



## Slower start to the year – FY guidance confirmed

Conference Call Q1 2018

Düsseldorf, 4. May 2018

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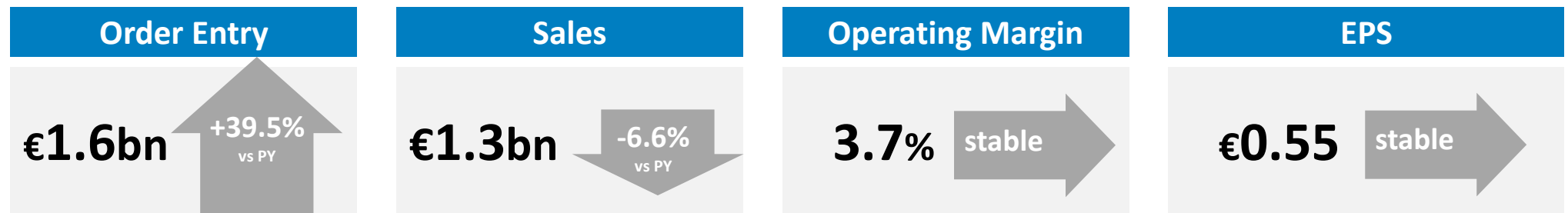
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## Q1 2018 Group Highlights

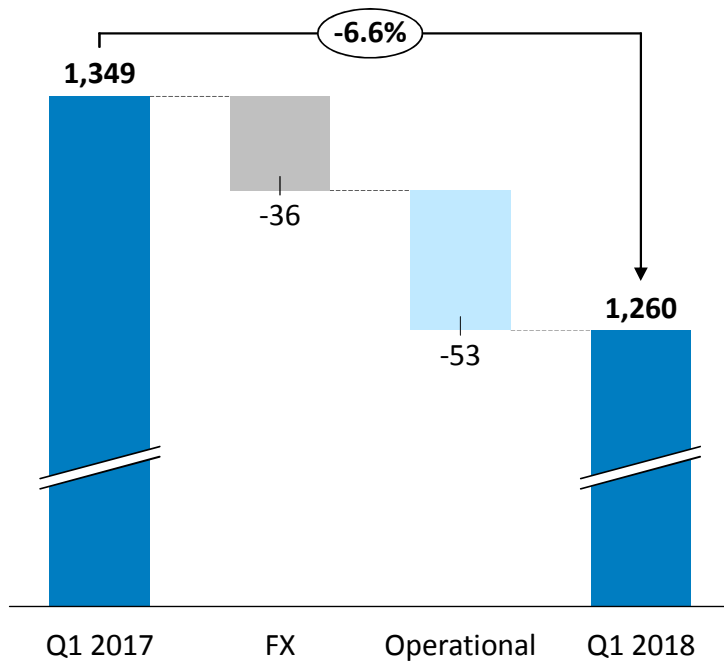
### Steady margin in a slower quarter – guidance confirmed



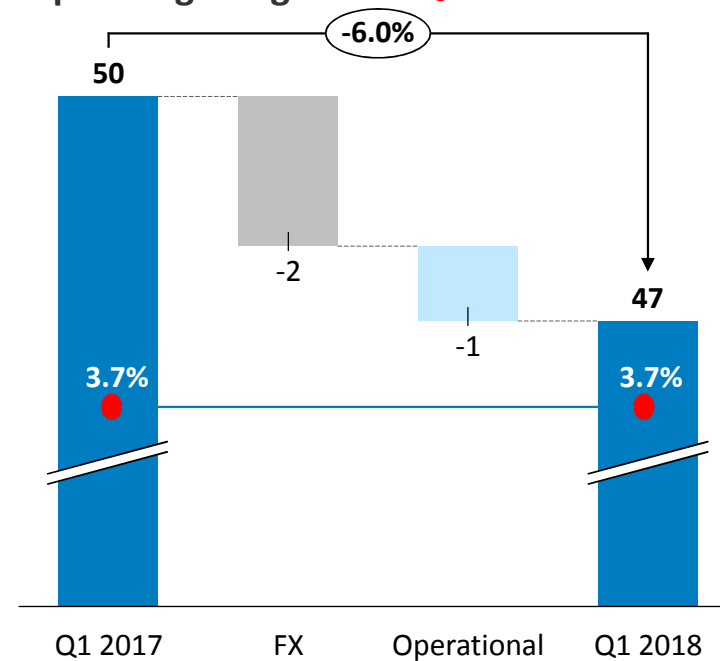
- Q1 with good order entry lifts order backlog to > €7bn again
- Decline of sales by -6.6% (FX-adjusted -3.7%) to €1.260m due to supply chain issues and at customer request in Defence
- Operating result softened €3m to €47m, leaving Group margin unchanged at 3.7% (PY 3.7%)
- Working capital build-up in Defence reduces operating free cash flow to €287m
- Moody's raised Rheinmetall to investment grade Baa3 stable
- FY guidance confirmed

## Steady margin in a quarter dampened by FX

### ■ Sales in €m



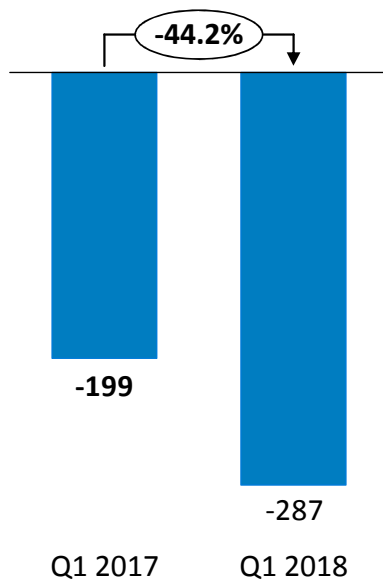
### ■ Operating result in €m Operating margin in %



