



# Rheinmetall Group Corporate Presentation

April 2020

MOBILITY. SECURITY. **PASSION.**

Rheinmetall Group

## Mobility and security form the DNA of the business model

### RHEINMETALL GROUP

INTEGRATED TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Business  
Model

#### **Automotive** *Our heart beats for your engine*

- Tier 1 supplier
- High-tech products for global markets
- Gaining powertrain neutrality

#### **Defence** *Force protection is our mission*

- System house for land based operations
- Leading provider of innovative solutions
- Internationalization focused on home markets

Market  
driver

- Megatrend mobility
- Growing demand for clean mobility
- Global LV production with growth
- Increased regulation

- Increasing demand for security
- Geostrategical powershifts
- Constantly changing conflict situations
- Rising defence/security budgets



# Rheinmetall Group

## Highlights

### Group performance indicator

Grow sales  
around 8%

~8% op.  
margin

Targeted 2-4%  
Cash on sales

30-35%  
payout ratio

### Strategy roadmap

Organic  
growth

International  
expansion

Leading by  
innovations

Targeted  
acquisitions

# RHEINMETALL

## GROUP

### AUTOMOTIVE *Our heart beats for your engine*

Op. margin  
6.7%

€2,736m

€184m

\*€447m

11,405

44%

35%

49%

# 2019

Sales  
Oper. Result  
Order backlog  
Headcount\*\*

### DEFENCE *Force protection is our mission*

56%

65%

51%

€3,522m

€343m

€10,399m

12,100

Op. margin  
9.8%

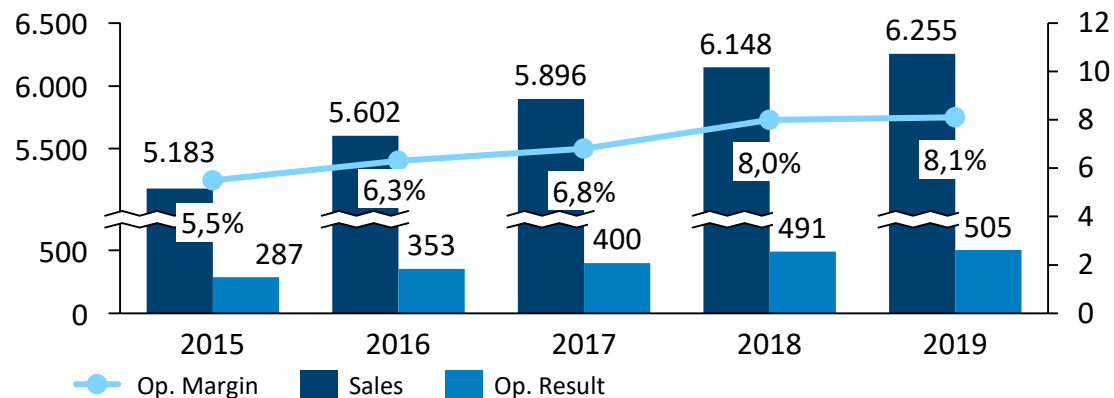
\* Short-term; \*\*Headcount at capacities;

# Rheinmetall Group

## Financial overview - Growth in all relevant KPI

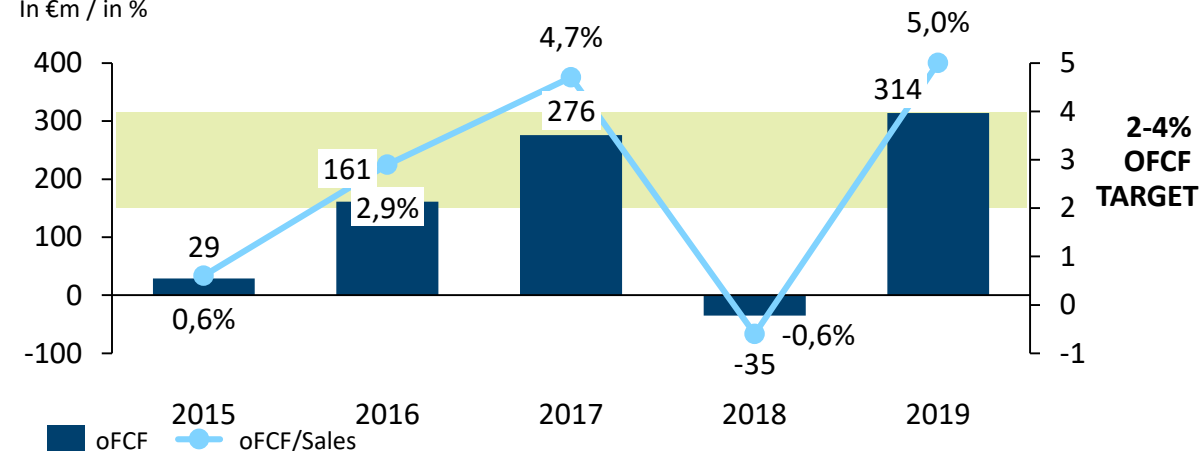
### Sales, operating result and operating margin

In €m



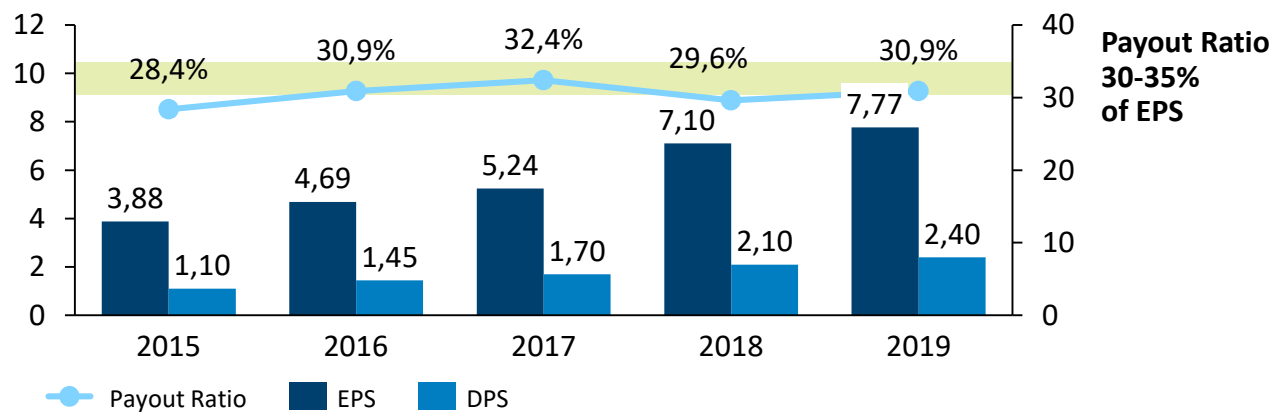
### Operating FCF and operating FCF to Sales

In €m / in %



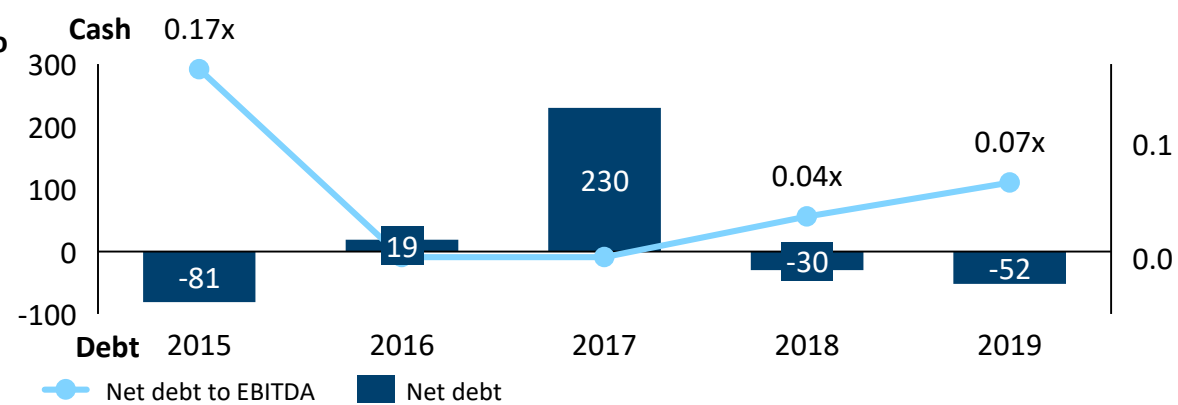
### Earnings and dividend per share

In € / in %



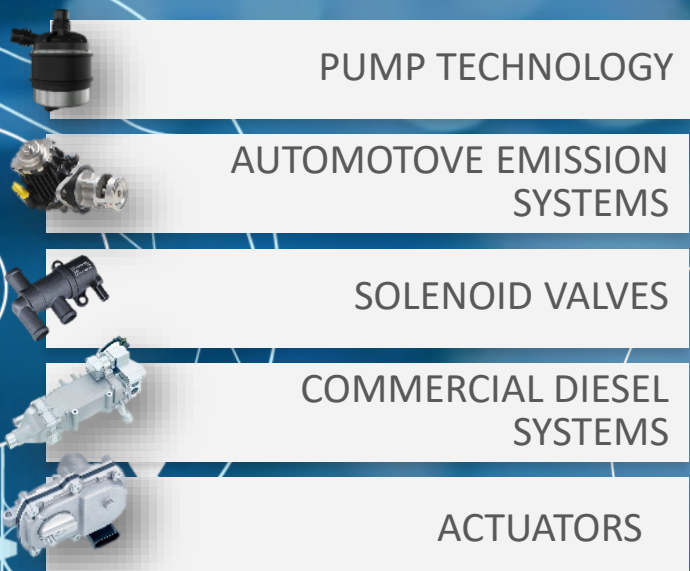
### Net financial debt and Net debt to EBITDA

In €m



# Rheinmetall Automotive Products per division

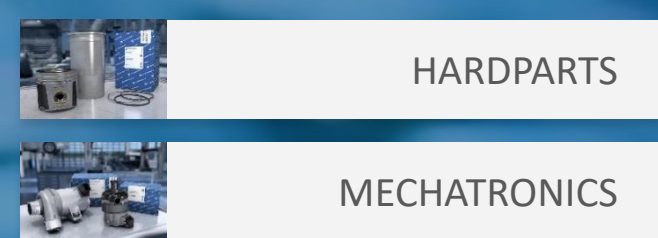
## MECHATRONICS



## HARDPARTS



## AFTERMARKET



# Rheinmetall Defence Products per division

## WEAPON AND AMMUNITION



MID & LARGE CALIBER AMMO



MID & LARGE CALIBER WEAPONS



PROTECTION SYSTEMS

- ACTIVE
- PASSIVE
- SOFTKILL

## ELECTRONIC SOLUTIONS



INTEGRATED ELECTRONIC SYSTEMS



AIR DEFENCE & RADAR SYSTEMS

TECHNICAL PUBLICATIONS

## VEHICLE SYSTEMS

HX-FAMILY



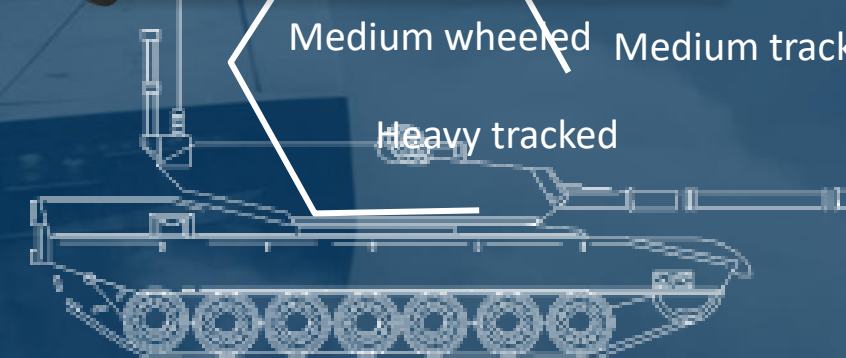
TACTICAL VEHICLES



LOGISTIC VEHICLES

Medium wheeled Medium tracked

Heavy tracked



# One Rheinmetall

## Realization of growth in changing market conditions



- ✓ Positioning as **integrated technology** group for **Mobility and Security**
- ✓ Realization of **growth potentials** in changing market environments
- ✓ Leveraging **strengths by bundling and channeling our expertise and competencies**, e.g. different **technologies**
- ✓ Change perception and **increase attractiveness** as an employer

### One Rheinmetall Phase I

Initiatives addressing culture  
and cooperation  
2016-2018

### One Rheinmetall Phase II

Focus on technologies  
2018 ff.

### One Rheinmetall Phase III

Commercialization  
starting 2021





# Automotive – A changing world



# Automotive

## Leading technology and market positions

### Key Figures 2019

**Sales:** €2.7bn

**Op. result:** €184m

**Op. margin:** 6.7%

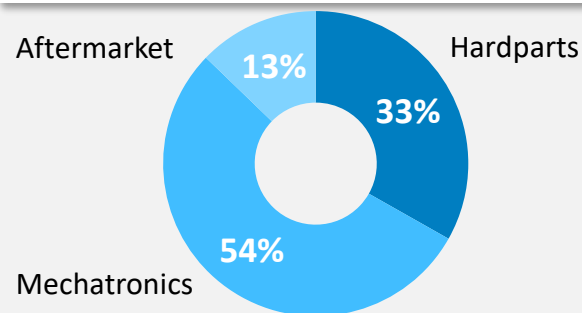
**Op. FCF:** €73m

**R&D:** €143m

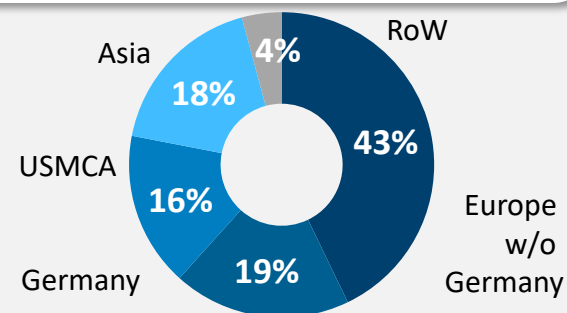
**Capex:** €163m

**Headcount:** 11.405

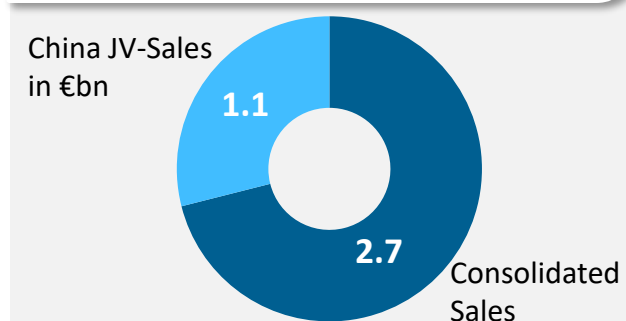
### Sales by division\*



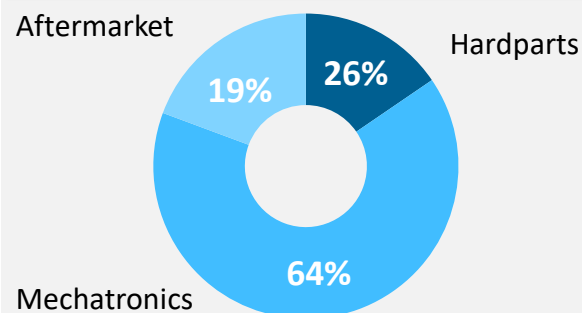
### Sales by region



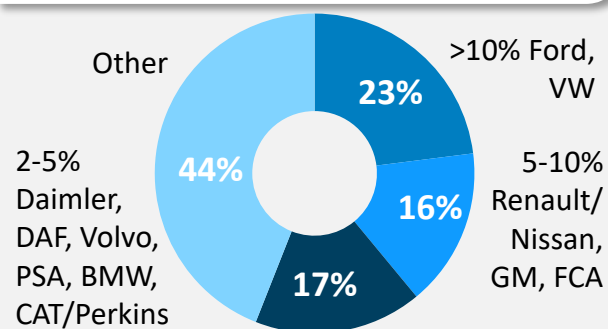
### Sales Total Management View



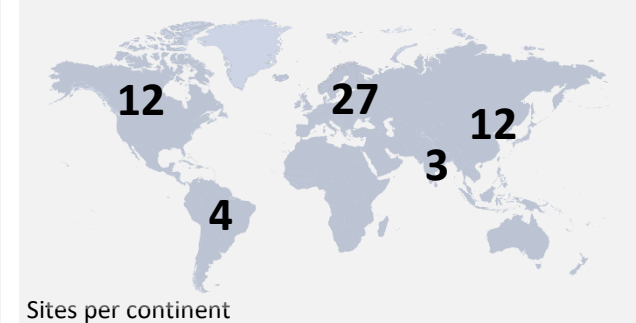
### Operating result by division\*



### Sales by customer



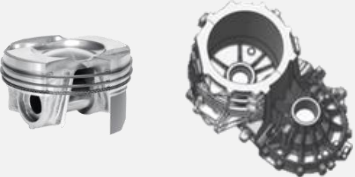

### Global set up



\*unconsolidated

# Automotive

## Leading technology and market positions

Sales driver	Segment Structure	Key Competitor	Differentiator
<ul style="list-style-type: none"> <li>▪ Megatrend mobility</li> <li>▪ Growing demand for clean mobility</li> <li>▪ Global LV production with further growth</li> <li>▪ Increased regulation</li> </ul>	<p><b>Hardparts</b></p> <ul style="list-style-type: none"> <li>▪ Pistons</li> <li>▪ Castings</li> <li>▪ Bearings</li> </ul>  <p><b>Mechatronics</b></p> <ul style="list-style-type: none"> <li>▪ Pump Technology</li> <li>▪ Auto. Emission Systems</li> <li>▪ Commercial Diesel Systems</li> <li>▪ Solenoid Valves</li> <li>▪ Actuators</li> </ul>  <p><b>Aftermarket</b></p> <ul style="list-style-type: none"> <li>▪ Hardparts</li> <li>▪ Mechatronics</li> </ul>	<p><b>Hardparts</b></p> <p>Mahle, Nemak, GGB, Tenneco (Federal Mogul), Dong Yang</p> <p><b>Mechatronics</b></p> <p>Magna, Bosch, Denso, Valeo, Schaeffler</p> <p><b>Aftermarket</b></p> <p>Tenneco (Federal Mogul), Mahle, Bosch, Valeo</p>	<ul style="list-style-type: none"> <li>▪ Strong brand</li> <li>▪ Global footprint</li> <li>▪ Strong partnerships               <ul style="list-style-type: none"> <li>▪ (Hasco, Shriram, Riken, ZYNP)</li> </ul> </li> <li>▪ Wide technology portfolio</li> <li>▪ Extensive product Know-How</li> </ul>

# Automotive overview

## Product portfolio by division and engine type

**MECHATRONICS**

- VACUUM PUMPS
- EXHAUST CONTROL VALVE GEN. 3
- FUEL TANK ISOLATION VALVE
- THERMAL MANAGEMENT
- HRB
- eCATHODE VALVE
- EGR MODULE
- SC AIR SYSTEM
- eWastegate Actuator
- ELECTRICAL COOLANT PUMP
- GASOLINE EGR
- HIGH-VOLTAGE COOLANT PUMP
- eCC
- E-MOTOR COOLING
- TURBO ACTUATOR VTG
- EVAP
- ELEC. BYPASS VALVE
- MULTI PURPOSE VALVE
- ELECTRICAL OIL PUMPS
- CONTACTORS
- THERMO MODULE
- FUEL CELL CONTROL VALVE

