

# QUARTERLY REPORT

## 3RD QUARTER 2018

### Rheinmetall generates growth in earnings

- Consolidated sales stable year-on-year at €4,164 million in the first three quarters with improved earnings margin
- Consolidated operating earnings up €21 million at €252 million
- Automotive increases sales to €2,199 million and operating earnings margin to 8.8 %
- Defence posts slight decline in sales to €1,966 million, but growth in earnings of €15 million to €75 million
- Order intake in Defence virtually doubled
- Group order backlog at record level of €9.3 billion

The 2018 forecast figures for the Group have been adjusted – sales growth of round 5 % is now anticipated, the operating earnings margin at over 7 %.

## Rheinmetall in figures

		Q3 2018	Q3 2017 <sup>1)</sup>	Q1-Q3 2018	Q1-Q3 2017 <sup>1)</sup>
<b>Sales/earnings</b>					
Sales	€ million	1,411	1,366	4,164	4,174
of which generated abroad	%	75	80	76	78
Operating earnings	€ million	98	97	252	231
Operating earnings margin	%	7.0	7.1	6.1	5.5
EBIT	€ million	127	75	273	206
EBIT margin	%	9.0	5.5	6.6	4.9
EBT	€ million	117	65	244	171
Earnings after tax	€ million	85	43	177	122
<b>Cash flow</b>					
Cash flow from operating activities	€ million	(49)	67	(376)	(20)
Cash flow from investments	€ million	(67)	(62)	(167)	(155)
Operating free cash flow	€ million	(116)	5	(543)	(175)
<b>Balance sheet (Sept. 30)</b>					
Total equity	€ million	-	-	2,089	1,811
Total assets	€ million	-	-	6,401	5,925
Equity ratio	%	-	-	33	31
Cash and cash equivalents	€ million	-	-	259	370
Total assets less cash and cash equivalents	€ million	-	-	6,142	5,555
Net financial debt	€ million	-	-	514	242
Leverage ratio <sup>2)</sup>	%	-	-	8.4	4.4
Net gearing <sup>3)</sup>	%	-	-	24.6	13.4
<b>Employees (Sept. 30)</b>					
Rheinmetall Group	FTE	-	-	22,770	21,552
Domestic	FTE	-	-	10,962	10,490
Foreign	FTE	-	-	11,808	11,062
<b>Rheinmetall Automotive</b>					
Sales	€ million	708	684	2,199	2,149
Operating earnings	€ million	60	57	193	186
Operating earnings margin	%	8.5	8.3	8.8	8.7
Capital expenditure <sup>4)</sup>	€ million	46	42	109	99
<b>Rheinmetall Defence</b>					
Order intake	€ million	3,044	870	4,471	2,292
Order backlog (Sept. 30)	€ million	-	-	8,787	6,732
Sales	€ million	703	682	1,966	2,025
Operating earnings	€ million	44	46	75	60
Operating earnings margin	%	6.3	6.7	3.8	3.0
Capital expenditure <sup>4)</sup>	€ million	22	19	65	54
<b>Shares</b>					
Stock price (Sept. 30)	EUR	-	-	90.06	95.36
Earnings per share	EUR	1.80	0.83	3.59	2.40

1) The 2017 comparative period is shown in accordance with the previous standards for revenue recognition, leases and financial instruments.

2) Net financial liabilities/total assets adjusted for cash and cash equivalents

3) Net financial liabilities/equity

4) Investments also include the acquisition of rights of use from leases from fiscal 2018.

## Application of new accounting standards

### Application of new accounting standards from 2018

The Rheinmetall Group applies the following new IFRS standards from fiscal 2018:

IFRS 9	Financial instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

### No material effects from the application of IFRS 9

IFRS 9 largely replaces the previous standard for financial instruments, IAS 39. It contains amended regulations on the classification and measurement of financial assets and liabilities, the recognition of impairment and hedge accounting. The application of IFRS 9 has no material effect on the presentation of the Rheinmetall Group's net assets, financial position and results of operations.

### Limited effects of IFRS 15 and 16 on the presentation of business performance; previous year not adjusted

IFRS 15 consolidates all regulations on the recognition of revenue from contracts with customers. The new standard has no material impact on the nature of the recognition of revenue, which in the Rheinmetall Group can occur both at a point in time and over a period of time for customer-specific contracts. The standard changes the reporting of items relevant to contracts with customers.

