



**TECHNOLOGIES FOR MOBILITY.
TECHNOLOGIES FOR SECURITY.
PASSION FOR BOTH.**



MOBILITY. SECURITY. **PASSION.**



Corporate Presentation Q1 2017

Rheinmetall AG, June 2017

Highlights Rheinmetall Group Q1 2017

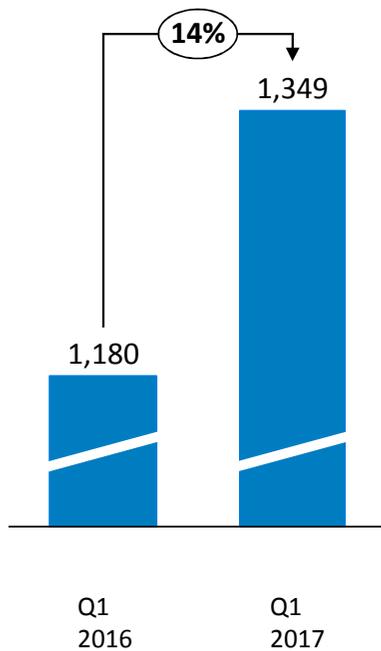
Successful start into 2017 for both segments



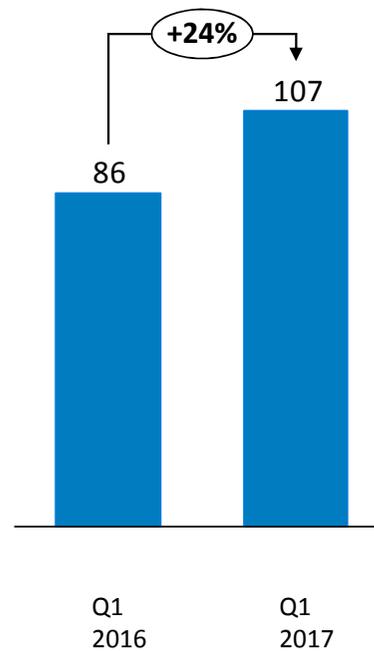
- **Sales** increased by 14% to **€1.349 bn**
- **EBIT** moved up by 61% to **€50 m**
- **Margin** gained 1.1pp to **3.7%**
- **Strong balance sheet** with equity ratio at **29.3%**
- **EPS** grew by 75% from €0.32 to **€0.56**
- Announcements of **strategically important partnerships** in Defence
- **Outlook confirmed**

Sales and results improved year over year

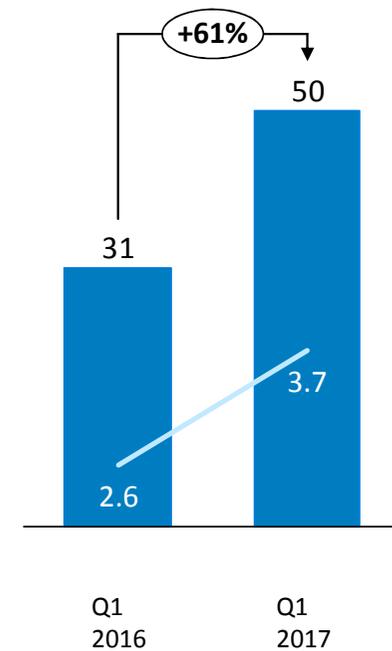
■ Sales
in EUR million



■ EBITDA
in EUR million

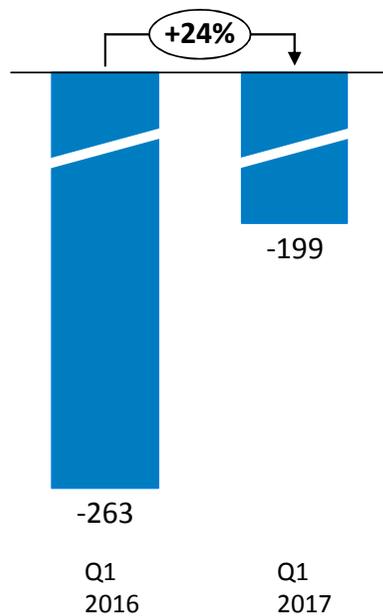


■ Operational earnings in EUR million
Operational margin in %

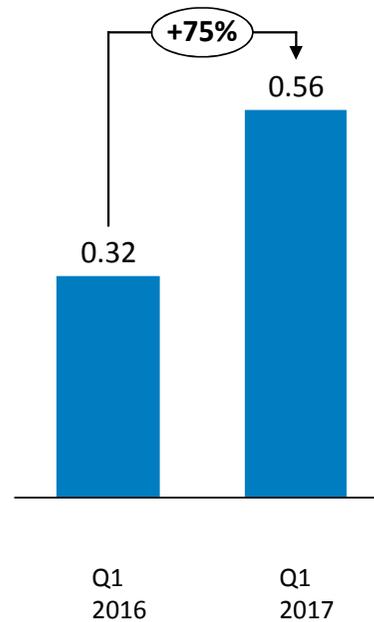


Cash flow and earnings per share confirm positive trend

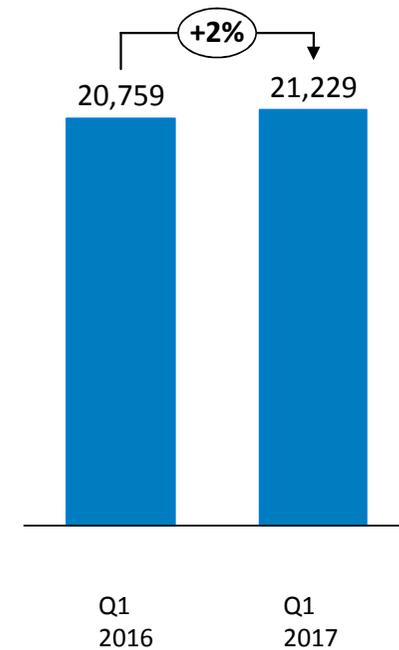
Operating Free Cash Flow
in EUR million



Earnings per share
in EUR million



Headcount
in capacities



Addressing the basic needs and megatrends in Defence and Automotive

RHEINMETALL AG

Sales: EUR 5.6 billion

Employees: 20,800

RHEINMETALL DEFENCE

Sales: EUR 2.9 billion
Employees: 10,081

RHEINMETALL AUTOMOTIVE

Sales: EUR 2.7 billion
Employees: 10,820

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

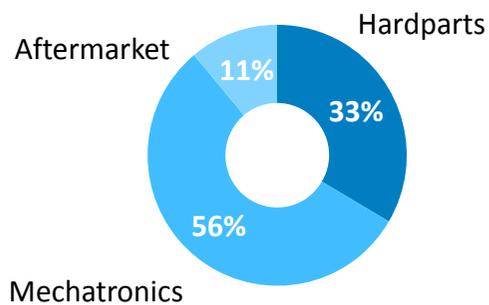
Increasing world population, global trade, higher welfare and climate change ...
... lead to higher mobility and enhanced need for environmental-friendly powertrain technologies.

Figures: FY 2016

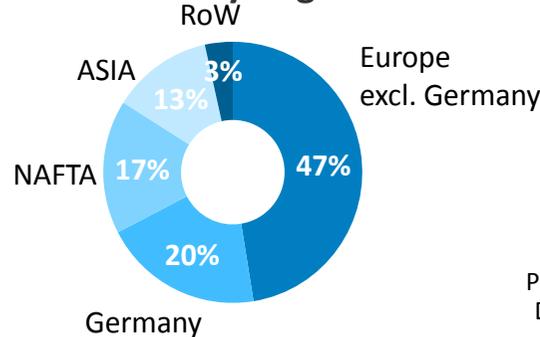
Automotive is a tier 1 supplier with leading technology and market positions

Key figures: Sales: € 2.7 bn EBIT: €223 m Headcount 10,820

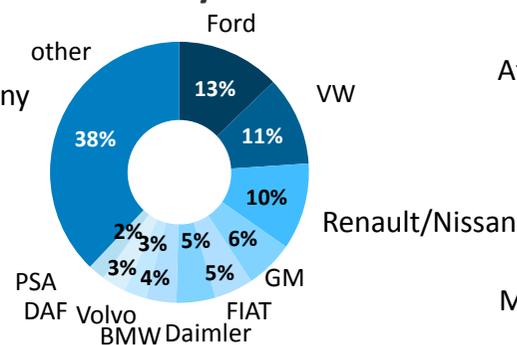
Sales by Division



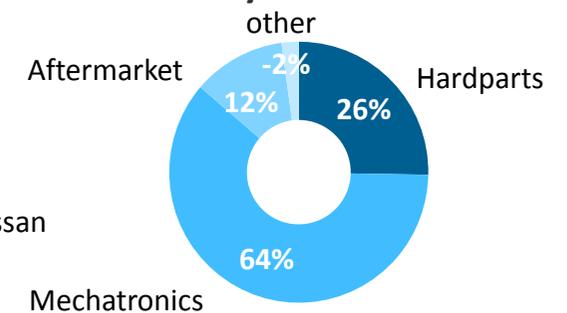
Sales by Region



Sales by Customer



EBIT by Division



Hardparts

- Pistons
- Large-bore Pistons
- Bearings
- Castings

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

Mechatronics

- Pump Technology
- Automotive Emission Systems
- Solenoid Valves
- Commercial Diesel Systems

Actuators

Aftermarket

All figures refer to FY 2016

Highlights Rheinmetall Automotive Q1 2017

Favorable market development and base effect lead to strong sales growth



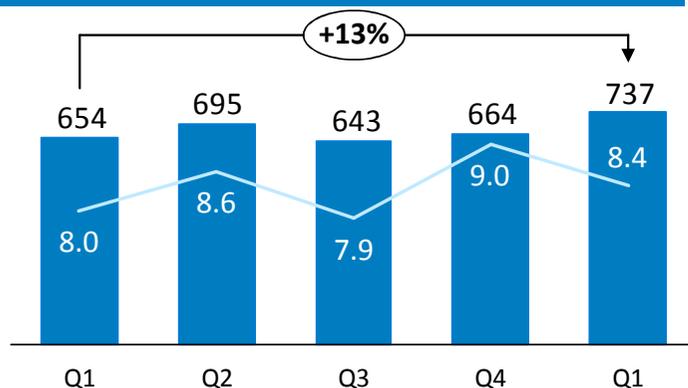
- **Sales rose** by 13% to €737 m
- **Strong Q1 sales** in line with front end loaded FY expectation for global LV production
- **EBIT grew** by ~20% to **€62 m**
- **Margin increased** by 0.4pp to **8.4%**
- **China activities with further improved** sales and profitability

Automotive with positive leverage on the back of strong sales

in EUR million	Q1 2016	Q1 2017	Δ %
Sales	654	737	12.7%
Operating earnings	52	62	19.2%
Operating margin in %	8.0	8.4	0.4 pp
Operating Free Cash Flow	- 139	- 118	15.1%
Operating FCF / Sales in %	- 21.3	- 16.0	5.3pp

Q1

Quarterly sales and margins development



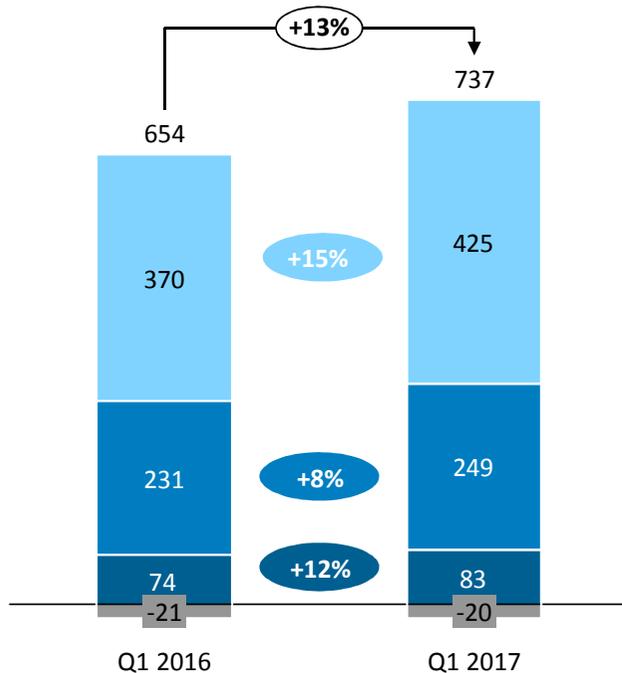
Comments on quarterly performance

- Sales increase of €82 m driven by all divisions, Mechatronics contributing the major share
- Good leverage rose operating result by ~20% to EUR 62 m
- Operating free cash flow increased on higher results and lower investment by €21 m to -€118 m

Very strong quarter for all three divisions

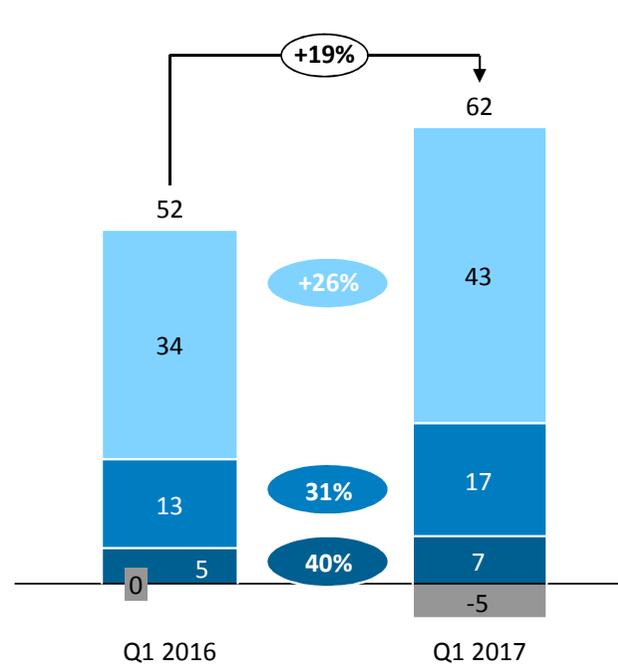
Sales Automotive

in EUR million



Operational earnings Automotive

in EUR million



Reasons for earnings development

Mechatronics

- Sales increased mostly in products for emission reductions

Hardparts

- Solid start to the year, especially in Europe; recovery in Large-bore Pistons and stable sales in Brazil on low levels

