



TECHNOLOGIES FOR MOBILITY.
TECHNOLOGIES FOR SECURITY.
PASSION FOR BOTH.



MOBILITY. SECURITY. **PASSION.**



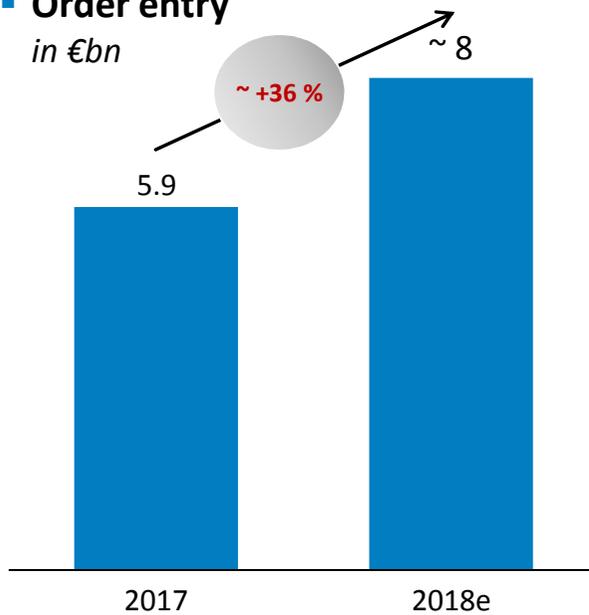
Rheinmetall Group Corporate Presentation

January 2019

Rheinmetall Group

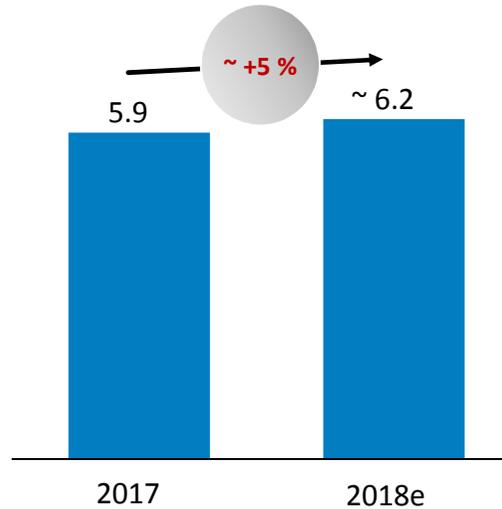
2018: best year in the company's history expected

Order entry in €bn



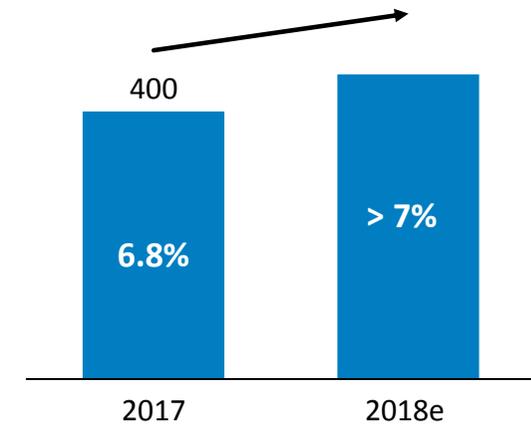
- Strong vehicle orders
- Germany with around €1 bn

Sales in €bn



- Growth around 5%

Operating result in €m



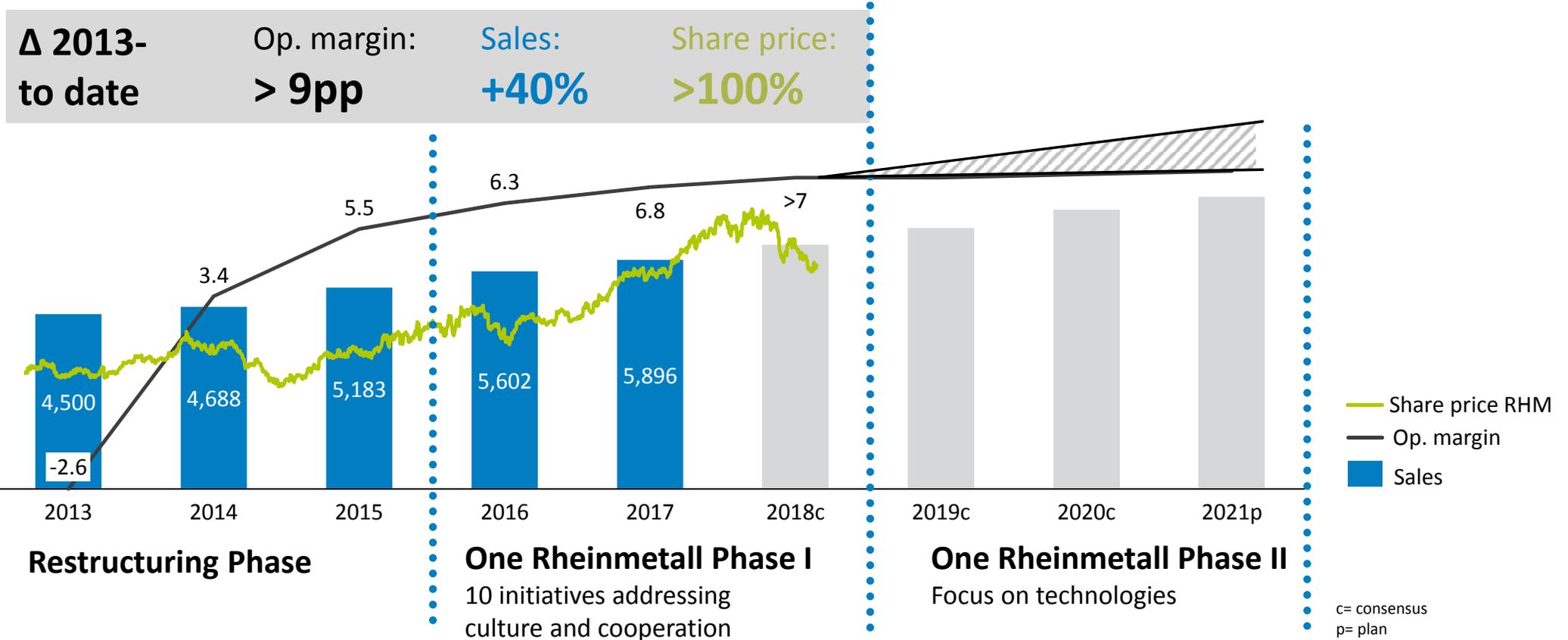
- Group margin clearly above 7%



Leading and shaping change – Focus on technology

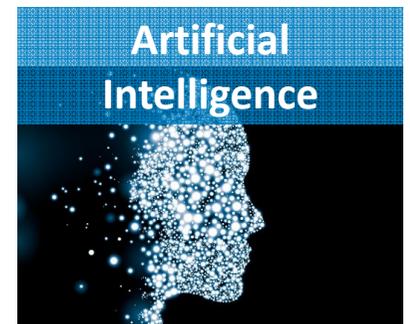
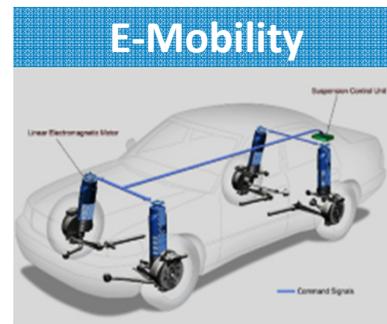
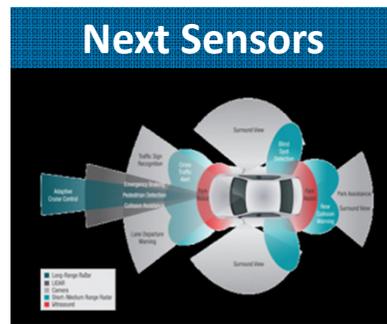
Rheinmetall Group

Markets have acknowledged operational development



Rheinmetall Technology Cluster

Top five technology cluster identified



- Advanced assistant systems for driving, sensing, protection and weaponing

- New, digitalized vehicle architectures
- Virtual prototyping and digital twins
- System / health monitoring, predictive maintenance, logistics

- New LIDAR* / Radar sensors
- Resistant to jamming / spoofing
- Next generation IR sensors

- Hybrid drive
- E-drive
- Micro mobility

- AI supported technologies
 - to handle complex situations
 - for decision support
 - for information superiority

*LIDAR=light detection and ranging

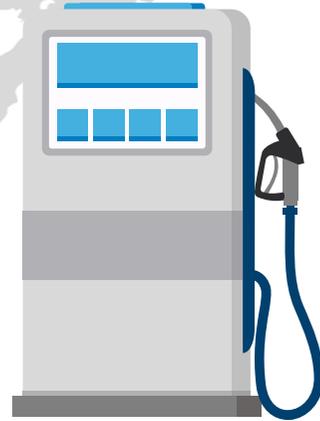


Automotive – Focus on innovation

Automotive

Meet the current challenges of the business

1 China



2 Diesel

3 Legislation



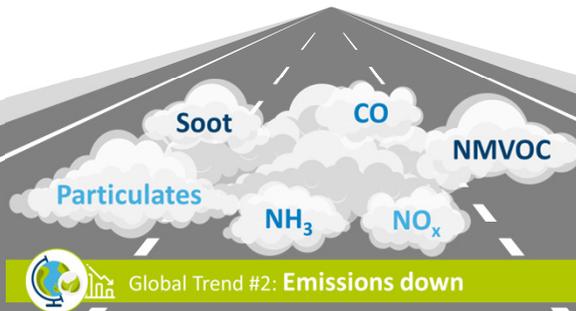
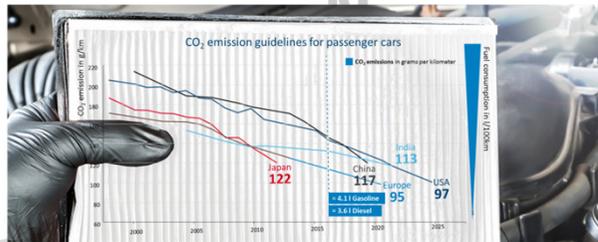
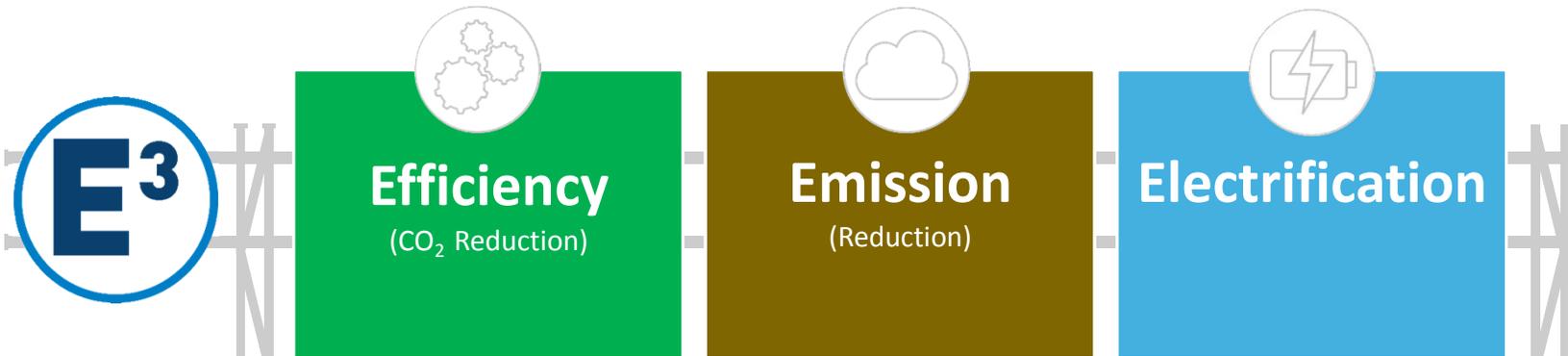
Worldwide Harmonised Light Vehicle Test Procedure



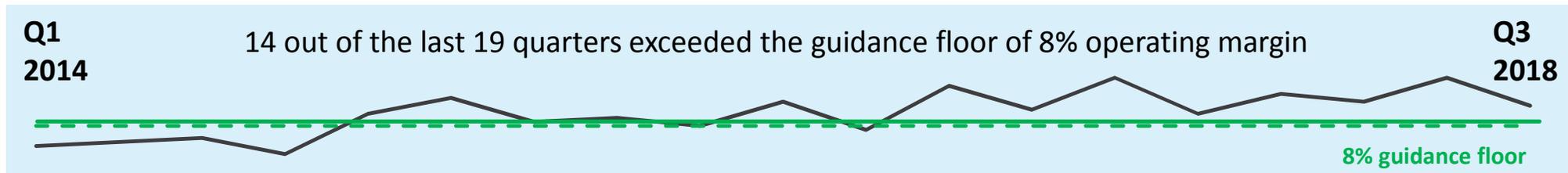
4 E-Mobility

Market trends

The growth drivers of Rheinmetall Automotive



Robust and flexible business model of Automotive Resilient growth in a changing environment



Market outperformance

- Targeting the right market trends (emission reduction, efficiency improvement, e-mobility)
- Highly innovative product portfolio (~5.5% R&D to sales ratio)
- One third non-LV markets with strong mid-term growth

Resilient profitability

- Raw material inflation handled with price escalation clauses (80%) and hedges (~20%)
- Fixed cost reduction due to transfer of production capacity in lower cost countries since 2014
- Global flexibilization of labor cost

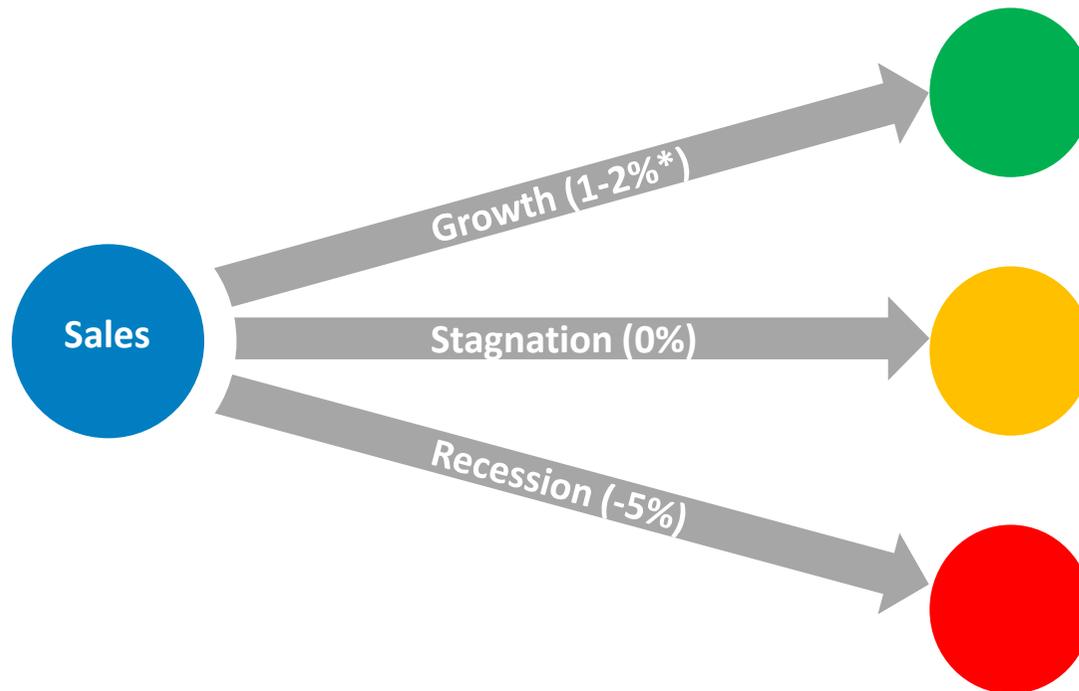
Robust and flexible business model of Automotive

Various instruments available to limit impact of negative markets

- Sales scenarios

- Impact on operating earnings

- Possible measures



Short-term

- Reduction of leased work force
- Flexibility of working hours
- Prioritization of projects (internal)
- General cost saving programs (e.g. travel, marketing)

Structural

- No new hires (replacement or additional)
- Adjustment of capacities (e.g. line or plant closure)

