



**RHEINMETALL AG**

# **THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY**

Corporate Presentation

January 2017

# Rheinmetall Group

## Automotive and Defence under one roof



**Rheinmetall AG**  
The Technology Group for Mobility and Security

**€5.6bn**   
**23,000** 

**Rheinmetall Automotive TMV\***  
Our heart beats for your engine

JVs with Chinese partner

**€2.7bn**   
**16,200** 

**€1bn**   
**4,000** 

**+**

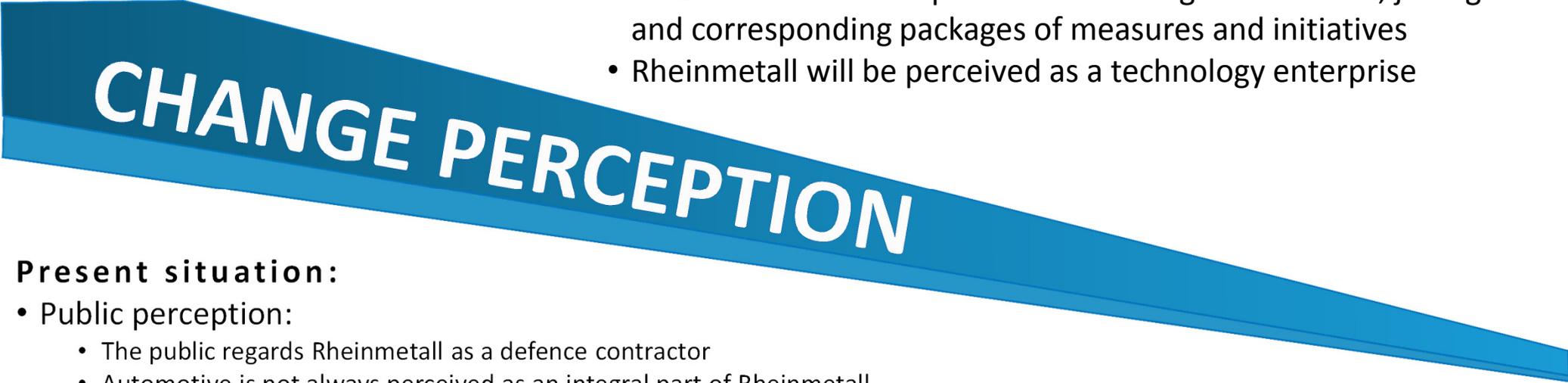
**Rheinmetall Defence**  
Force protection is our mission

**€2.9bn**   
**10,600** 

## Launch of **ONE Rheinmetall**

### **Target:**

- ONE Rheinmetall will provide the strategic framework, joint goals and corresponding packages of measures and initiatives
- Rheinmetall will be perceived as a technology enterprise



**CHANGE PERCEPTION**

### **Present situation:**

- Public perception:
  - The public regards Rheinmetall as a defence contractor
  - Automotive is not always perceived as an integral part of Rheinmetall
  - Automotive is primarily identified with internal combustion engines
- Very little transfer of know-how between the segments

# ONE Rheinmetall

## Corporate initiatives established

### Selected examples

#### Next HR

- Introduction of a performance management with “best practice processes”
- Establishment of a group-wide strategic HR planning
- Start of Rheinmetall Academy

#### Next Sourcing

- Standardize processes and establish best practice
- Bundling of sourcing volumes and realization of savings potentials

#### Technology and Innovation Roadmap

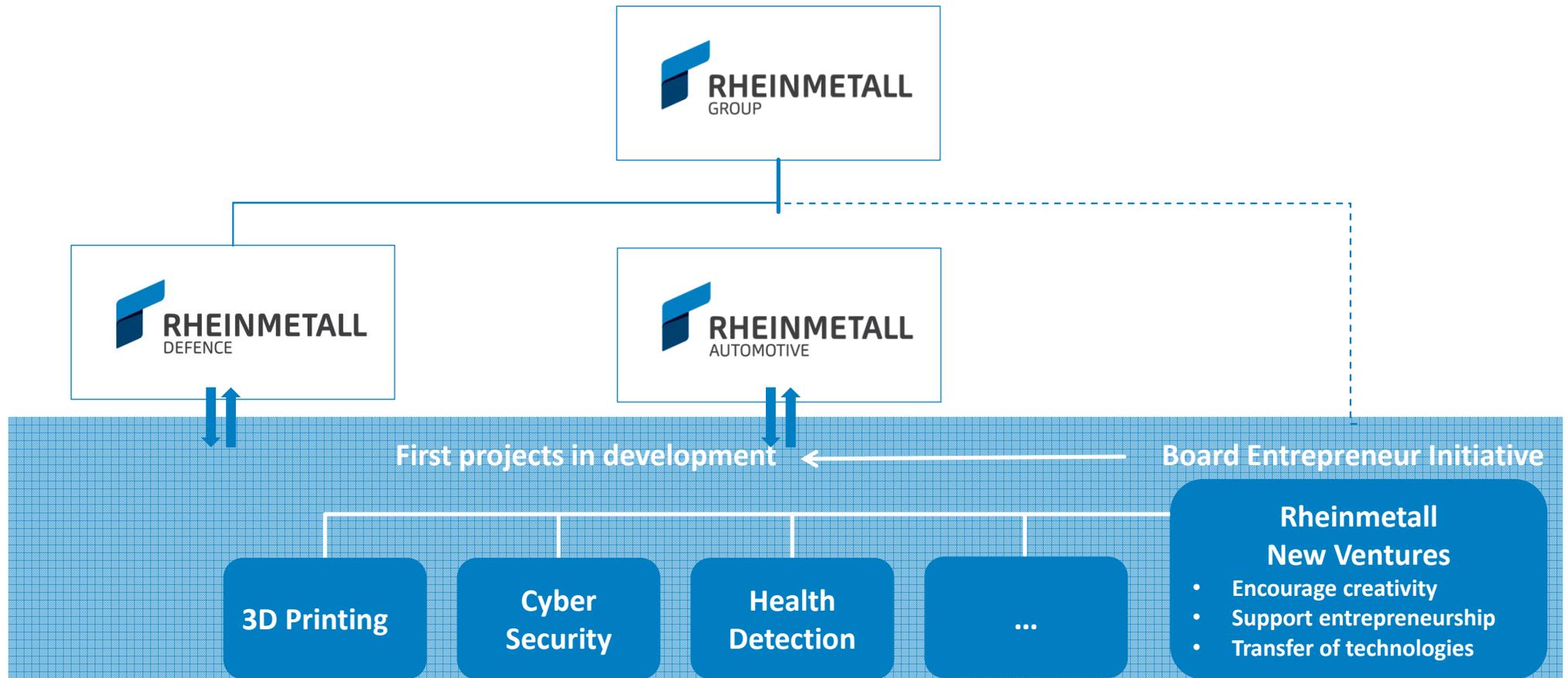
- Improve internal awareness of technological capabilities
- Implement a common strategy and innovation process
- Establish innovation platforms

#### Rheinmetall New Ventures

- Support entrepreneurship
- Transfer of technologies
- Start of regular bi-annual tech-days

# ONE Rheinmetall

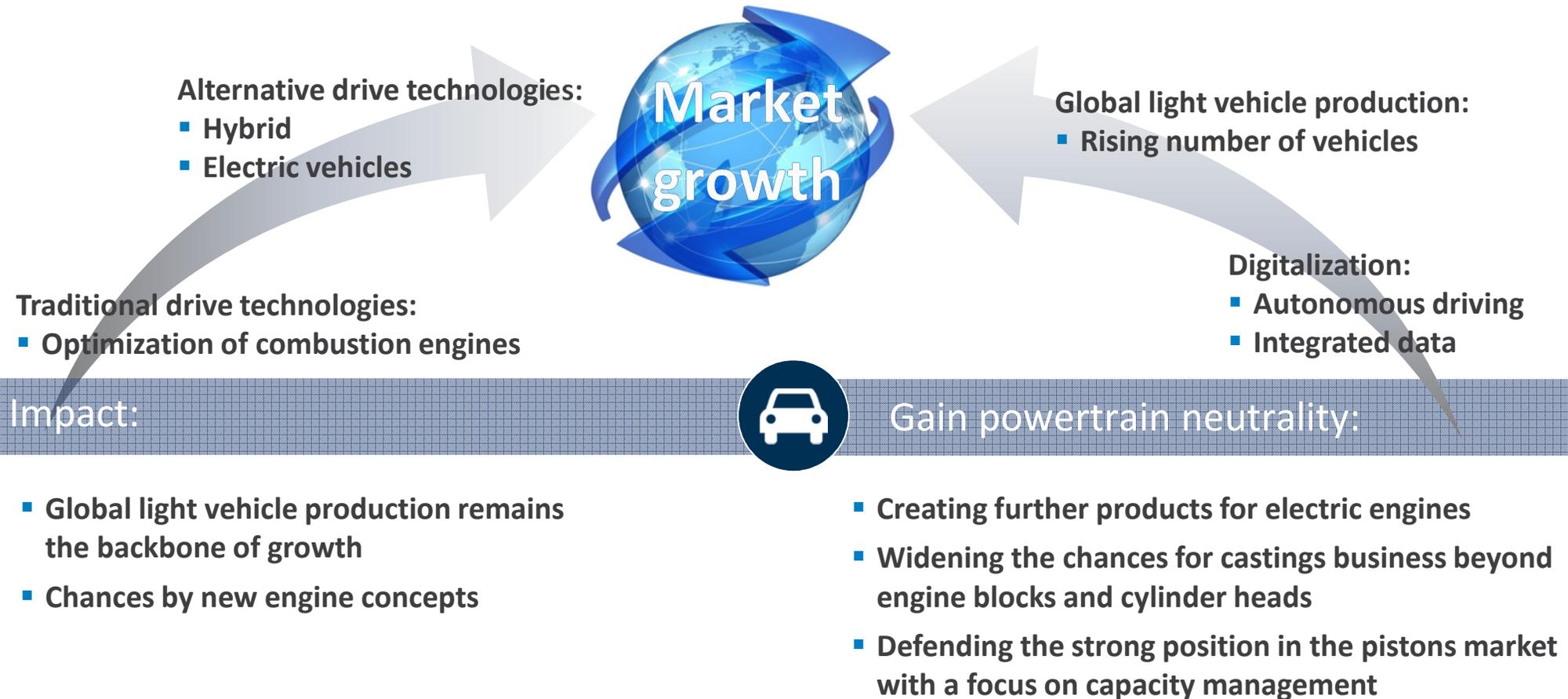
## Rheinmetall New Ventures as catalyst for new ideas





## Market drivers

### Realization of growth in changing market conditions



# Strategic objective

## Achieving and maintaining the target margin level

■ Operational margin in % of sales



Cost: Performance driven best-cost concept/processes

Products: Innovations for combustion engines, new products for e-mobility

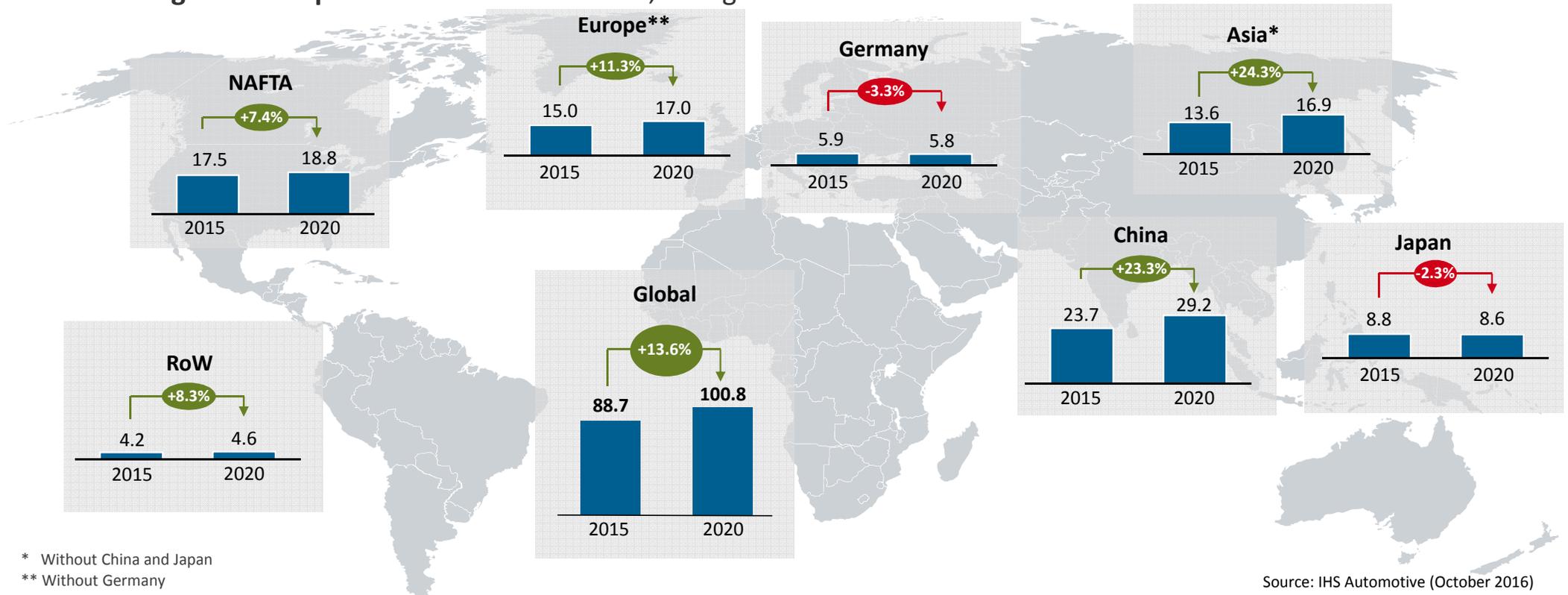
Market: growing global LV production



# Growing market for mobility

## Aggregated LV production by region/country

■ Global light vehicle production in million units, change rate in %



\* Without China and Japan

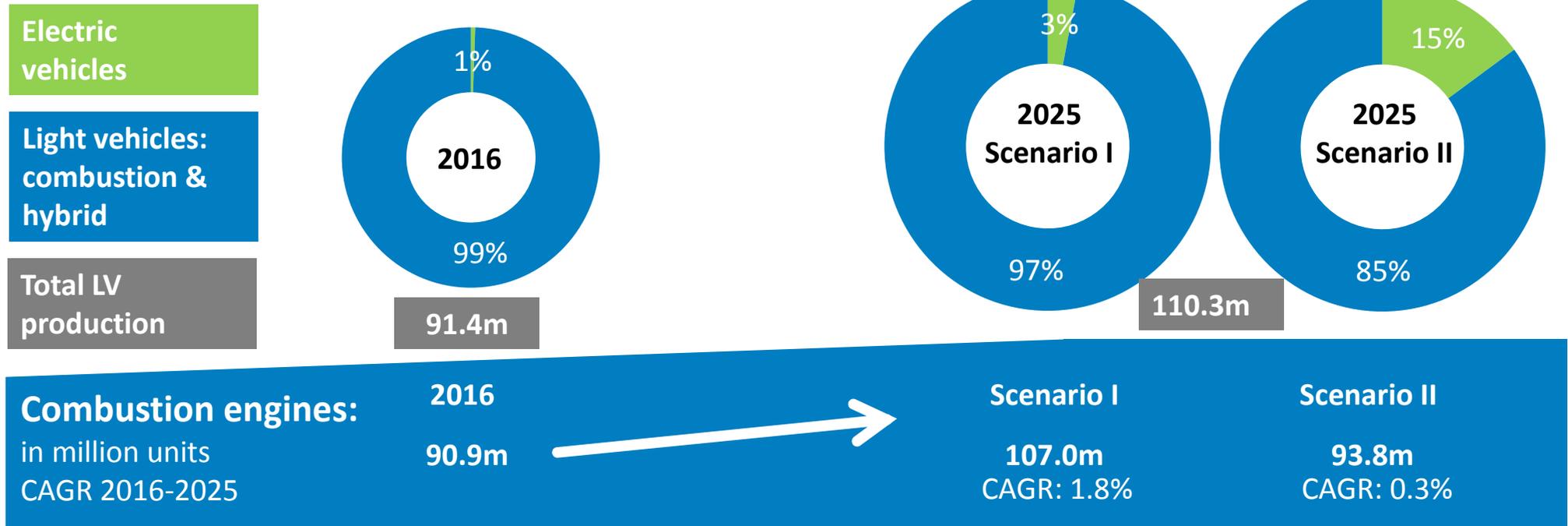
\*\* Without Germany

Source: IHS Automotive (October 2016)

# Market for combustion engines

## Stable development even with quick introduction of electric engines

■ **Combustion engine market share development**  
in % of total LV production



Source: IHS Automotive (September 2016), own estimates

## Three mainstreams for future mobility



**Efficiency**

**Electrification**

**New  
Technologies**

# Efficiency: reduction of fuel consumption

## Rheinmetall Automotive's Road to 95



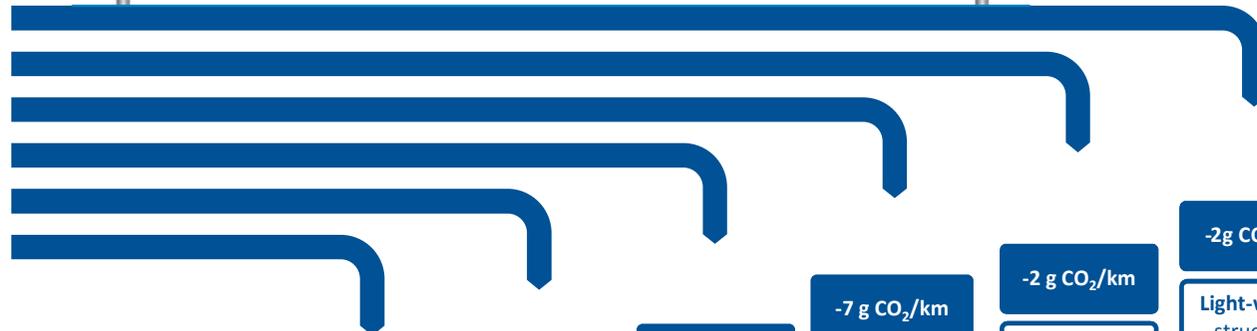
Description vehicle model  
(Basis)

