



Record result and excellent cash flow in 2017

Conference Call Fiscal Year 2017

Düsseldorf, 15. March 2018

MOBILITY. SECURITY. [PASSION.](#)



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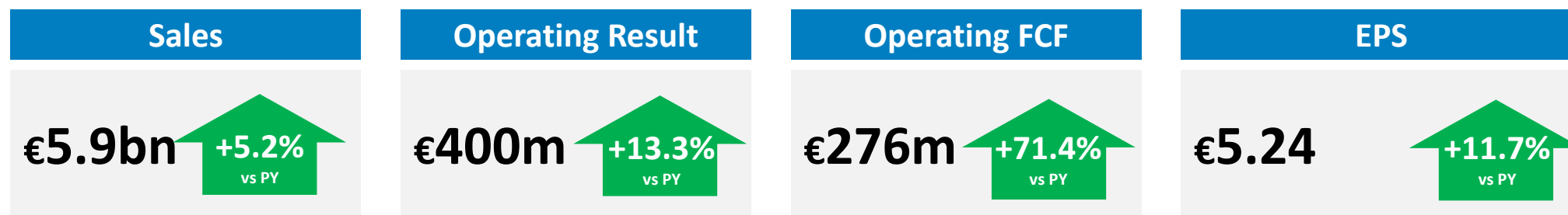
HIGHLIGHTS

MOBILITY. SECURITY. PASSION.



FY 2017 Group Highlights

Significantly higher free cash flow and excellent earnings development





- Group sales development on the back of solid demand in both segments rose to €5,896m
- Operating result up by €47m, raising Group operating margin by 50bp to 6.8%
- Operating free cash flow increased by €115m resulting in a 69% cash conversion rate
- EPS amounted to €5.24 driven by profitability improvement and higher net interest result
- €1.70 dividend proposal is more than 17% higher than last year

Strong Group financials underscore strategy & performance going forward!

FY 2017 Group Highlights

Profitability targets achieved despite slightly lower than expected sales growth

		Group	Automotive 	Defence 
Sales Growth	Guided	Around 6%	Upper end of range 6% – 7%	Lower end of range 5% – 6%
	Achieved	5.2%	7.7% ✓	3.1%
Operating Margin	Guided	Slightly above 6.5%	Around 8.4%	Upper end of 5% – 5.5%
	Achieved	6.8% ✓	8.7% ✓	5.7% ✓

Profitability expectations exceeded: Group performance well on track!

FY 2017 Highlights: Automotive

Strong sales growth with further improved result and margin

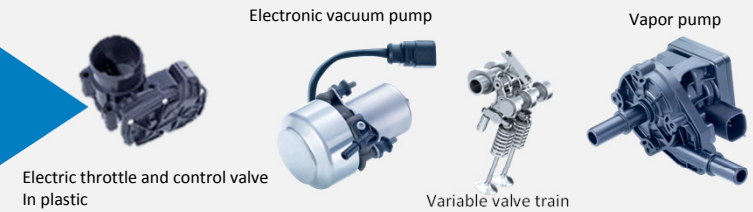


- Sales grew by 7.7% (7.9% FX-adjusted) to €2.9bn, clearly outperforming markets
- Mechatronics drove sales and results due to high demand for emission reduction and fuel efficiency products
- Operating result climbed to €249m, up 11.7%
- Operating margin increased by 30bp to 8.7%
- Closure of French pistons plant to further improve Hardparts performance
- More than €500m order backlog for e-mobility

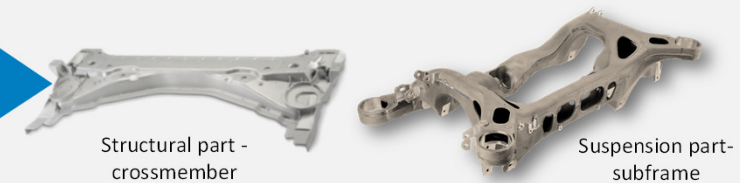
FY 2017 Highlights: Automotive

Successful launch of innovative products

Market introduction of new ICE products



Catering to the demand for lightweight parts



Well-received demonstration of EV
competence at the IAA 2017



FY 2017 Highlights: Defence

Strong results and cash flow on the back of higher sales



- Sales grew 3.1% (2.9% FX-adjusted) to above €3bn
- Operating result up by 18.4% to €174m
- Operating margin increased 70bp to 5.7%
- Free operating cash flow more than doubled to €238m
- Successful partnering in preparation of strategic moves

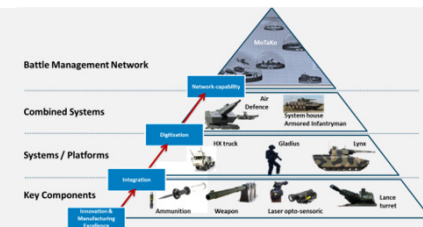
FY 2017 Highlights: Defence

2017 laid the foundation for the next growth phase

International tender pipeline with excellent prospects



Positioning as systems provider becomes more important



New strategic co-operations developed



FY 2017 Highlights: Defence

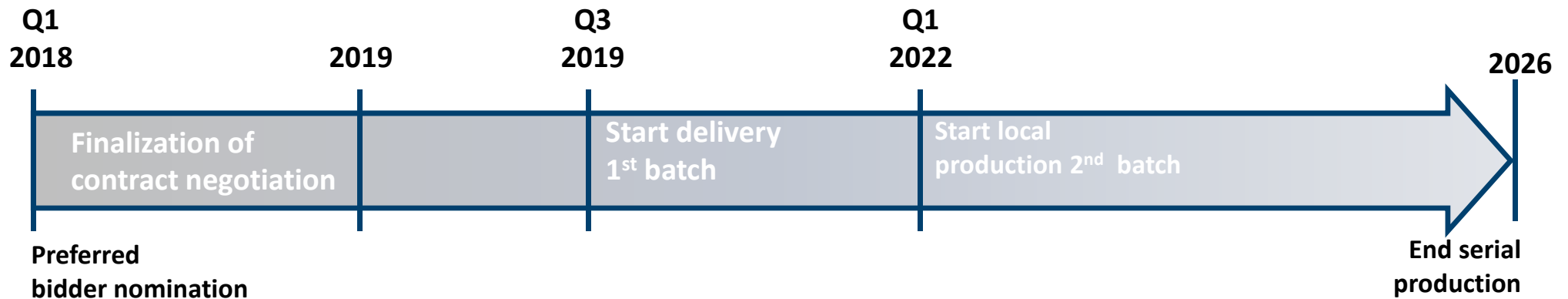
Breaking news: Rheinmetall nominated preferred bidder for Land 400 Phase 2

■ Order scope

- >200 vehicles in different variations
 - (incl. >130 Lance turrets)
- Total order volume of around €2bn
- Finalization of contract negotiation



■ Order schedule





FINANCIAL DETAILS

Strengthened balance sheet

■ Key financials

in €m

	FY 2016	FY 2017	Δ
Total assets	6,150	6,186	36
Equity	1,781	1,955	174
Equity ratio	29.0%	31.6%	260bp
Net cash	19	230	211
Debt ratio ¹	-0.3%	-4.2%	390bp
Net gearing ²	-1.1%	-11.8%	1,070bp
Leverage ratio ³	-0.03	-0.40	0.37

- **Total assets stable**
- **Equity ratio rose by 260bp to 31.6%**
- **Net cash position increased by €211m to €230m**
- **Investment grade rating improved to Ba1 with positive outlook in 09/2017**

¹ Net financial debt / (total assets-liquid financial assets)

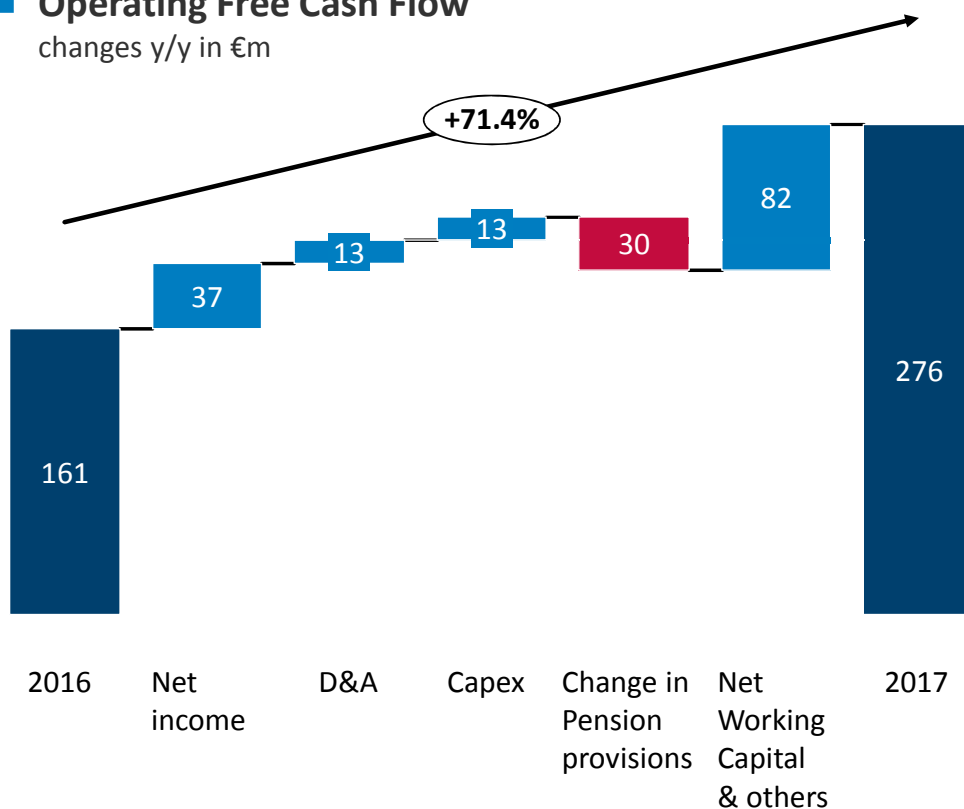
² Net financial debt / shareholder's equity