**IFRS 15/16 effects on sales and operating result are negligible!**

# Defence working capital build-up impacts OCF

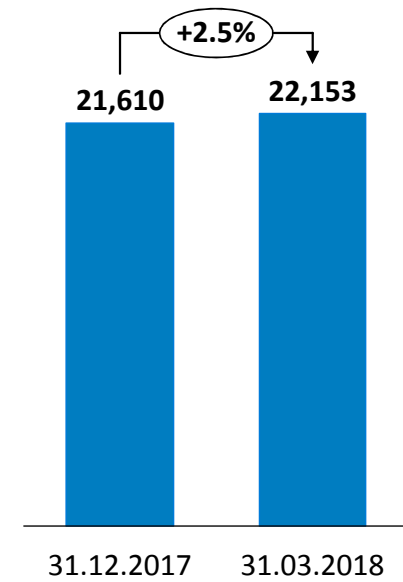
■ Operating Free Cash Flow  
in €m



■ Earnings per share  
in €

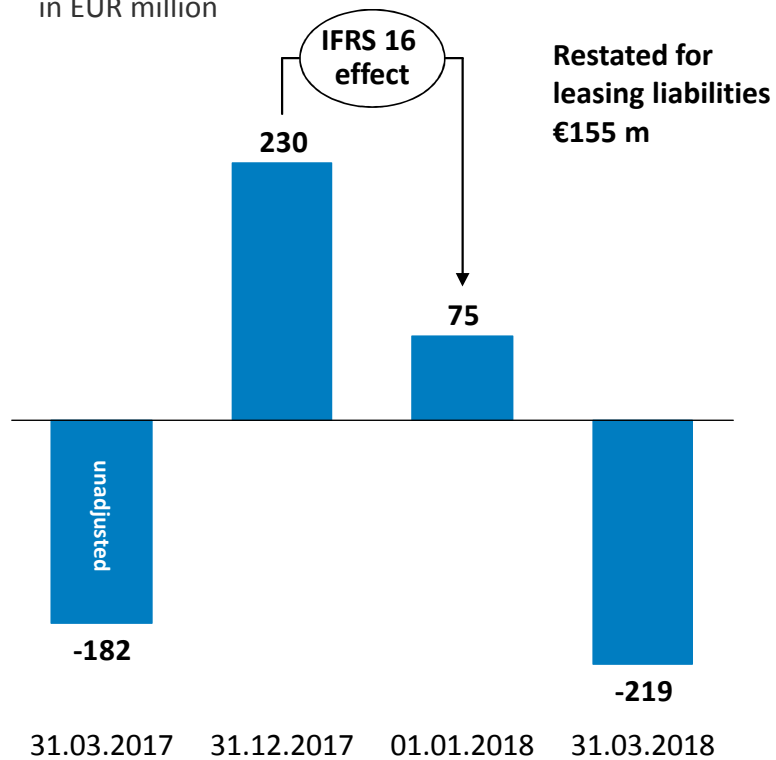


■ Headcount  
in FTE

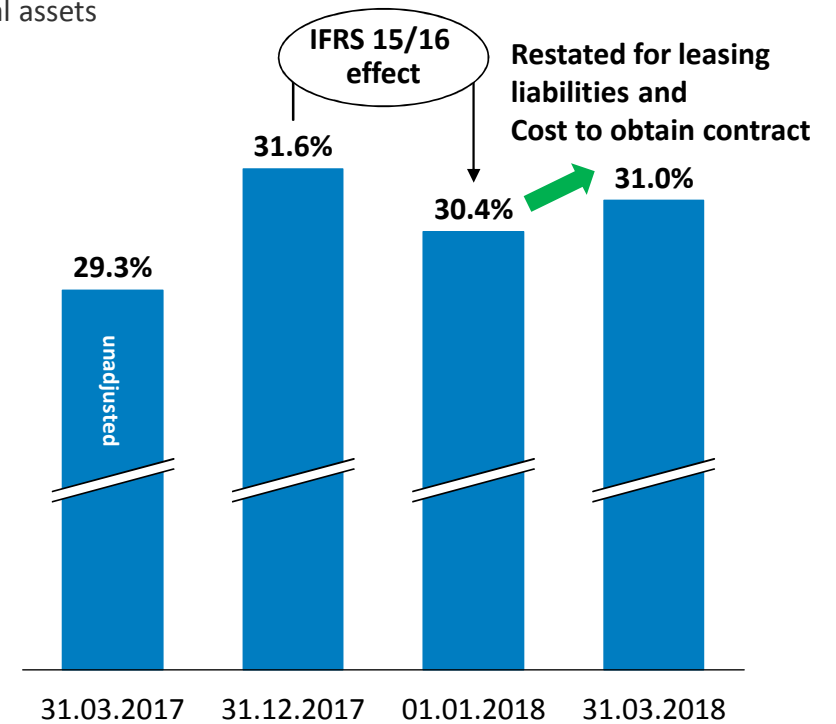


## Balance sheet stands strong

### ■ Net debt in EUR million



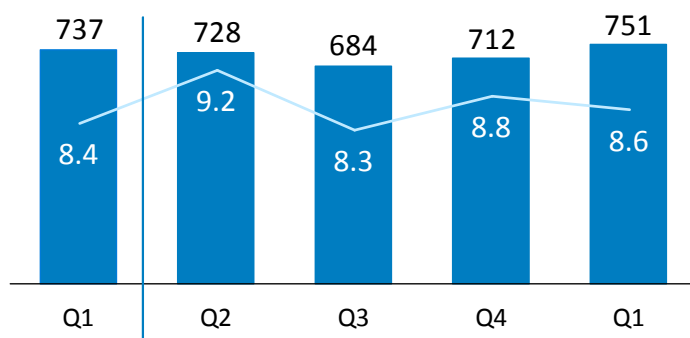
### ■ Equity ratio in % of total assets



# Automotive Highlights

## Maintaining high level of profitable growth

### Quarterly sales and margin development



### Comments on quarterly performance

- Sales grew by 1.9% (FX-adjusted +4.8%) to €751m largely driven by non-LV-markets (Trucks +16% vs LV -0.7%)
- Operating result improved to €65m lifting margin to 8.6%
- OFCF improved on better working capital management
- Slipping Diesel sales compensated by Non-LV sales and stable Gasoline sales

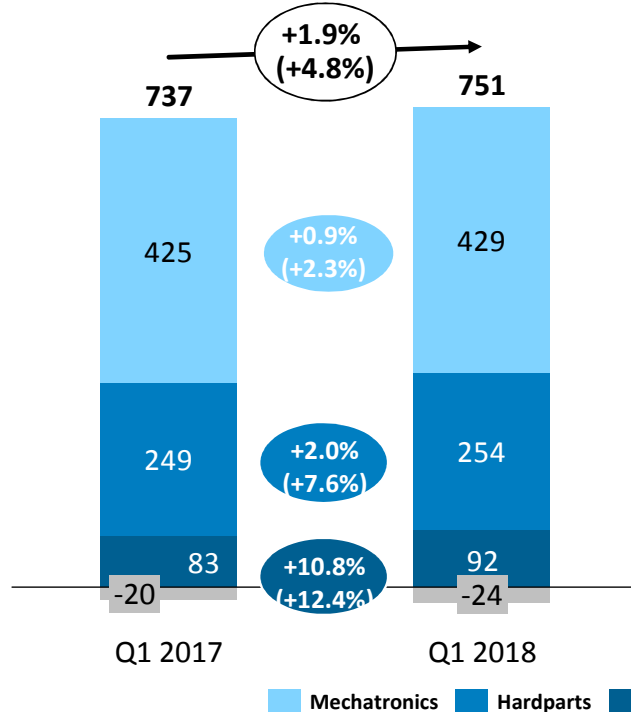
in €m	Q1 2017	Q1 2018	Δ
Sales	737	751	1.9%
Operating result	62	65	4.8%
Operating margin in %	8.4	8.6	0.2%p
EBIT	62	65	4.8%
Operating Free Cash Flow	- 118	- 50	57.6%
Operating FCF / Sales in %	- 16.0	- 6.7	9.6%p

