



# Conference Call Q3 2017

Düsseldorf / 7 November 2017

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## Highlights Rheinmetall Group Q3 2017

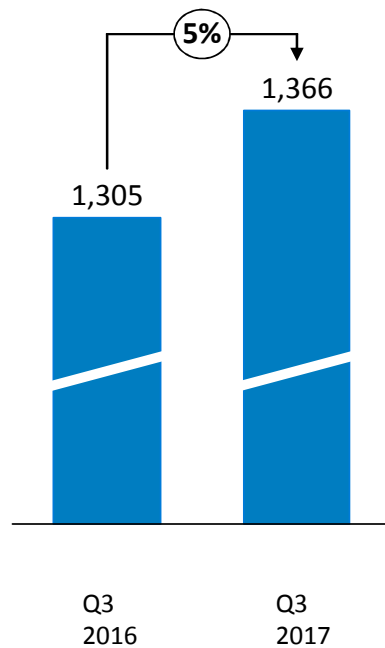
### Solid quarter with strong result contribution from Defence



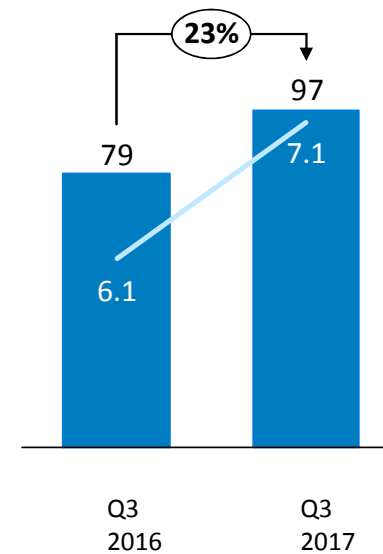
- **Sales** increased by 4.7% to **€1.366 bn** or 5.4% currency adjusted
- **Operating result** improved by 23% to **€97 m**
- **Group margin** gained 100bp advancing from 6.1% to **7.1%**
- **Automotive** optimized global footprint with an **EBIT impact** of **€22 m**
- **FY guidance affirmed**

# Operational margin improvement continues in Q3

■ Sales  
in EUR million

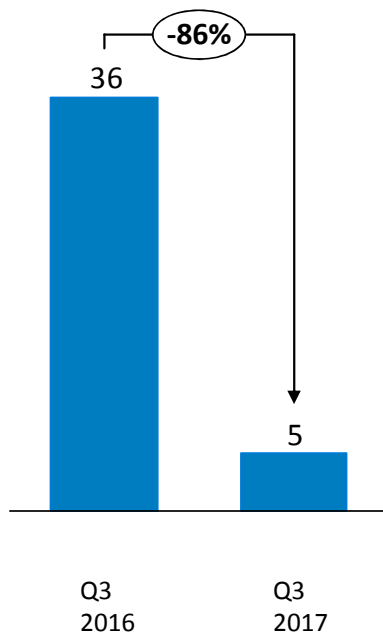


■ Operational result in EUR million  
Operational margin in %

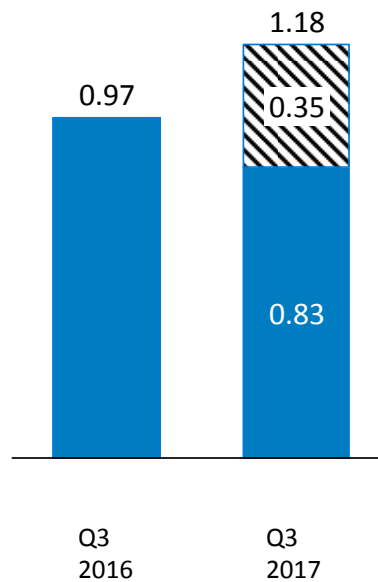


# Cash flow affected by working capital buildup in Defence

■ **Operating Free Cash Flow**  
in EUR million



■ **Earnings per share**  
in EUR

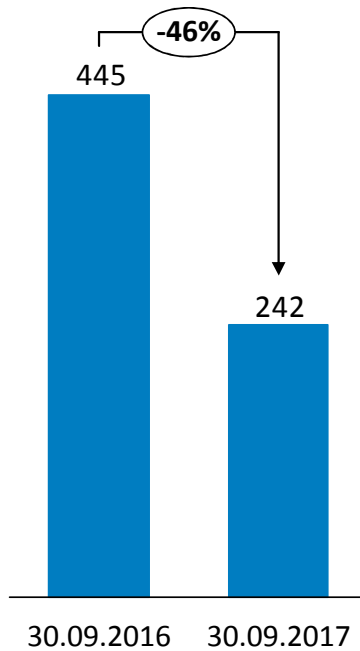


■ **Headcount**  
in capacities

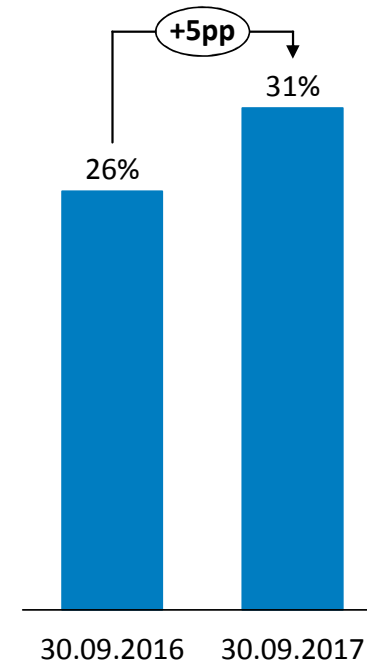


## Solid financial status further improved

■ Net debt  
in EUR million



■ Equity ratio  
in % of total assets



## Highlights Rheinmetall Automotive Q3 2017

### Market outperformed, margin improved



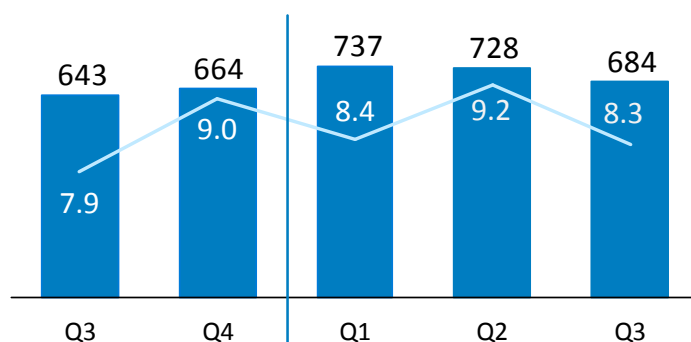
Solenoid valve

- **Sales rose** by 6% to **€684 m**, FX adjusted 7.3%
- **Operating result grew** by 12% to **€57 m**
- **Operating margin increased** by 40bp to **8.3%**
- **Quarterly free cash flow improved** by €34m to €81 m
- **Restructuring impact** on reported EBIT of **€22 m**

