Reassuring Q2 performance

Conference Call Q2 2018

Düsseldorf, 2. August 2018

MOBILITY. SECURITY. PASSION.

RHEINMETALL GROUP

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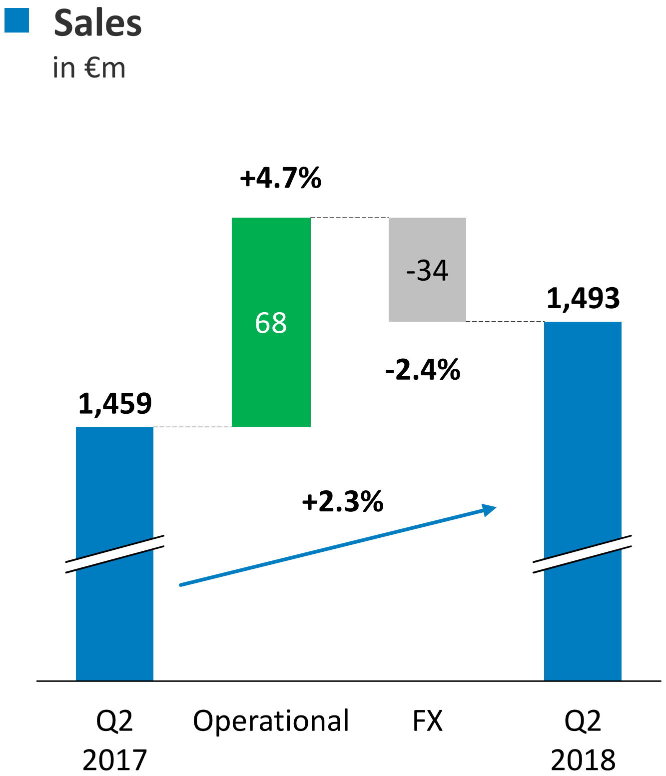
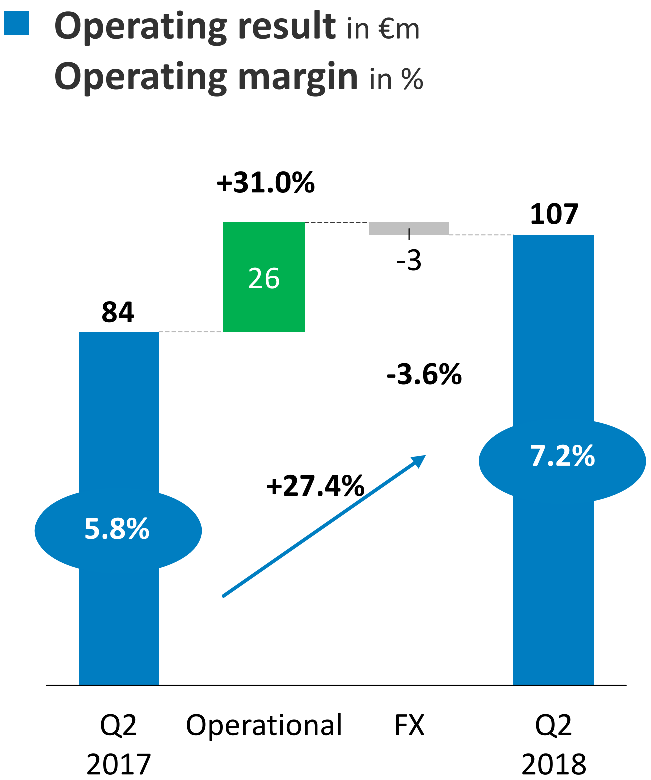
Q2 2018 Group Highlights
Rheinmetall with robust Q2 performance

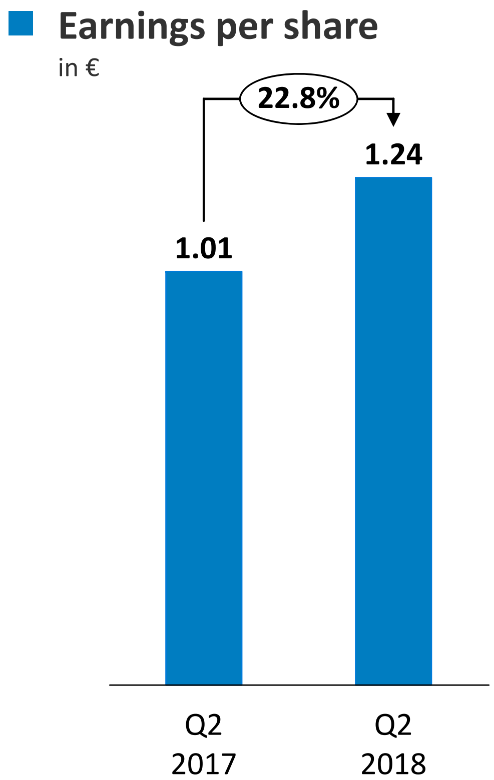
Order backlog	Sales	Operating margin	EPS
€7bn stable	€1.5bn +4.7% CER*	7.2% +1.4pp	€1.24 +23%

- Order backlog remains stable above €7bn
- Sales growth of 4.7% at constant exchange rates* to €1,493m (reported 2.3%)
- Operating result grew by €23m to €107m, lifting Group margin to 7.2% (PY 5.8%) largely driven by Defence, while Automotive maintains high level
- EPS increased 23% to €1.24 on improved operating performance and lower interest expenses
- FY Guidance was refined within existing ranges

