

QUARTERLY REPORT 3RD QUARTER

2019

Rheinmetall reports improvement in sales and earnings after first nine months

- Consolidated sales up 3.1% at €4,294 million despite declining automotive markets
- Consolidated operating earnings improve 3.9% to €262 million
- Earnings per share rise 5.0% year-on-year from €3.59 to €3.77
- Automotive characterized by weak market environment: sales decline by 4.6% to €2,099 million – operating margin 6.9%
- Defence sales rise by 12% or €232 million to €2,198 million, operating margin widens from 3.8% to 6.1%
- Group order backlog still at high level of €9.2 billion
- Sales outlook adjusted downwards due to weaker automotive economy
- Group forecast for operating margin confirmed at 8%

Rheinmetall in figures

		Q3/2019	Q3/2018	Q1-Q3/2019	Q1-Q3/2018
Sales/Results					
Sales	€ million	1,481	1,411	4,294	4,164
of which generated abroad	%	68	75	71	76
Operating result	€ million	99	98	262	252
Operating margin	%	6.7	7.0	6.1	6.1
EBIT	€ million	99	127	269	273
EBIT margin	%	6.7	9.0	6.3	6.6
EBT	€ million	83	117	234	244
Earnings after taxes	€ million	60	85	170	177
Cash Flow					
Cash flow from operating activities	€ million	(64)	(49)	(167)	(376)
Cash flow from investments	€ million	(63)	(67)	(167)	(167)
Operating free cash flow	€ million	(127)	(116)	(334)	(543)
Balance sheet (September 30)					
Equity	€ million	-	-	1,990	1,999
Total assets	€ million	-	-	7,125	6,311
Equity ratio	%	-	-	28	32
Cash and cash equivalents	€ million	-	-	355	259
Total assets ./ Cash and cash equivalents	€ million	-	-	6,769	6,052
Net financial debt	€ million	-	-	(660)	(514)
Leverage ratio ¹⁾	%	-	-	9.8	8.5
Net gearing ²⁾	%	-	-	33.2	25.7
Human resources (September 30)					
Rheinmetall Group	FTE	-	-	23,742	22,770
Domestic	FTE	-	-	11,590	10,962
Foreign	FTE	-	-	12,152	11,808
Rheinmetall Automotive					
Sales	€ million	659	708	2,099	2,199
Operating result	€ million	43	60	144	193
Operating margin	%	6.5	8.5	6.9	8.8
Capital expenditure (net investments)	€ million	39	46	114	109
Rheinmetall Defence					
Order intake	€ million	1,136	3,044	2,201	4,471
Order backlog (September 30)	€ million	-	-	8,689	8,787
Sales	€ million	823	703	2,198	1,966
Operating result	€ million	64	44	134	75
Operating margin	%	7.8	6.3	6.1	3.8
Capital expenditure	€ million	33	22	76	65
Share					
Stock price (September 30, 2019/September 28, 2018)	EUR	-	-	116.05	90.06
Earnings per share	EUR	1.33	1.80	3.77	3.59

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

2) Net financial debt/equity

Business performance of the Rheinmetall Group

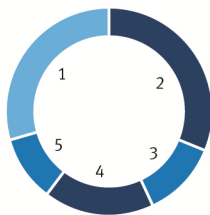
€ million	Q3/2019	Q3/2018	Change	Q1-Q3/2019	Q1-Q3/2018	Change
Sales	1,481	1,411	70	4,294	4,164	130
Operating result	99	98	1	262	252	10
Operating margin	6.7%	6.9%	-0.2%-P	6.1%	6.1%	0.0%-P
Operating free cash flow	(127)	(116)	(11)	(334)	(543)	209

Sales and earnings growth despite weak global automotive industry

Consolidated sales rose by €130 million or 3.1% year-on-year to €4,294 million in the first three quarters of 2019. Sales were up by 2.1% after adjustment for currency effects.

The Group's sales increase related entirely to the significant growth in the Defence sector, where sales were €232 million higher in the first three quarters. By contrast, sales in the Automotive sector were €100 million lower than the previous year's figure owing to the declining trend in global automotive production.

