



THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Conference Call 9M 2016

Düsseldorf | November 3, 2016

Highlights 9M 2016

Strong top line growth, earnings improved, guidance adjusted

Sales

Sales increased by 9% or FX-adjusted by 10% to EUR 3,904 million

Earnings

Operational earnings strongly advanced from EUR 140 million to EUR 182 million

EPS

Earnings per share up by 17% to EUR 2.22

Free Cash Flow

9M Free cash flow from operations further improved by Q3 contribution of plus EUR 36 million

Finance

EU Funds for Strategic Investment provides EUR 250 million loan for Automotive

Outlook

Due to higher growth expectations for Defence, sales target lifted from EUR ~5.5 billion to EUR ~5.6 billion, EBIT margin target remains at ~6%

Key figures 9M 2016

<i>in EUR million</i>	9M 2015	9M 2016	Δ 9M 2016 / 9M 2015	
Order intake	3,756	4,340	+ 584	+ 16%
Sales	3,582	3,904	+ 322	+ 9%
EBITDA	288	343	+ 55	+ 19%
EBIT	140	182	+ 42	+ 30%
EBIT margin <i>in %</i>	3.9	4.7	+ 0.8 pp	
EBT	96	140	+ 44	+ 46%
Group net income	64	99	35	+ 55%
Earnings per share <i>in EUR</i>	1.89	2.22	+ 0.33	+ 17%
Free cash flow from operations	- 270	- 302	- 32	- 12%
Employees (September 30)	20,665	20,982	+ 317	+ 2%

Key figures Q3 2016 Group

Rheinmetall Group <i>in EUR million</i>	Q3 2015	Q3 2016	Δ Q3 2016 /2015	
Sales	1,188	1,305	+ 117	+ 10%
EBITDA	110	131	+ 21	+ 19%
EBIT (reported)	61	79	+ 18	+ 30%
EBIT margin <i>in %</i>	5.1	6.1	+ 1.0 pp	
Free Cash Flow from Operations	9	36	+ 27	+ 300%

Key figures Q3 2016 per segment

Automotive	Q3 2015	Q3 2016	Δ Q3 2016 /2015	
Sales	617	643	+ 26	+ 4%
EBITDA	78	80	+ 2	+ 3%
EBIT (reported)	50	51	+ 1	+ 2%
EBIT margin <i>in %</i>	8.1	7.9	- 0.2pp	
Free Cash Flow from Operations	55	47	- 8	- 15%
Defence	Q3 2015	Q3 2016	Δ Q3 2016 /2015	
Order intake	539	574	35	+ 6%
Sales	571	662	+ 91	+ 16%
EBITDA	37	52	+ 15	+ 40%
EBIT (reported)	16	30	+ 14	+ 88%
EBIT margin <i>in %</i>	2.8	4.5	+ 1.7pp	
Free Cash Flow from Operations	- 25	5	+ 30	

Highlights 9M 2016

Accelerated growth of quarterly sales, earnings remain on high level

Sales

Sales increased in total by 2%, thereof Q3 alone plus 4%,
FX effects negligible

Earnings

Stable EBIT of EUR 163 million, driven by Mechatronics

EBIT margin

EBIT margin of 8.2% almost on previous year's level of 8.4%

China

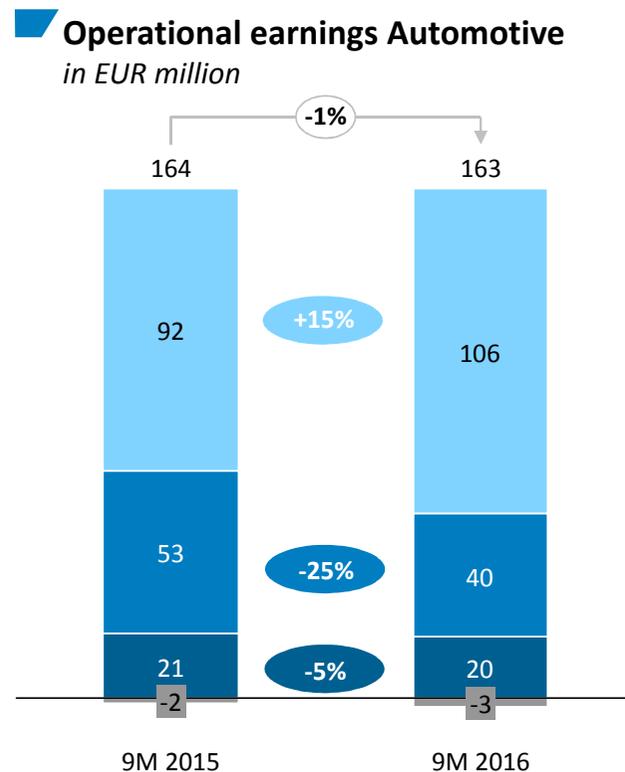
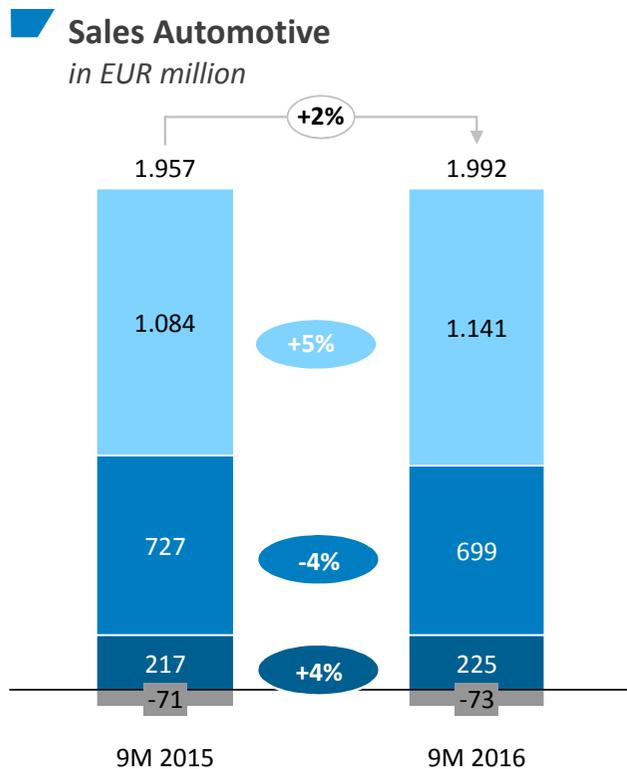
Sales increased by 11% in local currency supported by a strong Q3
in line with market growth