**ICE**

- STEEL PISTONS
- ALU PISTONS
- ENGINE BEARINGS
- NON-ENGINE POLYMER BEARINGS
- STRUCTURAL PARTS
- ENGINE BLOCKS

**EV / FUEL CELL**

- E-Motor HOUSING
- BATTERY BOXES

**HARDPARTS**

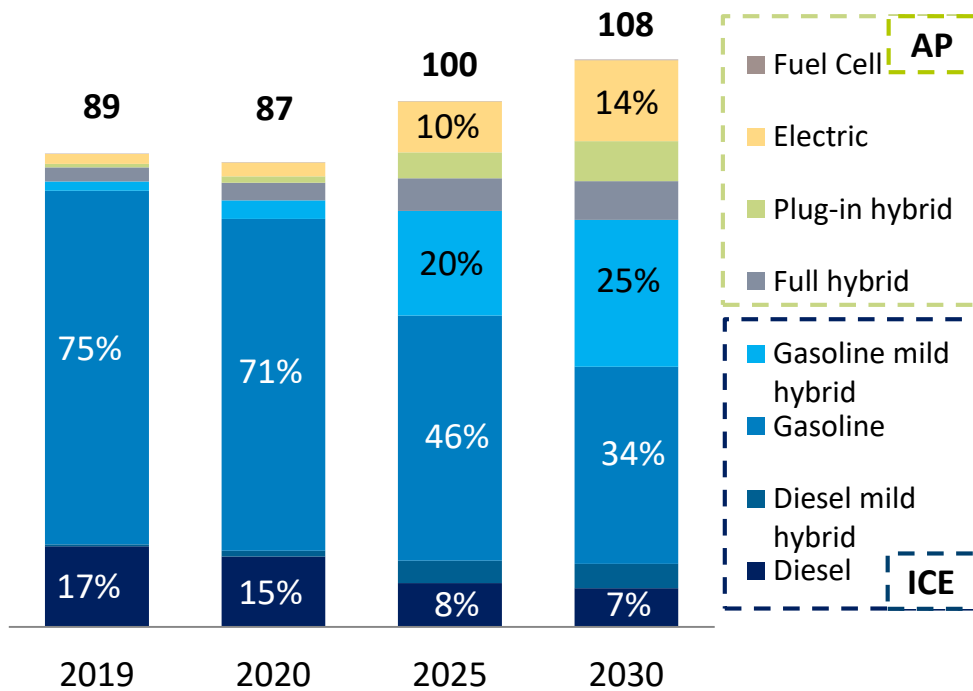
**Carbon TT**  
25% Share Carbon TT



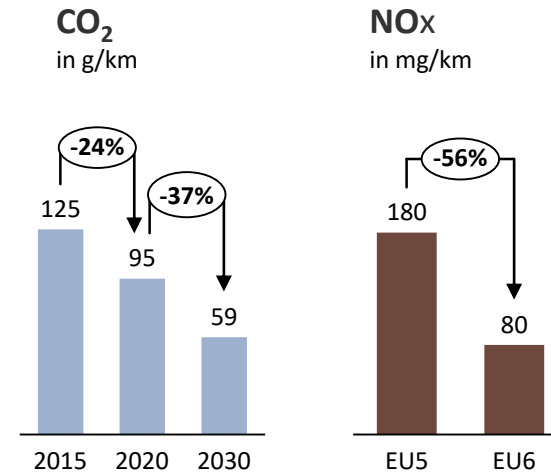
# Drivers for growth

## Rising global fleet and regulatory restrictions are supporting our growth

■ LV production forecast\* [mUnits]

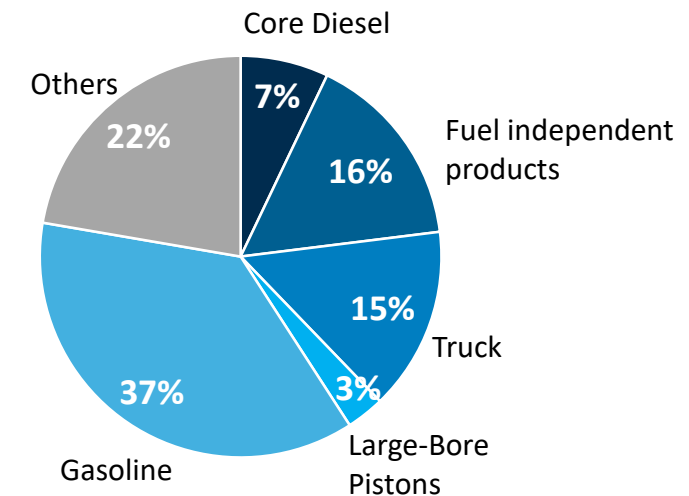


■ Further regulatory pressure\*\*\*



- Next regulation deadline approaching in 2020
- Real driving emission(RDE) testing will create further pressure to reduce emissions by hardware installation
- First city ban for diesel engines announced in Germany

■ Automotive sales distribution by engine type\*\*



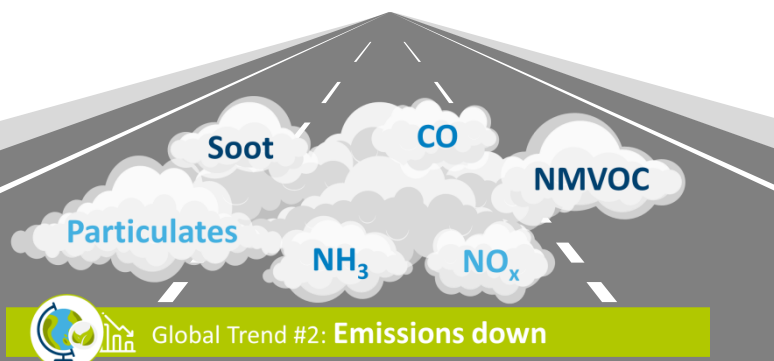
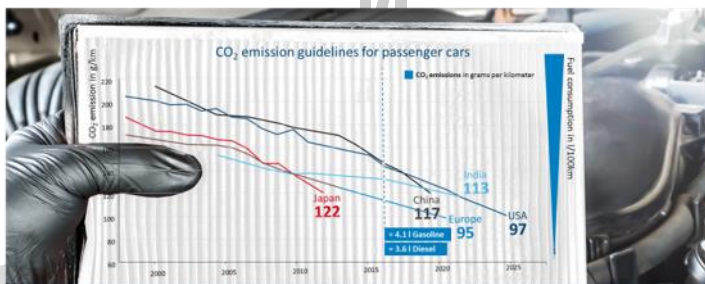
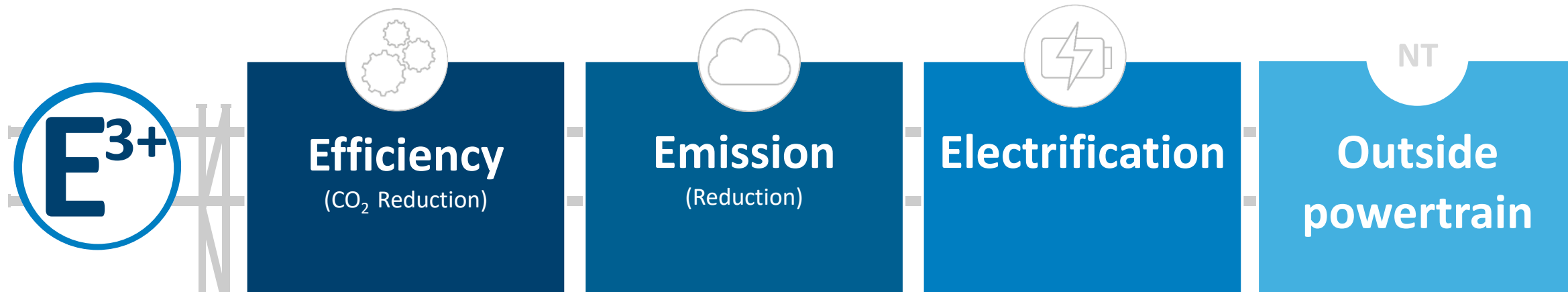
\* IHS 02/2020 and company estimates

\*\* Rheinmetall Automotive sales FY 2019

\*\*\* 95g = 4.1l Gasoline or 3.6l Diesel, 2030 estimates based on Regulation (EU) 2019/631

# Automotive Market trends

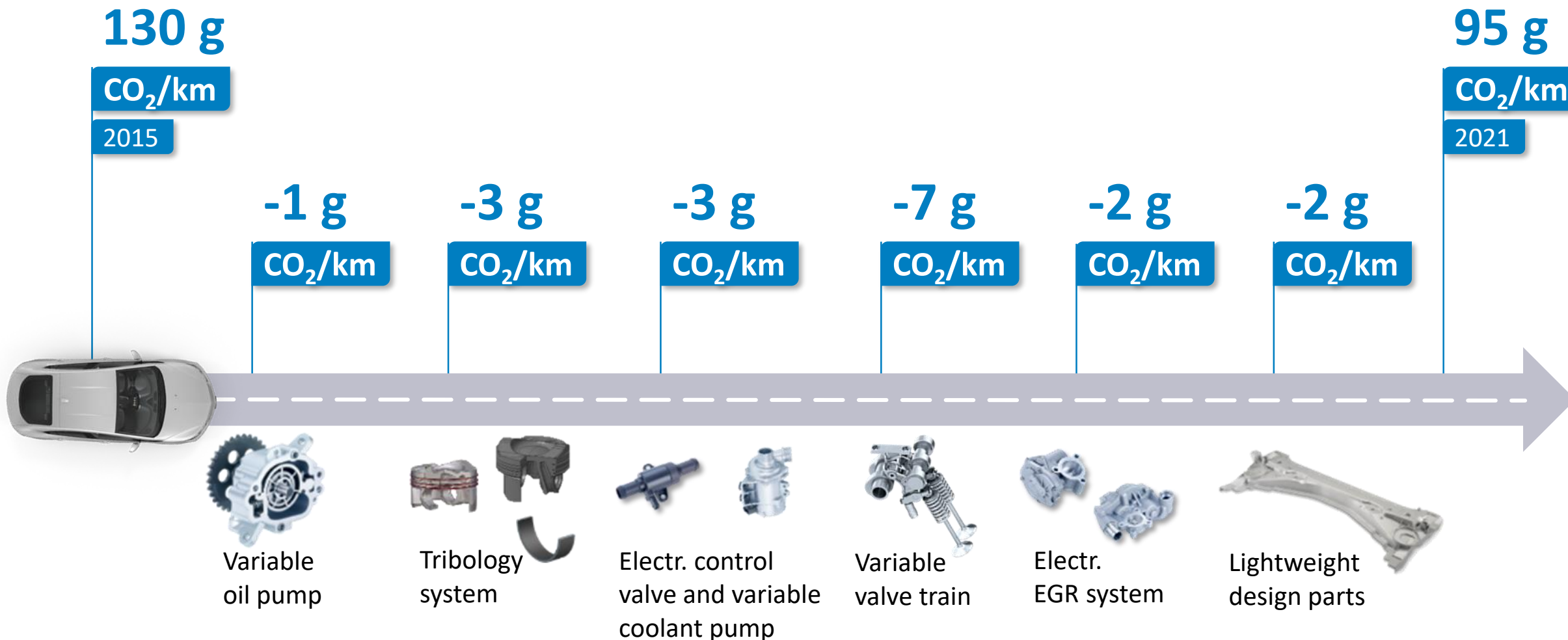
## The growth drivers remain strong



**The innovation pipeline is packed!**

# Efficiency

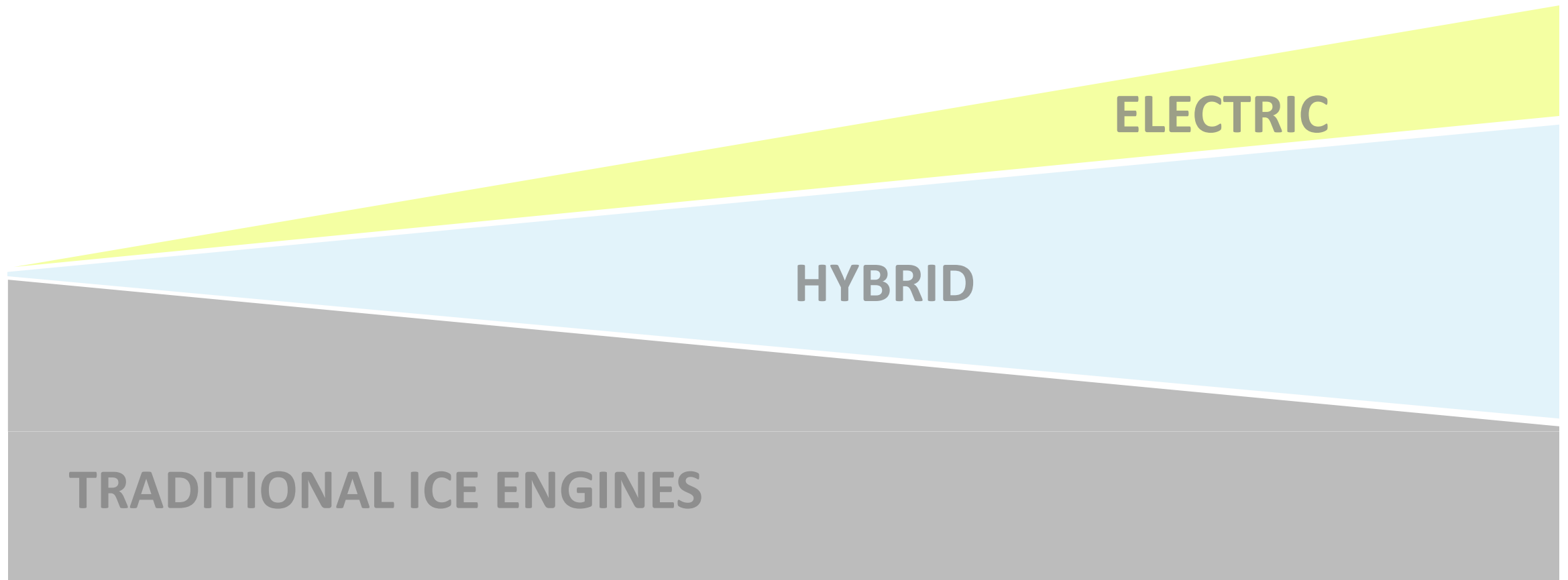
## CO<sub>2</sub> - reduction with Automotive products – gasoline engine vehicle



\*Reference: 1.4L 4-cylinder, TC DI gasoline engine (115kW), approx. 138 g CO<sub>2</sub>/km in NEDC



Facing technological disruption  
**Rheinmetall needs to manage the transition**



# Electrification Rheinmetall Automotive products



## ELECTRIFICATION

Peripheral system and components



## CAR

(HV) 400V<sup>PLUS</sup>  
50-125KW



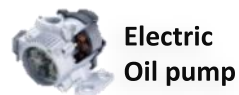
## FIRST-/LAST-MILE

48V  
15-20KW



## MICRO E-DRIVE SYSTEM

48V  
0,25-0,7KW



Electric Oil pump



Electric Vacuum pump



Electric Drive motor



Engine housing



Electric engine und gearbox



Electric Drive motor



Electric Heat pump



Electric Air-conditioning compressor



Battery pack



Battery pack (48V)



Control unit



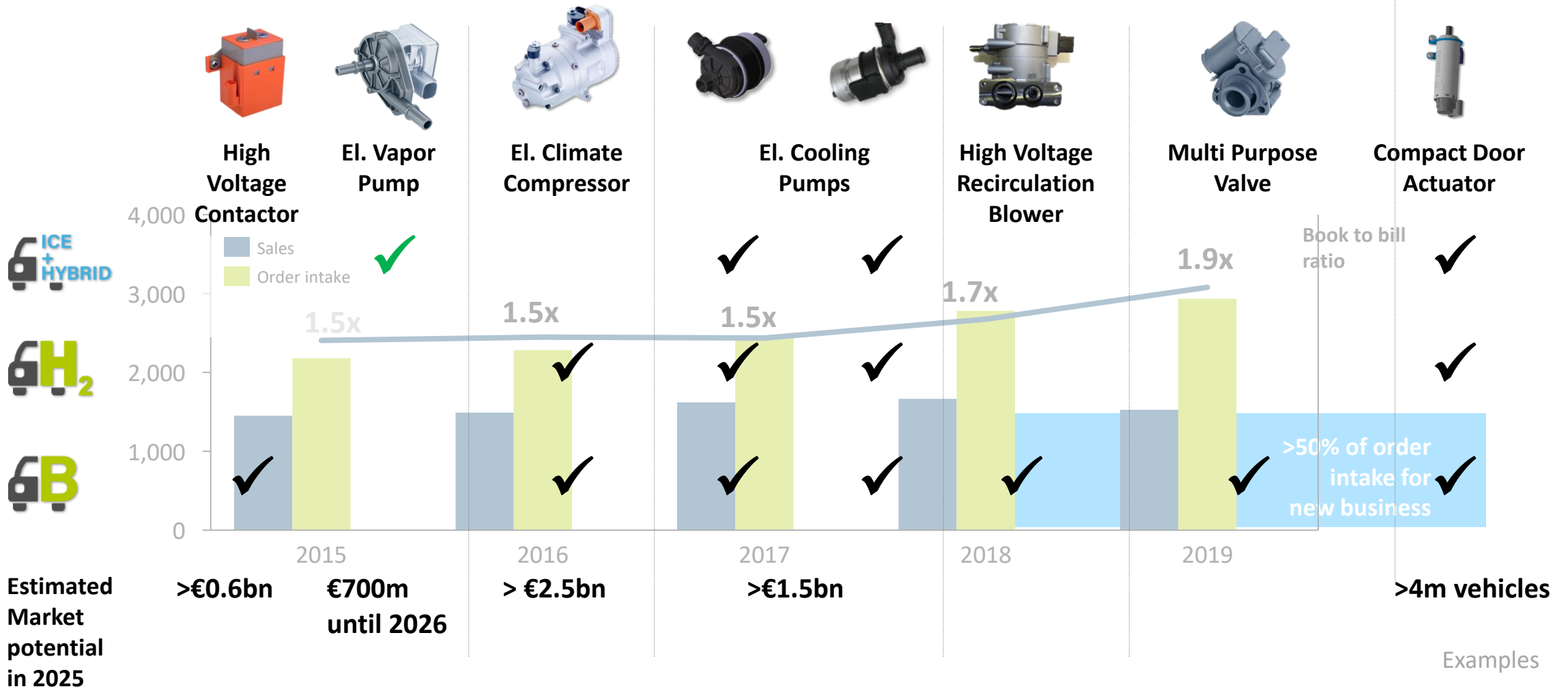
Battery pack

Life time order value of €1.3bn booked\*

\* Rheinmetall Automotive and Joint Ventures, incl. BEV and Hybrid

# Mechatronic Innovation pipeline

## Innovative products for a variety of applications



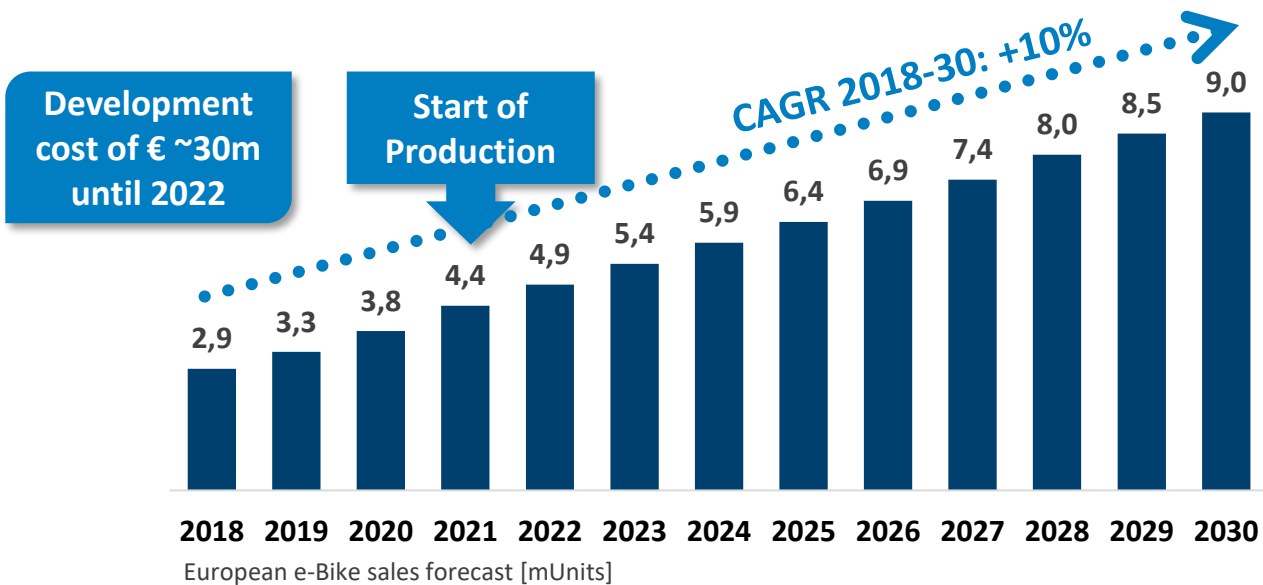


# Micro Mobility

## Starting with competitive product into a booming market

### High growth market

- European market with **10% CAGR** between 2018 and 2030
- **High market concentration** with Bosch representing almost 50% of market share
- **E-bike market price averaged at €3.000** last 3 years



### Unique Selling Proposition

- Smooth phasing of engine support
- Excellent freewheeling
- Low weight and compact build
- Low noise emission
- High thermic stability
- Interesting connectivity features
- Speedy service concept