The Rheinmetall Group is adopting IFRS 16 early from fiscal 2018. Accounting by the lessee has been amended such that, for all leases, assets must be recognized for the rights of use acquired in addition to corresponding financial liabilities.

When transitioning to the new IFRS 15 and 16 standards, we exercised the option to present the comparative period according to the previous standards and thus to leave it unchanged. The comparability of the current reporting period with the corresponding period of the previous year is therefore limited.

The effects on the presentation of business performance are also limited, hence additional explanations are only given for those items on which the application of the new standards had a material effect.

The transition was made as of January 1, 2018. The balance sheet as of the transition date was compared against the closing balance sheet as of December 31, 2017. The reconciliation of the balance sheet items of December 31, 2017, to January 1, 2018, is presented in the notes to the consolidated financial statements.

## Business performance of the Rheinmetall Group

€ million	Q3 2018	Q3 2017	Change	Q1-Q3 2018	Q1-Q3 2017	Change
Sales	1,411	1,366	45	4,164	4,174	-10
Operating earnings	98	97	1	252	231	21
Operating earnings margin	6.9%	7.1%	(0.2) pp	6.1%	5.5%	0.6 pp
Operating free cash flow	(79)	5	-84	(543)	(175)	-368

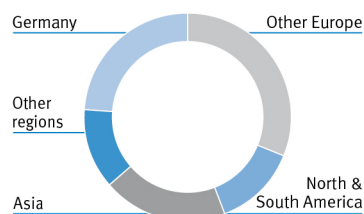
### Stable sales development with higher operating earnings

Consolidated sales are virtually on par with the same period of the previous year at €4,164 million in the first three quarters of 2018. However, sales rose by 2.0% after adjustment for currency effects.

While the Automotive sector increased its sales by €50 million, sales in the Defence sector were down by €59 million due to weaker business performance in the first half of the year which was not counter-balanced in the third quarter.

### Sales by region € million

	Q1-Q3 2018	Q1-Q3 2017
Rheinmetall Group	4,164	4,174
Germany	992	920
Other Europe	1,302	1,308
North & South America	541	549
Asia	809	755
Other regions	520	642



Operating earnings improved by €21 million year-on-year to €252 million in the first three quarters of 2018. €7 million of this increase was attributable to the Automotive sector and €15 million to the Defence sector. Operating earnings fell by €1 million in Others/Consolidation.

### Operating earnings adjusted for non-recurring effects

€ million	Automotive		Defence		Others/Consolidation		Group	
	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
<b>Operating earnings</b>	193	186	75	60	(16)	(15)	252	231
Restructuring	-	(22)	(9)	(3)	-	-	(9)	(25)
Properties	-	-	-	-	30	-	30	-
Corporate transactions	-	-	-	(10)	-	-	-	(10)
Other effects	-	-	-	10	-	-	-	10
<b>EBIT</b>	193	164	66	57	14	(15)	273	206

The restructuring expenses not included in operating earnings for the first three quarters of 2018 relate to the Electronic Solutions division. In the Others division, the former piston production site in Hamburg was sold to a newly formed joint venture. The resulting gain of €30 million was allocated to non-operating activities.

In the Automotive sector, the non-recurring effects in the prior-year period related to the costs of closing the piston plant in Thionville, France. In the Defence sector, restructuring costs in the Vehicle Systems division, a non-operating insurance refund and expenses in connection with the disposal of shares in the former joint venture Rheinmetall International Engineering GmbH, Geisenheim, are not included in operating earnings.

#### Additional disclosures on earnings effects from the application of new IFRSs

In the first nine months of 2018, the application of IFRS 15 reduced sales by €3 million as a result of interest effects, which also affected operating earnings by the same amount. The application of IFRS 16 had a positive effect on operating earnings of €2 million. This was due to changes in accounting for leases. The amortization of capitalized rights of use in the first nine months of 2018 is €4 million lower than the lease expenses that previously influenced operating earnings.

#### Deterioration in operating free cash flow

Operating free cash flow deteriorated by €368 million to €-543 million in the first three quarters of 2018. The key reasons for this were an increased buildup of working capital due to higher deliveries in the fourth quarter and postponements of advance customer payments combined with the higher allocation to the contractual trust agreement (CTA) of €40 million at the beginning of 2018 in comparison to the previous year figure of €30 million.

