



# Rheinmetall delivers encouraging Q2

Conference Call Q2 2019  
Düsseldorf, 1 August 2019

MOBILITY. SECURITY. **PASSION.**



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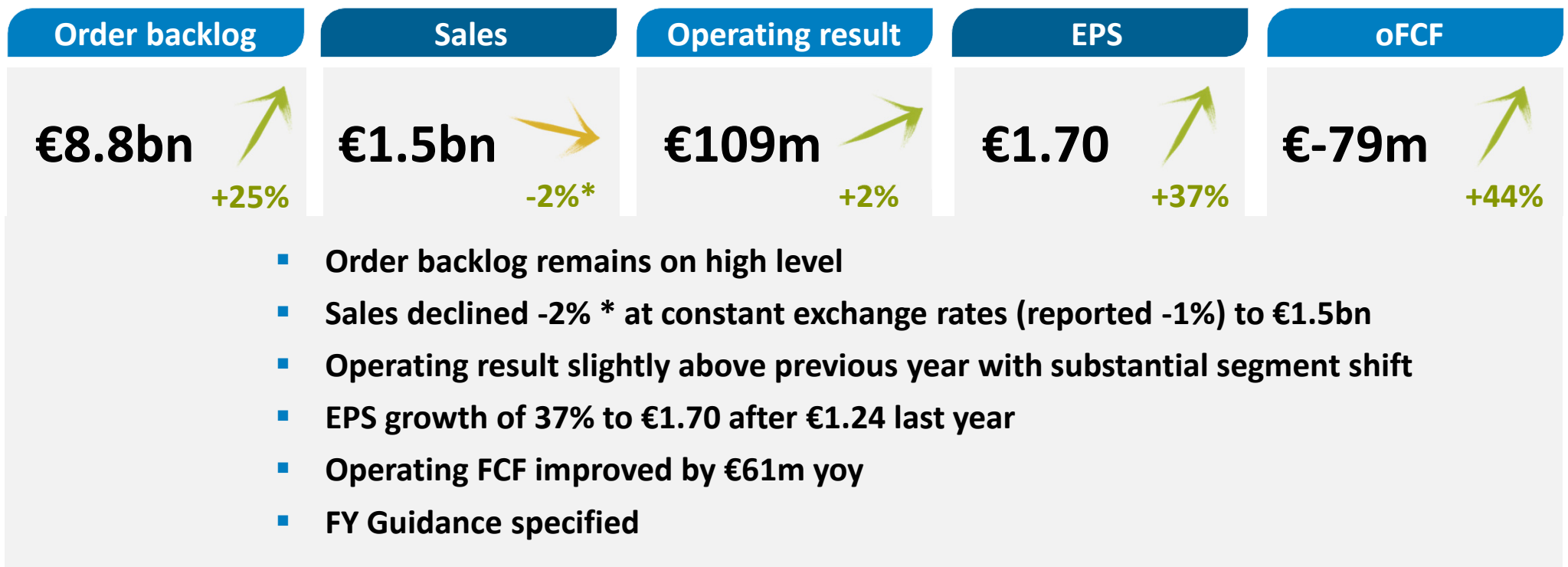
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## Q2 2019 Group commercial highlights

### Performance in line with expectations



# Q2 2019 Group commercial highlights

## Rheinmetall successful in Q2 with awards and important orders

Pierburg China awarded  
 “High Unit Productivity Enterprise”  
 by Kunshan government



Pierburg scoring again in China  
 Major order from renowned  
 truck manufacturer



Rheinmetall Automotive  
 books first UpValve order  
 Variable valve train going  
 into series production in China



Foundation stone laid for major ammunition contract –  
 Rheinmetall to serve as the Dutch armed  
 forces’ chief supplier for another decade  
 Partnership agreement with DMO  
 procurement authority extended to 2030



Rheinmetall books order for second lot of trucks  
 Bundeswehr to buy 252  
 unprotected transport vehicles  
 under framework contract



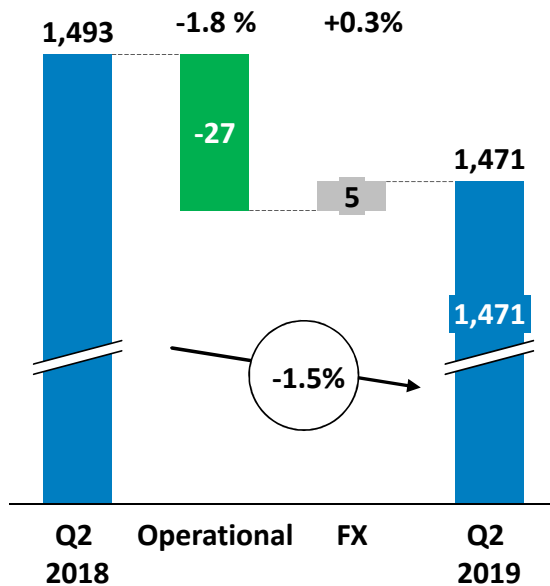
Major Bundeswehr order  
 Rheinmetall to supply German military  
 with tens of thousands of artillery shells