Strong operational delivery - FX headwinds persist



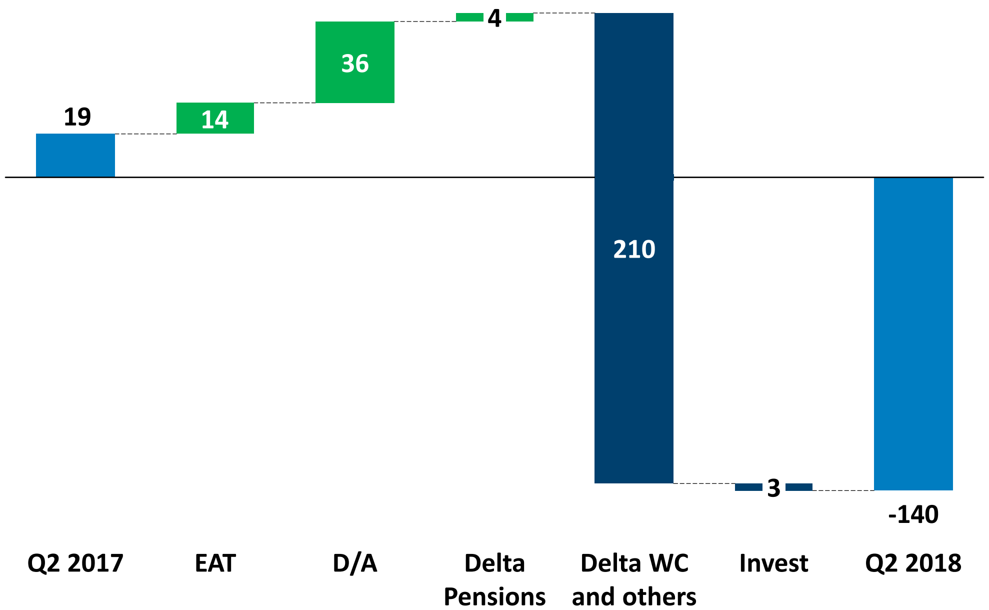




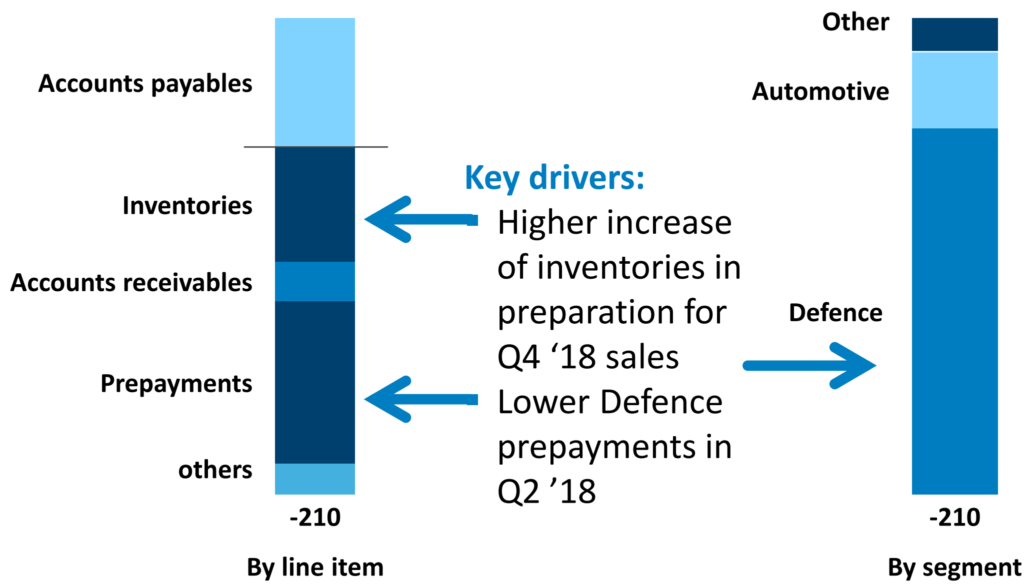
No material impact from IFRS 15/16!