## Business performance of the Rheinmetall Group

### Automotive sector

€ million	Sales		Operating earnings	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017
<b>Automotive</b>	<b>708</b>	<b>684</b>	<b>60</b>	<b>57</b>
Mechatronics	387	382	38	40
Hardparts	251	232	15	13
Aftermarket	92	95	9	9
Others/Consolidation	(22)	(25)	(2)	(5)
	<b>Q1-Q3 2018</b>	<b>Q1-Q3 2017</b>	<b>Q1-Q3 2018</b>	<b>Q1-Q3 2017</b>
<b>Automotive</b>	<b>2,199</b>	<b>2,149</b>	<b>193</b>	<b>186</b>
Mechatronics	1,233	1,214	128	130
Hardparts	755	732	50	46
Aftermarket	281	271	26	25
Others/Consolidation	(70)	(68)	(11)	(15)

#### Growth in sales and earnings

Sales in the Automotive sector rose to €2,199 million in the first nine months of 2018, corresponding to year-on-year growth of 2.3% or 4.5% adjusted for currency effects. By comparison, growth in global production of light vehicles was softer at 1.2%. All divisions once again contributed to the increase in sales. Operating earnings climbed by around 4% to €193 million in the reporting period, resulting in an earnings margin of 8.8% (previous year: 8.7%).

Sales in the Mechatronics division rose by 1.6% year-on-year to €1,233 million in the first nine months of 2018 (2.7% after adjustment for currency effects). The Commercial Diesel Systems product range generated the strongest growth here. However, the division's growth was muted by the further contraction of the diesel market. Operating earnings amounted to €128 million after the first nine months of 2018 (previous year: €130 million). The operating earnings margin remained at the high level of 10.4% (previous year: 10.7%).

The Hardparts division generated sales growth of 3.1% to €755 million in the first nine months of 2018 (7.1% after adjustment for currency effects). There was further growth as against the previous year in small-bore and large-bore pistons. Sales of plain bearings outperformed the previous year's level in India, North America and in European business as well. The division's operating earnings increased to €50 million (previous year: €46 million). The operating earnings margin improved to 6.6% (previous year: 6.3%).

The Aftermarket division increased its sales by 3.7% year-on-year to €281 million in the first nine months of 2018 (6.1% after adjustment for currency effects). The products of the Group's own Pierburg brand continued to be growth drivers after the first three quarters as well. Sales developed positively on the markets of Western and Eastern Europe and those of North and South America. Sales declined in the Middle East and Africa regions owing to the ongoing difficulties their respective political and economic situations. The division's operating earnings amounted to €26 million in the first three quarters of 2018 after €25 million in the same period of the previous year. The operating earnings margin rose slightly to 9.3% (previous year: 9.2%).

The Others/Consolidation division shrank its losses to €-11 million after €-15 million in the same period of the previous year.

### Sales growth at joint ventures in China

Significant joint ventures with Chinese partners are accounted for using the equity method, and are therefore not included in the consolidated sales figures for Rheinmetall Automotive.

The Chinese joint ventures achieved year-on-year growth of 4.3% to €661 million in the first nine months of 2018 (7.9% after adjustment for currency effects). Thus sales growth was again higher than the upturn achieved for the number of light vehicles produced in China, which rose by only 1.2 %. Earnings after tax amounted to €30 million for the nine months of 2018 (previous year: €33 million).

In the first nine months of the current fiscal year, sales by the German joint venture KS HUAYU AluTech Group amounted to €240 million, almost matching the level for the same period of the previous year (€242 million). As in the previous year, earnings after tax were slightly negative for the reporting period at €-1 million (previous year: €-1 million).

