

Rheinmetall AG
Investor Relations
Conference Call FY 2024
Armin Papperger, CEO
Klaus Neumann, CFO
Transcript



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Armin Papperger: Good afternoon ladies and gentlemen, 20 minutes later as planned, but welcome to our full year 2024 conference call. I appreciate your time and that you join us today. Looking back last year and it was a really remarkable year for Rheinmetall. Before we dive into the details, I'd like to take a moment to welcome my new colleague, Klaus Neumann. Klaus Neumann is our new CFO. Klaus brings very deep expertise and a strong track record and I'm very, very happy to have him in the team and I'm confident that he will be a tremendous asset to Rheinmetall as we continue our growth journey. With that, now let's start, but before we move into page three, please be advised of our legal disclaimer on page number two.

Now let's go to page number three and you have here the group highlights. On the sales side, it's around 9.8 billion. We have another 250 million Euro ready products, but we had a delay on the ships, on the delivery, so it was impossible to take it into the turnover. So with that, we would be a 100% fit of the expected 10 billion, but we are around 10 billion. Operating result is nearly 1.5 billion with 1.478, plus of 61%, so that our operating margin is 15.2%. It's very important also on the sales side that we are very flat on the civilian business, so that we have a growth rate of more than 50% on the defence business, zero growth, or it's exactly minus 2% on the civilian business. So on the operating margin, we are on a level of 19% in defence, which is the most important figure also for us. Applications, we at the moment, I don't speak about full-time equivalents, but I speak about people. At the moment, we have around 32,000 people on board.

We had more than 250,000 applications, and our expectation that over the next two years, we will grow up to 40,000 people who work for Rheinmetall. Operational free cash flow is extraordinary good, because as you know, we have strong investment

programmes, and even if we had this investment programme, the operational free cash flow is more than 1 billion. And the Rheinmetall Nomination, there is another delay that we have in, as you know, for digitization, nearly 10 billion, which came in in February, which we expected in December. But sorry, we have a six-week delay in this area, so that Nomination is 26 billion, and not the expected 38 billion that we discussed last time. So the Rheinmetall Backlog is also on 54, so expectation was 60 billion. We could reach the 65 billion if we see the delay of six weeks on the digitisation, if we add that. And the positive thing is also the dividend. We bring the dividend from €5,70 to €8,10, which is on a level that we always discuss, between 35 and 40% of net profit. We are on a level of 39% of net profit. Now let's go to the next slide.

On the next slide is, and I think it's not new for you, Europe has to grow, to emancipate itself. And the Americans gave a very clear sentence on the Munich Security Conference. The Vice President Vance said: "You have to invest, the US will no longer protect you." So we felt immediately reactions. And over the Munich Security Conference, I personally had 42 meetings with Prime Ministers and Ministers, and they gave us a very clear picture that Europe is willing to invest and we will invest much more.

So we prepare ourselves for, and we call it "Zeitenwende II", and we discuss a little bit later about Zeitenwende II, what does it mean for Rheinmetall, what does it mean for our business. But on Zeitenwende II, a very important man will be, and I think it will be the new Chancellor of Germany, Friedrich Merz, and he said: "We have to invest into defence whatever it takes." So the new rules of regulations that all defence spending is above 1% of the GDP would be not part of the debt break restrictions, it's a very clever move. And if next week, we have a breakthrough with that, that the Parliament, the old Parliament makes that decision. I think then we can have over the next two, three months, a lot of negotiations with especially the Ministry of Defence, what does it mean for the industry in Germany, for the industry in Europe, and especially also for Rheinmetall. Because as you know, last time we had a 42 billion list about that, and I still have my list ready, but we only can speak about that after having the decision of Zeitenwende II. So the next page gives you now an overview about our simulation. So we made our simulations, we prepared ourselves. Immediately after Munich Security Conference, we made that simulation.

I had several chats, I spoke with Mr. Merz, I spoke with Mr. Rutte, I spoke with a lot of ministers about that, and most of the people told me the minimum should be 3%, and

the maximum I see, what we see at the moment is 3.5%. But even if you go on a level of 3%. So we simulated the GDP on the European countries, and if you have a look to the 3%, you see that from 690 billion, it will grow up to 831. If it would be 3.5%, some countries, but smaller countries will spend more than 3.5%, it will grow up nearly to 1 trillion euros, so 1,000 billion euros. It's an unbelievable figure. The second point in our simulation is that the fixed costs for personnel and other things will not grow as much as if you grow from 2% to 3%, so that the investment rates, yes, will grow at the moment from a level of 31% to 40% in the first years, because then the personnel costs will also grow, maybe also up to 50%.

So in 2025-2026, level of 50% and later is on 40% of equipment spending, which is going up. If you calculate all that things, then we calculated what is the annual potential of Rheinmetall, and I make the story short. There is a potential between 300 and 400 billion, a potential, very clear. Last time we spoke also about a potential of 42 billion, now it's nearly 10 times bigger, a potential up to 2030. Don't kill me if it is 2031 or whatever, but it's a huge number, and it doesn't matter if it is 300, if it is 400, it's much bigger than the first figure, because Zeitenwende I was a typical German thing, and Zeitenwende II will be a European thing. So this is a big differentiator, and therefore the potential is much higher.

Now we simulated another thing. Is it possible to grow as fast? And a lot of discussions say, yes, we have to buy from America and whatever, then it will not happen, because I can tell you, especially in the equipment that we have, the Americans don't have the capacity. So we will have a bigger capacity over the next years than the United States will have. So that is impossible. So we have to grow and we have to invest more. But later about that, and also for sure in the Q&A, because for me, this page is the most important page also for the future, what happens over the next five years. Coming back to 2024, because this is the main issue that we have today.

So the Backlog, as I said, is growing from 38 billion to 55 billion. In between, we are on about 65 billion from today on. And you see the top 10 Nominations, and I only have a look to the three big things. This is the frame contract 155, which is also very good, because now it is not longer a frame contract, because if everything next week is going on green light, it's good for us, because then the frame contract immediately could come into fixed contracts if the government wants. So this is also a very important thing, because then they have a much more budget under control. Then the frame contract of UTF, and I expect there is much more in now for the trucks, because

Germany needs 25,000 or more trucks. So in between, there is something about 6,000, 7,000 trucks, but you see there is much more in also for us. So our capacity is also growing very strong, and we have a truck capacity now of more than 4,000 vehicles per year. And the Heavy Weapon Carrier, especially on the German side, this is a contract government to government with Australia. We prepare everything at the moment to deliver Heavy Weapon Carrier also in time.

So in a nutshell, Backlog is fine. Backlog is exactly what we expected. Again, sorry, we have a delay of six weeks about that thing, but you never ever can plan so exact if it is year-end decisions, but we are very happy to give you that information that we are absolutely on time.

So if you go to page 8, here you see the next phase in Ukrainian localisation strategy, and at the moment on the localisation side, we expect for this year air defence for 300 million, vehicles, and this is the Lynx to implement the first Lynx vehicles, it is 200 million and the big pile again is ammunition, and on the ammunition, we will get the first contract for production now in Ukraine, because as you know, we are on the way to build up the factory in Ukraine, and this is 1.5 billion. So a potential of 2 billion on the Ukrainian side paid from the Ukrainian government. So we are strong at the moment.