Sales by region € million



	Q1-Q3 2019	Q1-Q3 2018
Rheinmetall Group	4,294	4,164
1 Germany	1,257	1,030
2 Other Europe	1,347	1,302
3 North & South America	504	541
4 Asia	741	771
5 Other regions	446	520

Operating earnings increased by €10 million year-on-year in the first three quarters of 2019. While the Defence sector improved its operating earnings by €59 million to €134 million, the Automotive sector fell short of the previous year's figure by €49 million with operating earnings of €144 million. Operating earnings in Others/Consolidation changed by €1 million to €-15 million. The Defence sector reported non-recurring effects of €2 million (previous year: €9 million) for restructuring, and there was non-recurring income of €2 million from real estate income in the Automotive sector. Non-operational insurance income of €7 million was included in Others/Consolidation. Taking these extraordinary items into account, EBIT amounts to €269 million and is therefore €4 million lower than in the previous year.

Earnings per share rose by 5.0% from €3.59 in the previous year to €3.77 in the first nine months of 2019.

Improved operating free cash flow

Operating free cash flow improved by €209 million to €-334 million in the first three quarters of 2019. This was due in particular to the lower increase in working capital in the Defence sector. Operating free cash flow includes an addition to the contractual trust arrangement (CTA) of €15 million (previous year: €40 million).

Business performance of the Rheinmetall Group

Automotive sector

€ million	Sales		Operating result	
	Q3/2019	Q3/2018	Q3/2019	Q3/2018
Automotive	659	708	43	60
Mechatronics	358	387	27	38
Hardparts	228	251	6	15
Aftermarket	92	92	9	9
Other/consolidation	(20)	(22)	1	(2)
	Q1- Q3/2019	Q1- Q3/2018	Q1- Q3/2019	Q1- Q3/2018
Automotive	2,099	2,199	144	193
Mechatronics	1,166	1,233	92	128
Hardparts	731	755	29	50
Aftermarket	269	281	25	26
Other/consolidation	(68)	(70)	(2)	(11)

Weak automotive industry influences sales and earnings

The Automotive sector was unable to escape the ongoing decline in the international automotive industry. At €2,099 million in the first nine months of 2019, the division's sales fell short of the figure for the same period of the previous year by 4.6% (adjusted for currency effects: 5.4%). However, sales were therefore slightly better overall than global production of light vehicles, which was down by 6.0% in the first three quarters of 2019. Operating earnings contracted by €49 million year-on-year to €144 million (previous year: €193 million) in the reporting period, resulting in an operating margin of 6.9% after 8.8% in the previous year.

Sales in the Mechatronics division declined by €67 million or 5.4% as against the previous year to €1,166 million in the first three quarters of 2019. This essentially results from passenger car diesel business, which remains soft. Operating earnings amounted to €92 million for the first nine months of 2019 after €128 million in the same period of the previous year. In addition to negative effects from the decline in sales, earnings were squeezed by the necessary outlay for new customer projects. The operating margin was 7.9% (previous year: 10.4%).

The Hardparts division generated sales of €731 million in the first nine months of 2019, a year-on-year reduction of €24 million or 3.1%. This development mainly results from weaker truck business and declining industry application sales. At €29 million, operating earnings were down on the previous year's figure of €50 million. The development in earnings was influenced by declining sales and difficult product ramp-ups. The operating margin moved down to 3.9% (previous year: 6.5%).

At €269 million, sales in the Aftermarket division after the first three quarters were €12 million or 4.2% lower than the figure for the previous year. Reductions in sales were mainly reported in North Africa, the Middle East and Western Europe. Operative earnings were kept stable year-on-year at €25 million (previous year: €26 million), thanks above all to cost-cutting measures and an advantageous product mix. The operating margin is therefore 9.4% (previous year: 9.6%).

Significant sales growth in China despite strong decline in passenger car production

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 significant growth of 9.2% to €722 million in the first nine months of 2019 (previous year: €661 million). Adjusted for acquisitions, sales growth at the joint ventures still amounts to 5.0%. This clearly outperformed the Chinese automotive market, where light vehicle production decreased by 12% in the first nine months of 2019. Earnings after taxes amounted to €32 million for the nine months of 2019 (previous year: €30 million).

