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TECHNOLOGIES FOR SECURITY.
PASSION FOR BOTH.**



MOBILITY. SECURITY. **PASSION.**



Conference Call Q2 2017

Düsseldorf / 3 August 2017

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Highlights Rheinmetall Group Q2 2017

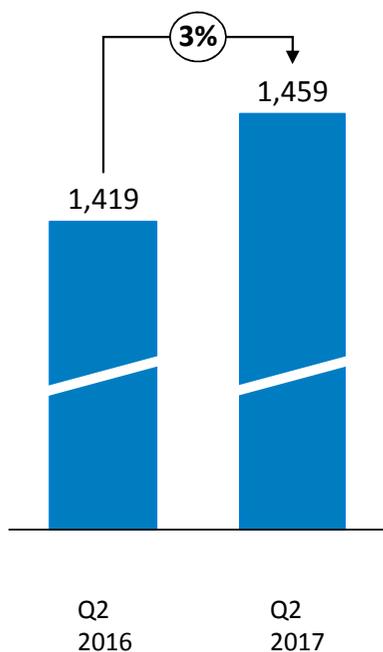
Guidance raised upon another good quarter and positive outlook



- **Sales** increased by 3% to **€1.459 bn** or 2% currency adjusted
- **Operating result** moved up on margin improvement by 17% to **€84 m**
- **Positive cash flow development** continues
- **Outlook raised** on excellent Automotive performance
- Release of first **CSR report**

Earnings benefit from good leverage

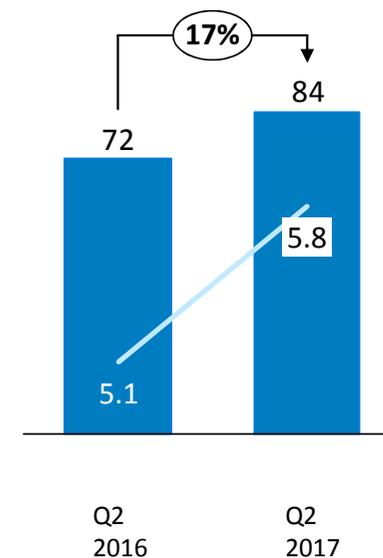
■ Sales
in EUR million



■ EBITDA
in EUR million

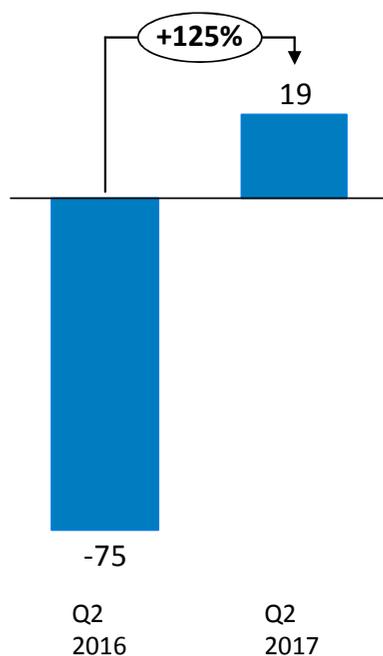


■ Operational result in EUR million
Operational margin in %

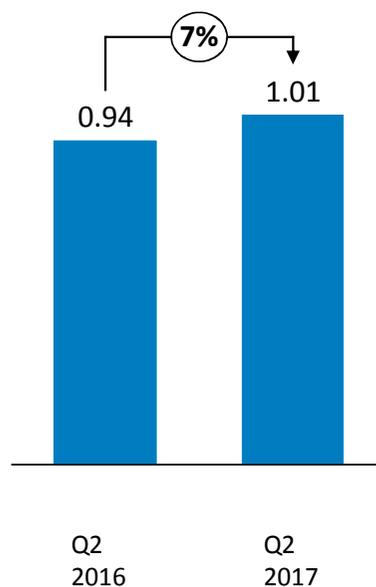


Q2 with continued cash flow improvement

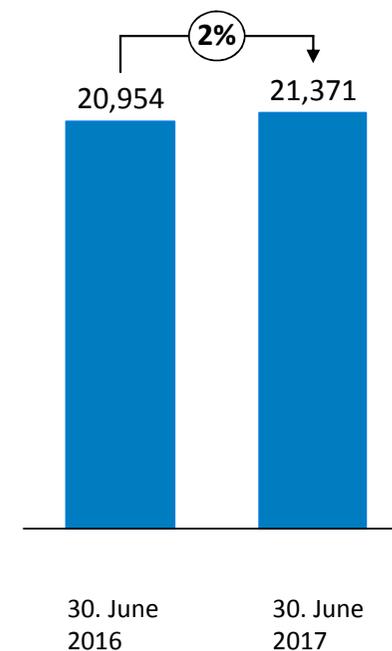
■ **Operating Free Cash Flow**
in EUR million



