



# Rheinmetall Group Corporate Presentation

August 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%

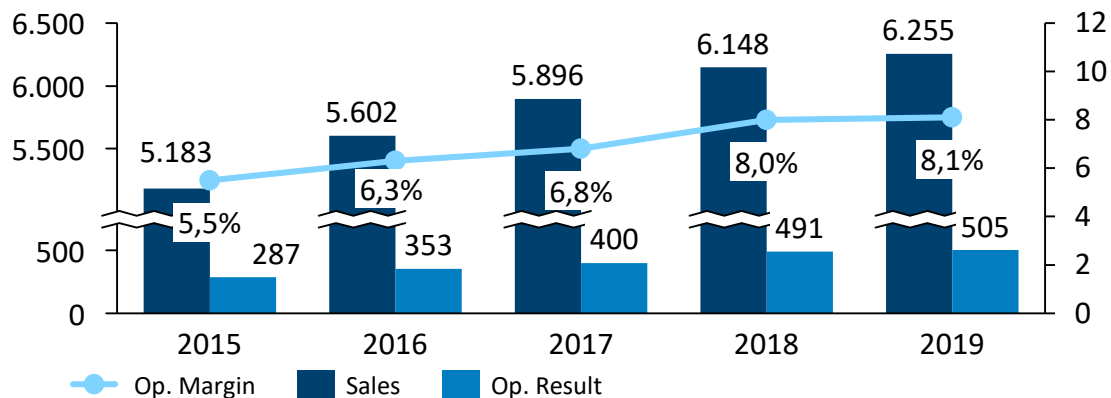
\* Short-term; \*\*Headcount at capacities;

# Rheinmetall Group

## Financial overview - Growth in all relevant KPI

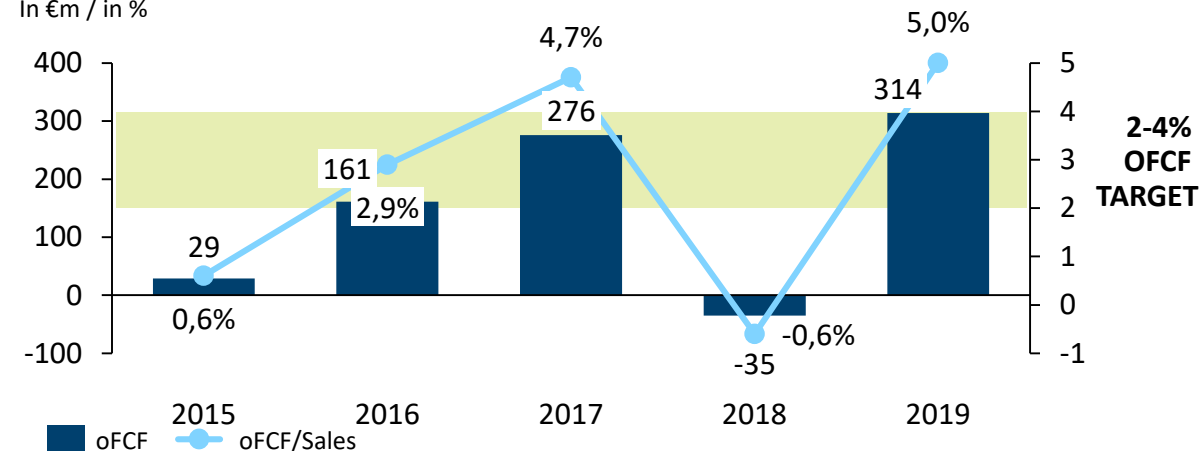
### Sales, operating result and operating margin

In €m



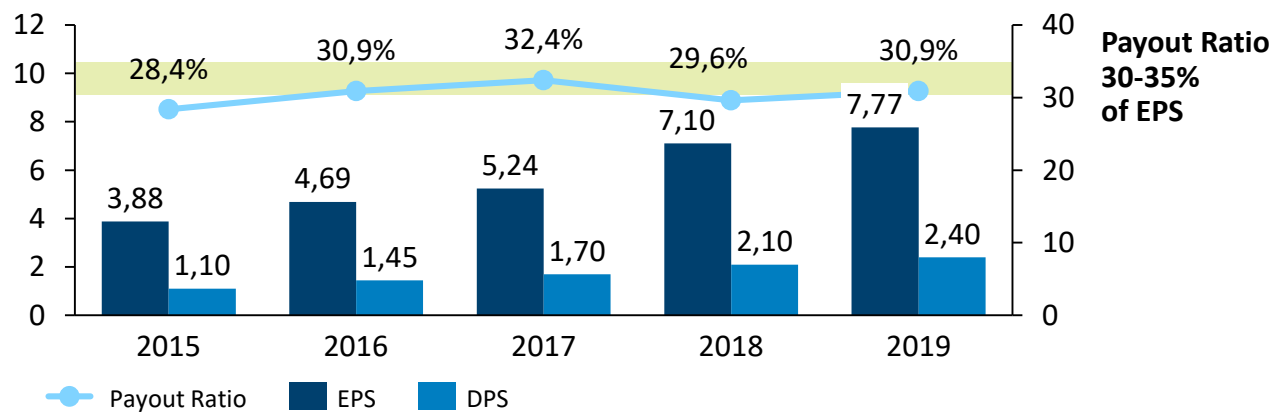
### Operating FCF and operating FCF to Sales

In €m / in %



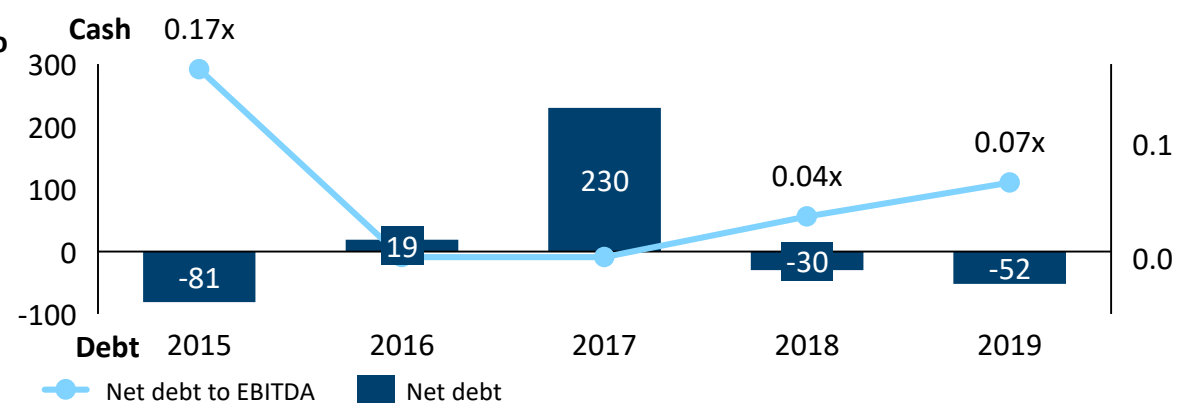
### Earnings and dividend per share

In € / in %








### Net financial debt and Net debt to EBITDA

In €m



# Rheinmetall Automotive Products per division



## MECHATRONICS

-  PUMP TECHNOLOGY
-  AUTOMOTIVE EMISSION SYSTEMS
-  SOLENOID VALVES
-  COMMERCIAL DIESEL SYSTEMS
-  ACTUATORS

## HARDPARTS

-  SMALL BORE PISTONS
-  BEARINGS
-  LARGE BORE PISTONS
-  CASTINGS

## AFTERMARKET

-  HARDPARTS
-  MECHATRONICS



# 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



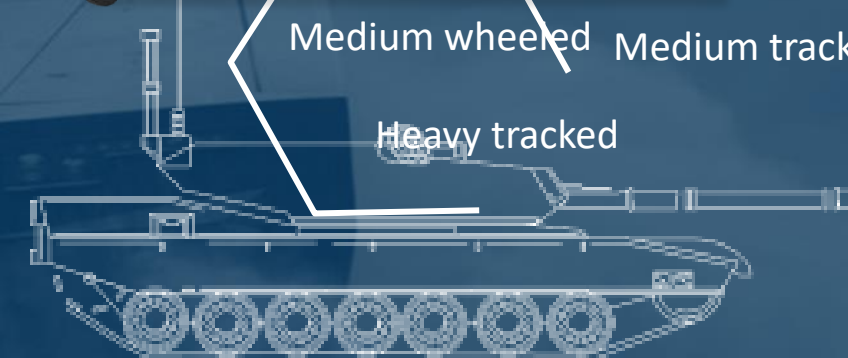
TACTICAL VEHICLES



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%

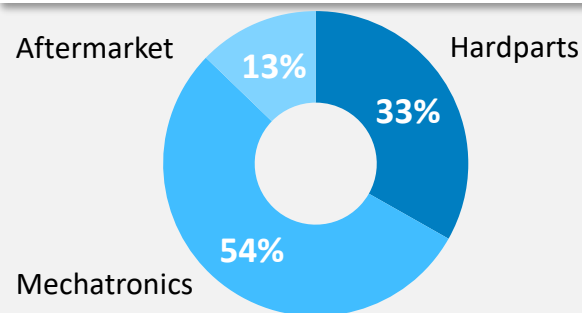
Op. FCF: €73m

R&D: €143m

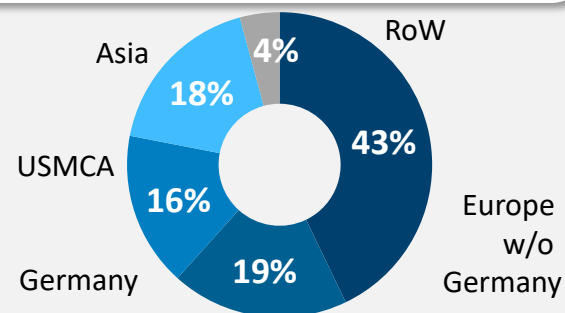
Capex: €163m

Headcount: 11.405

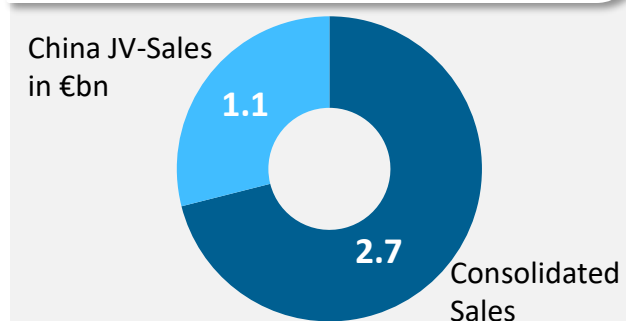
### Sales by division\*



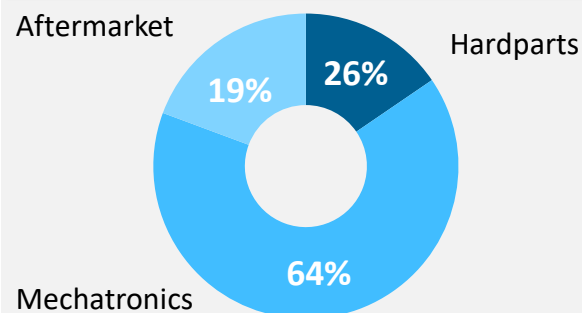
### Sales by region



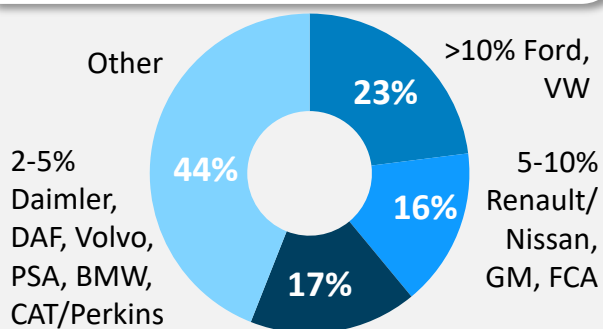
### Sales Total Management View



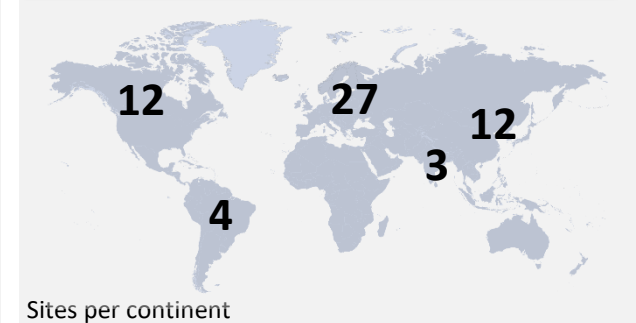
### Operating result by division\*



### Sales by customer



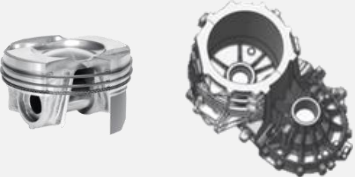

### Global set up



\*unconsolidated

# Automotive

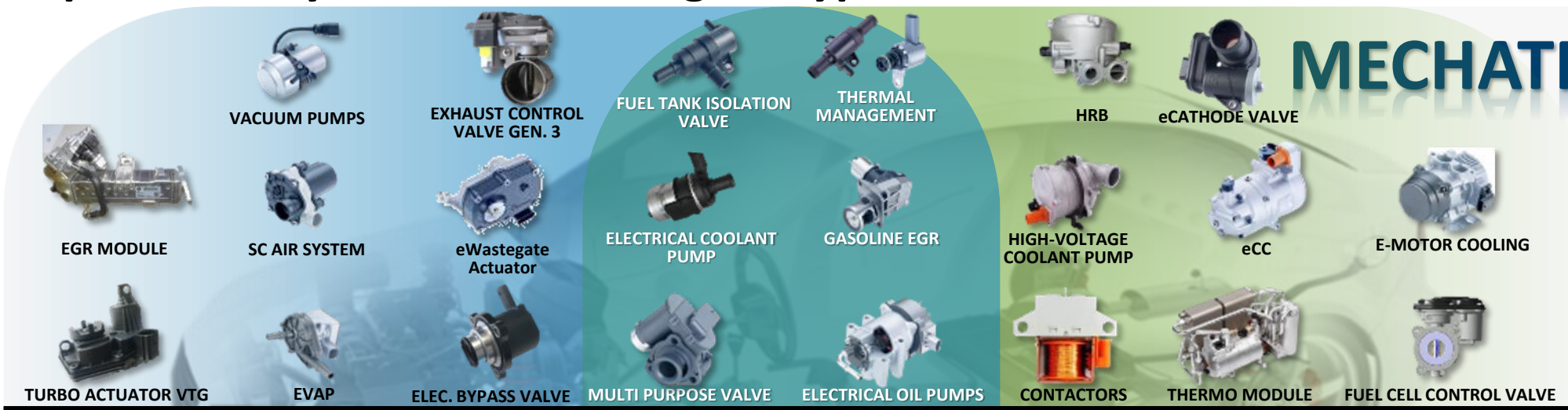
## Leading technology and market positions

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

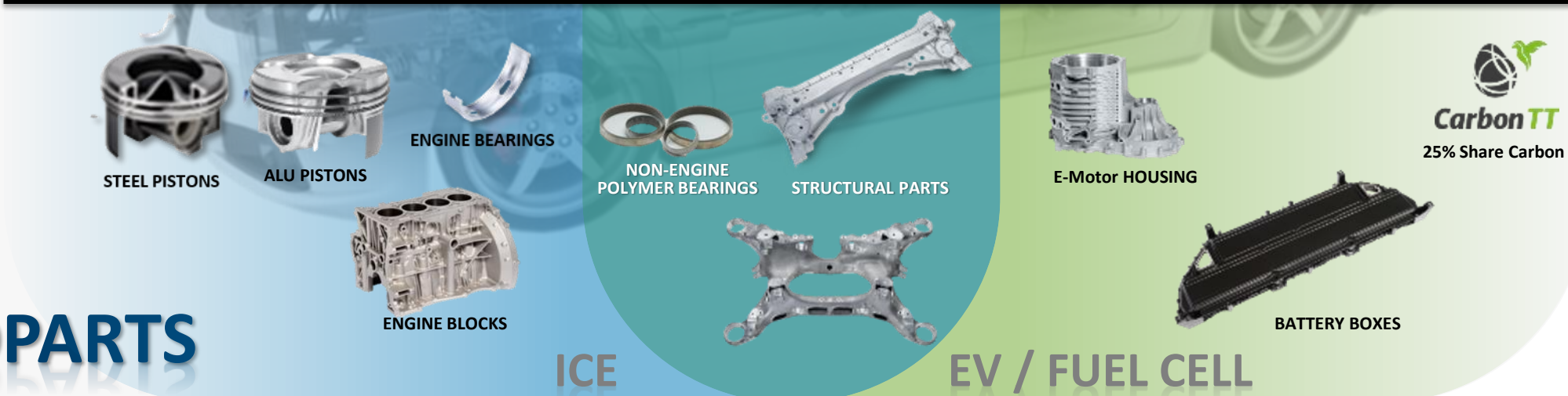
## Product portfolio by division and engine type

### 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

### HARDPARTS



- STEEL PISTONS
- ALU PISTONS
- ENGINE BEARINGS
- ENGINE BLOCKS
- NON-ENGINE POLYMER BEARINGS
- STRUCTURAL PARTS
- E-Motor HOUSING
- BATTERY BOXES