Key figures 9M 2016

<i>in EUR million</i>	9M 2015	9M 2016	Δ 9M 2016 / 9M 2015	
Order intake	1,982	2,015	+ 33	+ 2%
Order backlog (September 30)	441	468	+ 27	+ 6%
Sales	1,957	1,992	+ 35	+ 2%
EBITDA	248	253	+ 5	+ 2%
EBIT	164	163	- 1	- 1%
EBIT margin <i>in %</i>	8.4	8.2	- 0.2pp	
Free cash flow from operations	70	- 41	- 111	- 159%
Employees (September 30)	10,971	10,870	- 101	- 1%

Mechatronics and Aftermarket continue growth path

Earnings level stable



Reasons for earnings development

Mechatronics

- Strong sales drive earnings

Hardparts

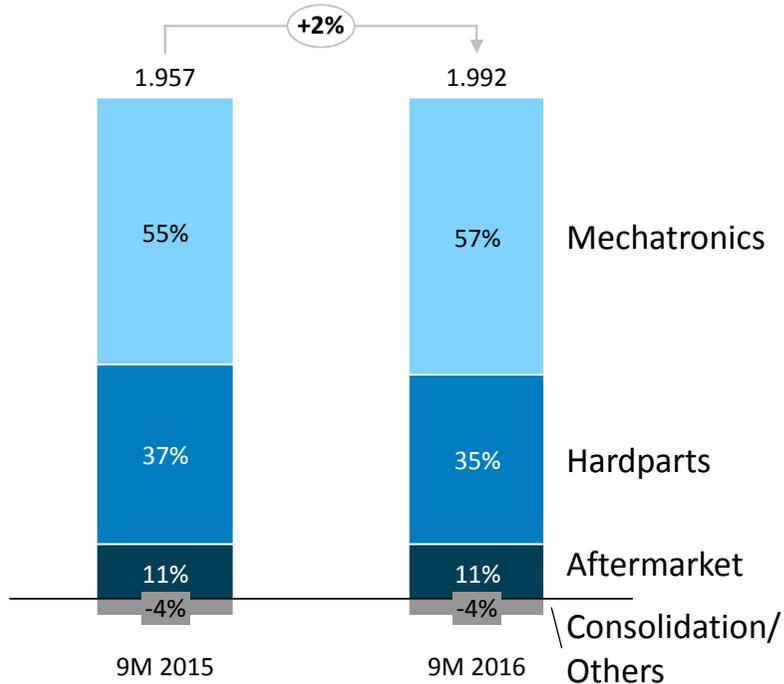
- As in the previous quarters impact of declining sales in Brazil and in the large-bore piston business burden earnings

Aftermarket

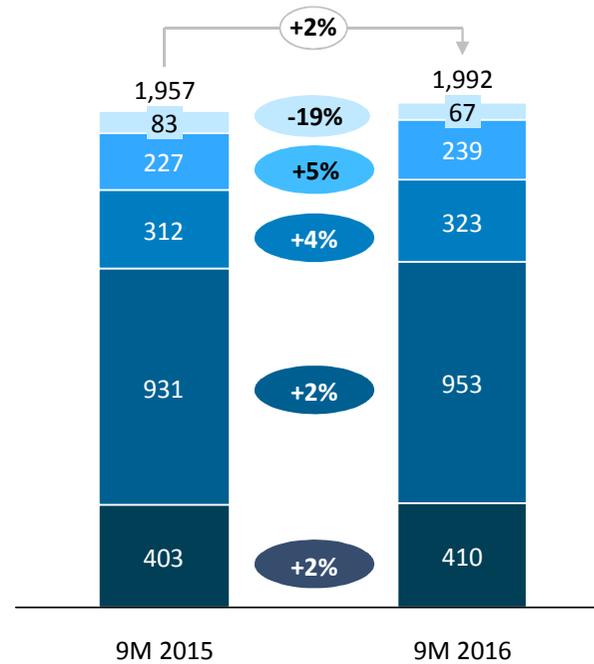
- Positive sales momentum
- Earnings still burdened by start-up costs of the new factory in CZ

Mechatronics with further increasing sales share Automotive with expanding sales in growth regions

