

HALF-YEARLY FINANCIAL REPORT

2023

1ST HALF

Rheinmetall in the first half of 2023

Rheinmetall Nomination up 50%

- Significant growth in orders within the Group
- Consolidated sales up 7.0% to €2.9 billion
- Operating result down €15 million to €191 million
- Operating margin of 6.7% below previous year's level of 7.7%
- Annual forecasts for 2023 confirmed

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Rheinmetall in figures

KEY FIGURES

		Q2 2023	Q2 2022	H1 2023	H1 2022
SALES / EARNINGS					
Sales	€ million	1,498	1,408	2,861	2,674
<i>Of which generated abroad</i>	%	73.7	72.5	75.7	71.5
Operating result	€ million	118	114	191	206
Operating result margin	%	7.9	8.1	6.7	7.7
EBIT	€ million	118	104	193	185
EBIT margin	%	7.9	7.4	6.8	6.9
EBT	€ million	103	98	171	172
Earnings from continuing operations	€ million	72	68	120	128
Earnings from discontinued operations	€ million	1	5	5	6
Earnings after taxes	€ million	73	73	125	134
ORDER INFORMATION					
<i>Booked Business</i>	€ million	545	603	1,775	1,835
<i>Frame Nomination</i>	€ million	155	(21)	525	350
<i>Order Intake</i>	€ million	3,392	824	4,892	2,606
Rheinmetall Nomination	€ million	4,092	1,406	7,192	4,790
<i>Nominated Backlog</i>	€ million	-	-	8,806	7,332
<i>Frame Backlog</i>	€ million	-	-	3,255	3,366
<i>Order Backlog</i>	€ million	-	-	17,989	15,011
Rheinmetall Backlog (June 30)	€ million	-	-	30,050	25,708
CASH FLOW					
Cash flow from operating activities	€ million	(153)	(131)	(223)	(557)
Cash flow from investments	€ million	(76)	(55)	(132)	(100)
Operating free cash flow	€ million	(229)	(186)	(355)	(657)
<i>Of which continuing operations</i>	€ million	(219)	(179)	(325)	(641)
<i>Of which discontinued operations</i>	€ million	(10)	(7)	(31)	(16)
STATEMENT OF FINANCIAL POSITION (June 30)					
Equity	€ million	-	-	3,079	2,700
Total assets	€ million	-	-	9,742	7,694
Equity ratio	%	-	-	31.6	35.1
Cash and cash equivalents	€ million	-	-	1,347	236
Total assets less cash and cash equivalents	€ million	-	-	8,395	7,458
Net financial debt (-) / Net liquidity (+) ¹	€ million	-	-	(895)	(888)
HUMAN RESOURCES (capacity, June 30)					
Germany	FTE	-	-	13,032	12,497
Foreign	FTE	-	-	13,151	12,320
Rheinmetall Group	FTE	-	-	26,183	24,817
<i>Of which continuing operations</i>	FTE	-	-	22,640	21,002
<i>Of which discontinued operations</i>	FTE	-	-	3,543	3,815
SHARES					
Stock price (June 30)	€	-	-	250.80	220.30
Basic earnings per share from continuing operations	€	1.27	1.21	2.42	2.28
Basic earnings per share	€	1.29	1.33	2.53	2.42
Diluted earnings per share from continuing operations	€	1.27	1.21	2.42	2.28
Diluted earnings per share	€	1.29	1.33	2.53	2.42

¹ Financial liabilities less cash and cash equivalents



The Rheinmetall share

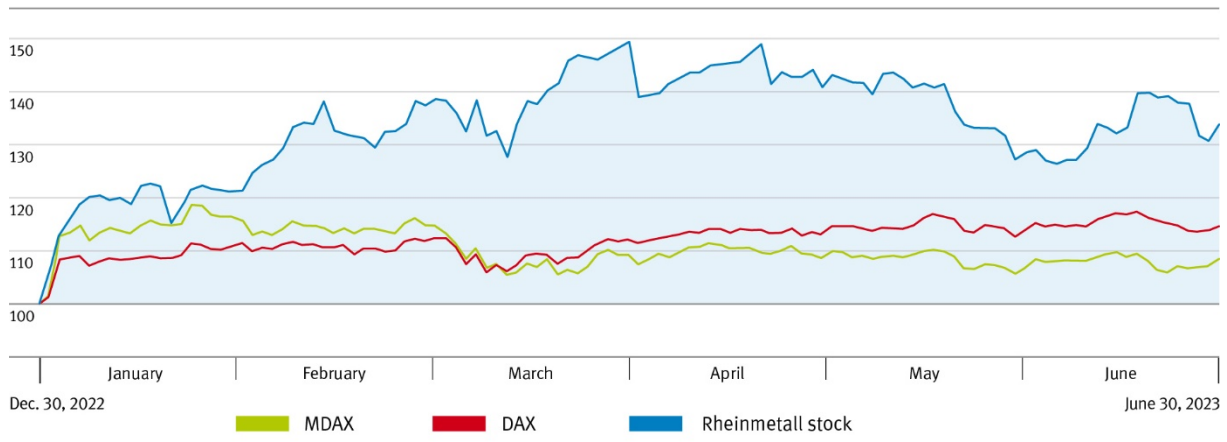
Rheinmetall share holds its own against the DAX and MDAX, even in a stronger first half of the year on the stock market

Both the DAX and the MDAX performed well in the first half of 2023. Inflation and monetary policy issues, fears of recession and the war in Ukraine did not slow down Germany's benchmark indices for long. The DAX closed at 16,148 points on June 30, 2023, gaining 16.0% in the first half of the year. This was close to the index's all-time high of 16,358 points, which it hit during the second quarter. Although the performance of the MDAX was slightly more subdued, it closed at 27,611 points on June 30, 2023, 9.9% higher than the closing price of December 31, 2022. In the same period last year, the indices closed with losses of 19.5% and 26.5%, respectively.

The Rheinmetall share surpassed this positive performance and closed with a share price of €250.80 on June 30, 2023. This equates to an increase of 34.8% compared with the closing price on December 30, 2022. This performance was driven by Russia's continuing war of aggression on Ukraine and the corresponding high demand for military equipment as well as the endeavors of many countries to invest in their own security. News stories about new orders and contracts being awarded to Rheinmetall drove the share to outperform the benchmark indices.

According to Deutsche Börse AG's ranking, at the end of June 2023 Rheinmetall AG was in 30th place with a market capitalization of over €10.8 billion.

December 30, 2022, through June 30, 2023



Investor Relations activities

The first half of 2023 saw a continuation of the trend toward face-to-face meetings with investors. The company experienced further positive development in its group of interested parties, not least thanks to its DAX inclusion. The Executive Board and the Investor Relations department remained in close and focused contact with investors by communicating with the financial markets using a variety of means including digital meetings, traditional investor conferences, in-person events, fireside chats and bilateral talks. Overall, this translated into over 447 investor contacts in the first half of 2023, reflecting the significant amount of interest in the company's share.



General economic conditions

Outlook for the global economy has improved of late – but momentum remains weak for now

Key macroeconomic conditions that caused global economic growth to slow last year have improved over the course of this year. Energy and raw material prices have been trending downward again. The prospect of a steady upturn in China has improved since the country moved away from its zero-COVID policy and the related restrictions, while the supply bottlenecks and material shortages that have occurred in the recent past are no longer hampering economic activity to such an exceptionally acute extent. But it is now the drastic tightening of monetary policy in response to high inflation rates in the form of steep interest rate hikes by central banks that is having a curbing effect, resulting in noticeably higher financing costs and stifling consumer spending and investment propensity among consumers and businesses alike. Fiscal policy has now also become more restrictive in general. As a result, there is likely to be only moderate growth in the global economy this year and next.

Increase in defence spending as reaction to war in Ukraine

Numerous countries worldwide have responded to the war in Ukraine by increasing their defence spending. European countries such as France, Italy, Poland, Greece, the Baltic states and individual countries in Scandinavia have decided to expand their respective budgets and invest in equipment for their armed forces. But there has been a rise in defence spending in the US and in Asian countries such as China and Japan as well.

In the context of the Ukraine war, Germany already created a credit-financed special fund of €100 billion outside of the regular defence budget in 2022 in order to sustainably increase the armed forces' combat readiness. In addition, the German government announced in the first half of 2023 that it would henceforth follow the NATO target and invest at least 2% of its gross domestic product in defence. Besides the special fund, which will be available for various equipment programs in the years to come, the regular defence budget for 2023 is also estimated to be comparable to last year at over €50 billion. An additional €8.5 billion is expected to be spent from the special fund this year.

Recovery of the automotive industry continues

According to the German Association of the Automotive Industry (VDA), the recovery of the international automotive markets is set to continue in 2023. Reasons for this include the lower negative impact of the war in Ukraine, the lifting of lockdown measures in the metropolitan area of Shanghai, the reduced number of disruptions to value and logistics chains, and the easing of material shortages.

The analysts at IHS Markit have found that the global production of light vehicles (vehicles under 6 t) increased by 10.4% year-on-year in the first half of 2023. A total number of 43.0 million vehicles were produced in the reporting period, around 4 million more than in the first six months of the previous year.

