Welcome to Bremen

- Key site of Electronic Solutions Division
  Sales: €745 million, Headcount: 2,927

- Home of two business units: Mission Equipment and Simulation & Training
  Sales: €500 million, Headcount: 1,206 thereof 60% engineers

All figures refer to FY 2016
History
- 1996: Acquisition of STN Atlas, Bremen (Simulation & Training, Defence Electronics and Naval Systems) together with BAE Systems
- 1998: Acquisition of Oerlikon Contraves, Zurich (Air Defence)
- 2003: Split of STN Atlas; divestment of Naval Systems
- 2006 - 2012: Acquisitions: Simrad, AIM, Swiss Simtech Marinesoft, RFEL; Divestment: Majority in Airborne activities (drones, cargo loading) sold to Airbus
- 2012: Formation of Electronics Solutions Division
- 2017: Rheinmetall Electronics (formerly Rheinmetall Defence Electronics)
Defence with strong recovery of KPIs and solid base for future development

Sales and operating margin development
in € million / %

Order book development
in € million

Updated guidance Q3
2017 with successful order acquisition especially in Germany

- Gladius
- Trucks
- Fox upgrade
- Ammunition framework agreement
- Combat Training Center
- Puma add. equipment
- Leopard upgrade

Delayed to 2018

High German order intake 2017
2017 marked by important strategic partnerships

<table>
<thead>
<tr>
<th>Scope</th>
<th>Status</th>
<th>Timing</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>Partnering agreement for the Bundeswehr assault rifle RS 522</td>
<td>Agreement signed Jan 2017 (74.9% Rheinmetall)</td>
<td>Tender submitted May 2017 Decision expected H1 2019</td>
<td>Joint bid for MoTaKo /MoTIV project</td>
</tr>
<tr>
<td></td>
<td>JV agreement signed Sep 2017</td>
<td>Tender process starts 2019 Decision expected Q4 2020</td>
<td>Various areas of cooperation under analysis</td>
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<tr>
<td></td>
<td>“Strategic collaboration agreement “ signed end of June with defined work share, exclusivity for German market</td>
<td></td>
<td>Cooperation agreement for drive by wire technology in military and dual use applications incl. civilian emergency response vehicles</td>
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<tr>
<td></td>
<td>Agreement signed Sep 2017</td>
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</tbody>
</table>
Defence budgets made it to the headlines in 2017

**Emmanuel Macron calls for EU army and shared defence budget**

The Independent, Sept 26 2017

**Congress proposes defense budget $37 billion higher than Trump's**

CNN, June 22, 2017

**Chancellor Angela Merkel backs 2 percent of GDP NATO contribution**

DW, Feb 25, 2017

**Poland Increases the Defence Budget. MoD Changes Modernization Plans**

Defence 24, June 9 2017

**Danish government proposes 20 percent defence budget hike to deter Russia**

Reuters, Oct 12, 2017
Defence budgets made it to the headlines in 2017
Market growth based on several drivers

NATO and international demand:
Generally increasing defence budgets

EU defence policy
European defence union; European defence fund

German domestic demand
From hollow structures to full equipment

Army 4.0:
Digitization of army equipment and communication
NATO Targets: Target achievement remains an important growth driver

Only 6 out of 29 member states are currently in line with the 2% target. 50% of member states spend below 20% on equipment.

NATO data on 2017 budgets
NATO and international demand: Framework nation concept triggers standardization of equipment

- Framework nation concept
  - German initiative
  - Framework nation provides basic military structures (incl. logistical and command structures)
  - Smaller states contribute special capabilities
  - Nucleus for EU army

Joint concept
Joint training
Joint operations
Standardized equipment
NATO and international demand: UK vehicle programs

UK Mechanised Infantry Vehicle (MIV)

- 500 8x8 Boxer Utility Vehicles
- Total Value > GBP3 bn
- Decision on tender process pending – collaborative via OCCAR or competition
- Assessment phase expected to begin in 2018
NATO and international demand: UK vehicle programs

Challenger Upgrade
- 227 vehicles with total value of GBP685 m
- 10 year life extension of existing fleet
- End of program in 2035
- Rheinmetall and BAE final competitors
- Assessment phase contract awarded Dec 2016 (GBP23 m)

Next steps:
- Finalization of assessment and submission of final tender in Dec 2018
- Decision scheduled for end of Q2 2019
NATO and international demand: Australia vehicle programs

LAND 121 Phase 3b
- Around 2,500 vehicles and 3,000 modules
- Total Value: AUD 1.9 bn
- Delivery in process

LAND 121 Phase 5b
- Around 1,100 vehicles and 700 modules
- Follow up order to Phase 3b
- Tender submitted in August 2017
NATO and international demand:
Australia vehicle programs

LAND 400 Phase 2
- 225 vehicles
- Total value: AUD 4 bn
- Rheinmetall: Boxer
- BAE/Patria final competitor