€ million – 100% basis	China joint ventures				KS HUAYU			
	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Sales	214	206	661	634	68	85	240	242
Earnings after tax	8	10	30	33	(2)	(1)	(1)	(1)

## Business performance of the Rheinmetall Group

### Defence sector

€ million	Order intake		Sales		Operating earnings	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017
<b>Defence</b>	<b>3,044</b>	<b>870</b>	<b>703</b>	<b>682</b>	<b>44</b>	<b>46</b>
Weapon and Ammunition	185	284	196	248	10	28
Electronic Solutions	240	197	170	165	8	6
Vehicle Systems	2,809	434	395	370	30	13
Others/Consolidation	(190)	(45)	(58)	(101)	(4)	(1)
	<b>Q1-Q3 2018</b>	<b>Q1-Q3 2017</b>	<b>Q1-Q3 2018</b>	<b>Q1-Q3 2017</b>	<b>Q1-Q3 2018</b>	<b>Q1-Q3 2017</b>
<b>Defence</b>	<b>4,471</b>	<b>2,292</b>	<b>1,966</b>	<b>2,025</b>	<b>75</b>	<b>60</b>
Weapon and Ammunition	1,074	699	584	744	14	40
Electronic Solutions	585	946	493	444	12	1
Vehicle Systems	3,036	747	1,067	1,057	64	28
Others/Consolidation	(224)	(100)	(178)	(220)	(15)	(9)

#### Order intake at record level

The Defence sector reported an order intake of €4,471 million in the first three quarters of 2018, almost double the previous year's level. The increase is largely thanks to the Vehicle Systems division, which acquired an order worth €2,055 million to deliver 211 wheeled armored vehicles to the Australian armed forces. The order backlog climbed from €6,732 million in the previous year to €8,787 million.

#### Slight decline in sales, strong rise in operating earnings

Sales in the Defence sector declined by €59 million or 2.9% year-on-year in the first three quarters of 2018. The decline was only 0.6% adjusted for currency effects. This decline related to the first half of 2018; in the selective third quarter of 2018, sales were increased by € 21 million. By contrast, in the first nine months the Defence sector's operating earnings improved by €15 million to €75 million.

Sales in the Weapon and Ammunition division fell by €160 million or 22% as against the previous year. Here operating earnings were down by €26 million at €14 million. This was primarily because the previous year still included a transaction amounting to around €110 million with a low margin. Further declines in sales – and thereby a decline in earnings performance – arose as a result of the postponement of customer acceptances as it was not possible at times to carry out the necessary acceptance tests on account of the increased risk of forest fires this summer, and as a result of the tragic explosion accident at a Rheinmetall production facility in South Africa in the third quarter of 2018.

The Electronic Solutions division reported an increase in sales of €49 million or 11% compared to the figure for the previous year. The Air Defence & Radar Systems business was the main driver behind this. Operating earnings improved by €11 million to €12 million as a result of higher sales and the cost-cutting measures initiated.

The Vehicle Systems Division increased its sales marginally by €10 million or 0.9% year-on-year in the first three quarters of 2018. Operating earnings more than doubled year-on-year to €64 million. In particular, the rise in earnings was caused by positive effects from the product mix towards higher-margin products. In addition, there were favorable cost developments that, in turn, were incorporated into updated assessments in the context of regular project reviews. This was offset by an impairment loss on capitalized development costs of €24 million for a specially equipped command and multi-purpose vehicle, as the marketing opportunities that had previously been anticipated are no longer realistic in the medium term.



## Outlook

### Sales growth continues in both corporate sectors

Rheinmetall expects the Group's growth to continue in the current fiscal year. Rheinmetall AG's annual sales are expected to grow organically by around 5% in the current fiscal year, based on €5.9 billion in 2017. Sales are expected to increase in both corporate sectors.

Sales performance in the Automotive sector is strongly influenced by the economic performance of the key global automotive markets and by external factors such as the current adjustment of European test cycles. Based on the latest expert forecasts for the uncertain development of global automotive production this year, which assume lower growth compared to previous estimates of around 1.4%, Rheinmetall now expects sales growth of only 2% to 3% in the Automotive sector (previously: 3% to 4%)

On the basis of the business performance in the first three quarters, Rheinmetall projects sales growth of 6% to 7% for the Defence sector in fiscal 2018. The reduction in the sales guidance from the originally published growth forecast (+12 %) takes in particular into account the impact of outstanding export licenses and the expected sales lost due to a tragic explosion at a South African site.

The growth forecast assumes that the exchange rates in the fourth quarter of 2018 will not change significantly compared to current levels.

### Further improvement in earnings expected in fiscal 2018

Assuming stable economic development, Rheinmetall expects an absolute improvement in operating earnings and an operating margin of slightly over 8.5% for the Automotive sector in fiscal 2018. Rheinmetall also anticipates a further improvement in operating earnings in the Defence sector in 2018 and now expects an operating earnings margin of slightly over 7%, higher than the previous forecast range of 6.0% to 6.5%.