The figures for the Asian markets of China, Japan, Taiwan and Indonesia in particular were extremely buoyant compared with the low figures for the previous year. The continuing lockdown in the metropolitan area of Shanghai in the early part of last year had a significant lingering impact in the form of logistics issues and limited material availability. In Japan, the number of vehicles manufactured from January to June 2023 was up 20.4% on the same period of the previous year. In China, production figures increased by 6.0% up to and including June 2023. Production in the USMCA free-trade zone (formerly NAFTA) grew by 11.5%. Western Europe (including Germany) saw a production increase of 19.8% in the first six months of 2023.

In Germany, 2.2 million cars were manufactured up to and including June of this year, 32% more than in the first six months of the previous year. Despite the positive trend in the past few months, production volumes are still considerably lower than they were before the COVID crisis level. For example, up to June of this year 10% fewer vehicles were still being manufactured than in the same period of 2019 pre-COVID. Production in the first half of 2023 increased by 20.2% year-on-year in France, 15.4% in Italy, 11.9% in Spain and 8.2% in Great Britain.



Significant events up to June 30, 2023

Further progress made regarding the disposal of the pistons business

The disposal of the pistons business announced as part of the realignment of the Rheinmetall Group, which meant the business was reported as discontinued operations, led to the sale of the large-bore pistons business on October 24, 2022. The share purchase agreement covers Rheinmetall's large-bore pistons business with three production plants in Germany, the US and China as well as the steel pistons line from the small-bore pistons plant in Marinette, US. The transaction was closed on January 27, 2023, and includes the deconsolidation of the Group companies belonging to the large-bore pistons business. The deconsolidation gain based on the final purchase price is €13 million.

On March 22, 2023, Rheinmetall and Riken Corporation, Tokyo, Japan, concluded a purchase agreement for all of the shares previously held by Rheinmetall in the Riken Automobile Parts (Wuhan) Co., Ltd. The sale of shares was completed on April 5, 2023. The transaction did not result in any significant deconsolidation result.

The small-bore pistons disposal group and the investments accounted for using the equity method and classified as assets held for sale will continue to be reported as discontinued operations in the first half of 2023.

Convertible bond to finance the acquisition of Expal Systems

On January 31, 2023, Rheinmetall AG issued a convertible bond with a total nominal value of €1 billion in two tranches of €500 million. Part of the net proceeds from the issuance of the convertible bond is being used to finance the acquisition of the munitions manufacturer Expal Systems S.A.U., which was agreed in November 2022 and completed in July 2023. The remainder of the net proceeds from the convertible bond is being used to ensure strategic flexibility in connection with the financing of internal and external growth initiatives, and for general corporate purposes. As a result of the issuance of the convertible bond, the authorization of the Executive Board granted by resolution of the Annual General Meeting on May 21, 2021, to issue bonds with warrants and convertible bonds was partially utilized.

Promissory note loans issued with a total volume of €145 million

In January 2023, Rheinmetall AG issued four promissory note loans with a total volume of €145 million. The promissory note loans with terms of three and five years bear a variable rate of interest and serve the Rheinmetall Group's general financing.

Admission to the DAX40

Rheinmetall AG joined the DAX40 with effect from March 20, 2023. The positive development of its free float market capitalization was key to this development.

Virtual Annual General Meeting and dividend distribution

On May 9, 2023, Rheinmetall AG's Annual General Meeting was again held as a purely virtual event. 59.9% of the share capital was represented. All resolutions proposed by the Executive Board and the Supervisory Board were approved, including the dividend proposal of €4.30 per share for fiscal 2022. Based on the closing price on the day of the Annual General Meeting, the dividend yield was 1.6%. The dividend of €186.7 million was distributed on May 12, 2023.

Significant major orders

New major order for medium-caliber ammunition

On behalf of Ukraine, the German Federal Ministry of Defence has awarded Rheinmetall a contract to supply 35mm ammunition for the Gepard anti-aircraft gun tank. A total of 300,000 cartridges are to be supplied. The ammunition is intended to support the Ukrainian armed forces, which use the Gepard. The order value is in the low three-figure million euro range. Rheinmetall will supply 150,000 cartridges each of sabot ammunition (armor-piercing discarding sabot-tracer, APDS-T) and high-explosive incendiary ammunition (HEI-T). The first APDS-T cartridges will be delivered in the summer of 2023.

Orders with a total value of over €100 million in the electric mobility sector

In the Materials and Trade division, there are three new major orders for structural components in the electric mobility sector. The orders, which fall under the Castings business unit, are each in the double-figure million euro



range. Production of all components will start in 2024. From this date, sets for shock absorber mountings and other structural components will be produced for various automotive manufacturers.

New order to supply exhaust gas recirculation valves

Rheinmetall has acquired its first order to supply exhaust gas recirculation (EGR) valves to an international customer in the truck sector. The order encompasses poppet valves and flap valves for heavy- and medium-duty (HD and MD) truck applications. The order value is in the three-figure million euro range. Full-scale delivery will commence in 2026, including the supply of spare parts.

Major order for 50 Puma infantry fighting vehicles for the German armed forces

Germany's Federal Office for Bundeswehr Equipment, Information Technology and In-Service Support has awarded a joint contract to Rheinmetall and KMW to build a further 50 Puma infantry fighting vehicles. Of the total order value, €501 million will go to Rheinmetall Landsysteme GmbH. In addition to the 50 armored fighting vehicles, the order encompasses spare part packages and special tool sets as well as eight MELLIS flight-phase simulators. Furthermore, an option exists for additional driver training vehicles and the integration of a turret-independent secondary weapon system (TSWA). Delivery is set to start in December 2025 and be complete by the beginning of 2027.

Order to supply the MASS ship protection system to Australia

The Royal Australian Navy and the Commonwealth of Australia have placed an order for the Multi Ammunition Softkill System (MASS). The order is valued at €125 million. The first systems are to be delivered by the end of 2023, with full operational capability expected to be achieved by 2027. This is Rheinmetall's single-biggest order ever in the area of maritime protection systems.

Framework agreement for logistics vehicles for the Austrian armed forces

Rheinmetall MAN Military Vehicles (RMMV) has signed a framework agreement with the Austrian Federal Procurement Agency to supply various logistics vehicles for the Austrian armed forces. The framework agreement runs for seven years and encompasses the delivery of up to 1,375 HX, TGS and TGM vehicles. The potential order volume could reach up to €525 million.

Delivery of infantry fighting vehicle ammunition worth a three-figure million amount

Rheinmetall has been awarded a contract to deliver infantry fighting vehicle ammunition to a European customer. The value of the contract is more than €200 million. Delivery of the ammunition will take place between 2023 and 2025.

Leopard 2 A7 battle tank for Norway

KMW has subcontracted Rheinmetall to supply key components for the latest version of the Leopard 2 battle tank for Norway (the A7 NOR). These include the tank's 120mm L55A1 main armament, fire control technology and parts of the sensor suite. These will be delivered to KMW over a period of approximately four years. The total value of the order for Rheinmetall is €129 million.

Leopard 2 battle tanks for Ukraine

The Dutch government has contracted with Rheinmetall to supply fourteen Leopard 2A4 battle tanks for Ukraine. The Dutch and Danish governments are jointly financing the order, which has now been placed, as part of the international tank coalition to provide effective support for Ukraine. It is worth a figure in the low three-digit million euro range. Delivery is expected to take place over the course of 2024. The vehicles that are being supplied are upgraded Leopard 2A4 tanks acquired by Rheinmetall from the former inventories of various user nations.

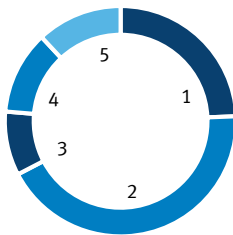
Business performance of the Rheinmetall Group

Key figures Rheinmetall Group (continuing operations)

€ million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change
Sales	1,498	1,408	90	2,861	2,674	187
Operating result	118	114	5	191	206	-15
Operating result margin	7.9%	8.1%	-0.2%-P	6.7%	7.7%	-1.0%-P
Operating free cash flow	(219)	(179)	-41	(325)	(641)	316

Sales exceed previous year's level

Consolidated sales increased by €187 million or 7.0% year-on-year to €2,861 million (previous year: €2,674 million). Adjusted for currency effects, sales were 7.8% higher than in the previous year. The share of sales generated abroad increased by 4.2%-points year-on-year to 75.7% in the first half of 2023.