LAND 400 Phase 3
- Up to 467 tracked vehicles, thereof
  365 Infantry Fighting Vehicles
- Lynx
- At least three competitors
EU defence policy:
EU brought defense matters back on the agenda

Drivers for European defense politics
- Gain strategic autonomy
- Improve efficiency and interoperability
- Increase EU industry competitiveness

European Council decision
- Permanent structured cooperation (PESCO)
- European Defence Fund (€1.5 bn p.a. post 2020)
- Coordinated annual review on defence (CARD)

In Q3 2017 Rheinmetall set up Brussels liaison office
EU defence policy: Franco-German initiative with a project basket of approx. €175 bn

Franco-German lighthouse projects

<table>
<thead>
<tr>
<th>Main Focus for Rheinmetall Defence</th>
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<tbody>
<tr>
<td><strong>1</strong> Next-Gen Land Systems</td>
</tr>
<tr>
<td>Main Battle Tank</td>
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<tr>
<td><strong>2</strong> Next-Gen Land Systems</td>
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<tr>
<td>Common Indirect Fire Sup.</td>
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<tr>
<td><strong>3</strong> Digital Cooperation</td>
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<td><strong>4</strong> Maritime Patrol Aircraft</td>
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<td><strong>5</strong> EuroDrone</td>
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<tr>
<td><strong>6</strong> Combat Aircraft</td>
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<tr>
<td><strong>7</strong> Helicopters</td>
</tr>
<tr>
<td><strong>8</strong> Space</td>
</tr>
</tbody>
</table>

Rheinmetall participates as component supplier
German domestic demand: German MoD initiated three trend reversals

Personnel
- Mid-term return to 220,000 soldiers

Equipment
- Full equipment level
- Long-term structural reinforcement (new division)

Budget
- Increase of defence budgets
- €130 billion investment until 2030
German domestic demand: 
German army with new role as lead nation for VJTF

Very High Readiness Joint Task Force (VJTF)

- VJTF „the spearhead“ as part of the NATO Response Force
- Multinational brigade with 5 battalions (5,000 troops)
- Rotating lead nations
- Start of operation in 2017
- Germany will take on lead nation role in 2019 and 2023

Higher equipment requirements!
German domestic demand:
Additional structural demand of German army under discussion

- Vehicles – mid-term potential
  - Fox
  - Boxer
  - Trucks
  - Puma

- Equipment and ammunition – multi billion programs
  - NNBS (Short air defence)
  - TLVS (Tactical air defence)
  - MoTaKo
  - Ammunition
German domestic demand:
IFV Puma additional potential until 2026 in detail

Puma

OPTICAL SENSORS

TSWA

TURRET TRAINER

MELS

SPARE PART PACKAGE

AGDUS

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Army 4.0: Rheinmetall integrates components to systems
Army 4.0:
Soldier systems build the foundation of all digitization
Army 4.0: Panoview is the next level in digital turret systems

- Delivers real-time panoramic view
- Improves situational awareness, reduces reaction time and increases survivability
- Integrates with existing solutions
- Panoview allows to fuse sensor and tracker information such as areas of interest, tracks and notifications, C4I data and streamed sensor views in an intuitive, interactive user interface
Army 4.0: 
SENCA – Latest development to enhance effectiveness of combatants

Sensor Effector Network for Enhanced Combat Applications
Army 4.0: MoTaKo / MoTIV will propel the German Army into the digital future

JV-share and core capabilities

Rheinmetall (74.9%):
- Command systems
- Cross-functional operator interface
- Vehicle integration

Rohde & Schwarz (25.1%):
- Communication system architecture, IP based solution for voice and data transmission
- Incorporation of third party components and solutions

Scope and Timeline

- Most important strategic procurement project for the German army
- Total value exceeds € 5 bn
- Tender process starts 2019
- Start of production Q2 2021
Army 4.0:
Live simulation of the three building blocks
Growth:
Rheinmetall Defence with a strong focus on organic growth

- Long-term demand based on several pillars

Market growth based on multiple drivers

- NATO and international demand: Generally increasing defence budgets
- EU defence policy: European defence union; European defence fund
- German domestic demand: From hollow structures to full equipment
- Army 4.0: Digitization of army equipment and communication

- Strong order backlog

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td>30.09.</td>
<td>6.9</td>
<td>6.7</td>
<td>2.5</td>
<td>1.5</td>
<td>1.8</td>
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<tr>
<td>30.09.</td>
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Growing at improved performance

**GROWTH**
- Long-term growth trend fully intact
- Defence business growth returns to double digit %-rate

**PERFORMANCE**
- Profitability improved on product mix and higher leverage
- Lagging business in Electronic Solutions is stabilizing

**OUTLOOK**
- Well on track to enter target corridor of 6-7% operating margin mid-term
- High order backlog
- Great growth potentials for all three divisions
MOBILITY. SECURITY. PASSION.
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Capital Markets Day 2017, Bremen