In the first nine months of the current fiscal year, sales by the German joint venture KS HUAYU AluTech Group were down by 22% on the previous year at €188 million. This development is due firstly to the lower level of orders in series production business in the current fiscal year and secondly to high equipment sales that boosted the prior-year figure. Accordingly, earnings after taxes again fell short of the previous year's figure at €-2 million for the first nine months of 2019 (previous year: €-1 million).

€ million – 100% basis	China Joint Ventures				KS HUAYU			
	Q3/2019	Q3/2018	Q1- Q3/2019	Q1- Q3/2018	Q3/2019	Q3/2018	Q1- Q3/2019	Q1- Q3/2018
Sales	265	214	722	661	60	68	188	240
Earnings after taxes	13	8	32	30	-	(2)	(2)	(1)

Business performance of the Rheinmetall Group

Defence sector

€ million	Order intake		Sales		Operating result	
	Q3/2019	Q3/2018	Q3/2019	Q3/2018	Q3/2019	Q3/2018
Defence	1,136	3,044	823	703	64	44
Weapon and Ammunition	252	185	196	196	10	10
Electronic Solutions	345	240	216	170	20	8
Vehicle Systems	774	2,809	461	395	35	30
Other/consolidation	(235)	(190)	(50)	(58)	(1)	(4)
	Q1- Q3/2019	Q1- Q3/2018	Q1- Q3/2019	Q1- Q3/2018	Q1- Q3/2019	Q1- Q3/2018
Defence	2,201	4,471	2,198	1,966	134	75
Weapon and Ammunition	860	1,074	581	584	9	14
Electronic Solutions	582	585	585	493	47	12
Vehicle Systems	1,051	3,036	1,179	1,067	80	64
Other/consolidation	(292)	(224)	(146)	(178)	(3)	(15)

Successful M&A activities

The first nine months of the fiscal year were characterized by a series of acquisitions and share purchases in the Defence sector.

The Weapon and Ammunition division acquired the non-controlling interests in Rheinmetall Chempro GmbH, Bonn (49%), Rheinmetall Active Protection GmbH, Bonn (26%) and the operating business of the IBD Deisenroth Engineering Group, Lohmar. Provectus Robotics Solutions Inc., Ottawa, Canada, was also acquired.

Two transactions were closed in the Vehicle Systems division in the third quarter of 2019: The buyback of shares in the joint venture Rheinmetall MAN Military Vehicles GmbH agreed with MAN Truck & Bus SE was completed in August 2019. Rheinmetall acquired 55% of the shares in Rheinmetall BAE Systems Land Ltd (formerly: BAE Systems Global Combat Systems Ltd.), Telford, UK, as of July 1.

Further details on these acquisitions can be found on pages 15 and 16 under “Completed M&A activities”.

Order intake of €2.2 billion

The Defence sector reported an order intake of €2,201 million in the first three quarters of 2019. This is a 51% reduction compared to the prior-year figure. However, this was impacted by the Boxer vehicles order for the Australian armed forces worth more than €2 billion, the largest single order in the company’s history. The order backlog in the Defence sector was €8,689 million as of the end of the reporting period after €8,787 million in the previous year.

Strong rise in sales and operating earnings

The Defence sector achieved significant sales growth of 12% or €232 million in the first three quarters. Sales climbed to €2,198 million after €1,966 million in the same period of the previous year. Growth was 11% after adjustment for currency effects and acquisitions. The Defence sector achieved a substantial earnings improvement in connection with this sales growth. Defence reported operating earnings of €134 million after three quarters, an increase of around 80% or €59 million compared to the prior-year figure of €75 million. The operating margin thus improved 6.1% in the first nine months of 2019 after 3.8% in the same period of the previous year.

Sales in the Weapon and Ammunition division fell marginally by €3 million or 5% in the first nine months to €581 million. The division's sales development is currently being influenced by a lack of export licenses and production downtime following an industrial accident in South Africa. Operating earnings declined by €5 million to €9 million. The operating margin is 1.6% (previous year: 2.4%).

The Electronic Solutions division reported an increase in sales of €92 million to €585 million. This represents an increase of 19%. A key factor driving this sales growth is the "Future Soldier" systems currently being delivered to the German armed forces. Operating earnings improved by €35 million to €47 million. The operating margin rose from 2.5% in the previous year to 8.1% in the current year.