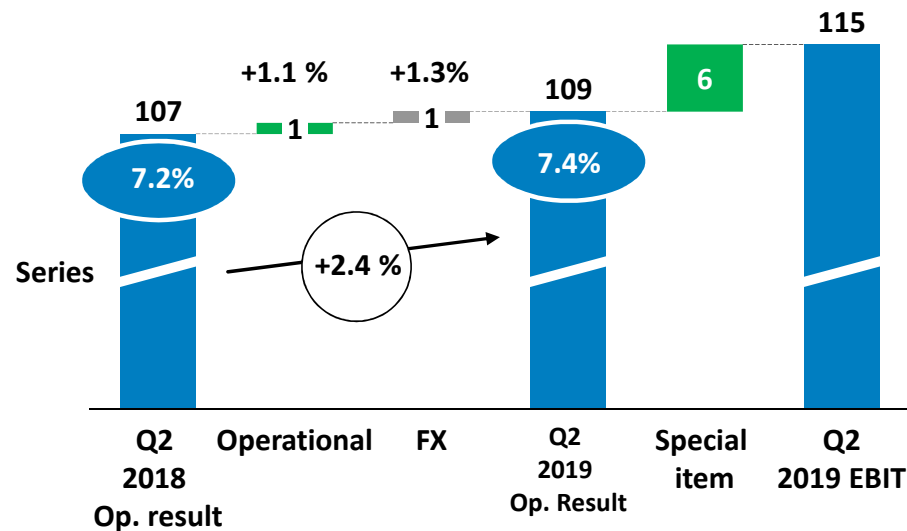
# Q2 2019 Group commercial highlights

## Solid earnings performance in the second quarter

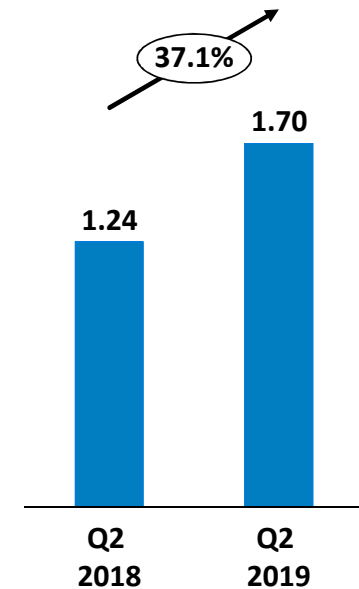
**Sales**  
in €m



**Operating result** in €m  
**Operating margin** in %



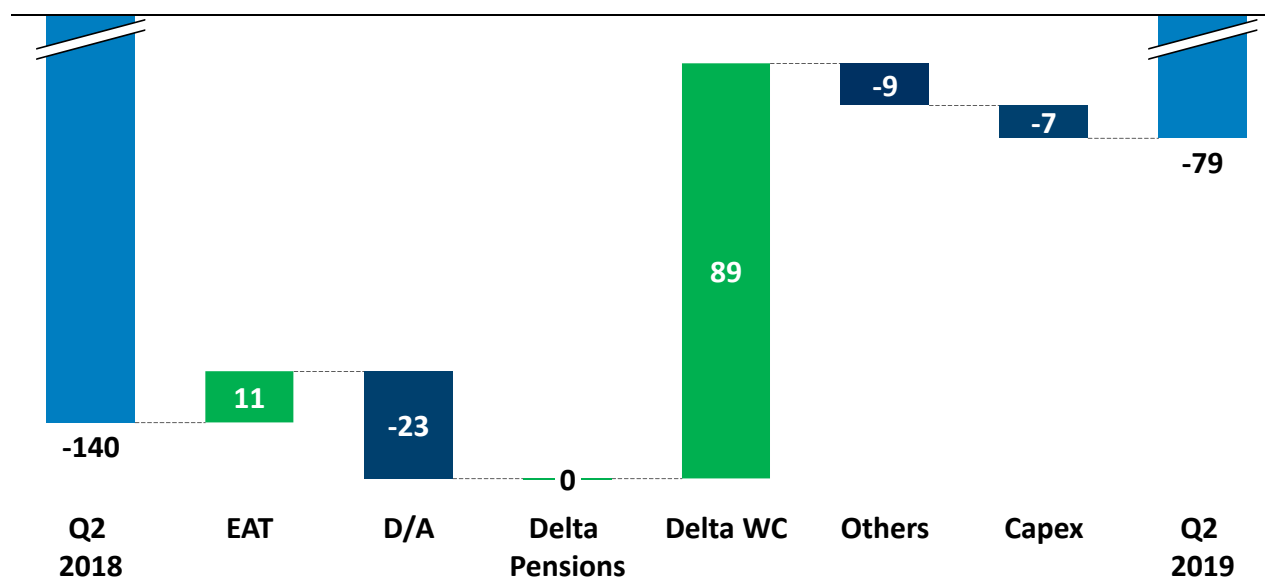
**Earnings per share**  
in €



## Q2 2019 Group commercial highlights

### Operating Free Cash Flow driven by working capital improvements

■ Operating free cash flow bridge  
in €m



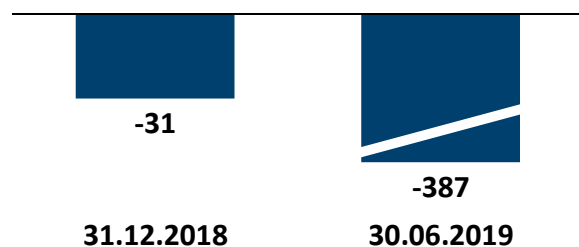
- Improved earnings
- Q2 2018 included non-scheduled write-down of €24m
- Working capital optimization was the major driver for OFCF improvements in both segments

# Q2 2019 Group commercial highlights

## Reduced equity ratio mainly related to M&A transaction

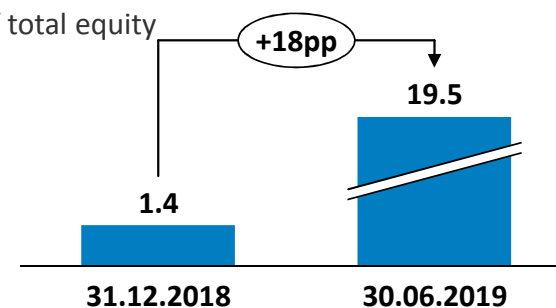
### Net financial debt

in €m



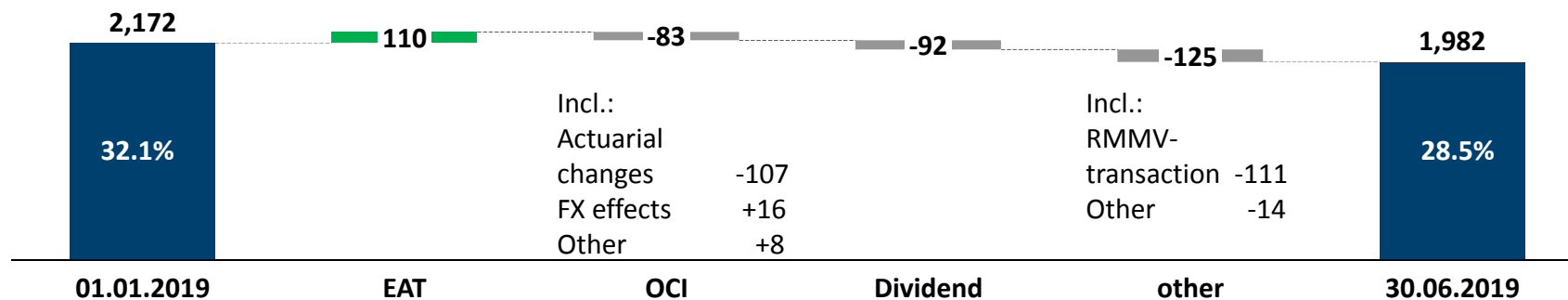
### Net gearing

Net debt in % of total equity



### Equity bridge

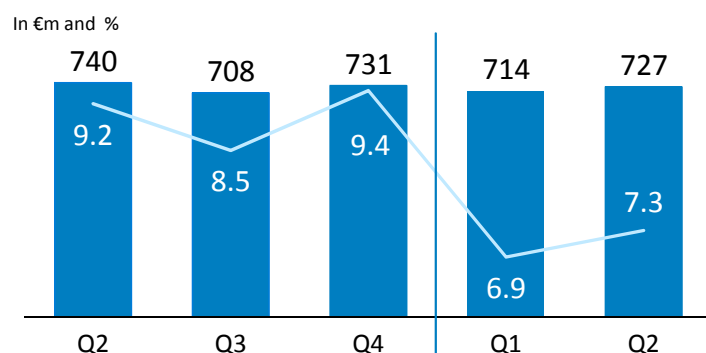
in €m and equity margin in %



## Q2 2019 Highlights: Automotive

### Maintaining competitiveness in a deteriorating market

#### Quarterly sales and margin development



#### Comments on quarterly performance

- Sales decline of -1.8% (FX-adjusted -2.6%) again far better than overall market development (Global LV production: -7.5%\*)
- Expected reduction of operating result to €53m, with sequential margin improvement to 7.3%
- OFCF improved due to optimized working capital management

In €m	Q2 2018	Q2 2019	Δ	YTD 2018	YTD 2019	Δ
Sales	740	727	-1.8%	1,491	1,441	-3.4%
Operating result	68	53	-22.1%	133	102	-23.3%
Operating margin in %	9.2%	7.3%	-200 bp	8.9%	7.1%	-180 bp
Operating Free Cash Flow	36	62	72.2%	-14	-14	0.0%
Operating FCF / Sales	4.9%	8.5%	360 bp	-0.9%	-1.0%	-1 bp