*above market growth

Diversification

Increasing portfolio for non-LV applications

Trucks



Diverse portfolio for truck applications

Large bore pistons



E.g. ship and locomotive pistons

Bearings & continuous casting



Sanitary application

Aftermarket



Global supply of spare parts

Summary Automotive

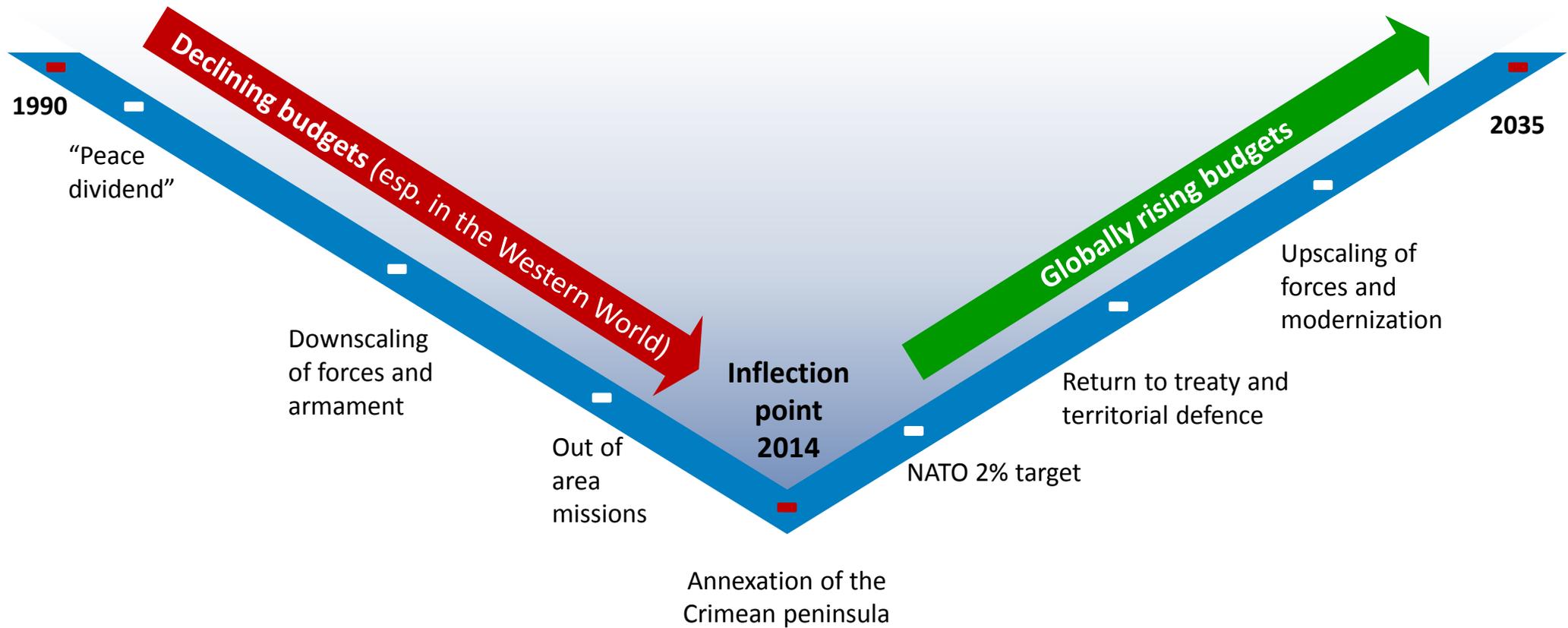
-  **1 On track to close 2018 on record levels**
-  **2 Markets are challenging, but outperformance realistic**
-  **3 Innovative portfolio accommodates growth trends**
-  **4 Margin resilience confirmed**



Defence – at the beginning of a “super cycle”

Defence market

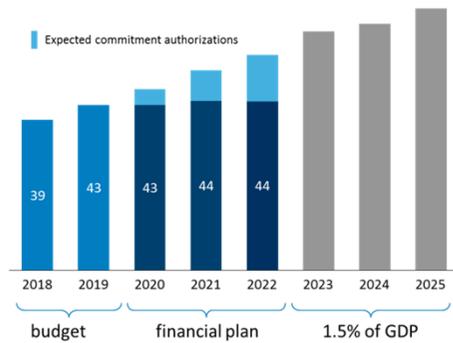
International defence markets at the beginning of a “super cycle”



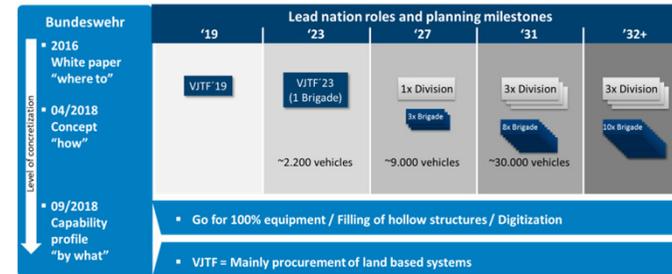
Drivers Defence

Well positioned to participate in “home markets” growth

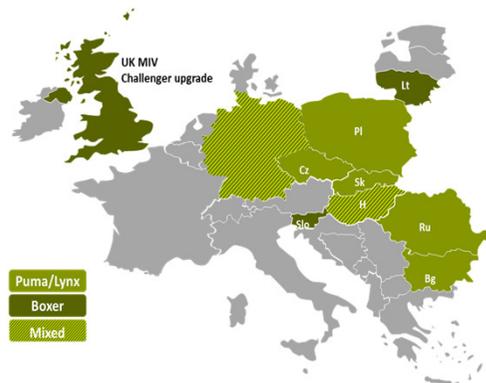
German Budget increase



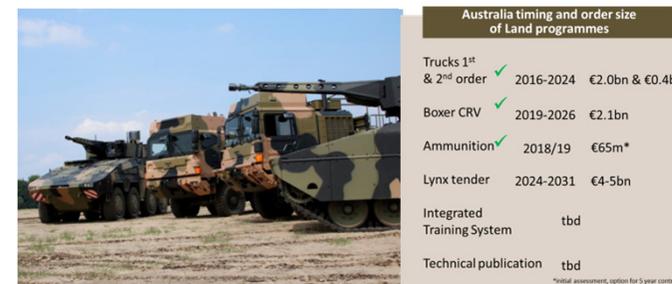
German NATO commitment



European Vehicle Programs

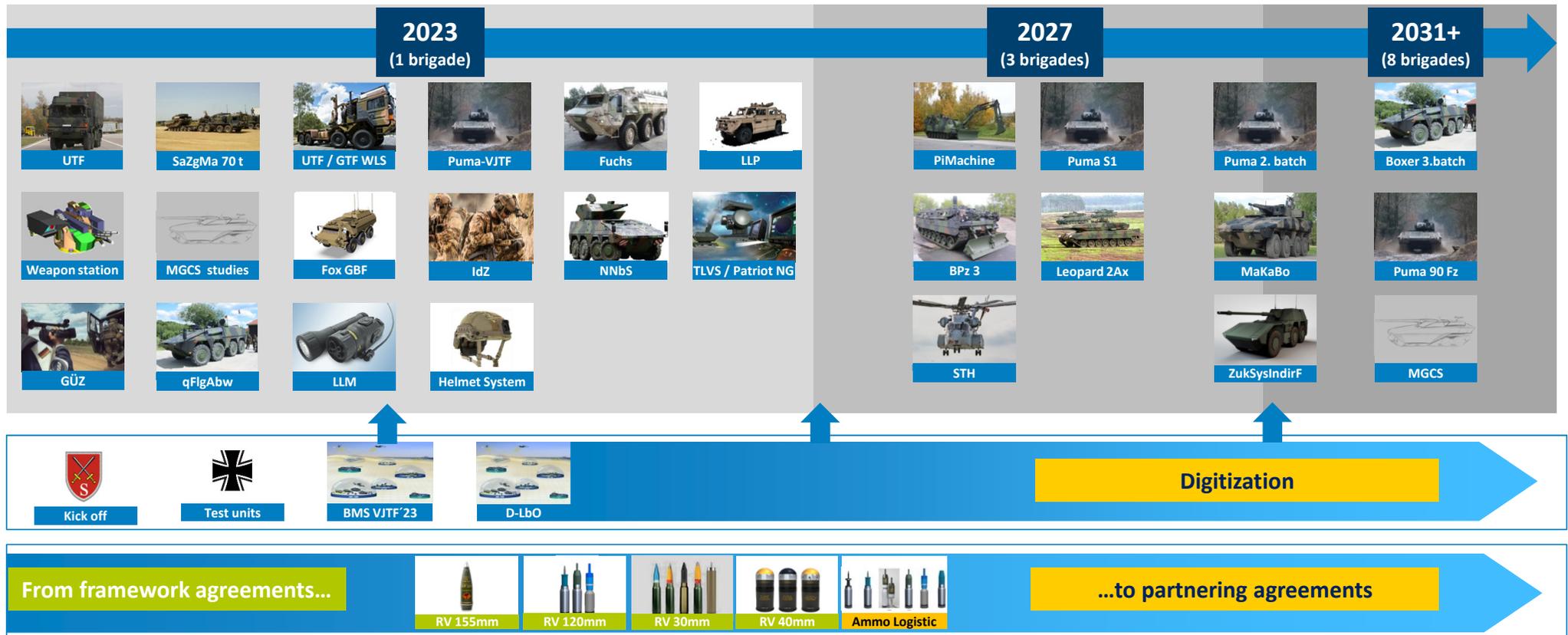


Australian Land Programs



Strategic German mid-term projects

Timeline for German 100% equipment level



Defence International

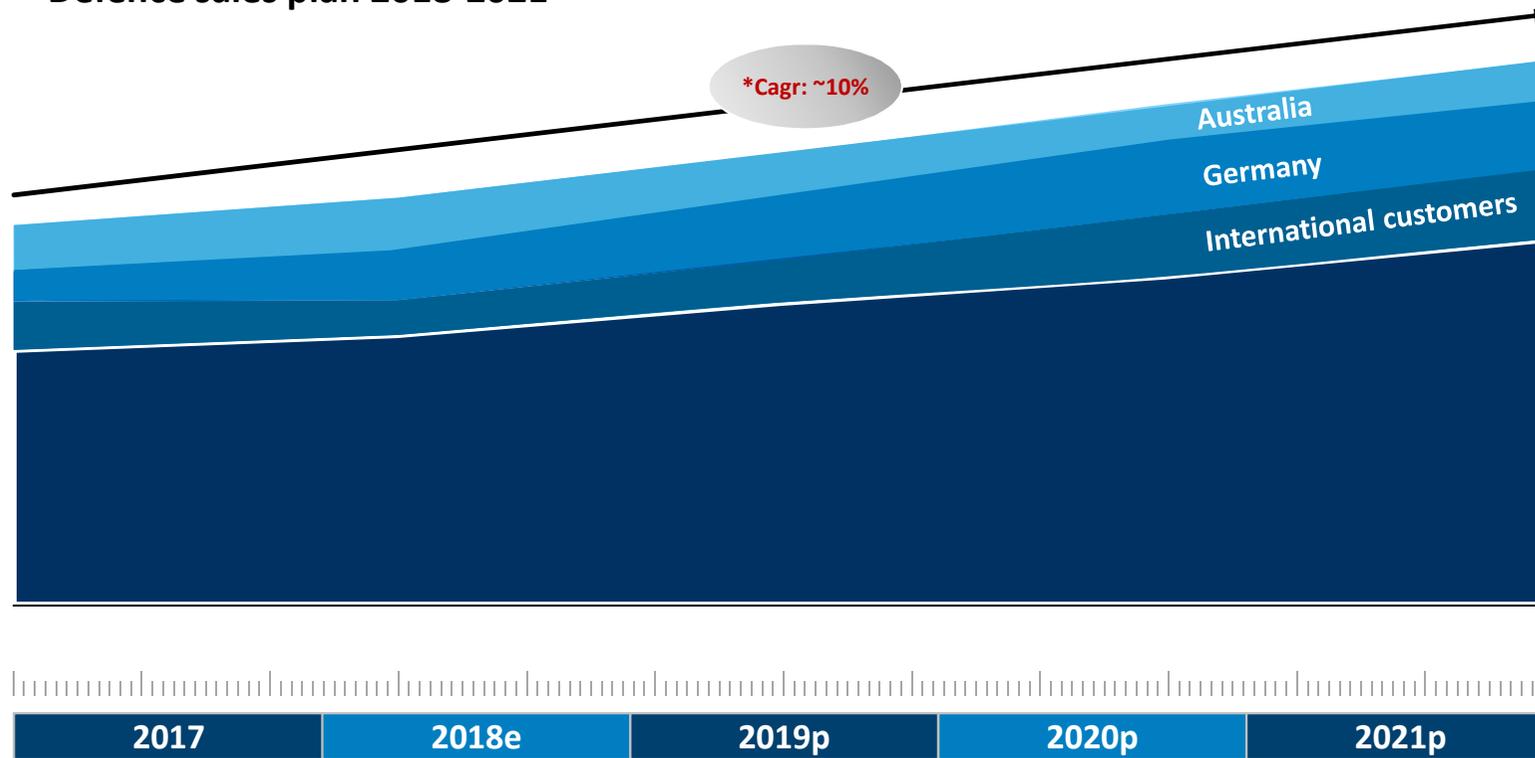
Foundation of two new hubs in 2018



Sales development

Strong sales growth supported by existing backlog

▪ Defence sales plan 2018-2021



Top 10 booked projects

- Land 400 Boxer
- Land 121 5b
- Puma VJTF
- Trucks Bundeswehr
- Gladius
- Fox Kits
- Air Defence Systems
- 3x Ammunition contracts