OFCF mainly held back by working capital changes

Operating free cash flow bridge
in €m

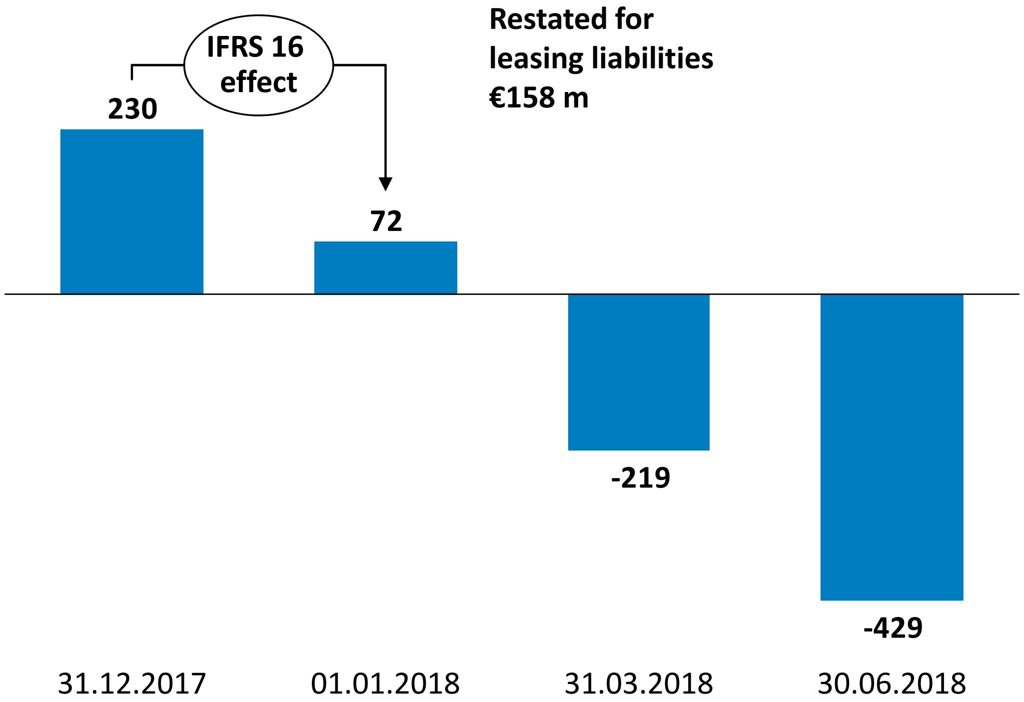


Composition of delta working capital and others
in €m as of Q2 2018 vs. Q2 2017

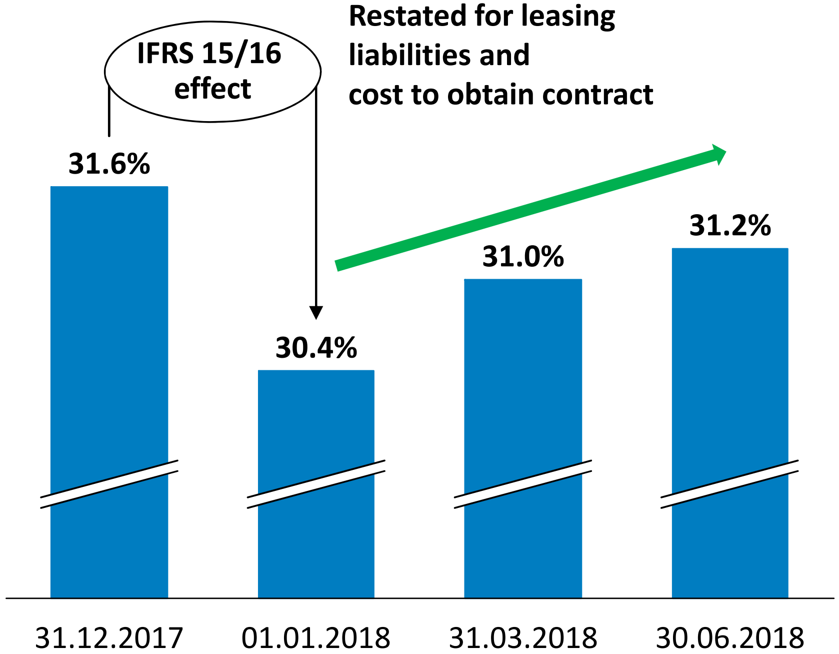


Working capital changes reflected in net debt development

Net debt
in €m

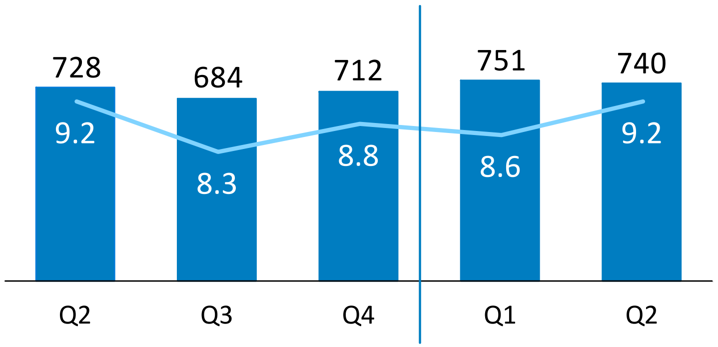


Equity ratio
in % of total assets



Q2 2018 Highlights: Automotive
Profitable growth in-line with global markets

Quarterly sales and margin development

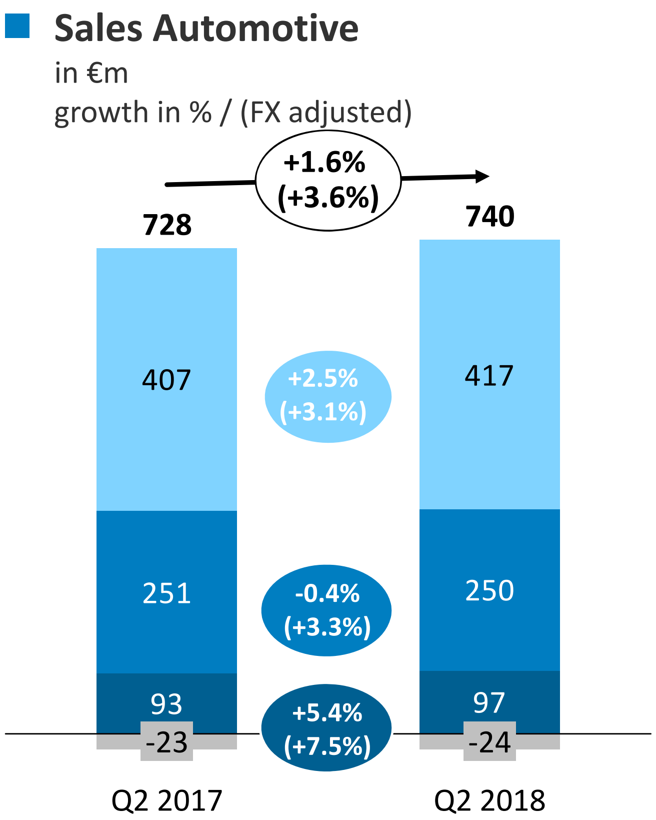


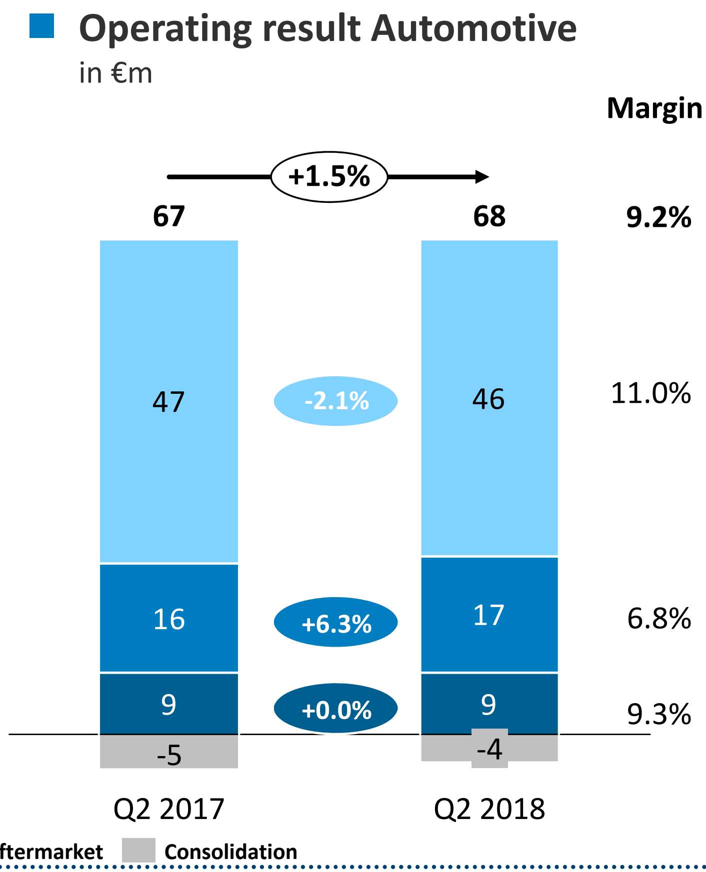
Comments on quarterly performance

- Sales grew operationally by 3.6% (+1.6% reported) to €740m
- High profitability maintained, supported by all divisions
- OFCF to sales above target sector of 2-4%, Q2 17 benefited from favorable timing of payments
- LV-Diesel sales declined 7%, overcompensated by gasoline and non-LV sales

in €m	Q2 2017	Q2 2018	Δ in %	H1 2017	H1 2018	Δ in %
Sales	728	740	1,6%	1.465	1.491	1,8%
Operating result	67	68	0,9%	129	133	2,8%
Operating margin in %	9,2%	9,2%	0,0%p	8,8%	8,9%	0,1%p
Operating Free Cash Flow	69	36	-47,8%	-49	-14	-71,4%
Operating FCF / Sales	9,5%	4,9%	-4,6%p	-3,3%	-0,9%	2,4%p

Profitability repeated on high operational level





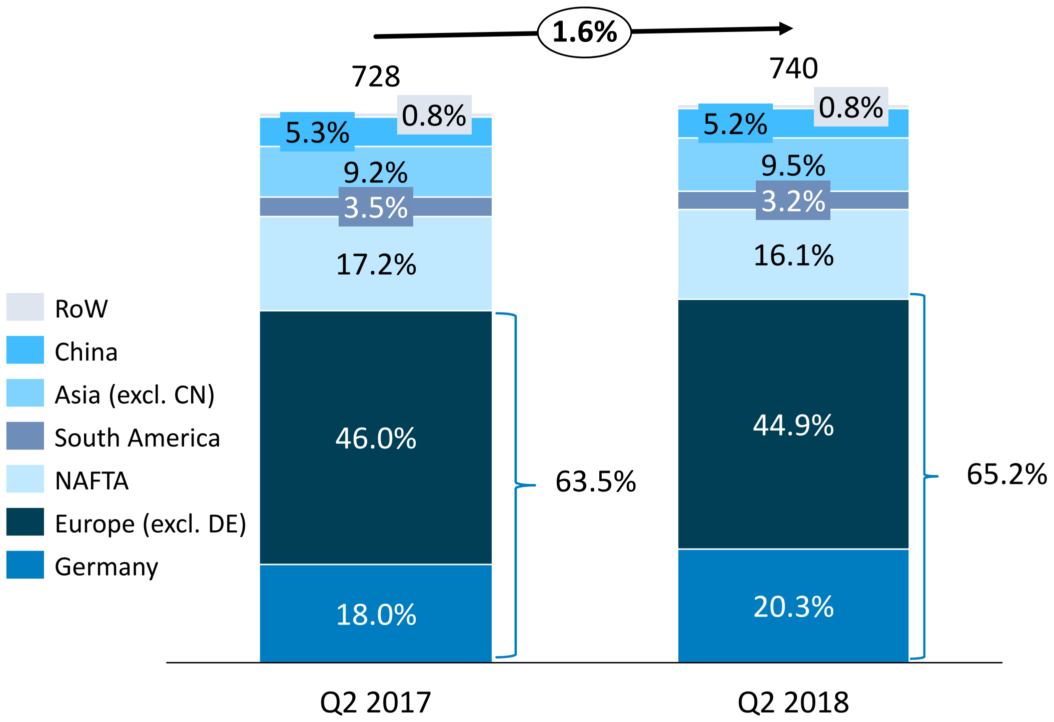
Mechatronics
- Growth supported by demand for emission reduction products slowed by declining diesel share
- Commercial Diesel System with highest growth rate
- Results held back by D/A for growth investments starting to contribute in H2 2018