Sales by region

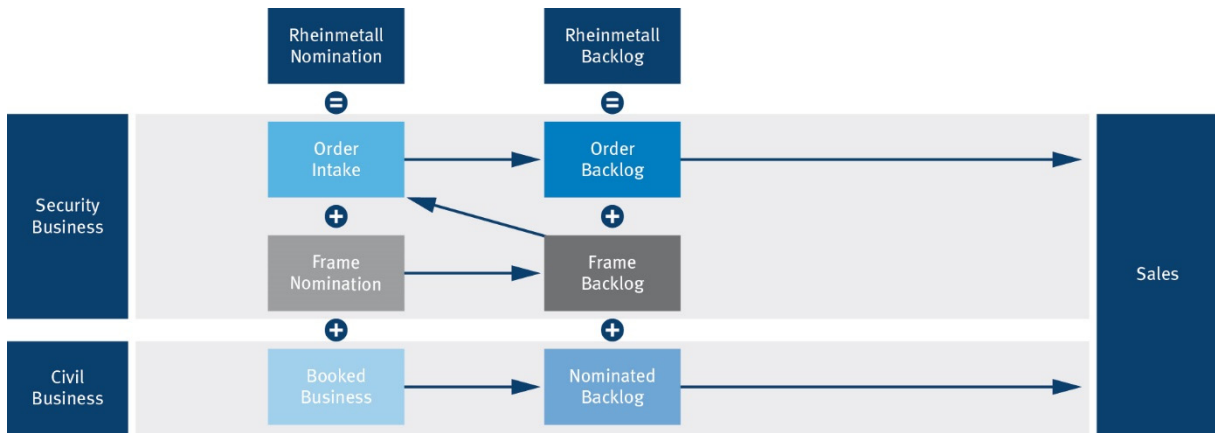
€ million	H1 2023	H1 2022
Rheinmetall Group	2,861	2,674
1 Germany	695	762
2 Other Europe	1,232	878
3 North, Middle and South America	257	275
4 Asia and the Near East	334	517
5 Other regions	343	241

Rheinmetall Nomination and Rheinmetall Backlog as new key order figures

At the beginning of fiscal 2023, the existing key order figures were further developed with the aim of establishing a cross-segment indicator for Group-wide sales activity and the future sales potential of the Rheinmetall Group.

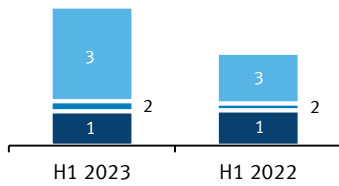
As a new order indicator, Rheinmetall Backlog comprises the previously used order backlog key figure as well as the new frame backlog and nominated backlog key figures. The frame backlog reflects the expected future call-offs from existing framework agreements for the security business, which are converted into order backlog when called off by the customer. Based on existing written agreements and framework contracts with customers, the nominated backlog figure shows the future call-offs expected for the civil business from these customer agreements. The sales resulting from the frame backlog and the nominated backlog may differ from the corresponding amounts depending on the final call-off quantities.

The new Rheinmetall Nomination indicator is composed of the previously used order intake and booked business indicators as well as the new flow indicator for the security business, the frame nomination. Similarly to the booked business indicator used for the civil business, this represents the expected value of new framework agreements concluded with customers. Like booked business, frame nomination does not yet represent binding customer orders, so actual call-off volumes and the resulting sales may vary. The frame backlog is converted into order backlog by way of the call-offs reported as order intake.



Rheinmetall Nomination increased by 50.1% year-on-year to €7,192 million in the first half of 2023 (previous year: €4,790 million). This strong growth was due in particular to orders from Germany and Ukraine. Booked business was down slightly year-on-year in the first half of 2023, whereas frame nomination increased.

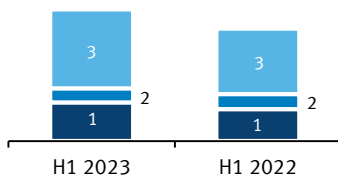
Rheinmetall Nomination



Rheinmetall Nomination

€ million	H1 2023	H1 2022	Change
1 Booked Business	1,775	1,835	-59
2 Frame Nomination	525	350	175
3 Order intake	4,892	2,606	2,286
Rheinmetall Nomination	7,192	4,790	2,402

Rheinmetall Backlog



Rheinmetall Backlog

€ million	H1 2023	H1 2022	Change
1 Nominated Backlog	8,806	7,332	1,475
2 Frame Backlog	3,255	3,366	-111
3 Order Backlog	17,989	15,011	2,978
Rheinmetall Backlog	30,050	25,708	4,342

Operating result down on previous year

The operating result amounted to €191 million, down €15 million or 7.2% on the previous year's figure of €206 million. The positive operating developments were unable to fully compensate for the negative at-equity result in the first half of 2023. The at-equity result amounted to €-17 million in the first half of 2023 compared with €15 million in the same period of the previous year. The negative at-equity result in 2023 is mainly due to the negative earnings contribution from 4iG as a result of its expansion. Increased raw material prices also had an adverse effect. The Group's operating result margin fell to 6.7% in the first half of 2023 (previous year: 7.7%).



Increase in operating free cash flow in first half of 2023

Operating free cash flow from continuing operations improved by €316 million year-on-year to €-325 million in the first half of 2023 (previous year: €-641 million). Despite the continued growth in inventories, operating free cash flow improved considerably thanks to higher customer payments.

Derivation of operating free cash flow – continuing operations

€ million	H1 2023	H1 2022
Earnings from continuing operations (after taxes)	120	128
Amortization, depreciation and impairments	126	122
Payment into external Fund (CTA)	(11)	(50)
Changes in working capital and others	(434)	(749)
Cash flows from operating activities	(199)	(549)
Investments in property, plant and equipment, intangible assets and investment property	(125)	(92)
Operating free cash flow (continuing operations)	(325)	(641)

Net assets and financial position

Compared with December 31, 2022, the Rheinmetall Group's total assets increased by €1,652 million to €9,742 million as at June 30, 2023. Compared with the end of fiscal 2022, the ratio of non-current assets to total assets fell to 30.4% as at June 30, 2023 (December 31, 2022: 35.6%). This is mainly due to an increase in cash and cash equivalents and inventories reported as current assets in the first half of 2023. The increase in cash and cash equivalents resulted from the issue of the convertible bond to finance the acquisition of Expal Systems, which simultaneously led to an increase in non-current liabilities.

The equity ratio declined compared with the end of fiscal 2022 to 31.6% as at June 30, 2023 (December 31, 2022: 38.1%), due to the significant increase in total assets. Net financial debt from continuing operations increased to €-895 million as at the end of the first half of 2023 (December 31, 2022: €-426 million). This change was mainly due to the negative operating free cash flow and the dividend payment of €4.30 per share (€186.7 million) in the first half of 2023.

Asset and capital structure

€ million	6/30/2023	%	12/31/2022	%
Non-current assets	2,958	30	2,884	36
Current assets	6,783	70	5,206	64
Total assets	9,742	100	8,089	100
Equity	3,079	32	3,083	38
Non-current liabilities	2,436	25	1,341	17
Current liabilities	4,226	43	3,665	45
Total equity and liabilities	9,742	100	8,089	100



Business performance of the divisions

Vehicle Systems

Key figures Vehicle Systems

€ million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change
Sales	550	451	99	1,012	851	161
Rheinmetall Nomination	2,495	282	2,213	3,725	680	3,045
<i>Frame Nomination</i>	155	-	155	525	-	525
<i>Order Intake</i>	2,340	282	2,058	3,200	680	2,520
Rheinmetall Backlog (June 30)	-	-	-	13,895	12,651	1,244
<i>Frame Backlog</i>	-	-	-	2,152	2,341	-188
<i>Order Backlog</i>	-	-	-	11,743	10,310	1,433
Operating result	57	46	11	99	75	24
Operating result margin	10.3%	10.2%	0.1%-P	9.8%	8.8%	1.0%-P
Capital expenditure	19	16	3	95	30	66
Operating free cash flow	(253)	(16)	-237	(347)	(141)	-206

At €1,012 million, sales in the Vehicle Systems division in the first half of 2023 were €161 million or 19.0% above the previous year's figure. The increase in sales is particularly attributable to projects for the delivery of tactical vehicles.

Rheinmetall Nomination increased by €3,045 million year-on-year to €3,725 million. This was due in particular to a fivefold increase in order intake resulting from new major orders (especially Lynx for the US, the second lot of the Puma infantry fighting vehicle for Germany, the Leopard 2 upgrade for Norway and load-handling systems for Germany) as well as a framework agreement for trucks in Austria. At €13,895 million, Rheinmetall Backlog as at June 30, 2023, was up €1,244 million or 9.8% year-on-year.

The operating result improved from €75 million to €99 million in the first half of 2023. The positive development of the operating result is attributable to margin effects in projects. The operating margin increased to 9.8% after 8.8% in the previous year.

In the first six months of 2023, investments amounted to €95 million, up €66 million on the previous year's figure of €30 million. The increase is primarily due to new leases for plant and equipment to expand capacity. Operating free cash flow declined by €206 million to €-347 million. This resulted in particular from the increase in inventories and higher liabilities.