# Rheinmetall Automotive

## Good operational performance on profitability and cash level

### Quarterly sales and margins development



### Comments on quarterly performance

- Sales increased by 6.4% compared to global LV growth of 2.2%
- Operating result rose to €57 m lifting margin to 8.3% mainly driven by Mechatronics
- Provisions for French site closure impacted EBIT with €22 m
- OFCF improved on working capital optimisation

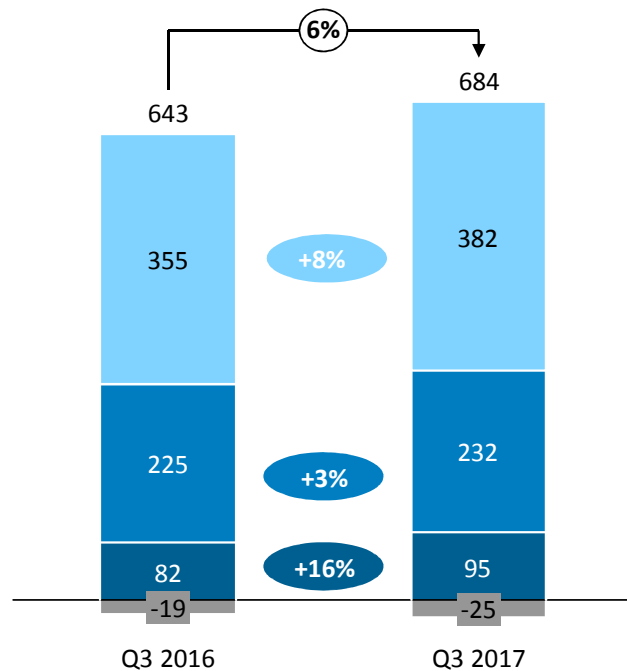
in EUR million	Q3 2016	Q3 2017	Δ %	9m 2016	9m 2017	Δ %
Sales	643	684	6.4%	1,992	2,149	7.9%
Operating result	51	57	11.8%	163	186	14.1%
Operating margin in %	7.9	8.3	40 bp	8.2	8.7	47 bp
EBIT	51	35	-31.4%	163	164	0.9%
Operating Free Cash Flow	47	81	72.3%	- 41	32	178.0%
Operating FCF / Sales in %	7.3	11.8	453 bp	- 2.1	1.5	355 bp



# Operational leverage in Mechatronics and Hardparts drive the quarter

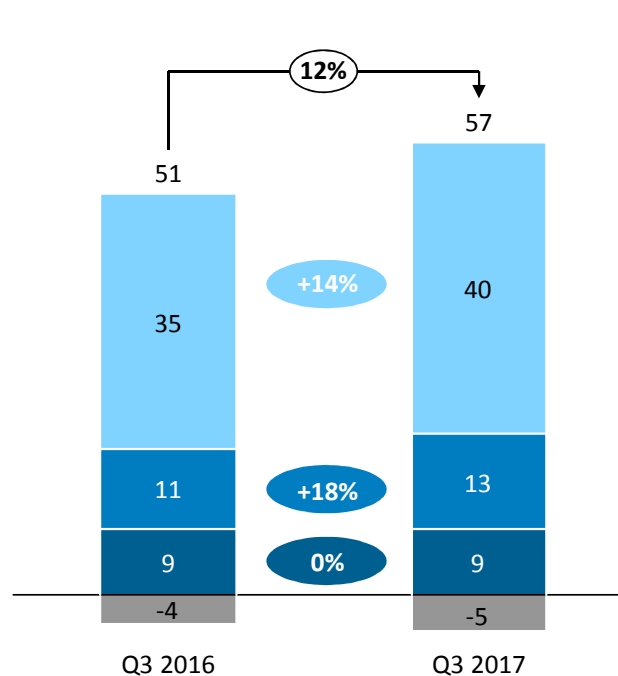
## Sales Automotive

in EUR million



## Operating result Automotive

in EUR million



## Reasons for result development

### Mechatronics

- Strong demand for fuel optimization as main driver; emission reduction on solid level

### Hardparts

- Higher demand for Large Bore Pistons and good development for European LV pistons

### Aftermarket

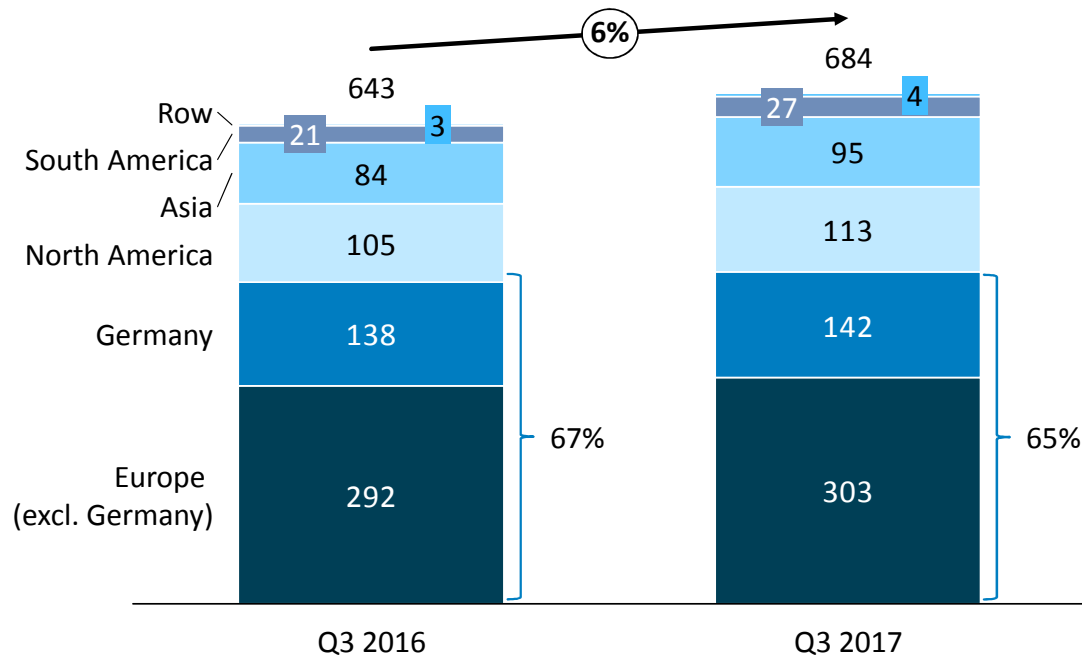
- Recovery of sales in East European countries