The Vehicle Systems Division increased its sales significantly by €112 million or 10% year-on-year in the first three quarters of 2019. Operating earnings rose by €16 million to €80 million. In particular, the rise in earnings was caused by positive volume effects in the logistics vehicle segment (trucks). The operating margin was 6.8% after 6.0% in the previous year.

Risks and opportunities

Efficient risk management

In the context of a systematic and efficient risk management system, risks at the Rheinmetall Group are limited and of manageable proportions. There are no discernible material risks that could have a lasting negative impact on the Group's net assets, financial position or results of operations.

The material opportunities and risks of the expected development of the Rheinmetall Group are described in detail in the Group management report for 2018. There have been no significant changes or new information.

Outlook

Outlook adjusted due to market development in Automotive – Group forecast for operating margin remains the same

Given the downturn in global automotive production, the Rheinmetall Group currently expects that sales growth in fiscal 2019 will be weaker than previously anticipated.

Based on around €6.1 billion in fiscal 2018, the Rheinmetall Group's annual sales are expected to grow – organically and before currency effects – by slightly more than 1% in the current fiscal year. The Group had previously been forecasting sales growth of 4%.

In the Defence sector, sales are set to expand – organically and before currency effects – by around 9%. This is at the lower end of the original forecast range of a sales increase of between 9% and 11%, impacted by lower sales as a result of outstanding export licenses at two foreign subsidiaries.

However, experts' forecasts for future global automotive production have deteriorated since July 2019. The experts at IHS Markit have since lowered their forecast for 2019 to a production downturn of 5.8%. Rheinmetall assumes that global automotive production will not recover in the fourth quarter of 2019, and is projecting a drop in production worldwide of between 6% and 7% for the year as a whole. In light of this, Rheinmetall is forecasting that sales in the Automotive sector will decrease by around 7% in 2019, having previously anticipated a reduction of between 2% and 3%.

Based on these market expectations for automotive business and the new sales forecast derived from them, Rheinmetall is projecting an operating margin of around 6.5% in the Automotive sector in 2019, slightly lowering its previous forecast of around 7%.

In the Defence sector, Rheinmetall is forecasting a further improvement in operating earnings in fiscal 2019 and that the operating margin will rise to slightly above 9.5%. This marks a further improvement compared to the end of the first half of 2019, when the forecast had been raised to 9%.

Taking holding costs into account, the Rheinmetall Group's forecast for the consolidated operating margin for 2019 as a whole is unchanged at around 8%.

Supplementary report

Rheinmetall producing wheeled armored vehicles for British armed forces

A syndicate composed of Rheinmetall and Krauss-Maffei Wegmann (KMW) is set to produce Boxer wheeled armored vehicles worth around €2.6 billion for the British armed forces. An agreement to this effect has now been entered into with the syndicate company Artec by the Organisation for Joint Armament Cooperation (OCCAR) on behalf of the British Ministry of Defence.

The contract, which was signed as part of the UK's Mechanised Infantry Vehicle (MIV) project, is for more than 500 vehicles, with Rheinmetall and Krauss-Maffei Wegmann each accounting for 50% of the contract's volume. Thus, the total number of Boxers that Artec has either already delivered or is under contract for has risen to more than 1,400.

Consolidated balance sheet

€ million	9/30/2019	12/31/2018
Assets		
Goodwill	565	550
Other intangible assets	199	172
Rights of use	173	170
Property, plant and equipment	1,338	1,310
Investment Property	42	42
Investments accounted for using the equity method	308	285
Other non-current assets	240	205
Deferred taxes	288	217
Non-current assets	3,152	2,951
Inventories	1,622	1,259
Contractual asset	462	338
Trade receivables	1,199	1,185
Other current assets	237	178
Income tax receivables	57	22
Liquid financial assets	40	100
Cash and cash equivalents	355	724
Assets held for sale	-	2
Current assets	3,972	3,808
Total assets	7,125	6,759
Equity and liabilities		
Subscribed capital	112	112
Additional paid-in capital	553	547
Retained earnings	1,212	1,383
Treasury shares	(17)	(21)
Rheinmetall AG shareholders' equity	1,860	2,021
Minority interests	130	151
Equity	1,990	2,172
Provisions for pensions and similar obligations	1,264	972
Other non-current provisions	193	210
Non-current financial debts	715	704
Other non-current liabilities	95	80
Deferred taxes	17	15
Non-current liabilities	2,285	1,981
Other current provisions	670	656
Current financial debts	340	151
Contractual liabilities	803	650
Trade liabilities	695	797
Other current liabilities	210	231
Income tax liabilities	131	121
Current liabilities	2,850	2,606
Total liabilities	7,125	6,759