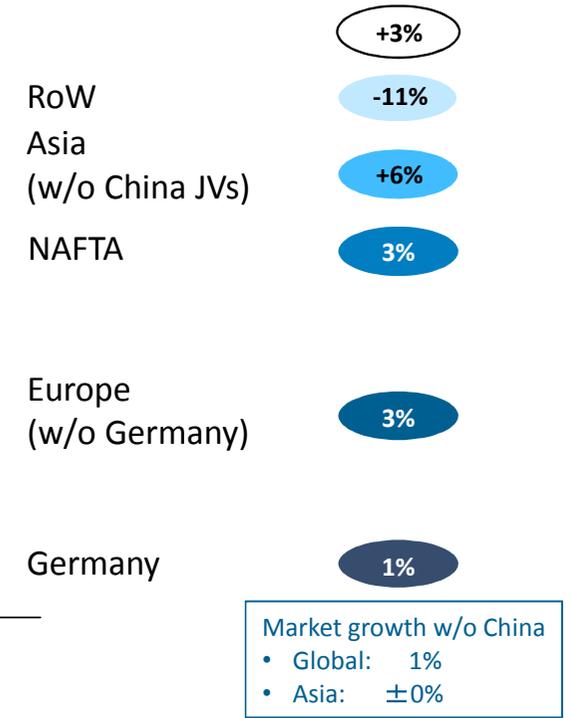
Sales by division
in %



Sales by region
in EUR million

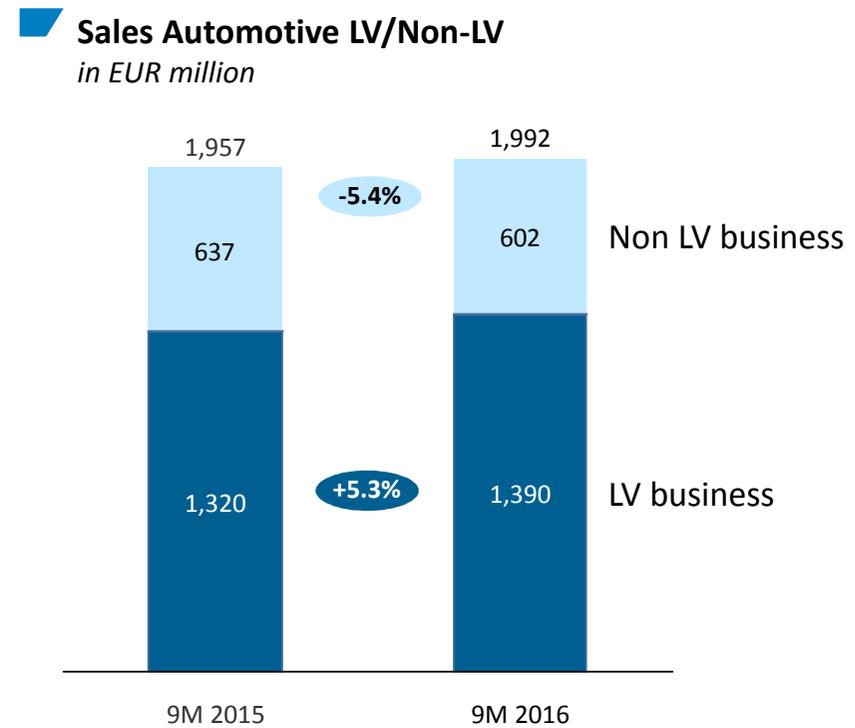
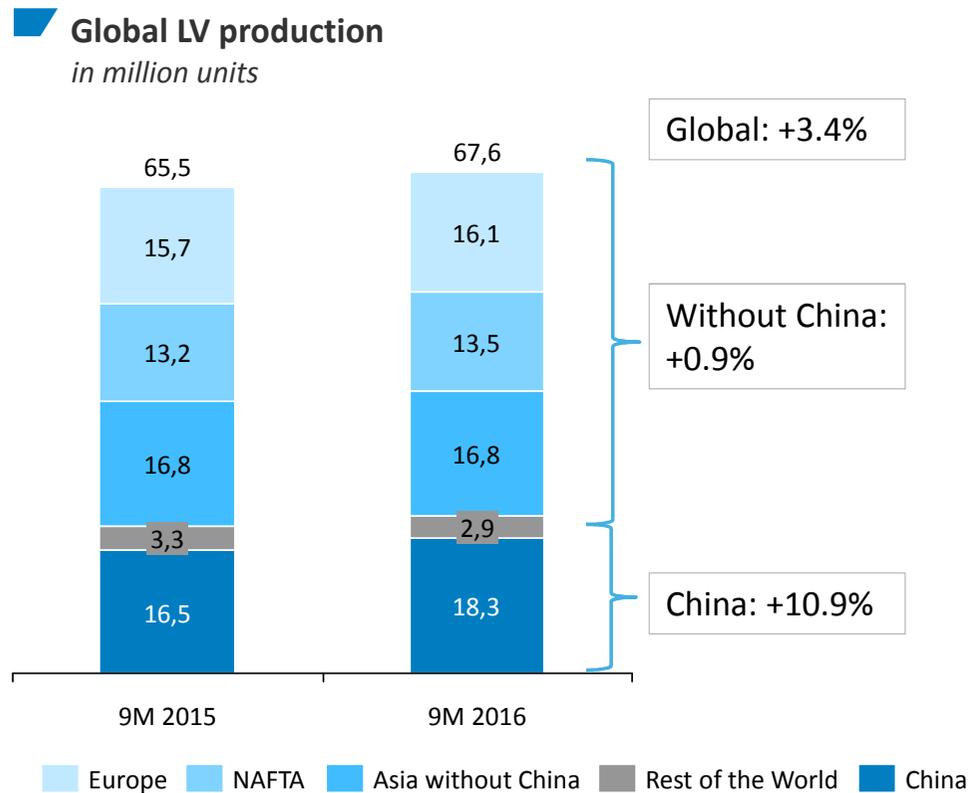