Taking into account holding costs and including expenses in the mid-single-digit millions for the realization and marketing of new technologies, the Rheinmetall Group's margin comes to over 7 %.

## Consolidated balance sheet

€ million	9/30/2018	01.01.2018	31.12.2017
<b>Assets</b>			
Goodwill	550	550	550
Other intangible assets	192	229	229
Rights of use	165	170	-
Property, plant and equipment	1,379	1,387	1,387
Investment property	44	46	46
Investments accounted for using the equity method	270	242	242
Other non-current assets	172	142	73
Deferred taxes	200	185	185
<b>Non-current assets</b>	<b>2,972</b>	<b>2,951</b>	<b>2,712</b>
Inventories	1,474	1,165	1,172
Contractual asset	385	325	-
Trade receivables	975	897	1,217
Other current assets	197	186	190
Income tax receivables	47	11	11
Liquid financial assets	90	119	119
Cash and cash equivalents	259	757	757
Assets held for sale	2	8	8
<b>Current assets</b>	<b>3,429</b>	<b>3,468</b>	<b>3,474</b>
<b>Total assets</b>	<b>6,401</b>	<b>6,419</b>	<b>6,186</b>
<b>Equity and liabilities</b>			
Issued capital	112	112	112
Capital reserves	547	540	540
Retained earnings	1,329	1,205	1,209
Treasury shares	(21)	(25)	(25)
<b>Rheinmetall AG shareholders' equity</b>	<b>1,967</b>	<b>1,832</b>	<b>1,836</b>
Non-controlling interests	122	118	119
<b>Equity</b>	<b>2,089</b>	<b>1,950</b>	<b>1,955</b>
Provisions for pensions and similar obligations	959	1,080	1,080
Other non-current provisions	185	204	185
Non-current financial debts	757	708	572
Other non-current liabilities	80	54	54
Deferred taxes	33	14	14
<b>Non-current liabilities</b>	<b>2,014</b>	<b>2,060</b>	<b>1,905</b>
Other current provisions	699	641	595
Current financial debts	106	108	74
Contractual liability	504	636	-
Trade liabilities	682	760	760
Other current liabilities	184	190	823
Income tax liabilities	123	74	74
<b>Current liabilities</b>	<b>2,298</b>	<b>2,409</b>	<b>2,326</b>
<b>Total liabilities</b>	<b>6,401</b>	<b>6,419</b>	<b>6,186</b>

## Consolidated income statement

€ million	Q3 2018	Q3 2017 <sup>1)</sup>	Q1-Q3 2018	Q1-Q3 2017 <sup>1)</sup>
Sales	1,411	1,366	4,164	4,174
Changes in inventories and work performed by the enterprise and capitalized	70	41	230	142
<b>Total operating performance</b>	<b>1,481</b>	<b>1,407</b>	<b>4,394</b>	<b>4,316</b>
Other operating income	61	19	125	82
Cost of materials	794	730	2,319	2,333
Staff costs	373	384	1,177	1,171
Amortization, depreciation and impairment	68	59	223	171
Other operating expenses	184	179	545	513
Income from investments accounted for using the equity method	7	7	21	12
Other net financial income	(3)	(6)	(3)	(16)
<b>Earnings before interest and taxes (EBIT)</b>	<b>127</b>	<b>75</b>	<b>273</b>	<b>206</b>
Interest income	1	3	4	6
Interest expenses	(11)	(13)	(33)	(41)
<b>Earnings before taxes (EBT)</b>	<b>117</b>	<b>65</b>	<b>244</b>	<b>171</b>
Income taxes	(32)	(22)	(67)	(49)
<b>Earnings after tax</b>	<b>85</b>	<b>43</b>	<b>177</b>	<b>122</b>
Of which:				
<i>Non-controlling interests</i>	8	7	23	19
<i>Rheinmetall AG shareholders</i>	77	36	154	103
Earnings per share	€1.80	€0.83	€3.59	€2.40

1) The comparability of the 2017 comparative period is limited, as it is shown in accordance with the previous standards for revenue recognition, leases and financial instruments.