I think what we learned, we were the only industrial team who got also a meeting with President Zelensky on the Munich Security Conference. You see some pictures there, and the maintenance is really running very well at the moment. So Marder is running, Leopard 1 is running, Leopard 2 is on the way. Ammunition production, as we said, we started to build up the production lines. In 2026 will be the next step where we have SOP and the Skyranger on Leopard 1, and additional Skynex systems will go to Ukraine. The Skyranger on Leopard 1 will be an outstanding system for them because it's on the front line, and on the hotspots on the front line, we can catch artillery rounds, we can catch all the UAVs, as you know, in a distance of 4 x 4 kilometres, so a corridor of 8 kilometres is relatively safe. And it's a very important discussion that we have with the Ukrainians because there is at the moment, some people create a narrative at the moment in Germany that UAVs are the changing strategy about these things. So with that system, UAVs are very easy to catch. It's a point, and it doesn't matter if it is an intelligent drone or if it is a dumb drone, because it doesn't matter for the system, it kills all the drones. And this is a game changer, as I said, in that area. But the Russians don't have it at the moment, and that's good for the Ukrainians. So the group sales, the

revenue over the next years will be always on a level of about 13 percent for Rheinmetall.

If you go to page number 10, a joint venture is established by end of Q1 2025. We have an interim joint venture now, an interim company that we can go into the negotiation with the contract, and the first prototypes will be now delivered in Q4 2025. The first Lynx was end of last year in Italy. We made the first firing test on that. The government is very happy about that.

We will build more than 1,000 Lynx with 16 different variants. And on the peak side, we will produce 150 vehicles per year, and you see that will grow in 2030. 2031 will be going up to a level of 150, 160 vehicles. Then it's slowly going down, so that we are then on a level of 100 vehicles. So very good contract up to 2040, which helps us a lot, starting in 2028, really serial production, and then going up to 2040. So it's a 12-year programme with revenue for both companies, for Leonardo and Rheinmetall, of 23 billion. So it's about 12 billion for Rheinmetall.

Next page will show us the strong growth path ahead of the United States of America. As you know, the acquisition of Loc Performance helps us a lot at the moment to book new businesses in the US. The US guys, the US boys are at the moment grabbing new contracts, going into the planning side to fill the factories. We have huge factories. We have more capacities than they have. But I must say, it's outstanding. They are nearly part of every vehicle programme in the United States.

And we have such a lot of tanks standing there in our factories for maintenance, for other things, where we implement a bunch of new things, where we sometimes have some 100,000 bucks, but sometimes also some million on refurbishment work on these tanks, if it is AMPVs, or if it is infantry fighting vehicles. It's really outstanding, and our expectation was not as high as we at the moment, the US boys are doing. We are in very good shape there. And we want to grow up. And this is without the big programmes in 2027 in the United States, to more than 2 billion. But if we are able to win XM30, it will be much higher. And at the end of the day, we can grow up to about 5 billion over the years. So in 2030, it's a high expectation from us to grow strong.

So the next pictures show you now our expectations up to a vision 2030. And this picture is a clear picture before Zeitenwende two. This is our calculation Zeitenwende one. And the first is on the Vehicle Systems side. On Vehicle Systems side, we grow from 3.8 billion, have a growth of 35 to 40% in '25. The expectation for 2027 is 8 to 9

billion. And in 2030, it is more than 10 billion. And if we win one of the US programmes, it's much more of 10 billion.

But if Zeitenwende two comes and if everything what I heard in between, that there are really ideas that say: "Okay, now we order 1000 vehicles of that type, or whatever", then it's totally different figures. I cannot say more about that, because we have no details from the government. But if that works, yes, we need much more capacity. And we have to invest much more and then the numbers are much bigger.

Page 13 is Weapon and Ammunition. So we will grow up again from 2.8 billion to with a plus of 30 to 35%. This is, as you know, a strong and quick turning business. So if we get contracts here, we will we do everything to fill this contract or to fulfill this contract as soon as possible. But only if you see that this only some expectations, if we have 2024 2.8 billion, we nearly made 2 billion with artillery. So this is the biggest driver, or we made 2 billion with artillery. So we grow up strong in that area. And the capacities in artillery are now growing because we start next month, the production in Unterlüß for Werk Niedersachsen. And we now made a new calculation in Unterlüß. And we made an investment in bottlenecks. And in between now in Unterlüß, we are ready to produce 500,000 shells. First of all, the first calculation was 250,000. Now on the shell side, it's going up to 500,000. Because we made some extra investments on the bottleneck side. And now we have to make also, especially for hardening the ammunition. This is a tempering effect. If we invest in these areas, my expectation is that from 250,000, we can grow up to 350,000 and maybe more rounds also in Unterlüß. So there is enough space if the contracts are coming to grow faster. But in Division 2030, it's also 10 billion.

And a very strong driver is over the next year, the digitization and also air defence. As you know, we have a new structure in that area. And the Vision 2030 here is always, as I said, it's the picture of Zeitenwende I and not Zeitenwende II. It's more than 6 billion. So that in total, this expectation is around, and there's some civilian business of 2 or 2.5 billion. So around 30 billion in 2030. So the growth rate that we have is only in defence. And that means that at the moment, we dilute ourselves with the civilian business because the profitability is 4 to 5% in this area. And with growing on the defence side, we grow also the group profitability strong. So if we stay on a level of 19, 20% EBIT/RoS, you know everything is limited. Yes, you cannot grow more and more and more in this area because we want to give also fair prices to our customers. But it

is possible, let me say, to be on a level of 19 or 20% because of the vertical integration. The 30 billion is under Zeitenwende I, a good, let me say, vision.

Next page shows us Power Systems and very depressed market environment. It's at the moment very hard for our people to work in that area. No growth, a lot of pressure on the prices. And as you see, from '23 to '24, we had a decline of 2%. And we are now around 2 billion. We make no loss. And as I said, the RoS is always between 4 and 5%. So in this area, that's not comparable to the defence business. But I must say, very hardworking people in this area. And what we do is we try to make a transformation now also for some factories from the automotive side to the defence side, to use our people, our well-educated people, to take care about them and to transfer these people from automotive to defence. Now I will take over to Klaus. And Klaus takes care about the financials. #00:23:43-2#

Klaus Neumann: Thank you, Armin. Thank you also for the kind introduction. I will start with a look at the overview of our group KPIs. As Armin already mentioned, we had very strong growth in sales and also on the operating profit. We closed the year with very strong set of results. And more importantly, we delivered on what we promised during the year.

Sales growth was about 50% compared to previous year. And as you can see on the slide, although there is some impact from M&A due to our acquisition of Expal in 2023 and Loc in 2024, the overwhelming driver for our growth in profit and in sales is our operational performance. Also, you can see that our civil business, as mentioned, is relatively weak. We have found more or less stable sales with a slightly declining margin. Operating result rose by 560 million to almost 1.5 billion euros. Overall, that is an increase by 61%. That led us to an operating margin of 15.2% compared to 12.8% in the previous year.