Aftermarket

- Positive sales environment in Europe and Asia

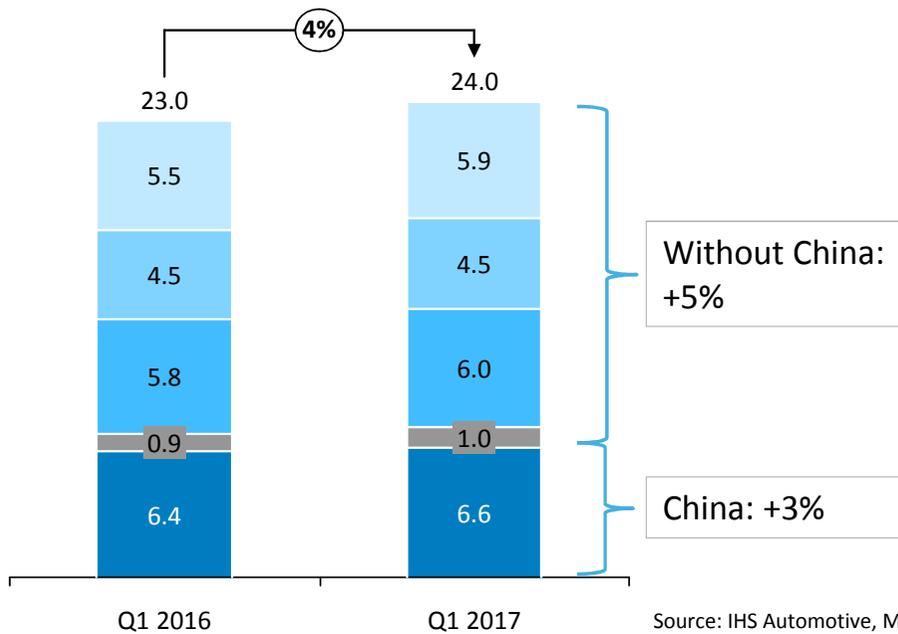
Consolidation and others

- Effect related mostly to buildup of a provision for environmental risks

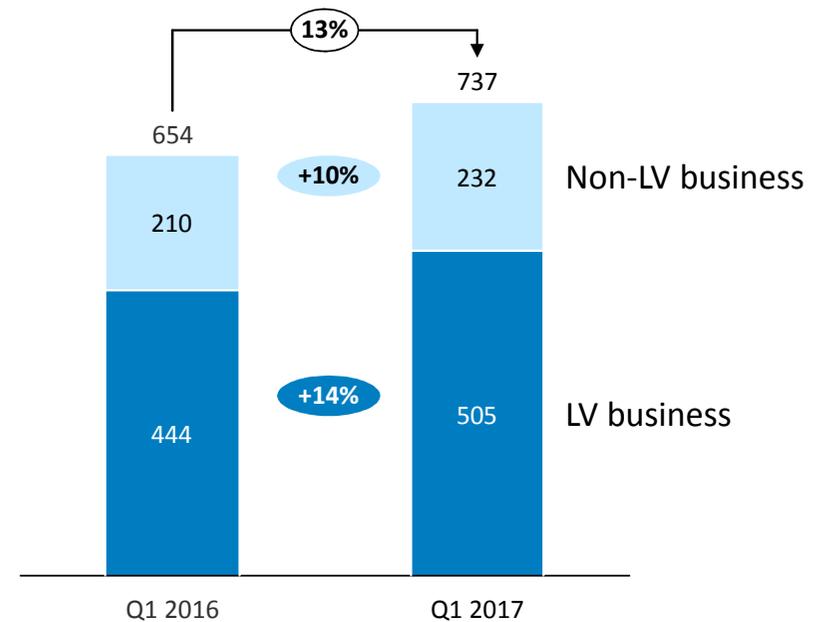
Restatement of 2016 reported figures in Mechatronics and Aftermarkets related to change in plant assignment

Markets for light vehicle and non-light vehicle products outpaced

Global LV production
in million units

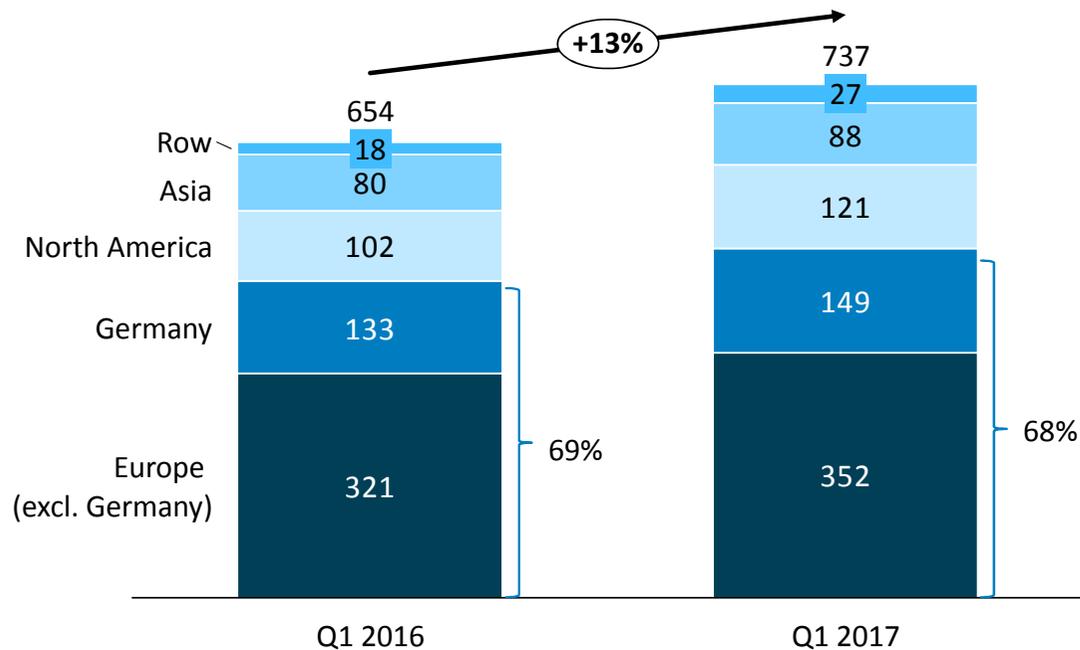


Sales Automotive LV/Non-LV
in EUR million

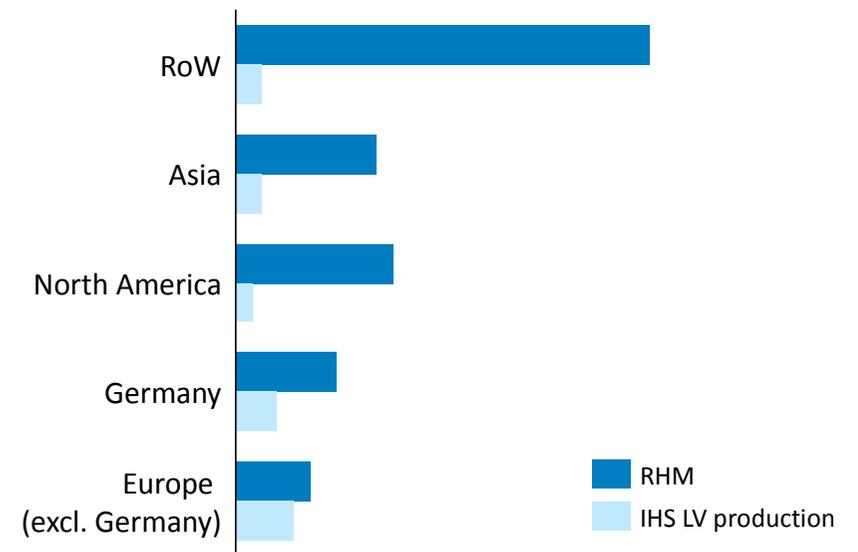


Growth especially in regions outside Europe

■ **Regional sales development Automotive**
in EUR million



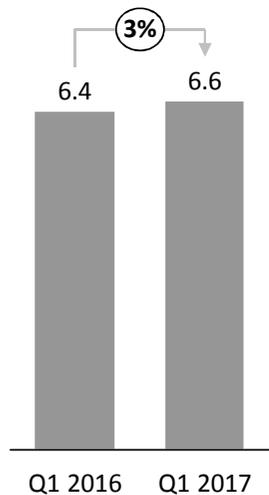
■ **Regional sales growth Q1 2017**
in %



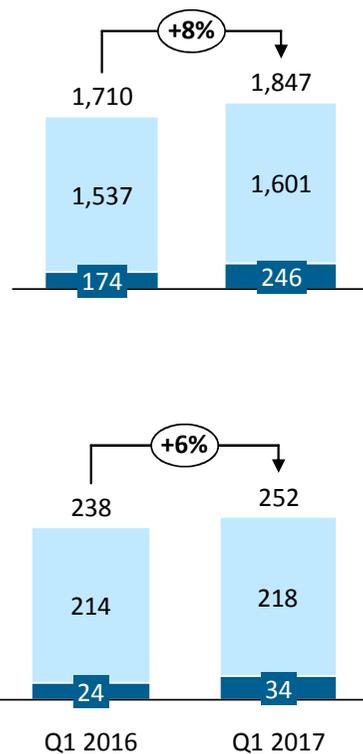
Mechatronics products gaining momentum in China

China LV production

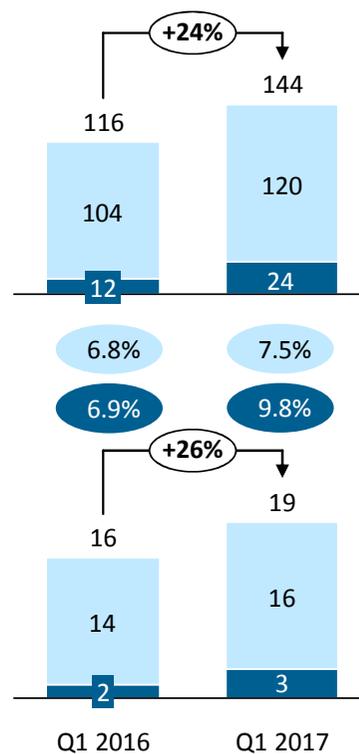
in million units



Sales in million



EBIT in million / in %



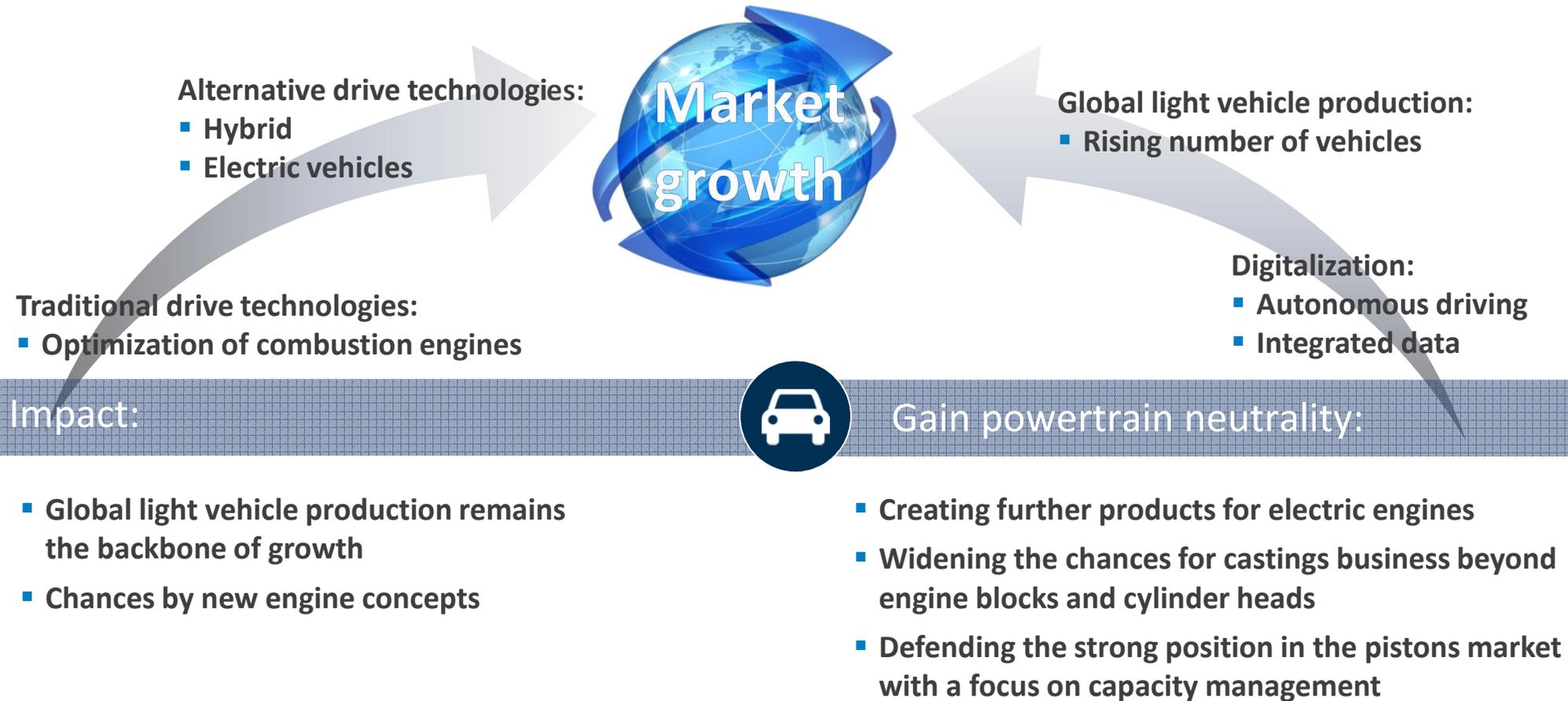
- Hardparts JVs with modest growth
- Strong growth of WFOEs, especially in Mechatronics
- Limited FX-effect on sales
- Margin further improved, especially in Mechatronics

■ JVs
■ WFOEs

Including 100% figures of 50/50 JV, consolidated at equity
WFOE = Wholly Foreign-Owned Enterprise

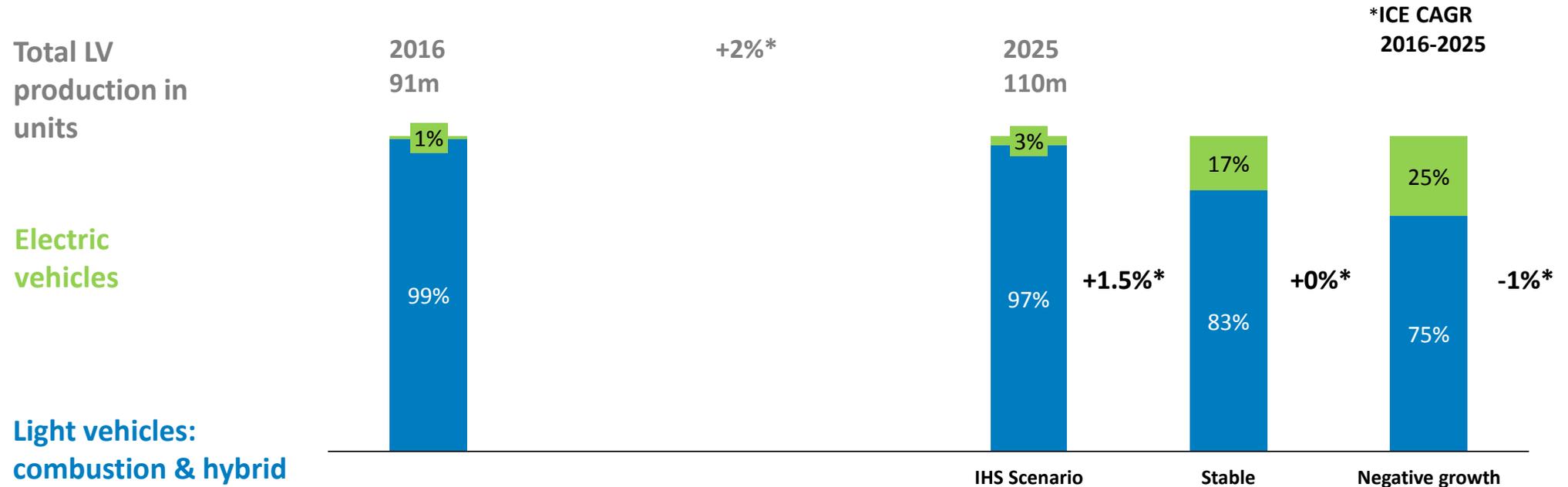
Market drivers

Realization of growth in changing market conditions



ICE expected to enter transition period

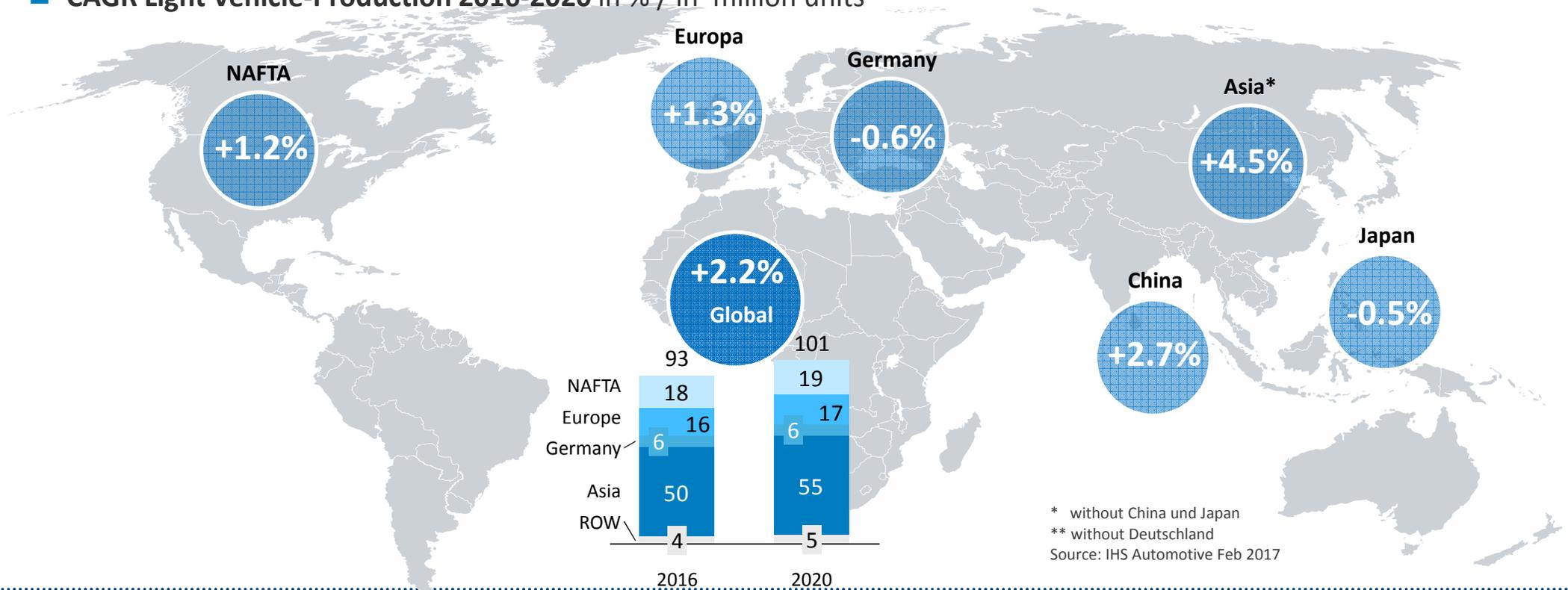
■ Combustion engine market share development in % of total LV production