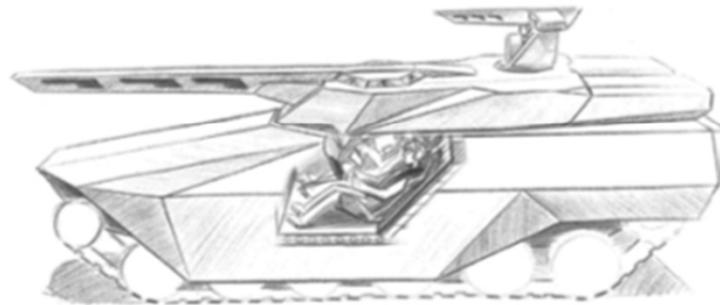
Innovations

Demand-driven product development and targeted cooperations



New logistical platforms

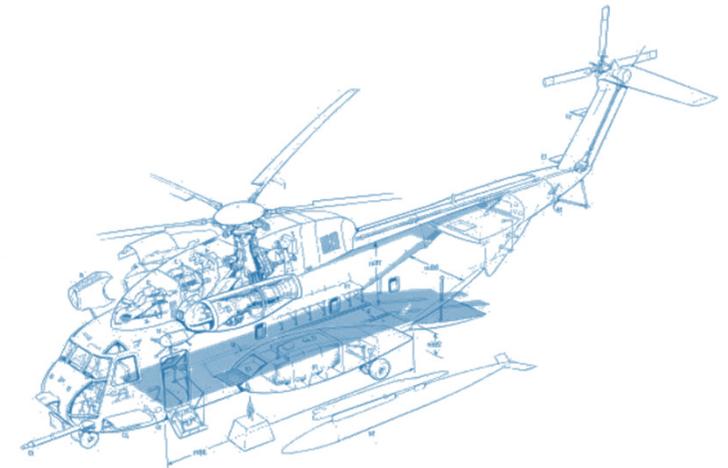
Groundbreaking sub-systems



New tactical platforms

Innovative weapon and ammunition

Digitized command and reconnaissance

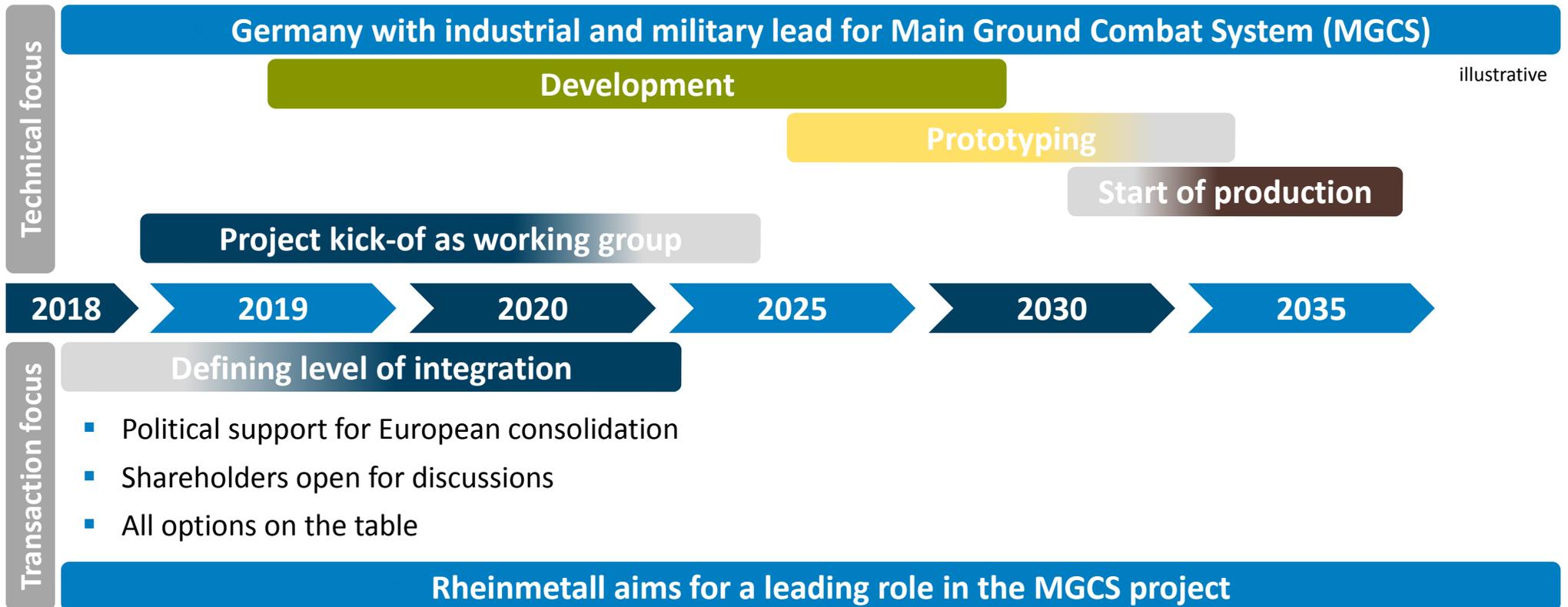


New business models

New cooperations with
Sikorsky, Raytheon

M&A

Future Main Battle Tank system MGCS will be a milestone for the industry

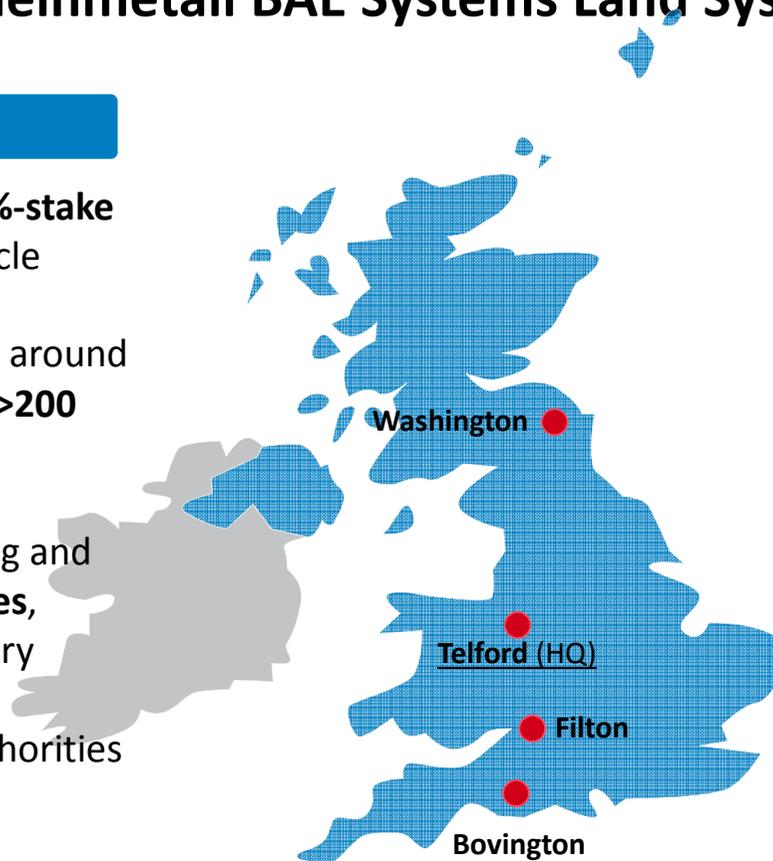


Strengthening the position in the United Kingdom

Formation of JV Rheinmetall BAE Systems Land Systems (RBS-L)

JV with BAE Systems...

- Rheinmetall acquires **55%-stake** in UK based combat vehicle business of BAE Systems
- **4 facilities** in the UK with around **400 employees, thereof >200 engineers**
- **Renowned producer of:**
 - Armored engineering and **bridge laying vehicles,**
 - Self propelled artillery system **AS 90**
- Decision of anti-trust authorities expected in **H1 2019**



...creates opportunities

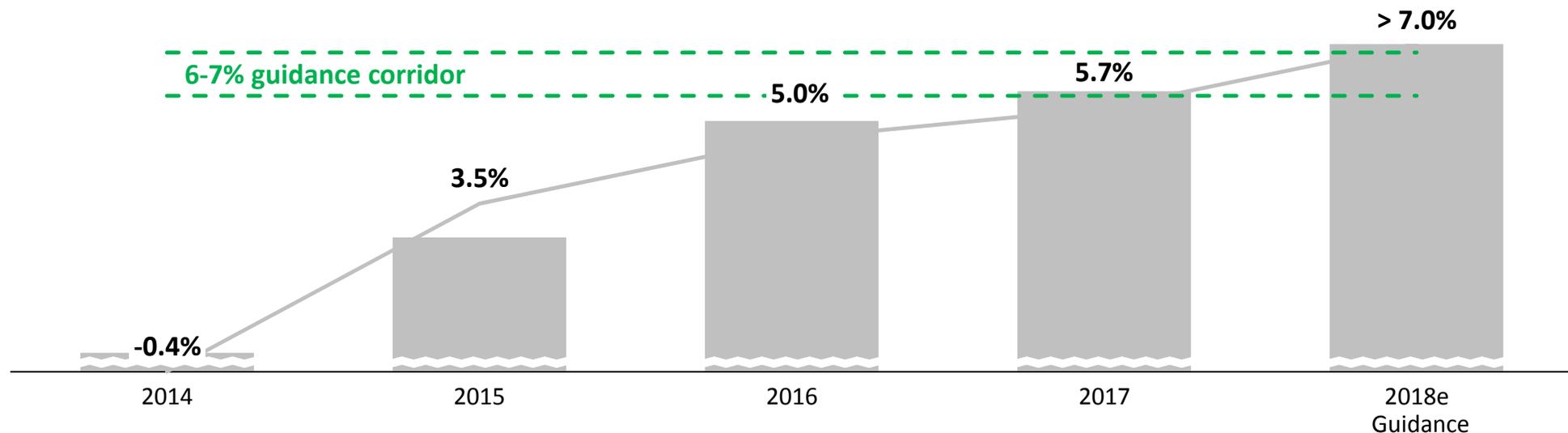
- **Shaping Rheinmetall's profile as global supplier of military vehicles**
- **Create a major player for land based systems in the United Kingdom**

Significant improvement of chances in major projects:

- **Mechanised Infantry Vehicle (MIV):** UK decision in favor of the Boxer
- **Challenger 2** Life Extension program (presently competition against BAE)
- **Support and maintenance** service for the British ground forces
- **Expansion of engineering capacities** as basis for future international business

Defence: Innovative products unfold their business potential

On track for profitable growth



Strong sales growth

- Beginning of a super cycle: visible in order pattern of home markets
- Backlog of €8bn boosted by major order wins
- Growth of 10% (cagr) until 2021 expected

Substantial margin increase

- Phasing out of legacy contracts
- Good operating leverage
- Earlier than expected cost efficiencies
- Accretive profitability profile of order backlog

Summary Defence

-  **1 On track to close 2018 on record levels**
-  **2 Start of “super cycle” provides for long-lasting profitable growth**
-  **3 Continued internationalization taps into additional regional potentials**
-  **4 Sharpening profile of ES division as a system provider creates opportunities**
-  **5 Mid-term guidance update in 2019 after acquisition of further orders**

Key take aways Rheinmetall Group

FY 2018



Both segments will end the year on new record levels



Future sales growth largely driven by Defence “super cycle”



Group margin will further improve

Focus on technology



Dividend in the range of 30-35% of net income

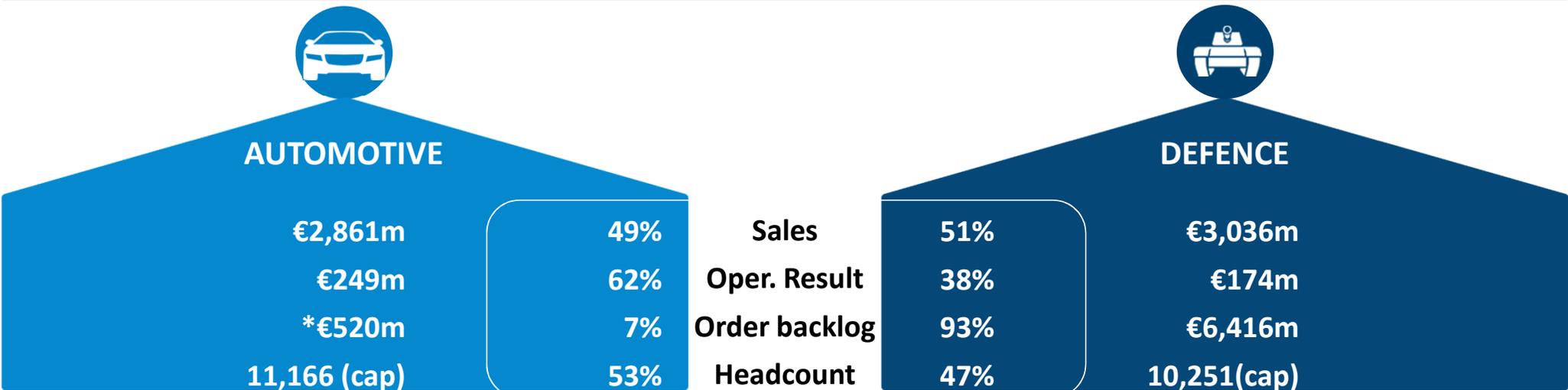


GROUP

Rheinmetall

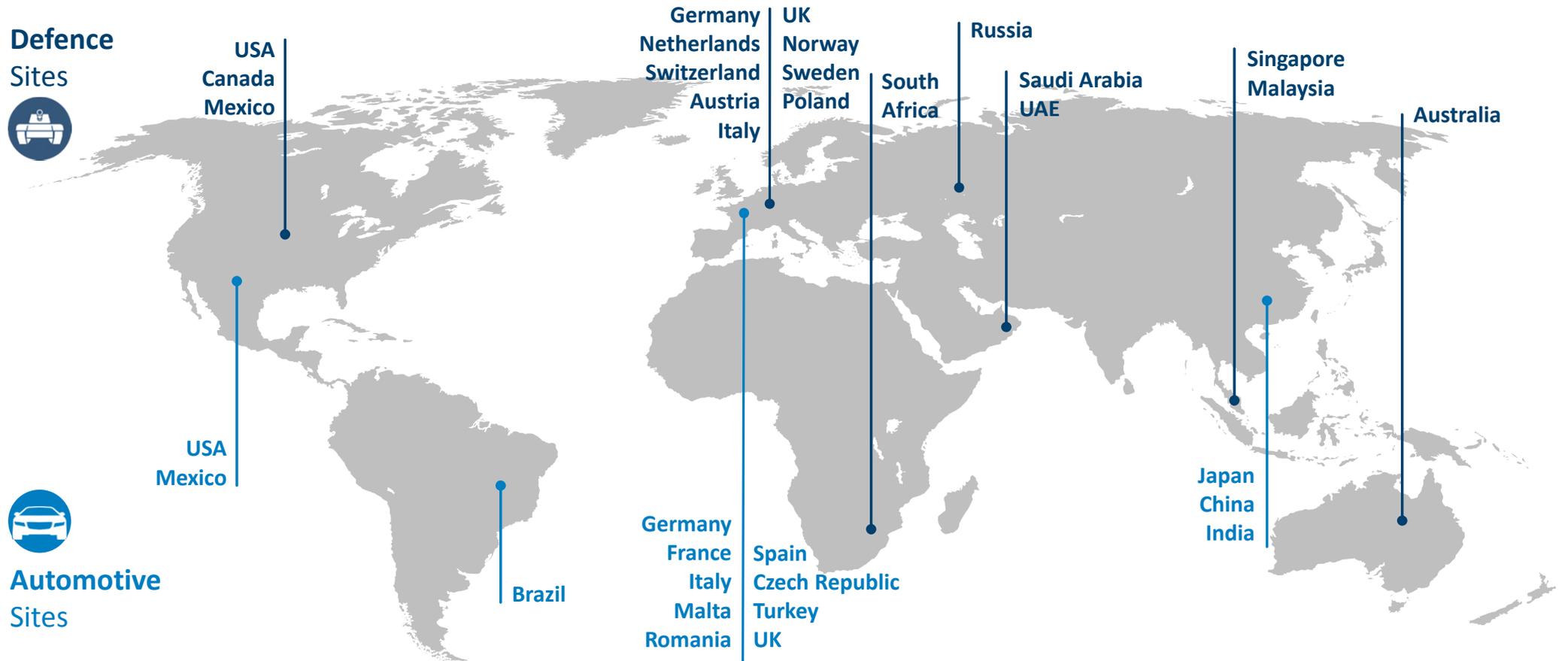
Meeting demand for mobility and security

Key Performance Indicators	▪ Sales	€5,896m		Strategy roadmap	▪ Organic growth
	▪ Op. result	€400m			▪ International expansion
	▪ Order backlog	€6,936m			▪ Leading by innovations
	▪ Operating FCF	€276m			▪ Targeted acquisitions
	▪ EPS	€5.24			
	▪ DPS	€1.70			



* short-term; cap: headcount at capacities;

More than 100 production sites and offices on all continents



Changing into an integrated technology group

Technology borders between Automotive and Defence will begin to fade

■ Sales in % of total sales



2008



2018e



Mid-/long-term

ESG with high importance for Rheinmetall

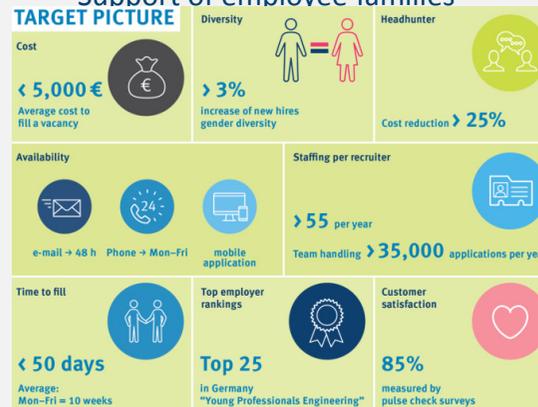
■ Environment

- **Reduction of the ecological footprint**
 - Decrease of energy needed
 - Selective use of raw materials
- **„Road to 95“ and E-mobility**
 - Our products increase fuel efficiency
 - New e-bike, e-motor and battery pack
- **Support of conservation**
- **Transformation of the former production site in Düsseldorf**



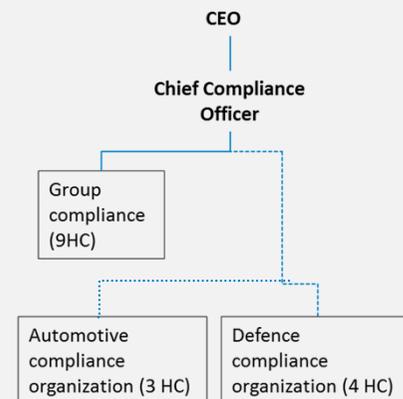
■ Social

- **Clear statement against cluster munition**
- **Promoting education and training**
- **Support of gender diversity**
 - Women in management
- **Workforce**
 - Integration of refugees via apprenticeships
 - Support of employee families



■ Governance

- **Transparency towards customer, investors and other stakeholder**
- **Non-compliant business behavior is unacceptable**
- **Zero tolerance of corruption and fraud**
- **Central Compliance Management System**
 - Employee awareness initiative



Board remuneration based on three building blocks

Annual target salary (100%)

Fixum (60%)

- **Twelve equal portions of monthly payments**

Fringe benefits:

- Pension insurance (or comparable)
- Company car

Performance-related variable remuneration (40%)

- **Short term incentive**

- KPI: EBT, ROCE (each 50%)
- Reference: Budget
- Range: 0 - 200%
- Escalators: 0% - <70% - < 110%
0% linear to max. 200%
- Payout: cash

- **Long-term incentive**

- KPI: Average adjusted EBT of the last three years (EBT capped at €300m)
- Payout: In shares and cash* with 4 year lock-up period

*for related tax payments



AUTOMOTIVE

Automotive with leading technology and market positions

Key Figures

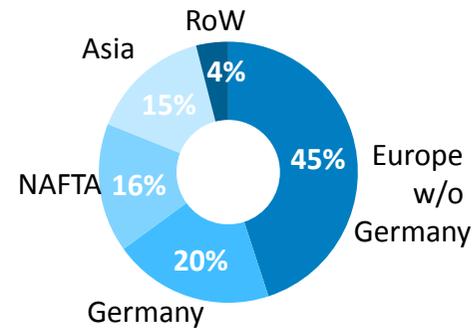
Sales:	€2.9bn
Op. result:	€247m
Op. margin:	8.7%
R&D:	€151m
Capex:	€176m
Headcount:	11.166

Structure

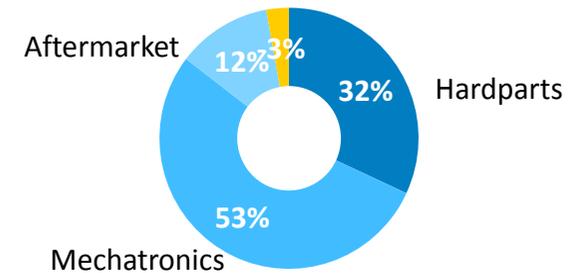
Hardparts	
Pistons	Large-bore Pistons
Bearings	Castings
Mechatronics	
Pump Technology	Automotive Emission Systems
Solenoid Valves	Commercial Diesel Systems
Actuators	
Aftermarket	