Hardparts
- Pistons hampered by adverse FX-effects
- Ongoing good demand for bearings

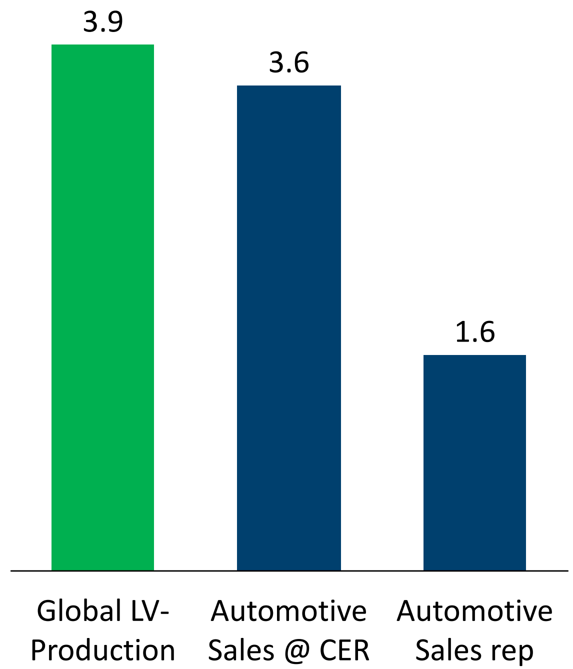
Aftermarket
- Continued good demand in key markets

German demand key driver for sales growth

Regional sales development Automotive
in €m

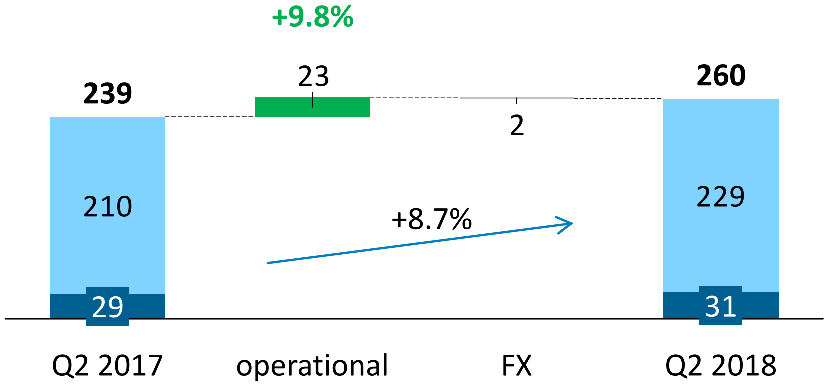


Global LV-Production vs. Automotive sales
growth in % q-on-q (IHS July 2018)

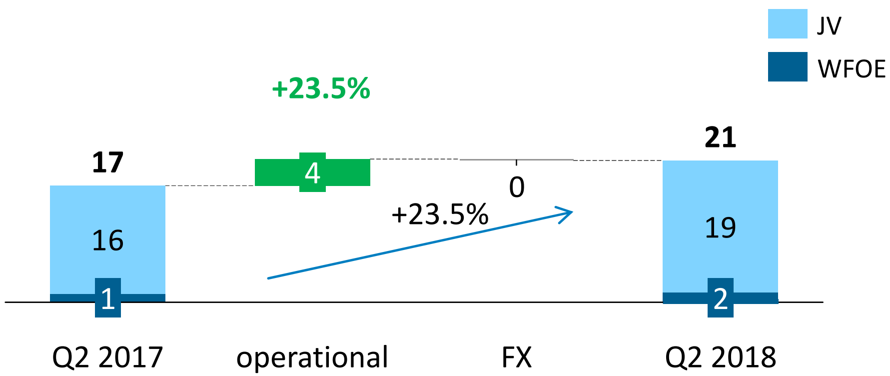


China
Profitable growth above local market development

- **Sales**
  in €m



- **EBIT**
  in €m



- Sales increased by 9.8% to €260m (9.0% reported) vs. a LV-market growth of 8.7%
- Favorable product mix development
- EBIT rose 24% and improved to €21m taking margins to 8.1%
- Q2 2018 first quarter with full fix cost impact of the new pistons plant
- Product starts partially delayed into H2

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

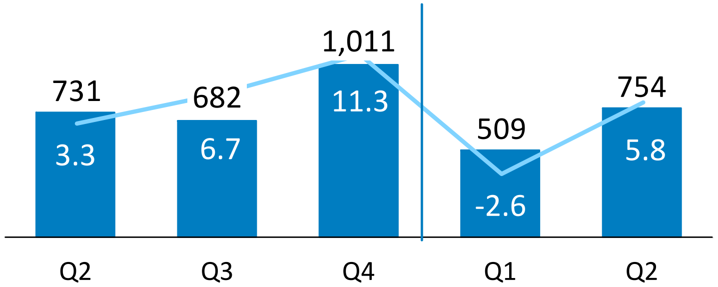
H2 2018 outlook: Automotive

Addressing market uncertainties – risks well managed

	Global tariffs	Emission testing Europe		Diesel	Raw material
Mechatronics	Local-for-local strategy	Short-term: ▪ No cancelation of customer call-offs until now ▪ Potential risk in case of certification delays	Long-term: ▪ Good growth chance for emissions related portfolio, particularly in Mechatronics	Diesel decline compensated	Key raws: 1. Aluminum 2. Copper 3. Nickel 4. Tin Margin insulation by hedging policy: ▪ 80% pass through ▪ 20% hedged
Hardparts				Mainly Otto pistons	
Aftermarket	Spare parts not under discussion				

Q2 2018 Highlights: Defence
High leverage quarter

Quarterly sales and margin development



Comments on quarterly performance

- Order intake compared to high Q2 17, boosted by German orders
- Sales operationally up 5.8% to €754m (3.1% reported), driven by ES and VS
- Operating result almost doubled to €44m
- EBIT included €8m one-off charge for restructuring in ES
- OFCF burdened by working capital effects

in €m	Q2 2017	Q2 2018	Δ in %	H1 2017	H1 2018	Δ in %
Order intake	1.031	570	-44,7%	1.422	1.427	0,4%
Sales	731	754	3,1%	1.343	1.263	-6,0%
Operating result	24	44	83,3%	14	31	121,4%
Operating margin in %	3,3%	5,8%	2,6%p	1,0%	2,5%	135,5%p
EBIT	21	36	71,4%	11	23	109,1%
Operating Free Cash Flow	-33	-171		-105	-410	