Source: IHS Automotive (September 2016), own estimates

Global LV production forecasted to grow

■ CAGR Light Vehicle-Production 2016-2020 in % / in million units



Rheinmetall Automotive addresses the challenges of tomorrow

The internal combustion engine is still important

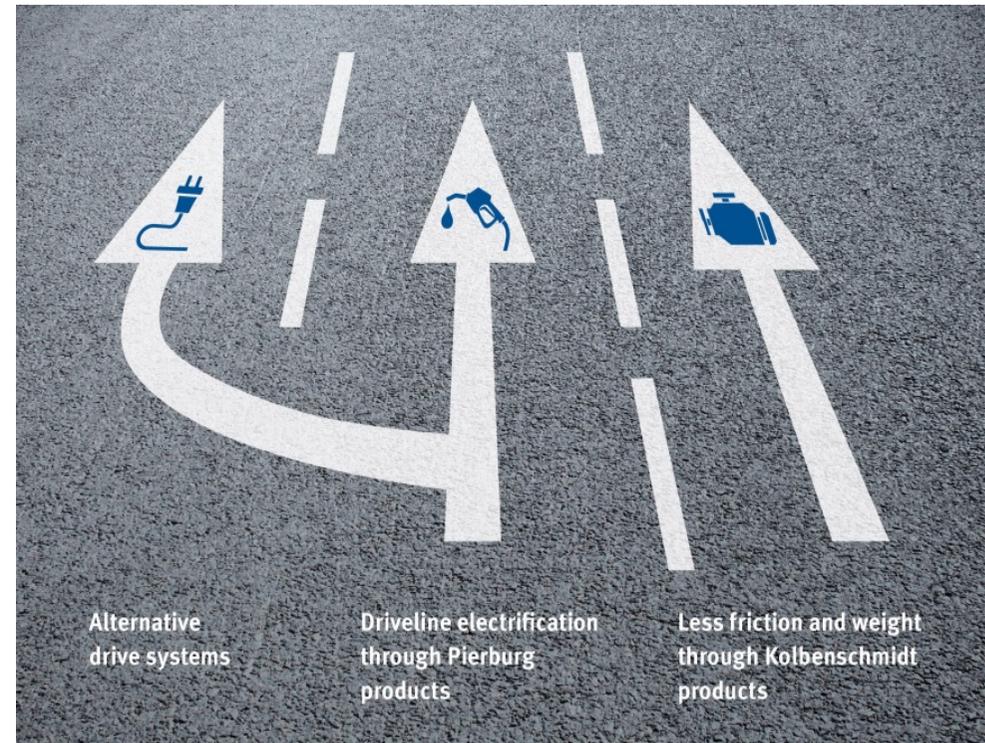
- For cars built with hybrid system technologies
- For commercial and off-road vehicles (for the long-term)

Alternative drive systems for cars are on the rise

- The proportion of hybrids, electric vehicles, and fuel-cell cars are steadily rising.

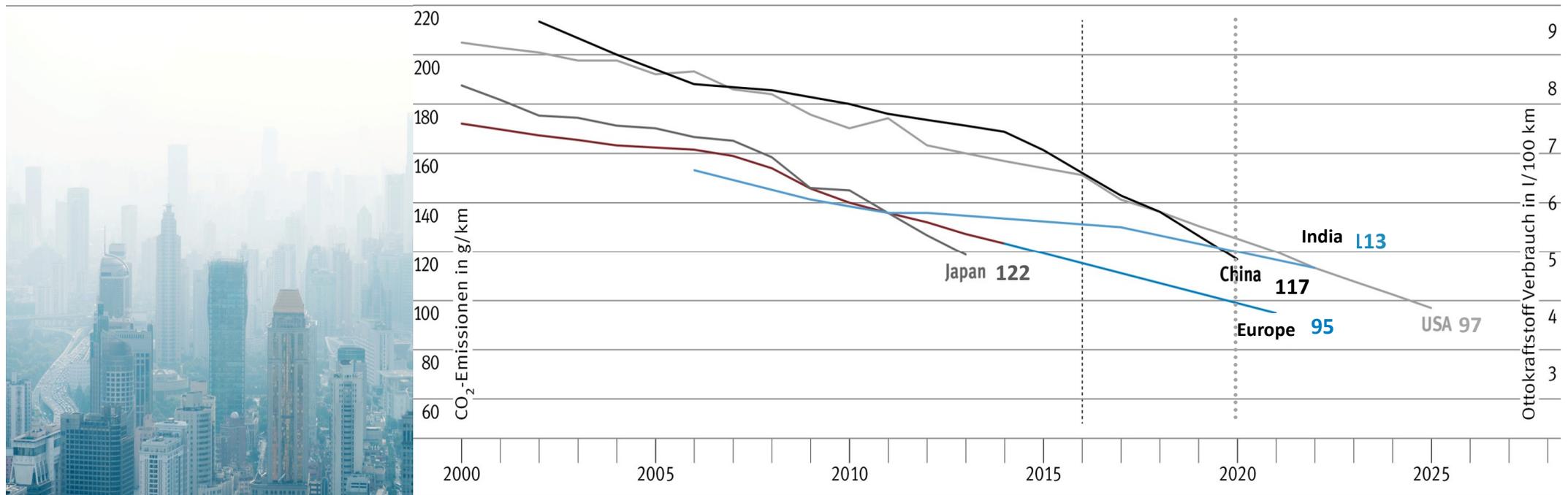
Rheinmetall Automotive is well prepared and working on innovative solutions for future drive systems

- Range Extender
- Thermal Management
- Fuel-cell Components



Global CO₂-Emissions regulation gets tougher

■ CO2 Emission in g/km



*Note that Japan has already exceeded its 2020 statutory target, as of 2013

Source: ICCT

Rheinmetall Automotive's Road to 95



130 g CO₂/km
2015



95 g CO₂/km
2020



Description vehicle model
(Basis)

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



Rheinmetall Automotive products

-1 g CO₂/km

Variable oil pump

-3 g CO₂/km

Tribo-system

-3 g CO₂/km

Var. cool. pump

-7 g CO₂/km

Var. valve train

-2 g CO₂/km

El. low-press. EGR

-2g CO₂/km

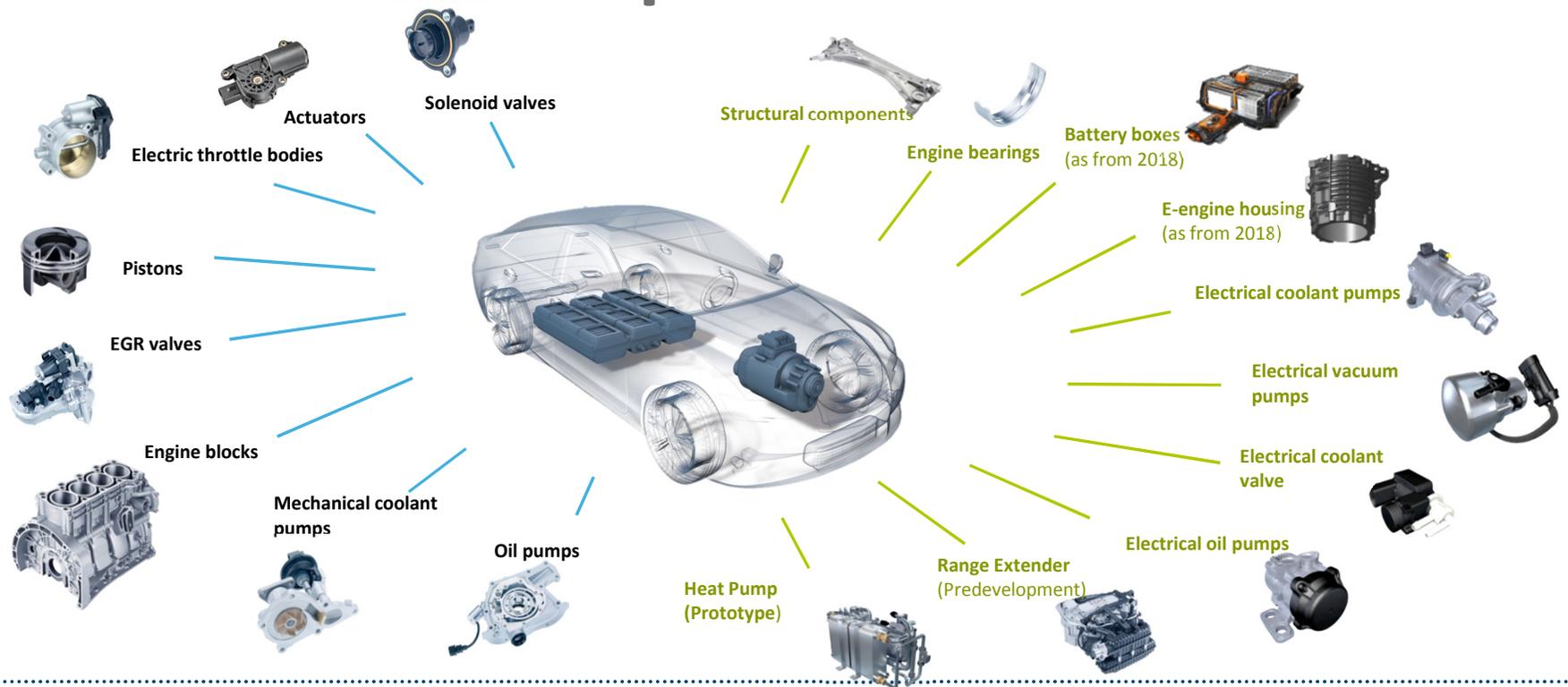
Light-weight structural parts

Broad product range for alternative drive systems

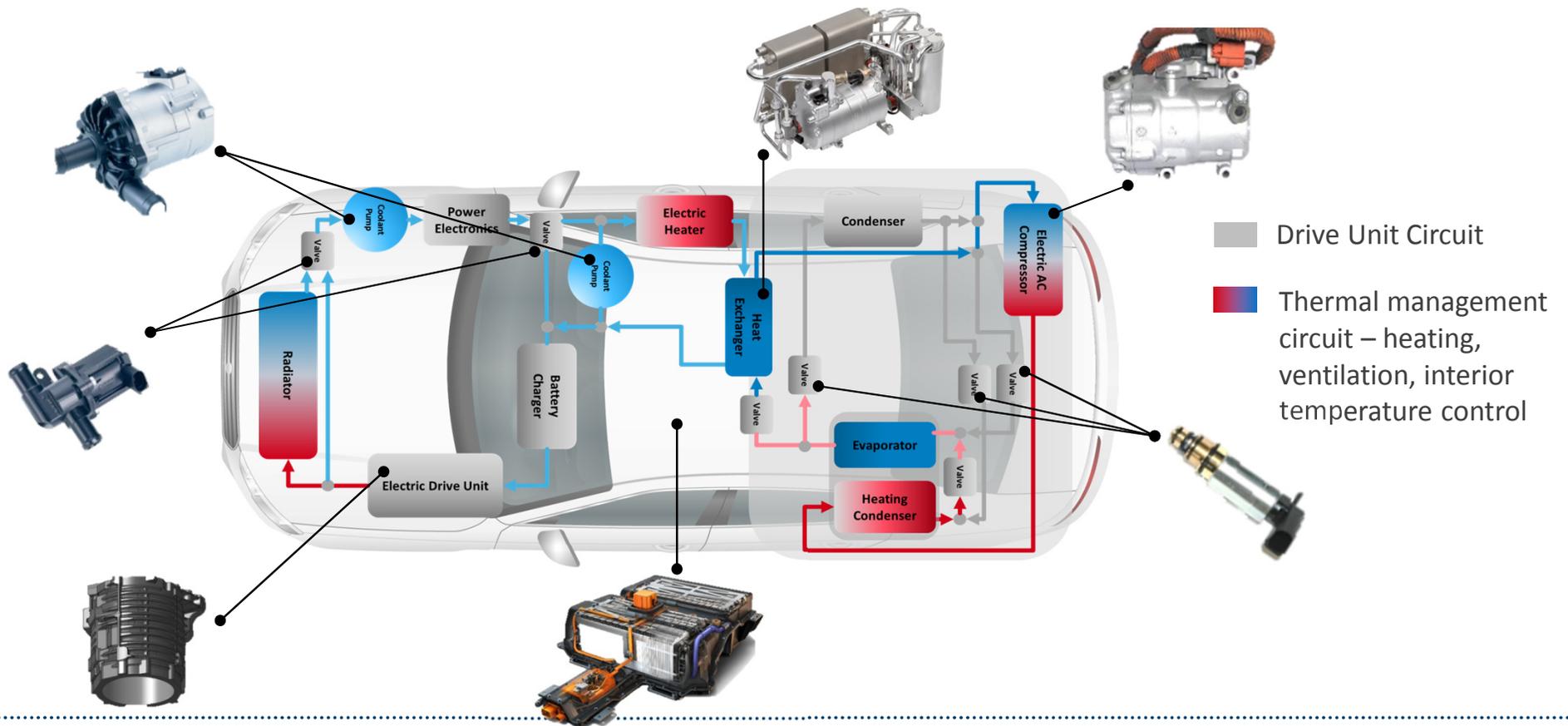
Enlarging the traditional product portfolio for combustion engines ...



