



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



MOBILITY. SECURITY. **PASSION.**



# Corporate Presentation

Rheinmetall AG, 4 December 2017

# Rheinmetall Group: Serving the need for mobility and security

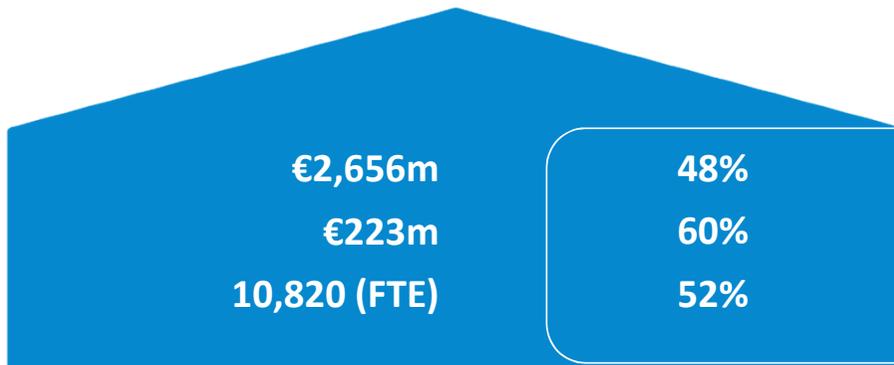
**Key Performance Indicators**

■ Sales	€5,602m
■ EBIT	€353m
■ Operating FCF	€161m
■ EPS	€4.69
■ Headcount	20,993 (FTE)



**Strategy roadmap**

- Organic growth
- Internationality expansion
- Leading by innovations
- Targeted acquisitions



FTE: Full time employees

## Rheinmetall Group: Products and divisions



### Automotive

#### Focus: Engine efficiency, NO<sub>x</sub>- and CO<sub>2</sub> - reduction

- **Mechatronics:** Provider of cleaning technologies like exhaust gas recirculation
- **Hardparts:** Casting products like pistons, engine blocks and structural parts
- **Aftermarket:** Supporting repair shops with a comprehensive assortment of spare parts



RHEINMETALL  
GROUP

- Risk balanced structure based on >125 years of enterprise history
- Clear management focus: growth and profitability
- Both segments on right performance track



### Defence

#### Established long term supplier of ground force equipment

- **Vehicle Systems:** Successful formation of a military vehicle producer with wide product range
- **Weapon & Ammunition:** International market leader position
- **Electronic Solutions:** Strong product basis for electronic and IT based equipment

## Rheinmetall Group: Business Model

- Rising individual mobility
- Regulatory push for cleaner cars



- **Tier 1 supplier** of OEMs
- **Expansion in global markets** based on high-tech products
- **Focus on combustion engines** with chances for hybrid and e-engines
- Strong pillar through **non-LV business**

### Market drivers

- Increased number of conflicts and threats
- Higher defence spending



### Business model

- **Leading provider** of innovative products primarily to ground forces
- **High order potential** in home markets
- **Internationalization** by cooperation

# Rheinmetall Group: More than 100 production sites and offices on all continents

## Defence Sites



USA  
Canada  
Mexico

Germany  
Netherlands  
Switzerland  
Austria  
Italy

UK  
Norway  
Sweden  
Poland

South Africa

Russia

Saudi Arabia  
UAE

Singapore  
Malaysia

Australia



## Automotive Sites

USA  
Mexico

Brazil

Germany  
France  
Italy  
Malta  
Romania

Spain  
Czech Republic  
Turkey  
UK

Japan  
China  
India

# ESG with high importance for Rheinmetall

## Environment



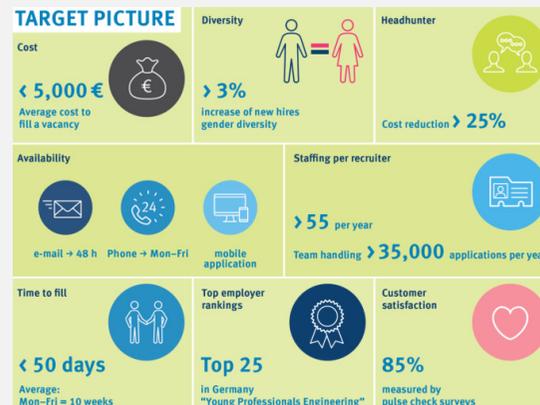
- **Reduction of the ecological footprint**
  - Decrease of energy needed
  - Selective use of raw materials
- „Road to 95“ and E-mobility
  - Our products increase fuel efficiency
  - New ebike, e-motor and battery pack
- **Support of conservation**
- **Development of the former production site in Düsseldorf**



## Social



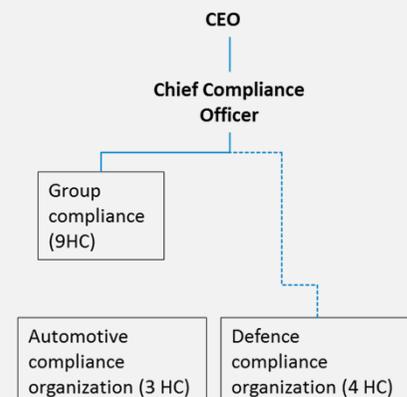
- **Clear statement against cluster munition**
- **Promoting education and training**
- **Support of gender diversity**
  - Women in management
- **Workforce**
  - Integration of refugees via apprenticeships
  - Support of employee families

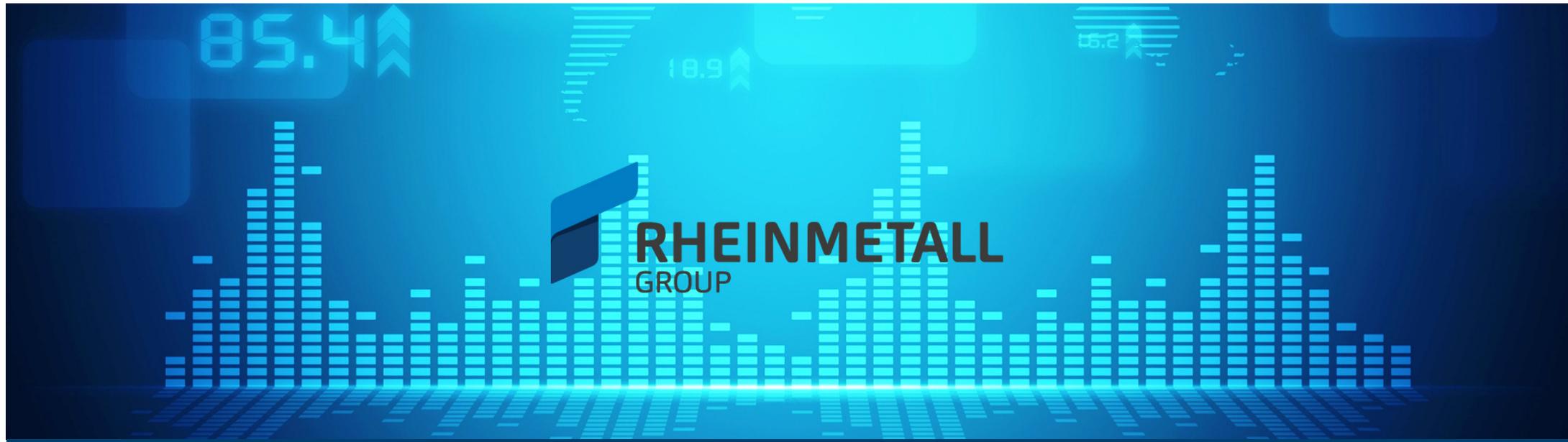


## Governance



- **Transparency towards customer, investors and other stakeholder**
- **Non-compliant business behavior is unacceptable**
- **Zero tolerance of corruption and fraud**
- **Central Compliance Management System**
  - Employee awareness initiative

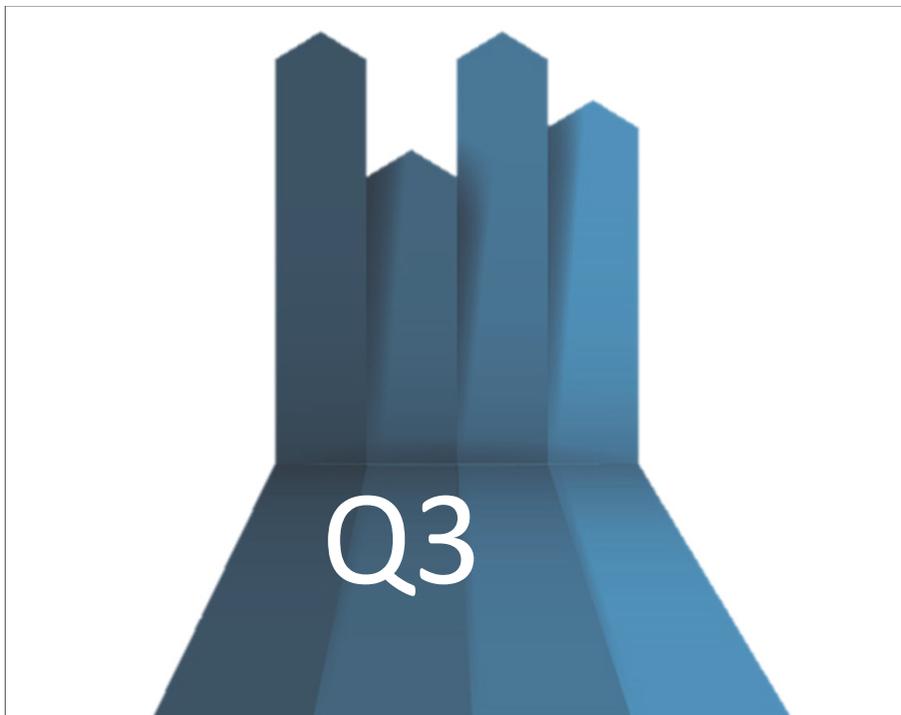




## Corporate Presentation: Rheinmetall Group Q3 2017

## Highlights Rheinmetall Group Q3 2017

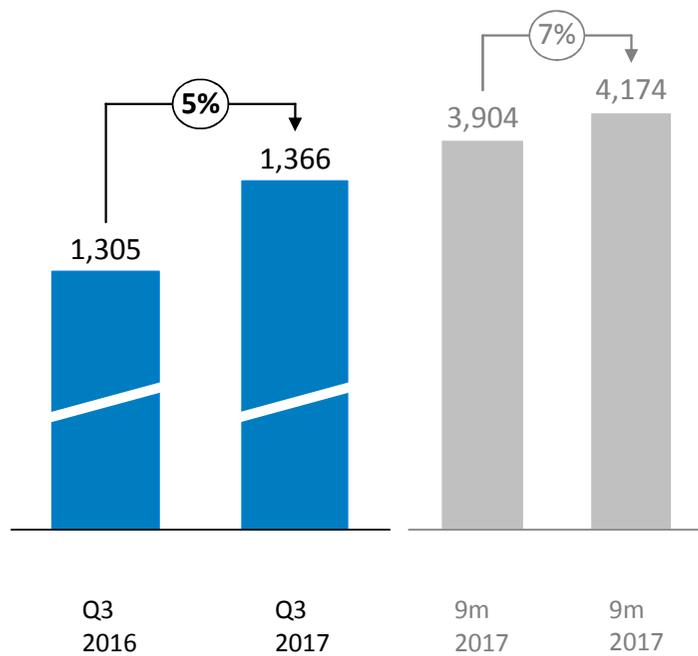
### Solid quarter with strong result contribution from Defence



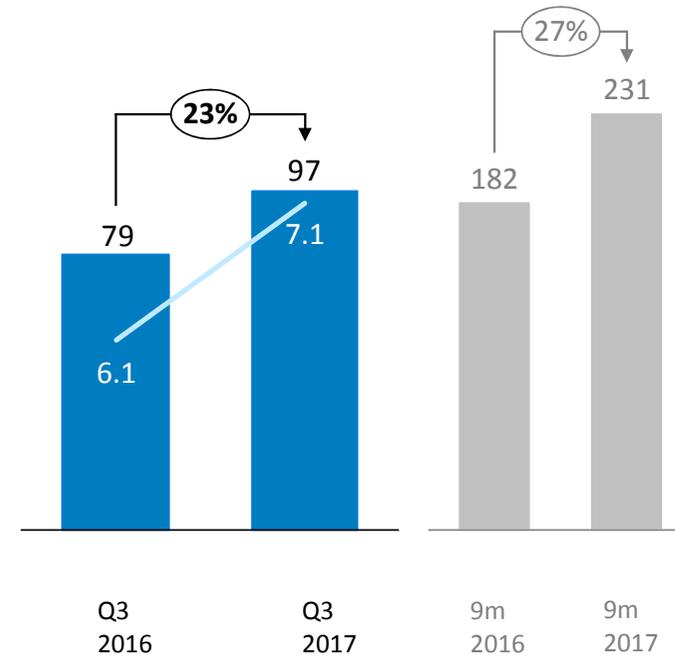
- **Sales** increased by 4.7% to **€1.366 bn** or 5.4% currency adjusted
- **Operating result** improved by 23% to **€97 m**
- **Group margin** gained 100bp advancing from 6.1% to **7.1%**
- **Automotive** optimized global footprint with an **EBIT impact** of **€22 m**
- **FY guidance affirmed**

## Operational margin improvement continues in Q3

■ Sales  
in EUR million

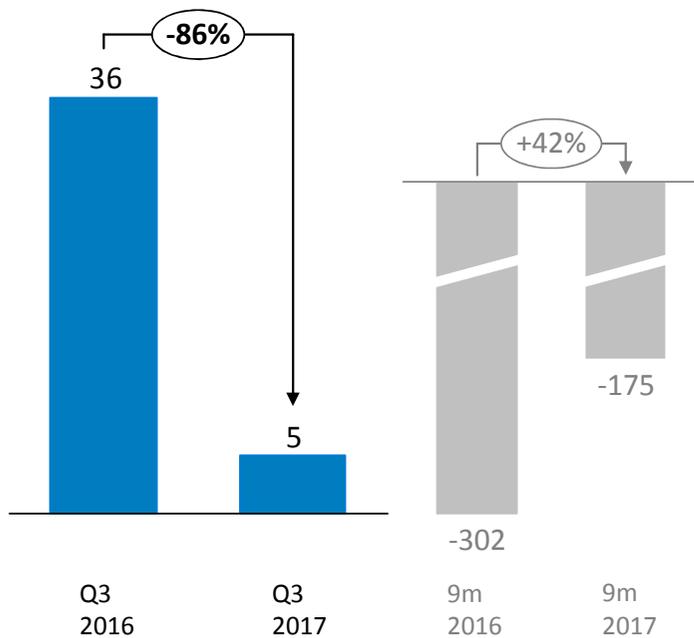


■ Operational result in EUR million  
Operational margin in %

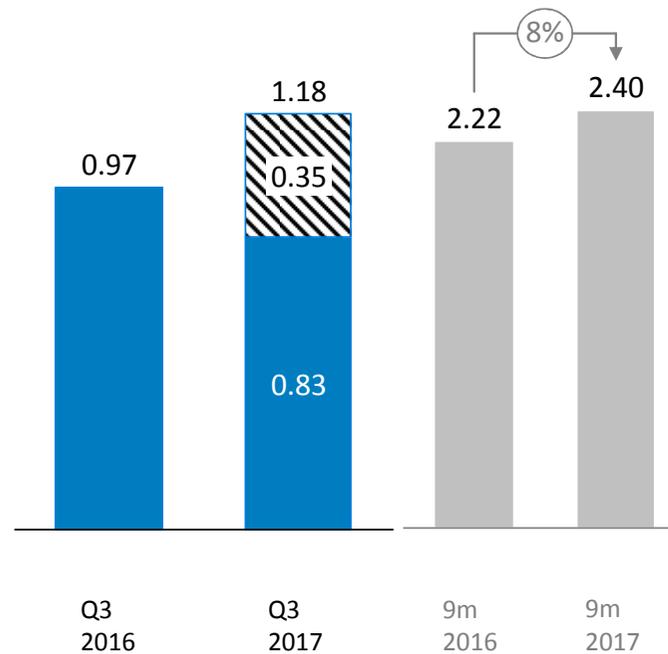


## Cash flow affected by working capital buildup in Defence

**Operating Free Cash Flow**  
in EUR million



**Earnings per share**  
in EUR

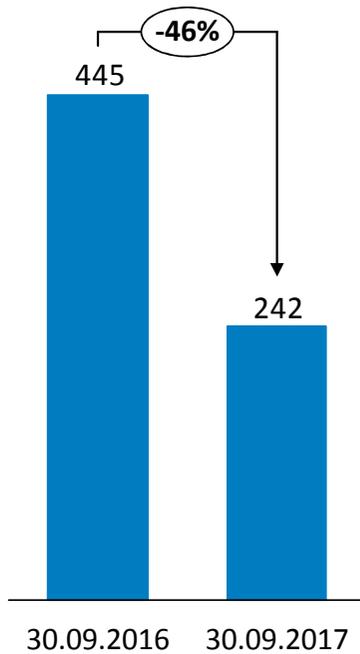


**Headcount**  
in capacities

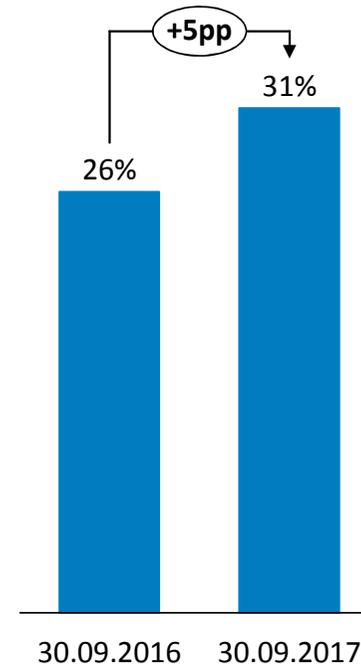


## Solid financial status further improved

■ **Net debt**  
in EUR million



■ **Equity ratio**  
in % of total assets



## Highlights Rheinmetall Automotive Q3 2017

### Market outperformed, margin improved



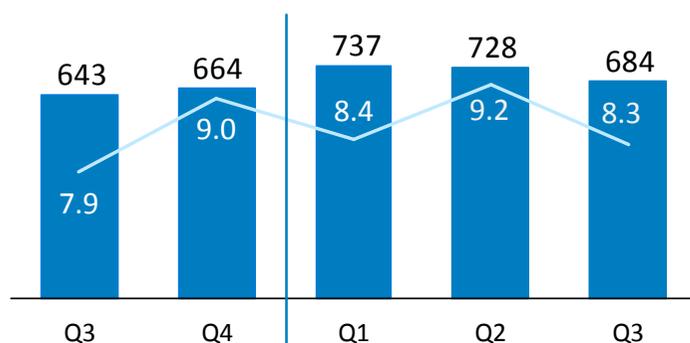
Solenoid valve

- **Sales rose** by 6% to **€684 m**, FX adjusted 7.3%
- **Operating result grew** by 12% to **€57 m**
- **Operating margin increased** by 40bp to **8.3%**
- **Quarterly free cash flow improved** by €34m to €81 m
- **Restructuring impact** on reported EBIT of **€22 m**

## Rheinmetall Automotive

### Good operational performance on profitability and cash level

#### Quarterly sales and margins development



#### Comments on quarterly performance

- Sales increased by 6.4% compared to global LV growth of 2.2%
- Operating result rose to €57 m lifting margin to 8.3% mainly driven by Mechatronics
- Provisions for French site closure impacted EBIT with €22 m
- OFCF improved on working capital optimisation