All figures refer to FY 2017

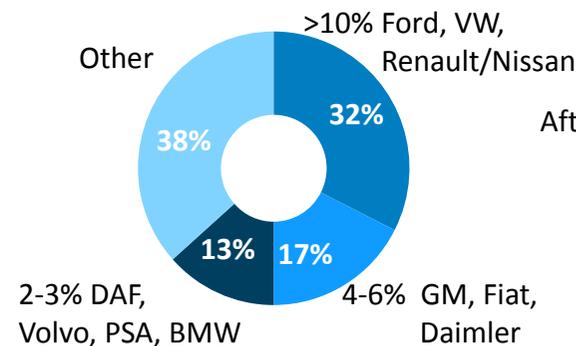
Sales by region



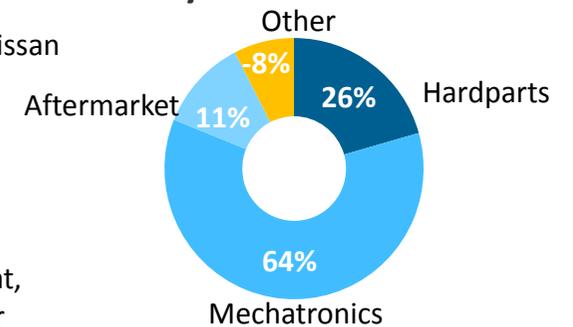
Sales by division



Sales by customer



Operating result by division

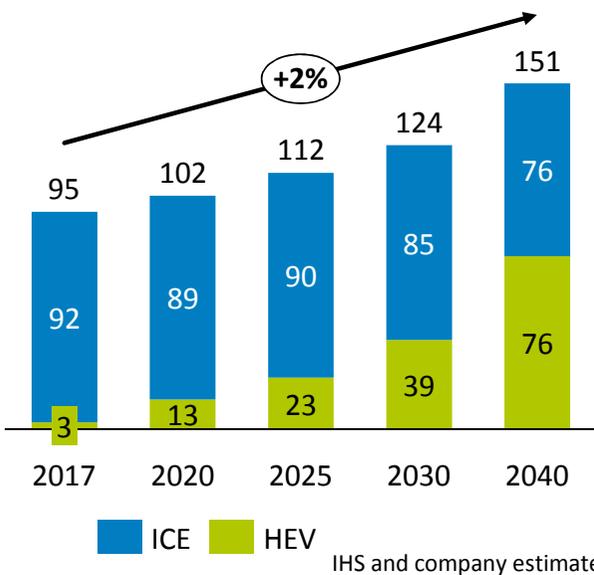


Drivers for growth

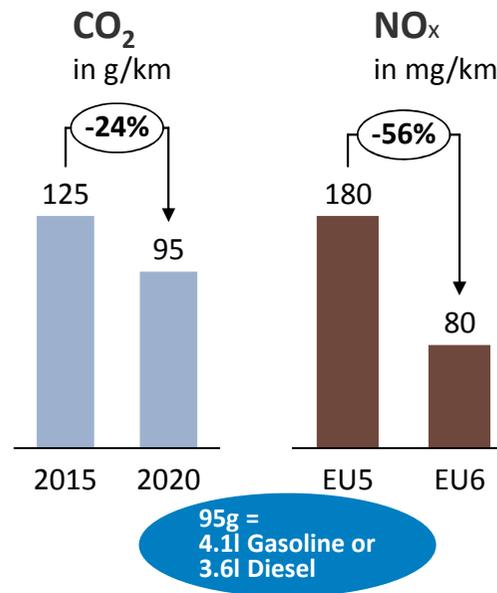
Rising global fleet and regulatory restrictions are supporting our growth

Light vehicle production grows

million vehicles per year



Emission thresholds decrease



Stricter emission testing



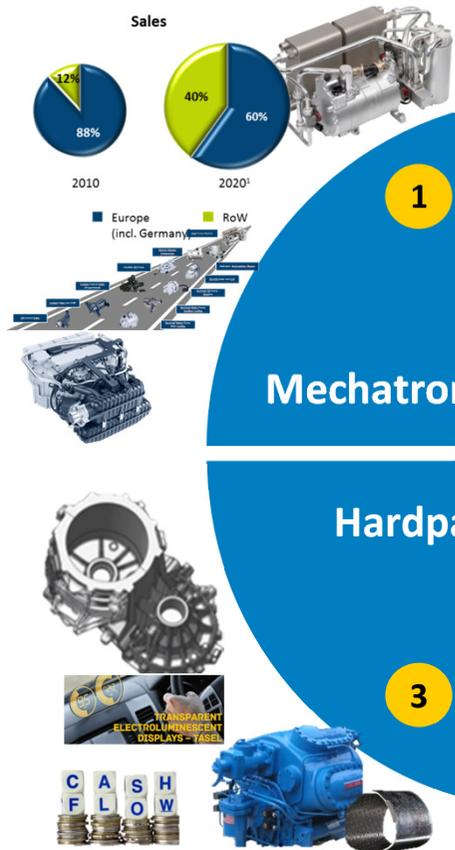
Mainly EU!



Stricter testing sets the benchmark even higher!

Our goal is to outperform global market growth by 100 to 200 bp

Overview Rheinmetall Automotive



1

Mechatronics

- **Legislation** is driving the business
- **International** market offer great **growth potentials**
- E-Mob and Diesel impacts
- Preserve **technological leadership** (thermo-mgmt., HV/EV competences)
- **New products** pipeline fully loaded

3

Hardparts

- **Manage-for-cash** strategy for engine component segment
- Re-investment and growth by **diversification** & transformation
- **Optimize** global footprint

2

China

- Gain bigger share in **NEV** market
- Growth strategy outperforming Chinese market development
- Build up strong **local engineering / R&D** capabilities
- Environmental challenges

4

Aftermarket

- Optimize In-house production
- Focus on high tech products and **expand product portfolio**
- Increase sales through **new sales channels** and customers
- Implement BU (Matrix) organization and optimize processes / project management

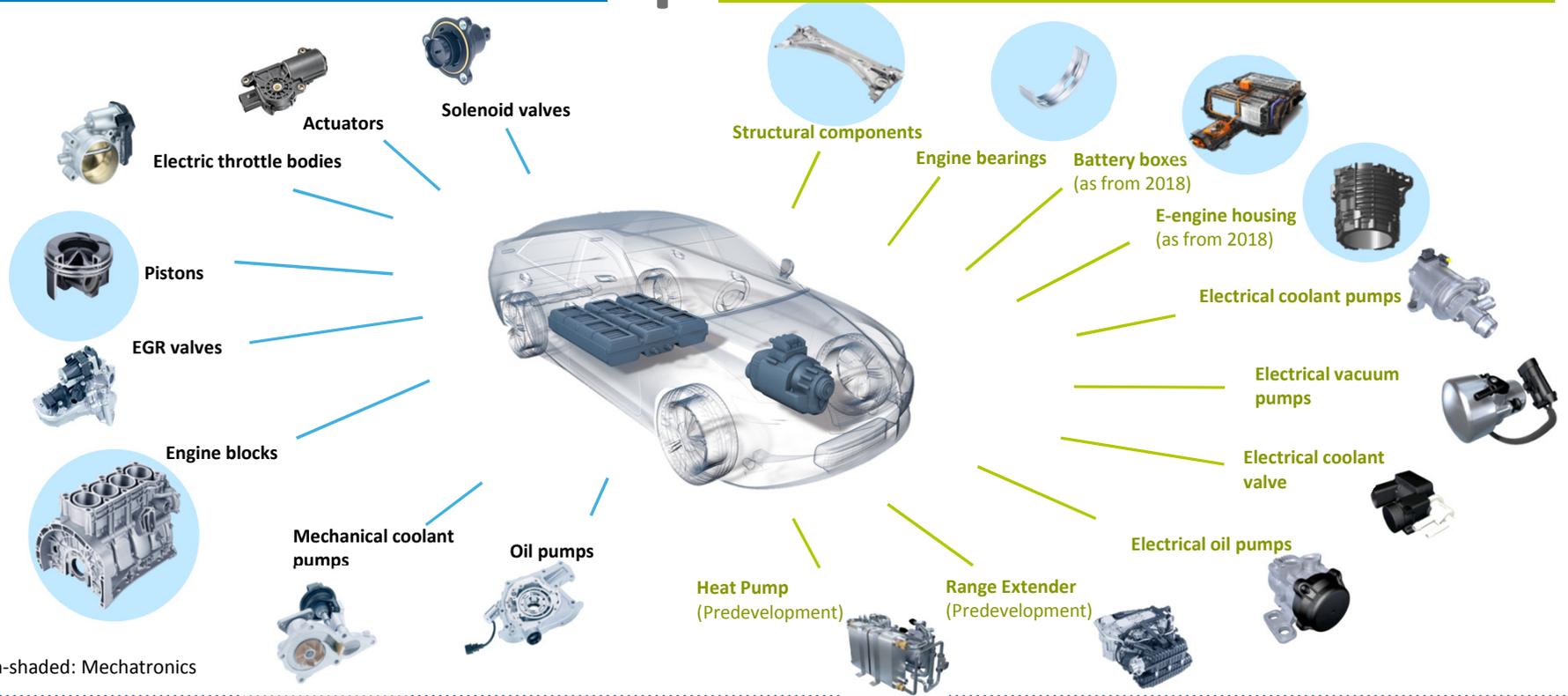


Broad product range for alternative drive systems

Enlarging the traditional product portfolio for combustion engines ...



... by products for hybrid and electric engines



● Hardparts products, non-shaded: Mechatronics

E-mobility competence underlined by contracts and by initiatives for new solutions

■ Contract volume for electric vehicles (EV)*

€ ~800 m

▪ Lifetime order value
€ ~250m BEV, € ~550 m Hybrid

E-Taxi London

Pump technology for pure electric taxis



Battery cell boxes

Aluminum battery boxes for German premium OEM



Electric engine housing

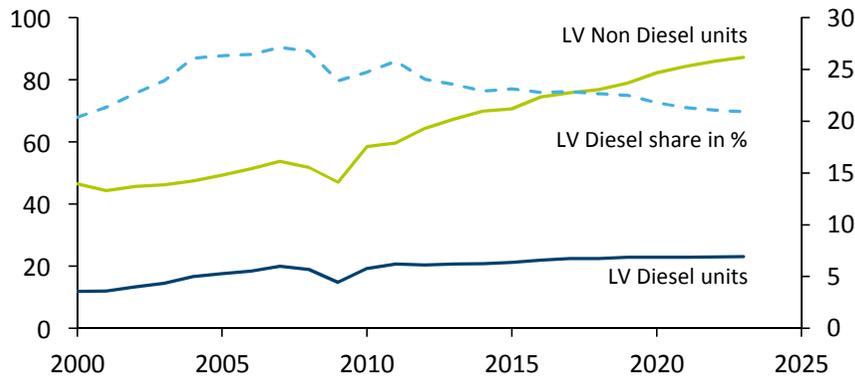
Electric engine housing for German premium OEM to serve the Chinese market



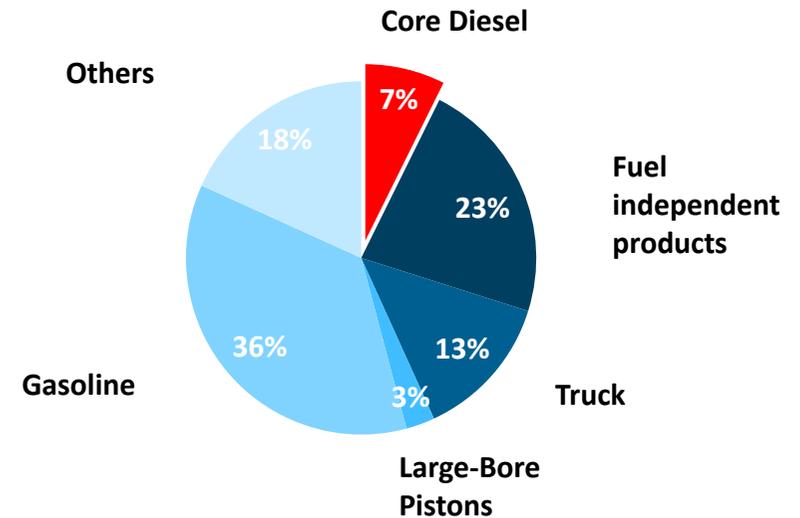
* Rheinmetall Automotive and Joint Ventures

LV Diesel exposure limited; powertrain neutrality is the strategic target

■ Combined global engine production forecast*



■ Automotive sales distribution by engine type**



■ Further regulatory pressure expected

- Next regulation deadline approaching in 2020
- Real driving emission(RDE) testing will create further pressure to reduce emissions by hardware installation
- First city ban for diesel engines announced in Germany

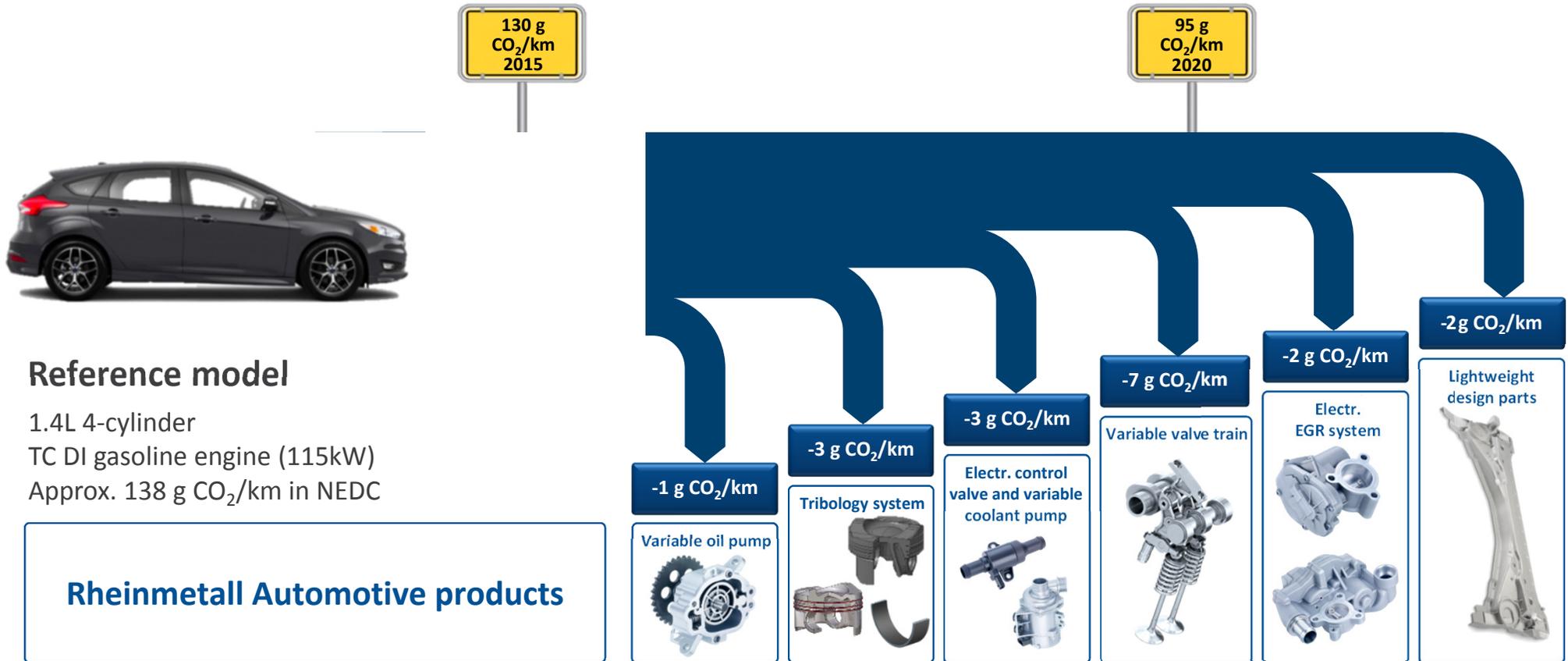
Benefitting from OEM's effort to reduce emissions and to avoid penalties

* IHS: Combined Engine Production Forecast April 2017

** Rheinmetall Automotive sales FY 2017

Efficiency

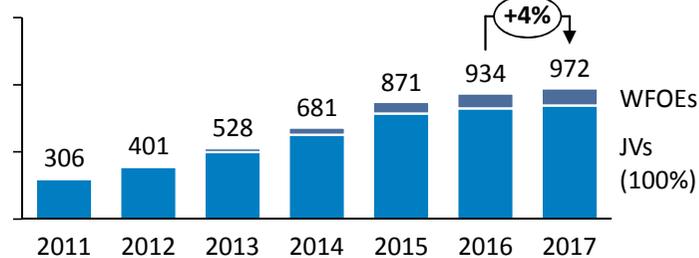
CO₂ - reduction with Automotive products – gasoline engine vehicle