Restatement of 2016 reported figures in Mechatronics and Aftermarkets related to change in plant assignment

# Markets in better shape than anticipated, outperformance intact

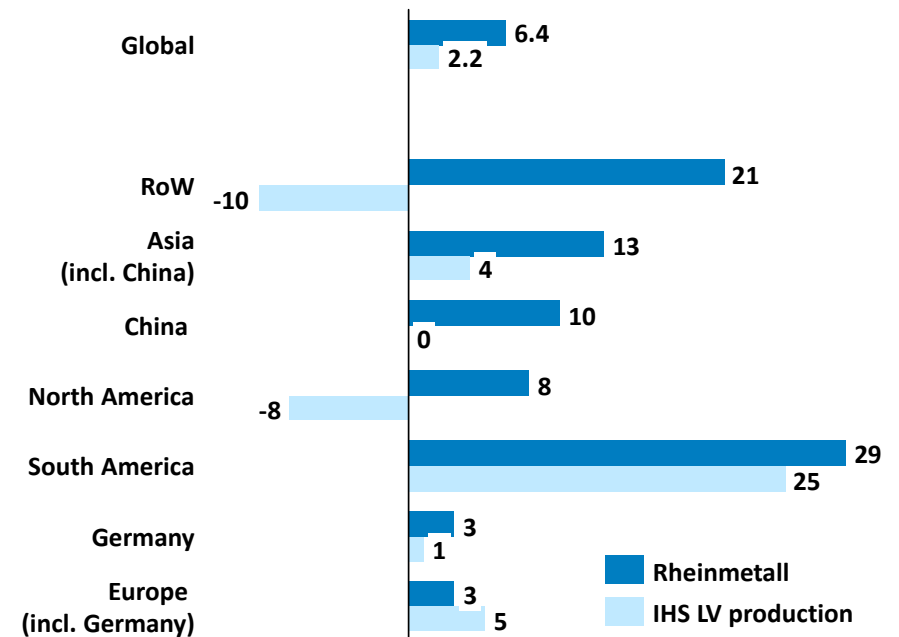
## Regional sales development Automotive

in EUR million



## Regional sales growth Q3 2017

in % (IHS October 2017)



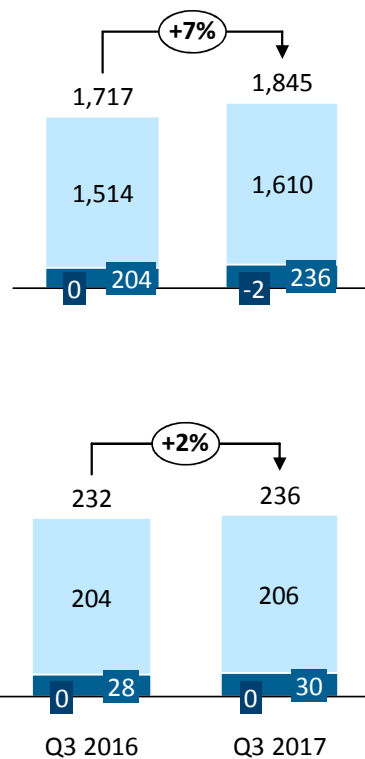
# Chinese entities stronger than the market

## China LV production

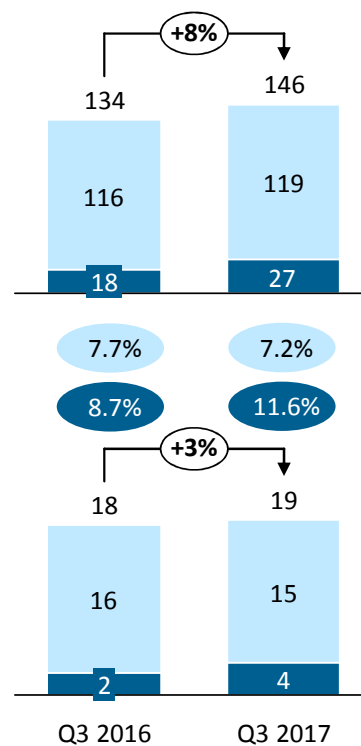
in million units



## Sales in million



## Operating result in million / in %



- Strong growth and operating earnings
- JVs: Hardparts sales up; operating margin slightly lower
- WFOEs: High demand for Mechatronics products, rising profitability

JVs (100% figures of 50/50 JV, consolidated at equity)  
 WFOEs (Wholly Foreign-Owned Enterprises)  
 consolidation

## Hardparts streamlined its global footprint

### ■ Closure of pistons plant in Thionville (Lorraine/France)

- Strategic step to improve the cost basis of Hardparts
- Concentration of European LV pistons production in Ustí (CZ)
- Reduction of around 140 headcount in a consensual way by support of post-employment development plans
- Production will cease in H2 2018



Hardparts site

### ■ Financial impact

- One time cost of around €22 m, thereof:
  - €17 m for severance payments and site remediation (cash-effect in 2018)
  - €5 m asset impairment (non-cash effect)
- Annual savings of around €10 m expected mid-term

## Highlights Rheinmetall Defence Q3 2017

### Strong momentum in earnings and order intake

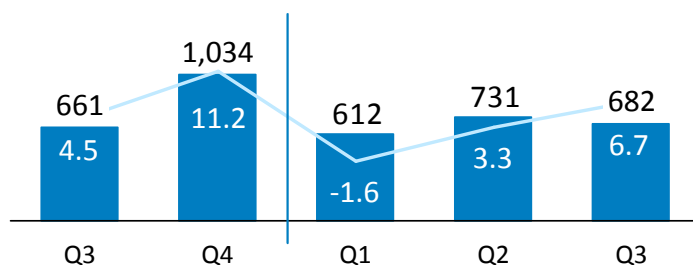


- **Order intake rose by €296 m to €870 m**
- **Sales gained 3% to €682 m**
- **Operating result increased by 53% from €30 m to €46 m**
- **Operating margin went up from 4.5% to 6.7%**