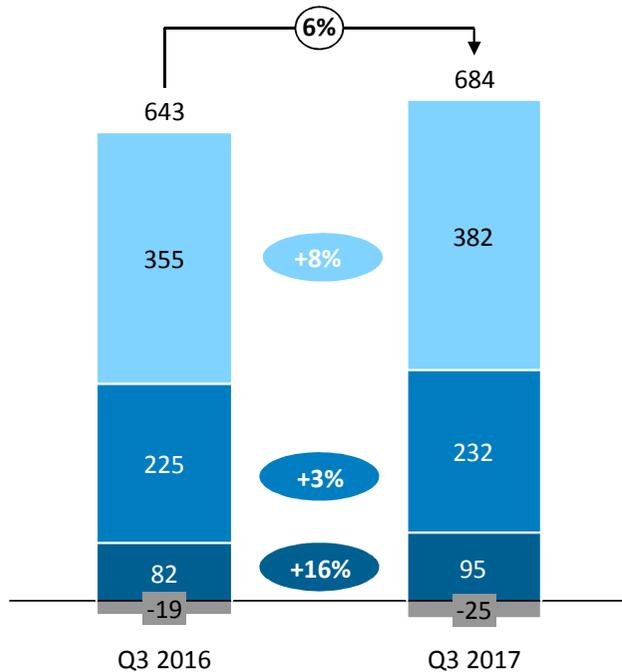
in EUR million

	Q3 2016	Q3 2017	Δ %	9m 2016	9m 2017	Δ %
Sales	643	684	6.4%	1,992	2,149	7.9%
Operating result	51	57	11.8%	163	186	14.1%
Operating margin in %	7.9	8.3	40 bp	8.2	8.7	47 bp
EBIT	51	35	-31.4%	163	164	0.9%
Operating Free Cash Flow	47	81	72.3%	- 41	32	178.0%
Operating FCF / Sales in %	7.3	11.8	453 bp	- 2.1	1.5	355 bp

# Operational leverage in Mechatronics and Hardparts drive the quarter

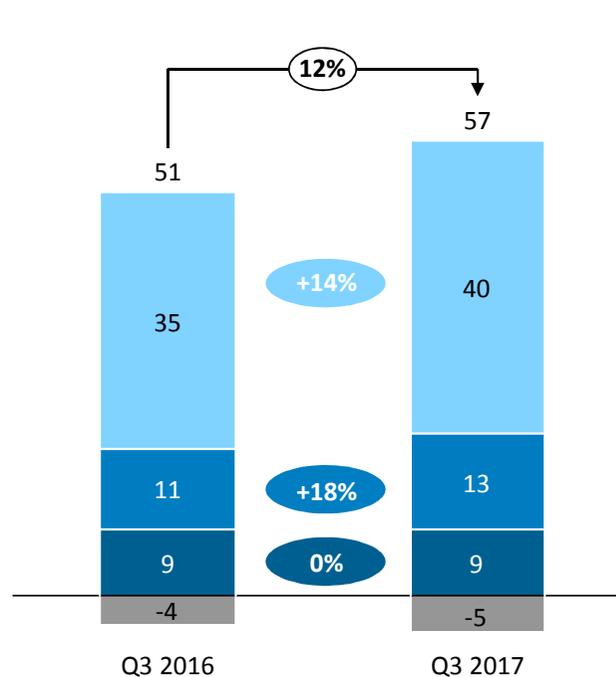
## Sales Automotive

in EUR million



## Operating result Automotive

in EUR million



## Reasons for result development

### Mechatronics

- Strong demand for fuel optimization as main driver; emission reduction on solid level

### Hardparts

- Higher demand for Large Bore Pistons and good development for European LV pistons

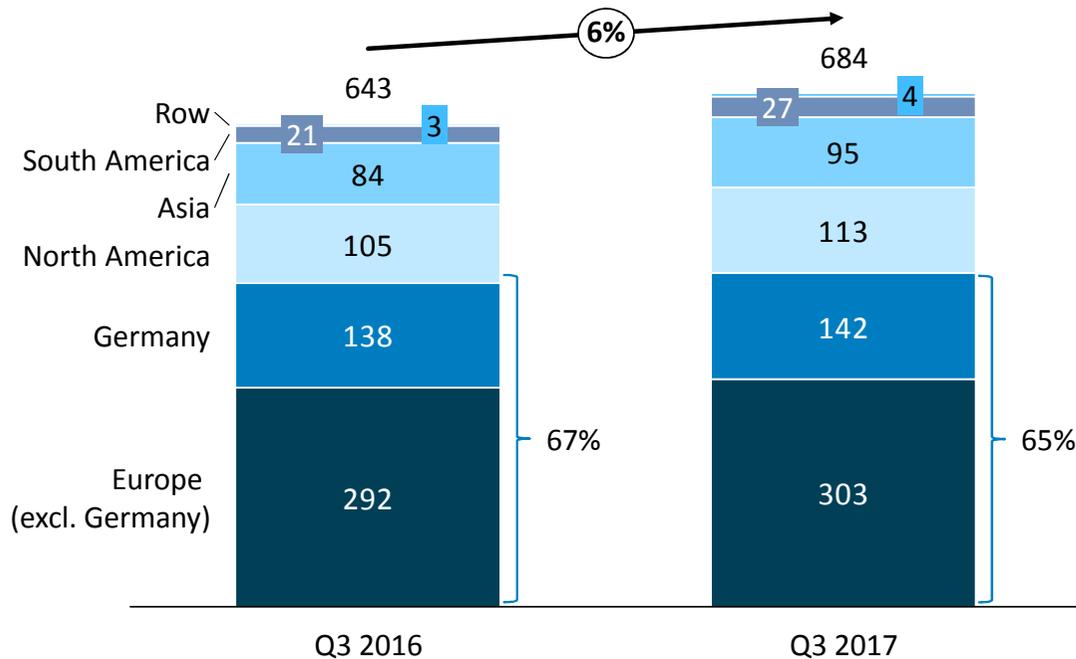
### Aftermarket

- Recovery of sales in East European countries

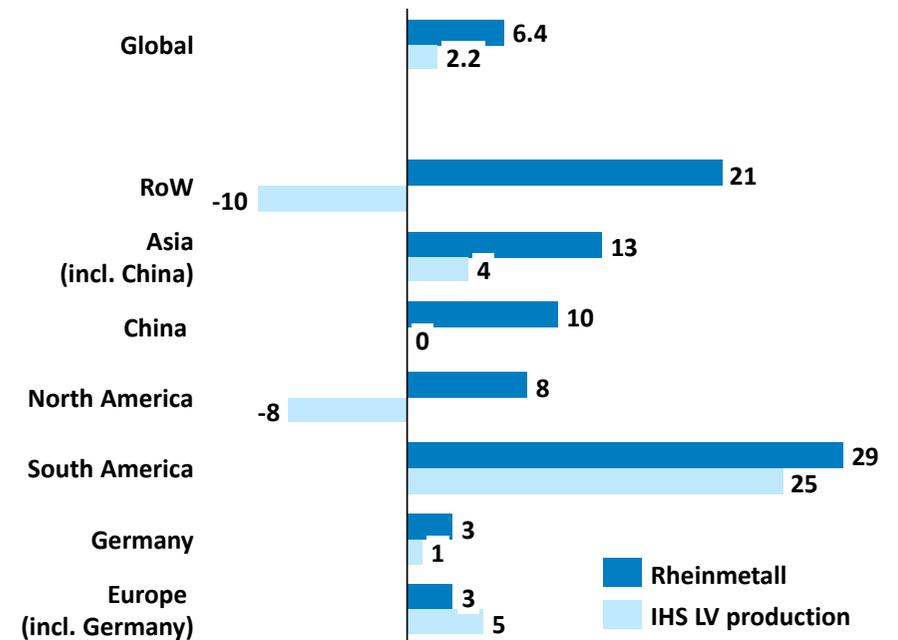
Restatement of 2016 reported figures in Mechatronics and Aftermarkets related to change in plant assignment

# Markets in better shape than anticipated, outperformance intact

**Regional sales development Automotive**  
in EUR million



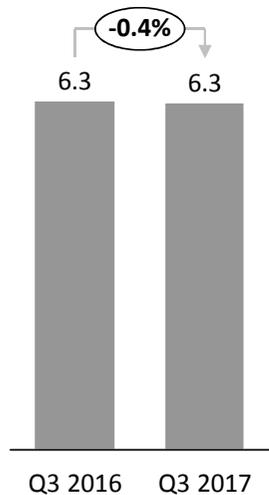
**Regional sales growth Q3 2017**  
in % (IHS October 2017)



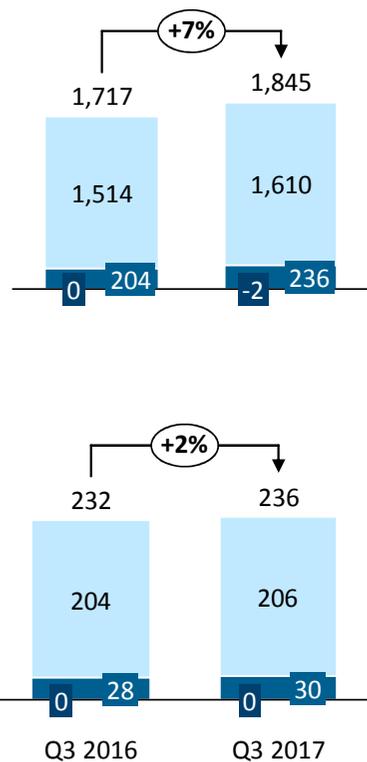
# Chinese entities stronger than the market

## China LV production

in million units



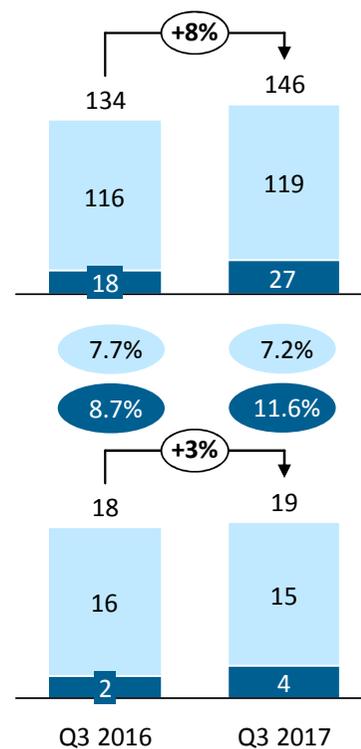
## Sales in million



CNY

EUR

## Operating result in million / in %



- Strong growth and operating earnings
- JVs: Hardparts sales up; operating margin slightly lower
- WFOEs: High demand for Mechatronics products, rising profitability

■ JVs (100% figures of 50/50 JV, consolidated at equity)  
■ WFOEs (Wholly Foreign-Owned Enterprises)  
■ consolidation

## Hardparts streamlined its global footprint

### ■ Closure of pistons plant in Thionville (Lorraine/France)

- Strategic step to improve the cost basis of Hardparts
- Concentration of European LV pistons production in Ustí (CZ)
- Reduction of around 140 headcount in a consensual way by support of post-employment development plans
- Production will cease in H2 2018



Hardparts site

### ■ Financial impact

- One time cost of around €22 m, thereof:
  - €17 m for severance payments and site remediation (cash-effect in 2018)
  - €5 m asset impairment (non-cash effect)
- Annual savings of around €10 m expected mid-term

## Highlights Rheinmetall Defence Q3 2017

### Strong momentum in earnings and order intake

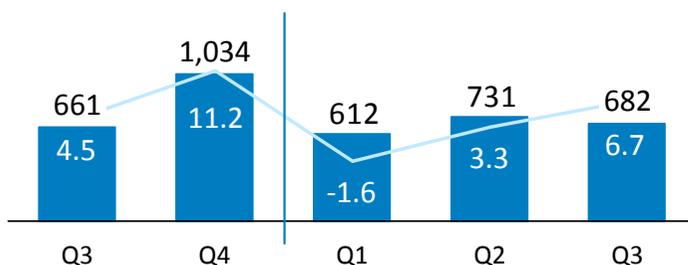


- **Order intake** rose by €296 m to **€870 m**
- **Sales** gained 3% to **€682 m**
- **Operating result** increased by 53% from €30 m to **€46 m**
- **Operating margin** went up from 4.5% to **6.7%**

# Rheinmetall Defence

## Margin and order intake trend positively towards FY guidance

### Quarterly sales and margins development



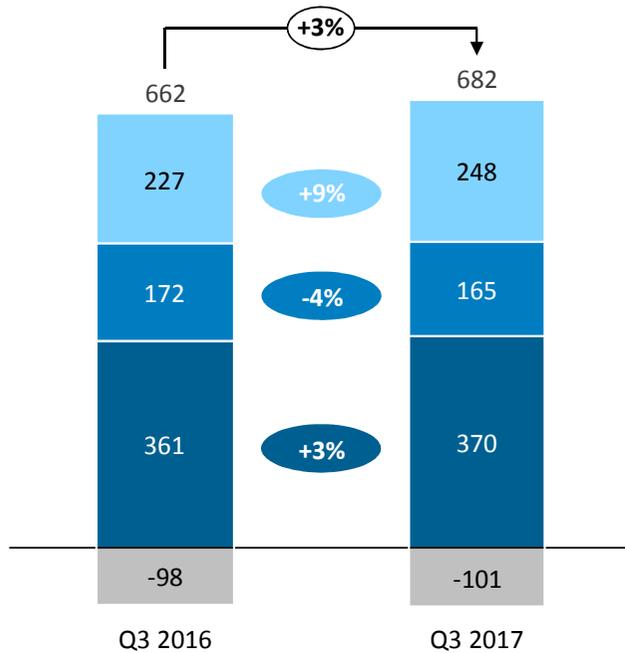
### Comments on quarterly performance

- Strong increase of German orders (i.e. vehicles and ammunition)
- Moderate sales growth of 3% as anticipated
- Profitability improved materially, supported mainly by Vehicle Systems
- Cash flow impacted by working capital build up

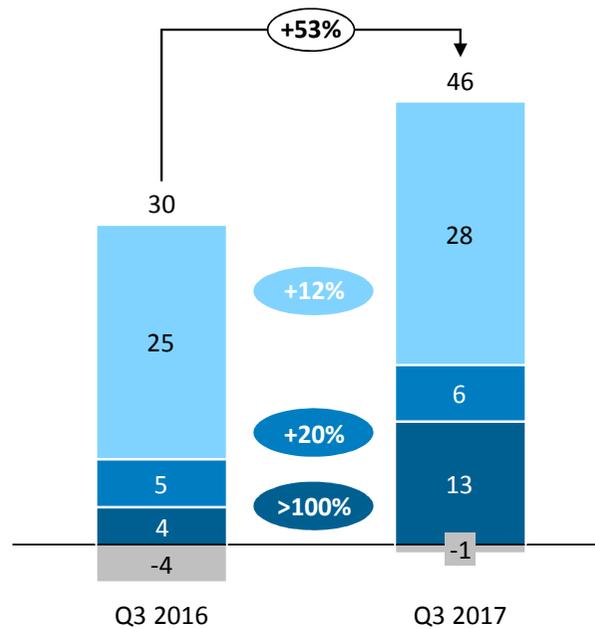
in EUR million	Q3 2016	Q3 2017	Δ %	9m 2016	9m 2017	Δ %
Order intake	574	870	51.6%	2,325	2,292	-1.4%
Sales	662	682	3.0%	1,912	2,025	5.9%
Operating result	30	46	53.2%	32	60	88.9%
Operating margin in %	4.5	6.7	220 bp	1.7	3.0	130 bp
EBIT	30	46	53.8%	32	57	79.2%
Operating Free Cash Flow	5	- 52	n.a.	- 216	- 157	27.3%
Operating FCF / Sales in %	0.8	- 7.6	-838 bp	- 11.3	- 7.8	354 bp

# Operational strength in Vehicle Systems as well as Weapon and Ammunition

**Sales Defence**  
in EUR million



**Operating results Defence**  
in EUR million



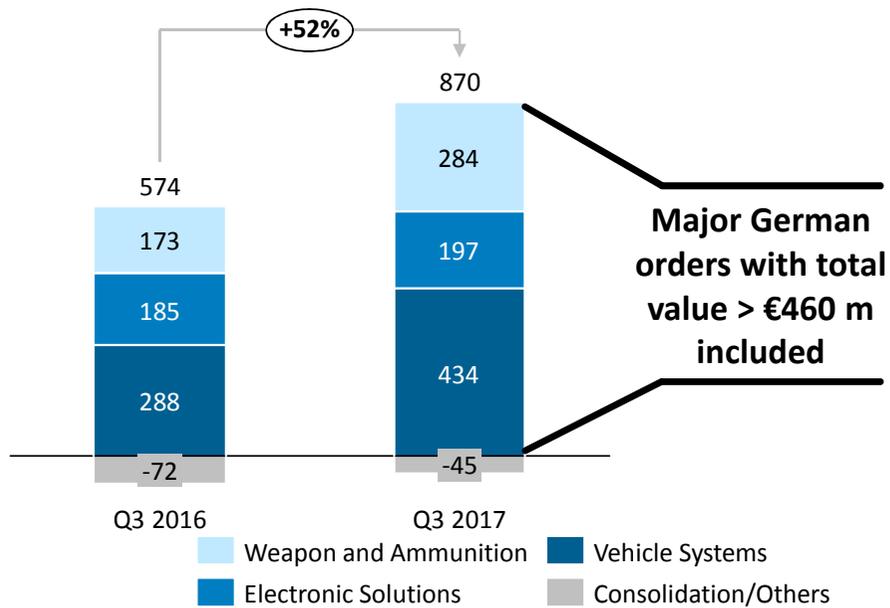
**Reasons for result development**

- Weapon and Ammunition**
  - Good sales development leads to higher earnings
- Electronic Solutions**
  - Stable results development despite softer sales
- Vehicle Systems**
  - Sales driven by high order execution in tactical and logistical vehicles

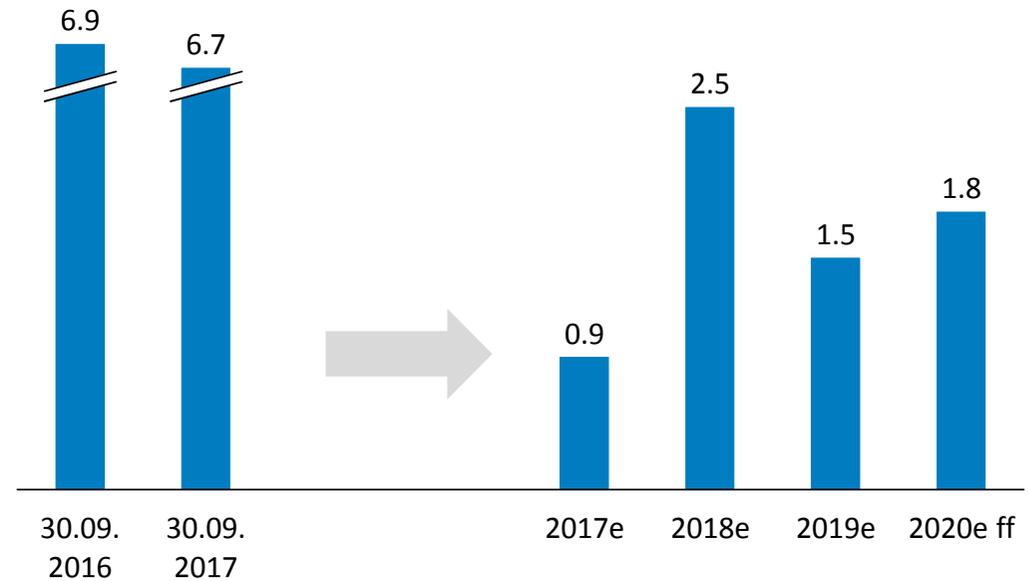
■ Weapon a. Ammunition    ■ Vehicle Systems  
■ Electronic Solutions    ■ Consolidation/Others

