



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



MOBILITY. SECURITY. **PASSION.**



# Corporate Presentation Q1 2017

Rheinmetall AG, May 2017

## Highlights Rheinmetall Group Q1 2017

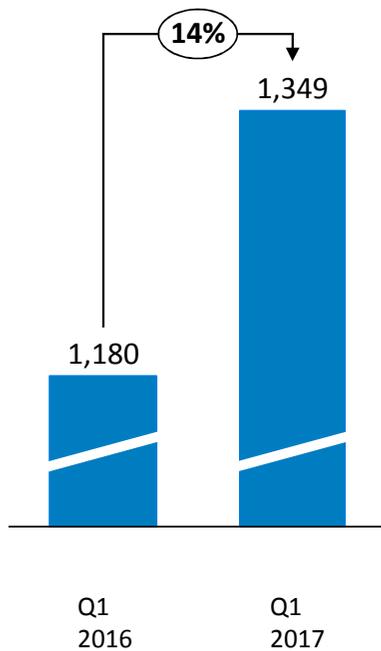
### Successful start into 2017 for both segments



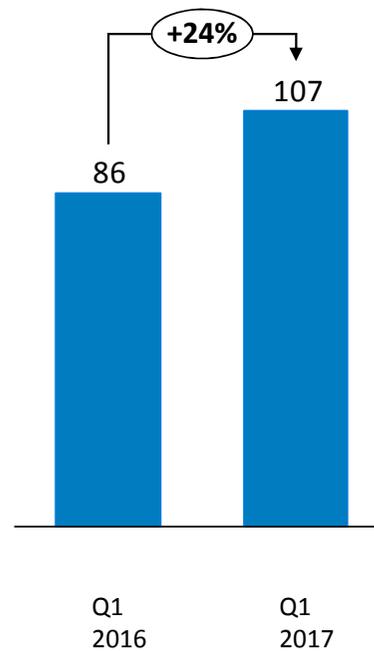
- **Sales** increased by 14% to **€1.349 bn**
- **EBIT** moved up by 61% to **€50 m**
- **Margin** gained 1.1pp to **3.7%**
- **Strong balance sheet** with equity ratio at **29.3%**
- **EPS** grew by 75% from €0.32 to **€0.56**
- Announcements of **strategically important partnerships** in Defence
-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