Q 1

# Margin expansion in all Divisions

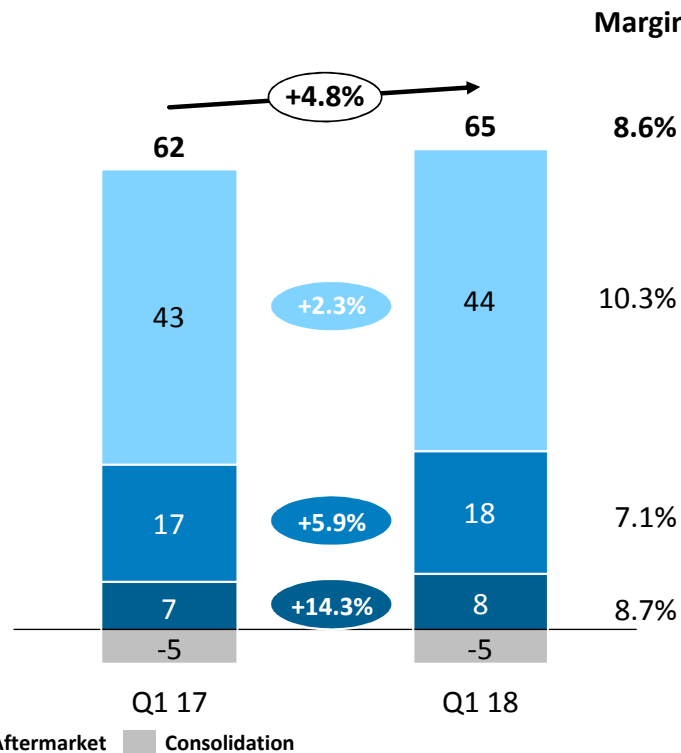
## Sales Automotive

in €m  
growth in % (FX adjusted)



## Operating result Automotive

in €m



Margin

### Mechatronics

- Slow LV-Diesel business and adverse FX overcompensated by good demand for emission reduction and fuel efficiency products
- Commercial Diesel Systems enjoyed a high demand

### Hardparts

- Positive sales development for the Bearings business in all regions
- Good performance of small bore pistons in Brazil

### Aftermarket

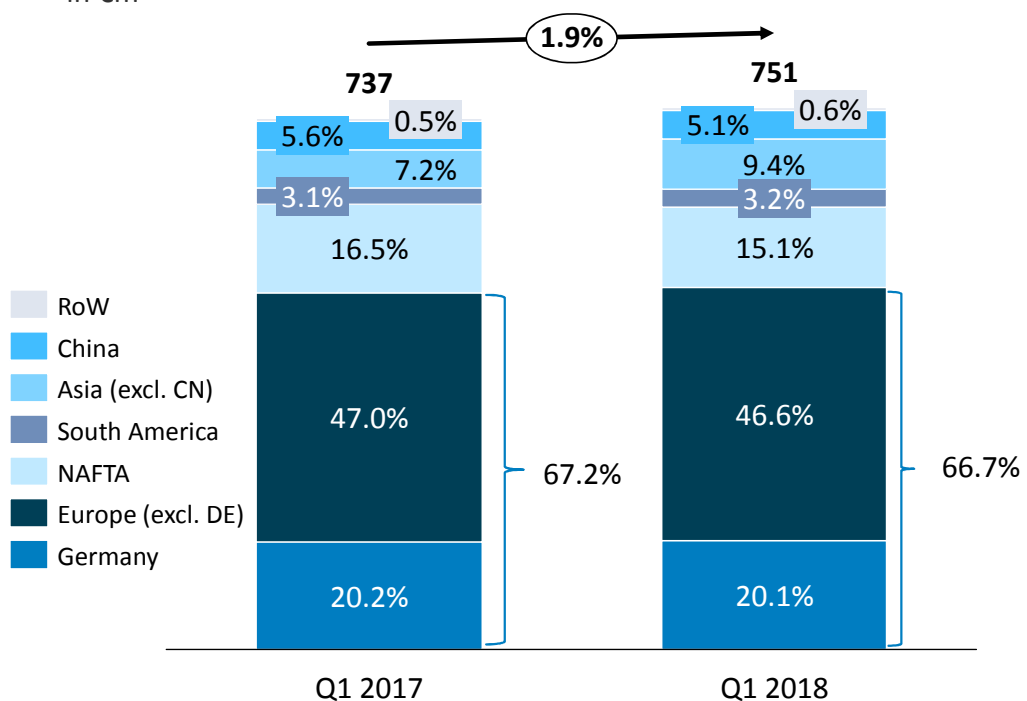
- Good sales momentum in all regions, particularly in Europe



## Growth impacted by FX headwinds

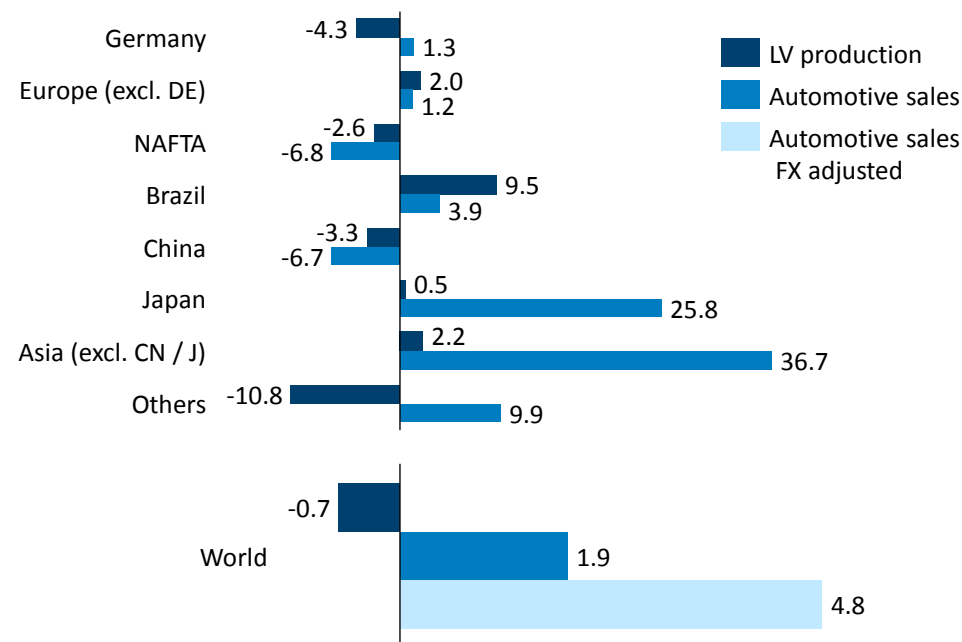
### Regional sales development Automotive

in €m



### Regional Automotive sales growth Q1 2018

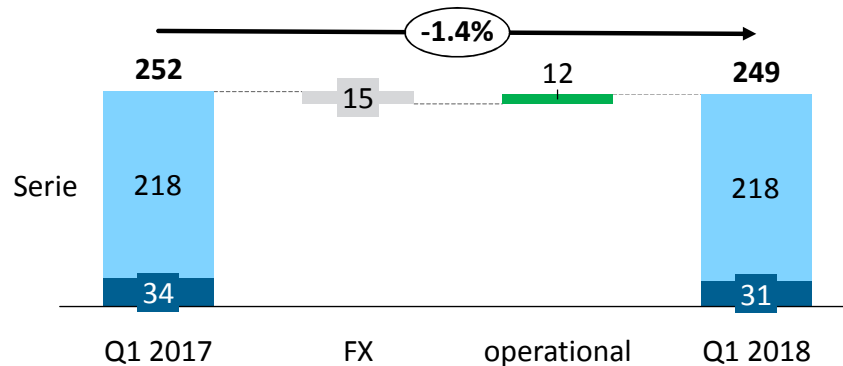
in % (IHS April 2018)