# Rheinmetall Defence

## Margin and order intake trend positively towards FY guidance

### Quarterly sales and margins development



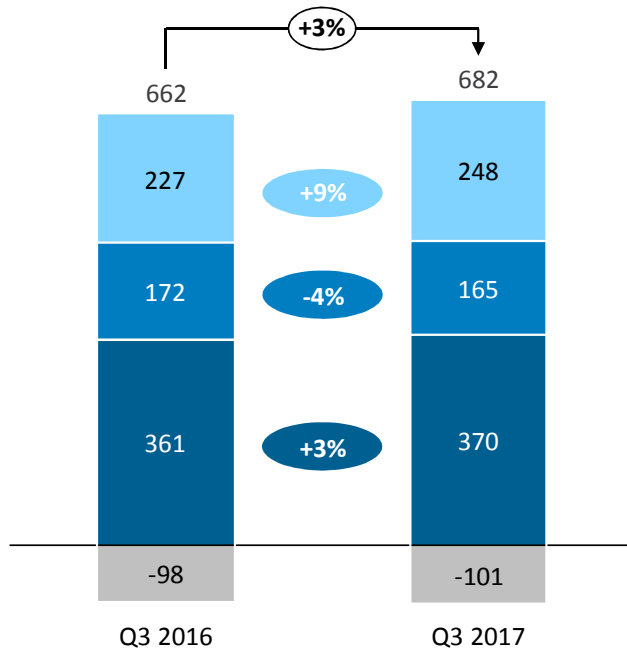
### Comments on quarterly performance

- Strong increase of German orders (i.e. vehicles and ammunition)
- Moderate sales growth of 3% as anticipated
- Profitability improved materially, supported mainly by Vehicle Systems
- Cash flow impacted by working capital build up

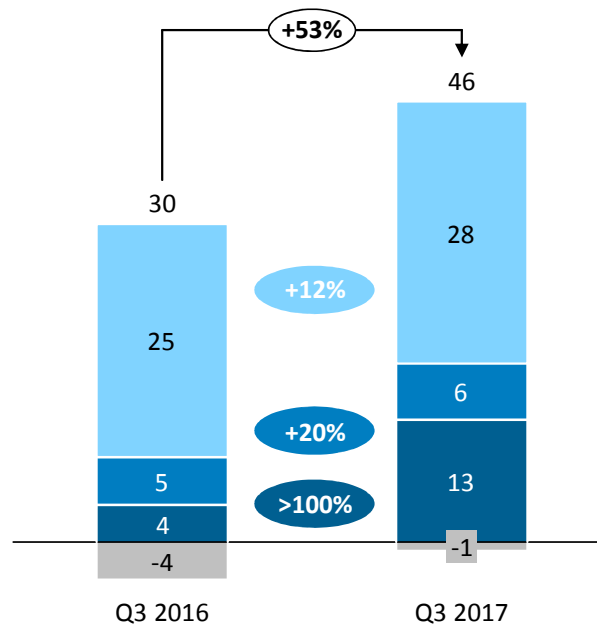
in EUR million	Q3 2016	Q3 2017	Δ %	9m 2016	9m 2017	Δ %
Order intake	574	870	51.6%	2,325	2,292	-1.4%
Sales	662	682	3.0%	1,912	2,025	5.9%
Operating result	30	46	53.2%	32	60	88.9%
Operating margin in %	4.5	6.7	220 bp	1.7	3.0	130 bp
EBIT	30	46	53.8%	32	57	79.2%
Operating Free Cash Flow	5	- 52	n.a.	- 216	- 157	27.3%
Operating FCF / Sales in %	0.8	- 7.6	-838 bp	- 11.3	- 7.8	354 bp

