



Stable performance in a challenging quarter

Conference Call Q3 2018

Düsseldorf, 8. November 2018

MOBILITY. SECURITY. [PASSION.](#)



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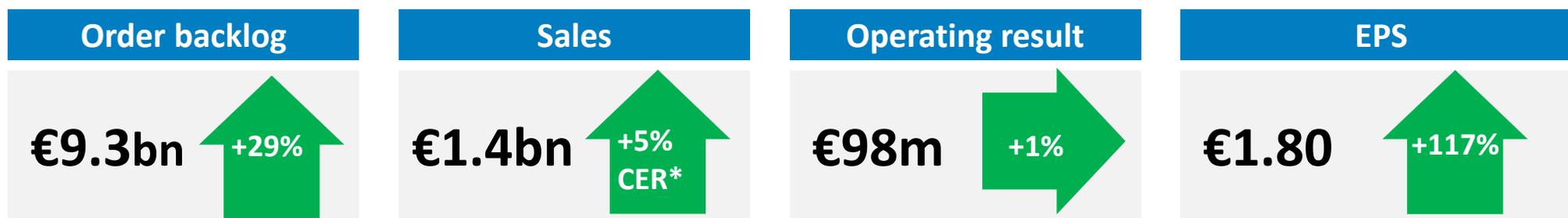
Q3 2018 Group: Tragic incident Explosion in ammunition site in South Africa

- Rheinmetall mourns the loss of 8 colleagues
- Explosion at propellants operations building in Somerset West on 3 Sept 2018 led to the destruction of one building
- Reasons for the incident are still under investigation by local police, national authorities together with Denel and Rheinmetall
- Operating permit had been renewed two weeks before the incident



Q3 2018 Group Commercial Highlights

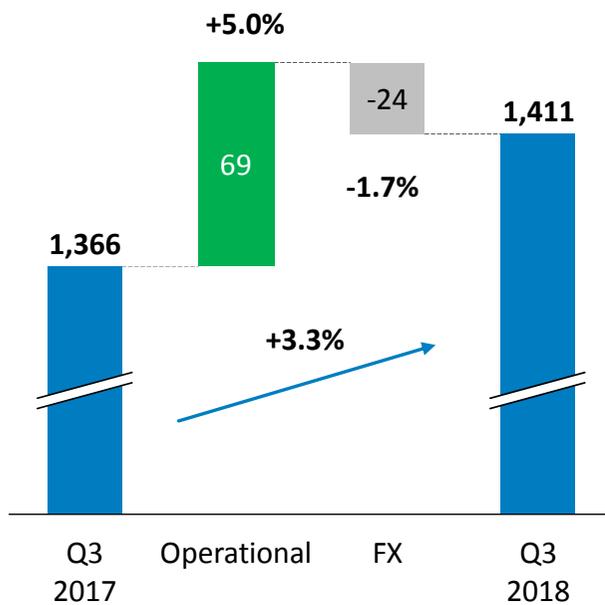
Stable performance in a challenging quarter



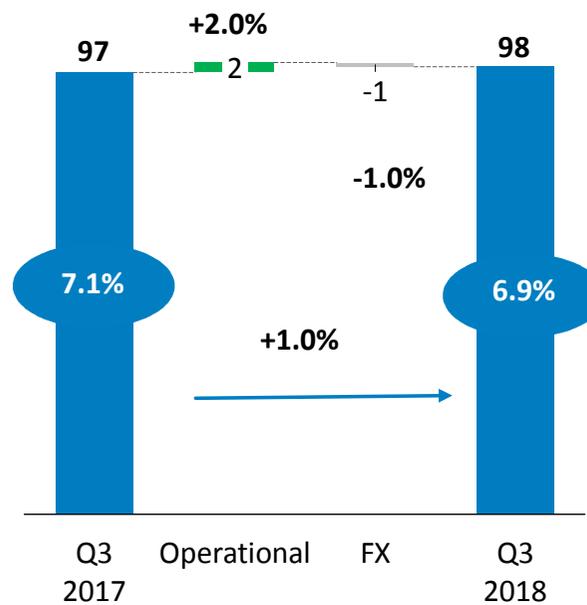
- Order backlog on new record level boosted by Australian contracts
- Sales climbed 5.0% at constant exchange rates* (reported 3.3%) to €1.4bn
- Operating result improved slightly to €98m despite a challenging quarter
- EPS rose on higher EBIT driven by real estate profit and soft comparables from €0.83 to €1.80
- FY Guidance 2018: profitability target raised, sales growth expectations lowered

