1. Development of markets and internationalization strategy
2. Strategic targets of our divisions
Global defence budgets growth
Defence is at the beginning of long lasting market growth

World 2016 - 2020
- Expected average annual growth ~1.5%

NATO-Target
- Moving defence budgets to 2% of GDP in all member states until 2025

Source: IHS
(Development of defence budgets 2016e-2020e in % p.a.)
NATO Defence budgets
Efforts to reach the 2%-target

Selected NATO countries –
Defence expenditures in % of GDP 2015

- Latvia 1,0%
- Italy 1,0%
- Czech Republic 1,1%
- Lithuania 1,1%
- Netherlands 1,2%
- Germany 1,2%
- Norway 1,5%
- Turkey 1,7%
- France 1,8%
- Estonia 2,1%
- United Kingdom 2,1%
- Poland 2,2%
- Greece 2,4%
- United States 3,6%

- 2015: **Five countries** exceed the NATO-standard of 2%
- 2016: Increasing budgets in **22 of 28 NATO countries**
- **United States** – Downward trend stopped; defence budget 2015/16 +3.5%
- **Europe** – Largest four countries increase their defence budgets 2015/16 by +2.5%

Source: NATO, Defence Expenditures of NATO Countries 2016
US defence policy
New approach by the new administration?

Speech on national security, September 07, 2016

- “We currently have the smallest Army since 1940 ...”
- “As soon as I take office, I will ask Congress to fully eliminate the defense sequester and will submit a new budget to rebuild our military.”
- “Additionally, I will be respectfully asking countries such as Germany, Japan, South Korea and Saudi Arabia to pay more for the tremendous security we provide them.”

- Increase of US-Defence budget
- Higher pressure on armament expenses in most of the NATO countries
The German role in global defence

A new political mindset becomes evident

Ursula von der Leyen, Minister of Defence

“Germany has to carry over more responsibility in the world. Indifference is not an option.”

Joachim Gauck, Federal President

“The Federal Republic must also be ready to do more for the safety, that has been granted by others for decades.”

Angela Merkel, Federal Chancellor

“Certainly, this means, that a country like Germany, which spends 1.2 % of its GDP for defence, and the USA, which spend 3.4 %, will have to come closer together.”
The German defence budget

Government determined to raise expenditures

German Defence budget 2014-2020 in EUR bn

1,2% GDP

2% GDP

Source: Federal Ministry of Finance, Federal budget 2017

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Order potential from Germany
A number of projects targeted by Rheinmetall

**Gladius soldier system**
Potential: ~ EUR 250 m
Long-term potential: EUR ~300 m

**Leopard 2**
Upgrade order for 104 tanks
Potential: up to EUR 200 m

**Fuchs**
Order 2016: EUR115m
Further potential: EUR ~300 m

**Combat training center**
Additional equipment
Potential: EUR >50 m

**Service contract**
Potential: EUR 50-100 m

**Military trucks**
1.lot: 558 vehicles
Volume: EUR 250 m
Long-term potential: 3,700 vehicles, EUR ~1,600 m
Order potential from Germany

A number of projects targeted by Rheinmetall

**Puma**
Additional equipment
Potential: EUR 600 m

Demand for additional IFVs
Long term potential: EUR 900 m

**Ammunition partnering agreement**

Potential: EUR ~300 m p.a.