# Operational strength in Vehicle Systems as well as Weapon and Ammunition

**Sales Defence**  
in EUR million



**Operating results Defence**  
in EUR million



**Reasons for result development**

## Weapon and Ammunition

- Good sales development leads to higher earnings

## Electronic Solutions

- Stable results development despite softer sales

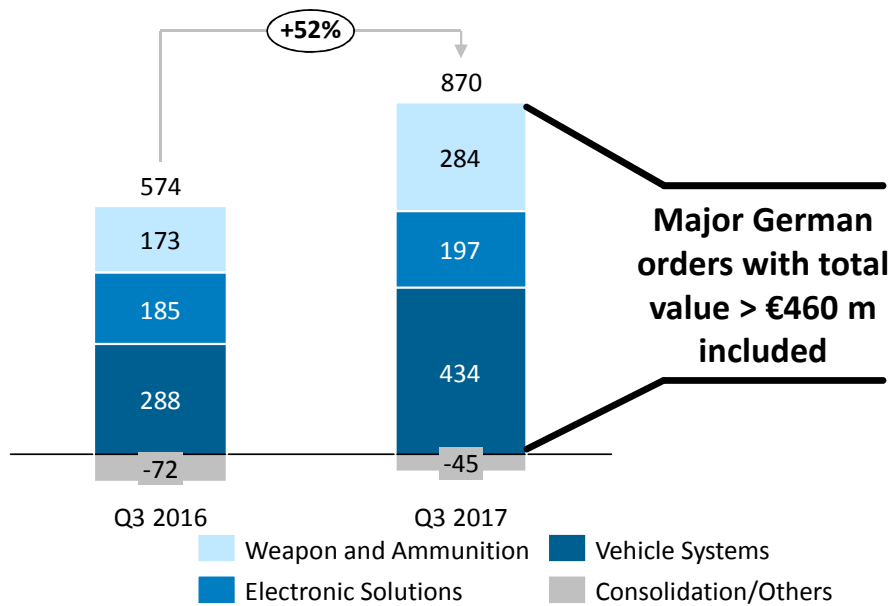
## Vehicle Systems

- Sales driven by high order execution in tactical and logistical vehicles

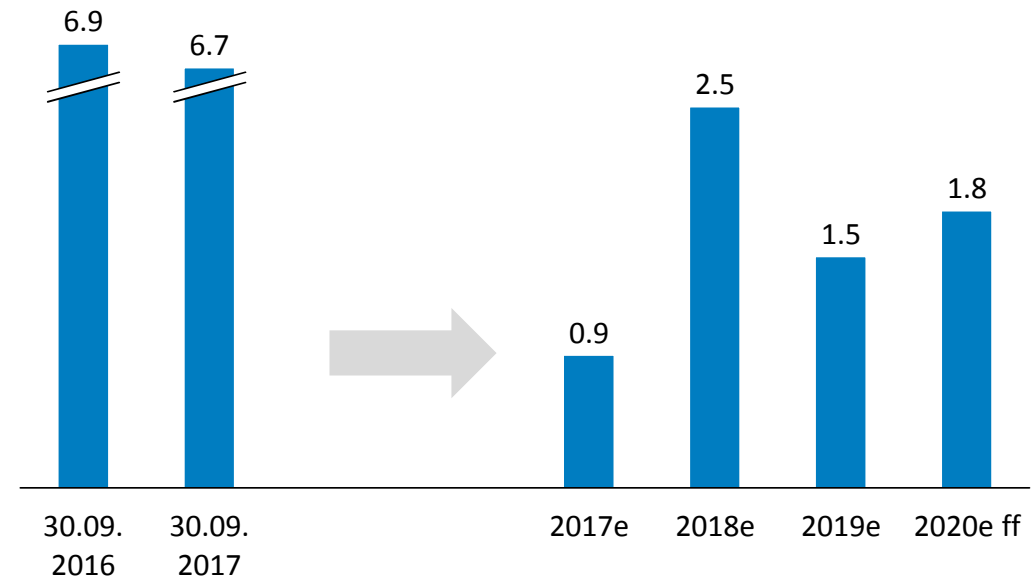
■ Weapon a. Ammunition 
 ■ Vehicle Systems  
■ Electronic Solutions 
 ■ Consolidation/Others

# German contracts essential for high order intake in Q3

**Order intake by division**  
in EUR million

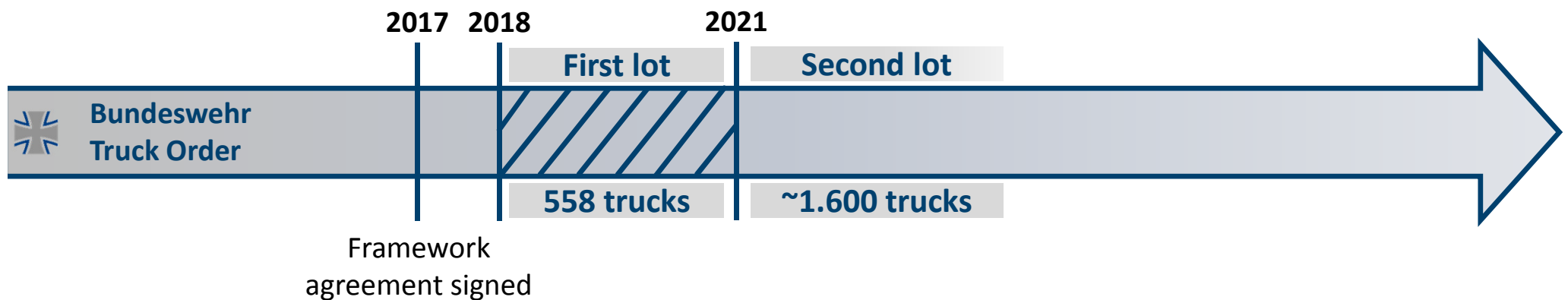


**Order backlog profile**  
in EUR billion





# Rheinmetall will modernize German logistical fleet





## ■ Framework agreement

- HX2 family replaces the existing fleet of military trucks
- Net value: €760 m for ~2.200 vehicles
- First lot delivered between 2018-21
- Second lot delivery schedule yet to be specified



# Outlook

## Guidance affirmed for 2017

	 <b>AUTOMOTIVE</b>	<b>DEFENCE</b> 
<b>Macro view</b>	<ul style="list-style-type: none"> <li>▪ <b>Global</b> LV production growth <b>~2%*</b></li> <li>▪ <b>Chinese</b> LV production growth <b>~1%</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Further <b>demand increase</b> in key markets</li> <li>▪ Germany and other allies have <b>stepped up investment budgets</b></li> </ul>
<b>Rheinmetall</b>	<ul style="list-style-type: none"> <li>▪ Automotive expected to <b>outperform markets</b></li> <li>▪ Important step of cost base improvement achieved with closure of French piston production</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Strong back end loading</b> of Defence performance</li> <li>▪ <b>Single digit</b> sales growth expected for 2017</li> <li>▪ <b>Stronger sales momentum 2018</b></li> </ul>
<b>Updated Outlook 2017</b>	<b>Sales growth expected at the upper range of the guidance of 6-7% and operating margin level confirmed around 8.4%</b>	<b>Sales growth expected at the lower range of the guidance of 5-6% and operating margin at upper end of the guidance of 5-5.5%</b>
<b>Group expected to grow around 6% at an operating margin slightly above 6.5% incl. efforts for New Technologies</b>		

\*Source: IHS October 2017



# Appendix

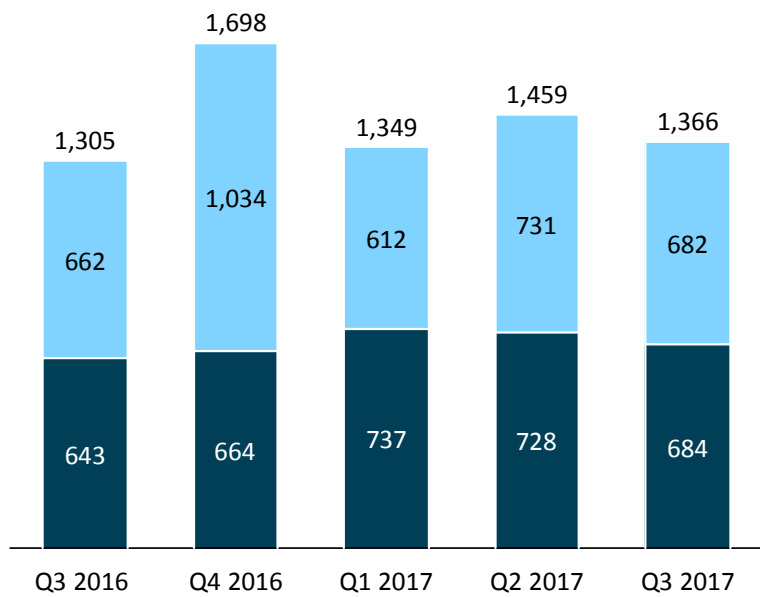
## Financial reminder for 2017

	Automotive	Defence
▪ Capex	~5.5-6.5%	~3-4%
▪ D&A	~4.5-5.5%	~3-3.5%
▪ R&D	~4-6%	~2-3%
▪ Holding cost (underlying)	~EUR20 million - EUR25 million	
▪ Expected corporate tax rate	~30%	
▪ Financing	EUR500 million bond (5,25% coupon) redeemed in September EIB loan EUR250 million (0,962% coupon) as of August 2017	
▪ Rating	Ba1 (positive outlook) Moody's	

