

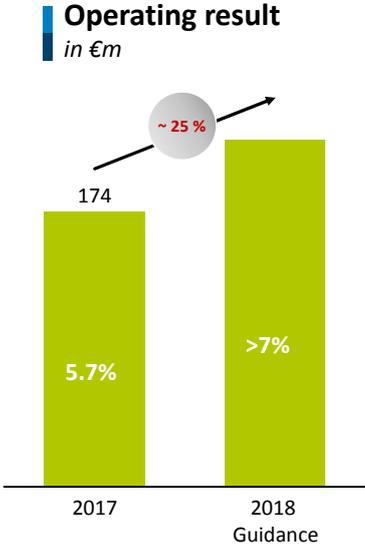
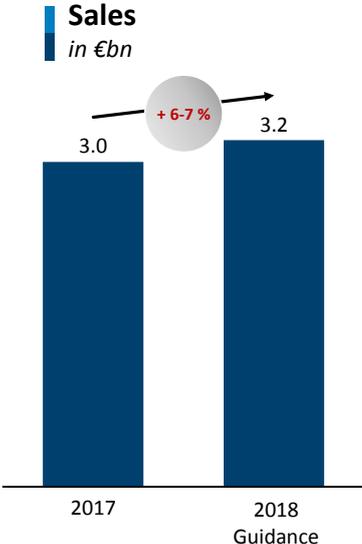
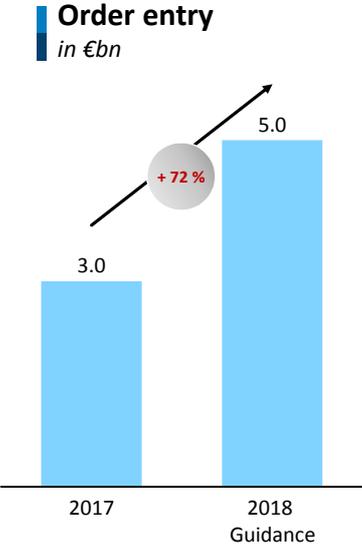


# Defence – Markets at the beginning of a “super cycle”

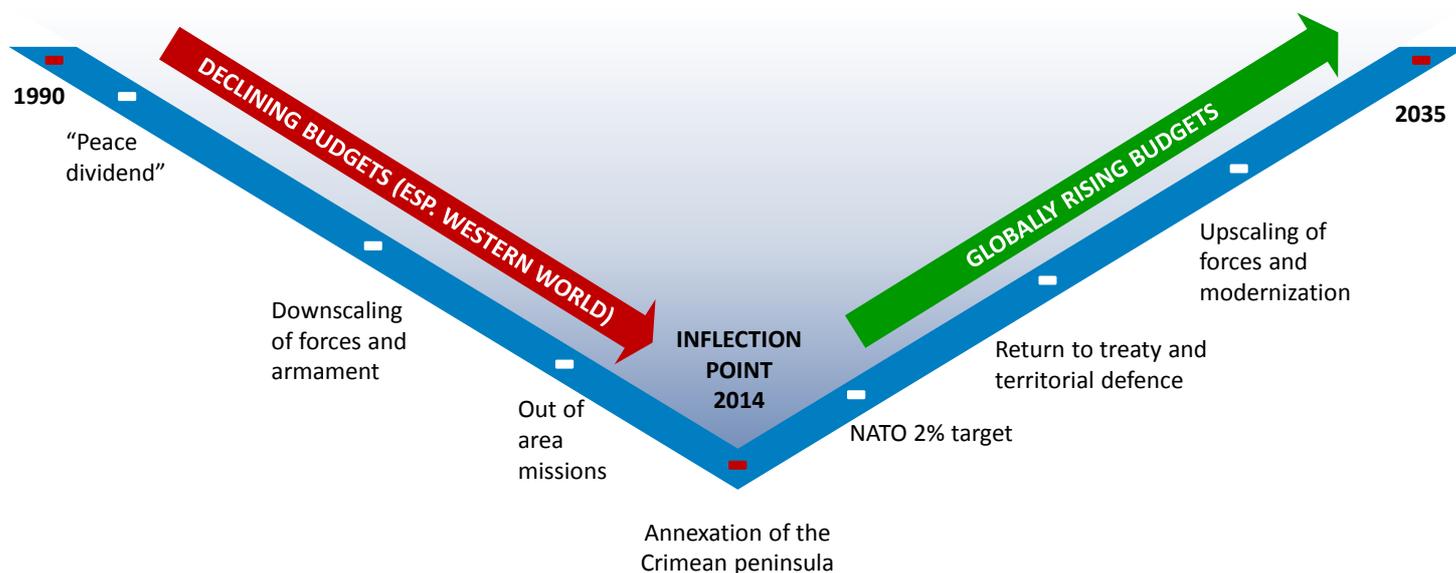
Armin Papperger, CEO  
 Capital Markets Day 2018, 29 November, Berlin