Market growth*



Automotive LV sales development

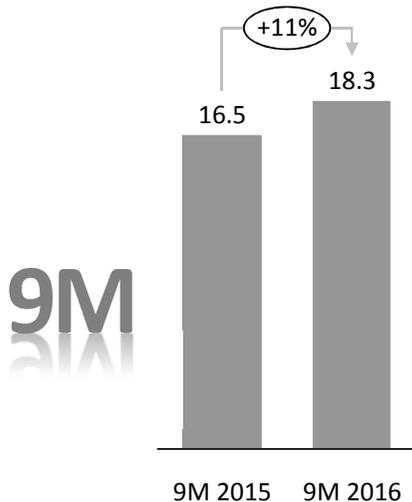
9M LV-sales above global LV production



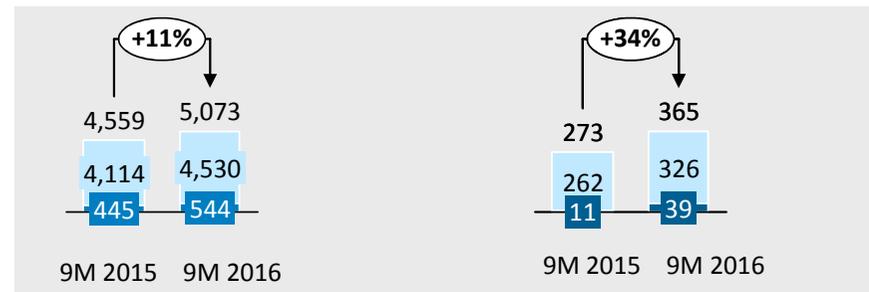
Markets in focus: China

China operations with strong growth

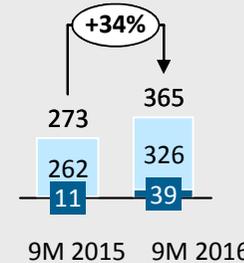
China LV production
in million units



Sales* in CNY million

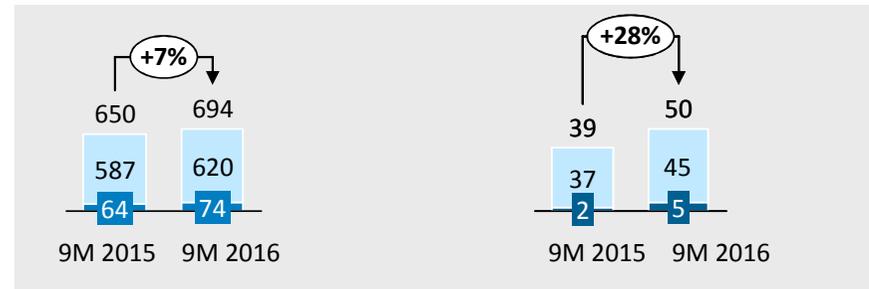


EBIT* in CNY million

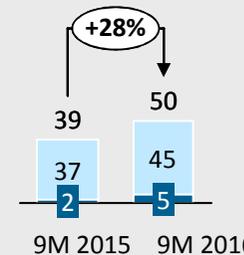


- Sales growth in local currency in line with growth of LV production
- Strong and profitable growth in JVs
- Strong earnings growth in 100% subsidiaries

Sales* in EUR million



EBIT* in EUR million



- Joint Ventures
- Wholly foreign-owned enterprises (WFOE)



Highlights 9M 2016

Strong top line growth, rising earnings, improved cash flow

Order intake

Continued strong order intake with + 31%; book-to-bill ratio of 1.2

Order backlog

Order backlog at a high level of EUR 6.9 billion

Sales

Sales increased by 18% to EUR 1,912 million; FX-adjusted 20%

Earnings

EBIT turned positive to EUR 32 million

Cash Flow

Free cash flow from operations improved by EUR 88 million to EUR -216 million

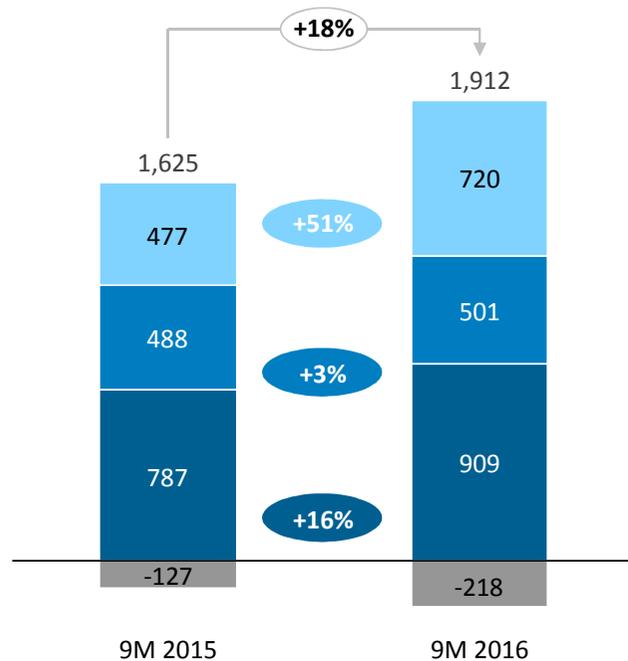
Key figures 9M 2016

<i>in EUR million</i>	9M 2015	9M 2016	Δ 9M 2016 / 9M 2015	
Order intake	1,774	2,325	+ 551	+ 31%
Order backlog (September 30)	6,547	6,891	+ 344	+ 5%
Sales	1,625	1,912	+ 287	+ 18%
EBITDA	52	98	46	+ 88%
EBIT	- 11	32	43	+ 402%
EBIT margin <i>in %</i>	- 0.7	1.7	+ 2.4pp	
Free cash flow from operations	- 304	- 216	+ 88	
Employees (September 30)	9,540	9,951	+ 411	+ 4%

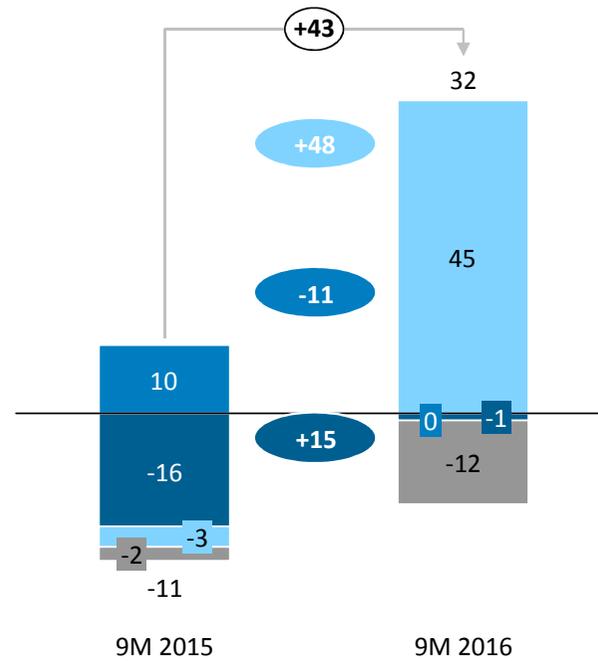
Top-line rose due to ramp-up of large-scale projects

Turn-around in earnings

Sales Defence
in EUR million



Operational earnings Defence
in EUR million



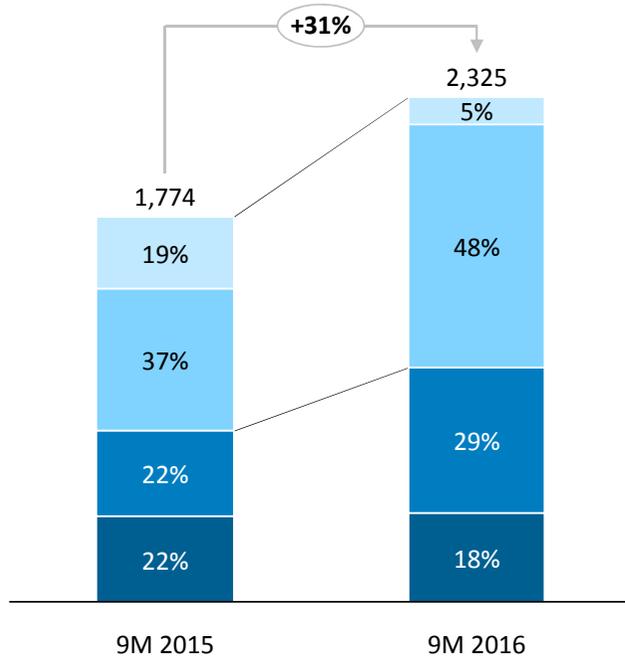
Reasons for earnings development

- Weapon and Ammunition**
 - Significantly higher sales
- Electronic Solutions**
 - Less favorable product-mix effects
 - Continuing earnings drag from Norway
- Vehicle Systems**
 - Beneficial product mix development
 - Better capacity utilization
- Consolidation**
 - Expansion of the international network