# Quarterly development Group

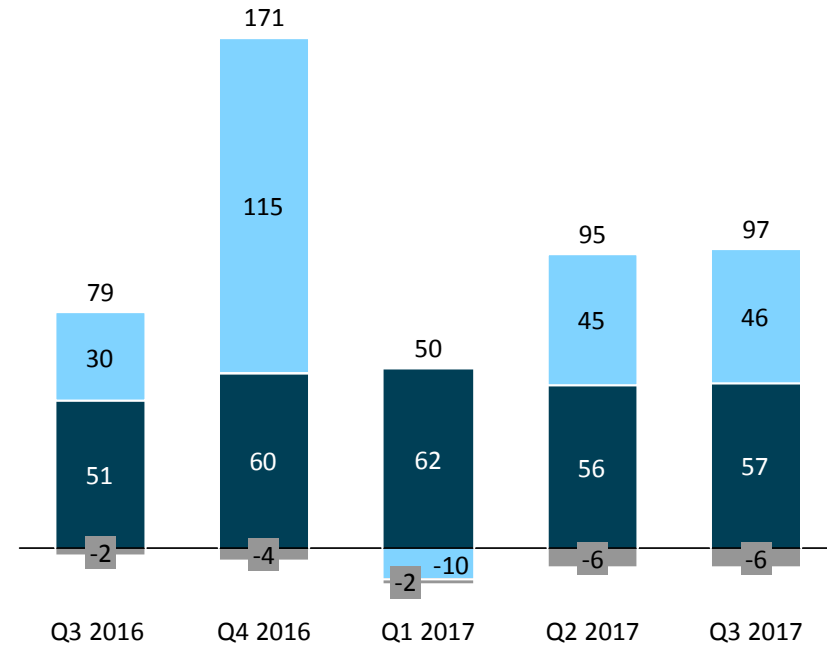
## Sales

in EUR million



## Operational results

in EUR million



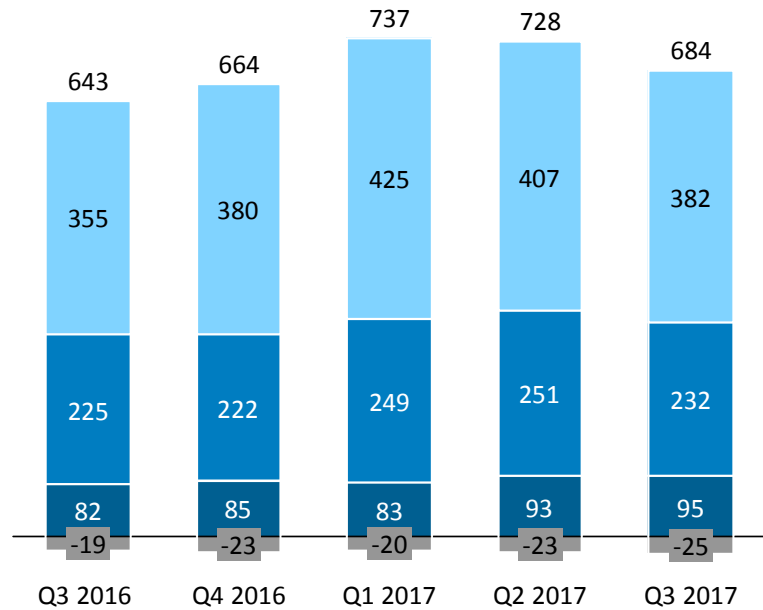
■ Defence ■ Automotive ■ Consolidation/Others

## Cash Flow Statement Group

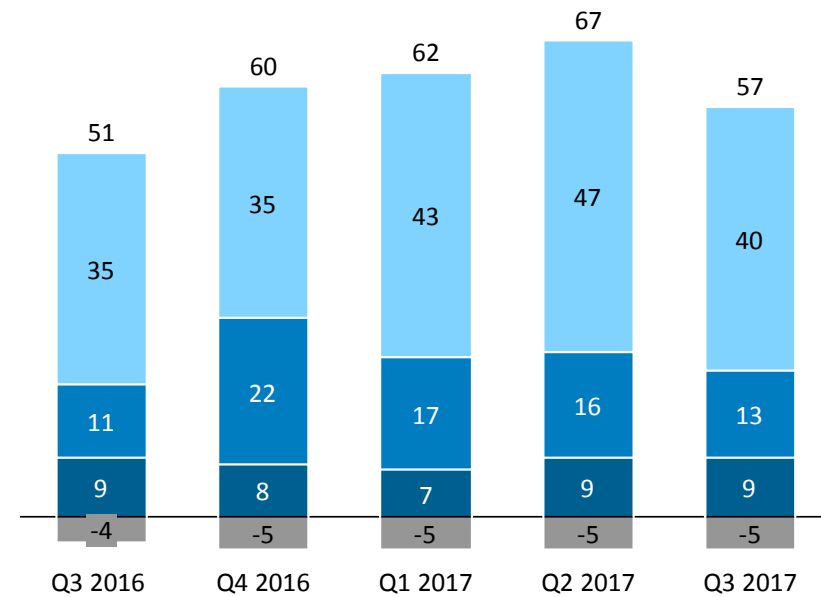
in EUR million	Q3 2016	9m 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	9m 2017	Δ Q3 2016/2017	Δ 9m 2016/2017
Group Net Income	46	99	116	28	51	43	122	-3	23
Amortization / depreciation	52	161	67	57	55	59	171	7	10
Change in pension accruals	-	-14	-	-34	-3	1	-36	1	-22
<b>Cash Flow</b>	<b>98</b>	<b>246</b>	<b>183</b>	<b>51</b>	<b>103</b>	<b>103</b>	<b>257</b>	<b>5</b>	<b>11</b>
Changes in working capital and other items	-1	-374	389	-207	-34	-36	-277	-35	97
<b>Net cash used in operating activities</b>	<b>98</b>	<b>-128</b>	<b>572</b>	<b>-156</b>	<b>69</b>	<b>67</b>	<b>-20</b>	<b>-31</b>	<b>108</b>
Cash outflow for additions to tangible and intangible assets	-62	-174	-109	-43	-50	-62	-155	-	19
<b>Free Cash Flow from Operations</b>	<b>36</b>	<b>-302</b>	<b>463</b>	<b>-199</b>	<b>19</b>	<b>5</b>	<b>-175</b>	<b>-31</b>	<b>127</b>