Weapon and Ammunition

Key figures Weapon and Ammunition

€ million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change
Sales	360	307	53	598	564	34
Rheinmetall Nomination	958	376	582	1,561	1,892	-331
<i>Frame Nomination</i>	-	(21)	21	-	350	-350
<i>Order Intake</i>	958	397	561	1,561	1,542	19
Rheinmetall Backlog (June 30)	-	-	-	6,096	4,730	1,366
<i>Frame Backlog</i>	-	-	-	928	851	77
<i>Order Backlog</i>	-	-	-	5,168	3,879	1,288
Operating result	65	39	26	89	71	19
Operating result margin	18.2%	12.7%	5.5%-P	14.9%	12.5%	2.4%-P
Capital expenditure	13	9	4	19	17	3
Operating free cash flow	49	(51)	100	114	(275)	389



The Weapon and Ammunition division generated sales of €598 million in the first half of 2023, up €34 million or 6.0% on the same period of the previous year. The year-on-year increase is due in particular to higher ammunition call-offs by customers and higher sales of protected MAN cabs.

At €1,561 million, Rheinmetall Nomination in the first half of 2023 largely maintained the strong prior-year level (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 gun tank and tank ammunition orders for Marder and Leopard 1 for Ukraine. An order for ship protection systems was also acquired in Australia. Rheinmetall Backlog increased by €1,366 million or 28.9% to €6,096 million as at June 30, 2023 (previous year: €4,730 million).

The operating result increased by €19 million or 26.6% to €89 million in the first half of 2023 (previous year: €71 million). This development is mainly attributable to a more profitable product mix. As a result, the operating margin rose from 12.5% to 14.9%.

Investments were up slightly year-on-year at €19 million (previous year: €17 million).

Operating free cash flow increased by €389 million to €114 million in the first half of 2023 (previous year: €-275 million). This change was primarily due to higher incoming payments from customers, which more than offset the effects of continued growth in inventories.

Electronic Solutions

Key figures Electronic Solutions

€ million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change
Sales	249	243	6	450	411	39
Rheinmetall Nomination	322	378	-56	652	702	-49
<i>Frame Nomination</i>	-	-	-	-	-	-
<i>Order Intake</i>	322	378	-56	652	702	-49
Rheinmetall Backlog (June 30)	-	-	-	3,350	2,897	453
<i>Frame Backlog</i>	-	-	-	174	174	-
<i>Order Backlog</i>	-	-	-	3,176	2,723	453
Operating result	16	21	-5	27	25	2
Operating result margin	6.6%	8.7%	-2.1%-P	5.9%	6.1%	-0.2%-P
Capital expenditure	11	7	4	17	11	6
Operating free cash flow	(17)	(30)	13	(88)	(137)	49

Sales in the Electronic Solutions division increased to €450 million in the first half of 2023 (previous year: €411 million). This represents growth of 9.6%.

Rheinmetall Nomination declined by €49 million or 7.0% year-on-year to €652 million. A major new order for Puma was placed in the first six months of 2023. Rheinmetall Backlog amounted to €3,350 million as at June 30, 2023, up 15.6% year-on-year (previous year: €2,897 million).

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%). This development was due to a less favorable product mix.

In the first six months of fiscal 2023, investments in the Electronic Solutions division increased by €6 million year-on-year to €17 million due to tools required for production. Operating free cash flow improved by €49 million to €-88 million (previous year: €-137 million) due to higher incoming payments from customers.



Sensors and Actuators

Key figures Sensors and Actuators

€ million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change
Sales	344	343	1	707	691	16
Booked Business	389	410	-21	1,428	1,431	-4
Nominated Backlog (June 30)	-	-	-	8,206	6,721	1,485
Operating result	9	24	-15	22	50	-29
Operating result margin	2.7%	7.1%	-4.5%-P	3.1%	7.3%	-4.2%-P
Capital expenditure	16	12	5	37	24	12
Operating free cash flow	(37)	(21)	-15	(37)	(20)	-17

Sales in the Sensors and Actuators division in the first half of 2023 climbed by €16 million or 2.3% year-on-year to €707 million. The sales growth primarily resulted from volume increases in the Europe and Asia regions.

Booked business in the first six months of fiscal 2023 was on a par with the previous year's level at €1,428 million (previous year: €1,431 million). The nominated backlog increased by 22.1% to €8,206 million as at June 30, 2023 (previous year: €6,721 million).

The operating result for the first half of 2023 decreased by 56.8% to €22 million (previous year: €50 million). Among other things, this development is attributable to additional business recovery costs following the cyberattack on 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 amounted to 3.1% (previous year: 7.3%).

In the first six months of 2023, investments increased by €12 million year-on-year to €37 million (previous year: €24 million). The increase was due to the higher capitalization of development projects and tools in connection with new projects. In the first half of 2023, the operating free cash flow decreased to €-37 million compared with the previous year of €-20 million as a result of the reduction in earnings after taxes.

Materials and Trade

Key figures Materials and Trade

€ million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change
Sales	154	184	-29	352	374	-22
Booked Business	157	193	-37	347	403	-56
Nominated Backlog (June 30)	-	-	-	600	610	-10
Operating result	5	11	-6	17	27	-10
Operating result margin	3.4%	5.9%	-2.6%-P	4.7%	7.2%	-2.4%-P
Capital expenditure	3	4	-	6	8	-2
Operating free cash flow	-	3	-3	(14)	(17)	3

Sales in the Materials and Trade division declined by €22 million or 5.8% to €352 million in the first half of 2023. This development was due in particular to lower volumes in the Bearings and Trade business units due to the cyberattacks on IT systems at locations in Germany and abroad in April 2023.

Booked business amounted to €347 million in the first six months of fiscal 2023. This represents a decrease of €56 million compared with the same period of the previous year (previous year: €403 million). The nominated backlog as at June 30, 2023, was essentially unchanged year-on-year at €600 million (previous year: €610 million).

The operating result of the Materials and Trade division fell by €10 million or 37.8% 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.

Investments in the Materials and Trade division fell by €2 million year-on-year to €6 million (previous year: €8 million). Operating free cash flow increased by €3 million to €-14 million (previous year: €-17 million) due to improved working capital management.



Update to the risks and opportunities

Effective risk management

In the context of a systematic and effective risk management system, the risks in the Rheinmetall Group are limited and manageable. There are no existential risks in relation to the net assets, financial position and results of operations.

Key statements on the opportunity and risk situation

On April 14, 2023, there was a cyberattack on IT systems at domestic and foreign locations of the civil business. Business operations were resumed following the immediate implementation of countermeasures. From a current perspective, this incident has not resulted in any substantial risks or damages and losses for the Rheinmetall Group.

The other opportunities and risks for the expected development of the Rheinmetall Group are essentially unchanged and are described in detail in the Group Management Report for fiscal 2022.

Supplementary report

Acquisition of the munitions manufacturer Expal Systems S.A.U. completed

The acquisition of the munitions manufacturer Expal Systems S.A.U. that was agreed with MaxamCorp Holding S.L. in November 2022 was completed on July 31, 2023. Further information can be found under note (4) “Material acquisitions” in the notes to the consolidated interim financial statements.



Outlook

General economic expectations

Only moderate growth of the global economy expected this year and next

Global economic growth will be restrained this year and also next year. Economic growth in industrialized countries in particular remains subdued for the moment. The reduction in spending power caused by high inflation continues to curb growth. But as these impacts start to gradually recede, the weaker general monetary conditions will become all the more apparent. The impact of higher interest rates on housing construction has been visible for quite some time already. The problem is particularly acute in the United States, but this is also the case for some European countries – not least Germany. Financial policy is also holding the economy back, with measures designed to boost purchasing power being scaled back.

The US economy is expected to grow by just 1.6% in 2023. Growth of 0.6% is expected for the eurozone. The anticipated growth rate for China in 2023 is 5.6%. In Germany, gross domestic product (GDP) is expected to decline by 0.6%.

While global production is still estimated to have grown by 3.2% in 2022, which roughly corresponds to the medium-term trend rate, the growth rate is likely to be below par at 2.8% in 2023. Growth of just 1.1% is expected in the industrialized countries, with emerging markets set for much more dynamic growth of around 4.0%. The global growth rate for 2024 is expected to be 2.7%.

Defence spending rises significantly

In light of increasing geopolitical risks, IHS Jane's forecasts that global defence spending will amount to around \$2,179 billion this year. It will therefore significantly exceed the forecast made before the Ukraine war and be 5.1% higher than the previous year's level (2022: \$2,074 billion). The global trend of increasing defence spending is chiefly due to the responses to the Ukraine war, which have resulted in higher defence budgets in Europe in particular. For Europe, IHS Jane's is forecasting spending of \$362 billion in 2023. According to IHS Jane's, arms spending in Germany will increase to \$59 billion in 2023 (2022: \$53 billion). This represents a year-on-year increase of 12.5%.

Although European defence budgets will see the most growth in 2023 on the whole, North America and Asia remain the regions with the highest defence spending this year with \$868 billion and \$564 billion, respectively. In the US, the experts anticipate defence spending of \$849 billion in 2023, after \$813 billion the year before. China is expected to increase its spending to \$261 billion this year, after spending \$246 billion last year.

The experts from IHS Jane's see continuing growth potential in the years ahead. They expect global spending of \$2,199 billion in 2024. Up to 2027, global defence spending is expected to grow to \$2,290 billion. For the US, IHS Jane's expects spending of \$812 billion in 2024. In Germany, the experts foresee spending of \$72 billion next year.