ICE

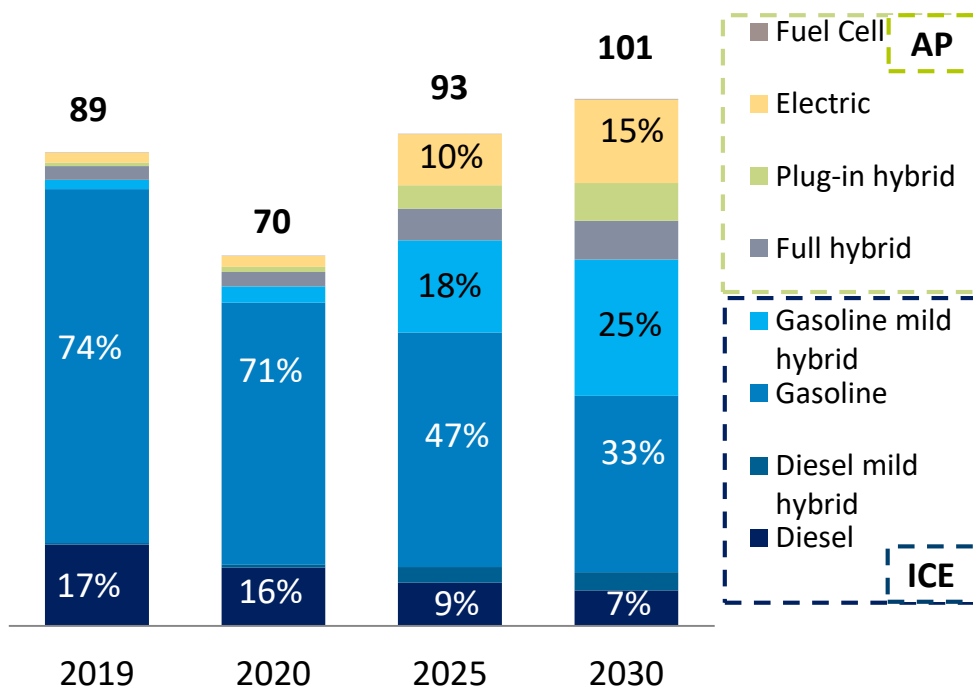
EV / FUEL CELL

  
**Carbon TT**  
 25% Share Carbon TT

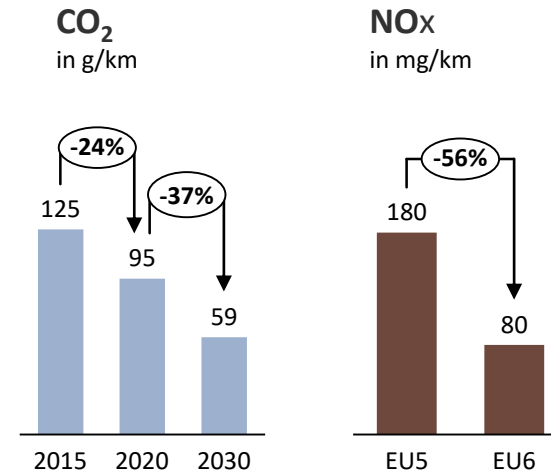
# Drivers for growth

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

■ LV production forecast\* [mUnits]

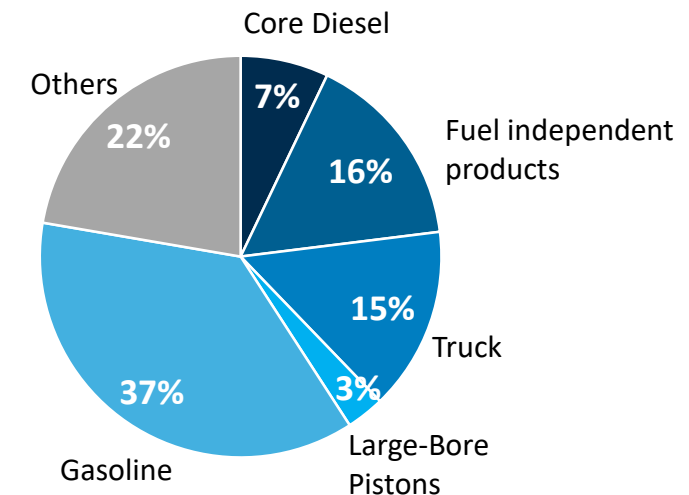


■ Further regulatory pressure\*\*\*



- 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\*\*



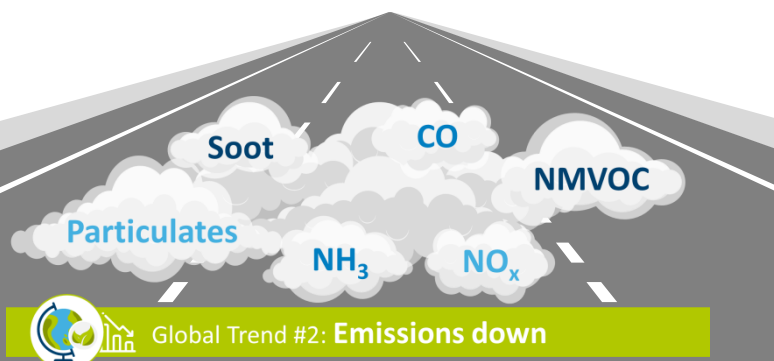
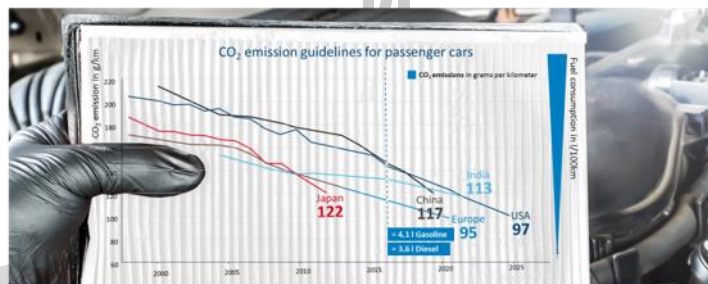
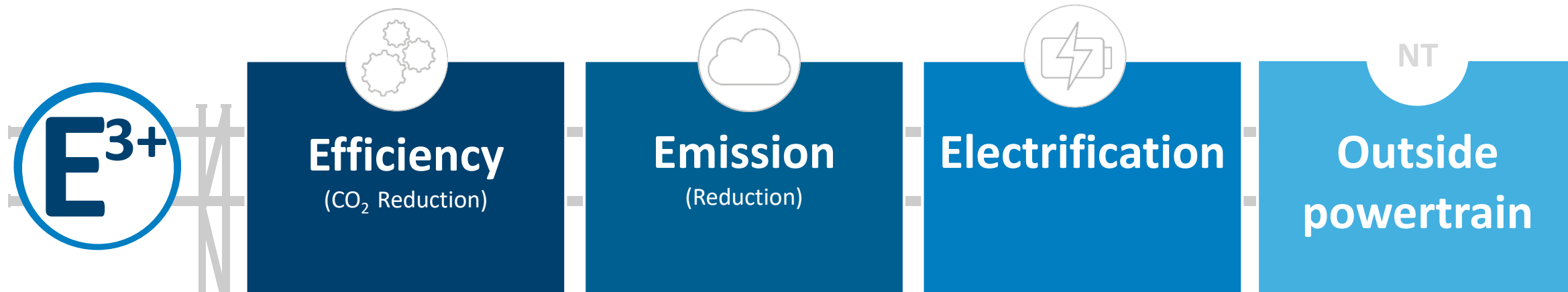
\* IHS 07/2020 and company estimates

\*\* Rheinmetall Automotive sales FY 2019

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

# Automotive Market trends

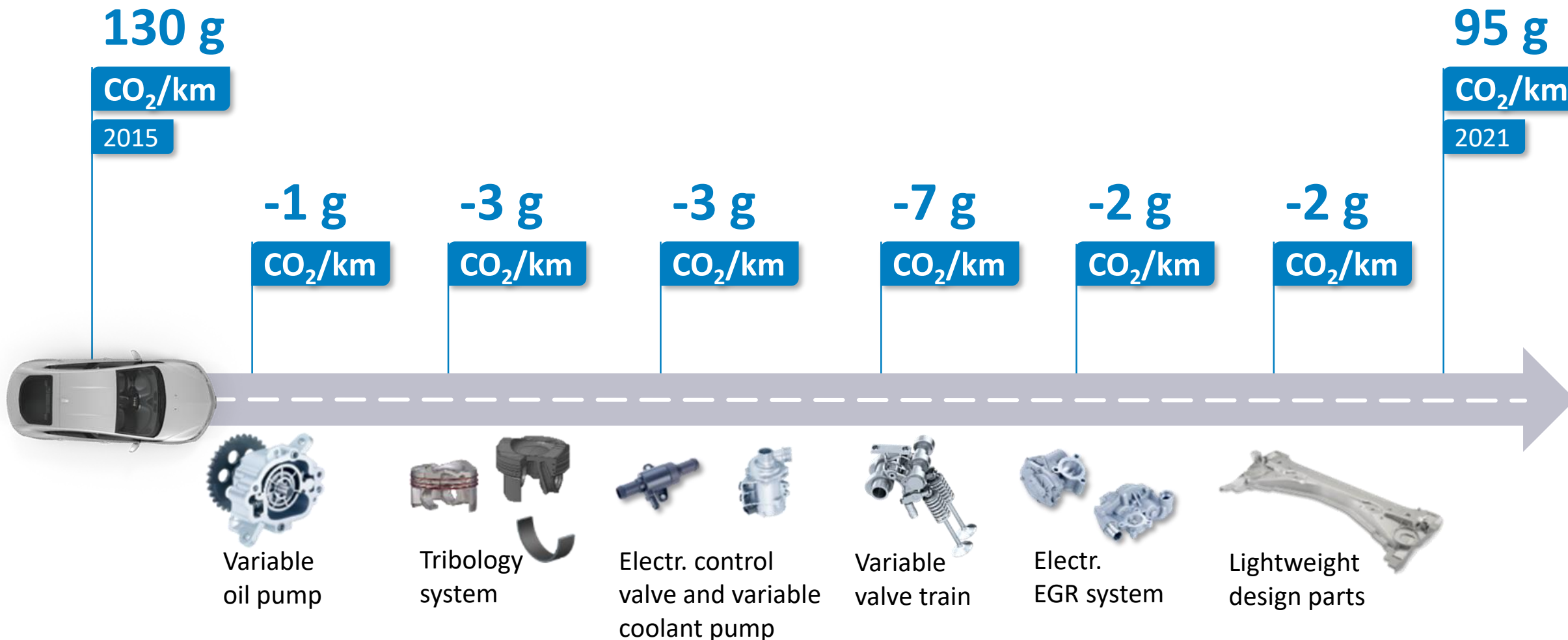
## The growth drivers remain strong



**The innovation pipeline is packed!**

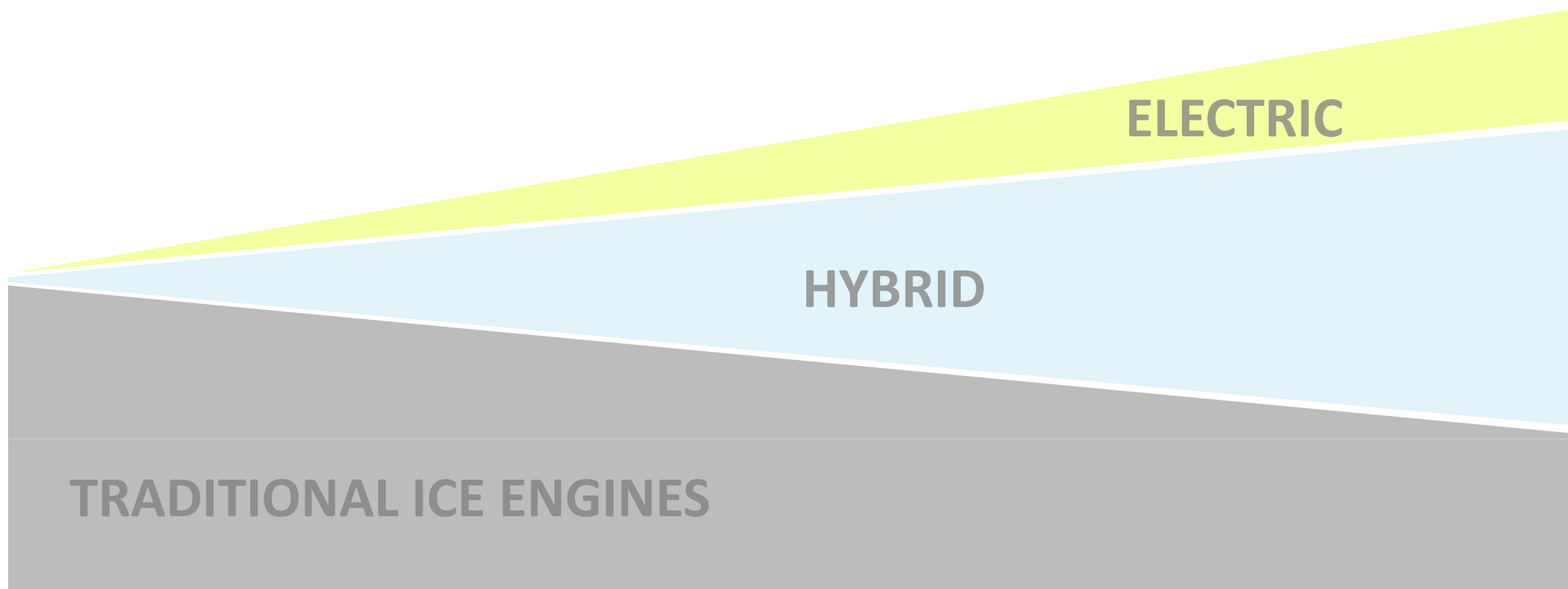
# Efficiency

## 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 Heat pump



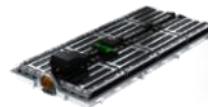
Electric Air-conditioning compressor



Electric Drive motor



Engine housing



Battery pack



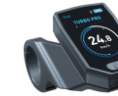
Electric engine und gearbox



Battery pack (48V)



Electric Drive motor



Control unit



Battery pack

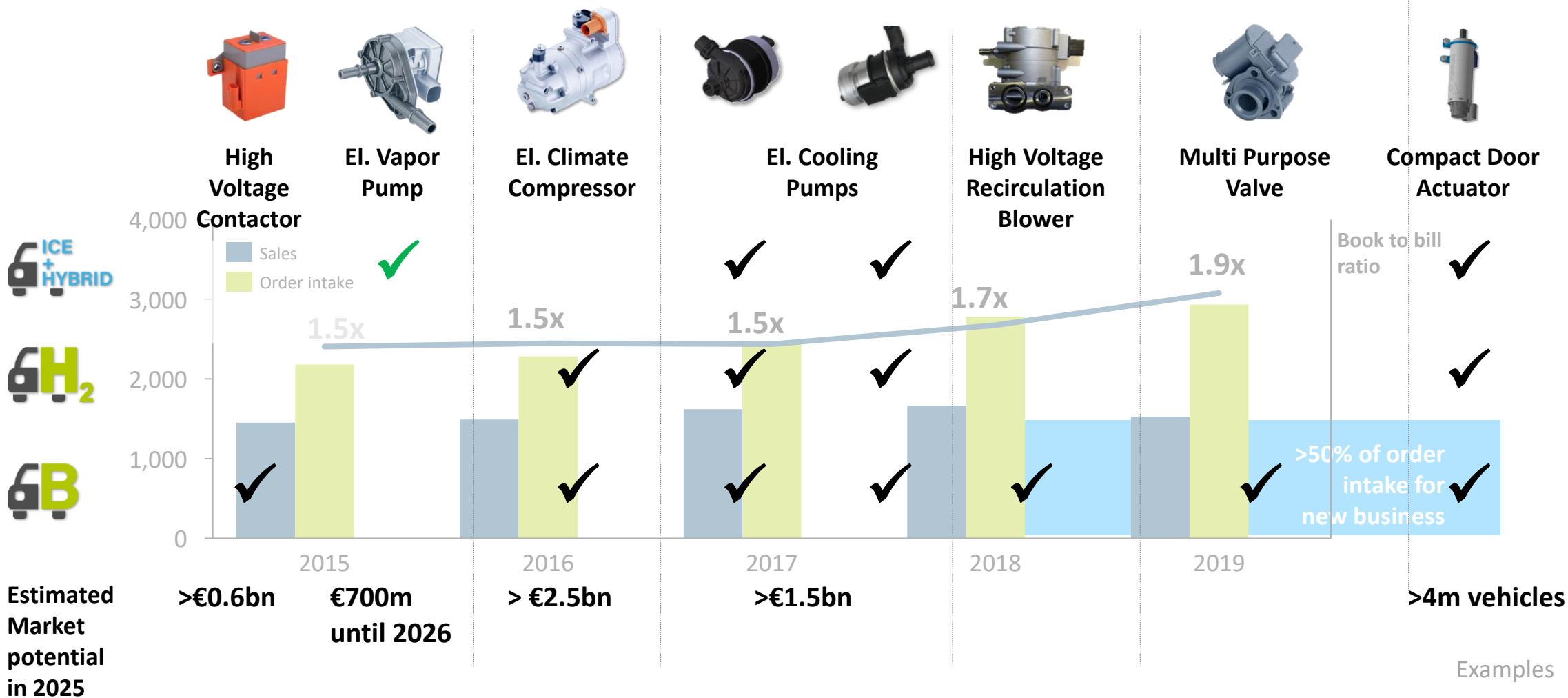
**Life time order value of €1.3bn booked\***