## Sales and results improved year over year

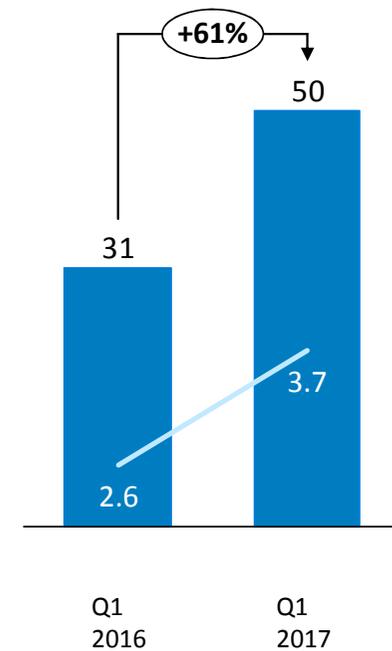
■ Sales  
in EUR million



■ EBITDA  
in EUR million

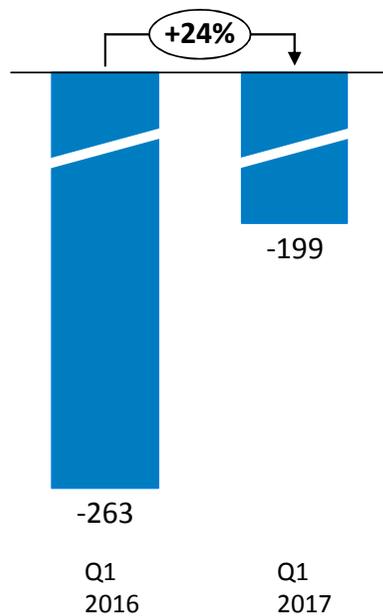


■ Operational earnings in EUR million  
Operational margin in %

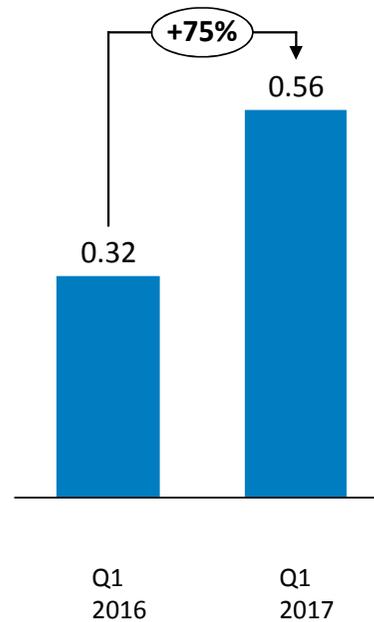


# Cash flow and earnings per share confirm positive trend

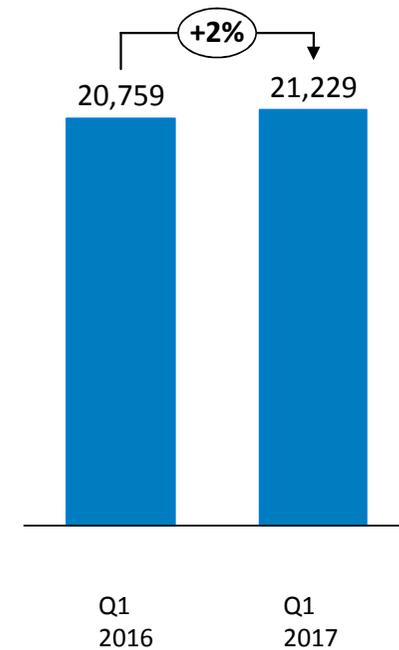
**Operating Free Cash Flow**  
in EUR million



**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

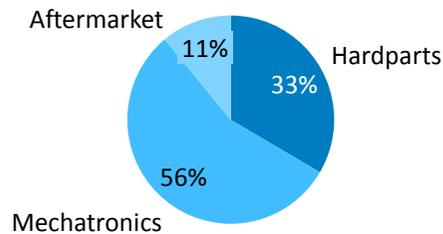
Increasing world population, global trade, higher welfare and climate change ...  
... lead to higher mobility and enhanced need for environmental-friendly powertrain technologies.

Figures: FY 2016

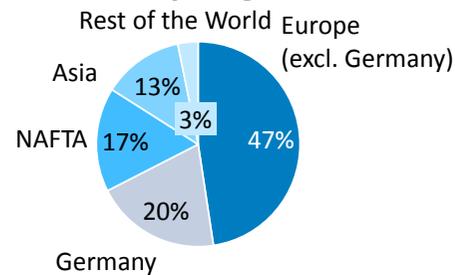
# Divisional structure of Rheinmetall Automotive

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

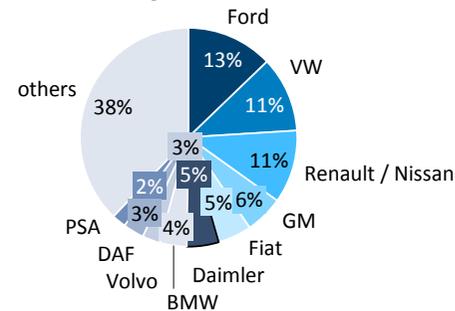
**Sales by Division**



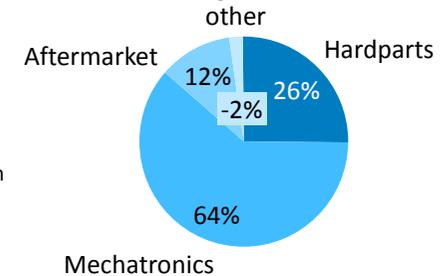
**Sales by Region**



**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



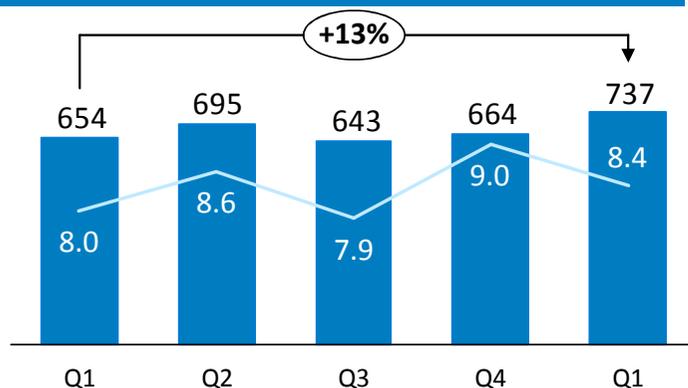
- **Sales rose** by 13% to €737 m
- **Strong Q1 sales** in line with front end loaded FY expectation for global LV production
- **EBIT grew** by ~20% to **€62 m**
- **Margin increased** by 0.4pp to **8.4%**
- **China activities with further improved** sales and profitability

