

Marine Systems

Equity Story

November 2023

engineering.tomorrow.together.



thyssenkrupp

Marine Systems highlights: Leading global supplier of marine technology



€1.8bn

Revenue FY 22/23



€12.6bn

Backlog Sep-23



#1

Conventional submarines
globally



Technology leadership with **integrated platform, systems and services**



NATO's preferred **Naval partner** supplying 70% of non-nuclear submarine fleet



Significant **order backlog** diversified across a variety of international navies



Large **installed base** of 162 submarines and surface vessels worldwide



175 years heritage developing **innovative Naval technology**



Integrated system provider: The whole world of naval technology from one single source

Submarines

#1 Conventional submarines globally

Surface Vessels

#1 Surface vessels in Europe

Naval Electronic Systems

Innovations for own and 3rd party platforms

NXTGEN^[1]

Civil applications

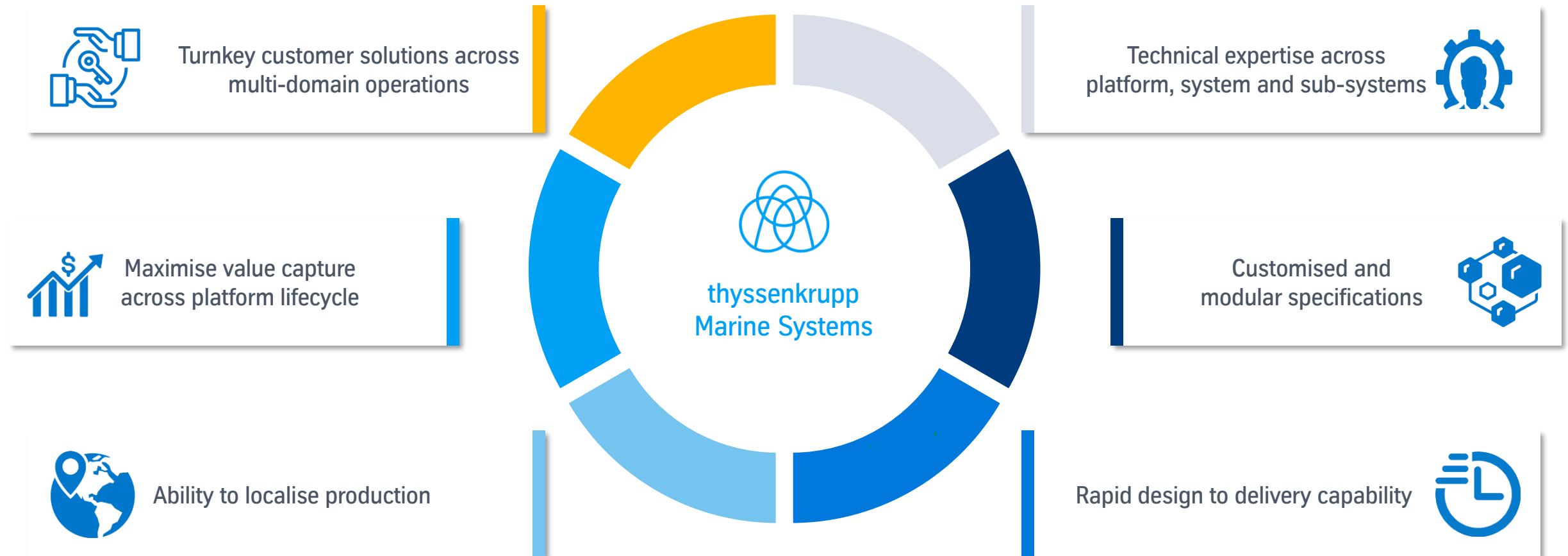


Aftermarket – End-to-end in-service support throughout lifecycle

[1] Recent expansion of the portfolio into adjacent civilian market, leveraging existing know-how, capabilities and infrastructure for civil applications