... by products for hybrid and electric engines



Complexity creates potential



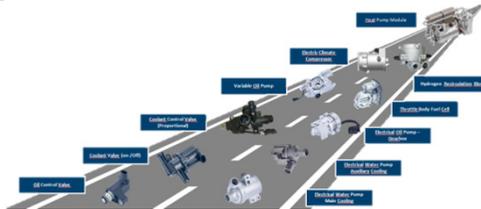
Automotive strategy survey

Hardparts



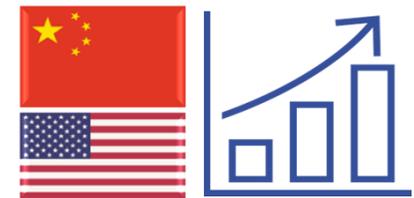
1. **Focused** investment strategy
2. **Optimization** of global footprint
3. **Selective** growth
4. **Focus** on cash generation

Mechatronics



1. **International** growth
2. Strengthen **thermal management** competence
3. **Load pipeline** for emission reduction, fuel economy and electrification
4. Build up **system competence** for hybridization and EV

Aftermarket



1. **Growth** in **dedicated** markets
2. **Enlarge** product portfolio and own production
3. **Expand** Aftermarket sales share in Automotive
4. **Adopt** changing customer order behavior

Automotive network in China - Mechatronics

■ Multi-channel approach of Mechatronics in China:

- **New: Pierburg Yinlun Emission Technology (51%)**
- **Pierburg China Ltd. (100%, founded 2009)**
- **Pierburg Huayu Pump Technology (50%, founded 2014)**
- **Pierburg Mikuni Pump Technology (51%, founded 2010)**

Joint venture for the production of modules for cooled exhaust-gas recirculation

- Headquarter: Shanghai region
- Customers: Chinese market
- Founded: December 2016

EGR cooler module



Compact EGR valve

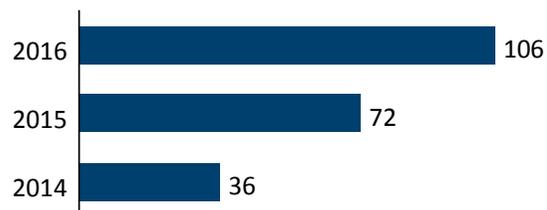


Partner: Zhejiang Yinlun Machinery Co.

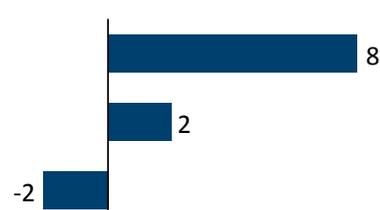
- Leading manufacturer of automobile radiators in China, renowned trademark
- Production of heat exchangers and components for emission reduction
- Sales 2016: CNY3.2 bn* (~EUR400 m)

* Source: Bloomberg

Mechatronics in China
Sales in EUR million

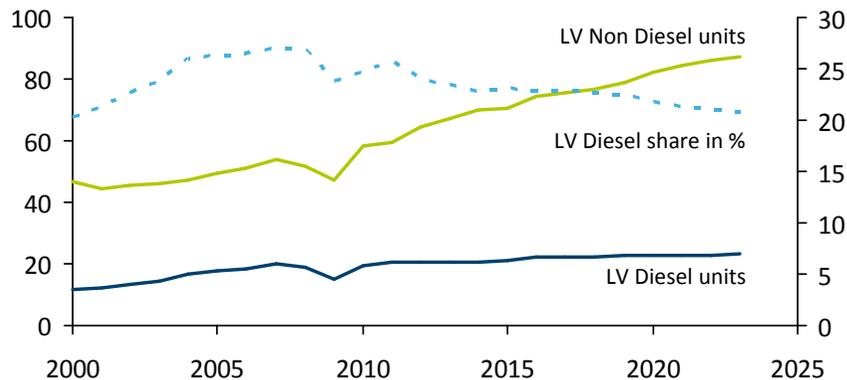


EBIT in EUR million



LV Diesel exposure manageable, powertrain independence is the strategic target

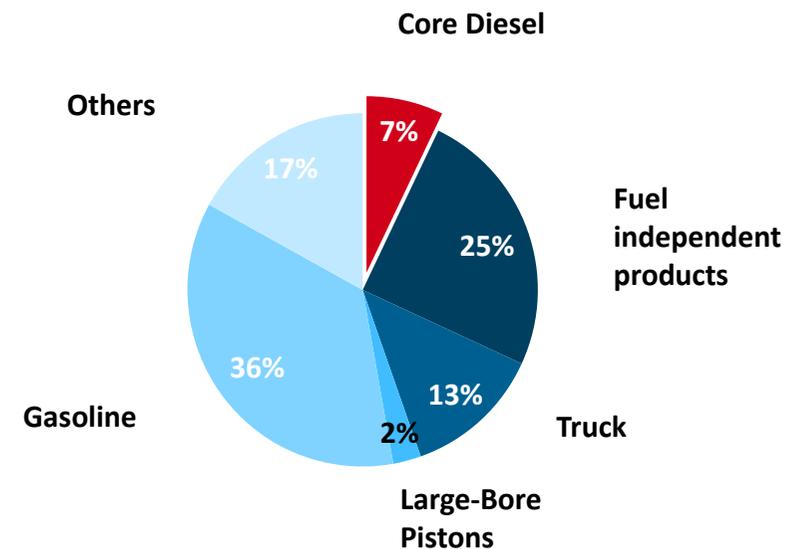
■ Combined global engine production forecast*



■ Further regulatory pressure expected

- Next regulation deadline approaching in 2020
- Real driving emission(RDE) testing will create further pressure to reduce emissions by hardware installation
- First city ban for diesel engines announced in Germany

■ Automotive sales distribution by engine type**



Positive short term effect, driven by OEM's effort to reduce emissions to avoid penalties

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:

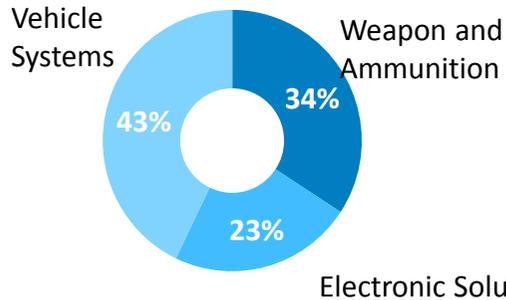
- Hybrid cars and e-cars offer chances for new products and higher content per car
- Refocus of R&D spending to enlarge the product portfolio
- Product pipelines are filled for every type of power trains in the coming years



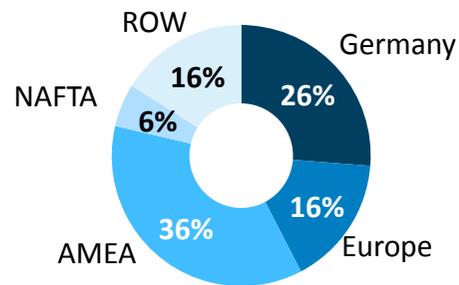
Defence is a leading supplier with increasing international presence

Key figures: Sales: € 2.9 bn EBIT: €147 m Headcount 10,002

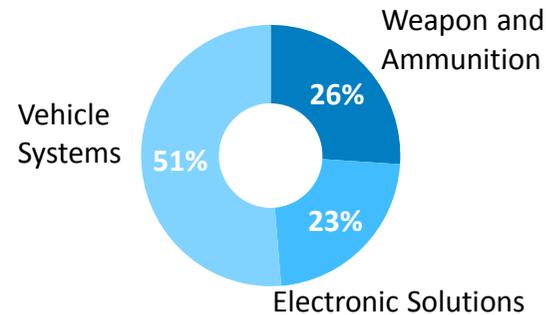
Sales by Division



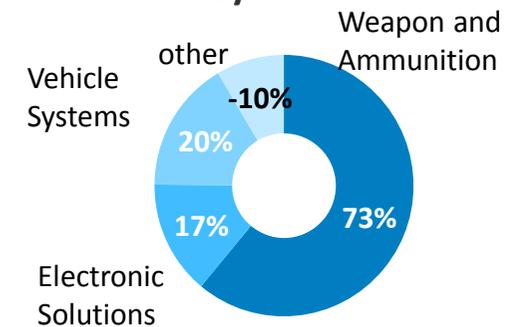
Sales by Region



Order backlog by Division



EBIT by Division



Weapon and Ammunition

- Weapon and Muniton
- Protection Systems
- Propulsion Systems

Electronic Solutions

- Air Defence & Radar Systems
- Mission Equipment
- Simulation and Training
- Technical Publications

Vehicle Systems

- Logistic Vehicles
- Tactical Vehicles

All figures refer to FY 2016

Highlights Rheinmetall Defence Q1 2017

Solid quarter marked by strategic milestones

Lance turret



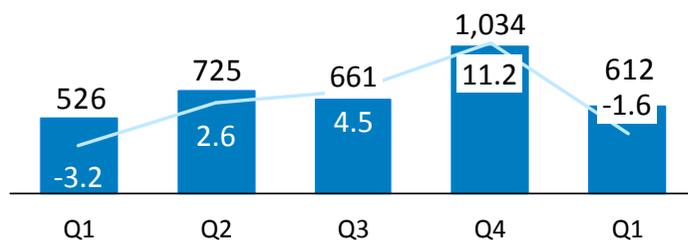
- **Sales increased** by 16% to €612 m
- **EBIT rose** by €7 m to -€10 m
- **EBIT margin gained** 1.6pp to -1.6%
- Despite low order intake in Q1, full year **book-to-bill ratio expected to be at least around 1.0**
- Announcements of three **strategically important partnerships**

Defence: Top line growth converted into result improvements

in EUR million	Q1 2016	Q1 2017	Δ %
Order intake	948	391	-58.7%
Sales	526	612	16.4%
Operating result	-17	-10	41.2%
Operating margin in %	-3.2	-1.6	1.6 pp
Operating Free Cash Flow	-104	-72	30.8%
Operating FCF / Sales in %	-19.8	-11.8	8.0 pp

Q1

Quarterly sales and margins development

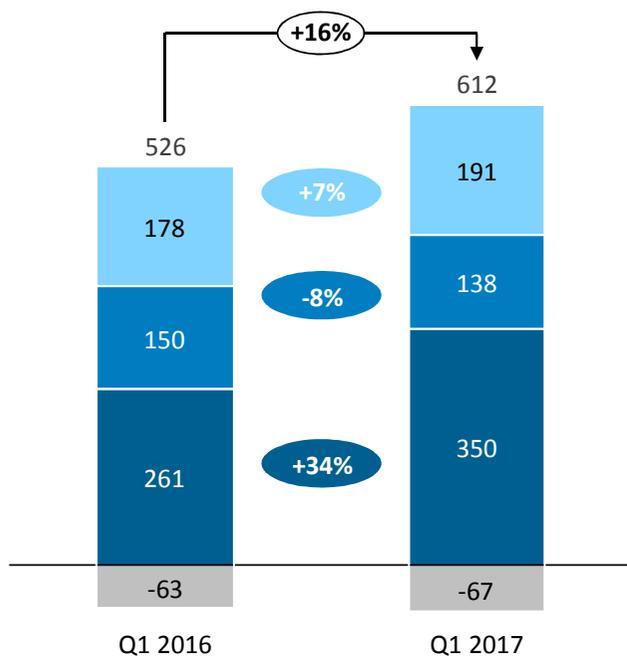


Comments on quarterly performance

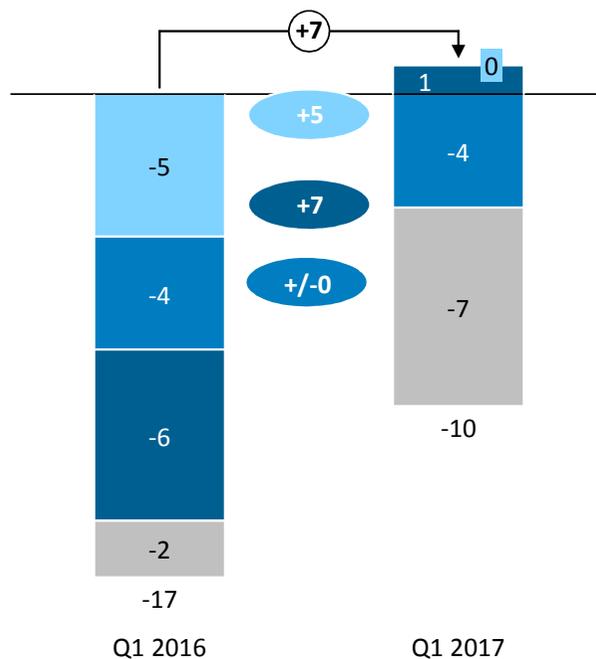
- Order entry in Q1 '16 inflated by two major orders (~€520 m)
- Main sales driver: Vehicle Systems
- Results improved by €7 m to -€10 m
- Operating free cash flow rose by €32 m to -€72 m

Earnings improvement in two divisions, Electronic Solutions stable

Sales Defence in EUR million



Operational earnings Defence in EUR million



Reasons for earnings development

Weapon and Ammunition

- Favorable product mix

Electronic Solutions

- Impact from lower sales in Air Defence and Radar Systems

Vehicle Systems

- Ramp-up of Australian trucks reflected in sales growth and results

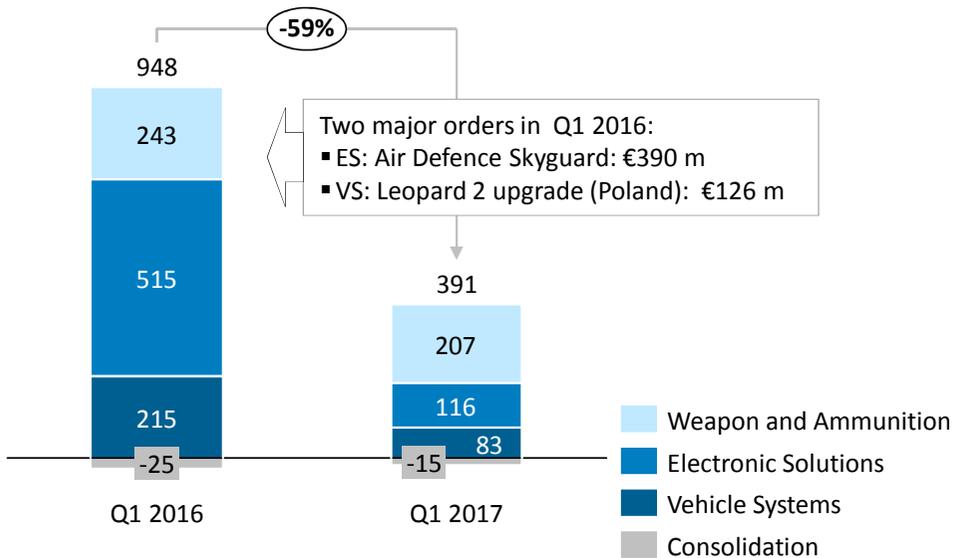
Consolidation and others

- Losses at RIE* and Rheinmetall International

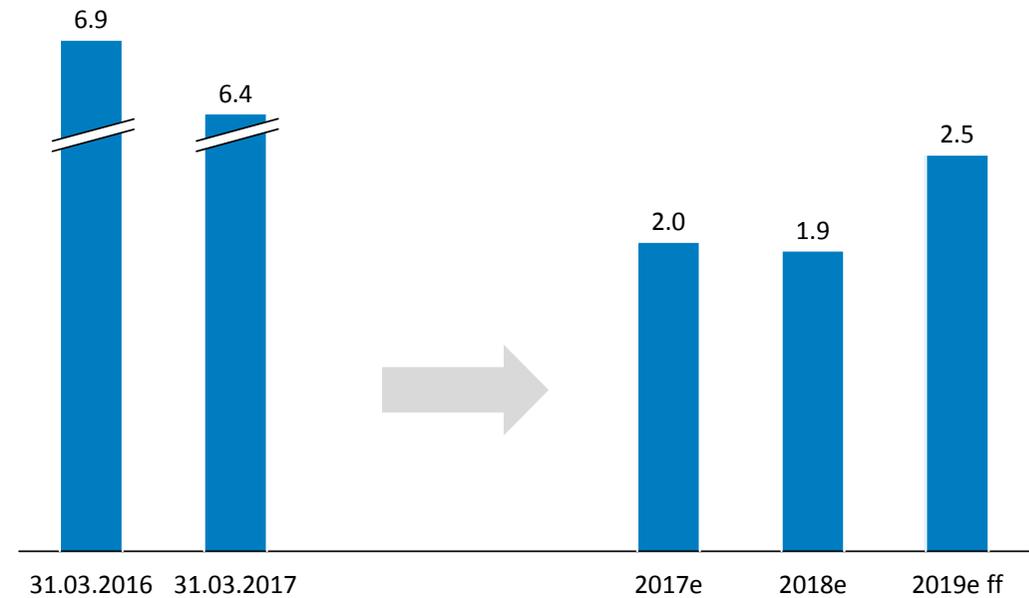
* Rheinmetall International Engineering GmbH

