Capital Markets Day 2016
Rheinmetall Group

Helmut P. Merch, CFO
Düsseldorf, 9 December 2016
Share price 2016

Volatile, but clearly outperforming EU sector indices

Share price performance
- H1 reflects general automotive market concerns reinforced by market disappointment on Q1 figures
- Latest performance clearly driven by “Trump-effect”
- Recommendations with 64% on BUY
- Ø Price Target at € 70.93

Valuation RHM vs. European Peers*

<table>
<thead>
<tr>
<th></th>
<th>EV/EBIT</th>
<th>P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rheinmetall</td>
<td>10.48</td>
<td>12.41</td>
</tr>
<tr>
<td>Defence EU peers</td>
<td>18.88</td>
<td>15.32</td>
</tr>
<tr>
<td>Automotive EU peers</td>
<td>12.57</td>
<td>11.16</td>
</tr>
</tbody>
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* Reuters as of 11 November 2016
Highlights 2016
Financial solidity materially improved

Drivers

- Delivery on our targets
- Capitalizing on our restructuring efforts
- Achievement of a solid equity ratio
- Pension liabilities still rising on lowering discount rates
- Supportive market environment in both segments

Credit rating Ba1 with outlook changed to stable in April 2016
Highlights 2016
Successful diversification of credit market access

- Improved maturity profile
  - Dedicated EU funds for the financing of R&D in Automotive secured via EIB loan of EUR 250 million (Q3 2017)
  - Liquidity secured via undrawn syndicated loan facility and undrawn bilateral bank facility
  - Repayment of bond in September 2017; “replacement” by various financial instruments possible
Outlook: Short-term perspective

Update on Q4

**AUTOMOTIVE**

- Global Q4 LV production +0.5%, driven by China
- **China** with good development, uncertainties on future tax incentives
- **North American** and **European** LV markets softer

- **Automotive** to meet sales guidance of around EUR 2.7bn

**DEFENCE**

- Defence markets with strong tailwind post US election
- Order intake remains on high level
- Increased acquisition base for future growth

- **Defence** to meet sales guidance of around EUR 2.9bn
Outlook: Short-term perspective
Q4 with strong earnings development in Defence

Automotive sales and earnings $in\ EUR\ m$

<table>
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<tr>
<th>Year</th>
<th>Sales</th>
<th>Op. earnings</th>
<th>Q4 generates 25% of FY sales</th>
<th>EBIT margin Q4: 8.2%</th>
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<tr>
<td>2015</td>
<td>1,957</td>
<td>635</td>
<td>2,592</td>
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<td>2016</td>
<td>1,992</td>
<td>&gt;650</td>
<td>&gt;2.7 bn</td>
<td>Margin target 2016: ~8%</td>
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Defence sales and earnings $in\ EUR\ m$

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<td>2016</td>
<td>1,912</td>
<td>&gt;1,000</td>
<td>&gt;2.9 bn</td>
<td>Margin target 2016: 4.5-5%</td>
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Margin target 2016: ~8%
Outlook FY 2016
Raised guidance confirmed

**Group**

- **Sales in EUR m**
  - FY 2014: 4,688
  - FY 2015: 5,183
  - FY 2016e: ~5,600

- **Operational margin in %**
  - FY 2014: 3.0%
  - FY 2015: 5.5%
  - FY 2016e: ~6%

**Automotive**

- **Sales in EUR m**
  - FY 2014: 2,448
  - FY 2015: 2,592
  - FY 2016e: ~2,700

- **Operational margin in %**
  - FY 2014: 7.5%
  - FY 2015: 8.3%
  - FY 2016e: ~8%

**Defence**

- **Sales in EUR m**
  - FY 2014: 2,240
  - FY 2015: 2,591
  - FY 2016e: ~2,900

- **Operational margin in %**
  - FY 2014: -3.0%
  - FY 2015: 3.5%
  - FY 2016e: ~4.5-5%
Mid-term perspective
Rheinmetall expected to outperform both markets

**Automotive Sales in EUR m**
- Rheinmetall Automotive +5% vs. Global LV production: 2.5%
- Historic growth path (CAGR 2013-16)
- Rheinmetall Automotive: +5% vs. Global LV production: 2.5%
- 2013: 2.262
- 2014: 2.448
- 2015: 2.592
- 2016e: ~2.7bn

**Defence Sales in EUR m**
- Rheinmetall Defence: +10% vs. Global markets: 1.1%
- Defence sales growth 2017-19 expected significantly above market growth, with a growth impulse in 2018 onwards
- 2013: 2.155
- 2014: 2.240
- 2015: 2.591
- 2016e: ~2.9bn

Automotive to slightly beat expected growth rates for global LV production of 2.9% (CAGR 2017-19*)

DEFENCE
- 2013: 2.155
- 2014: 2.240
- 2015: 2.591
- 2016e: ~2.9bn

* IHS: November 2016

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Mid-term perspective

**Levers for future result improvement**

**Mechatronics**
Substantial opportunities for growth above market rates

**Hardparts**
Optimizing assets and cost structure

**Aftermarket**
Benefit from growing global vehicle fleets

**Vehicle Systems**
- Exploit unique set up as a one-stop shop vehicle supplier
- Leverage the ramp-up of order backlog

**Weapon and Ammunition**
Stabilize the high-margin levels in a growing business

**Electronic Solutions**
Increasing top-line growth from 2018 onward and reducing losses in Norway
## Mid-term perspective

**Rheinmetall well positioned to accompany change in both markets**

<table>
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<tr>
<th>Market environment</th>
<th>Growth of global LV production remains positive, but with reduced momentum compared to 2016</th>
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<td>Chances and Risks (+/-)</td>
<td>Increase share of higher margin products, esp. in Mechatronics</td>
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<td>Slowdown in global markets</td>
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<td>Rheinmetall’s targets</td>
<td>Growth above market</td>
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<td>Sustain profitability level</td>
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<td>Focus of R&amp;D: neutrality of powertrain technology</td>
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<td>Benefits from positive market environment</td>
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<td>Continuation of successful order acquisition</td>
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<td>Efficient execution of the order backlog</td>
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All set for future growth!

- Globally rising LV production remains the basis for future growth
- Pressure on emission reduction offers additional chances
- Preparation for new engine concepts has started
- Markets provide plenty of growth opportunities
- High order backlog confirms solid basis for the coming years
- Further growth push to be expected for 2018
MOBILITY. SECURITY. PASSION.