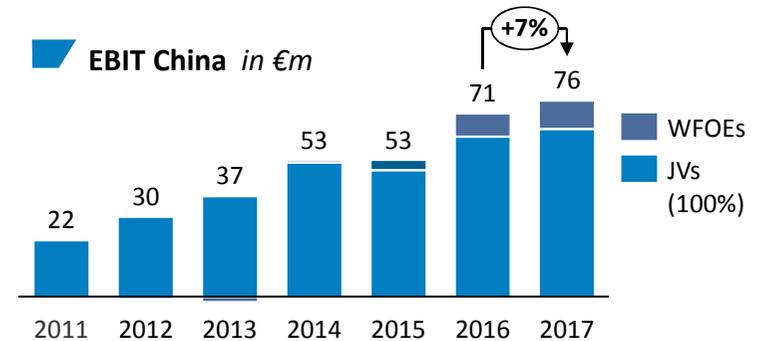
Automotive in China

50/50 joint ventures with HASCO (SAIC group)				Wholly Foreign-Owned Enterprises (100% Rheinmetall Automotive)			JV subsidiary
Castings (KSHA)	Pistons (KSSP)	Castings (KPSNC)	Pumps (PHP)	Aftermarket	Pierburg	Large-bore pistons	Pumps (PMP Ch.)
2014	1997	2001	2012	2008	2009	2013	2012
Engine blocks and structural body parts	Pistons	Engine blocks, cylinder heads and structural body parts	Electrical and mechanical pumps	Spare parts	EGR modules and electric throttle bodies	Large-bore pistons	Electrical and mechanical pumps
Germany/ Europe	China			China			China

Sales China in €m



EBIT China in €m



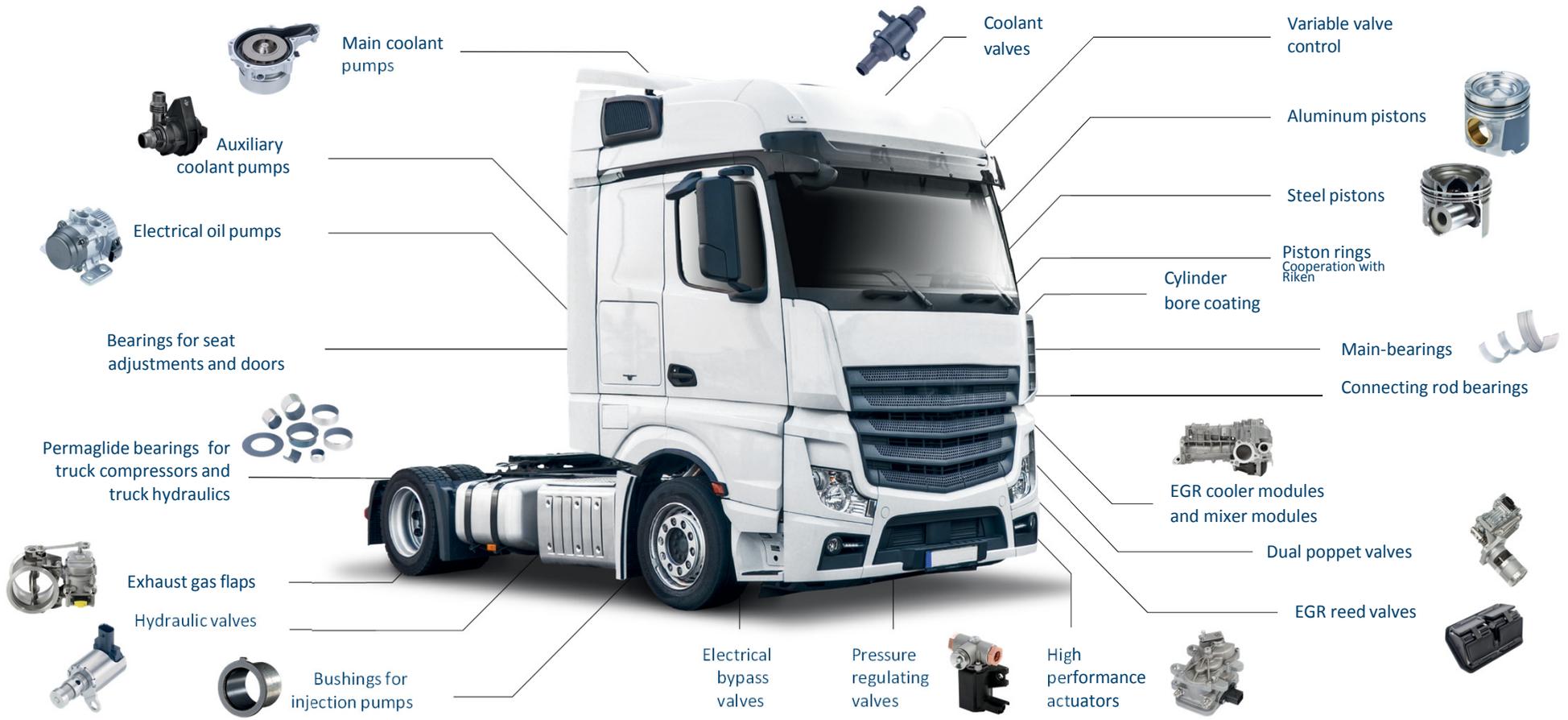
KSHA: KS Huayu Alutech GmbH, Neckarsulm
 KSSP: Kolbenschmidt Shanghai Piston Co., Ltd., Shanghai

KPSNC: Kolbenschmidt Pierburg Shanghai Nonferrous Components Co., Ltd., Shanghai
 PHP: Pierburg Huayu Pump Technology Co., Ltd., Shanghai

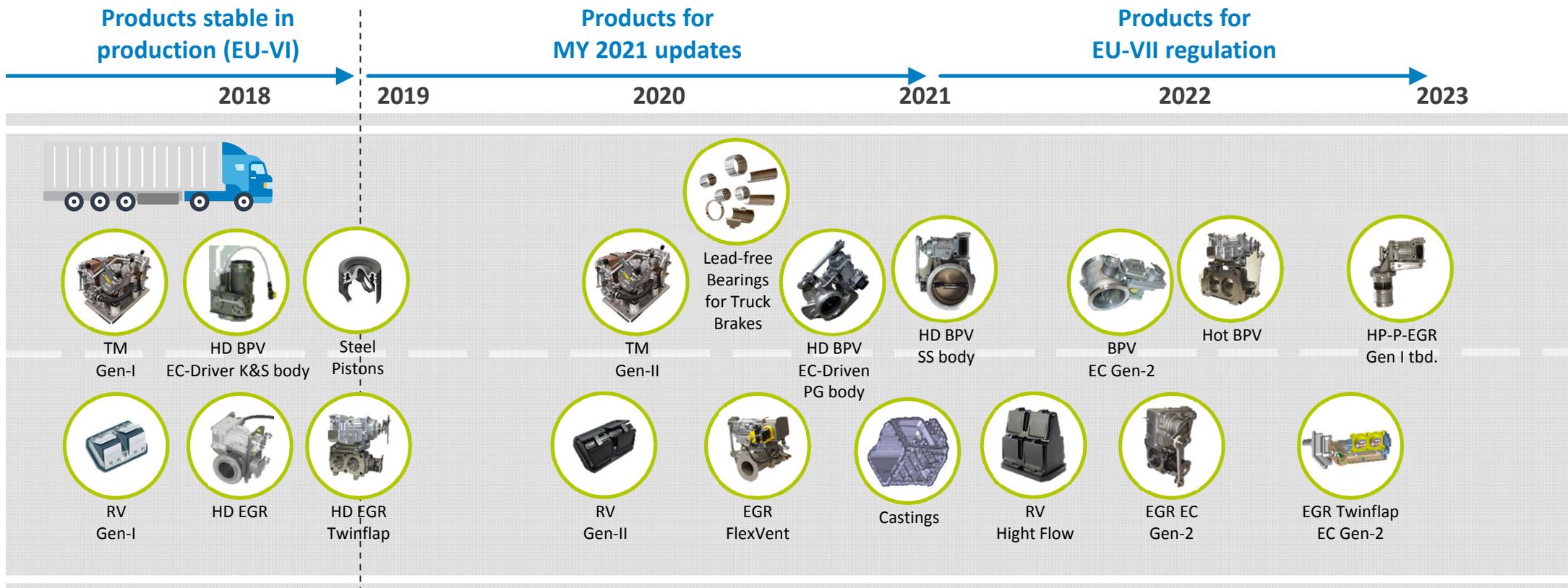
PMP: Pierburg Mikuni Pump Technology (Shanghai) Corp., Shanghai

Truck

Our current product portfolio



Innovation Roadmap Truck & Offroad



Robust and flexible business model of Automotive

Well prepared to maintain profitability in a changing environment

Markets

Light vehicles

- Private customers, global light vehicle market

Commercial vehicles

- Industrial customers, transport and shipping companies, bus operators

Aftermarket customers

- Repair shops, whole sellers

Challenges

Macro picture/Business cycles

- Global LV production
- Tariffs

Structural changes

- Decline of Diesel demand
- E-Mobility

Profitability

- Cost structure
- Pricing

Strengths

Balanced product portfolio

- Broad spectrum of pumps and valves
- Know how transfer to truck products

Innovations secure market leadership

- State of art technology
- Efficient CO2 and NOX reduction
- High value-added for customers

Resilient earnings generation

- Benefits from restructurings
- Flexible cost structure
- Price escalation clauses



DEFENCE

Defence is a leading supplier with an increasing international presence

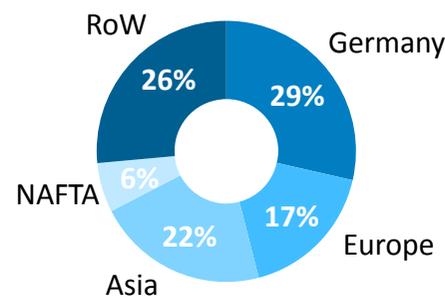
■ Key Figures

Sales:	€3.0bn
Op. result:	€174m
Op. margin:	5.7%
R&D:	€73m
Capex:	€89m
Headcount:	10,251

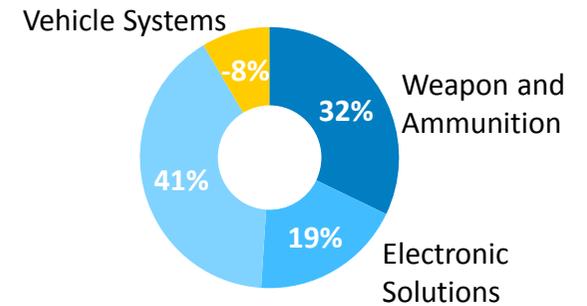
■ Structure

Weapon and Ammunition	
Weapon and Ammunition	Protection Systems
Propulsion Systems	
Electronic Solutions	
Air Defence & Radar Systems	Mission Equipment
Simulation and Training	Technical Publications
Vehicle Systems	
Logistic Vehicles	Tactical Vehicles

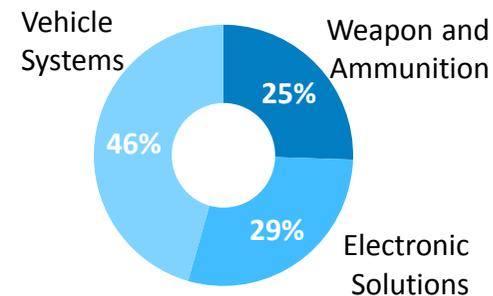
■ Sales by region



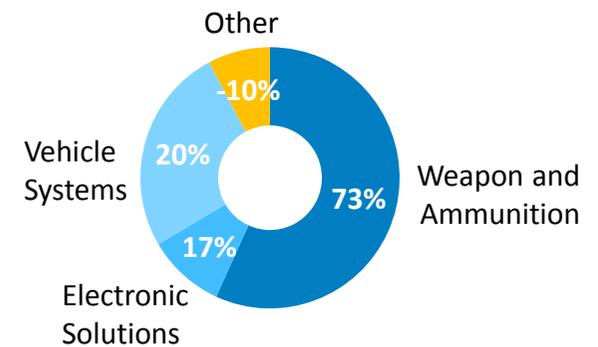
■ Sales by division



■ Order backlog by division



■ Operating result by division



All figures refer to FY 2017

Defence at the beginning of long-lasting market growth

Rising awareness of military threats

Changes in macro environment...



...trigger comprehensive defence programs



Growing project portfolios and rising budgets

- Germany announced to spend €130 bn over the next decade
- Defence budget increases 3% cagr 2016-2022
- UK tank programs
- Franco-German defence initiative
- EU Defence Initiative
 - EU Funds
 - Pesco
- NATO returns to territorial defence strategy
- 2% spending target
- East European armies setting up various vehicle programs
- Australian „One Defence“ program
- Singapore and Indonesia accelerating defence spending

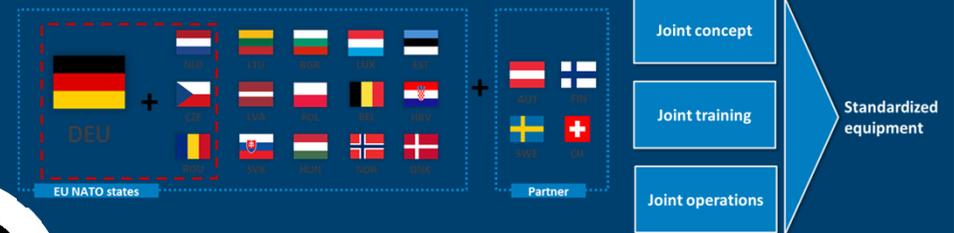
Germany

Drivers behind budget increase

“Turnarounds” in Germany

- Personnel:
Mid-term return to 220,000 soldiers
- Material:
100% equipment level and additional division
- Finance:
Increase of defence budget 24% from 2016 to 2021

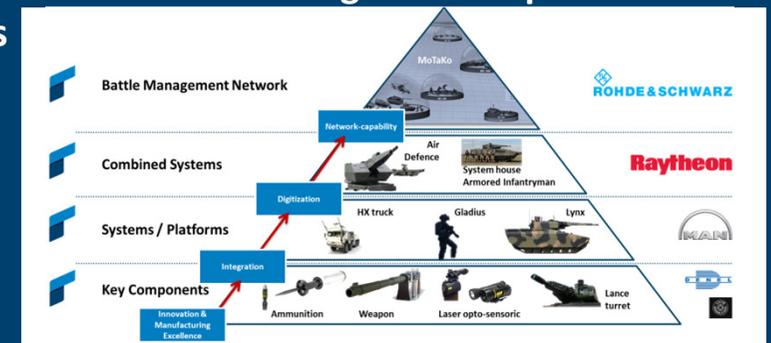
Framework nation concept triggers standardization of equipment



Enhanced future profile

- Anchor army for smaller neighbor armies
- Leading role in „enhanced Forward Presence“ in Lithuania
- Framework nation in „Very High Readiness Joint Task Force as of 2019
- Currently 14 international mandates

Army 4.0: Rheinmetall integrates components to systems



German defence policy

Additional structural demand of German army under discussion

■ Vehicles – mid-to-long term potential



FOX (400 vehicles)



Boxer (300-400 vehicles)



Trucks (> 10.000 vehicles)



Puma (~250 vehicles)

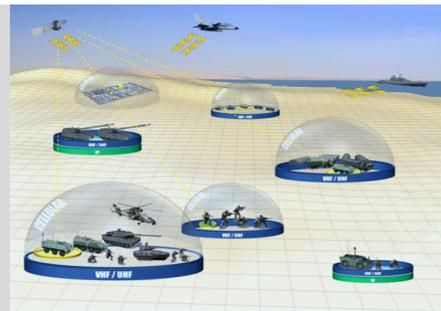
■ Equipment and ammunition – multi billion programs



NNBS (Short range air defence)



TLVS (Tactical air defence)



D-LBO (> €5 bn net) (MoTaKo)