# German contracts essential for high order intake in Q3

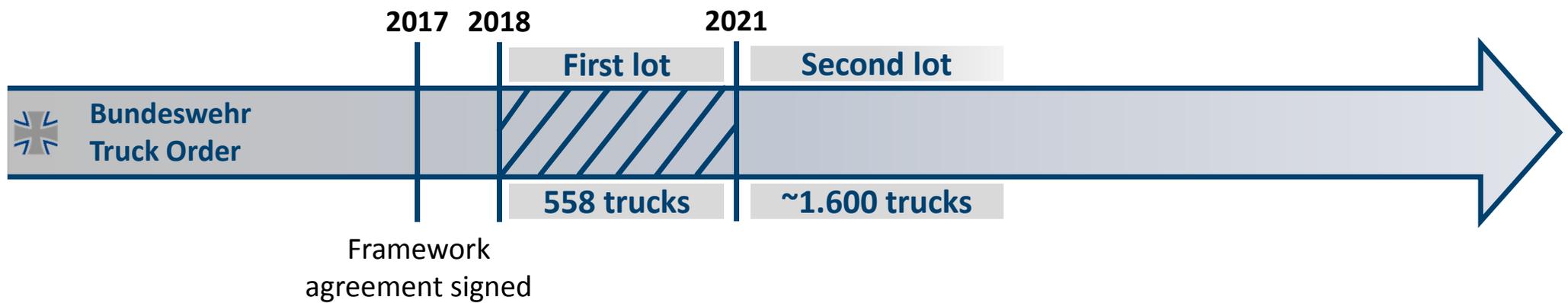
**Order intake by division**  
in EUR million



**Order backlog profile**  
in EUR billion



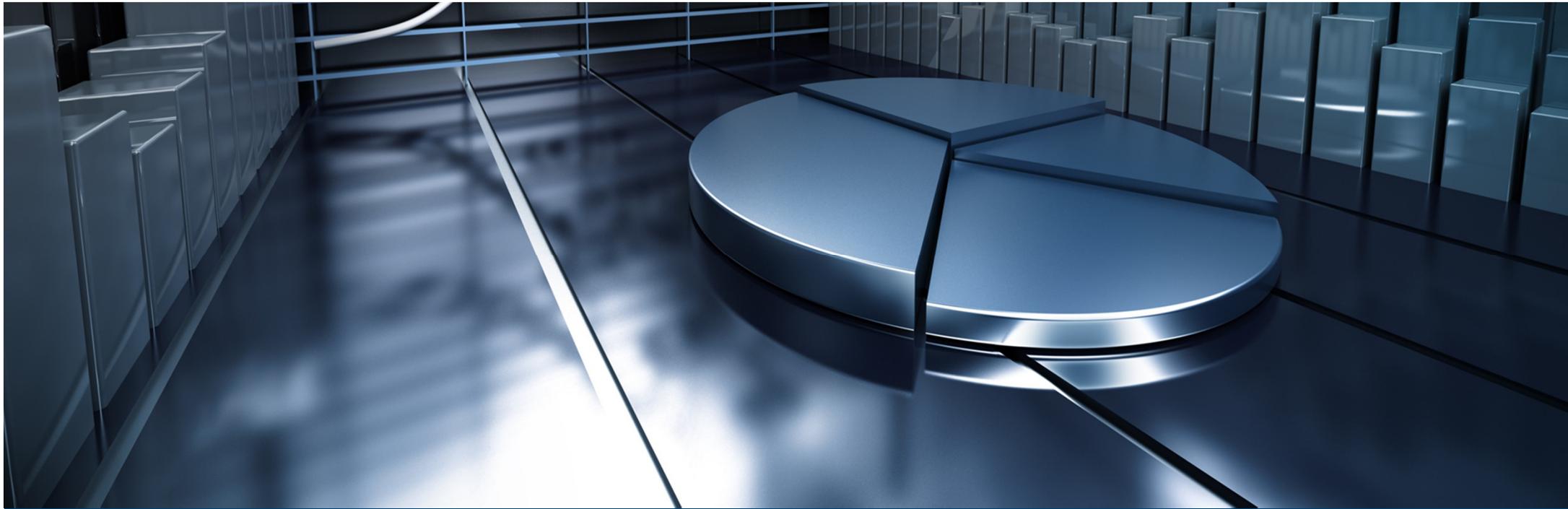
## Rheinmetall will modernize German logistical fleet



### ■ Framework agreement

- HX2 family replaces the existing fleet of military trucks
- Net value: €760 m for ~2.200 vehicles
- First lot delivered between 2018-21
- Second lot delivery schedule yet to be specified



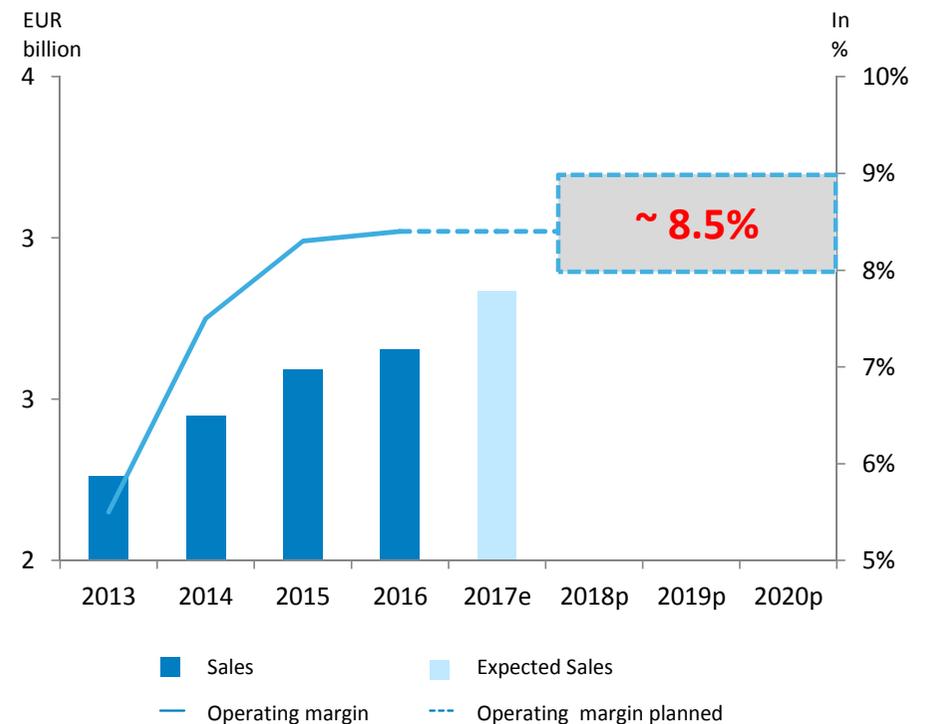


## Corporate Presentation: **Guidance 2017** and mid-term

## Automotive: Drivers for structural earnings improvement

### ■ Automotive

- Continuing growth of 100-200 bp above LV production rate
- Increasing share of higher margin Mechatronics business
- Optimization of the cost structure in Hardparts, e.g. by closing the pistons plant in Thionville (F)
- Strong performance of Chinese JV
- Development of our product portfolio, e.g. by entering new markets like e-mobility



# Defence: Drivers for structural earnings improvement

## ■ Defence

- Improving market environment
- Increasing margins due to the lower influence of legacy contracts
- Higher margin order book
- Development of new technology

	2017	2018	2019	2020	2021	2022	Remaining Value
<b>Tactical Vehicles</b>	Boxer						€71 m
	Puma						€853 m
	Boxer						€166 m
<b>Logistic Vehicles</b>	Trucks						€184 m
	Land 121						€969 m
	Trucks						€220 m



# Outlook

## Guidance affirmed for 2017

	 <b>AUTOMOTIVE</b>	<b>DEFENCE</b> 
<b>Macro view</b>	<ul style="list-style-type: none"> <li>▪ <b>Global</b> LV production growth <b>~2%*</b></li> <li>▪ <b>Chinese</b> LV production growth <b>~1%</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Further <b>demand increase</b> in key markets</li> <li>▪ Germany and other allies have <b>stepped up investment budgets</b></li> </ul>
<b>Rheinmetall</b>	<ul style="list-style-type: none"> <li>▪ Automotive expected to <b>outperform markets</b></li> <li>▪ Important step of cost base improvement achieved with closure of French piston production</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Strong back end loading</b> of Defence performance</li> <li>▪ <b>Single digit</b> sales growth expected for 2017</li> <li>▪ <b>Stronger sales momentum 2018</b></li> </ul>
<b>Updated Outlook 2017</b>	<p><b>Sales growth expected at the upper range of the guidance of 6-7% and operating margin level confirmed around 8.4%</b></p>	<p><b>Sales growth expected at the lower range of the guidance of 5-6% and operating margin at upper end of the guidance of 5-5.5%</b></p>
<p><b>Group expected to grow around 6% at an operating margin slightly above 6.5% incl. efforts for New Technologies</b></p>		

\*Source: IHS October 2017



# Corporate Presentation: **Rheinmetall Automotive**

# Automotive with leading technology and market positions

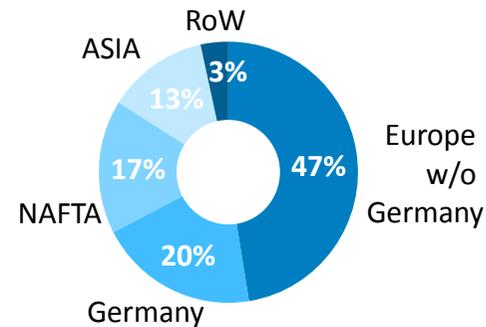
## Key Figures

Sales:	€2.7 bn
EBIT:	€223 m
EBIT margin:	8.4%
R&D:	€74 m
Capex:	€149 m
Headcount:	10.820

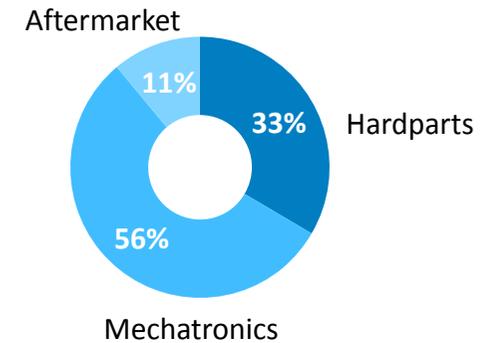
## Structure

Hardparts	
Pistons	Large-bore Pistons
Bearings	Castings
Mechatronics	
Pump Technology	Automotive Emission Systems
Solenoid Valves	Commercial Diesel Systems
Acuators	
Aftermarket	

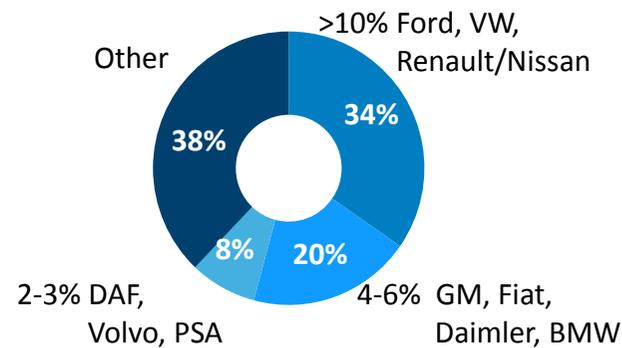
## Sales by region



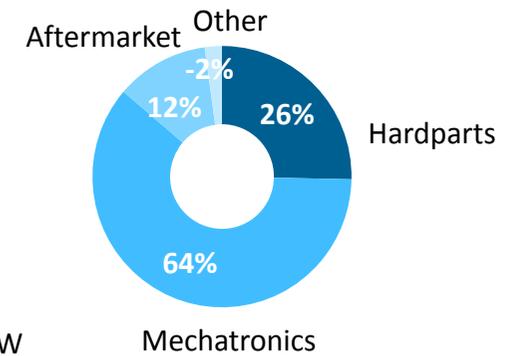
## Sales by division



## Sales by customer



## EBIT by division



All figures refer to FY 2016

## Strategic goals of Rheinmetall Automotive

### STRATEGIC GOALS

#### Increasing content per car

- More products at higher value as emission reduction, hybridization and electrification will require innovative solutions

#### Gaining powertrain neutrality

- Minimize dependence on certain types of drives
- Increase “electrified products” to around 50% sales share by 2020



#### Optimizing global footprint

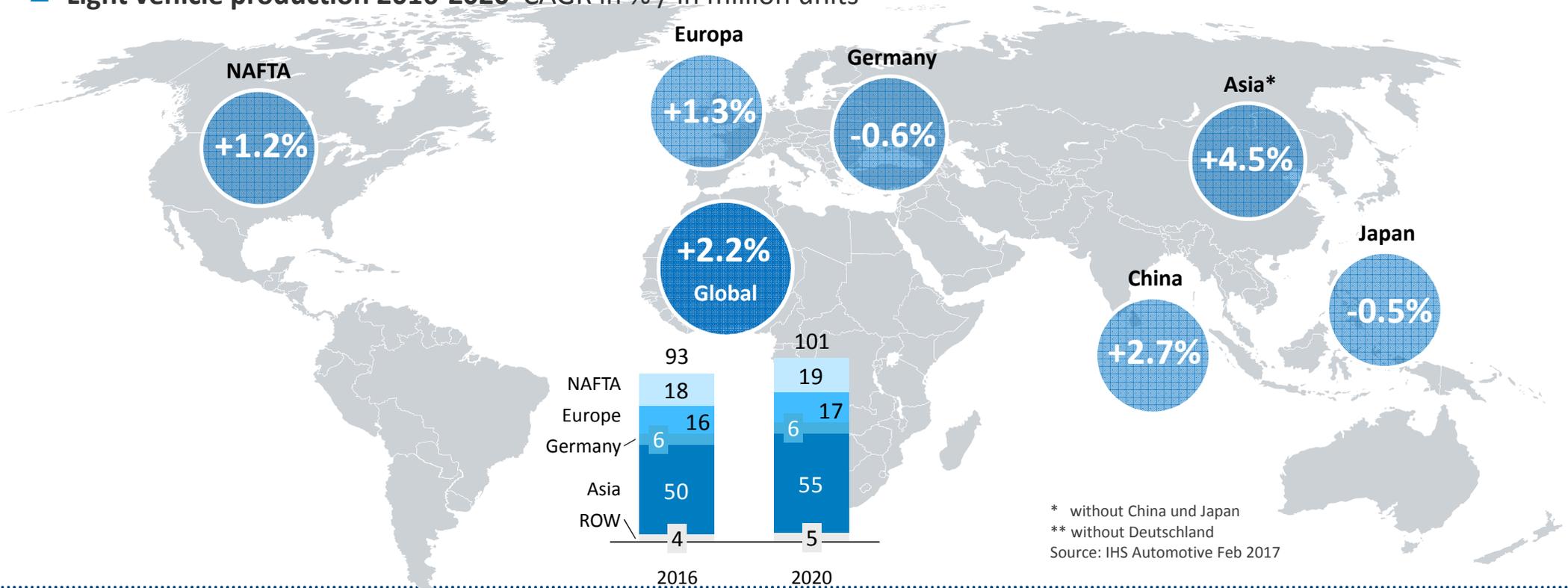
- Further internationalization of our Mechatronics business

#### Optimizing global footprint

- Continuously focus capacity management, especially in Hardparts

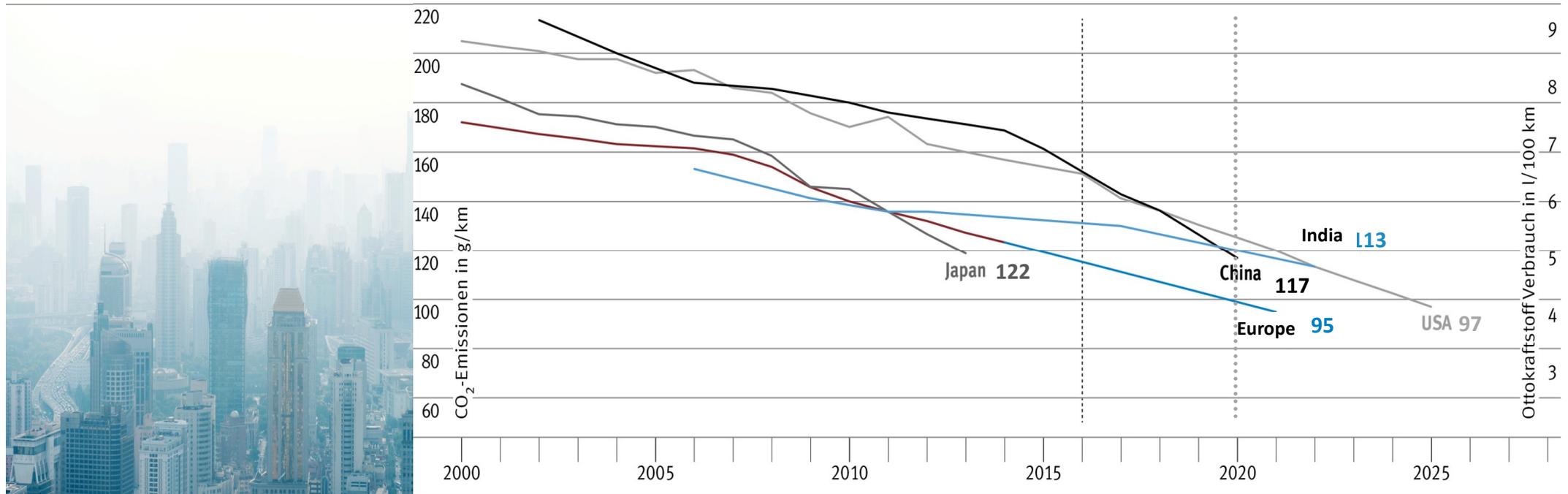
# Rising global light vehicle production