1.4L 4-cylinder gasoline engine  
with DI-injection and single-  
stage turbocharging (115kW)

130 g  
CO<sub>2</sub>/km  
2015



95 g  
CO<sub>2</sub>/km  
2020



**Rheinmetall Automotive products**

-1 g CO<sub>2</sub>/km

Variable oil pump

-3 g CO<sub>2</sub>/km

Tribo-system

-3 g CO<sub>2</sub>/km

Var. cool. pump

-7 g CO<sub>2</sub>/km

Var. valve train

-2 g CO<sub>2</sub>/km

El. low-press. EGR

-2g CO<sub>2</sub>/km

Light-weight structural parts

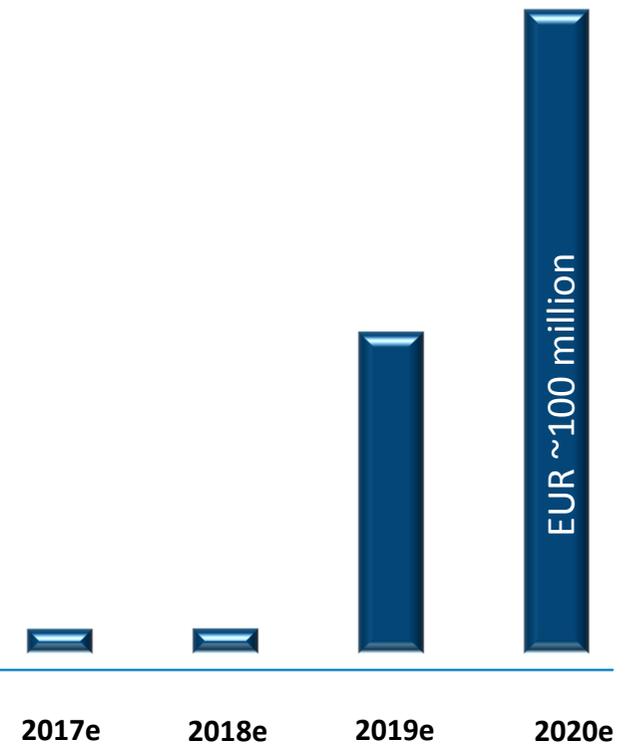
# Efficiency

## Example: Variable Valve Train



### Roll-out of the innovation:

- First contact with customers: 2015
- Customer specific development: 2017
- Market introduction 1st customer: 2019



# Electrification

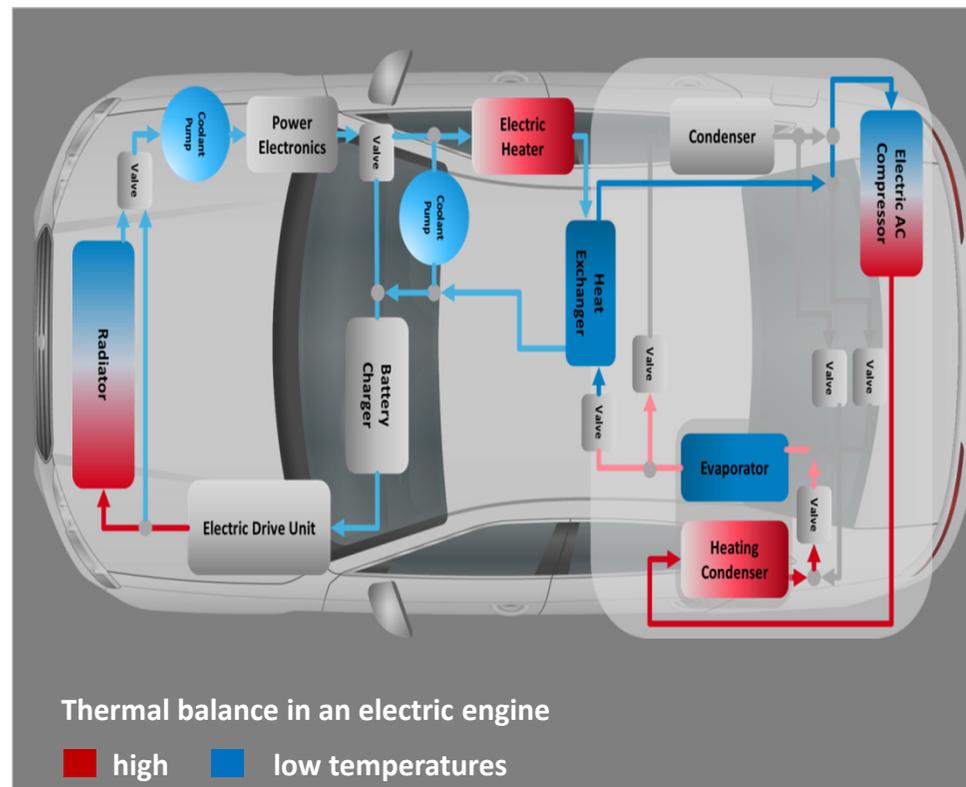
## Battery Electric Vehicle (BEV) – high complexity with potential for Rheinmetall

### Powertrain

- Coolant Pump
- Switch valve (coolant)
- Oil pump
- Casting parts
  - Batt.-Housing
  - EM-Housing
- Battery module
- Electric drive unit (E-motor)

### Heating, ventilation, air conditioning

- Electrical A/C compressor
- On/Off valve
- Expansion valve
- Electrical heater
- Electrical blower



	Value per car
Already in production	Up to €150
Under development	Up to €250
Potential product	n.a.

BEV= Battery Electric Vehicle

# Electrification

## Housings: combustion engine versus E-engine



Daimler M270 gasoline 4-cylinder

Raw casting weight: **about 22.5 kg**

Finished part: **about 19.2 kg**

Dimensions: **430 x 339 x 285 mm**



E-engine housing with 3D-Core

Raw casting weight: **about 23.9 kg**

Finished part: **about 20 kg**

Dimensions: **525 x 345 x 330 mm**

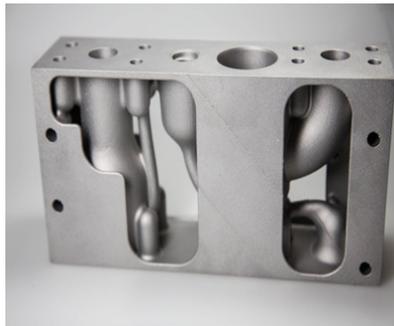
# New Technologies

## First projects with potential for cross-segmental application

### ■ 3D TechCenter



**Compressor wheel**

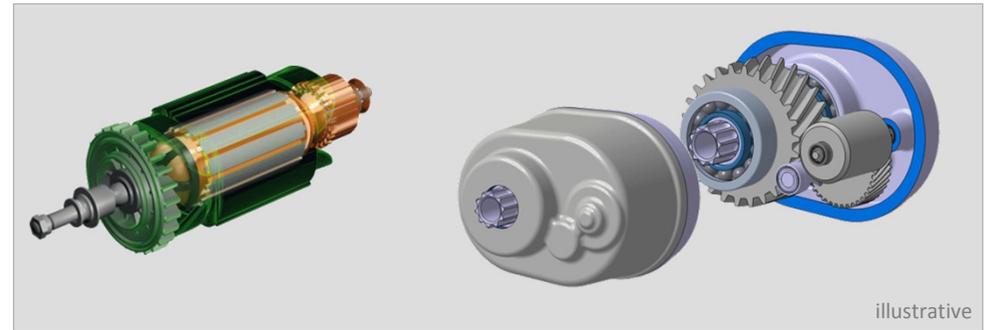


**Hydraulic block  
for tank**

#### **3D TechCenter GmbH, Neuss/Germany**

- For metal 3D print services
- Additive manufacturing, reverse engineering, design and bionic

### ■ Small electrical drives



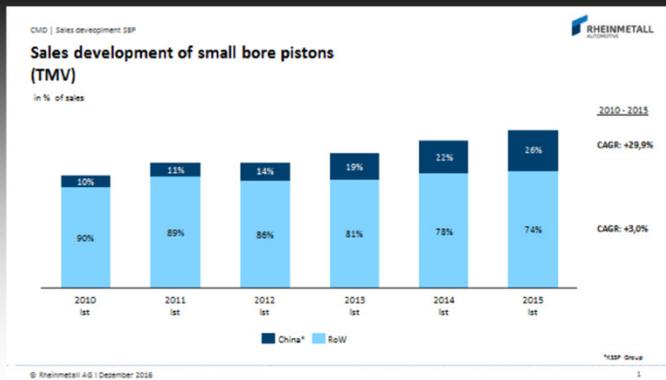
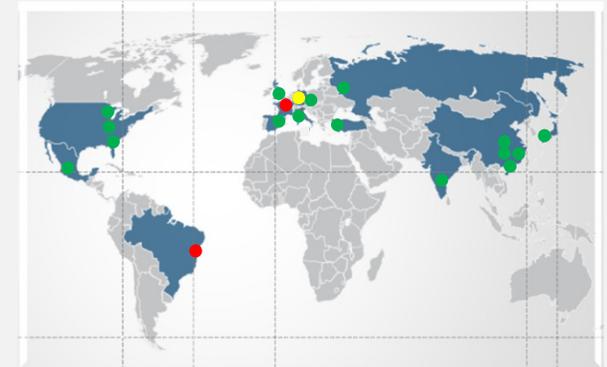
**Electric drives**

#### **Rheinmetall New Technologies**

- Development of electric drives for small and medium sized applications
- Based on comprehensive experience with the production of electric engines in the Hartha factory of Mechatronics

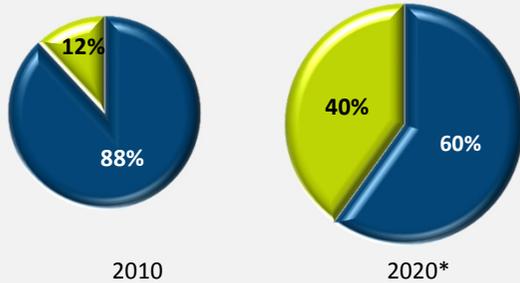
# Strategic targets

## Hardparts

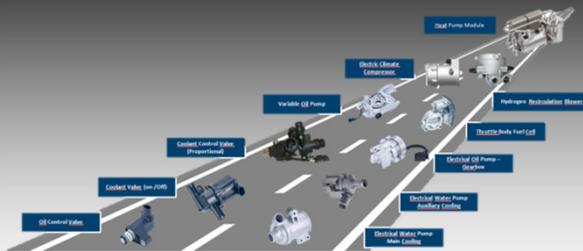


# Strategic targets Mechatronics

Sales



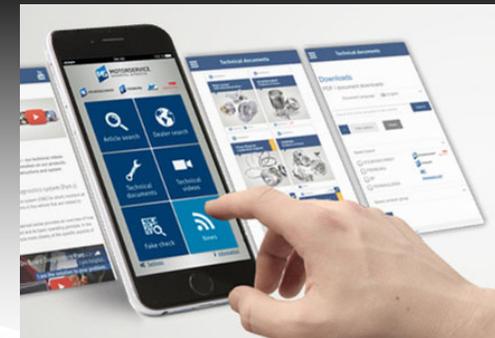
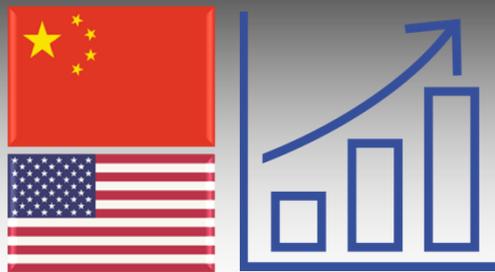
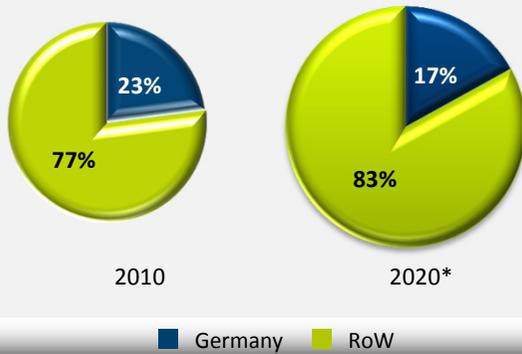
■ Europe (incl. Germany) ■ RoW



\* Projection

# Strategic targets Aftermarket

Sales



\* Projection

## Summary: Automotive is well prepared

### Markets and Customers:

- We expect a stable market with moderate growth rates in the medium term
- China will be the growth driver, Europe and NAFTA might weaken
- Brazil seems to have left the worse behind



### Performance and Products:

- Mechatronics will be the growth driver in the next years
- Hardparts will streamline the global footprint to optimize assets and cost structure
- Aftermarket will return to former profitability after ramp-up own production facilities



### New Mobility Concepts:

- Hybrid cars and e-cars offer chances for new products and higher content per car
- Refocus of R&D spending to enlarge the product portfolio
- Product pipelines are filled for every type of power trains in the coming years





# Market drivers

## Benefitting from growing and changing markets



### Impact:



### Systematic expansion to security markets:

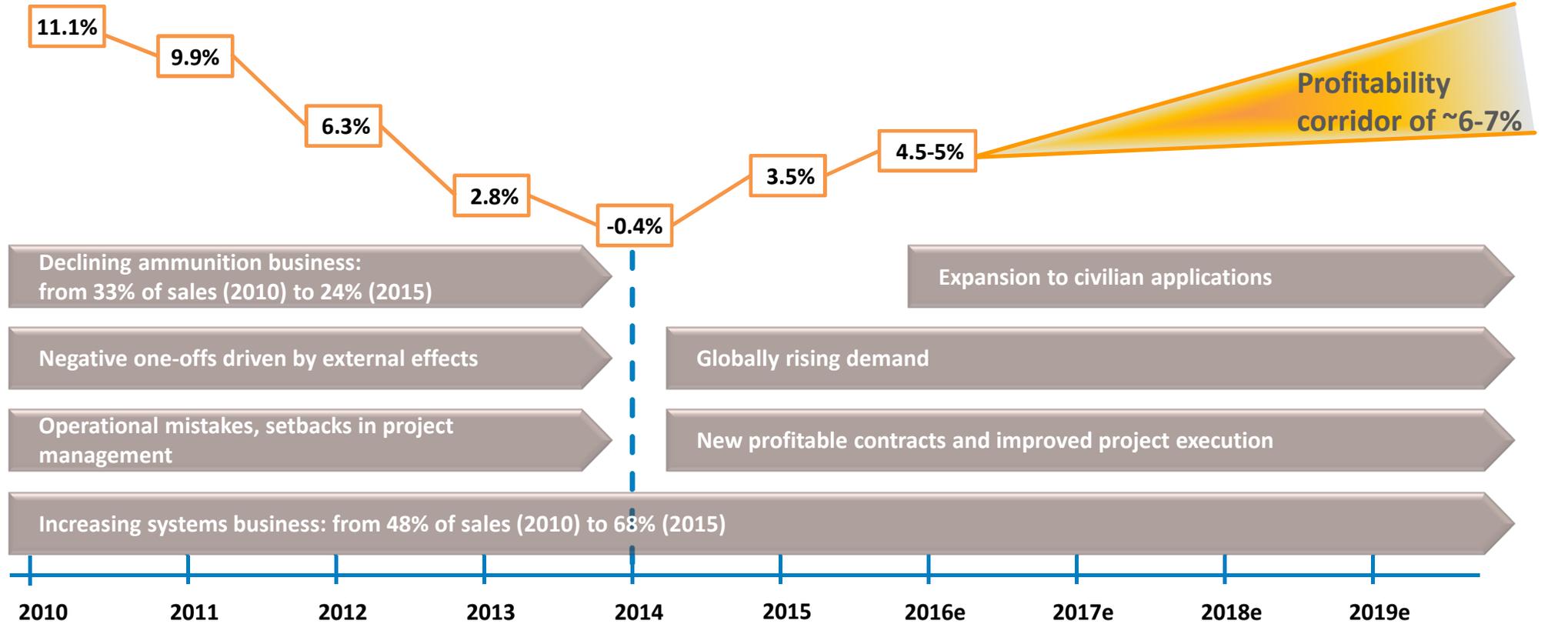
- Long-lasting market growth
- Increasing need for state-of-art products
- Innovations and system solutions
- Expansion to civil applications