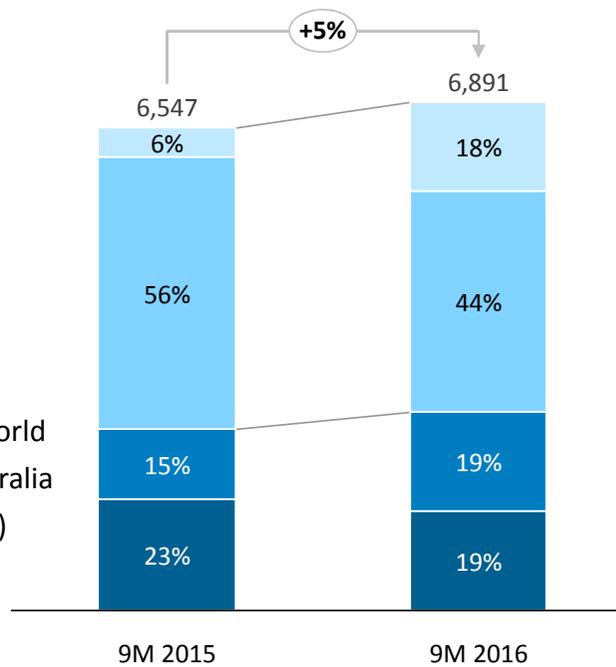
Growing share of Asian customers

Regional split of order intake and order backlog

Order intake by region
in EUR million



Order backlog by region
in EUR million

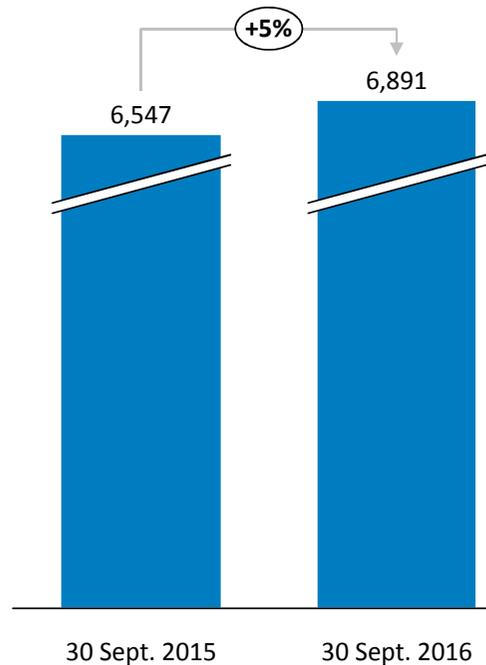


- America and rest of world
- Asia/Middle East/Australia
- Europe (w/o Germany)
- Germany

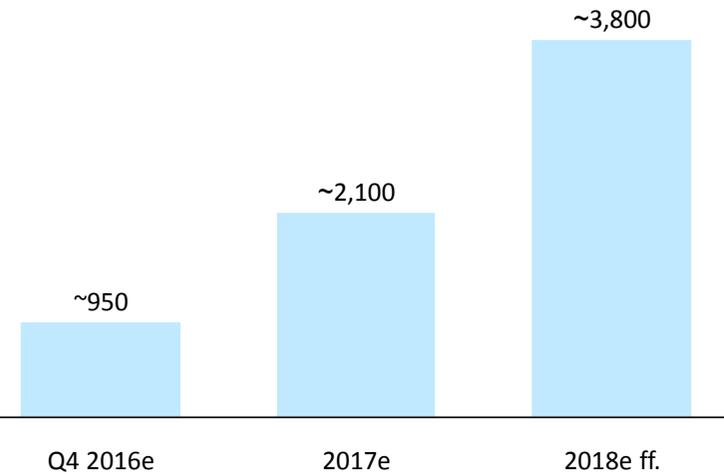
Order backlog and sales split per year

High order book coverage of mid-term future sales

Order backlog (as of September 30) ...
in EUR million



... turning into sales
in EUR million





Looking ahead at Q4

AUTOMOTIVE



- **Q4 sales** should grow 4-5%, slightly above global FY growth expectation
- **China:**
 - **LV production** in Q4 expected at previous year's level
 - **Our business in Q4 remains** on clear growth path

DEFENCE



- Q4 order intake is expected to grow, based on a high number of small sized orders
- Continuation of the quarterly sales growth in Q4
- The originally expected **sales target** of EUR 2.8 billion will be **exceeded; new target:** EUR 2.9 billion