# Diversification

## Increasing portfolio for non-LV applications

**Trucks**



**Diverse portfolio for truck applications**

**Large bore pistons**



**E.g. ship and locomotive pistons**

**Bearings & continuous casting**



**Sanitary application**

**Aftermarket**



**Global supply of spare parts**

# Trucks

## Diverse portfolio for truck applications

**MECHATRONICS**

- Main coolant pumps
- Auxiliary coolant pumps
- Electrical oil pumps
- Coolant valves
- Variable valve Control
- Exhaust gas flaps
- Hydraulic valves
- Cylinder bore coating

**Sales**  
in €m

**CAGR +4%**

Year	2015	2016	2017	2018	2019
Sales (€m)	351	338	386	436	404

- Electrical bypass valves
- Pressure regulating valves
- High performance actuators

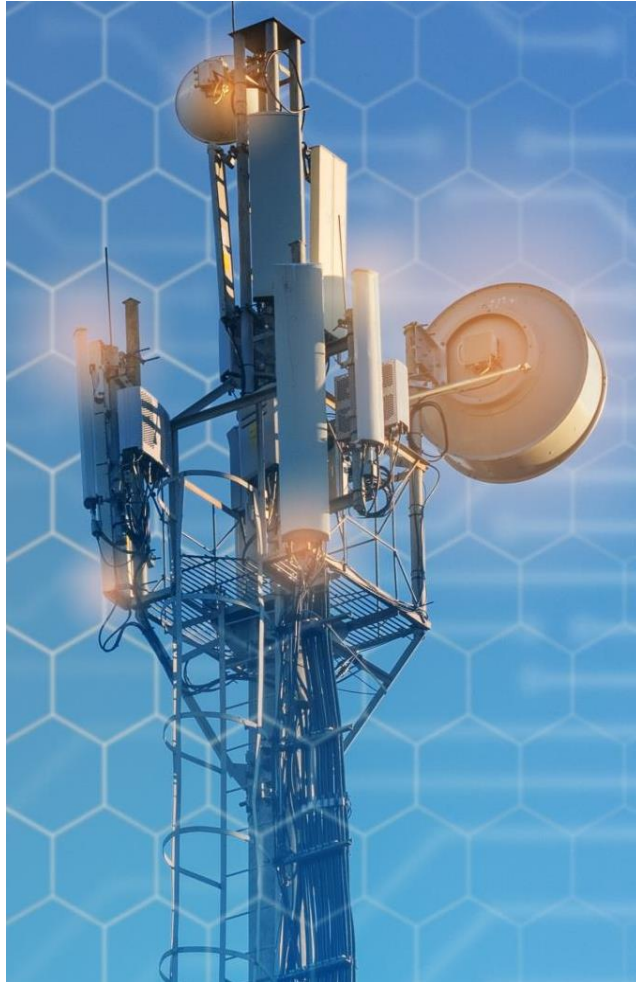
**HARDPARTS**

- Permaglide bearings for truck compressors and truck hydraulics
- Aluminum pistons
- Steel pistons
- Piston rings (Cooperation with Riken)
- Bushings for injection pumps
- Main-bearings
- Connecting rod bearings
- Bearings for seat adjustments and doors
- EGR cooler modules and mixer modules
- Dual poppet valves
- EGR reed valves



## New Markets Telecommunication

### Diversification into new growth areas



### 5G-Data safety: Major production contract for manufacturing aluminum housings for 5G network

- Rheinmetall JV with HASCO in China is the leading supplier of die-casting capacities in China
- High technological competence
- Great opportunity to diversify in growth markets

**Contract value of €150m for six-digit number of boxes in 2020**

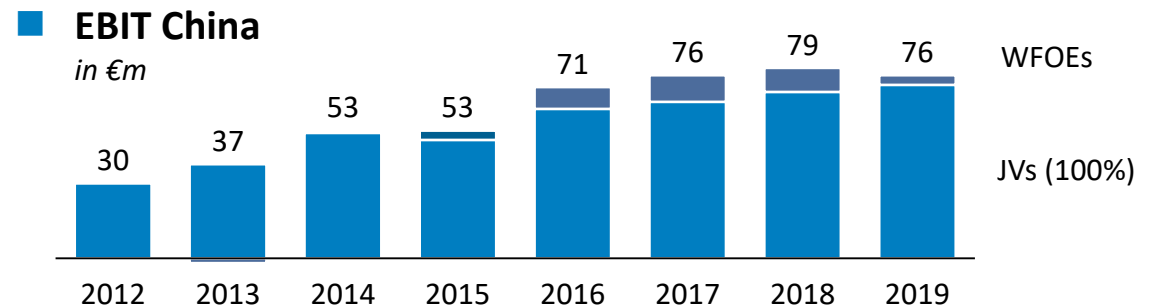
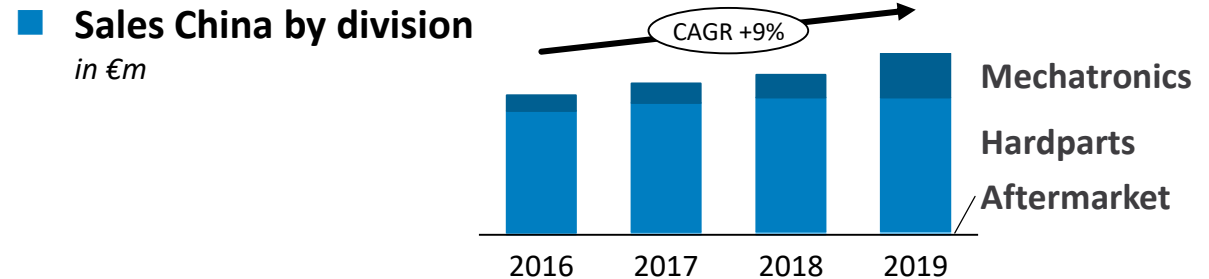
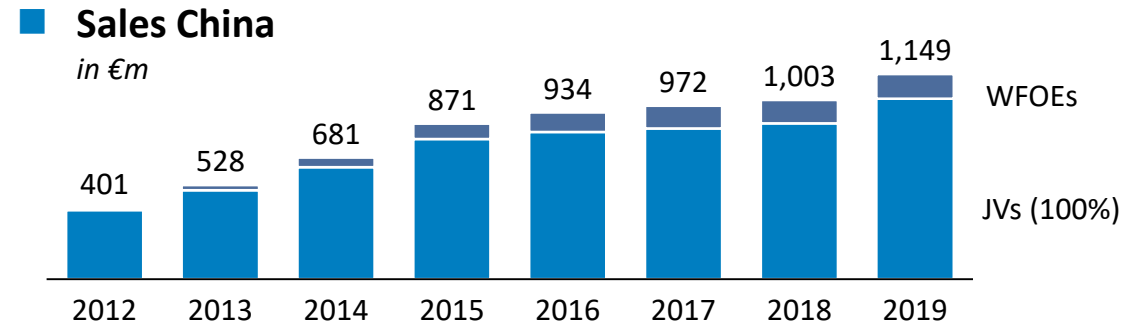
**Additional demand for 10.000.000 boxes until 2030 creates further potential**

# Automotive China

## Outperforming the market

### Highlights

- Partner of local big players SAIC and HASCO (50/50 joint ventures)
- Biggest casting capacities in China – technology leader
- Regulation (China 6) – provides substantial growth potential for mechatronics division
- Strong demand for NEV products
- China Story on track: product pipeline supports growth ambitions
- Demand for Mechatronics products key driver





## Defence – Managing the “super cycle”

# Defence

## Leading supplier with an increasing international presence

### Key Figures 2019

**Sales:** €3.5bn

**Op. result:** €343m

**Op. margin:** 9.8%

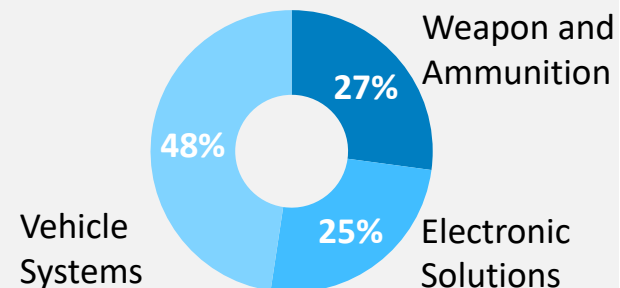
**Op. FCF:** €266m

**R&D:** €75m

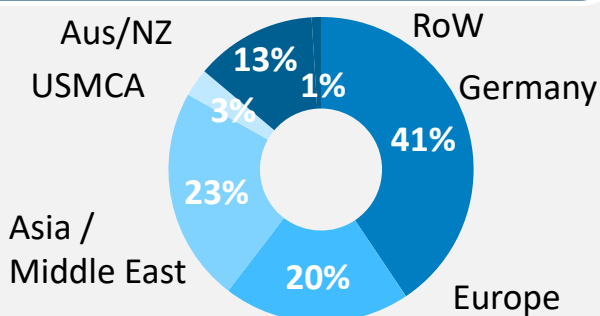
**Capex:** €166m

**Headcount:** 12,100

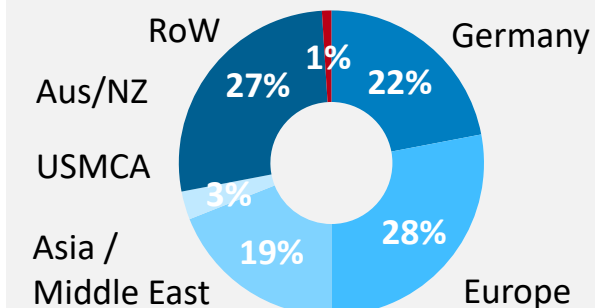
### Sales by division\*



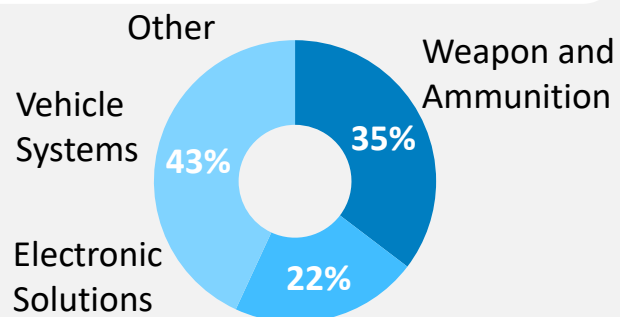
### Sales by region



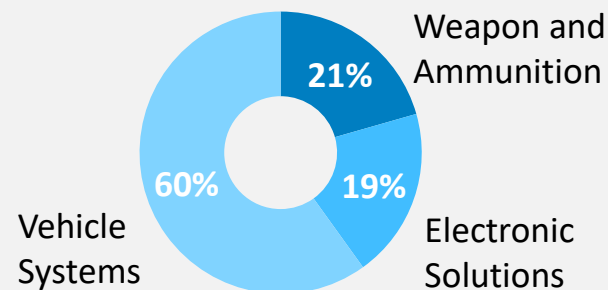
### Order backlog by region



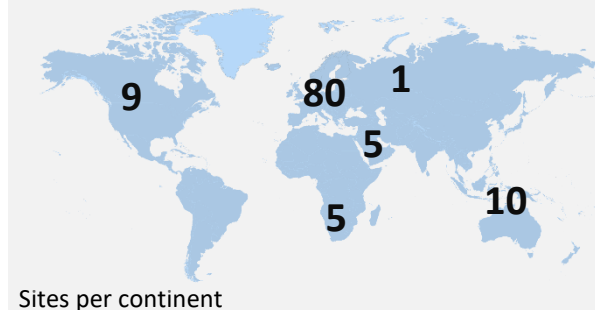
### Operating result by division\*



### Order backlog by division



### Global set up



\*unconsolidated



# Defence

## Leading technology and market position

### Sales driver

- Increasing demand for security
- Geostrategic power shifts
- Constantly changing conflict situations
- Rising defence/ security budgets

### Structure of Corporate Segments

#### Vehicle Systems

- Tactical Vehicles
- Logistic Vehicles



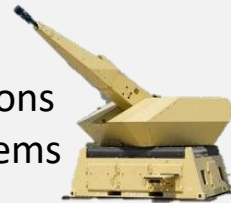
#### Weapon and Ammunition

- Weapon and Munition
- Protection Systems
- Propulsion Systems



#### Electronic Solutions

- Integrated Electronic Solutions
- Air Defence and Radar Systems
- Technical Publications



### Key Competitor

#### Vehicle Systems

General Dynamics, BAE, KNDS, Scania, Iveco, Hanwha

#### Weapon and Ammunition

Nammo, Northrop Grumman, Plasan, Euroco, GD, Kongsberg

#### Electronic Solutions

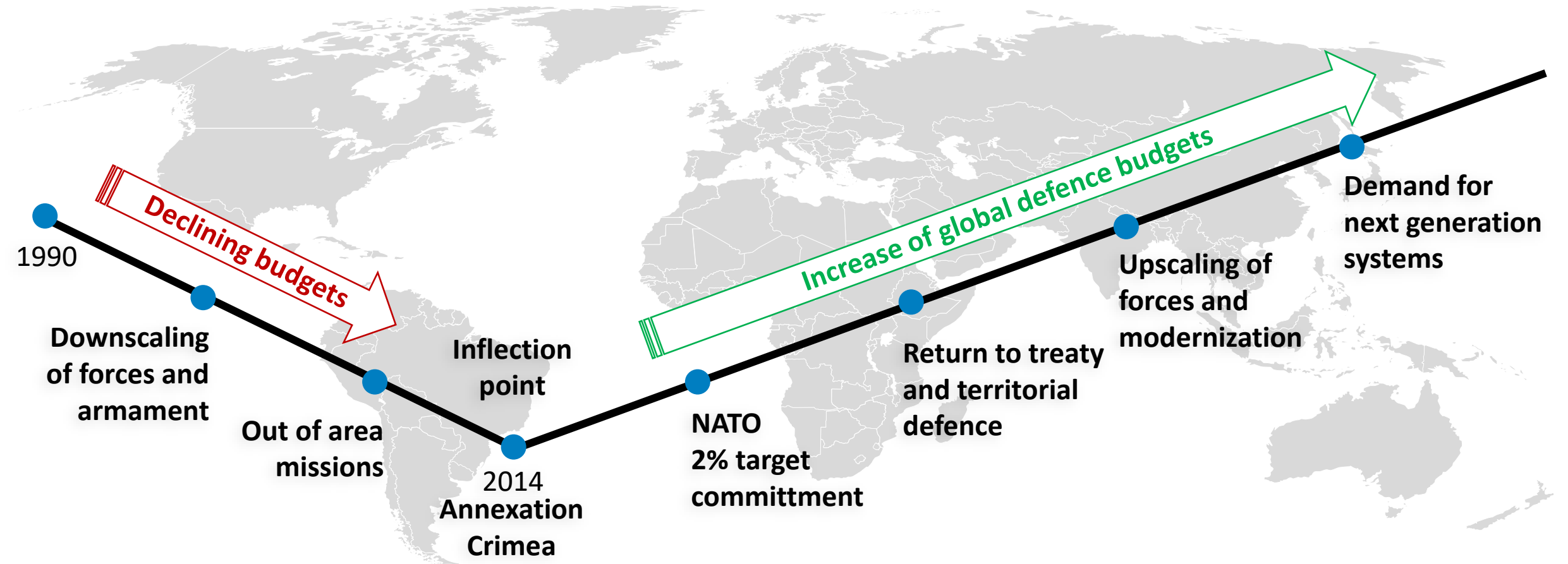
R&S, CAE, Saab, Thales, Rafael, Elbit Systems, Safran, Hensoldt

### Differentiator

- Reputation as trustful and reliable company
- International footprint
- Broad product portfolio
- International presence
- System integrator
- Modular and open architecture
  - Weapon and sensor platforms
- Excellent engineering Know-How & capabilities

# Defence

## Managing the super cycle



Defence super cycle

**Successful internationalization provides diverse sources of growth**

## Our home markets

### Germany

- Largest customer
- Budget increase: Commitment to 1.5% in 2024
- 100% Equipment level
- More personnel

### Australia

- Established „home market“
- Land 400 program as demand driver
- Ammunition framework contract

### United Kingdom

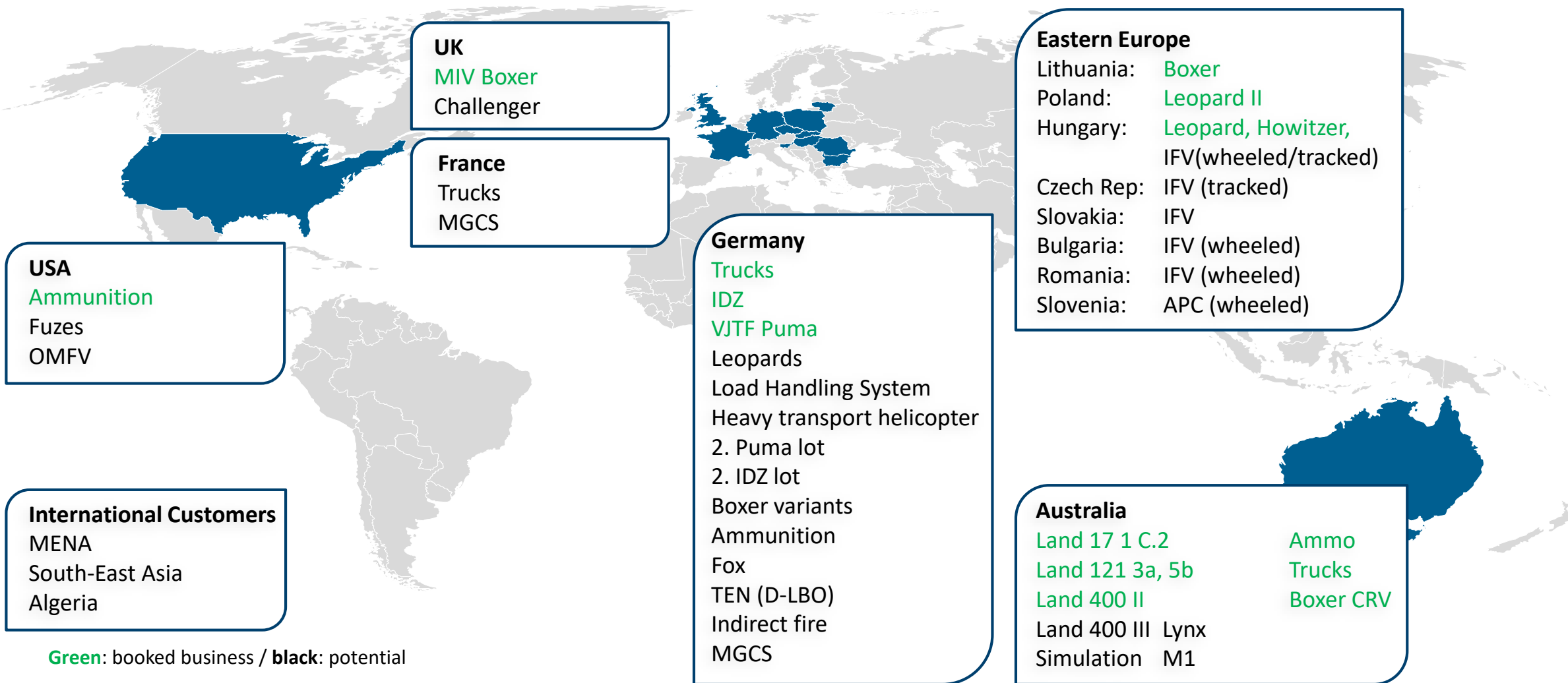
- JV with BAE serves „home market“
- MIV and Challenger LEP program
- Ammunition framework contract