The main driver was clearly the performance in our Weapon and Ammunition division. Overall, the defence margin for our divisions was about, as mentioned, 19%. One element that basically drove the result for the group outside the civil and the defence business was a one-time effect in Others, in consolidation, of around 50 million profit in Q4.

Moving on to the next page, as mentioned, we had the strong growth in profitability. (Profitability) is also the driver for the increase in our EPS. This is the EPS from ongoing activities pre-PPA that uses as a basis also the main benchmark to derive our dividend

proposal. We propose 8.1 euros per share to our annual general meeting in May 2025. This proposal is consistent with the approach for 2024 as it rents about 39% of our benchmark EPS.

Let's turn to page number 19. We did see a strong improvement in our Rheinmetall Nomination numbers. As you can see, it's very strongly driven by hard orders of about 16.5 billion, of which basically are almost 4 billion basically converted from frame contracts that we had already booked earlier. Taking away almost 10 billion from sales, we get to the 55 billion Rheinmetall Backlog as mentioned earlier. In the increase, we also have 1.2 billion of Order Backlog Rheinmetall Backlog coming from the acquisition of Loc Performance that came in at the end of November 2024.

Let's flip to page 20 for a detailed look at our operating free cash flow. It was a very strong performance in 2024. In previous years, the main quarter that is relevant for our operating cash flow was the fourth quarter. We managed to achieve almost 1 billion in Q4. In total for the year 2024, we exceeded the 1 billion threshold for the first time in our company history. That's a very strong number considering our investment in future business through Capex and basically increase in inventory to support our future growth. On the side to the right, you can see basically the development of our working capital. As mentioned, we invested strongly in inventory for future growth that makes about 750 million. That was basically compensated by very good payments from our customers towards the end of the year on basically on invoices for deliveries in achieved milestones, but also because of good payment conditions that resulted in prepayments that substantially improved our working capital and basically is the main contributor to the strong cash flow in 2024.

Let's turn to page 21 to look at basically on our debt position. We are very solidly financed. We have on the financial position a net financial liability of around 1.2 billion euros, but it's important to consider that a large part of it is the convertible that we issued early in 2023. As a result of our strong share price performance, holders of the convertible are starting to convert the debt into equity and we expect that a large portion of these convertibles will be converted throughout 2025. So in a positive scenario for 2025 we might have no debt at all by the end of 2025 considering our expected strong cash performance also in this year. Net debt to EBITDA at the moment is 0.71 but that already includes the, still includes the convertible that will be kind of converted into equity during the year of 2025 further improving our ratio on that side.

Let's change to page 22. This is a summary of basically all our divisions with a strong performance in the defence segment. You can see the very strong growth in all of the divisions from the ecosystems, Weapon Ammunition and Electronic Solutions and the stable situation in Power Systems leading to an overall growth of 36% in sales for Rheinmetall and also it's quite clear that the main driver for our profitability is defence with an average of 19% supporting our profit margin of 15.2% for the group. This closes my presentation and I hand over to Armin for the outlook. #00:31:56-0#

Armin Papperger: Thanks a lot, thank you very much, well done. On the outlook side let's go to page number 24 and you see that quarter first in 2024 we had 3.9 billion. The first quarter for the outlook we expect around 12 billion. Most of them is still booked because it's the TaWAN and the Soldier System so the two digitization. By the way that's a breakthrough strategy now for Rheinmetall. Digitization is so important for us and over the last 12 months we could book now 15 billion for digitization and this will be not the end. This is only the starting point because we now have our apps inside. We now have our algorithms inside the systems and we want to go that strategy that we go with the German government also with other governments in Europe and there is a good chance to go forward. So digitization is a big driver. So what are the next programmes on the vehicle side?

We expect and again, I say it again, even I don't want to be boring for you but it is Zeitenwende I. If we get next week a decision, green lights for everything we press the button and then we think that over the next three four months we have a chance to really to book huge numbers if everything is going right. But we are now on that level because there is no decision. Boxer with turret in Germany, Panther and Lynx with Italy and Boxer in Middle East is around 10 billion on the vehicle side. Medium calibre, 155 and 40 millimetre around 3 billion, air defence is 3 billion. Then Lynx for Romania, Ukraine etcetera. This is a potential that you see on the right side. So we expect 40 billion is another let me say good year in in order intake and the book to bill ratio is extraordinary good, was last year very good and is also this year extraordinary.

So let's go to the next page in page 25. We see now where we are and the current annual production capacities on the tactical vehicle side is around 1,000 vehicles. We can grow very strong in most of the vehicle production lines we produce in one shift and so we have much more capacity and the capacity is growing if we are ready with the preparation in the United States. So in the US our expectation is that we are able

to produce 200 and 300 vehicles on top so that our tactical vehicle capacity would be grow then up to 1,300 with USA, so that's very positive. The logistical vehicle capacity is ready we prepared everything we invested everything and there we are on a level of 4,000 vehicles. So what does it mean? With 4,000 vehicles we are on a level of 2 billion between let me say conservative 1.5 and 2 billion Euro sales only on the logistical vehicle side.

155: So we are ready now on a level of 750,000 rounds as we always said and we grow up to 1.1 million rounds and there is one point which is very important also for investors. The Ukraine gave us a very clear picture now. They need usually during war minimum three better more than three million rounds of artillery. If there is peace, if we have ceasefire they need over 10 years 1.5 million rounds of artillery and the Ukrainian government asked us if we are able or willing to build up a factory in the Ukraine to produce 1.5 million rounds. This would be 15 million rounds over 10 years and that would be nearly a 50 billion contract. So this is not in our figures at the moment but this is what the Ukrainians need because they have to prepare themselves and this is what the government told us they have to prepare themselves. Even if there is ceasefire for the next war because they believe that the next war will come up.

The new plant in Unterlüß is nearly completed so we needed 13 to 14 months. So we are a little bit lazy because we said we want to do it in 12 months but we need 14 months. So we had smaller delays but it's really smaller delays and the Lithuanian plant groundbreaking in February is done and we will also produce now over the next 15 months in Lithuania. In 15 months, 16 months we will produce in Lithuania also artillery. This brings us another, we calculated 75,000 but it will be 100 or more than 100,000 because what we learned now in Unterlüß is that in some areas we can double the production. If we invest a little bit more, really some millions, we can double the production and this bottleneck analysis we do at the moment for all factories around the world because we never expected that the Zeitenwende II programme will come as fast and we have to do it now to prepare ourselves to grow faster.

On rocket engines we have the groundbreaking now. In Q2 will be the groundbreaking for that. The planning is ready and the permissions are on the way. Also for that we try to do it as fast as we did on the artillery side but the sales contribution will start in '27 but you really will feel it in '28. Because it's a little bit longer with that technologies to produce a rocket motors in Unterlüß. We also do investments for the PULS-rockets, the long-range artillery rockets from Israel in Spain and here we are faster and here

we will be ready end of the year to produce the first rocket engines in Spain but it's on a smaller level than in Germany. So in Germany we are able now to grow up to 5,000 of this rocket motors which will bring us. If we drive the factory in full capacity we can make 2.5 maybe 3 billion per year on that.