## Defence Record performance firmly in sight

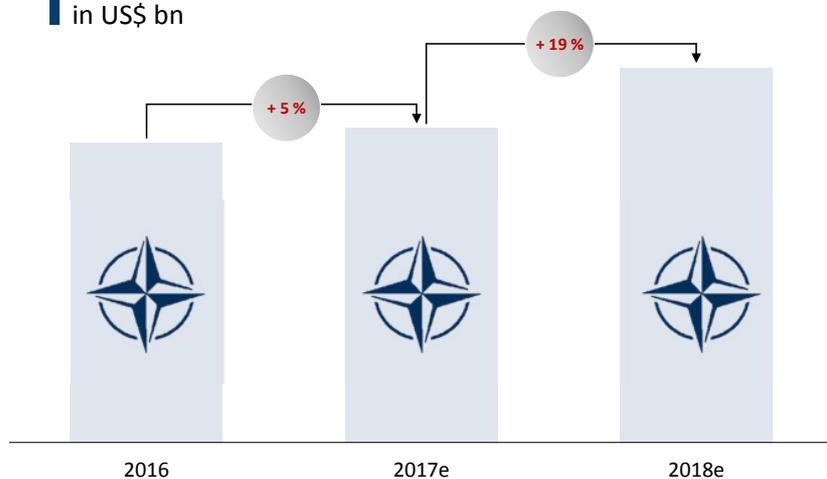


## Positive market environment International defence markets at the beginning of a “super cycle”



## European defence budgets Catch-up process for additional modernized equipment on its way

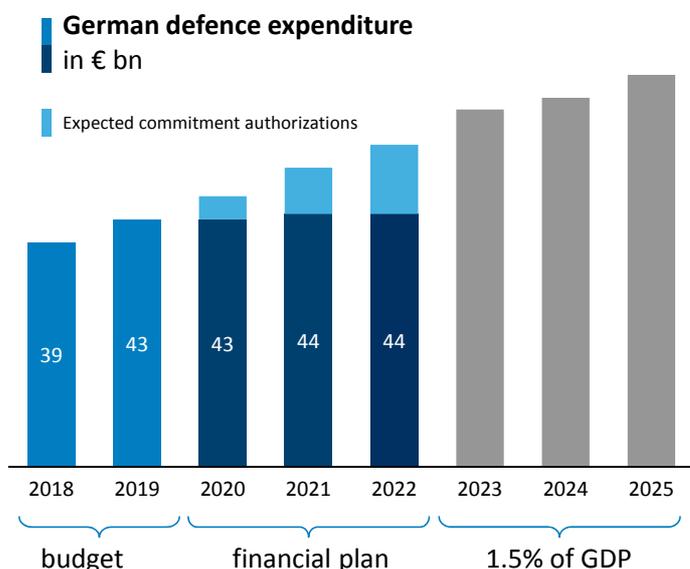
NATO Europe equipment expenditures  
in US\$ bn