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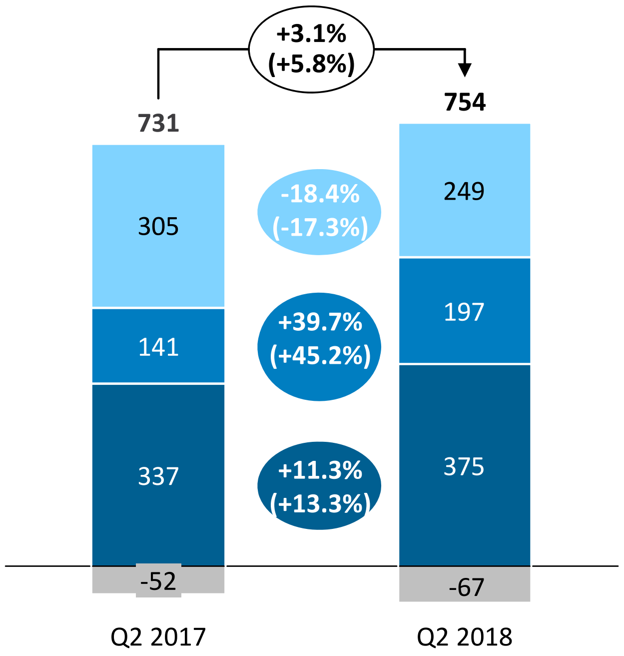
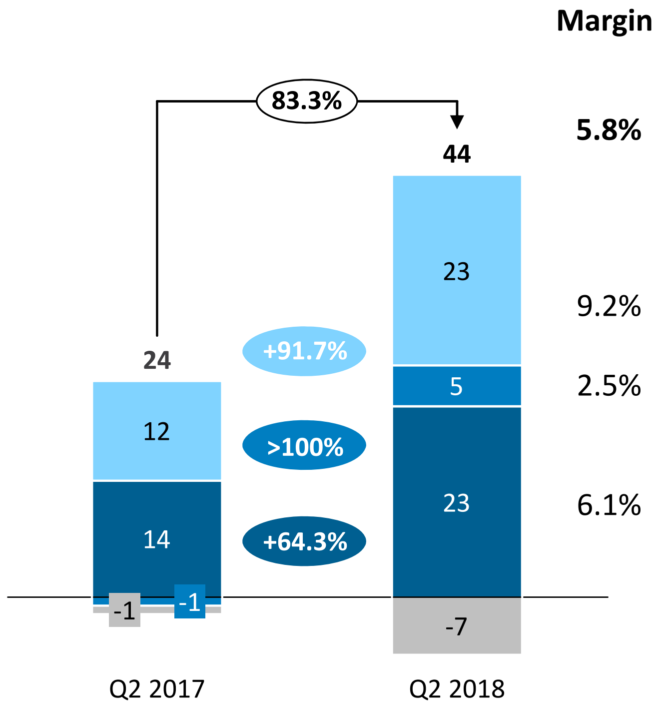
Profitable growth and net-positive effect from project review

Sales Defence
in €m
growth in % / (operational)



Operating result Defence
in €m



Weapon & Ammunition | Electronic Solutions | Vehicle Systems | Consolidation

Weapon and Ammunition
- Expected lower level of sales due to absence of PY trading contract (€112m)
- Substantial margin improvement due to higher share of value capture

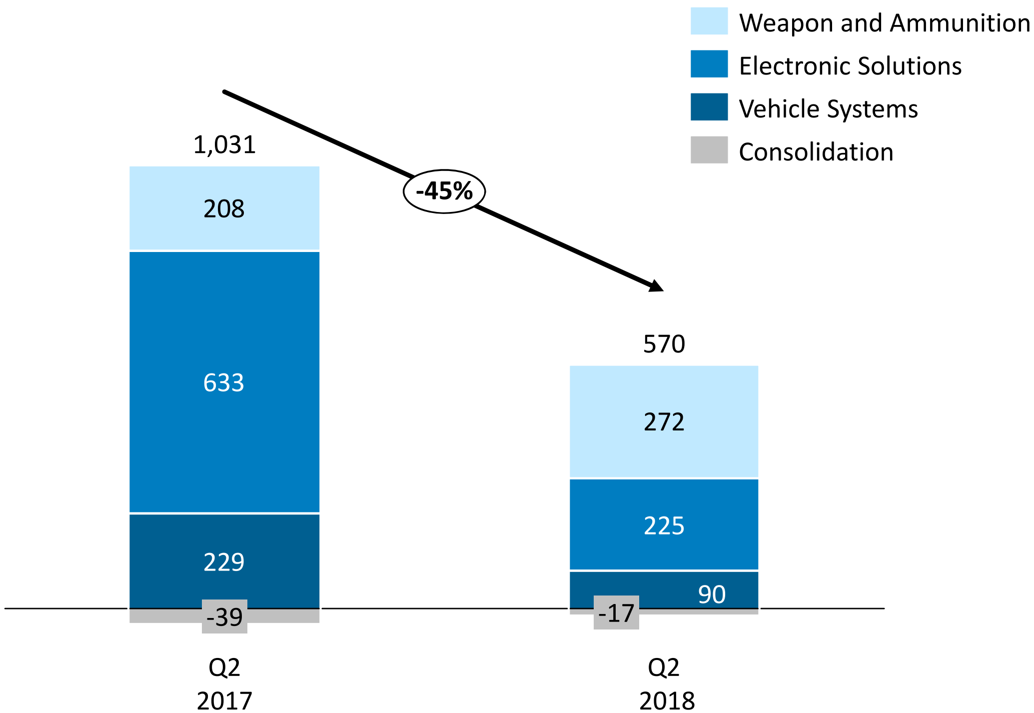
Electronic Solutions
- Positive impact of Air Defence sales
- Improved cost base

Vehicle Systems
- Supply chain issue for Logistical Vehicles not fully solved yet, however sales recovery already visible in H1
- Net-positive effect from project reviews but write-off charges for capitalized R&D project

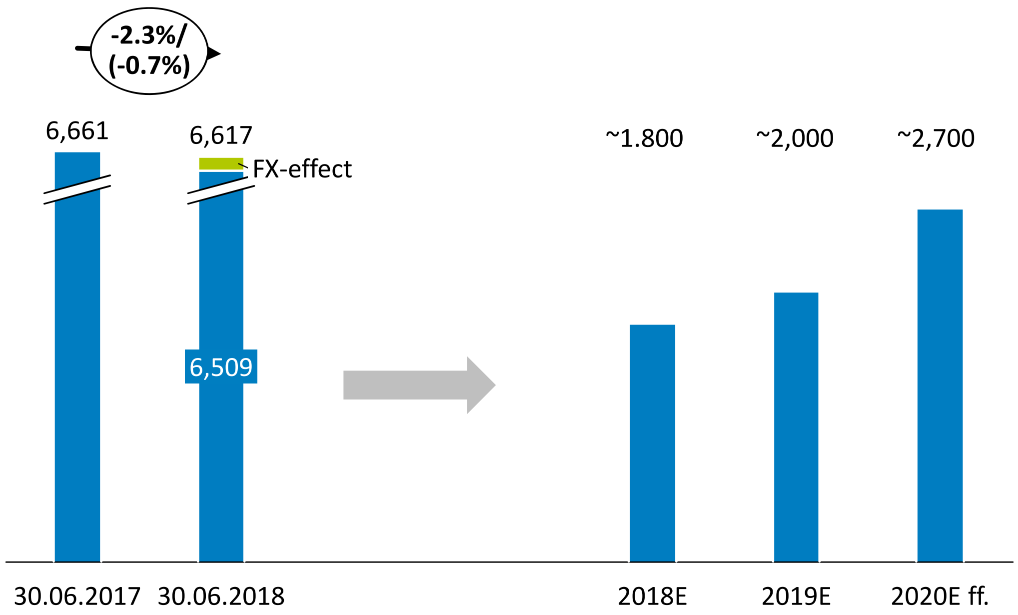
Consolidation
- Elimination of intercompany profits