Outlook FY 2016

Sales guidance adjusted on expected Defence performance

Outlook 2016

Sales *in EUR billion*

2015	2016e	
	August	November
5.2	~ 5.5	~ 5.6
2.6	~ 2.7	~ 2.7
2.6	~ 2.8	~ 2.9

Operational margin *in %*

2015	2016e	
	August	November
5.5	~ 6	~ 6
8.3	~ 8	~ 8
3.5	~4.5-5	~4.5-5

Group

Automotive

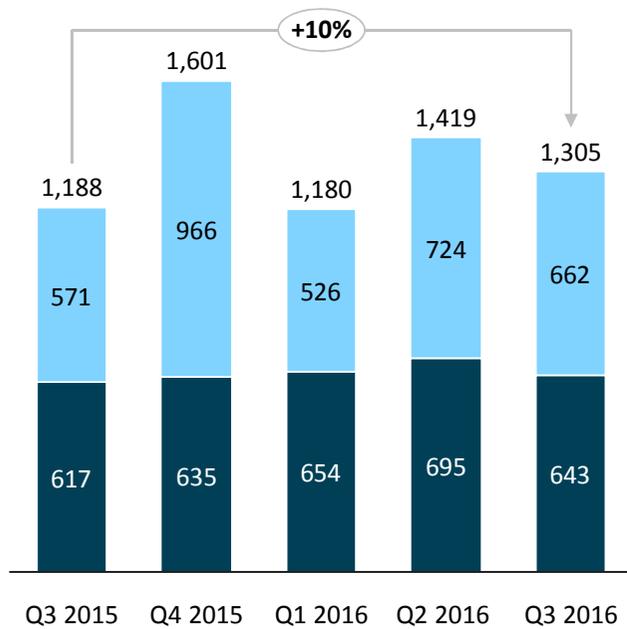
Defence



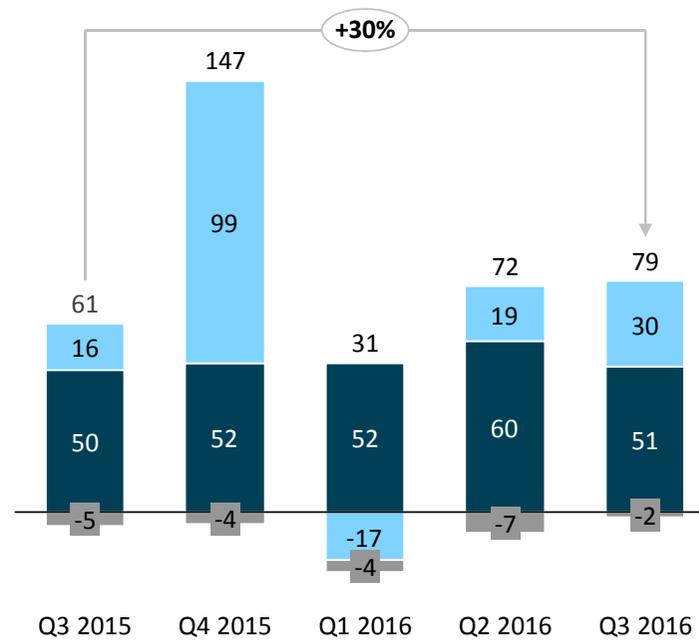
APPENDIX

Quarterly development

Sales
in EUR million



Operational earnings
in EUR million



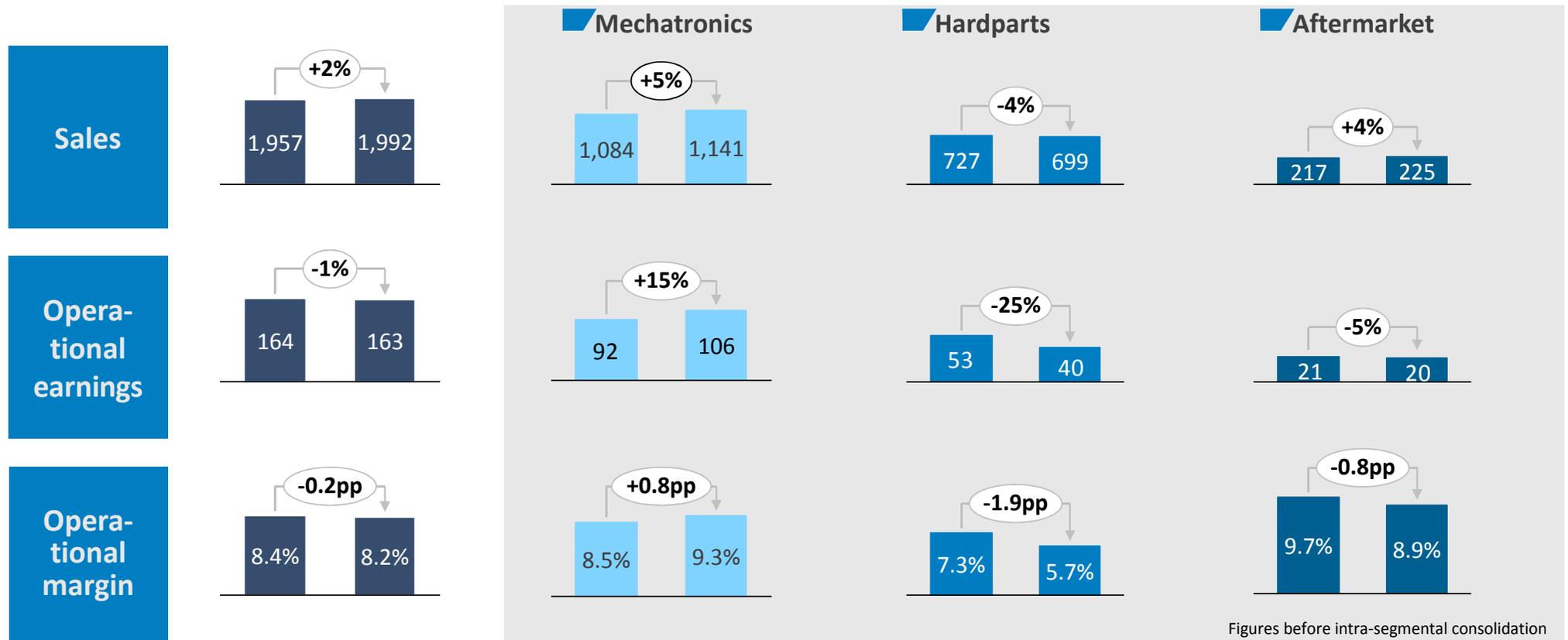
Balance sheet

<i>in EUR million</i>	30.09. 2015	31.12. 2015	30.09. 2016	Δ 30.09.16/ 30.09.15
Total Assets	5,230	5,730	5,857	+ 627
Non-current assets	2,577	2,648	2,737	+ 160
Current assets	2,653	3,082	3,120	+ 467
Equity	1,256	1,562	1,527	+ 271
Pension liabilities	1,106	1,128	1,309	+ 203
Other non-current liabilities	956	995	1,009	+ 53
Current liabilities	1,912	2,045	2,012	+ 100
Equity ratio	24%	27%	26%	+ 2.0pp
Net debt	619	81	445	- 174