# Quarterly development Automotive

**Sales by division**  
in EUR million



**Operational results by division**  
in EUR million



■ Mechatronics 
 ■ Hardparts 
 ■ Aftermarket 
 ■ Consolidation/Others

## Cash flow statement Automotive

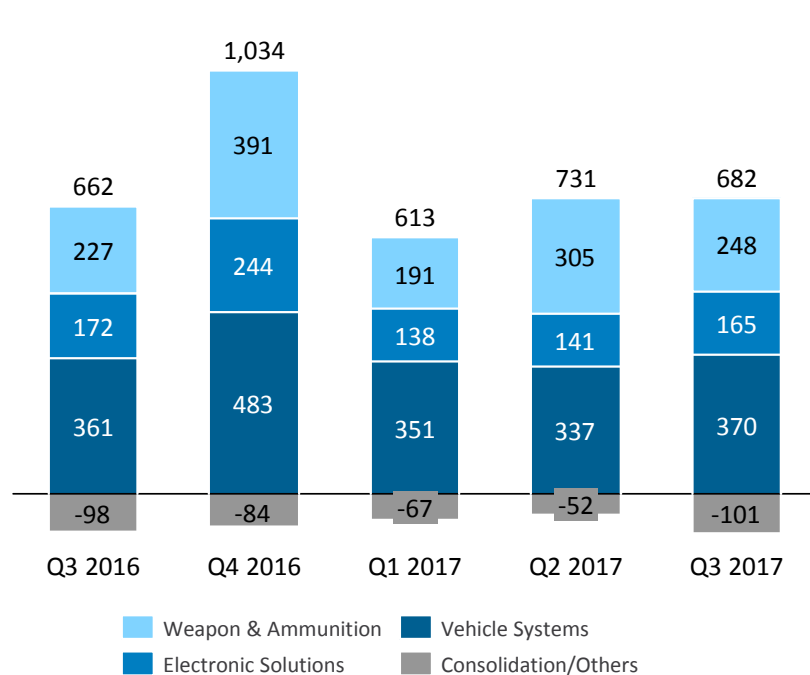
in EUR million	Q3 2016	9m 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	9m 2017	Δ Q3 '16/'17	Δ 9m '16/'17
Net income	36	116	49	46	50	25	121	-11	5
Amortization / depreciation	29	93	40	32	32	37	101	8	8
Change in pension accruals	-1	-1	-1	-	-	-	-	1	1
<b>Cash Flow</b>	<b>64</b>	<b>208</b>	<b>88</b>	<b>78</b>	<b>82</b>	<b>62</b>	<b>222</b>	<b>-2</b>	<b>14</b>
Changes in working capital and other items	18	-146	129	-172	20	61	-91	43	55
<b>Net cash used in operating activities</b>	<b>82</b>	<b>62</b>	<b>217</b>	<b>-94</b>	<b>102</b>	<b>123</b>	<b>131</b>	<b>41</b>	<b>69</b>
Cash outflow for additions to tangible and intangible assets	-35	-103	-71	-24	-33	-42	-99	-7	4
<b>Free cash flow from operations</b>	<b>47</b>	<b>-41</b>	<b>146</b>	<b>-118</b>	<b>69</b>	<b>81</b>	<b>32</b>	<b>34</b>	<b>73</b>



# Quarterly development Defence

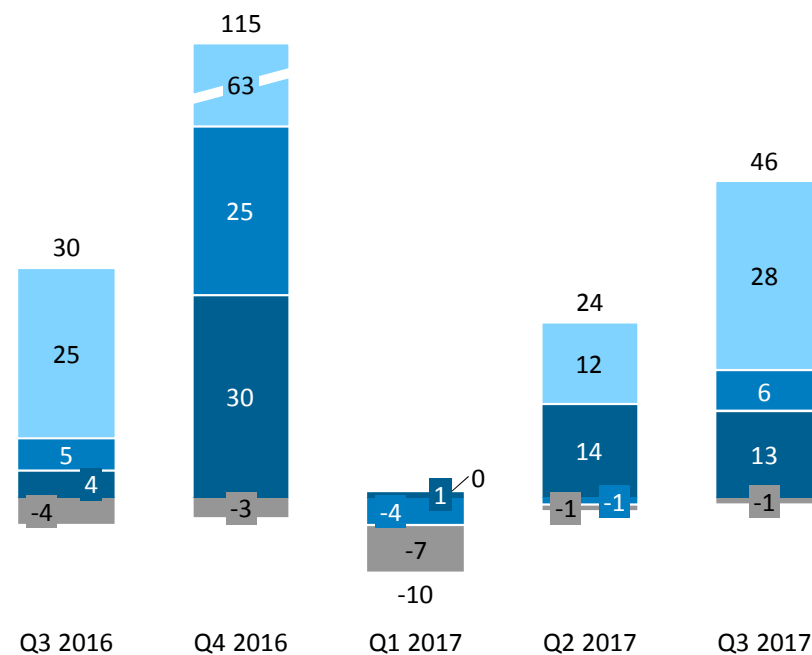
## Sales by division

in EUR million



## Operational earnings by division

in EUR million



## Cash flow statement Defence

in EUR million	Q3 2016	9m 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	9m 2017	Δ Q3 '16/'17	Δ 9m '16/'17
Net income	13	-4	78	-16	8	32	24	19	28
Amortization / depreciation	22	66	26	24	22	21	67	-1	1
Change in pension accruals	1	4	1	-3	-6	2	-7	1	-11
<b>Cash Flow</b>	36	66	105	5	24	55	84	19	18
Changes in working capital and other items	-8	-221	248	-61	-38	-88	-187	-80	34
<b>Net cash used in operating activities</b>	28	-155	353	-56	-14	-33	-103	-61	52
Cash outflow for additions to tangible and intangible assets	-23	-61	-34	-16	-19	-19	-54	4	7
<b>Free cash flow from operations</b>	5	-216	319	-72	-33	-52	-157	-57	59