High backlog declines on soft order intake in Q1

Order intake by division
in EUR million



Order backlog profile
in EUR billion

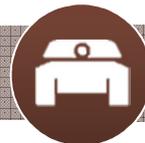


Benefitting from growing and changing markets



Impact:

- Long-lasting market growth
- Increasing need for state-of-art products



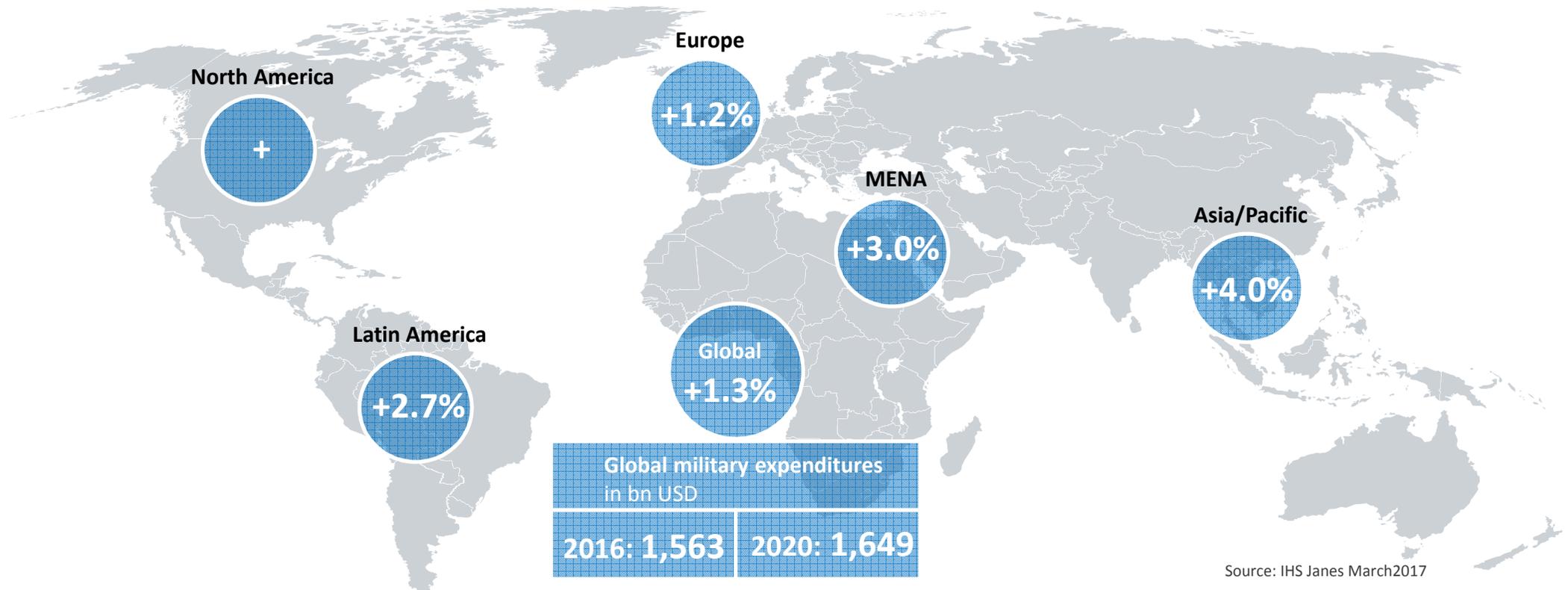
Systematic expansion to security markets:

- Innovations and system solutions
- Expansion to civil applications

 **Diversify end markets**

Defence is at the beginning of long lasting market growth

■ Defence budgets development 2016 – 2020 in % p.a.



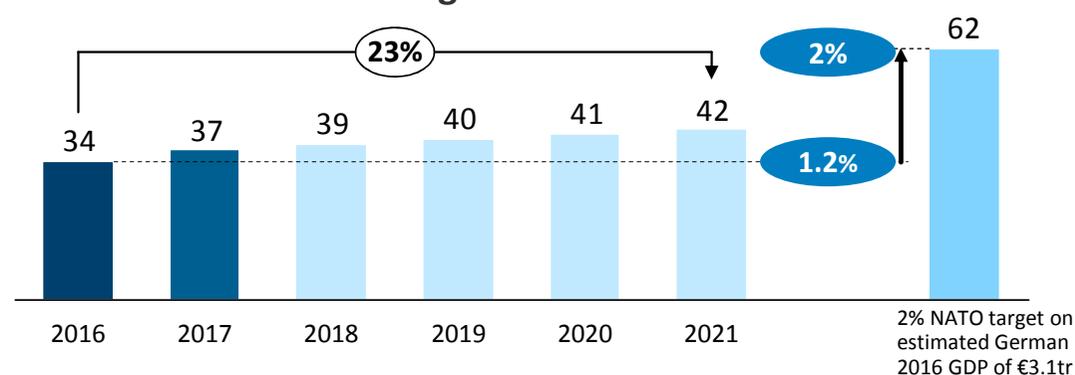
Source: IHS Janes March2017

Germany is one of 22 NATO states that increases defence budgets

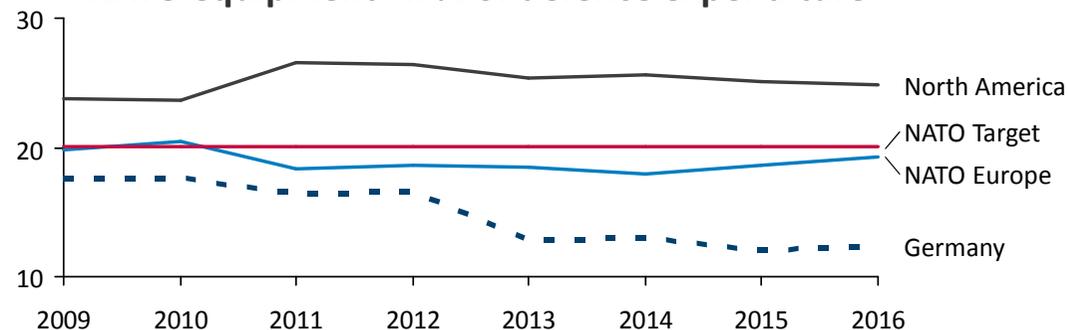
■ Enhanced future profile of German Bundeswehr

- “Anchor army” for smaller neighbors
- Leading role in the “enhanced Forward Presence” in Lithuania
- Framework nation in the “Very High Readiness Joint Task Force” as of 2019
- Increasing number of international mandates, e.g Mali

■ German defence budget 2016-2021 in EUR billion*



■ NATO equipment in % of defence expenditure **



* Source: Federal Ministry of Finance, Federal budget 2017 and Financial Plan 2018-2021

** NATO 03/2017: Equipment expenditure as a share of defence expenditure based on 2010 prices and currencies

High domestic order potential



Fox in desert camouflage

- Expansion and service of **simulation center**
- Additional **Leopard 2**
- Partnering agreement **ammunition restocking**
- New military **trucks**
- Additional **Gladius soldier systems**
- Equipment upgrade and increased order volume for **Puma**
- **Mobile tactical communications network (MoTaKo)**

Potential (gross value):

short-term ~ €2 bn

medium to long-term > €10 bn

Down selection in major international vehicle systems offers potential

Boxer with
Lance turret



■ Australia

- Land 400 program: Boxer with Lance turret
- Land 121 -5b: Logistic Vehicles follow-up contract

■ United Kingdom

- Challenger 2 Life extension and upgrade
- MIV-Boxer 1,700 vehicles

■ Middle East customer

- Logistic Vehicles: Demand for further orders

■ Asia Pacific region

- Ammunition
- Air Defence

■ Algeria

- Fox kits follow-up contract

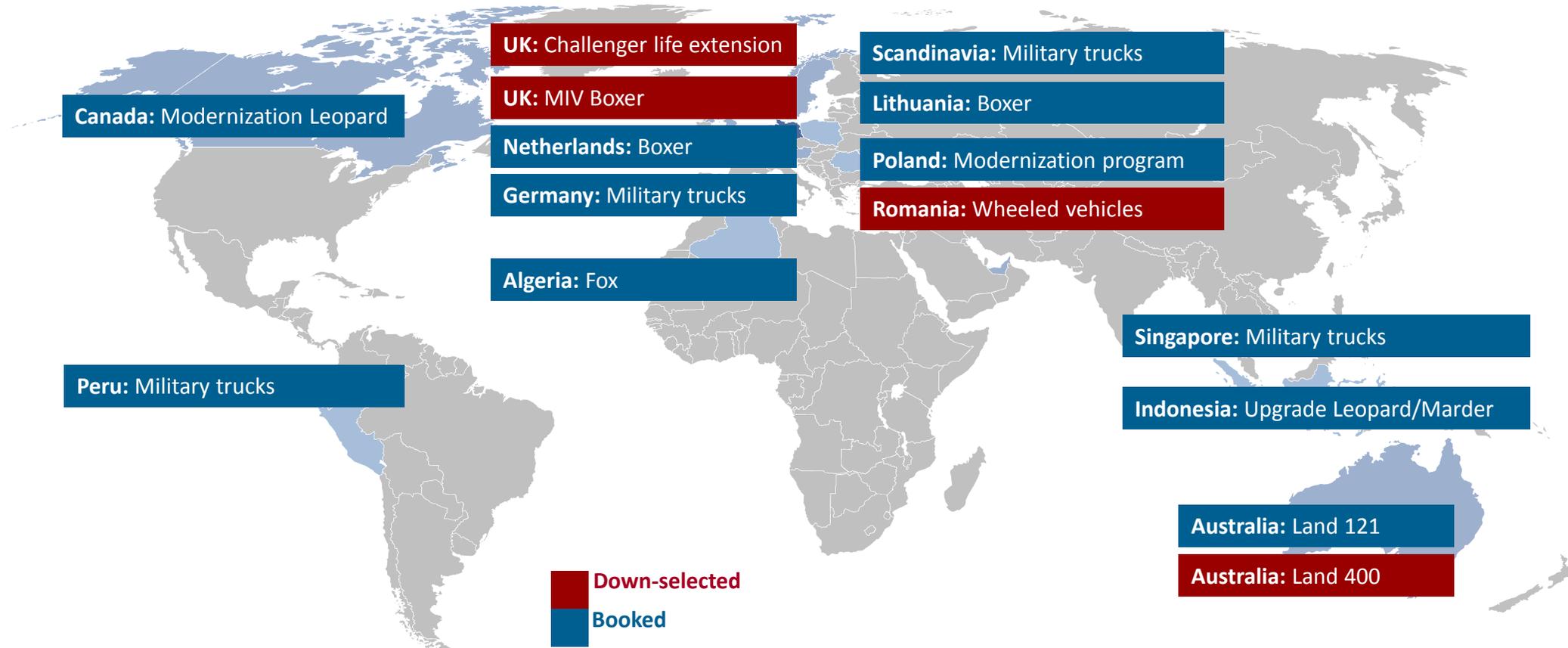
■ Romania

- 8x8 amphibious vehicles

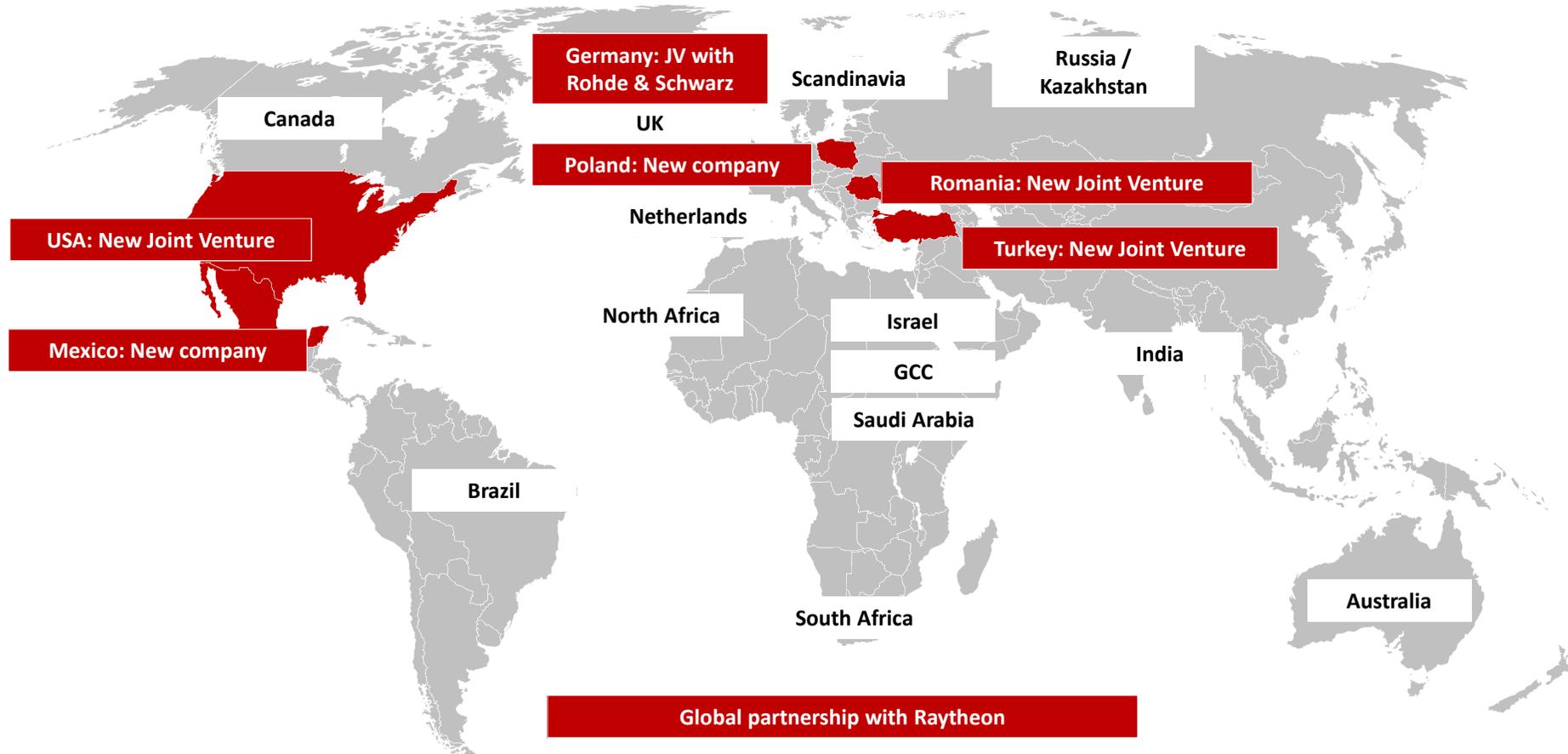
■ Czech Republic

- Lynx and Puma on display to participate in BMP 2 replacement program (around 200 vehicles)

Securing growth by acquisition of further large-scale orders



Recent developments in establishing hubs and JVs



Weapon and Ammunition will be 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