### Eastern Europe

- Modernization to NATO standards
- VJTF participation
- IFV tender pipeline

# Defence tender overview

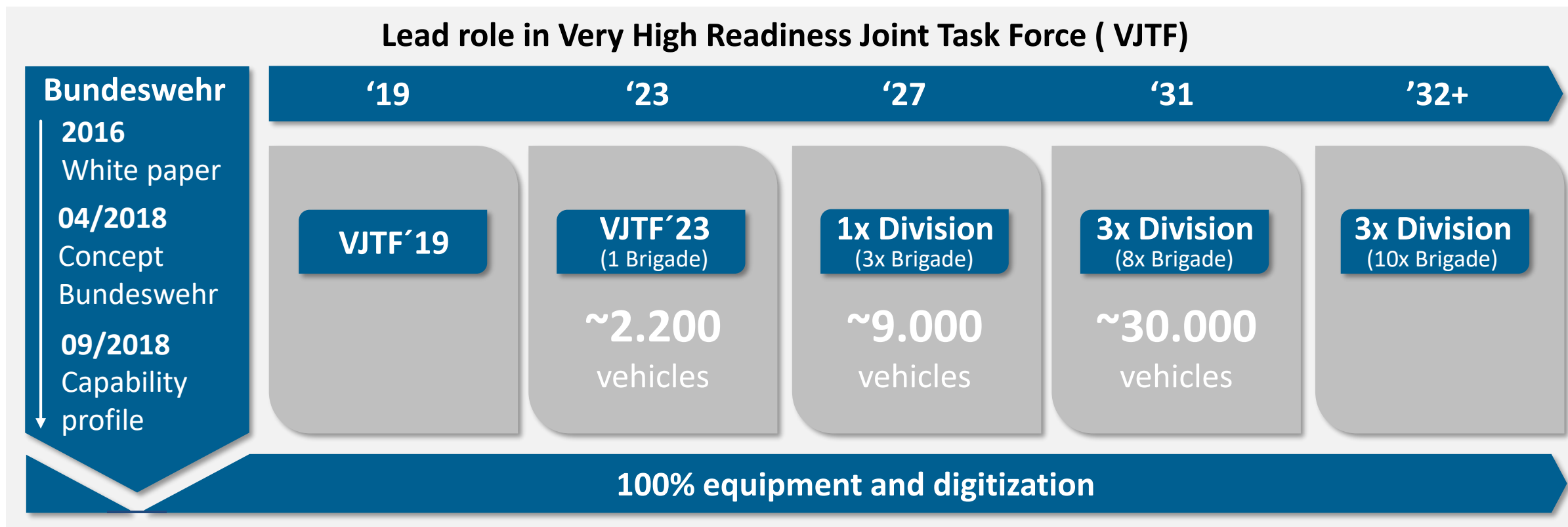
## High demand could lead to promising super cycle





# German defence

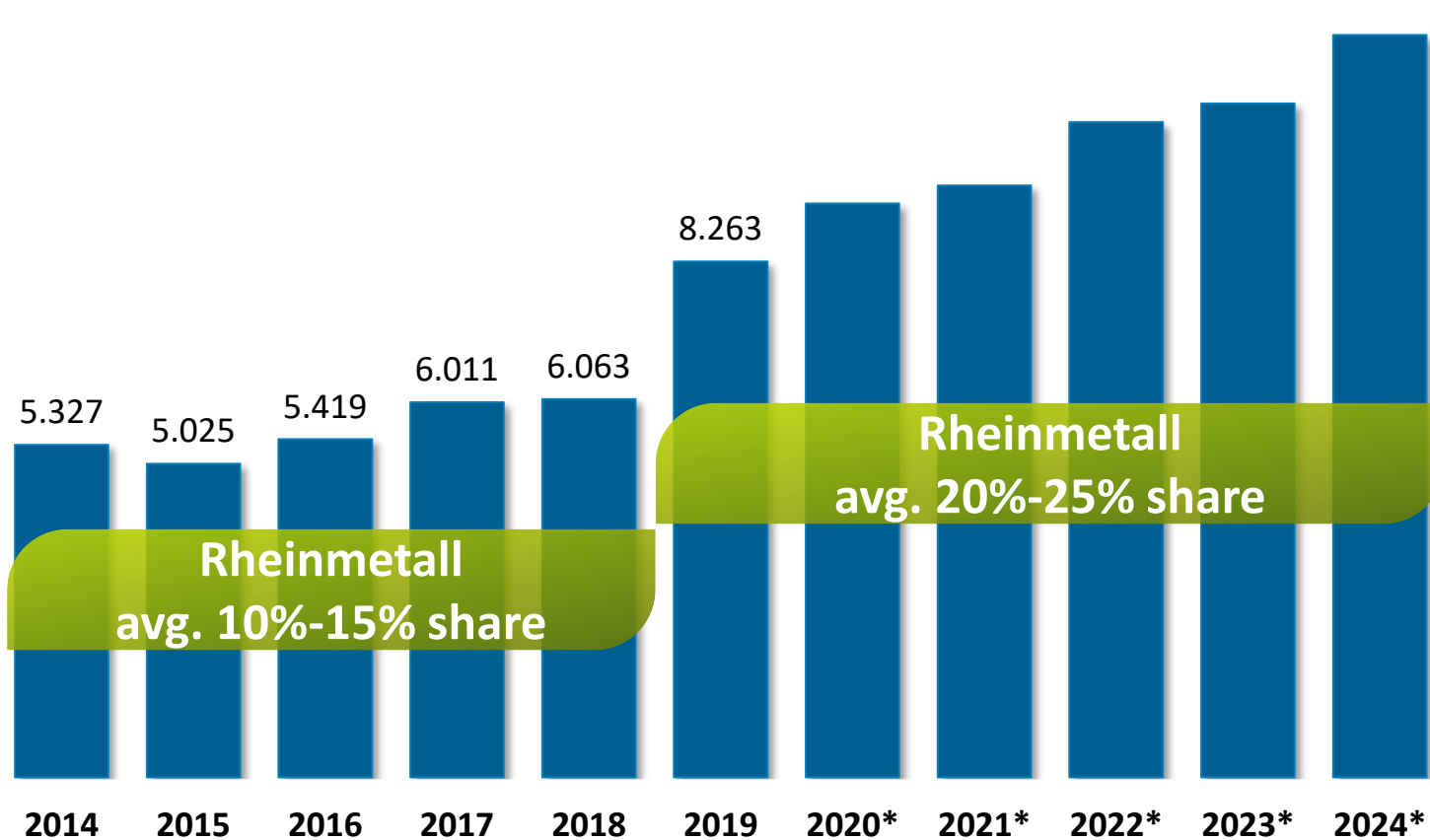
## NATO commitment key driver for German demand



# German defence budget

## Investment expenses and Rheinmetall-share - budgets become sizeable

in €m



### Expense increase based on 3 pillars:

- **More budget**, investment share increased by 36% from 2018 to 2019: if political 1.5% commitment is to be achieved in 2024 this could lead to €~12 bn investment spend
- **More personnel**, return to ~200.000 soldiers
- **More equipment** (100% equipment level)

**NATO and VJTF commitments as strong drivers for budget increase**

\*based on BMWi GDP forecast Oct. 19; assumption 20% of German defence budget investive

# German Defence

## Additional structural demand of German armed forces

### Vehicles

**Fox**



(>500 vehicles)

**Boxer**



(~150 vehicles)

**Trucks**



(>10.000 vehicles)

**Puma**



(~250 vehicles)

**Leopard 2**



(>200 vehicles)

### Programs and ammunition

**NNBS**



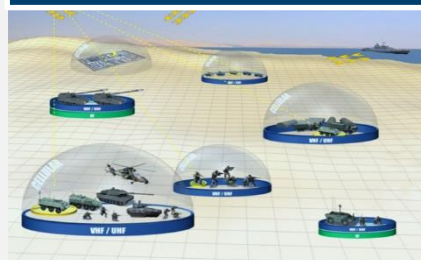
(Short range air defence)

**TLVS/Next Gen. Patriot**



(Tactical air defence)

**DLBO TEN**



(former MoTaKo)

**Ammunition**



Long term doubling potential

**Military Camps**



Build, operate and rebuild

# Australia

## Successful establishment of a new “home market”





# United Kingdom - Joint Venture with BAE

## Creating a new “home market” and strengthening our position

### LEGACY BUSINESS

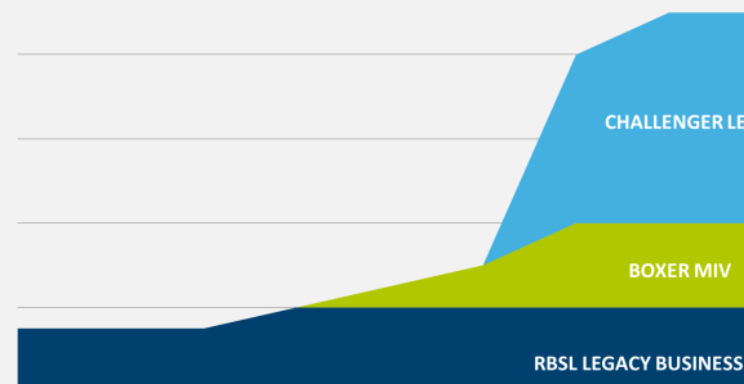
- BAE UK business
  - Armoured engineering vehicles and bridge-laying tanks
  - AS 90 self-propelled artillery system
  - Force protection components
  - Services
- 7.500 MAN vehicles under service



### EXPANSION OF PRODUCT PORTFOLIO

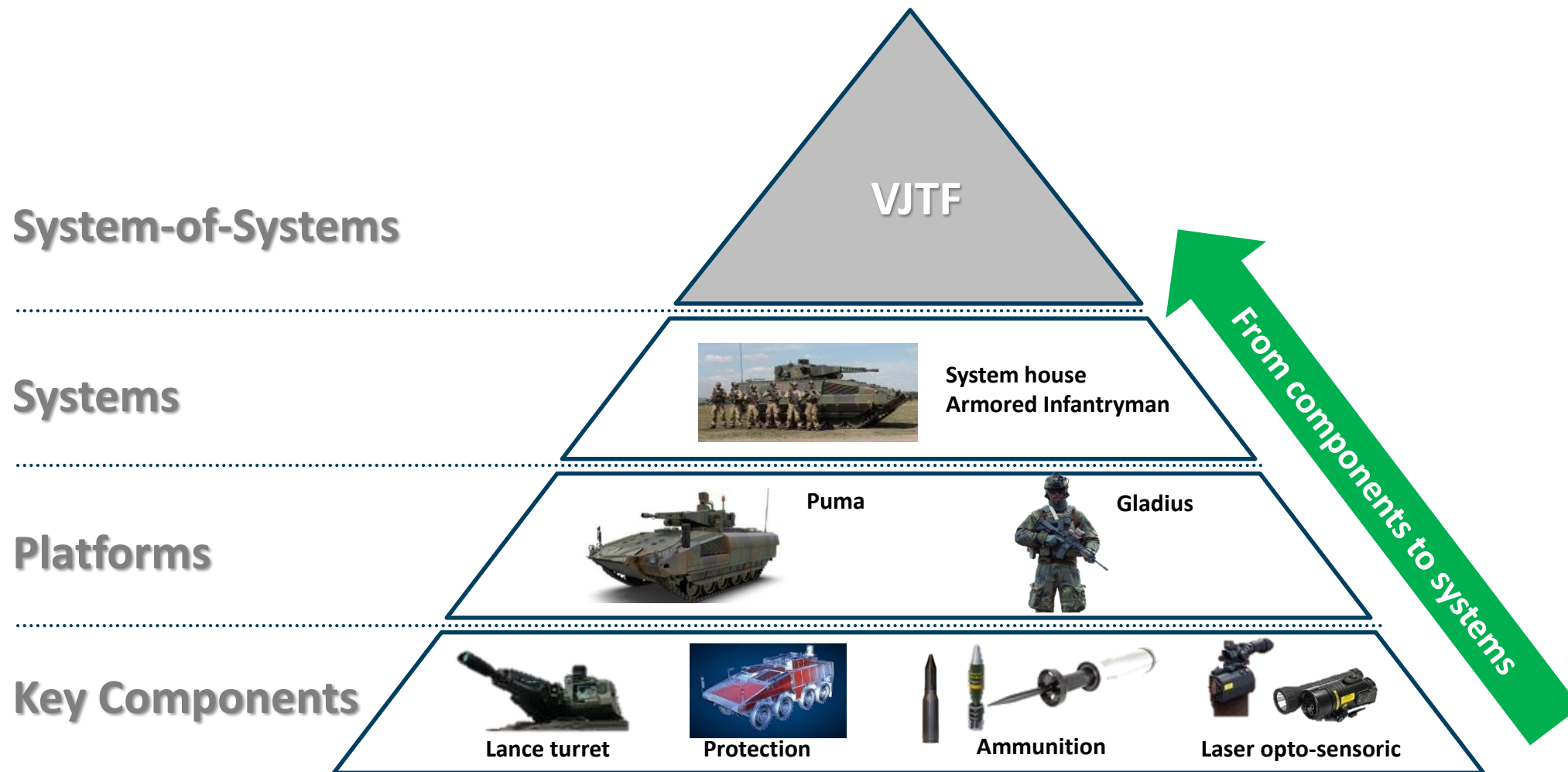
#### Future

- Boxer Mechanized Infantry Vehicle (MIV)
  - 500 vehicles @ € 1.4bn
- Challenger 2 Life Extension Program
  - potential order size 148 MBT @ € 0.8-1.2bn
- Next generation of battle tanks



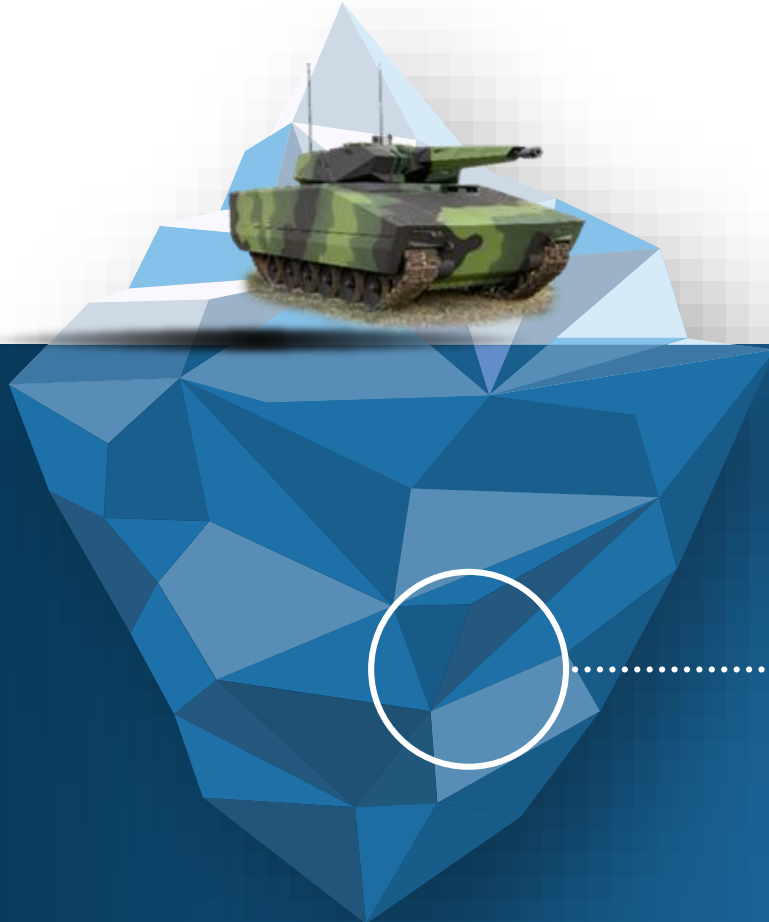
# System house for land based operations

## Integrating components to systems



Total life cycle potential

**Platform sales are just the tip of the iceberg – success creates opportunities**



**1X SALES OF PLATFORM**

**2X LIFECYCLE SPENDINGS**

Rheinmetall creates additional business opportunities over the entire life cycle of 50 years

- Ammunition
- Spare parts
- Service & Maintenance
- Training & Simulation
- Technical Documentation
- Upgrades (Life time extension)



# FINANCIALS



## FY 2019 Group: Highlights

### Strong operating performance with high shareholder return

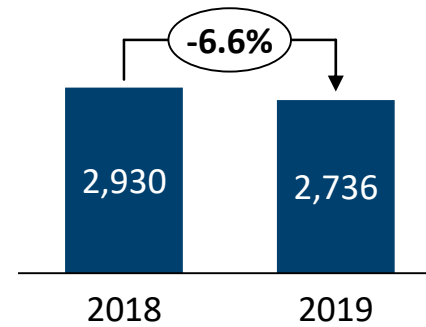


# FY 2019 Highlights: Automotive

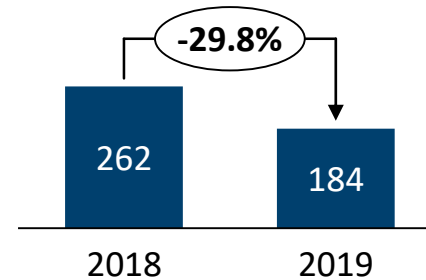
## Strong cash flow generation under difficult market conditions



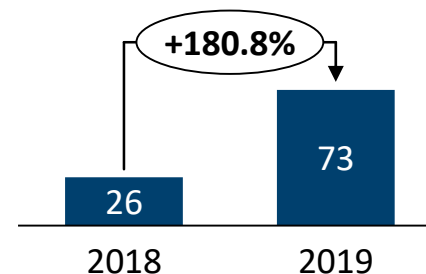
### Sales



### Operating result



### Operating FCF



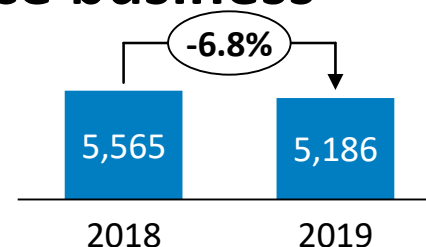
- Sales drop beyond market slow down especially in Diesel and unfavorable customer mix with additional impact of net negative ramp-ups
- Cost reduction measures limited further leverage driven result decline
- FY margin decreased 2.2%p to 6.7%
- Cash flow improved on working capital and diligent capex management

# FY 2019 Highlights: Defence

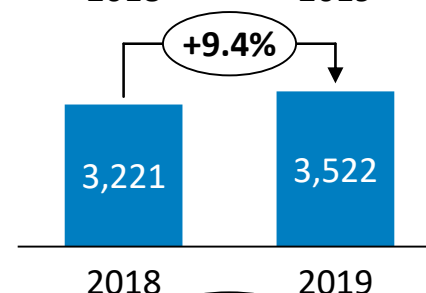
## Excellent performance of our Defence business



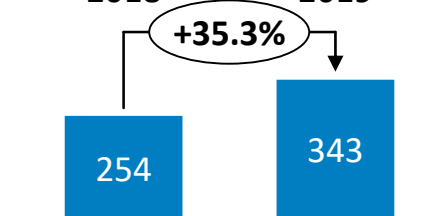
### Order intake



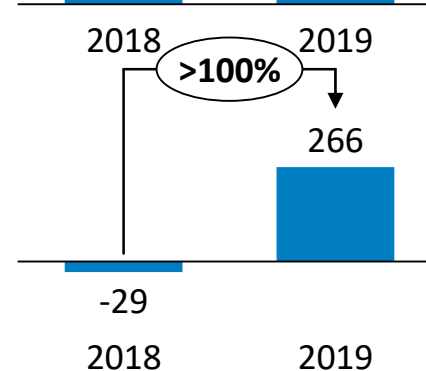
### Sales



### Operating result



### Operating FCF

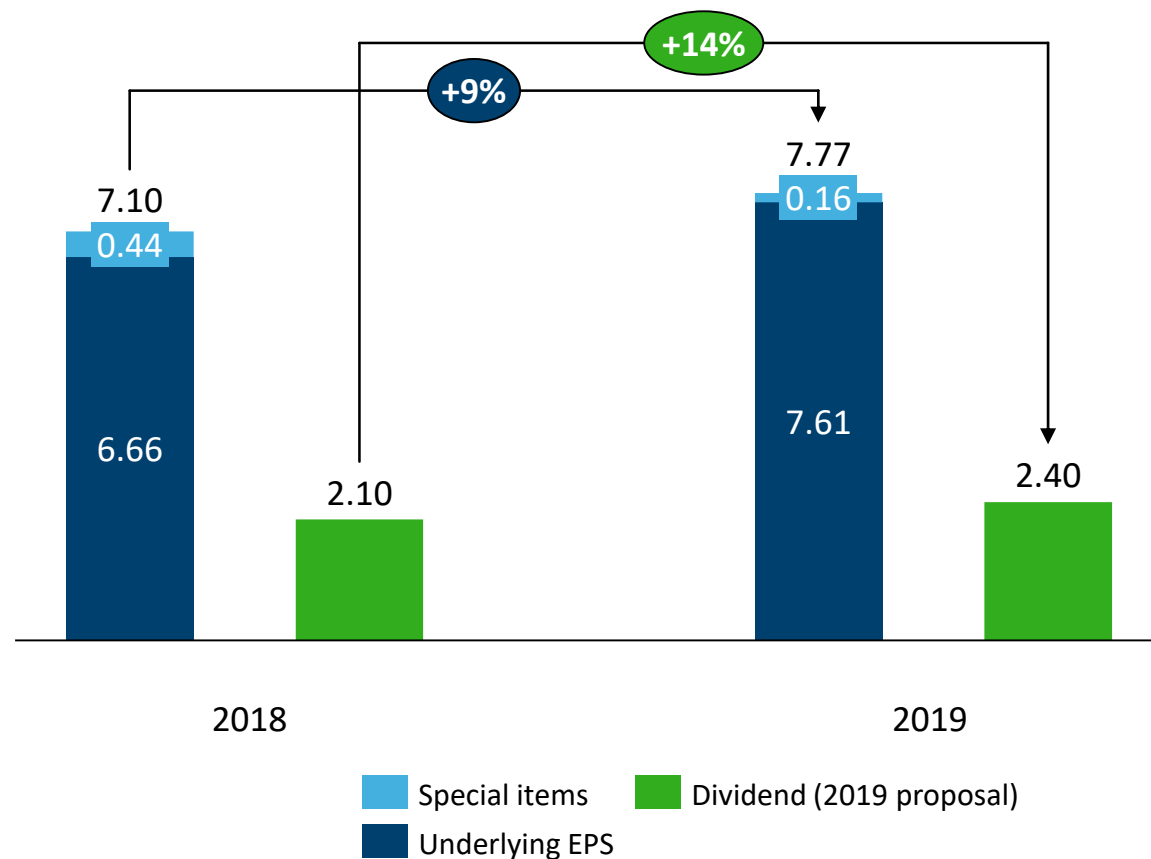


- Another year with order intake > €5bn
- Sales increased 9% to new record
- Result growth of €89m accelerated margin by almost 2%p to 9.8%
- Cash flow benefited from milestone payments