**Net centric digital battlefield**
Key project of German armed forces

Total potential: up to EUR 10 bn
Progress in the internationalization strategy
Internationalization strategy
Recent developments in establishing hubs and JVs

- Canada
- USA
- United Kingdom
- Poland: New company
- Scandinavia
- Russia / Kazakhstan
- North Africa
- Netherlands
- Turkey: New JV
- Romania: New JV
- India
- Israel
- GCC
- Saudi Arabia
- South Africa
- Mexico: New company
- Brazil
- Australia
- Indonesia: New JV planned
International order potential
Focus on new huge projects

Australia
Land 400 program
Boxer with Lance turret
Potential: EUR ~2.5 bn

Australia
Logistic Vehicles
Demand for further orders
Potential: EUR >300 m

United Kingdom
Challenger 2
Life extension and upgrade
Potential: EUR 780 m

United Kingdom
Mechanized Infantry Vehicle-Boxer
Potential: EUR >2 bn for 1,700 vehicles
International order potential
Focus on new huge projects

Middle East customer
Logistic Vehicles
Demand for further orders
Potential: EUR ~600 m

Asian customer
Air Defence
Potential: EUR >200 m

Asia/Pacific region
Munition
Potential: EUR 300-400 m

Algeria
Fox kits
Potential: EUR >200 m
Markets and Competition

News about consolidation in Europe

- **Governmental shareholding** restricts room for cross-border consolidation
- **Big common armament programs** as catalyst for further consolidation are not at European mid-term horizon
- **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
Public Security Market
Police forces and budgets

North America
876,000 HC
USD 128 bn

South America
1,260,000 HC
USD 40 bn

Europe
2,305,000 HC
USD 150 bn

Africa
908,500 HC
USD 12 bn

India
1,580,000 HC
USD 92 bn

China
5,000,000 HC
USD 80 bn

Australia
50,000 HC
USD 4 bn

Germany
290,000 HC
EUR 20 bn
thereof equipment
EUR 1.8 bn

Worldwide: about 20 million police officers (HC)
Total expenditure: USD 606 bn

Source: Internet research
Public security gains importance
... with chances for our technical capabilities

Law Enforcement
Airport Security
Special Purpose Vehicles
Equipment for Police Forces
Protection of Critical Infrastructure and Events

Cyber Security
Strategic targets
Division Weapon and Ammunition – Strategic Targets

Sustaining and extending the business

- Maintaining the globally leading market position by organic growth and new strategic partnerships
- Expanding leadership in technology by shifting innovations to serial production
- Securing independence of exports and profitability by internationalizing manufacturing and R&D capacities
Strategic targets

**Achieving organic growth based on recently received orders**

- In 2016, sales of weapon and ammunition will exceed the level of EUR 700 m and rise to a new peak.
- In 2016, large orders with a value of up to EUR 770 m acquired from international customers.
- Total order volume of EUR 1,1 bn in 2016 expected.

*Sales weapon and ammunition business in EUR m*

![Graph showing sales trend from 2008 to 2016 with a peak in 2016 exceeding EUR 700 m.]
Strategic targets
Growing by various strategic partnerships

United States, Defense Munitions International (DMI)
- 50:50-JV with General Dynamics Ordnance and Tactical Systems

New: United States RDZM
- 50:50-JV with Day & Zimmermann (RDZM)
- State-of-the-art ammunition for the US market

United Kingdom
- Partnering agreements with Defence Equipment and Support (DE&S) and with BAE Systems

Netherlands
- Partnering agreement

New: Germany
- Partnering agreement with German government about a regular supply of large- and medium-ammunition

New: Turkey
- JV for ammunition in preparation

New: Indonesia
- JV for ammunition in negotiation
Strategic targets
Shifting innovations to serial orders

Large Caliber Munition DM 11
- Advanced multipurpose ammunition with programmable fuses
- Market potential for 20 international customers

Smooth bore gun 130 mm
- Main armament designed for future generation of main battle tanks
- Improves performance by up to 50%

High Energy Laser Technology
- Successfully tested by German Navy, ready for operations in 2-4 years
- Domestic R&D orders of EUR ~40 m received

Active Defence Systems
- Protection against light antitank weapons, guided missiles and certain improvised explosive devices (IEDs)
- Qualification phase in the German armed forces in preparation
Strategic targets