Top line growth and accelerated EPS development

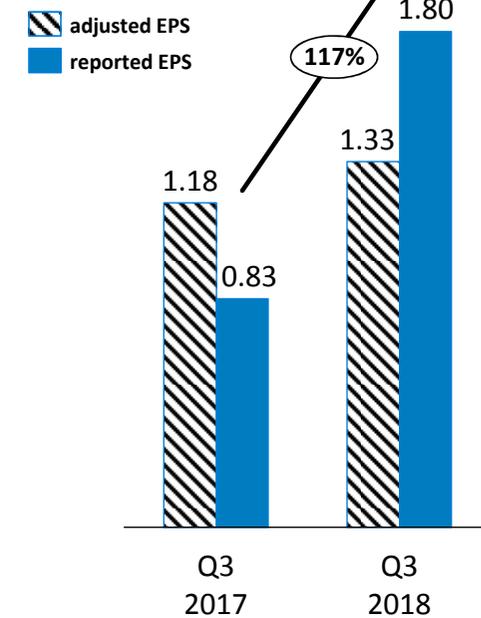
Sales
in €m



Operating result in €m
Operating margin in %

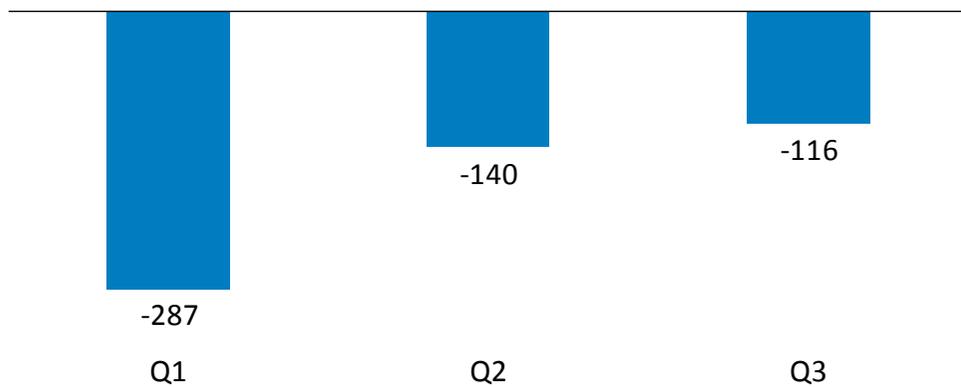


Earnings per share
in €

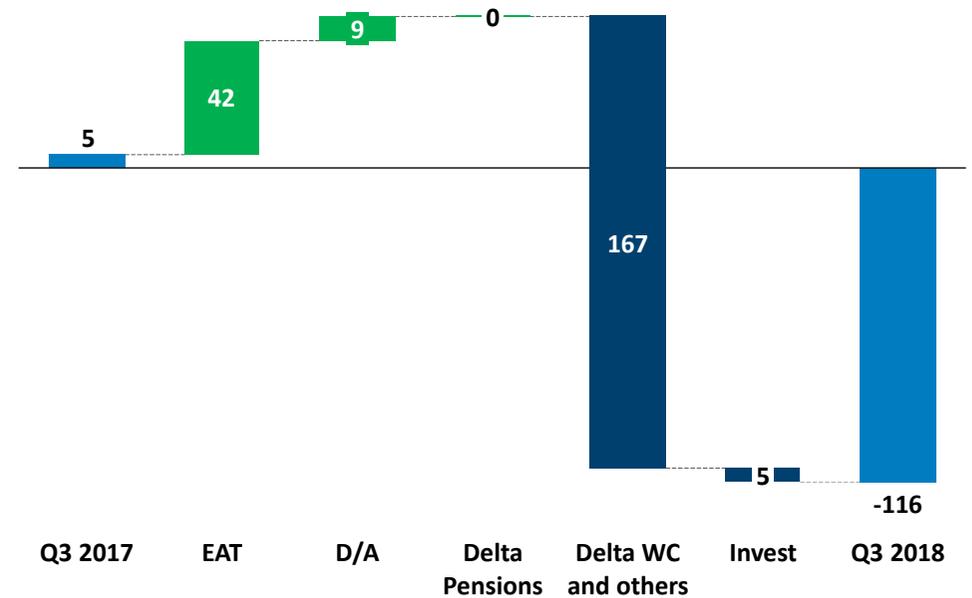


Cash flow still negative but improving quarter by quarter

■ Cash flow development 2018
in €m

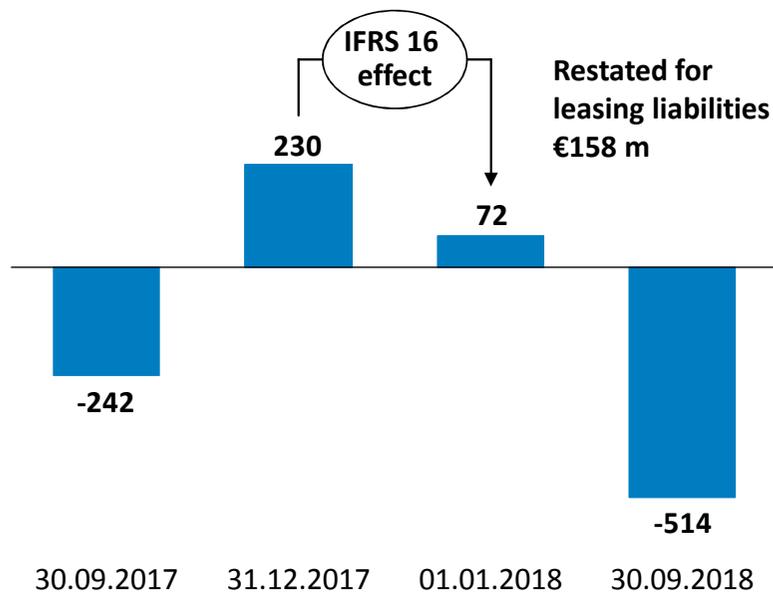


■ Operating free cash flow bridge
in €m

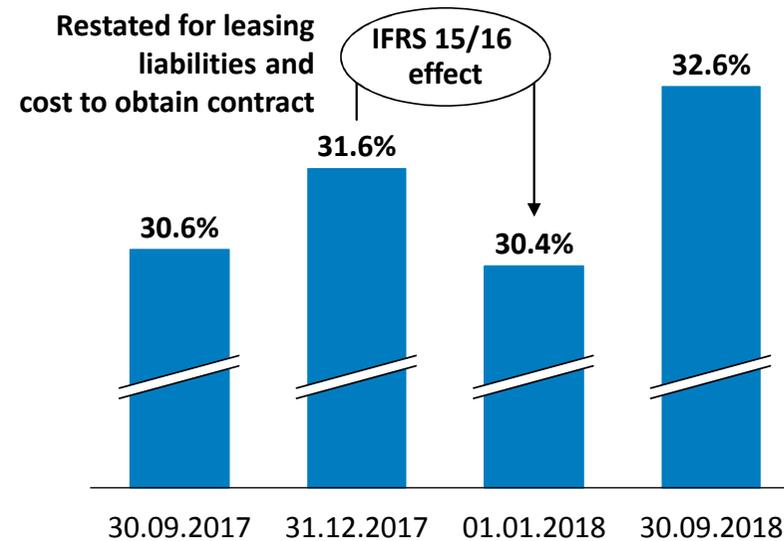


Further improvement of equity ratio despite net debt increase

■ Net debt
in €m



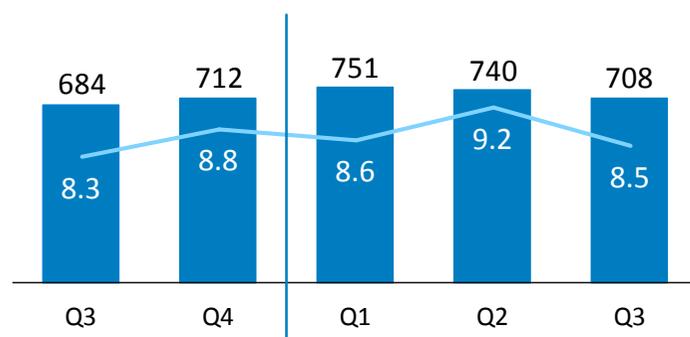
■ Equity ratio
in % of total assets



Q3 2018 Summary: Automotive

Automotive resilient in a contracting market

Quarterly sales and margin development



Comments on quarterly performance

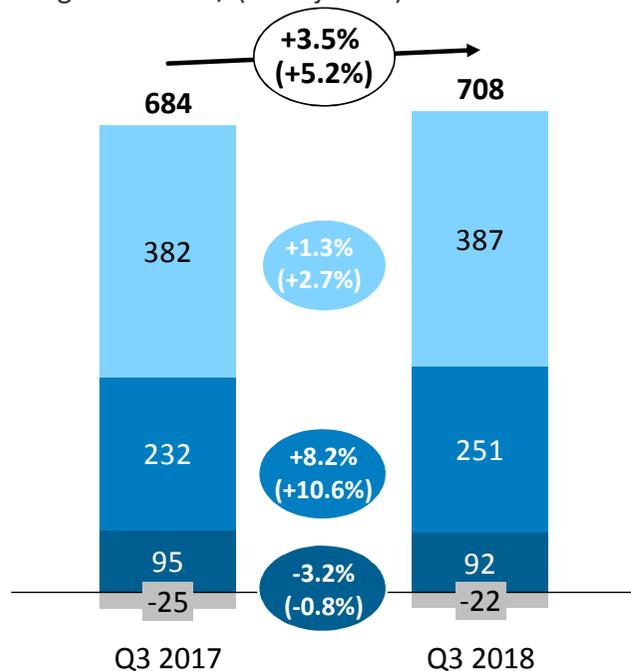
- Sales climbed to €708 million with a strong FX-adjusted growth of 5.2% (rep 3.5%), largely driven by non-LV performance
- Q3 supported by first successful product launches
- Operating margin improved 0.2%p to 8.5% y-o-y, supporting FY guidance
- OFCF declined on increased capex, different timing of customer payments and cash outs for restructuring booked in Q3 2017, while PY included prepayments

in €m	Q3 2017	Q3 2018	Δ in %	9m 2017	9m 2018	Δ in %
Sales	684	708	3.5%	2,149	2,199	2.3%
Operating result	57	60	5.3%	186	193	3.8%
Operating margin in %	8.3%	8.5%	0.2%p	8.7%	8.8%	0.1%p
Operating Free Cash Flow	81	-2		32	-16	
Operating FCF / Sales	11.8%	-0.3%	-12.1%p	1.5%	-0.7%	-2.2%p

