

## QUARTERLY REPORT 1st QUARTER

# 2019

### Rheinmetall Group makes good start to fiscal 2019 – sales and earnings increase in the first quarter

- Consolidated sales grow by 6.6% to €1,343 million
- Consolidated operating earnings rise by 15% to €54 million
- Automotive: operating earnings margin remains at high level of 6.9% despite decline in sales
- Considerable growth in Defence: Sales increase by 24% to €629 million – operating earnings already positive in the first quarter at €9 million
- Order backlog increased by 26% to €9.1 billion

The 2019 forecast for the Group and the corporate sectors is confirmed.

## Rheinmetall in figures

		Q1 2019	Q1 2018
<b>Sales/earnings</b>			
Sales	€ million	1,343	1,260
Operating earnings	€ million	54	47
Operating earnings margin	%	4.0	3.7
EBIT	€ million	55	47
EBIT margin	%	4.1	3.7
EBT	€ million	45	37
Earnings after taxes	€ million	33	27
<b>Cash flow</b>			
Cash flow from operating activities	€ million	(84)	(240)
Cash flow from investments	€ million	(44)	(47)
Operating free cash flow	€ million	(128)	(287)
<b>Balance sheet (March 31)</b>			
Total equity	€ million	2,194	1,878
Total assets	€ million	6,831	6,256
Equity ratio	%	32	30
Cash and cash equivalents	€ million	412	440
Total assets less cash and cash equivalents	€ million	6,419	5,816
Net financial debt	€ million	(171)	(219)
Leverage ratio <sup>1)</sup>	%	2.7	3.8
Net gearing <sup>2)</sup>	%	7.8	11.7
<b>Human resources (March 31, FTE)</b>			
Rheinmetall Group		23,149	22,153
Domestic		11,284	10,780
Foreign		11,865	11,373
<b>Rheinmetall Automotive</b>			
Sales	€ million	714	751
Operating earnings	€ million	49	65
Operating earnings margin	%	6.9	8.6
Capital expenditure	€ million	34	29
<b>Rheinmetall Defence</b>			
Order intake	€ million	564	857
Order backlog (March 31)	€ million	8,615	6,740
Sales	€ million	629	509
Operating earnings	€ million	9	-13
Operating earnings margin	%	1.4	-2.6
Capital expenditure	€ million	18	21
<b>Shares</b>			
Stock price (March 29, 2019/March 30, 2018)	€	92.88	115.35
Earnings per share	€	0.74	0.55

1) Net financial debt/total assets adjusted for cash and cash equivalents

2) Net financial debt/Total equity

## Business performance of the Rheinmetall Group

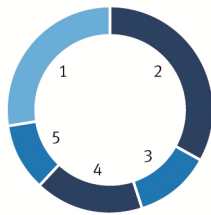
€ million	Q1 2019	Q1 2018	Change
Sales	1,343	1,260	83
Operating earnings	54	47	7
Operating earnings margin	4.0%	3.7%	-
Operating free cash flow	(128)	(287)	159

### Sales and operating earnings up year-on-year

Consolidated sales increased by €83 million or 6.6% year-on-year to €1,343 million in the first quarter of 2019. Adjusted for currency effects, sales growth was 6.5%.

The sectors performed differently here. While the Defence sector increased its sales by a considerable 24% or €120 million, the Automotive sector posted a sales decline versus the comparative period of the previous year of 4.9% or €37 million, as expected.

### Sales by region € million



	Q1/2019	Q1/2018
<b>Rheinmetall Group</b>	<b>1,343</b>	<b>1,260</b>
1 Germany	366	301
2 Other Europe	444	450
3 Americas	162	179
4 Asia	227	203
5 Other regions	144	127

The Group's operating earnings improved by €7 million compared to the same quarter of the previous year to €54 million. This improvement results exclusively from the Defence sector, which increased its operating earnings – against the previous year's figure – by €22 million. In contrast, the Automotive sector is reporting operating earnings that are €16 million lower year-on-year.