## 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



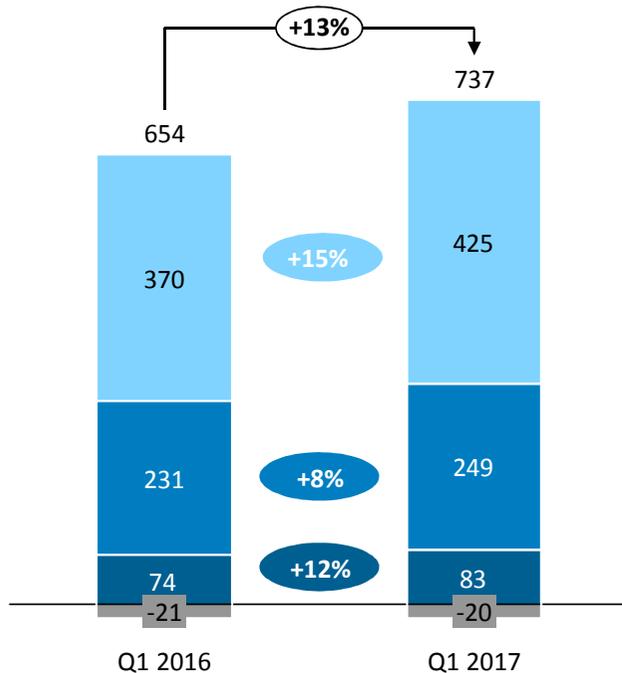
### Comments on quarterly performance

- 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

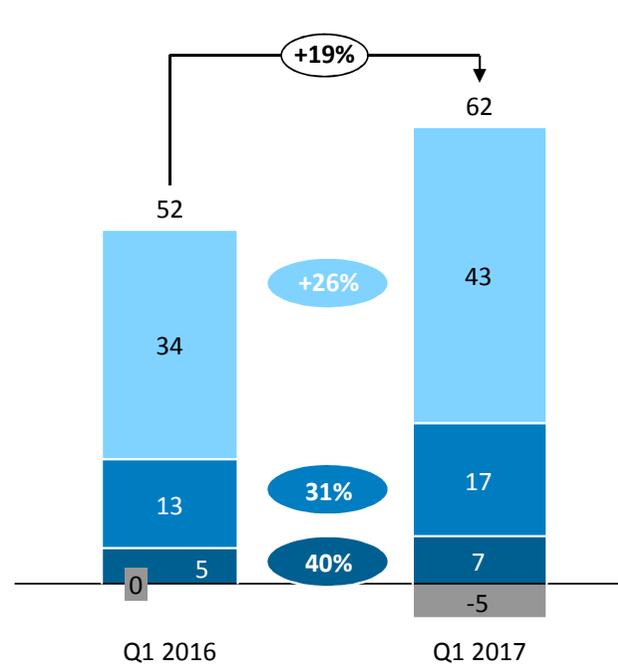
## Sales Automotive

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

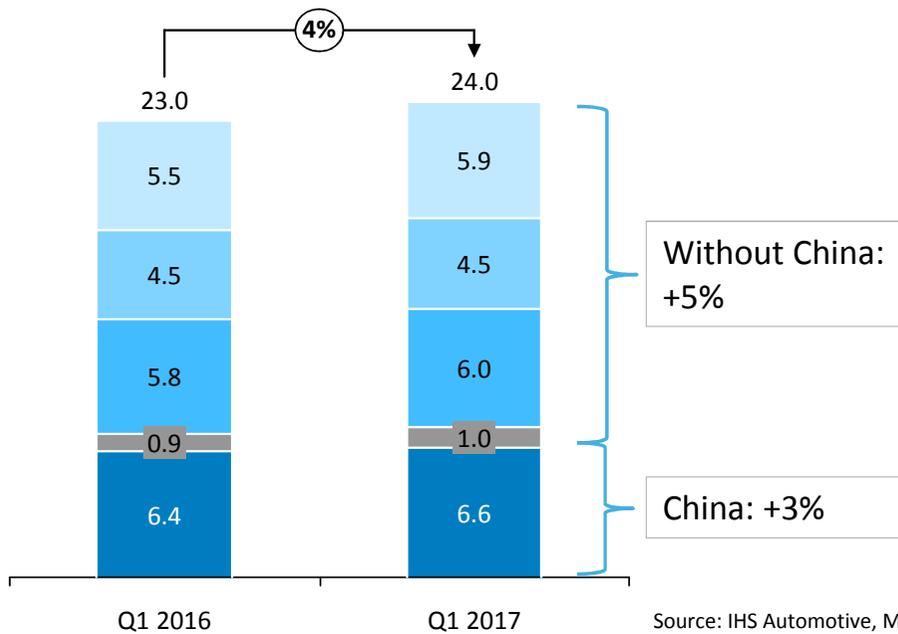
### Consolidation and others

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

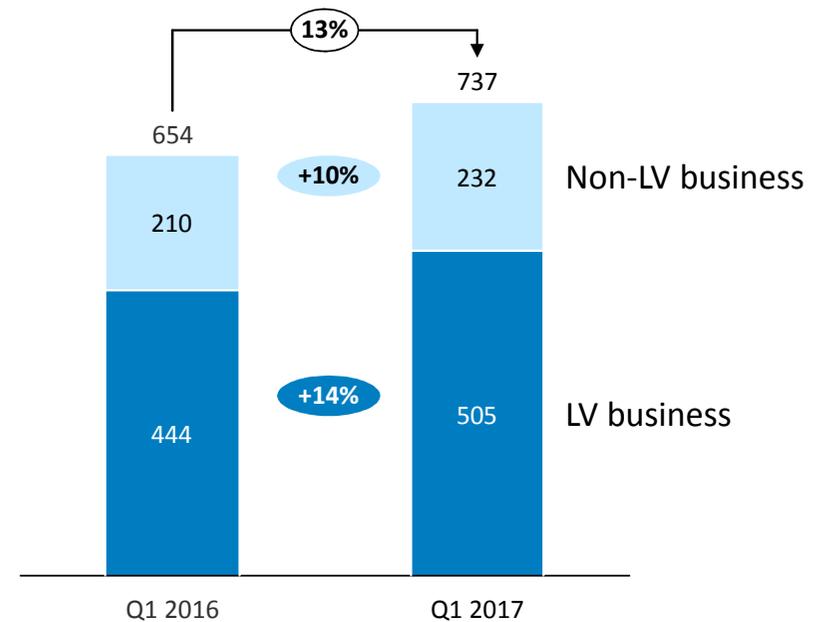
Restatement of 2016 reported figures in Mechatronics and Aftermarkets related to change in plant assignment