## Income statement Group

In EUR million			Income Statement					
	Q3 '16	Q3 '17	Δ		Q3 '16	Q3 '17	Δ	
<b>Total operating performance</b>	<b>1,385</b>	<b>1,407</b>	<b>22</b>	→	<b>Net operating income (EBIT)</b>	<b>79</b>	<b>75</b>	<b>-4</b>
					Net interest income	1	3	2
					Interest expenses	- 15	- 13	2
Other operating income	26	19	-7		<b>Earnings before tax (EBT)</b>	<b>65</b>	<b>65</b>	<b>0</b>
Cost of materials	774	730	-44		Income tax	- 19	- 22	-3
Personnel expenses	346	384	38		<b>Net income</b>	<b>46</b>	<b>43</b>	<b>-3</b>
Amortization, depreciation and imp	52	59	7		of which:			
Other operating expenses	164	179	15		Minority interest	4	7	3
Income from companies carried at €	6	7	1		Rheinmetall shareholders	42	36	-6
Other financial results	- 2	- 6	-4					
<b>Net operating income</b>	<b>79</b>	<b>75</b>	<b>-4</b>		<b>EBITDA</b>	<b>131</b>	<b>134</b>	<b>3</b>

# Cash flow statement Group

In EUR million

## Cash Flow Statement

	9m 2016	9m 2017	Δ		9m 2016	9m 2017	Δ
<b>Net Income</b>	<b>99</b>	<b>122</b>	<b>23</b>				
Amortization, depreciation and impairment	161	171	10				
Dotation of CTA	-30	-30	0				
Changes in pension provisions	1	-6	-7				
Income from disposal of non-current assets	0	0	0				
Changes in other provisions	43	80	37				
Changes in inventories	-174	-142	32				
Changes in receivables, liabilities(w/o financial debts) and prepaid & deferred items	-217	-201	16				
Pro rata income from investmenst carried at equity	-18	-12	6				
Dividends received from investments carried at equity	8	3	-5				
Other non-cash expenses and income	-1	-5	-4				
<b>Cash flows from operating activities</b>	<b>-128</b>	<b>-20</b>	<b>108</b>				
Investments in assets	-174	-155	19				
Cash receipts from the disposal of assets	1	2	1				
Payments for the purchase of liquid financial assets	-152	-213	-61				
Cash receipts from the disposal of liquid financial assets	117	363	246				
Investments in consolidated companies and other financial assets	-13	0	13				
Payments for investments in consolidated companies and other financial assets	2	-9	-11				
<b>Cash flow from investing activities</b>	<b>-219</b>	<b>-12</b>	<b>207</b>				
				Capital payment to/ capital contribution by non-controlling interests	-8	-10	-2
				Increase in shares in consolidated subsidiaries	0	0	0
				Dividends paid out bei RHM AG	-47	-62	-15
				Capital contributions by non-controlling interests	0	4	4
				Shares issued	4	4	0
				Borrowing of financial debts	69	401	332
				Repayment of financial debts	-53	-537	-484
				<b>Cash flow from financing activities</b>	<b>-35</b>	<b>-200</b>	<b>-165</b>
				Changes in financial resources	-382	-232	150
				Changes in cash and cash equivalents due to exchange rates	0	-14	-14
				Total change in financial resources	-382	-246	136
				<b>Opening cash and cash equivalents January 1</b>	<b>691</b>	<b>616</b>	<b>-75</b>
				<b>Closing cash and cash equivalents September 30</b>	<b>309</b>	<b>370</b>	<b>61</b>

## Balance Sheet Group

In EUR million

### Balance Sheet

	31.12.'16	30.09.'17	Δ		31.12.'16	30.09.'17	Δ
<b>Non-current assets</b>	<b>2,762</b>	<b>2,715</b>	-47	<b>Equity</b>	<b>1,781</b>	<b>1,811</b>	30
Intangible assets	819	798	-21	Share capital	112	112	0
Property, plant and equipment	1,378	1,340	-38	Additional paid-in capital	532	540	8
Investment property	53	55	2	Retained earnings	1074	1082	8
Investments carried at equity	240	249	9	Treasury shares	-32	-25	7
Other non-current assets	36	52	16	Rheinmetall AG shareholders' equity	1686	1709	23
Deferred tax assets	236	221	-15	Minorities	95	102	7
<b>Current assets</b>	<b>3,388</b>	<b>3,210</b>	-178	<b>Non-current liabilities</b>	<b>1,629</b>	<b>1,948</b>	319
Inventories (net)	1,098	1,218	120	Provision for Pensions and similar obligations	1186	1104	-82
Trade receivables	1,306	1,353	47	Other provisions	135	170	35
Other financial assets	43	41	-2	Financial debts	220	584	364
Other receivables and assets	125	142	17	Other liabilities	56	70	14
Income tax receivables	10	46	36	Deferred tax liabilities	32	20	-12
Cash and cash equivalents	806	410	-396	<b>Current liabilities</b>	<b>2,740</b>	<b>2,166</b>	-574
				Other provisions	516	551	35
				Financial debts	567	68	-499
				Trade liabilities	766	791	25
				Other liabilities	838	650	-188
				Income tax liability	53	106	53
<b>Total assets</b>	<b>6,150</b>	<b>5,925</b>	-225	<b>Total liabilities</b>	<b>6,150</b>	<b>5,925</b>	-225

## Next events and IR contacts

### ■ Events 2017

#### Q3 Earnings call

Capital Markets Day 2017

Berenberg Conference

Bremen

Pennyhill

7 Nov

21 – 22 Nov

4 – 5 Dec

### ■ Events 2018

Commerzbank Conference

Kepler Cheuvreux Conference

New York

Frankfurt

8 – 10 Jan

15– 16 Jan

### ■ Quick link to document

Corporate Presentation



Interim Reports



Annual Reports



### ■ IR Contacts

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