Cash flow statement

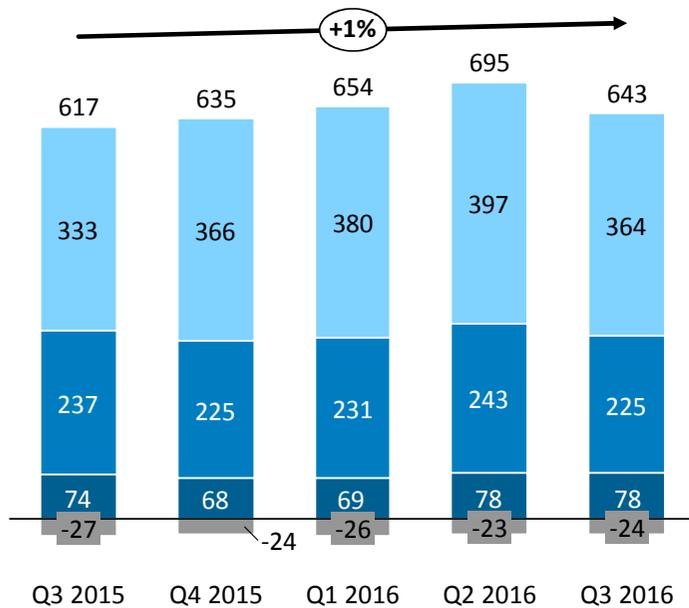
<i>in EUR million</i>	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Δ Q3 2016/2015
Group net income	30	96	12	41	46	+ 16
Amortization / depreciation	49	55	55	54	52	+ 3
Change in pension accruals	0	2	-16	2	0	0
Cash flow	79	153	51	97	98	+ 19
Changes in working capital and other items	8	267	- 262	- 112	0	- 8
Net cash used in operating activities	87	420	- 211	- 15	98	+ 11
Cash outflow for additions to tangible and intangible assets	- 78	- 121	- 52	- 60	- 62	+ 16
Free cash flow from operations	9	299	-263	- 75	36	+ 27

Key figures Automotive by division (9M 2015/2016)

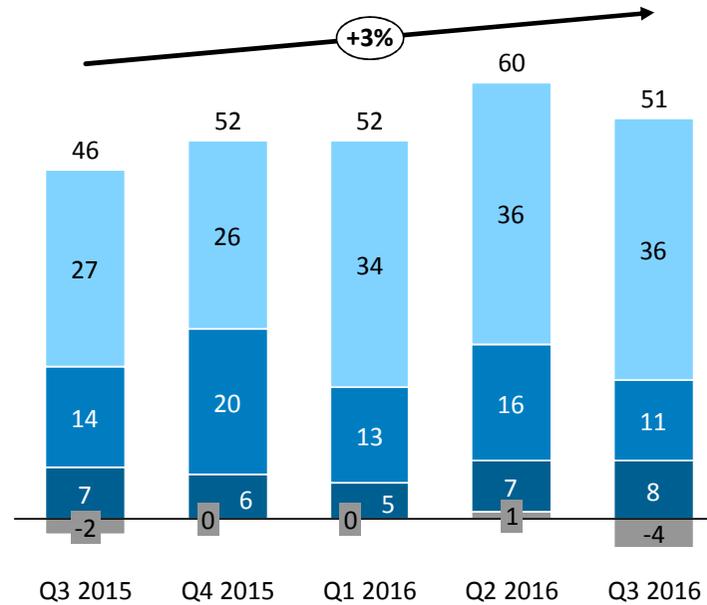


Quarterly development

Sales Automotive
in EUR million



Operational earnings Automotive
in EUR million

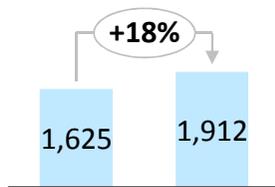


Cash flow statement

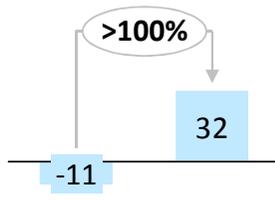
<i>in EUR million</i>	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Δ Q3 2016/2015
Net income	35	43	38	42	36	+ 1
Amortization / depreciation	28	32	33	31	29	+ 1
Change in pension accruals	- 2	0	0	0	- 1	+ 1
Cash flow	61	75	71	73	64	+ 3
Changes in working capital and other items	40	23	- 178	14	17	- 23
Net cash used in operating activities	101	98	- 107	87	81	- 20
Cash outflow for additions to tangible and intangible assets	- 46	- 72	- 32	- 36	- 34	+ 12
Free cash flow from operations	55	26	- 139	51	47	- 8

Key figures Defence by division (9M 2015/2016)