# Markets for light vehicle and non-light vehicle products outpaced

**Global LV production**  
in million units

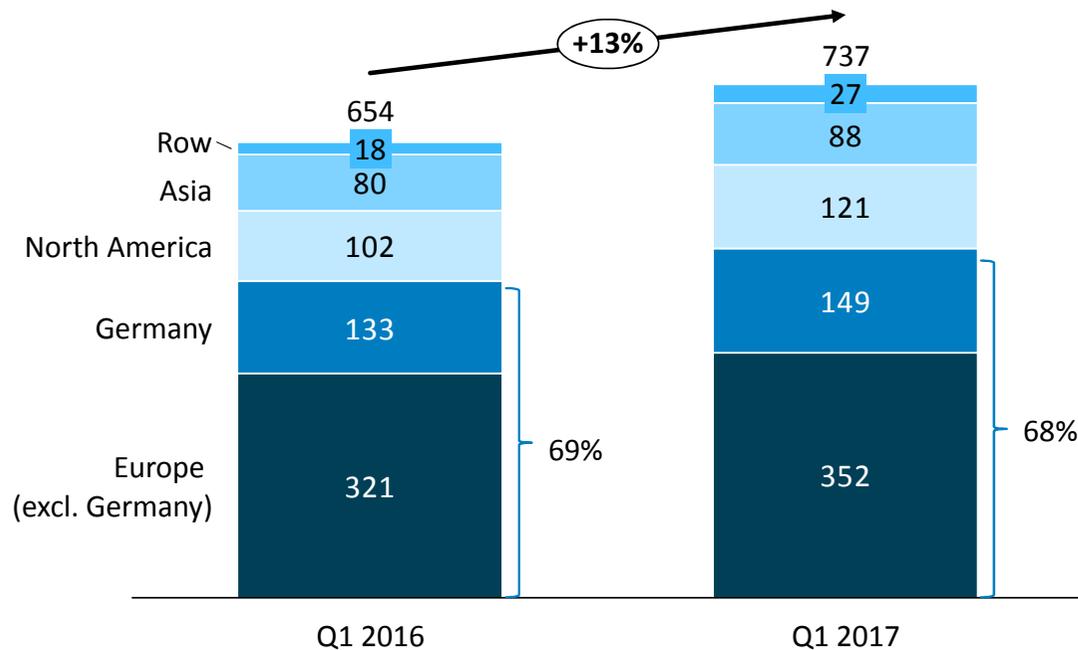


**Sales Automotive LV/Non-LV**  
in EUR million

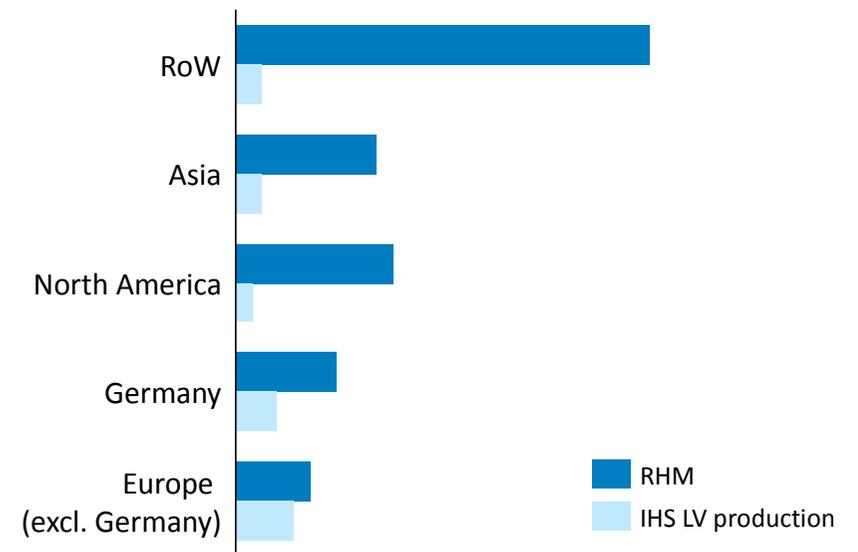


## Growth especially in regions outside Europe

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



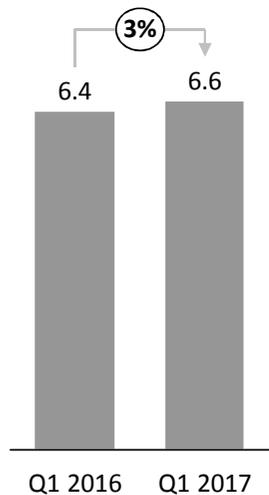
■ **Regional sales growth Q1 2017**  
in %



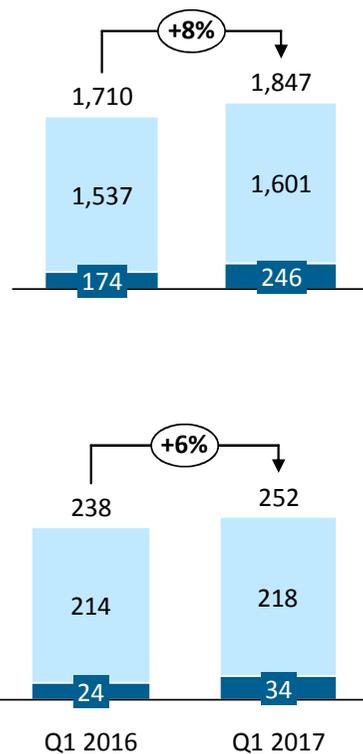
# Mechatronics products gaining momentum in China