Source: NATO 2018



## German defence budget Turnaround in German budgets become seizable

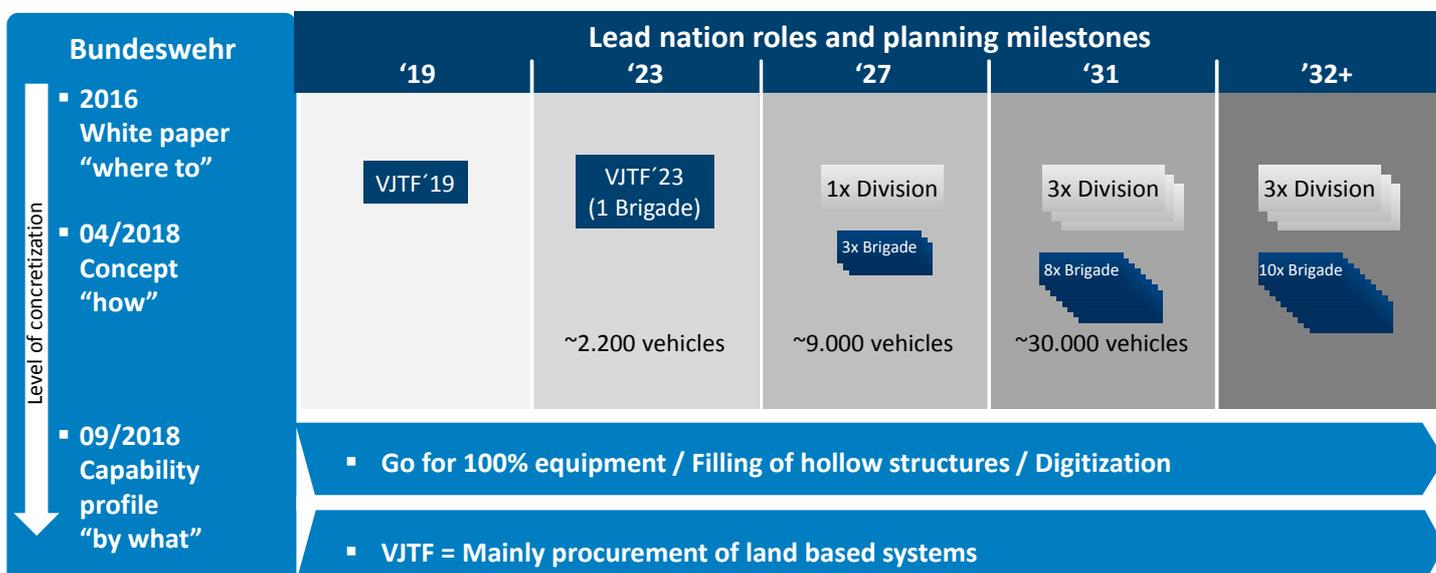


### Turnaround based on three pillars:

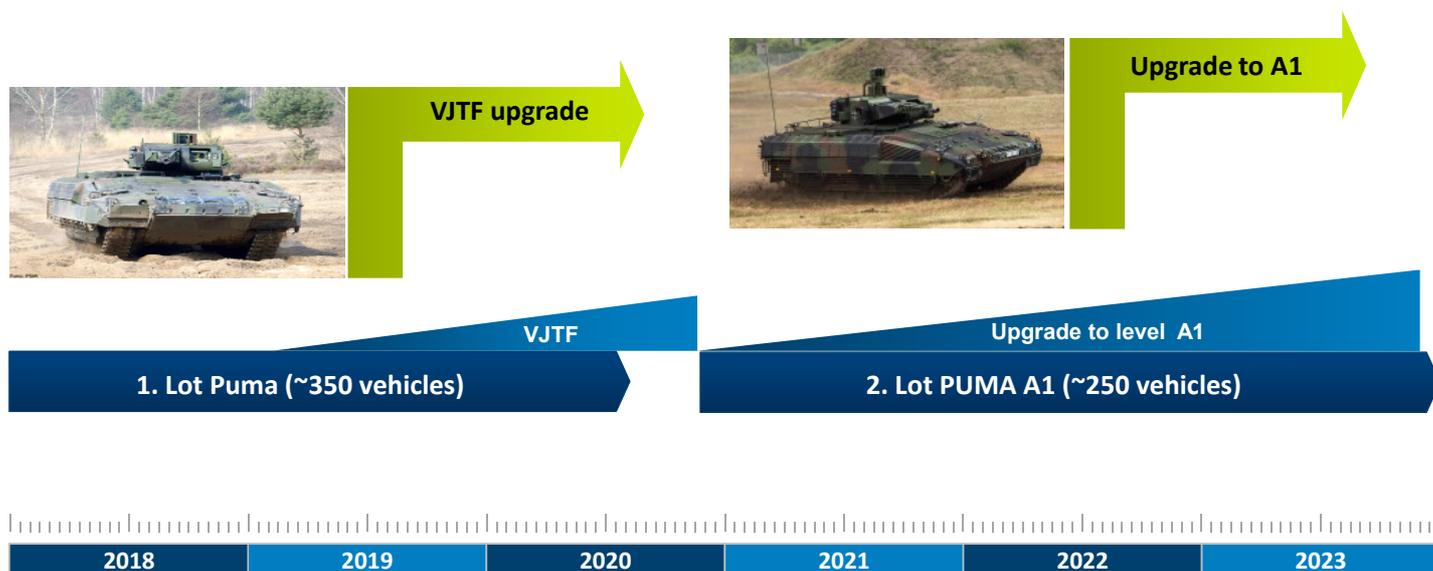
- More personnel (4<sup>th</sup> division)
- More equipment (100% equipment level)
- More finance (Financial plan with +10% already in 2019)
- Additional commitment authorization to facilitate project starts in 2019, e.g. €5.6 bn for the Heavy Lift Helicopter**
- If political 1.5% commitment is to be achieved in 2023 this would result in **€60-65 bn** defence budget