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



# Mechatronic Innovation pipeline

## Innovative products for a variety of applications

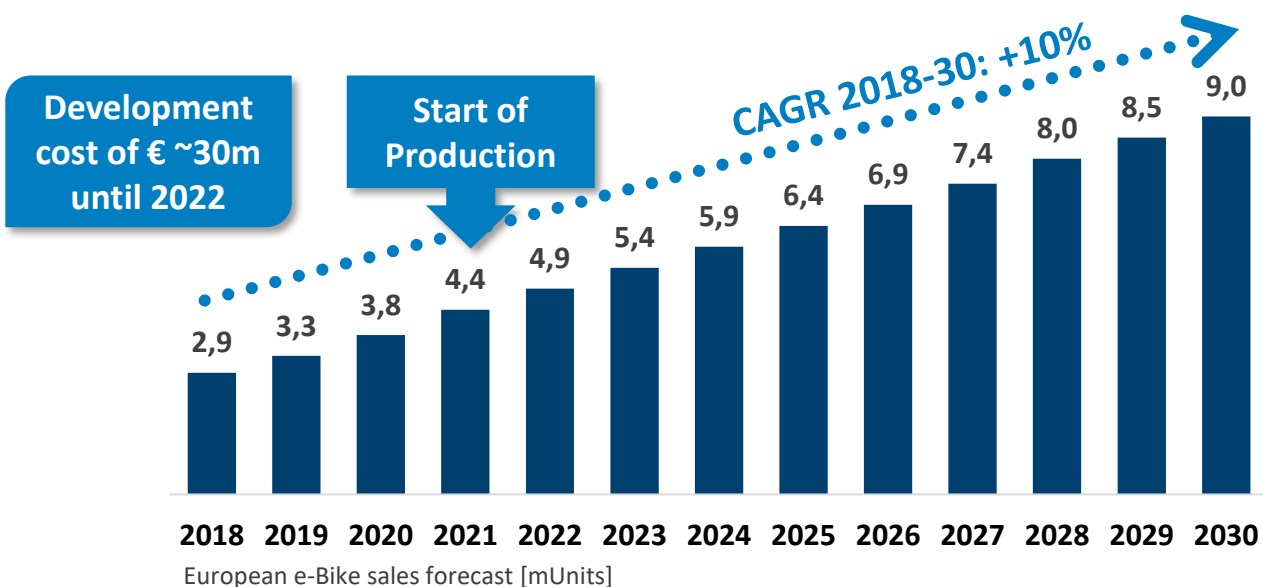


# Micro Mobility

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

Electrical bypass valves      Pressure regulating valves

**HARDPARTS**

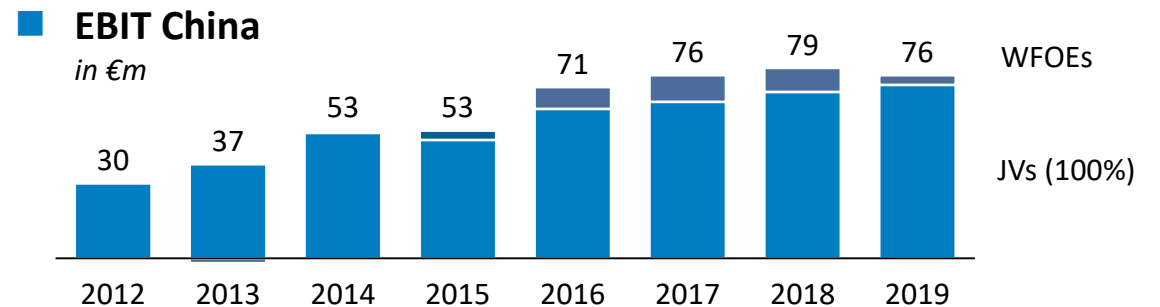
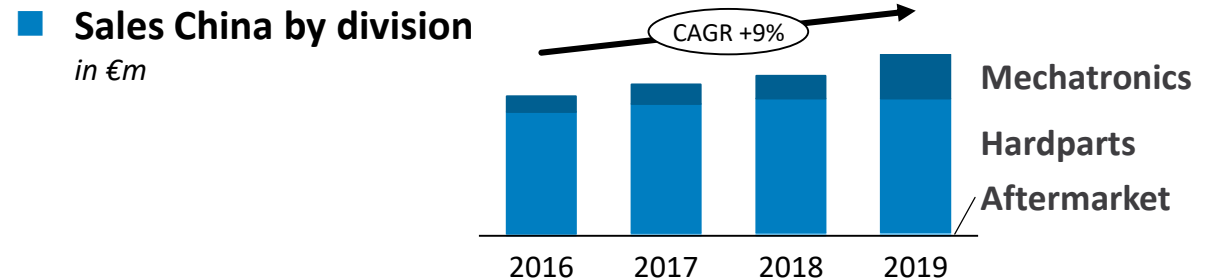
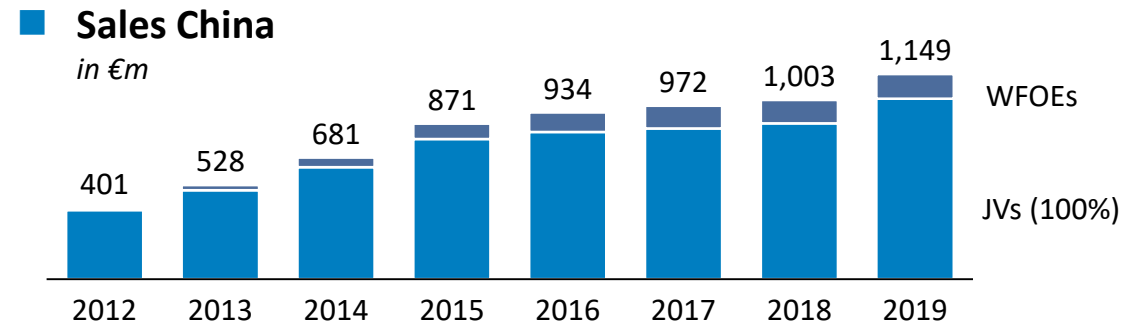
- Permaglide bearings for truck compressors and truck hydraulics
- Aluminum pistons
- Steel pistons
- Piston rings (Cooperation with Riken)
- Bushings for injection pumps
- Main-bearings
- Connecting rod bearings
- Bearings for seat adjustments and doors
- EGR cooler modules and mixer modules
- Dual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

# 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”

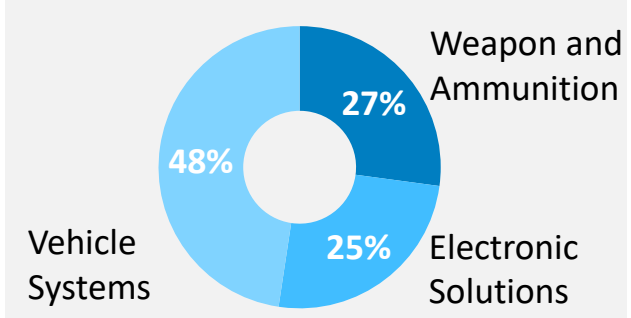
# Defence

## Leading supplier with an increasing international presence

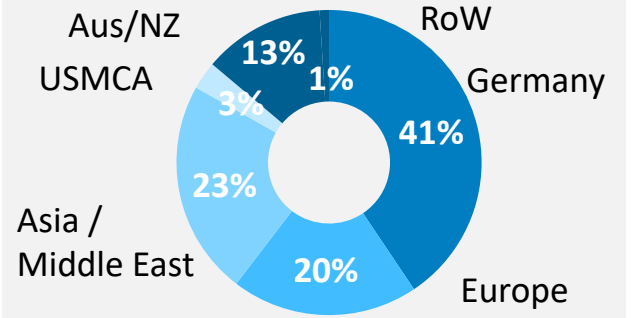
### Key Figures 2019

**Sales:** €3.5bn  
**Op. result:** €343m  
**Op. margin:** 9.8%  
**Op. FCF:** €266m  
**R&D:** €75m  
**Capex:** €166m  
**Headcount:** 12,100

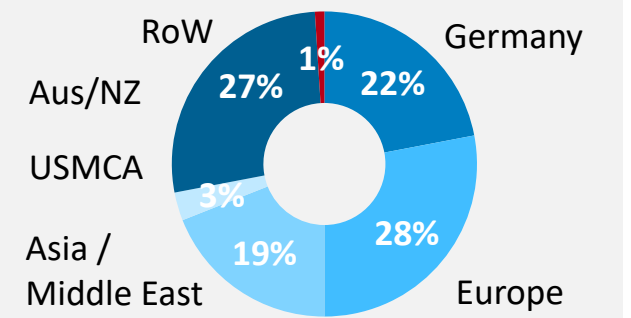
### Sales by division\*



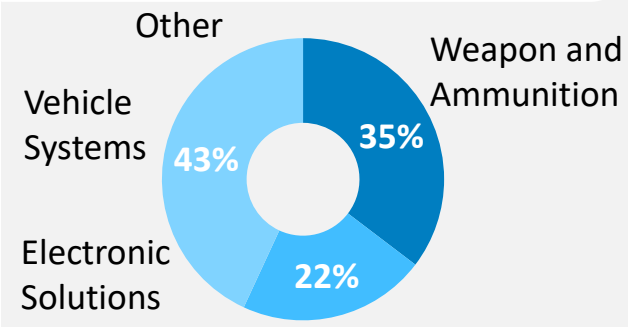
### Sales by region



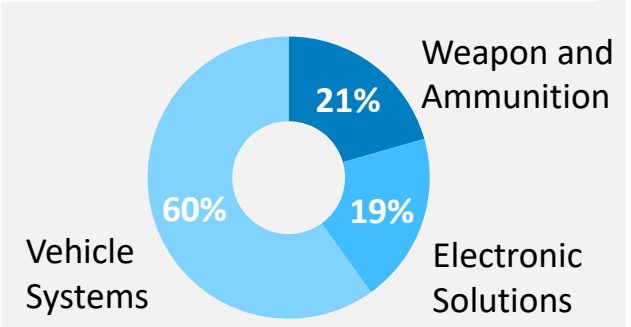
### Order backlog by region



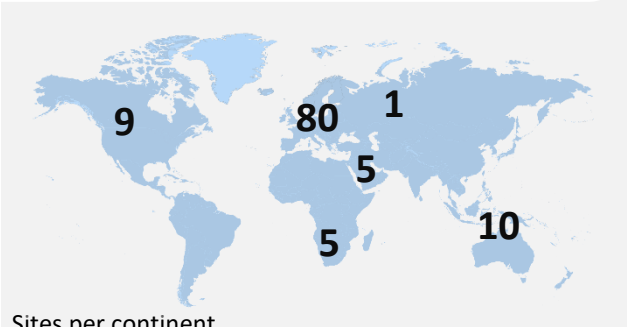
### Operating result by division\*



### 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



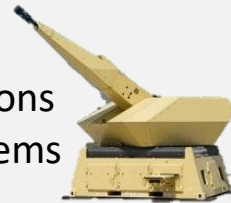
#### Weapon and Ammunition

- 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

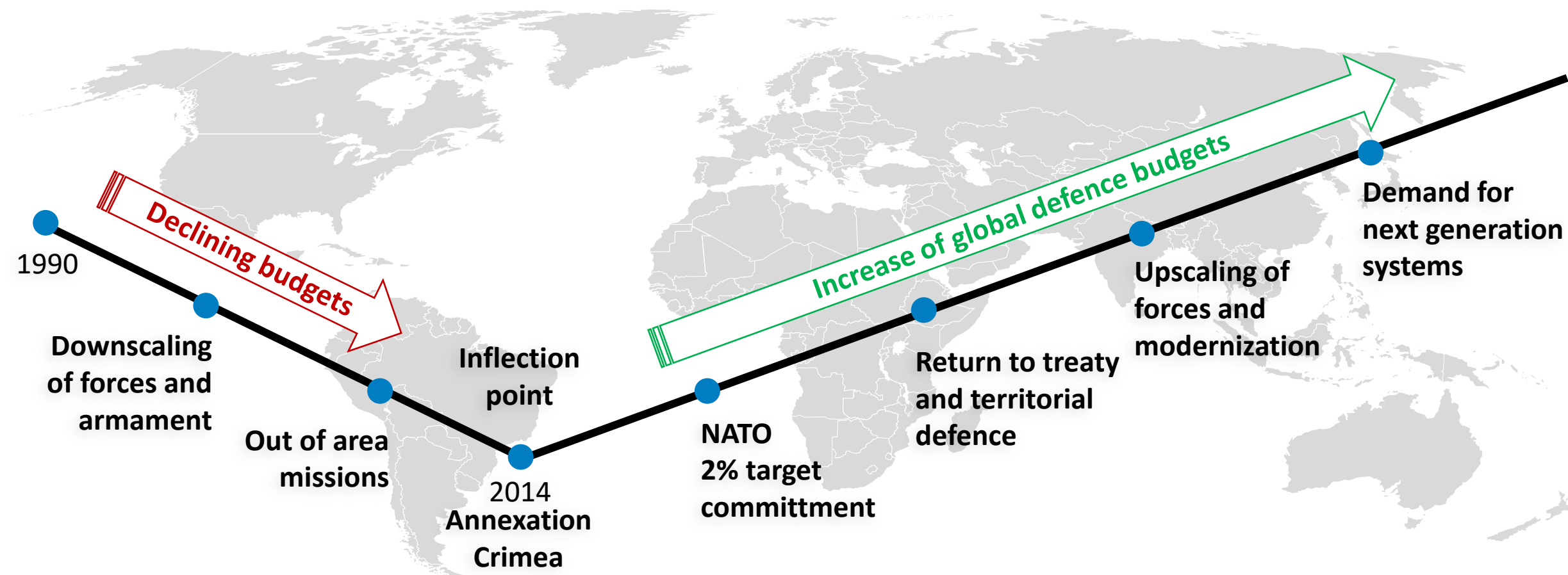
### Differentiator

- 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

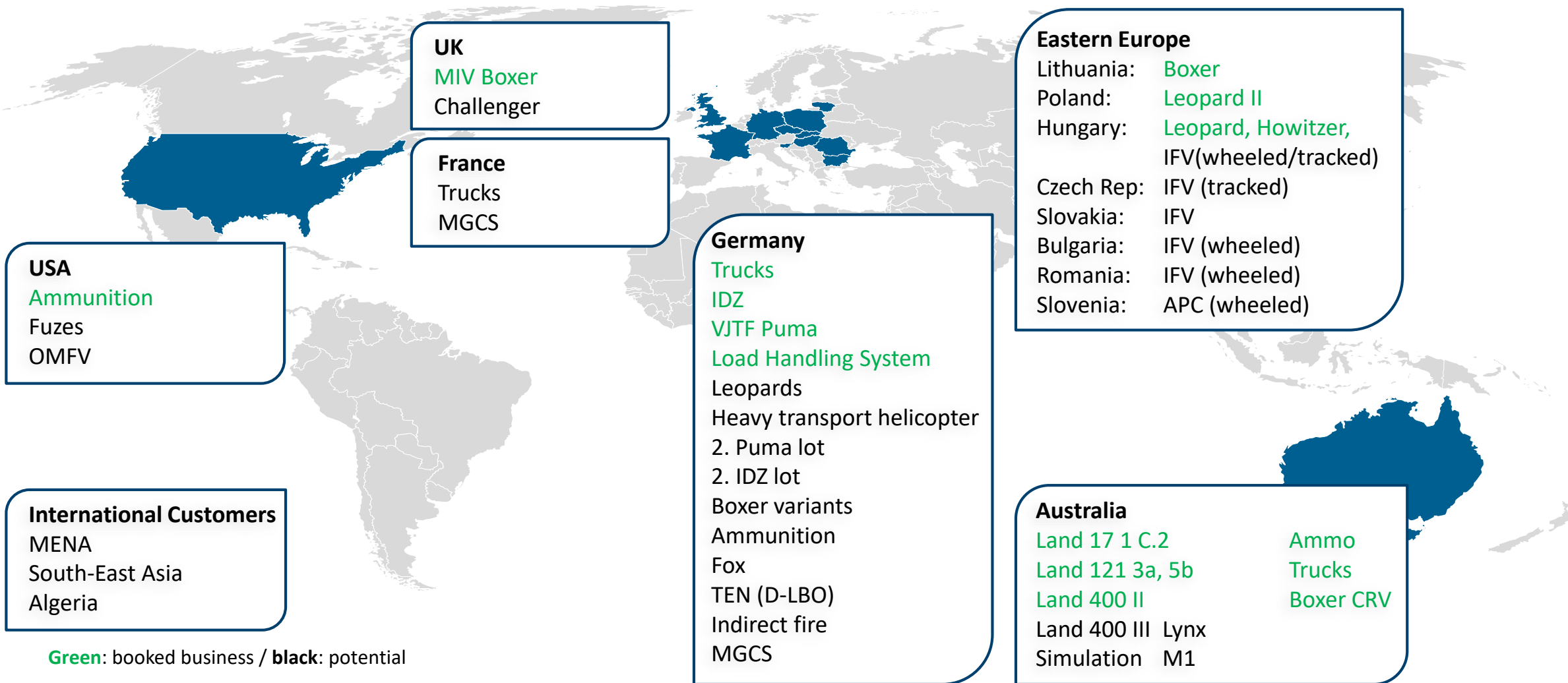
- JV with BAE serves „home market“
- MIV and Challenger LEP program
- Ammunition framework contract