## China LV production

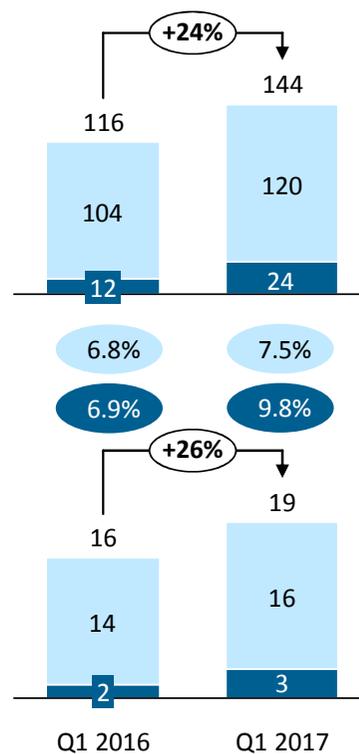
in million units



## 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

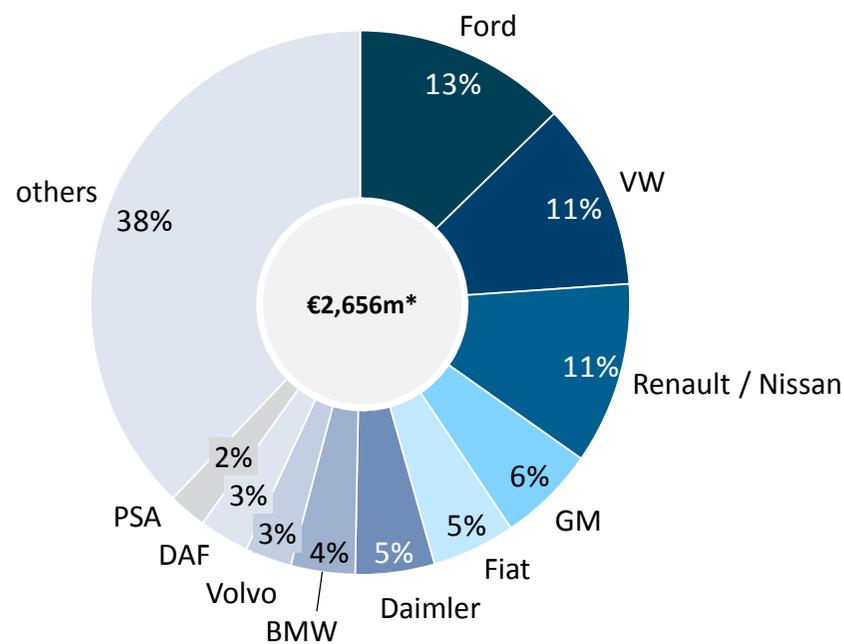
■ JVs  
■ WFOEs

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

## Automotive with broad and global customer portfolio

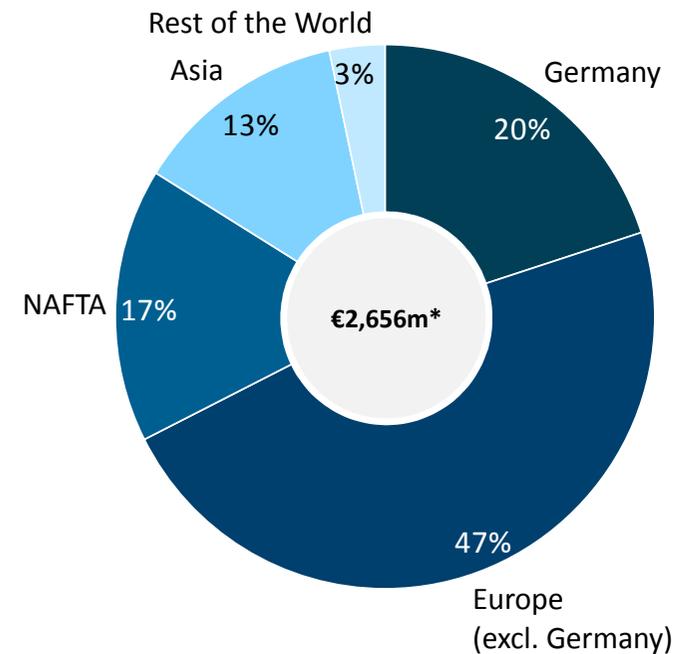
■ Sales by customers 2016

in %