**NATO and VJTF commitment as strong driver!**

## German Defence: Future requirements beyond 2030 NATO commitment is the key trigger for demand

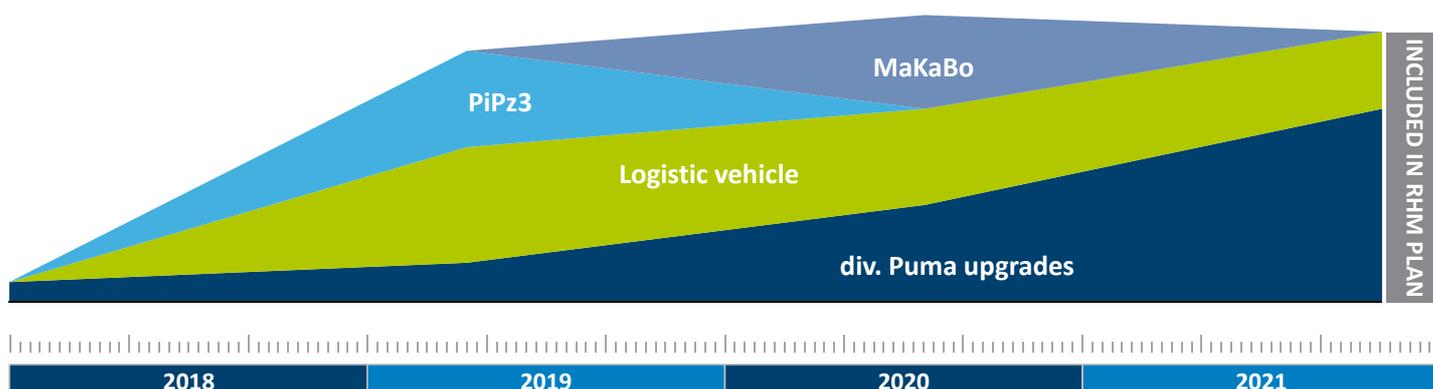


## German Defence Roadmap to full operational readiness for the PUMA



## German Defence Strong German project pipeline lining up – upcoming tender until 2021

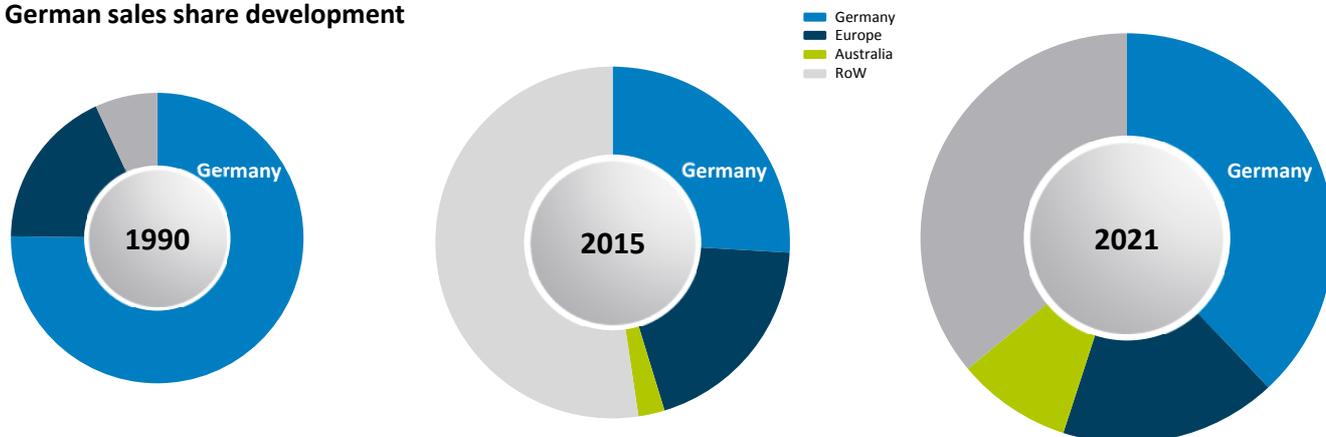
Major mid-term potentials



# German Defence

## Growing importance of home markets

### German sales share development

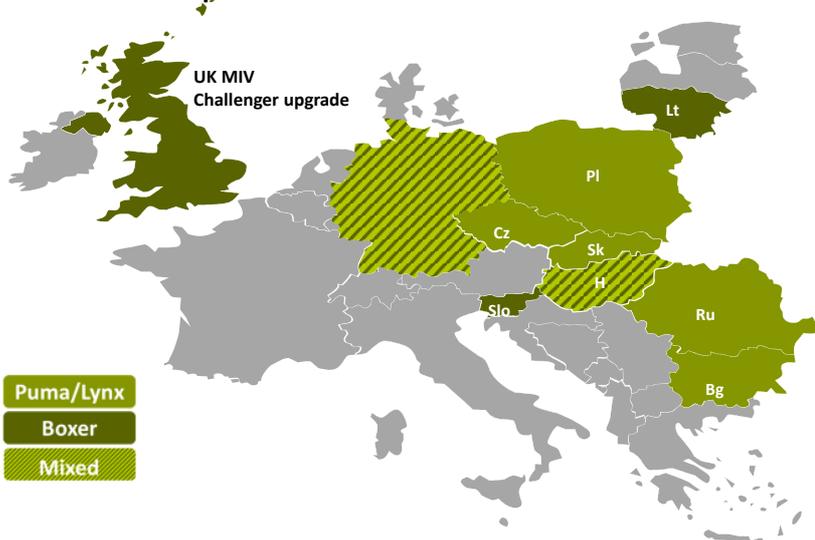


**Commitment to VJTF is the main short-term driver for German demand**

# European Defence

## Rheinmetall is a key beneficiary of large European vehicle programmes

### Current or expected tenders tactical vehicles



### Drivers for European vehicle programmes

- Return to territorial and treaty defence
- Standardization of NATO equipment
- Modernization and upgrades