\*IHS Markit: 29 July 2019

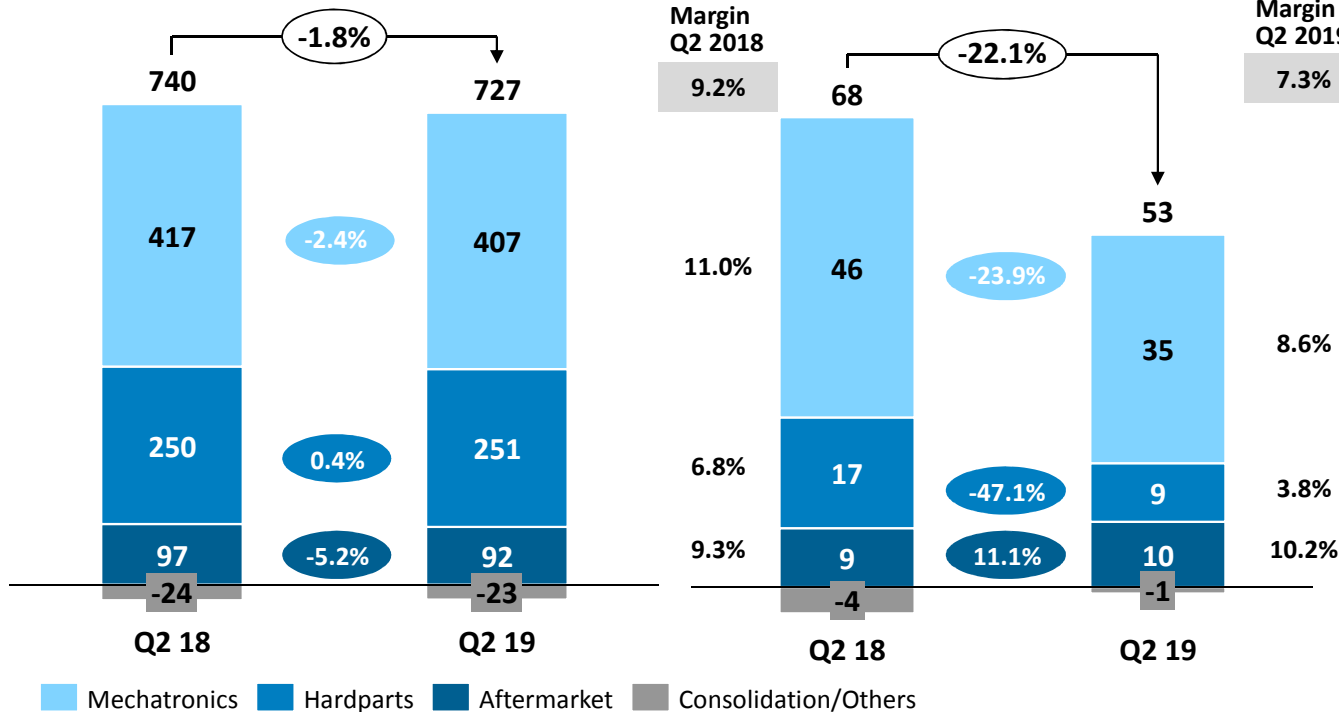


# Q2 2019 Highlights: Automotive

## Pressure on Diesel left a mark in Mechatronics and Hardparts

**Sales Automotive**  
in €m

**Operating result Automotive**  
in €m



### Mechatronics

- Low Diesel related sales with adverse margin effect
- Higher R&D expenses for future-related projects
- New E-mobility cost allocation

### Hardparts

- Low Diesel LV-Piston sales setoff by equipment sale to China
- Operational issues plus fire interrupted production at CZ site
- Lower at-equity contribution

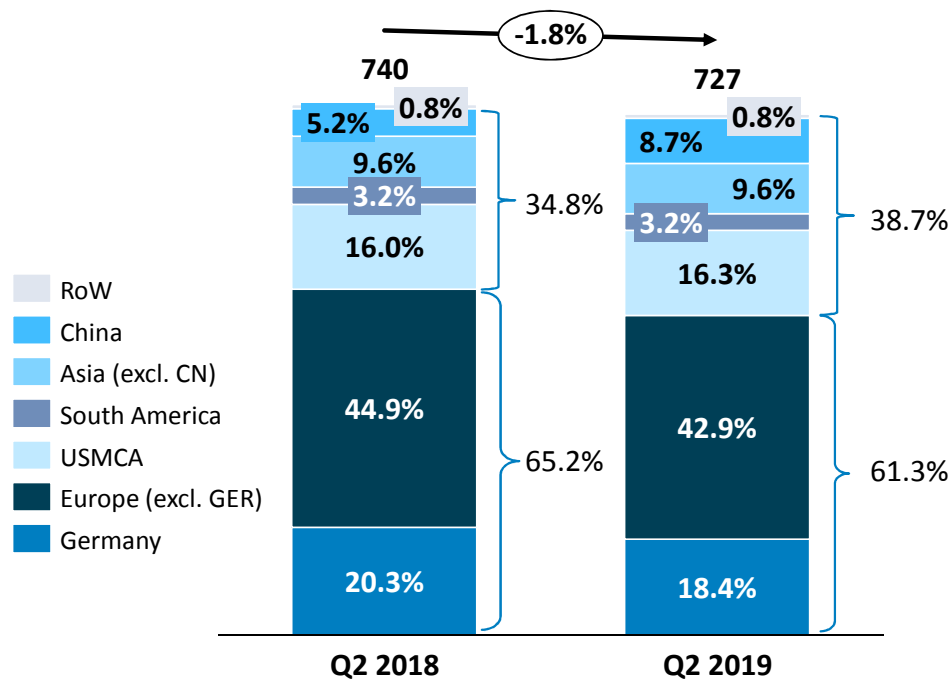
### Aftermarket

- Weak European demand
- Stable results

# Q2 2019 Highlights: Automotive

## Weak development, but global market development was even worse

### Regional sales development Automotive in €m



- Weak market environment, global LV production declined by 7.5\*%

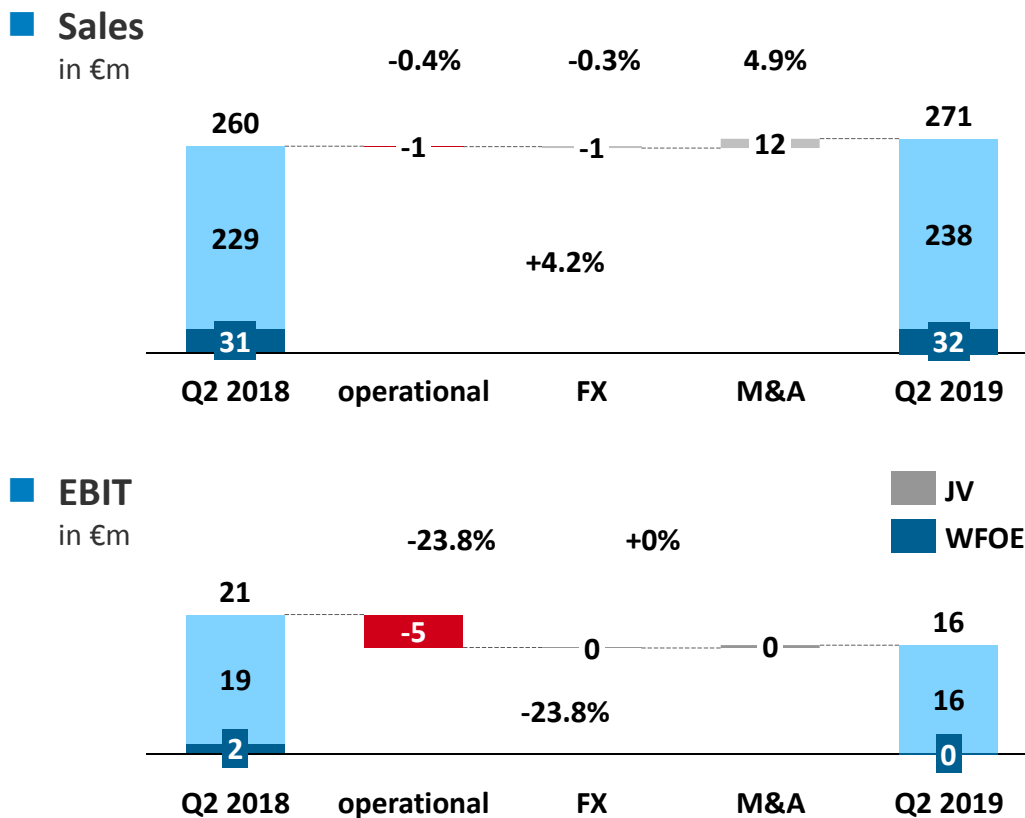
#### Automotive:

- Western Europe (incl. Germany) declined in all divisions in line with market ↓
- USMCA with operational decline overcompensated by FX effects →
- China sales grew against the negative market trend supported by equipment sales ↑

\*IHS Markit: 29 July 2019

## Q2 2019 China Total Management View

### Sales development again significantly better than market



- Sales development operationally almost stable, supported by M&A effect of 4.9 %
- Significantly better than China LV production of -16.3%\* (YTD - 13.5%\*)
- Margin declined from 8.1% to 5.9% due to adverse portfolio effects and ramp-up cost for new products