³ Net financial debt / EBITDA

Outstanding cash flow development and improved cash flow-to-sales-ratio

Operating Free Cash Flow

changes y/y in €m



Key drivers

- Net income increased on improved results and lower net interest effects
- D&A included unscheduled D&A of €8m
- Lower capex in Defence and Holding
- €15m higher CTA funding for pensions
- Positive development of NWC (e.g. customer payments)
- Build-up of provisions, driven by restructuring and environmental measures
- Cash flow-to-sales-ratio improved to 4.7%

Group ROCE increased 110bp and further covered cost of capital

in €m	FY 2016	FY 2017	Δ
EBITDA	581	626	45
EBIT	353	385	32
Interest result	-54	-39	15
EBT	299	346	47
Net income	215	252	37

- EBIT rose despite net negative €15m special effects
- Interest result benefited from lower average interest rate and net cash position
- Underlying tax rate eased to 27% after 28% in 2016
- Net income increased by 17%

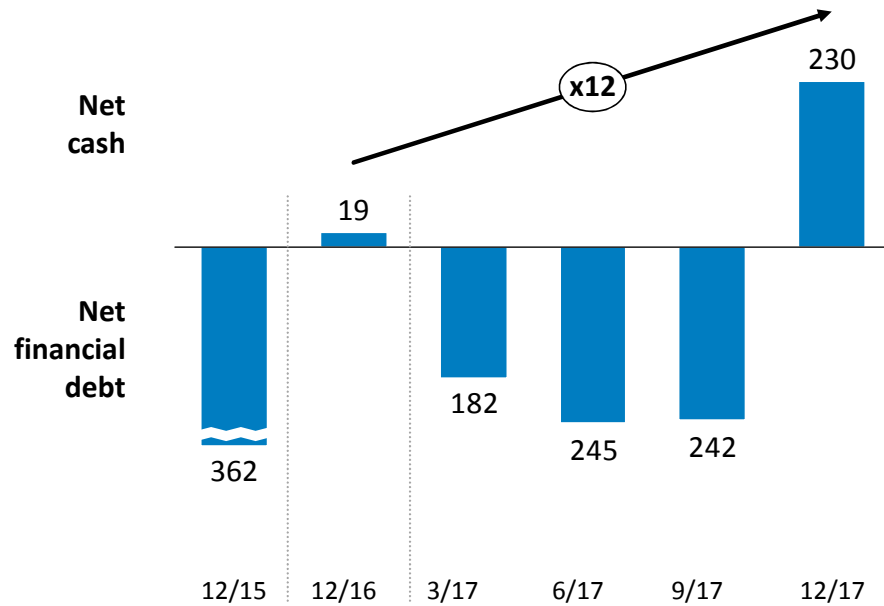
in €m	31/12/2016	31/12/2017	Δ
Equity	1,781	1,955	174
Net debt / Net liquidity (+/-)	-19	-230	-211
Pension provisions	1,186	1,080	-106
Average capital employed*	2,860	2,877	17
ROCE (in %)	12.3	13.4	110bp

- Average capital employed almost stable with mitigating effects from various line items
- ROCE improved by 110bp to 13.4% (Group pre-tax WACC: 10.5%)

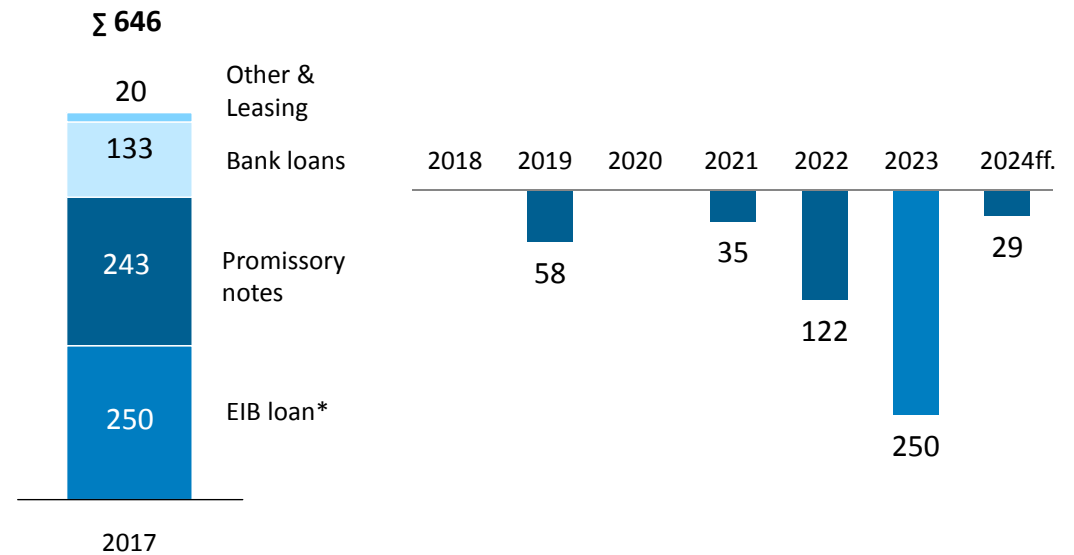
*average capital employed is the mean of 2016/2017 year-end figures

Stronger net cash position

Net financial debt / net cash
in €m at quarter-end



Debt composition and maturity profile
in €m



*€250 m EIB loan (0.962% coupon) maturing in August 2023

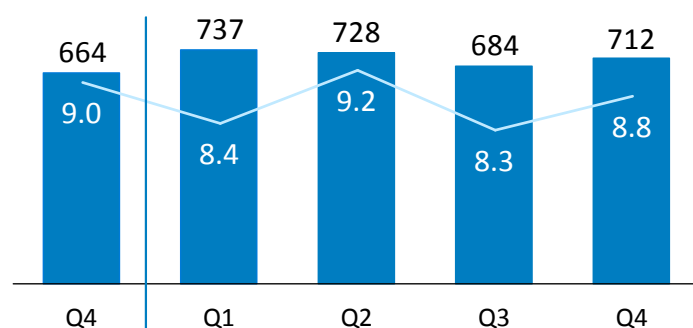


AUTOMOTIVE FINANCIALS

Q4 2017:

Automotive with excellent sales growth on high profitability level

Quarterly sales and margin development



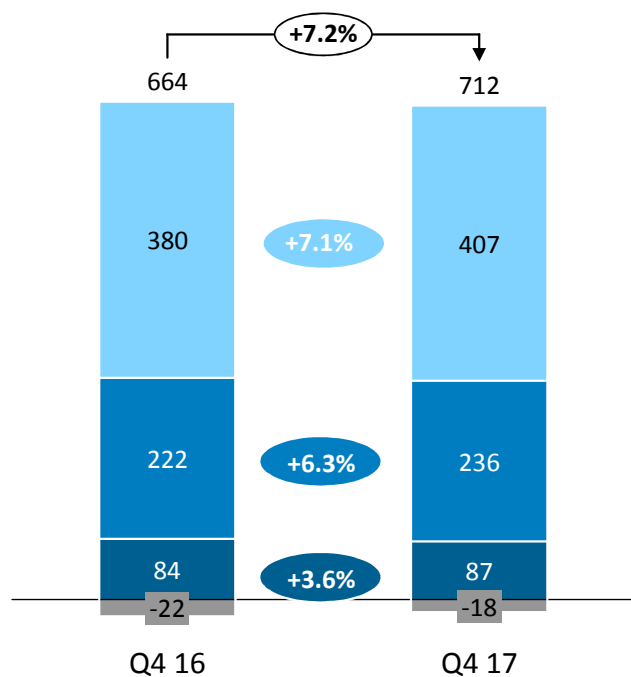
Comments on quarterly performance

- Positive sales development of 7.2% supported by all divisions (9.0% FX-adjusted)
- Improved operating result mostly achieved by Mechatronics
- Margin sequentially up, but below PY due to Hardparts results