Robust sales and margin improvement

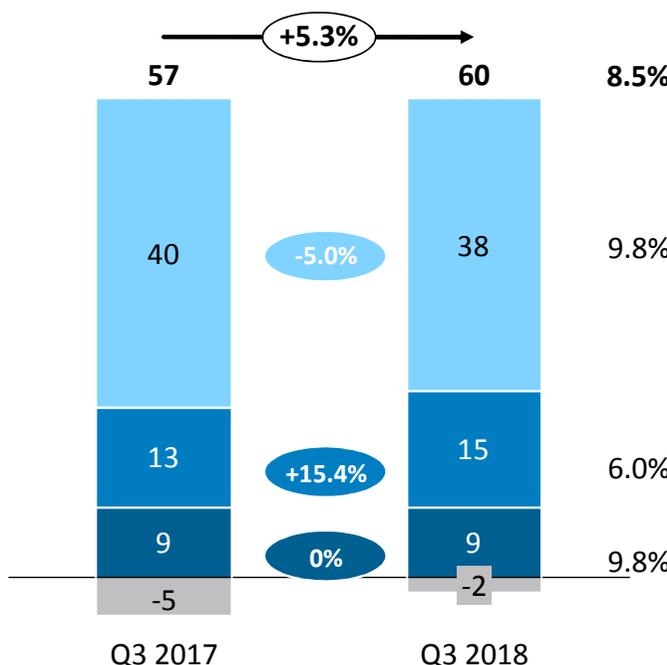
Sales Automotive

in €m
growth in % / (FX adjusted)



Operating result Automotive

in €m



Margin

Mechatronics

- Diesel business decline compensated, especially in Commercial Diesel Systems and some SOP (e.g. electrical pumps)
- Results held back by ramp-up cost for further SOP in Q4 2018

Hardparts

- Sales growth mainly due to equipment sale to licensee
- Large Bore Pistons recovery continues

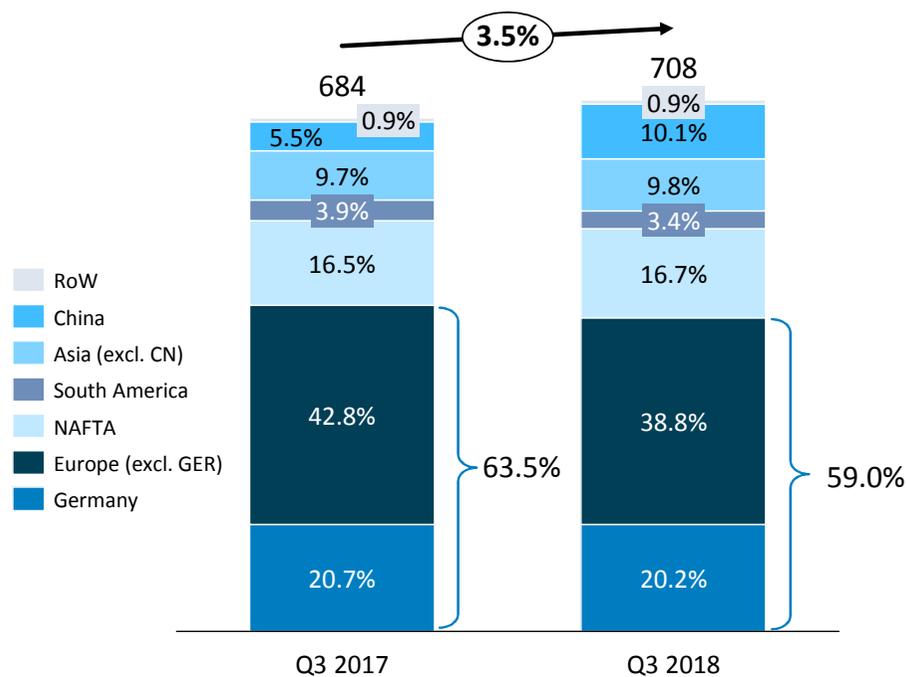
Aftermarket

- Weak markets in Middle East

■ Mechatronics ■ Hardparts ■ Aftermarket ■ Consolidation

Europe affected by Diesel and WLTP uncertainties

Regional sales development Automotive in €m



- Diesel sales declined, especially in Germany and Europe
- WLTP induced production cuts in Europe
- Ramp-up of electrical pumps in Germany and China
- Good demand for truck related products

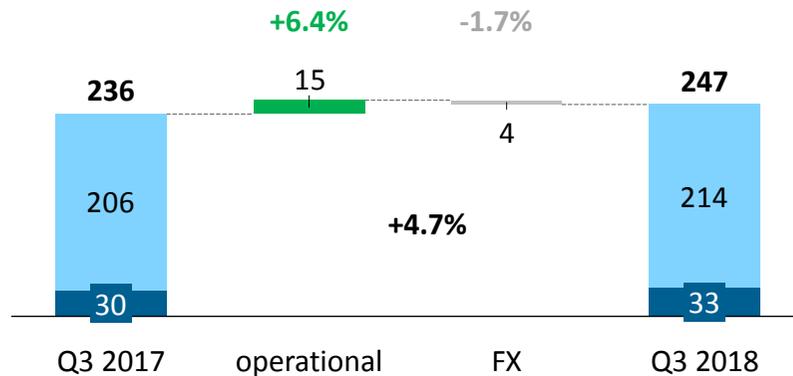
Effect



China

Strong sales performance helped by product starts in a negative market

■ Sales
in €m



■ EBIT
in €m



- Sales increased by 6.4% to €247m (4.7% reported) vs. a negative LV-market growth of -4.2%
- Result development held back by ramp-ups scheduled for Q4
- First product starts realized, majority expected for Q4 including SOP for Chinese producers
- FX continues to burden sales and results

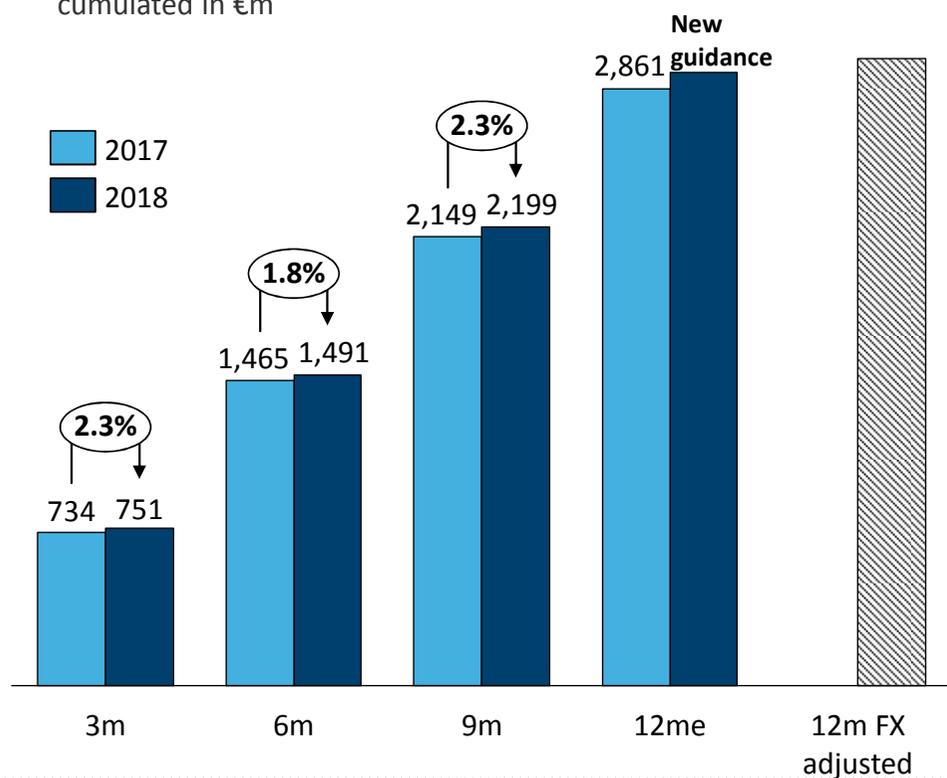
Including 100% figures of 50/50 JV, consolidated at equity