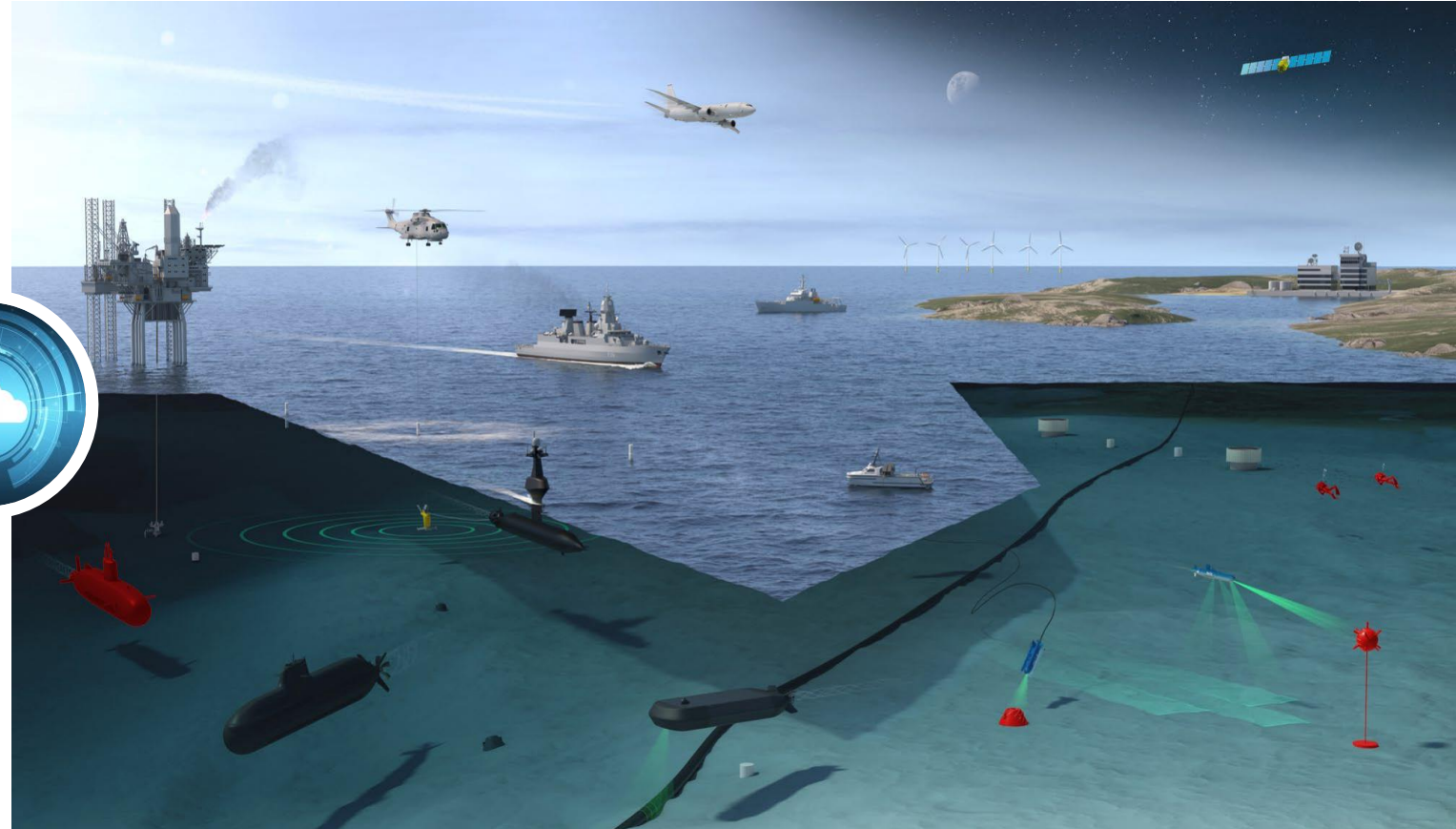


Integrated operating model delivering world class capabilities



Marine Systems at the core of the multi-domain 'Combat Cloud', driven by the increasing density of electronics and platform connectivity content

- Cooperation and communication of platforms across all domains and borders
- Increasing deployment of autonomous systems under and above water
- Artificial Intelligence (AI) for decision support, data analysis and simulation for strategies and tactics



Marine Systems has a strong value proposition



| Marine Systems KPIs | | |
|---------------------|---|---|
| 1 | Global leader in innovative naval technologies | #1 NATO conventional submarines ^[1] |
| 2 | Highly attractive long-term growth markets | ~7% Medium-term ^[2] revenue CAGR |
| 3 | Resilient, high visibility business model | €12.6bn Backlog Sep-23 |
| 4 | Significant value creation through operational excellence | 6-7% Medium-term ^[2] EBIT adj. margin |
| 5 | Attractive financial outlook | ~1.0x Cash conversion ratio ^[2,3] |