■ **Earnings per share**
in EUR million



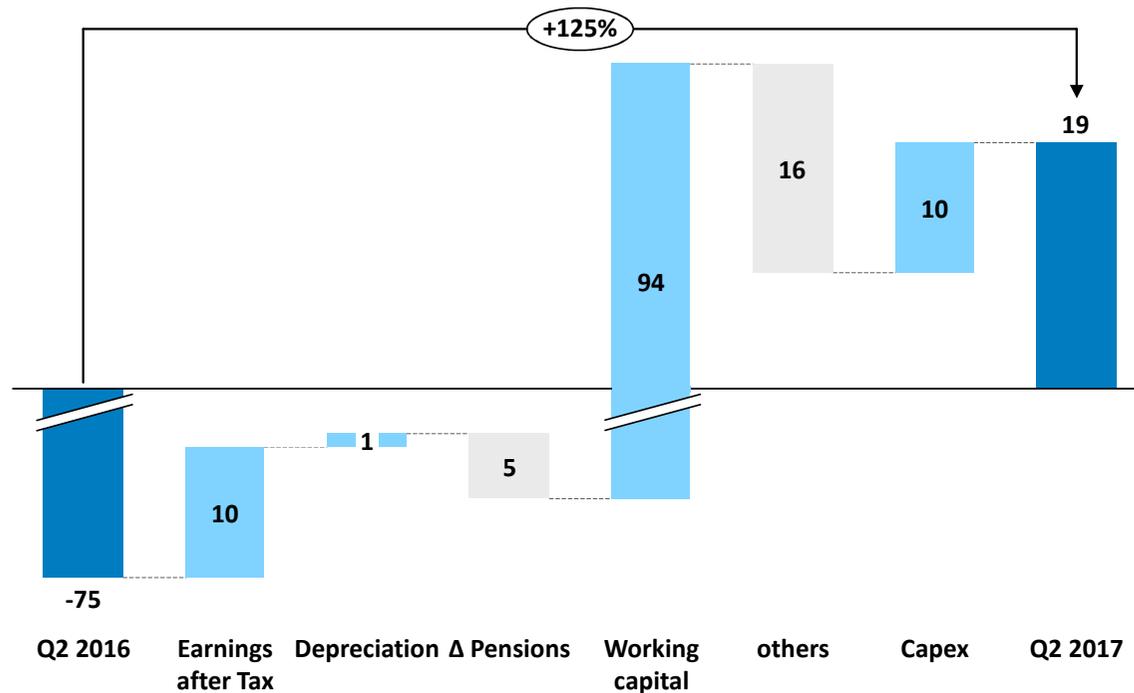
■ **Headcount**
in capacities



Working capital reduction main driver for free cash flow

Operating free cash flow development

in EUR million



Main Drivers

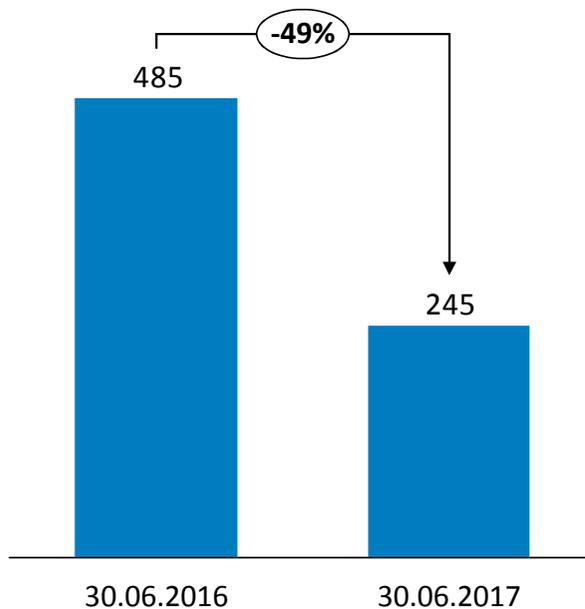
y-o-y comparison

- Earnings after tax increased by €10 m
- Working capital reduction of €94 m mainly on Defence prepayments
- Others includes change of provisions and other non-cash expenses
- Lower capex of €10 m in both sectors

Further reduction of net debt

■ Net Debt development

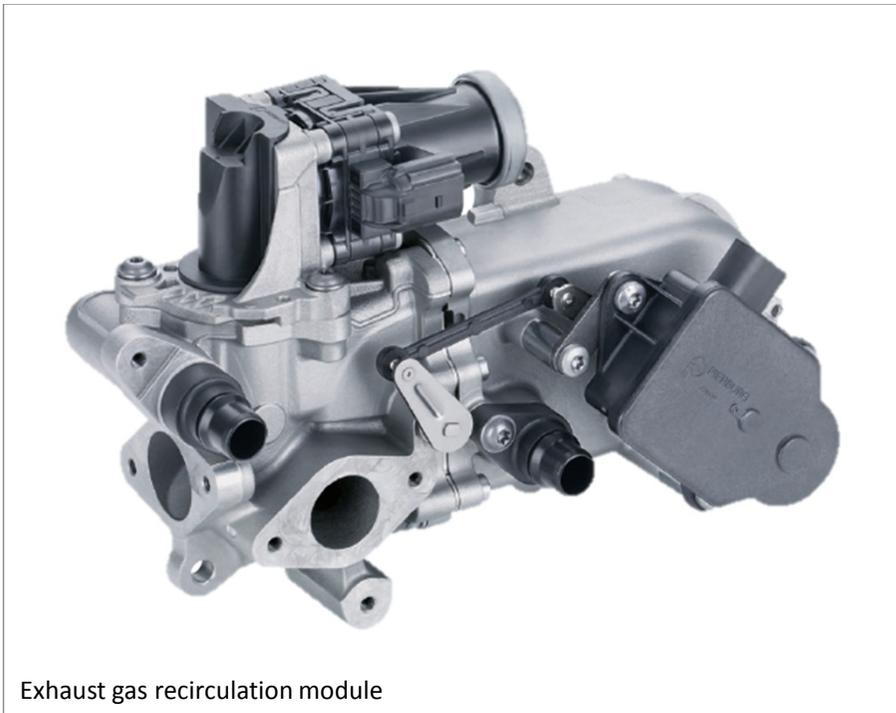
in EUR million



- Net-debt reduced y-o-y by -€240 m
- Issuance of €122 m promissory notes (1.15%) to prepare for €500 m bond (5.25%) redemption in September 2017
- EIB loan (€250 m @ 0.96%) with payout in August 2017 for dedicated funding of Automotive R&D
- Full benefit of interest rate cut starting Q4 2017

Highlights Rheinmetall Automotive Q2 2017

Solid outperformance of a flat market



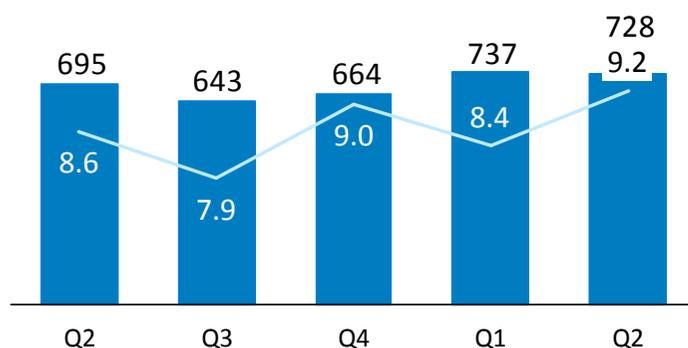
- Sales rose by 5% to €728 m, FX adjusted 4%
- Operating result grew by 12% to **€67 m**
- Operating margin increased by 0.6pp to **9.2%**
- Free cash flow improved in Q2 by €18 m to €69 m

Rheinmetall Automotive

Highly profitable sales growth with good cash generation

in EUR million	Q2 2016	Q2 2017	Δ %	H1 2016	H1 2017	Δ %
Sales	695	728	4.7%	1,349	1,465	8.6%
Operating result	60	67	11.7%	112	129	15.2%
Operating margin in %	8.6	9.2	0.6pp	8.3	8.8	0.5 pp
Operating Free Cash Flow	51	69	35.3%	- 88	- 49	44.3%
Operating FCF / Sales in %	7.3	9.5	2.2pp	- 6.5	- 3.3	3.2pp