F-35 is then the last information on that page. We really built it up in record time. One and a half years the fuselage if the US built it up in California they needed 4.5 years so it's Northrop and Lockheed said it's unbelievable what happened here. This new German Geschwindigkeit, Rheinmetall Geschwindigkeit is absolutely great so we love it and all the audits at the moment we passed all the audits and we got nearly full points in all the audits so very happy and very grateful about the team. The team is doing a great job there. The first deliveries, we start production in July, and the first deliveries must be then in '27 or end of '26.

So if you go to the next page is that you see that we create a European defence ecosystem. So we want to implement nearly all countries who want to cooperate with us and these countries who cooperate with us, we create thousands of jobs. And this is now from Ukraine to Great Britain and from Spain and Italy in the south going up to the Baltics and Estonia and Latvia is also looking at the moment. And there is a new opportunity to build up new factories. Also we gave an offer to Denmark, we gave an offer to the other two Baltic countries and they're very interested to create also jobs in their countries.

So a true Pan-European player but also a transatlantic player with the investments that we have there and we are, I think we can say, a strong driver for European consolidation because we do the consolidation via our products. We don't do the consolidation only to buy the companies but also through our products to grow so strong that at the end of the day the market will make a decision about the consolidation.

If you have a look to the next page, page 27, we can say that we had a very strong start in the new year. The strong start on TaWAN and Soldier Systems, as we said before, brought us an order intake of nearly 12 billion in Q1. And the sales growth is in line with the guided annual growth rate where we said on the defence side to grow 35 to 40 percent. Profitability is still good for sure because these are the same contracts than before. Operations is doing very well. The organisational changes that we made to have now a COO and René is doing a great job there as a COO to find opportunities also to make acceleration in the programmes on one side. And to find also profitability

on the other side because acceleration means that we also should have synergy effects and this is really, really good.

On the other side, Ursula Biernert is doing a great job on the HR side. We never ever had such a lot of feedback from the HR side. Young people want to join us, highly motivated areas and I'm very happy with my colleagues to work for Rheinmetall and very grateful also for that. The cash flow, as you know, last year we had a brilliant cash flow, more than 70 percent cash conversion rate and the high cash for Rheinmetall Nominations it will stay. And we expect only for TaWAN a down payment of nearly half a billion in the first quarter so it will start very well so that we are still in good shape. And as Klaus said it seems to be that end of the year we are debt-free, so we have more firepower and with more firepower we can have a look on one side to more investments to enlarge our factories. And with more firepower we also have the opportunity on the M&A market to say: "Okay we can buy more companies." And we prepared always between one and two billion per year from this firepower for M&A and we are looking for the right partners for us where we can grow our business.

So let's have a look to the next page, page 28. So as I said 35 to 40 percent defence growth, flat civilian business and we prepare that because that's more important for, we think more important for you. Because our civilian business for sure is not the driver for business over the next years, absolutely not. Now the first question is always what is the reason that you guys are not selling the civilian business? It's at the moment really hard to find a good partner for that. We have to also look to our people and we have thousands of people who are working hard very, very hard on this civilian business and believe me we take care about them. And the point for us is we only want to sell some of our business if we find the right partner.

Operating margin on the defence business and this is also important, at the end of the day will be also around and this is what we expect 19 percent. And there is maybe something in over the next years and but we discussed it also last time is it 19 is it 20 (%) about, I think it's not the most important thing but it is possible because there is also a leverage effect. And on the operational free cash flow we want to stay on this level to have more minimum 40 percent as I said 70, 71 percent cash conversion rate last year is an outstanding figure. So thank you very much for your time and now we can go to the Q&A. The floor is yours. #00:45:54-4#

Presenter: So ladies and gentlemen if you would like to ask a question now please press nine followed by the star key on your telephone keypad. In case you wish to cancel that question please press nine followed by the star key a second time.

And the first question now comes from Sven Weier UBS. #00:46:19-2#

Armin Papperger: Mr. Weier. #00:46:21-1#

Sven Weier: Yeah good afternoon. Thanks for taking my questions. The first two relate mostly to slide number six, which I found quite useful in terms of the Nomination potential that you see. The first question I have Mr. Papperger is in the footnote you say you assume a capture rate of 20 to 25% of these investments. I was just curious, I mean we all know that the NATO capability review is currently on and when you look at some of the features you obviously look like you could be a winner in this. So I assume that the 20 to 25 % capture some of this already or how have you gone about assuming this market share. That's the first one. Thank you. #00:47:06-6#

Armin Papperger: Yeah, Mr. Weier the point of us is as we said it's a simulation. And what is the in Germany we can catch more. But in Europe there are some countries, let me say like France where we are not very strong. So that is the reason that we said in total with all the information that we have, let me say from Norway to Spain and from UK to Ukraine this is the best guess that we have at the moment to calculate it in that way. But if you ask me if all the 300 better or the 400 billion better I must say the reason that we have that range we don't know it's better. But what we need is we need our first indication to go into our planning for investments. But if that happens, we have to double our ammunition capacity. If that happens we have to double our vehicle capacity. And to be very clear it does not longer work with the factories that we have. We have to do it like Werk Niedersachsen and Werk Aschau and Weeze and all the other things. We have to build something and we have to do it as fast as we did before. And that is the reason that we share that information with you.

Yeah, it's very clear that this is not our planning but this is our simulation for the future but we have to prepare ourselves. If we don't prepare ourselves, if I don't prepare: "Okay what does it mean if we bring Unterlüß from 250 to 500,000 rounds? If we bring Aschau from 4,000 tons to 8,000 tons or whatever." I'm not prepared. I want to press

the button if the customer says: "Go! Run!." Then we have to run. Is that fair?
#00:48:59-9#

Sven Weier: That's quite fair and I was just wondering, I mean would you generally agree with me that you know what we have seen in the NATO capability targets that have leaked in our last year seems all quite in your favour, right? So it's probably fair to assume that your market share could be quite good on these targets or is that still going to be the determinant factor the capability targets now or do you think there's something else or what should we expect there? #00:49:27-3#

Armin Papperger: No it's a / Look if more is coming out about that, it's always right but the range is very big when from between 300 and 400 billion is a big beast. And it is that we caught from the first 100 billion, we caught 45 billion if you count up everything. So and if you see what happens now, the opportunity is 10 times bigger than before. That's a big beast. Please don't hit me if it is 300 or 400. #00:49:58-5#

Sven Weier: No, I won't. The second question is, just in terms of this slide how that translates into thinking about you know revenues. Because I remember after the Munich security conference you said we can do 30 to 40 billion by 2030 now we have the German elections we have the Zeitenwende 2.0, I mean I would guess if you have like a minimum Nomination of 50 billion per year and each year until 2030, that also your revenues will kind of hit that level at some point, I guess. #00:50:33-7#