Q4 2018 outlook: Automotive

Market uncertainties responsible for growth adjustment

Sales

cumulated in €m



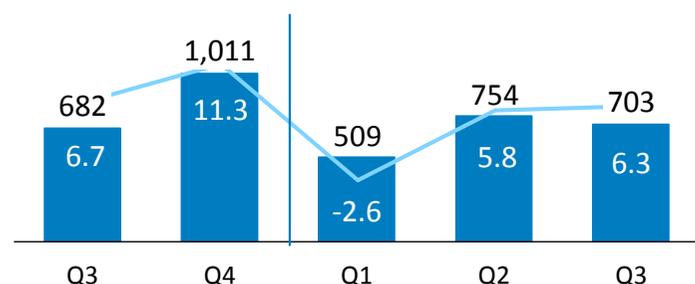
- H2 supported by product starts
 - Ramp-ups in Germany and China (e.g. electrical pumps)
- but:**
- multiple issues unsettle the market
 - Global tariffs
 - WLTP
 - Diesel
 - China market slow-down
- and:**
- adverse FX remains a topic throughout the year

More cautious on growth in Q4

Q3 2018 Summary: Defence

Slower start to H2 because of additional burdens

Quarterly sales and margin development



Comments on quarterly performance

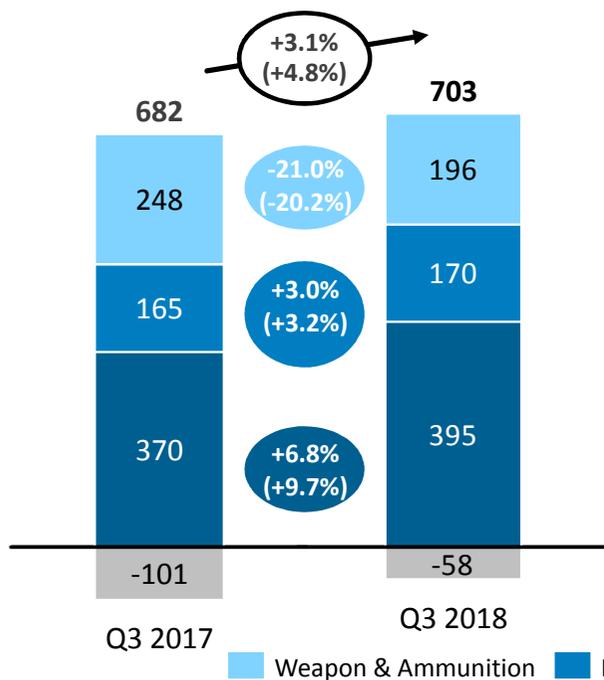
- Record order intake of €3bn, driven by AUS vehicle orders
- Sales grew to €703m with an operational improvement of 4.9% (3.1%rep), driven by ES and VS
- WA held back for various issues (e.g. explosion South Africa, export approvals and delayed customer approval)
- Strong result in VS mitigated by WM's negative leverage
- OFCF still affected by inventory build up to support Q4 sales

in €m	Q3 2017	Q3 2018	Δ in %	9m 2017	9m 2018	Δ in %
Order intake	870	3,044	249.9%	2,292	4,471	95.1%
Sales	682	703	3.1%	2,025	1,966	-2.9%
Operating result	46	44	-4.3%	60	75	25.0%
Operating margin in %	6.7%	6.3%	-0.4%p	3.0%	3.8%	0.8%p
EBIT	46	43	-6.5%	57	66	15.8%
Operating Free Cash Flow	-52	-98		-157	-508	
Operating FCF / Sales	-7.6%	-13.9%	-6.3%p	-7.8%	-25.8%	-18.0%p

Strong performance of Vehicle Systems and Electronic Solutions

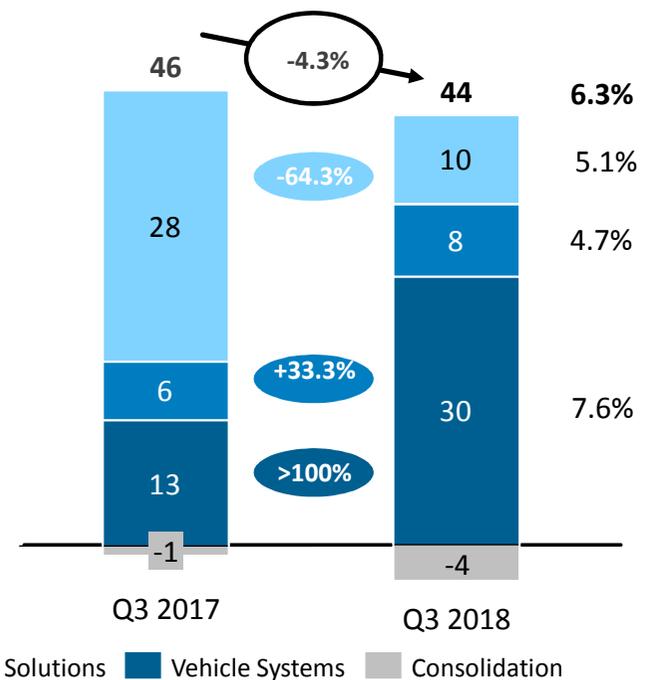
Sales Defence

in €m
growth in % / (operational)



Operating result Defence

in €m



Weapon and Ammunition

- Negative operational leverage
- Explosion in South Africa
- Missing export permits
- Delayed customer approvals due to cancelled testing because of fire hazard at testing range

Electronic Solutions

- Optimized cost structure

Vehicle Systems

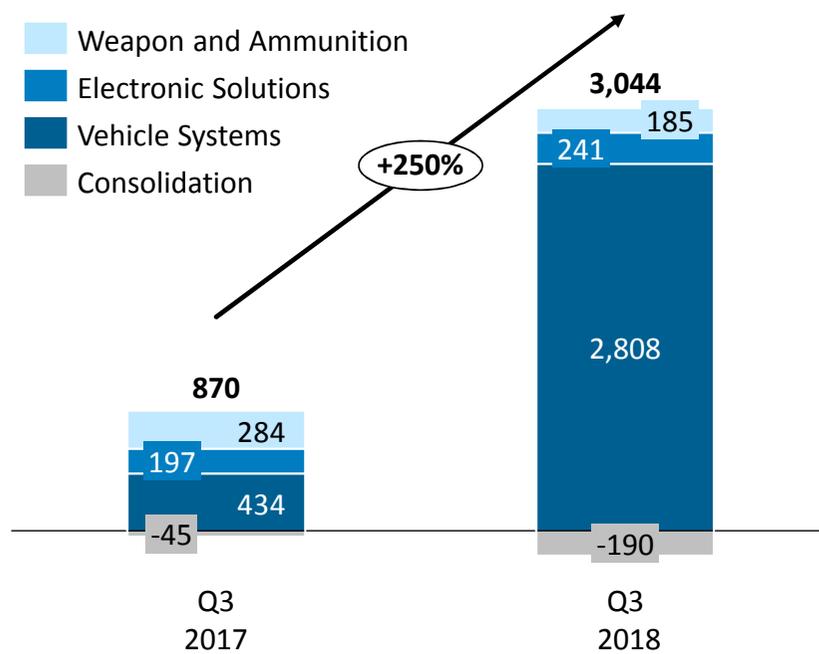
- High utilization
- Continuously improved product mix (phasing out of Dutch Boxer)
- Improvement of supply chain issues (resolved by year-end)