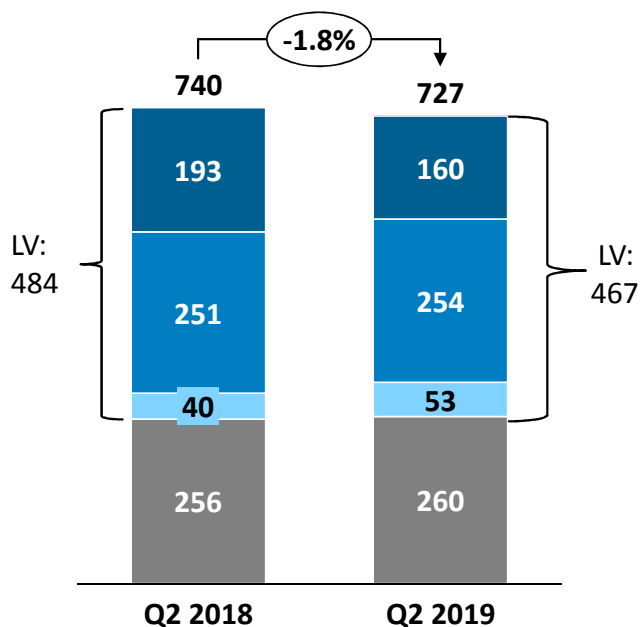
Including 100% figures of 50/50 JV, consolidated at equity

\*IHS Markit: 29 July 2019

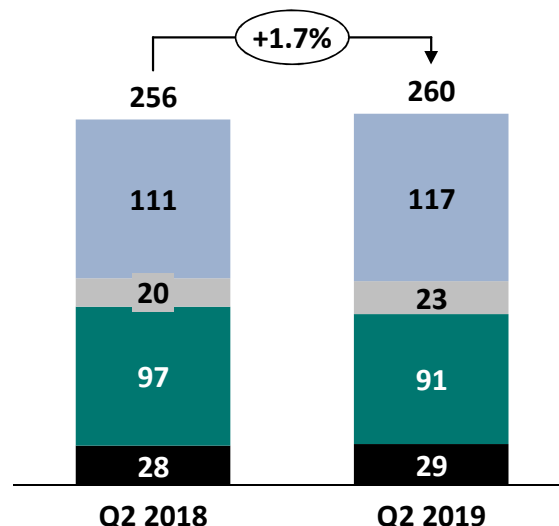
# Q2 2019 Highlights: Automotive

## Diesel suffered most in Q2 mitigated by Gasoline and Non-LV Business

■ Sales split LV / Non-LV  
in €m / in %



■ Sales split Non-LV  
in €m / in %



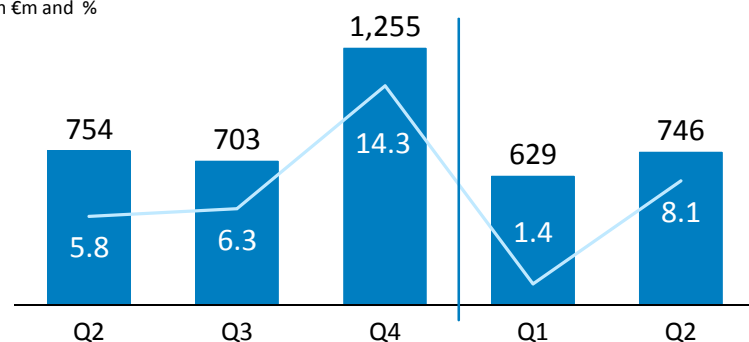
	absolute	Delta in %
Diesel	-33	-17.1%
Gasoline	+3	+1.2%
other LV	+13	+32.5%
<hr/>		
<b>LV Business</b>	<b>-17</b>	<b>-3.5%</b>
Truck	+5	+4.8%
Large Bore	+3	+17.6%
Aftermarket	-6	-6.2%
other	+1	+3.6%
<hr/>		
<b>Non-LV Business</b>	<b>+4</b>	<b>+1.7%</b>

*Note: A bracket groups Truck, Large Bore, and Aftermarket with a total delta of 6.9%.*

## Q2 2019 Highlights: Defence Acceleration of profitability

### Quarterly sales and margin development

In €m and %



### Comments on quarterly performance

- Order intake of €501m lacking major orders, expected for H2
- Sales stable vs last year; FX not relevant
- Margin improvement of 230 bp
- OFCF improved due to better working capital management
- No P&L impact from acquisitions

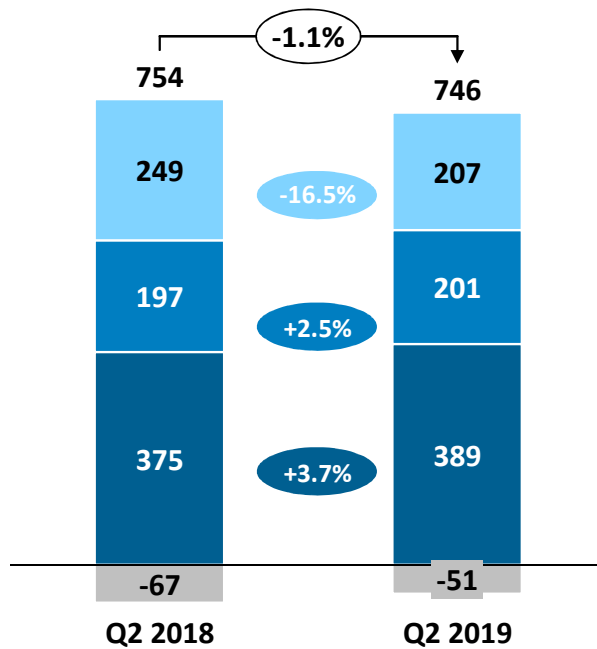
In €m

	Q2 2018	Q2 2019	Δ	YTD 2018	YTD 2019	Δ
Order intake	570	501	-12.1%	1,427	1,065	-25.4%
Sales	754	746	-1.1%	1,263	1,375	8.9%
Operating result	44	60	36.4%	31	69	122.6%
Operating margin in %	5.8%	8.1%	230 bp	2.5%	5.0%	250 bp
Operating Free Cash Flow	-171	-131	n.a.	-410	-224	n.a.
Operating FCF / Sales	-22.7%	-17.6%	510 bp	-32.5%	-16.3%	1,620 bp

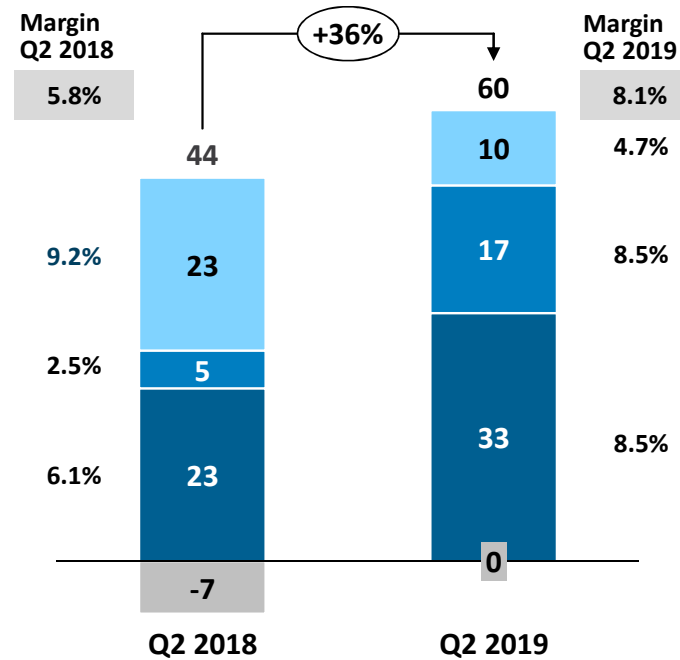
# Q2 2019 Highlights: Defence

## ES and VS with strong profitability gains

**Sales Defence**  
in €m



**Operating result Defence**  
in €m



■ Weapon & Ammunition 
 ■ Electronic Solutions 
 ■ Vehicle Systems 
 ■ Consolidation