Consolidated income statement

€ million	Q3/2019	Q3/2018	Q1- Q3/2019	Q1-Q3/2018
Sales	1,481	1,411	4,294	4,164
Changes in inventories and work performed by the enterprise and capitalized	107	70	271	230
Total operating performance	1,588	1,481	4,565	4,394
Other operating income	31	61	109	125
Cost of materials	868	794	2,456	2,319
Personnel expenses	408	373	1,250	1,177
Amortization, depreciation and impairment	71	68	204	223
Other operating expenses	179	184	511	545
Income from investments carried at equity	9	7	22	21
Other net financial income	(3)	(3)	(7)	(3)
Earnings before interest and taxes (EBIT)	99	127	269	273
Interest income	-	1	4	4
Interest expenses	(16)	(11)	(38)	(33)
Earnings before taxes (EBT)	83	117	234	244
Income taxes	(23)	(32)	(65)	(67)
Earnings after taxes	60	85	170	177
Of which:				
Minority interests	3	8	7	23
Rheinmetall AG shareholders	57	77	162	154
Earnings per share	€1.33	€1.80	€3.77	€3.59

Consolidated statement of comprehensive income

€ million	Q3/2019	Q3/2018	Q1- Q3/2019	Q1-Q3/2018
Earnings after taxes	60	85	170	177
Remeasurement of net defined benefit liability from pensions	(85)	32	(192)	67
Amounts not reclassified in the income statement	(85)	32	(192)	67
Change in value of derivative financial instruments (cash flow hedge)	(7)	-	(1)	(21)
Currency conversion difference	20	-	36	(7)
Income/expenses from investments accounted for using the equity method	2	(6)	3	(5)
Amounts reclassified in the income statement	15	(6)	39	(33)
Other earnings after taxes	(70)	26	(153)	34
Comprehensive income	(10)	111	17	211
Of which:				
Minority interests	-	7	7	11
Rheinmetall AG shareholders	(10)	104	10	200

Statement of cash flows

€ million	Q1-Q3/2019	Q1-Q3/2018
Earnings after taxes	170	177
Amortization, depreciation and impairment	204	223
Allocation of CTA assets to secure pension obligations	(15)	(40)
Changes in pension provisions	(1)	-
Income from disposition of non-current assets	(1)	(34)
Changes in other provisions	(44)	34
Changes in working capital	(392)	(655)
Changes in receivables, liabilities (without financial debts) and prepaid & deferred items	(78)	(58)
Pro rata income from investments carried at equity	(22)	(21)
Dividends received from investments carried at equity	7	2
Other non-cash expenses and income	5	(4)
Cash flow from operating activities ¹⁾	(167)	(376)
Investments in property, plant and equipment, intangible assets and investment property	(167)	(167)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	8	72
Payments for the purchase of liquid financial assets	(225)	(175)
Cash receipts from the disposal of liquid financial assets	287	204
Payments for investments in consolidated companies and other financial assets	(51)	(19)
Cash flow from investing activities	(149)	(85)
Dividends paid out by Rheinmetall AG	(90)	(73)
Other profit contributions	(2)	(7)
Increase in shares in consolidated subsidiaries	(136)	1
Borrowing of financial debts	259	133
Repayment of financial debts	(90)	(91)
Cash flow from financing activities	(59)	(37)
Changes in financial resources	(374)	(498)
Changes in cash and cash equivalents due to exchange rates	4	-
Total change in financial resources	(370)	(498)
Opening cash and cash equivalents January 1	724	757
Closing cash and cash equivalents September 30	355	259