# FY 2019 Group: EPS and dividend

## Shareholders to benefit from increased dividend

### Earnings and dividend per share in €



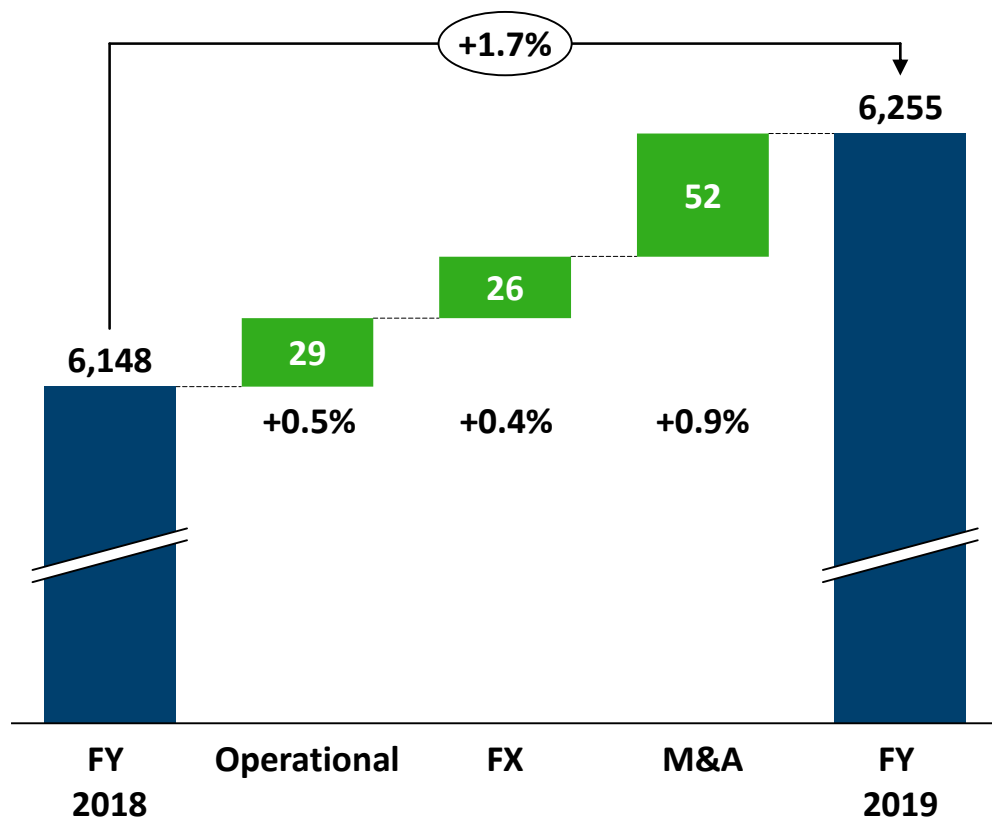
- EPS increased notably due to improved results and minorities declining structurally on M&A by €0.71
- Underlying EPS growth of 14%
- Payout ratio around 31%
- Dividend increased for the 5<sup>th</sup> consecutive year
- Total payout mounts to just above €100m



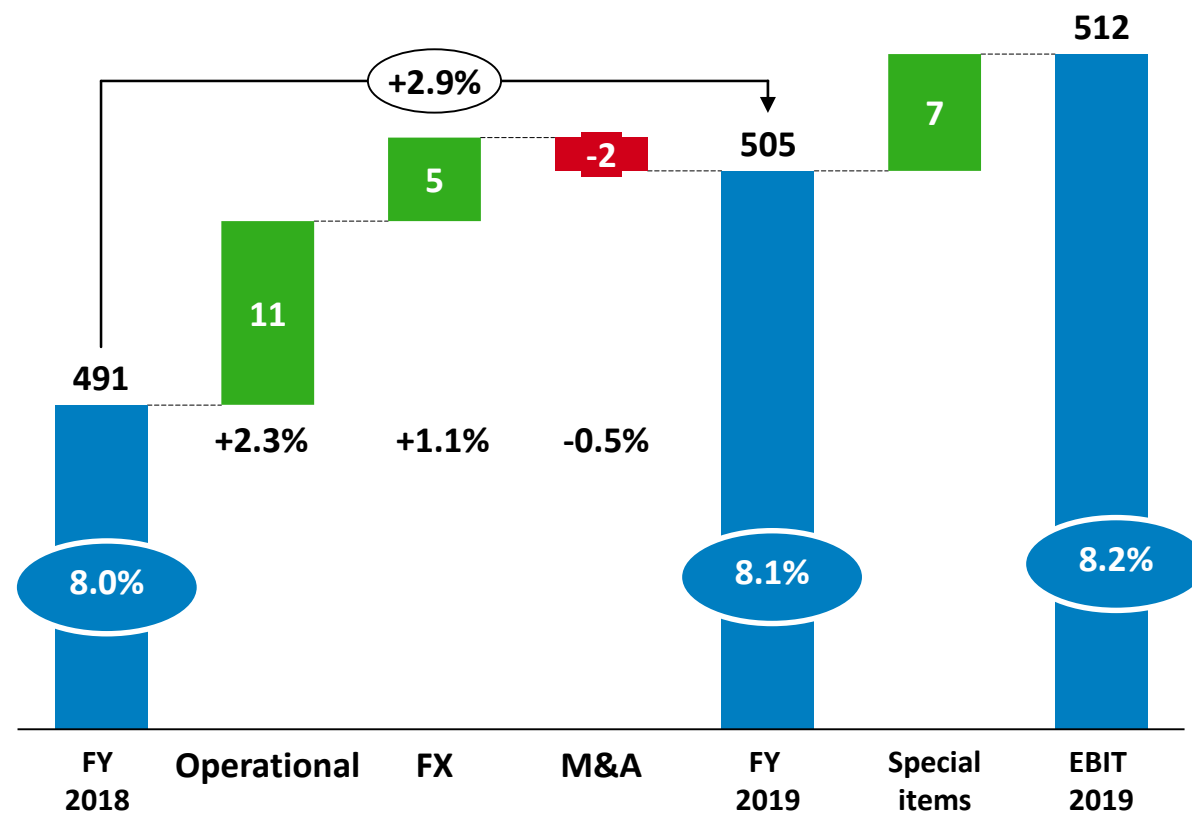
# FY 2019 Group: Highlights

## Solid margin development

■ Sales  
in €m



■ Operating result in €m  
Margin in %



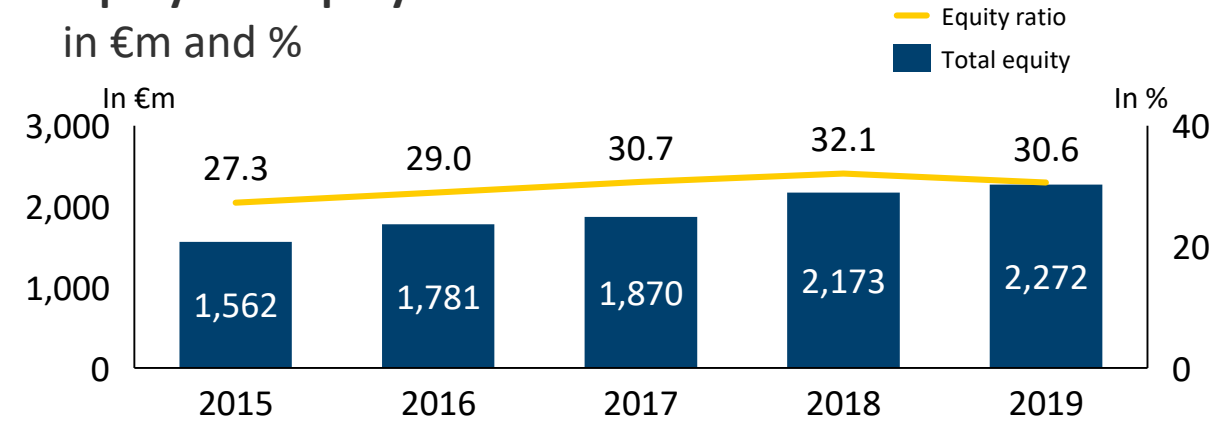
# FY 2019 Group: Key financials

## Sound balance sheet

- Equity increase was held back by OCI (lower pension discount factor) and last year's M&A activities
- Investment grade Baa3 (stable) confirmed
- Net-debt remains on low level
- Solid credit KPIs
- Adequate liquidity available

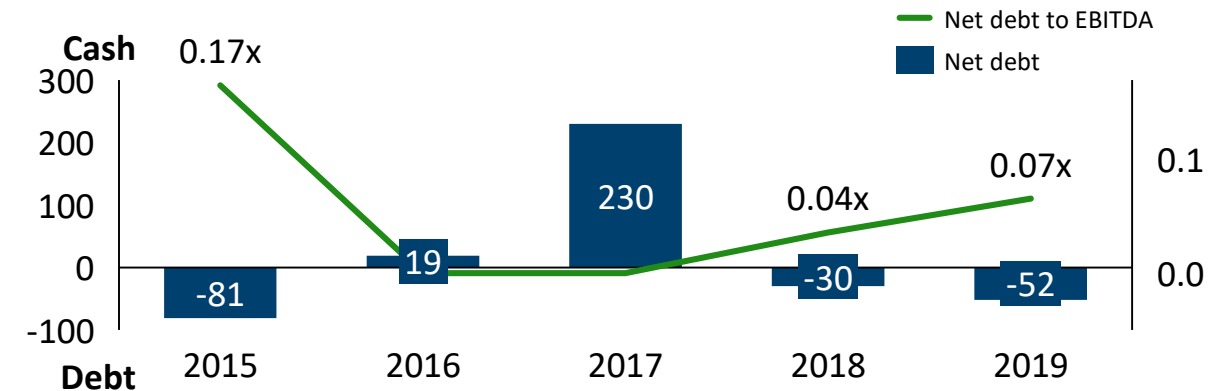
### Equity and Equity ratio

in €m and %



### Net financial debt and Net debt/EBITDA

in €m and ratio

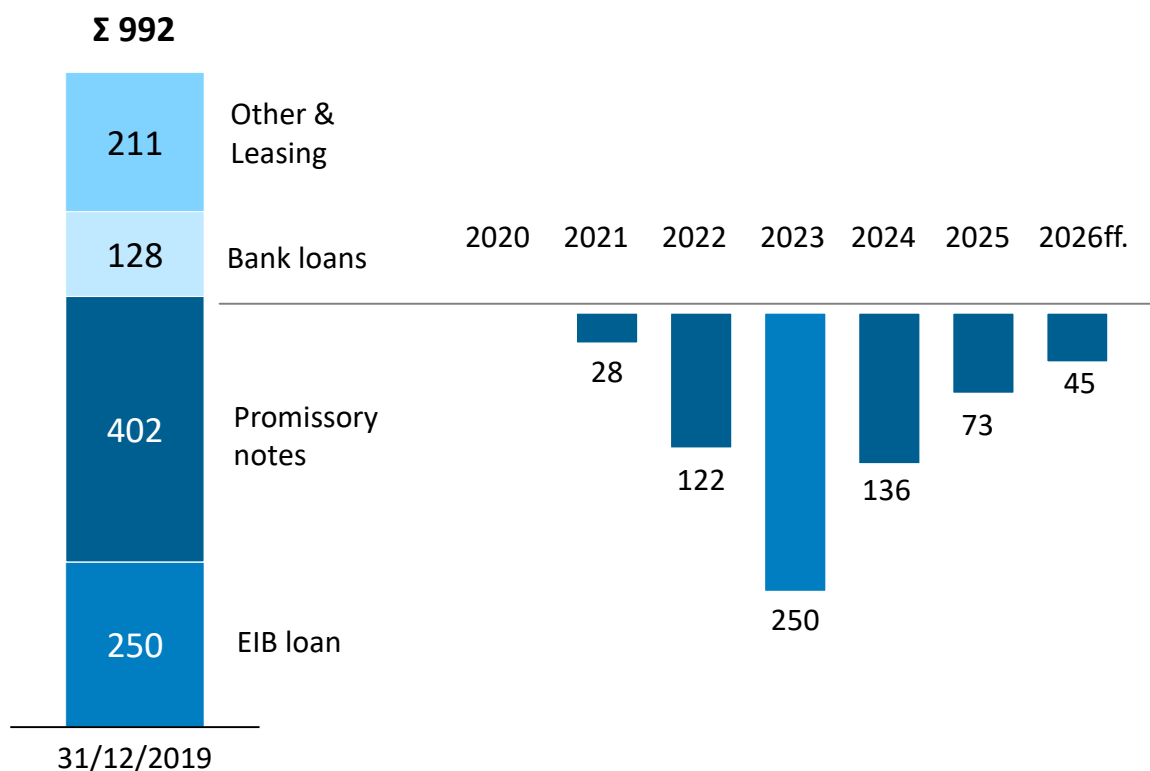


# FY 2019 Group: Key financials

## Sufficient liquidity and credit lines available, no significant maturities in 2020

### ■ Debt composition and maturity profile per 31.12.2019

in €m



- No significant debt maturity in 2020
- 90% of the financial liabilities are long-term

- Current liquidity position of around 940€m (incl. liquid financial assets)
- Unused cash credit lines from banks of 430€m
- Unused commercial paper program of 500€m
- Unused 500€m syndicated credit line with 13 banks can be drawn (i.a. back-up line for the commercial paper program)

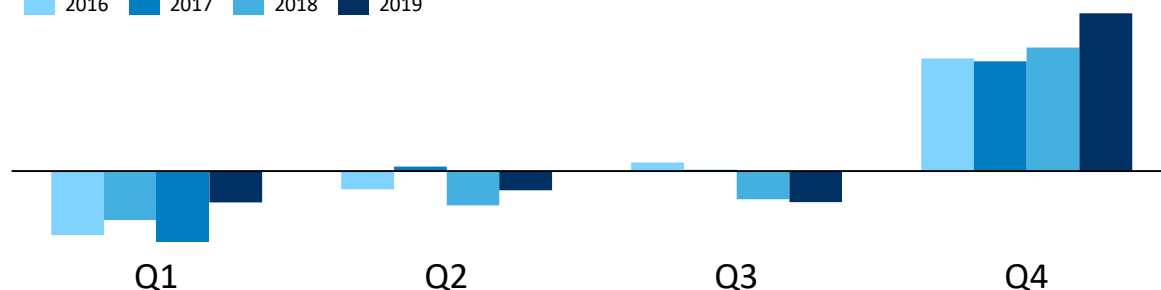
# FY 2019 Group: OFCF

## Considerable working capital improvement as main driver

### Operating free cash flow per quarter

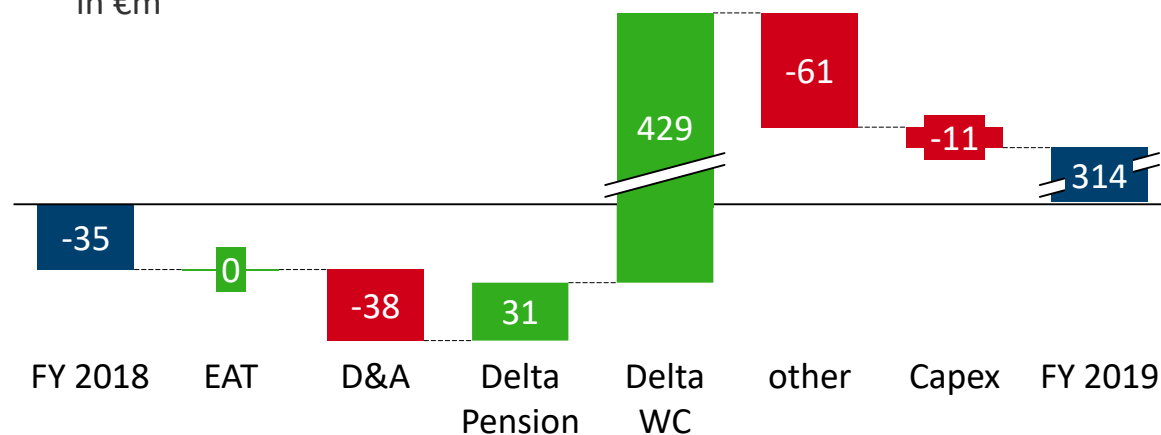
in €m

2016 2017 2018 2019



### Operating free cash flow bridge

in €m



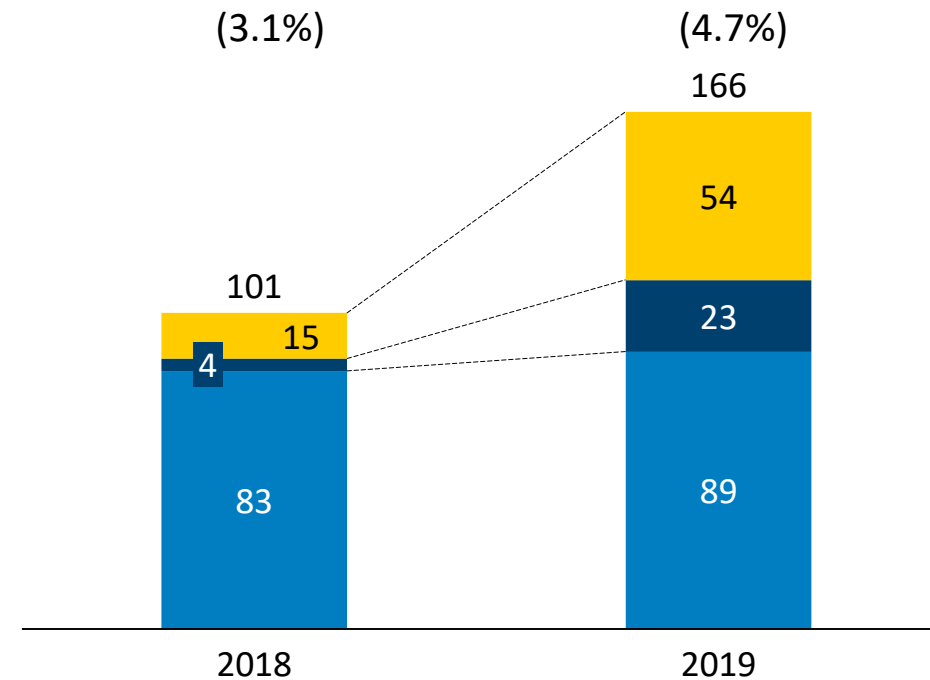
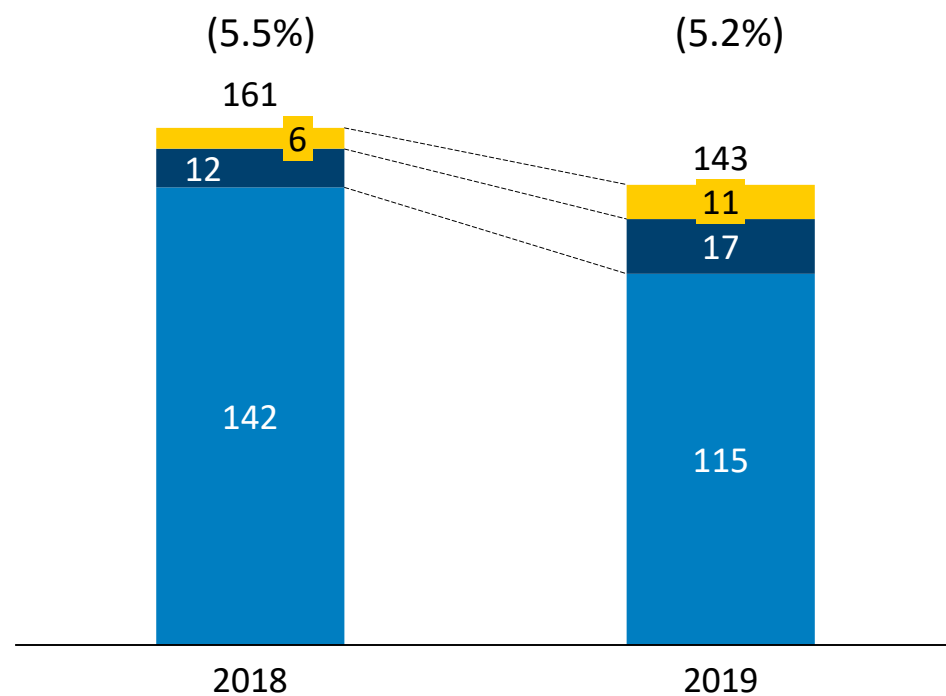
- Typical seasonal pattern of cash flow
- Absence of unscheduled D&A (PY €42m)
- Pension driven by lower CTA funding
- Working capital improved strongly on milestone payments
- Higher tax payments