**Weapon and Ammunition**

- Negative impact from ZA
- Slower sales due to missing German export approvals

**Electronic Solutions**

- Turnaround in Norway
- High order execution

**Vehicle Systems**

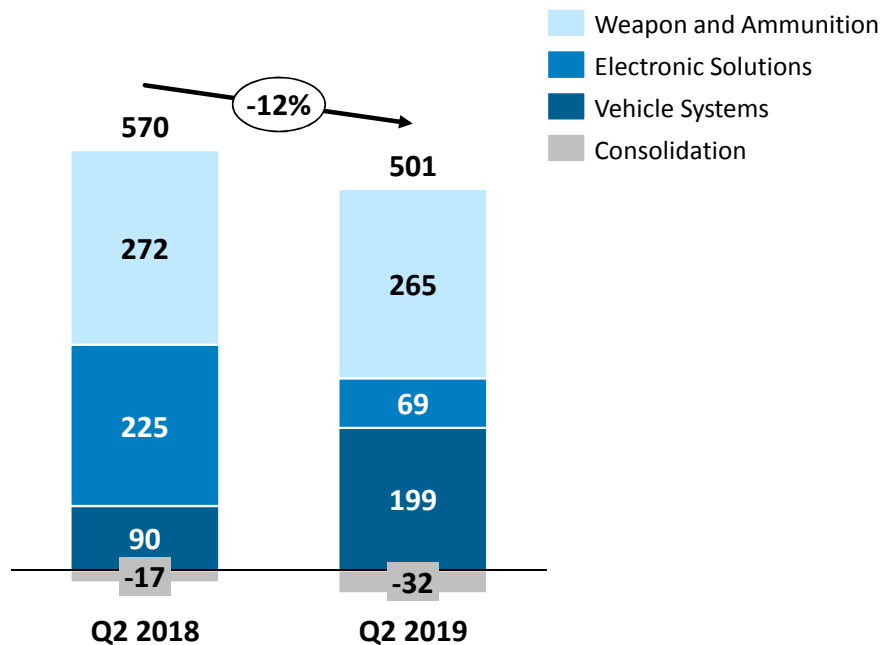
- Good execution in logistical vehicle business
- High utilization of capacities

## Q2 2019 Highlights: Defence

### Modest order intake due to project timing geared towards second half

#### Order intake by division

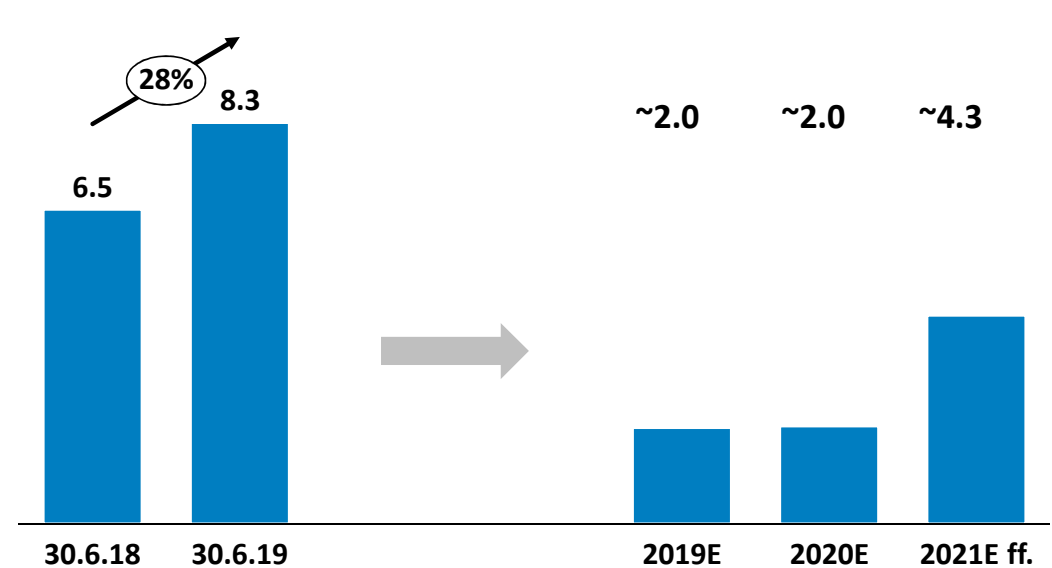
in €m



#### Order backlog profile

in €bn

change in %



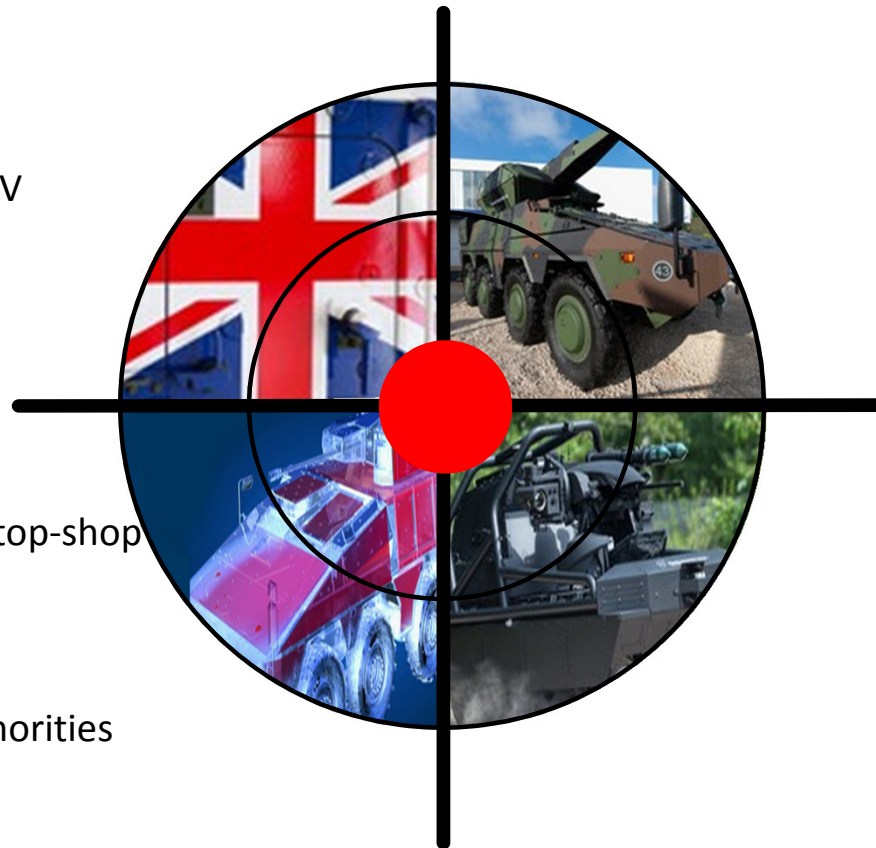
## Update on M&A

### ■ RBSL (UK)

- Leading supplier of land systems in Europe
- Acquisition of 55% stake in JV with BAE Systems
- Closing July 1<sup>st</sup>
- 45% minorities

### ■ IBD (D)

- Rheinmetall becomes one-stop-shop for protection technology
- Acquisition of IBD Group
- Closing June 1<sup>st</sup>
- Elimination of Chempro minorities



### ■ RMMV (D)

- Re-acquisition of tactical vehicles share to regain full control
- Closing expected in Q3'19
- Reduction of minorities

### ■ Provectus Robotics (CA)

- Integration of key technology for automated mobility (UGV)
- Closing June 1<sup>st</sup>
- 100% acquisition



## Updated view on H2

### Global LV market

- No market recovery expected
- IHS revised market growth to -3.7% for the FY 2019
- OEM and Tier 1 expect a market decline between -4 to -5% for the full year 2019

### AUTOMOTIVE





- H2 sales slightly below H1 2019
- Ramp-up significantly lower than expected according to latest customer info
- Margin should stabilize around H1 level

### DEFENCE



- Pipeline fully loaded
- German order entry likely to increase
- Normal seasonal pattern with backend loaded sales
- High operating leverage
- FY order entry slightly above €4bn