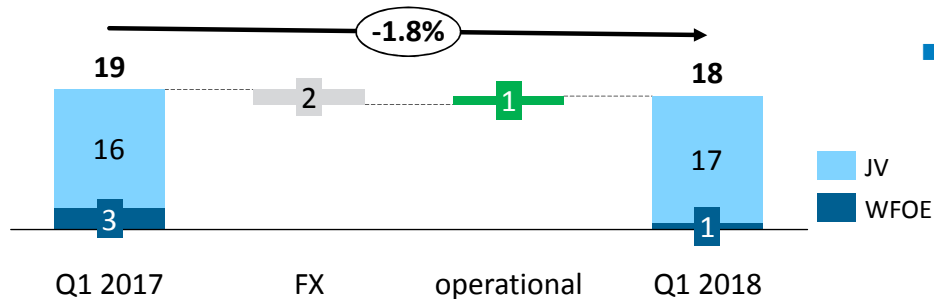
# China

## Start up cost and FX headwinds

### Sales in €m



### EBIT in €m



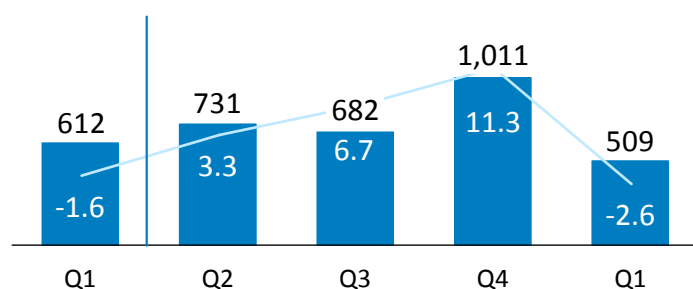
- Total sales of our Chinese activities grew 4.5% FX adjusted while Chinese LV production contracted by -3.3% in Q1
- JV Sales grew organically 5.6% to €218, completely off-set by adverse FX effects
- JV Results improved but were held back by start up cost for the pistons plant in Chongqing and a new Mechatronics JV for emission technology
- 100% subsidiaries were affected by the timing of in and out phasing products, further to the unfavorable FX development

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

## Q1 2018 Highlights: Defence

### Slower start to the year with comforting high order entry

#### Quarterly sales and margin development



#### Comments on quarterly performance

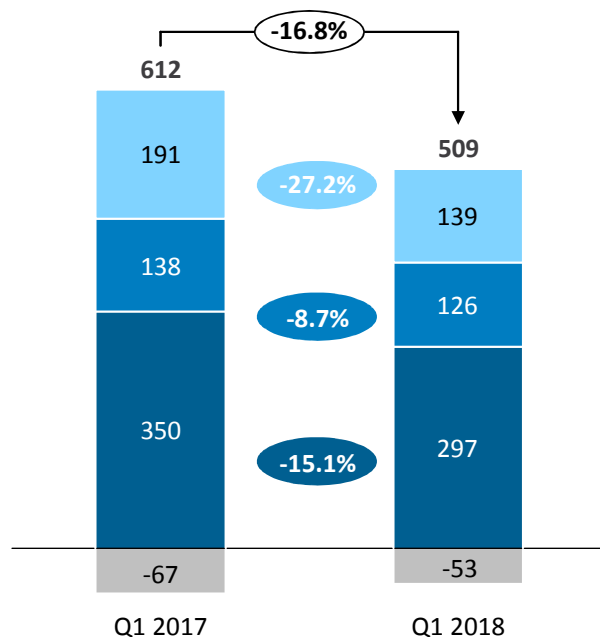
- Promising news flow on Boxer, especially Land 400 (Australia)
- Order entry more than doubled to €857m
- Lower sales execution and adverse FX effects
- Result slightly below Q1 17, benefiting from operational progress in ES and VS
- OFCF declined on working capital build-up

in €m	Q1 2017	Q1 2018	Δ
Order intake	391	857	119.1%
Sales	612	509	-16.8%
Operating result	- 10	- 13	-30.0%
Operating margin in %	- 1.6	- 2.6	-1%p
EBIT	- 10	- 13	-30.0%
Operating Free Cash Flow	- 72	- 239	-231.9%
Operating FCF / Sales in %	- 11.8	- 47.0	-35%p

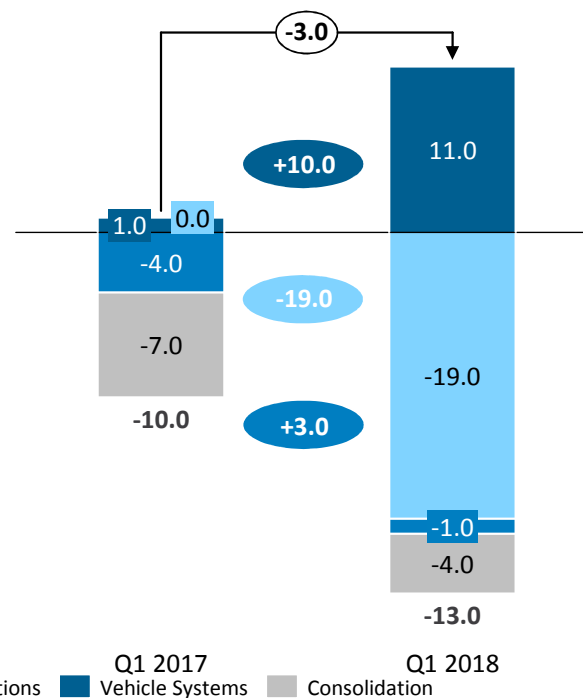
# Q 1

# Catch-up of low Q1 during the course of the year anticipated

## Sales Defence in €m



## Operating result Defence in €m



### Weapon and Ammunition

- PY included two high margin orders
- Customer-induced delivery shifts
- Missing export approvals

### Electronic Solutions

- Different time pattern of project execution
- Lower cost base
- Reduced losses in Norway