### Estimate for European tactical vehicles demand (number of vehicles)

	Germany	Rest of Europe
Tracked	~250	>600
Wheeled	700-800*	>900** (includes Lithuania, Slovenia and UK)

\* Fox and Boxer  
\*\* only Boxer

## European Defence

### Rheinmetall well positioned to participate in large UK programmes

#### Challenger upgrade

- **Background**  
Challenger life extension programme with focus on switch from rifled to smoothbore gun (NATO)
- **Order size**  
around €800 m
- **Timeline**
  - Decision expected for Q4 2018/ H1 19
  - SoP in 2023
- **Competitor**  
BAE

#### Mechanized Infantry Vehicle

- **Background**  
British Army realizes Strike Brigade Concept
- **Order size**  
Demand for at least 500 vehicles in different configurations at a value of up to €2 bn
- **Timeline**
  - Contract expected for H2 2019
  - SoP in 2021
- High likelihood of follow-up contracts and additional export potential
- High local value creation of ~60%

## European Defence

### Czech infantry fighting vehicle programme enters final stage

- **Background**  
Czech army plans to replace the outdated BMP-2 fleet with vehicles of high NATO commonality; Rheinmetall offers the Lynx and Puma (via PSM)
- **Order size**  
~\$2 bn for ~210 tracked vehicles (option on 123 additional vehicles) (Rheinmetall share accounts for €1bn)
- **Timeline**
  - tender opens in winter 2018/19
  - Decision expected Q4 2019
  - Delivery starts 2020 until 2026
- **Competitors**  
GD, BAE
- **High local value creation** is expected



## Defence International Foundation of two new hubs in 2018



## Defence International US Hub: Step up our activities in the single biggest defence market

### US Hub

#### Rationale

- Acquisition of market share in the single biggest defence market

#### Key projects



# Defence International

## Asia hub: Diversify into growing markets

### Asia Hub

#### Rationale

- Diversify in a growing market



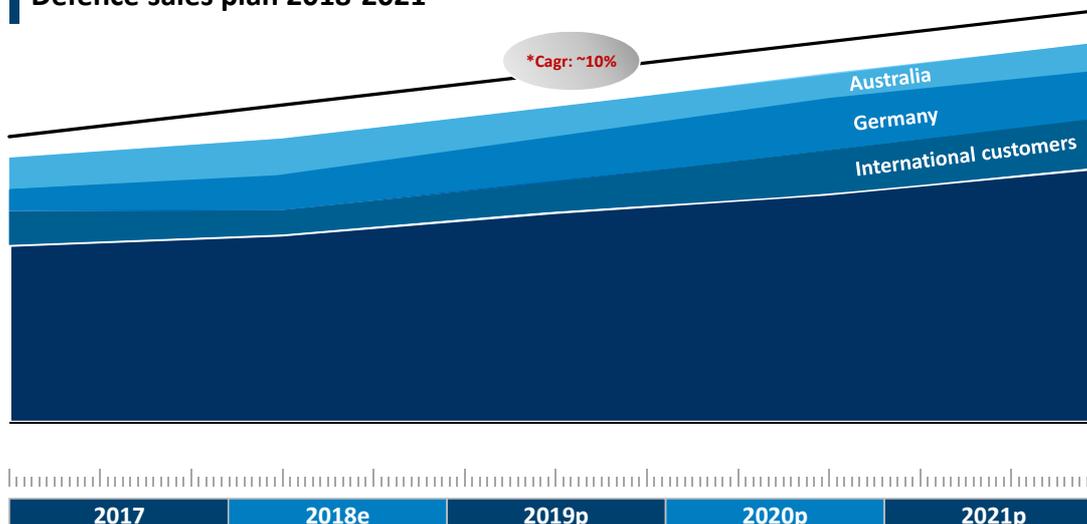
#### Key projects



# Global market growth

## Strong growth supported by booked large projects

### Defence sales plan 2018-2021



#### Top 10 booked projects

- Land 400 Boxer
- Land 121 5b
- Puma VJTF
- Trucks Bundeswehr
- Gladius
- Fox Kits
- Air Defence Systems
- 3x Ammunition contracts