Armin Papperger: You are 100 % right but the point it's too early. Please give me three, or give us a team three four months after having the chance to speak with the ministers about that to have clear / You know that in June, July there will be a new NATO convent and I spoke with Mark Ruetten about that, and Mark said me: "Armin, I give you in July latest all the information what we need the need of NATO". And with the new budgets of the European countries, I think we have a very, very good capital markets day end of this year to give you a very clear overview about that. It's too early. It's only too early to say for us and I as you know, the hit rate that we in Rheinmetall we have is not so bad. So if I discussed I remember three years ago a lot of people told me: "Papperger is crazy because he gave us 42 billion never ever happened." It

happened. So our hit rate was not so bad, but give me a little bit time because I want to be as precise as we were before. #00:51:47-3#

Sven Weier: I'll try to be patient. Maybe the last question, if I may, because you touched upon the consolidation aspect right and now we also saw Chancellor Scholz pushing for big defence mergers. I mean I guess the elephant in the room for you guys have always been KMW, KNDS. I think last time you tried was before the Ukraine war. Now we can publicly read that KNDS tries to go to the market. I mean do you think that brings in a new momentum to the debate or so far no change. #00:52:22-5#

Armin Papperger: Maybe, but at the moment there are no discussions. I think it's a very easy thing if KNDS goes to public and if then there is an opportunity and if we see an opportunity to do something, then we will we will do that. At the moment we have all technologies under control that we need and at the moment we can grow as much as possible to invest a lot and the expectation is really surely also that there are some, a lot of billions we have to pay for that things. At the moment we invest that in enlarge our capacities. We don't must invest it in other things and it's the same on the submarine side what we said: "Okay we stay on our way." If there are opportunities that we can buy and if it really works and if the payback is good enough. Look, as I always said if there is a payback of 10 years, we don't need it for that. But if there is a payback like Expal and we at the moment have a payback of a little bit more than three years that's a great investment for my investors and that's a great investment for Rheinmetall. #00:53:39-5#

Sven Weier: Sounds good. Thank you very much Mr. Papperger. #00:53:45-0#

Armin Papperger: Thank you. #00:53:47-2#

Presenter: The next question then comes from Christoph Laskawi, Deutsche Bank. Please go ahead. #00:53:59-2#

Christoph Laskawi: Good afternoon. Thank you for taking my question. Hi. A bit of a follow-up to what Sven just asked slightly differently phrased though. You talked about doubling capacity for what is potentially needed when we look at the scenario analysis

that you have provided. How quick could you do that? You already gave helpful comments on smaller investments that you did that could raise capacity in some areas, quite meaningful already. Is that say a 20-25 percent capacity increase that you can get through that and the rest would be essentially need to be done through a greenfield investment on the capacity side? And then where would you see the bottlenecks on ammo? You have vertically integrated quite a bit on vehicles that look slightly different. Is there bottlenecks in the supply chain or also in certain components like for example barrel production etcetera? If you could comment on that would be great. Thank you.

#00:55:07-5#

Armin Papperger: The point is there are no real bottlenecks to say, okay. What we said is as we made this bottleneck management, the bottleneck at the moment on the ammunition side is the curing equipment. But this is only ovens, yes? We buy some more ovens and then we are able to do. The curing time is at the moment the bottleneck on these things. Shells is absolutely nothing. No bottleneck. We can produce millions of shells in between. We have such high capacities. We have three presses in Spain. We build up two presses in Unterlüß. We have two presses also for shells in South Africa. So we have such huge capacities, bigger than any other one. So this is unbelievable what we can do. So really I think we can produce 2.5 million shells if we want. So we are there. We are still there to double everything because our target was 1.1 million.

Curing is the second point. Then there is one bottleneck on filling capacities. Pressing of explosives is another bottleneck. But this is easy investment. So buy another two presses and you have doubling the capacities. It's only investment. It's only money. It's no technology. So this is the point. And we created a lot of room for that. So we have space and we have production lines. Another bottleneck is to store, for storages. But what we do at the moment is we build up new storages, for example, in Bavaria. This is in our plan, that there are new storages for high explosives and for ammunitions and for charges that we build that up and we buy whatever we can buy worldwide. And we use also the storages of some governments. For example, we have storages in Romania. The Romanian government is giving us storages and this is only logistics. It's only transportation that we have to do. So we take care about that. So the biggest bottleneck ever on the ammunition is like always is powder.

But in powder we are investing a lot at the moment. So there is a huge programme at the moment running and we doubled the capacities in South Africa and we still double again the capacity, especially for modular charges and for artillery charges in Bavaria, where we have a very, very big investment programme. The total investment programme in Bavaria is on a level of 400 million euros. And this is important and we prepared ourselves. And to be fair enough, Mr. Laskawi, so if the customer needs two million rounds, we make another 200 million investment and we double it again. So this is the point we still have space. We buy some space also. This is the point which is not a bottleneck because we get from the states like Bavaria or whatever a lot of help at the moment to create a larger plot, so that we have space for all that thing. So steel is absolutely no problem. So we have enough steel under contract. So if I do everything at the moment, and this is what also our new purchasing director is doing, we prepare ourselves and we will take money in our hands to fill the stocks again. And we prepare ourselves for the next years. We do the same what we did before that we are able to stay on a growth level of 30 percent over the years or more. Is that okay for you? #00:58:57-7#

Christoph Laskawi: Thank you. Just to follow up on that. So it sounds like you would be able to double capacity and call it three to four years from here by 2030. #00:59:09-1#

Armin Papperger: That's right. #00:59:10-5#

Christoph Laskawi: Thank you. #00:59:12-6#

Armin Papperger: We are now prepared to do it. We are now prepared to do it. But if you said if we really press the button again, we not double it. So we have four times higher capacity. Everything what is in plan is that we double the capacity. But if we start press the button again after the next two months, then we have four times higher capacity. #00:59:47-5#

Presenter: Okay. Then the next question comes from George McWhirter, Berenberg. Please go ahead. #00:59:54-5#

Armin Papperger: Hi George.

George McWhirter: Good afternoon, thanks for the questions. At a high level, what level of defence spending as a share of GDP does your 2030 vision assume in Europe? And the second question is just on the German defence budget specifically. What share of the procurement budget do you expect to capture in the coming years? Thank you. #01:00:19-6#

Armin Papperger: My expectation is 2.5 percent. I'm not so optimistic like Mark Rutte. I think that the Europeans in a mean value will spend 2.5 percent in a mean value. And let me say, because I have not a glass ball yes, but let me say maybe between 2.5 and 3 percent. That is my expectation for that. And the second point is that we stay in Germany on a very high level. And as I always said, we catch big parts from the German side from this 100 billion Sondervermögen number one. And on the German side in total, I think it should be possible for Rheinmetall, if all the frame contracts and all the things converted into fixed contracts, that is still on a level of more than 30 percent in Germany. Is that fair? #01:01:19-1#

George McWhirter: That's great. Thank you. #01:01:22-4#

Presenter: Okay. So the next question comes from Marie-Ange Riggio, Morgan Stanley, please go ahead. #01:01:35-2#