## Consolidated statement of comprehensive income

€ million	Q3 2018	Q3 2017 <sup>1)</sup>	Q1-Q3 2018	Q1-Q3 2017 <sup>1)</sup>
<b>Earnings after tax</b>	<b>85</b>	<b>43</b>	<b>177</b>	<b>122</b>
Remeasurement of net defined benefit liability from pensions	32	(1)	67	23
<b>Amounts not reclassified to the income statement</b>	<b>32</b>	<b>(1)</b>	<b>67</b>	<b>23</b>
Change in value of derivative financial instruments (cash flow hedge)	-	5	(21)	9
Currency translation difference	-	(22)	(7)	(59)
Income/expenses from investments accounted for using the equity method	(6)	(3)	(5)	(11)
<b>Amounts reclassified to the income statement</b>	<b>(6)</b>	<b>(20)</b>	<b>(33)</b>	<b>(61)</b>
<b>Other comprehensive income after taxes</b>	<b>26</b>	<b>(21)</b>	<b>34</b>	<b>(38)</b>
<b>Total comprehensive income</b>	<b>111</b>	<b>22</b>	<b>211</b>	<b>84</b>
Of which:				
<i>Non-controlling interests</i>	7	4	11	14
<i>Rheinmetall AG shareholders</i>	104	18	200	70

1) The comparability of the 2017 comparative period is limited, as it is shown in accordance with the previous standards for revenue recognition, leases and financial instruments.

## Statement of cash flows

€ million	Q1-Q3 2018	Q1-Q3 2017 <sup>1)</sup>
Earnings after tax	177	122
Amortization, depreciation and impairment	223	171
Reduction in pension provisions due to payment into external funds (CTA)	(40)	(30)
Other changes in pension provisions	-	(6)
Income from disposals of non-current assets	(34)	-
Other changes in other provisions	34	80
Change in working capital	(655)	(321)
Changes in other receivables, liabilities (without financial debts), prepaid expenses and deferred income	(58)	(22)
Pro rata income from investments accounted for using the equity method	(21)	(12)
Dividends received from investments accounted for using the equity method	2	3
Other non-cash expenses and income	(4)	(5)
<b>Cash flows from operating activities <sup>2)</sup></b>	<b>(376)</b>	<b>(20)</b>
Investments in property, plant and equipment, intangible assets and investment property	(167)	(155)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	72	2
Payments for the purchase of liquid financial assets	(175)	(213)
Cash receipts from the disposal of liquid financial assets	204	363
Payments for investments in consolidated companies and other financial assets	(19)	(9)
<b>Cash flows from investing activities</b>	<b>(85)</b>	<b>(12)</b>
Dividend paid out by Rheinmetall AG	(73)	(62)
Other profit distributions	(7)	(10)
Sale of treasury shares	1	4
Capital contributions by non-controlling interests	-	4
Borrowing of financial debts	133	401
Repayment of financial debts	(91)	(537)
<b>Cash flows from financing activities</b>	<b>(37)</b>	<b>(200)</b>
<b>Changes in cash and cash equivalents</b>	<b>(498)</b>	<b>(232)</b>
Changes in cash and cash equivalents due to exchange rates	-	(14)
<b>Total change in cash and cash equivalents</b>	<b>(498)</b>	<b>(246)</b>
<b>Opening cash and cash equivalents January 1</b>	<b>757</b>	<b>616</b>
<b>Closing cash and cash equivalents September 30</b>	<b>259</b>	<b>370</b>

1) The comparability of the 2017 comparative period is limited, as it is shown according to the previous standards for revenue recognition, leases and financial instruments.

2) of which:

Net income taxes of €-65 million (previous year: €-50 million)

Net interest of €-15 million (previous year: €-26 million)