[1] By number of submarines in NATO conventional submarine fleet
[2] Medium-term targets provided in FY 21 Capital Markets Day
[3] Defined as Business Cash Flow (incl. advance payments) / EBIT



Submarines: #1 supplier of conventional submarines for NATO^[1]



€0.8bn
Revenue FY 22/23^[2]



€8.9bn
Backlog Sep-23^[2]



Setting the benchmark with cutting-edge innovations in air-independent propulsion submarines, lithium-ion-batteries and advanced submarine fuel cells



Full suite of submarine class and capability offering for variety of applications



Fully integrated combat management systems and electronics through Naval Electronic Systems



Example of innovation

Unique air-independent propulsion fuel cell system



Silent energy converter



Low infrared signatures with high energy efficiency



Maintains the submarine's stealth profile

[1] By number of submarines in NATO conventional submarine fleet

[2] Including the part of services revenue/backlog that is related to submarines



Surface Vessels: Modular platforms across vessel classes



€0.8bn
Revenue FY 22/23^[1]



€2.4bn
Backlog Sep-23^[1]



Focus on versatile “Mehrzweck-Kombination” (MEKO) Frigates and Corvettes with 35+ year in-service lifetimes



Mission modularity as a core feature of the portfolio to manage system and technology upgrades in the future



Flexible business model from delivery of turnkey solutions to technology licensing



Example of innovation

Air Missile Defense (AMD) Frigate F127



Leading technology and sophisticated design



Unique ability to integrate most complex Air Missile Defense system worldwide



Important building block to enlarge European Sky Shield initiative

[1] Including the part of services revenue/backlog that is related to surface vessels



Naval Electronic Systems: Technology leader and system integrator for naval electronics



€0.5bn
Revenue FY 22/23^[1]



€2.2bn
Backlog Sep-23^[1]



Naval Electronic Systems at the core of the 'Combat Cloud'



World leader in sonar and associated systems

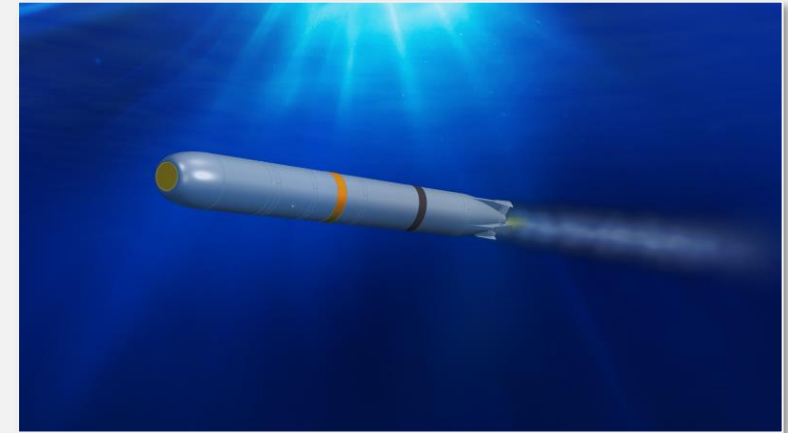


Integration of state-of-the-art technology including both manned and autonomous systems



Example of innovation

SeaSpider: torpedo defense system



World's first dedicated Anti-Torpedo Torpedo (ATT)



Autonomously classifies, detects and localizes threats



Unique selling point for Marine Systems submarines

[1] Incl. revenue and backlog with Marine System internal businesses (€1.3bn consolidated backlog / €0.2bn consolidated revenue)



NXTGEN Engineering: Civil maritime projects of the next generation

Recent expansion of the portfolio into adjacent civilian market, leveraging existing know-how, capabilities and infrastructure for civil applications



Adapting & refining existing technologies, know-how and experiences for the civilian market



Dynamic development processes quickly discover potential key technologies or business models



Co-existence of innovations in the basic research area within NXTGEN and customer projects within the R&D department



Example of innovation

Wide variety of products & services



To drive innovations, the flexible set-up establishes a strategic focus on idea creation through a more dynamic way of working



Range of applications including maritime security, unmanned vehicle surveying, energy systems, explosive ordnance disposal and special shipbuilding & platform construction

