

August 10, 2023

*First half of 2023:*

## Rheinmetall Group continues on growth path with significant upturn in orders

- Strong growth of security business: sales up by 12%
- Significant growth in order backlog: Threshold of €30 billion exceeded - dynamic growth continues
- Consolidated sales up 7% to €2.9 billion
- Operating result at €191 million
- Operating margin amounts to 6.7%
- Annual guidance for 2023 confirmed – future contributions of the new acquisition Expal Systems in Spain (closing July 31, 2023) not included

Rheinmetall AG, Düsseldorf, closed the first half of financial year 2023 with further growth in consolidated sales. This positive development was driven in particular by business with the armed forces of Germany and its partner nations in the EU and NATO. Thanks to the dynamic market situation and the high level of demand, the Group recorded double-digit sales growth in its business with military goods. By contrast, the Group's civilian business saw a slowdown in growth. Rheinmetall now generates more than 70% of its revenues in the military business.

Building on the positive development in the first quarter, the technology group's operating free cash flow improved significantly in the first half of the current financial year compared to the same period of the previous year.

In light of the current market situation and the consistently positive order situation, management is confirming its current guidance for the Group's sales growth and operating result margin.

Armin Papperger, CEO of Rheinmetall AG, commented on the Group's performance: "We are still on track to achieve our ambitious targets for sustainable, profitable growth in 2023. Governments have made far-reaching decisions for military procurement in response to the change in the security situation. Implementing these decisions is the next step, and this is reflected in the first major orders we have received. We recently signed contracts with an order volume of over €7 billion in a single week – a new record for us."

Armin Papperger: "We are continuing to grow. The acquisition of the Spanish munitions manufacturer Expal Systems that was closed recently will secure our core business for the long term and significantly expand capacities. At the same time, we will soon begin manufacturing fuselage sections for the world's most modern combat aircraft, the F-35A, which will open up a new chapter in Rheinmetall's history."

"In a changing world, we remain committed to meeting our responsibility, not least with a view to the war in Ukraine. We are grateful to be able to provide the

### ► Key facts

- ▷ Strong sales growth of security business: up by 12%
- ▷ Order backlog over €30 billion threshold - dynamic growth continues
- ▷ Strong growth in consolidated sales of 7% year-on-year to €2.9 billion
- ▷ Consolidated operating earnings amount to €191 million
- ▷ Earnings margin at 6.7%
- ▷ Forecast for 2023 confirmed

### ► Contact

Dr. Philipp von Brandenstein  
Leiter Konzernkommunikation  
Rheinmetall AG  
Tel.: +49-(0)211 473 4320  
philipp.vonbrandenstein@  
rheinmetall.com

### ► Social Media

- ✕ @Rheinmetallag
- 📷 @Rheinmetallag

country with effective aid for its defence in the form of our products – from air defence, main battle tanks and infantry fighting vehicles and the associated ammunition, through to military trucks, sensors and mobile field hospitals,” added Armin Papperger. “As promised, we will soon be delivering the urgently needed ammunition to Ukraine for the Gepard anti-aircraft tanks.”

### **Rheinmetall Group: Sales growth of 7%**

Consolidated sales increased by €187 million or 7% year-on-year to €2,861 million in the first half of 2023 (previous year: €2,674 million). Adjusted for currency effects, sales were almost 8% higher than in the previous year.

The operating result amounted to €191 million, down €15 million or 7% on the previous year’s figure of €206 million. Business was boosted in particular by earnings growth in the Electronic Solutions, Vehicle Systems and Weapon and Ammunition divisions on the back of higher margins and a better product mix. However, the positive development in the Group’s operating business was not enough to fully offset the negative earnings contributions from affiliated companies in Europe and China. Excluding at-equity contributions of €-17 million, the operating result amounted to €208 million. The result was impacted by costs of about €10 million to restore operations resulting from the cyber-attack on IT systems in the civil business in April 2023 and by higher raw material prices.

Due to the aforementioned negative at-equity effects, the Group’s operating result margin fell to 6.7% in the first half of 2023 (previous year: 7.7%).

Earnings per share from continuing operations increased from €2.28 to €2.42 in the first half of financial year 2023.

Operating free cash flow improved significantly by €316 million to €-325 million in the first half of 2023 after €-641 million in the same period of the previous year. Despite the growth in inventories in anticipation of additional orders, operating free cash flow improved considerably in the first half of the year thanks to higher customer payments. The high demand in the military sector currently requires further investments in order to significantly increase the own production capacities.

Rheinmetall Backlog increased considerably by around 17%, from €25.7 billion to around €30.1 billion (June 30, 2023). In addition to orders on hand, Rheinmetall Backlog includes the call-offs expected from framework agreements in place with military customers and potential orders from contracts with civilian clients.

Rheinmetall Nomination rose by around 50% year-on-year to €7,192 million in the first half of 2023 (previous year: €4,790 million). Rheinmetall Nomination comprises traditional incoming orders as well as the volume from future call-offs under new framework agreements entered into with military customers and new contracts with civilian clients (nominations).

### **Vehicle Systems: Fivefold increase in order intake**

Sales in the Vehicle Systems division, which mainly operates in military wheeled and tracked vehicles, increased by €161 million or 19% year-on-year at €1,012 million in the first half of 2023. The sales growth is particularly attributable to projects for the delivery of tactical vehicles.

Rheinmetall Nomination – the total of order intake and the volume of new framework agreements with military customers – increased by €3,045 million as against the previous year to €3,725 million. This was due in particular to a fivefold increase in order intake resulting from the acquisition of new major orders, especially in connection with the program to replace the Bradley infantry fighting vehicle in the US, orders for new Puma infantry fighting vehicles and state-of-the-art military trucks for the German armed forces, and the Leopard 2 upgrade for Norway. A framework agreement for trucks in Austria was another strategically important success.