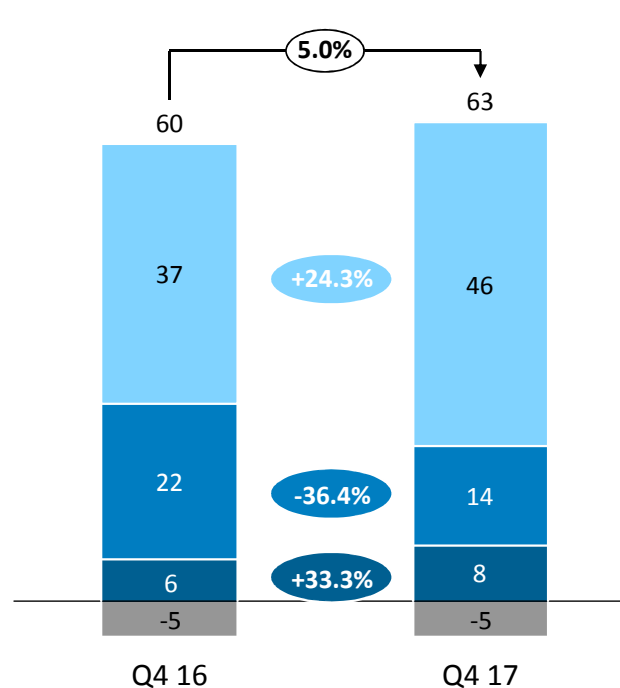
in €m	Q4 2016	Q4 2017	Δ	FY 2016	FY 2017	Δ
Sales	664	712	7.2%	2,656	2,861	7.7%
Operating result	60	63	5.0%	223	249	11.7%
Operating margin in %	9.0	8.8	-20bp	8.4	8.7	30bp
EBIT	60	63	5.0%	223	227	1.8%
Operating Free Cash Flow	146	74	-49.3%	105	106	1.0%

Q4 2017 result growth on the back of strong Mechatronics performance

■ Sales Automotive in €m



■ Operating result Automotive in €m



Mechatronics

- Good demand for high tech/high margin products continued

Hardparts

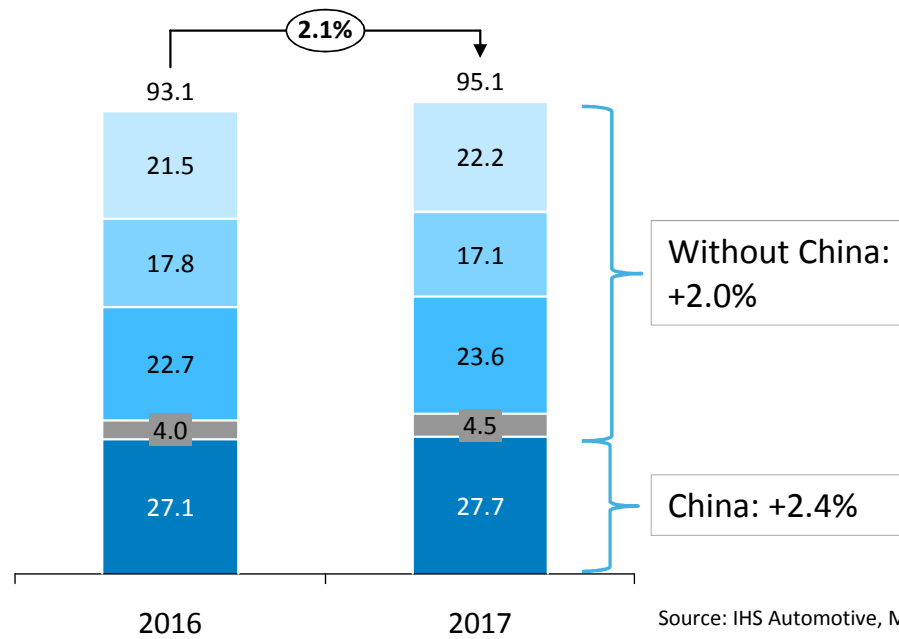
- Recovery of LBP demand
- Ramp-up issues for structural parts at our German casting JV
- Discontinuation of subsidies (EEG)

Aftermarket

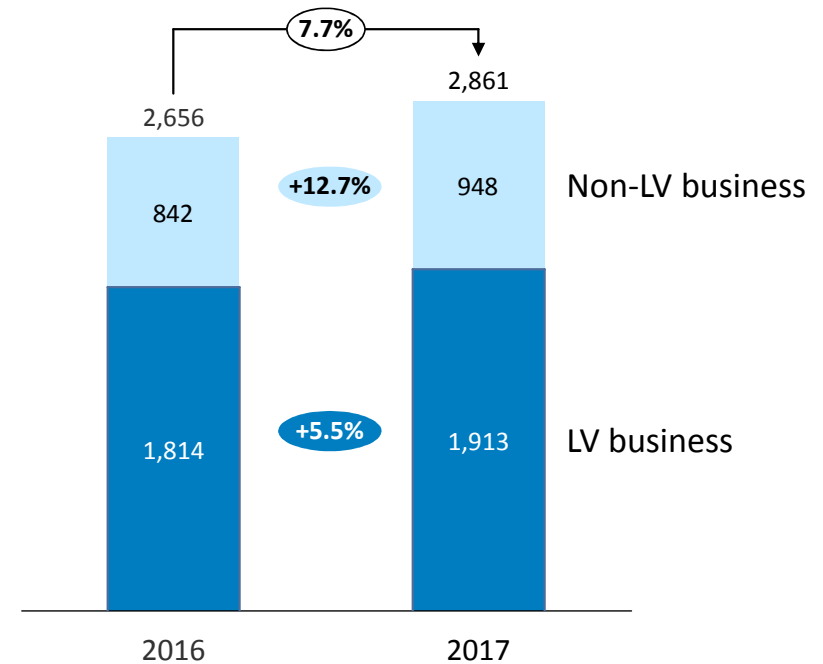
- Higher sales
- Reduced ramp-up cost

Automotive outperformed global markets again

Global LV production
in million units

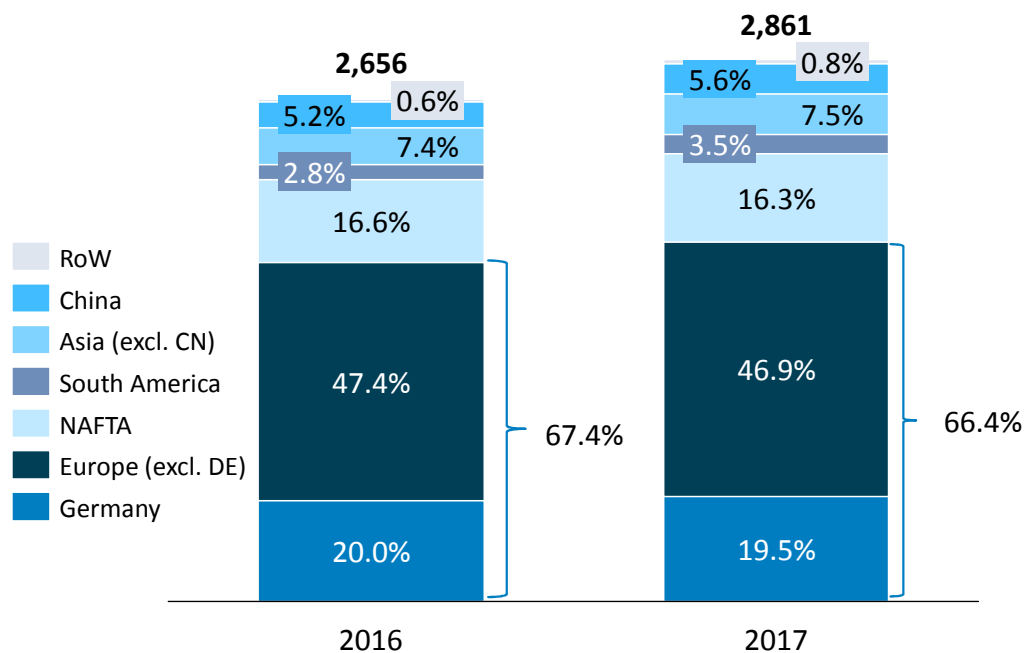


Sales Automotive LV / Non-LV
in €m

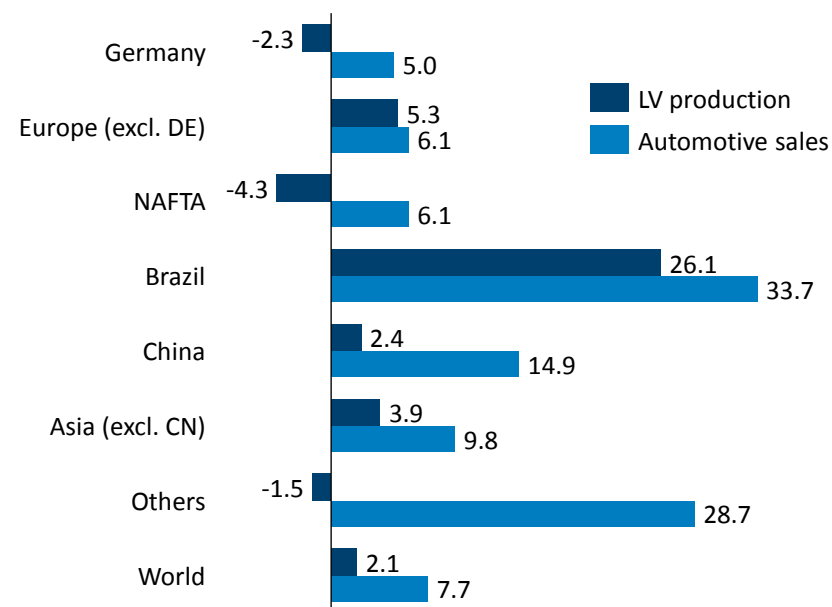


Without exception: All regions outperformed!