### Eastern Europe

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

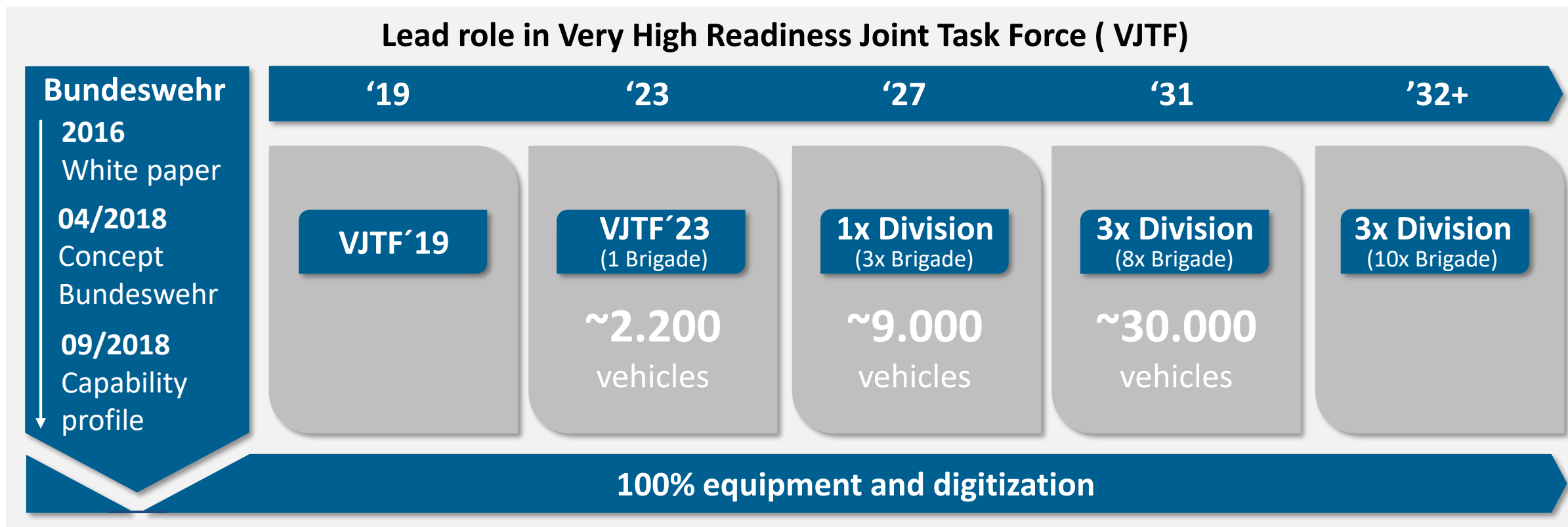
# Defence tender overview

## High demand could lead to promising super cycle



# German defence

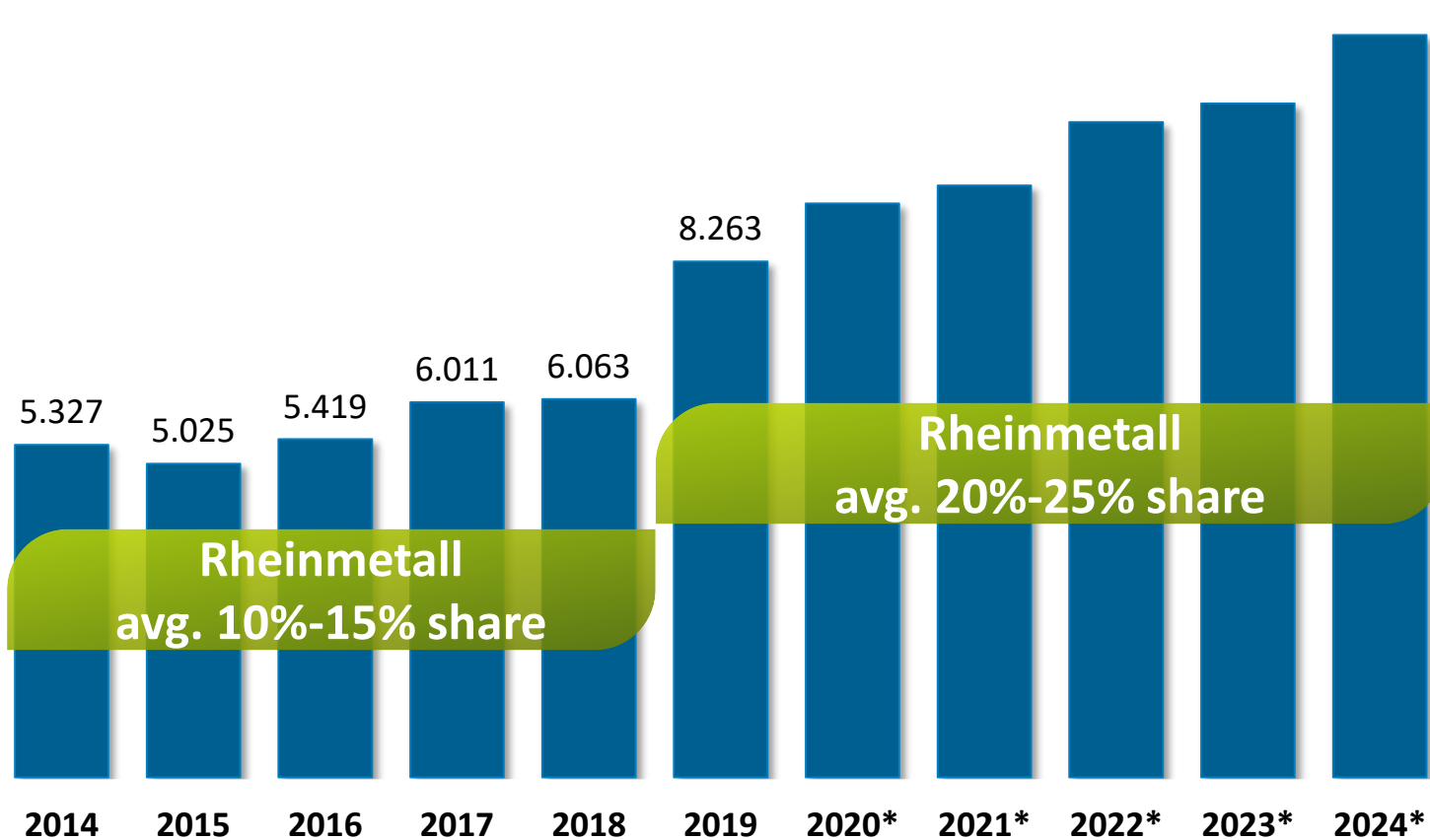
## NATO commitment key driver for German demand



# 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**



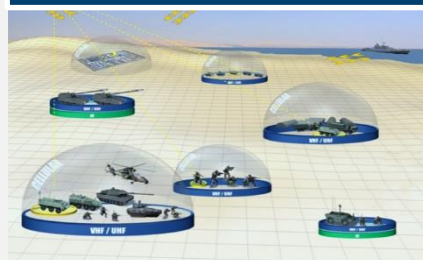
(Short range air defence)

**TLVS/Next Gen. Patriot**



(Tactical air defence)

**DLBO TEN**



(former MoTaKo)

**Ammunition**



Long term doubling potential

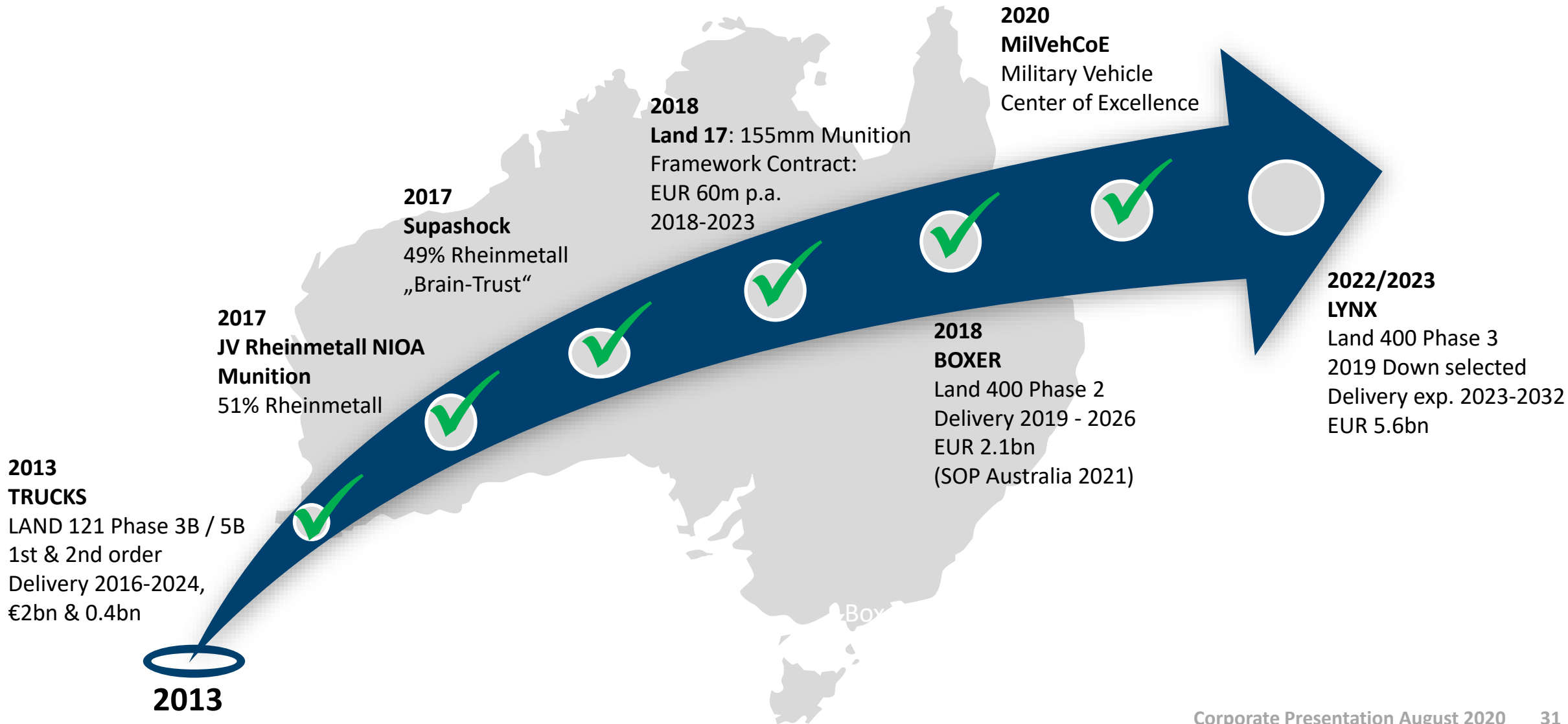
**Military Camps**



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

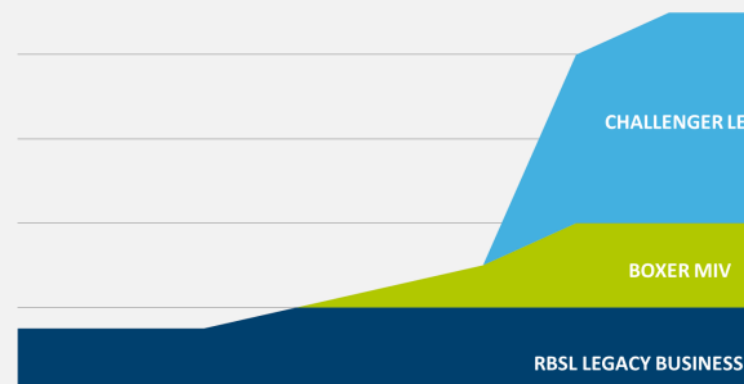
- BAE UK business
  - Armoured engineering vehicles and bridge-laying tanks
  - AS 90 self-propelled artillery system
  - Force protection components
  - Services
- 7.500 MAN vehicles under service



### EXPANSION OF PRODUCT PORTFOLIO

#### Future

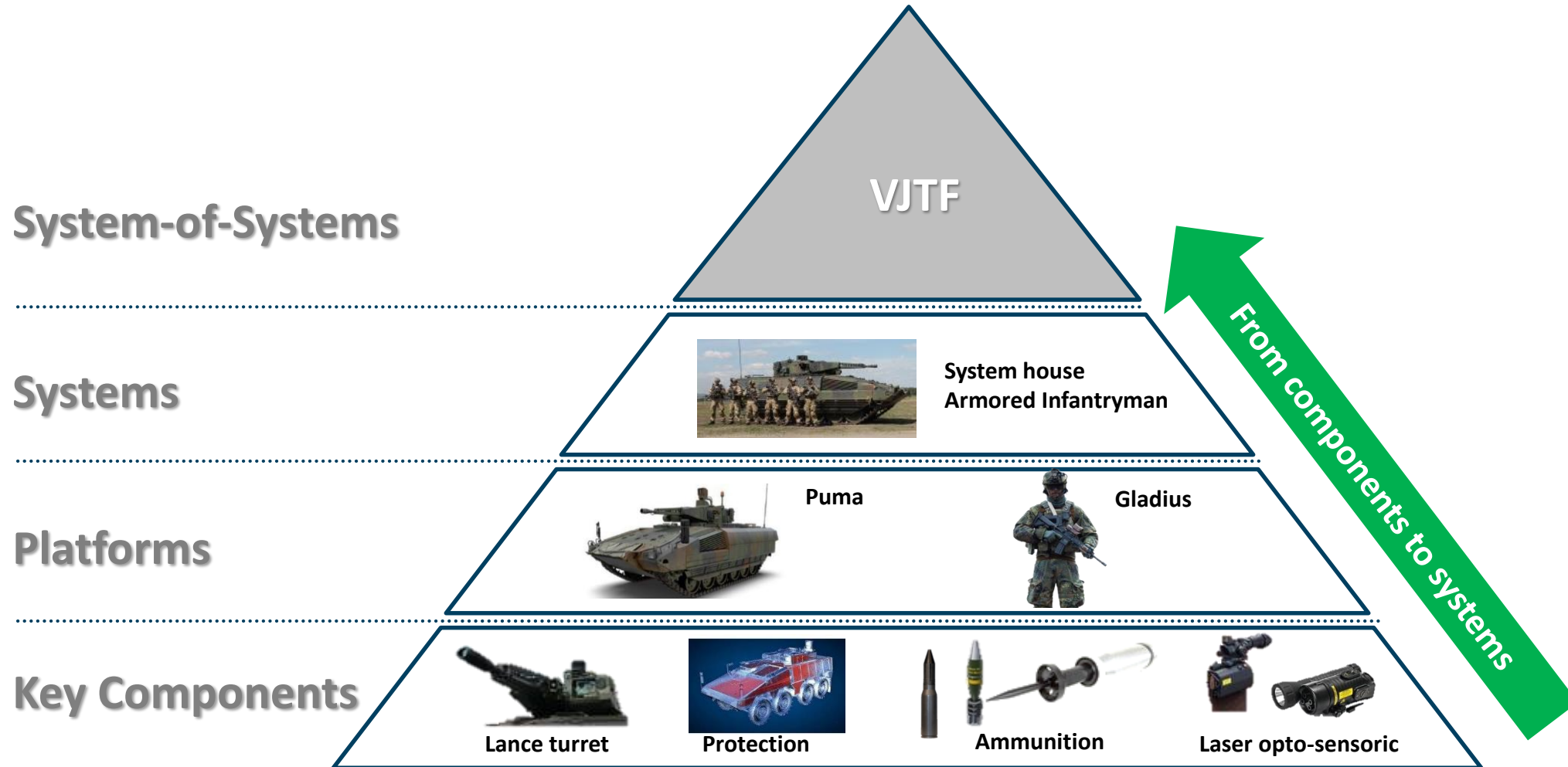
- Boxer Mechanized Infantry Vehicle (MIV)
  - 500 vehicles @ € 1.4bn
- Challenger 2 Life Extension Program
  - potential order size 148 MBT @ € 0.8-1.2bn
- Next generation of battle tanks





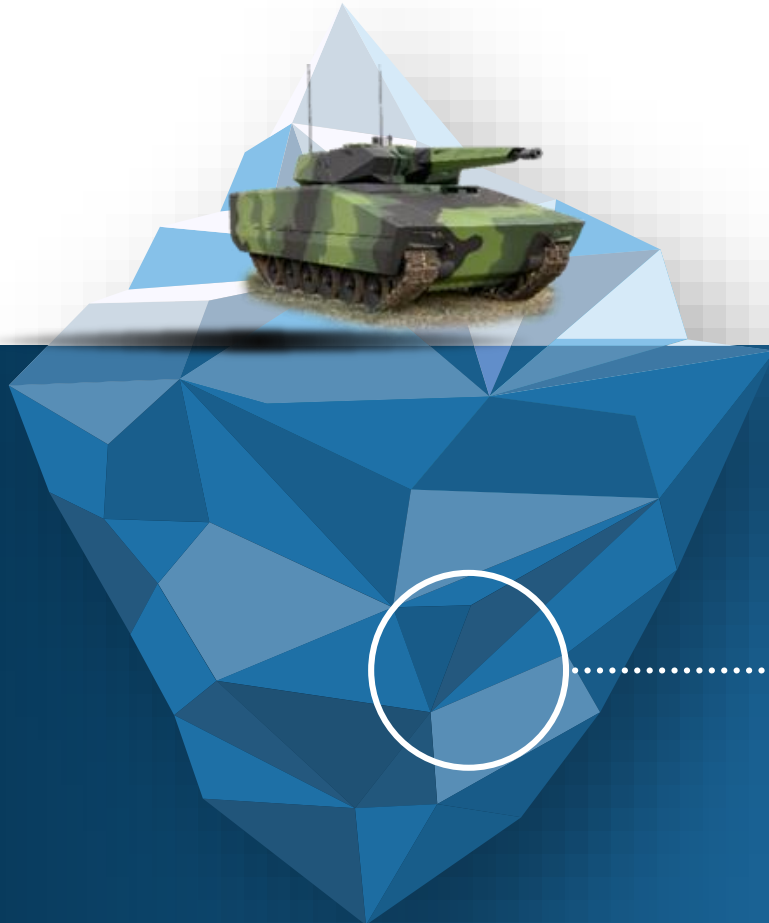
# System house for land based operations

## 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

## Ad-hoc summary

# Management took action to cope with industry changes

### Market

- Corona with heavy negative impact on automotive production and demand
- Global LV production is expected to decline by 21.9%\* in 2020
- Return to 2019 levels delayed by 3-4 years