 **Diversify end markets**

# Strategic objective

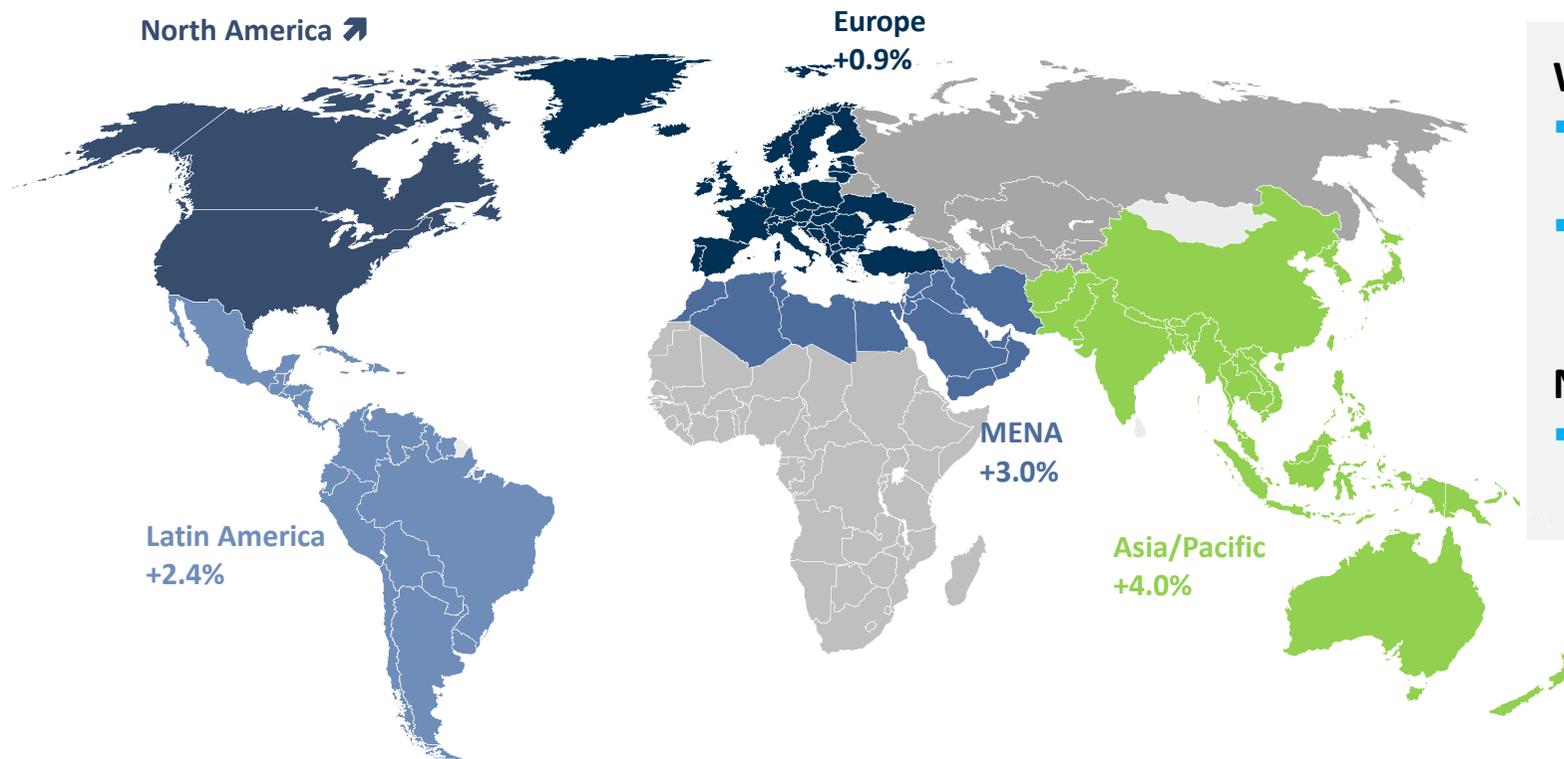
## Achieving the target margin level

■ Operational margin *in % of sales*



# Global defence budgets

## Defence is at the beginning of long lasting market growth



### World 2016 - 2020

- Expected global average annual growth rate (IHS): **1.3%**
- Planning assumption Rheinmetall Defence: **~2%**

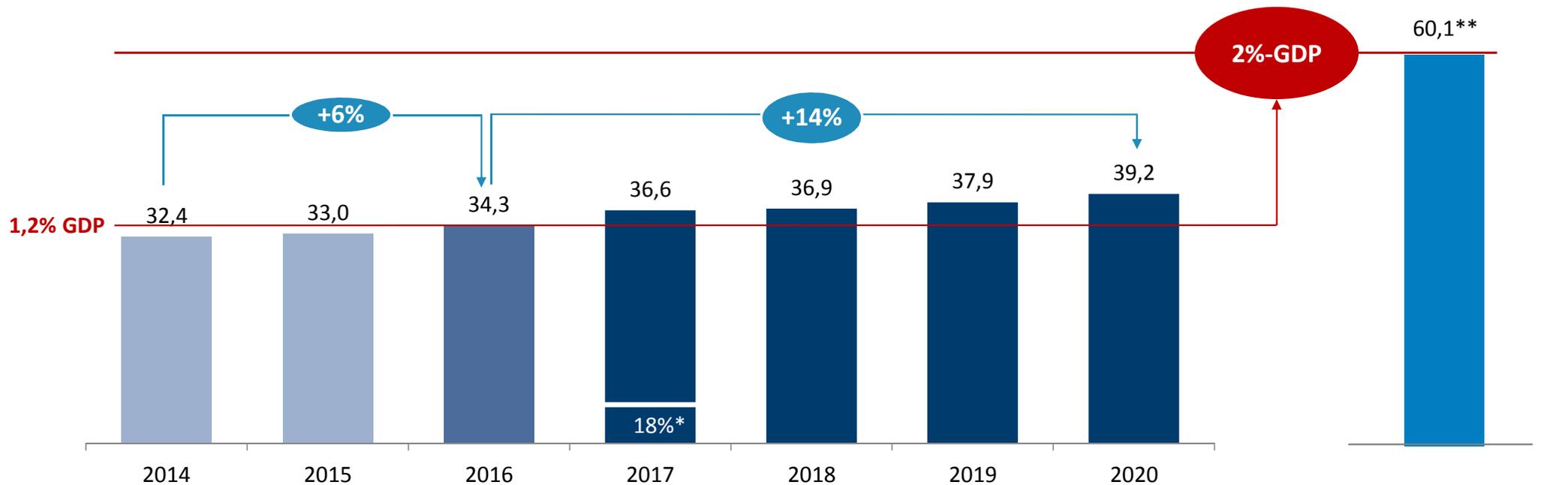
### NATO-Target

- Shifting defence budgets to **2% of GDP** until 2025

Source: IHS  
(Development of defence budgets 2016e-2020e in % p.a.)

# German defence budget Government determined to raise expenditures

■ German Defence budget 2014-2020 in EUR bn



\*Procurement + R&D  
(EUR 6.7 bn /EUR 36.6 bn)

\*\* Reference GDP 2015  
(EUR 3.03 trillion)

Source: Federal Ministry of Finance, Federal budget 2017

## Order potential from Germany A number of projects targeted by Rheinmetall



**Gladius soldier system**  
Potential: ~ EUR 300 m

Long-term potential:  
EUR ~500 m



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

Service contract  
Potential: EUR 50-100 m



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

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



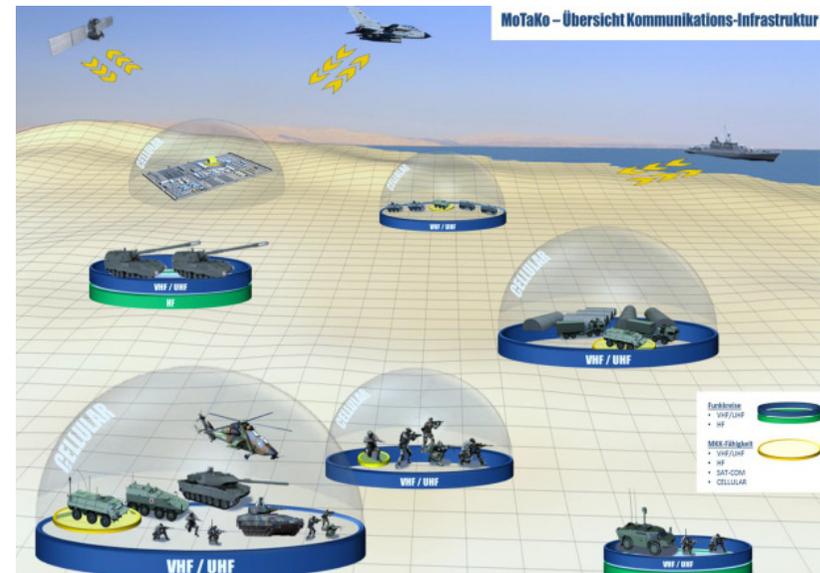
**Puma**  
Additional equipment  
Potential: **EUR 600 m**

Demand for additional IFVs  
Long term potential:  
**EUR 900 m**



**Ammunition**  
framework agreement

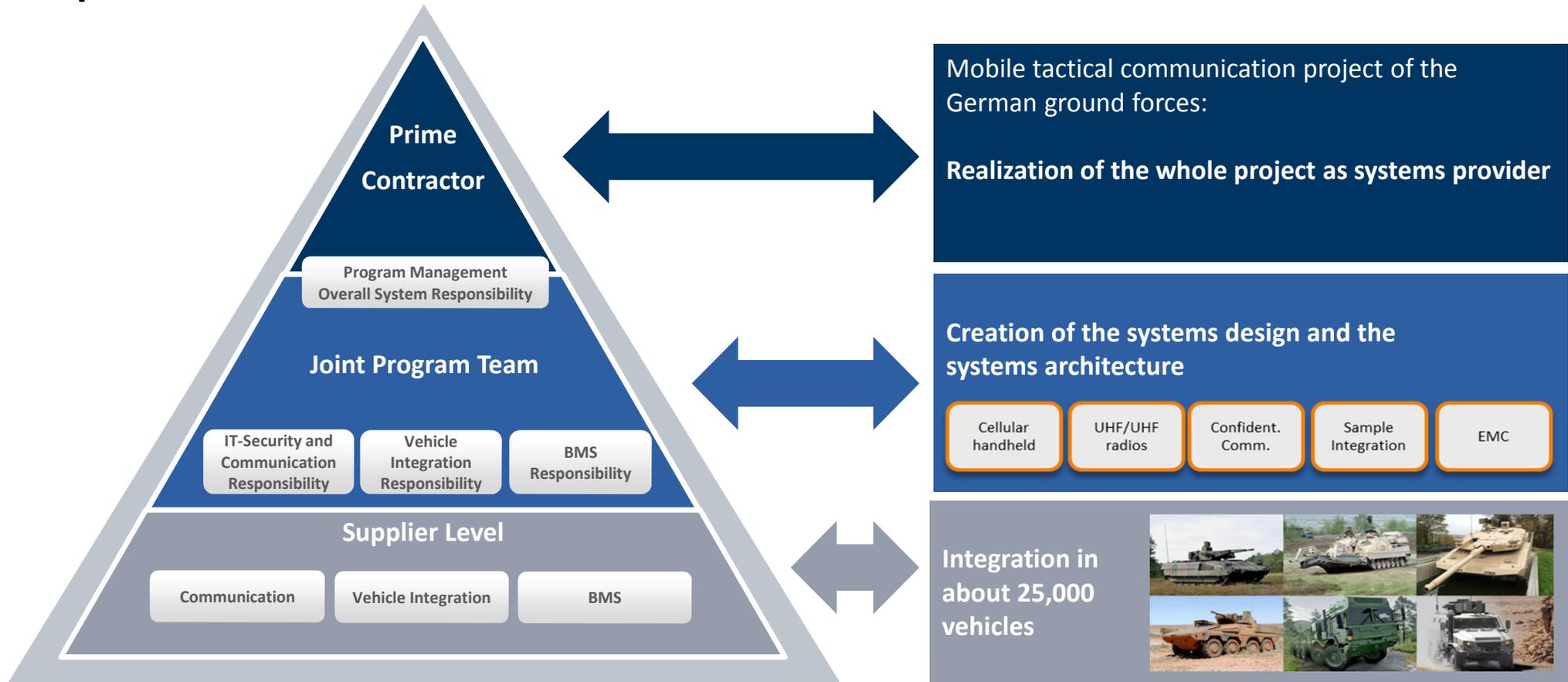
Potential: **EUR ~300 m p.a.**



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

Total potential: **up to EUR 10 bn (2018-2035)**

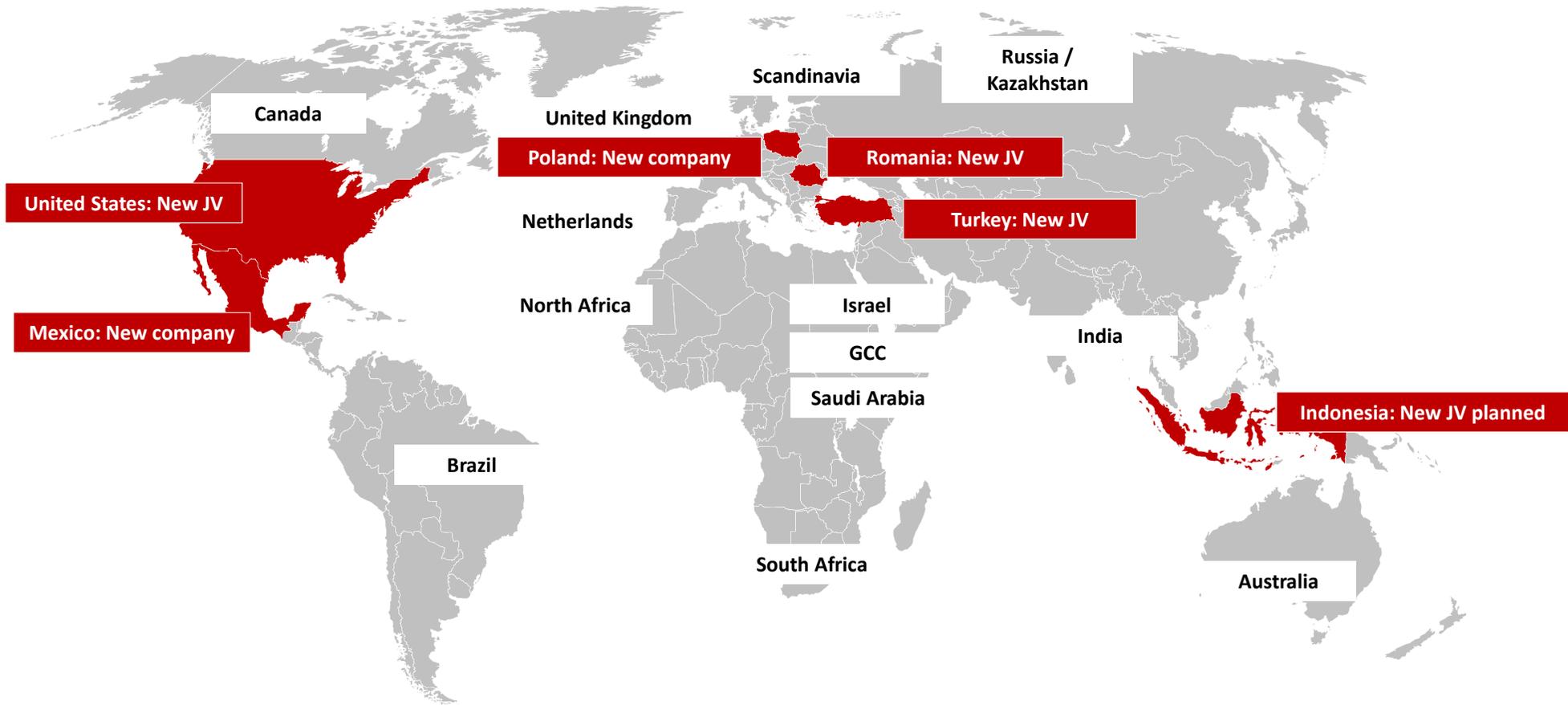
# Net centric digital battlefield Proposal for industrial realization



BMS: Battle Management System

# Internationalization strategy

## Recent developments in establishing hubs and JVs



## 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  
(EUR 23 m assessment  
contract booked in Q4 2016)  
  
Potential:  
**EUR 780 m**



**United Kingdom**  
Mechanized Infantry Vehicle  
(MIV) program  
Boxer  
  
Potential:  
**EUR >2 bn**

## 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

## Strategic targets

# Weapon and Ammunition

### 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 - Weapon and Ammunition 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 Electronic Solutions

### Reshaping and complementing the business

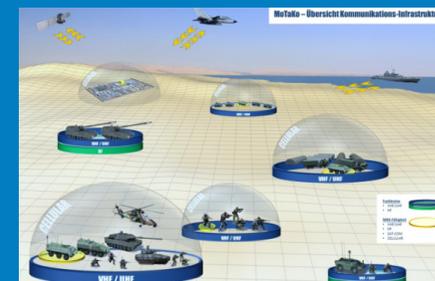
- Widening the Air Defence product portfolio by forming an exclusive partnership with a missile house to complement the canon-based SHORAD (Short Range Air Defence) product portfolio
- Expanding the customer structure in the Simulation and Training business by marketing of civil applications
- Strategic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



Component supplier



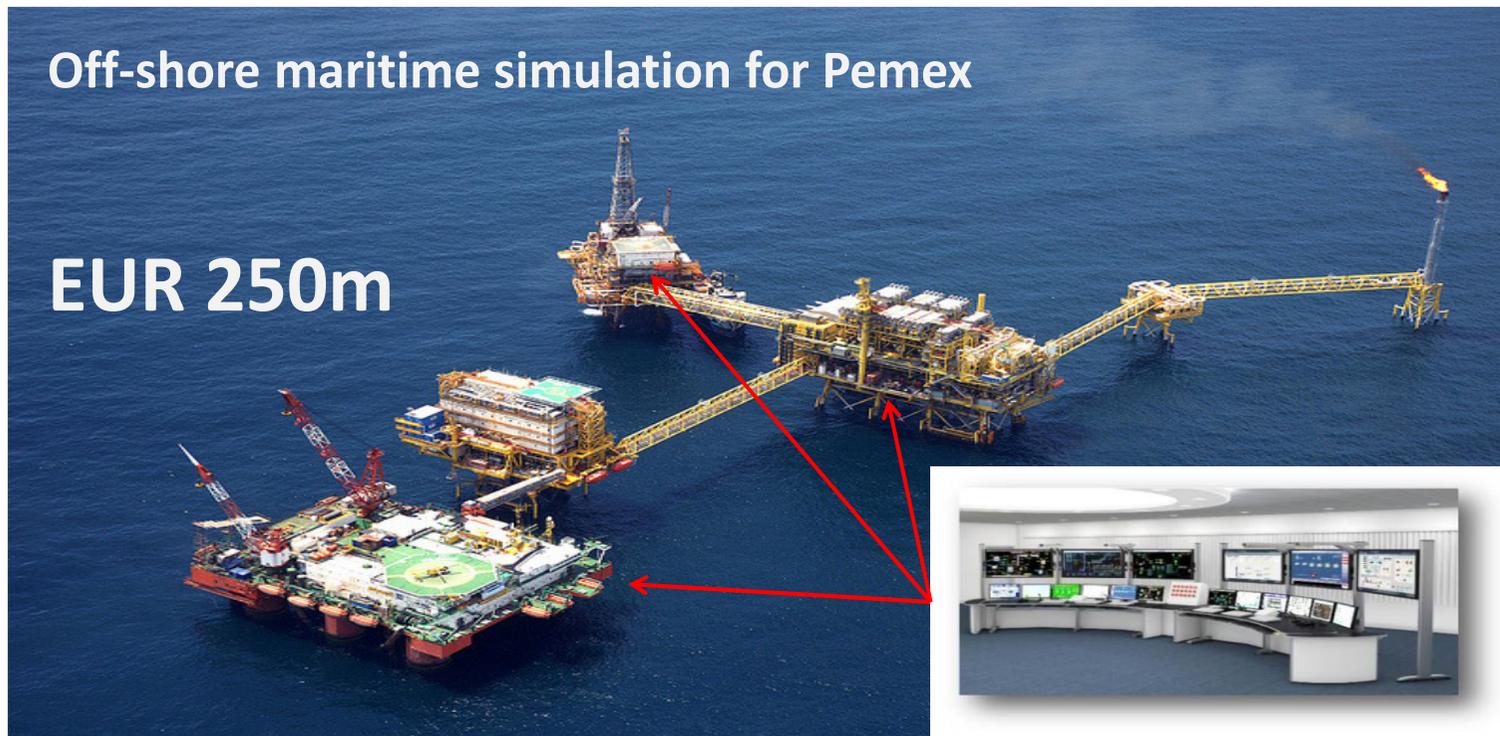
System house



General contractor

## Strategic targets – Simulation and Training

### Expanding the customer structure by marketing of civil applications



#### Simulation and Training for:

- Emergency and crisis management
- Exploration and production process
- Plant operation