Armin Papperger: Hi, Marie-Ange. #01:01:38-3#

Marie-Ange Riggio: Hi. Many thanks for taking my question. I have some follow-up question as well on the slide six and especially on the fact that you will capture 20, 25 percent of the market share in Europe. Is it fair to assume that basically the 20, 25 percent of the market share is likely to happen by 2030, meaning that you are increasing your market share from now to 2030? And if yes, do you have any idea of what is your current market share in Europe? Just to have a rough idea on that. So I have another question around what can feed basically in Rheinmetall P&L, because indeed your calculation of equipment spending, so it represents 40 percent of the total budget. How much do you think will be spent in Europe? I know that you have said that

basically a lot will be spent in Europe. But do you have any number around this 300, 400, if you believe 100 percent will be spent in Europe or more, 50 percent? And just if the volume goes like such in a high level, how do you see your margin evolving by 2030? Thank you very much. #01:02:47-0#

Armin Papperger: Yeah. So let me start on the margin side. I think that the prices that we have, it doesn't matter if it is digitization, vehicles or whatever. The prices are very fair. The prices, as you know, the profitability on the munition is only high, and we discussed it several times, because of our vertical integration. And so that will stay on this level. So I believe that we can stay on that level because our competitors, yes, most of them or nearly all of them are not so vertically integrated. So margin will stay. Is it possible to find a little bit more leverage on this? Maybe yes, because if we buy in more, if we double, let me say, the purchasing, we have more purchasing power and then we want to look for that. And maybe we can find another 100 basic points or whatever.

But I'm very happy, if we stay on a level on the defence side of around 20 percent. So if that works, it would be great. On the other questions, to be very clear about that, and this is what I said before, give us please another one, two months to go into more details, because at the moment I'm on a simulation level. And this simulation level is not fair to share, let me say to you, to say these are the exact numbers. It is fair if I spoke with the minister of defence, with the prime ministers of the countries to say: "Okay, what is it what you really want to do?" I need two, three months together with my team. And then I think we have a much better picture what is behind all that figures. The simulation, usually our simulations are not so bad. The hit rate that we had last time was perfect. But I need a little bit more confidence in all that figures. And then I share that immediately with you, Marie-Ange. Is that fair enough? #01:04:56-6#

Marie-Ange Riggio: Yeah, I just have probably some follow up on that. So if I rephrase my question, does the 20, 25 percent market share that you have assumed is because it's your current market share or is because it's something that you believe you can achieve, given the fact that the land domain projects would be in very high demand? #01:05:14-1#

Armin Papperger: No, it's our profit share. I think we have even one higher profit, higher share of the market. And the biggest driver for that is for sure Germany. But if you see what happened over the last years, is that we caught nearly 50 percent of the budget on the German side. And Germany will be the big driver because these are the big numbers. And so therefore, I said if we have 25, maybe 30 percent of that. But if you calculate with 25 percent, I think it's a good and it's maybe / I don't want to say conservative, but I think it's a good figure. If it is more, it is fine. But, Marie-Ange, it's at the moment. The task that we have now for the next year is much, much bigger than the task that we had three years ago, because the figures are much bigger. The factories will be bigger and we have to prepare ourselves for that, whatever we can do. So if you if you are a golf player, we are we are going now from iron seven to the driver. #01:06:28-1#

Marie-Ange Riggio: Okay, thank you Armin. #01:06:33-3#

Armin Papperger: Pleasure.

Presenter: Okay, the next question comes from Sash Tusa, Agency Partners. Please go ahead. #01:06:41-7#

Armin Papperger: Hi Sash. #01:06:43-8#

Sash Tusa: Thank you very much indeed. Good afternoon. I've got a couple of questions and the first one on rocket motors. I'm interested that it takes quite so long to build up your capacity in rocket motors compared to artillery ammunition and powders and so forth. And I wonder if you could just explain why it takes so long and what, if anything, you could do to reduce that. But then in terms of your contract relationships, you're making motors in Spain for that country's purchase of PULS. That seems to be the system that's being procured by Germany now. Do you have a contract for the German requirement? And do you work with ELBIT or do you work with the German prime contractor to supply those motors? #01:07:35-3#

Armin Papperger: First of all, we have no contract at the moment with Germany, because the Germans really / They the Germans wanted to buy five test systems about

that. But there is no big numbers of rockets. But the point is, there is no capacity at the moment of rocket motors around the world. So we are very, very safe that the German government will place contracts to us and they place contracts to us, but not on the PULS at the moment, because that's too early. But on other on other rockets, what we want to do is we want to produce rocket motors all from all different calibres. We are not only going to HIMARS or PULS. We go at the end of the day, we look for from 50 kilometre to 500 kilometre. And also we have an equipment. And this is based on the mixer side and on the length that you on the rocket grains, where we look if it is also possible up to more than 2,000 kilometres to produce this rocket motors.

So the first thing you asked about the time level, the timing. From the timing side at the moment, there are there are some bottlenecks inside. One bottleneck is we have a longer time for the mixer to get the mixers, than for the for the pressing equipment, that we have at the moment. We tried to try hard to push down the time. But at the moment, the time frame is that we need not 14 months, but we need two years for that. I really push my team to do it faster, but I have no better information at the moment for that. That is the reason that we told you that that we need maybe two years about that. The second point is, or our third point is the artillery rounds, all the rounds that we have, if it is German type, American type, all the types that we have, we are qualified for that. But we must qualify ourself.

And there is also to build up a test centre for rocket motors. We have qualify ourself on all the all the motor types. But again, there is a huge need worldwide at the moment for rocket motors. The Americans looking for capacities, the Europeans looking for capacities. Some of our competitors are also investing, but they are also then fully equipped, for example, MBDA with the Patriot stuff that is going on. And I really believe that we can build this factory. It's an entrepreneurial decision from us to go that way. After an analysis of what we need and what are the mega trends for the next 20 years. And yeah, I think the last decisions we made to develop a Lynx, to develop a Panther and whatever, all of them were good. And I hope that we again on the right track.

#01:11:00-3#

Sash Tusa: Great. Thank you very much. And then I've just got two slightly more detailed financials questions. The tax rate seemed very high in the fourth quarter. And I wondered what drove that and whether we should take that as the planning level going forward. And then your guidance of Capex this year being about nine percent of

revenues would imply that in absolute terms it nearly doubles. Is that the right way to think about it? Or will there be some offset in grants that you would expect to receive?

#01:11:28-4#

Armin Papperger: Yeah. So the first of all there are no offsets stuff inside. We calculated the nine percent because the powder productions and all the other things are coming up now. We had also a delay from last year to this year from investment. As I said, we invested in much more programmes, but the investment rate stays exactly on that what we planed. So usually we should have 100 million more.