Rheinmetall Backlog in the division – comprising orders on hand and the expected call-offs under the framework agreements in place with military customers – amounted to around €13.9 billion as at June 30, 2023, up €1,244 million or around 10% on the previous year’s figure. The operating result improved from €75 million to €99 million in the first half of 2023. This represents growth of

€24.1 million or 24%. This positive development is mainly attributable to margin effects in projects. The operating margin of around 10% exceeded the previous year's level of around 9%.

### **Weapon and Ammunition: Backlog rises to over €6 billion**

The Weapon and Ammunition division generated sales of €598 million from its weapon systems and ammunition activities in the first half of 2023, an increase of €34 million or 6% on the previous year's figure. The year-on-year increase is due in particular to higher ammunition call-offs by customers and higher sales of protected truck cabs. At €1,561 million, Rheinmetall Nomination largely maintained the strong prior-year level in the first half of 2023 (previous year: €1,892 million). The previous year's figure was above average due to the division's largest single order to date from Hungary. Major new orders in the first half of 2023 related to ammunition orders for the Gepard anti-aircraft tank and tank ammunition orders for Marder and Leopard 1 for Ukraine. In addition, a large order for ship protection systems was acquired in Australia with a potential total order volume – including follow-up orders – of over €600 million. Rheinmetall Backlog increased by €1,366 million or around 29% to around €6.1 billion as at June 30, 2023 (previous year: €4.7 billion).

The operating result improved by €19 million or 27% to €89 million in the first half of 2023. This positive development is mainly attributable to a more profitable product mix. As a result, the operating margin rose significantly from 12.5% to 14.9%.

### **Electronic Solutions: Sales growth of 10%**

The Electronic Solutions division, which produces solutions in the field of armed forces digitalization, infantry equipment, air defence and simulation, increased its sales by €39 million to €450 million in the first half of 2023 (previous year: €411 million); this corresponds to growth of 10%.

Rheinmetall Nomination declined by €49 million or 7% year-on-year to €652 million. A major new order in the context of Puma infantry fighting vehicles was placed in the first six months of 2023. Rheinmetall Backlog amounted to €3.4 billion as at June 30, 2023, a year-on-year increase of 16% (previous year: €2.9 billion).

The operating result for the first half of 2023 increased by €2 million to €27 million (previous year: €25 million). The operating margin declined to 5.9% (previous year: 6.1%), largely as a result of changes in the product mix.

### **Sensors and Actuators: Nominated backlog up around 22%**

Sales in the Sensors and Actuators division, which provides solutions for industrial applications and electric mobility as well as components and control systems for emission reductions, increased by €16 million or 2% year-on-year to €707 million in the first half of 2023. This development primarily resulted from volume increases in Europe and Asia. Booked business in the first half of 2023 was unchanged year-on-year at €1,428 million (previous year: €1,431 million). The nominated backlog, i.e. the volume of call-offs expected from customer agreements, increased by around 22% to €8.2 billion as at June 30, 2023 (previous year: €6.7 billion).

The operating result declined by 57% to €22 million in the first half of 2023 (previous year: €50 million). Among other things, this development is attributable to additional business recovery costs following the cyber-attack on IT systems of the civilian business in April 2023 as well as increased raw material prices, which can only be passed on to customers after a delay. Accordingly, the operating margin fell to 3.1% (previous year: 7.3%).

### **Materials and Trade: Downturn in sales due to cyberattacks**

Sales in the Materials and Trade division, which supplies plain bearings and structural components as well as handling global aftermarket business, declined by €22 million or almost 6% year-on-year to €352 million in the first half of 2023. The downturn was due in particular to the lower sales volume in the Bearings business unit. In the Trade business unit, the downturn in sales is attributable to the cyber-attacks on IT systems at locations in Germany and abroad in April 2023. Booked business

amounted to €347 million in the first six months of financial year 2023. This represents a year-on-year decrease of almost 14% (previous year: €403 million). The nominated backlog of around €600 million as at June 30, 2023 was largely unchanged year-on-year (previous year: €610 million).

The operating result of the Materials and Trade division fell by €10 million or almost 38% to €17 million in the first half of 2023. The operating margin declined to 4.7% (previous year: 7.2%). This was due in particular to a decline in the at-equity result of a Chinese joint venture as well as the earnings effect of the downturn in sales.

### **Outlook: Current guidance for year confirmed**

Rheinmetall confirms its current annual guidance after the first six months of 2023.

In recent months, Rheinmetall has used strict cost control, active provisioning, and the mitigation of risks on the energy and procurement markets as measures to successfully counter the general trend of inflation and the continuing disruptions on the markets for raw materials and primary products.

Not least in light of these timely decisions and the measures it has largely already implemented, the Group continues to expect sales growth to between €7.4 billion and €7.6 billion in the current financial year and is anticipating an improvement in the operating result and an operating result margin of around 12%.

This guidance does not include the acquisition of the Spanish munitions manufacturer Expal Systems. Rheinmetall expects the new subsidiary to contribute sales of €150 million to €190 million in the current financial year from the date of consolidation (August 1, 2023).

### **Forward-looking statements and forecasts**

*This press release contains forward-looking statements. These statements are based on Rheinmetall AG's current estimates and forecasts and the information available at the time. Forward-looking statements are not a guarantee of future performance or the results indicated. Rather, they are dependent on a number of factors, entail various risks and uncertainties, and are based on assumptions that may prove to be incorrect. Rheinmetall is under no obligation to update the forward-looking statements in this press release.*