Order backlog remains on high plateau

Order intake by division
in €m



Order backlog profile
in €m
change in % / (operational)



Australia decided to expand the existing truck contract with Rheinmetall

Innovations - Defence

Rheinmetall presented Lynx KF41 at the Eurosatory 2018

FY Guidance

Defence guidance rebased towards lower end of growth and higher end of margin

	Sales		Operating margin	
	2017 Growth y/y in %	**2018e** **Reported** growth y/y in %	**2017** in %	**2018e** in %
Group	**5.2**	**~8** (before: 8 – 9)	**6.8**	**~7.0**
Automotive	7.7 (IHS 2.2%)	3 - 4 (IHS 2.1%)	8.7	~8.5
Defence	3.1	~12 (before: 12-14)	5.7	~6.5 (before: 6-6.5)

IHS LV growth assumption as per July 2018

Next events and IR contacts

Events 2018

Commerzbank Conference	**Frankfurt**	**29 August**
RS Brussels & Paris Soc Gen	**Brussels & Paris**	**September**
RS Iberia	**Madrid & Lisboa**	**September**
Goldman Sachs Berenberg Conference	**Munich**	**25 September**
East Coast RS Lampe	**Boston & New York**	**3-4 October**
Q3 2018 Earnings call		**8 November**
CMD 2018	**Berlin**	**28/29 November**

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Quick link to documents

Corporate Presentation

Interim Reports

Annual Reports

APPENDIX

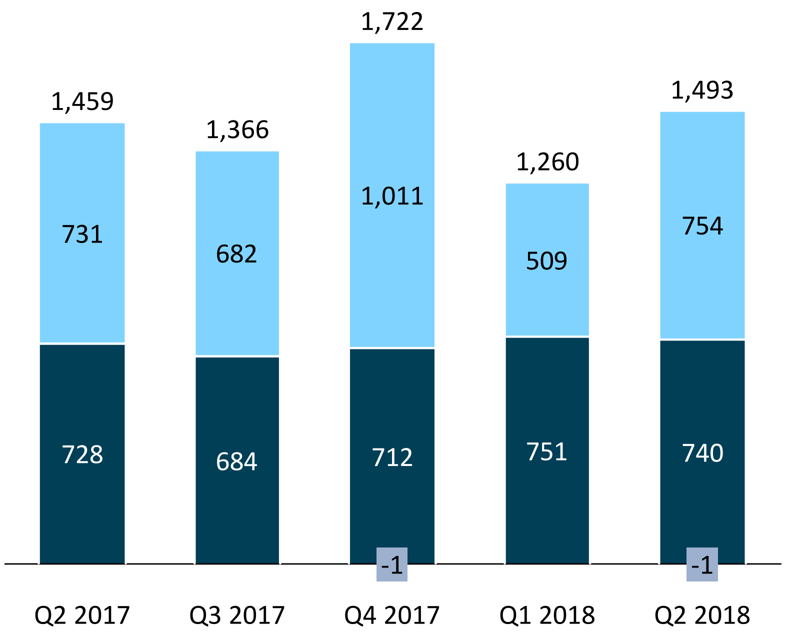
Selected key data: outlook 2018

Rheinmetall Group	
Holding cost	**~€30m (PY: €23m)**
Tax rate	**<30% (PY: 27%)**
Interest expense	**On previous year level**
Divestiture of real estate anticipated in Q3	**~€30m EBIT ~50m Cash Flow**

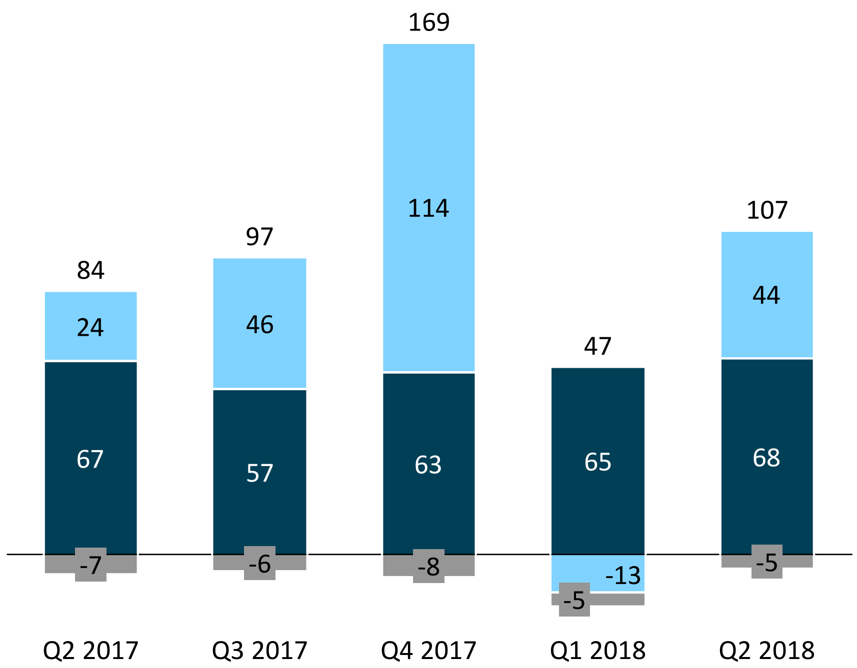
In % of sales	Automotive	Defence
Capex	**~5.5 - 6.0%**	**~3.5 - 4.5%**
D&A	**~5.5%**	**~3 - 3.5%**
R&D	**~5 - 5.5%**	**~2 - 2.5%**