Earnings per share increased by a considerable 35% from €0.55 in the previous year to €0.74 in the first quarter of 2019.

### Improvement in operating free cash flow

Operating free cash flow improved by €159 million to €-128 million in the first quarter of 2019. This is particularly attributable to the lower increase in working capital in the Defence sector. The previous year's figure for operating free cash flow included an allocation to the contractual trust agreement (CTA) of €40 million.

## Business performance of the Rheinmetall Group

### Automotive sector

€ million	Sales		Operating earnings	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018
<b>Automotive</b>	<b>714</b>	<b>751</b>	<b>49</b>	<b>65</b>
Mechatronics	401	429	31	44
Hardparts	252	254	13	18
Aftermarket	85	92	7	8
Others/Consolidation	(24)	(24)	(2)	(5)

#### Weak automotive industry influences sales and earnings

The Automotive sector was unable to escape the slump of the global automotive markets in the first quarter of 2019 and, as expected, posted sales of €714 million, down 4.9% on the same quarter of the previous year. Adjusted for currency effects, sales fell by 5.4%. The global production of light vehicles (vehicles under 6 tons) fell by 5.7% in the first quarter of 2019 compared to the same quarter of the previous year.

The operating earnings of the first three months of 2019 decreased by €16 million compared to the previous year's figure to €49 million. This was associated with a lower operating margin year-on-year, but it was still relatively high at 6.9% (previous year: 8.6%).

Due to real estate income of €1 million, the reported earnings (EBIT) of the Automotive sector in the first quarter of 2019 were slightly higher than the operating earnings at €50 million.

The Mechatronics division reported a sales decline of 6.5% to €401 million in the first quarter of 2019. Operating earnings amounted to €31 million in the first quarter of 2019 after €44 million in the previous year. Earnings were primarily influenced by the market-driven decline in sales, start-up costs and costs for the alignment of the product portfolio to the requirements of e-mobility. At 7.6%, the double-digit operating margin of the previous year was not achieved again (previous year: 10.3%).

At €252 million, the Hardparts division's sales were down in the first quarter of 2019, falling by 0.9% year-on-year. The division's operating earnings in the first three months of 2019 fell to €13 million after €18 million in the previous year, which is largely attributable to lower earnings contributions from investments accounted for using the equity method. The operating margin declined to 5.1% (previous year: 7.1%).

In the Aftermarket division, sales fell by 7.6% year-on-year to €85 million in the first quarter of 2019. The division's operating earnings amounted to €7 million in the first quarter of 2019 after €8 million in the same period of the previous year. The operating margin was 8.8% (previous year: 8.7%).

### Stable sales development in China despite difficult market environment

The Automotive sector's sales do not include the sales of the joint ventures with Chinese partners as these are included in consolidation using the equity method.

In a significantly declining market environment – light vehicle production in China fell by 12% compared to the same quarter of the previous year – the joint ventures in China achieved growth on a par with the previous year at €219 million in the first quarter of 2019. Earnings after taxes for the first quarter of 2019 came to €9 million (previous year: €10 million).

For the German joint venture KS HUAYU AluTech Group, fiscal 2019 had a weaker start than the previous year. Sales of €66 million were realized in the first three months of 2019 (-13% year-on-year). Accordingly, the earnings after taxes of €-1 million for the first quarter of 2019 were below the previous year's €1 million.

€ million–100% basis	China joint ventures		KS HUAYU	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Sales	219	218	66	76
Earnings after taxes	9	10	(1)	1

## Business performance of the Rheinmetall Group

### Defence sector

€ million	Order intake		Sales		Operating earnings	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
<b>Defence</b>	<b>564</b>	<b>857</b>	<b>629</b>	<b>509</b>	<b>9</b>	<b>(13)</b>
Weapon and Ammunition	344	617	177	139	(11)	(19)
Electronic Solutions	168	120	168	126	10	(1)
Vehicle Systems	78	137	329	297	12	11
Others/Consolidation	(26)	(17)	(45)	(53)	(2)	(4)

#### High order backlog

The Defence sector generated an order intake of €564 million in the first quarter of 2019 after €857 million in the same period of the previous year. In the previous year, the Weapon and Ammunition division acquired a high-volume ammunition order of around €380 million, which had a positive influence on the corresponding quarterly figure for 2018. The largest single order in the first quarter of 2019 was an ammunition order from the German armed forces with a volume of €92 million.