### Impairment

- Impairment test of Rheinmetall's Automotive business triggered need for value adjustment due to sustainable weakening of mid-term market expectations
- Non-cash impairment effect of **€300m**, almost entirely in the Hardparts division

### Rightsizing

- Announcement of restructuring in Hardparts and Mechatronics
- Restructuring provision of **€40m** expected in Q3

## Restructuring details

### First measures of restructuring in Automotive communicated

- Evaluation of strategic options in the Automotive segment ad-hoc announced July 27th
- Total accrual volume of €40m will be booked in Q3 with cash-effect between 2020-22

#### **Hardparts [~€24m]:**

- Closure of US small bore pistons site until 2022/23
- Relocation of production to low-cost countries
- Adjustment of capacities to market demand in Brazil, Germany and the Czech Republic

#### **Mechatronics [~€16m]:**

- Adaptation of capacities
- Realignment of structures to reduce dependency on combustion engine
- Preparation for new markets: transfer of technology to new applications

**Targeted savings of 40 to 50 €m already effective in 2022/23**

# Crisis management with focused activities

## Smooth restart from lockdown

### Protect our people

- Health and safety first!
- Ensuring protection for our employees
- Global Corona incident monitoring
- Internal communication of measures
- Quick supply of personal protection equipment (PPE) and disinfectants

- ✓ Daily Corona board-reports
- ✓ 6 CEO letters
- ✓ Hygiene concept was successful
- ✓ Low infection rate (<0.3%)
- ✓ Order intake for PPE of up to €100m in 2020

### Secure cost and cash

#### Cash

- Stop of all non-essential expenses in Automotive
- Minimize capex spending
- Selective inventory management for bottle neck products
- Solid liquidity position

#### Cost

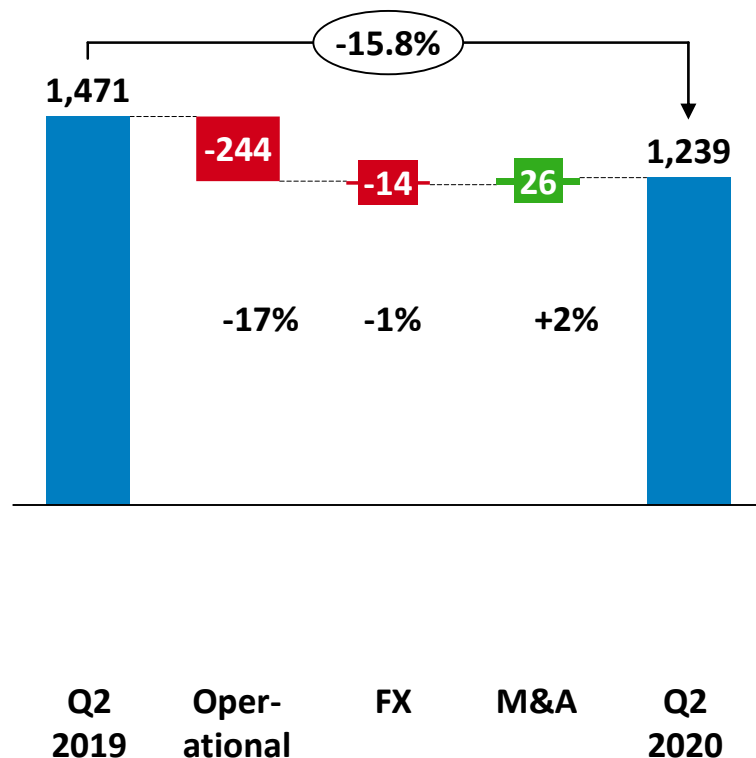
- Extensive and fast-acting cost cutting measures
- Adjust to “new normal” demand level
- Global „Kurzarbeit“ regimes in Automotive

- ✓ Automotive op. leverage ~27%
- ✓ Total headcount reduction of 11%
- ✓ Automotive labor cost per cut by 23%
- ✓ Q2 Auto capex reduced by 55%
- ✓ Supply chain resilient in both segments
- ✓ Smooth re-start of our activities aligned with demand recovery

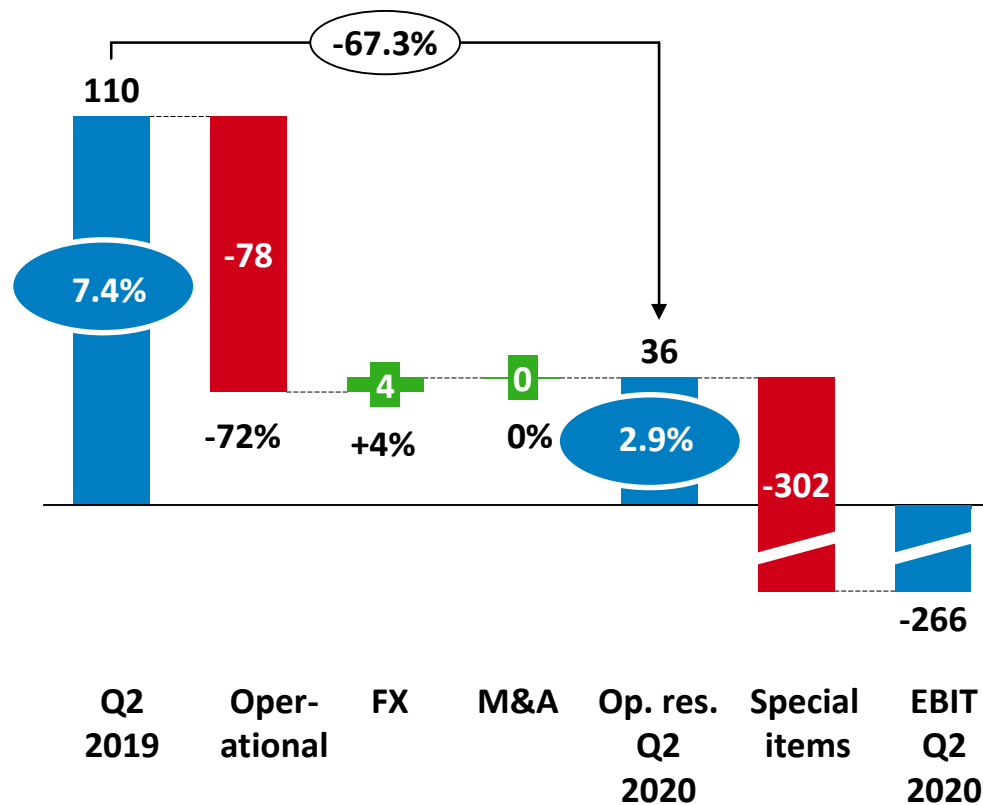
# Q2 2020 Group: Key financial data

## Corona impact overshadowed excellent Defence performance

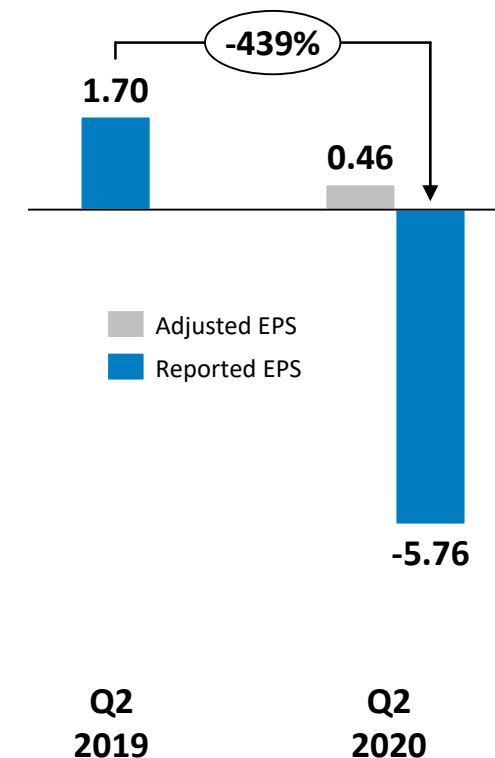
■ Sales  
in €m



■ Operating result and EBIT in €m  
Operating margin in %



■ Earnings per share  
in €

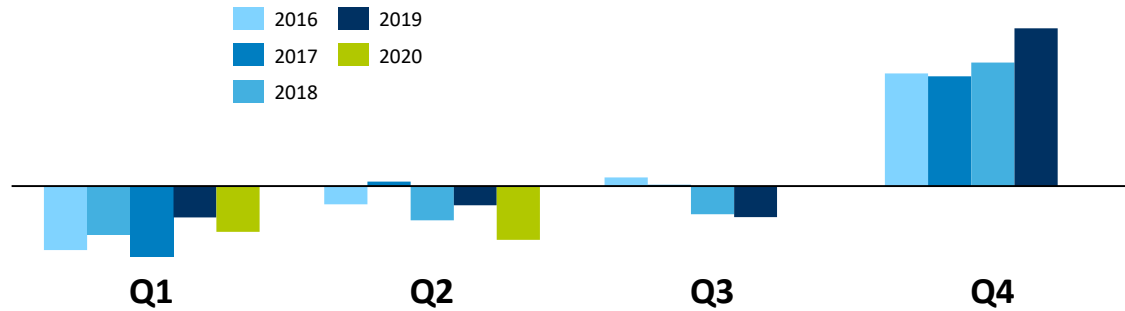


# Q2 2020 Group: Operating free cash flow

## Automotive earnings drop main cause for weak cash flow generation in Q2

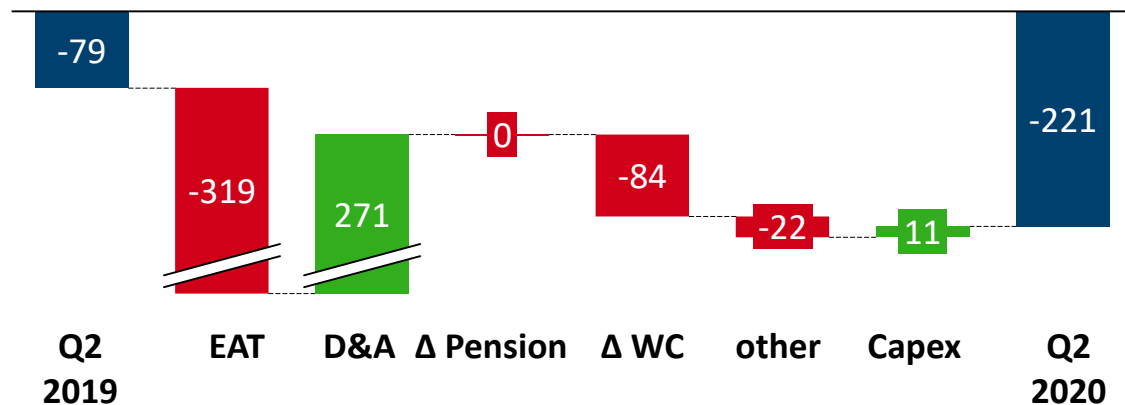
### Operating free cash flow per quarter

in €m



### Operating free cash flow bridge

in €m



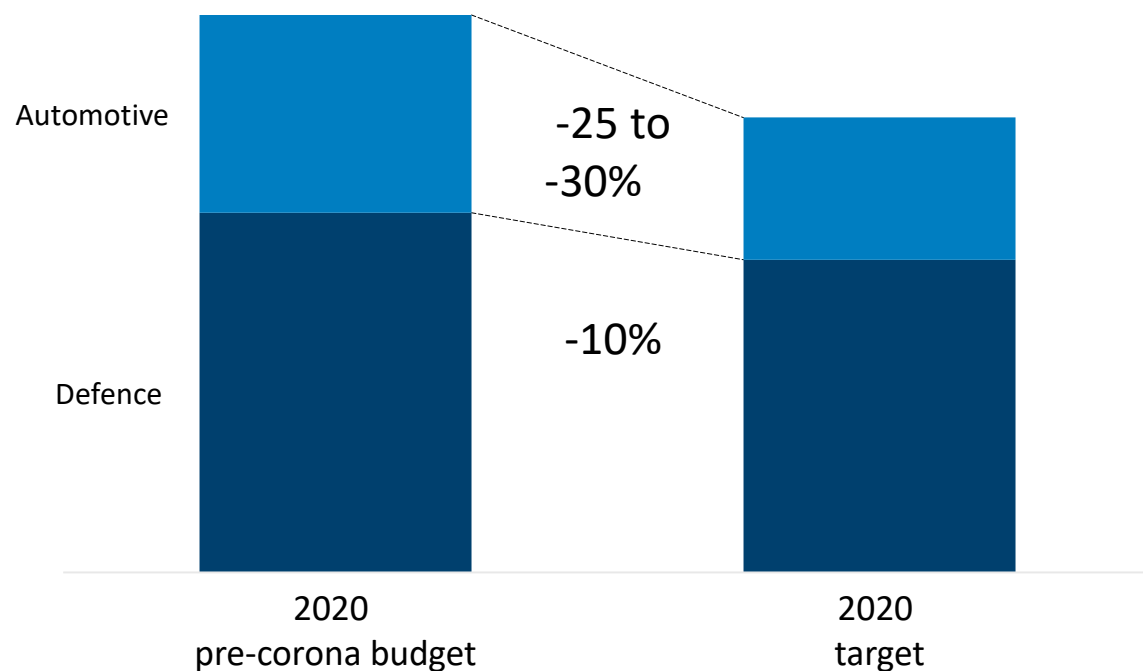
- Low operational performance and impairment charges, both in Automotive
- D&A inflated by corresponding impairments
- Opportunistic sourcing in Automotive and business related increase of NWC in Defence
- Strict capex management in Automotive



# Cash preservation

## Active capex management in both segments

■ Capital expenditure  
in €m



### Capex review yields strong cash reduction

- Both segments will reduce capex in 2020
- Automotive to contribute most with a reduction between 25 to 30%
- H1 Automotive capex already cut by €31m or 46%

### IFRS 16 peak in 2020

- IFRS 16 impact includes non-cash effect of €73m in 2020 after €64m in 2019
- Single biggest effect in 2020 results from long-term lease agreement for MilVehCoE/Australia of €52m