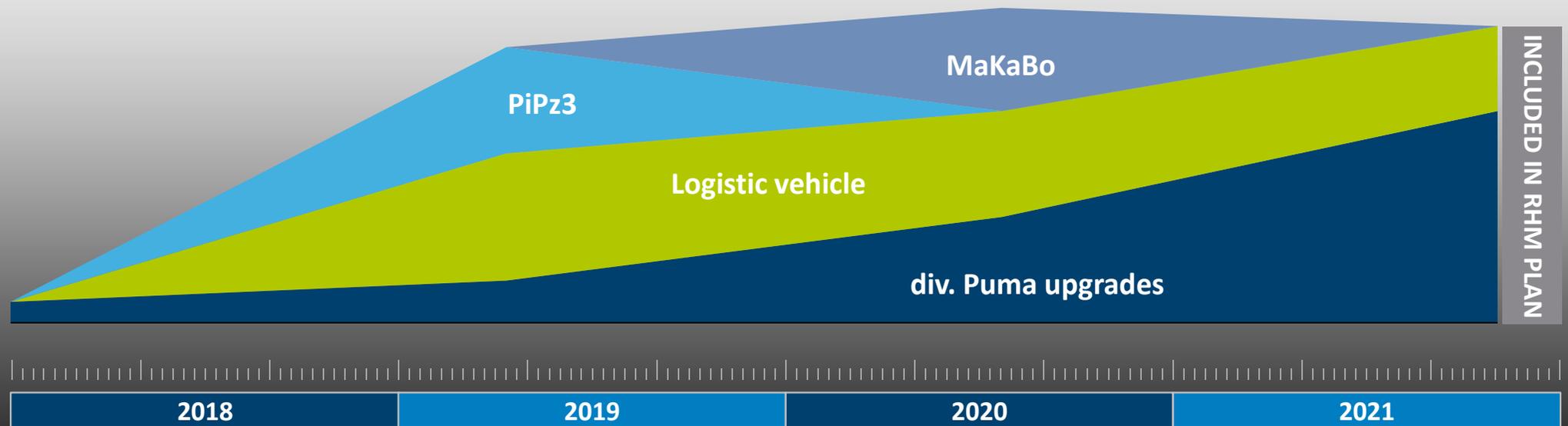


Ammunition (~€2 bn net)

German Defence

Strong German project pipeline lining up – upcoming tenders until 2021

Major mid-term potentials



Defence industry in Europe



- **Governmental shareholding** restricts room for cross-border consolidation
- **Big common armament programs** could be catalysts for further consolidation

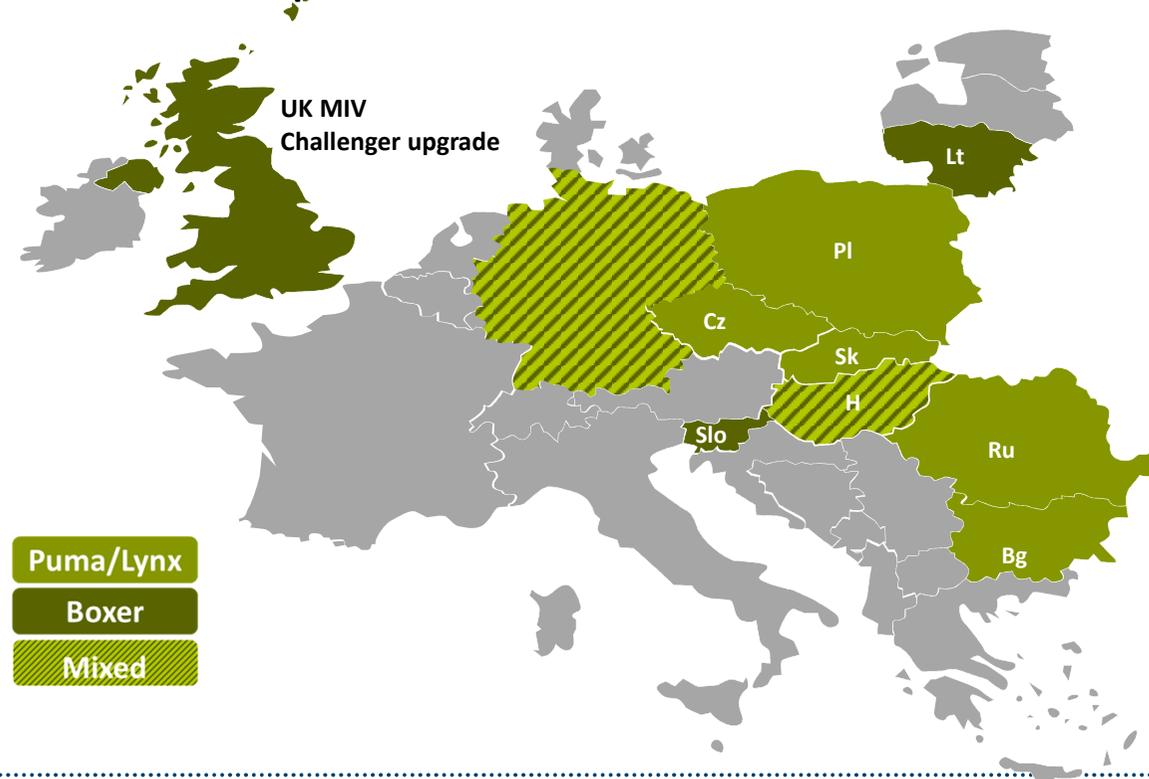
Rheinmetall’s approach:

- **JV partnerships with companies in different nations** instead of “putting all eggs in one basket”
- **Sufficient organic growth potential**, but suitable M&A transactions are possible

European Defence

Rheinmetall is a key beneficiary of large European vehicle programmes

Current or expected tenders tactical vehicles



Drivers for European vehicle programs

- Return to territorial and treaty defence
- Standardization of NATO equipment
- Modernization and upgrades

Estimate for European tactical vehicles demand

(number of vehicles)

	Germany	Rest of Europe
Tracked	~250	>600
Wheeled	700-800*	>900** (includes Lithuania, Slovenia and UK)

* Fox and Boxer
 ** only Boxer

Mission Australia

Establishing a new “home market” down under



Australia timing and order size of Land programs

Trucks 1 st & 2 nd order ✓	2016-2024	€2.0bn & €0.4bn
Boxer CRV ✓	2019-2026	€2.1bn
Ammunition ✓	2018/19	€65m*
Lynx tender	2024-2031	€4-5bn
Integrated Training System		tbd
Technical publication		tbd

*initial assessment, option for 5 year contract

Important strategic partnerships



	ROHDE & SCHWARZ	Raytheon	LOCKHEED MARTIN
Scope	Joint bid for MoTaKo /MoTIV project	Focus on cooperation regarding the successor system for the German tactical air defence	Complete solution consisting of the CH-53K helicopters as well as further services in maintenance, repair, training and support.
Status	JV agreement signed Sep 2017 (74.9% Rheinmetall)	“Strategic collaboration agreement “ signed end of June with defined work share and exclusivity for German market	Strategic teaming agreement for the German Air Force’s “Heavy transportation helicopter Program” signed Feb 2018
Timing	Tender process starting 2019 Decision expected Q4 2020	3 years global exclusivity	German MoD expected to issue request in H2 2018; contract to be awarded in mid-2020; first deliveries in 2023

Defence: Innovative products unfold their business potential

Staying on the path of growth and rising profitability

Markets

Germany

- Expanding size of German army with better equipment level
- From 2019 on preparing for VJTF leadership

Europe

- Rising demand for tactical vehicles (D/F, UK, Eastern Europe)

Global

- Potential in Australia, Asia, North America

Challenges

Managing “super cycle”

- Turning high order intake into profitable sales

Technology

- Transfer of know-how to local production sites
- Cooperation with international partners

Profitability

- Maintaining and improving price quality of orders
- Avoiding project risks

Strengths

Product management

- Roll-out phases of large-scale products with reduced risk profile
- Improved project management

Technology leadership

- Largest European supplier of military vehicles
- Globally leading market position in Weapon & Ammunition

Basis for earnings generation

- Top-line growth
- Improving leverage
- Legacy contracts phasing-out

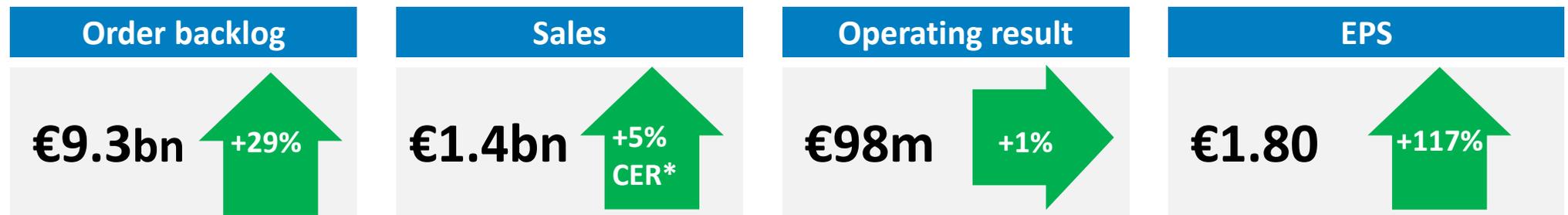


GROUP

Q3 2018

Q3 2018 Group Commercial Highlights

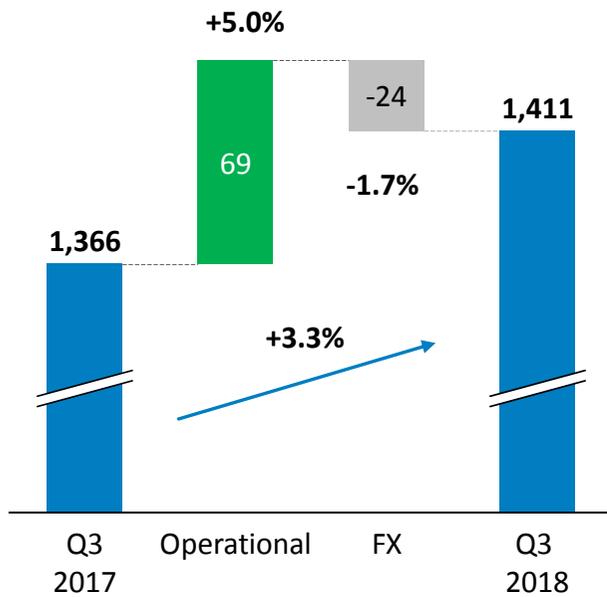
Stable performance in a challenging quarter



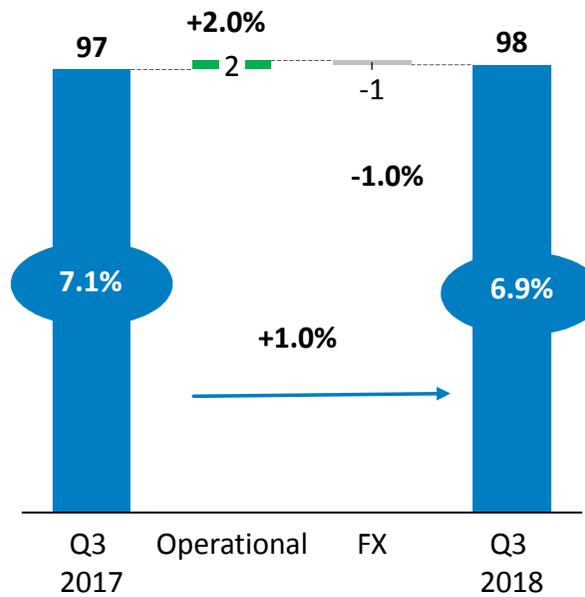
- Order backlog on new record level boosted by Australian contracts
- Sales climbed 5.0% at constant exchange rates* (reported 3.3%) to €1.4bn
- Operating result improved slightly to €98m despite a challenging quarter
- EPS rose on higher EBIT driven by real estate profit and soft comparables from €0.83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

Top line growth and accelerated EPS development

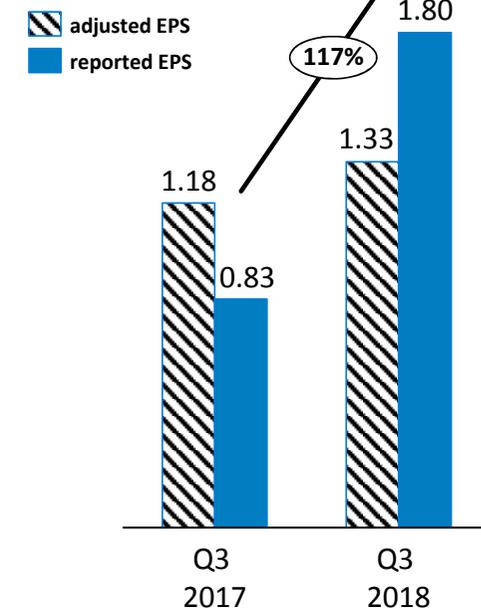
Sales
in €m



Operating result in €m
Operating margin in %

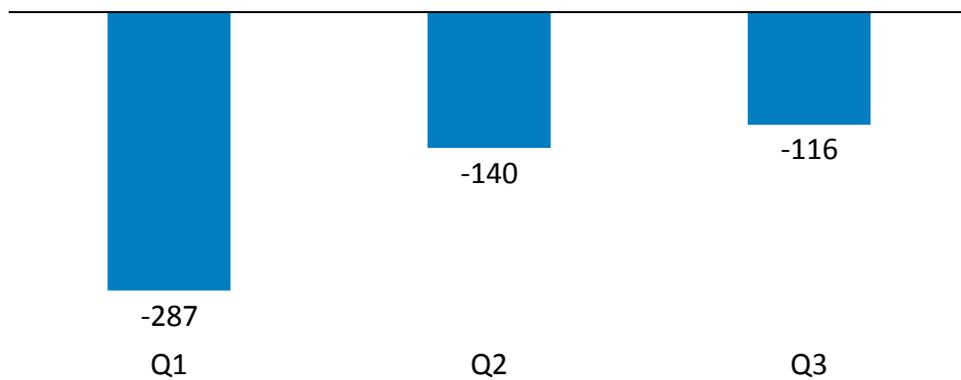


Earnings per share
in €

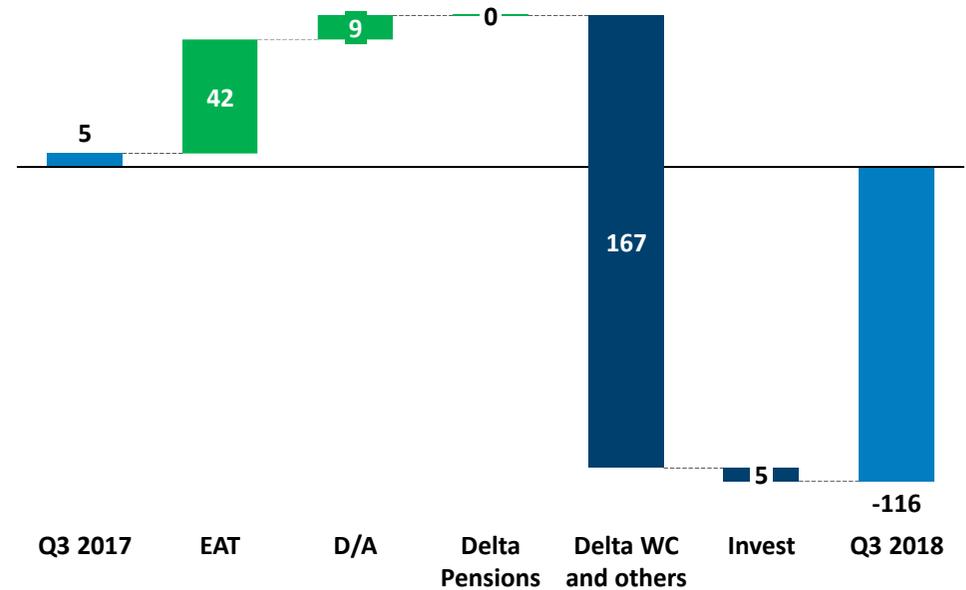


Cash flow still negative but improving quarter by quarter

■ Cash flow development 2018
in €m

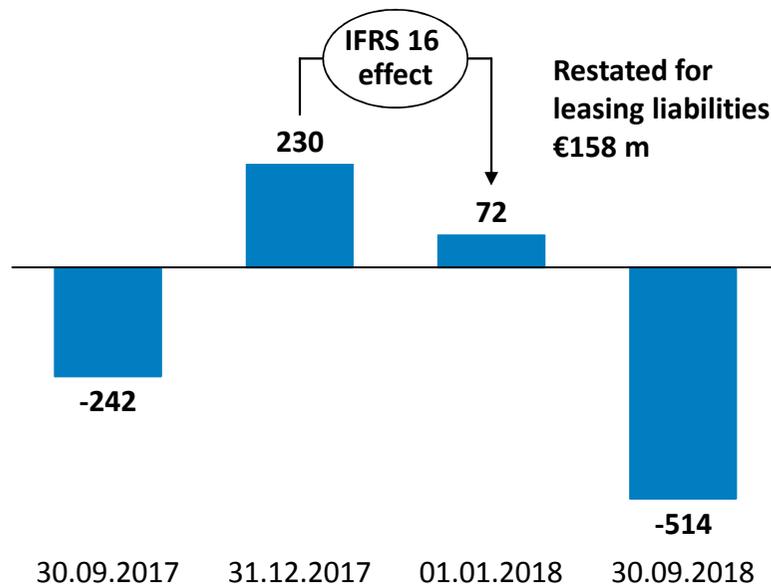


■ Operating free cash flow bridge
in €m

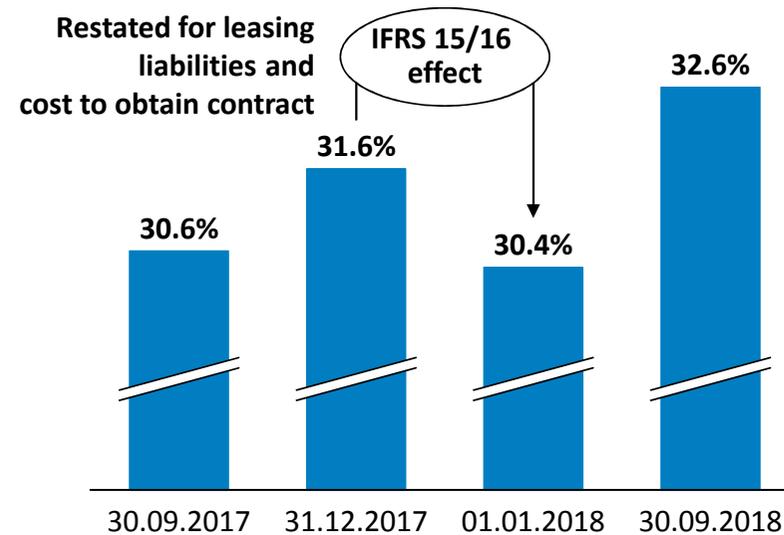


Further improvement of equity ratio despite net debt increase

■ Net debt
in €m



■ Equity ratio
in % of total assets



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%

Estimates

Selected key data

Rheinmetall Group			In % of sales		Automotive 	Defence 	
	2017	2018		2017		2017	
Holding cost	€23m	~€30m	Capex	€154m	~5.5 - 6.0%	€89m	~3.5 - 4.5%
Tax rate	27%	<30%	D&A	€140m	~5.5%	€96m	~3 - 3.5%
Interest result	€39m	Previous year's level	R&D	€151m	~5 - 5.5%	€73m	~2 - 2.5%
Real estate earnings impact in Q3 2018*		~€30m					