Regional sales development Automotive
in €m

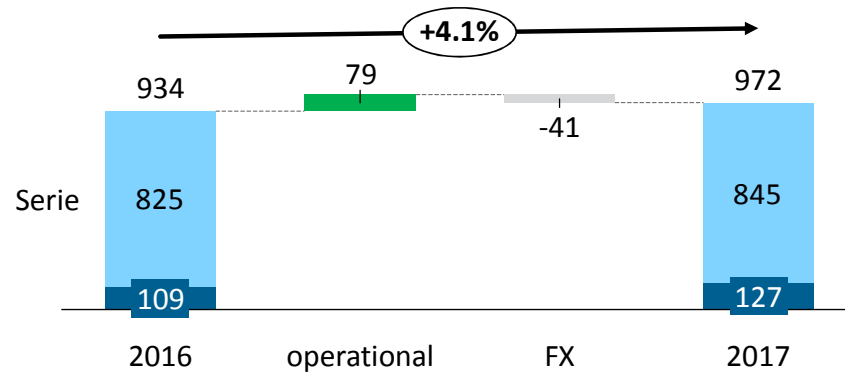


Regional Automotive sales growth FY 2017
in % (IHS March 2018)

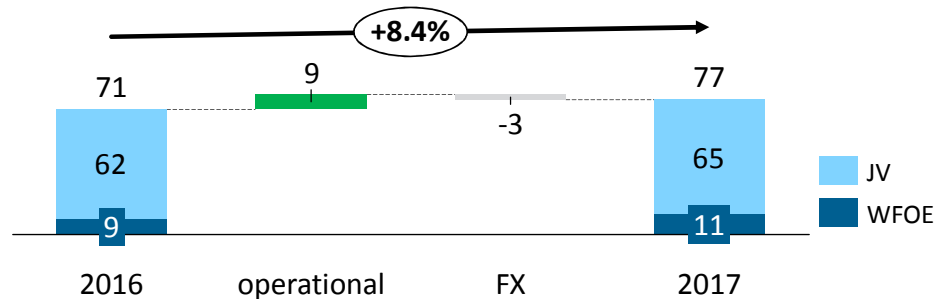


Demand for our products in China on the rise

■ Sales in €m



■ EBIT in €m



- Sales increased by 4.1% (7.8% FX-adjusted) to €972m, clearly outperforming Chinese market growth of 2.2%
- Strong and profitable growth in JVs accelerated margin to 7.7% (PY: 7.5%)
- 100% subsidiaries with very good sales and EBIT contribution, margin grew to 8.9% (PY: 8.2%)

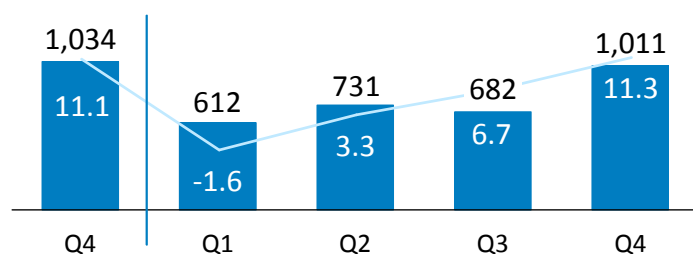
Including 100% figures of 50/50 JV, consolidated at equity



DEFENCE FINANCIALS

Solid fourth quarter with high cash flow generation

Quarterly sales and margin development



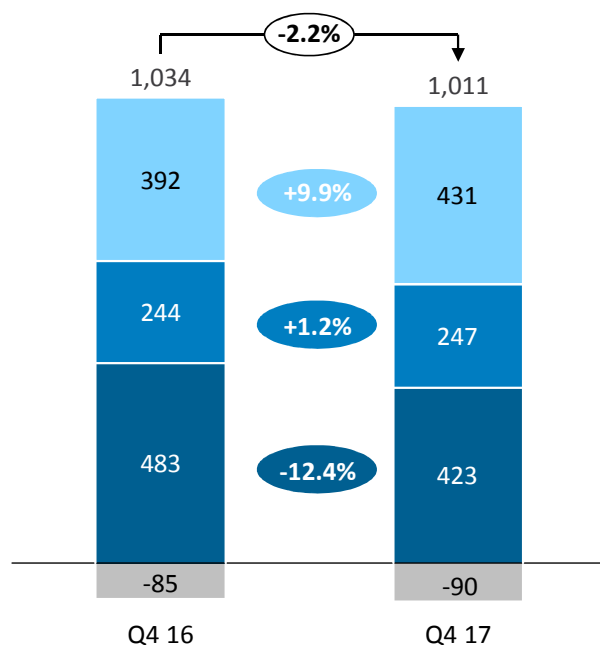
Comments on quarterly performance

- Sales slightly lower, (-2.2%; -0.9% FX-adjusted)
- Margin expansion driven by Weapon & Ammunition
- Q4 free cash flow benefited from high customer payments

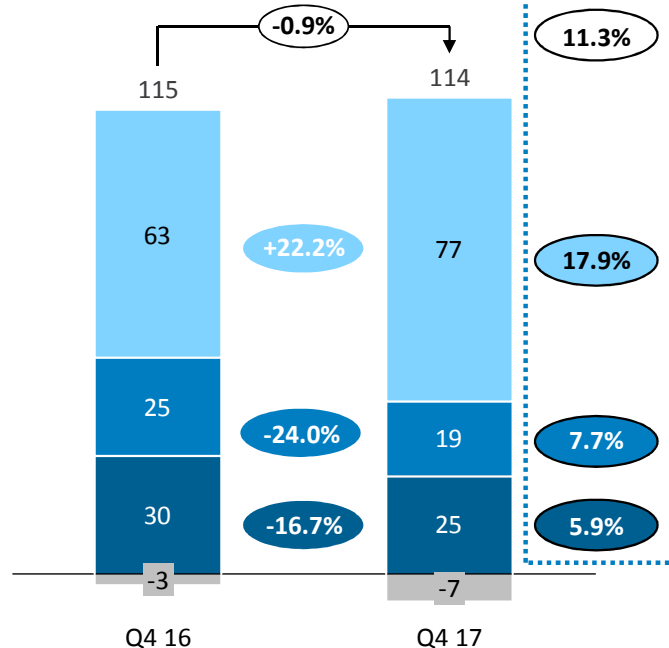
in €m	Q4 2016	Q4 2017	Δ	FY 2016	FY 2017	Δ
Order intake	725	671	-7.4%	3,050	2,963	-2.9%
Sales	1,034	1,011	-2.2%	2,946	3,036	3.1%
Operating result	115	114	-0.9%	147	174	18.4%
Operating margin in %	11.1	11.3	20bp	5.0	5.7	70bp
EBIT	115	115	0.0%	147	172	17.0%
Operating Free Cash Flow	319	395	23.8%	103	238	131.1%
Operating FCF / Sales in %	30.9	39.1	800bp	3.5	7.8	300bp

Q4 margin improvement in a weaker sales quarter

Sales Defence
in €m



Operating result Defence
in €m

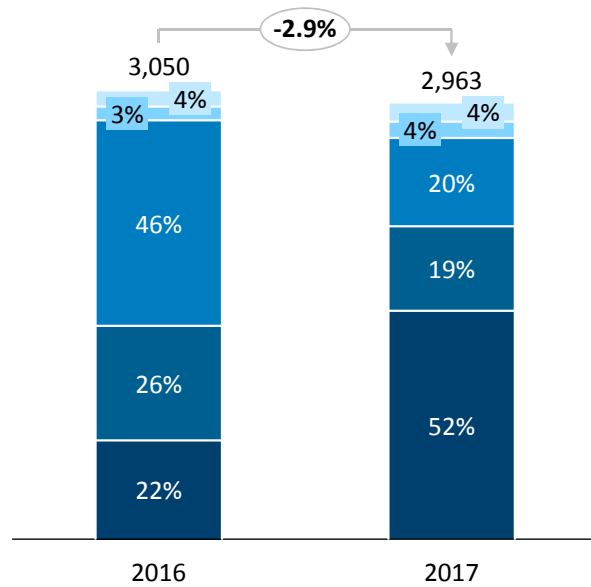


- Margin**
- 11.3%**
 - 17.9%**
 - 7.7%**
 - 5.9%**
- Weapon and Ammunition**
- High share of profitable ammunition and international business
- Electronic Solutions**
- Lower sales in Mission Equipment
 - Q4 16 with profitable R&D contract
 - Upfront cost for new projects in Q4 17
- Vehicle Systems**
- High Land 121 sales share in Q4 2016
 - Sales-related earnings decline