# Strategic targets

## Evaluate and develop markets for Police and Cyber Security



## Strategic targets **Vehicle Systems**

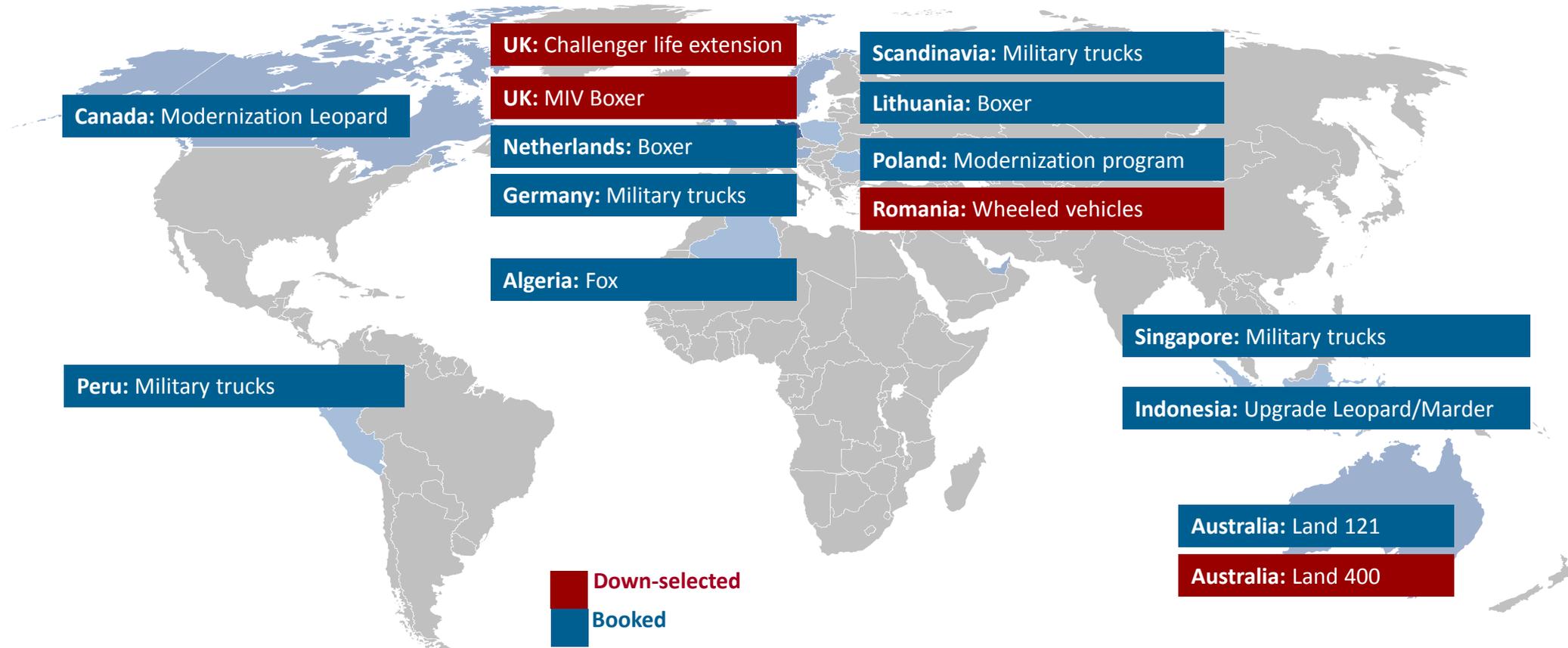
### Securing growth by serial and upgrade orders

- Leveraging 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 targets - Vehicle Systems

## Securing growth by acquisition of further large-scale orders



## Summary

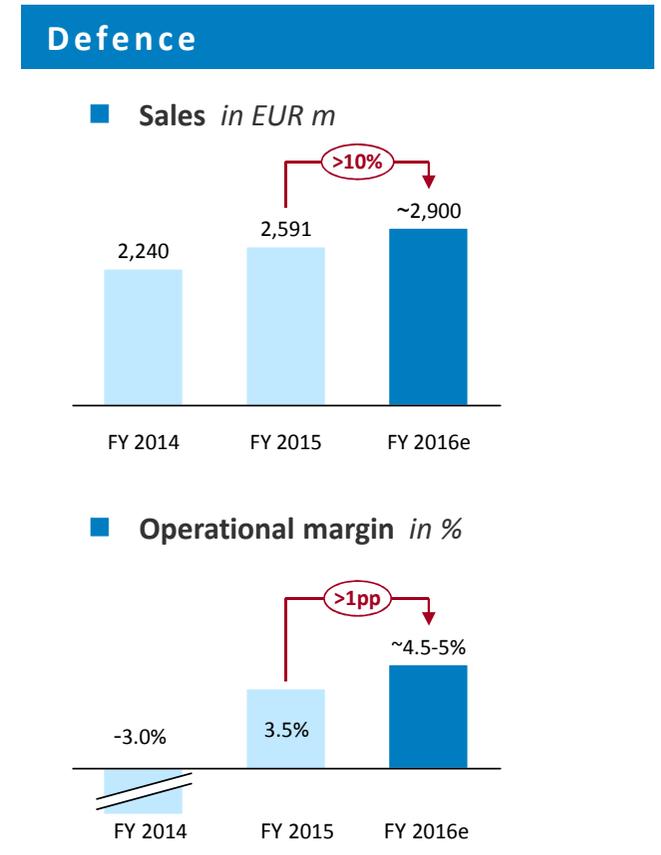
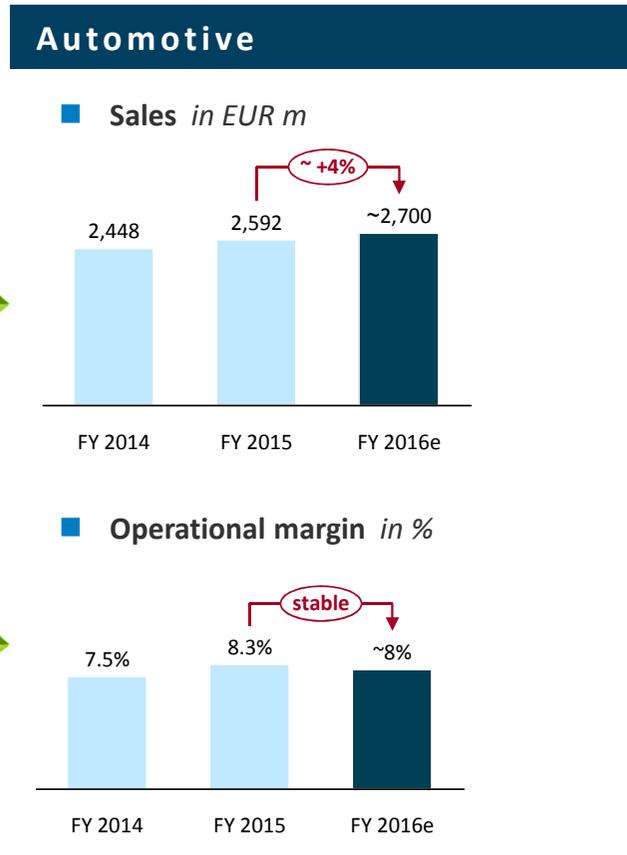
### Defence benefitting from an encouraging market environment

- 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



# Outlook FY 2016

## Raised guidance confirmed

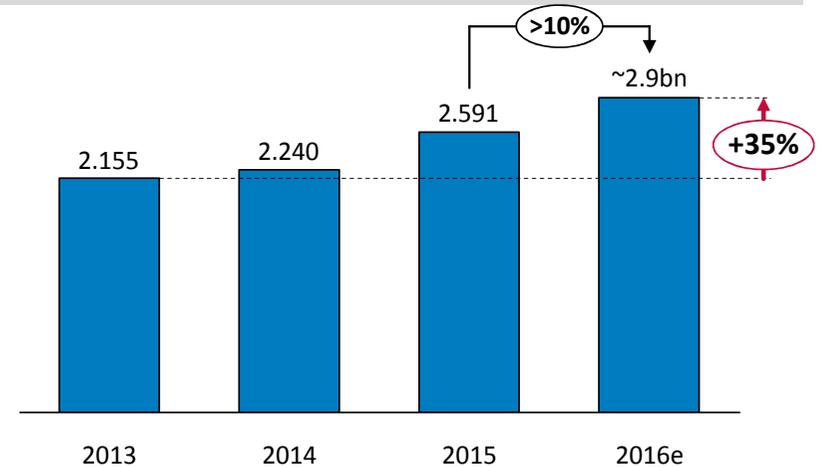
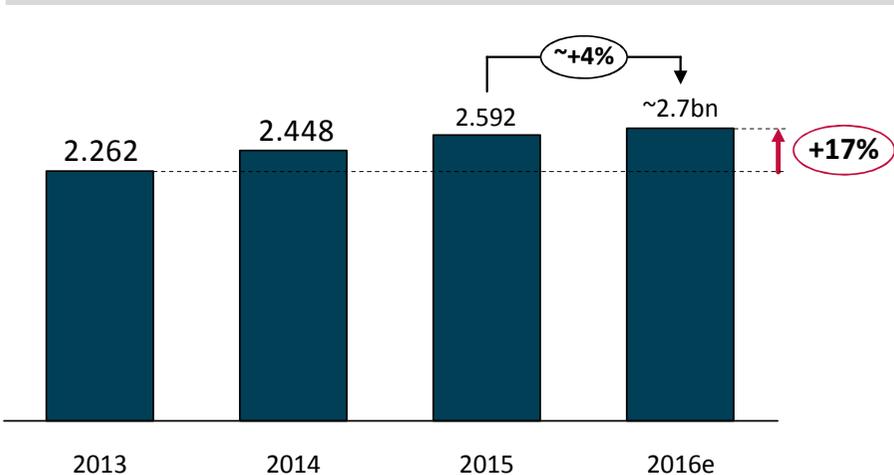


# Mid-term perspective

## Rheinmetall determined to outperform both markets

### Automotive Sales in EUR m

### Defence Sales in EUR m



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

**Defence sales growth 2017-19 expected significantly above market growth, with a growth impulse in 2018 onwards**

\* IHS: November 2016

# 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 

## All set for future growth!



**Automotive**

**Globally rising LV production remains the basis for solid 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**



**Defence**



# APPENDIX

# The Technology Group for Security and Mobility

## Addressing the basic needs and megatrends in Defence and Automotive

### RHEINMETALL AG

Sales: EUR 5.2 billion

Employees: 20,800

### RHEINMETALL DEFENCE

Sales: EUR 2.6 billion  
Employees: 9,900

### RHEINMETALL AUTOMOTIVE

Sales: EUR 2.6 billion  
Employees: 10,900

### SECURITY

Accumulating international conflict areas challenge the community of states ...  
... and lead to rising needs of armed forces.

Basic need

Megatrend

Demand on markets

### MOBILITY

Increasing world population, global trade, higher welfare and climate change ...  
... lead to higher mobility and enhanced need for environmental-friendly powertrain technologies.

Figures: FY 2015

## Group 2011 – 2015: Key figures

in EUR m		2011	2012	2013	2014	2015
<b>Balance sheet</b>	<b>Total assets</b>	4,832	4,899	4,866	5,271	<b>5,730</b>
	<b>Shareholder's equity</b>	1,546	1,465	1,339	1,197	<b>1,562</b>
	<b>Equity ratio (in %)</b>	32.0	29.9	27.5	22.7	<b>27.3</b>
	<b>Pension liabilities</b>	729	919	891	1,121	<b>1,128</b>
	<b>Net financial debt</b>	130	98	147	330	<b>81</b>
	<b>Net gearing (in %)</b>	8.4	6.7	11.0	27.6	<b>5.2</b>
<b>Income statement</b>	<b>Sales</b>	4,454	4,704	4,417	4,688	<b>5,183</b>
	<b>Operating result</b>	342	268	211	160	<b>287</b>
	<b>Operating margin (in %)</b>	7.7	5.7	4.8	3.4	<b>5.5</b>
	<b>EBITDA</b>	538	490	315	299	<b>490</b>
	<b>EBIT</b>	354	296	121	102	<b>287</b>
	<b>EBIT margin (in %)</b>	7.9	6.3	2.7	2.2	<b>5.5</b>
	<b>EBT</b>	295	216	45	22	<b>221</b>
	<b>Net income after minorities</b>	213	173	29	18	<b>151</b>
	<b>Earnings per share (in EUR)</b>	5.55	4.55	0.75	0.47	<b>3.88</b>
	<b>Dividend per share (in EUR); 2015: proposal</b>	1.80	1.80	0.40	0.30	<b>1.10</b>
	<b>ROCE (in %)</b>	14.9	11.5	4.7	3.9	<b>10.1</b>
<b>Cash flow statement</b>	<b>Free cash flow from operations</b>	93	125	20	-182	<b>29</b>
<b>Headcount</b>	<b>Employees (Dec 31) according to capacity</b>	21,516	21,767	20,264	20,166	<b>20,676</b>

2013 figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)

## Segments 2011 – 2015 Key figures

AUTOMOTIVE				
2011	2012	2013	2014	2015
2,357	2,378	2,270	2,466	<b>2,621</b>
409	418	392	416	<b>445</b>
2,313	2,369	2,262	2,448	<b>2,592</b>
151	139	158	184	<b>216</b>
6.5	5.9	7.0	7.5	<b>8.3</b>
254	243	225	295	<b>332</b>
151	139	124	184	<b>216</b>
6.5	5.9	5.5	7.5	<b>8.3</b>
104	148	142	158	<b>167</b>
11,548	12,003	10,927	10,830	<b>10,934</b>
1,025	1,091	1,171	1,322	<b>1,450</b>
69	69	66	96	<b>118</b>
6.7	6.3	5.6	7.3	<b>8.1</b>
1,092	1,087	889	934	<b>952</b>
65	57	27	72	<b>73</b>
6.0	5.2	3.0	7.7	<b>7.7</b>
258	265	268	269	<b>285</b>
24	25	27	26	<b>27</b>
9.3	9.4	10.1	9.7	<b>9.5</b>

in EUR m		
<b>Order intake</b>		
<b>Order backlog (Dec. 31)</b>		
<b>Sales</b>		
<b>Operating result</b>		
<b>Operating margin (in %)</b>		
<b>EBITDA</b>		
<b>EBIT</b>		
<b>EBIT margin (in %)</b>		
<b>Capex</b>		
<b>Employees (Dec 31) according to capacity</b>		
<b>Mechatronics</b>	<b>Sales</b>	<b>Combat Systems</b>
	<b>EBIT</b>	
	<b>EBIT margin</b>	
<b>Hardparts</b>	<b>Sales</b>	<b>Electronic Solutions</b>
	<b>EBIT</b>	
	<b>EBIT margin</b>	
<b>Aftermarket</b>	<b>Sales</b>	<b>Wheeled Vehicles</b>
	<b>EBIT</b>	
	<b>EBIT margin</b>	

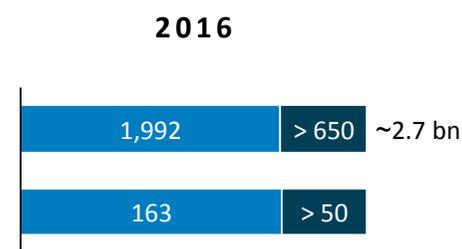
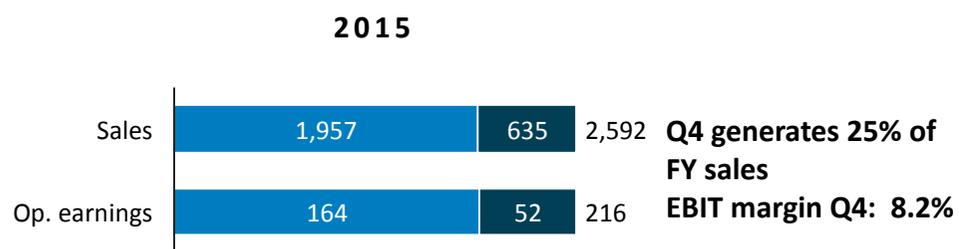
DEFENCE				
2011	2012	2013	2014	2015
1,831	2,933	3,339	2,812	<b>2,693</b>
4,541	4,987	6,050	6,516	<b>6,422</b>
2,141	2,335	2,155	2,240	<b>2,591</b>
212	146	60	-9	<b>90</b>
9.9	6.3	2.8	-0.4	<b>3.5</b>
303	262	96	17	<b>175</b>
223	173	4	-67	<b>90</b>
10.4	7.4	0.2	-3.0	<b>3.5</b>
102	90	62	76	<b>96</b>
9,833	9,623	9,193	9,184	<b>9,581</b>
1,198	1,136	1,027	977	<b>1,382</b>
146	102	31	-4	<b>88</b>
12.2	9.0	3.0	-0.4	<b>6.4</b>
799	748	710	705	<b>759</b>
86	97	11	-53	<b>26</b>
10.8	13.0	1.5	-7.5	<b>3.4</b>
255	567	539	667	<b>600</b>
-12	-25	-35	-9	<b>-11</b>
-4.7	-4.4	-6.5	-1.4	<b>-1.8</b>