*Divestment of former production site, not included in operating result, only EBIT; impact on Cash Flow: €~50m

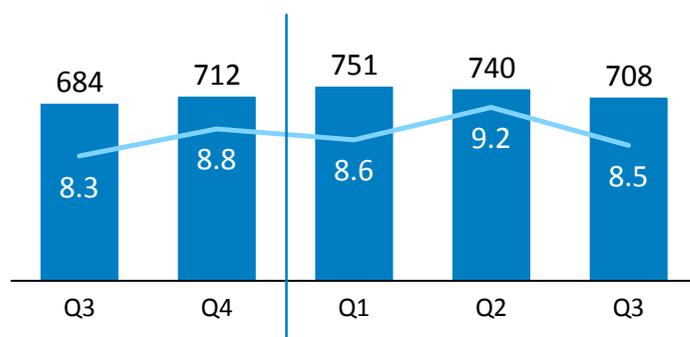


AUTOMOTIVE Q3 2018

Q3 2018 Summary: Automotive

Automotive resilient in a contracting market

Quarterly sales and margin development



Comments on quarterly performance

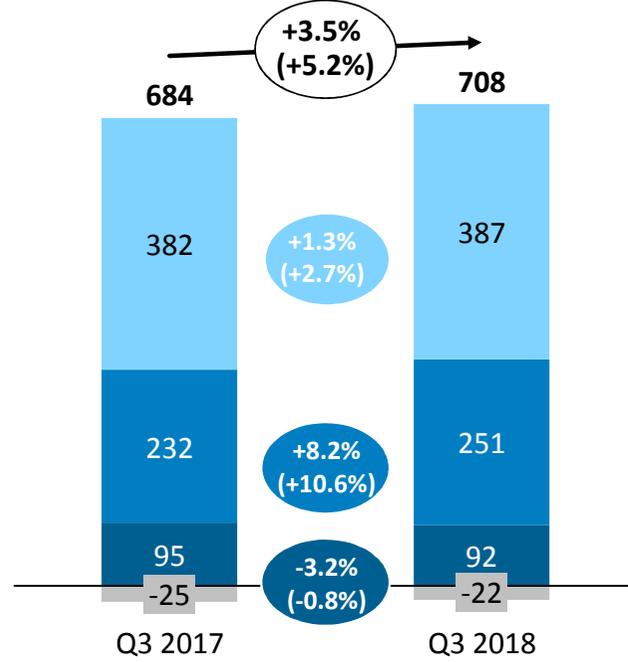
- Sales climbed to €708 million with a strong FX-adjusted growth of 5.2% (rep 3.5%), largely driven by non-LV performance
- Q3 supported by first successful product launches
- Operating margin improved 0.2%p to 8.5% y-o-y, supporting FY guidance
- OFCF declined on increased capex, different timing of 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

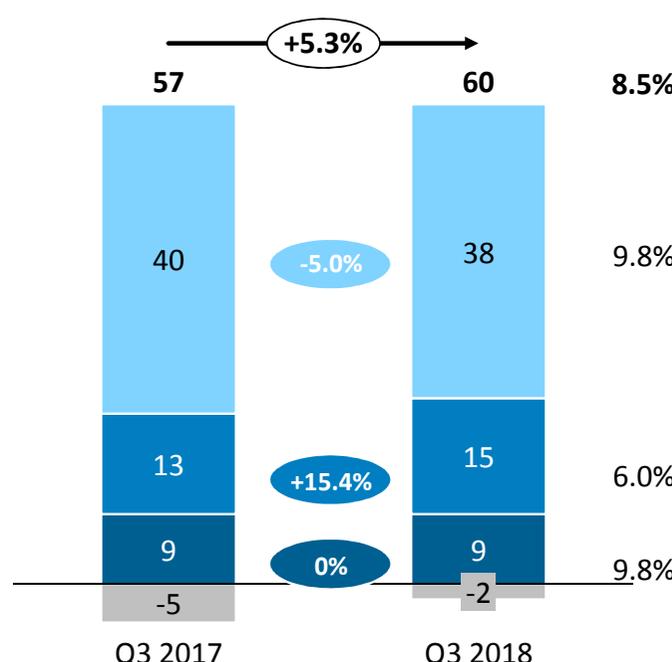
Sales Automotive

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

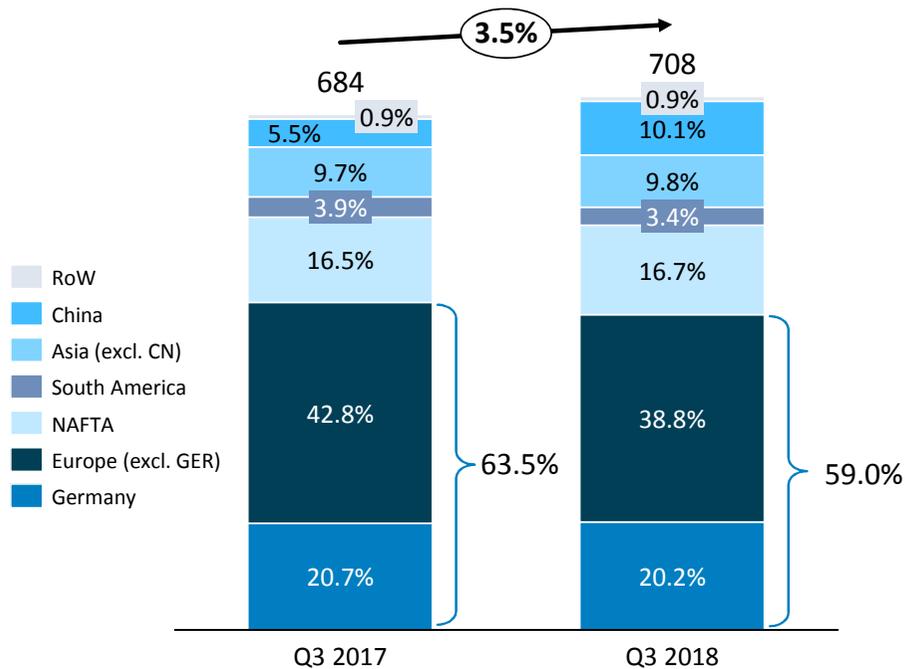
Aftermarket

- 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

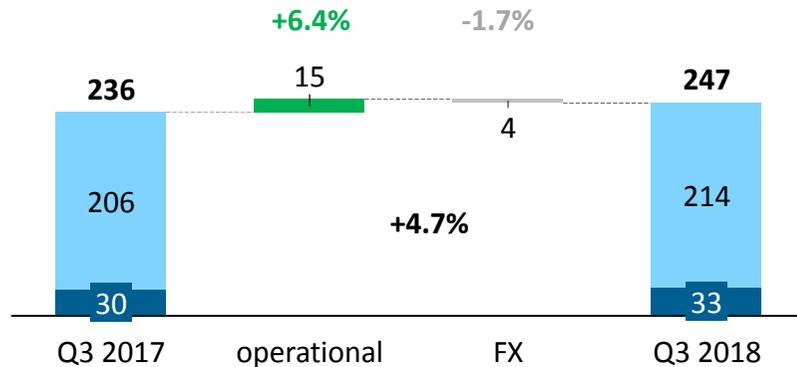
Effect



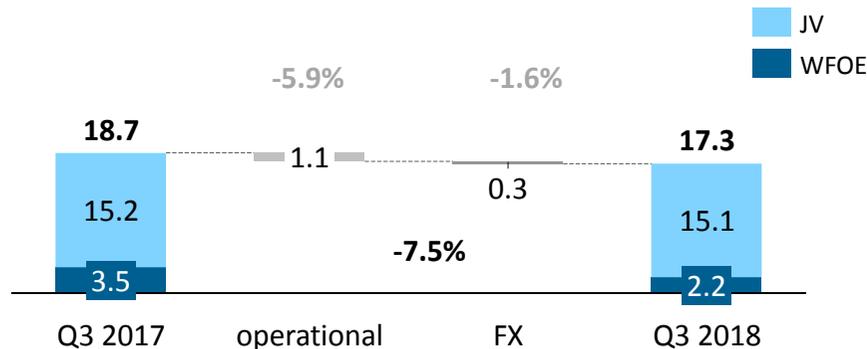
China

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

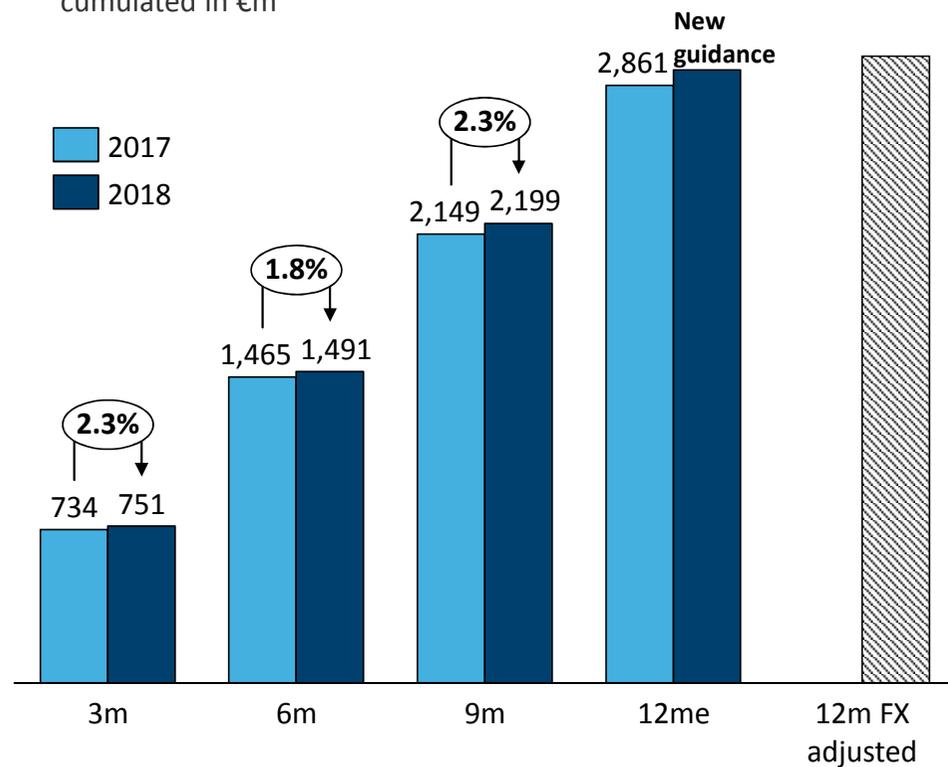
Including 100% figures of 50/50 JV, consolidated at equity

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



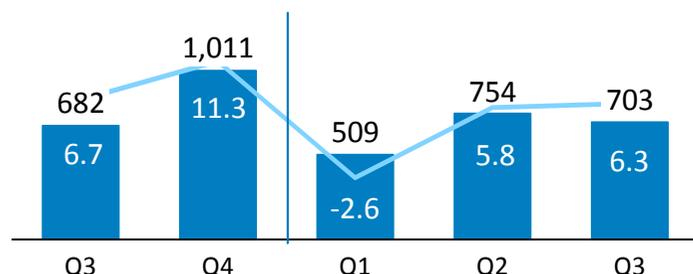
DEFENCE

Q3 2018

Q3 2018 Summary: Defence

Slower start to H2 because of additional burdens

Quarterly sales and margin development



Comments on quarterly performance

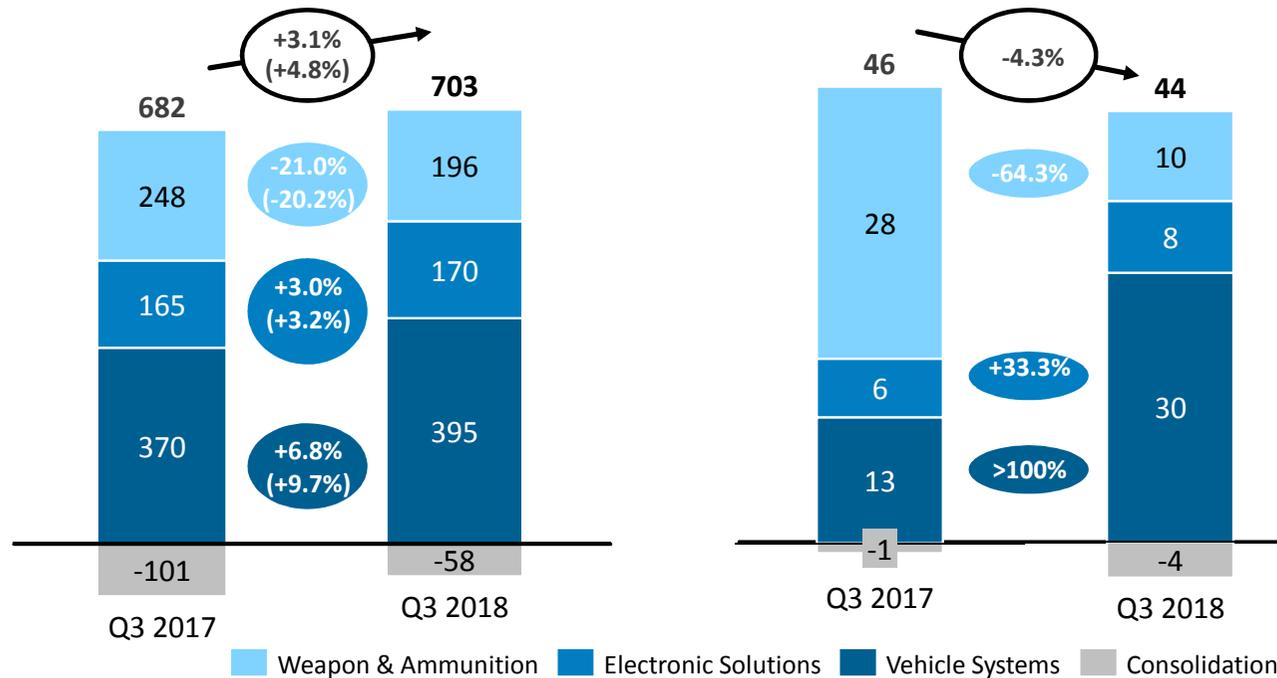
- Record order intake of €3bn, driven by AUS vehicle orders
- Sales grew to €703m with an operational improvement of 4.9% (3.1%rep), driven by ES and VS
- WA held back for various issues (e.g. explosion South Africa, export approvals and delayed customer approval)
- Strong result in VS mitigated by WM's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