## Statement of changes in equity

€ million	Issued capital	Capital reserves	Total retained earnings	Treasury shares	Rheinmetall AG shareholders' equity	Non-controlling interests	Equity
<b>As of January 1, 2017</b>	<b>112</b>	<b>532</b>	<b>1,074</b>	<b>-32</b>	<b>1,686</b>	<b>95</b>	<b>1,781</b>
Earnings after tax	-	-	103	-	103	19	122
Other comprehensive income	-	-	(32)	-	(32)	(6)	(38)
Total comprehensive income	-	-	71	-	71	13	84
Dividend payout	-	-	(62)	-	(62)	(10)	(72)
Disposal of treasury shares	-	-	-	7	7	-	7
Other changes	-	8	(1)	-	7	4	11
<b>As of September 30, 2017</b>	<b>112</b>	<b>540</b>	<b>1,082</b>	<b>(25)</b>	<b>1,709</b>	<b>102</b>	<b>1,811</b>
<b>As of December 31, 2017</b>	<b>112</b>	<b>540</b>	<b>1,209</b>	<b>(25)</b>	<b>1,836</b>	<b>119</b>	<b>1,955</b>
IFRS 15 adjustment	-	-	(4)	-	(4)	(1)	(5)
<b>As of January 1, 2018</b>	<b>112</b>	<b>540</b>	<b>1,205</b>	<b>(25)</b>	<b>1,832</b>	<b>118</b>	<b>1,950</b>
Earnings after tax	-	-	154	-	154	23	177
Other comprehensive income	-	-	46	-	46	(12)	34
Total comprehensive income	-	-	200	-	200	11	211
Dividend payout	-	-	(73)	-	(73)	(7)	(80)
Disposal of treasury shares	-	-	-	4	4	-	4
Other changes	-	7	(3)	-	4	-	4
<b>As of September 30, 2018</b>	<b>112</b>	<b>547</b>	<b>1,329</b>	<b>(21)</b>	<b>1,967</b>	<b>122</b>	<b>2,089</b>

### Composition of retained earnings

€ million	Currency translation difference	Remeasurement of net defined benefit liability from pensions	Land remeasurement	Hedges	comprehensive income of investments accounted for using the equity method	Other reserves	Total retained earnings
<b>As of January 1, 2017</b>	<b>44</b>	<b>(511)</b>	<b>85</b>	<b>9</b>	<b>8</b>	<b>1,439</b>	<b>1,074</b>
Earnings after tax	-	-	-	-	-	103	103
Other comprehensive income	(53)	23	-	9	(11)	-	(32)
Total comprehensive income	(53)	23	-	9	(11)	103	71
Dividend payout	-	-	-	-	-	(62)	(62)
Other changes	-	-	-	-	-	(1)	(1)
<b>As of September 30, 2017</b>	<b>(9)</b>	<b>(488)</b>	<b>85</b>	<b>18</b>	<b>(3)</b>	<b>1,479</b>	<b>1,082</b>
<b>As of December 31, 2017</b>	<b>(19)</b>	<b>(482)</b>	<b>85</b>	<b>23</b>	<b>(3)</b>	<b>1,605</b>	<b>1,209</b>
IFRS 15 adjustment	-	-	-	-	-	(4)	(4)
<b>As of January 1, 2018</b>	<b>(19)</b>	<b>(482)</b>	<b>85</b>	<b>23</b>	<b>(3)</b>	<b>1,601</b>	<b>1,205</b>
Earnings after tax	-	-	-	-	-	154	154
Other comprehensive income	(1)	67	-	(15)	(5)	-	46
Total comprehensive income	(1)	67	-	(15)	(5)	154	200
Dividend payout	-	-	-	-	-	(73)	(73)
Other changes	-	-	-	-	-	(3)	(3)
<b>As of September 30, 2018</b>	<b>(20)</b>	<b>(415)</b>	<b>85</b>	<b>8</b>	<b>(8)</b>	<b>1,679</b>	<b>1,329</b>

## Segment report

€ million	Automotive		Defence		Others/Consolidation		Group	
	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3
	2018	2017	2018	2017	2018	2017	2018	2017
External sales	2,199	2,149	1,966	2,025	(1)	-	4,164	4,174
Operating earnings	193	186	75	60	(16)	(15)	252	231
Special items	-	(22)	(9)	(3)	30	-	21	(25)
EBIT	193	164	66	57	14	(15)	273	206
<i>of which:</i>								
<i>At equity income</i>	20	19	1	(7)	-	-	21	12
<i>Amortization and depreciation</i>	113	96	81	66	5	3	199	165
<i>Impairment losses</i>	-	5	24	1	-	-	24	6
Interest income	2	1	4	2	(2)	3	4	6
Interest expenses	(12)	(10)	(26)	(24)	5	(7)	(33)	(41)
EBT	183	155	44	35	17	(19)	244	171
<b>Other data</b>								
Operating free cash flow	(16)	32	(508)	(157)	(19)	(50)	(543)	-175
Order intake	2,208	2,192	4,471	2,292	(1)	-	6,678	4,484
Order backlog Sept. 30	528	502	8,787	6,732	-	-	9,315	7,234
Employees Sept. 30 (FTE)	11,646	11,108	10,893	10,262	231	182	22,770	21,552
Net financial debt September 30	(34)	(146)	321	80	227	308	514	242