■ Sales by region 2016

in EUR million



\*Global sales excluding joint ventures

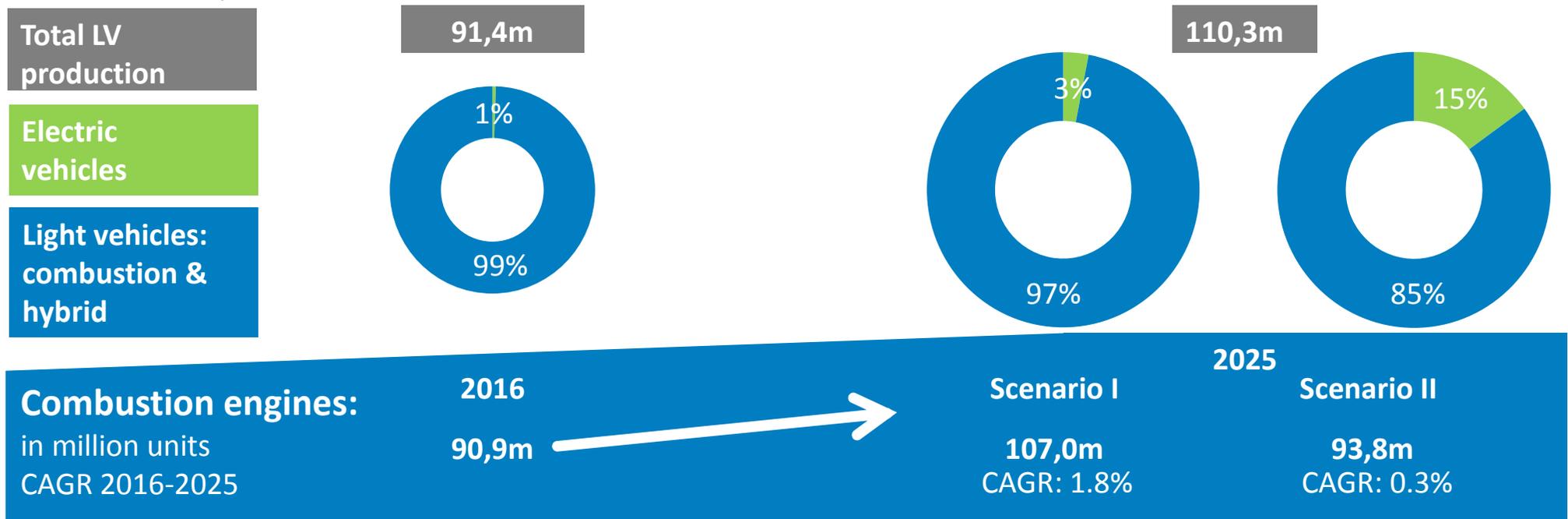
## Market drivers

### Realization of growth in changing market conditions



## Stable development even with quick introduction of electric engines

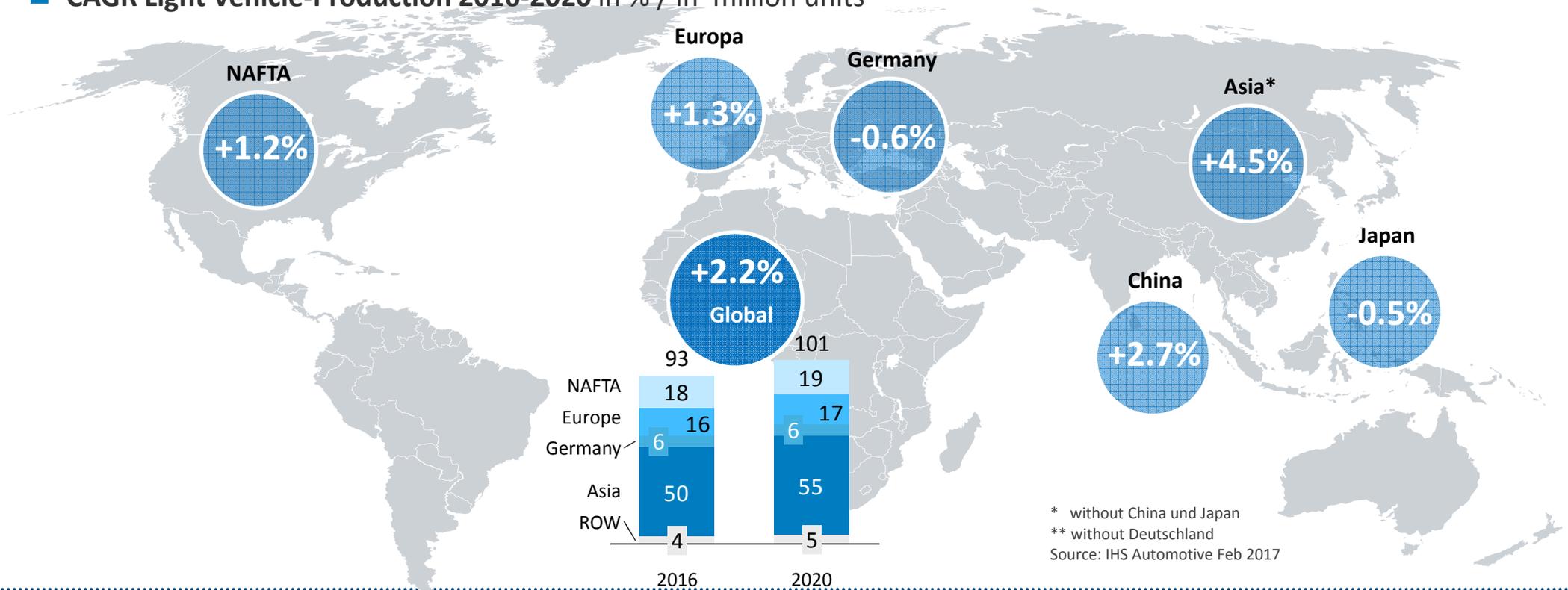
### ■ Combustion engine market share development in % of total LV production