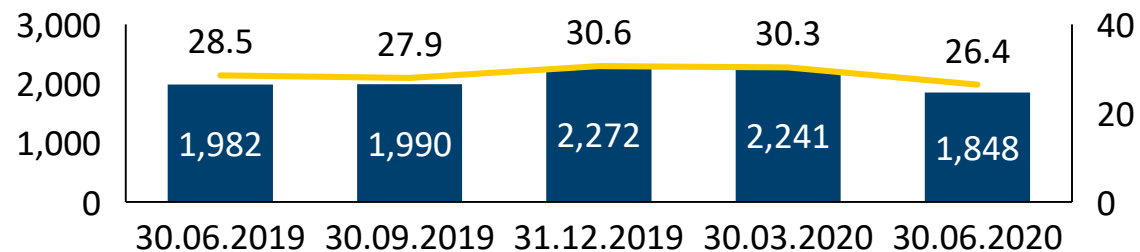
# Q2 2020 Group: Group key financials

## Balance sheet and financials remain solid after impairment

### Equity and Equity ratio

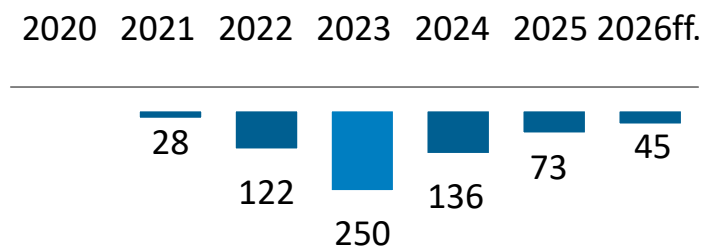
in €m and %

Equity ratio  
Total equity

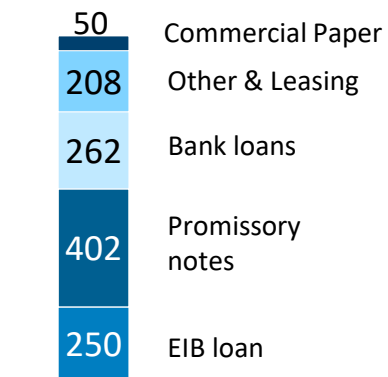


### Maturity profile

in €m



Σ 1.172

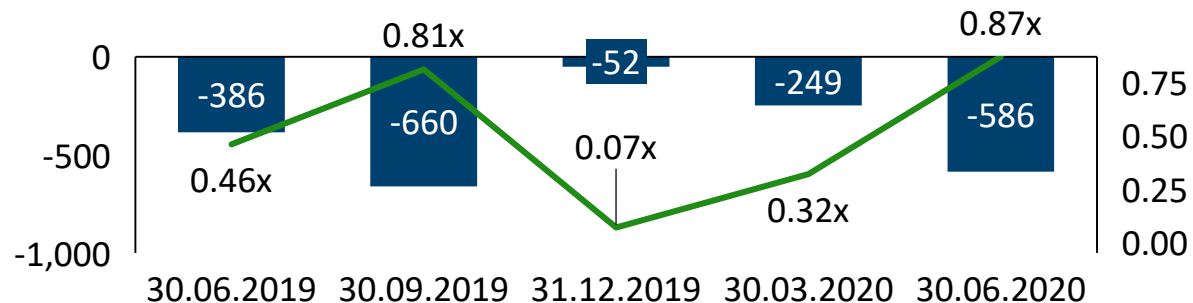


30.06.2020

### Net financial debt and Net financial debt/EBITDA (LTM)

in €m and ratio

Net financial debt/EBITDA (LTM)  
Net debt



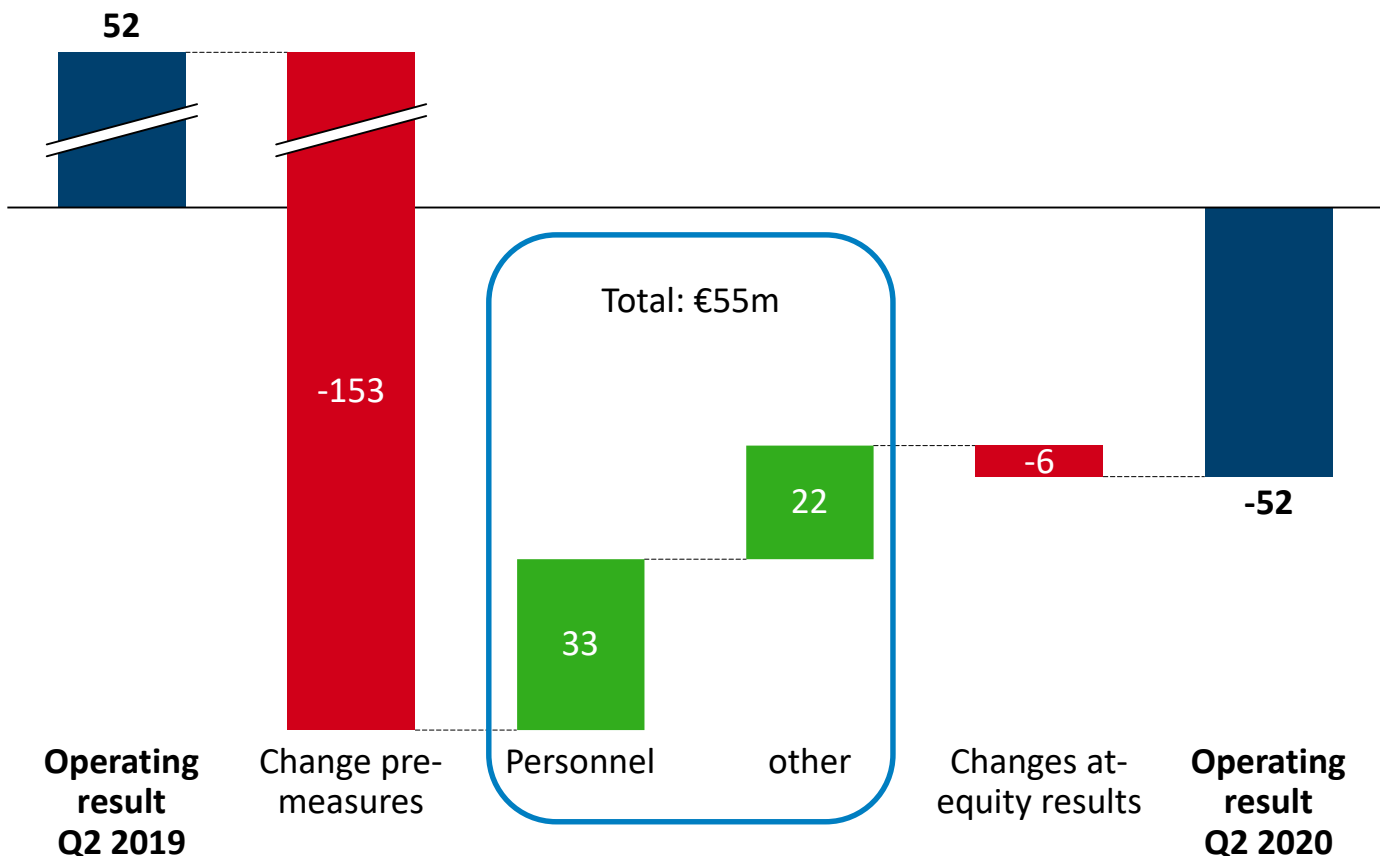
- Equity ratio remains on solid level
- Net debt and KPI with normal seasonality
- Cash on balance €586m
- Undrawn credit lines of €0.7bn per end of Q2
- Investment grade rating with stable outlook

# Q2 2020 Automotive: Highlights

## Management implemented extensive and fast-acting saving measures

### Summary savings measures

in €m



### Global measures

- Hiring freeze in all Automotive entities
- Total Automotive staff reduced by 11%
- “Kurzarbeit” savings of €19m

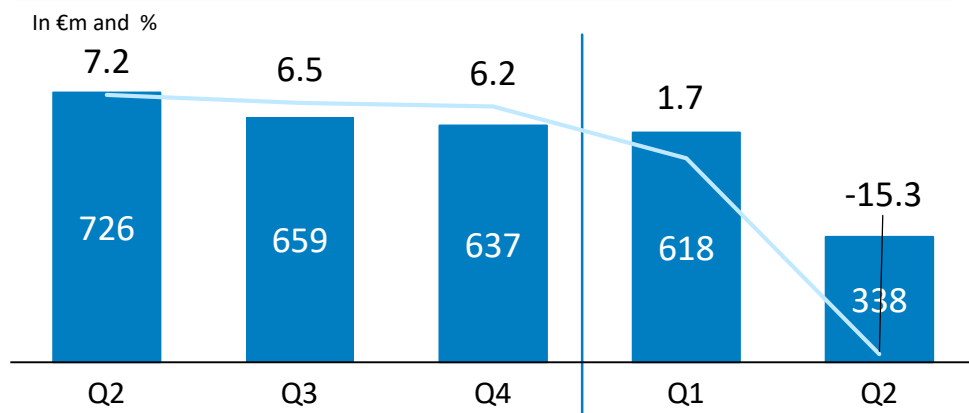
### Country specific measures

- Voluntary redundancy programmes
- Early retirement schemes
- Working hour adjustment

# Q2 2020 Automotive: Highlights

## Fast-acting cost cutting helped Q2 performance

### Quarterly sales and margin development



### Comments on quarterly performance

- Smooth restart of production after lockdown
- Sales volumes declined as expected, with sequential monthly improvement
- Outperformance of relevant market\* by almost 10pp
- Successful implementation of strict cost measures improved operating leverage to 27%
- Lower results and opportunistic sourcing burdened OFCF

In €m	Q2 2019	Q2 2020	Δ	YTD 2019	YTD 2020	Δ
Order intake	674	353	-47.6%	1,409	796	-43.5%
Sales	726	338	-53.4%	1,440	956	-33.6%
Operating result	52	-52	-200.0%	102	-41	-140.7%
Operating margin in %	7.2%	-15.3%	-2250 bp	7.1%	-4.3%	-1140 bp
Special items	1	-300		2	-300	
EBIT	53	-352	-764.2%	104	-341	-427.9%
Operating Free Cash Flow	62	-97	-256.5%	-14	-146	-942.5%
Operating FCF / Sales	8.5%	-28.7%	-3720 bp	-1.0%	-15.3%	-1430 bp

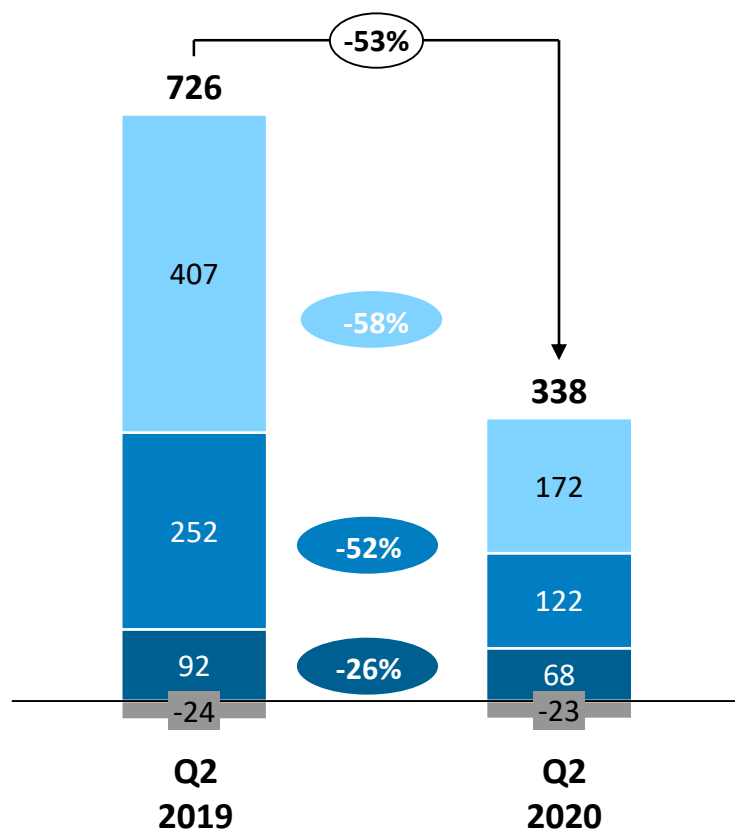
\*IHS Markit: 4 August 2020; global LV growth adjusted for China

# Q2 2020 Automotive: Divisional highlights

## Dramatic volume decline drove results negative

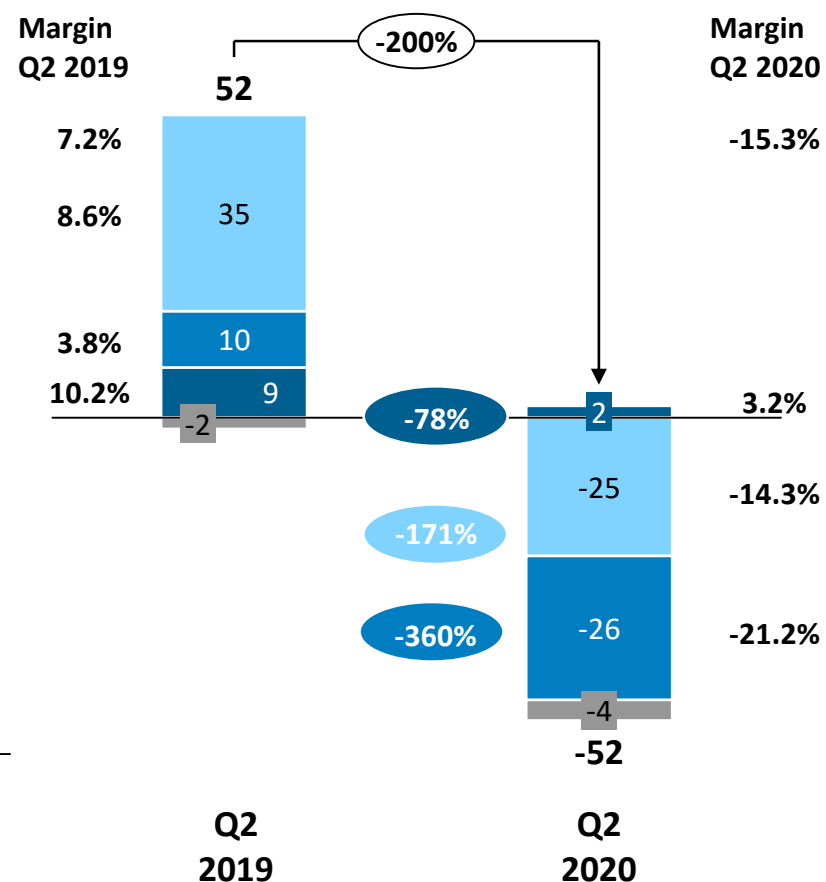
### Sales Automotive

in €m



### Operating result Automotive

in €m



### Mechatronics

- Massive volume decline

### Hardparts

- Massive volume decline
- Q2 19 included equipment sales of €14m
- Lower at-equity results

### Aftermarket

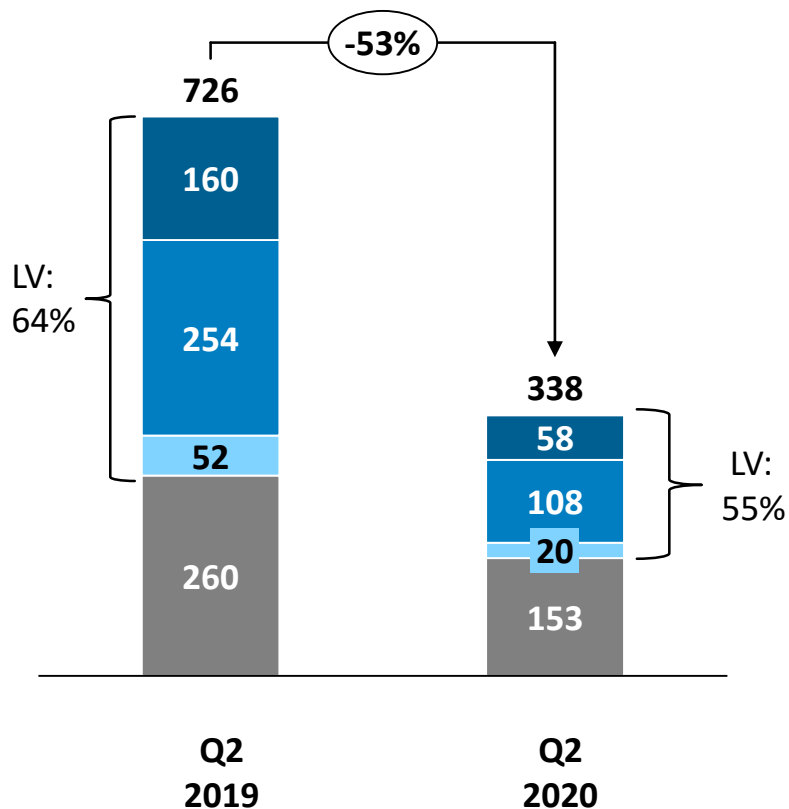
- Sales more resilient
- Consolidation of micro-mobility result

# Q2 2020 Automotive: Highlights

## All end-markets impacted by volume drop

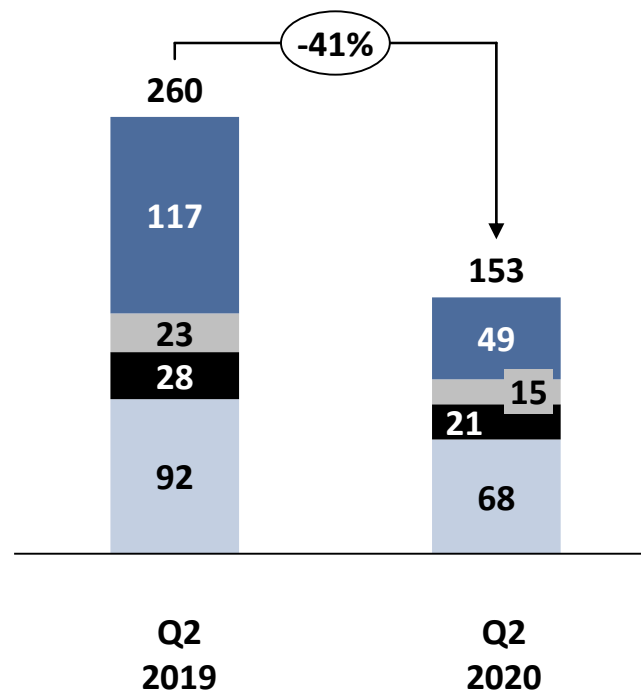
### Sales split LV/ Non-LV

in €m / in %



### Sales split Non-LV

in €m / in %



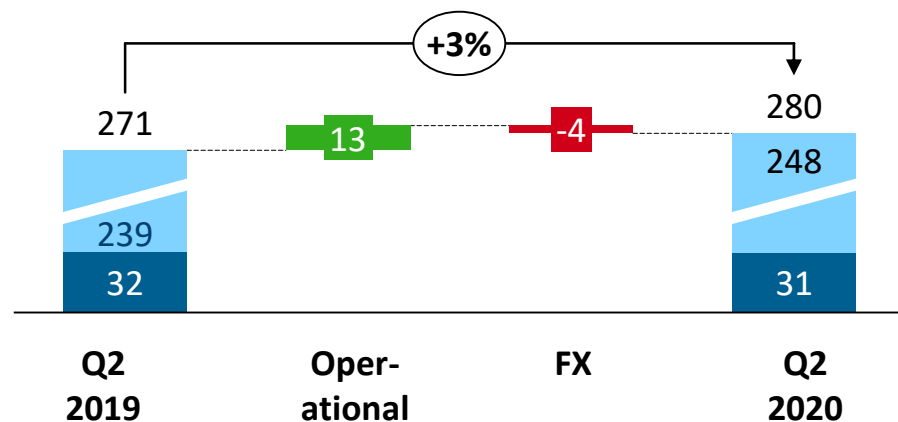
	Delta absolute	Delta in %
Diesel	-102	-63.8%
Gasoline	-146	-57.5%
other LV	-32	-61.8%
<hr/>		
<b>LV Business</b>	<b>-280</b>	<b>-60.2%</b>
Truck	-68	-57.8%
Large Bore	-8	-33.4%
other	-7	-25.0%
Aftermarket	-24	-26.3%
<hr/>		
<b>Non-LV Business</b>	<b>-107</b>	<b>-41.2%</b>

