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Rheinmetall with strong figures for the third quarter: Order backlog of €36.5 billion – significant increase in operating result

- Expansion of military business: further substantial growth in orders – Rheinmetall Backlog increases by 42% to around €36.5 billion
- Consolidated sales up 13% to €4.6 billion
- Operating result climbs by 17% to €387 million
- Operating margin improves to 8.4%
- Forecast for 2023 confirmed

Rheinmetall AG, Düsseldorf, closed the third quarter of fiscal 2023 with continued sales growth and significantly higher income. This positive development was mainly driven by business with the armed forces of Germany and its partner nations in the EU and NATO. The Group recorded double-digit sales growth thanks to the dynamic market situation and the high level of demand in military business.

The sharp rise in the operating result in the third quarter, which significantly exceeded market expectations, had already prompted the Group to release an ad hoc statement on October 25, 2023. Based on its preliminary figures, Rheinmetall announced that it was expecting an operating result of €191 million in the third quarter of 2023 (Q3 2022: €120 million). The profit contribution from the most recent acquisition in Spain, the munitions manufacturer Expal, is already accounted for in this forecast.

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 margin.

Armin Papperger, CEO of Rheinmetall AG, commented: "We are well on track to achieve our ambitious annual targets for sustainable and profitable growth. Many countries need Rheinmetall in order to meet the dramatically increased demand for military equipment – this is demonstrated by record figures for new orders and orders on hand. We accept the resulting responsibility to deliver and bring the projects to a successful conclusion."

Armin Papperger: "The integration of our latest acquisition, the Spanish munitions manufacturer Expal Systems, has got off to a successful start. Furthermore, we have massively increased our additional capacities. As one of the world's leading ammunition producers, we can make a considerable contribution in this set-up to ensuring Ukraine's ability to defend itself in this area and to replenishing the supplies of NATO partners."

"We are grateful for the opportunity to provide Ukraine with effective aid for its defence in close coordination with the German government. Now we are also operating directly within the country: The joint venture that we recently

► Key facts

- ▷ Strong growth in consolidated sales of 13% year-on-year to €4.6 billion
- ▷ Rheinmetall Nomination climbs by around 130% to €14.5 billion
- ▷ Rheinmetall Backlog increases by 42% to around €36.5 billion (Sep. 30, 2023)
- ▷ Consolidated operating result amounts to €387 million
- ▷ Earnings margin at 8.4%
- ▷ 2023 guidance confirmed

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established with Ukrainian Defense Industry (UDI) in Kyiv has picked up pace. It will initially perform servicing and maintenance for Ukraine before we begin producing and developing military vehicles there,” says Armin Papperger.

Rheinmetall Group: Sales growth of 13% – Rheinmetall Nomination climbs by around 130%

Consolidated sales increased by €529 million or 13% year-on-year to €4,618 million in the first three quarters of 2023 (previous year: €4,089 million). Adjusted for currency effects, sales were more than 14% higher than in the previous year. The percentage of international sales increased year-on-year from around 71% to 75%.

The consolidated figures also include the sales and earnings contributions of the Spanish company Expal Systems, which was acquired as at July 31, 2023.

The operating result for the period ended September 30, 2023, therefore amounted to €387 million, up €56 million or 17% on the previous year’s figure of €331 million ¹. The improvement in the operating result is mainly attributable to dynamic performance on the market for security technology, which led to margin effects and a more profitable product mix. The Group’s operating margin improved to 8.4% in the third quarter of 2023 (previous year: 8.1%).

Earnings per share from continuing operations increased from €3.93 to €4.73 in the first nine months of fiscal 2023.

Operating free cash flow improved significantly by €251 million to €-427 million in the first three quarters of 2023 after €-678 million in the same period of the previous year. Despite the continued growth in inventories, operating free cash flow improved considerably in the first nine months of fiscal 2023 thanks to higher customer payments.

Rheinmetall Backlog saw substantial growth of around 42%, from €25.7 billion to €36.5 billion (September 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 more than doubled, increasing by around 130% year-on-year to €14,505 million in the first three quarters of 2023 (previous year: €6,325 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 €351 million or 27% year-on-year to €1,671 million in the first nine months of 2023. The sales growth is attributable in particular 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 €4,047 million as against the previous year to €4,889 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

¹ The definition of the key performance indicator operating result was adjusted retrospectively in the third quarter of 2023. From the third quarter of 2023, operating earnings will therefore be calculated as earnings before interest and taxes (EBIT) adjusted for special effects from corporate transactions, effects from revaluation as part of purchase price allocations, restructuring and other significant non-operating and non-period items. The comparative figures have been adjusted accordingly.