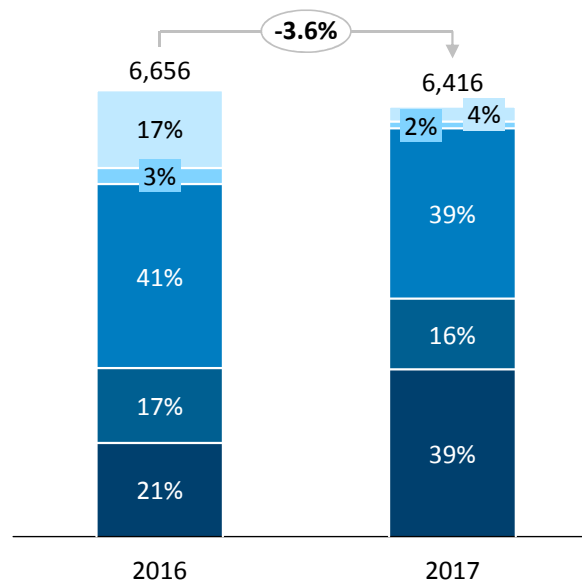
Weapon & Ammunition Electronic Solutions Vehicle Systems Consolidation

German military spending hike becomes visible

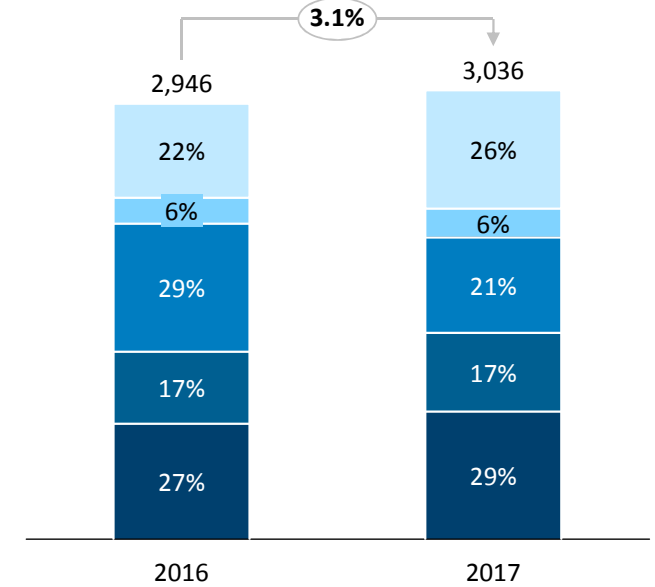
Order intake by region
in €m



Order backlog by region
in €m



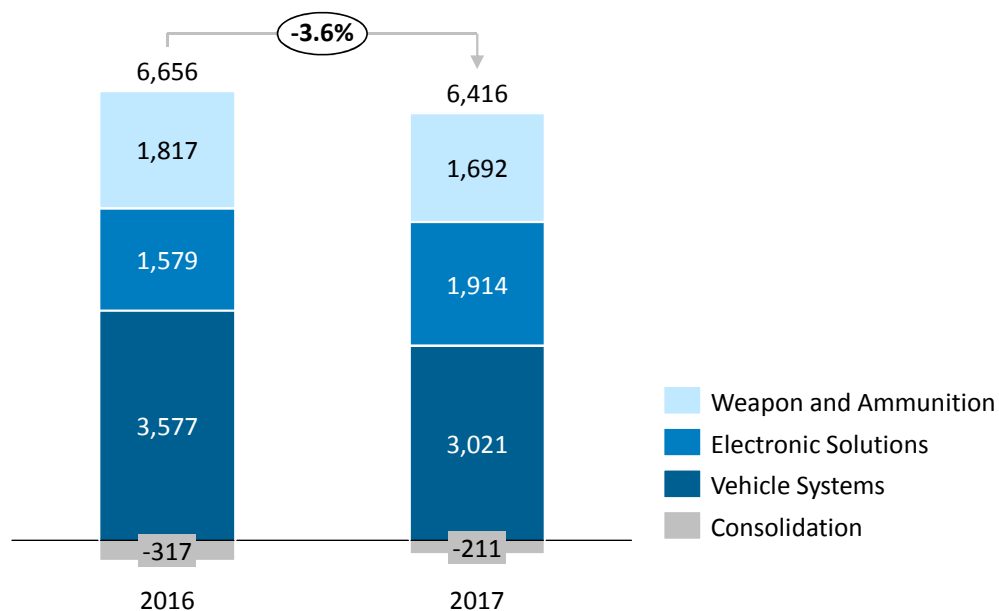
Sales by region
in %



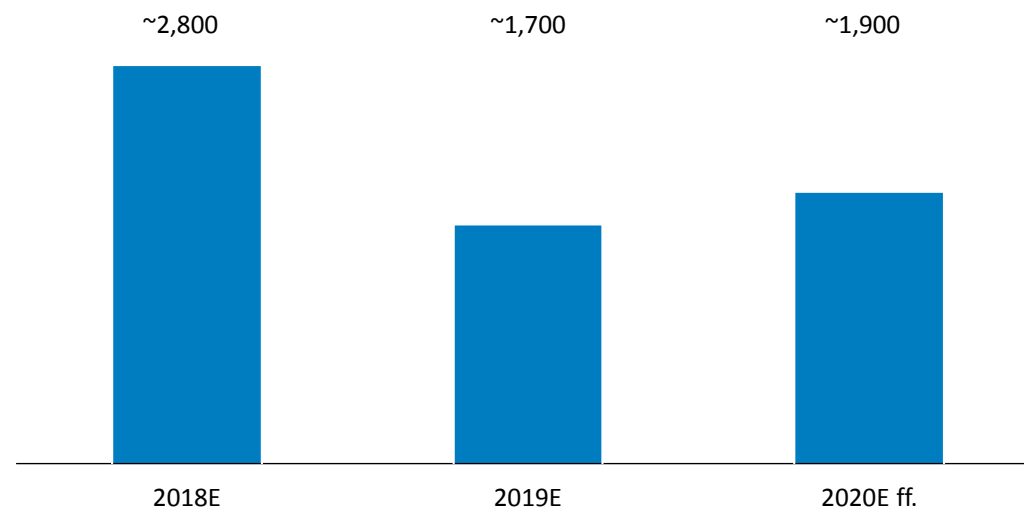
Rest of the World North America Asia Europe (w/o Germany) Germany

Backlog profile underscores growth expectations for 2018

■ Order backlog by division
in €m



■ Order backlog profile
in €m per 31/12/2017





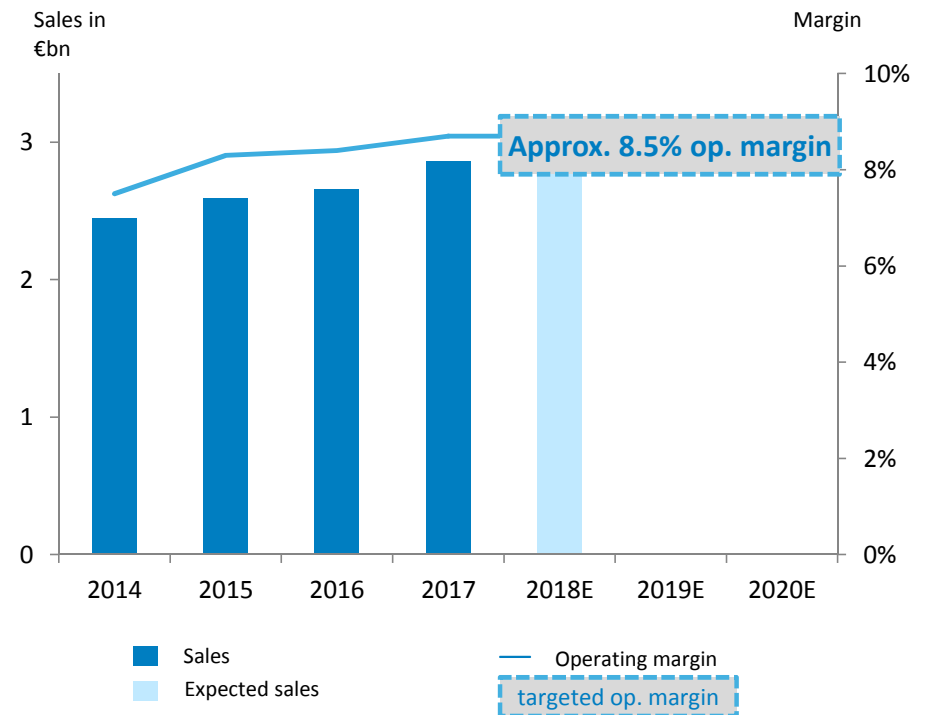
OUTLOOK 2018

Mid-term outlook

Drivers for structural earnings improvement

■ Automotive targets

- Increase content per car
- Gain more powertrain neutrality
- Further develop product portfolio by entering new markets, e.g. e-mobility
- Increase market share with Chinese OEMs
- Grow share of electrified products to 50% by 2020