But Sash, at the end of the day, it doesn't matter because we have to invest. Otherwise, we cannot grow. The second point is the government's pay for that. This is also very positive about that thing. And if we if have a 51 percent minimum share, we have to show it after IFRS, on the on the on the investment page. But you see that our cash is much better than what you see out of the investment grades. And the reason for that is that the governments are paying cash inside. But we cannot reduce our investments because if you have 50 percent, you have 100 percent of your investments inside. So we are on the safe side. #01:12:50-2#

Sash Tusa: And thank you. And just on tax, I just want to check whether the / #01:12:56-2#

Armin Papperger: The tax rate is / My colleague is sitting here. He is finance. He's my finance minister. #01:13:05-9#

Klaus Neumann: So the tax rate in the course was indeed a little bit higher than the average rate. But you should use the annual rate for '24. Basically it's a guide for the years to come. We are slightly higher than 2023 because of 2023 we had some non-taxable income. Many of the sale of investments, that did not happen 2024. So the average rate for the year is a good guide for the years to come. #01:13:37-1#

Sash Tusa: Thank you so much. #01:13:42-5#

Presenter: The next question comes from David Perry, JP Morgan. Please go ahead. #01:13:48-3#

Armin Papperger: Hi, David. #01:13:53-1#

David Perry: So can you can you hear me, okay? #01:13:55-8#

Armin Papperger: Hi, David. I hear you. #01:13:56-8#

David Perry: Yes. Hi. Welcome Klaus. Hello Armin. I've got three questions as well. The first one just for a British person struggles a bit with German politics. Could you just tell us if the Greens don't approve the vote? I think it's March the 18th on the debt break. You know what the plan B is, what other solutions that could be to try and have higher defence spending. The second one is / Do you take them one at a time? #01:14:27-7#

Armin Papperger: So give me the chance about that, because that's very, very important. The Green Party is not against the defence budget. The Green Party said we don't want to link the defence budget to the 500 billion package of normal investment. If the 500 billion package is not 100 percent defined. And the reason is that the Green Party said they love the defence budget. They said: "Okay, we want to do it." They are pressing me to invest more in these areas. They're not against that debt. So on the political arena, there are two points.

First of all, Friedrich Merz wants to bring two packages through. If you don't can bring it through to define, let me say, the investment package and the Greens said: "Don't use the investment package to pay the pension system. Don't use it to not to do it, let me say, into that area." And then maybe they can separate it to say: "Okay, we make a breakthrough strategy to separate the 500 billion with the decision of defence." And what I believe is, I personally believe I have also no glass ball, but I personally believe that 90 percent plus next week we have a positive decision about that. And I don't think for some days, I don't think: what if?. So because then we have another political decision. But what the government or the new government wants to do is an outstanding thing, because it would be nearly unlimited money for defence. So that is an outstanding thing.

I never have seen that before. And the reason for that is because the decision of Social Democrats and Christian Democrats was a very clear one to say: "Okay, we don't want

to be in a situation that an aggressor is attacking Europe and Germany and we don't have enough money." And the right wingers and the left wingers can stop us. That is the reason that they make that decision. And that is the reason that I believe that it will go through. #01:16:41-7#

David Perry: Okay, great. And my next question is, you know, slide 12 on the vehicles. It goes up from a small business to a massive business, but there's not a lot of commentary there. So just like in twenty seven and maybe in twenty thirty, like could you just give us high level, like how much is Puma, how much is Lynx, how much is trucks, how much is support? Just maybe break down. You can choose your year, twenty seven or thirty. #01:17:10-7#

Armin Papperger: Okay, so on page 12. Yes, it is right. So Puma is not a lot. Lynx will be one of the drivers, which is coming up. So if I go to the 2027 feature. So it's around two billion is trucks, okay? #01:17:33-7#

David Perry: Yeah. Great. #01:17:34-9#

Armin Papperger: Then around two billion will be service, okay? #01:17:39-5#

David Perry: Yeah. #01:17:41-9#

Armin Papperger: The rest will be Boxer. Huge amount of Boxers which are coming. Then the Lynx, which will be also a big driver. Then the ramp up curve of the Caracal will come. This is the you know, we also have this frame contract from the caracal side is two billion which are here. So I can give you for 2027, let me say eighty five percent transparency about that. What is really there? I haven't prepared it, but so only if you see what's going on Lynx, one billion. On the Boxer side is one billion. Then we are on a level of six billion. Then we have spare parts and other things also inside, et cetera, et cetera. So this is what is inside. And then a lot of smaller contracts for sure. We have hundreds of smaller contracts, 50 million here and whatever they are, which is coming up. So that is how the figure is coming. #01:18:50-3#

David Perry: Okay, that's helpful. And then my last one, if I may, you talk a little bit about M&A. You say you're going to have this unbelievably strong balance sheet. You're probably in an industry that needs consolidating. There's been speculation about would you look at Thyssenkrupp's Marine business? I don't know. Would you look at getting bigger in electronics? You just talk about the things that interest you and how you think about the pros and cons of different areas. #01:19:16-3#

Armin Papperger: We are not longer looking to Thyssenkrupp. Thyssenkrupp stopped the process. As you know, last October, the government contacted me, the German government, to say: "Okay, have a look to that." We had it, but we do nothing in this area. So Thyssenkrupp is now looking for the spinoff and they want to go forward. But this only would be an opportunity for us, if we could find synergies and not only the pure business, because the business by itself has not the same profitability, has not the same growth rate, that we have in that point. That was the reason that was never, ever priority number one of us. But we looked on that. But not longer look on that. Digitization is one of the things where we are really looking for. If there is an opportunity, also, that if there would be an opportunity that I can buy a company who is producing nitrocellulose, I would buy it. You know, David, that I'm not going into the details about that point, but it could be that if there are companies on the ammunition side, that we buy that, because I want to buy everything in this area, because this will be horribly growing over the next years. So if I must not invest, but if there is, for example, a company for nitrocellulose, who is producing another 5,000 tons of nitrocellulose, maybe I would buy it. So this is an opportunity. There are opportunities on electronics, like we did on Blackned. So if there are some smaller companies who make artificial intelligence, we would go forward in this areas. We are not going forward to say: "Okay, wow, I want to buy now a company where I have to pay 10 billion, and then my balance sheet is no longer good." It is bad. And so this is not what we do. You know, if we grow, and I think that's very, very clear, if we are able to grow an operational growth of 30 to 40 percent per year, we are not under pressure at the moment to go forward. And consolidation can work to buy something, and consolidation can work to have, let me say, better products and to convince the customer that he orders more from us, and we work organically. This is also consolidation, because then the market share of the others is going down. So these

are the two opportunities, and at the moment we are working on level two. #01:22:07-6#

David Perry: Brilliant. Very clear. Thank you. #01:22:11-2#

Armin Papperger: It's a pleasure. #01:22:14-1#

Presenter: The next question then comes from Dario Dickmann, HSBC. Please go ahead. #01:22:19-3#

Armin Papperger: Hi, Dario. #01:22:23-9#

Dario Dickmann: Hi. Thanks for taking my questions. So I have three. Basically, the first one is on the speed of the German procurement office, since we are still working off projects from the first special fund. So do you think we can already expect Germany spending significantly more than the currently budgeted 30 billion on equipment in 2025? And could you share some thoughts on the decision timelines from the procurement office? The second one would be on the minimum capability requirements leaked at the beginning of the year, which already hinted at a significant increase in fighting brigades and air defence.