### Vehicle Systems

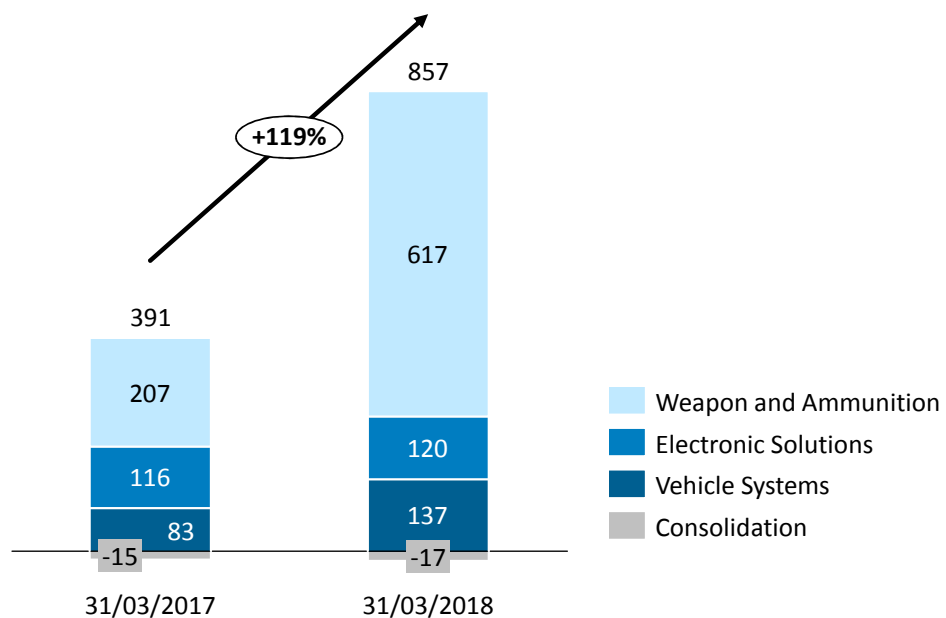
- Phasing out of the Dutch Boxer order
- Delayed sales execution because of supply chain issues
- Positive mix effects
- Reduced cost base

### Consolidation

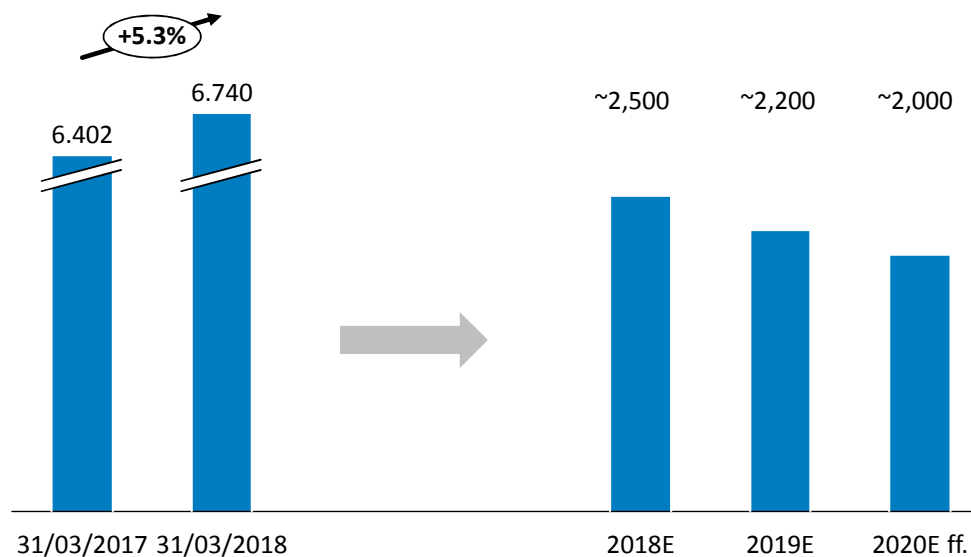
- PY burdened by RIE losses

## Good order entry and further increase of order backlog

■ Order intake by division  
in €m



■ Order backlog profile  
in €m per 31/03/2018



# Q1 2018 Highlights: Defence

## The Boxer - crystallizing a success story

### In execution

403 vehicles



D

200 vehicles



NL

88 vehicles



LT

### In preparation

211 vehicles  
(negotiations)



AUS

48 vehicles  
(intention)

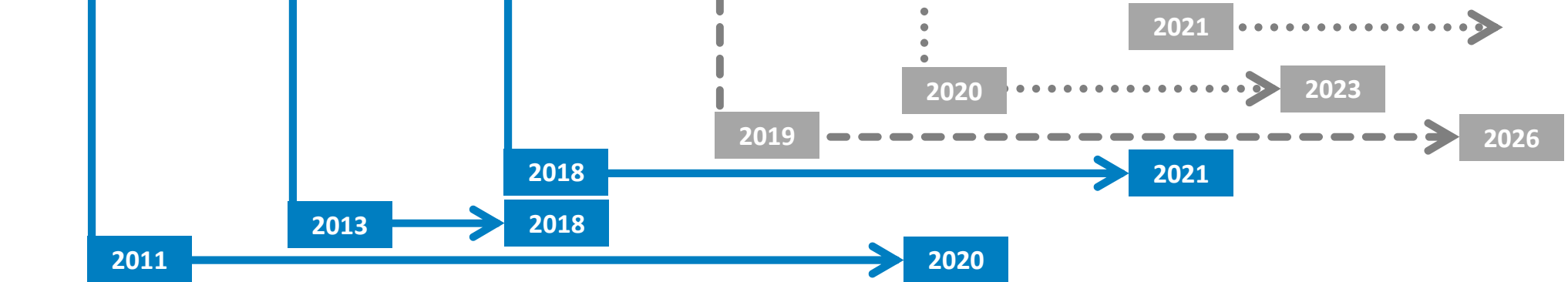


SLO

~500 vehicles  
(intention)



GB



## Q2 forecast

### Automotive

- Positive market environment continues
- Q2 growth above Q1
- Positive margin leverage expected
- Persisting FX headwinds



### Defence

- Flat sales development in Q2 expected
- But: Q2 18 growth of >10% compared to PY sales adjusted for ammunition trading contract
- Higher value creation in Q2 sales with positive margin effect
- Persisting FX headwinds

**Guidance confirmed!**

## FY Guidance

### High sales growth and earnings improvement targeted

	Sales		Operating margin	
	2017 Growth y/y in %	2018e Growth y/y in %	2017 in %	2018e in %
<b>Group</b>	<b>5.2</b>	<b>8 - 9</b>	<b>6.8</b>	<b>~ 7.0</b>
<b>Automotive</b> 	7.7 (IHS 2.1%)	3 - 4 (IHS 1.9%)	8.7	~ 8.5
<b>Defence</b> 	3.1	12 - 14	5.7	6.0 - 6.5

**Defence with pronounced seasonality!**

IHS LV growth assumption as per April 2018



## Next events and IR contacts

### ■ Events 2018

Conference Deutsche Bank	Berlin	6-7 June
Eurosatory Investor Meeting	Paris	13 June
AGM 2018	Berlin	8 May
Q2 2018 Earnings call		2 August