## FY 2019 GUIDANCE. GROUP GUIDANCE SPECIFIED

	Sales		Operating margin	
	2018 Growth yoy in % at constant FX	2019e Growth yoy in % at constant FX	2018 in %	2019e in %
<b>GROUP</b>	6.1	around 4 (before: 4-6)	8.0	around 8
<b>AUTOMOTIVE</b> 	4.2	-2 to -3 (before: 0-1)	8.9	around 7 (before: around 8)
<b>DEFENCE</b> 	7.9	around 11 (before: 9-11)	7.9	around 9 (before: 8.0-8.5)

Operational growth at constant FX; Assumptions: no hard Brexit; no further escalation of trade wars

## Next events and IR contacts

### ■ Next Events

Commerzbank Conference, Frankfurt	28 August
RS East Coast	17/18 September
Berenberg Conference, Munich	24/25 September
Berenberg Conference, Pennyhill	4 December
Q3 Earnings release	7 November
Capital Markets Day 2019, Unterlüß	19/20 November

### ■ Quick link to documents

Corporate Presentation



Interim Reports



Annual Reports



### ■ IR Contacts

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

Head of IR

Tel: +49-211 473-4777

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

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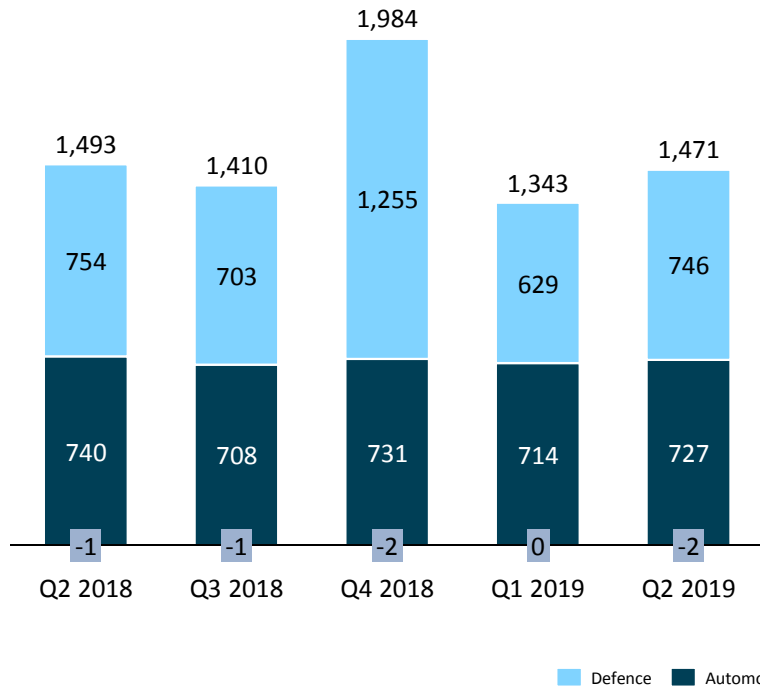
# APPENDIX

## Selected key data: outlook 2019

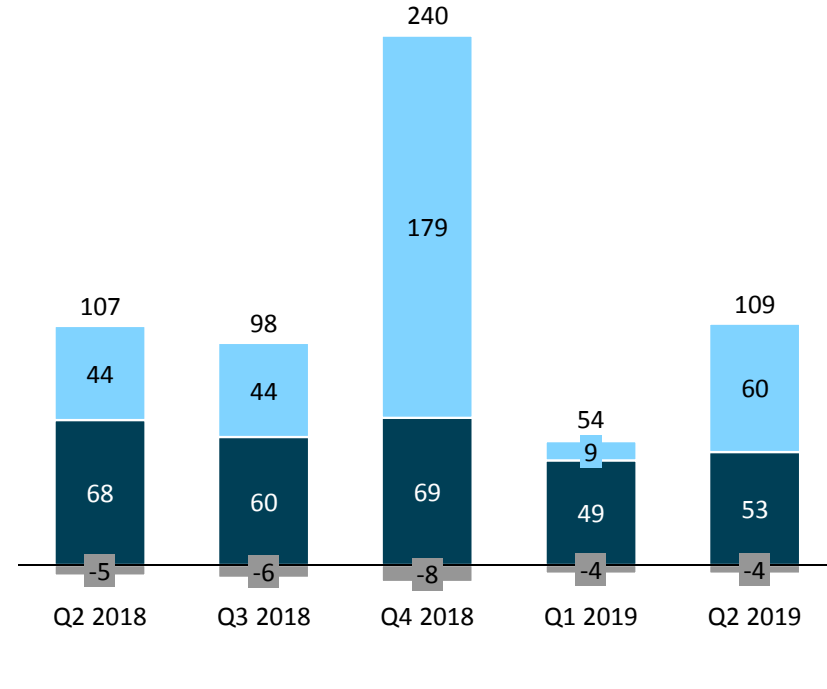
Rheinmetall Group		In %(PY)	Automotive 	Defence 
Holding cost	~€25-30m (PY: €24m)	Capex <small>(w/o IFRS 16)</small>	5.5-6% (5.5%)	3.5-4.5%(3.1%)
Tax rate	Comparable level (PY: 27%)	D&A	~5.5% (5.3% reported, scheduled 5.2%)	3-3.5% (4.8% reported, scheduled 3.7%)
Interest result	~-€40m (PY:-€33m)	R&D	5-6% (5.4%)	2-2.5% (2.3%)