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



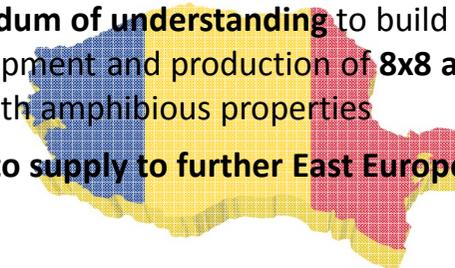
AUSTRALIA

- **Tender for Land 400** 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



ROMANIA

- **Memorandum of understanding** to build a joint venture for the development and production of **8x8 armored personal carriers** with amphibious properties
- **Potential to supply to further East European customers**



Three major partnering agreements mark next step for potential growth



Raytheon



Objective

- Bid for the planned rifle procurement of the Bundeswehr
- Plan: Technology partnership with 60% value creation in Germany

Potential areas of cooperation:

- Air defence (Patriot-replacement)
- Weapon & Munition
- Combat vehicles
- Training
- Cyber security

Future digital communication and battle management system of the German ground forces:

- MoTaKo
- MoTIV

Status

Cooperation agreement
January 2017

Memorandum of Understanding
February 2017

Memorandum of Understanding
March 2017

Next steps

- Submit final bid for Special Forces tender until May 2017
- Prepare bid for general army tender

- Finalize assessment phase

- Invite additional partners

Defence strategy survey



Vehicle Systems

1. Leveraging the present status as the leading **European system house** for tracked and wheeled military vehicles
2. Shaping the profile of Vehicle Systems as a **one-stop-shop** for a wide spectrum of **innovative military vehicles**
3. Securing growth by **acquisition of further high-volume orders** inside and outside of Germany



Weapon and Ammunition

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



Electronic Solutions

1. 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
2. Expanding the customer structure in the Simulation and Training business by marketing of **civil applications**
3. Strategic move in Mission Equipment from a component manufacturer to a **system integrator**

Outlook 2017

Sales and earnings targets confirmed



Macro view

- **Global** LV production expected to grow by **~2%***
- **Chinese** LV production only with moderate growth of **2.5%**

Rheinmetall

- Automotive expected to **outperform markets**
- Ongoing efforts to **streamline the global footprint** of Hardparts to optimize assets and cost structure



- Further **demand increase** in key markets expected
- Germany and other allies have **increased investment budgets**
- Defence 2017 order intake is expected to grow starting Q3 especially from German orders
- **Single digit** sales growth expected for 2017
- **Stronger sales momentum 2018**

Outlook 2017

Sales growth of 3-4% and margin ≥ 8

Sales growth of 5-6% and margin 5-5.5%

Group expected to grow 4-5% at a margin around 6.3% incl. efforts for New Technologies

*Source: IHS March 2017



Appendix

Financial reminder for 2017

	Automotive	Defence
▪ Capex	~5.5 - 6.5%	~3 - 4%
▪ D&A	~4.5 - 5.5%	~3 - 3.5%
▪ R&D	~4 - 6%	~2 - 3%
▪ Holding cost (underlying)	~EUR20 million - EUR25 million	
▪ Expected corporate tax rate	~30%	
▪ Financing	EUR500 million bond (5,25% coupon) will mature in September EIB loan EUR250 million (0,962% coupon) as of August 2017	
▪ Rating	Ba1 (stable) Moody's	

Group 2012 – 2016: Key figures

in EUR million		2012	2013	2014	2015	2016
Balance sheet	Total assets	4,899	4,866	5,271	5,730	6,124
	Shareholder's equity	1,465	1,339	1,197	1,562	1,781
	Equity ratio (in %)	29.9	27.5	22.7	27.3	29.0
	Pension liabilities	919	891	1,121	1,128	1,186
	Net financial debt	98	147	330	81	-19
	Net gearing (in %)	6.7	11.0	27.6	5.2	1.1
Income statement	Sales	4,704	4,417	4,688	5,183	5,602
	Operating result	268	211	160	287	353
	Operating margin (in %)	5.7	4.8	3.4	5.5	6.3
	EBITDA	490	315	299	490	581
	EBIT	296	121	102	287	353
	EBIT margin (in %)	6.3	2.7	2.2	5.5	6.3
	EBT	216	45	22	221	299
	Net income after minorities	173	29	18	151	200
	Earnings per share (in EUR)	4.55	0.75	0.47	3.88	4.69
	Dividend per share (in EUR); 2016: proposal	1.80	0.40	0.30	1.10	1.45
	ROCE (in %)	11.5	4.7	3.9	10.1	12.3
	Cash flow statement	Free cash flow from operations	125	20	-182	29
Headcount	Employees (Dec 31) according to capacity	21,767	20,264	20,166	20,676	20,993

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 2012 – 2016 Key figures

AUTOMOTIVE				
2012	2013	2014	2015	2016
2,378	2,270	2,466	2,621	2,670
418	392	416	445	459
2,369	2,262	2,448	2,592	2,656
139	158	184	216	223
5.9	7.0	7.5	8.3	8.4
243	225	295	332	356
139	124	184	216	223
5.9	5.5	7.5	8.3	8.4
148	142	158	167	174
12,003	10,927	10,830	10,934	10,820
1,091	1,171	1,322	1,450	1,527
69	66	96	119	142
6.3	5.6	7.3	8.1	9.3
1,087	889	934	952	921
57	27	72	73	62
5.2	3.0	7.7	7.7	6.7
265	268	269	285	305
25	27	26	27	27
9.4	10.1	9.7	9.5	8.9

in EUR million		
Order intake		
Order backlog (Dec. 31)		
Sales		
Operating result		
Operating margin (in %)		
EBITDA		
EBIT		
EBIT margin (in %)		
Capex		
Employees (Dec 31) according to capacity		
Mechatronics	Sales	Weapon & Ammunition*
	EBIT	
	EBIT margin	
Hardparts	Sales	Electronic Solutions
	EBIT	
	EBIT margin	
Aftermarket	Sales	Vehicle Systems**
	EBIT	
	EBIT margin	

DEFENCE				
2012	2013	2014	2015	2016
2,933	3,339	2,812	2,693	3,050
4,987	6,050	6,516	6,422	6,656
2,335	2,155	2,240	2,591	2,946
146	60	-9	90	147
6.3	2.8	-0.4	3.5	5.0
262	96	17	175	239
173	4	-67	90	147
7.4	0.2	-3.0	3.5	5.0
90	62	76	96	95
9,623	9,193	9,184	9,581	10,002
1,136	1,027	977	881	1,112
102	31	-4	74	108
9.0	3.0	-0.4	8.4	9.7
748	710	705	759	745
97	11	-53	26	25
13.0	1.5	-7.5	3.4	3.4
567	539	667	1,195	1,392
-25	-35	-9	3	29
-4.4	-6.5	-1.4	0.3	2.1

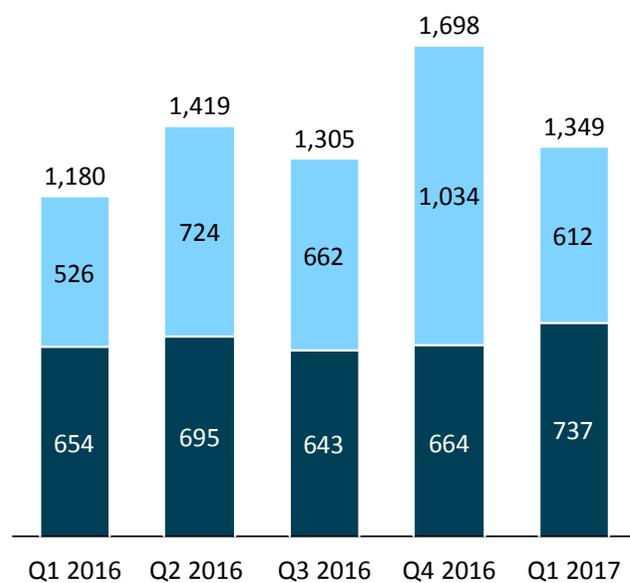
2013 figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)

Cash Flow Statement Group

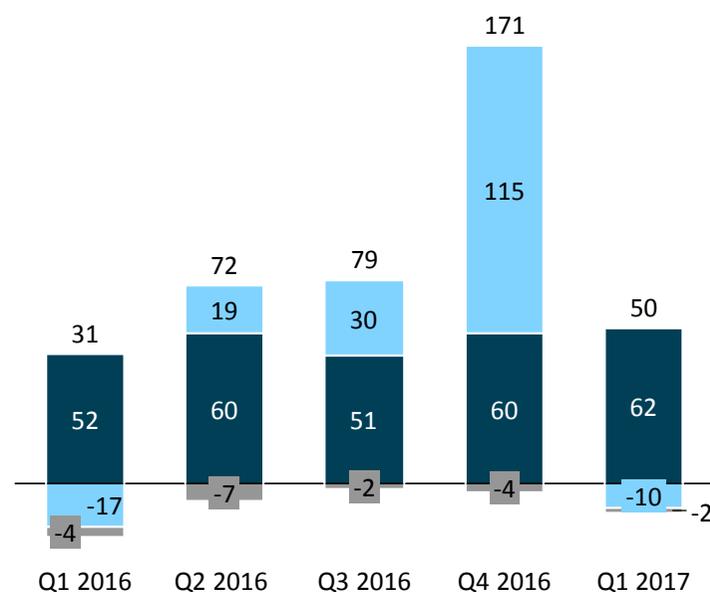
in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Δ Q1 2016/2017
Group Net Income	12	41	46	116	28	16
Amortization / depreciation	55	54	52	67	57	2
Change in pension accruals	- 16	2	-	-	- 34	- 18
Cash Flow	51	97	98	183	51	-
Changes in working capital and other items	- 262	- 112	- 1	389	- 207	55
Net cash used in operating activities	- 211	- 15	98	572	- 156	55
Cash outflow for additions to tangible and intangible assets	- 52	- 60	- 62	- 109	- 43	9
Free Cash Flow from Operations	- 263	- 75	36	463	- 199	64

Quarterly development Group

Sales
in EUR million



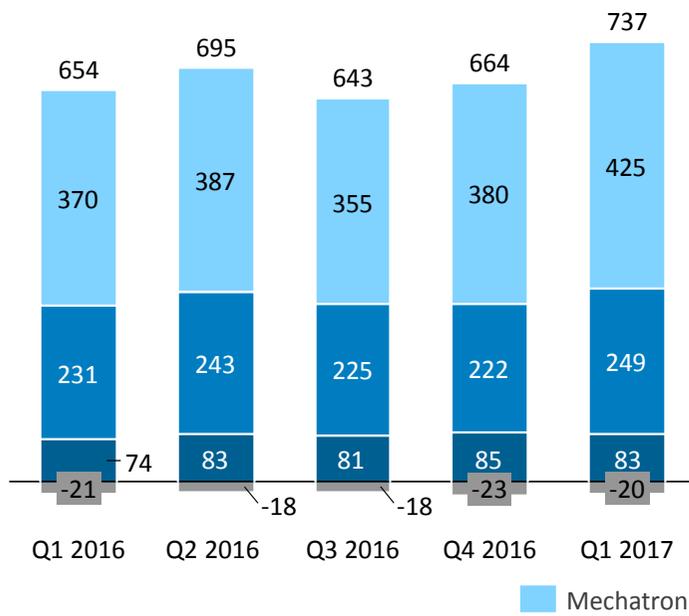
Operational earnings
in EUR million



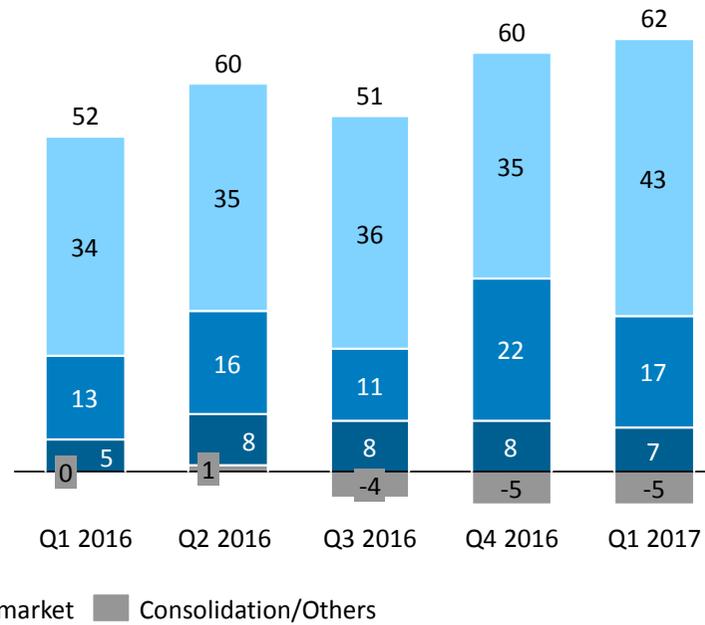
■ Defence ■ Automotive ■ Consolidation/Others

Quarterly development Automotive

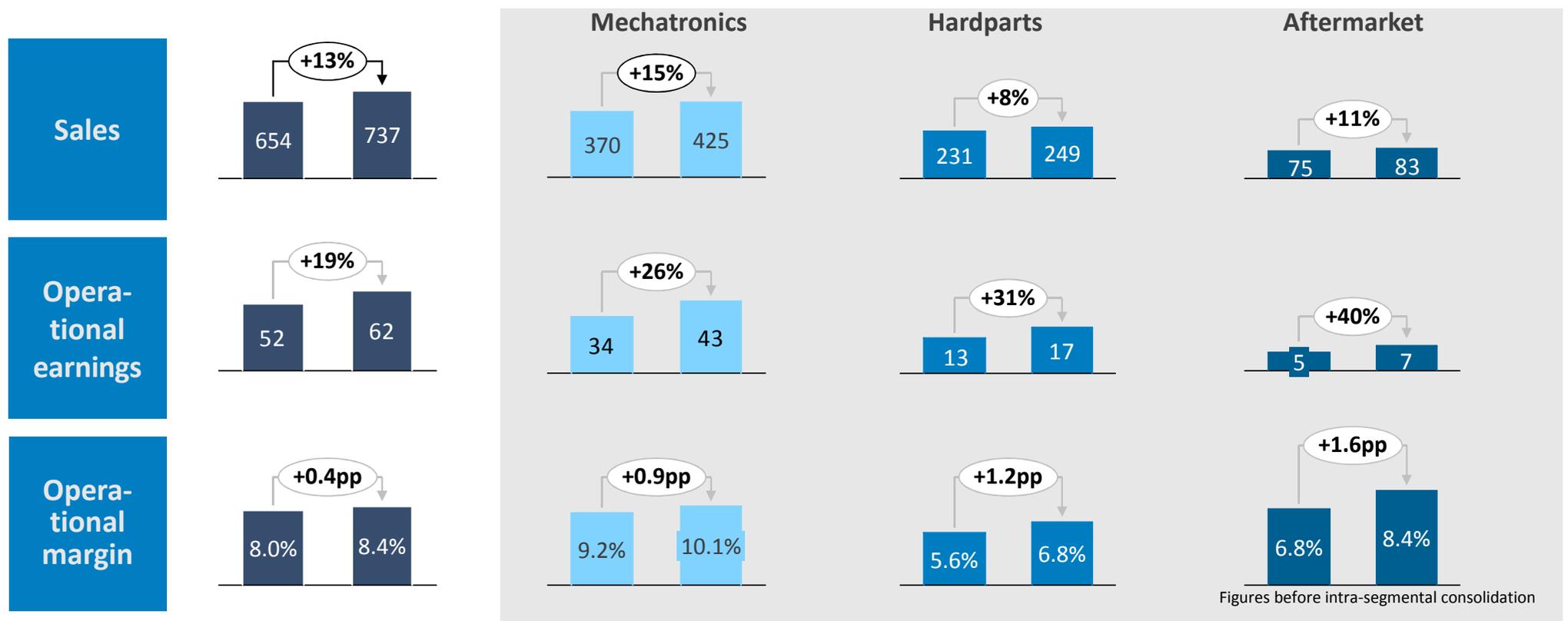
Sales by division
in EUR million



Operational earnings by division
in EUR million



Key figures Automotive by division (Q1 2016/2017)