And we also had a German newspaper with access to the document reporting it implied German defence spending of more than three percent, and would you agree that a potential partial U.S. retreatment from Europe will increase this gap even more? Since I assume that this paper was basically published before the U.S. topic came up. And the last one is on a recent Polish article reporting, that the Polish state company PGZ is looking for an ammunition licencing partner, but they just list KNDS, Turkish MKS, and Czech CSG as potential candidates. So are you still involved in Polish ammunition discussions? And could you confirm they are just looking for a licencing partner instead of a JV partner? And maybe last question. Do you think that European funding increases your probabilities on the Polish heavy infantry fighting vehicle tender? #01:24:15-0#

Armin Papperger: Yeah, we start with the European fundings. I'm always very relaxed about the European fundings because it was funny what we discussed on the

ammunition side. You remember when we spoke about the one million rounds for Ukraine from European funding at the end of the day, there was zero. And so I'm not taking care about that things. There is maybe an opportunity in the future, but at the moment, I think I'm very relaxed about that. So the national fundings for me are more important. On the Polish side, we spoke with PGZ and we could not be there inside, because I don't want to give a licence. I don't give licences for that. I only create joint ventures for that, if there are some people who give licences, but they were not very successful for that. They wanted to have licences for tanks. They wanted to have licences for others. At the end of the day, nothing happened. But licence, no. Joint venture, yes. We gave an offer with joint ventures in Polish, like Italy, like what we made in Italy on the 50-50 base. What I know is today, the German government and the Polish government are sitting together to discuss these things. But at the moment, our business case is without Poland. There is no Polish Order Intake inside. And at the moment, I think they are not so successful like they want it to be.

Minimum capability requirements, I 100% agree about that, it could be, that there must be do more from the European side, because if the Americans said, okay, take care about your own shit, we don't longer take care about yours, then it's so that NATO requirements and also requirements for Europeans are growing up. But even what we have now inside, and if the growth rate must be not 2.5 to 3, but 3.5%, the figures are higher for sure. But we don't know it. And again, it's all speculation. And as a businessman, I have to take care about the reality.

So I have to wait what's coming out now next week. Then I have to wait what we see over the next two months, with especially the German government. And the biggest driver will be Germany for sure, because there is the money at the moment. And so therefore, it's very clear, that we can give you better information in two or three months about that. So the first was on the procurement side. What was it? #01:27:08-2#

Dario Dickmann: So how fast do you think that the German procurement office could come up with some additional projects? I mean, they're still working on the last of the old fund. #01:27:20-0#

Armin Papperger: Now, I must really say that they are blaming always a lot BAAINBw. I cannot blame them. And the blaming is that especially from the smaller companies, because they have the big whale fishes at the moment are always in the front. But look

what we did. TaWAN has from T0 a delay of six weeks. If you negotiate a seven, eight billion programme and you have a delay of six weeks, come on, this is great. And the procurement agency made such a lot of contracts over the last two years that they made the last 30 years not. So they are fast. For sure we can do something better. For sure, there are some guys who still do their work like 10 years ago. But most of the people and especially the president of the procurement agency, she's doing a great job and I cannot blame them. It's vice versa. So they are doing a really great job. #01:28:27-6#

Dario Dickmann: Okay, so we could have significantly more than the 40 billion currently assumed under Zeitenwende 1.0. Let's call it like that. #01:28:40-3#

Armin Papperger: Absolutely right. #01:28:42-0#

Dario Dickmann: Of Order Intake. #01:28:43-6#

Armin Papperger: Absolutely right. #01:28:45-6#

Dario Dickmann: Okay, thank you. #01:28:47-9#

Armin Papperger: yeah, pleasure

Presenter: Okay, so there is one more question in the queue. Just as a reminder, if you would still like to raise a question now at this point, please press nine followed by the star key. And the last question for the moment comes from Carlos Iranzo-Peris, Bank of America. Please go ahead. #01:29:08-8#

Carlos Iranzo-Peris: Hi, guys. hola. Thanks for taking my question. Just a follow up on Capex. How should we think about your Capex guidance through 2027 in the context of you presumably growing more than what you anticipated in November 2024? I guess it's fair to assume that Capex could be perhaps a little bit more elevated than your current mid-term guidance. Thank you. #01:29:36-2#

Klaus Neumann: Yeah, the guidance that we gave on Capex during the capital markets day last year was based on a basic scenario before Zeitwende 2.0. So it's very difficult to predict how it's going to turn out in 2027 during the political uncertainties at the moment. As Armin said, we need a little bit more time to really understand and plan out with the government what it will mean for our business going forward. So at the moment, the guidance stands as we mentioned, prior to these changes that we expect to happen in the next coming weeks. #01:30:22-5#

Armin Papperger: But Carlos, it's, I think, a very important thing that if the government, and especially the German government, stays on the level that we get 20 or 30 percent down-payment. What we got, let me say, also on the TaWAN side, it doesn't matter because we need, we have to invest. But at the end of the day, we have no burden on our balance sheet because we are very cash positive out of that thing. Is that fair enough? #01:30:55-7#

Carlos Iranzo-Peris: Yes, super clear. Thank you. #01:30:58-6#

Presenter: Okay, now there seems to be just one follow-up question from Marie-Ange Riggio. Please just go ahead, your line is open. #01:31:09-6#

Marie-Ange Riggio: Yeah, so sorry, just last for that we don't touch on the call which is on Power System because we continue to be, the division, to be a bit weak. And you mentioned at the last visit that you are looking for transforming the division. You have mentioned that too, you have taken over two facilities. Do you have any other plans for 2025 for that division and any ambition by 2030? Because you didn't mention it on your slide as well. Thank you very much. #01:31:37-8#

Armin Papperger: First of all, we want to do it with the two factories and the two factories are now in Neuss and in Berlin. And if that is successful, we can have a look to other factories. And there are some ideas to do it. But we cannot tell that officially because if I go officially about that, the unions immediately start discussions, but we are still in planning phase. So we cannot speak officially about that. But if it is successful, Marie-Ange, and if we can take 1,000 or more than 1,000 people from the

automotive industry and highly qualified people, we have very good people there to the defence.

And if we can reduce the education time with that people, because they are well educated to create high quality defence goods, I'm very happy. I'm very happy about that. So this very new ideas, and maybe that's also very important for all investors is, for example, in Neuss, we are looking now to produce components for loitering ammunition, and also for satellites, because we are with ICEYE in the satellite business. And if we build up that, we would create here nearby Düsseldorf, an absolutely high tech factory, where we have protection systems, where we have electronic systems, where we have from for the loitering ammunition components and for satellite technology. And with ICEYE, because the as you know, the Americans stopped now the conversation with satellites, and they don't help longer the Ukrainians. And maybe we can step in and we are in negotiations with the government at the moment that we are the satellite house.

At the end of the day, the idea is to have minimum six LEO satellites. And then we can build over the next years, always between let me say six and 10 satellites on the LEO level here in Germany, in a licenced production. That's a new business model. That's brand new. It's not a big driver for that. But at the end of the day, maybe we make another 200 million. So it's a good business, okay? #01:34:04-1#

Marie-Ange Riggio: Great. Thank you so much Armin. #01:34:06-6#

Armin Papperger: Thank you. #01:34:08-3#

Presenter: Okay, thank you very much. Sorry. That's it for the Q&A. I'd like to hand it back to you, Mr. Papperger. #01:34:17-0#

Armin Papperger: Yeah, thank you very much for your time. Thank you very, very much for the very interesting Q&A. And at the moment, we really try to shape our team to fulfil everything and very happy to see all of you again, live in the investor conferences. Thanks a lot. Thanks for your time. Bye bye.