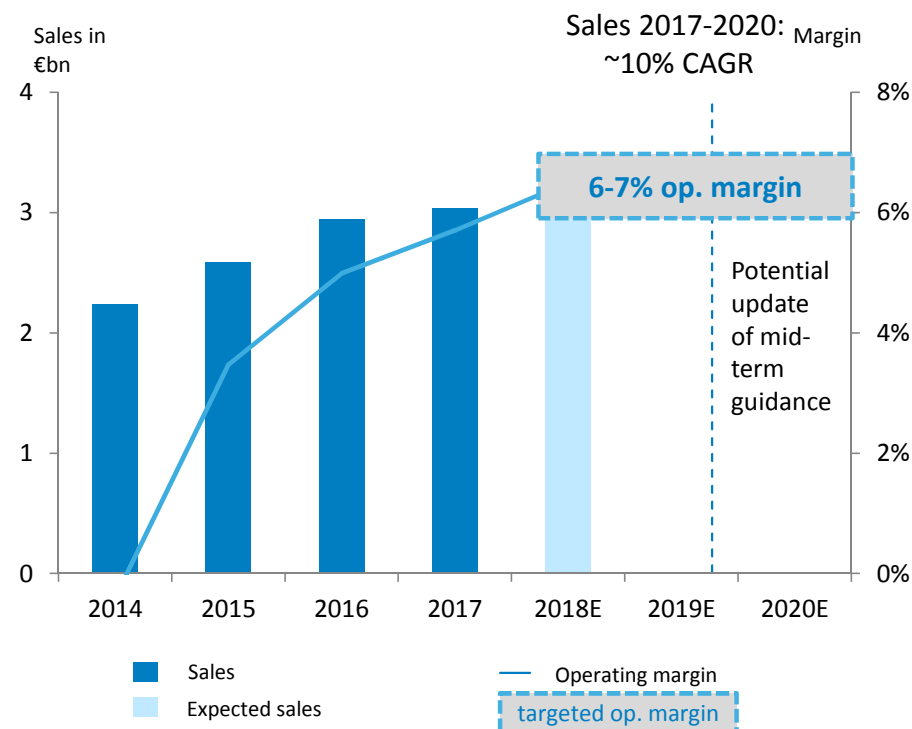


Mid-term outlook

Drivers for profitable growth intact



■ Defence targets

- Markets at the dawn of a long-term growth trend
- Increasing margins due to the lesser impact of legacy contracts
- Higher margin contained in the order book
- Leveraging our “military off-the-shelf” portfolio in vehicles
- Internationalization strategy with focus on Eastern Europe
- Development of new technologies



Short-term outlook

High sales growth and earnings improvement targeted

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

At constant exchange rates

IHS LV growth assumption as per March 2018

Next events and IR contacts

■ Events 2018

Roadshow FY 2017	Frankfurt	20 March
Conference Bank of America Merrill Lynch	London	22 March
Roadshow FY 2017	Dublin / Edinburgh	26/27 March
Q1 2018 Earnings call		4 May
Annual General Meeting	Berlin	8 May

■ Quick link to documents

Corporate Presentation



Interim Reports



Annual Reports



■ IR Contacts

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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 (already cashed out)			

Group 2013 – 2017: Key figures

In €m		2013	2014	2015	2016	2017
Balance sheet	Total assets	4,866	5,271	5,730	6,150	6,186
	Shareholder's equity	1,339	1,197	1,562	1,781	1,955
	Equity ratio (in %)	27.5	22.7	27.3	29.0	31.6
	Pension liabilities	891	1,121	1,128	1,186	1,080
	Net financial debt	147	330	81	-19	-230
	Net gearing (in %)	11.0	27.6	5.2	-1.1	-11.8
Income statement	Sales	4,417	4,688	5,183	5,602	5,896
	Operating result	211	160	287	353	400
	Operating margin (in %)	4.8	3.4	5.5	6.3	6.8
	EBITDA	315	299	490	581	626
	EBIT	121	102	287	353	385
	EBIT margin (in %)	2.7	2.2	5.5	6.3	6.5
	EBT	45	22	221	299	346
	Net income after minorities	29	18	151	200	224
	Earnings per share (in EUR)	0.75	0.47	3.88	4.69	5.24
	Dividend per share (in EUR); 2017: proposal	0.40	0.30	1.10	1.45	1.70
	ROCE (in %)	4.7	3.9	10.1	12.3	13.4
	Cash flow statement	Free cash flow from operations	20	-182	29	161
Headcount	Employees (Dec 31) according to capacity	20,264	20,166	20,676	20,993	21,610

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)

Segments 2013 – 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

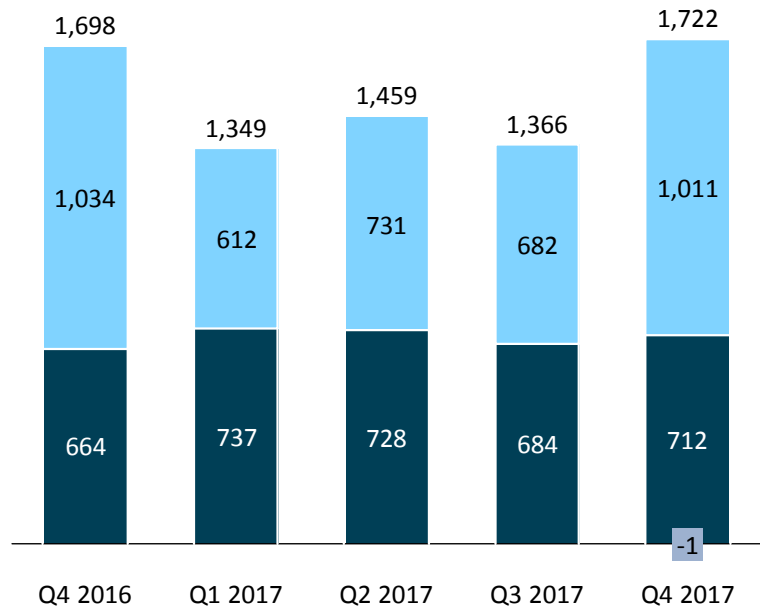
2013 figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)

Free Cash Flow summary Group

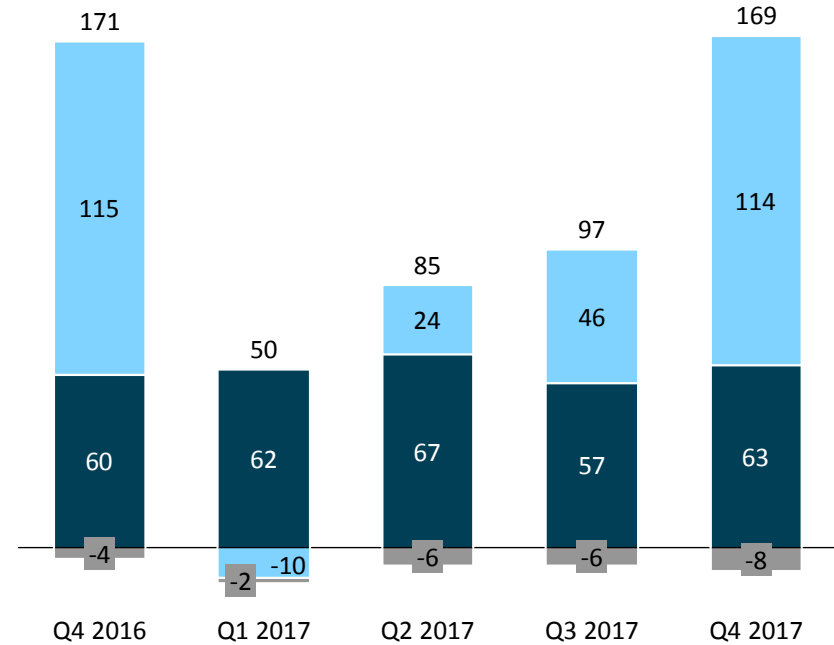
in €m	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Δ Q4 '16/'17	Δ FY '16/'17
Group Net Income	116	215	28	51	43	130	252	14	37
Amortization / depreciation	67	228	57	55	59	70	241	3	13
Change in pension accruals	-	-14	-34	-3	1	-8	-44	-8	-30
Cash Flow	183	429	51	103	103	192	449	9	20
Changes in working capital and other items	389	15	-207	-34	-36	374	97	-15	82
Net cash used in operating activities	572	444	-156	69	67	566	546	-6	102
Cash outflow for additions to tangible and intangible assets	-109	-283	-43	-50	-62	-115	-270	-6	13
Free Cash Flow from Operations	463	161	-199	19	5	451	276	-12	115

