Capital Markets Day 2017
Helmut P. Merch, CFO

Rheinmetall AG, 22 November 2017
Continuing improvement of key financials

### Sales, operating result

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (in EUR million)</th>
<th>Operating result (in EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4.417</td>
<td>211</td>
</tr>
<tr>
<td>2014</td>
<td>4.688</td>
<td>160</td>
</tr>
<tr>
<td>2015</td>
<td>5.183</td>
<td>287</td>
</tr>
<tr>
<td>2016</td>
<td>5.602</td>
<td>353</td>
</tr>
<tr>
<td>9m 2017</td>
<td>4.174</td>
<td>231</td>
</tr>
</tbody>
</table>

### Operating free cash flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating free cash flow (in EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>20</td>
</tr>
<tr>
<td>2014</td>
<td>-182</td>
</tr>
<tr>
<td>2015</td>
<td>29</td>
</tr>
<tr>
<td>2016</td>
<td>161</td>
</tr>
</tbody>
</table>
Financial flexibility materially raised

- **Total assets**
  - In € m
  - 2013: 6,000
  - 2014: 4,000
  - 2015: 4,000
  - 2016: 6,000

- **Gearing**
  - Total liabilities / equity
  - 2013: 2,0x
  - 2014: 2,0x
  - 2015: 2,0x
  - 2016: 2,0x

- **Debt ratios**
  - Net-debt to EBITDA (l.s.)
  - EBITA/Interest Expenses (r.s.)
  - 2013: 0%
  - 2014: 10%
  - 2015: 20%
  - 2016: 30%

- **Corporate rating (Moody’s)**
  - Baa3 Negative
  - Ba1 Stable
  - Ba1 Negative
  - Ba1 Stable
  - Ba1 Positive

- **Equity/Total Capitalization**
  - 2012: Baa3 Negative
  - 2013: Baa3 Negative
  - 2014: Ba1 Stable
  - 2015: Ba1 Negative
  - 2016: Ba1 Negative
  - 2017: Ba1 Positive

- **Investment grade**
  - Non-investment grade since 10/2013

© Rheinmetall AG / CMD 2017
Reliability as key factor to improve credibility

**Share price**
in EUR

- Actual Share Price
- Target Price as of 09/11/17

**Market Cap:**
- > €2,000 m
- > €3,000 m
- > €4,000 m

**Operating margin guidance**
in %

- Guidance
- Last guidance revision
- Actual

**Analyst Ratings**
as of 09/11/17

- **Buy:** 12
- **Hold:** 6
- **Sell:** 0
Looking ahead:
Change of accounting standards with minimal impact starting in 2018

<table>
<thead>
<tr>
<th>IFRS 15</th>
<th>IFRS 16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue from contracts with customers</strong></td>
<td><strong>Leases</strong></td>
</tr>
<tr>
<td><strong>Conversion effect</strong></td>
<td><strong>Balance sheet</strong></td>
</tr>
<tr>
<td>▪ No change in equity</td>
<td>▪ Extension of around €150-200m (~3% on total assets) due to recognition of right of use assets and matching liabilities of operating lease</td>
</tr>
<tr>
<td>▪ Balance sheet extension due to posting of incremental costs of obtaining a contract</td>
<td>▪ No equity effect</td>
</tr>
<tr>
<td><strong>P&amp;L</strong></td>
<td><strong>P&amp;L</strong></td>
</tr>
<tr>
<td>▪ Small effect on sales and material expenses (particularly in Defence)</td>
<td>▪ EBIT/operating results increases as depreciation of right of use assets will be below current leasing expenses (reclassification of interest effect)</td>
</tr>
<tr>
<td>▪ Slightly higher sales on new consideration of a financing component included in the contract price and corresponding posting in the interest result</td>
<td>▪ Interest expense increases on interest share of lease payments</td>
</tr>
<tr>
<td>▪ No EBIT/operating result effect due to posting of incremental costs of obtaining a contract</td>
<td></td>
</tr>
</tbody>
</table>

No change in equity
Balance sheet extension due to posting of incremental costs of obtaining a contract
EBIT/operating results increase as depreciation of right of use assets will be below current leasing expenses (reclassification of interest effect)
Interest expense increases on interest share of lease payments
FX impact almost eliminated by natural hedge and diversified sales structure

### Rheinmetall Group
**Sales growth in %**

- **Reported sales growth in %**
- **FX-adjusted sales growth in %**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2016</th>
<th>9M 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export share:</td>
<td>76%</td>
<td>78%</td>
</tr>
</tbody>
</table>

### Automotive
**Sales growth in %**

- **Most important currencies:** EUR, CZK, USD, MXN, BRL, CNY

### Defence
**Sales growth in %**

- **Most important currencies:** EUR, CHF, CAD, USD

#### Transaction risk: low
**Automotive:** Natural hedging by high value creation in other currency regions
**Defence:** Contracting in EUR due to strong market position and in local currencies of production sites (e.g. CHF); derivatives if necessary

#### Translation risk: in recent years modest impact on sales; difference between reported and FX-adjusted growth rate between 0% and 3%
TOP PERFORMANCE
Automotive:
Drivers for structural earnings improvement