Source: IHS Automotive (September 2016), own estimates

# Global LV production forecasted to grow

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



## Three mainstreams for future mobility



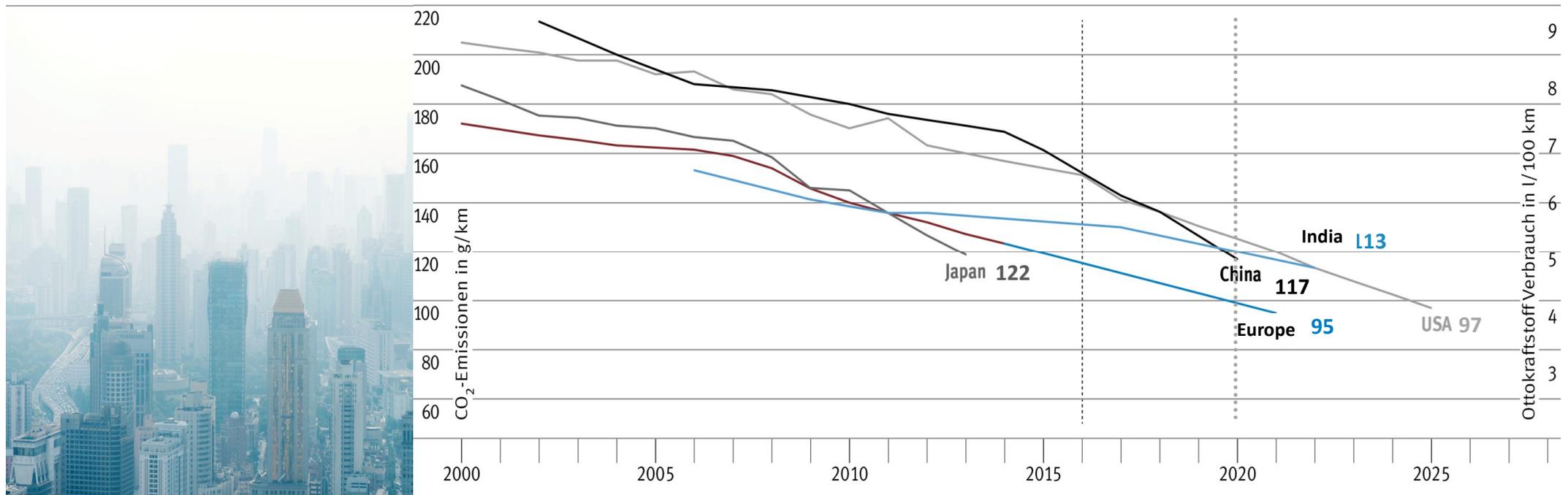
Efficiency

Electrification

New  
Technologies

# Global CO<sub>2</sub>-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 CO<sub>2</sub>/km  
2015

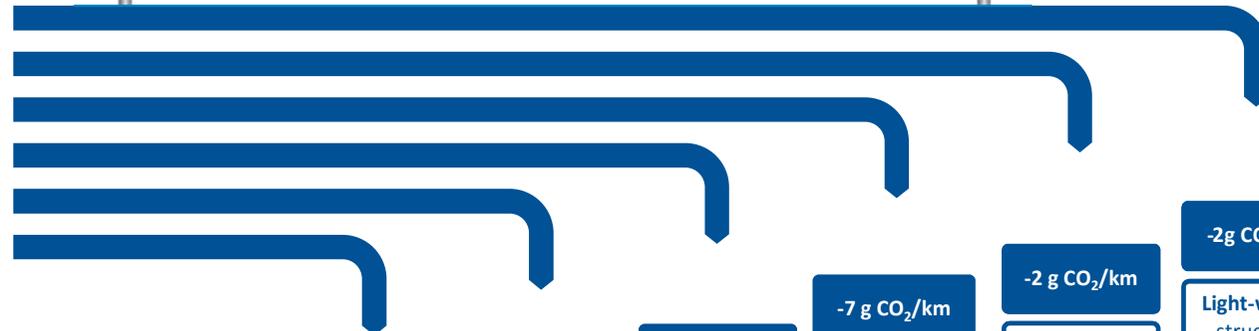


95 g CO<sub>2</sub>/km  
2020



Description vehicle model  
(Basis)

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



Rheinmetall Automotive products