Consolidation

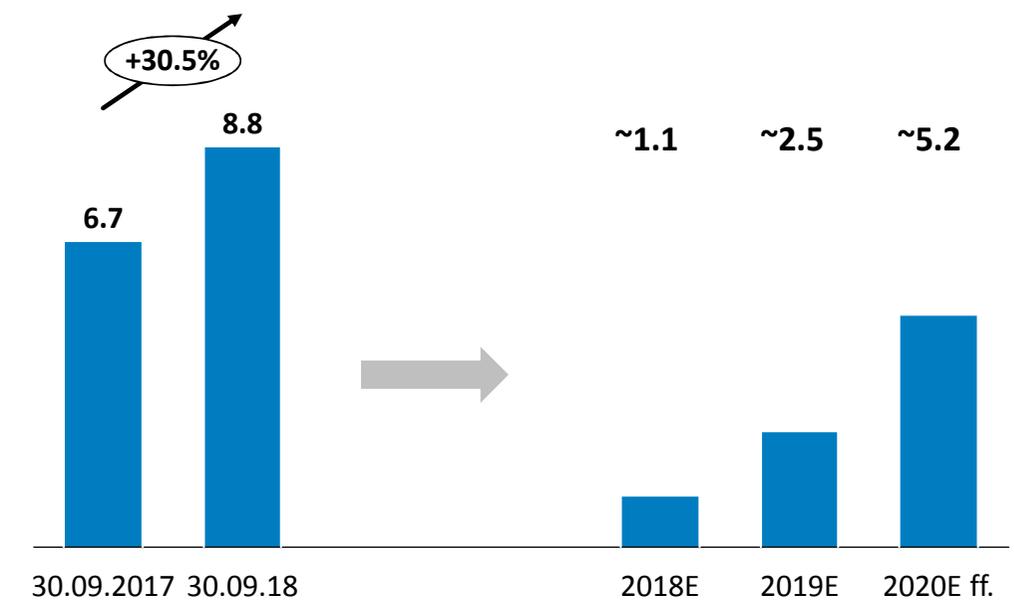
- Elimination of intercompany profits

Record order intake in Vehicle Systems driven by Australian orders

Order intake by division
in €m

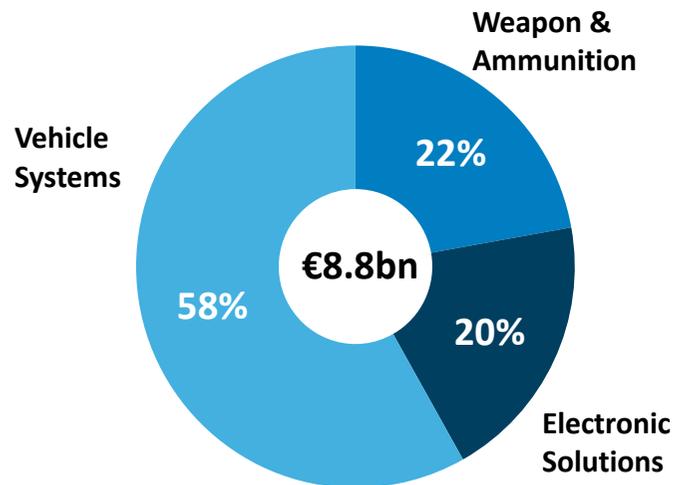


Order backlog profile
in €bn
change in %

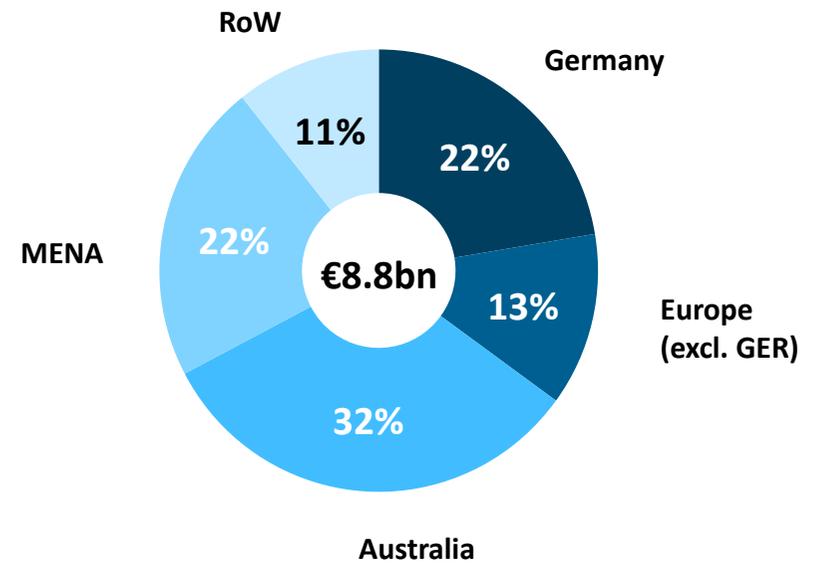


Vehicle Systems propelled backlog to €8.8bn

■ Order backlog by Division
in %



■ Order backlog by Region
in %



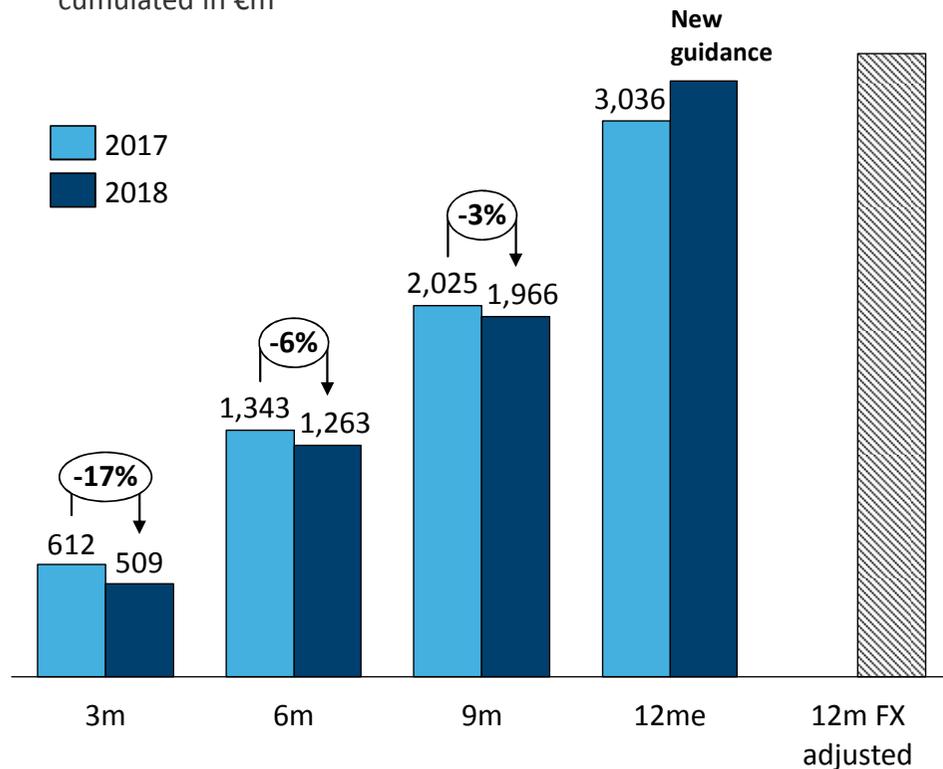
All 9/2018 excl. Consolidation

Q4 2018 outlook: Defence

FY guidance too ambitious on the back of recent risk development

Sales

cumulated in €m



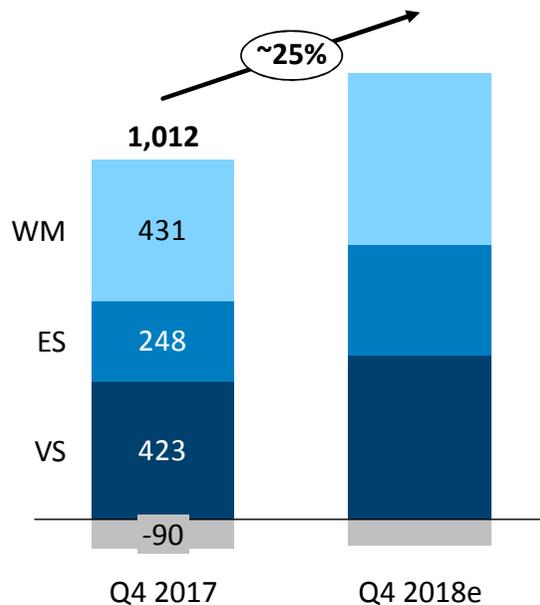
- Progressive closure of sales gap in the course of the year
 - but:**
 - pending export approvals
 - FY sales impact of South Africa
 - and:**
 - adverse FX remains a topic throughout the year
- Adjusted growth guidance

Q4 2018 outlook: Defence

...but high confidence for catch-up in Q4

Sales Defence

in €m



Operating margin Defence

in % on sales

	Q4 2017	Q4 2018
WA	17.9%	
ES	8.1%	
VS	5.7%	
Defence	11.3%	~12%

- Expected sales growth in Q4 of ~25% driven by all three Divisions
 - Above average share of classic ammunitions business in WA
 - Sales growth ES and VS driven by 2017's German orders

Weapon and Ammunition

- ~€70-80m higher sales level than PY
- Better operating leverage due to a higher share of pure ammunition business
- Beneficial product mix development since Q2

Electronic Solutions

- ~€90m higher sales level than PY