Quarterly sales and margins development

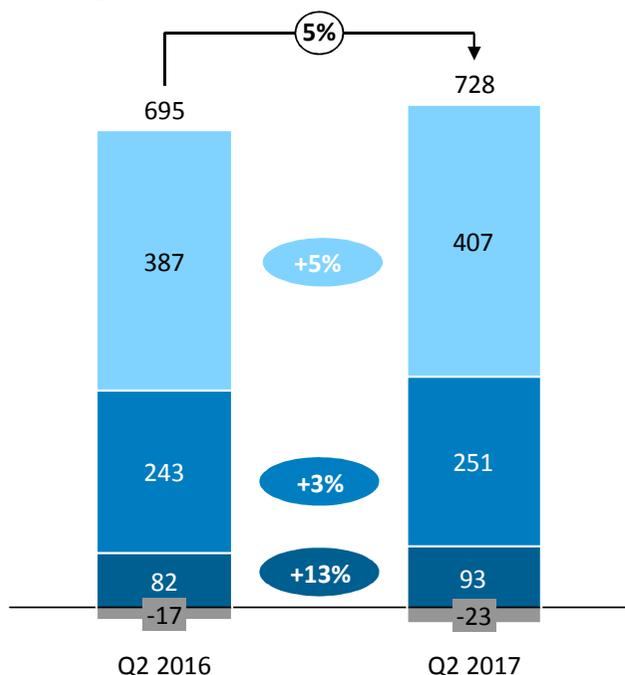


Comments on quarterly performance

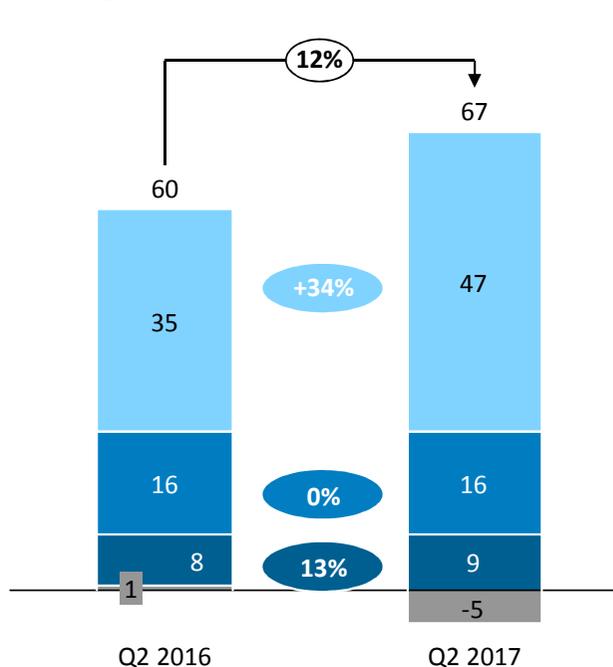
- Sales benefitted from positive developments across the divisions
- Increased share of high margin products in all divisions
- OFCF improved by 35%

Mechatronics driven by positive mix development

Sales Automotive in EUR million



Operating result Automotive in EUR million



Reasons for result development

Mechatronics

- Increasing demand and favorable product mix

Hardparts

- Further recovery in trucks and large-bore pistons, but ramp up cost for innovative products in our German casting JV