## Additional disclosures

### Application of new accounting standards from 2018

The application of IFRS 9 for financial instruments has no material effects on the presentation of the Rheinmetall Group's net assets, financial position and results of operations. The newly introduced principle of the expected loss approach to the measurement of trade receivables has no material effect on the amount of impairment. The amended rules for the application of hedge accounting likewise result in no material changes in measurement. There is a change with regard to the classification of trade receivables that could potentially be sold as part of the Group's ABS program. These receivables were previously measured at amortized cost and are now measured at fair value from 2018. As the two carrying amounts are virtually identical for these receivables, the measurement does not result in any changes.

The transition to IFRS 15 and IFRS 16 resulted in the following adjustments to balance sheet items on the transition date of January 1, 2018:

€ million	12/31/2017	IFRS 15	IFRS 16	01.01.2018
Rights of use from leases	-	-	170	170
Other non-current assets	73	69	-	142
Remaining other non-current assets	2,639	-	-	2,639
<b>Non-current assets</b>	<b>2,712</b>	<b>69</b>	<b>170</b>	<b>2,951</b>
Inventories	1,172	(7)	-	1,165
Contractual asset	-	325	-	325
Trade receivables	1,217	(320)	-	897
Other current assets	73	(4)	-	69
Remaining other current assets	1,012	-	-	1,012
<b>Current assets</b>	<b>3,474</b>	<b>(6)</b>	<b>-</b>	<b>3,468</b>
<b>Total assets</b>	<b>6,186</b>	<b>63</b>	<b>170</b>	<b>6,419</b>
Equity	1,955	(5)	-	1,950
Other non-current provisions	185	19	-	204
Non-current financial debts	572	-	136	708
Other non-current liabilities	1,148	-	-	1,148
<b>Non-current liabilities</b>	<b>1,905</b>	<b>19</b>	<b>136</b>	<b>2,060</b>
Other current provisions	595	46	-	641
Current financial debts	74	-	34	108
Contractual liability	-	636	-	636
Other current liabilities	823	(633)	-	190
Remaining other current liabilities	834	-	-	834
<b>Current liabilities</b>	<b>2,326</b>	<b>49</b>	<b>34</b>	<b>2,409</b>
<b>Total liabilities</b>	<b>6,186</b>	<b>63</b>	<b>170</b>	<b>6,419</b>

#### Application of IFRS 15

Other non-current assets are increased by the capitalization of contract acquisition and fulfillment costs. The corresponding obligations are recognized in other non-current and current provisions. The asset items are written down as the revenue from contracts with customers is recognized.

Receivables from construction contracts were shown in trade receivables until December 31, 2017. From 2018, these assets are shown separately in the statement of financial position as a contract asset of a similar amount. The reduction in current liabilities is attributable to liabilities from construction contracts and prepayments received, which are now reported separately in the balance sheet as a contract liability.

The adjustment of equity by €-5 million is primarily attributable to longer-term contracts with customers from the Defence sector, which were still in progress at the transition date and which include a financing component.

## Additional disclosures

### Application of IFRS 16

As a result of the first-time application of IFRS 16 as of January 1, 2018, rights of use were capitalized in the amount of €170 million in non-current assets, while financial lease liabilities of the same amount were broken down and recognized by maturity.

### Balance sheet figures

The transition to the new standards also affects the following balance sheet figures:

€ million	12/31/2017	01.01.2018	Change
Cash and cash equivalents	757	757	-
Liquid financial assets	119	119	-
Financial debts	(646)	(816)	-170
<b>Net financial debt</b>	<b>230</b>	<b>60</b>	<b>-170</b>
Equity	1,955	1,950	-5
Total assets	6,186	6,419	233
Equity ratio	31.6%	30.4%	(1.2) pp



## Legal information and contact

### Dates

**MARCH 13, 2019**

Publication of the 2018 annual report

**MAY 9, 2019**

Report on Q1/2019

**AUGUST 1, 2019**

Report on H1/2019

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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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