# Mission Australia

## Establishing a new “home market” down under



### Australia timing and order size of Land programmes

Trucks 1 <sup>st</sup> & 2 <sup>nd</sup> order	✓	2016-2024	€2.0bn & €0.4bn
Boxer CRV	✓	2019-2026	€2.1bn
Ammunition	✓	2018/19	€65m*
Lynx tender		2024-2031	€4-5bn
Integrated Training System			tbd
Technical publication			tbd

\*initial assessment, option for 5 year contract

# Land 400

## Building an industrial base with strong local integration

### Partner selection Land 400

Local value creation is an essential part of the concept  
 More than 40 companies have joined Rheinmetalls' industry platform

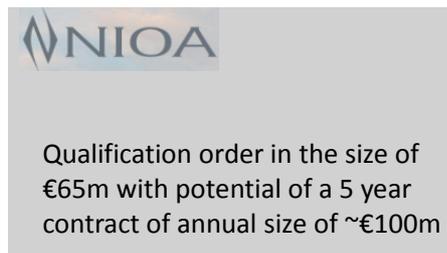
### R&D cooperation

Rheinmetall and DST Group (part of the Australian DoD) develop autonomous technology to support land based platforms



### Ammunition partnering agreement

Partnering agreement with Nioa on the supply of Assegai artillery ammo to Australia land forces in the context of Land 17 1.C2



## Mission Australia

### MILVEHCOE – Rheinmetall’s new state of the art production site in Brisbane



#### Military Vehicle Centre of Excellence

- New home for the Boxer
- Jobs for at least 500 people
- Capex light project due to favorable rental agreement with the state of Queensland
- Planned invest over planning horizon '19-'21 of €20-30m
- IFRS 16 effect from lease contract of €50-60m
- Very attractive purchase option at the end of the 10 year rental agreement

## Mission Australia

### Local production opens new opportunities

#### Optimal set up to acquire follow up contracts

- Maintenance
- Overhaul
- Upgrade



#### Export potential

- Germany (MaKaBo)
- Australia enjoys preferred status for US exports
- Asia



#### Industrial base for Lynx production

- Established base of partners and production site supports the Lynx tender



## Land 400 Phase 3

### Rheinmetall joins the competition with the custom designed LYNX



- **Background**  
Land 400 Phase 3 tracked infantry fighting vehicle (IFV)
- **Platform**  
LYNX KF41 with LANCE turret, designed to meet programme requirements
- **Order size**  
around 467 vehicles in multiple variants
- **Budget**  
€3-6bn
- **Competitors**  
BAE, GD, Hanwha