Aftermarket

- Revival of east European markets, esp. Russia

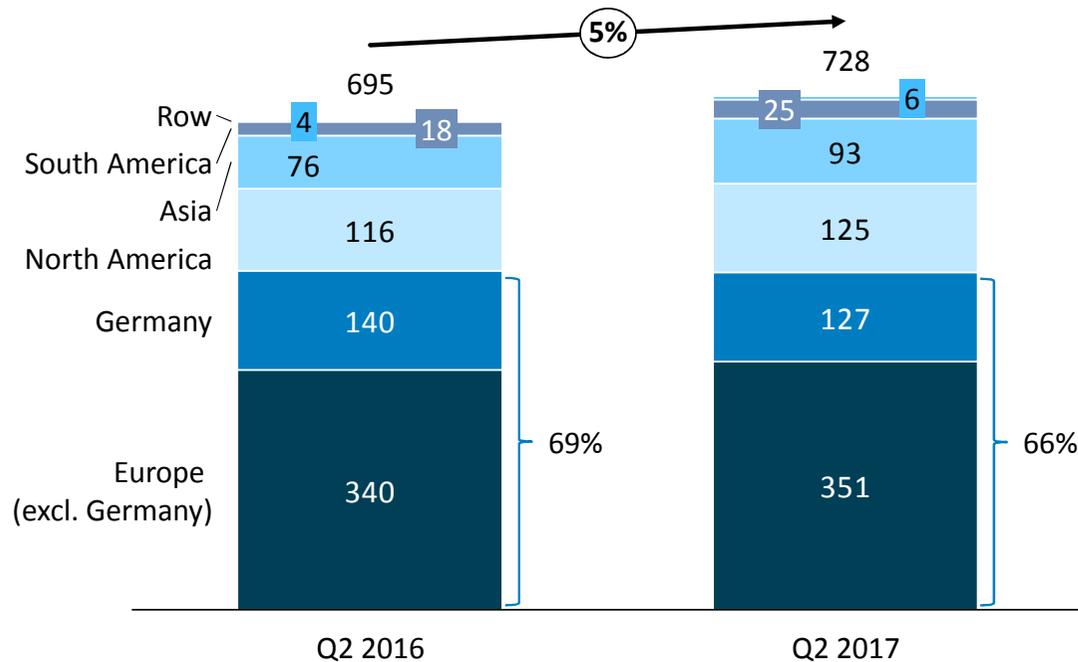
Consolidation and others

- New technologies and personnel cost

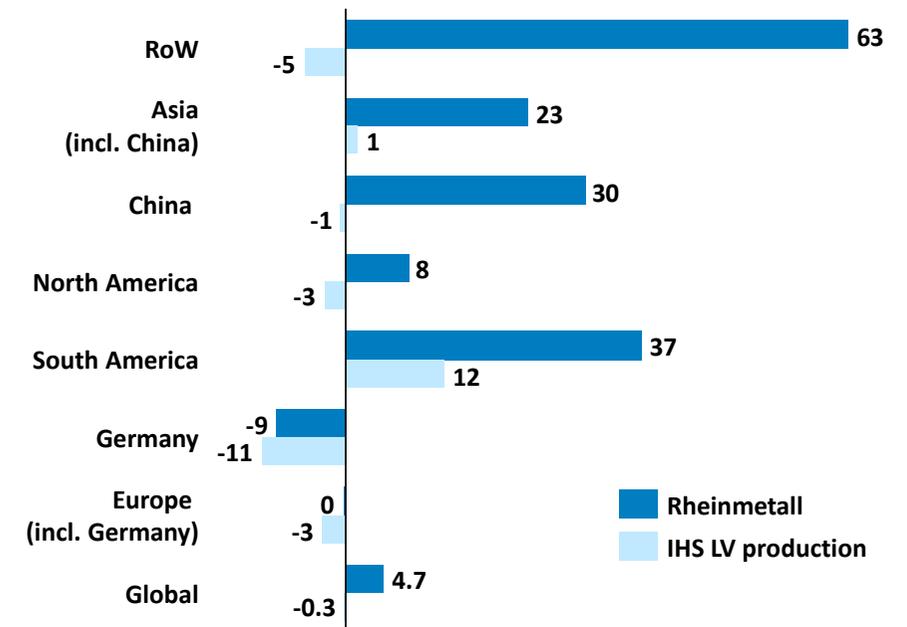
Restatement of 2016 reported figures in Mechatronics and Aftermarkets related to change in plant assignment

Another quarter with clear market outperformance in all regions

Regional sales development Automotive
in EUR million



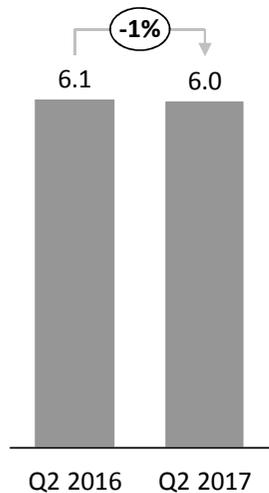
Regional sales growth Q2 2017
in % (IHS July 2017)



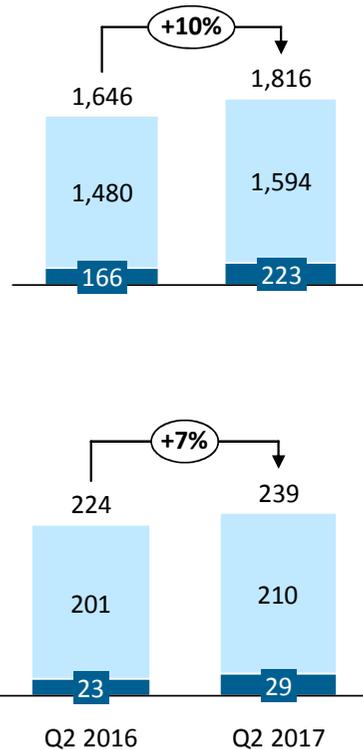
Successful quarter in a stagnant Chinese market

China LV production

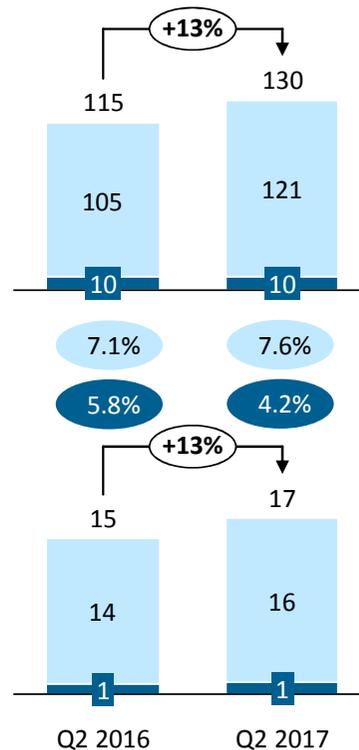
in million units



Sales in million



Operating result in million / in %



- Solid operating leverage; margin increasing by 0.2pp
- JVs: Hardparts outperforming market; earnings approaching Automotive target level
- WFOEs: High demand for Mechatronics products

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

Extending competencies towards E-mobility

■ Contract volume for electric vehicles (EV)

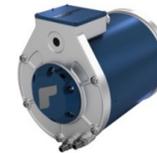
Product	Volume	Contract duration (∅)
Battery EV	~€300 m	6 – 8 years
(Plugin) Hybrid EV	~€200 m	4 – 8 years

■ 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 inhouse e-motor competence
- Well-established market access to OEMs

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

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

Highlights Rheinmetall Defence Q2 2017

Further margin improvement and high order intake



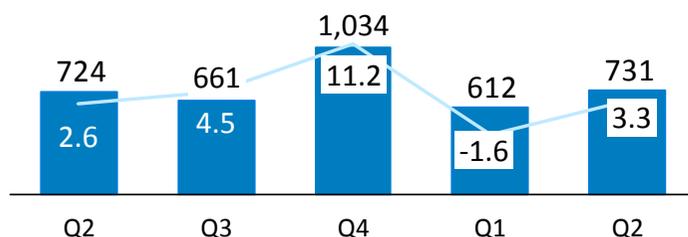
- **Order intake** in excess of 1€ bn
- **Flat sales** development as expected
- **Operating result** rose by €5 m to €24 m
- **Operating margin** gained 0.7pp to 3.3%

Rheinmetall Defence

Strong order intake on track to achieve FY guidance

in EUR million	Q2 2016	Q2 2017	Δ %	H1 2016	H1 2017	Δ %
Order intake	803	1,031	28.4%	1,751	1,422	-18.8%
Sales	724	731	1.0%	1,250	1,343	7.4%
Operating result	19	24	26.3%	2	14	600.0%
Operating margin in %	2.6	3.3	0.7pp	0.2	1.0	0.8pp
EBIT	19	21	10.5%	2	11	450.0%
Operating Free Cash Flow	- 117	- 33	71.8%	- 221	- 105	52.5%
Operating FCF / Sales in %	- 16.2	- 4.5	11.7pp	- 17.7	- 7.8	9.9pp