Increase in automotive production over the next few years

For 2023 as a whole, IHS Markit is currently still forecasting growth in global vehicle production of 4.5% to 86 million units. Next year, according to IHS Markit, global production is expected to increase at the somewhat slower rate of 1.4% to 87.2 million. In the medium term, IHS Markit also expects the global production of light vehicles to increase over the next few years. Production is expected to grow by 3.3% year-on-year in 2025. According to IHS Markit, the growth will slow to 2.1% in 2026 and to 1.3% in 2027. At the same time, the trend toward electromobility will continue unabated. The stricter CO₂ limits in particular are forcing car manufacturers across the world to expand their share of electric vehicles.



Current annual forecasts confirmed

Rheinmetall is confirming its current annual forecasts after six months of fiscal 2023. In recent months, the company has used strict cost control, active provisioning, and the mitigation of risks on the energy and procurement markets to enable it to continue taking appropriate measures to successfully counter the general trend of inflation and the situation on the markets for raw materials and primary products.

Not least in light of these timely decisions and largely already implemented measures, the Group is reaffirming its expectation for the current fiscal year of achieving sales growth to between €7.4 billion and €7.6 billion in fiscal 2023. Rheinmetall continues to anticipate an improvement in the operating result and an operating result margin of around 12%.

Rheinmetall Group – forecast business performance in 2023

			2022	Forecast for fiscal 2023 (Annual Report 2022)
Sales				
Group	€ million		6,410	sales growth €7.4 bn to €7.6 bn
Division Vehicle Systems	€ million		2,270	sales growth 25% to 30%
Division Weapon and Ammunition	€ million		1,470	sales growth 25% to 30%
Division Electronic Solutions	€ million		1,063	sales growth 15% to 20%
Division Sensors and Actuators	€ million		1,382	sales growth 5% to 8%
Division Materials and Trade	€ million		743	sales growth 4% to 7%
Operating result margin				
Group	%		11.8	operating result margin around 12%
Division Vehicle Systems	%		11.4	operating result margin 11% to 13%
Division Weapon and Ammunition	%		20.8	operating result margin 20% to 22%
Division Electronic Solutions	%		11.1	operating result margin 11% to 13%
Division Sensors and Actuators	%		6.9	operating result margin 7% to 9%
Division Materials and Trade	%		9.1	operating result margin 9% to 11%
OFCF (in relation to sales)				
Group	%		-2.4	4% to 6%

In addition to the development presented, the acquisition of the munitions manufacturer Expal Systems S.A.U., which was completed in July 2023, will have a positive impact on the development of sales and operating result of Rheinmetall Group in the second half of fiscal 2023. Based on the available financial information, a sales contribution of €150 million to €190 million and an operating result margin of around 25% are expected in the period from August to December 2023. These figures do not include the effects of purchase price allocation.



Consolidated statement of financial position

Statement of financial position of Rheinmetall Group as of June 30, 2023

€ million	6/30/2023	12/31/2022
Assets		
Goodwill	481	483
Other intangible assets	347	338
Right-of-use assets	248	209
Property, plant and equipment	1,141	1,137
Investment property	23	24
Investments accounted for using the equity method	387	408
Other non-current assets	194	187
Deferred taxes	136	98
Non-current assets	2,958	2,884
Inventories	2,786	1,976
Contract assets	446	362
Trade receivables	1,439	1,548
Other current assets	284	242
Income tax receivables	24	23
Securities held for trade	134	132
Cash and cash equivalents	1,347	545
Assets held for sale	323	377
Current assets	6,783	5,206
Total assets	9,742	8,089
Equity and liabilities		
Share capital	112	112
Capital reserves	685	566
Retained earnings	2,020	2,140
Treasury shares	(5)	(6)
Rheinmetall AG shareholders' equity	2,811	2,812
Non-controlling interests	269	271
Equity	3,079	3,083
Provisions for pensions and similar obligations	485	484
Other non-current provisions	195	205
Non-current financial debts	1,579	517
Other non-current liabilities	62	56
Deferred taxes	114	78
Non-current liabilities	2,436	1,341
Other current provisions	613	674
Current financial debts	663	454
Contract liabilities	1,597	1,120
Trade liabilities	932	931
Other current liabilities	176	200
Income tax liabilities	36	67
Liabilities directly related to assets held for sale	210	220
Current liabilities	4,226	3,665
Total equity and liabilities	9,742	8,089



Consolidated income statement

Income Statement of the Rheinmetall Group

€ million	Q2 2023	Q2 2022	H1 2023	H1 2022
Sales	1,498	1,408	2,861	2,674
Changes in inventories and work performed by the enterprise and capitalized	213	86	545	229
Total operating performance	1,711	1,494	3,405	2,902
Other operating income	22	39	55	68
Cost of materials	861	714	1,754	1,398
Personnel costs	507	464	1,007	921
Amortization, depreciation and impairment	63	62	126	122
Other operating expenses	183	166	365	319
Result from investments accounted for using the equity method	(4)	(2)	(17)	15
Other financial result	3	(21)	2	(40)
Earnings before interest and taxes (EBIT)	118	104	193	185
Interest income	3	1	19	2
Interest expenses	18	7	41	14
Earnings before taxes (EBT)	103	98	171	172
Income taxes	(31)	(30)	(51)	(45)
Earnings from continuing operations	72	68	120	128
Earnings from discontinued operations	1	5	5	6
Earnings after taxes	73	73	125	134
Of which:				
<i>Non-controlling interests</i>	17	16	15	29
<i>Rheinmetall AG shareholders</i>	56	57	110	105
Basic earnings per share	€ 1.29	€ 1.33	€ 2.53	€ 2.42
Basic earnings per share from continuing operations	€ 1.27	€ 1.21	€ 2.42	€ 2.28
Basic earnings per share from discontinued operations	€ 0.02	€ 0.12	€ 0.11	€ 0.14
Diluted earnings per share	€ 1.29	€ 1.33	€ 2.53	€ 2.42
Diluted earnings per share from continuing operations	€ 1.27	€ 1.21	€ 2.42	€ 2.28
Diluted earnings per share from discontinued operations	€ 0.02	€ 0.12	€ 0.11	€ 0.14

Consolidated statement of comprehensive income

Statement of comprehensive income of the Rheinmetall Group

€ million	Q2 2023	Q2 2022	H1 2023	H1 2022
Earnings after taxes	73	73	125	134
Remeasurement of net defined benefit liability from pensions	(9)	(10)	(13)	37
Other comprehensive income / expenses from investments accounted for using the equity method	-	-	-	-
Amounts not reclassified to the income statement	(10)	(10)	(13)	37
Change in value of derivative financial instruments (cash flow hedge)	(8)	(22)	(22)	2
Currency translation difference	(6)	27	(22)	54
Other comprehensive income / expenses from investments accounted for using the equity method	(12)	2	(2)	6
Amounts reclassified to the income statement	(26)	7	(45)	62
Other comprehensive income after taxes	(36)	(3)	(59)	98
Total comprehensive income	37	70	66	232
Of which:				
<i>Non-controlling interests</i>	5	11	1	32
<i>Rheinmetall AG shareholders</i>	32	59	65	200



Consolidated statement of cash flows

Statement of cash flows of the Rheinmetall Group

€ million	H1 2023	H1 2022
Earnings after taxes	125	134
Amortization / depreciation / impairment of property, plant and equipment, intangible assets and investment property	126	122
Allocation of CTA assets to secure pension and partial retirement obligations	(12)	(50)
Other changes in pension provisions	4	(12)
Income / expenses from disposals of non-current assets	(10)	(1)
Changes in other provisions	(22)	(20)
Changes in working capital	(350)	(589)
Changes in receivables, liabilities (without financial debt) and prepaid & deferred items	(120)	(131)
Pro rata income / loss from investments accounted for using the equity method	17	(15)
Dividends received from investments accounted for using the equity method	4	4
Other non-cash expenses and income	16	-
Cash flow from operating activities¹	(223)	(557)
<i>Of which continuing operations</i>	(199)	(549)
<i>Of which discontinued operations</i>	(24)	(8)
Investments in property, plant and equipment, intangible assets and investment property	(132)	(100)
Cash inflows from the disposal of property, plant and equipment, intangible assets and investment property	(2)	4
Cash inflows from disinvestments in consolidated companies and financial assets	48	-
Cash outflows for investments in consolidated companies and financial assets	(8)	(198)
Cash flow from investing activities	(94)	(294)
<i>Of which continuing operations</i>	(72)	(287)
<i>Of which discontinued operations</i>	(22)	(7)
Dividends paid out by Rheinmetall AG	(187)	(143)
Other profit distributions	(4)	(6)
Borrowing of financial debts	394	299
Repayment of financial debts	(76)	(108)
Cash inflows from the issuance of convertible bonds - Addition to equity	113	-
Cash inflows from the issuance of convertible bonds - Fair value financial liability	887	-
Transaction costs for the issuance of convertible bonds	(7)	-
Cash flow from financing activities	1,121	42
<i>Of which continuing operations</i>	1,094	62
<i>Of which discontinued operations</i>	27	(20)
Changes in cash and cash equivalents	804	(809)
Changes in cash and cash equivalents due to exchange rates	(9)	3
Total change in cash and cash equivalents	795	(806)
Opening cash and cash equivalents January 1	568	1,058
Closing cash and cash equivalents June 30	1,363	251
Closing cash and cash equivalents June 30 from discontinued operations	16	15
Closing cash and cash equivalents as per consolidated statement of financial position June 30	1,347	236