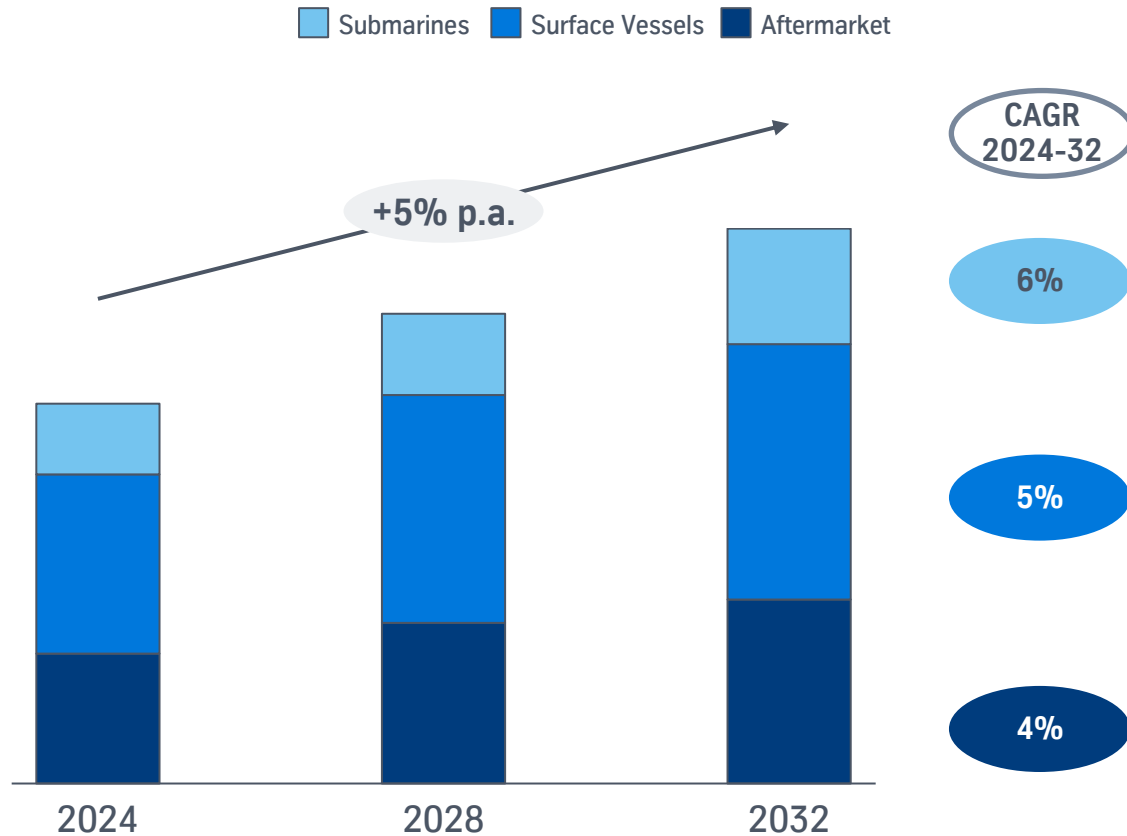


Marine Systems innovations enabling energy transition solutions and a more sustainable future



Attractive long-term growth market

Attainable market^[1]



Significant NATO defense spending gap to reach 2% GDP defence expenditure target



Steady growth for the next years driven by growth in attainable submarines market



Well positioned for future growth in the highest growing segment with a significant backlog for submarines



Underspend on Naval fleets since end of the cold war, in particular in Europe, will drive significant re-fleeting requirements

Marine Systems aims to outgrow the market with a medium-term revenue CAGR of ~7%

[1] Attainable market includes the global naval market in product segments where tkMS is active (especially frigates, corvettes and non-nuclear submarines). Countries that are under sanctions or have a national champion in the relevant product segment are excluded. Naval electronics included in market size calculation
Sources: Naval market model; IHS inflation forecast; ifo analysis



Significant after-sales services provide recurring multi-decade revenues (submarine example)



Design and Production

- 100% of purchase price at delivery of last unit in class
- Supporting services to prepare vessel for mission readiness before initial deployment

In Operation & Service

- 40+ years operation & service life of a submarine
 - Main overhauls & capability upgrades
 - Intermediate overhauls
 - Midlife conversion & lifetime extension