Quarterly development Group

Sales
in EUR million



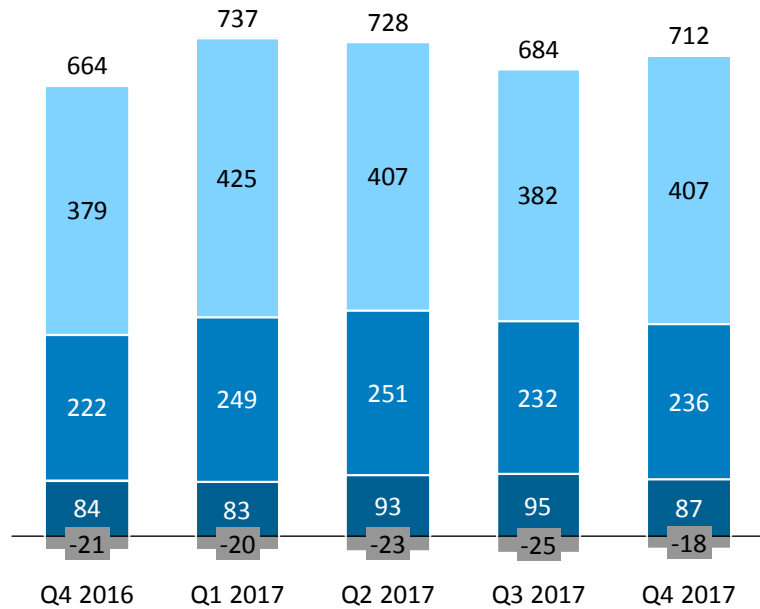
Operational results
in EUR million



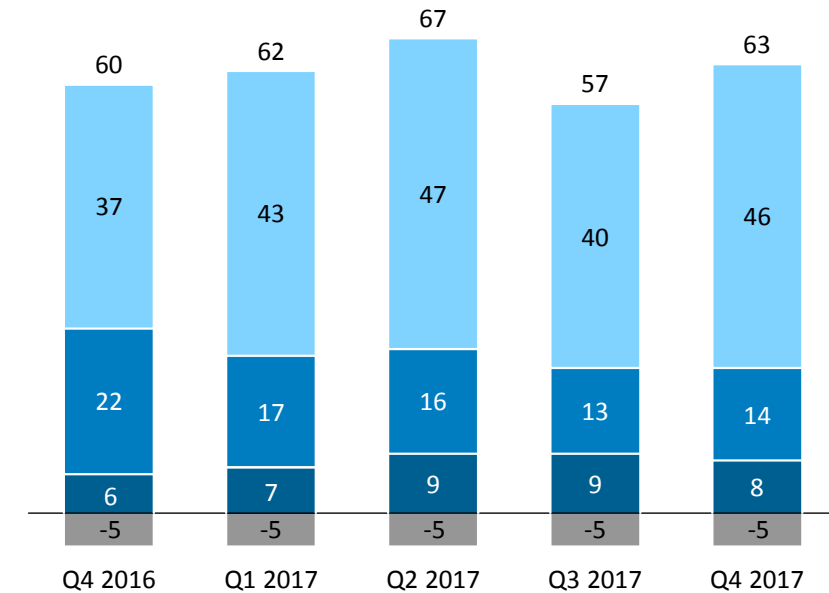
■ Defence ■ Automotive ■ Consolidation/Others

Quarterly development Automotive

Sales by division
in EUR million



Operational results by division
in EUR million



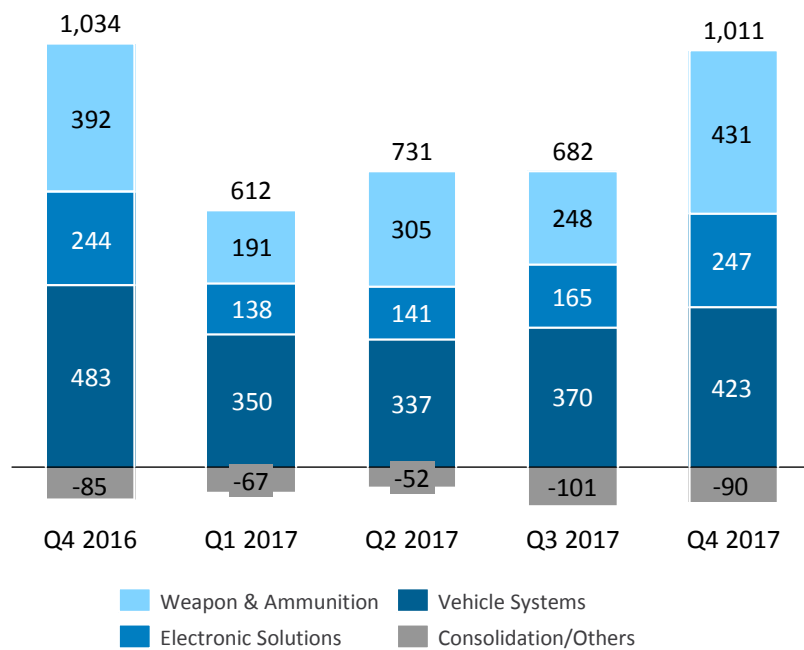
■ Mechatronics
 ■ Hardparts
 ■ Aftermarket
 ■ Consolidation/Others

Free Cash flow summary Automotive

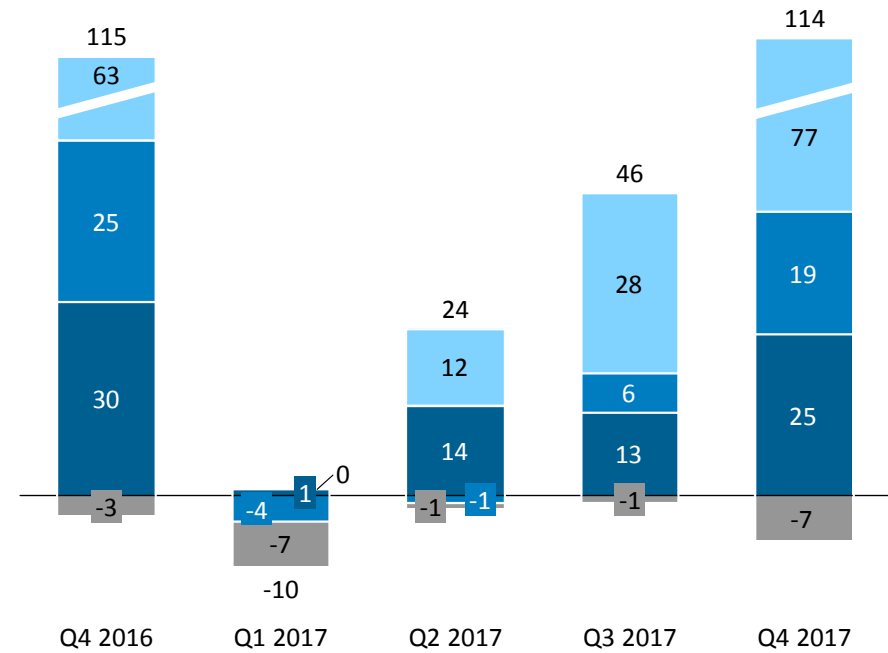
in €m	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Δ Q4 '16/'17	Δ FY '16/'17
Net income	49	165	46	50	25	44	165	-5	-
Amortization / depreciation	40	133	32	32	37	39	140	-1	7
Change in pension accruals	-1	-2	-	-	-	-	-	1	2
Cash Flow	88	296	78	82	62	83	305	-5	9
Changes in working capital and other items	129	-17	-172	20	61	68	-23	-61	-6
Net cash used in operating activities	217	279	-94	102	123	151	282	-66	3
Cash outflow for additions to tangible and intangible assets	-71	-174	-24	-33	-42	-77	-176	-6	-2
Free cash flow from operations	146	105	-118	69	81	74	106	-72	1

Quarterly development Defence

Sales by division
in EUR million



Operational earnings by division
in EUR million



Free Cash flow summary Defence

in €m	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Δ Q4 '16/'17	Δ FY '16/'17
Net income	78	74	-16	8	32	76	100	-2	26
Amortization / depreciation	26	92	24	22	21	29	96	3	4
Change in pension accruals	1	5	-3	-6	2	-2	-9	-3	-14
Cash Flow	105	171	5	24	55	103	187	-2	16
Changes in working capital and other items	248	27	-61	-38	-88	327	140	79	113
Net cash used in operating activities	353	198	-56	-14	-33	430	327	77	129
Cash outflow for additions to tangible and intangible assets	-34	-95	-16	-19	-19	-35	-89	-1	6
Free cash flow from operations	319	103	-72	-33	-52	395	238	76	135

Income statement Group

In €m														
Income Statement														
	Q4 '16	Q4 '17	Δ	FY '16	FY '17	Δ		Q4 '16	Q4 '17	Δ	FY '16	FY '17	Δ	
Total operating performance	1,609	1,695	86	5,711	6,011	300	→	Net operating income (EBIT)	171	179	8	353	385	32
								Net interest income	-12	-4	8	-54	-39	15
Other operating income	75	70	-5	160	152	-8		Earnings before tax (EBT)	159	175	16	299	346	47
Cost of materials	846	929	83	3,120	3,262	142		Income tax	-43	-45	-2	-84	-94	-10
Personnel expenses	375	377	2	1,465	1,548	83		Net income	116	130	14	215	252	37
Amortization, depreciation and impairment	67	70	3	228	241	13		of which:						
Other operating expenses	230	221	-9	715	734	19		Minority interest	11	9	-2	15	28	13
Income from companies carried at equity	10	16	6	28	28	0		Rheinmetall shareholder:	105	121	16	200	224	24
Other financial results	-5	-5	0	-18	-21	0		Earnings per share	2.46	2.84	0.38	4.69	5.24	1.00
Net operating income (EBIT)	171	179	8	353	385	32		EBITDA	238	249	11	581	626	45