■ Light vehicle production 2016-2020 CAGR in % / in million units



# Governments will continue to demand reduction of CO<sub>2</sub> emissions

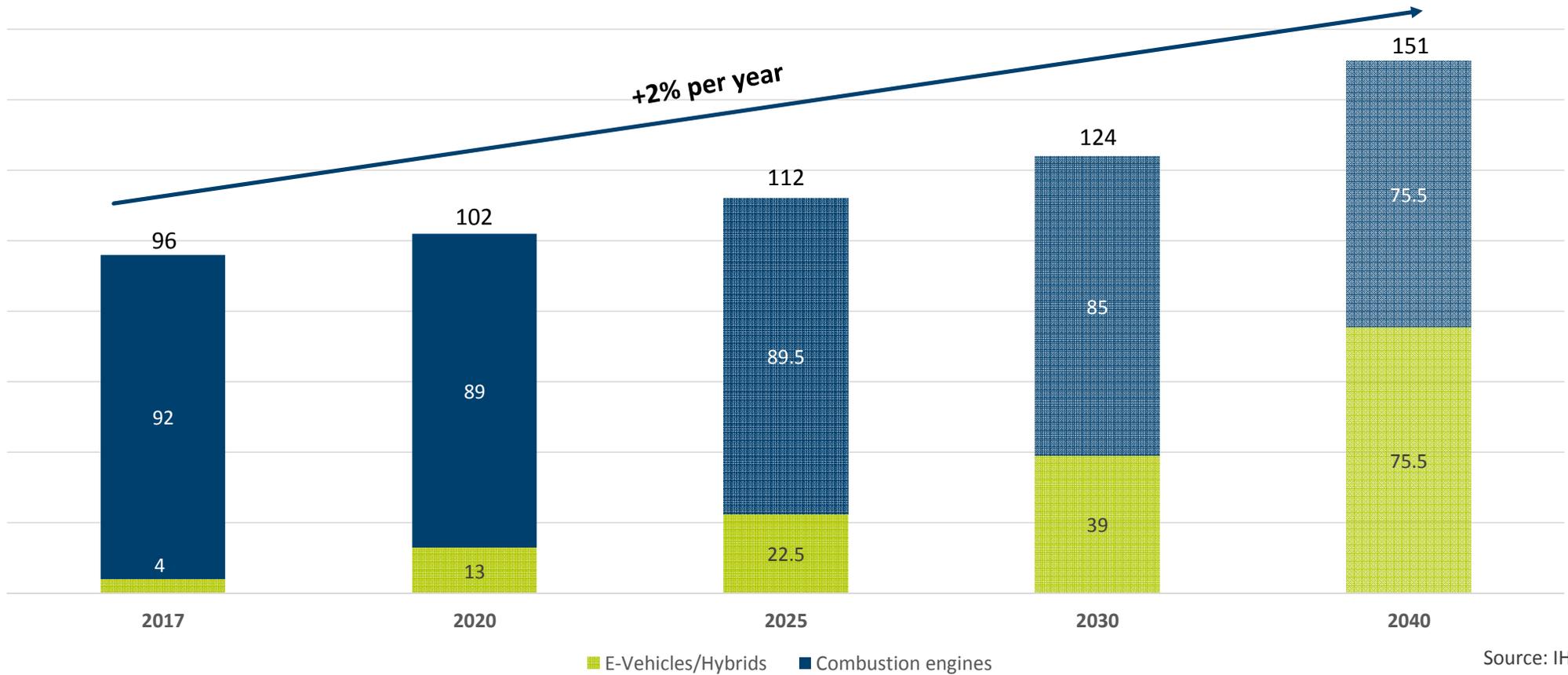
■ CO<sub>2</sub> emission in g/km



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

Source: ICCT

## Growth of electric vehicles/hybrids Based on LV production worldwide (in m)



Source: IHS

## Efficiency

# CO2 Reduction with Automotive Products – Gasoline Engine Vehicle



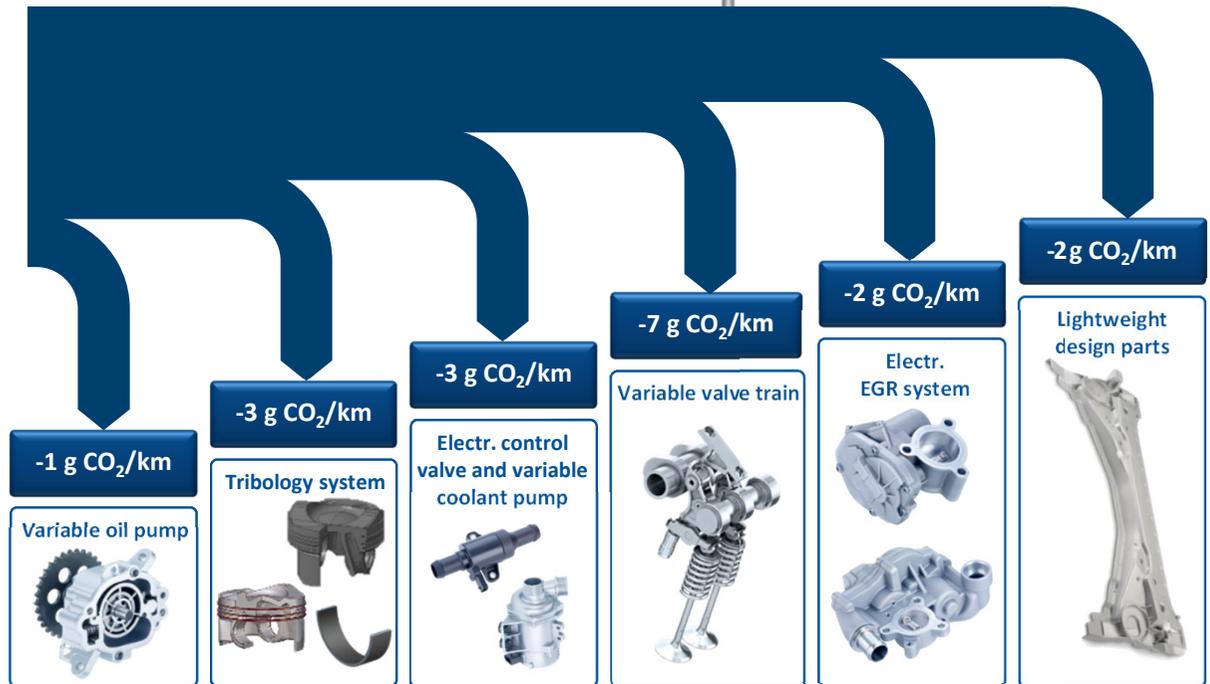
130 g  
CO<sub>2</sub>/km  
2015

95 g  
CO<sub>2</sub>/km  
2021

### Reference model

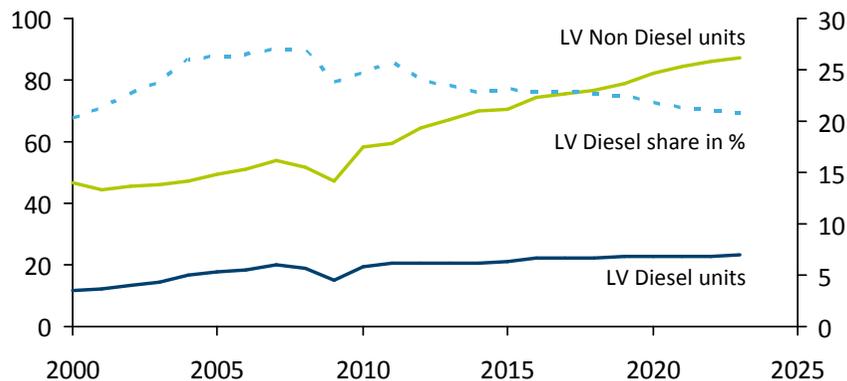
1.4L 4-cylinder  
TC DI gasoline engine (115kW)  
Approx. 138 g CO<sub>2</sub>/km in NEDC

**Rheinmetall Automotive Products**



## LV Diesel exposure limited; powertrain independence is the strategic target

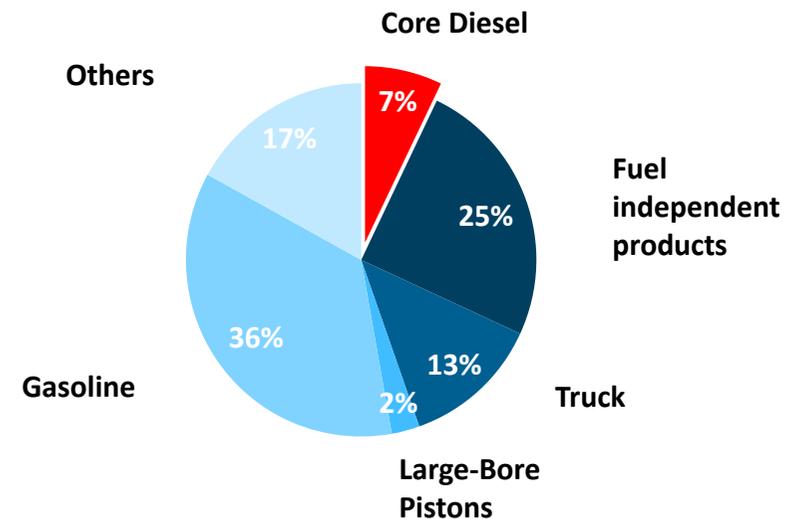
### ■ Combined global engine production forecast\*



### ■ 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 and to avoid penalties**

\* IHS: Combined Engine Production Forecast April 2017

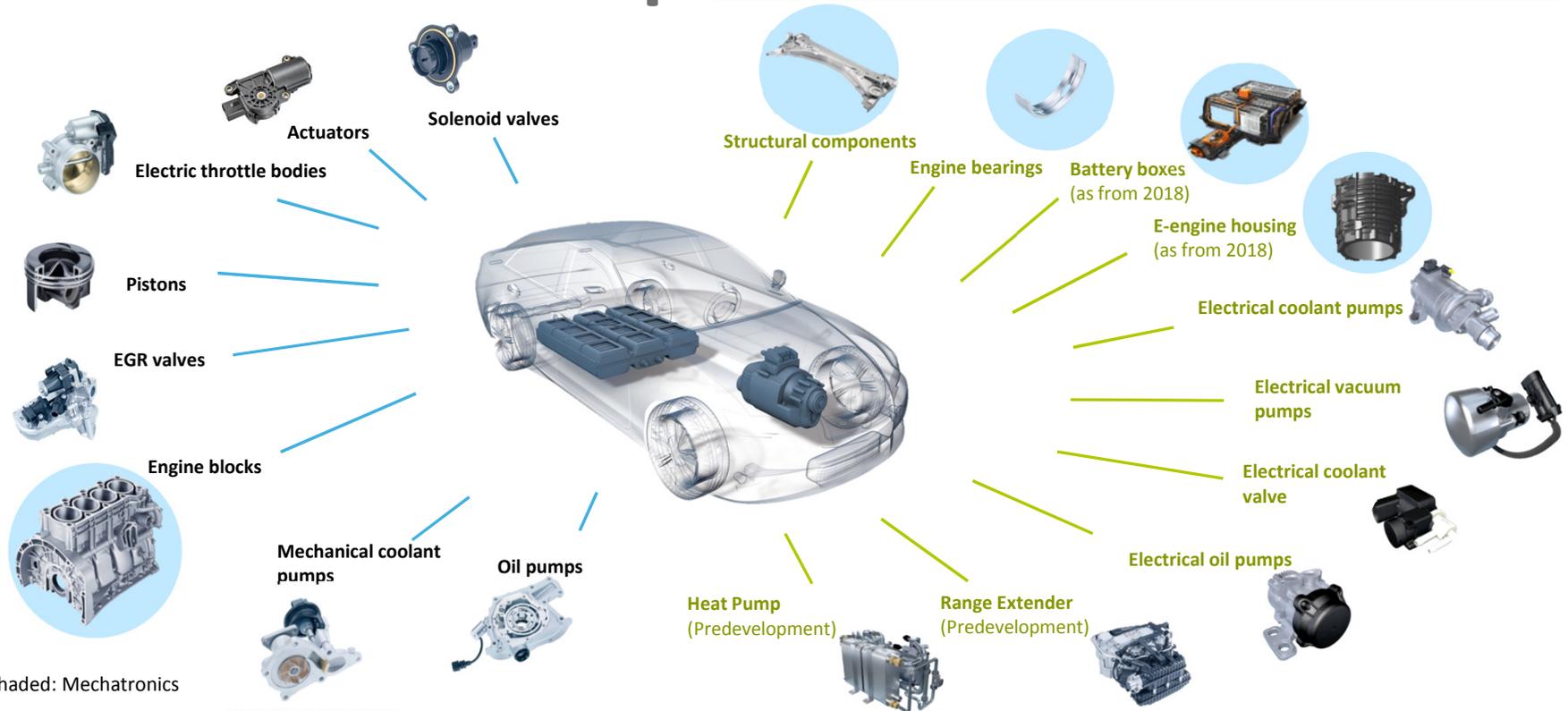
\*\* Rheinmetall Automotive sales FY 2016

# Broad product range for alternative drive systems

Enlarging the traditional product portfolio for combustion engines ...



... by products for hybrid and electric engines



# E-mobility competence underlined by contracts and by initiatives for new solutions

- **New products** for the International Motor Show (IAA) in Frankfurt, September 2017:

- **E-Mobility @ Rheinmetall Automotive:** E-Mobility Demonstrator

## E-traction motor



- High voltage motor
- Designed for smaller sized vehicles, but scalable in size

## Modular battery pack

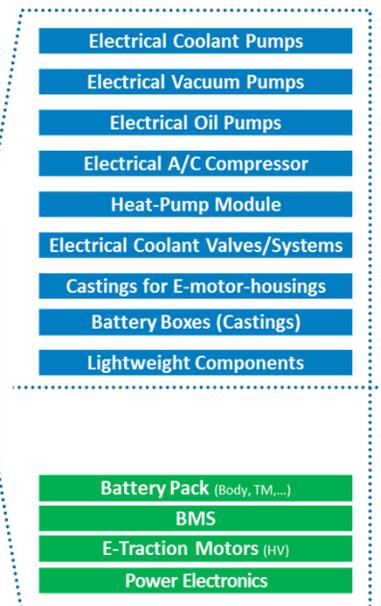


- Underfloor design with advantages for weight and space distribution
- Aluminum structure, protected with a composite-fiber structure developed by Rheinmetall Defence
- Integrated thermo-management

## Established Product Portfolio



## Expanded Product Portfolio



# Electrification Opportunities for all Types of Electrification (Hybrid – BEV – FCEV)

## Technology Fields

> Thermal Management

> Heating / Conditioning

> Comfort and Safety

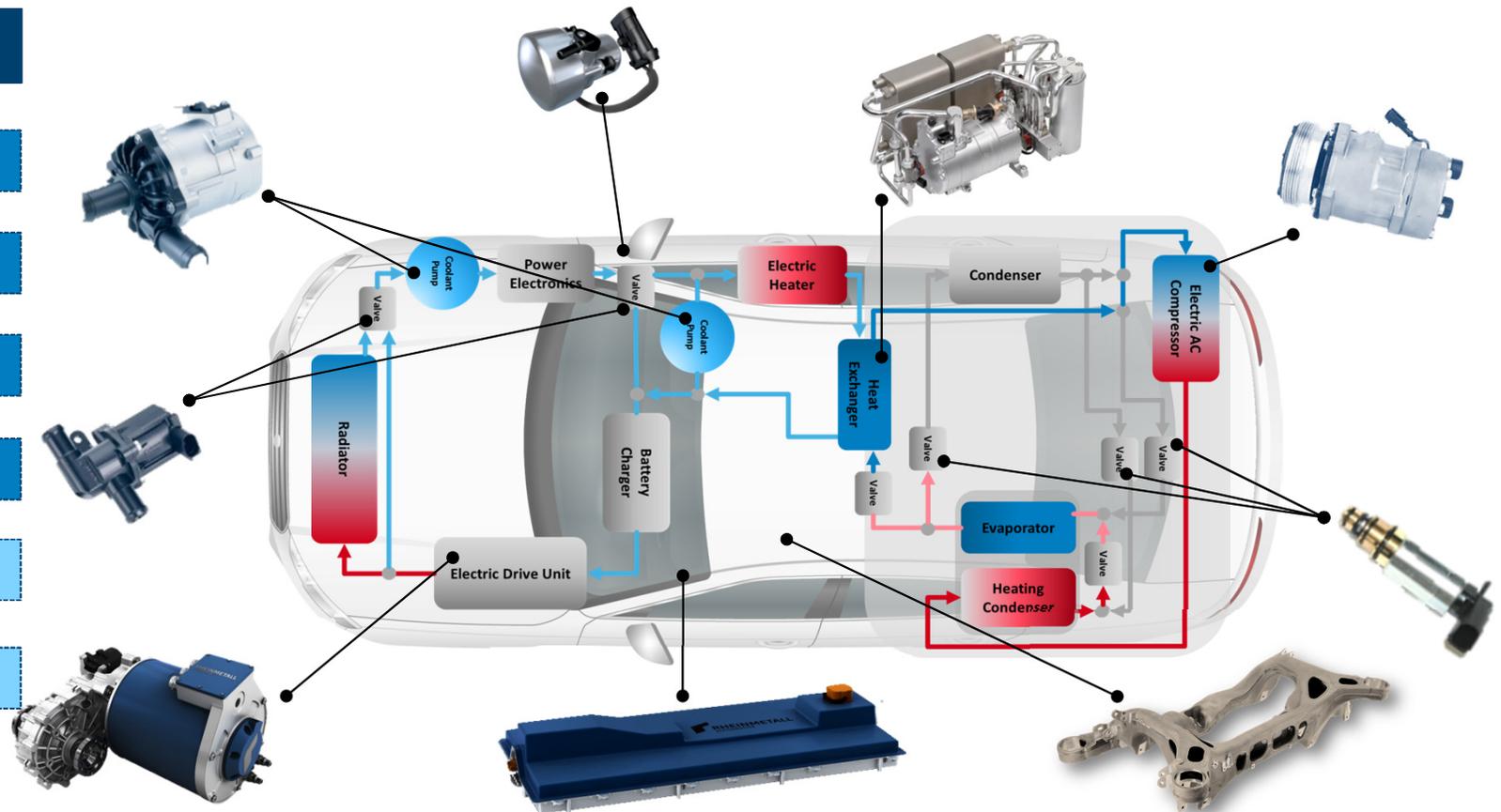
> Lightweight Design

> Propulsion System

> Energy Storage

■ Serial production

■ development



# E-mobility competence underlined by contracts and by initiatives for new solutions

## ■ Contract volume for electric vehicles (EV)\*

Product	Volume	Contract duration (Ø)
Battery EV	€~300 m	6 – 8 years
(Plugin) Hybrid EV	€~200 m	4 – 8 years

## ■ E-mobility competencies

- Thermo-management, including pump and valve technology
- Know-how in aluminum die-casting, e.g. for engine housings and battery packs
- Long term in-house e-motor competence
- Well-established market access to OEMs

### E-Taxi London

Pump technology for pure electric taxis



### Battery cell boxes

Aluminum battery boxes for German premium OEM



### Electric engine housing

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



\* Rheinmetall Automotive and Joint Ventures

# Markets with different growth focus: More than 40 locations with high focus on local needs

- Germany**  
Tamm  
Berlin  
Dormagen  
Hartha  
Langenhagen  
**Neckarsulm (Headquarters)**  
Neuss  
Neuenstadt  
Papenburg  
St. Leon-Rot  
Walldürn