- **Automotive**
  - Continuing growth of 100-200 bp above LV production rate
  - Increasing share of higher margin Mechatronics business
  - Optimization of the cost structure in Hardparts, e.g. by closing the pistons plant in Thionville (F)
  - Strong performance of Chinese JV
  - Development of our product portfolio, e.g. by entering new markets like e-mobility
Automotive: Achieving target margin with different value chains

Consequences: Steady capex requirements of Mechatronics and Hardparts, high importance of working capital management in Aftermarket
**Defence:**
Drivers for structural earnings improvement

- **Defence**
- Improving market environment
- Increasing margins due to the lower influence of legacy contracts
- Higher margin order book
- Development of new technology

### Tactical Vehicles
- **Boxer**
  - Remaining Value: €71 m
- **Puma**
  - Remaining Value: €853 m
- **Boxer**
  - Remaining Value: €166 m

### Logistic Vehicles
- **Trucks**
  - Remaining Value: €184 m
- **Land 121**
  - Remaining Value: €969 m
- **Trucks**
  - Remaining Value: €220 m

**Graph:**
- **CAGR 2017-2020:** ~10%
- Revision of mid-term guidance
- 6-7%
Defence:
Extended value chains provide profit potential

Value chain
- R & D
- Procurement (Raw materials)
- Production
- Assembly
- Aftermarket

Weapon and Ammunition
- Extended value chain: R & D, raw materials (nitrochemicals), casings, fuses, effectors
- Combination of weapon and ammunition with similarities to “razor/blade-model”

Electronic Solutions
- Systems
- Components
- Engineering and AIT (Assembly, Integration and Testing) of complex products

Vehicle Systems
- Tactical
- Logistic
- Product design
- Welding, assembly
- Product modification
- Assembly

Consequences: Case by case capex requirements of Weapon and Ammunition; low capex requirements of Electronic Solutions and Vehicle Systems
Different business models – different cash requirements and ROCE

Capex and Working Capital compared to Sales

Legend
- Status quo (2015)
- Size of bubble indicates ROCE (2016)

Operating working capital to sales in %

Capex to sales in %

- Electronic Solutions
- Mechatronics
- Hardparts
- Rheinmetall Group
- Vehicle Systems
- Weapon and Ammunition
- Aftermarket

Rising return on capital employed

Pre-tax WACC (2016):
- 10.9% Automotive
- 9.3% Defence

ROCE in %
- 2013: 5%
- 2014: 4%
- 2015: 11%
- 2016: 12%

Groups:
- Group
- Defence
- Automotive
Free cash flow expected to move towards the upper end of guidance mid-term

Operating free cash flow

- 2013: 0.5%
- 2014: -3.9%
- 2015: 0.6%
- 2016: 2.9%

Mid-term expectation: 2-4%
Increased business activities will slightly lift capex in 2018

- Capex
  - 2013 last year with capex below depreciation
  - Defence capex traditionally below Automotive (35:65)
  - 2018 will see elevated level of capex driven by Defence
  - Automotive remains on old level
External growth remains a valid option

- M&A activity
  - Permanent screening of the market
  - High price premium awareness
  - Current opportunities:
    - Potential transformation of European defence industry might offer some opportunities
    - Structural changes in the automotive industry
Commitment to shareholders by maintaining a payout ratio of at least 30%

Dividend per share and payout ratio
in EUR and in %
Solid performance from a strong financial base

**GROWTH**
- Positive business cycle in both segments
- Automotive outpacing market
- Defence growing at double digits

**PERFORMANCE**
- Profitability significantly improved
- Targeted margin corridor within reach
- Cash conversion on high level

**STABILITY**
- Successful de-leveraging process
- Positive rating outlook
- Financial flexibility enhanced
Rheinmetall shifts into a higher gear

EXCITING PRODUCT PORTFOLIO
Portfolio shift to powertrain independence in Automotive continues
State-of-the-art vehicles portfolio and promising innovations in Defence
Integration of components to systems

ENTHUSIASTIC PEOPLE
Innovative engineers
Experienced sales force
Fully committed management

POSITIVE OUTLOOK
Strong financials
Both business in a positive business cycle at the same time
Creativity to enhance the business
MOBILITY. SECURITY. PASSION.
Disclaimer

This presentation contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to Rheinmetall’s financial condition, results of operations and businesses and certain of Rheinmetall’s plans and objectives. These forward-looking statements reflect the current views of Rheinmetall’s management with respect to future events.
In particular, such forward-looking statements include the financial guidance contained in the outlook for 2017.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. In particular, such factors may have a material adverse effect on the costs and revenue development of Rheinmetall. Further, the economic downturn in Rheinmetall’s markets, and changes in interest and currency exchange rates, may also have an impact on Rheinmetall’s business development and the availability of financing on favorable conditions. The factors that could affect Rheinmetall’s future financial results are discussed more fully in Rheinmetall’s most recent annual and quarterly reports which can be found on its website at www.rheinmetall.com.

All written or oral forward-looking statements attributable to Rheinmetall or any group company of Rheinmetall or any persons acting on their behalf contained in or made in connection with this presentation are expressly qualified in their entirety by factors of the kind referred to above. No assurances can be given that the forward-looking statements in this presentation will be realized. Except as otherwise stated herein and as may be required to comply with applicable law and regulations, Rheinmetall does not intend to update these forward-looking statements and does not undertake any obligation to do so.
This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire or dispose of securities in Rheinmetall AG or any of its direct or indirect subsidiaries.

Capital Markets Day 2017, Bremen