## Quarterly development Group

**Sales**  
in €m



**Operational results**  
in €m

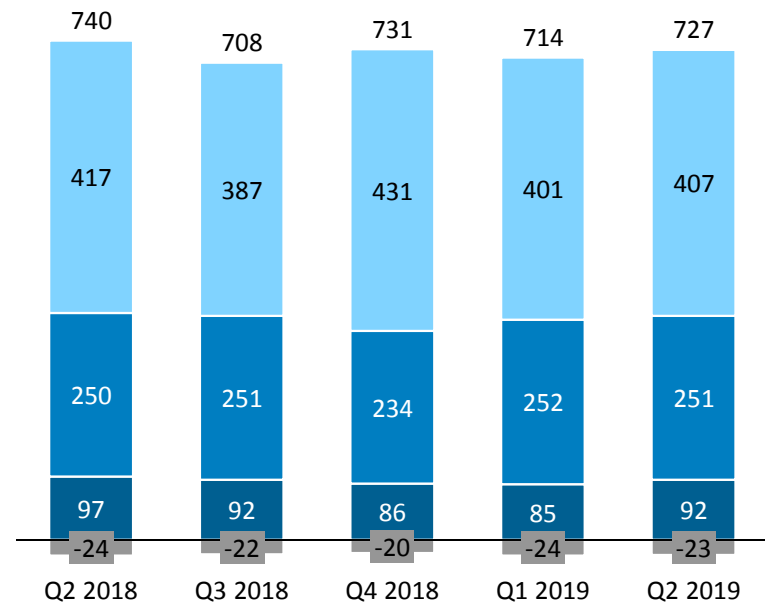


## Free Cash Flow summary Group

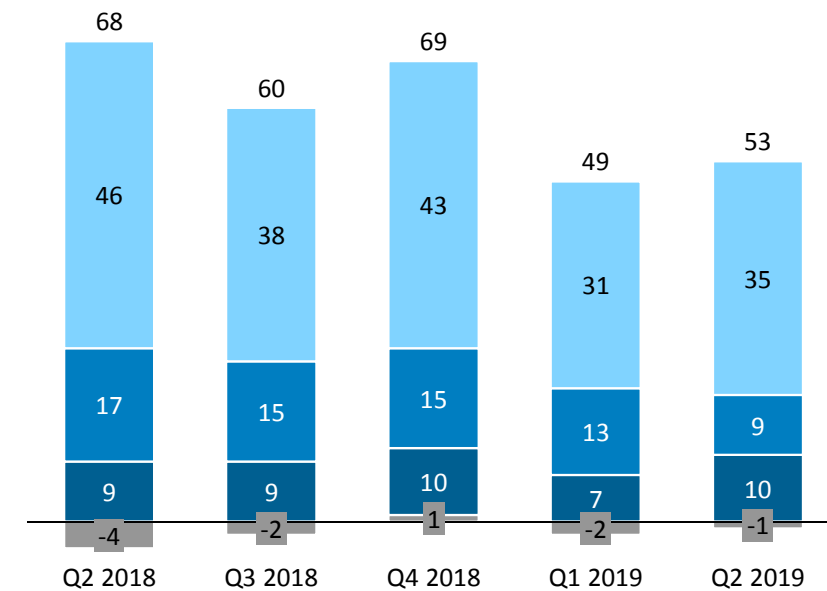
in €m	Q2 2018	YTD 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	YTD 2019	Δ Q2 '18/'19	Δ YTD '18/'19
<b>Group Net Income</b>	65	92	85	178	33	77	110	12	18
Amortization / depreciation	91	155	68	95	65	68	133	-23	-22
Change in pension accruals	1	-41	1	-8	-2	1	-1	-	40
<b>Cash Flow</b>	<b>157</b>	<b>206</b>	<b>154</b>	<b>265</b>	<b>96</b>	<b>146</b>	<b>242</b>	<b>-11</b>	<b>36</b>
Changes in working capital and other items	-197	-455	-200	257	-125	-108	-233	89	222
Changes in other items	-47	-78	-3	98	-55	-57	-112	-10	-34
<b>Net cash used in operating activities</b>	<b>-87</b>	<b>-327</b>	<b>-49</b>	<b>620</b>	<b>-84</b>	<b>-19</b>	<b>-103</b>	<b>68</b>	<b>224</b>
Cash outflow for additions to tangible and intangible assets	-53	-100	-67	-112	-44	-60	-104	-7	-4
<b>Free Cash Flow from Operations</b>	<b>-140</b>	<b>-427</b>	<b>-116</b>	<b>508</b>	<b>-128</b>	<b>-79</b>	<b>-207</b>	<b>61</b>	<b>220</b>

## Quarterly development Automotive

■ Sales by division  
in €m



■ Operational result by division  
in €m



■ Mechatronics ■ Hardparts ■ Aftermarket ■ Consolidation/Others

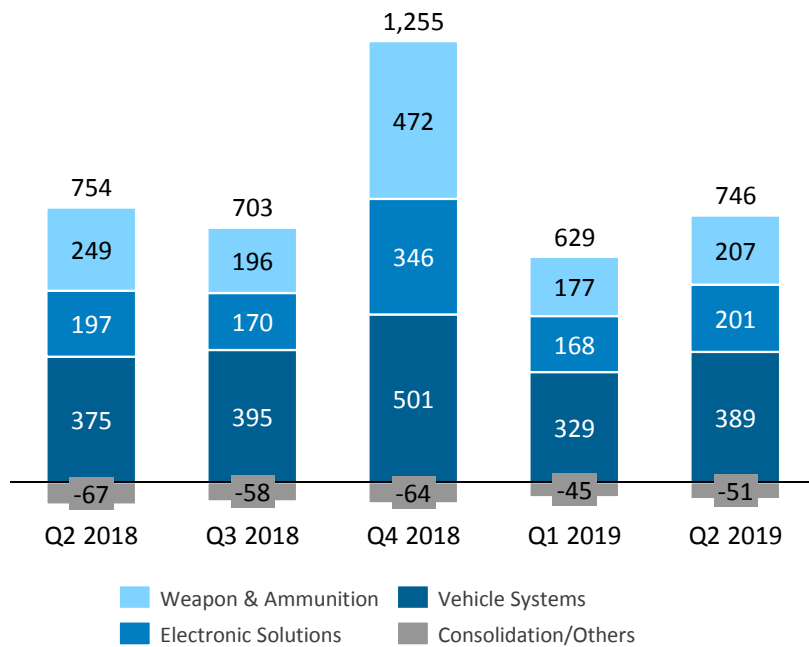


## Free Cash Flow summary Automotive

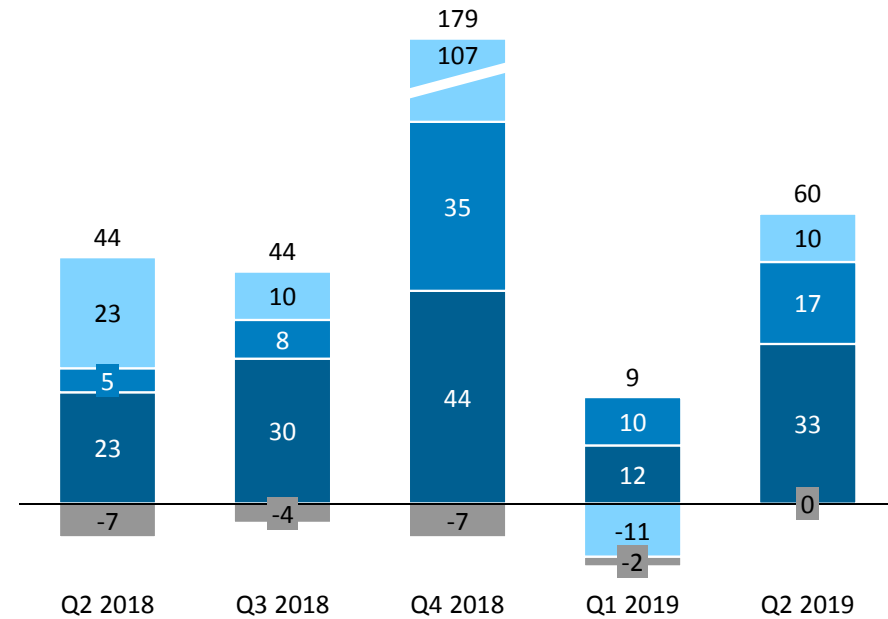
in €m	Q2 2018	YTD 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	YTD 2019	Δ Q2 '18/'19	Δ YTD '18/'19
Net income	52	97	42	56	34	39	73	-13	-24
Amortization / depreciation	38	74	39	42	38	41	79	3	5
Change in pension accruals	-1	-21	-	-6	-1	-	-1	1	20
<b>Cash Flow</b>	<b>89</b>	<b>150</b>	<b>81</b>	<b>92</b>	<b>71</b>	<b>80</b>	<b>151</b>	<b>-9</b>	<b>1</b>
Changes in working capital	4	-58	-58	46	-88	30	-58	26	-
Changes in other items	-26	-46	20	-16	-30	-10	-40	16	6
<b>Net cash used in operating activities</b>	<b>67</b>	<b>46</b>	<b>43</b>	<b>122</b>	<b>-47</b>	<b>100</b>	<b>53</b>	<b>33</b>	<b>7</b>
Cash outflow for additions to tangible and intangible assets	-31	-60	-45	-80	-29	-38	-67	-7	-7
<b>Free cash flow from operations</b>	<b>36</b>	<b>-14</b>	<b>-2</b>	<b>42</b>	<b>-76</b>	<b>62</b>	<b>-14</b>	<b>26</b>	<b>-</b>

# Quarterly development Defence

■ Sales by division  
in €m



■ Operational result by division  
in €m



## Free Cash Flow summary Defence

in €m	Q2 2018	YTD 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	YTD 2019	Δ Q2 '18/'19	Δ YTD '18/'19
Net income	23	2	27	131	1	35	36	12	34
Amortization / depreciation	52	78	27	51	25	25	50	-27	-28
Change in pension accruals	2	-	2	-1	-1	2	1	-	1
<b>Cash Flow</b>	<b>77</b>	<b>80</b>	<b>56</b>	<b>181</b>	<b>25</b>	<b>62</b>	<b>87</b>	<b>-15</b>	<b>7</b>
Changes in working capital	-202	-402	-136	214	-44	-136	-180	66	222
Changes in other items	-26	-51	4	112	-60	-35	-95	-9	-44
<b>Net cash used in operating activities</b>	<b>-151</b>	<b>-373</b>	<b>-76</b>	<b>507</b>	<b>-79</b>	<b>-109</b>	<b>-188</b>	<b>42</b>	<b>185</b>
Cash outflow for additions to tangible and intangible assets	-20	-37	-22	-28	-14	-22	-36	-2	1
<b>Free cash flow from operations</b>	<b>-171</b>	<b>-410</b>	<b>-98</b>	<b>479</b>	<b>-93</b>	<b>-131</b>	<b>-224</b>	<b>40</b>	<b>186</b>