- Czech Republic**  
Ústí n. L.  
Chabarovice

- Great Britain**  
Kirtlington

- France**  
Lyon  
Paris  
Thionville

- Spain**  
Abadiano

- Italy**  
Lanciano  
Livorno  
Turin

- USA**  
Auburn Hills  
Greensburg  
Greenville (Fountain Inn)  
Marinette

- Mexico**  
Celaya

- Brazil**  
Nova Odessa

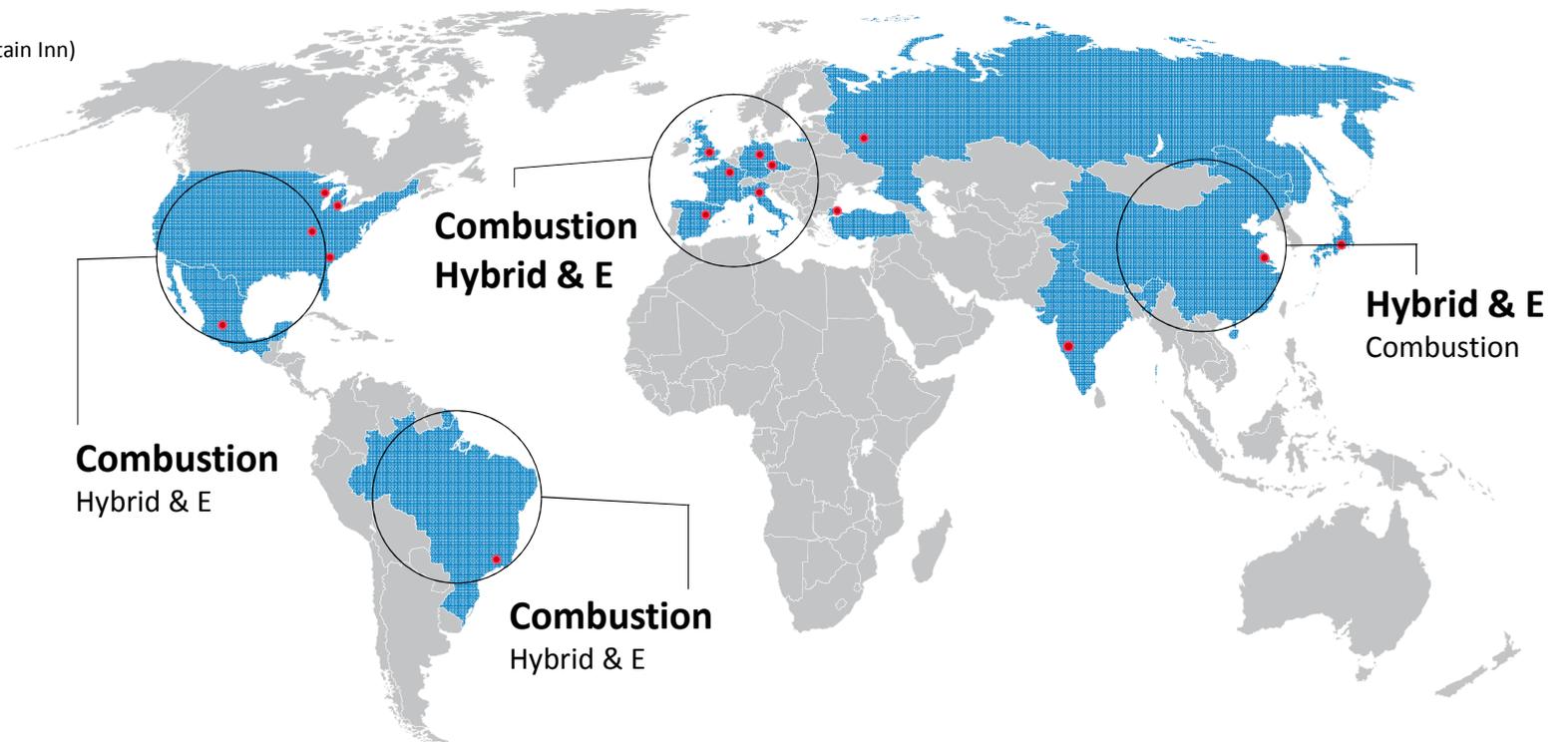
- Japan**  
Hiroshima  
Odawara  
Tokyo

- China**  
Shanghai (7)  
Kunshan (2)  
Yantai

- India**  
Pune  
New Delhi  
Supa

- Turkey**  
Istanbul

- Russia**  
Moscow



Including JVs in Neckarsulm und Greensburg / Yantai / Shanghai / Tokyo as well as the stake in the New Delhi enterprise and the sales offices

## Summary

### Markets and Customers:

Markets in better shape than anticipated, global LV production will grow by >2%  
Our global production and technology footprint will follow local needs  
Rheinmetall Automotive intends to outperform markets in future, too

### Performance and Products:

Sales growth at Mechatronics will follow the high demand for fuel-optimization products  
Hardparts will continue to optimize its global footprint, with the focus on generating cash  
Aftermarket: back on track with a new strategy, now set to return to former profitability

### New Mobility Concepts:

Trend to more efficiency and emission reduction promises higher content per car  
Electrification brings additional business and sales growth  
Product pipelines are still filled with innovations for every type of power trains



## Corporate presentation: **Rheinmetall Defence**

# Defence is a leading supplier with an increasing international presence

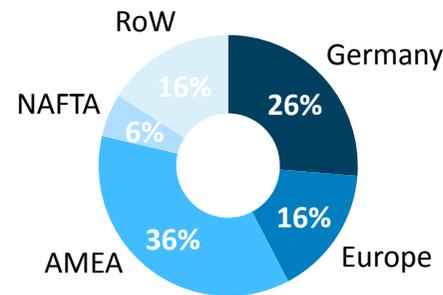
## Key Figures

Sales:	€2.9 bn
EBIT:	€147 m
EBIT margin:	4.9%
R&D:	€184 m
Capex:	€95 m
Headcount:	10,002

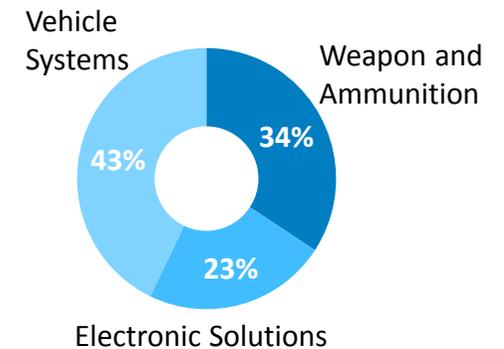
## Structure



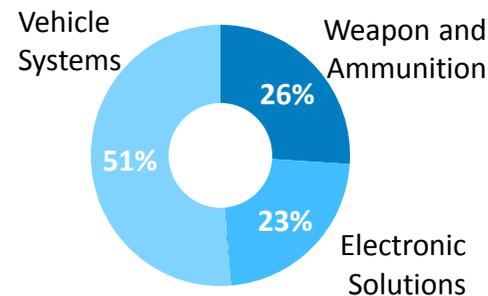
## Sales by region



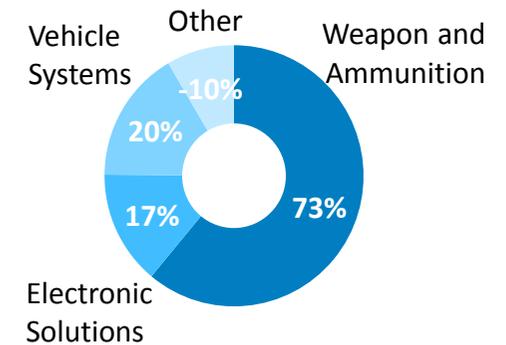
## Sales by division



## Order backlog by division



## EBIT by division



## Strategic goals of Rheinmetall Defence

### Strategic goals

#### Entering new markets

- Strategic partnerships to gain access to new markets
- Target markets close to traditional markets, e.g. public security

#### Enlarging internationalization

- Form partnerships with local suppliers to provide local content

#### Benefiting from home markets

- Business opportunities by increasing budgets in Germany and neighboring countries

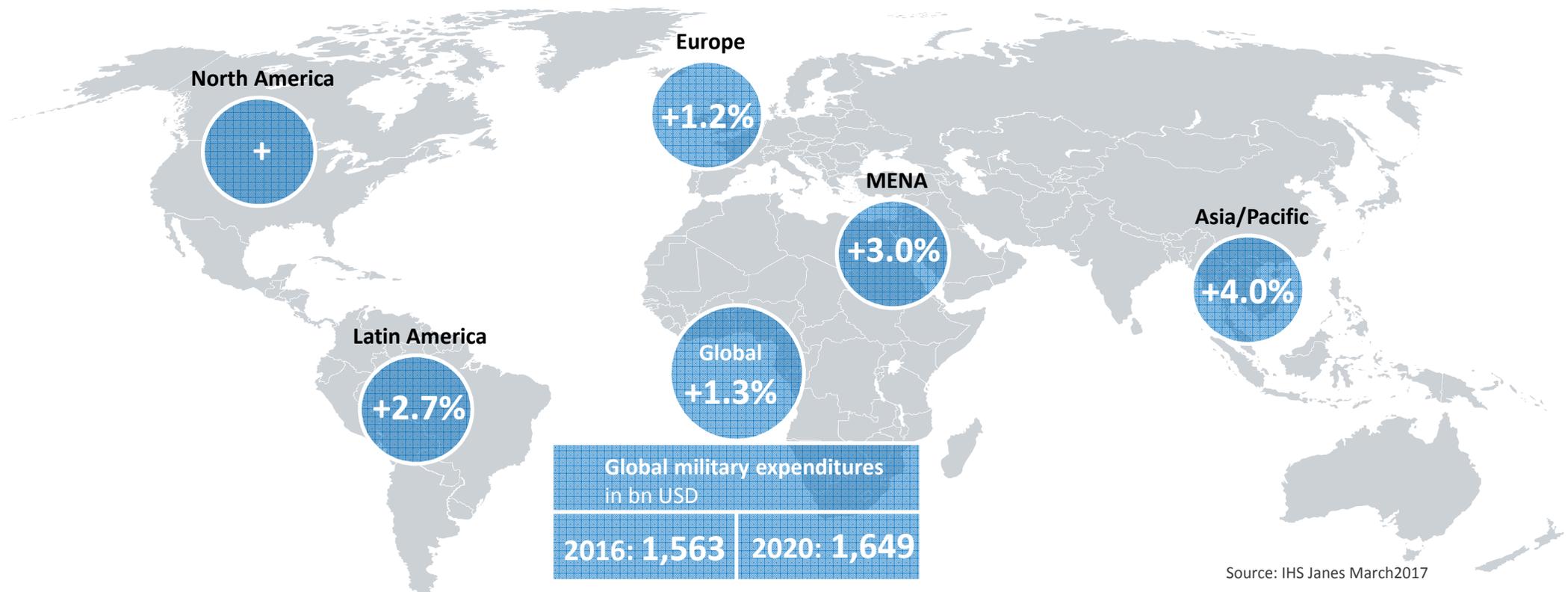
#### Creating innovations

- Armored vehicles and their weapons
- New technologies, e.g. laser technology
- IT-based networking



# Defence is at the beginning of long lasting market growth

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



Source: IHS Janes March2017

## Market growth based on several drivers

**NATO and international demand:**  
Generally increasing defence budgets

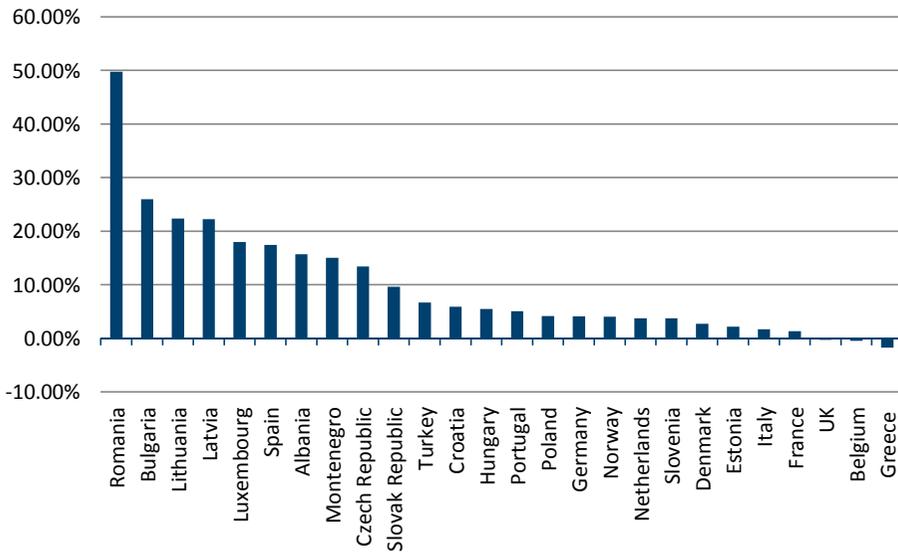
**EU defence policy**  
European defence union; European defence fund

**German domestic demand**  
From hollow structures to full equipment

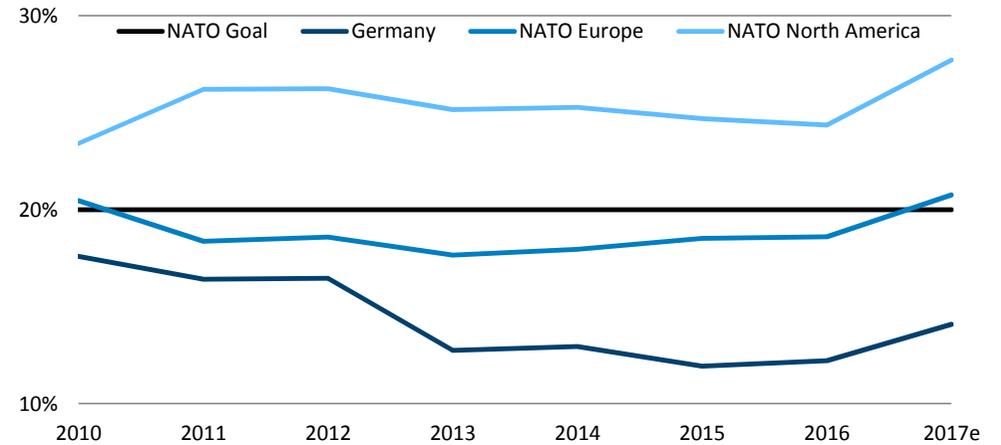
**Army 4.0:**  
Digitization of army equipment and communication

# EU member states en route to comply with NATO 2% target

■ Europe: Defence budget development in % 2017e\*



■ NATO equipment expenditure in % of total expenditure \*



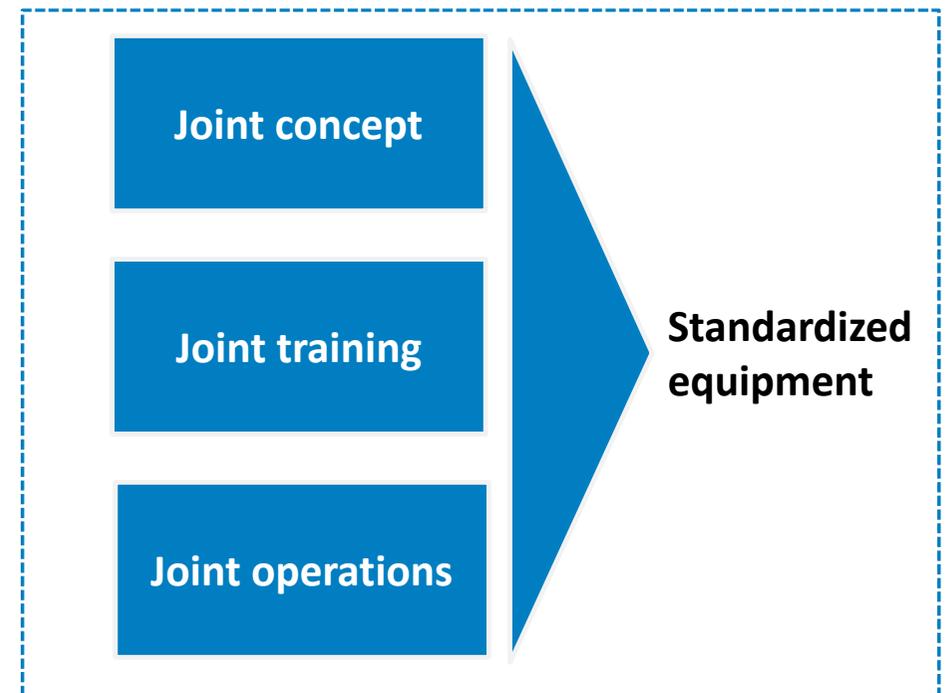
\* NATO 06/2017: Equipment expenditure as a share of defence expenditure based on 2010 prices and currencies

# NATO and international demand: Framework nation concept triggers standardization of equipment

## ■ Framework nation concept



- German initiative
- Framework nation provides basic military structures (incl. logistical and command structures)
- Smaller states contribute special capabilities
- Nucleus for EU army



# NATO and international demand (current tender): UK and Australian vehicle programmes



## UK Mechanised Infantry Vehicle

- 500 8x8 Boxer Utility Vehicles
- Total Value > GBP3 bn
- Decision on tender process pending – collaborative via OCCAR or competition
- Assessment phase expected to begin in 2018

## Challenger Upgrade

- 227 vehicles with total value of GBP685 m
- 10 year life extension End of program in 2035
- Rheinmetall and BAE final competitors
- Assessment phase contract awarded Dec '16 (GBP23 m)

### Next steps:

- Finalization of assessment and final tender in Dec '18
- Decision scheduled for end of Q2 2019

## LAND 121 Phase 3b

- Around 2,500 vehicles and 3,000 modules
- Total Value: AUD 1.9 bn
- Delivery in process

## LAND 121 Phase 5b

- Around 1,100 vehicles and 700 modules
- Follow up order to Phase 3b
- Tender submitted in August 2017

## LAND 400 Phase 2

- 225 vehicles
- Total value: AUD 4 bn
- Rheinmetall: Boxer
- BAE/Patria final competitor

## LAND 400 Phase 3

- Up to 467 tracked vehicles, thereof 365 Infantry Fighting Vehicles
- Lynx
- At least three competitors

## EU defence policy: EU brought defense matters back on the agenda



### Drivers for European defense politics

- Gain strategic autonomy
- Improve efficiency and interoperability
- Increase EU industry competitiveness

### European Council decision

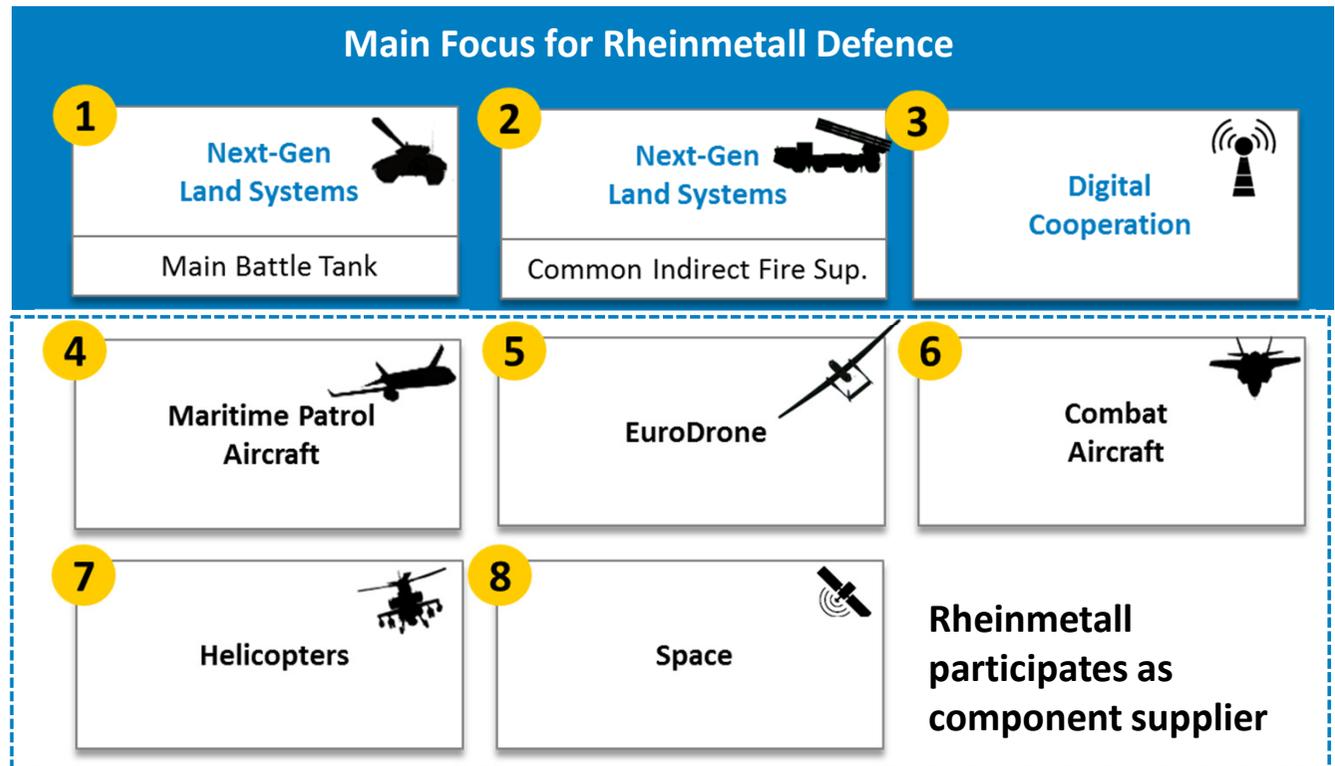
- Permanent structured cooperation (PESCO)
- European Defence Fund (€1.5 bn p.a. post 2020)
- Coordinated annual review on defence (CARD)