Quarterly development Group

Sales
in €m



Operational results
in €m



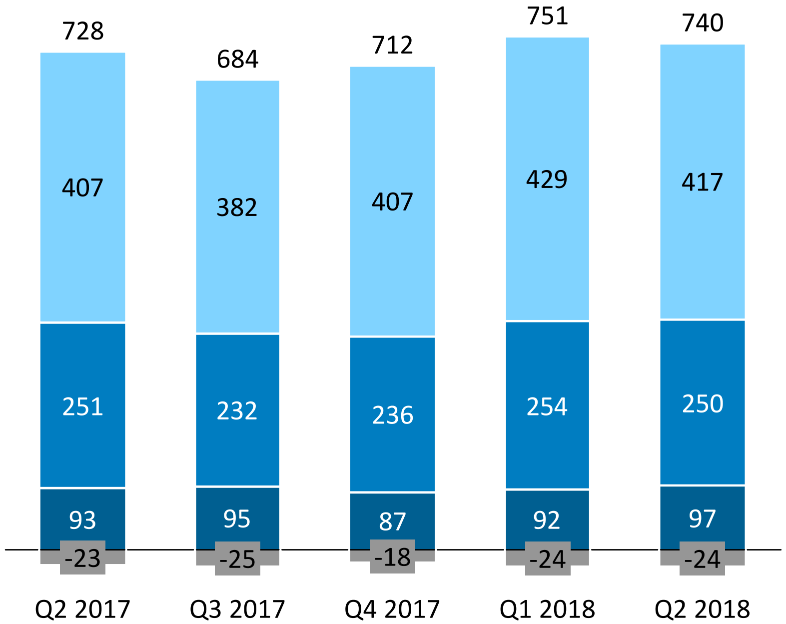
Defence Automotive Consolidation/Others

Free Cash Flow summary Group

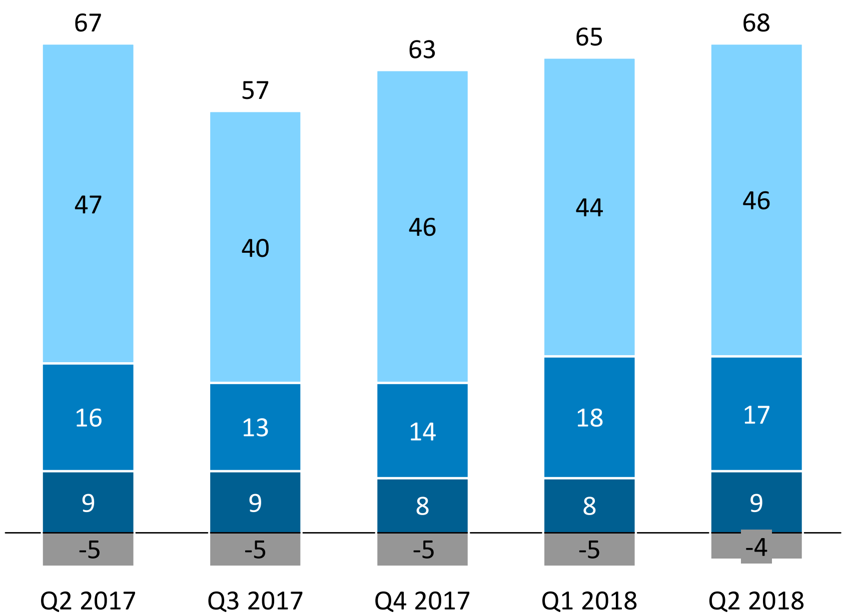
in €m	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Δ Q2 '17/'18
Group Net Income	51	43	130	27	65	14
Amortization / depreciation	55	59	70	64	91	36
Change in pension accruals	-3	1	-8	-42	1	4
Cash Flow	**103**	**103**	**192**	**49**	**157**	**54**
Changes in working capital and other items	-34	-36	374	-289	-244	-210
Net cash used in operating activities	**69**	**67**	**566**	**-240**	**-87**	**-156**
Cash outflow for additions to tangible and intangible assets	-50	-62	-115	-47	-53	-3
Free Cash Flow from Operations	**19**	**5**	**451**	**-287**	**-140**	**-159**

Quarterly development Automotive

Sales by division
in €m



Operational result by division
in €m



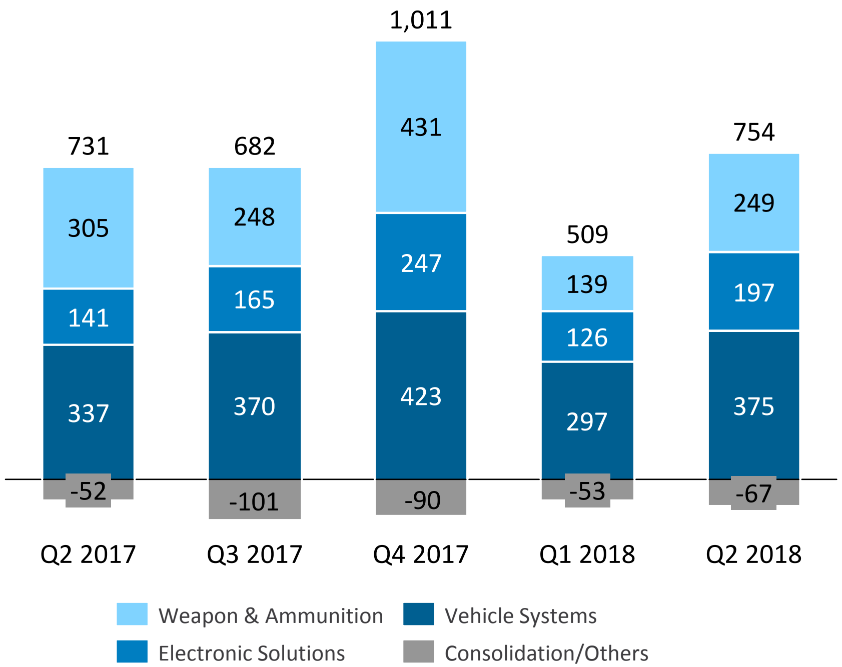
Mechatronics Hardparts Aftermarket Consolidation/Others

Free Cash Flow summary Automotive

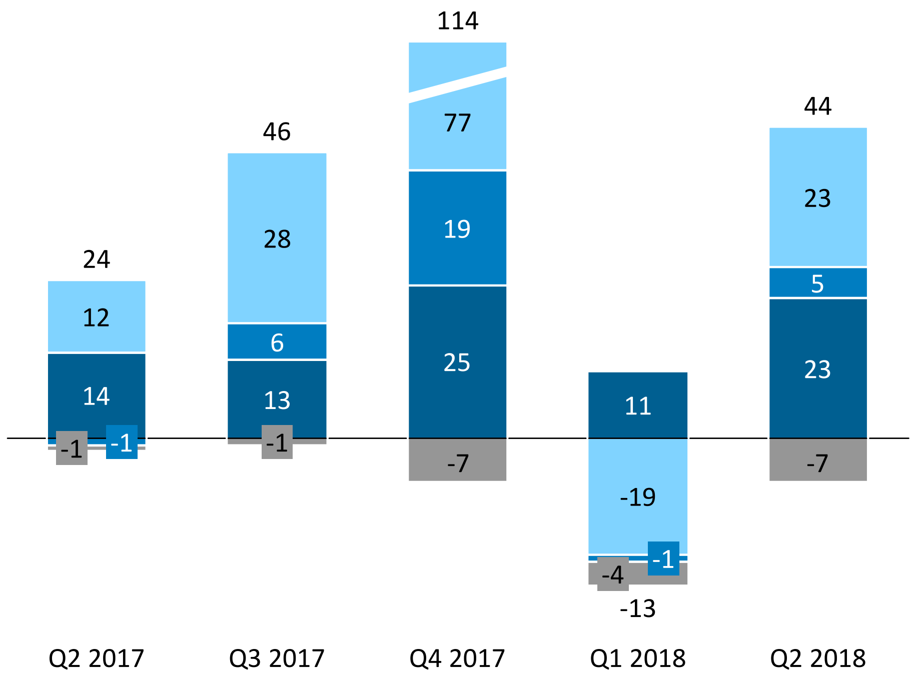
in €m	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Δ Q2 '17/'18
Net income	50	25	44	45	52	2
Amortization / depreciation	32	37	39	36	38	6
Change in pension accruals	-	-	-	-20	-1	-1
Cash Flow	**82**	**62**	**83**	**61**	**89**	**7**
Changes in working capital and other items	20	61	68	-82	-32	-52
Net cash used in operating activities	**102**	**123**	**151**	**-21**	**57**	**-45**
Cash outflow for additions to tangible and intangible assets	-33	-42	-77	-29	-21	12
Free cash flow from operations	**69**	**81**	**74**	**-50**	**36**	**-33**