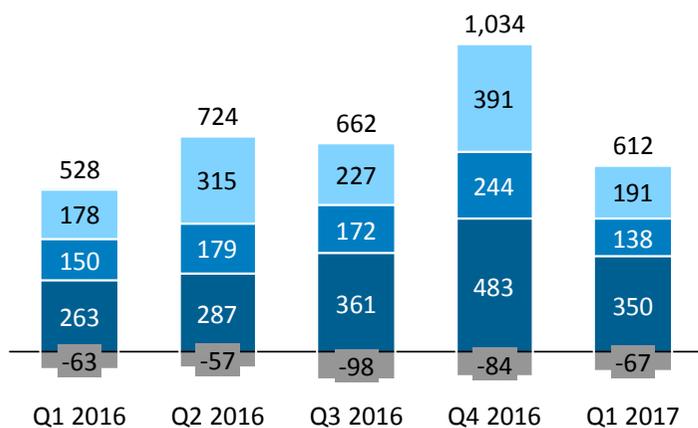


Quarterly cash flow statement Automotive

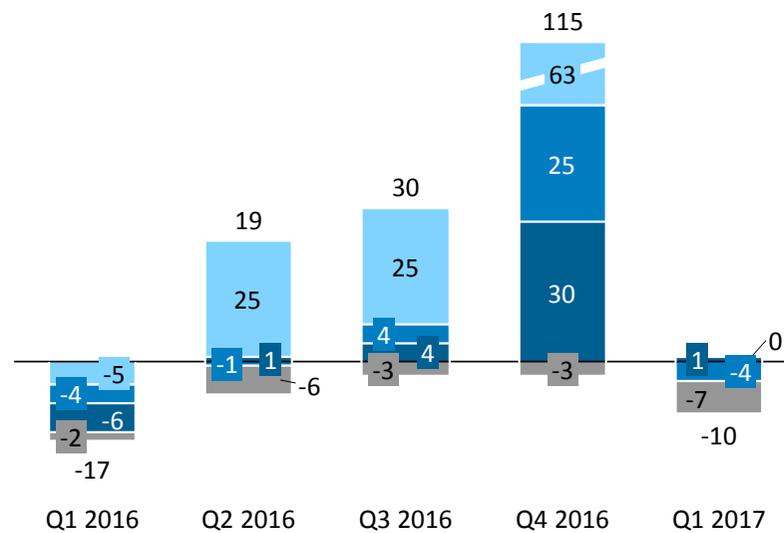
in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Δ Q1 2016/2017
Net income	38	42	36	49	46	+8
Amortization / depreciation	33	31	29	40	32	-1
Change in pension accruals	-	-	- 1	- 1	-	+/-0
Cash Flow	71	73	64	88	78	+7
Changes in working capital and other items	- 178	14	17	130	-172	+6
Net cash used in operating activities	- 107	87	81	218	- 94	+13
Cash outflow for additions to tangible and intangible assets	- 32	- 36	- 35	- 71	- 24	+8
Free cash flow from operations	- 139	51	46	147	-118	+21

Quarterly development Defence

■ Sales by division
in EUR million



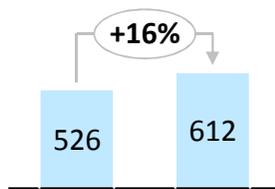
■ Operational earnings by division
in EUR million



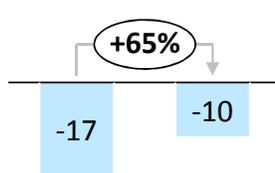
■ Weapon & Ammunition
 ■ Electronic Solutions
 ■ Vehicle Systems
 ■ Consolidation/Others

Key figures Defence by division (Q1 2016/2017)

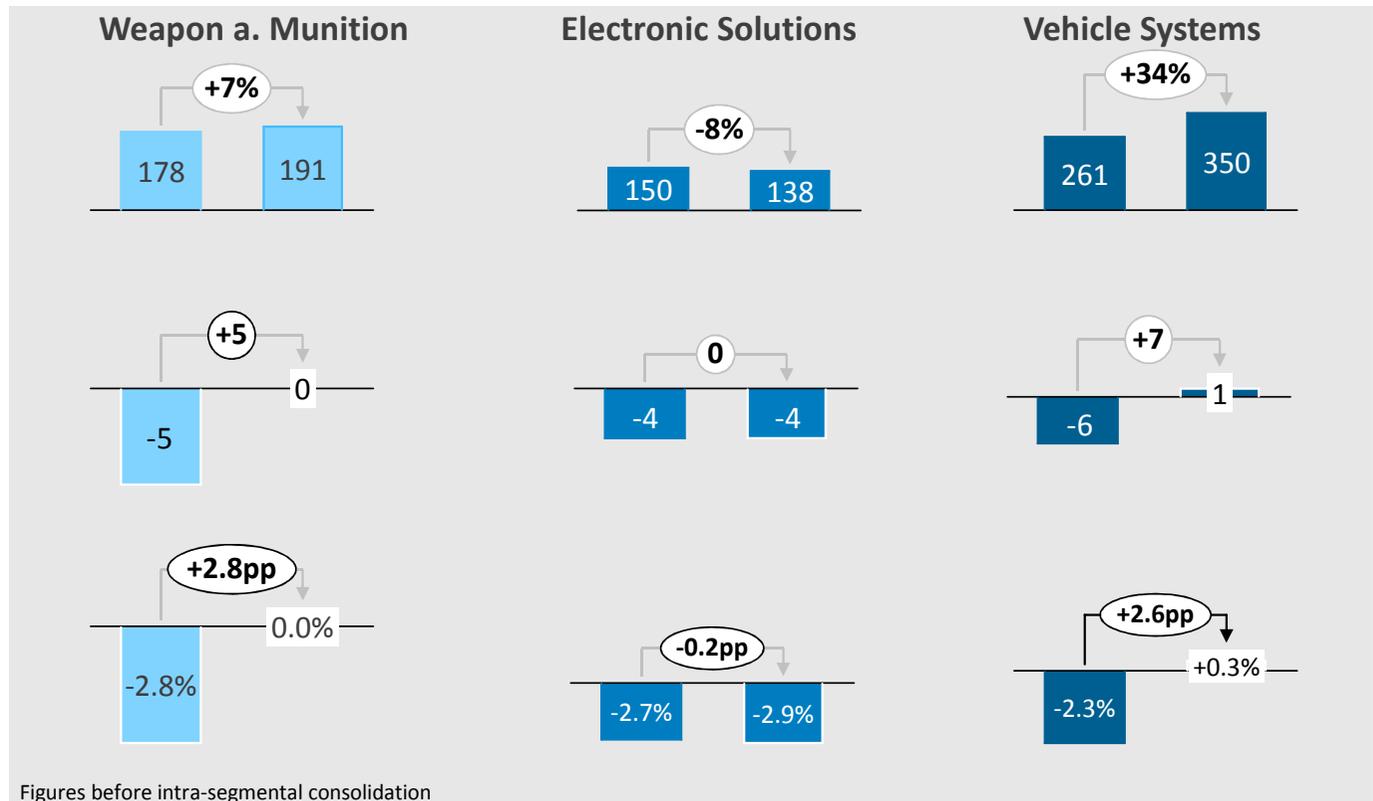
Sales



Operational earnings



Operational margin



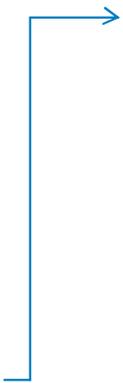
Quarterly cash flow statement Defence

in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Δ Q1 2016/2017
Net income	- 20	3	13	78	- 16	+4
Amortization / depreciation	22	22	22	26	24	+2
Change in pension accruals	1	2	1	- 3	- 3	-4
Cash Flow	3	27	36	105	5	+2
Changes in working capital and other items	- 90	-123	- 8	248	- 61	+29
Net cash used in operating activities	- 87	- 96	28	353	- 56	+31
Cash outflow for additions to tangible and intangible assets	- 17	- 21	- 23	- 34	- 16	+1
Free cash flow from operations	- 104	-117	5	319	- 72	+32

Income statement Group

In EUR million

Income Statement

	Q1 '16	Q1 '17	Δ		Q1 '16	Q1 '17	Δ	
Total operating performance	1,256	1,416	160		Net operating income (EBIT)	31	50	19
Other operating income	26	27	1		Net interest income	-	3	3
Cost of materials	688	762	74		Interest expenses	-14	-15	-1
Personnel expenses	364	398	34		Earnings before tax (EBT)	17	38	21
Amortization, depreciation and impairment	55	57	2		Income tax	- 5	-10	-5
Other operating expenses	148	174	26		Net income	12	28	16
Income from companies carried at equity	8	4	-4		of which:			
Other financial results	- 4	- 6	-2		Minority interest	- 1	4	5
Net operating income	31	50	19		Rheinmetall shareholders	13	24	11
					EBITDA	86	107	21

Cash flow statement Group

In EUR million

Cash Flow Statement

	Q1 '16	Q1 '17	Δ		Q1 '16	Q1 '17	Δ
Net Income	12	28	16				
Amortization, depreciation and impairment	55	57	2				
Dotation of CTA	-30	-30	0				
Changes in pension provisions	-1	-4	-3				
Income from disposal of non-current assets	0	0	0				
Changes in other provisions	40	56	16				
Changes in inventories	-85	-145	-60				
Changes in receivables, liabilities(w/o financial debts) and prepaid & deferred items	-180	-121	59				
Pro rata income from investmenst carried at equity	-8	-3	5				
Dividends received from investments carried at equity	1	2	1				
Other non-cash expenses and income	-15	4	19				
Cash flows from operating activities	-211	-156	55				
Investments in assets	-52	-43	9				
Cash receipts from the disposal of assets	0	2	2				
Investments in consolidated companies and other financial assets	-13	0	13				
Payments for the purchase of short-term commercial papers	-67	-202	-135				
Change in divestments of consolidated companies and financial assets		0	0				
Cash receipts from the disposal of short-term financial assets		120	120				
Cash flow from investing activities	-132	-123	9				
				Capital payment to/ capital contribution by non-controlling ii	0	4	4
				Increase in shares in consolidated subsidiaries	0	0	0
				Dividends paid out bei RHM AG	0	0	0
				Other profit distribution	-2	-5	-3
				Shares issued to employees	0	0	0
				Borrowing of financial debts	17	14	-3
				Repayment of financial debts	-14	-8	6
					1	5	
				Cash flow from financing activities			4
				Changes in financial resources	-342	-274	68
				Changes in cash and cash equivalents due to exchange rates	-4	2	6
				Total change in financial resources	-346	-75	271
				Opening cash and cash equivalents Jan 1	691	616	-75
				Closing cash and cash equivalents Dez 1	345	344	-1

Balance Sheet Group

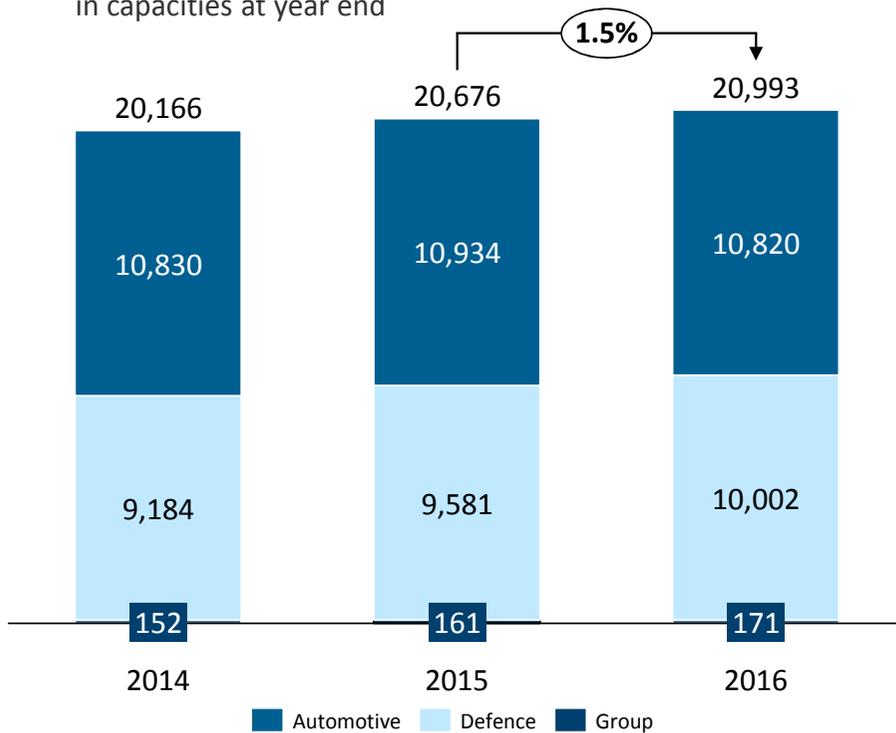
In EUR million

Balance Sheet

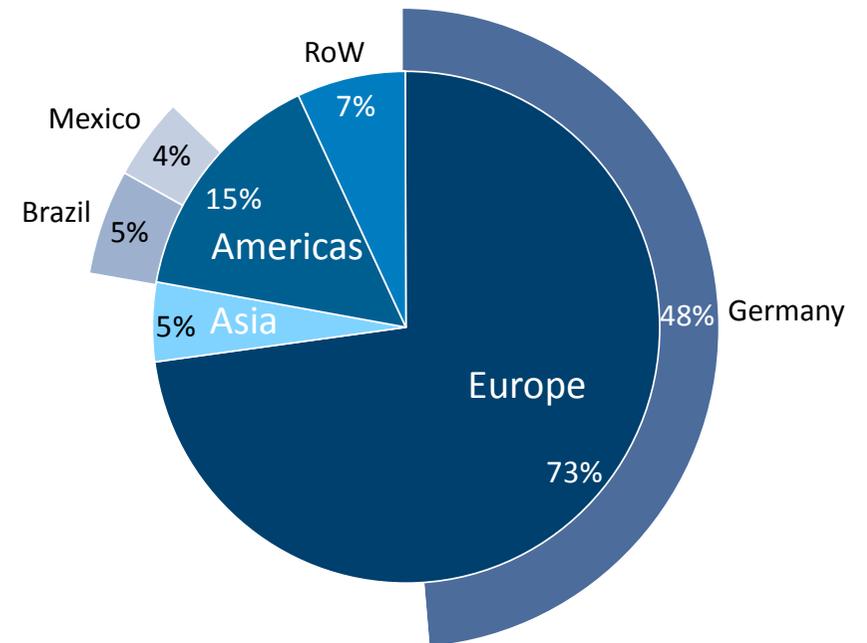
	31.12.'16	31.3.'17	Δ		31.12.'16	31.3.'17	Δ
Non-current assets	2,762	2,756	- 6	Equity	1,781	1,814	33
Intangible assets	819	811	- 8	Share capital	112	112	-
Property, plant and equipment	1,378	1,371	- 7	Additional paid-in capital	532	532	-
Investment property	53	54	1	Retained earnings	1,074	1,104	30
Investments carried at equity	240	244	4	Treasury shares	- 32	- 32	-
Other non-current assets	36	47	11	Minorities	95	98	3
Deferred tax assets	236	229	- 7	Rheinmetall AG shareholders' equity	1,686	1,714	28
Current assets	3,388	3,428	40	Non-current liabilities	1,629	1,623	- 6
Inventories (net)	1,098	1,245	147	Provision for Pensions and similar obligatio:	1,186	1,153	- 33
Trade receivables	1,306	1,337	31	Other provisions	135	141	6
Other financial assets	43	54	11	Financial debts	220	218	- 2
Other receivables and assets	125	159	34	Other liabilities	56	86	30
Income tax receivables	10	17	7	Deferred tax liabilities	32	25	- 7
Cash and cash equivalents	806	616	- 190	Current liabilities	2,740	2,747	7
				Other provisions	516	564	48
				Financial debts	567	580	13
				Trade liabilities	766	750	- 16
				Other liabilities	838	783	- 55
				Income tax liability	53	70	17
Total assets	6,150	6,184	34	Total liabilities	6,150	6,184	34