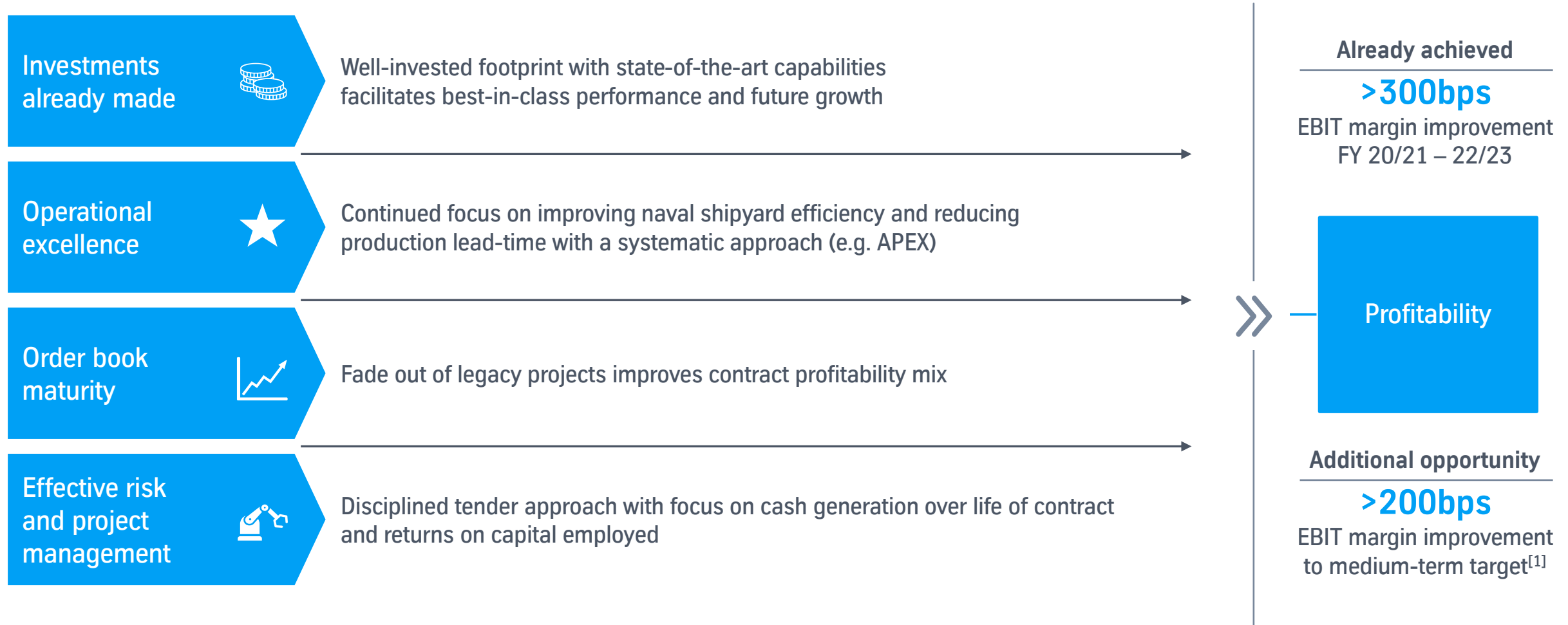
End of Life Cycle

- ~40% of initial purchase price generated in additional service revenue over the submarine life cycle from (maintenance) service and conversions^[1]

[1] Dependent on customers demand and maintenance / modernization cycle



Clear value creation pathway through continued focus on operational excellence



[1] To midpoint of target



Environmental, Social and Governance considerations are core to our strategy and operations



ESG organization and strategy tailored to the specific needs and goals at Marine Systems overseen by CEO



Clear and transparent ESG reporting and KPIs



Expanding business operation with sustainable technologies to reduce climate impact



Governance framework to ensure compliance with the highest ethical standards



Key ESG Targets achieved in FY 22/23

| ESG Targets | Description | FY 21/22 Achieved | FY 22/23 Target | FY 22/23 Achieved |
|------------------------------|--|----------------------|--------------------|----------------------|
| Energy Efficiency | Energy efficiency gains in GWh | 0.13 | 0.40 | 0.48 ✓ |
| Occupational Safety & Health | Accident frequency rate per 1 million hours worked | 3.6 | <5.0 | 3.2 ✓ |
| Sustainable Supply Chain | Sustainability audits of suppliers | 4 | 5 | 5 ✓ |