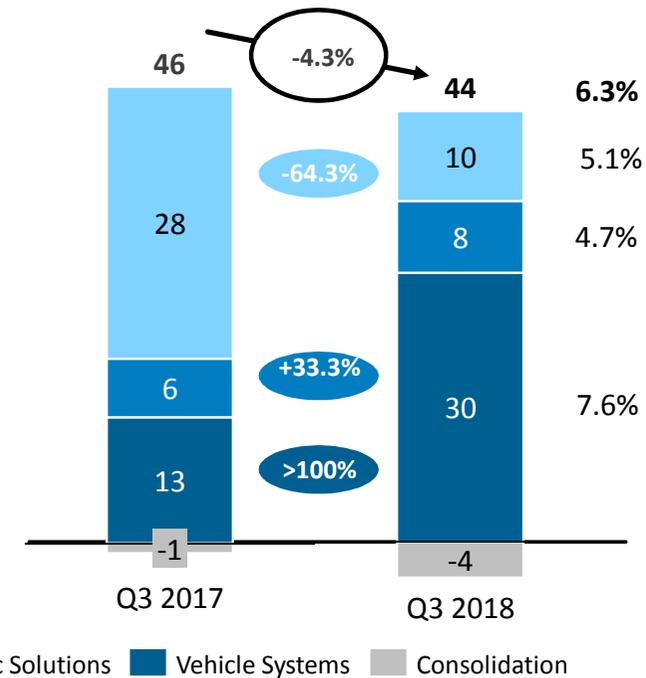
in €m
growth in % / (operational)



Operating result Defence

in €m

Margin



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

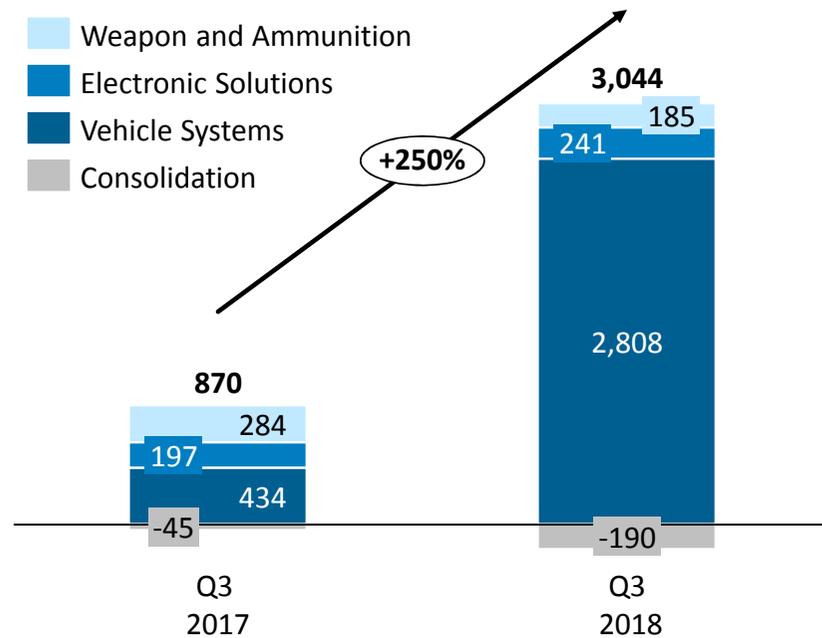
- High utilization
- Continuously improved product mix (phasing out of Dutch Boxer)
- Improvement of supply chain issues (resolved by year-end)

Consolidation

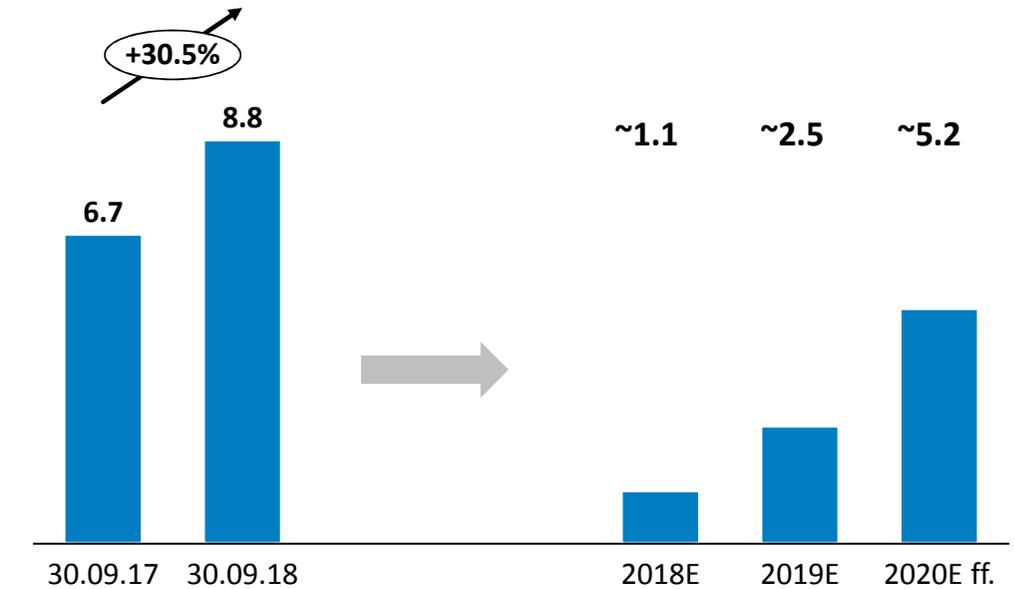
- Elimination of intercompany profits

Record order intake in Vehicle Systems driven by Australian orders

Order intake by division
in €m

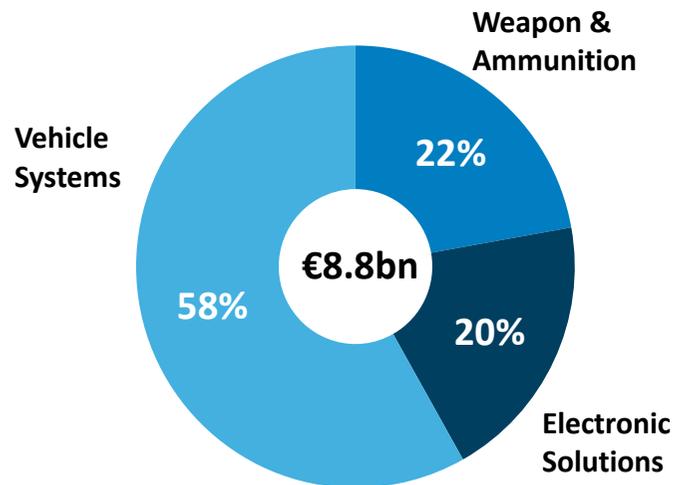


Order backlog profile
in €bn
change in %

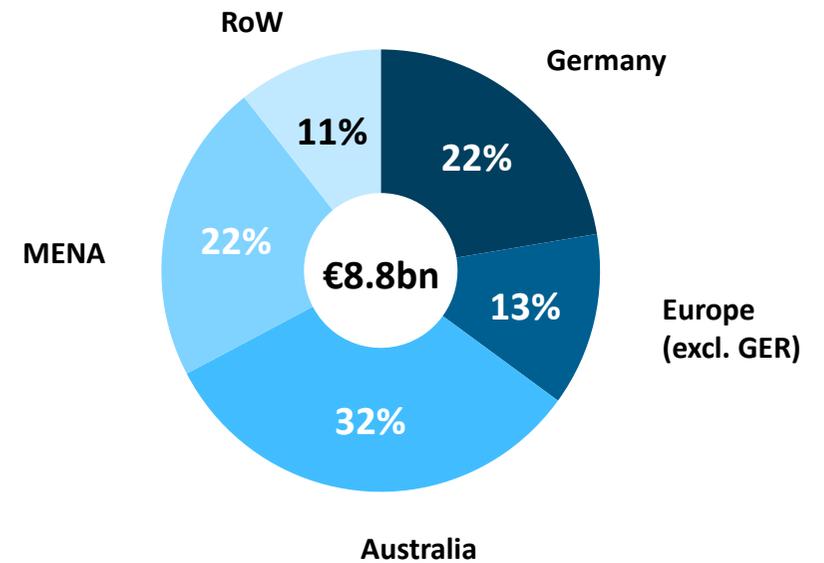


Vehicle Systems propelled backlog to €8.8bn

■ Order backlog by Division
in %



■ Order backlog by Region
in %



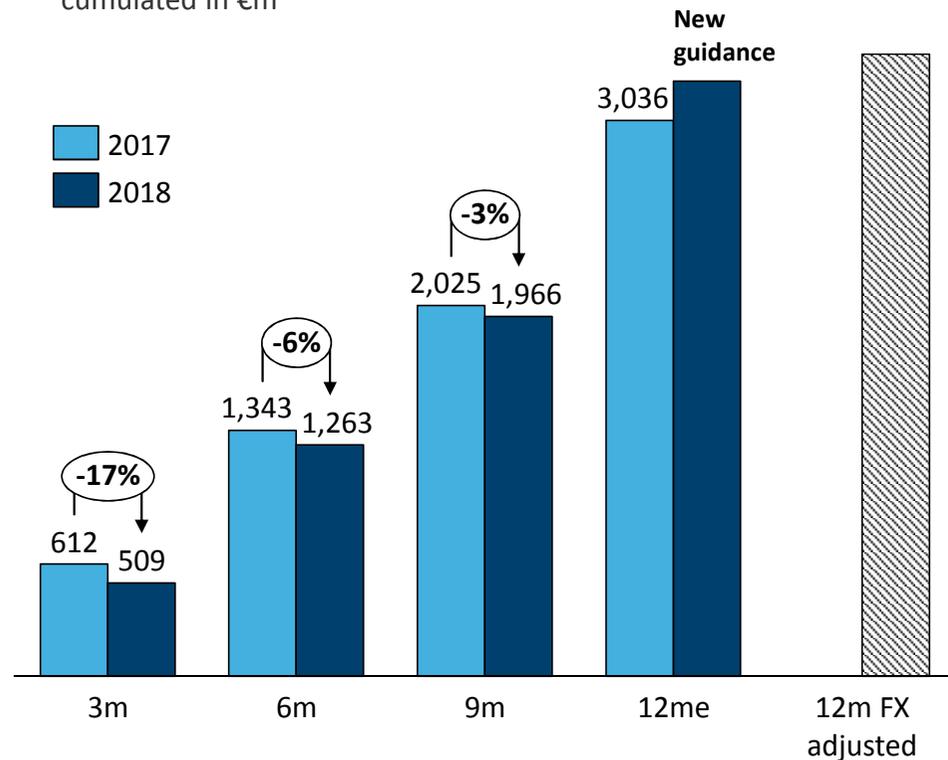
All 9/2018 excl. consolidation

Q4 2018 outlook: Defence

FY guidance too ambitious on the back of recent risk development

Sales

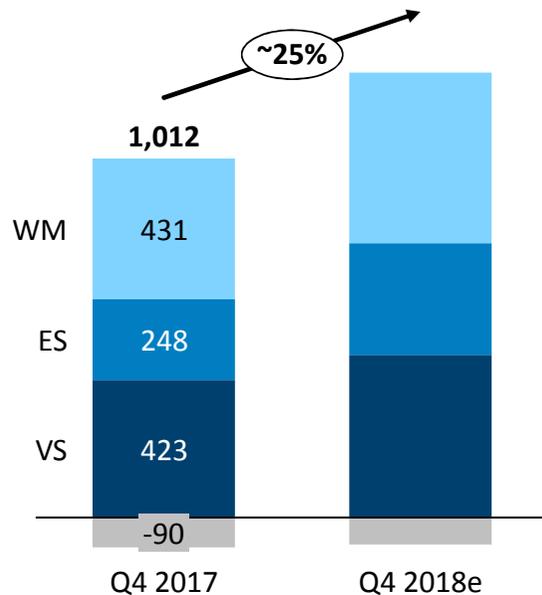
cumulated in €m



- 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



GROUP APPENDIX

Segments 2012 – 2017: Key figures

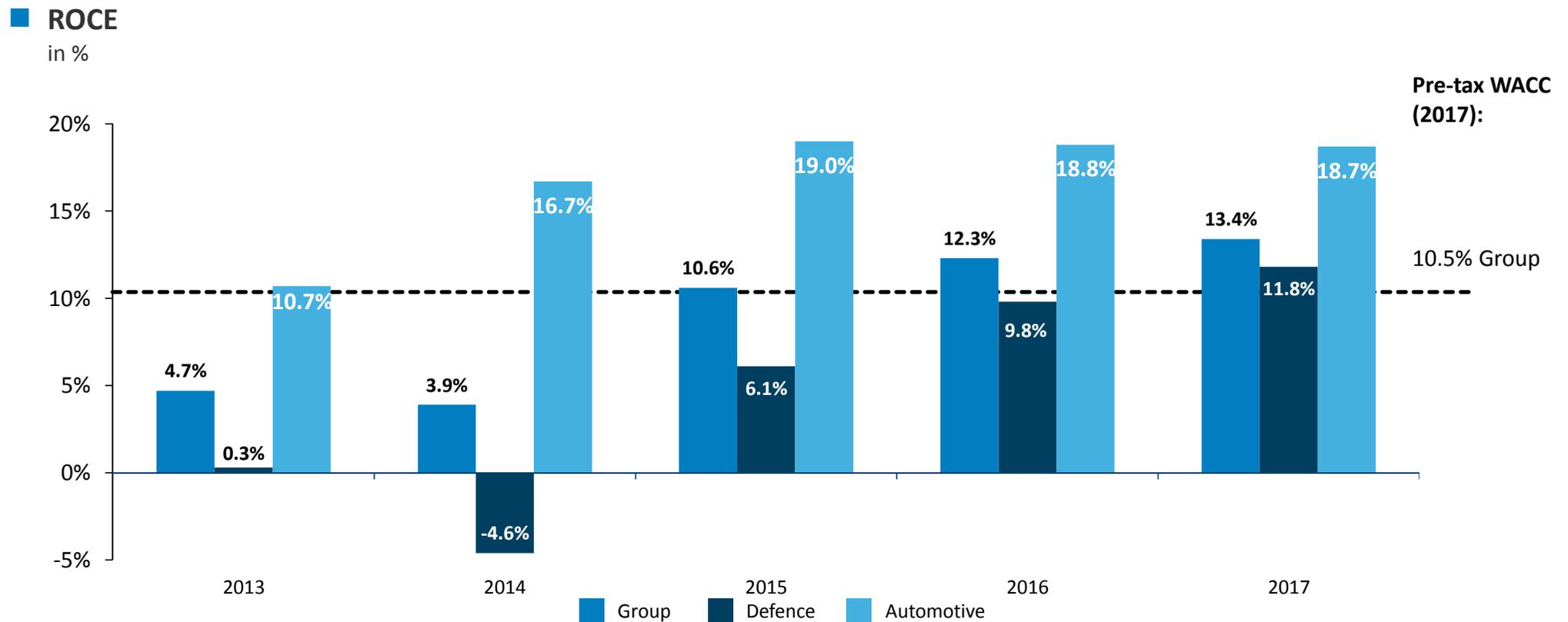
AUTOMOTIVE				
2013	2014	2015	2016	2017
2,270	2,466	2,621	2,670	2,922
392	416	445	459	520
2,262	2,448	2,592	2,656	2,861
158	184	216	223	249
7.0	7.5	8.3	8.4	8.7
225	295	332	356	367
124	184	216	223	227
5.5	7.5	8.3	8.4	7.9
142	158	167	174	176
10,927	10,830	10,934	10,820	11,166
1,171	1,322	1,450	1,527	1,621
66	96	119	142	176
5.6	7.3	8.1	9.3	10.9
889	934	952	921	968
27	72	73	62	38
3.0	7.7	7.7	6.7	3.9
268	269	285	305	358
27	26	27	27	33
10.1	9.7	9.5	8.9	9.2

in EUR million		
Order intake		
Order backlog (Dec. 31)		
Sales		
Operating result		
Operating margin (in %)		
EBITDA		
EBIT		
EBIT margin (in %)		
Capex		
Employees (Dec 31) according to capacity		
Mechatronics	Sales	Weapon & Ammunition*
	EBIT	
	EBIT margin	
Hardparts	Sales	Electronic Solutions
	EBIT	
	EBIT margin	
Aftermarket	Sales	Vehicle Systems*
	EBIT	
	EBIT margin	

DEFENCE				
2013	2014	2015	2016	2017
3,339	2,812	2,693	3,050	2,963
6,050	6,516	6,422	6,656	6,416
2,155	2,240	2,591	2,946	3,036
60	-9	90	147	174
2.8	-0.4	3.5	5.0	5.7
96	17	175	239	268
4	-67	90	147	172
0.2	-3.0	3.5	5.0	5.7
62	76	96	95	89
9,193	9,184	9,581	10,002	10,251
1,027	977	881	1,112	1,175
31	-4	74	108	117
3.0	-0.4	8.4	9.7	10.0
710	705	759	745	691
11	-53	26	25	20
1.5	-7.5	3.4	3.4	2.9
539	667	1,195	1,392	1,480
-35	-9	3	29	51
-6.5	-1.4	0.3	2.1	3.5

2013 figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)

Continuing ROCE improvement



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		

Next events and IR contacts

■ Events 2019

GIS Commerzbank Conference	New York	15-16 January
GCC Kepler Cheuvreux Conference	Frankfurt	21-22 January
Lampe Conference	London	31 January
Provisional figures		1 March
FY 2018		13 March
Lampe Conference	Baden-Baden	5 April
Q1 2019		9 May 2019
AGM		28 May

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■ Quick link to documents

Corporate Presentation



Interim Reports



Annual Reports



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