Income Statement Group													
In €m	Q2 2018	Q2 2019	Δ	H1 2018	H1 2019	Δ		Q2 2018	Q2 2019	Δ	H1 2018	H1 2019	Δ
Sales	1,493	1,471	-22	2,753	2,814	61							
	40	74	34	160	164	4							
<b>Total operating performance</b>	<b>1,533</b>	<b>1,545</b>	<b>12</b>	<b>2,913</b>	<b>2,978</b>	<b>65</b>	<b>Earnings before interets and taxes (</b>	<b>99</b>	<b>115</b>	<b>16</b>	<b>146</b>	<b>170</b>	<b>24</b>
							Net interest income	2	2	0	3	4	0
							Interest expenses	-11	-10	1	-22	-22	0
Other operating income	31	42	11	64	78	14	<b>Earnings before taxes (EBT)</b>	<b>90</b>	<b>107</b>	<b>17</b>	<b>127</b>	<b>152</b>	<b>25</b>
Cost of materials	794	825	31	1,525	1,589	64	Income taxes	-25	-30	-5	-35	-42	-7
Personnel expenses	409	421	12	804	842	38	<b>Earnings after taxes</b>	<b>65</b>	<b>77</b>	<b>12</b>	<b>92</b>	<b>110</b>	<b>18</b>
Amortization, depreciation and impairment	91	68	-23	155	133	-22	Of which:	-	-	-	-	-	-
Other operating expenses	182	167	-15	361	332	-29	Minority interests	12	4	-8	15	5	-10
Income from investments carried at equity	7	8	1	14	13	-1	Rheinmetall AG shareholders	53	73	20	77	105	28
Other net financial income	4	1	-3	0	-3	-3							
<b>Earnings before interets and taxes (EBIT)</b>	<b>99</b>	<b>115</b>	<b>16</b>	<b>146</b>	<b>170</b>	<b>24</b>	<b>EBITDA</b>	<b>190</b>	<b>183</b>	<b>-7</b>	<b>301</b>	<b>303</b>	<b>2</b>

In €m

## Cash Flow Statement Group

	H1 2018	H1 2019	Δ		H1 2018	H1 2019	Δ
<b>Net income</b>	92	110	18	Dividends paid out by Rheinmetall AG	-73	-90	-17
Amortization, depreciation and impairments	155	133	-22	Other profit distributions	-7	-2	5
Allocation of CTA assets to secure pension and partial retirement obligations	-40	-	40	Sale of treasury shares	-	-	-
Changes in pension provisions	-1	-1	-	Capital payment to/capital contributions by non-controlling interests	-	-	-
Income from disposition of non-current assets	-3	-1	-	Increase in shares in consolidated subsidiaries	-	-26	-26
Changes in other provisions	12	-42	-54	Borrowing of financial debts	112	189	77
Changes in inventories	-455	-233	222	Repayment of financial debts	-73	-63	10
Changes in receivables, liabilities (without financial debts) and prepaid & deferred items	-66	-69	-3	<b>Cash flows from financing activities</b>	<b>-41</b>	<b>8</b>	<b>49</b>
Pro rata income from investments carried at equity	-14	-13	1	Changes in financial resources	-420	-184	236
Dividends received from investments carried at equity	1	6	5	Changes in cash and cash equivalents due to exchange rates	-	1	1
Other non-cash expenses and income	-8	7	15	Total change in financial resources	-420	-183	237
<b>Cash flows from operating activities 1)</b>	<b>-327</b>	<b>-103</b>	<b>224</b>	<b>Opening cash and cash equivalents January 1</b>	<b>757</b>	<b>724</b>	<b>-33</b>
Investments in property, plant and equipment, intangible assets and investment property	-100	-104	-4	<b>Closing cash and cash equivalents</b>	<b>337</b>	<b>541</b>	<b>204</b>
Cash receipts from the disposal of property, plant and equipment, intangible assets and investmen	16	8	-8				
Payments for the purchase of current liquiud fiancial assets	-120	-225	-105				
Cash receipts from the disposal of of current liquid financial assets	154	250	96				
Investments in consolidated companies and other financial assets	-2	-18	-16				
Cash receipts from disposal of financial assets	-	-	-				
<b>Cash flows from investing activities</b>	<b>-52</b>	<b>-89</b>	<b>-37</b>				

### Balance Sheet Group

	31.12.2018	30.06.2019	Δ		31.12.2018	30.06.2019	Δ
<b>Non-current assets</b>	<b>2,951</b>	<b>3,016</b>	65	<b>Equity</b>	<b>2,172</b>	<b>1,982</b>	-190
Goodwill	550	552	2	Share capital	112	112	0
Other intangible assets	172	175	3	Additional paid-in capital	547	553	6
Usage rights	170	173	3	Retained earnings	1,383	1,220	-163
Property, plant and equipment	1,310	1,307	-3	Treasury shares	-21	-17	4
Investment property	42	42	0	Rheinmetall AG shareholders' equity	2,021	1,868	
Investments carried at equity	285	298	13	Minority interests	151	114	-37
Other non-current financial assets	205	188	-17	<b>Non-current liabilities</b>	<b>1,981</b>	<b>2,168</b>	187
Deferred taxes	217	281	64	Provisions for pensions and similar obligations	972	1117	145
<b>Current assets</b>	<b>3,808</b>	<b>3,935</b>	127	Other non-current provisions	210	204	-6
Inventories	1,259	1,497	238	Non-current financial debts	704	719	15
Contractual assets	338	473	135	Other non-current liabilities	80	85	5
Trade receivables	1,185	1,080	-105	Deferred taxes	15	43	195
Liquid financial assets	100	75	-25	<b>Current liabilities</b>	<b>2,606</b>	<b>2,801</b>	133
Other current financial assets	178	233	55	Other current provisions	656	605	148
Income tax receivables	22	36	14	Current Financial debts	151	284	-114
Cash and cash equivalents	724	541	-183	Contractual liabilities	650	798	
Assets for disposal	2	-		Trade liabilities	797	683	71
				Other current liabilities	231	302	8
				Income tax liabilities	121	129	8
<b>Total assets</b>	<b>6,759</b>	<b>6,951</b>	192	<b>Total Liabilities</b>	<b>6,759</b>	<b>6,951</b>	192

## Glossary

bn	billion	LBP	Large bore piston
bp	basis points	LV	Light vehicle
CAGR	compounded average growth rate	m	million
CER	Constant Exchange Rates	NWC	Net working capital
CP	Commercial Paper	OCI	other comprehensive income
CTA	Contractual trust agreement	OEM	Original Equipment Manufacturer
D&A	Depreciation & Amortization	Operating FCF	Operating free cash flow
e	expected	Op. margin	Operating margin
EA	Export approval	P&L	Profit & Loss Account
EAT	Earnings after Tax	Pp	percentage points
EBIT	Earnings before Interest and Tax	PY	Previous Year
EBITDA	Earnings before Interest, Tax , Depreciation and Amortization	rep	reported
EBT	Earnings before Tax	ROCE	Return on capital employed
EIB	European Investment Bank	RoW	Rest of the World
EPS	Earnings per share	SOP	Start of production
EPL	Einzelplan	USMCA	USA, Mexico, Canada
EV	Electric Vehicle	WACC	Weighted average cost of capital
FTE	Full Time Equivalents	WLTP	Worldwide Harmonized Light-Duty Vehicles Test Procedure
FX	Foreign exchange rate	WFOE	Wholly foreign owned enterprise
GDP	Gross Domestic Product	ZA	South Africa
HEV	Hybrid and Electric Vehicles		
IFRS	International Financial Reporting Standards		
JV	Joint Venture		

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