¹ Of which: Net income taxes: €-73 million (previous year: €-107 million); net interest: €-1 million (previous year: €-8 million)



Consolidated statement of changes in equity

Development of equity

€ million	Share capital	Capital reserve	Total retained earnings	Treasury shares	Rheinmetall AG shareholders' equity	Non-controlling interests	Equity
As of 1/1/2022	112	561	1,755	(9)	2,418	203	2,620
Earnings after taxes	-	-	105	-	105	29	134
Other comprehensive income after taxes	-	-	95	-	95	4	98
Total comprehensive income	-	-	200	-	200	32	232
Dividend payout	-	-	(143)	-	(143)	(6)	(149)
Disposal of treasury shares	-	-	-	3	3	-	3
Other changes	-	6	(11)	-	(5)	(1)	(6)
As of 6/30/2022	112	566	1,801	(6)	2,472	228	2,700
As of 1/1/2023	112	566	2,140	(6)	2,812	271	3,083
Earnings after taxes	-	-	110	-	110	15	125
Other comprehensive income after taxes	-	-	(45)	-	(45)	(14)	(59)
Total comprehensive income	-	-	65	-	65	1	66
Dividend payout	-	-	(187)	-	(187)	(4)	(191)
Disposal of treasury shares	-	-	-	1	1	-	1
Change in in scope of consolidation	-	-	1	-	1	-	1
Changes in respect of the convertible bond	-	113	-	-	113	-	113
Other changes	-	6	-	-	6	-	6
As of 6/30/2023	112	685	2,020	(5)	2,811	269	3,079

Composition of retained earnings

€ million	Currency translation difference	Remeasurement of net defined benefit liability from pensions	Hedges	Comprehensive income / loss from investments accounted for using the equity method	Other reserves	Total retained earnings
As of 1/1/2022	8	(330)	25	3	2,047	1,755
Earnings after taxes	-	-	-	-	105	105
Other comprehensive income after taxes	50	36	3	6	-	95
Total comprehensive income	50	36	3	6	105	200
Dividend payout	-	-	-	-	(143)	(143)
Other changes	-	-	-	-	(11)	(11)
As of 6/30/2022	58	(293)	28	9	1,998	1,801
As of 1/1/2023	33	(276)	11	16	2,355	2,140
Earnings after taxes	-	-	-	-	110	110
Other comprehensive income after taxes	(16)	(13)	(14)	(1)	-	(45)
Total comprehensive income	(16)	(13)	(14)	(1)	110	65
Dividend payout	-	-	-	-	(187)	(187)
Change in scope of consolidation	1	(6)	-	1	6	1
Book transfers	-	-	-	3	(3)	-
As of 6/30/2023	18	(294)	(3)	19	2,281	2,020



Notes to the consolidated interim financial statements

Segment report Q2 2023

€ million	Vehicle Systems	Weapon and Ammunition	Electronic Solutions	Sensors and Actuators	Materials and Trade	Others / Consolidation	Group (continuing operations)
Income statement							
<i>External sales</i>	545	276	184	331	154	8	1,498
<i>Internal sales</i>	5	84	66	13	1	(168)	-
Segment sales	550	360	249	344	154	(160)	1,498
Operating result	57	65	16	9	5	(35)	118
Special items	-	-	-	-	-	(1)	(1)
EBIT	57	65	16	9	5	(35)	118
<i>Of which:</i>							
<i>At-equity result</i>	1	(1)	1	1	(1)	(5)	(4)
<i>Amortization and depreciation</i>	15	11	7	22	5	3	63
<i>Impairment</i>	-	-	-	-	-	-	-
Interest income	3	1	2	3	1	(6)	3
Interest expenses	6	7	2	1	2	(1)	18
EBT	54	59	16	11	4	(40)	103
Other data							
Operating free cash flow	(253)	49	(17)	(37)	-	38	(219)

Segment report Q2 2022

€ million	Vehicle Systems	Weapon and Ammunition	Electronic Solutions	Sensors and Actuators	Materials and Trade	Others / Consolidation	Group (continuing operations)
Income statement							
<i>External sales</i>	446	257	190	325	183	7	1,408
<i>Internal sales</i>	5	49	53	19	-	(127)	-
Segment sales	451	307	243	343	184	(120)	1,408
Operating result	46	39	21	24	11	(28)	114
Special items	-	-	-	-	-	(9)	(9)
EBIT	46	39	21	24	11	(37)	104
<i>Of which:</i>							
<i>At-equity result</i>	(1)	-	1	-	(2)	1	(2)
<i>Amortization and depreciation</i>	13	11	7	23	5	2	62
<i>Impairment</i>	-	-	-	-	-	-	-
Interest income	-	-	-	1	-	(1)	1
Interest expenses	2	4	1	1	1	(3)	7
EBT	44	35	20	24	10	(35)	98
Other data							
Operating free cash flow	(16)	(51)	(30)	(21)	3	(64)	(179)



Segment report H1 2023

€ million	Vehicle Systems	Weapon and Ammunition	Electronic Solutions	Sensors and Actuators	Materials and Trade	Others/ Consolidation	Group (continuing operations)
Income statement							
External sales	1,002	477	343	675	351	13	2,861
Internal sales	10	121	108	32	1	(272)	-
Segment sales	1,012	598	450	707	352	(259)	2,861
Operating result	99	89	27	22	17	(62)	191
Special items	-	-	-	-	-	2	2
EBIT	99	89	27	22	17	(60)	193
<i>Of which:</i>							
At-equity income	2	2	1	2	(6)	(17)	(17)
Amortization and depreciation	31	22	13	45	9	6	126
Impairment	-	-	-	-	-	-	-
Interest income	6	3	3	5	2	-	19
Interest expenses	10	13	5	3	3	7	41
EBT	95	79	25	24	15	(67)	171
Other data							
Operating free cash flow	(347)	114	(88)	(37)	(14)	48	(325)
Employees June 30 (FTE)	6,145	5,301	3,658	4,455	2,273	808	22,640

Segment report H1 2022

€ million	Vehicle Systems	Weapon and Ammunition	Electronic Solutions	Sensors and Actuators	Materials and Trade	Others/ Consolidation	Group (continuing operations)
Income statement							
External sales	841	473	322	651	373	14	2,674
Internal sales	10	91	89	40	1	(231)	-
Segment sales	851	564	411	691	374	(217)	2,674
Operating result	75	71	25	50	27	(41)	206
Special items	-	-	-	-	-	(21)	(21)
EBIT	75	71	25	50	27	(63)	185
<i>Of which:</i>							
At-equity income	3	9	1	1	(1)	2	15
Amortization and depreciation	25	22	14	46	10	5	122
Impairment	-	-	-	-	-	-	-
Interest income	1	-	-	1	-	(1)	2
Interest expenses	4	9	3	2	2	(5)	14
EBT	71	62	22	50	25	(58)	172
Other data							
Operating free cash flow	(141)	(275)	(137)	(20)	(17)	(49)	(641)
Employees June 30 (FTE)	5,267	4,946	3,415	4,456	2,269	649	21,002

(1) General principles

The condensed consolidated interim financial statements of Rheinmetall AG as at June 30, 2023, were prepared in accordance with the IFRSs applicable to interim reporting as published by the IASB and as adopted in the EU. The accounting policies applied to the assets and liabilities in the interim financial statements are the same as those applied in the consolidated financial statements for fiscal 2022, with the exception of interpretations and standards to be applied for the first time from January 1, 2023. An overview of these changes can be found under note (2) "New and amended accounting standards" in the notes to the consolidated financial statements in the 2022 Annual Report. The first-time application of new and amended accounting standards did not have any material effect on the consolidated interim financial statements. The results achieved in the first six months of fiscal 2023 do not necessarily allow conclusions to be drawn as to future development.



(2) Estimates

The preparation of the interim financial statements requires assumptions and estimates affecting the application of accounting principles within the Group and the disclosure of assets and liabilities, income and expenses. The actual amounts may differ from these estimates.

A qualified estimate of pension obligations is given in this half-yearly financial report based on the development of actuarial parameters in the first half of 2023. In these interim financial statements, the discount rate applied to pension provisions was 3.61% in Germany (3.74% as at December 31, 2022), 1.88% in Switzerland (2.24% as at December 31, 2022), and 5.20% in the United Kingdom (4.80% as at December 31, 2022). This meant that German pension obligations were €11 million higher (of which discontinued operations: €1 million) and Swiss pension obligations were €34 million higher. In Switzerland, the recognition of income from plan assets in excess of interest income led to a €12 million reduction in the pension provision in other comprehensive income. In the United Kingdom, the increased discount rate, the consideration of empirical adjustments and the recognition of income from plan assets increased the pension provision by €2 million. All other parameters that are relevant for the measurement of pension obligations were unchanged as against December 31, 2022.