### ■ IR Contacts

#### **Franz-Bernd Reich**

Head of IR

Tel: +49-211 473-4718

Email: franz-bernd.reich@rheinmetall.com

#### **Dirk Winkels**

Senior Investor Relations Manager

Tel: +49-211 473-4749

Email: dirk.winkels@rheinmetall.com

#### **Rosalinde Schulte**

Investor Relations Assistant

Tel: +49-211 473-4718

Email: rosalinde.schulte@rheinmetall.com

### ■ Quick link to documents

Corporate Presentation



Interim Reports





Annual Reports



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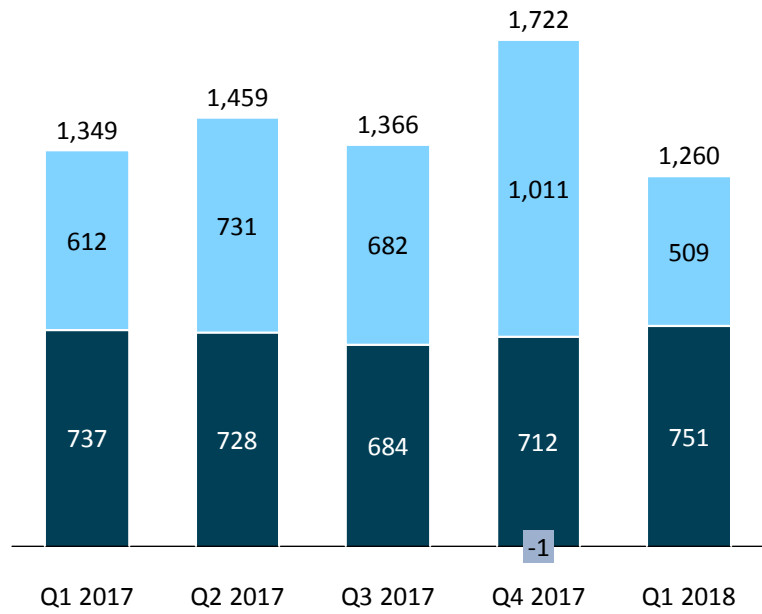
# APPENDIX

## Select key data: outlook 2018

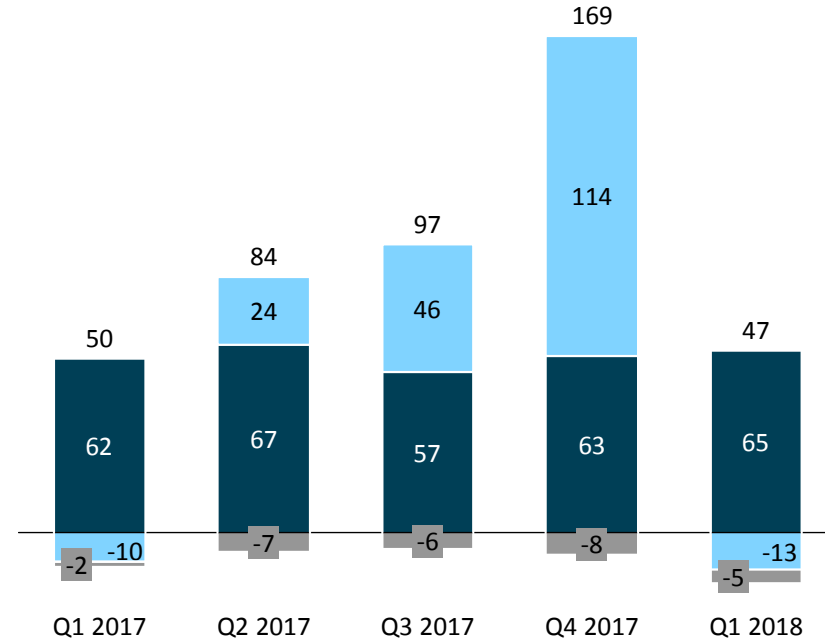
Rheinmetall Group		In % of sales	Automotive 	Defence 
Holding cost	~€30m (PY: €23m)	Capex	~5.5 - 6.0%	~3.5 - 4.5%
Tax rate	<30% (PY: 27%)	D&A	~5.5%	~3 - 3.5%
Interest expense	On previous year level	R&D	~5 - 5.5%	~2 - 2.5%
CTA funding	€40m in Q1 2018			

# Quarterly development Group

**Sales**  
in €m



**Operational results**  
in €m



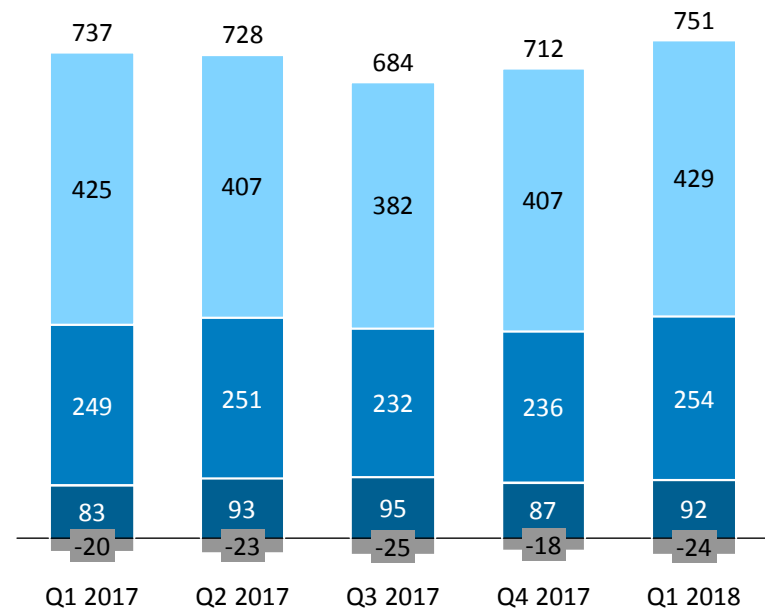
■ Defence ■ Automotive ■ Consolidation/Others