2013 figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)

# Outlook 2016

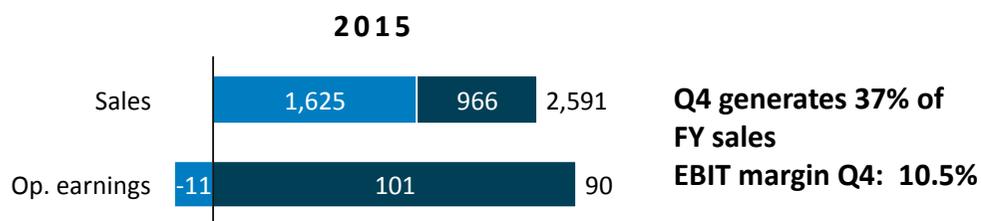
## Q4 with strong earnings development in Defence

### ■ Automotive sales and earnings *in EUR m*



**Margin target 2016: ~8%**

### ■ Defence sales and earnings *in EUR m*



**Margin target 2016: 4.5-5%**

# Outlook 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

# Equity and pension liabilities

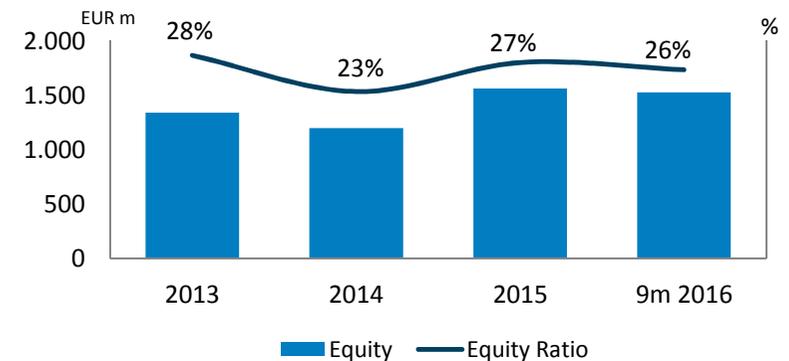
## Financial solidity materially improved

### Drivers

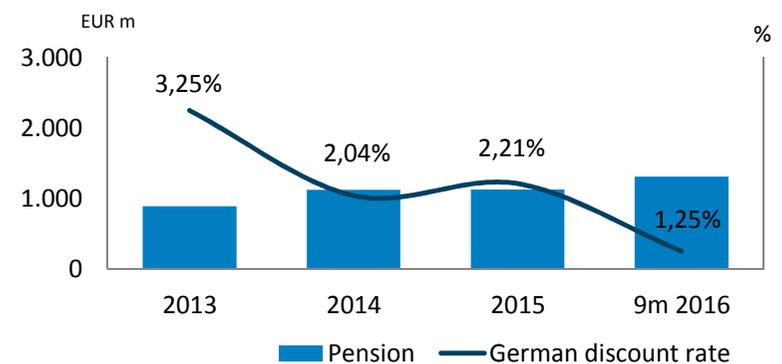
- Delivery on our targets
- Capitalizing on our restructuring efforts
- Achievement of a solid equity ratio
- Pension liabilities still rising on lowering discount rates
- Supportive market environment in both segments

**Credit rating Ba1 with outlook changed to stable in April 2016**

### Equity and Equity ratio



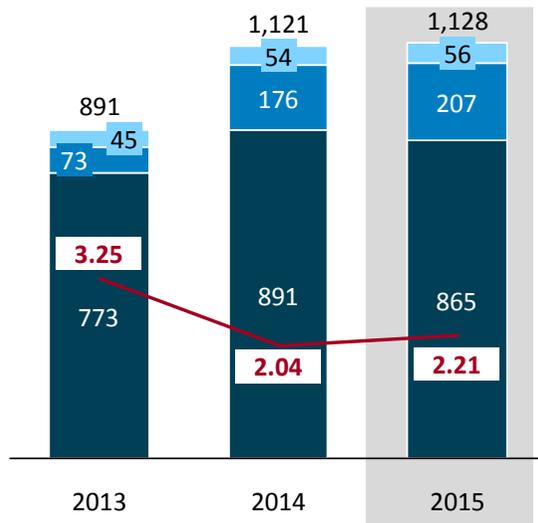
### Pension liabilities and German discount rate



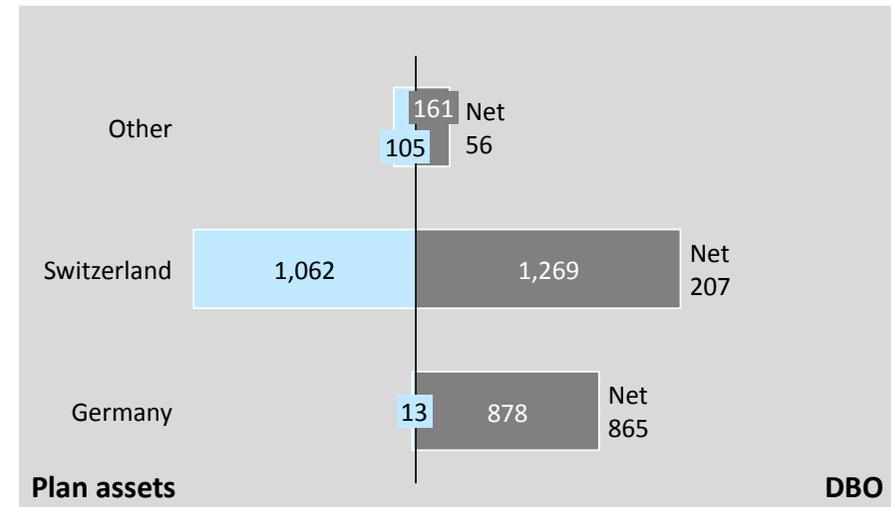
# Pension liabilities

## Internal funding in Germany, external funding in Switzerland

■ Pension liabilities by country  
in EUR m



■ Plan assets and Defined Benefit Obligation (DBO)  
by country (per Dec 31 2015)  
in EUR m



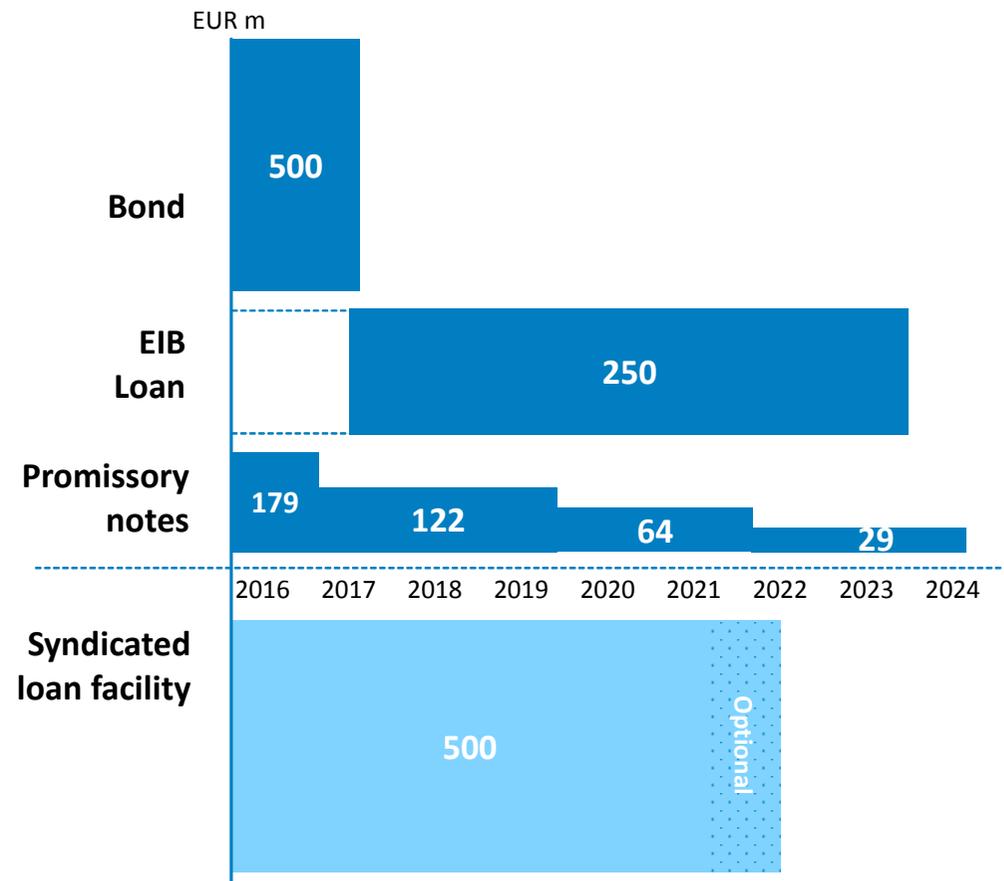
■ Other ■ Switzerland ■ Germany — Discount rate (for German pension liabilities of Rheinmetall)

# Financial liabilities

## Successful diversification of credit market access

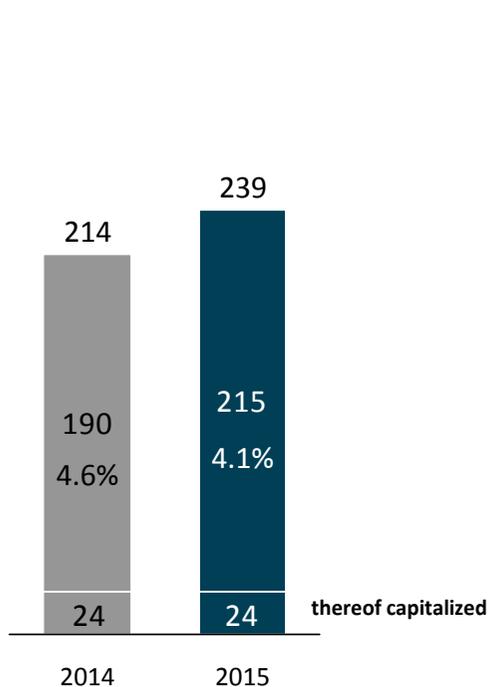
### ■ Improved maturity profile

- 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

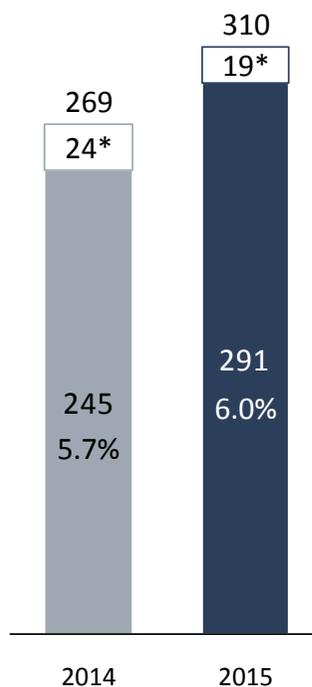


## Research & development, capex, depreciation & amortization

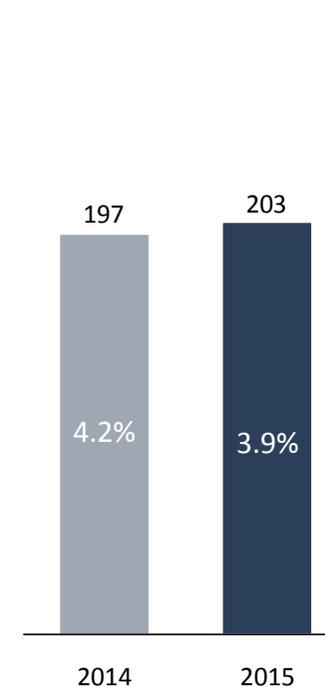
■ R&D in EUR m; in % of sales



■ Capex in EUR m; in % of sales



■ D&A in EUR m; in % of sales



## 9M 2016 - Highlights

### Strong top line growth, earnings improved, guidance adjusted

<b>Sales</b>	Sales increased by 9% or FX-adjusted by 10% to EUR 3,904 million
<b>Earnings</b>	Operational earnings strongly advanced from EUR 140 million to EUR 182 million
<b>EPS</b>	Earnings per share up by 17% to EUR 2.22
<b>Free Cash Flow</b>	9M Free cash flow from operations further improved by Q3 contribution of plus EUR 36 million
<b>Finance</b>	EU Funds for Strategic Investment provides EUR 250 million loan for Automotive
<b>Outlook</b>	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%

## 9M 2016

### Key figures

in EUR m	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%

9M 2016

## Key figures Q3 2016 Group

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

## 9M 2016

### Key figures Q3 2016 per segment

<b>Automotive</b>	<b>Q3 2015</b>	<b>Q3 2016</b>	<b>Δ Q3 2016 /2015</b>	
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%
<b>Defence</b>	<b>Q3 2015</b>	<b>Q3 2016</b>	<b>Δ Q3 2016 /2015</b>	
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	

## 9M 2016

### Balance sheet

<i>in EUR m</i>	30.09. 2015	31.12. 2015	30.09. 2016	Δ 30.09.16/ 30.09.15
<b>Total Assets</b>	<b>5,230</b>	<b>5,730</b>	<b>5,857</b>	<b>+ 627</b>
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

## 9M 2016

### Cash flow statement

<i>in EUR m</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
<b>Cash flow</b>	<b>79</b>	<b>153</b>	<b>51</b>	<b>97</b>	<b>98</b>	<b>+ 19</b>
Changes in working capital and other items	8	267	- 262	- 112	0	- 8
<b>Net cash used in operating activities</b>	<b>87</b>	<b>420</b>	<b>- 211</b>	<b>- 15</b>	<b>98</b>	<b>+ 11</b>
Cash outflow for additions to tangible and intangible assets	- 78	- 121	- 52	- 60	- 62	+ 16
<b>Free cash flow from operations</b>	<b>9</b>	<b>299</b>	<b>-263</b>	<b>- 75</b>	<b>36</b>	<b>+ 27</b>

# The divisional structure of Automotive

## Focused on the attractive segment of powertrain technology

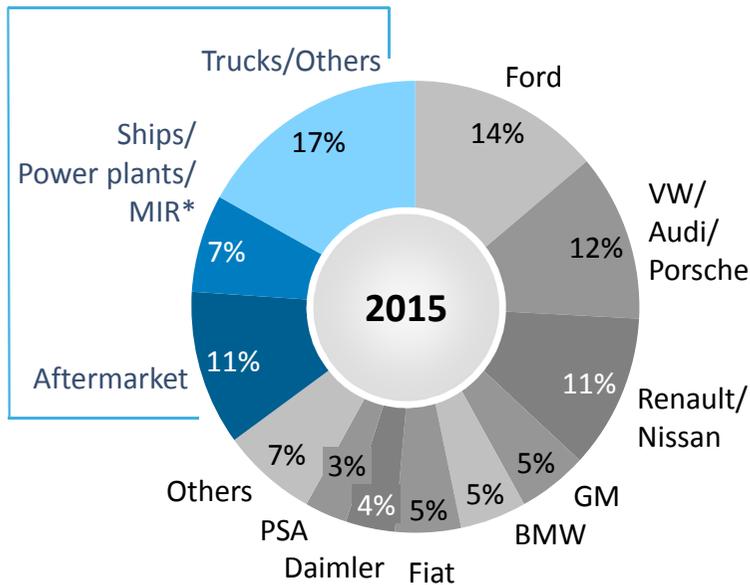
RHEINMETALL AUTOMOTIVE			EUR 2.6 billion
Hardparts	Mechatronics	Aftermarket	
Pistons	Emission Systems	International	
Large-bore pistons	Solenoid Valves	National	
Bearings	Commercial Diesel Systems		
	Actuators		
	Pumps		

Joint ventures with HASCO in China/Europe (50:50; consolidated at equity)

Sales figure FY 2015

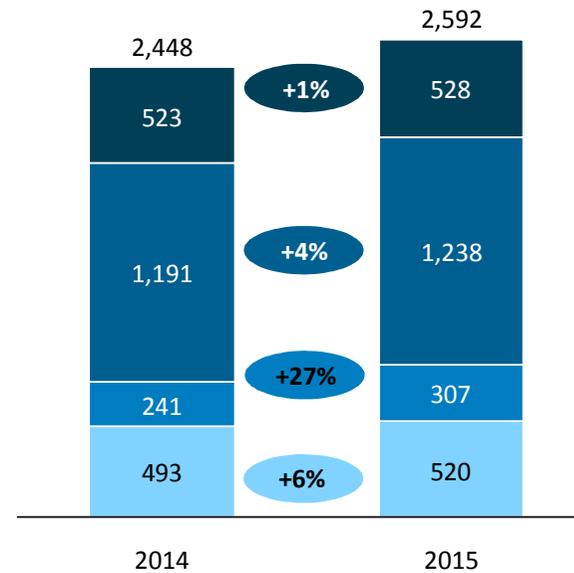
## Sales by customers and by regions

■ Sales by customer in %



\* MIR: Marine, Industrial, Recreational  
 \*\* Source: IHS Automotive (February 2016)