- Benefiting from German order intake in 2017
- Optimized cost structure

Vehicle Systems

- ~€70-80m higher sales level than PY
- Enhanced pricing levels in tactical vehicles and phasing out of Dutch Boxer
- Higher production efficiencies

FY Guidance

Higher profitability in light of more realistic sales expectations

	Sales		Operating margin	
	2017 Growth y/y in %	2018e Reported growth y/y in %	2017 in %	2018e in %
Group	5.2	~5 (previously: ~8)	6.8	clearly above 7.0 (previously: ~7.0)
Automotive 	7.7 (Global LV: 2.2%)	2-3 (previously: 3-4)	8.7	slightly above 8.5 (previously: ~8.5)
Defence 	3.1	6-7 (previously: ~12)	5.7	slightly above 7.0 (previously: ~6.5)

IHS LV growth assumption as per 8 October FY 2018: 1.4%; Q4 2018: 1.8%

Next events and IR contacts

■ Events 2018/19

Berenberg Pennyhill Conference	London	4 December
GIS Commerzbank Conference	New York	15-16 January
GCC Kepler Cheuvreux Conference	Frankfurt	21-22 January
Lampe Conference	London	31 January
CMD 2018	Berlin	28-29 November
FY 2018		13 March 2019

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■ Quick link to documents

Corporate Presentation



Interim Reports



Annual Reports



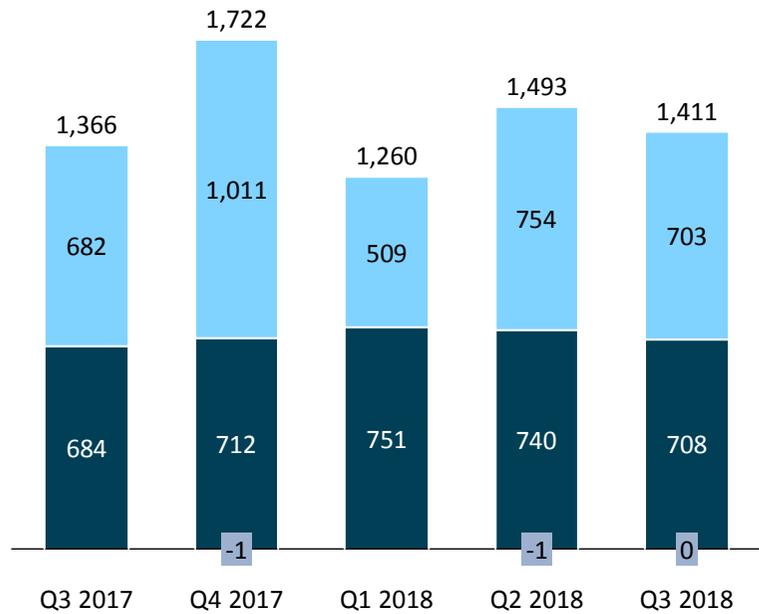
APPENDIX

Selected key data: outlook 2018

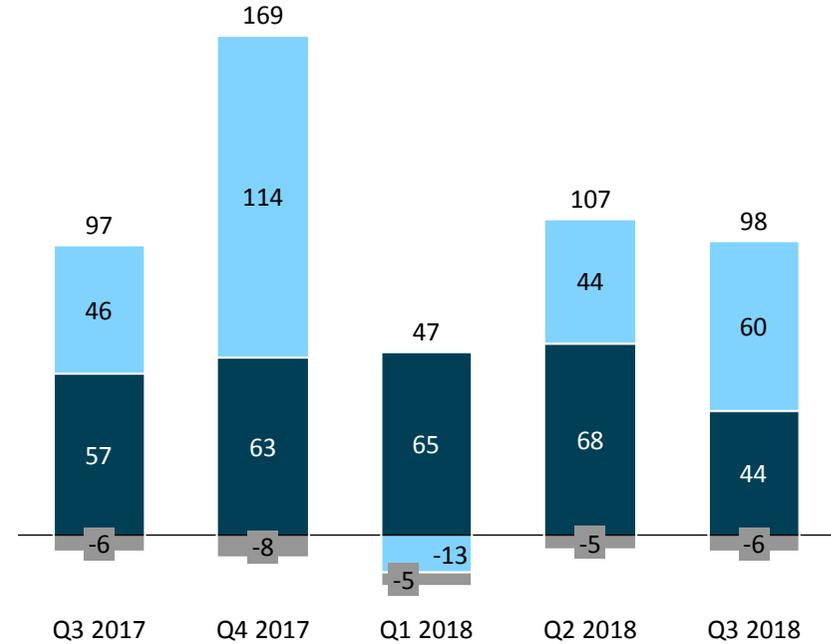
Rheinmetall Group		In % of sales	Automotive 	Defence 
Holding cost	~€30m (PY: €23m)	Capex	~5.5 - 6.0%	~3.5 - 4.5%
Tax rate	<30% (PY: 27%)	D&A	~5.5%	~3 - 3.5%
Net Interest	On previous year level	R&D	~5 - 5.5%	~2 - 2.5%