Cash flow statement Group

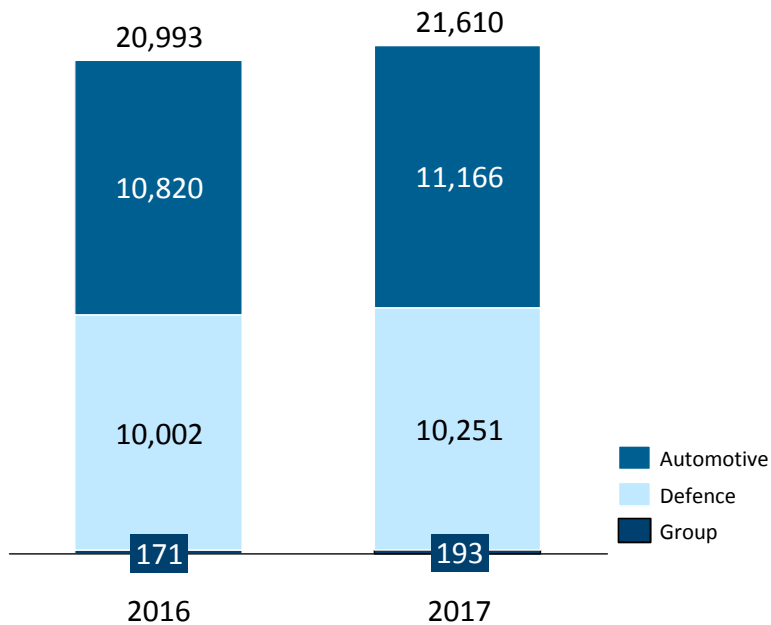
In €m	Cash Flow Statement					
	FY 2016	FY 2017	Δ		FY 2016	FY 2017
Net Income	215	252	37			
Amortization, depreciation and impairment	228	241	13			
Dotation of CTA	-15	-30	-15			
Changes in pension provisions	1	-14	-15			
Income from disposal of non-current assets	2	-6	15			
Reduction of provision for partial retirement by CTA funding	-15	0	15			
Changes in other provisions	63	120	57			
Changes in inventories	-33	-97	-64			
Changes in receivables, liabilities(w/o financial debts) and prepaid & deferred items	-5	108	113			
Pro rata income from investment carried at equity	-28	-28	0			
Dividends received from investments carried at equity	14	8	-6			
Other non-cash expenses and income	17	-8	-25			
Cash flows from operating activities	444	546	102			
Investments in assets	-283	-270	13			
Cash receipts from the disposal of assets	1	3	2			
Payments for the purchase of liquid financial assets	-257	-292	-35			
Cash receipts from the disposal of liquid financial assets	117	362	245			
Investments in consolidated companies and other financial assets	-14	-15	-1			
Cash receipts from disposal of financial assets	0	23	23			
				Dividends paid out by Rheinmetall AG	-47	-62
				Other profit distributions	-8	-10
				Sale of treasury shares	4	4
				Capital payment to/capital contributions by non-controlling interests	0	4
				Increase in shares in consolidated subsidiaries	0	0
				Borrowing of financial debts	85	415
				Repayment of financial debts	-123	-551
				Cash flows from financing activities	-89	-200
				Changes in financial resources	-81	157
				Changes in cash and cash equivalents due to exchange rates	6	-16
				Total change in financial resources	-75	141
				Opening cash and cash equivalents January 1	691	616
				Closing cash and cash equivalents	616	757

Balance Sheet Group

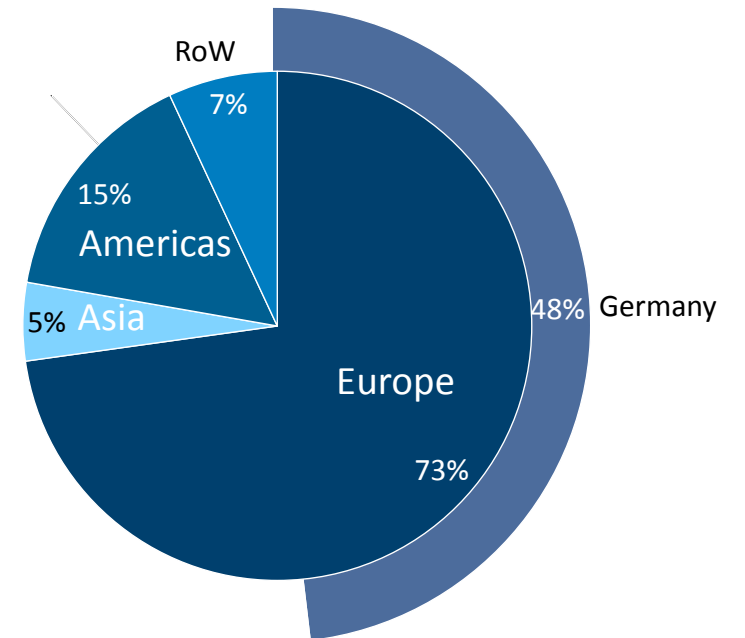
In €m				Balance Sheet			
	31.12.'16	31.12.'17	Δ		31.12.'16	31.12.'17	Δ
Non-current assets	2,762	2,712	-50	Equity	1,781	1,955	174
Intangible assets	819	779	-40	Share capital	112	112	0
Property, plant and equipment	1,378	1,387	9	Additional paid-in capital	532	540	8
Investment property	53	46	-7	Retained earnings	1,074	1,209	135
Investments carried at equity	240	242	2	Treasury shares	-32	-25	7
Other non-current assets	36	73	37	Rheinmetall AG shareholders' equity	1,686	1,836	150
Deferred tax assets	236	185	-51	Minority interests	95	119	24
Current assets	3,388	3,474	86	Non-current liabilities	1,629	1,905	276
Inventories (net)	1,098	1,172	74	Provision for Pensions and similar obligatino	1,186	1,080	-106
Trade receivables	1,306	1,217	-89	Other provisions	135	185	50
Liquid financial assets	190	119	-71	Financial debts	220	572	352
Other financial assets	43	73	30	Other liabilities	56	54	-2
Other receivables and assets	125	117	-8	Deferred tax liabilities	32	14	-18
Income tax receivables	10	11	1	Current liabilities	2,740	2,326	-414
Cash and cash equivalents	616	757	141	Other provisions	516	595	79
Assets for disposal	-	8	8	Financial debts	567	74	-493
				Trade liabilities	766	760	-6
				Other liabilities	838	823	-15
				Income tax liability	53	74	21
Total assets	6,150	6,186	36	Total liabilities	6,150	6,186	36

Moderate headcount increase to accompany growth

Headcount per segment
in capacities at year end



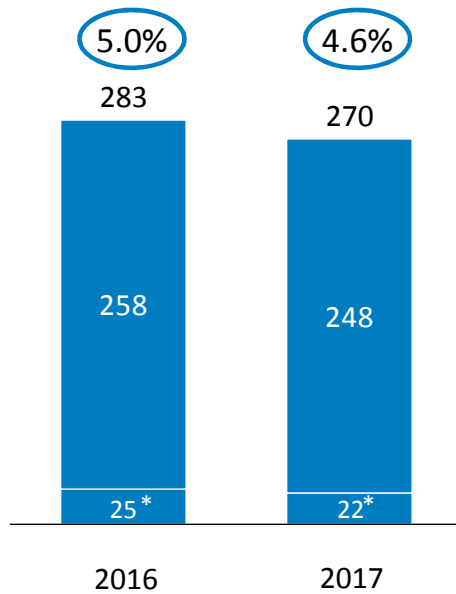
Headcount regional
in capacities at year end



Innovations remain an important pillar of both businesses

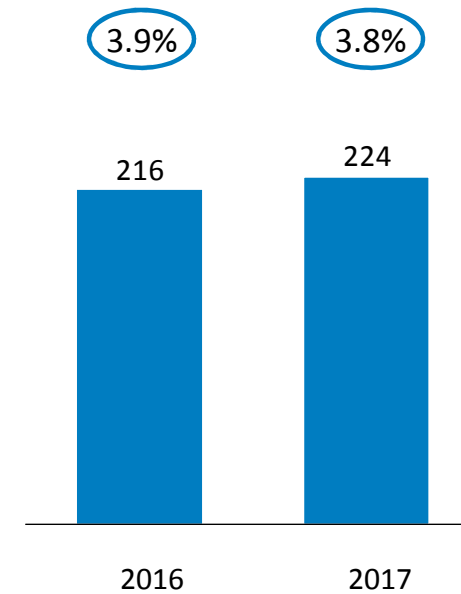
■ Capex Group

in EUR million / ratio in % of Group sales



■ Research & Development Group

in EUR million / ratio in % of Group sales



* Subsidies for Automotive tooling cost

Defence without externally funded R&D

Glossary

bn	billions	ROCE	Return on capital employed
bp	basis points	RoW	Rest of the World
CAGR	compounded average growth rate	TLVS	Tactical air defence system
CTA	Contractual trust agreement	WACC	Weighted average cost of capital
D&A	Depreciation & Amortization	WOFE	Wholly owned foreign enterprise
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		
EV	Electric Vehicle		
FX	Foreign exchange rate		
IAA	Internationale Automobil Ausstellung		
ICE	Internal combustion engine		
IFRS	International Financial Reporting Standards		
JV	Joint Venture		
LBP	Large bore piston		
LV	Light vehicle		
m	millions		
NNBS	Short range air defence		
NWC	Net working capital		
Operating FCF	Operating free cash flow		
Op. margin	Operating margin		
P&L	Profit & Loss Account		

MOBILITY. SECURITY. PASSION.