 **In Q3 2017 Rheinmetall set up  
Brussels liaison office**

# EU defence policy: Franco-German initiative with a project basket of approx. €175 bn



## Franco-German lighthouse projects



## German domestic demand: German MoD initiated three trend reversals



### Personnel

- Mid-term return to 220,000 soldiers

### Equipment

- Full equipment level
- Long-term structural reinforcement (new division)

### Budget

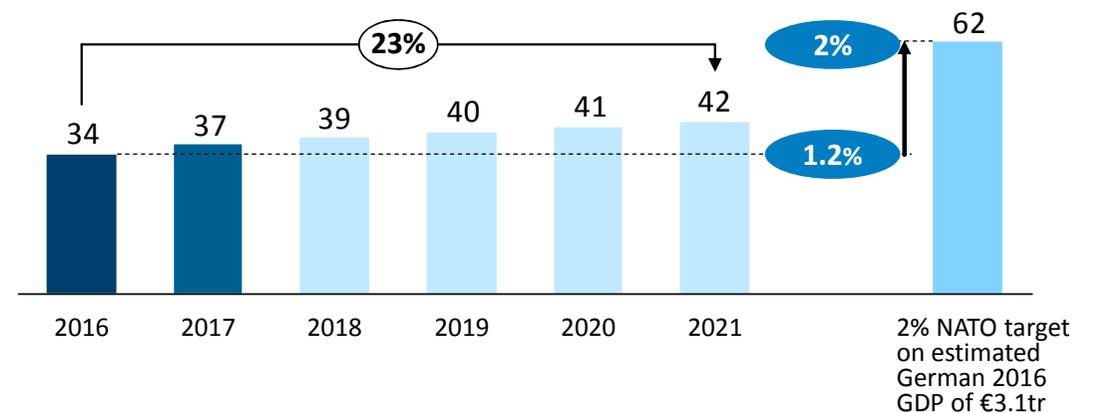
- Increase of defence budgets
- €130 billion investment until 2030

## Germany is one of 22 NATO states increasing 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\*



## German domestic demand: German army with new role as lead nation for VJTF



### Very High Readiness Joint Task Force (VJTF)

- VJTF „the spearhead“ as part of the NATO Response Force
- Multinational brigade with 5 battalions (5.000 troops)
- Rotating lead nations
- Start of operation in 2017
- Germany will take on lead nation role in 2019 and 2023

**➔ Higher equipment requirements!**

# German domestic demand (mid and long-term): Additional structural demand of German army under discussion

## ■ Vehicles – mid-term potential



Fox



Boxer



Trucks



Puma

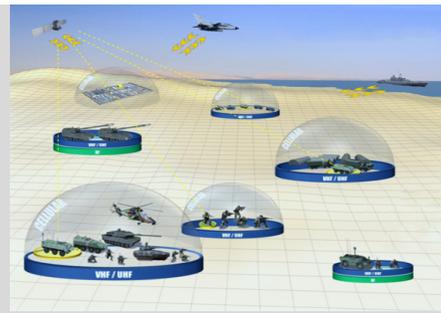
## ■ Equipment and ammunition – multi billion programs



NNBS (Short air defence)



TLVS (Tactical air defence)



MoTaKo



Ammunition

## 2017 marked by important strategic partnerships



### Scope

Joint bid for MoTaKo /MoTIV project

Various areas of cooperation under analysis

Cooperation agreement for drive by wire technology in military and dual use applications incl. civilian emergency response vehicles

Partnering agreement for the Bundeswehr assault rifle RS 522

### Status

JV agreement signed Sep 2017 (74.9% Rheinmetall)

“Strategic collaboration agreement “ signed end of June with defined work share, exclusivity for German market

Agreement signed Sep 2017

Agreement signed Jan 2017

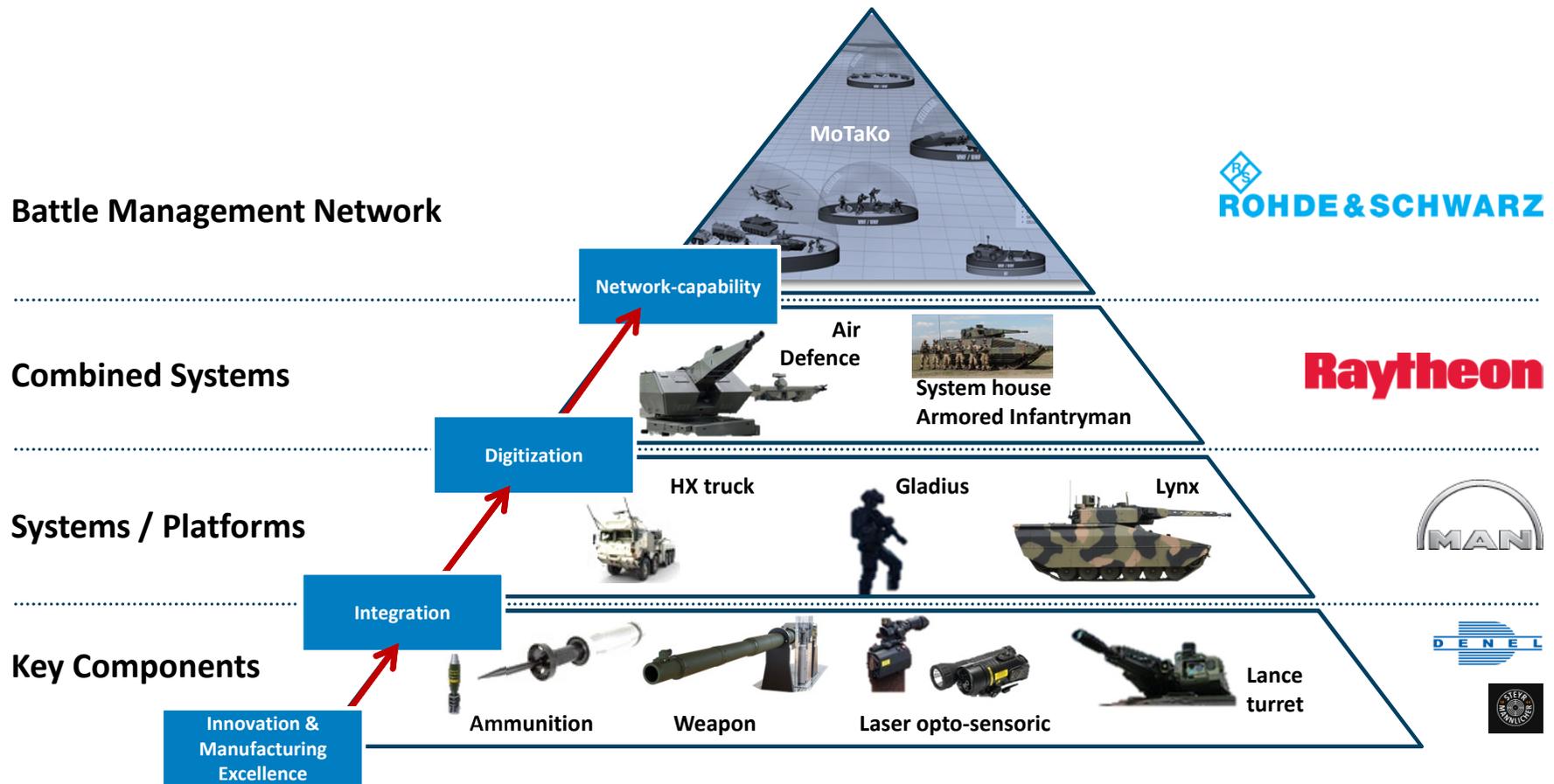
### Timing

Tender process starts 2019  
Decision expected Q4 2020

3 years global exclusivity

Tender submitted May 2017  
Decision expected H1 2019

# Army 4.0: Rheinmetall integrates components to systems

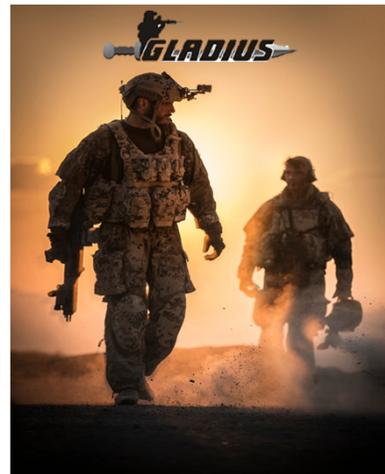


# Army 4.0: Soldier systems build the foundation of all digitization

## System Infantry



Battle Management System



## Armored Infantrymen

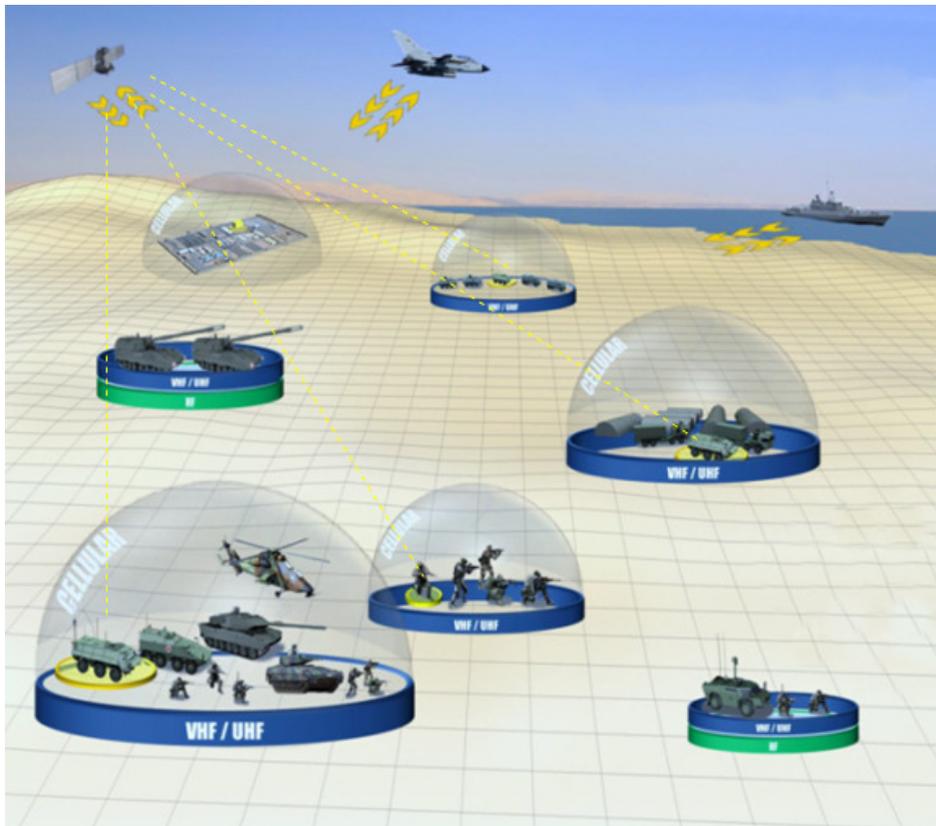


# Army 4.0: SENECA – Latest development to enhance effectiveness of combatants

## ■ Sensor Effector Network for Enhanced Combat Applications



# Army 4.0: MoTaKo / MoTIV will propel the German Army into the digital future



## JV-share and core capabilities

Rheinmetall (74.9%):

- Command systems
- Cross-functional operator interface
- Vehicle integration

Rohde & Schwarz (25.1%):

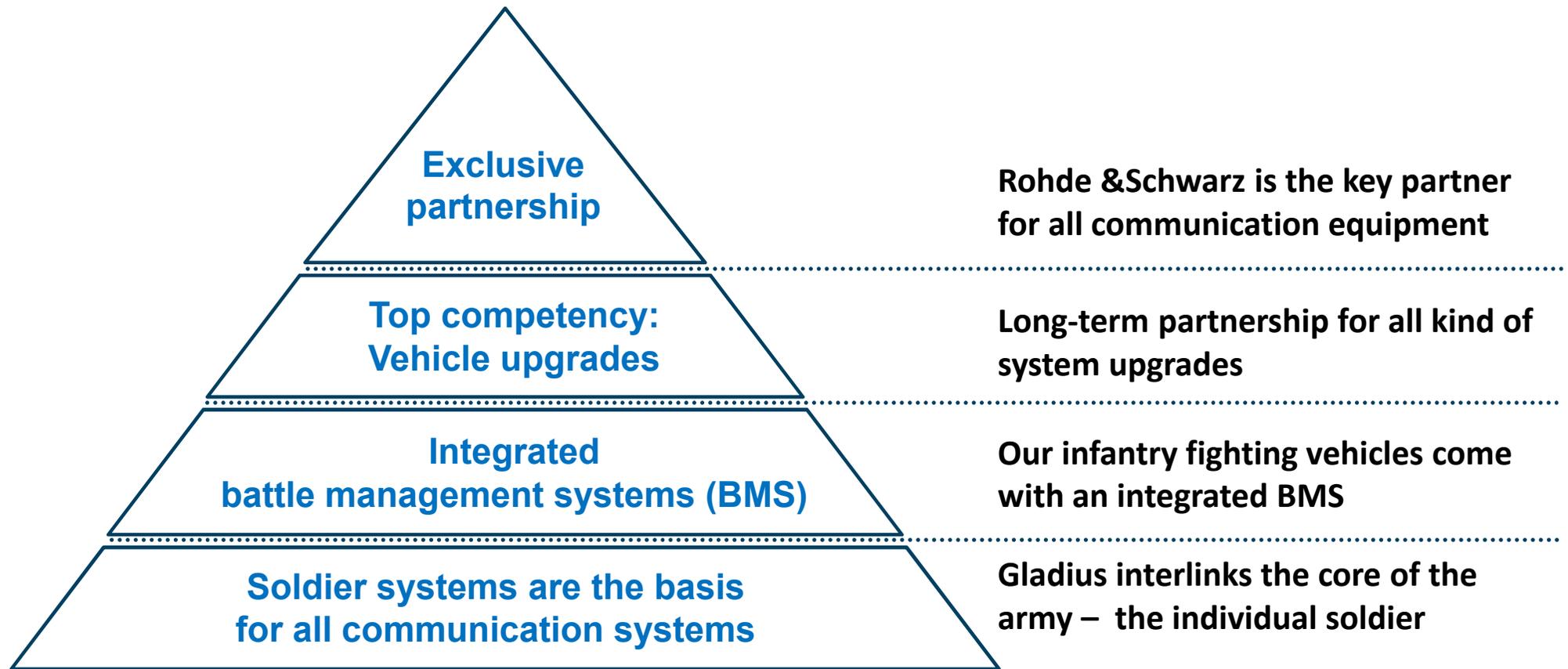
- Communication system architecture, IP based solution for voice and data transmission
- Incorporation of third party components and solutions

## Scope and Timeline

- Most important strategic procurement project for the German army
- Total value exceeds € 5 bn
- Tender process starts 2019
- Start of production Q2 2021

Mobile Taktische Kommunikation  
Mobiler Taktischer InformationsVerbund

## Army 4.0: MoTaKo/MoTIV: What supports our ambition?





## Corporate Presentation: **Appendix**

## Selected key data: outlook 2017

Rheinmetall Group		Automotive	Defence
Holding cost	~€20 – 25 m	Capex*	~3 - 4%
Tax rate	~30%	D & A*	~3 - 3.5%
		R & D*	~2 - 3%
Financing:	<ul style="list-style-type: none"> <li>▪ Bond €500 m (5.25% coupon) redeemed in September 2017</li> <li>▪ EIB loan €250 m (0.962% coupon) maturing in August 2023</li> </ul>		
Rating:	<ul style="list-style-type: none"> <li>▪ Ba1 (positive outlook) Moody's</li> </ul>		

\* as percentage of sales

## Group 2012 – 2016: Key figures

in EUR million		2012	2013	2014	2015	2016
<b>Balance sheet</b>	<b>Total assets</b>	4,899	4,866	5,271	5,730	<b>6,124</b>
	<b>Shareholder's equity</b>	1,465	1,339	1,197	1,562	<b>1,781</b>
	<b>Equity ratio (in %)</b>	29.9	27.5	22.7	27.3	<b>29.0</b>
	<b>Pension liabilities</b>	919	891	1,121	1,128	<b>1,186</b>
	<b>Net financial debt</b>	98	147	330	81	<b>-19</b>
	<b>Net gearing (in %)</b>	6.7	11.0	27.6	5.2	<b>1.1</b>
<b>Income statement</b>	<b>Sales</b>	4,704	4,417	4,688	5,183	<b>5,602</b>
	<b>Operating result</b>	268	211	160	287	<b>353</b>
	<b>Operating margin (in %)</b>	5.7	4.8	3.4	5.5	<b>6.3</b>
	<b>EBITDA</b>	490	315	299	490	<b>581</b>
	<b>EBIT</b>	296	121	102	287	<b>353</b>
	<b>EBIT margin (in %)</b>	6.3	2.7	2.2	5.5	<b>6.3</b>
	<b>EBT</b>	216	45	22	221	<b>299</b>
	<b>Net income after minorities</b>	173	29	18	151	<b>200</b>
	<b>Earnings per share (in EUR)</b>	4.55	0.75	0.47	3.88	<b>4.69</b>
	<b>Dividend per share (in EUR)</b>	1.80	0.40	0.30	1.10	<b>1.45</b>
	<b>ROCE (in %)</b>	11.5	4.7	3.9	10.1	<b>12.3</b>
<b>Cash flow statement</b>	<b>Free cash flow from operations</b>	125	20	-182	29	<b>161</b>
<b>Headcount</b>	<b>Employees (Dec 31) according to capacity</b>	21,767	20,264	20,166	20,676	<b>20,993</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 2012 – 2016 Key figures