■ Sales by region in EUR m  
 Sales growth in %



■ Market Growth\*\* in %

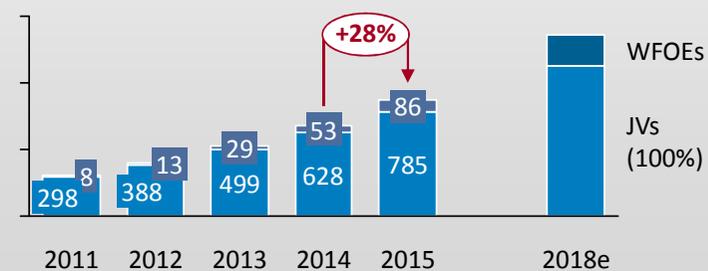


## Automotive in China

50/50 joint ventures with HASCO (SAIC group)			
Castings (ATAG)	Pistons (KSSP)	Castings (KPSNC)	Pumps (PHP)
2014	1997	2001	2012
Engine blocks and structural body parts	Pistons	Engine blocks, cylinder heads and structural body parts	Electrical and mechanical pumps
Germany/ Europe	China		

Wholly Foreign-Owned Enterprises (100% Rheinmetall Automotive)			JV subsidiary
Aftermarket	Pierburg	Large-bore pistons	Pumps (PMP Ch.)
2008	2009	2013	2012
Spare parts	EGR modules and electric throttle bodies	Large-bore pistons	Electrical and mechanical pumps
China			China

**Sales China in EUR m**



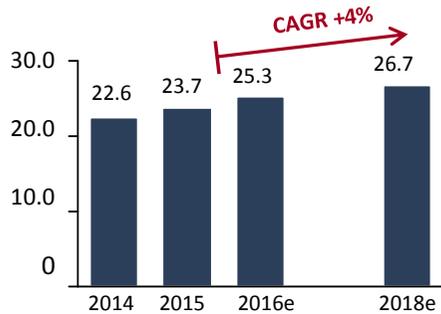
**EBIT China in EUR m**



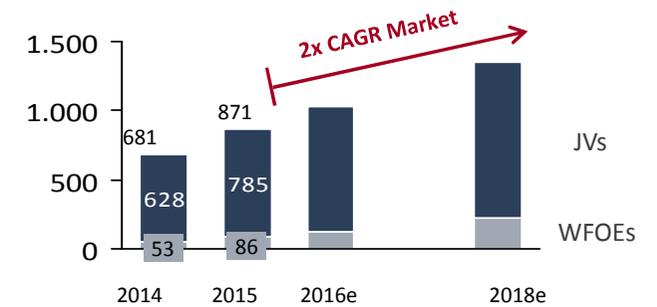
# Growth driver “Market growth”

## China: Continuing growth, but with lower rates

■ LV production in million units



■ Sales in EUR m



- Expected **recovery of the Chinese car market**: Growth expectation 5.6% in 2016 after 4.3% in 2015
- Growth rate expected to normalize but to remain **above global average** growth
- **Double-digit sales increase** of 100%-subsidiaries (WFOE) expected

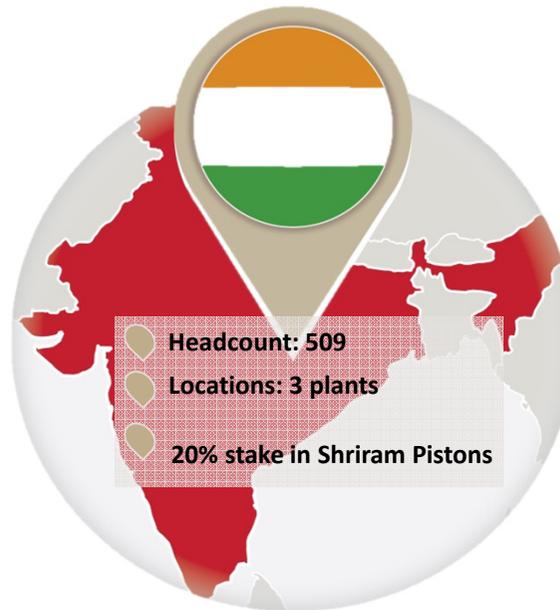
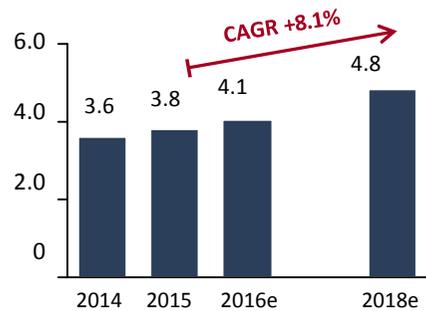
JV: 100% figures shown of Joint Ventures, Rheinmetall Automotive owns 50% of JV; consolidated at-equity  
WFOE: Wholly Foreign-Owned Enterprise, 100% subsidiaries, fully consolidated

Source: IHS Automotive (February 2016)

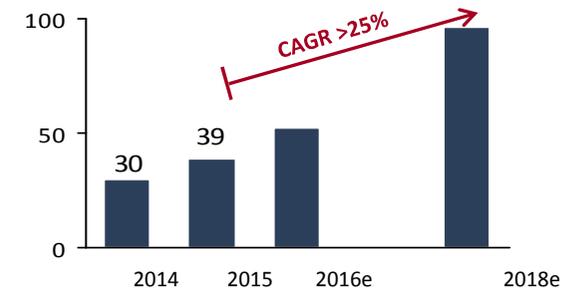
# Growth driver “Market growth”

## India: Well prepared to take advantage of increasing demand for mobility

■ LV production in million units



■ Sales in EUR m



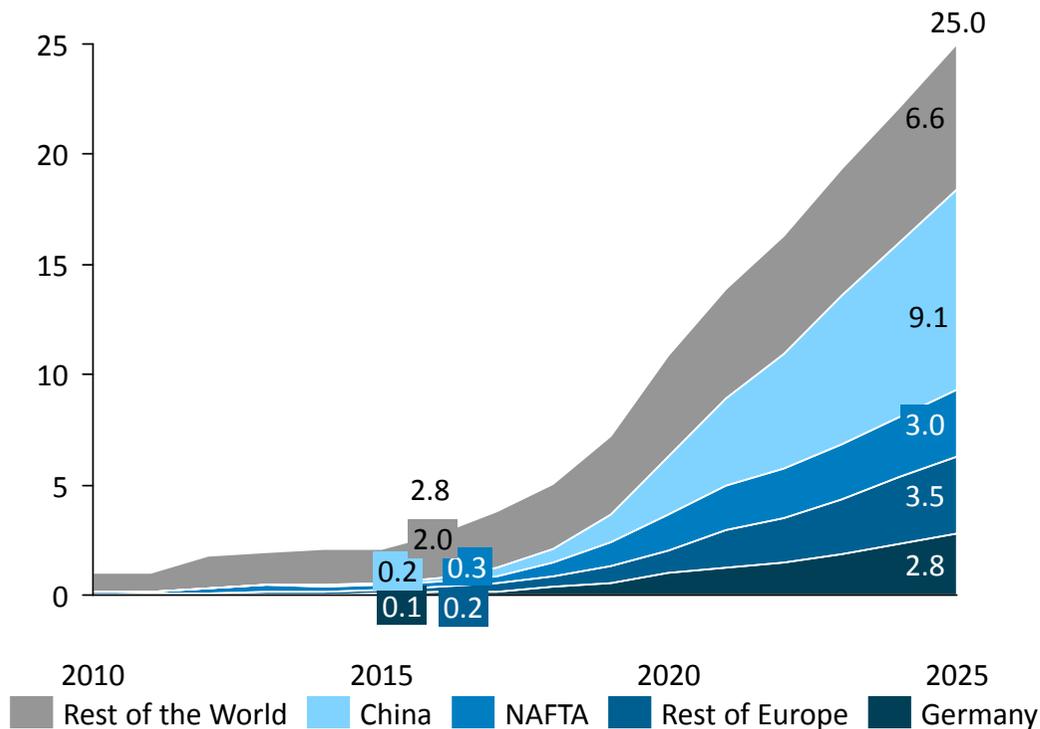
- Expected **market growth** 2016 of 9% with a meaningful share of Diesel engines (~35%)
- **Automotive subsidiaries** leaving start-up phase and moving into growth phase

Source: IHS Automotive (February 2016)

# Growth driver “More content per car/hybridization”

## Trend to hybrid vehicles expected to accelerate

■ Forecast production of hybrid vehicles\* in million units



- **Stricter emission regulations** increase attractiveness of alternative energy concepts
- **Hybrid powertrains** will raise significantly and become a major market
- Estimated market share of **hybrid vehicles**:
  - 2016: 3.0%
  - 2025: 22.7%

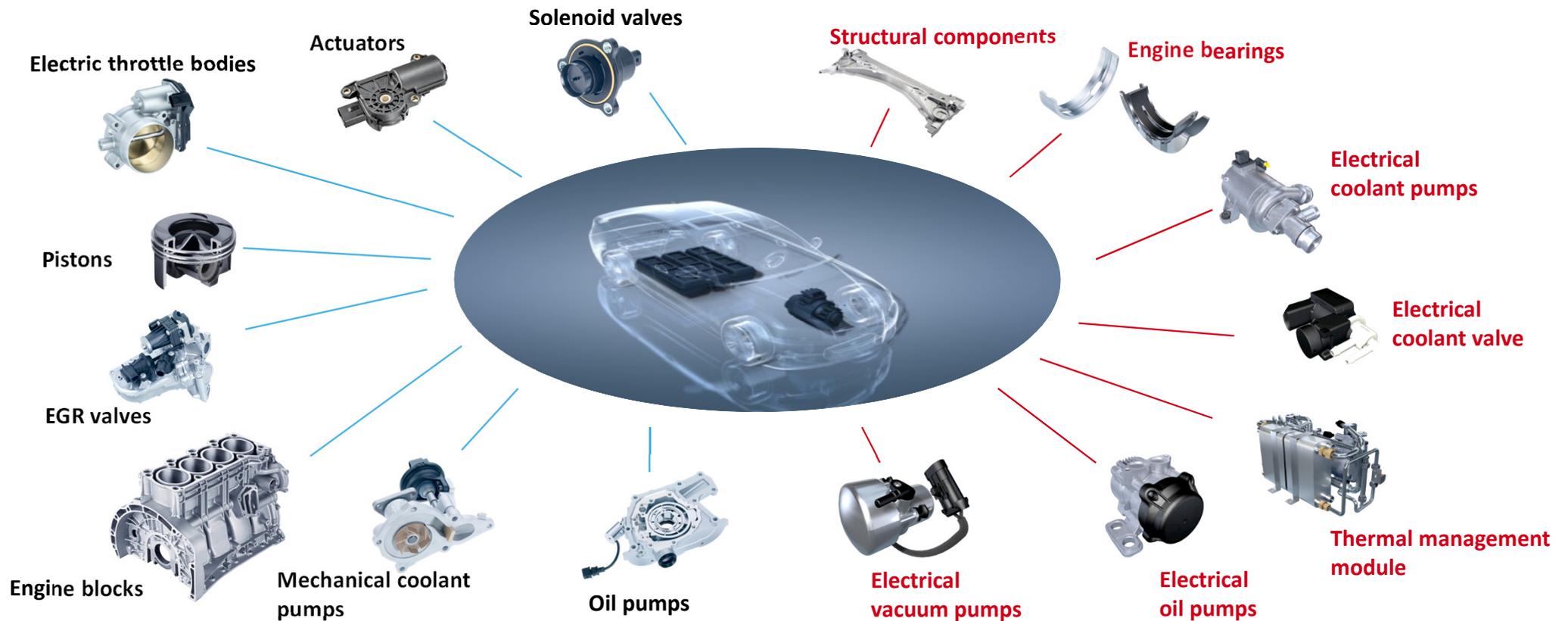
\*Mild hybrid, full hybrid, plug-in hybrid

Source: IHS Automotive (September 2016)

# Growth driver “More content per car/hybridization” Trend of hybridization opens potential for more Rheinmetall products

Enlarging the traditional product portfolio for combustion engines ...

... by products for hybrid and electric engines.