# FY 2019: Capex

## Segmental growth path reflected in different capex development

■ **Automotive with diligent capex approach**  
in €m and in (% of sales)

■ **Defence preparing for growth**  
in €m and in (% of sales)



■ IFRS 16 (non-cash)  
■ Capitalized development costs  
■ Capital expenditure

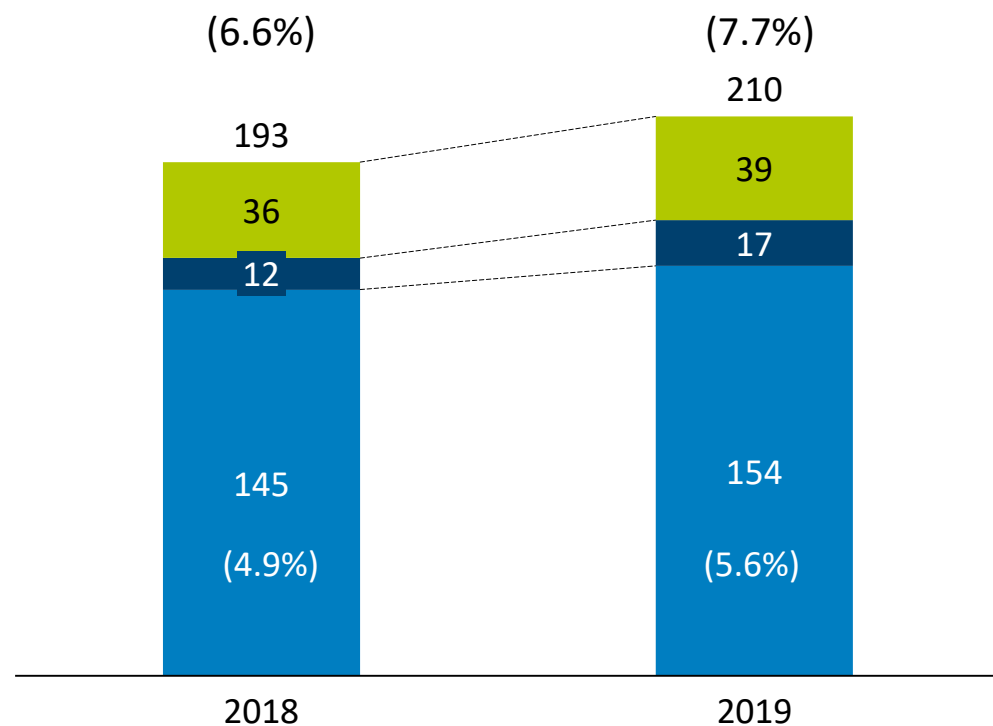


# FY 2019: R&D

## Innovation remains key in both segments

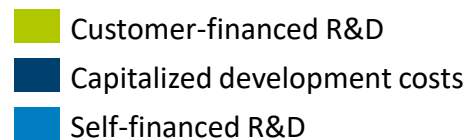
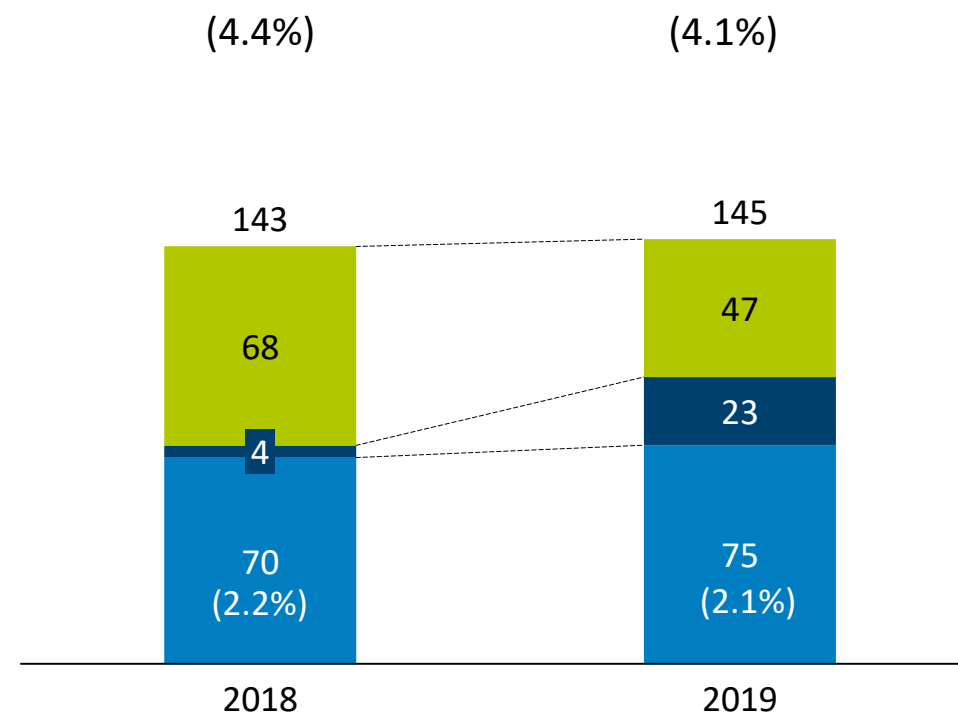
### Automotive

in €m and in (% of sales)



### Defence

in €m and in (% of sales)



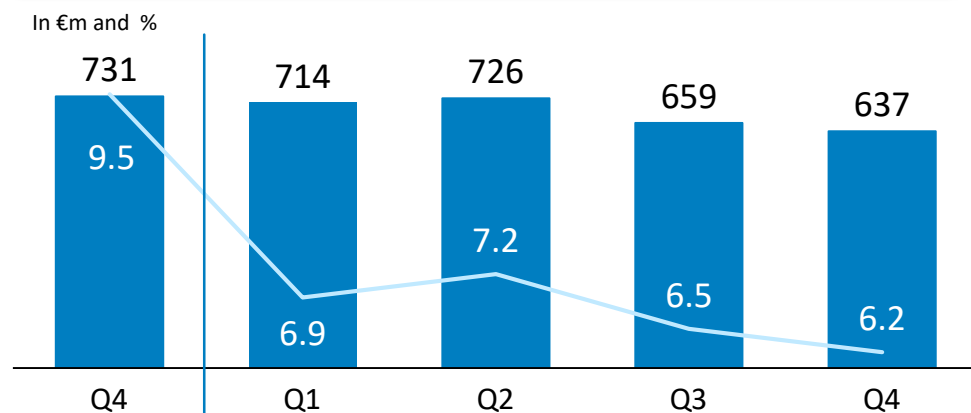


# AUTOMOTIVE FINANCIALS

# Automotive: Q4 2019 Highlights

## Strong cash generation in a slow sales quarter with burdening one-offs

### Quarterly sales and margin development



### Comments on quarterly performance

- Sharp sales decline of -12.9% (FX-adjusted -13.2%) significantly higher than global LV production decrease of -4.2%\* aggravated by negative ramp effects, the drop in truck markets and GM strike; Diesel on new low
- Roughly €10m burden in Q4 result (GM, malware, CZ quality issues)
- OFCF doubled on efficient working capital management and diligent capex spending

In €m	Q4 2018	Q4 2019	Δ	FY 2018	FY2019	Δ
Sales	731	637	-12.9%	2.930	2.736	-6.6%
Operating result	69	40	-42.0%	262	184	-29.8%
Operating margin in %	9.5%	6.2%	-330 bp	8.9%	6.7%	-220 bp
Operating Free Cash Flow	42	81	92.9%	26	73	180.8%
Operating FCF / Sales	5.8%	12.8%	700 bp	0.9%	2.7%	180 bp

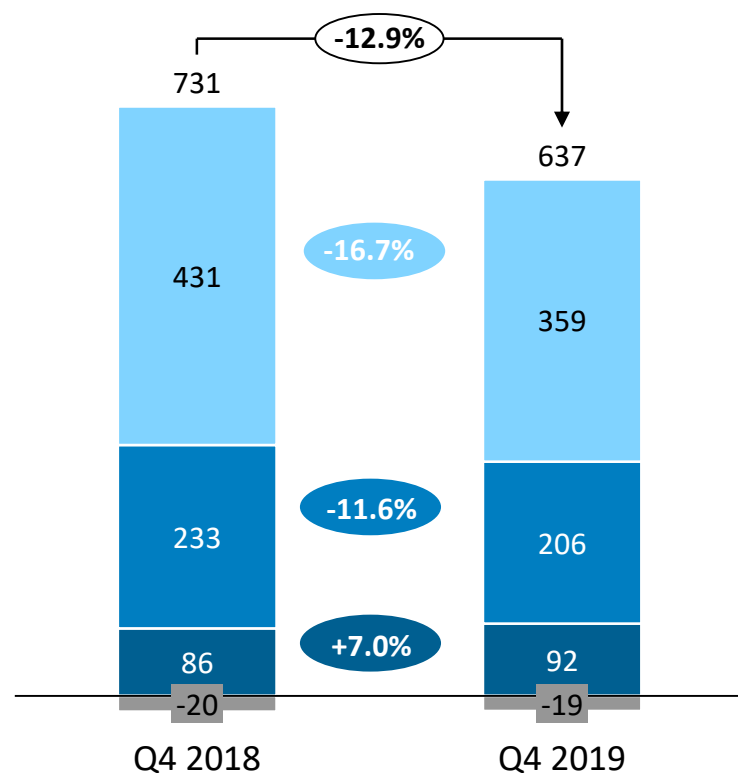
\*IHS Markit: March 2020

# Automotive: Q4 2019 Highlights

## Negative leverage intensified by special effects

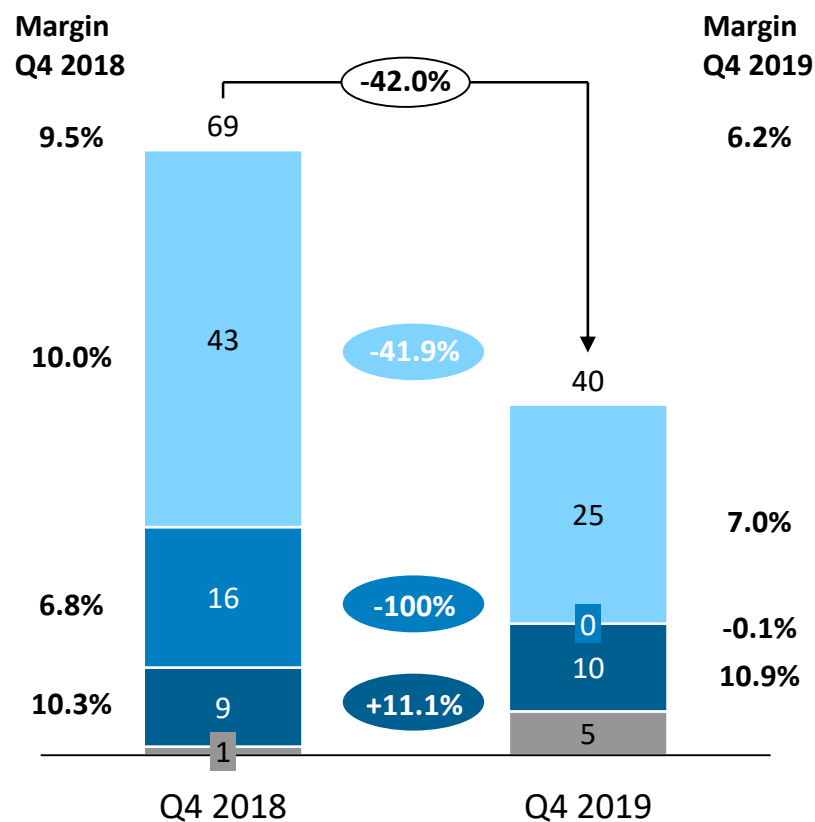
### Sales Automotive

in €m



### Operating result Automotive

in €m



### Mechatronics

- Weak Truck and Diesel demand in combination with ramp down effects
- Negative leverage

### Hardparts

- Small bore pistons declined on weak markets and GM strike
- Bearings hit by soft endmarkets
- Negative leverage and special burden

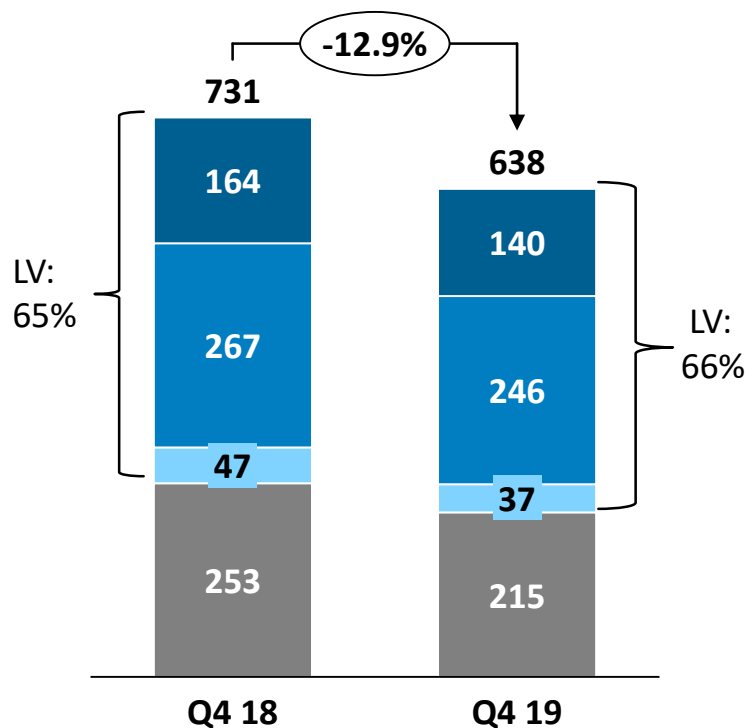
### Aftermarket

- Solid markets and robust margin improvement

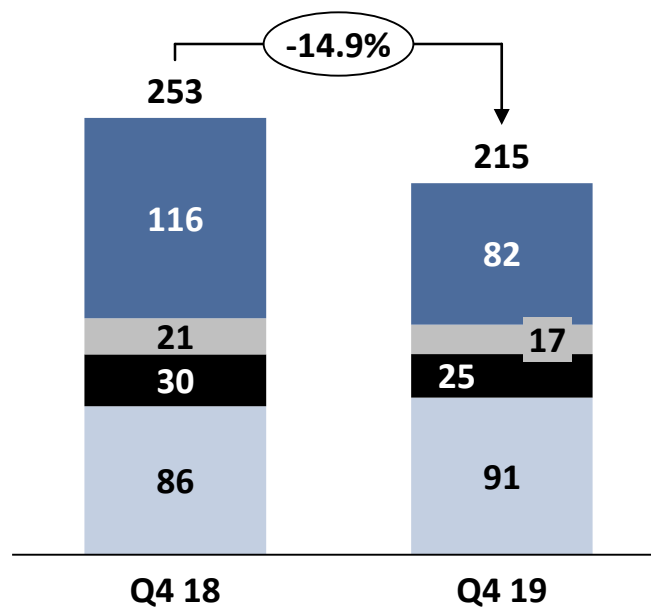
# Q4 2019 Highlights: Automotive

## Decline in all business areas except Aftermarket

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



■ Sales split Non-LV  
in €m / in %



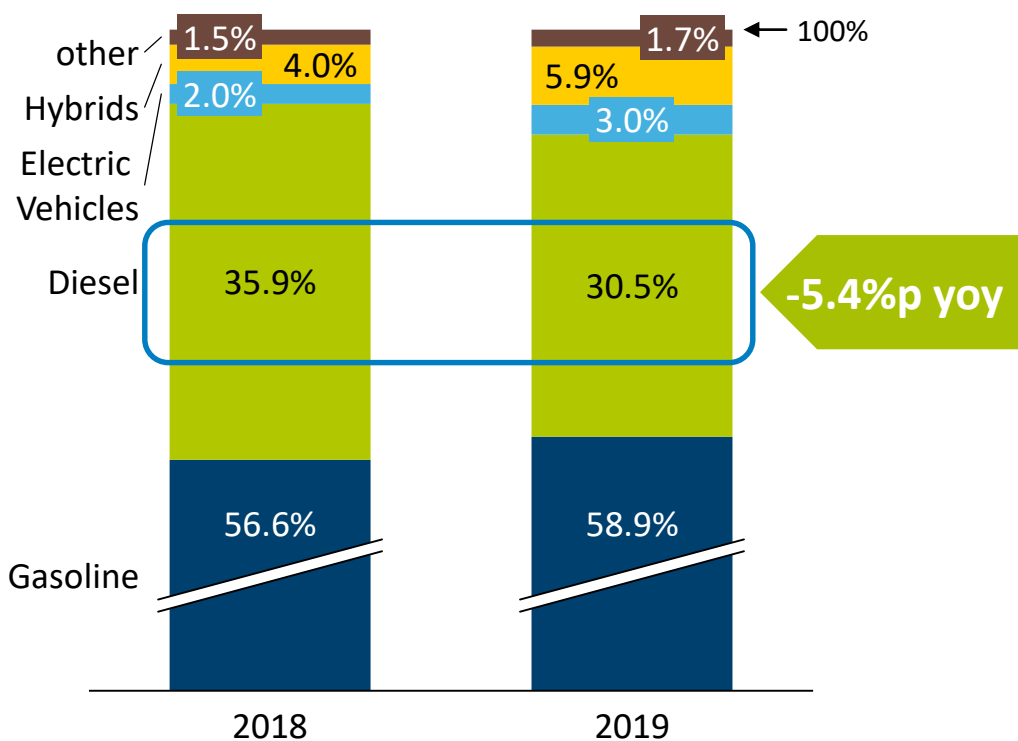
	Delta absolute	Delta in %
Diesel	-24	-14.7%
Gazoline	-21	-7.7%
other LV	-10	-20.8%
<hr/>		
<b>LV Business</b>	<b>-55</b>	<b>-11.2%</b>
Truck	-34	-29.6%
Large Bore	-3	-15.2%
other	-5	-16.7%
Aftermarket	+5	+5.7%
<hr/>		
<b>Non-LV Business</b>	<b>-38</b>	<b>-14.9%</b>