Secure independency of German export regulations and profitability

Rheinmetall Denel Munition (South Africa) Sales in EUR m

2009  2012  2015  2016e
85  113  150  150  250

RWM Italia Sales in EUR m

2011  2014  2015  2016e
11  42  48  60  100

* 2016 vs. 2015: +15% in local currency
Division Electronic Solutions – Strategic targets

Reshaping and complementing the business

- Widening the Air Defence product portfolio by forming an exclusive partnership with a missile house to complement the canon-based SHORAD (Short Range Air Defence) product portfolio
- Expanding the customer structure in the Simulation and Training business by marketing of civil applications
- Strategic move in Mission Equipment from a component manufacturer to a system integrator
Strategic targets – Simulation and Training
Expanding the customer structure by marketing of civil applications

Off-shore maritime simulation for Pemex

EUR 250 million

Simulation and Training for

- Emergency and crisis management
- Exploration and production process
- Plant operation
Strategic targets – Mission Equipment
Moving from a component manufacturer to a system provider

Component supplier for (Rheinmetall) military vehicles

System house “Armored infantryman”
- Gladius Soldier System
- Puma

Net-centric digital battlefield/
Mobile tactical communication
- Position Rheinmetall as general contractor in the future key project of the German Land Forces
Foundation of the Division Vehicle Systems in 2016

A Competitive International Supplier

- Leading European supplier of military vehicle systems
- Sole provider of the complete product portfolio of military vehicles in the West
- New vehicles are ready for market launch
- Strong track record through successful order acquisition
- Shortlisted in large volume procurement programs
Division Vehicle Systems – Strategic targets

Securing growth by serial and upgrade orders

- Benefitting from the present status as the leading European system house for tracked and wheeled military vehicles
- Shaping the profile of Vehicle Systems as a one-stop-shop for a wide spectrum of innovative military vehicles
- Securing growth by acquisition of further high-volume orders inside and outside of Germany
### Strategic target

**Shaping profile of an one-stop-shop with the most modern fleet**

<table>
<thead>
<tr>
<th>Tracked Vehicles</th>
<th>Wheeled Vehicles</th>
<th>Logistic Vehicles</th>
<th>Turret Technology</th>
<th>NBC / C-IED</th>
</tr>
</thead>
<tbody>
<tr>
<td>MBT Advanced Tech Demonstrator</td>
<td>BOXER Armored Multirole Vehicle*</td>
<td>SX – Tactical Truck System</td>
<td>Medium Caliber LANCE Turret</td>
<td>Fuchs KAI</td>
</tr>
<tr>
<td>PUMA (Joint Venture)</td>
<td>Fuchs 2 Armored Personnel Carrier</td>
<td>HX – Operational Truck System</td>
<td>Large Caliber MBT Turret</td>
<td>C-IED GPR Radar</td>
</tr>
<tr>
<td>Lynx</td>
<td>AMPV Armored Multi Purpose Vehicle</td>
<td>TG-MIL Militarized Truck System</td>
<td>Wiesel Mortar Combat System</td>
<td>NBC Protection</td>
</tr>
</tbody>
</table>
Strategic targets
Securing growth by acquisition of further large-scale orders

Canada: Modernization Leopard
UK: Challenger life extension
UK: MIV Boxer
Netherlands: Boxer
Germany: Military trucks
Lithuania: Boxer
Poland: Modernization program
Romania: Wheeled vehicles
Singapore: Military trucks
Indonesia: Upgrade Leopard/Marder
Peru: Military trucks
Australia: Land 121
Australia: Land 400

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Summary

Defence in an encouraging market environment

- Rethinking of Western defence policy results in higher budgets and **market growth**
- The high order book and current order potentials trigger **organic growth** of Rheinmetall Defence
- New threats and higher demand in **public security** lead to additional chances for Rheinmetall Technology
- **Innovative product portfolio** and **strong market positions** are Rheinmetall’s basics for widening the global customer and partnership network
MOBILITY. SECURITY. PASSION.