Quarterly development Defence

Sales by division
in €m



Operational result by division
in €m



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Free Cash flow summary Defence

in €m	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Δ Q2 '17/'18
Net income	8	32	76	-21	23	15
Amortization / depreciation	22	21	29	26	52	30
Change in pension accruals	-6	2	-2	-2	2	8
Cash Flow	**24**	**55**	**103**	**3**	**77**	**53**
Changes in working capital and other items	-38	-88	327	-225	-228	-190
Net cash used in operating activities	**-14**	**-33**	**430**	**-222**	**-151**	**-137**
Cash outflow for additions to tangible and intangible assets	-19	-19	-35	-17	-20	-1
Free cash flow from operations	**-33**	**-52**	**395**	**-239**	**-171**	**-138**

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Income statement Group

In €m — **Income Statement**

	Q2 2017	Q2 2018	Δ
Sales	1,459	1,493	34
	34	40	6
Total operating performance	**1,493**	**1,533**	40
Other operating income	36	31	-5
Cost of materials	841	794	-47
Personnel expenses	389	409	20
Amortization, depreciation and impairment	55	91	36
Other operating expenses	160	182	22
Income from companies carried at equity	1	7	6
Other financial results	-4	4	8
Net operating income (EBIT)	**81**	**99**	18

	Q2 2017	Q2 2018	Δ
Net operating income (EBIT)	81	99	18
	-	**2**	
Net interest income	-13	-11	2
Earnings before tax (EBT)	**68**	**90**	22
Income tax	-17	-25	-8
Net income	**51**	**65**	14
of which:	-	-	
Minority interest	8	12	4
Rheinmetall shareholders	43	53	10
Earnings per share	**1.01**	**1.24**	0.23
EBITDA	**136**	**190**	54

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Cash flow statement Group

In €m

Cash Flow Statement

	H1 2017	H1 2018	Δ
Net Income	**79**	**92**	13
Amortization, depreciation and impairment	112	155	43
Dotation of CTA	-30	-40	-10
Changes in pension provisions	-7	-1	6
Changes in other provisions	38	12	-26
Changes in inventories	-107	-229	-122
Changes in receivables, liabilities(w/o financial debts) and prepaid & deferred items	-156	-292	-136
Pro rata income from investmenst carried at equity	-5	-14	-9
Dividends received from investments carried at equity	2	1	-1
Other non-cash expenses and income	-13	-8	5
Cash flows from operating activities	**-87**	**-327**	**-240**
Investments in assets	-93	-100	-7
Cash receipts from the disposal of assets	1	16	15
Payments for the purchase of liquid financial assets	-223	-120	103
Cash receipts from the disposal of liquid financial asse	0	0	0
Cash flows from investing activities	**-129**	**-52**	**77**

	H1 2017	H1 2018	Δ
Dividends paid out by Rheinmetall AG	-62	-73	-11
Other profit distributions	-9	-7	2
Sale of treasury shares	0	0	0
Capital payment to/capital contributions by non-controlling interests	4	0	-4
Increase in shares in consolidated subsidiaries	0	0	0
Borrowing of financial debts	247	112	-135
Repayment of financial debts	-96	-73	23
Repayment of leasing obligations	0	0	0
Cash flows from financing activities	**84**	**-41**	-125
Changes in financial resources	-132	-400	-268
Changes in cash and cash equivalents due to exchange rates	-7	0	7
Total change in financial resources	-139	-420	-281
Opening cash and cash equivalents January 1	**616**	**757**	141
Closing cash and cash equivalents	**344**	**337**	-7

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Balance Sheet Group

Balance Sheet

	31.12.2017	01.01.2018	30.06.2018	Δ
Non-current assets	**2,712**	**2,939**	**2,920**	-19
Goodwill	550	550	550	0
Other intangible assets	229	229	191	-38
Usage rights		158	163	5
Property, plant and equipment	1,387	1,387	1,371	-16
Investment property	46	46	45	-1
Investments carried at equity	242	242	258	16
Other non-current financial assets	73	142	141	-1
Deferred taxes	185	185	201	16
Current assets	**3,474**	**3,468**	**3,409**	-59
Inventories	1,172	1,165	1,396	231
Contractual assets	-	325	327	2
Trade receivables	1,217	897	1,013	116
Liquid financial assets	119	119	85	-34
Other current financial assets	190	186	207	21
Income tax receivables	11	11	36	25
Cash and cash equivalents	757	757	337	-420
Assets for disposal	8	8	8	
Total assets	**6,186**	**6,404**	**6,329**	-75

	31.12.2017	01.01.2018	30.06.2018	Δ
Equity	**1,955**	**1,950**	**1,975**	25
Share capital	112	112	112	0
Additional paid-in capital	540	540	546	6
Retained earnings	1,209	1,205	1,223	18
Treasury shares	-25	-25	-21	4
Rheinmetall AG shareholders' eq	1,836	1,832	1,860	
Minority interests	119	118	115	-3
Non-current liabilities	**1,905**	**2,048**	**2,015**	-33
Provisions for pensions and simil	1,080	1,080	997	-83
Other non-current provisions	185	204	197	-7
Non-current financial debts	572	696	751	55
Non-current financial liabilities	8	54	48	-54
Other non-current liabilities	48	-	50	50
Deferred taxes	14	14	20	-70
Current liabilities	**2,326**	**2,409**	**2,339**	-8
Other current provisions	595	641	656	-65
Current Financial debts	74	108	100	-43
Current financial liabilities	112	-	-	
Contractual liabilities	-	636	571	
Trade liabilities	760	760	717	-8
Other current liabilities	711	190	182	39
Income tax liabilities	74	74	113	39
Total Liabilities	**6,186**	**6,407**	**6,329**	-78

Glossary

bn	billions
bp	basis points
CAGR	compounded average growth rate
CER	Constant Exchange Rates
CTA	Contractual trust agreement
D&A	Depreciation & Amortization
E	Expected
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax , Depreciation and Amortization
EBT	Earnings before Tax
EIB	European Investment Bank
EPS	Earnings per share
EPL	Einzelplan
EV	Electric Vehicle
FTE	Full Time Equivalents
FX	Foreign exchange rate
GDP	Gross Domestic Product
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
m	million
NNBS	Short range air defence
NWC	Net working capital
OEM	Original Equipment Manufacturer
Operating FCF	Operating free cash flow
Op. margin	Operating margin
%P	Percentage points
P&L	Profit & Loss Account
PY	Previous Year
RDE	Real Drive Emissions
ROCE	Return on capital employed
RoW	Rest of the World
TLVS	Tactical air defence system
WACC	Weighted average cost of capital
WLTP	Worldwide Harmonized Light-Duty Vehicles Test Procedure
WOFE	Wholly owned foreign enterprise

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