Significant progress on our medium-term financial targets

| | Medium-term target ^[1] FYE 24/25 | Progress to date | |
|----------------------------------|--|------------------|---|
| Revenue CAGR | ~7% | ✓ | Strong order momentum |
| | | ✓ | Order backlog covers ~75% of business plan for next 3 years |
| Deep Dive on following slides | | | |
| EBIT adj. margin | 6-7% | ✓ | Significant progress to strengthen profitability |
| | | ✓ | 4.4% FY 22/23 (+309 bps vs FY 20/21) |
| CCR ^[3] | ~1.0x | ✓ | Above target incl. significant investment in facilities |
| | | ✓ | 2.7x FY 22/23, €564m business cash flow since FY 20/21 |

[1] Medium-term target provided in FY 21 Capital Markets Day

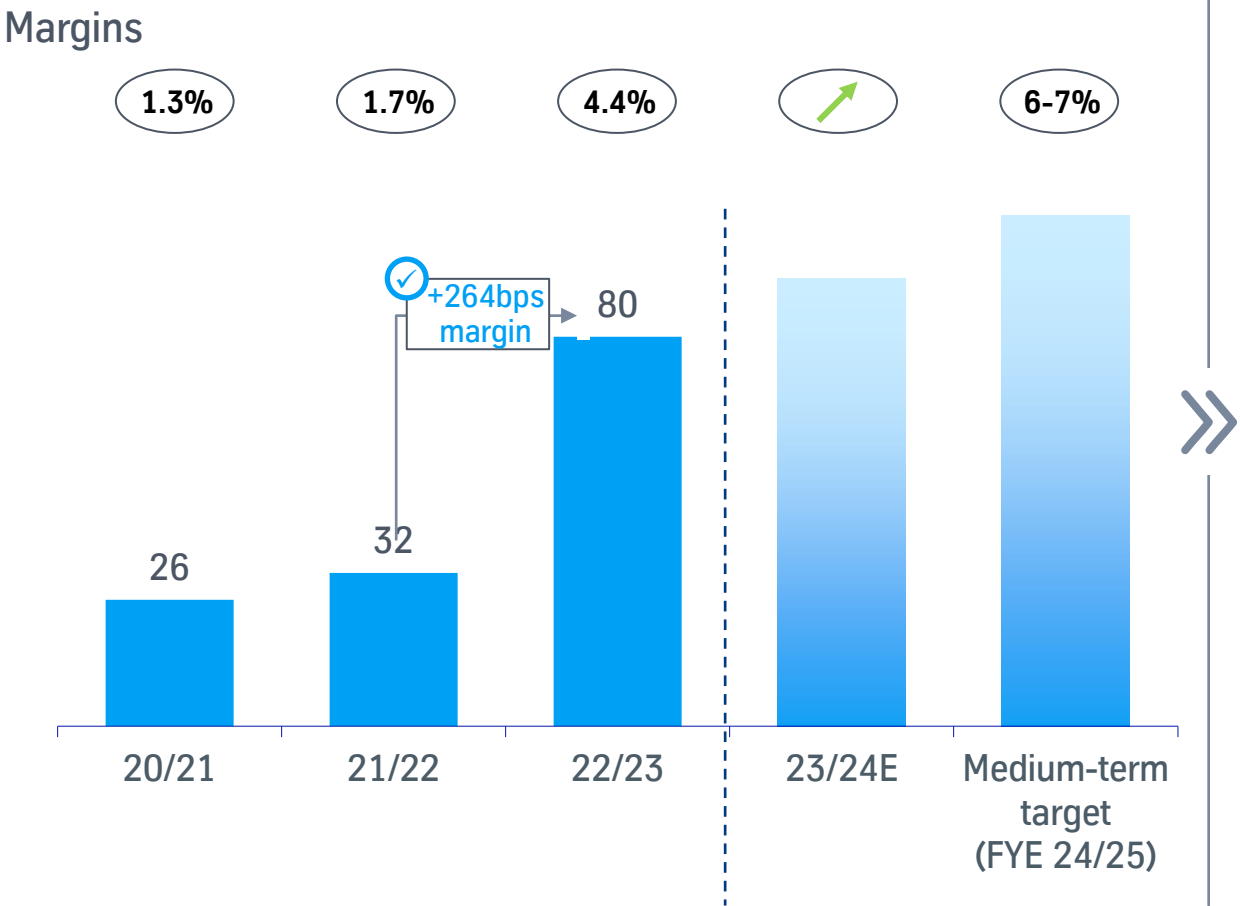
[2] To midpoint of target

[3] Business cash flow/EBIT



Structural step-up in profitability successfully delivered

Adjusted EBIT (€m)