The sector increased its order backlog to €8,615 million after €6,740 million in the same quarter of the previous year.

#### Sales increase and improvement in operating earnings

In the Defence sector, sales in the first quarter of 2019 were increased by €120 million or 24% compared to the previous year's figure. Adjusted for currency effects, the increase was likewise 24%.

The Weapon and Ammunition division posted sales of €177 million in the first quarter, €38 million or 27% higher than in the previous year. The previous year's loss of €-19 million was lowered by €8 million to €-11 million by the increased sales in particular. The operating margin improved to -6.1% (previous year: -13.7%).

Sales in the Electronic Solutions division of €168 million were €42 million or 33% higher than in the previous year, and the division achieved a clear improvement in operating earnings from €-1 million in the previous year to €+10 million. The operating margin rose to 5.9% (previous year: -0.8%).

Sales in the Vehicle Systems division were increased by €32 million to €329 million due to higher deliveries. The higher truck deliveries compensated for the lower sales with tactical vehicles. At €12 million (previous year: €11 million), operating earnings were up slightly on the previous year. The operating margin was 3.6% (previous year: 3.7%).

## Outlook

### Rheinmetall continues its growth trajectory

Rheinmetall still anticipates another phase of organic growth for the Group in the current fiscal 2019. Starting from €6.1 billion in fiscal 2018, Rheinmetall AG's annual sales are expected to grow organically and before currency effects by 4% to 6% in the current fiscal year. This sales growth will be supported by a dynamic performance in the Defence sector. Noticeable contributions to growth from the Automotive sector cannot be expected in fiscal 2019, on the other hand, on account of the general development of the market.

Sales performance in the Automotive sector will be strongly influenced by economic developments in the automotive markets of Europe, North and South America and Asia as well as by a noticeable market recovery that is expected in the second half of the year. Against the background of currently cautious market expectations in the automotive sector, Rheinmetall forecasts – in terms of the whole year – a rather stagnant to slightly positive sales performance overall, before currency effects, for the Automotive sector.

For the Defence sector, Rheinmetall expects sales growth of between 9% and 11% before currency effects in fiscal 2019, which is already assured thanks to relatively high coverage through the existing order backlog.

### Further absolute improvement in earnings expected in fiscal 2019

Based on the expected development of the market and the sales forecast derived from that, Rheinmetall expects an operating earnings margin of around 8% for the Automotive sector in fiscal 2019. Rheinmetall anticipates a further improvement in operating earnings in the Defence sector in 2019 and forecasts an operating earnings margin of between 8.0% and 8.5%.

Taking into account holding costs, the Rheinmetall Group's projected operating earnings margin comes to around 8%.

## Significant issues

### Acquisition of IBD Deisenroth

The Rheinmetall Group is expanding its portfolio in the field of protective technologies for military vehicles and acquiring the operating business of the IBD Deisenroth Engineering Group, Lohmar. IBD Deisenroth Engineering is a world-renowned provider of passive protection systems, primarily for military vehicles. This transaction is set to take effect as at June 1, 2019.

In addition, Rheinmetall acquired the former minority shareholders' shares in Rheinmetall Chempro GmbH, Bonn (49%), and in Rheinmetall Active Protection GmbH (formerly: ADS Gesellschaft für aktive Schutzsysteme mbH), Bonn (26%), effective April 1, 2019.

With these acquisitions, Rheinmetall has brought all the Defence sector's protection activities together under one roof and thus strengthened – in preparation for a large number of national and international vehicle programs – its position as system provider for the army.