Quarterly sales and margins development

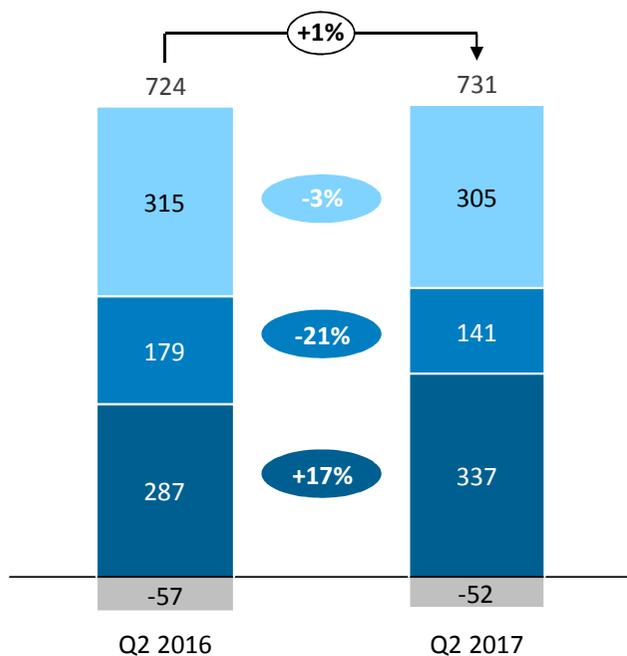


Comments on quarterly performance

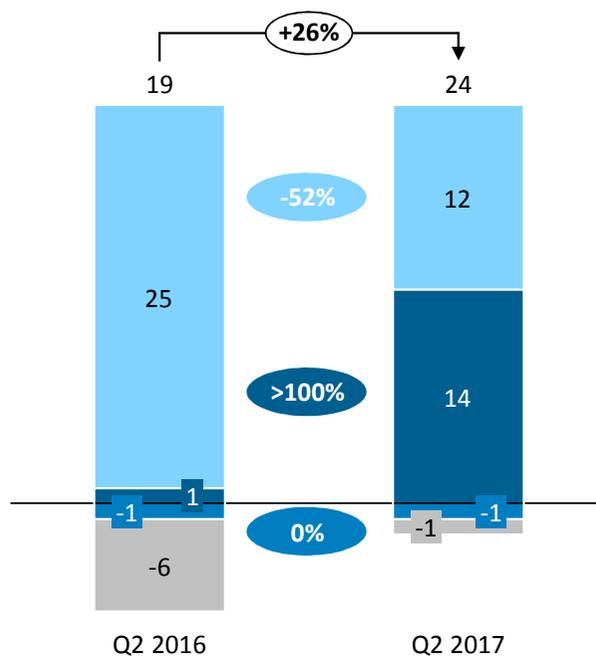
- Good order intake with strong support from German orders
- Flat sales as expected
- Operating result benefits from Vehicle Systems positive leverage
- One offs of net -€3 m burden Q2 EBIT
- OFCF with material improvement of 72%

Q2 marked by operational strength in Vehicle Systems

Sales Defence in EUR million



Operating results Defence in EUR million



Reasons for result development

Weapon and Ammunition

- Weaker sales and temporary shift to lower margin product mix

Electronic Solutions

- Declining sales without further result impact

Vehicle Systems

- Sales and margin support from Australian truck business

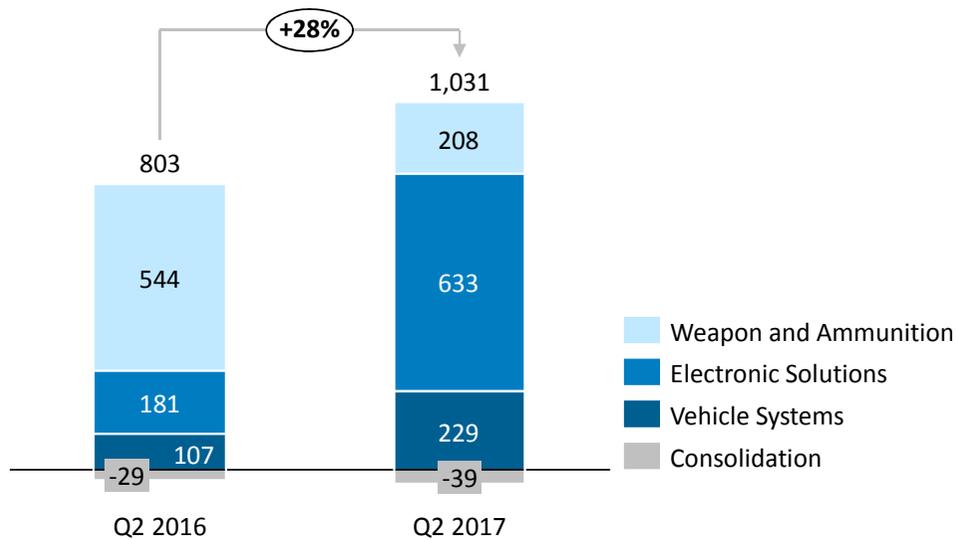
Consolidation and others

- PY burdened by operating loss of RIE

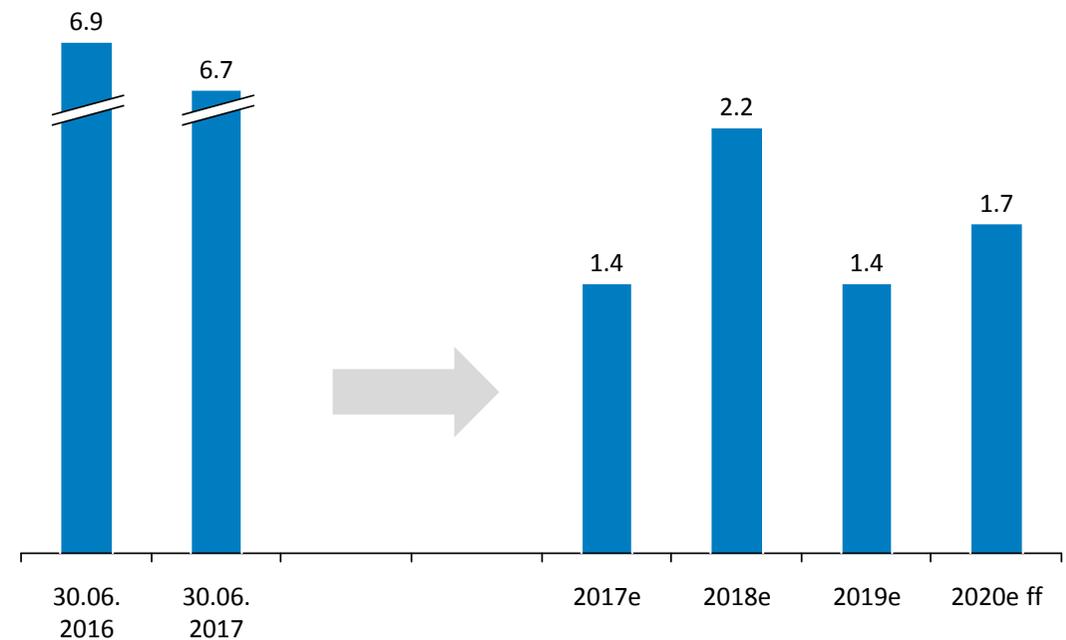
■ Weapon a. Ammunition
 ■ Electronic Solutions
 ■ Vehicle Systems
 ■ Consolidation