Quarterly development Group

Sales
in €m



Operational results
in €m



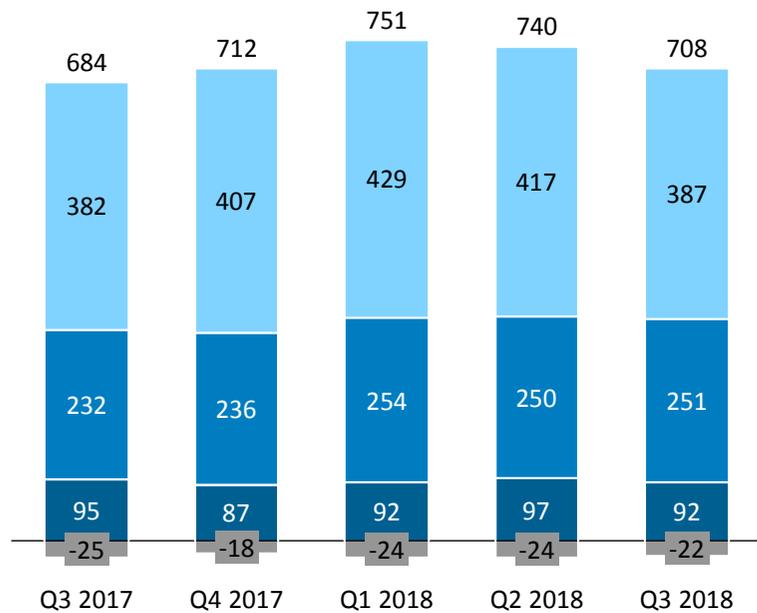
■ Defence ■ Automotive ■ Consolidation/Others

Free Cash Flow summary Group

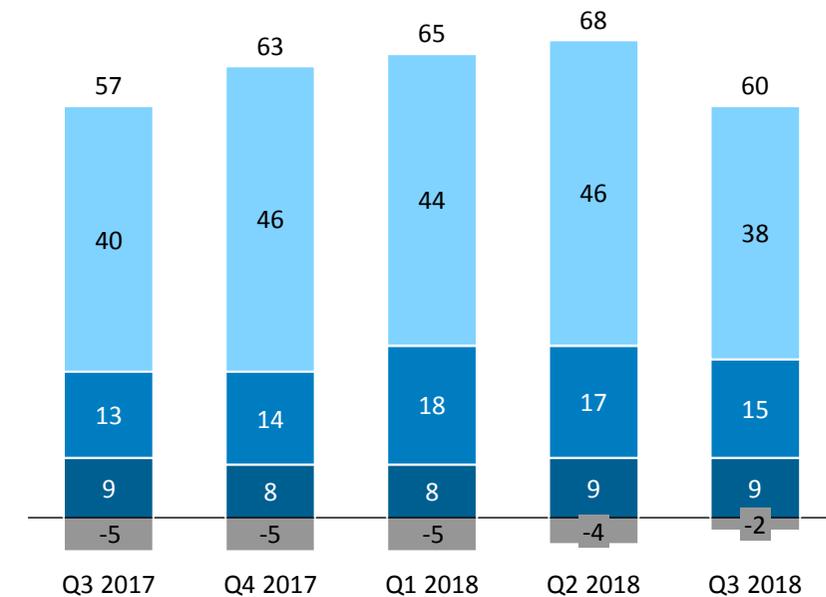
in €m	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Δ Q2 '17/'18
Group Net Income	43	130	27	65	85	42
Amortization / depreciation	59	70	64	91	68	9
Change in pension accruals	1	-8	-42	1	1	-
Cash Flow	103	192	49	157	154	51
Changes in working capital	-89	343	-258	-197	-200	-111
Changes in other items	53	31	-31	-47	-3	-56
Net cash used in operating activities	67	566	-240	-87	-49	-116
Cash outflow for additions to tangible and intangible assets	-62	-115	-47	-53	-67	-5
Free Cash Flow from Operations	5	451	-287	-140	-116	-121

Quarterly development Automotive

■ Sales by division
in €m



■ Operational result by division
in €m



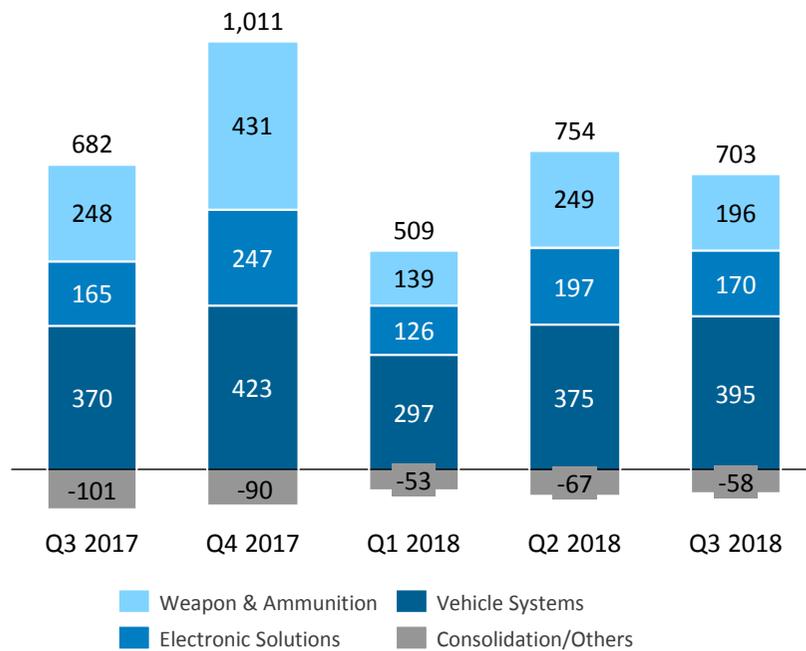
■ Mechatronics ■ Hardparts ■ Aftermarket ■ Consolidation/Others

Free Cash Flow summary Automotive

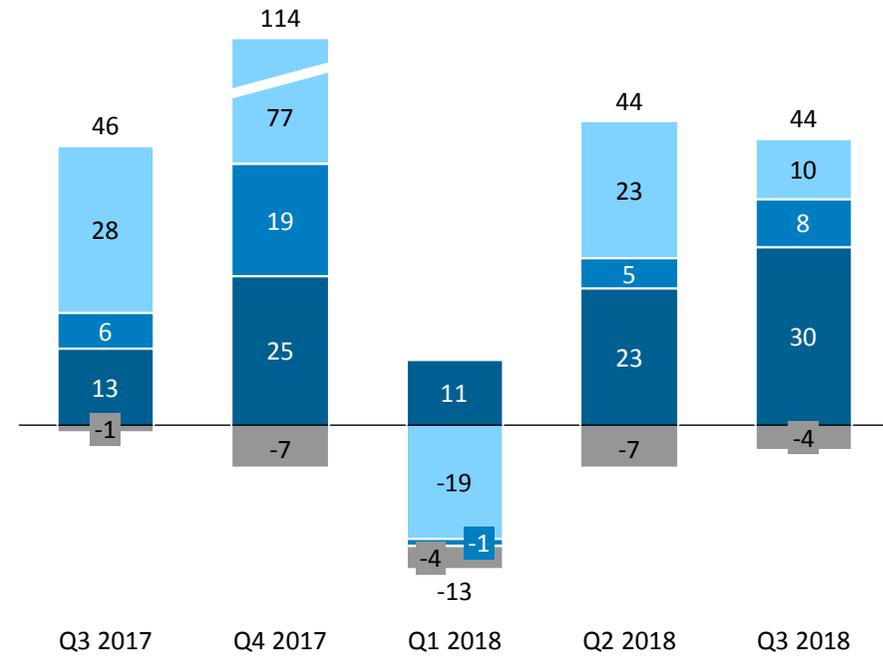
in €m	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Δ Q2 '17/'18
Net income	25	44	45	52	42	17
Amortization / depreciation	37	39	36	38	39	2
Change in pension accruals	-	-	-20	-1	-	-
Cash Flow	62	83	61	89	81	19
Changes in working capital	21	72	-62	4	-58	-79
Changes in other items	40	-4	-20	-26	20	-20
Net cash used in operating activities	123	151	-21	67	43	-80
Cash outflow for additions to tangible and intangible assets	-42	-77	-29	-31	-45	-3
Free cash flow from operations	81	74	-50	36	-2	-83