#### Contingent claim to compensation with regard to Greece

Together with its subsidiary Rheinmetall Electronics GmbH, Rheinmetall AG concluded a composition agreement with AXA Corporate Solutions Deutschland and HDI Global SE as insurers and its former Executive Board members Klaus Eberhardt, Dr. Gerd Kleinert and Dr. Herbert Müller on March 28, 2019. The D&O insurers undertake to pay an amount of €6.75 million to Rheinmetall AG.

The composition agreement concluded to settle any claims for damages of Rheinmetall AG against the former Executive Board members is subject to the condition precedent that in accordance with section 93 (4) sentence 3 AktG the Annual General Meeting consents to the composition agreement and no minority whose aggregate holding equals or exceeds one-tenth of the share capital records an objection in the minutes.

As the fulfillment of the above condition precedent is not almost certain, this contingent claim was not accounted for in the consolidated financial statements as at March 31, 2019. Should the Annual General Meeting consent to the composition agreement, the payment from the insurers would, as a special item, not be recognized in operating earnings.



# Rheinmetall Group

## Consolidated balance sheet as of March 31, 2019

€ million	March 31, 2019	Dec. 31, 2018
<b>Assets</b>		
Goodwill	551	550
Other intangible assets	170	172
Rights of use	170	170
Property, plant and equipment	1,309	1,310
Investment property	42	42
Investments accounted for using the equity method	294	285
Other non-current assets	202	205
Deferred taxes	265	217
<b>Non-current assets</b>	<b>3,003</b>	<b>2,951</b>
Inventories	1,389	1,259
Contract asset	396	338
Trade receivables	1,098	1,185
Other current assets	222	178
Income tax receivables	39	22
Liquid financial assets	270	100
Cash and cash equivalents	412	724
Assets held for sale	2	2
<b>Current assets</b>	<b>3,828</b>	<b>3,808</b>
<b>Total assets</b>	<b>6,831</b>	<b>6,759</b>
<b>Equity and liabilities</b>		
Share capital	112	112
Capital reserves	547	547
Retained earnings	1,402	1,383
Treasury shares	(21)	(21)
<b>Rheinmetall AG shareholders' equity</b>	<b>2,040</b>	<b>2,021</b>
Non-controlling interests	154	151
<b>Equity</b>	<b>2,194</b>	<b>2,172</b>
Provisions for pensions and similar obligations	1,029	972
Other non-current provisions	209	210
Non-current financial debt	703	704
Other non-current liabilities	75	80
Deferred taxes	42	15
<b>Non-current liabilities</b>	<b>2,058</b>	<b>1,981</b>
Other current provisions	683	656
Current financial debt	150	151
Contract liability	717	650
Trade liabilities	705	797
Other current liabilities	187	231
Income tax liabilities	137	121
<b>Current liabilities</b>	<b>2,579</b>	<b>2,606</b>
<b>Total equity and liabilities</b>	<b>6,831</b>	<b>6,759</b>

## Rheinmetall Group

### Consolidated income statement for Q1/2019

€ million	Q1 2019	Q1 2018
Sales	1,343	1,260
Changes in inventories and work performed by the enterprise and capitalized	90	120
<b>Total operating performance</b>	<b>1,433</b>	<b>1,380</b>
Other operating income	36	33
Cost of materials	764	731
Staff costs	421	395
Amortization, depreciation and impairment	65	64
Other operating expenses	165	179
Income from investments accounted for using the equity method	5	7
Other net financial income	(4)	(4)
<b>Earnings before interest and taxes (EBIT)</b>	<b>55</b>	<b>47</b>
Interest income	1	1
Interest expenses	(11)	(11)
<b>Earnings before taxes (EBT)</b>	<b>45</b>	<b>37</b>
Income taxes	(12)	(10)
<b>Earnings after taxes</b>	<b>33</b>	<b>27</b>
Of which:		
<i>Non-controlling interests</i>	1	3
<i>Rheinmetall AG shareholders</i>	32	24
Earnings per share	€0.74	€0.55