# Q2 2020 Automotive: China performance

## Sales recovery and positive margin development

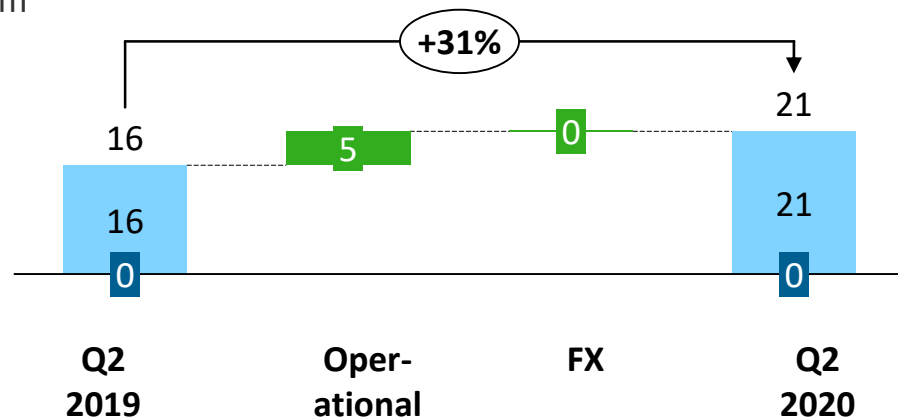
### Sales\*

in €m



### EBIT\*

in €m



■ Joint Venture  
■ Wholly owned foreign enterprise

### Comments on the quarter

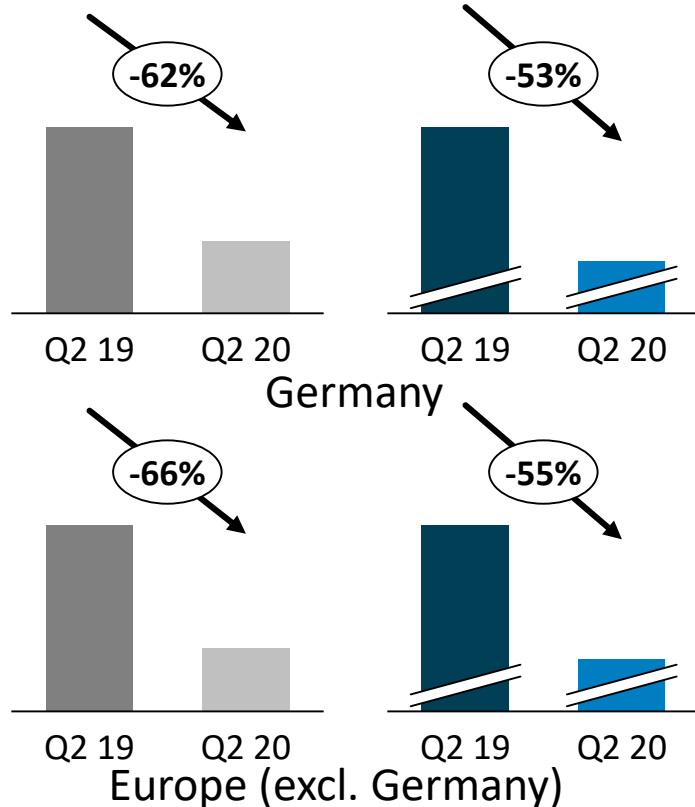
- Sales increase of +3% compares to a market recovery of 9% (IHS Markit 4 August, 2020)
- Sales development held back by customer mix
- All plants operational, business activity approaching 100% pre corona level
- EBIT further recovered
- JV EBIT margin increased from 6.8% to 8.3%

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

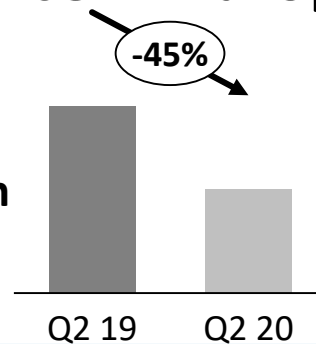
# Q2 2020 Automotive: Regional sales split

## Automotive with stronger performance in Europe and USMCA

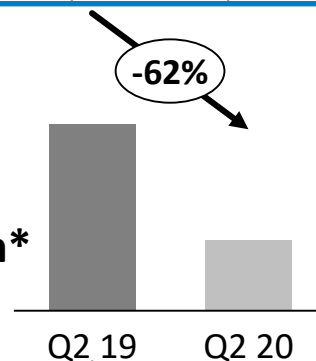
■ Regional sales  
in % vs. IHS



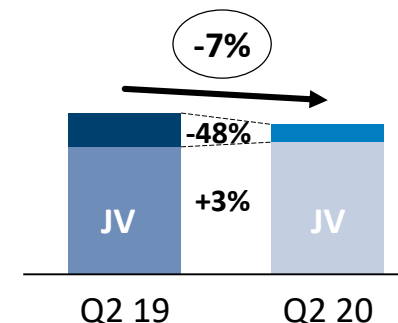
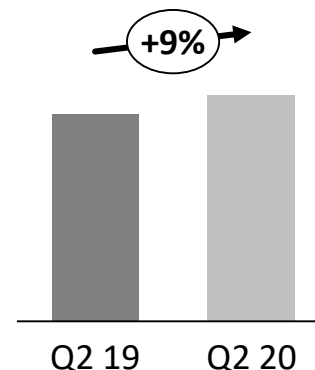
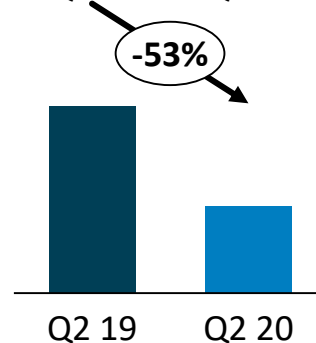
Global IHS  
LV production



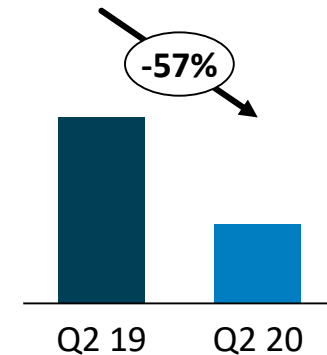
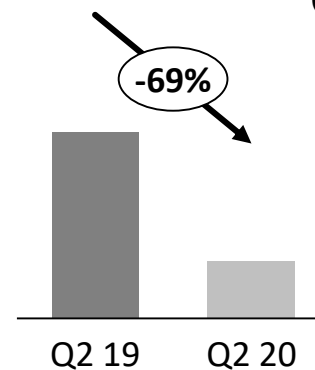
Relevant  
global IHS  
LV production\*



Automotive  
sales



China\*\*



USMCA

Greyish columns: IHS global LV production, 04/08/20  
Blueish columns: Automotive consolidated Q2 sales

\*IHS data adjusted for China volumes to match Automotive regional sales split; \*\* China Total Management View

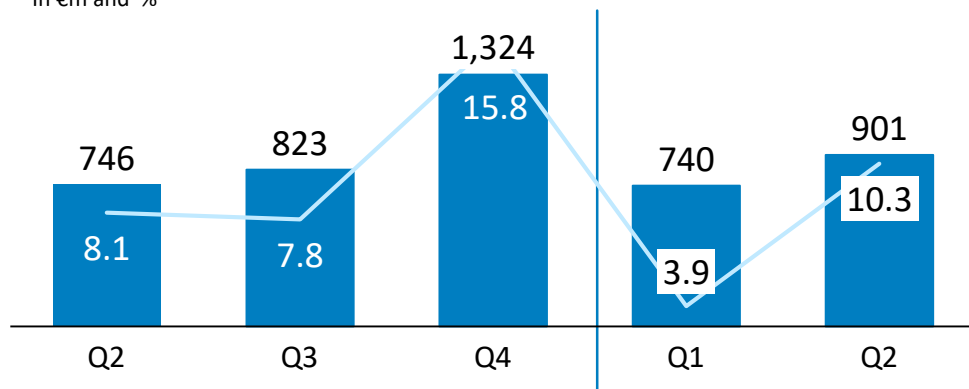


# Q2 2020 Defence: Highlights

## Outstanding performance

### Quarterly sales and margin development

In €m and %



### Comments on quarterly performance

- Resilient demand environment
- Order intake above expectations
- Strong sales and operating result increase driven by WA and VS including early deliveries at customer request and unplanned sales for medical protection equipment
- OFCF declined on higher business activities and increased capex

In €m

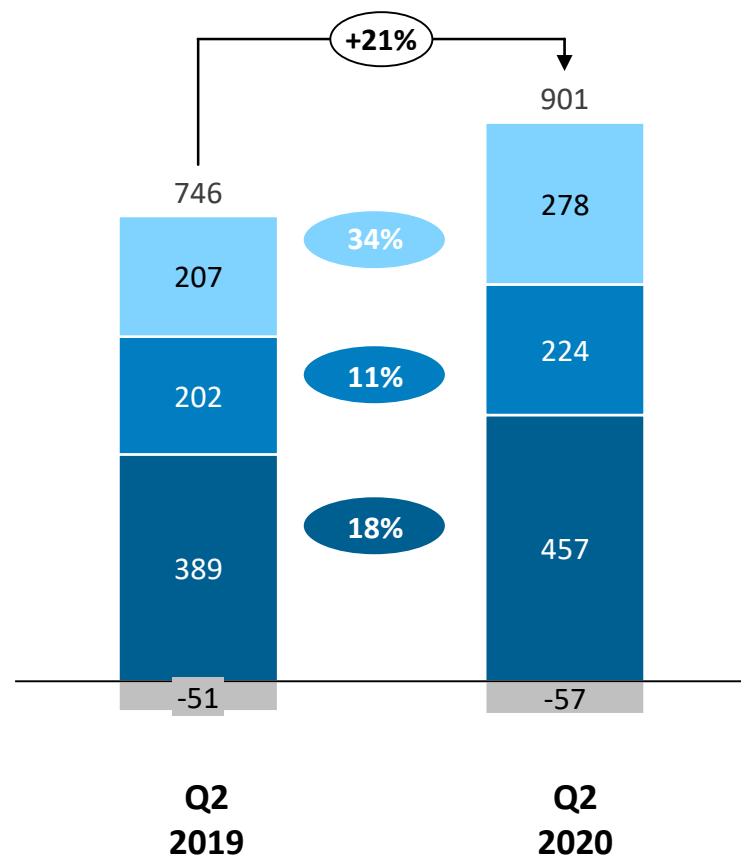
	Q2 2019	Q2 2020	Δ	YTD 2019	YTD 2020	Δ
Order intake*	501	752	50.1%	1,065	1,483	39.2%
Sales	746	901	20.8%	1,375	1,641	19.3%
Operating result	60	93	55.0%	69	122	76.8%
Operating margin in %	8.1%	10.3%	220 bp	5.0%	7.4%	240 bp
Special item	-2	-2		-2	-2	
EBIT	58	91	56.9%	67	120	79.1%
Operating Free Cash Flow	-131	-141	-7.6%	-224	-293	-30.8%
Operating FCF / Sales	-17.6%	-15.7%	190 bp	-16.3%	-17.9%	-160 bp

\*Order intake is reported on the basis of booked business

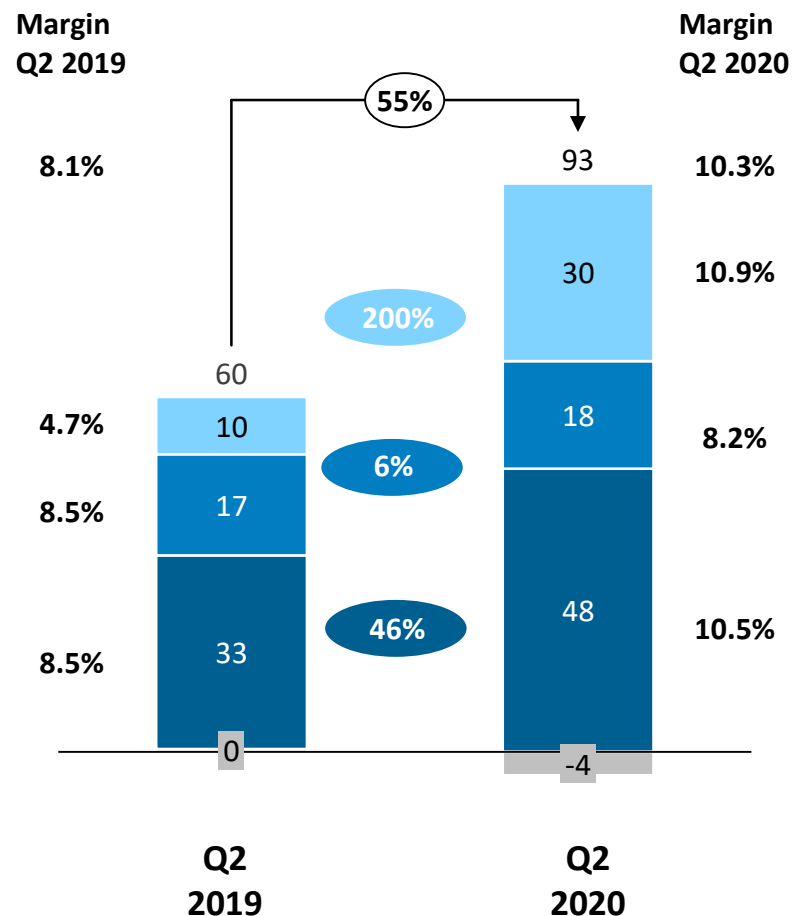
# Q2 2020 Defence: Divisional highlights

## Favorable volume growth and product mix

■ Sales Defence  
in €m



■ Operating result Defence  
in €m



### Weapon & Ammunition

- Early shipment on customer request helped Q2
- Unplanned first deliveries of PPE\*