At the Swiss companies, the value of the plan assets exceeded the present value of the Defined Benefit Obligation (DBO). As at June 30, 2023, the excess cover of the present value of the DBO did not limit the asset value due to an asset ceiling and therefore did not result in the recognition of a net asset from plan assets. Instead, the excess cover of €231 million was recognized in other comprehensive income (December 31, 2022: €249 million). In the United Kingdom, the asset ceiling likewise limited the asset value. The excess cover of €37 million was recognized in other comprehensive income (December 31, 2022: €49 million). Since Rheinmetall has no claim to reimbursements from the excess cover of the pension plans in the two countries and the future contributions to the plans may not be reduced as a result of the excess cover, the asset value must be limited.

(3) Scope of consolidation

Besides Rheinmetall AG, the consolidated interim financial statements include all German and foreign subsidiaries in which Rheinmetall AG holds the majority of voting rights (whether directly or indirectly) or other rights that enable it to control significant activities of the investee.

In the first six months of 2023, three new companies were added to the group of consolidated subsidiaries through being founded, and three companies were disposed of by way of the sale of the large-bore pistons business. Additionally, a joint venture accounted for using the equity method was established in the first half of 2023. The investment in RADARABIA for Industry LLC was included in the consolidated financial statements of Rheinmetall AG as an associate for the first time. The establishment of a new entity (ARGE D-LBO) also resulted in the establishment of a new entity. The shares in one associate (Riken Automobile Parts (Wuhan) Co. Ltd.) were sold.

(4) Material acquisitions

On July 31, 2023, Rheinmetall AG acquired 100% of the shares in Expal Systems S.A.U., a Spanish munitions manufacturer, for a preliminary purchase price of €1.2 billion. The purchase price was paid in July 2023 in cash and through the assumption of cash pool liabilities of MaxamCorp. Holding S.L. in respect of Expal. The acquisition serves to further increase Rheinmetall's production capacities in the area of large- and medium-caliber ammunition and expand its product range. Thanks to Expal's technologies and order backlog, the transaction will also help to secure Rheinmetall's core business in the area of weapons, ammunition and propulsion systems for the long term.

The consideration paid for the acquisition is broken down as follows:

Consideration transferred	
€ million	2023
Cash	1,058
Assumption of cash pool liabilities from Maxam against Expal	134
Total purchase price	1,192

Costs of €2 million were incurred in connection with the acquisition up until June 30, 2023. Of this figure, €2 million relates to fiscal 2022 and a minor portion to the first half of 2023. These costs are reported in the income statement under other operating expenses.

As the transaction closed on July 31, 2023, the consolidated income statement for the first half of 2023 does not include any sales or earnings contributions from Expal Systems S.A.U. If the acquisition had already been concluded on January 1, 2023, consolidated sales for the first half of 2023 would have amounted to €3,011 million and the operating result would have been €233 million, resulting in an operating margin of 7.8%. These figures do not include the effects of purchase price allocation.

The purchase price allocation for Expal Systems S.A.U. has not yet been completed, as the preparation and review of the underlying financial information is still ongoing. Therefore, the determination of any potentially arising goodwill has also not yet been carried out. As a result, no disclosures beyond the above information can be made in accordance with IFRS 3.

(5) Discontinued operations

The earnings after taxes of the Pistons business unit, which has been classified as held for sale and recognized in the consolidated financial statements as a discontinued operation since May 2021, are still recognized in a separate item of the income statement for the first half of 2023 as “Earnings from discontinued operations.” This breaks down as follows:

Key information on discontinued operations (income statement)

€ million	H1 2023	H1 2022
Revenues	310	326
Expenses	(307)	(321)
Earnings from discontinued operations before taxes	3	5
Income taxes	2	2
Earnings from discontinued operations after taxes	5	6
Of which:		
Non-controlling interests	-	-
Rheinmetall AG shareholders	5	6

In the first half of 2023, further progress was made regarding the decision to sell the pistons business as part of the realignment of the Rheinmetall Group with the disposal of the large-bore pistons business and of the investment in Riken Automobile Parts (Wuhan) Co., Ltd.

Disposal of the large-bore pistons business – On January 27, 2023, Rheinmetall completed the sale of the large-bore pistons business that was contractually agreed on October 24, 2022. The transaction included the disposal of all shares in the production companies belonging to the large-bore pistons business in Germany, the US and China. The sale also included the steel pistons line of the small-bore pistons plant in Marinette, US.

The sale resulted in a deconsolidation gain of €13 million in the reporting year, which was recognized in full under earnings from discontinued operations.



The sale involved the disposal of the following assets and liabilities:

Disposed assets and liabilities of large-bore pistons disposal group

€ million	2023
Property, plant and equipment and right-of-use assets	37
Other non-current assets	8
Non-current assets	45
Inventories	21
Trade receivables	11
Other current assets	16
Current assets	48
Provisions	6
Other non-current liabilities	10
Non-current liabilities	16
Provisions	2
Trade liabilities	9
Other current liabilities	4
Current liabilities	15
Net assets and liabilities	62
Consideration received / to be received, satisfied in cash ¹	74
Cash and cash equivalents disposed of	15
Net cash inflows	58

¹ Rheinmetall will receive part of the consideration at a later date. Corresponding receivables of €27 million were recognized as at June 30, 2023.

Sale of investment in Riken Automobile Parts (Wuhan) Co., Ltd. – On April 5, 2023, Rheinmetall completed the transaction that was agreed on March 22, 2023, to sell all the shares it previously held in Riken Automobile Parts (Wuhan) Co., Ltd. to Riken Corporation, Tokyo, Japan. The sale did not result in any significant deconsolidation gain to be recognized in full under earnings from discontinued operations in the reporting year.

The Executive Board is continuing with its plans to sell the remaining small-bore pistons disposal group and the investments in the joint venture Kolbenschmidt Huayu Piston Co., Ltd., China and the associate Shriram Pistons & Rings Ltd., India, which are accounted for using the equity method and classified as assets held for sale. For this reason, the small-bore pistons disposal group and the aforementioned investments accounted for using the equity method are still classified as discontinued operations as at June 30, 2023. The assets classified as held for sale as at June 30, 2023, and the directly associated liabilities of the remaining small-bore pistons disposal group, along with the carrying amounts of the investments accounted for using the equity method, are shown in the following table:

Key information on discontinued operations (statement of financial position)

€ million	Small-bore pistons	Investments accounted for using the equity method	Discontinued operations	Discontinued operations
	6/30/2023	6/30/2023	6/30/2023	6/30/2022
Property, plant and equipment and right-of-use assets	22	-	22	84
Investments accounted for using the equity method	-	67	67	46
Other non-current assets	3	-	3	8
Non-current assets	26	67	93	138
Inventories	75	-	75	94
Trade receivables	104	-	104	103
Other current assets	51	-	51	37
Current assets	230	-	230	234
Provisions	74	-	74	89
Other non-current liabilities	11	-	11	14
Non-current liabilities	85	-	85	103
Provisions	30	-	30	25
Trade liabilities	60	-	60	65
Other current liabilities	34	-	34	47
Current liabilities	125	-	125	137

(6) Share-based remuneration

A long-term incentive program exists within the Rheinmetall Group for managers at the company under which beneficiaries receive Rheinmetall shares with a four-year lock-up period in addition to a cash payment. On March 23, 2023, the beneficiaries of the incentive program for fiscal 2023 received a total of 35,828 shares at a reference price of €254.80 (H1 2022: transfer on March 25, 2022, of a total of 78,017 shares at a reference price of €179.80 for managers and members of the Executive Board of the Rheinmetall Group).

From fiscal 2022, a new long-term incentive program (LTI 2.0) was introduced for members of the Executive Board under which beneficiaries receive a special payment that is linked to the share price performance of Rheinmetall AG. It is paid out after a four-year performance period, taking the defined performance targets into account. For the 2023 tranche, beneficiaries were granted 15,839 performance share units (2022 tranche: 38,045 performance share units). An expense totaling €2.5 million was recognized for LTI 2.0 in the first half of 2023 (previous year: €3.2 million). A total liability of €8.7 million was recognized as at June 30, 2023 (December 31, 2022: €6.2 million).

(7) Related parties

For the Rheinmetall Group, related parties are the joint ventures and associated companies carried at equity. The volume of unpaid items mainly includes customer receivables, contract assets, trade payables and contract liabilities. The tables below show the scope of related-party transactions.

Products and services with related parties

€ million	Joint Ventures		Associated companies	
	H1 2023	H1 2022	H1 2023	H1 2022
Products / services provided	131	140	4	41
Products / services received	1	-	11	12

Receivables and liabilities against related parties

€ million	Joint Ventures		Associated companies	
	6/30/2023	12/31/2022	6/30/2023	12/31/2022
Receivables incl. contract assets	189	168	108	146
Liabilities incl. contract liabilities	68	77	8	10
Receivables from finance leases	13	13	-	-

(8) Disclosures on financial instruments

Financial assets and liabilities measured at fair value include derivatives held to hedge currency and commodity price risks as well as securities held for trade.