### Consolidated statement of comprehensive income for Q1/2019

€ million	Q1 2019	Q1 2018
<b>Earnings after taxes</b>	<b>33</b>	<b>27</b>
Remeasurement of net defined benefit liability from pensions	(42)	(2)
<b>Amounts not reclassified to the income statement</b>	<b>(42)</b>	<b>(2)</b>
Change in value of derivative financial instruments (cash flow hedge)	3	3
Currency translation difference	19	(9)
Income/expenses from investments accounted for using the equity method	8	-
<b>Amounts reclassified to the income statement</b>	<b>30</b>	<b>(6)</b>
<b>Other comprehensive income after taxes</b>	<b>(12)</b>	<b>(8)</b>
<b>Total comprehensive income</b>	<b>21</b>	<b>19</b>
Of which:		
<i>Non-controlling interests</i>	2	5
<i>Rheinmetall AG shareholders</i>	19	14

## Rheinmetall Group

### Statement of cash flows for Q1/2019

€ million	Q1 2019	Q1 2018
Earnings after taxes	33	27
Amortization, depreciation and impairment	65	64
Reduction in pension provisions due to payment into external funds (CTA)	-	(40)
Other changes in pension provisions	(2)	(2)
Income from disposals of non-current assets	(1)	-
Other changes in other provisions	27	55
Change in working capital	(125)	(258)
Changes in other receivables, liabilities (not including financial debt), prepaid expenses and deferred income	(84)	(79)
Pro rata income from investments accounted for using the equity method	(5)	(7)
Dividends received from investments accounted for using the equity method	5	1
Other non-cash expenses and income	3	(1)
<b>Cash flows from operating activities <sup>1)</sup></b>	<b>(84)</b>	<b>(240)</b>
Investments in property, plant and equipment, intangible assets and investment property	(44)	(47)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	1	1
Payments for investments in financial assets	(4)	-
Payments for the purchase of liquid financial assets	(225)	(110)
Cash receipts from the disposal of liquid financial assets	55	60
<b>Cash flows from investing activities</b>	<b>(217)</b>	<b>(96)</b>
Capital contributions by non-controlling interests	-	-
Other profit distributions	(1)	(2)
Borrowing of financial debt	31	54
Repayment of other financial debt	(43)	(30)
<b>Cash flows from financing activities</b>	<b>(13)</b>	<b>22</b>
<b>Changes in cash and cash equivalents</b>	<b>(314)</b>	<b>(314)</b>
Changes in cash and cash equivalents due to exchange rates	2	(3)
<b>Total change in cash and cash equivalents</b>	<b>(312)</b>	<b>(317)</b>
<b>Opening cash and cash equivalents Jan. 1</b>	<b>724</b>	<b>757</b>
<b>Closing cash and cash equivalents Mar. 31</b>	<b>412</b>	<b>440</b>

1) Of which:

Net income taxes of €-14 million (previous year: €-15 million)

Net interest of €-6 million (previous year: €-5 million)