### Electronic Systems

- Solid sales driven by VJTF and Gladius projects

### Vehicle Systems

- Strong tactical vehicle sales
- Ramp-up of Boxer projects

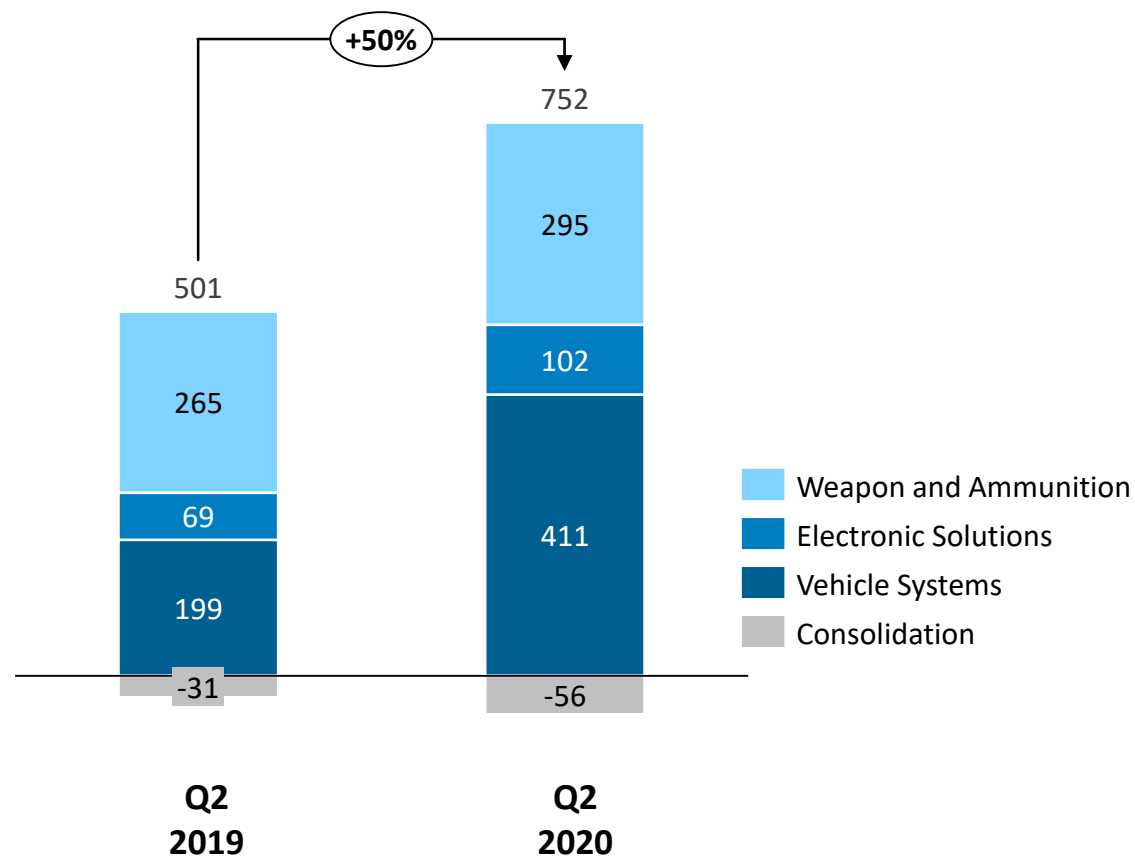
\*Personnel protective equipment

# Q2 2020 Defence: Order overview

## Stronger than expected order intake

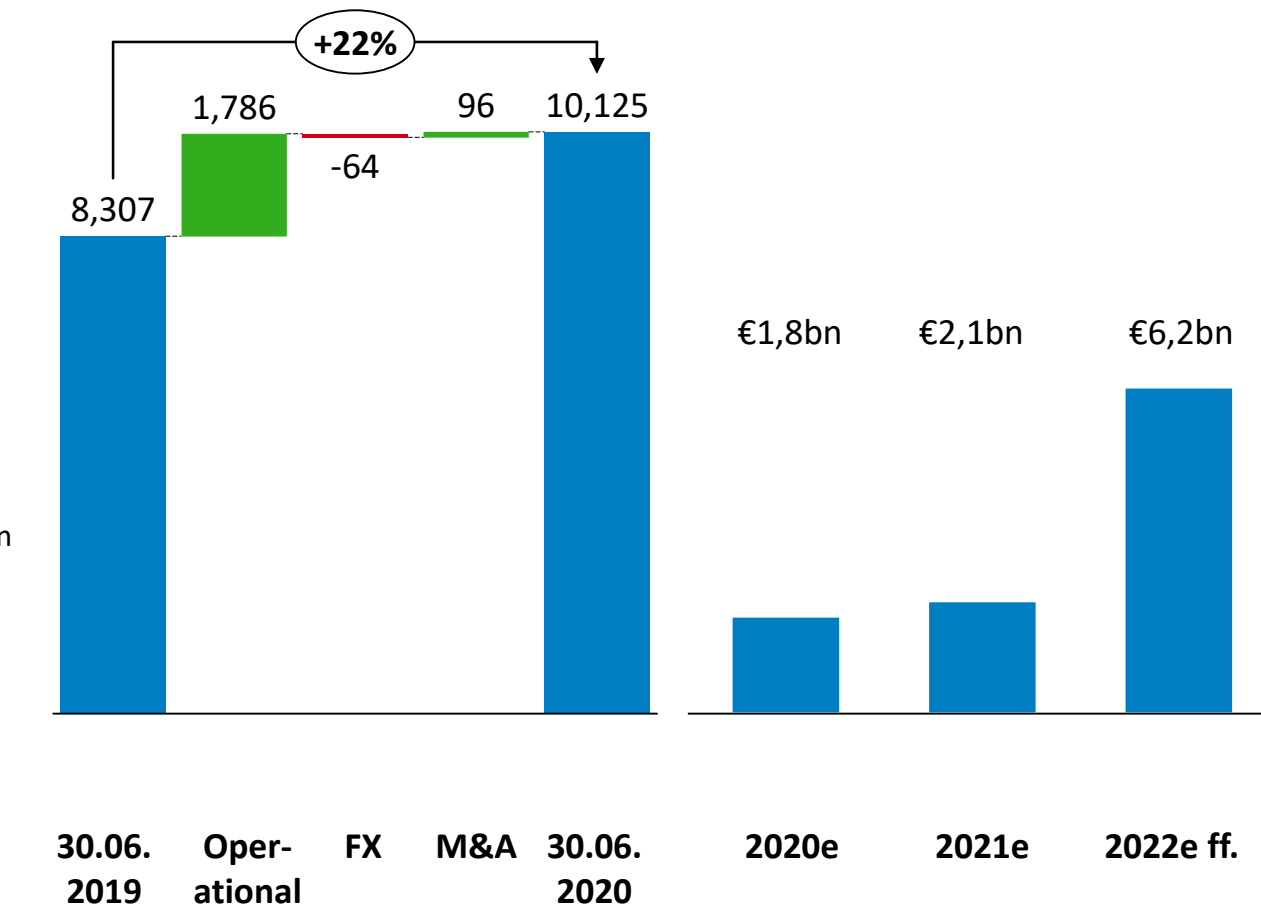
### Order intake by division

in €m



### Order backlog profile

in €m



# Logistic vehicles – a success story

## German framework contract for 2.000 load handling systems with first order

Total Framework value\*  
**€4.2bn**

Thereof already\*  
delivered €0.5bn  
booked €0.6bn

Remaining order potential  
**€3.1bn**

**Germany: €2.4bn**

**Others: €0.7bn**

2021

2022

2023

2024

2025

2026

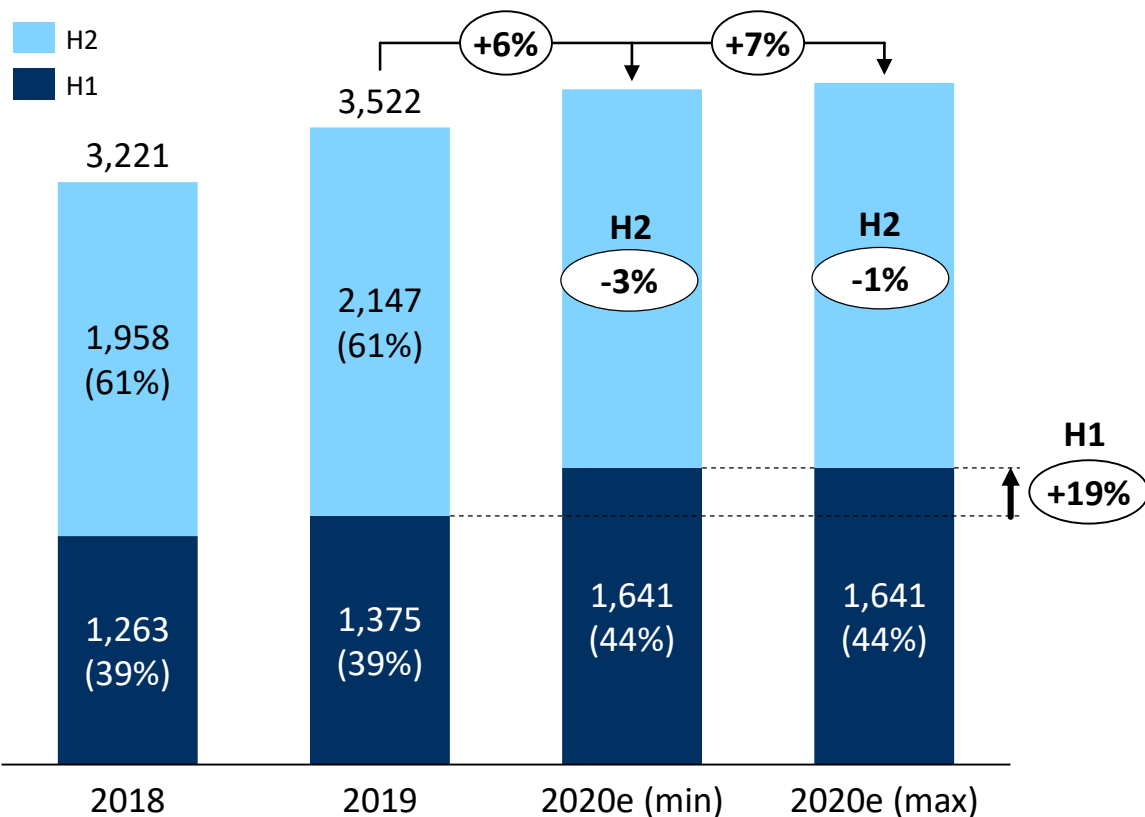
\* As of 30 June 2020

# Defence seasonality

## Stronger than average first half helps to meet FY guidance

### Sales Distribution

in €m



- Stronger than average first half 2020 (+19%)
- Customer induced shift of sales into Q2 at the expense of Q3
- Confirmation of FY sales growth of 6-7% guidance implies weaker H2 y-o-y
- FY growth still backend loaded driven by high Q4 sales volume in Division WA



# OUTLOOK **2020**

# 2020 Guidance update

**AUTOMOTIVE**



## Trading update

Sales decline of ~15% in Q3 with an operating leverage expected around 30%

**DEFENCE**



Second half on the level of last year's strong performance

## FY 2020 Guidance

Management still refrains to provide a detailed Automotive FY guidance. Automotive is currently targeting an operating result corridor between €-30m and break-even, if current circumstances do not change substantially (e.g. no additional lockdown or comparable business disruption and no material change in IHS growth assumptions\* for H2)

Guidance specified:

- sales growth expectation of 6-7% and
- operating margin around 10%

\*as of 4 August 2020

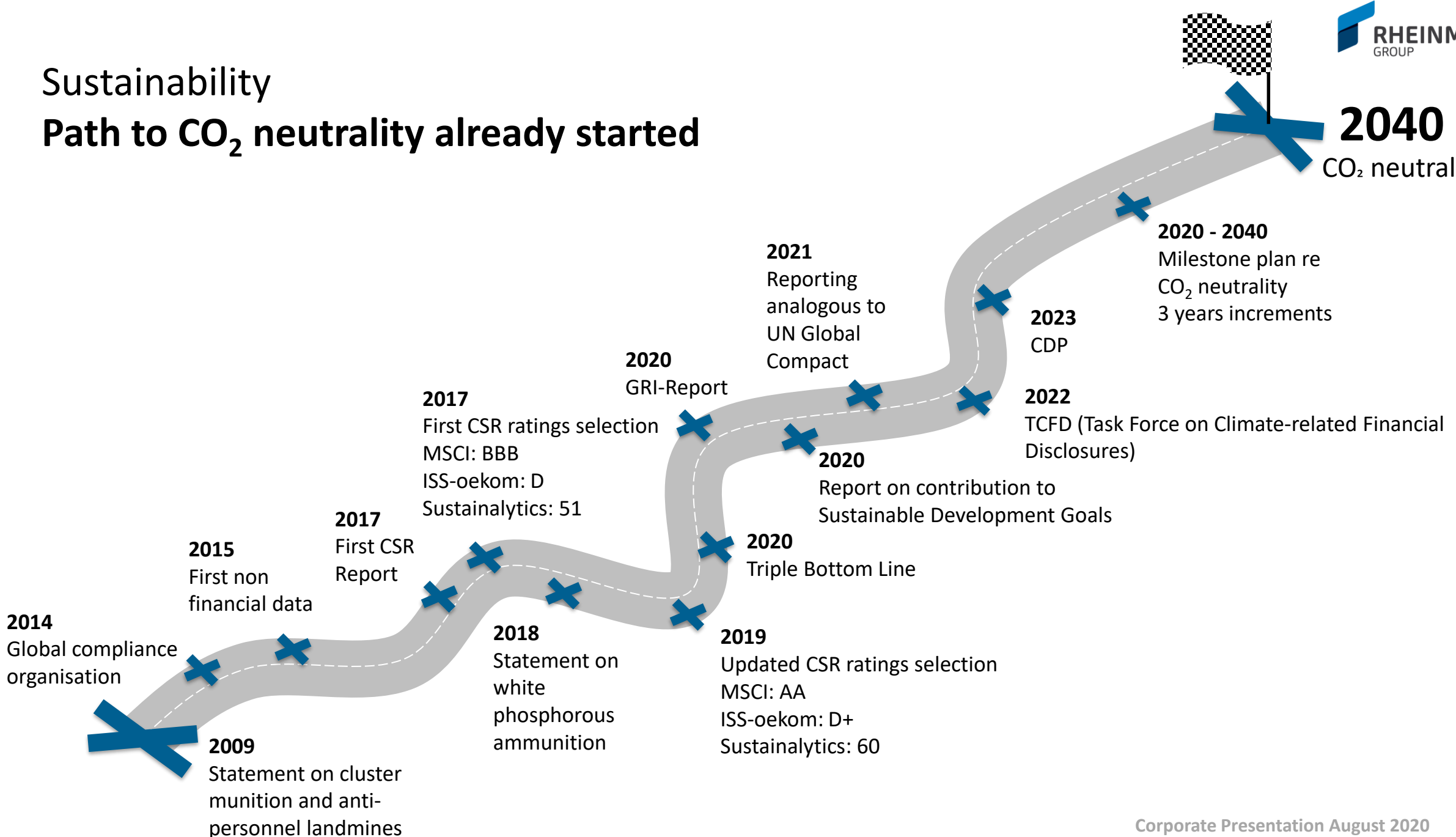


# Appendix



# Sustainability

## Path to CO<sub>2</sub> 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

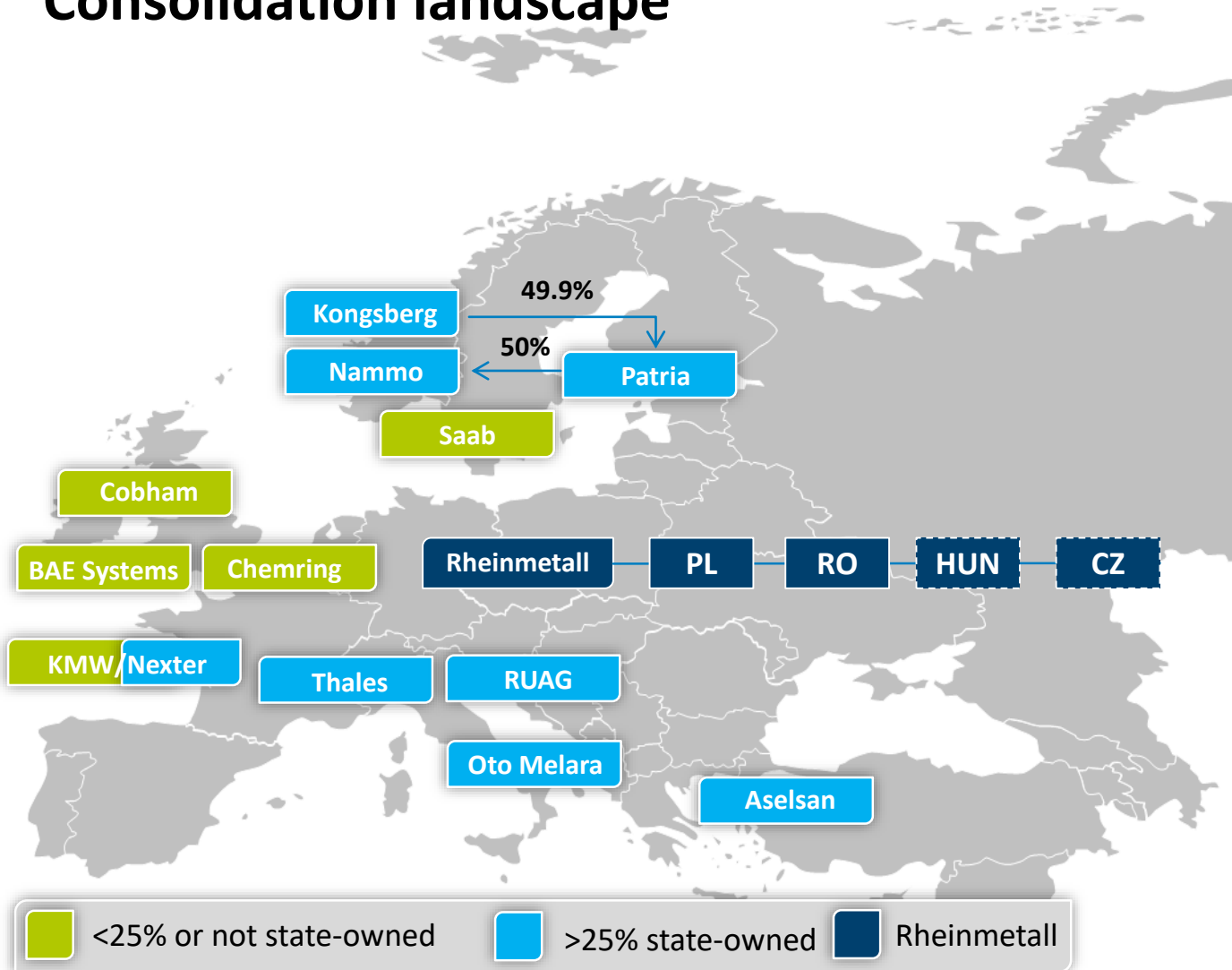
### New policy

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 Percentil $\frac{0}{0\%}$ - $\frac{50}{100\%}$ - $\frac{75}{150\%}$ Payout (linear)			<b>LTI</b>
Special bonus in exceptional cases at the discretion of the supervisory board		Special bonus					Payout (linear) $\frac{0\%}{100\%}$ - $\frac{150\%}{150\%}$ (50% shares (4 years deferred) + 50% cash + 20% of shares additionally in cash)			

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%)

# 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

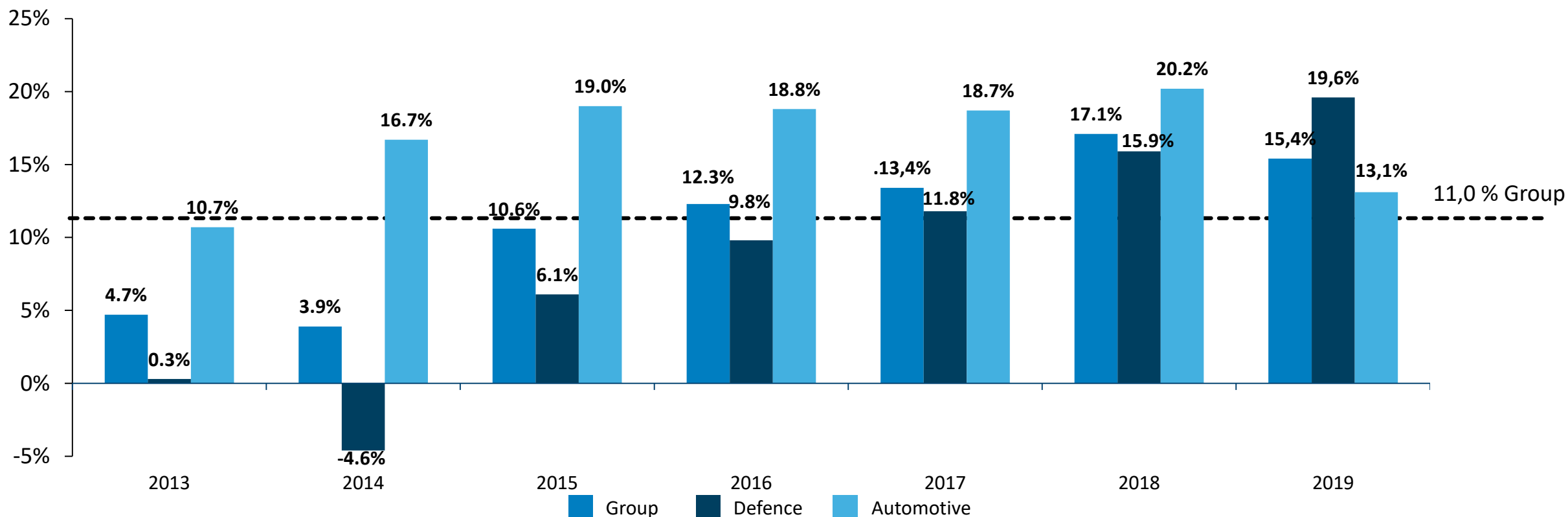
# Segments 2015 – 2019

## 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

Bankhaus Lampe Deutschlandkonferenz  
Commerzbank Corporate Conference  
Morgan Stanley Industrials CEOs unplugged  
UBS Quo Vadis Investor Trip 2020  
Berenberg u. Goldman Sachs German Corporate Conference  
Q3 2020 Earnings call

All investor meetings  
will be conducted as  
telephone conferences

**6 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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