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 €15.0 billion as at September 30, 2023, up €2,716 million or around 22% on the previous year's figure. The operating result improved from €123 million to €183 million in the first three quarters of 2023. This represents growth of €60 million or 49%. This positive development is mainly attributable to margin effects in projects. The operating margin of around 11% significantly exceeded the previous year's level of around 9%.

Weapon and Ammunition: Backlog more than doubles to over €11 billion

The Weapon and Ammunition division generated sales of €1,035 million from its weapon systems and ammunition activities in the first three quarters of 2023, an increase of €186 million or 22% 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. The Rheinmetall Expal Munitions companies acquired on July 31, 2023 generated sales of €41 million.

Rheinmetall Nomination amounted to €7,026 million after the first nine months of 2023, well over double the strong figure recorded in the same period of the previous year (€2,352 million). Major new orders related to two multi-year framework agreements for munitions and associated initial call-offs of tank and artillery ammunition, ammunition orders for the Gepard anti-aircraft tank, and tank ammunition orders for Marder and Leopard 1 for Ukraine. The previous year's high figure was therefore significantly exceeded.

Rheinmetall Backlog in the division more than doubled by €6,476 million or around 135% to €11.3 billion as at September 30, 2023 (previous year: €4.8 billion).

In the first nine months of 2023, the operating result improved by €70 million or 63% to €180 million (previous year: €110 million). This positive development is mainly attributable to a more profitable product mix. As a result, the operating margin rose substantially from 13% to over 17%. This includes an earnings contribution of €17 million from Rheinmetall Expal Munitions.

Electronic Solutions: Sales growth of 14%

The Electronic Solutions division, which produces solutions in the field of armed forces digitalization, infantry equipment, air defence and simulation, increased its sales by €87 million to €729 million in the first nine months of 2023 (previous year: €642 million); this corresponds to growth of around 14%.

Rheinmetall Nomination increased by €142 million or 17% year-on-year to €987 million. A major new order for Puma was placed in the first nine months of 2023. Rheinmetall Backlog amounted to €3.4 billion as at September 30, 2023, up 21% year-on-year (previous year: €2.8 billion).

In the first nine months of 2023, the operating result improved slightly to €52 million after €51 million in the previous year. The operating margin declined to 7.2% (previous year: 7.9%), largely as a result of changes in the product mix.

Sensors and Actuators: Nominated backlog up around 18%

Sales in the Sensors and Actuators division, which provides solutions for industrial applications and electric mobility as well as components and control systems for emissions reductions, increased by €11 million or 1% year-on-year to €1,057 million in the first nine months of 2023. This development primarily resulted from increased volumes in Europe. Booked business in the

first nine months of 2023 was below the previous year's level at €1,821 million (previous year: €2,083 million). The nominated backlog, i.e. the volume of call-offs expected from customer agreements, increased by around 18% to €8.3 billion as at September 30, 2023 (previous year: €7.0 billion).

The operating result declined by 42% to €39 million in the first three quarters of 2023 (previous year: €67 million). Among other things, this development is attributable to additional costs for dealing with the consequences of the cyberattack on the division's IT systems 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 3.7% (previous year: 6.4%).

Materials and Trade: Downturn in sales due to cyberattacks

Sales in the Materials and Trade division, which supplies plain bearings and structural components and operates global aftermarket business, declined by €12 million or around 2% to €550 million in the first three quarters 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 was attributable to the consequences of the cyberattacks in April 2023. Booked business amounted to €546 million in the first nine months of fiscal 2023. This represents a year-on-year decrease of almost 7% (previous year: €584 million). The nominated backlog was largely unchanged year-on-year at around €602 million as at September 30, 2023 (previous year: €604 million).

The operating result of the Materials and Trade division fell by €4 million or 9% to €41 million in the first nine months of 2023. The operating margin declined to 7.5% (previous year: 8.1%). 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 forecast for year confirmed

Rheinmetall is confirming its current annual guidance for 2023.

Dynamic performance on the market for security technology – especially in the Weapon and Ammunition division – led to a favorable product and margin mix in the third quarter. In recent months, the company has also continued to use 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 situation on the markets for raw materials and primary products.

In light of the extremely positive development in the third quarter and the fact that call-offs are typically higher in Q4, the Executive Board is confirming its full-year sales and earnings guidance for 2023 with consolidated sales of between €7.4 billion and €7.6 billion and an operating margin of around 12%. The separately communicated sales forecast for Rheinmetall Expal Munitions is now above €190 million. The operating margin of Rheinmetall Expal Munitions is expected at above 25%.

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.