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

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

## Income statement Group

In EUR million			Income Statement					
	Q3 '16	Q3 '17	Δ		Q3 '16	Q3 '17	Δ	
<b>Total operating performance</b>	<b>1,385</b>	<b>1,407</b>	<b>22</b>	→	<b>Net operating income (EBIT)</b>	<b>79</b>	<b>75</b>	<b>-4</b>
					Net interest income	1	3	2
					Interest expenses	- 15	- 13	2
Other operating income	26	19	-7		<b>Earnings before tax (EBT)</b>	<b>65</b>	<b>65</b>	<b>0</b>
Cost of materials	774	730	-44		Income tax	- 19	- 22	-3
Personnel expenses	346	384	38		<b>Net income</b>	<b>46</b>	<b>43</b>	<b>-3</b>
Amortization, depreciation and imp	52	59	7		of which:			
Other operating expenses	164	179	15		Minority interest	4	7	3
Income from companies carried at €	6	7	1		Rheinmetall shareholders	42	36	-6
Other financial results	-2	-6	-4					
<b>Net operating income</b>	<b>79</b>	<b>75</b>	<b>-4</b>		<b>EBITDA</b>	<b>131</b>	<b>134</b>	<b>3</b>

## Cash flow statement Group

In EUR million

### Cash Flow Statement

	9m 2016	9m 2017	Δ		9m 2016	9m 2017	Δ
<b>Net Income</b>	<b>99</b>	<b>122</b>	<b>23</b>				
Amortization, depreciation and impairment	161	171	10				
Dotation of CTA	-30	-30	0				
Changes in pension provisions	1	-6	-7				
Income from disposal of non-current assets	0	0	0				
Changes in other provisions	43	80	37				
Changes in inventories	-174	-142	32				
Changes in receivables, liabilities(w/o financial debts) and prepaid & deferred items	-217	-201	16				
Pro rata income from investmenst carried at equity	-18	-12	6				
Dividends received from investments carried at equity	8	3	-5				
Other non-cash expenses and income	-1	-5	-4				
<b>Cash flows from operating activities</b>	<b>-128</b>	<b>-20</b>	<b>108</b>				
Investments in assets	-174	-155	19				
Cash receipts from the disposal of assets	1	2	1				
Payments for the purchase of liquid financial assets	-152	-213	-61				
Cash receipts from the disposal of liquid financial assets	117	363	246				
Investments in consolidated companies and other financial assets	-13	0	13				
Payments for investments in consolidated companies and other financial assets	2	-9	-11				
<b>Cash flow from investing activities</b>	<b>-219</b>	<b>-12</b>	<b>207</b>				
				Capital payment to/ capital contribution by non-controlling interests	-8	-10	-2
				Increase in shares in consolidated subsidiaries	0	0	0
				Dividends paid out bei RHM AG	-47	-62	-15
				Capital contributions by non-controlling interests	0	4	4
				Shares issued	4	4	0
				Borrowing of financial debts	69	401	332
				Repayment of financial debts	-53	-537	-484
				<b>Cash flow from financing activities</b>	<b>-35</b>	<b>-200</b>	<b>-165</b>
				Changes in financial resources	-382	-232	150
				Changes in cash and cash equivalents due to exchange rates	0	-14	-14
				Total change in financial resources	-382	-246	136
				<b>Opening cash and cash equivalents January 1</b>	<b>691</b>	<b>616</b>	<b>-75</b>
				<b>Closing cash and cash equivalents September 30</b>	<b>309</b>	<b>370</b>	<b>61</b>

## Balance Sheet Group

In EUR million

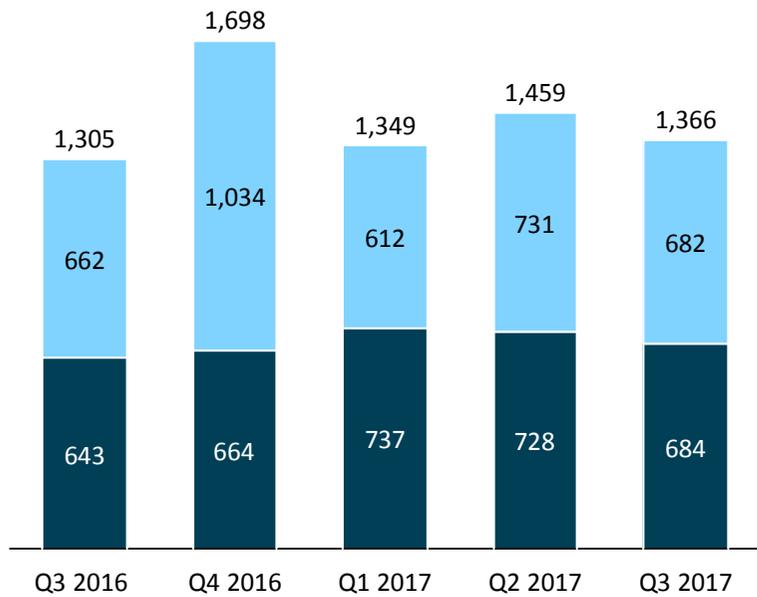
### Balance Sheet

	31.12.'16	30.09.'17	Δ		31.12.'16	30.09.'17	Δ
<b>Non-current assets</b>	<b>2,762</b>	<b>2,715</b>	-47	<b>Equity</b>	<b>1,781</b>	<b>1,811</b>	30
Intangible assets	819	798	-21	Share capital	112	112	0
Property, plant and equipment	1,378	1,340	-38	Additional paid-in capital	532	540	8
Investment property	53	55	2	Retained earnings	1074	1082	8
Investments carried at equity	240	249	9	Treasury shares	-32	-25	7
Other non-current assets	36	52	16	Rheinmetall AG shareholders' equity	1686	1709	23
Deferred tax assets	236	221	-15	Minorities	95	102	7
<b>Current assets</b>	<b>3,388</b>	<b>3,210</b>	-178	<b>Non-current liabilities</b>	<b>1,629</b>	<b>1,948</b>	319
Inventories (net)	1,098	1,218	120	Provision for Pensions and similar obligatio:	1186	1104	-82
Trade receivables	1,306	1,353	47	Other provisions	135	170	35
Other financial assets	43	41	-2	Financial debts	220	584	364
Other receivables and assets	125	142	17	Other liabilities	56	70	14
Income tax receivables	10	46	36	Deferred tax liabilities	32	20	-12
Cash and cash equivalents	806	410	-396	<b>Current liabilities</b>	<b>2,740</b>	<b>2,166</b>	-574
				Other provisions	516	551	35
				Financial debts	567	68	-499
				Trade liabilities	766	791	25
				Other liabilities	838	650	-188
				Income tax liability	53	106	53
<b>Total assets</b>	<b>6,150</b>	<b>5,925</b>	-225	<b>Total liabilities</b>	<b>6,150</b>	<b>5,925</b>	-225

## Quarterly development Group

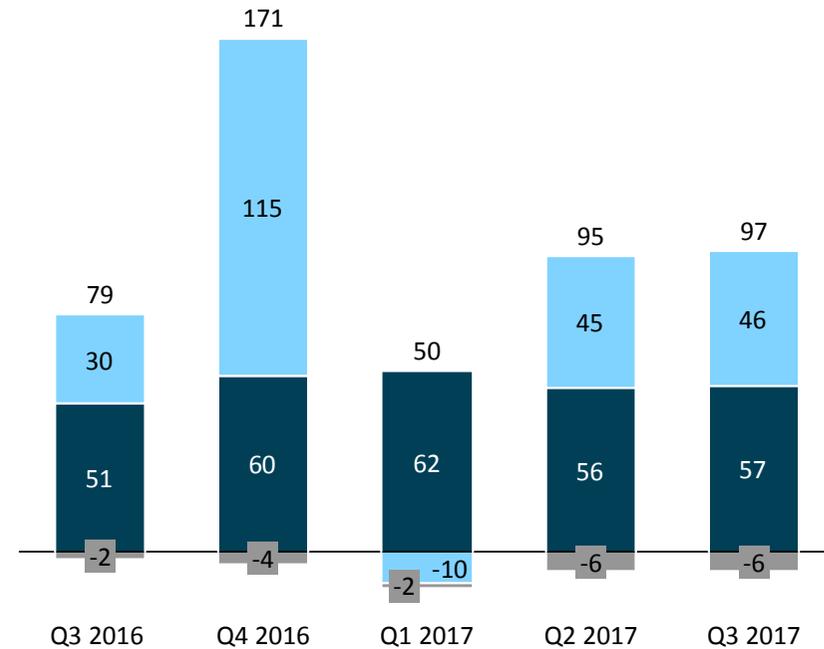
### Sales

in EUR million



### Operational results

in EUR million



■ Defence ■ Automotive ■ Consolidation/Others

## Cash Flow Statement Group

in EUR million	Q3 2016	9m 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	9m 2017	Δ Q3 2016/2017	Δ 9m 2016/2017
Group Net Income	46	99	116	28	51	43	122	-3	23
Amortization / depreciation	52	161	67	57	55	59	171	7	10
Change in pension accruals	-	-14	-	-34	-3	1	-36	1	-22
<b>Cash Flow</b>	<b>98</b>	<b>246</b>	<b>183</b>	<b>51</b>	<b>103</b>	<b>103</b>	<b>257</b>	<b>5</b>	<b>11</b>
Changes in working capital and other items	-1	-374	389	-207	-34	-36	-277	-35	97
<b>Net cash used in operating activities</b>	<b>98</b>	<b>-128</b>	<b>572</b>	<b>-156</b>	<b>69</b>	<b>67</b>	<b>-20</b>	<b>-31</b>	<b>108</b>
Cash outflow for additions to tangible and intangible assets	-62	-174	-109	-43	-50	-62	-155	-	19
<b>Free Cash Flow from Operations</b>	<b>36</b>	<b>-302</b>	<b>463</b>	<b>-199</b>	<b>19</b>	<b>5</b>	<b>-175</b>	<b>-31</b>	<b>127</b>

# Equity and pension liabilities

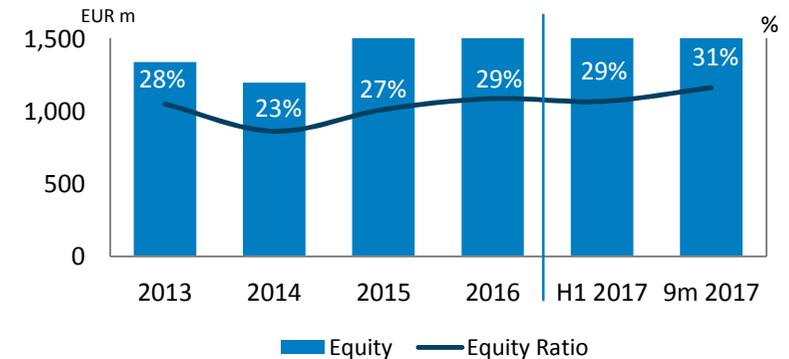
## Financial solidity materially improved

### Drivers

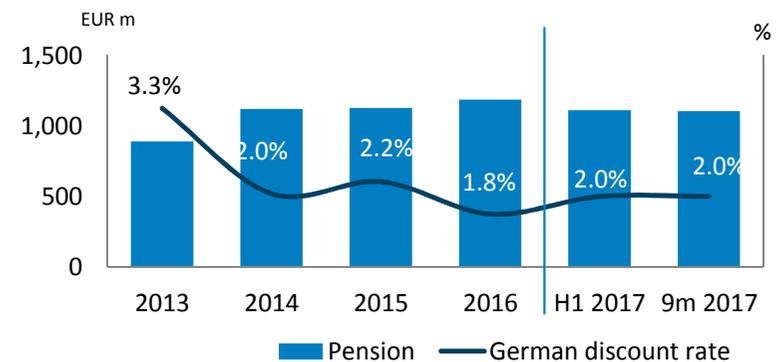
- Confidence increased by delivery on our targets
- Capitalizing on our restructuring efforts
- Achievement of a solid equity ratio
- Pension stabilized on further CTA funding
- Supportive market environment in both segments