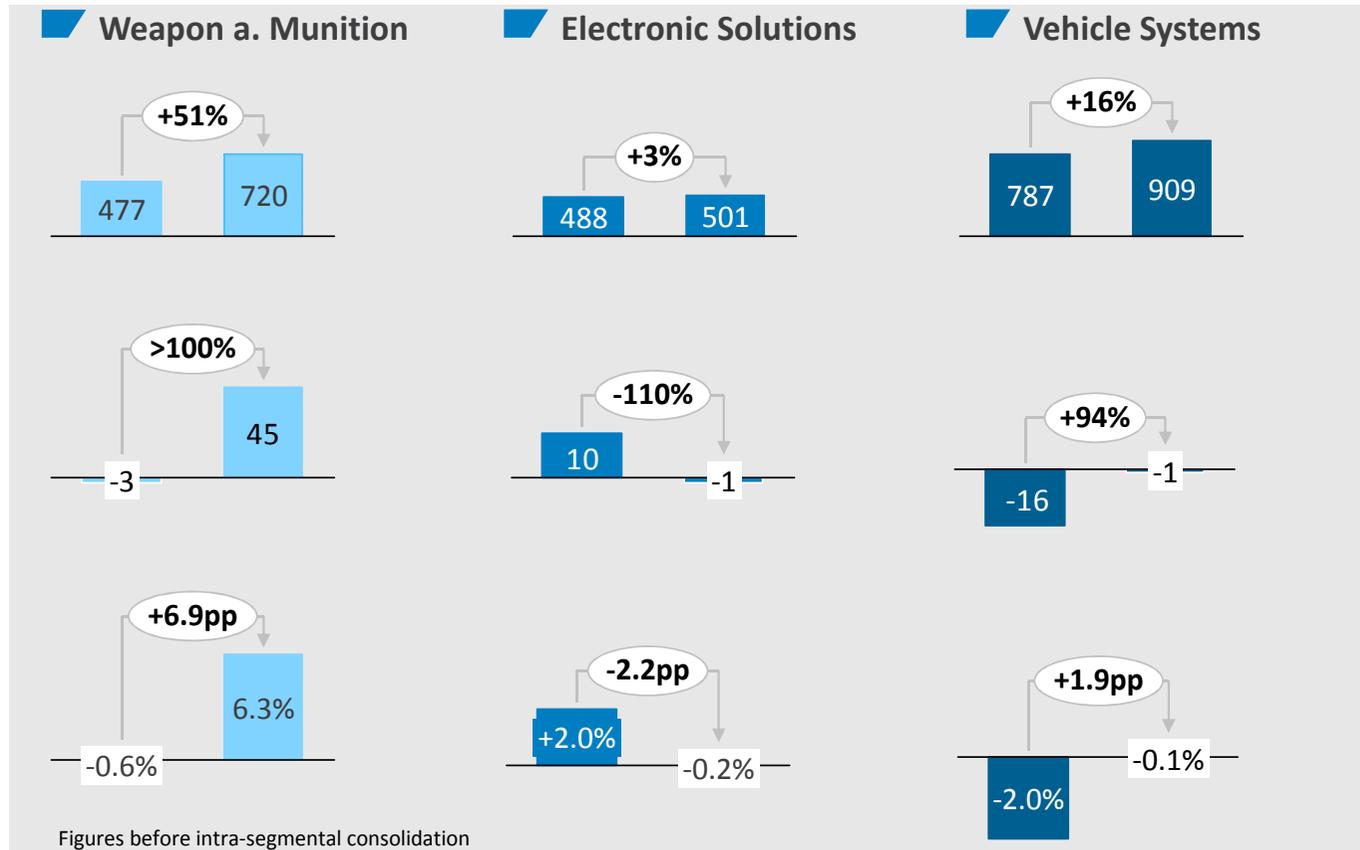
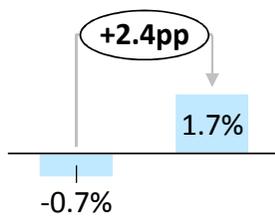
Sales



Operational earnings

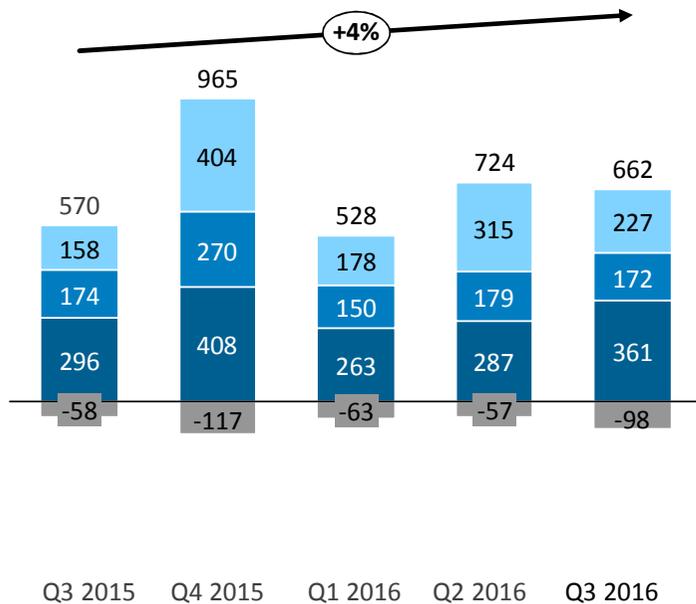


Operational margin

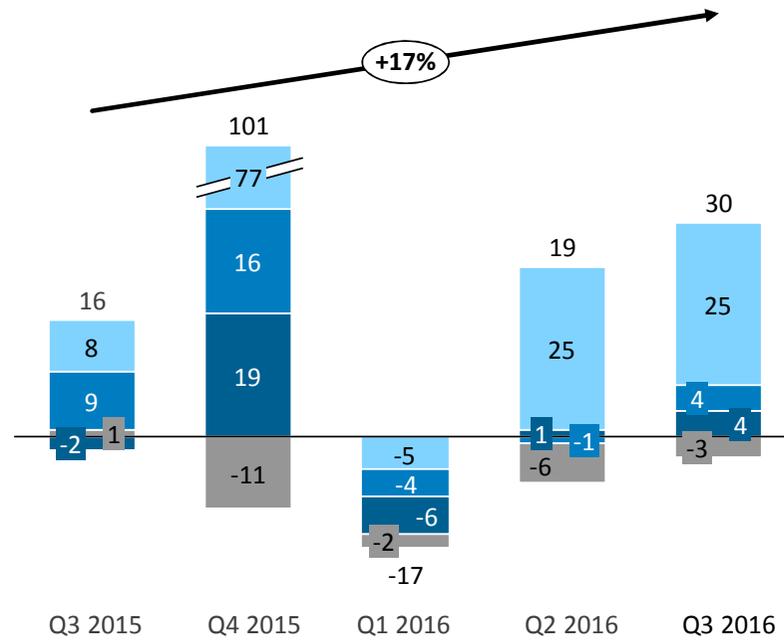


Quarterly development

Sales Defence
in EUR million



Operational earnings Defence
in EUR million



Cash flow statement

<i>in EUR million</i>	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Δ Q3 2016/2015
Net income	3	67	- 20	3	13	+ 10
Amortization / depreciation	21	22	22	22	22	+ 1
Change in pension accruals	2	3	1	2	1	- 1
Cash flow	26	92	3	27	36	+ 10
Changes in working capital and other items	- 25	212	- 90	- 123	- 8	+ 17
Net cash used in operating activities	1	304	- 87	- 96	28	+ 27
Cash outflow for additions to tangible and intangible assets	- 26	- 38	- 17	- 21	- 23	+ 3
Free cash flow from operations	- 25	266	- 104	- 117	5	+ 30

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 2016.

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.

MOBILITY. SECURITY. PASSION.