# Automotive: FY 2019

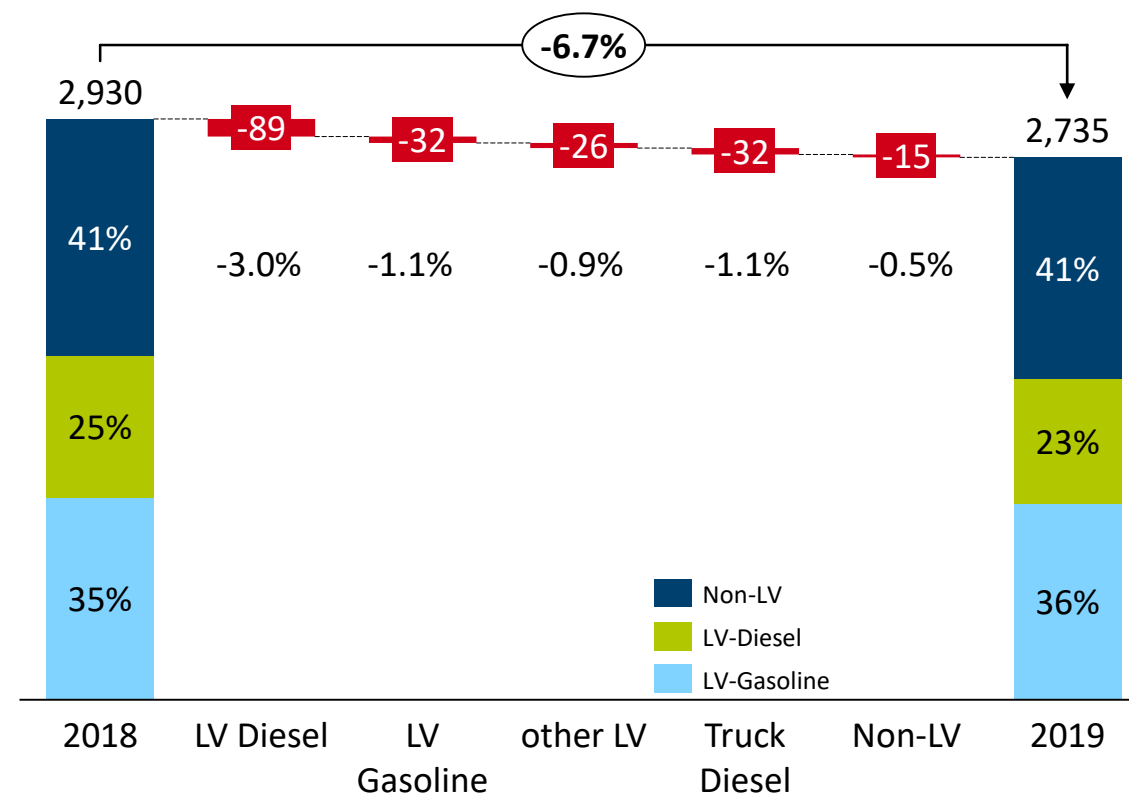
## Diesel decline had the biggest single impact on sales

■ EU registrations by fuel type  
in % of total registrations



Source: ACEA.be

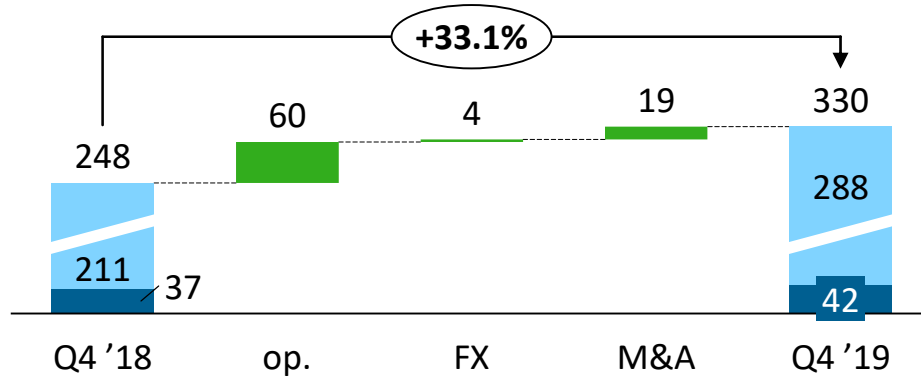
■ Sales by fuel type  
in €m



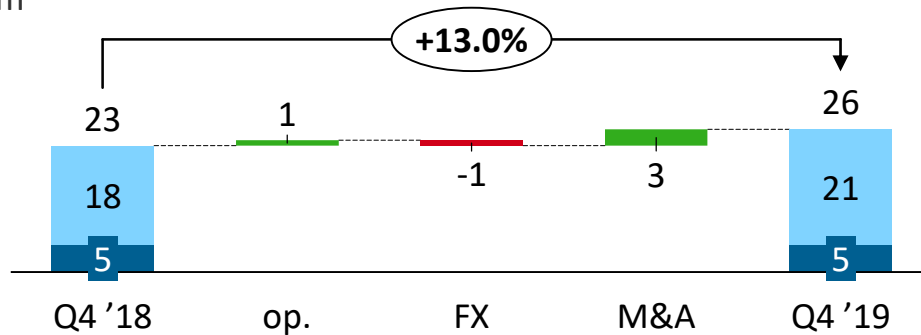
# Automotive: Q4 2019 China performance

## Strong finish to the year

### Sales in €m



### EBIT in €m



### Comments on the quarter

- Strong operational performance supported by FX and favorable M&A effect vs. market growth of 3.2%  
(IHS Markit 4 March 2020)
- Successful ramp-ups of pump business and strong sales for casting incl. non-automotive products
- EBIT development held back by startup cost

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

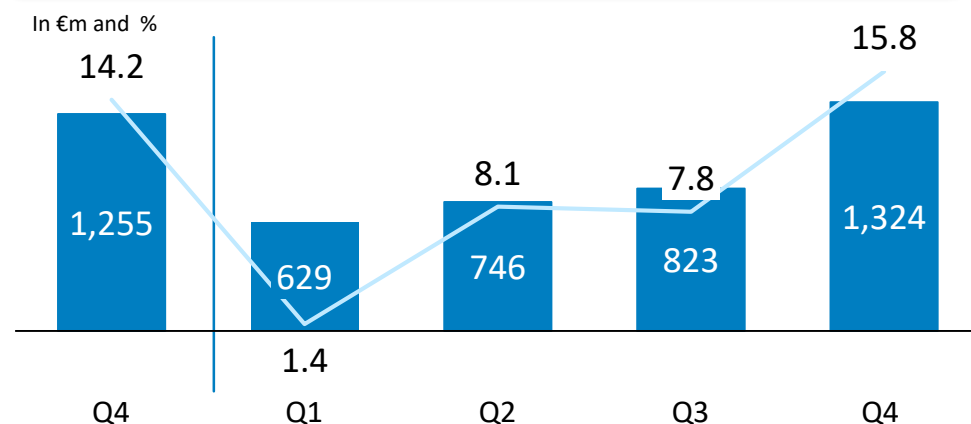


# DEFENCE FINANCIALS

# Defence: Q4 2019 Highlights

## Best closing quarter in history

### Quarterly sales and margin development



### Comments on quarterly performance

- Order intake jumped to ~€3bn with large share for 2020
- Sales increase of 5.5% on an already strong Q4 '18
- WA and VS were the driver behind the margin expansion of 160bp to 15.8%
- Working capital improved due to milestone payments lifting cash to sales ratio to ~45%

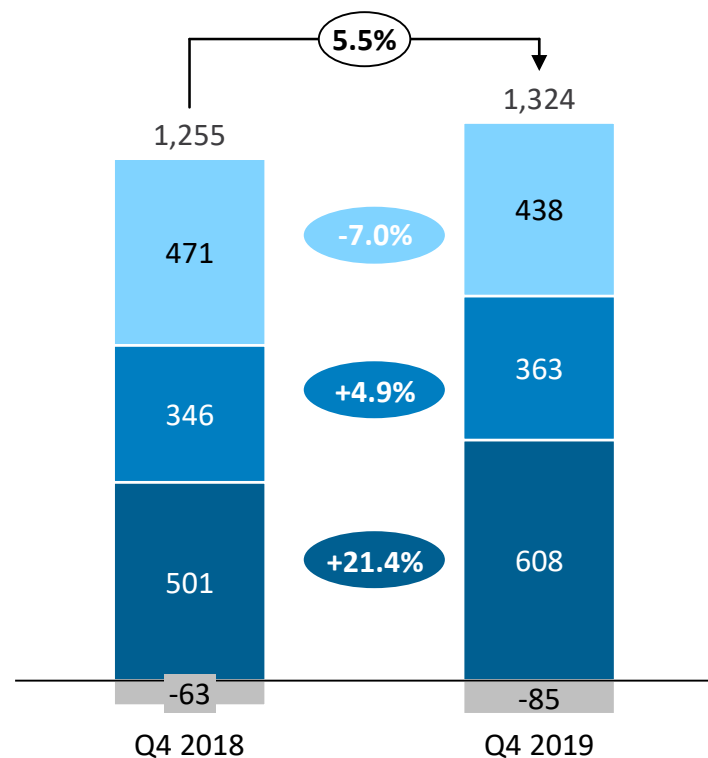
In €m	Q4 2018	Q4 2019	Δ	FY 2018	FY 2019	Δ
Order intake	1.094	2.985	172.9%	5.565	5.186	-6.8%
Sales	1.255	1.324	5.5%	3.221	3.522	9.4%
Operating result	179	210	17.3%	254	343	35.0%
Operating margin in %	14.2%	15.8%	160 bp	7.9%	9.8%	190 bp
Operating Free Cash Flow	479	595	24.2%	-29	266	>100%
Operating FCF / Sales	38.2%	44.9%	680 bp	-0.9%	7.6%	850 bp

# Q4 2019 Highlights: Defence

## Closing quarter with notable outperformance

### Sales Defence

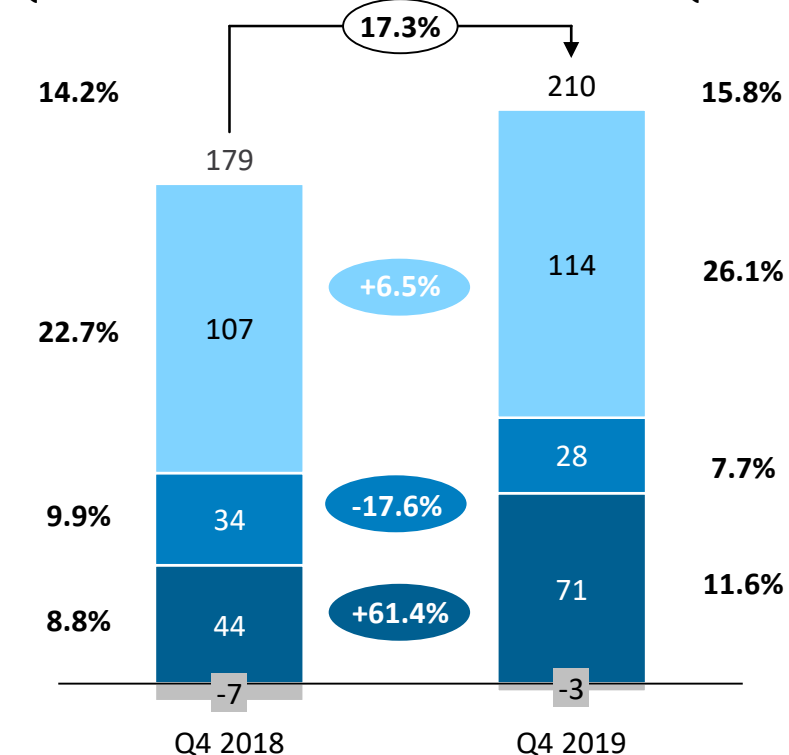
in €m



### Operating result Defence

in €m

Margin  
Q4 2018



Margin  
Q4 2019

### Weapon & Ammunition

- Sales held back by export restrictions
- Excellent order execution

### Electronic Systems

- Solid growth
- Unfavorable product mix effects

### Vehicle Systems

- Strong growth of higher margin tactical vehicles

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

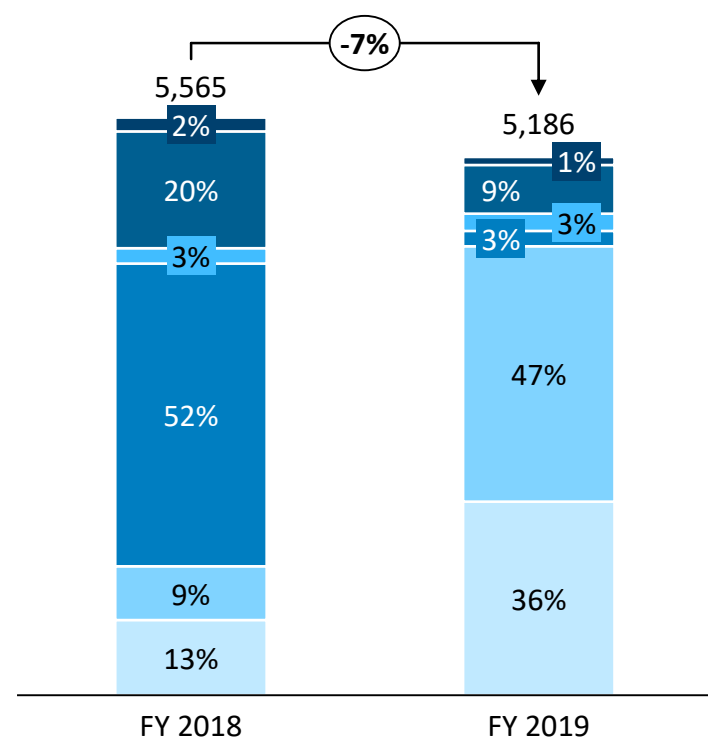


# Regional overview FY 2019

## Success in “home markets” is key driver

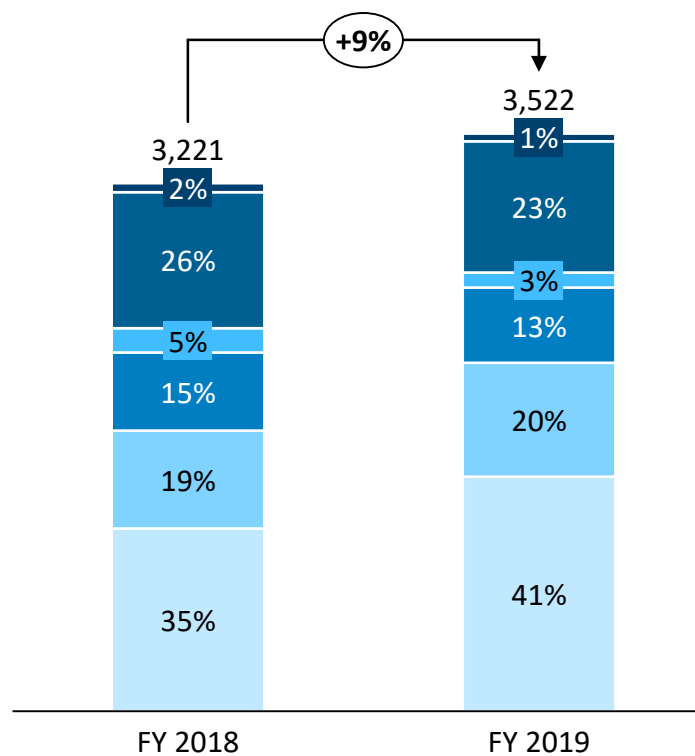
■ Order intake by region

in %



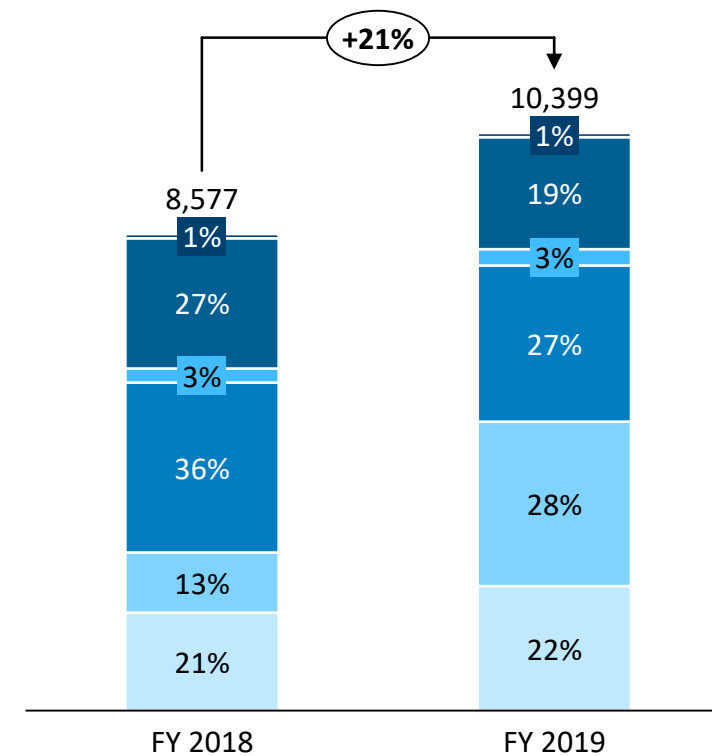
■ Sales by region

in %



■ Order backlog by region

in %

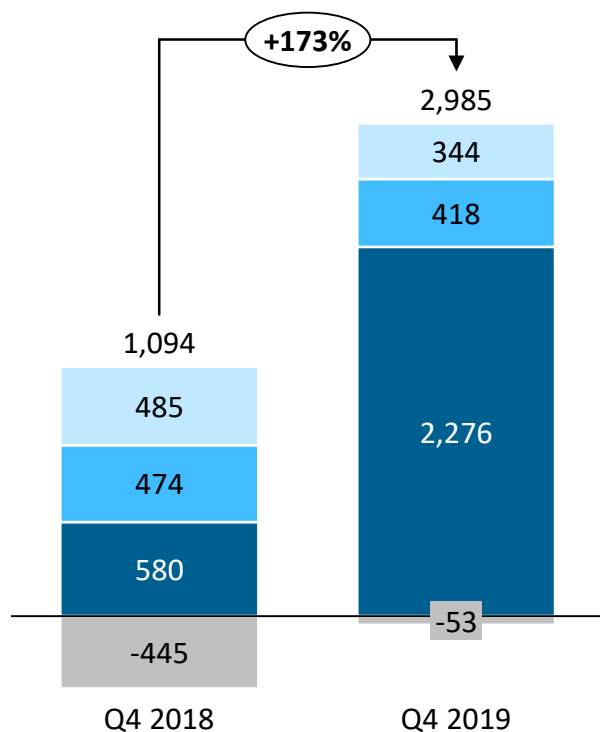


■ Germany 
 ■ Europe (w/o G) 
 ■ Australia / NZ 
 ■ North America 
 ■ Asia / ME 
 ■ Row

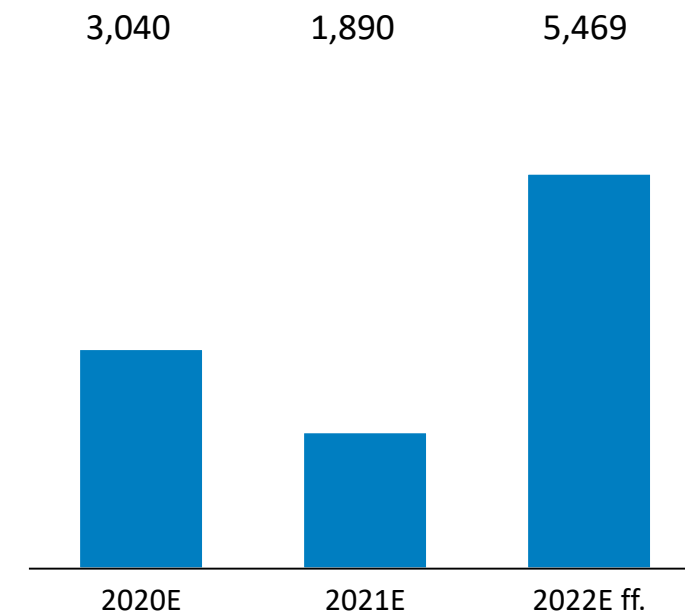
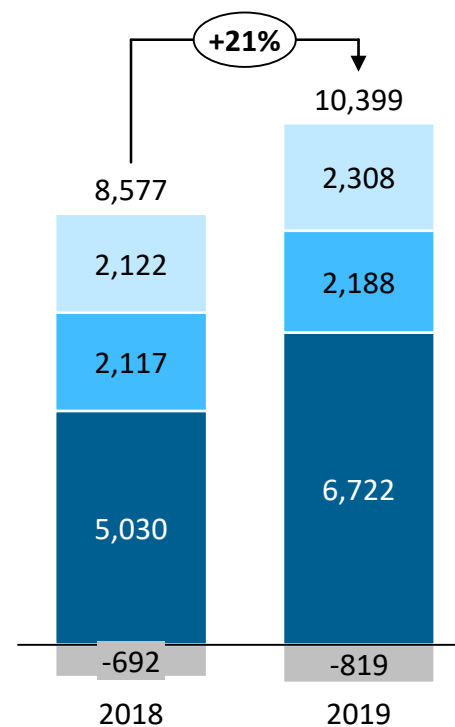
# Q4 2019 : Defence

## Strong Q4 order intake with high share for 2020

■ Order intake by division  
in €m



■ Order backlog profile  
in €m per 31/12/2019





# OUTLOOK **2020**

## Corona update (1)

# Early adoption of preventive measures to contain the situation

### Growing catalogue of preventive measures

- Installation of global corona action team at each site
- Daily updates on corona situation from all 6 divisions
- Increased level of disinfection and hygienic measures
- Initial travel restrictions to risk regions expanded to global foreign travel ban
- Switch to virtual meetings internally and externally with supplier and customer
- Cancellation of internal events until further notice
- 100% functionality with 50% presence (e.g. mobile office, shift models)
- Action teams analyze the supply chain and identify remedies
- Intense dialog across the supply chain