# Growth driver “Higher value of products”

## Electrification and downsizing require more sophisticated products

### Coolant pump



Mechanical  
EUR 9-15

>  
**>6x**



Electrical  
EUR 55-85

### Exhaust gas recirculation



Valve  
EUR 20-25

>  
**>3x**



Valve, cooler, bypass and  
bypass actuator  
EUR 70-90



### Oil pump



Mechanical  
EUR 8-30

>  
**>3x**



Variable  
EUR 18-55

### Piston



Aluminum  
EUR 3-12

>  
**>3x**



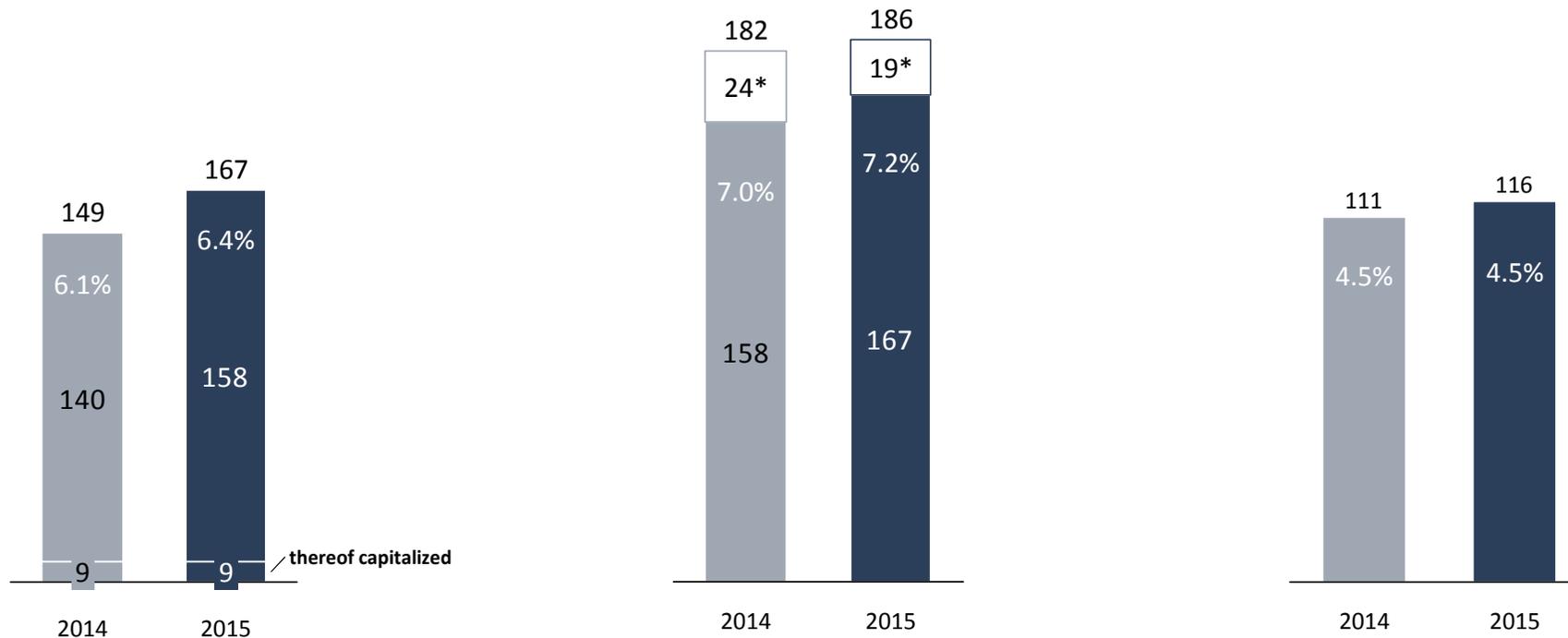
Steel  
EUR 20-30

## Research & development, capex, depreciation & amortization

■ R&D in EUR m; in % of sales

■ Capex in EUR m; in % of sales

■ D&A in EUR m; in % of sales



\* Subsidies for tooling costs

## 9M 2016 - Highlights

### 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

## 9M 2016

### Key figures

<i>in EUR m</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%

# 9M 2016

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

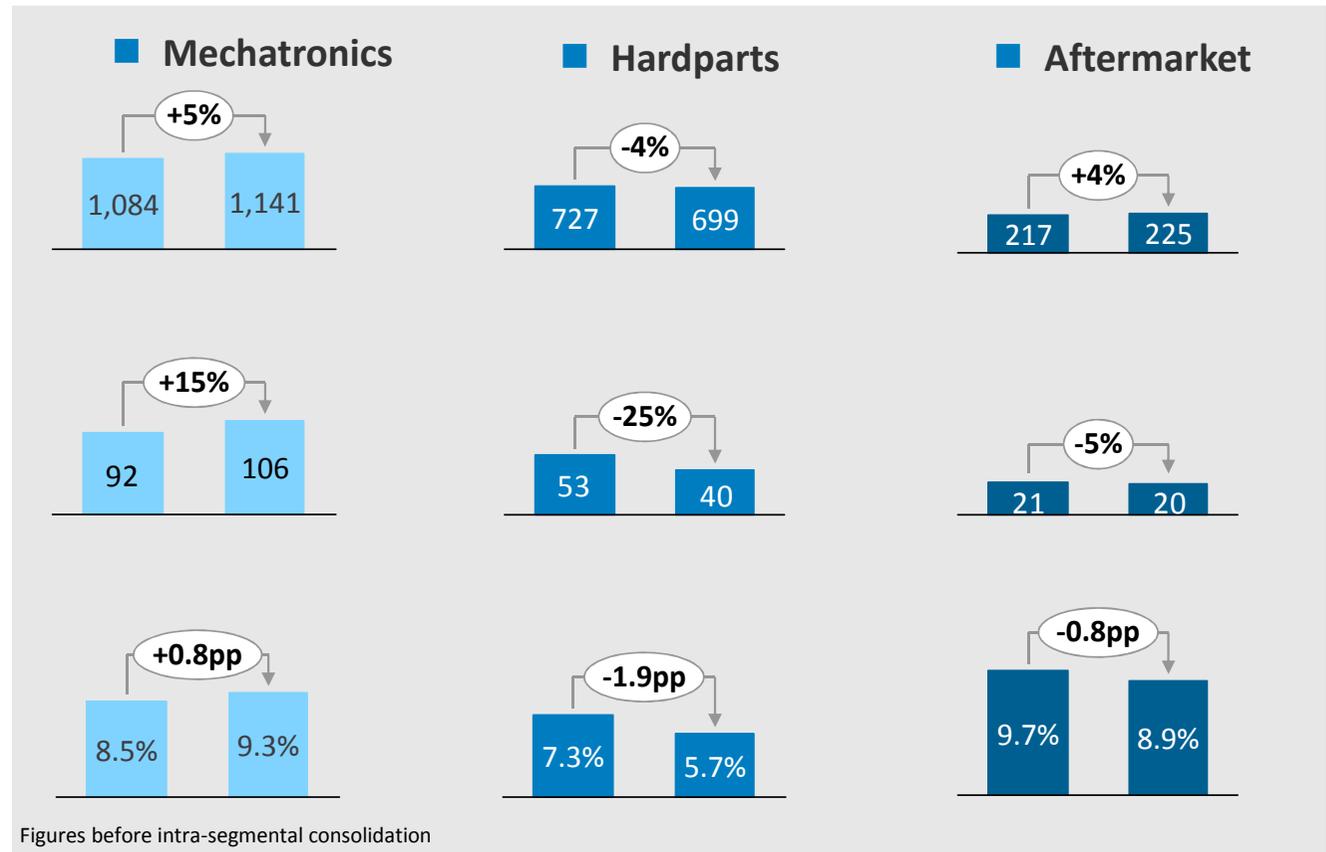
Sales



Operational earnings



Operational margin



## 9M 2016

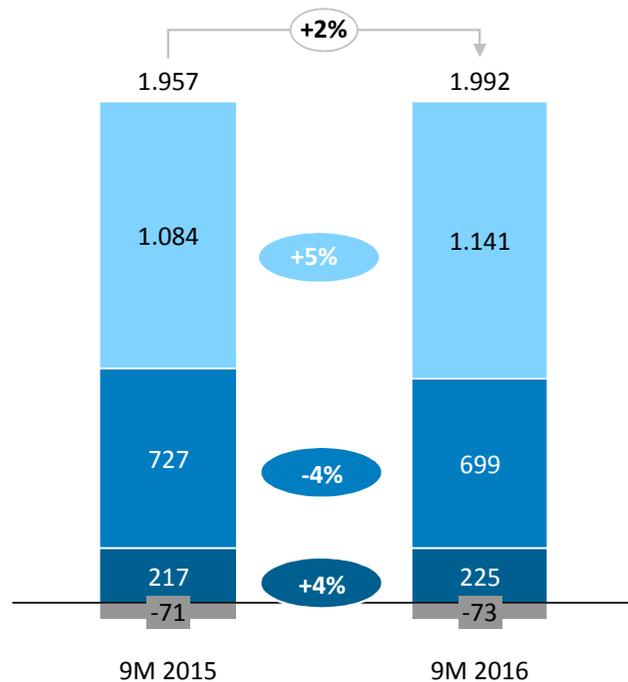
### Cash flow statement

<i>in EUR m</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
<b>Cash flow</b>	<b>61</b>	<b>75</b>	<b>71</b>	<b>73</b>	<b>64</b>	<b>+ 3</b>
Changes in working capital and other items	40	23	- 178	14	17	- 23
<b>Net cash used in operating activities</b>	<b>101</b>	<b>98</b>	<b>- 107</b>	<b>87</b>	<b>81</b>	<b>- 20</b>
Cash outflow for additions to tangible and intangible assets	- 46	- 72	- 32	- 36	- 34	+ 12
<b>Free cash flow from operations</b>	<b>55</b>	<b>26</b>	<b>- 139</b>	<b>51</b>	<b>47</b>	<b>- 8</b>

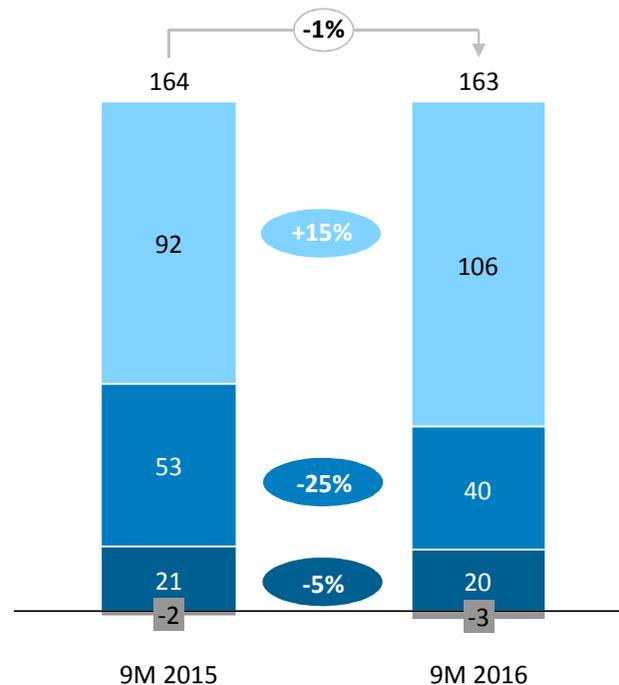
# 9M 2016 - Mechatronics and Aftermarket continue growth path

## Earnings level stable

**Sales Automotive**  
in EUR m



**Operational earnings Automotive**  
in EUR m



**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

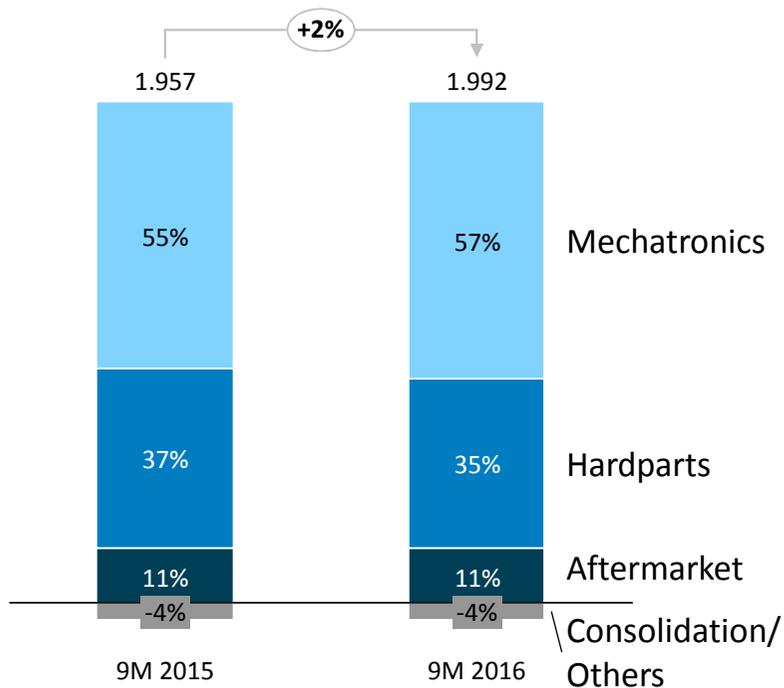
**Aftermarket**

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

# 9M 2016 - Mechatronics with further increasing sales share Automotive with expanding sales in growth regions

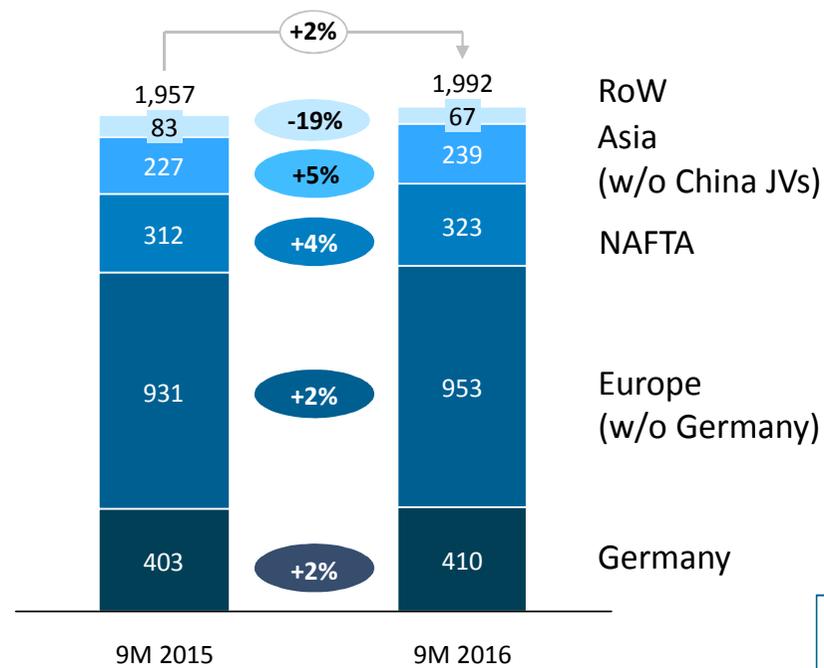
## Sales by customer

in EUR m



## Sales by region

in EUR m



## Market Growth\*\*

in %

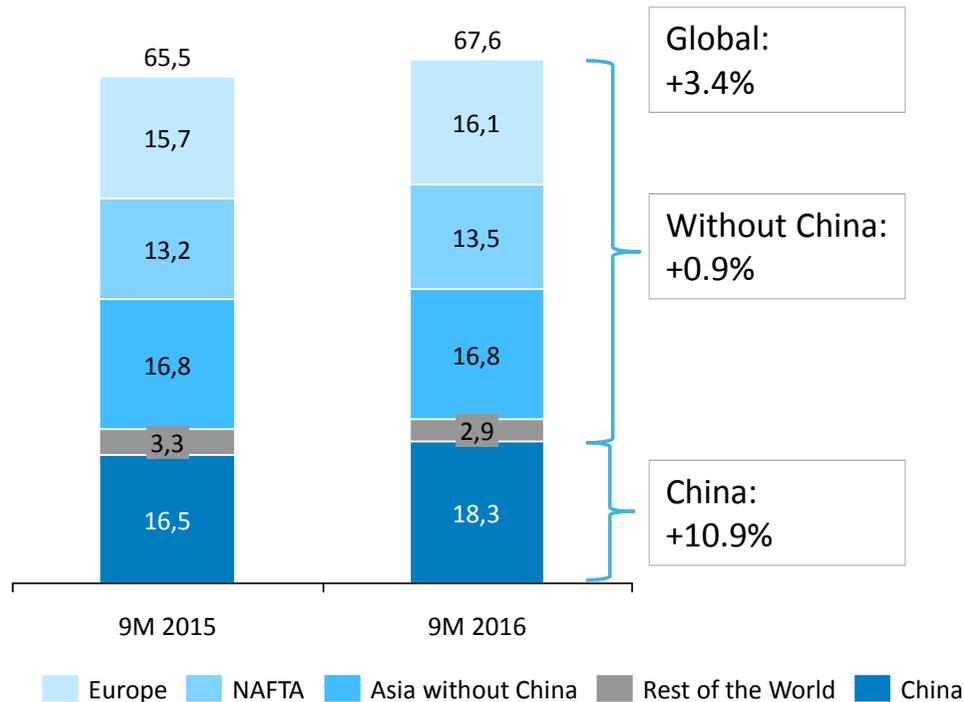


Market growth w/o China  
 • Global: 1%  
 • Asia: ±0%

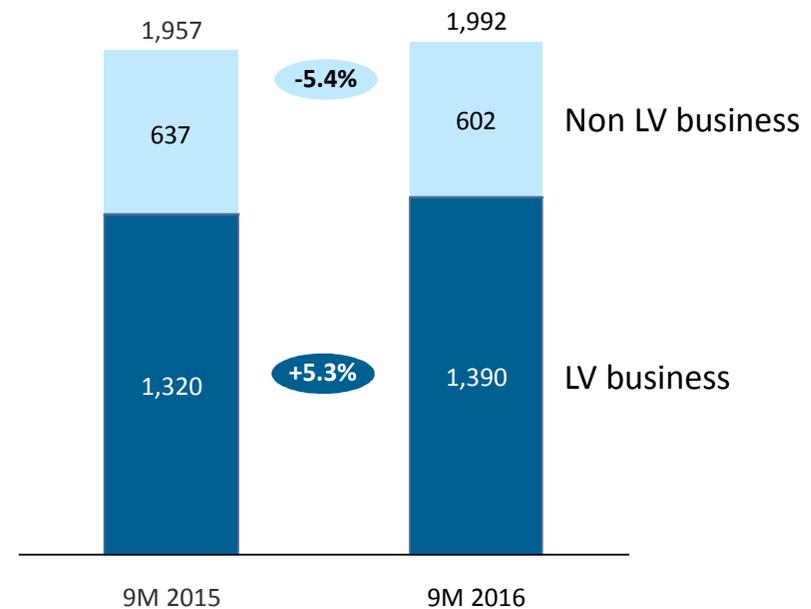
# 9M 2016 - Automotive LV sales development

## 9M LV-sales above global LV production

■ Global LV production in million units



■ Sales Automotive LV/Non-LV in EUR m

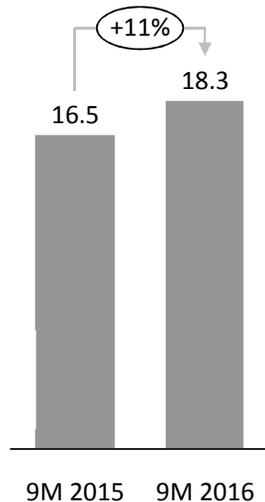


Source: IHS Automotive, September 2016

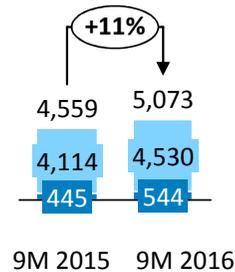
# 9M 2016 - Markets in focus: China

## China operations with strong growth

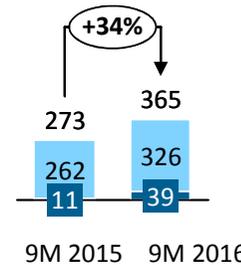
■ **China LV production**  
in million units



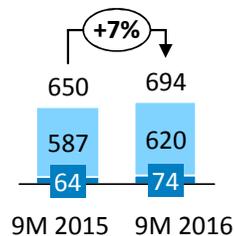
■ **Sales\*** in CNY million



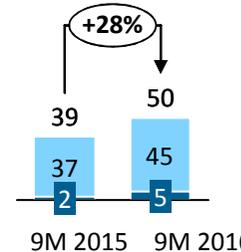
■ **EBIT\*** in CNY million



■ **Sales\*** in EUR m



■ **EBIT\*** in EUR m



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

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

\* Including 100% figures of 50/50 joint ventures, consolidated at equity  
WFOE = Wholly Foreign-Owned Enterprise

# New divisional structure of Defence

## Transfer of Combat Platforms



\* after consolidation

Sales figure FY 2015

## Rheinmetall Defence

### The new Vehicle Systems Division – a competitive international supplier



- **Leading European supplier** of military vehicle systems with expected sales of EUR 1.4 billion (in 2016) and a strong order backlog of EUR 4.0 billion (end of 2015)
- **Sole provider of the complete product portfolio** of military vehicles (tracked, wheeled, tactical, logistical) and turrets in the Western world
- **New vehicles are ready for market launch:** amphibious wheeled vehicle, infantry fighting vehicle
- Strong market position setting a **solid basis in the further consolidation** process of the industry

## Growth driver “New markets” Expanding local footprint by individual industrial partnerships

### POLAND



- **Cooperation with the Polish defence industry** for a major Leopard modernization program
- Foundation of **Rheinmetall Defence Polska** (Warsaw, Gliwice)

### TURKEY



- Rheinmetall Turk as a local entity is a **partner of joint ventures with Turkish defence companies** for vehicle systems (✓) and ammunition

### AUSTRALIA: LAND 400 PROGRAM



- Tender submitted in 2015, offering Boxer with Lance turret
- Down-selection in 8/2016, final decision not before 2018
- Total volume: approx. EUR 2.5 billion
- Strong international competition

# Growth driver “New products”

## New technologies and products ready for market launch

### MBT MODERNIZATION/NEW CALIBER



- **Digital turret core system**
- New high-pressure **120mm cannon**, performance increase: **+20%**
- New cannon with a **larger caliber**, performance increase: **50%**

### NEW CONCEPT MGCS\*



- **MGCS concept** for new main battle tank **started**
- **Currently in concept phase** until 2017 in cooperation with the industry
- **Participation of several nations** expected, currently common project of Germany and France

### HIGH ENERGY LASER

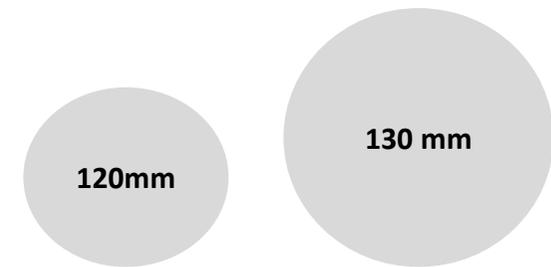


- **Laser technology developed**, ready for operations in 3-5 years
- **Domestic R&D orders** of EUR ~40 million **received**
- **Qualification phase ongoing:** Successfully tested by German Navy

\*Main Ground Combat System

## Growth driver “New products” Proposition of a 130mm tank gun for future MBT

Demonstrator for the main armament of a future generation of main battle tanks (MBT)



130mm tank gun

8% larger caliber leads to  
50% higher performance

- Quantum leap in performance compared with the tank main armament currently in use: extended ranges and superior firepower against better protected targets
- Weight: 3 tons, barrel length: 6.6 m;  
for comparison: 120mm smooth-bore canon weighs 1.2tons with 5.3 m length
- Additional business potential by the development of corresponding types of ammunition

