b>	<b>101</b>	<b>90</b>
-28	-45	-17	Income taxes	-18	-24	-6
16	131	115	Earnings continued business	-7	76	83
-249	-99	150	Earnings discontinued business	-244	-103	141
<b>-234</b>	<b>31</b>	<b>265</b>	<b>Earnings after taxes</b>	<b>-252</b>	<b>-27</b>	<b>225</b>
		0	Of which:			
2	23	21	Minority interests	-3	13	16
-235	9	244	Rheinmetall AG shareholders	-249	-40	209
<b>200</b>	<b>306</b>	<b>106</b>	<b>EBITDA</b>	<b>94</b>	<b>164</b>	<b>70</b>



# Free Cash Flow Summary

	in €m	YTD 2021	YTD 2020	Δ	Δ in%	Q2 2021	Q2 2020	Δ	Δ in%
<b>Net Income</b>		<b>31</b>	<b>-234</b>	<b>-353</b>	<b>-99,7%</b>	<b>-252</b>	<b>-27</b>	<b>40</b>	<b>225,9%</b>
Amortization / depreciation		210	414	277	98,9%	339	149	-14	-18,7%
Allocation of CTA assets to secure pension and partial retirement obligations		-25	-42	-22	110,0%	0	0	17	40,5%
Change in pension accruals		-2	-2	-2	100,0%	1	2	-3	52,0%
Income from disposition of non-current assets		0	0	-6		0	0	0	
Changes in working capital		-136	-373	-150	-483,9%	-192	-24	70	38,2%
Changes in other items		-55	-78	107	-261,0%	-70	-60	15	150,2%
<b>Cash Flow from operating activities</b>		<b>23</b>	<b>-314</b>	<b>-149</b>	<b>-24,8%</b>	<b>-172</b>	<b>40</b>	<b>124</b>	<b>87,8%</b>
Cash outflow for additions to tangible and intangible assets		-88	-95	51	-17,7%	-49	-46	5	11,1%
<b>Operating Free Cash Flow</b>		<b>-65</b>	<b>-409</b>	<b>-97</b>	<b>-31,0%</b>	<b>-221</b>	<b>-7</b>	<b>129</b>	<b>68,8%</b>