1) of which:

Net income taxes: €-93 million (previous year: €-65 million)

Net interest: €-20 million (previous year: €-15 million)

Statement of changes in equity

€ million	Subscribed capital	Additional paid-in capital	Total retained earnings	Treasury shares	Rheinmetall AG shareholders' equity	Minority interests	Equity
Balance as at January 1, 2018¹⁾	112	540	1,115	(25)	1,742	118	1,860
Earnings after taxes	-	-	154	-	154	23	177
Other comprehensive income	-	-	46	-	46	(12)	34
Comprehensive income	-	-	200	-	200	11	211
Dividends payout	-	-	(73)	-	(73)	(7)	(80)
Disposal of treasury shares	-	-	-	4	4	-	4
Other changes	-	7	(3)	-	4	-	4
Balance as at September 30, 2018¹⁾	112	547	1,239	(21)	1,877	122	1,999
Balance as at January 1, 2019	112	547	1,383	(21)	2,021	151	2,172
Earnings after taxes	-	-	162	-	162	7	170
Other comprehensive income	-	-	(153)	-	(153)	-	(153)
Comprehensive income	-	-	9	-	9	7	17
Dividends payout	-	-	(90)	-	(90)	(2)	(92)
Disposal of treasury shares	-	-	-	4	4	-	4
Changes in shares in subsidiaries	-	-	(92)	-	(92)	(43)	(136)
Change of circle of consolidation	-	-	-	-	-	17	17
Other changes	-	6	2	-	8	-	8
Balance as at September 30, 2019	112	553	1,212	(17)	1,860	130	1,990

Composition of retained earnings

€ million	Currency conversion difference	Remeasurement of net defined benefit liability from pensions	Hedge reserve	Other income from investments carried at equity	Other reserves	Total retained earnings
Balance as at January 1, 2018¹⁾	(19)	(482)	23	(3)	1,596	1,115
Earnings after taxes	-	-	-	-	154	154
Other comprehensive income	(1)	67	(15)	(5)	-	46
Comprehensive income	(1)	67	(15)	(5)	154	200
Dividends payout	-	-	-	-	(73)	(73)
Other changes	-	-	-	-	(3)	(3)
Balance as at September 30, 2018¹⁾	(20)	(415)	8	(8)	1,674	1,239
Balance as at January 1, 2019	(15)	(431)	7	(5)	1,827	1,383
Earnings after taxes	-	-	-	-	162	162
Other comprehensive income	35	(191)	-	3	-	(153)
Comprehensive income	35	(191)	-	3	162	10
Dividends payout	-	-	-	-	(90)	(90)
Changes in shares in subsidiaries	-	(3)	-	-	(90)	(92)
Other changes	-	-	-	-	2	2
Balance as at September 30, 2019	21	(627)	7	(2)	1,812	1,212

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

Segment report

€ million	Automotive		Defence		Other/Consolidation		Group	
	Q1- Q3/2019	Q1- Q3/2018	Q1- Q3/2019	Q1- Q3/2018	Q1- Q3/2019	Q1- Q3/2018	Q1- Q3/2019	Q1- Q3/2018
External sales	2,099	2,199	2,198	1,966	(2)	(1)	4,294	4,164
Operating result	144	193	134	75	(15)	(16)	262	252
Special items	2	-	(2)	(9)	7	30	7	21
EBIT	146	193	132	66	(9)	14	269	273
<i>of which:</i>								
<i>At Equity income</i>	19	20	3	1	-	-	22	21
<i>Amortization, depreciation (scheduled)</i>	119	113	79	81	6	5	204	199
<i>Amortization, depreciation (non-scheduled)</i>	-	-	-	24	-	-	-	24
Interest income	3	2	4	4	(3)	(2)	4	4
Interest expenses	(16)	(12)	(31)	(26)	8	5	(38)	(33)
EBT	134	183	105	44	(4)	17	234	244
Other data								
Operating free cash flow	(8)	(16)	(328)	(508)	2	(19)	(334)	(543)
Order intake	2,115	2,208	2,201	4,471	(2)	(1)	4,314	6,678
Order backlog September 30	494	528	8,689	8,787	-	-	9,183	9,315
Employees as at September 30 (FTE)	11,567	11,646	11,905	10,893	271	231	23,742	22,770
Net financial debts (-) / Net liquidity (+) September 30	(26)	34	(209)	(321)	(425)	(227)	(660)	(514)