Excellent order entry development mainly driven by Electronic Solutions

Order intake by division
in EUR million



Order backlog profile
in EUR billion



German order entry on good track to achieve target

■ Order intake Germany by Quarter

H1

H2

Projects	Amount		Total German volume (net value)
various projects	€146 m	✓	Q1: €146 m
Gladius	€310 m	✓	
various projects	€221 m	✓	Q2: €531 m
			<hr/>
			H1: €677 m
Trucks	€220 m	✓	
Puma package	€100 m	✓	
Tank ammunition	€38 m	✓	
Leopard upgrade	~€100 m	(✓)	H2 ~€850 m
various projects	~€400m		
(<€25m)			
			<hr/>
			~€1.5 bn

✓ = booked / assured

Bold = €25 m
project list June 2017

Bracketed order placed with
General Contractor, subcontracting
to RHM under negotiation

Outlook 2017

Guidance raised on improved Automotive outlook

	AUTOMOTIVE 	DEFENCE 
Macro view	<ul style="list-style-type: none"> ▪ Global LV production growth ~2%* ▪ Chinese LV production growth ~1% 	<ul style="list-style-type: none"> ▪ Further demand increase in key markets ▪ Germany and other allies have increased investment budgets
Rheinmetall	<ul style="list-style-type: none"> ▪ Automotive expected to outperform markets ▪ Ongoing considerations to streamline the global footprint of Hardparts to optimize assets and cost structure 	<ul style="list-style-type: none"> ▪ Strong backend loading of Defence performance ▪ Single digit sales growth expected for 2017 ▪ Stronger sales momentum 2018
New Outlook 2017	Sales growth expectation lifted from 3-4% to 6-7% and operating margin level from ≥8% to around 8.4%	Sales growth of 5-6% and operating margin of 5-5.5%
Group expected to grow ~6% instead of 4-5% at an operating margin lifted from around 6.3% to around 6.5% incl. efforts for New Technologies		

*Source: IHS July 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	

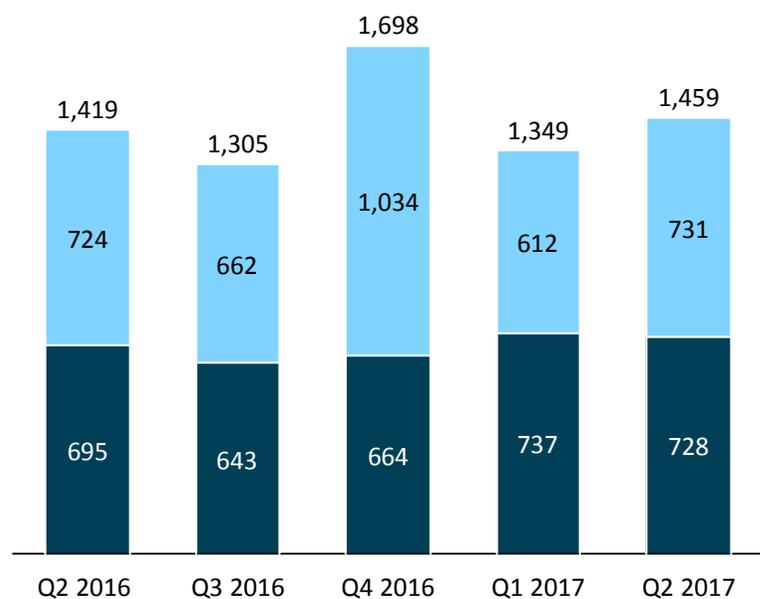
Cash Flow Statement Group

in EUR million	Q2 2016	H1 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	H1 2017	Δ Q2 2016/2017	Δ H1 2016/2017
Group Net Income	41	53	46	116	28	51	79	10	26
Amortization / depreciation	54	109	52	67	57	55	112	1	3
Change in pension accruals	2	-14	-	-	-34	-3	-37	-5	-23
Cash Flow	97	148	98	183	51	103	154	6	6
Changes in working capital and other items	-112	-374	-1	389	-207	-34	-241	78	133
Net cash used in operating activities	-15	-226	98	572	-156	69	-87	84	139
Cash outflow for additions to tangible and intangible assets	-60	-112	-62	-109	-43	-50	-93	10	19
Free Cash Flow from Operations	-75	-338	36	463	-199	19	-180	94	158