## Growth driver “New products” Launch of the new infantry fighting vehicle (IFV) Lynx

Two versions:  
38t and 44t  
for 9 and 11 soldiers

560-700 kW engine;  
performance >30% compared to  
Marder

Rubber tracks: Reduction of  
noise, vibration and ground  
pressure

Enhanced ballistic and mine



Lance turret 30/35mm

Secondary armament in  
caliber 7.62mm

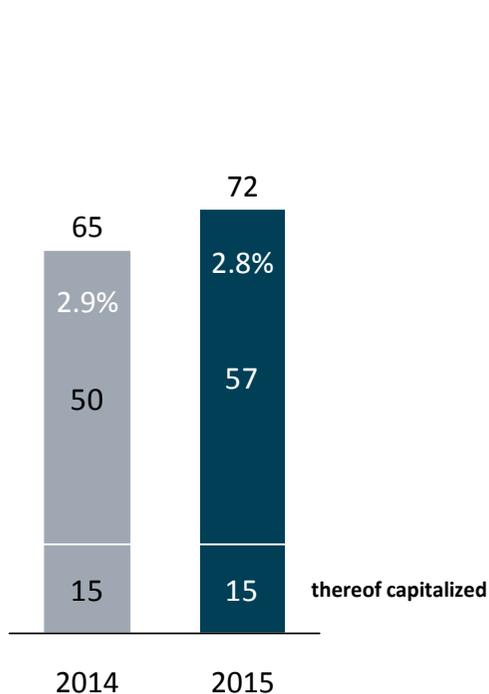
Remote controlled weapon  
station

Anti-tank guided missile  
MELLS

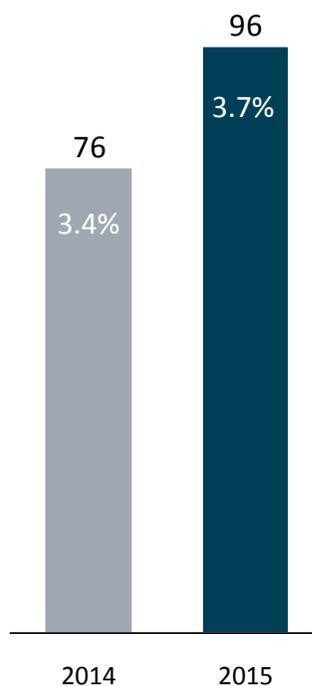
- Globally high demand for medium tracked vehicles
- In Rheinmetall’s product portfolio, Lynx is pricewise positioned between modernized versions of the traditional Marder tank and the high-end Puma
- Modular platform concept especially designed for export markets

## Research & development, capex, depreciation & amortization

■ R&D in EUR m; in % of sales



■ Capex in EUR m; in % of sales



■ D&A in EUR m; in % of sales



## 9M 2016 - Highlights

### 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

## 9M 2016

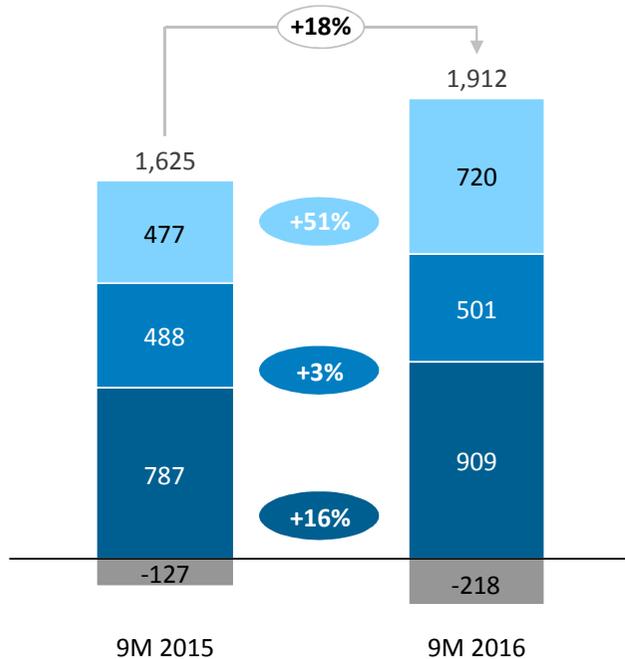
### Key figures

<i>in EUR m</i>	9M 2015	9M 2016	$\Delta$ 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%

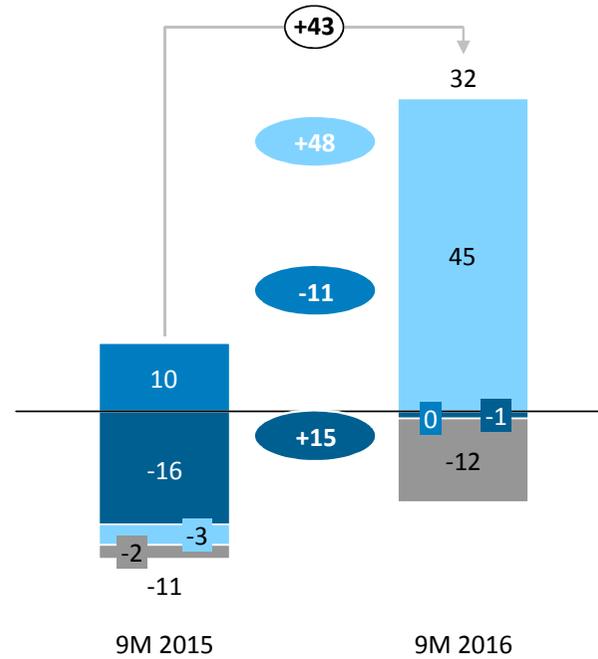
# 9M 2016 - Top-line rise due to ramp-up of large-scale projects

## Turn-around in earnings

### Sales Defence in EUR m



### Operational earnings Defence in EUR m

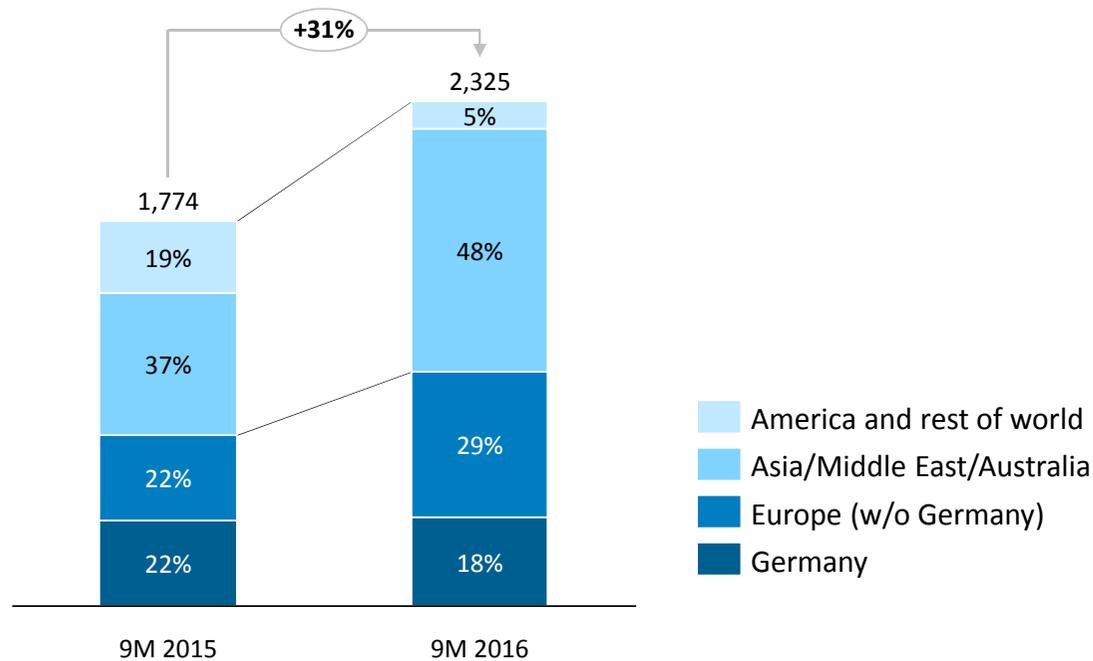


### Reasons for earnings development

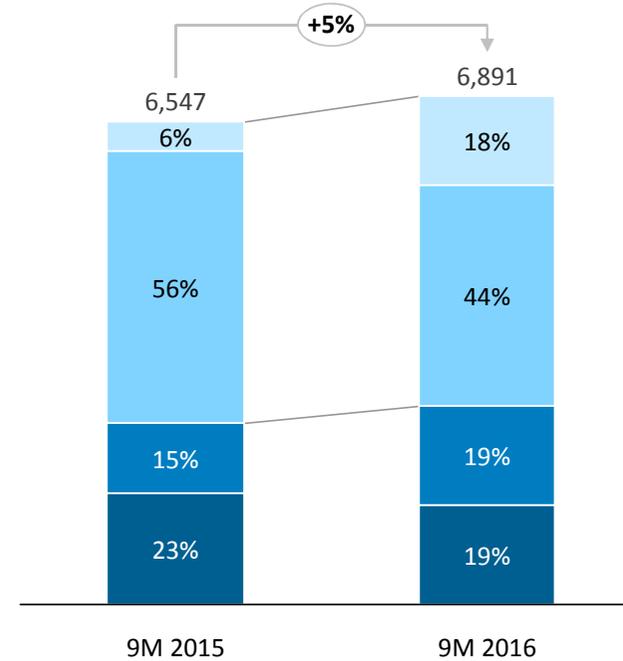
- Weapon and Ammunition**
  - Significantly higher sales
- Electronic Solutions**
  - Less favorable product-mix effects
  - Continuing earnings drag from Norway
- Vehicle Systems**
  - Beneficial product mix development
  - Better capacity utilization
- Consolidation**
  - Expansion of the international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

## 9M 2016 - Growing share of Asian customers Regional split of order intake and order backlog

■ Order intake by region  
in EUR m



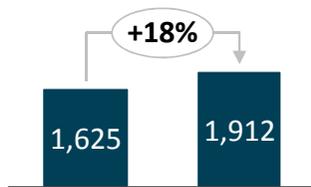
■ Order backlog by region  
in EUR m



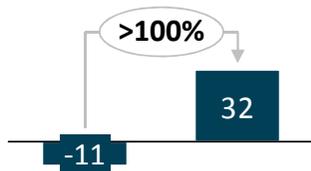
# 9M 2016

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

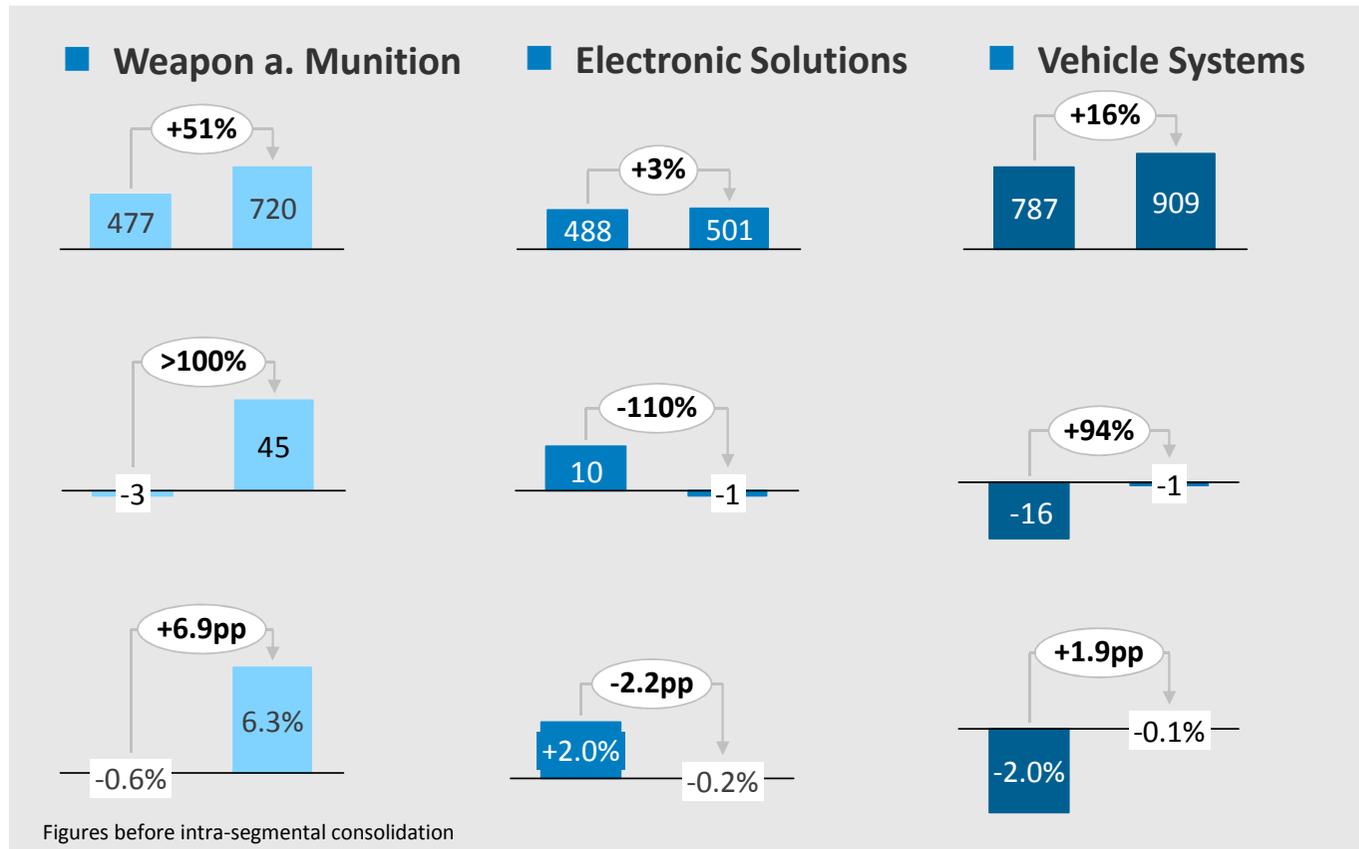
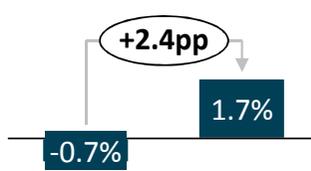
Sales



Operational earnings



Operational margin



## 9M 2016

### Cash flow statement

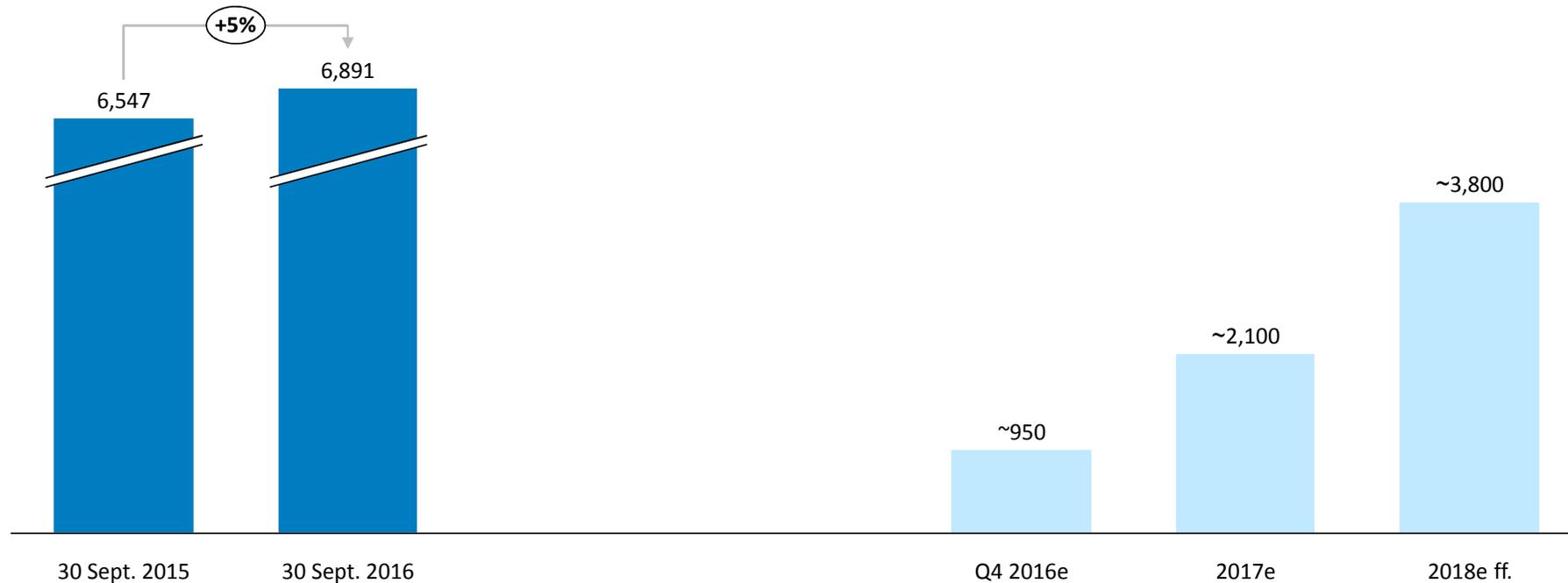
<i>in EUR m</i>	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Δ Q3 2016/2015
Net income	3	67	- 20	<b>3</b>	<b>13</b>	+ 10
Amortization / depreciation	21	22	22	22	22	+ 1
Change in pension accruals	2	3	1	2	1	- 1
<b>Cash flow</b>	<b>26</b>	<b>92</b>	<b>3</b>	<b>27</b>	<b>36</b>	<b>+ 10</b>
Changes in working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

## 9M 2016 - Order backlog and sales split per year

### High order book coverage of mid-term future sales

■ Order backlog (as of September 30) ...  
in EUR m

■ ... turning into sales  
in EUR m



## 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](http://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.