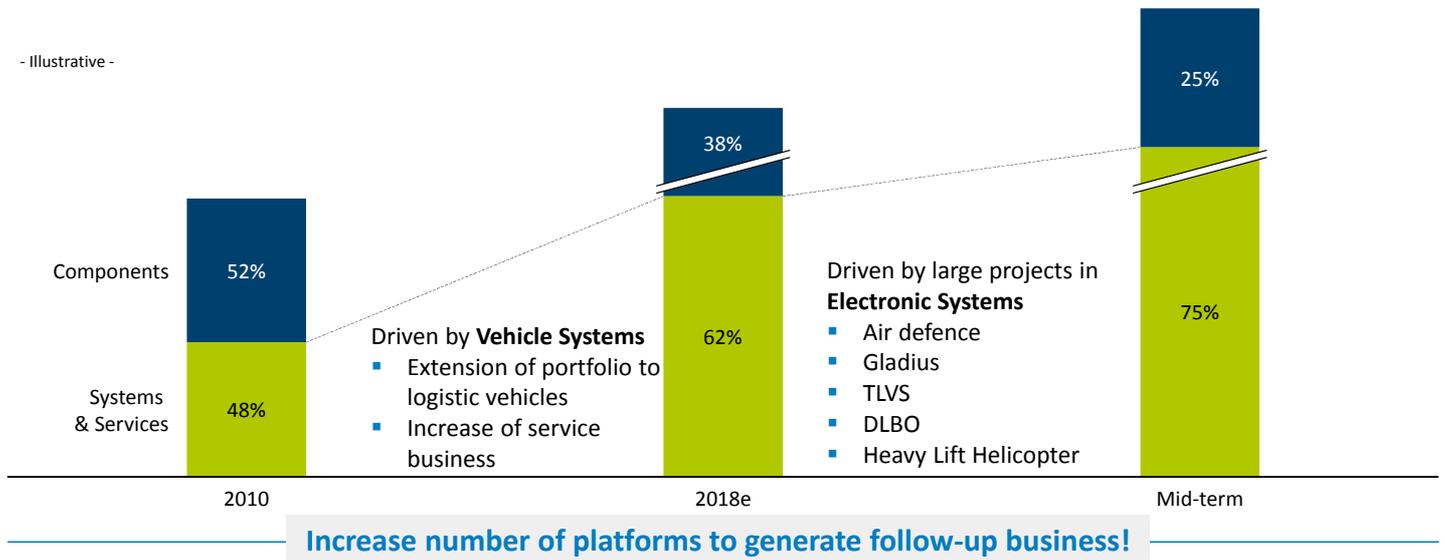
## New Systems

### The versatile LYNX infantry fighting vehicle



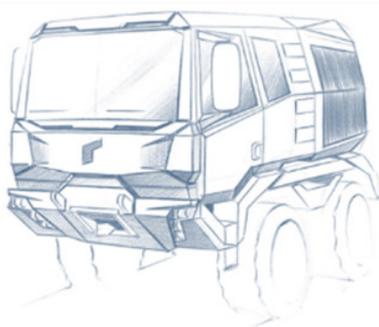
# Strategy update

## Consequent shift towards systems and services

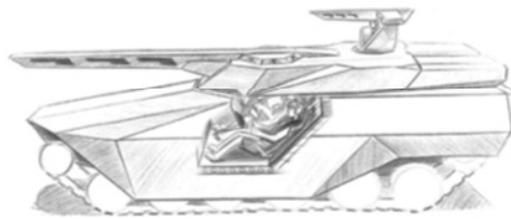


# Innovations

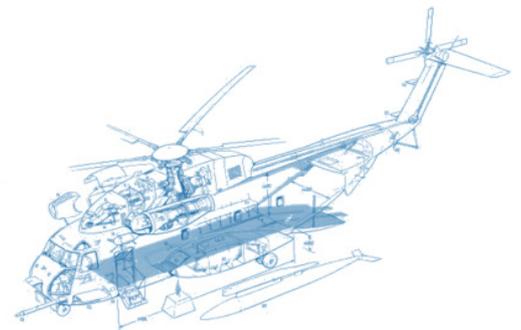
## Demand-driven product development and targeted cooperations



New logistical platforms  
Groundbreaking sub-systems



New tactical platforms  
Innovative weapon and ammunition  
Digitized command and reconnaissance



New business models  
New cooperations

## Summary Defence

- 
**1 On track to close 2018 on record levels**
- 
**2 Start of the “super cycle” provides for long-lasting profitable growth**
- 
**3 Continued internationalization taps into additional regional potentials**
- 
**4 Sharpening ES profile as a system provider offers more opportunities**
- 
**5 Mid-term guidance update in 2019 after acquisition of further orders**

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