**Credit rating Ba1 with outlook positive since August 2017**

### Equity and Equity ratio

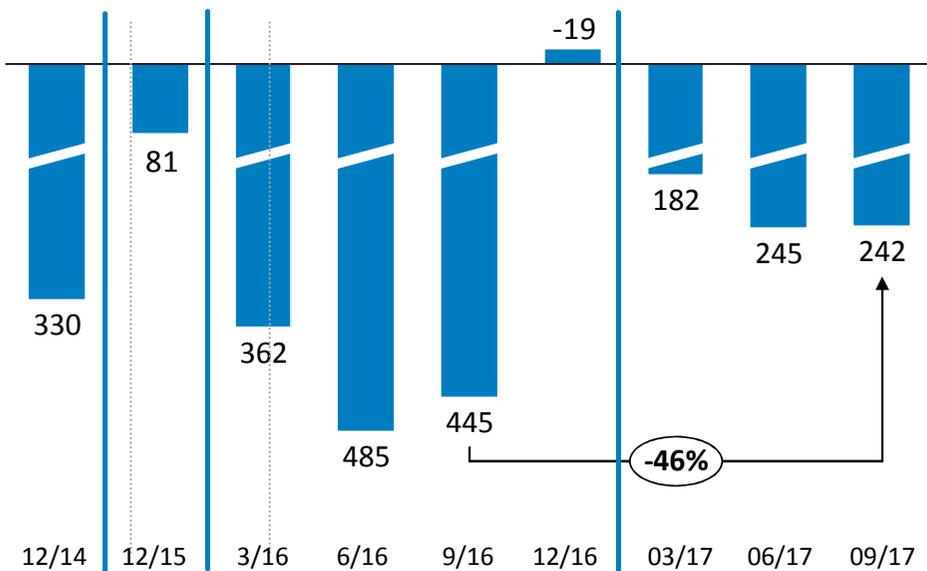


### Pension liabilities and German discount rate

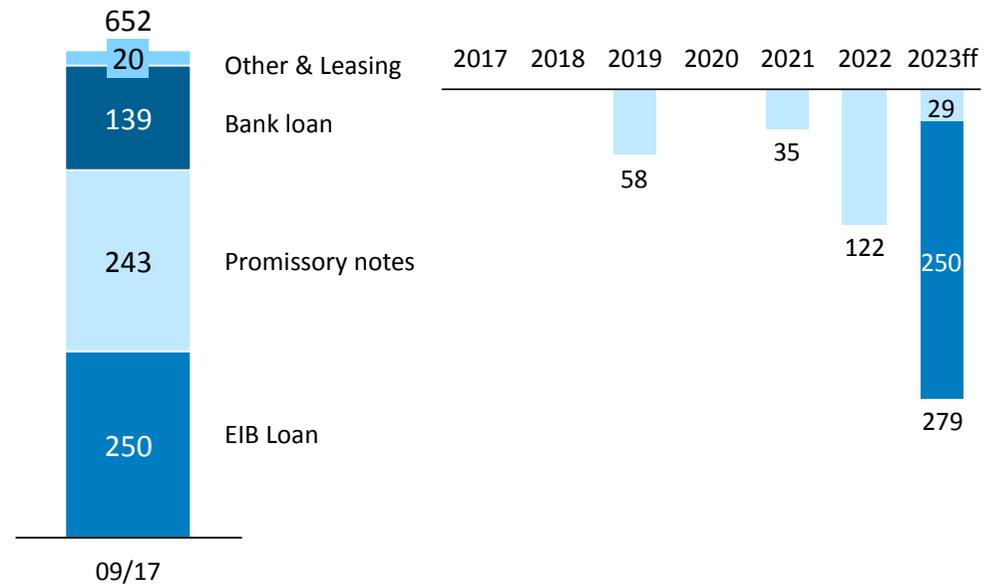


# Net-financial debt considerably improved on positive cash development

**Net-financial debt**  
in EUR million at quarter end

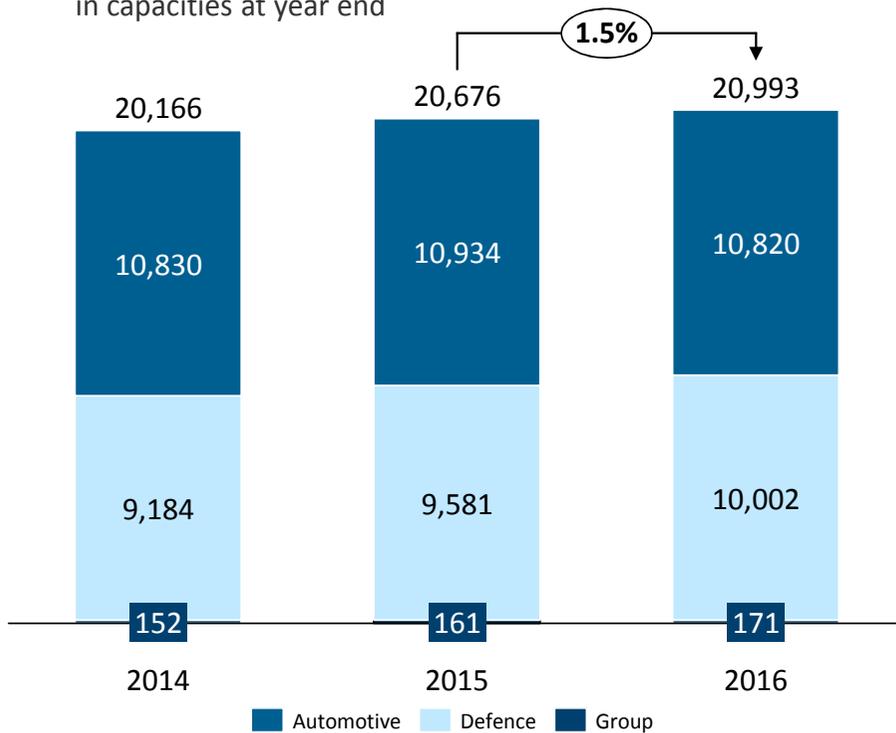


**Debt composition and maturity profile of instruments**  
in EUR million

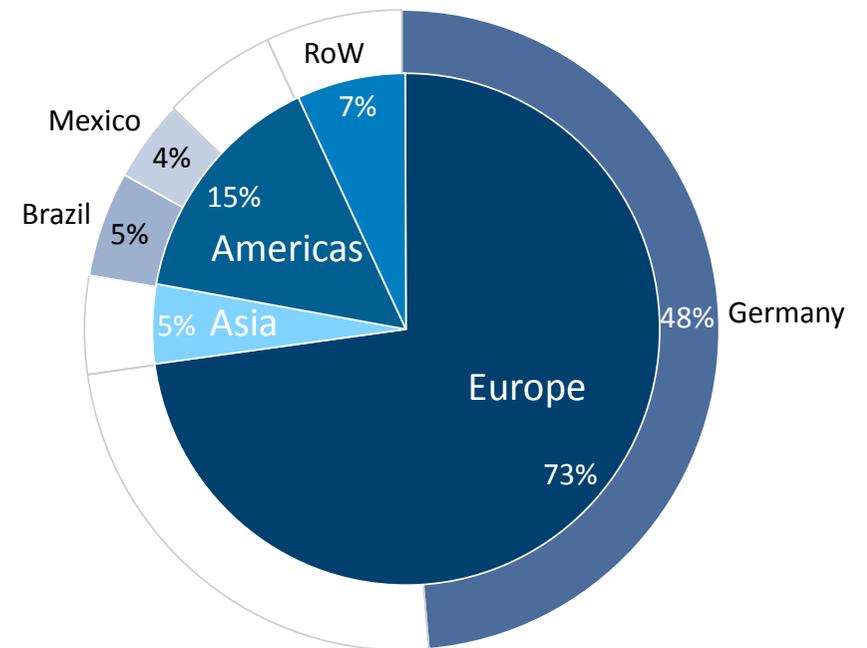


## Moderate headcount increase to accompany growth

**Headcount per segment**  
in capacities at year end

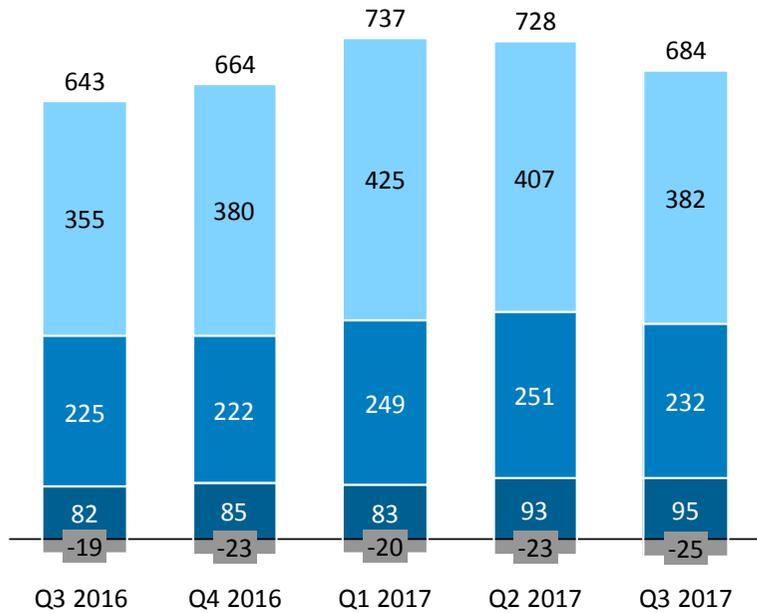


**Headcount per region**  
in capacities at year end

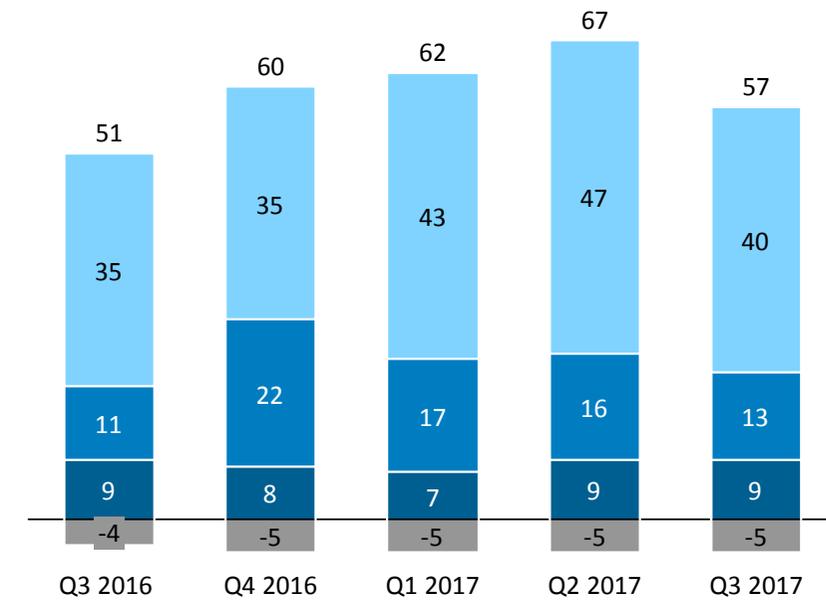


# Quarterly development Automotive

**Sales by division**  
in EUR million



**Operational results by division**  
in EUR million



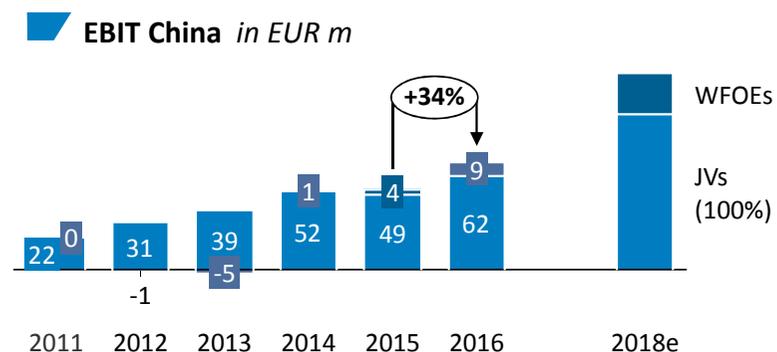
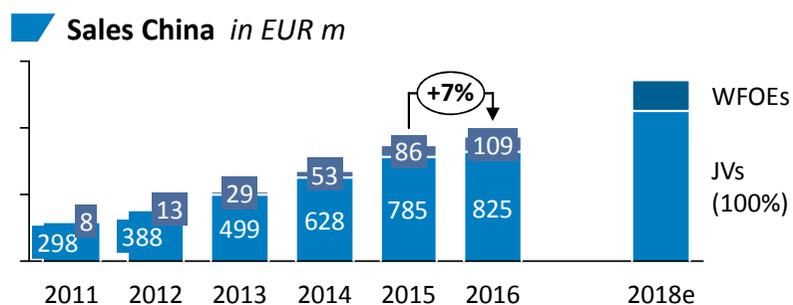
■ Mechatronics 
 ■ Hardparts 
 ■ Aftermarket 
 ■ Consolidation/Others

## Cash flow statement Automotive

in EUR million	Q3 2016	9m 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	9m 2017	Δ Q3 '16/'17	Δ 9m '16/'17
Net income	36	116	49	46	50	25	121	-11	5
Amortization / depreciation	29	93	40	32	32	37	101	8	8
Change in pension accruals	-1	-1	-1	-	-	-	-	1	1
<b>Cash Flow</b>	<b>64</b>	<b>208</b>	<b>88</b>	<b>78</b>	<b>82</b>	<b>62</b>	<b>222</b>	<b>-2</b>	<b>14</b>
Changes in working capital and other items	18	-146	129	-172	20	61	-91	43	55
<b>Net cash used in operating activities</b>	<b>82</b>	<b>62</b>	<b>217</b>	<b>-94</b>	<b>102</b>	<b>123</b>	<b>131</b>	<b>41</b>	<b>69</b>
Cash outflow for additions to tangible and intangible assets	-35	-103	-71	-24	-33	-42	-99	-7	4
<b>Free cash flow from operations</b>	<b>47</b>	<b>-41</b>	<b>146</b>	<b>-118</b>	<b>69</b>	<b>81</b>	<b>32</b>	<b>34</b>	<b>73</b>

## Automotive in China

50/50 joint ventures with HASCO (SAIC group)				Wholly Foreign-Owned Enterprises (100% Rheinmetall Automotive)			JV subsidiary
Castings (ATAG)	Pistons (KSSP)	Castings (KPSNC)	Pumps (PHP)	Aftermarket	Pierburg	Large-bore pistons	Pumps (PMP Ch.)
2014	1997	2001	2012	2008	2009	2013	2012
Engine blocks and structural body parts	Pistons	Engine blocks, cylinder heads and structural body parts	Electrical and mechanical pumps	Spare parts	EGR modules and electric throttle bodies	Large-bore pistons	Electrical and mechanical pumps
Germany/Europe	China			China			China



# 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



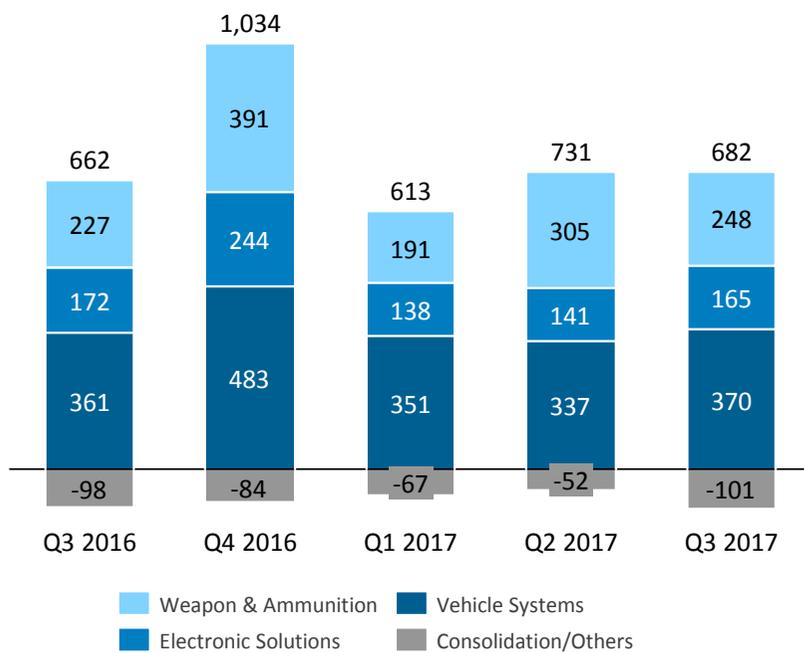
>3x



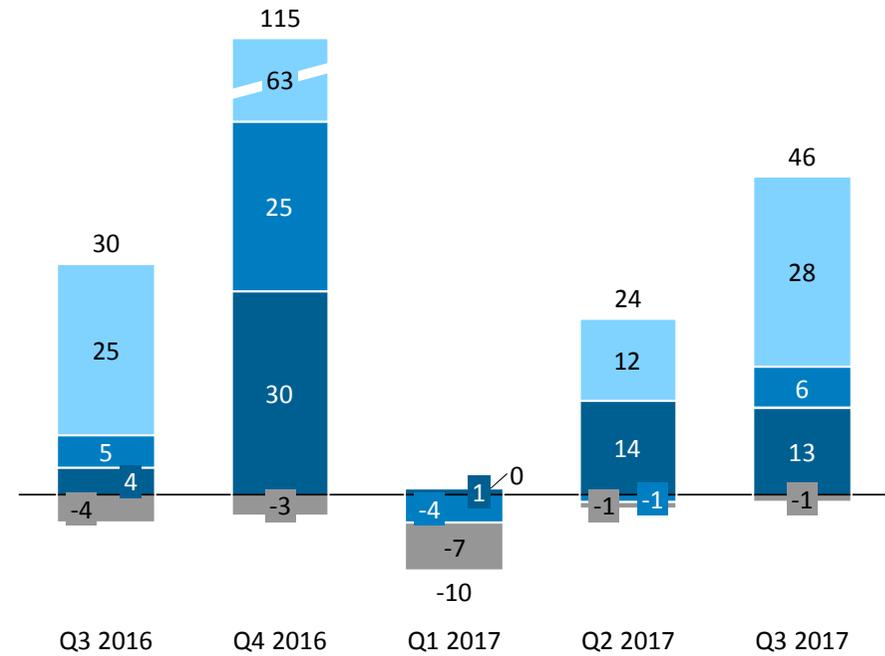
Steel

## Quarterly development Defence

**Sales by division**  
in EUR million



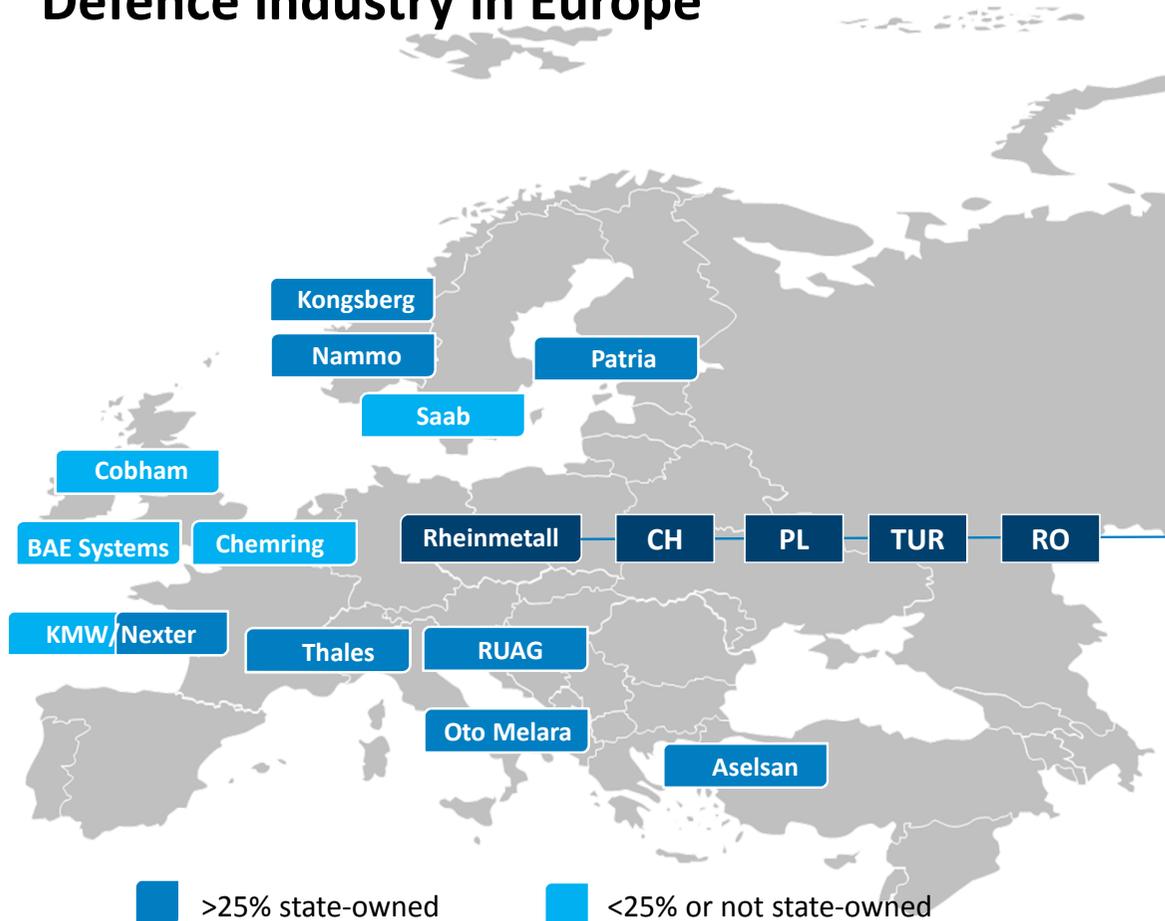
**Operational earnings by division**  
in EUR million



## Cash flow statement Defence

in EUR million	Q3 2016	9m 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	9m 2017	Δ Q3 '16/'17	Δ 9m '16/'17
Net income	13	-4	78	-16	8	32	24	19	28
Amortization / depreciation	22	66	26	24	22	21	67	-1	1
Change in pension accruals	1	4	1	-3	-6	2	-7	1	-11
<b>Cash Flow</b>	36	66	105	5	24	55	84	19	18
Changes in working capital and other items	-8	-221	248	-61	-38	-88	-187	-80	34
<b>Net cash used in operating activities</b>	28	-155	353	-56	-14	-33	-103	-61	52
Cash outflow for additions to tangible and intangible assets	-23	-61	-34	-16	-19	-19	-54	4	7
<b>Free cash flow from operations</b>	5	-216	319	-72	-33	-52	-157	-57	59

## Defence industry in Europe

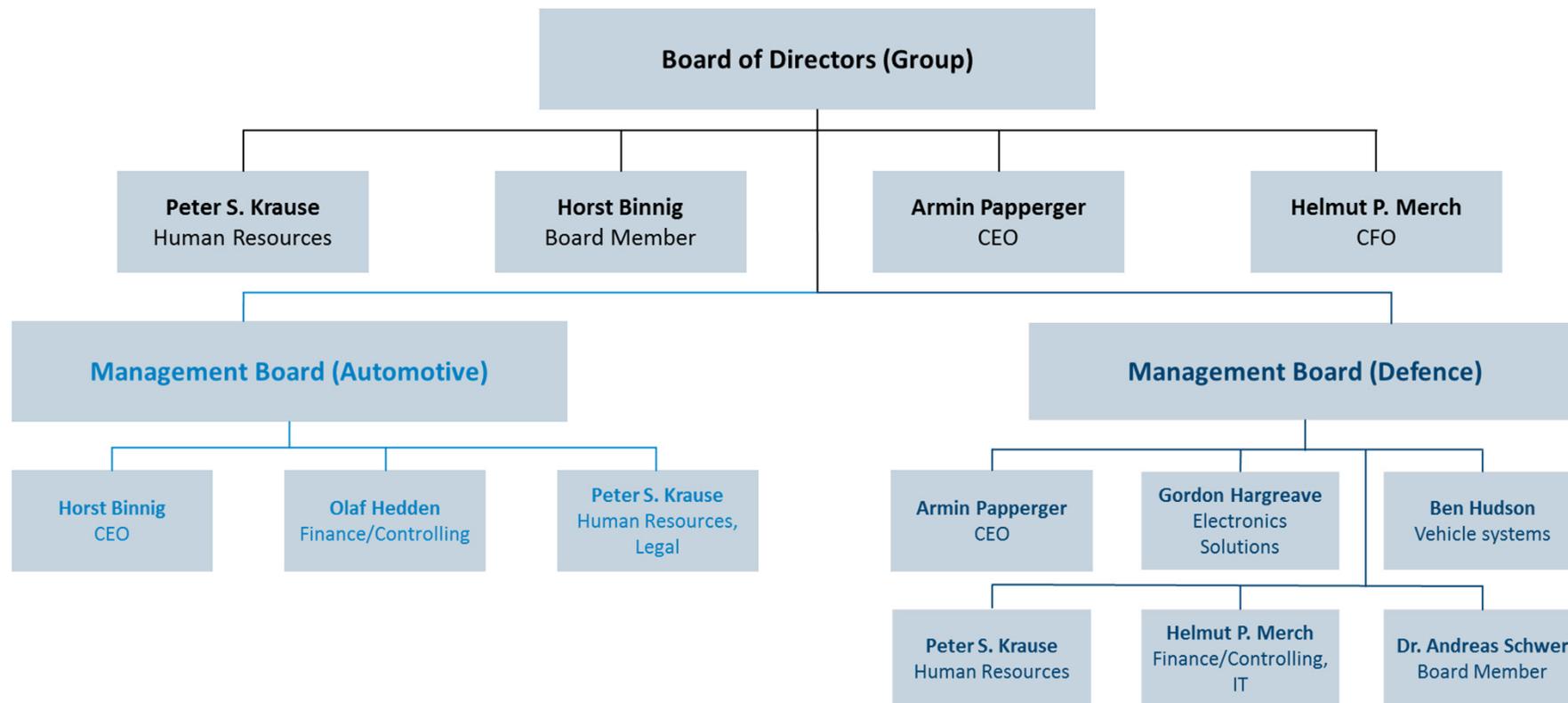


- **Governmental shareholding** restricts room for cross-border consolidation
- **Big common armament programs** as catalyst for further consolidation are not at European mid-term horizon

### 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

# Management Structure



## Next events and IR contacts

### ■ Events 2017

#### Q3 Earnings call

Capital Markets Day 2017

Berenberg Conference

Bremen

Pennyhill

7 Nov

21 – 22 Nov

4 – 5 Dec

### ■ Events 2018

Commerzbank Conference

Kepler Cheuvreux Conference

New York

Frankfurt

8 – 10 Jan

15– 16 Jan

### ■ Quick link to documents

Corporate Presentation



Interim Reports



Annual Reports



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