Quarterly development Group

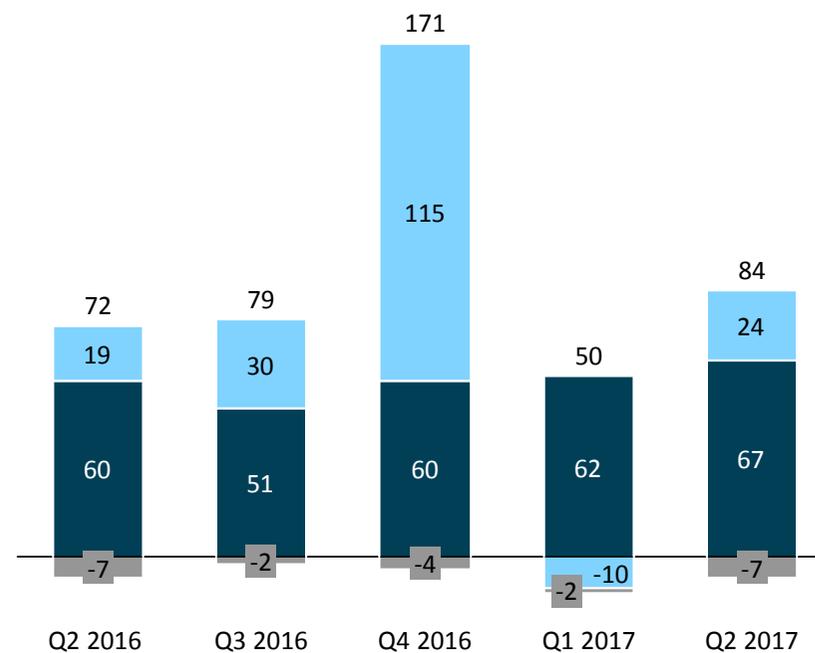
Sales

in EUR million



Operational results

in EUR million

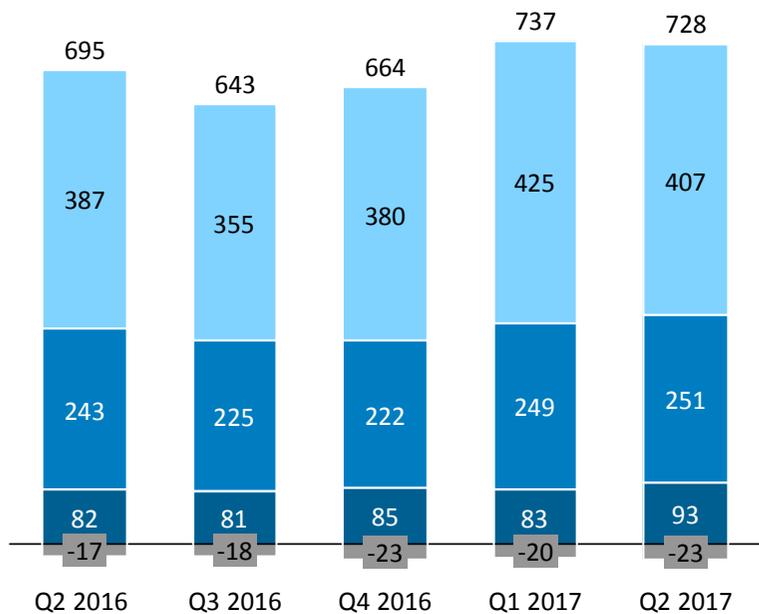


■ Defence ■ Automotive ■ Consolidation/Others

Quarterly development Automotive

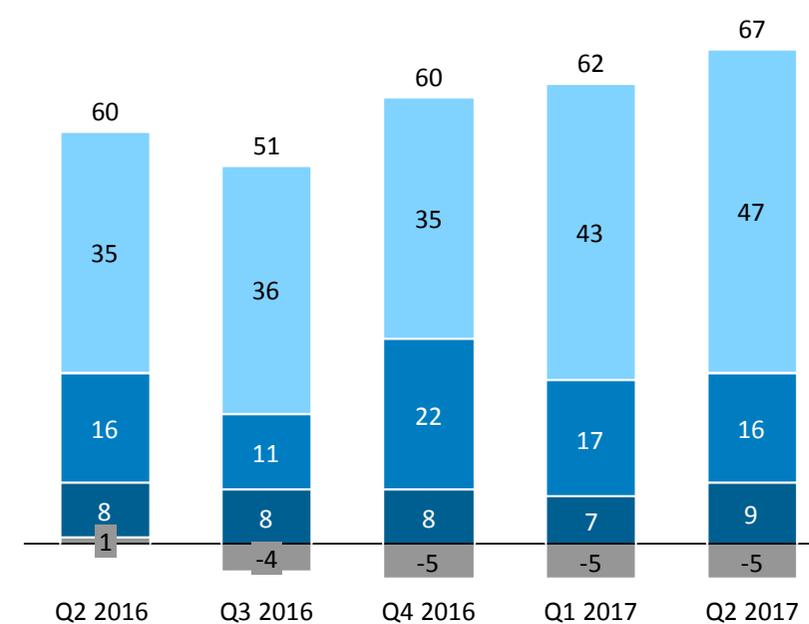
Sales by division

in EUR million



Operational results by division

in EUR million



■ Mechatronics
 ■ Hardparts
 ■ Aftermarket
 ■ Consolidation/Others

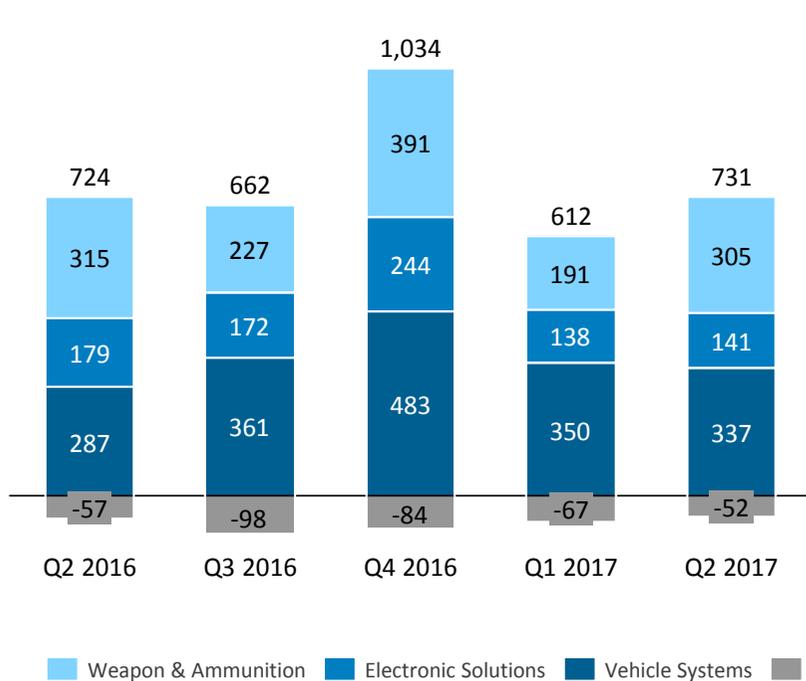
Cash flow statement Automotive

in EUR million	Q2 2016	H1 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	H1 2017	Δ Q2 '16/'17	Δ H1 '16/'17
Net income	42	80	36	49	46	50	96	8	16
Amortization / depreciation	31	64	29	40	32	32	64	1	-
Change in pension accruals	-	-	-1	-1	-	-	-	-	-
Cash Flow	73	144	64	88	78	82	160	9	16
Changes in working capital and other items	14	-164	17	130	-172	20	-152	6	12
Net cash used in operating activities	87	-20	81	218	-94	102	8	15	28
Cash outflow for additions to tangible and intangible assets	-36	-68	-35	-71	-24	-33	-57	3	11
Free cash flow from operations	51	-88	46	147	-118	69	-49	18	39