Moderate headcount increase to accompany growth

Headcount per segment
in capacities at year end



Headcount regional
in capacities at year end



Equity and pension liabilities

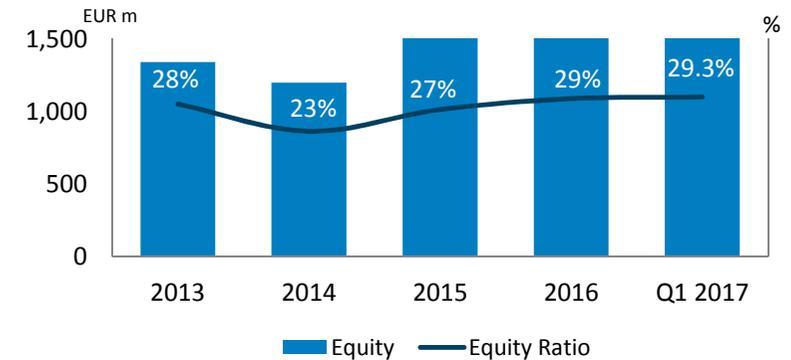
Financial solidity materially improved

Drivers

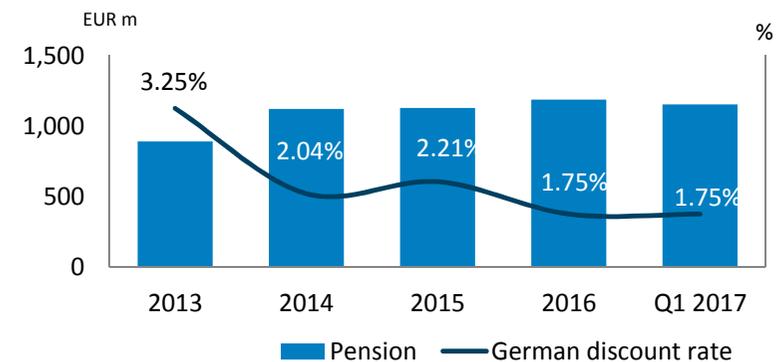
- Delivery on our targets
- Capitalizing on our restructuring efforts
- Achievement of a solid equity ratio
- Pension stabilized on further CTA funding
- Supportive market environment in both segments

Credit rating Ba1 with outlook changed to stable in April 2016

Equity and Equity ratio

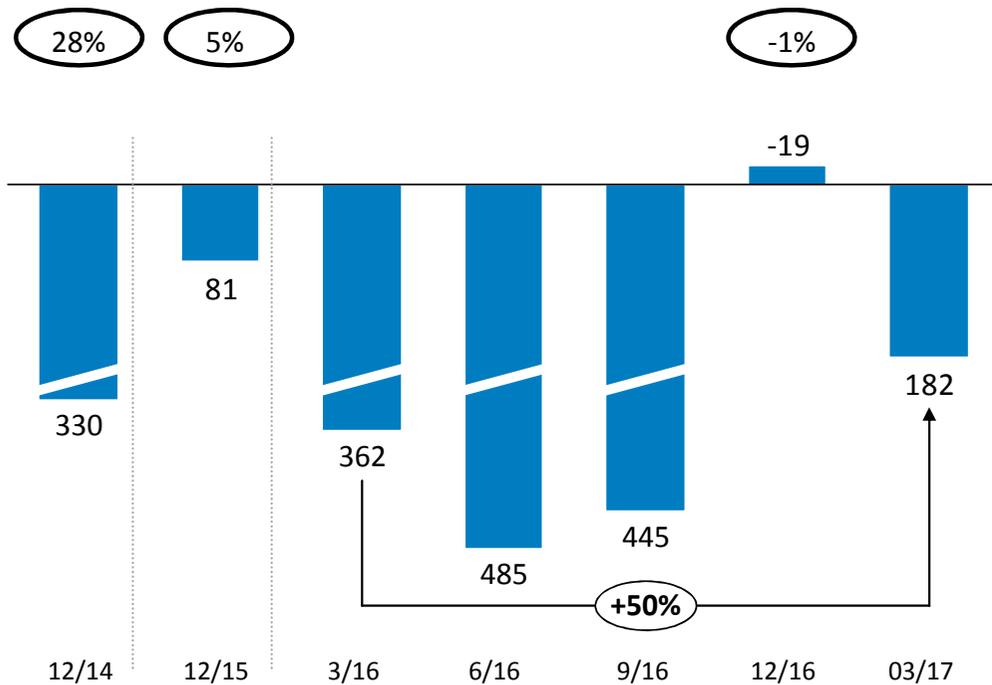


Pension liabilities and German discount rate

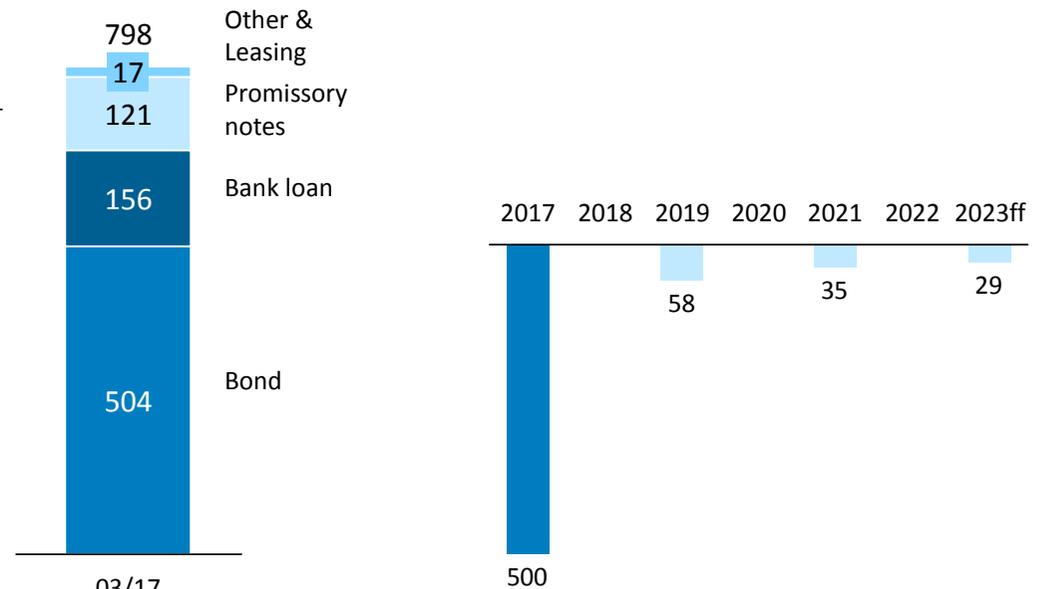


Net-financial debt considerably improved on positive cash development

■ **Net-financial debt** in EUR million at quarter end
Net Gearing in % at year end



■ **Debt composition and maturity profile of instruments**
in EUR million

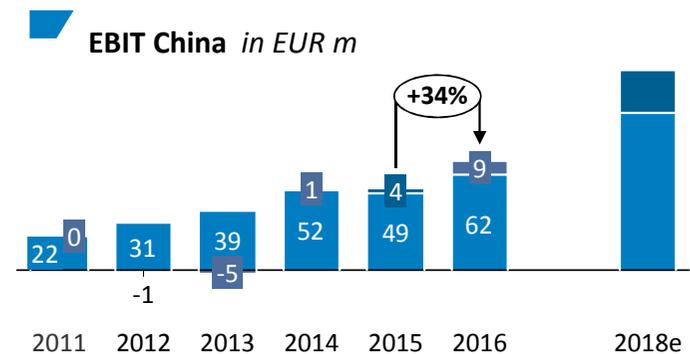
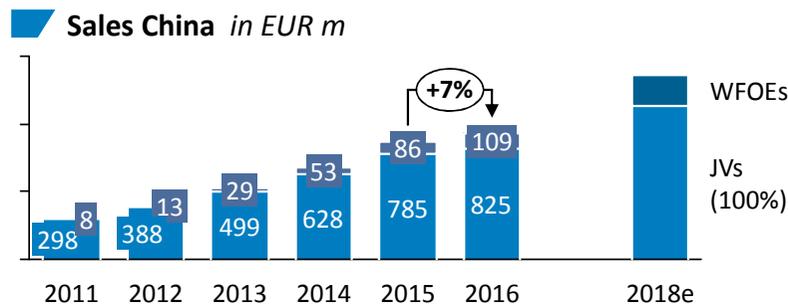


Automotive in China

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)		
Aftermarket	Pierburg	Large-bore pistons
2008	2009	2013
Spare parts	EGR modules and electric throttle bodies	Large-bore pistons
China		

JV subsidiary
Pumps (PMP Ch.)
2012
Electrical and mechanical pumps
China



First orders for public security and e-mobility

■ Public Security



Survivor vehicles
for German police forces

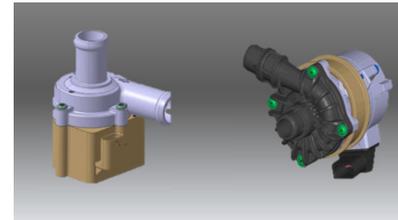


Drone detection systems
for Swiss prisons



Innovative body armor
for German police forces in
several states

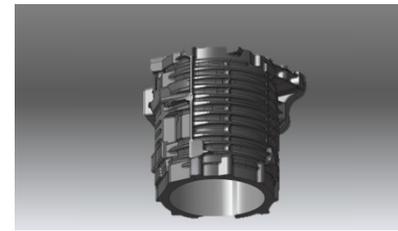
■ Electromobility



Pump technology for
electric vehicles



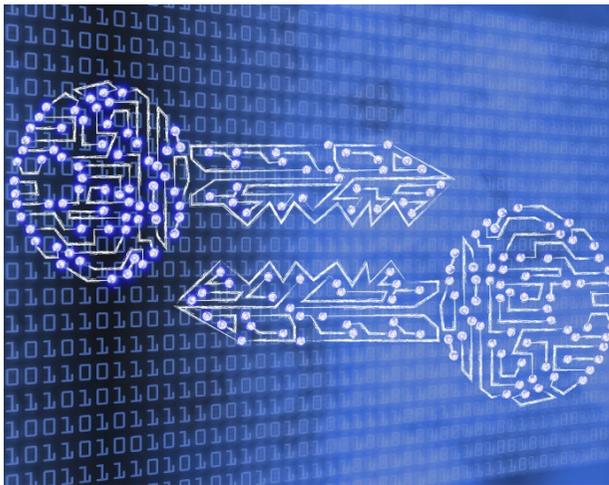
Aluminum battery boxes
for German premium OEM



Electric engine housing
for German premium OEM
to serve the Chinese market

Investments in „New Technologies” initiated

■ Cyber Security



- Development of two products finished
- Marketing phase started in 2017

■ 3D Techcenter



- Metal 3D print services
- First applications: Compressor wheel for turbo charger; hydraulic blocks for tanks

■ PanoView



- Merging modern sensor technology with virtual reality to create a real-time 360° view
- First marketing in Q1 2017

Electrification and downsizing require more sophisticated products

Coolant pump



Mechanical



>6x



Electrical

Exhaust gas recirculation



Valve



>3x



Valve, cooler, bypass and
bypass actuator



Oil pump



Mechanical



>3x



Variable

Piston



Aluminum

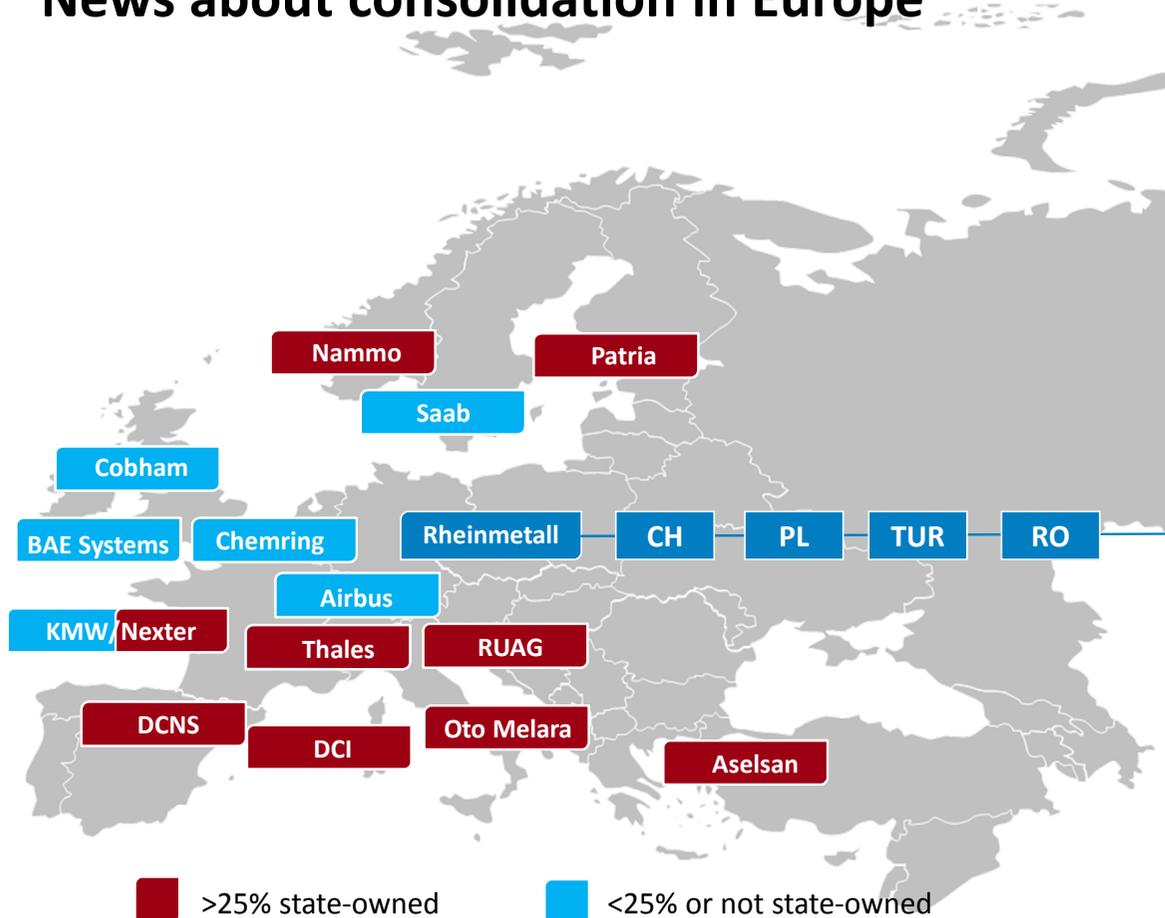


>3x



Steel

News about consolidation in Europe



- **Governmental shareholding** restricts room for cross-border consolidation
- **Big common armament programs** as catalyst for further consolidation are not at European mid-term horizon

Rheinmetall's approach:

- **JV partnerships with companies in different nations** instead of "putting all eggs in one basket"
- **Sufficient organic growth potential**, but suitable M&A transactions are possible

Next events and IR contacts

■ Events 2017

H1 Earnings call		3 Aug
Commerzbank	Frankfurt	29-31 Aug
UBS	New York	13-14 Sept
Goldman/Berenberg	Munich	18-20 Sept
Q3 Earnings call		7 Nov
Capital Markets Day 2017	Bremen	21-22 Nov

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In particular, such forward-looking statements include the financial guidance contained in the outlook for 2017.

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.

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