Completed M&A activities

Weapon and Ammunition division

The Weapon and Ammunition division acquired the minority interests in Rheinmetall Chempro GmbH, Bonn (49%), Rheinmetall Active Protection GmbH, Bonn (26%) and the operating business of the IBD Deisenroth Engineering Group, Lohmar. With these acquisitions, Rheinmetall has brought the Defence sector's protection activities together under one roof and thus strengthened its position as systems provider for the army. The provisional purchase price of €12 million was paid. Contingent purchase price adjustments in the form of a working capital mechanism were contractually agreed. The acquisitions were included in Rheinmetall's consolidated financial statements for the first time as of June 1, 2019.

Preliminary breakdown of assets and liabilities by statement of financial position items:

€ million	Carrying Amount before acquisition	Adjustment purchase price allocation	Fair values
Other intangible assets	1	-	1
Property, plant equipment	1	-	1
Inventories	8	-	8
Receivables	7	-	7
Total assets	17	-	17
Current liabilities	(7)	-	(7)
Net assets acquired	10	-	10
Goodwill	-	-	-
Total	10	-	10
Purchase Price (after netting with cash)			10

Rheinmetall has also acquired Provectus Robotics Solutions Inc., Ottawa, Canada, a company specializing in the development of advanced robotic systems and software. €2 million (cash) of the purchase price has already been paid. Further purchase price payments of €2 million are contingent on achieving EBITDA targets. The company was included in Rheinmetall's consolidated financial statements for the first time as of June 1, 2019.

Vehicle Systems division

After spinning off Rheinmetall MAN Military Vehicles GmbH (RMMV before being spun off) to form a company with business activities in the field of tactical vehicles, Rheinmetall Military Vehicles GmbH (RMV), and a company with business activities in the field of logistics vehicles, Rheinmetall MAN Military Vehicles GmbH (RMMV after being spun off), Rheinmetall reacquired the non-controlling interest in the joint venture Rheinmetall Military Vehicles GmbH (RMV) from MAN Trucks & Bus SE and is therefore the sole shareholder of Rheinmetall Military Vehicles GmbH. The agreed conditions for completion were met at the end of June 2019. The purchase price of €111 million was paid in the third quarter 2019.

The Division Vehicle Systems also acquired 55% of the shares in Rheinmetall BAE Systems Land Ltd (formerly: BAE Systems Global Combat Systems Ltd.), Telford, UK, as of July 1, 2019. The purchase price of €36 million was transferred to BAE. The contractually agreed additional purchase price adjustment contingent on the award of future contracts no longer applies with the expected commissioning by Artec GmbH, Munich. At the time of acquisition it had been estimated at €1 million. Through the new company, Rheinmetall wants to play a central role in production of the Mechanized Infantry Vehicle (MIV) for the British Army.

Preliminary breakdown of assets and liabilities into balance sheet items:

€ million	Carrying Amount before acquisition	Adjustment purchase price allocation	Fair values
Other intangible assets	7	18	25
Property, plant equipment	10	9	19
Other non-current assets	45	-	45
Inventories	2	-	2
Receivables	7	-	7
Contract Asset	8	-	8
Other current assets	2	-	2
Total assets	81	27	108
Provisions for pensions and similar obligations	(45)	-	(45)
Non-current liabilities	(5)	-	(5)
Current liabilities	(25)	-	(25)
Net assets acquired	6	27	33
Pro rata net assets acquired (55%)	3	15	18
Goodwill	-	17	17
Total	3	32	35
Purchase Price (after netting with cash)			35

Legal information and contact

Dates

MARCH 18, 2020

Publication of the 2019 annual report

APRIL 30, 2020

Report on Q1/2020

MAY 5, 2020

Annual General Meeting

JULY 30, 2020

Report on H1/2020

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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 deviations when adding figures together. The percentages shown are based on the exact values.

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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You can request the quarterly report from the company or download it at www.rheinmetall.com. In case of doubt, the German version takes precedence.

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