## Rheinmetall Group Statement of changes in equity

€ million	Share capital	Capital reserves	Total retained earnings	Treasury shares	Rheinmetall AG shareholders' equity	Non-controlling interests	Equity
<b>As at January 1, 2018</b>	<b>112</b>	<b>540</b>	<b>1,115</b>	<b>(25)</b>	<b>1,742</b>	<b>118</b>	<b>1,860</b>
Earnings after taxes	-	-	24	-	24	3	27
Other comprehensive income	-	-	(10)	-	(10)	2	(8)
Total comprehensive income	-	-	14	-	14	5	19
Dividend payout	-	-	-	-	-	(2)	(2)
Other changes	-	-	1	-	1	-	1
<b>As at March 31, 2018</b>	<b>112</b>	<b>540</b>	<b>1,130</b>	<b>(25)</b>	<b>1,757</b>	<b>121</b>	<b>1,878</b>
<b>As at January 1, 2019</b>	<b>112</b>	<b>547</b>	<b>1,383</b>	<b>(21)</b>	<b>2,021</b>	<b>151</b>	<b>2,172</b>
Earnings after taxes	-	-	32	-	32	1	33
Other comprehensive income	-	-	(13)	-	(13)	1	(12)
Total comprehensive income	-	-	19	-	19	2	21
Dividend payout	-	-	-	-	-	(1)	(1)
Capital increase	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	2	2
<b>As at March 31, 2019</b>	<b>112</b>	<b>547</b>	<b>1,402</b>	<b>(21)</b>	<b>2,040</b>	<b>154</b>	<b>2,194</b>

### Composition of retained earnings

€ million	Currency translation difference	Remeasurement of net defined benefit liability from pensions	Hedges	Other comprehensive income from investments accounted for using the equity method	Other reserves	Total retained earnings
<b>As at January 1, 2018<sup>1)</sup></b>	<b>(19)</b>	<b>(482)</b>	<b>23</b>	<b>(3)</b>	<b>1,596</b>	<b>1,115</b>
Earnings after taxes	-	-	-	-	24	24
Other comprehensive income	(8)	(2)	-	-	-	(10)
Total comprehensive income	(8)	(2)	-	-	24	14
Other changes	-	-	-	-	1	1
<b>As at Mar. 31, 2018<sup>1)</sup></b>	<b>(27)</b>	<b>(484)</b>	<b>23</b>	<b>(3)</b>	<b>1,621</b>	<b>1,130</b>
<b>As at January 1, 2019</b>	<b>(15)</b>	<b>(431)</b>	<b>7</b>	<b>(5)</b>	<b>1,827</b>	<b>1,383</b>
Earnings after taxes	-	-	-	-	32	32
Other comprehensive income	17	(42)	4	8	-	(13)
Total comprehensive income	17	(42)	4	8	32	19
Other changes	-	-	-	-	-	-
<b>As at March 31, 2019</b>	<b>2</b>	<b>(473)</b>	<b>11</b>	<b>3</b>	<b>1,859</b>	<b>1,402</b>

- 1) Previous year's figures adjusted due to the ended use of the valuation method for operating land (€-85 million) and full application of IFRS 9 (€-5 million)

## Rheinmetall Group Segment reporting

€ million	Automotive		Defence		Others/ Consolidation		Group	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
External sales	714	751	629	509	-	-	1,343	1,260
Operating earnings	49	65	9	(13)	(4)	(5)	54	47
Special items	1	-	-	-	-	-	1	-
EBIT	50	65	9	(13)	(4)	(5)	55	47
<i>Of which:</i>								
<i>At equity income</i>	5	7	-	-	-	-	5	7
<i>Amortization and depreciation</i>	38	36	25	27	2	1	65	64
Interest income	1	-	2	1	(2)	-	1	1
Interest expenses	(5)	(3)	(8)	(8)	2	-	(11)	(11)
EBT	46	62	3	(20)	(4)	(5)	45	37
<b>Other data</b>								
Operating free cash flow	(76)	(50)	(93)	(239)	41	2	(128)	(287)
Order intake	736	742	564	857	(1)	-	1,299	1,599
Order backlog March 31	499	511	8,615	6,740	-	-	9,114	7,251
Employees March 31 (FTE)	11,694	11,440	11,194	10,490	261	223	23,149	22,153
Net financial debt Mar. 31	(94)	6	58	(40)	(135)	(185)	(171)	(219)

## Legal information and contact

### Dates

**MAY 28, 2019**  
Rheinmetall AG Annual General Meeting

**AUGUST 1, 2019**  
Report on Q2/2019

**NOVEMBER 7, 2019**  
Report on Q3/2019

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Rheinmetall's website at [www.rheinmetall.com](http://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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