Quarterly development Defence

Sales by division
in €m



Operational result by division
in €m



Free Cash flow summary Defence

in €m	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Δ Q2 '17/'18
Net income	32	76	-21	23	27	-5
Amortization / depreciation	21	29	26	52	27	6
Change in pension accruals	2	-2	-2	2	2	-
Cash Flow	55	103	3	77	56	1
Changes in working capital	-16	266	-200	-202	-76	-60
Changes in other items	18	61	-25	-26	-22	-40
Net cash used in operating activities	-33	430	-222	-151	-76	-43
Cash outflow for additions to tangible and intangible assets	-19	-35	-17	-20	-22	-3
Free cash flow from operations	-52	395	-239	-171	-98	-46

In €m													
Income Statement Group													
	Q3			9m				Q3			9m		
	2017	2018	Δ	2017	2018	Δ		2017	2018	Δ	2017	2018	Δ
Sales	1,366	1,411	45	4,174	4,164	-10							
	41	70	29	142	230	88							
Total operating performance	1,407	1,481	74	4,316	4,394	78	Earnings before interets and taxes (EBIT)	75	127	52	206	273	198
Other operating income	19	61	42	82	125	43	Net interest income	3	1	-2	6	4	-2
Cost of materials	730	794	64	2,333	2,319	-14	Interest expenses	-13	-11	2	-41	-33	8
Personnel expenses	384	373	-11	1,171	1,177	6	Earnings before taxes (EBT)	65	117	52	171	244	179
Amortization, depreciation and impairment	59	68	9	171	223	52	Income taxes	-22	-32	-10	-49	-67	-45
Other operating expenses	179	184	5	513	545	32	Earnings after taxes	43	85	42	122	177	134
Income from investments carried at equity	7	7	0	12	21	9	Of which:						
Other net financial income	-6	-3	3	-16	-3	13	Minority interests	7	8	1	19	23	16
Earnings before interets and taxes (EBIT)	75	127	52	206	273	67	Rheinmetall AG shareholders	36	77	41	103	154	118
							EBITDA	134	195	61	377	496	362

In €m

Cash Flow Statement Group

	9m 2017	9m 2018	Δ		9m 2017	9m 2018	Δ
Net income	122	177	55	Dividends paid out by Rheinmetall AG	-62	-73	-11
Amortization, depreciation and impairments	171	223	52	Other profit distributions	-10	-7	3
Allocation of CTA assets to secure pension and partial retirement	-30	-40	-10	Sale of treasury shares	4	1	-3
Changes in pension provisions	-6	0	6	Capital payment to/capital contributions by non-controlling interests	4	0	-4
Income from disposition of non-current assets	0	-34	-34	Increase in shares in consolidated subsidiaries	0	0	0
Changes in other provisions	80	34	-46	Borrowing of financial debts	401	133	-268
Changes in working capital	-321	-655	-334	Repayment of financial debts	-537	-91	446
other changes	-22	-58	-36	Cash flows from financing activities	-200	-37	163
Pro rata income from investments carried at equity	-12	-21	-9	Changes in financial resources	-232	-498	-266
Dividends received from investments carried at equity	3	2	-1	Changes in cash and cash equivalents due to exchange rates	-14	0	14
Other non-cash expenses and income	-5	-4	1	Total change in financial resources	-246	-498	-252
Cash flows from operating activities 1)	-20	-376	-356	Opening cash and cash equivalents January 1	616	757	141
Investments in property, plant and equipment, intangible assets	-155	-167	-12	Closing cash and cash equivalents	370	259	-111
Cash receipts from the disposal of property, plant and equipment	2	72	70				
Payments for the purchase of current liquid financial assets	-213	-175	38				
Cash receipts from the disposal of current liquid financial assets	363	204	-159				
Investments in consolidated companies and other financial assets	-9	-19	-10				
Cash receipts from disposal of financial assets	0	0	0				
Cash flows from investing activities	-12	-85	-73				

In €m

Balance Sheet Group

	31.12.2017	01.01.2018	30.09.2018	Δ		31.12.2017	01.01.2018	30.09.2018	Δ
Non-current assets	2,712	2,939	2,972	33	Equity	1,955	1,950	2,089	139
Goodwill	550	550	550	0	Share capital	112	112	112	0
Other intangible assets	229	229	192	-37	Additional paid-in capital	540	540	547	7
Usage rights		158	165	7	Retained earnings	1,209	1,205	1,329	124
Property, plant and equipment	1,387	1,387	1,379	-8	Treasury shares	-25	-25	-21	4
Investment property	46	46	44	-2	Rheinmetall AG shareholders' eq	1,836	1,832	1,967	
Investments carried at equity	242	242	270	28	Minority interests	119	118	122	4
Other non-current financial assets	73	142	172	30	Non-current liabilities	1,905	2,048	1,988	-60
Deferred taxes	185	185	200	15	Provisions for pensions and simil	1,080	1,080	959	-121
					Other non-current provisions	185	204	185	-19
Current assets	3,474	3,468	3,429	-39	Non-current financial debts	572	696	757	61
Inventories	1,172	1,165	1,474	309	Non-current financial liabilities	8	54	48	-54
Contractual assets	-	325	385	60	Other non-current liabilities	48	-	54	54
Trade receivables	1,217	897	975	78	Deferred taxes	14	14	33	-85
Liquid financial assets	119	119	90	-29	Current liabilities	2,326	2,409	2,324	-2
Other current financial assets	190	186	197	11	Other current provisions	595	641	699	-132
Income tax receivables	11	11	47	36	Current Financial debts	74	108	106	-78
Cash and cash equivalents	757	757	259	-498	Current financial liabilities	112	-	-	
Assets for disposal	8	8	2		Contractual liabilities	-	636	504	
					Trade liabilities	760	760	682	20
					Other current liabilities	711	190	210	49
					Income tax liabilities	74	74	123	49
Total assets	6,186	6,407	6,401	-6	Total Liabilities	6,186	6,407	6,401	-6

Glossary

bn	billions	m	million
bp	basis points	NNBS	Short range air defence
CAGR	compounded average growth rate	NWC	Net working capital
CER	Constant Exchange Rates	OEM	Original Equipment Manufacturer
CTA	Contractual trust agreement	Operating FCF	Operating free cash flow
D&A	Depreciation & Amortization	Op. margin	Operating margin
e	expected	%P	Percentage points
EA	Export approval	P&L	Profit & Loss Account
EBIT	Earnings before Interest and Tax	PY	Previous Year
EBITDA	Earnings before Interest, Tax , Depreciation and Amortization	RDE	Real Drive Emissions
EBT	Earnings before Tax	rep	reported
EIB	European Investment Bank	ROCE	Return on capital employed
EPS	Earnings per share	RoW	Rest of the World
EPL	Einzelplan	SOP	Start of production
EV	Electric Vehicle	TLVS	Tactical air defence system
FTE	Full Time Equivalents	WACC	Weighted average cost of capital
FX	Foreign exchange rate	WLTP	Worldwide Harmonized Light-Duty Vehicles Test Procedure
GDP	Gross Domestic Product	WfoE	Wholly foreign owned enterprise
HEV	Hybrid and Electric Vehicles		
IAA	Internationale Automobil Ausstellung		
ICE	Internal combustion engine		
IFRS	International Financial Reporting Standards		
JV	Joint Venture		
LBP	Large bore piston		
LV	Light vehicle		

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