## Free Cash Flow summary Group

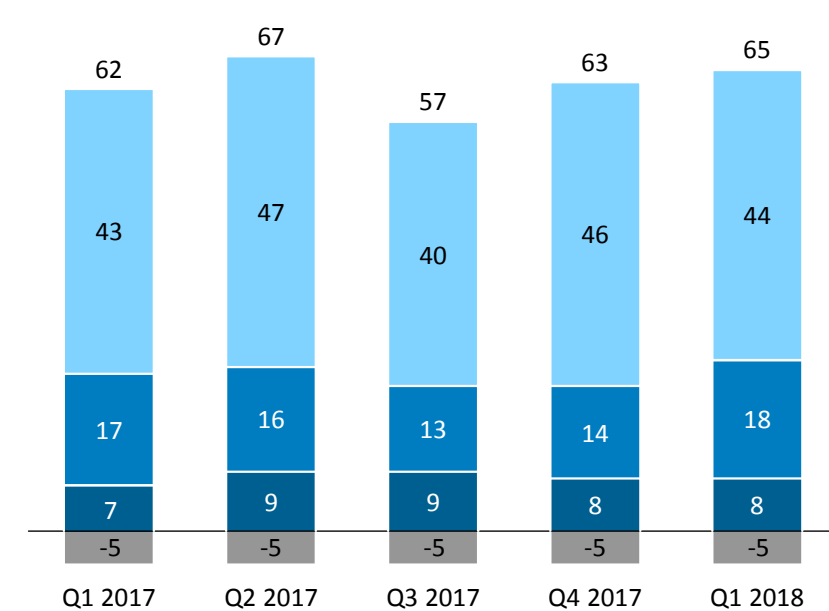
in €m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Δ Q1 '17/'18
<b>Group Net Income</b>	28	51	43	130	27	-1
Amortization / depreciation	57	55	59	70	64	7
Change in pension accruals	-34	-3	1	-8	-42	-8
<b>Cash Flow</b>	<b>51</b>	<b>103</b>	<b>103</b>	<b>192</b>	<b>49</b>	-2
Changes in working capital and other items	-207	-34	-36	374	-289	-82
<b>Net cash used in operating activities</b>	<b>-156</b>	<b>69</b>	<b>67</b>	<b>566</b>	<b>-240</b>	-84
Cash outflow for additions to tangible and intangible assets	-43	-50	-62	-115	-47	-4
<b>Free Cash Flow from Operations</b>	<b>-199</b>	<b>19</b>	<b>5</b>	<b>451</b>	<b>-287</b>	-88

## Quarterly development Automotive

■ Sales by division  
in €m



■ Operational results by division  
in €m



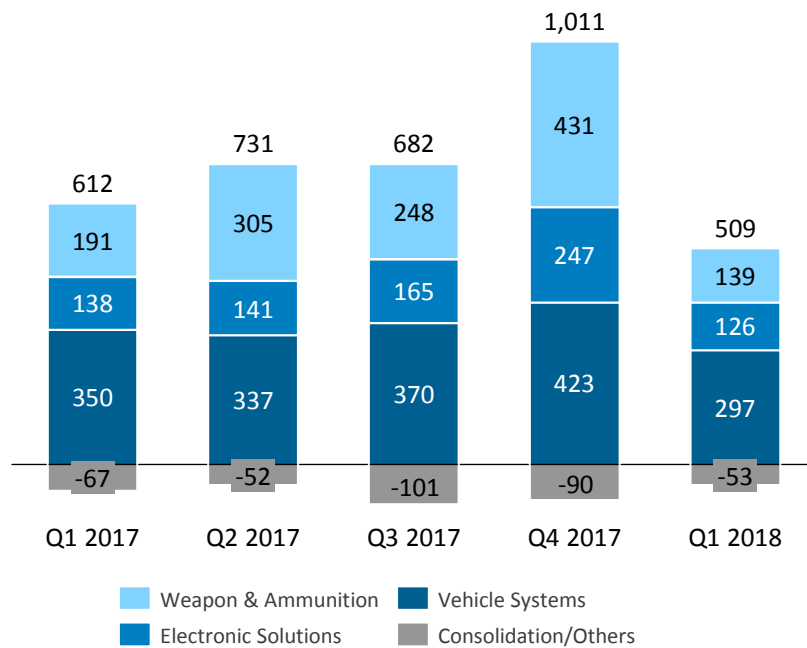
■ Mechatronics ■ Hardparts ■ Aftermarket ■ Consolidation/Others

## Free Cash flow summary Automotive

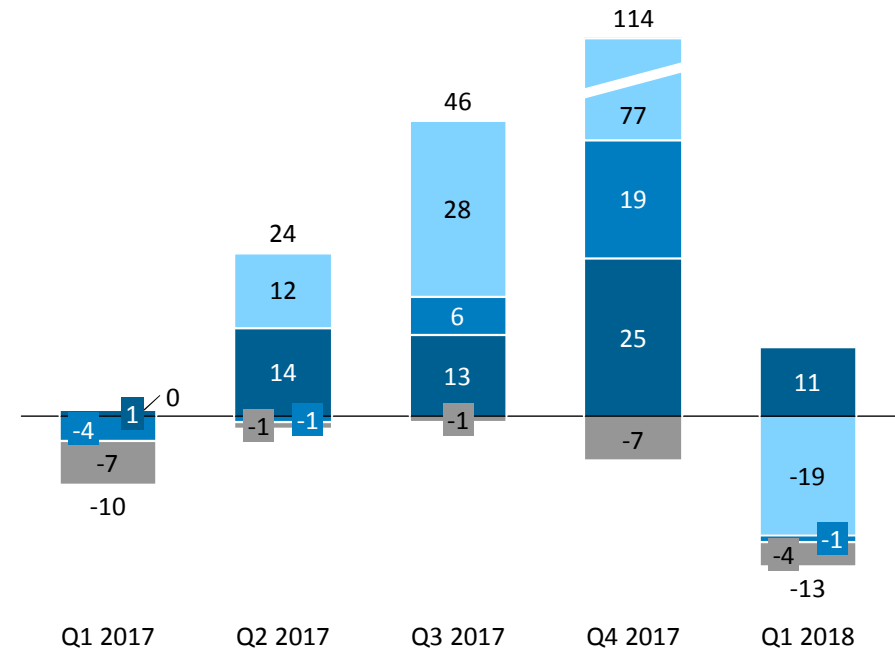
in €m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Δ Q1 '17/'18
Net income	46	50	25	44	45	-1
Amortization / depreciation	32	32	37	39	36	4
Change in pension accruals	-	-	-	-	-20	-
<b>Cash Flow</b>	<b>78</b>	<b>82</b>	<b>62</b>	<b>83</b>	<b>61</b>	<b>3</b>
Changes in working capital and other items	-172	20	61	68	-82	70
<b>Net cash used in operating activities</b>	<b>-94</b>	<b>102</b>	<b>123</b>	<b>151</b>	<b>-21</b>	<b>73</b>
Cash outflow for additions to tangible and intangible assets	-24	-33	-42	-77	-29	-3
<b>Free cash flow from operations</b>	<b>-118</b>	<b>69</b>	<b>81</b>	<b>74</b>	<b>-50</b>	<b>70</b>

# Quarterly development Defence

**Sales by division**  
in €m



**Operational earnings by division**  
in €m





## Free Cash flow summary Defence

in €m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Δ Q1 '17/'18
Net income	-16	8	32	76	-21	-6
Amortization / depreciation	24	22	21	29	26	2
Change in pension accruals	-3	-6	2	-2	-2	1
<b>Cash Flow</b>	<b>5</b>	<b>24</b>	<b>55</b>	<b>103</b>	<b>3</b>	<b>-3</b>
Changes in working capital and other items	-61	-38	-88	327	-225	-164
<b>Net cash used in operating activities</b>	<b>-56</b>	<b>-14</b>	<b>-33</b>	<b>430</b>	<b>-222</b>	<b>-167</b>
Cash outflow for additions to tangible and intangible assets	-16	-19	-19	-35	-17	-1
<b>Free cash flow from operations</b>	<b>-72</b>	<b>-33</b>	<b>-52</b>	<b>395</b>	<b>-239</b>	<b>-168</b>