## Corona update (2)

### **Situation very dynamic, first priority to protect employees and supply chains**

#### **Virus containment measures proven effective**

- China production restarted, current activity level >60%, but no reported incidents
- Germany with five incidents, but no production impact
- Italy with one incident, fully operational
- Several employees in preventive quarantine (e.g. holiday returns)

#### **Supply chains still stable**

- Critical parts and suppliers under evaluation
- Alternative sourcing and logistics in process
- As of today no supply shortage and no delivery impact reported
- Plant closure announcement of European OEM under assessment



Automotive  
Q1 impact from China expected  
Europe and US business until today  
not affected



Defence is 100% operational  
Further growth in Q1 expected



# 2020 Guidance

## Guidance without Corona effect

- GROUP**
- AUTOMOTIVE** 
- DEFENCE** 

Sales			Operating margin	
2019 in €bn	2019 Operational growth yoy in % at constant FX	2020e Operational growth yoy in % at constant FX	2019 in %	2020e in %
6.3	0.5	1 – 3	8.1	around 7
2.7	-7.4	-2 to -3	6.7	around 5
3.5	7.6	5 – 7	9.8	9 – 10

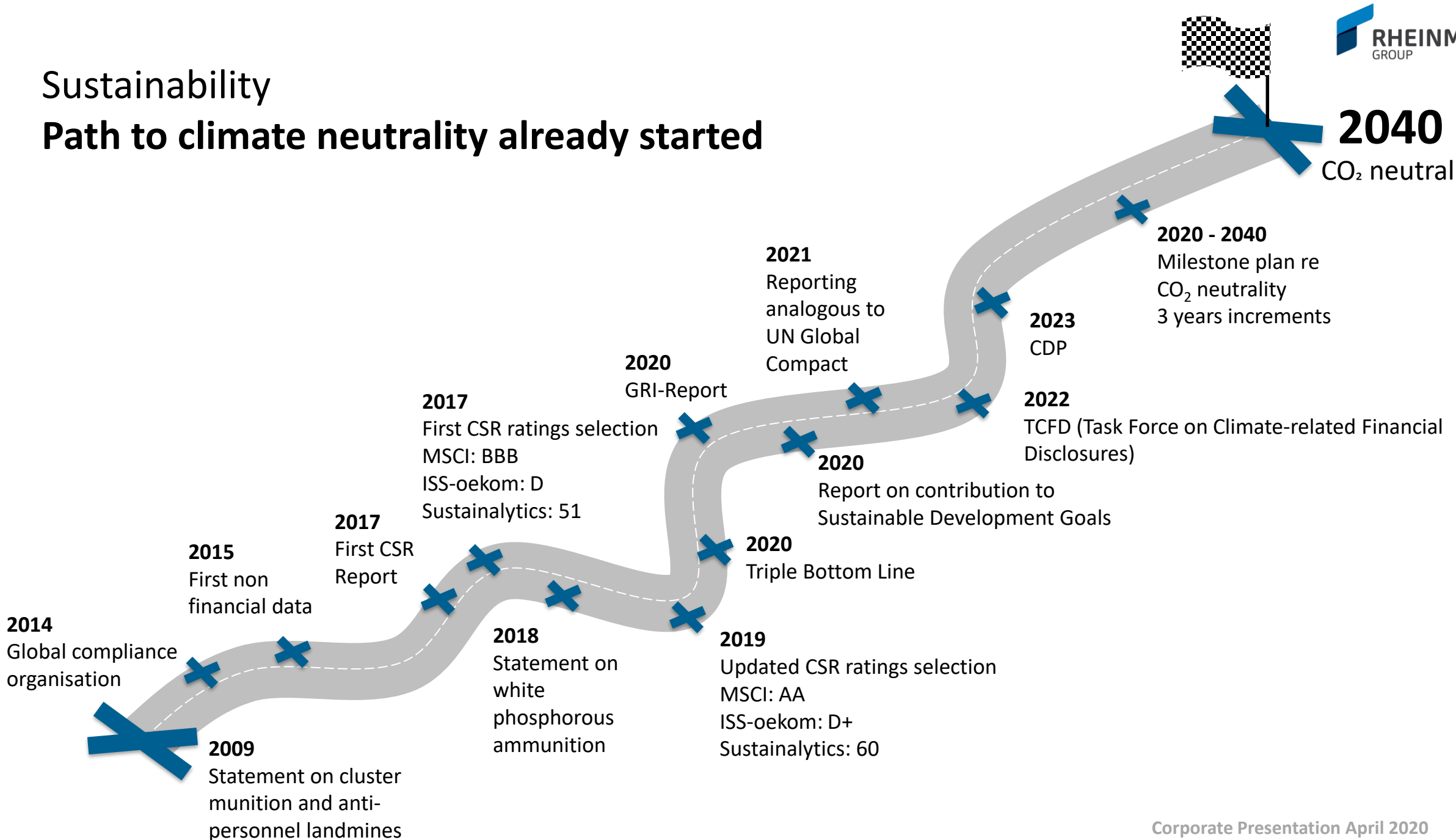
**FY guidance will be updated earliest with Q1 earnings release**



# Appendix

# Sustainability

## Path to climate neutrality already started



# Sustainability

## ESG @Rheinmetall

# E

### 2040 CO<sub>2</sub> neutral

Automotive Product portfolio actively reduces CO<sup>2</sup> emission  
 Reduction energy intensity (MWh/EUR m revenue) 2015: 229,4 | 2019: 157,2  
 Reduction THG intensity (tCO<sub>2</sub>/EUR m revenue) 2015: 101,2 | 2019: 65,7  
 Revenue coverage ISO 14001 72,4 %  
 Revenue coverage ISO 50001 84,4 %  
 Environmental issues | Part of Business Partner Check

# S

### Social Responsible

Transparency in the Supply Chain | Suppliers EU-registered: PM: ~ 60 % and NPM: ~ 56 %  
 Human Rights | In-house DD 2019 as per DIHR | Part of Business Partner Check since 2019  
 Health & Safety | ISO 45001 | 14 companies certified  
 Diversity | Goals 2020-2025 | Women in management development programs  
 Corporate Citizenship | Sponsoring 2019: EUR 876k | Donations 2019: EUR 486k

# G

### Robust Governance Model

Compliance Management System - IDW PS 980 approved | Extensive training  
 Data Privacy | Set-up of network infrastructure as part of CMS  
 Strict regime | 2019: 33.529 entries in War Weapons Book | 104 export licenses german weapons of war control act (KWKG) | 752 export licenses Foreign Trade and Payments Ordinance (AWG)  
 Product responsibility  
 Reporting | Contribution to SDGs & GRI Reporting | Annually from 2020 onwards  
 CSR Ratings | 10 agencies

# Active board remuneration schemes

## Current and new remuneration policy for contracts starting in 2020

### Current policy

### New policy

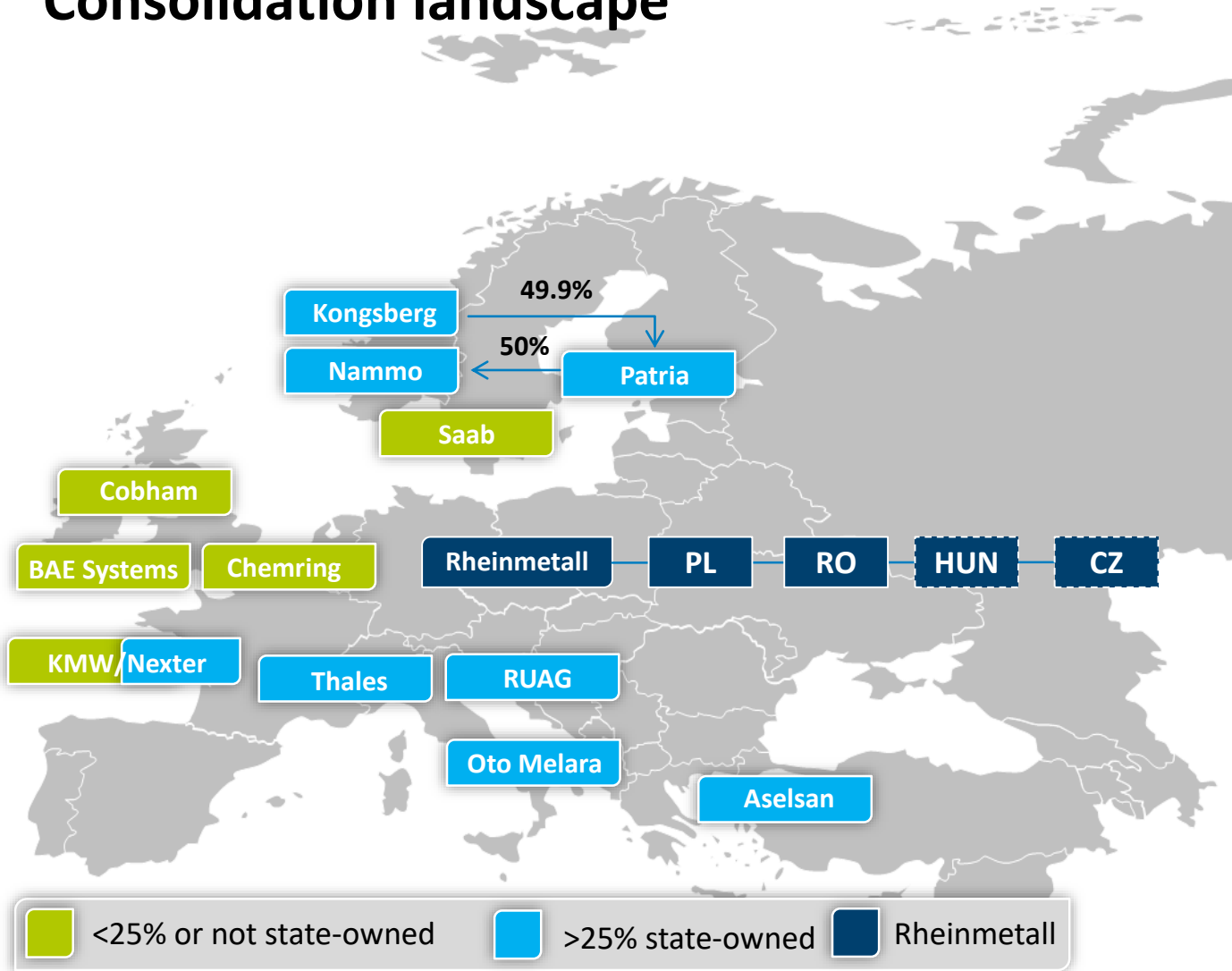
100% annual target salary	<b>Fixed annual remuneration</b> <b>60%</b> over 12 months, including fringe benefits		Fix	39%	33%	Fix	<b>Fixed annual remuneration</b> over 12 months, including fringe benefits <b>60%</b>		100% annual target salary	
	<b>STI</b> <sup>1)</sup> <b>40%</b>		EBT 50% ROCE 50% Threshold $\leq 70\%$ — $\frac{100\%}{100\%}$ — $\geq 110\%$ Payout (linear) $\frac{0\%}{100\%}$ — $\frac{100\%}{200\%}$ (cap)		STI	27%	22%	<b>STI</b> financial targets (EBT, ROCE) & non-financial targets (e.g. strategy implementation and sustainability) Threshold $\leq 80\%$ — $\frac{100\%}{100\%}$ — $\geq 120\%$ Payout $\frac{0\%}{100\%}$ — $\frac{100\%}{250\%}$ (cap w/o Modifier)		<b>STI</b> <sup>1)</sup> <b>40%</b>
	<b>LTI</b> 3 years $\emptyset$ EBT (100% at €200m, cap at €300m) Individual factor Payout (50% shares (4 years deferred) + 50% cash + 20% of share value in cash)		$\emptyset$ EBT $\times$ Factor	34%	45%	$\emptyset$ EBT $\times$ Factor $+$ TSR	I 3 years $\emptyset$ EBT (100% at €500m, cap at €750m) (individual factor) 50% II TSR vs peer performance (adj. TSR MDAX) 50% $\emptyset$ last 12 months (div. adjusted) TSR vs adjusted MDAX; ranking of companies by percentile; payout calculated by base LTI value multiplied by % linked to percentile performance	<b>LTI</b>		
Special bonus in exceptional cases at the discretion of the supervisory board		Special bonus								

**100% total active compensation <sup>1)</sup>**

Annual report 2019, p. 144-155  
 1) Calculated on target achievement 100%



# European Defence Consolidation landscape



- **Governmental shareholding** restricts room for cross-border consolidation
- **Big common armament programs** could be catalysts for further consolidation

## Rheinmetall's approach:

- **JV partnerships with companies in different nations** instead of "putting all eggs in one basket"
- **Sufficient organic growth potential**, but suitable M&A transactions are possible

## Capital allocation



**Our capital allocation policy is geared towards further growth**

Funding of growth (organic and M&A)

Dividend to shareholders (Payout ratio 30-35%)

Improvement of pension funding via CTA (target level 50-60%)

# Select key data: outlook 2020

Rheinmetall Group		In %(PY)	Automotive 	Defence 
Holding cost	€20-25 (PY: €25m)	Capex (w/o IFRS 16)	Around 5.5% (5.5%)	Around 5%(4.7%)
Tax rate	Comparable level (PY: 26%)	D&A	5.5-6.0% (5.9%)	3-3.5% (3.1%)
Interest result	~-€45m (PY:-€35m)	R&D (self-funded)	Around 6% (5.9%)	2-2.5% (2.0%)

## Group 2015 – 2019: Key figures (as reported)

in €m		2015	2016	2017	2018	2019
<b>Balance Sheet</b>	Total assets	5.730	6.150	6.101	6.759	7.415
	Shareholder's equity	1.562	1.781	1.870	2.173	2.272
	Equity ratio (in %)	27,3	29,0	30,7	32,1	30,6
	Pension liabilities	1.128	1.186	1.080	972	1.169
	Net financial debt	-81	19	230	-30	-52
	Net financial debt / EBITDA	0,17	-0,03	-0,37	0,04	0,07
	Net gearing (in %)	5,2	-1,1	-12,3	1,4	2,3
<b>Income statement</b>	Sales	5.183	5.602	5.896	6.148	6.255
	Operating result	287	353	400	491	505
	Operating margin (in %)	5,5	6,3	6,8	8,0	8,1
	EBITDA	490	581	626	836	792
	EBIT	287	353	385	518	512
	EBIT margin (in %)	5,5	6,3	6,5	8,4	8,2
	EBT	221	299	346	485	477
	Net income	160	215	252	354	354
	Earnings per share (in EUR)	3,88	4,69	5,24	7,10	7,77
	Dividend per share (in EUR)	1,10	1,45	1,70	2,10	2,40
	ROCE (in %)	10,6	12,3	13,8	17,1	15,4
<b>CF statement</b>	Free cashflow from operations	29	161	276	-35	314
<b>Headcount</b>	Employees (Dec. 31) according to capacity	20676	20993	21610	22899	23780

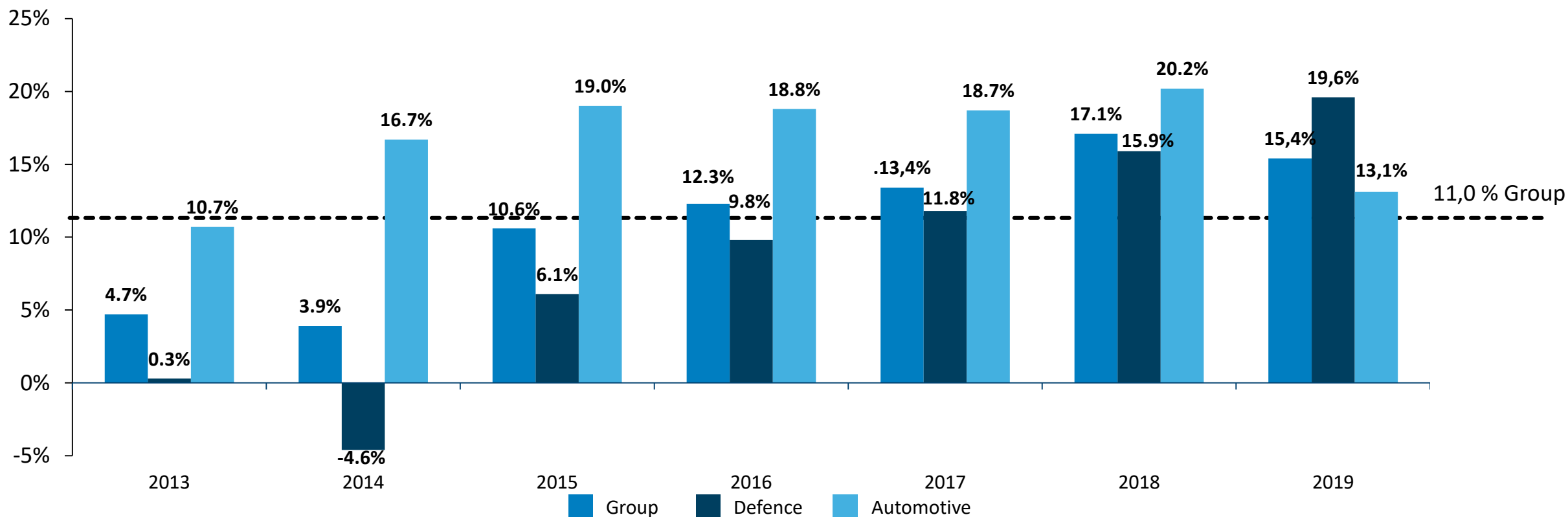
# Segments 2015 – 2019 Key figures

Automotive										Defence					
2015	2016	2017	2018	2019						in €m	2015	2016	2017	2018	2019
2.621	2.670	2.922	2.888	2.705	Order intake					2.693	3.050	2.963	5.565	5.186	
445	458	520	478	447	Order backlog (Dec. 31)					6.422	6.656	6.416	8.577	10.399	
2.592	2.656	2.861	2.930	2.736	Sales					2.591	2.946	3.036	3.221	3.522	
216	223	249	262	184	Operating result					90	147	174	254	343	
8,3	8,4	8,7	8,9	6,7	Operating margin (in %)					3,5	5,0	5,7	7,9	9,8	
335	356	367	421	348	EBITDA					175	239	268	403	450	
216	223	227	266	186	EBIT					90	147	172	247	341	
8,3	8,4	7,9	9,1	6,8	EBIT margin (in %)					3,5	5,0	5,7	7,7	9,7	
167	149	154	161	143	Capex					96	95	89	101	166	
96	105	106	26	73	OFCF					-38	103	238	-29	266	
10.934	10.820	11.166	11.710	11.405	Employees (Dec. 31) according to capacity					9.581	10.002	10.251	10.948	12.100	
1.450	1.499	1.621	1.664	1.525	<b>Mechatronics</b>	Sales		<b>Weapon &amp; Ammunition</b>	881	1.111	1.175	1.056	1.018		
118	140	176	171	118		Operating Result			73	108	117	121	123		
8,1%	9,3%	10,9%	10,3%	7,7%		Margin			8,3%	9,7%	10,0%	11,5%	12,1%		
952	921	968	988	937	<b>Hardparts</b>	Sales		<b>Electronic Solutions</b>	759	745	691	839	948		
73	62	60	65	28		Operating Result			12	25	20	46	75		
7,7%	6,7%	6,2%	6,5%	3,0%		Margin			1,5%	3,4%	2,9%	5,5%	7,9%		
285	319	358	367	361	<b>Aftermarket</b>	Sales		<b>Vehicle Systems</b>	1.195	1.392	1.480	1.568	1.787		
27	29	33	36	35		Operating Result			-9	29	53	108	150		
9,5%	9,1%	9,2%	9,7%	9,8%		Margin			-0,8%	2,1%	3,6%	6,9%	8,4%		



# Continuing ROCE improvement

■ ROCE  
in %



# Next events and IR contacts

## ■ Next Events

**Bank of America, Global Industrials Conference**

**Bankhaus Metzler, Frankfurt**

**Roadshow Zurich**

All investor meetings  
will be conducted as  
telephone conferences

**19 March 2020**

**31 March 2020**

**02 April 2020**

**Q1 2020 Earnings call**

**30 April 2020**

**Annual Stockholder's Meeting Rheinmetall AG**

**05 May 2020**

**H1 2020 Earnings call**

**30 July 2020**

**Q3 2020 Earnings call**

**04 November 2020**

## ■ IR Contacts

**Dirk Winkels**

Head of IR

Tel: +49-211 473-4749

Email: dirk.winkels@rheinmetall.com

**René Weinberg**

Senior Investor Relations Manager

Tel: +49-211 473-4759

Email: rene.weinberg@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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