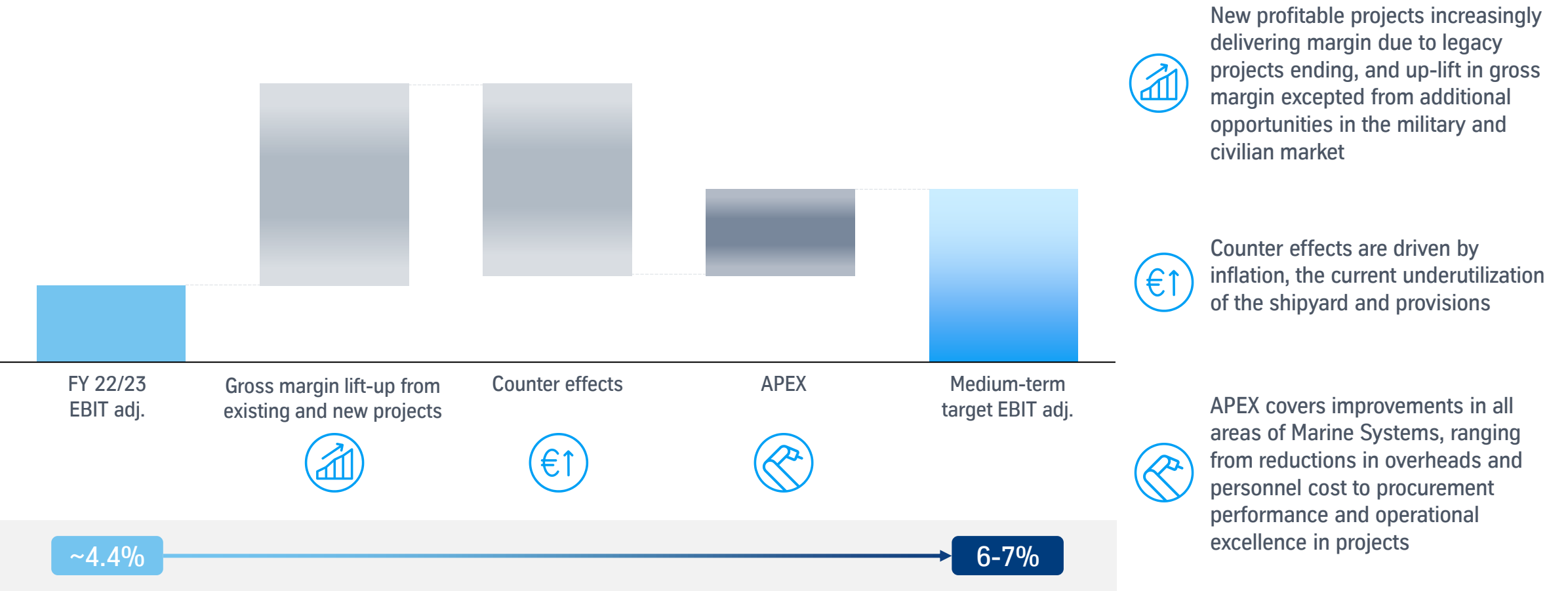


- Successfully strengthened profitability
- Contract mix evolution from legacy to new contracts
- Reduction of non-conformity cost due to application of project expertise
- Expense and procurement discipline contribute to offsetting cost inflation









On track to deliver 6-7% EBIT margin in medium-term

Key levers for realizing potential for increases in value



Financial guidance for FY 23/24

| Metric | FY 22/23 | FY 23/24 guidance |
|--|--------------------|--|
|  <div>Revenue growth</div> | +0.4% (€1,839m) |  Significantly above prior year |
|  <div>EBIT adj. margin</div> | 4.4% (€80m) |  Increase - figure in the high two-digit million euro range |
|  <div>CCR^[1] Business Cash Flow</div> | 2.7x (€219m) |  Due to business model and defined milestone payments structurally >1.0 |

[1] Cash Conversion Ratio = Business cash flow/EBIT



Navigating for long-term profitable growth



thyssenkrupp
Marine Systems

Your maritime Powerhouse



Innovation leadership to deliver world class maritime technology



Leverage unique global manufacturing capabilities to service customers worldwide



Secure profitable growth with commercial discipline



Execution excellence through integrative cooperation across operating units



ESG principles guide what we do and how we do it



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