The fair values are determined on the basis of input factors observed directly or indirectly on the market. This corresponds to Level 2 of the fair value hierarchy defined by IFRS 13. The input factors used and the measurement methods applied are described in the consolidated financial statements as at December 31, 2022. The fair values of financial instruments included on the balance sheet are broken down as follows:

Fair values

MioEUR	6/30/2023	12/31/2022
Derivatives without hedge accounting	17	19
Derivatives with hedge accounting	14	22
Securities held for trade	134	132
Financial assets	165	173
Derivatives without hedge accounting	(14)	(12)
Derivatives with hedge accounting	(33)	(13)
Financial liabilities	(46)	(25)

Convertible bond – On January 31, 2023, Rheinmetall AG issued a convertible bond with a total nominal value of €1 billion in two tranches of €500 million. The first tranche, maturing on February 7, 2028, has an annual coupon of 1.875%. The second tranche with an annual coupon of 2.250% matures on February 7, 2030. The convertible bond can be converted into a maximum of 3.2 million no-par value shares of Rheinmetall AG during an extraordinary conversion period (March 20, 2023, to February 6, 2027, for Tranche A and March 20, 2023, to February 6, 2028, for Tranche B) provided that certain criteria are met and during an ordinary conversion period (from February 7, 2027, for Tranche A and February 7, 2028, for Tranche B) on the basis of the conversion price of €309.66 that has applied since May 2023. From the end of February 2026 (Tranche A) and the end of February 2028 (Tranche B), Rheinmetall can redeem the outstanding convertible bonds ahead of schedule at the nominal amount plus any interest accrued up until the redemption date if Rheinmetall AG's share price amounts to 130% of the applicable conversion price on at least 20 trading days within a period of 30 consecutive trading days. With the exception of liabilities that have priority by law, the convertible bond is unsecured and is ranked equally with all other current and future unsecured and non-subordinated liabilities of Rheinmetall AG.

€113 million was recognized in capital reserves when the convertible bond was issued in February 2023. The liability component of the convertible bond is recognized at amortized cost using the effective interest method. The carrying amount of this liability was €887 million as at June 30, 2023. Interest expenses of €15 million were recognized in connection with the convertible bond in the first half of 2023.

(9) Sales

The Group generates sales from the transfer of goods and services in security technology and mobility. Sales in the real estate development sector are also recognized in the other companies. The following table shows the timing of sales recognition broken down by division.

Disaggregation of sales by point in time and over time

€ million	H1 2023			H1 2022		
	At a point in time	Over time	Total	At a point in time	Over time	Total
Vehicle Systems	470	542	1,012	432	418	851
Weapon and Ammunition	529	69	598	536	28	564
Electronic Solutions	222	228	450	232	179	411
Sensors and Actuators	707	-	707	691	-	691
Materials and Trade	352	-	352	374	-	374
Others / Consolidation	(206)	(53)	(259)	(188)	(29)	(217)
Group (continuing operations)	2,074	787	2,861	2,078	596	2,674

(10) Earnings per share

As a result of the convertible bond issued in February 2023, diluted earnings per share are calculated in addition to basic earnings per share. The calculation of diluted earnings per share is based on the assumption that all potentially dilutive instruments are converted into ordinary shares at the time of issue, resulting in an increase in the number of shares. At the same time, earnings after taxes are reduced by the effect on earnings of these instruments, such as interest costs. In contrast, indirect effects must be taken into account, which may result, for example, from a possible increase in variable compensation components due to the aforementioned relief in earnings.

Diluted earnings per share are calculated as follows:

Derivation of diluted earnings per share

	Continuing Operations	Discontinued Operations	H1 2023	Continuing Operations	Discontinued Operations	H1 2022
Earnings after taxes in € million – Rheinmetall AG shareholders	105	5	110	99	6	105
Adjustment for interest expense in respect of the convertible bond in € million	15	-	15	-	-	-
Effect of adjustment for interest expense in respect of the convertible bond on personnel expenses in € million	(1)	-	(1)	-	-	-
Tax effects on the adjustment for interest expense in respect of the convertible bond and on the effect on personnel expenses in € million	(4)	-	(4)	-	-	-
Diluted earnings after taxes in € million – Rheinmetall AG shareholders	115	5	120	99	6	105
Weighted number of shares in millions – basic	43.40			43.35		
Effect from the potential conversion of the convertible bond in millions	2.60			-		
Weighted number of shares in millions – diluted	46.00			43.35		
Basic earnings per share	€ 2.42	€ 0.11	€ 2.53	€ 2.28	€ 0.14	€ 2.42
Diluted earnings per share	€ 2.51	€ 0.10	€ 2.61	€ 2.28	€ 0.14	€ 2.42
Adjusted diluted earnings per share (due to antidilutive effect)	€ 2.42	€ 0.11	€ 2.53	-	-	-

As diluted earnings per share from continuing operations exceeds basic earnings per share from continuing operations, there is an antidilutive effect in accordance with IAS 33.43. As a result, diluted earnings per share are adjusted to basic earnings per share.



(11) Notes to the segment report

Rheinmetall's organizational structure comprises five divisions as reportable segments, which are managed directly by the Executive Board of Rheinmetall AG. The five segments – Vehicle Systems, Weapon and Ammunition, Electronic Solutions, Sensors and Actuators, and Materials and Trade – differ with regard to their technologies, products and services. In addition to the Group holding company (Rheinmetall AG), "Others/Consolidation" includes Group service companies and other non-operating companies, plus consolidation transactions. In addition, the Pistons business unit (non-core business) has been classified as a discontinued operation since May 1, 2021. The Pistons business unit bundled the small- and large-bore pistons business of the former Hardparts division. The large-bore pistons business was sold early in the first half of 2023. Further information can be found under note (5) "Discontinued operations."

The Vehicle Systems segment comprises a diverse portfolio of vehicles, including combat, support, logistics and special vehicles. The portfolio of the Weapon and Ammunition segment comprises products and solutions for threat-appropriate, effective and accurate firepower as well as comprehensive protection. The Electronic Solutions segment encompasses the entire chain of effects in the system network – from sensors and the networking of platforms and soldiers to the (partially) automated connection of effectors – as well as solutions for protection in cyberspace. In addition, the division offers extensive training and simulation solutions.

The Sensors and Actuators segment offers a product portfolio with exhaust gas recirculation systems; throttle valves, control dampers and exhaust flaps for electromotors; solenoid valves; actuators and valve train systems; oil, water and vacuum pumps for passenger cars, commercial vehicles and light and heavy-duty off-road applications; as well as industrial solutions. The activities in the Materials and Trade segment focus on the development of system components for the basic motor. The segment also contains Rheinmetall's global aftermarket activities.

The segments of the Rheinmetall Group are controlled by means of the performance, profitability and management indicators described in the notes to the 2022 consolidated financial statements. The accounting policies were applied unchanged as against December 31, 2022.

The reconciliation of segment EBIT to consolidated EBT from continuing operations is shown below:

Reconciliations of segment results to group earnings before taxes (EBT)

€ million	H1 2023	H1 2022
EBIT of segments	253	247
Others	(56)	(57)
Consolidation	(4)	(5)
Group EBIT (continuing operations)	193	185
Group net interest (continuing operations)	(22)	(12)
Group Earnings before taxes (EBT) (continuing operations)	171	172



Disclosure in accordance with Section 115 (5) sentence 6 of the German Securities Trading Act (WpHG)

The condensed consolidated interim financial statements as at June 30, 2023 – consisting of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and selected notes – and the Group interim management report for the period from January 1 to June 30, 2023, were not audited in accordance with Section 317 of the German Commercial Code (HGB) or subjected to a review by a person qualified to audit financial statements.

Responsibility statement

We confirm that, to the best of our knowledge and in accordance with applicable accounting principles for half-yearly financial reporting, the consolidated interim financial statements of Rheinmetall AG present a true and fair view of the Rheinmetall Group's assets, financial situation and earnings, and that the Group interim management report describes fairly, in all material respects, the Group's business trends and performance, the Group's position, and the significant risks and opportunities of the Group's expected future development in the remaining months of the fiscal year.

Düsseldorf, August 10, 2023

Armin Papperger

Dagmar Steinert

Peter Sebastian Krause

Financial calendar and legal information

This half-yearly financial report was published on August 10, 2023.

Dates

November 09, 2023

Statement on the 3rd quarter 2023

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This financial report contains statements and forecasts referring to the future business performance of the Rheinmetall Group, which are based on assumptions and estimates made by the management. If the underlying assumptions do not materialize, the actual figures may differ from such estimates. Uncertain factors include changes in the political, economic and business environment, exchange and interest rate fluctuations, the introduction of rival products, poor acceptance of new products and changes in business strategy. All figures in this financial report have been rounded on a standalone basis. This can result in minor differences when adding figures together.

Rheinmetall's website at www.rheinmetall.com contains detailed business information on the Rheinmetall Group and its subsidiaries, current trends, 15-minute stock price updates, press releases and ad hoc notifications. Investor Relations information forms an integral part of this website and provides all the relevant details for download.

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