## Income statement Group

In €m			Income Statement					
	Q1 2017	Q1 2018	Δ		Q1 2017	Q1 2018	Δ	
Sales	1,349	1,260	-89					
	67	120	53					
<b>Total operating performance</b>	<b>1,416</b>	<b>1,380</b>	<b>-36</b>	→	<b>Net operating income (EBIT)</b>	50	47	-3
Other operating income	27	33	6		Net interest income	-12	-10	2
Cost of materials	762	731	-31		<b>Earnings before tax (EBT)</b>	<b>38</b>	<b>37</b>	<b>-1</b>
Personnel expenses	398	395	-3		Income tax	-10	-10	0
Amortization, depreciation and impairment	57	64	7		<b>Net income</b>	<b>28</b>	<b>27</b>	<b>-1</b>
Other operating expenses	174	179	5		—of which:			
Income from companies carried at equity	4	7	3		Minority interest	4	3	-1
Other financial results	-6	-4	2		Rheinmetall shareholders	<b>24</b>	<b>24</b>	<b>0</b>
<b>Net operating income (EBIT)</b>	<b>50</b>	<b>47</b>	<b>-3</b>		Earnings per share	<b>0.56</b>	<b>0.55</b>	
					<b>EBITDA</b>	<b>107</b>	<b>111</b>	<b>4</b>

## Cash flow statement Group

In €m				Cash Flow Statement			
	Q1 2017	Q1 2018	Δ		Q1 2017	Q1 2018	Δ
<b>Net Income</b>	<b>28</b>	<b>27</b>	-1	Dividends paid out by Rheinmetall AG	0	0	0
Amortization, depreciation and impairment	57	64	7	Other profit distributions	-5	-2	3
Dotation of CTA	-30	-40	-10	Sale of treasury shares	0	0	0
Changes in pension provisions	-4	-2	2	Capital payment to/capital contributions by non-controlling interests	4	0	-4
Changes in other provisions	56	55	-1	Increase in shares in consolidated subsidiaries	0	0	0
Changes in inventories	-145	-156	-11				
Changes in receivables, liabilities(w/o financial debts) and prepaid & deferred items	-120	-181	-61	Borrowing of financial debts	14	54	40
Pro rata income from investmenst carried at equity	-4	-7	-3	Repayment of financial debts	-8	-23	-15
Dividends received from investments carried at equity	2	1	-1	Repayment of leasing obligations	0	-7	-7
Other non-cash expenses and income	4	-1	-5	<b>Cash flows from financing activities</b>	<b>5</b>	<b>22</b>	<b>17</b>
<b>Cash flows from operating activities</b>	<b>-156</b>	<b>-240</b>	<b>-84</b>	Changes in financial resources	-274	-314	-40
Investments in assets	-43	-47	-4	Changes in cash and cash equivalents due to exchange rates	2	-3	-5
Cash receipts from the disposal of assets	2	1	-1	Total change in financial resources	-272	-317	-45
Payments for the purchase of liquid financial assets	-202	-110	92	<b>Opening cash and cash equivalents January 1</b>	<b>616</b>	<b>757</b>	<b>141</b>
Cash receipts from the disposal of liquid financial asse	120	60	-60	<b>Closing cash and cash equivalents</b>	<b>344</b>	<b>440</b>	<b>96</b>
<b>Cash flow from investing activities</b>	<b>-123</b>	<b>-96</b>	<b>27</b>				

## Balance Sheet Group

### Balance Sheet

	31.12.'17	01.01.'18	31.03.'18	Δ		31.12.'17	01.01.'18	31.03.'18	Δ
<b>Non-current assets</b>	<b>2,712</b>	<b>2,940</b>	<b>2,931</b>	-9	<b>Equity</b>	<b>1,955</b>	<b>1,950</b>	<b>1,968</b>	17
Intangible assets	729	729	770	41	Share capital	112	112	112	0
Usage rights		155	163	8	Additional paid-in capital	540	540	540	0
Property, plant and equipment	1,387	1,387	1,369	-18	Retained earnings	1,209	1,205	1,220	15
Investment property	46	46	46	0	Treasury shares	- 25	- 25	- 25	0
Investments carried at equity	242	242	248	6	Rheinmetall AG shareholders' equity	1,836	1,832	1,847	15
Other non-current assets	73	146	148	2	Minority interests	119	118	121	2
Deferred tax assets	185	185	187	2					
					<b>Non-current liabilities</b>	<b>1,905</b>	<b>2,057</b>	<b>2,039</b>	-15
<b>Current assets</b>	<b>3,474</b>	<b>3,467</b>	<b>3,415</b>	-52	Provision for Pensions and similar obligatin	1,080	1,080	1,039	-41
Inventories (net)	1,172	1,165	1,326	161	Other provisions	185	207	191	-16
Contractual property assets		325	329	4	Financial debts	572	702	742	43
Trade receivables	1,217	896	886	-10	Other liabilities	54	54	47	-7
Other financial assets	190	186	223	37	Deferred tax liabilities	14	14	20	6
Other receivables and assets	11	11	34	23					
Income tax receivables	119	119	169	50	<b>Current liabilities</b>	<b>2,326</b>	<b>2,400</b>	<b>2,339</b>	-60
Cash and cash equivalents	757	757	440	-317	Other provisions	595	648	699	51
Assets for disposal	8	8	8	0	Financial debts	74	99	86	-13
					Contractual obligations		637	602	-35
					Trade liabilities	760	760	691	-69
					Other liabilities	823	182	169	-12
					Income tax liability	74	74	92	18
<b>Total assets</b>	<b>6,186</b>	<b>6,407</b>	<b>6,346</b>	-61	<b>Total liabilities</b>	<b>6,186</b>	<b>6,407</b>	<b>6,346</b>	-61

## Glossary

bn	billions	Operating FCF	Operating free cash flow (OFCF)
bp	basis points	Op. margin	Operating margin
CAGR	compounded average growth rate	P&L	Profit & Loss Account
CTA	Contractual trust agreement	%p	percentage points
D&A	Depreciation & Amortization	PY	Previous year
E	Expected	ROCE	Return on capital employed
EBIT	Earnings before Interest and Tax	RoW	Rest of the World
EBITDA	Earnings before Interest, Tax , Depreciation and Amortization	WACC	Weighted average cost of capital
EBT	Earnings before Tax	WOFE	Wholly owned foreign enterprise
EIB	European Investment Bank		
EPS	Earnings per share		
EV	Electric Vehicle		
FTE	Full Time Equivalent		
FX	Foreign exchange		
ICE	Internal combustion engine		
IFRS	International Financial Reporting Standards		
JV	Joint Venture		
LBP	Large bore piston		
LV	Light vehicle		
m	millions		
NWC	Net working capital		

MOBILITY. SECURITY. PASSION.