Quarterly development Defence

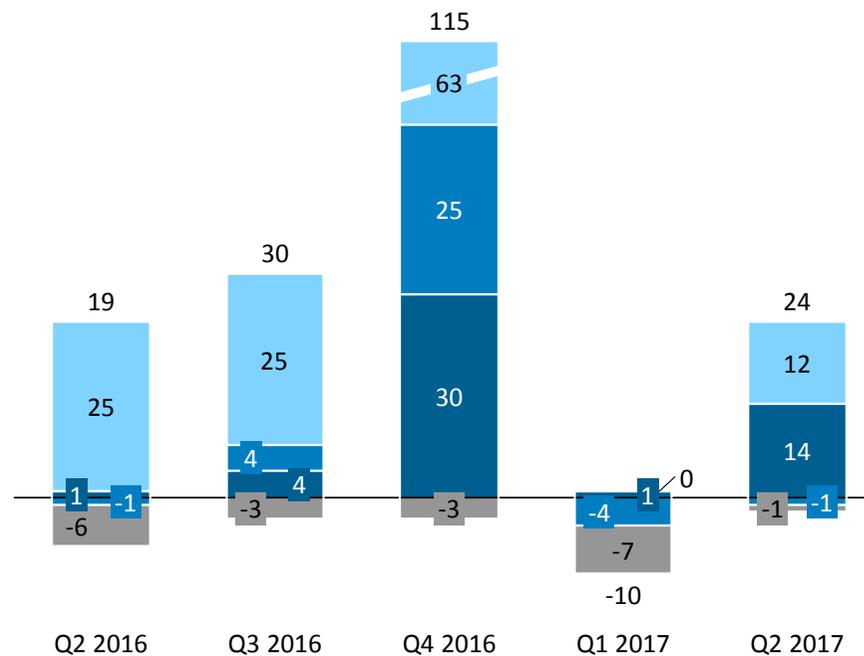
Sales by division

in EUR million



Operational earnings by division

in EUR million



Cash flow statement Defence

in EUR million	Q2 2016	H1 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	H1 2017	Δ Q2 '16/'17	Δ H1 '16/'17
Net income	3	-17	13	78	-16	8	-8	5	9
Amortization / depreciation	22	44	22	26	24	22	46	-	2
Change in pension accruals	2	3	1	1	-3	-6	-9	-8	-12
Cash Flow	27	30	36	105	5	24	29	-3	-1
Changes in working capital and other items	-123	-213	-8	248	-61	-38	-99	85	114
Net cash used in operating activities	-96	-183	28	353	-56	-14	-70	82	113
Cash outflow for additions to tangible and intangible assets	-21	-38	-23	-34	-16	-19	-35	2	3
Free cash flow from operations	-117	-221	5	319	-72	-33	-105	84	116

Income statement Group

In EUR million				Income Statement			
	Q2 '16	Q2 '17	Δ		Q2 '16	Q2 '17	Δ
Total operating performance	1,461	1,493	32				
Other operating income	33	36	3				
Cost of materials	812	841	29				
Personnel expenses	380	389	9				
Amortization, depreciation and imp	54	55	1				
Other operating expenses	173	160	-13				
Income from companies carried at €	4	1	-3				
Other financial results	-7	-4	3				
Net operating income	72	81	9				
				Net operating income (EBIT)	72	81	9
				Net interest income	1	-	-1
				Interest expenses	-15	-13	2
				Earnings before tax (EBT)	58	68	10
				Income tax	-17	-17	0
				Net income	41	51	10
				of which:			
				Minority interest	1	8	7
				Rheinmetall shareholders	40	43	3
				EBITDA	126	137	11

Cash flow statement Group

In EUR million

Cash Flow Statement

	Q2 '16	Q2 '17	Δ		Q2 '16	Q2 '17	Δ
Net Income	41	51	10		0	0	0
Amortization, depreciation and impairment	54	55	1		0	0	0
Dotation of CTA	0	0	0		-47	-62	-15
Changes in pension provisions	2	-3	-5		-6	-4	2
Income from disposal of non-current assets	0	0	0		0	0	0
Changes in other provisions	-19	-18	1		6	233	227
Changes in inventories	-71	38	109		1	-88	-89
Changes in receivables, liabilities(w/o financial debts) and prepaid & deferred items	-21	-36	-15		-46	79	125
Pro rata income from investmentst carried at equity	-4	-1	3				
Dividends received from investments carried at equity	1	0	-1		-43	142	185
Other non-cash expenses and income	2	-17	-19		6	-9	-15
Cash flows from operating activities	-15	69	84		-37	133	170
Investments in assets	-60	-50	10				
Cash receipts from the disposal of assets	1	-1	-2				
Investments in consolidated companies and other financial assets	0	-9	-9				
Payments for the purchase of short-term commercial papers	0	-11	-11				
Change in divestments of consolidated companies and financial assets	0	0	0				
Cash receipts from the disposal of short-term financial assets	77	65	-12				
Cash flow from investing activities	18	-6	-24				
				Capital payment to/ capital contribution by non-controlling ii	0	0	0
				Increase in shares in consolidated subsidiaries	0	0	0
				Dividends paid out bei RHM AG	-47	-62	-15
				Other profit distribution	-6	-4	2
				Shares issued to employees	0	0	0
				Borrowing of financial debts	6	233	227
				Repayment of financial debts	1	-88	-89
				Cash flow from financing activities	-46	79	125
				Changes in financial resources	-43	142	185
				Changes in cash and cash equivalents due to exchange rates	6	-9	-15
				Total change in financial resources	-37	133	170
				Opening cash and cash equivalents April 1	345	344	-1
				Closing cash and cash equivalents June 30	308	477	169

Balance Sheet Group

In EUR million

Balance Sheet

	31.12.'16	30.06.'17	Δ		31.12.'16	30.06.'17	Δ
Non-current assets	2,762	2,727	-35	Equity	1,781	1,781	0
Intangible assets	819	804	-15	Share capital	112	112	0
Property, plant and equipment	1,378	1,351	-27	Additional paid-in capital	532	536	4
Investment property	53	54	1	Retained earnings	1074	1061	-13
Investments carried at equity	240	246	6	Treasury shares	-32	-28	4
Other non-current assets	36	49	13	Rheinmetall AG shareholders' equity	1686	1681	-5
Deferred tax assets	236	223	-13	Minorities	95	100	5
Current assets	3,388	3,526	138	Non-current liabilities	1,629	1,672	43
Inventories (net)	1,098	1,195	97	Provision for Pensions and similar obligations	1186	1111	-75
Trade receivables	1,306	1,388	82	Other provisions	135	149	14
Other financial assets	43	258	215	Financial debts	220	315	95
Other receivables and assets	125	168	43	Other liabilities	56	76	20
Income tax receivables	10	40	30	Deferred tax liabilities	32	21	-11
Cash and cash equivalents	806	477	-329	Current liabilities	2,740	2,800	60
				Other provisions	516	528	12
				Financial debts	567	626	59
				Trade liabilities	766	655	-111
				Other liabilities	838	905	67
				Income tax liability	53	86	33
Total assets	6,150	6,253	103	Total liabilities	6,150	6,253	103

Next events and IR contacts

■ Events 2017

Commerzbank Conference	Frankfurt	29 Aug
UBS German Conference	New York	13 - 14 Sept
Goldman / Berenberg Conference	Munich	19 - 20 Sept
Q3 Earnings call		7 Nov
Capital Markets Day 2017	Bremen	21-22 Nov

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