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

Variable oil pump



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

Tribo-system



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

Var. cool. pump



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

Var. valve train



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

El. low-press. EGR



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

Light-weight structural parts

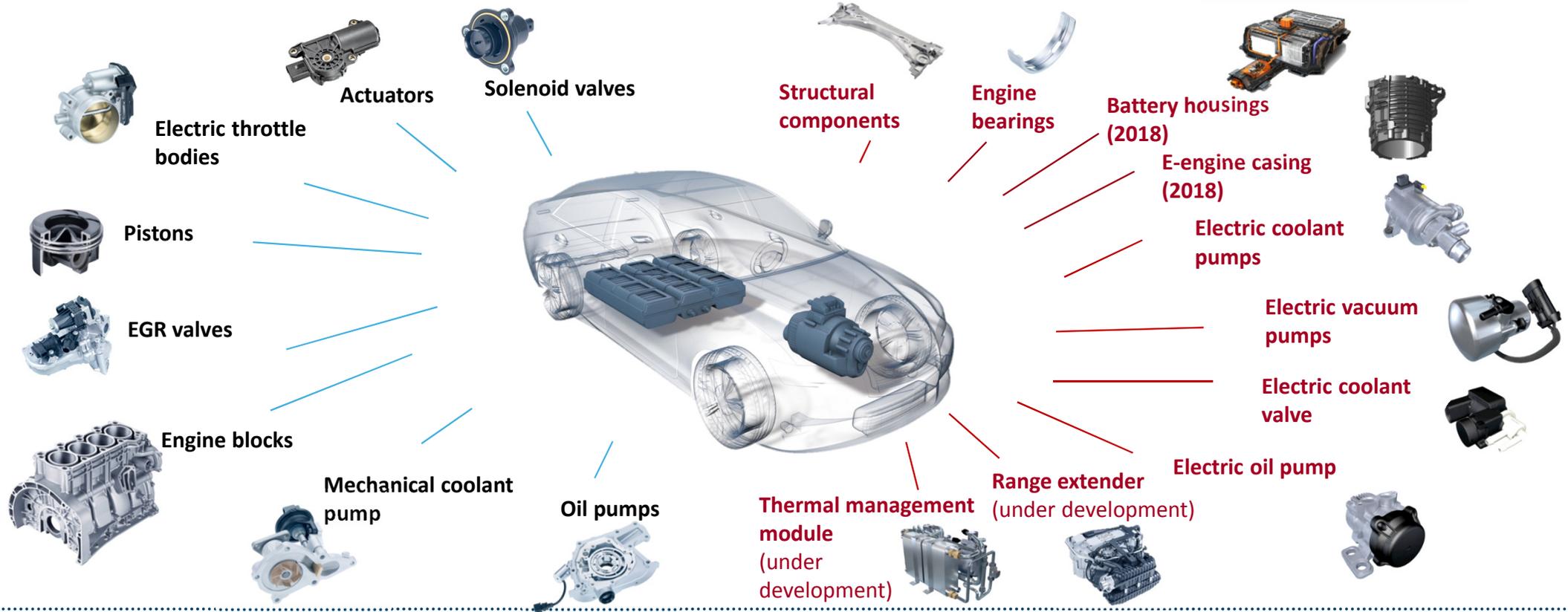


# Trend of hybridization opens potential for more Rheinmetall products

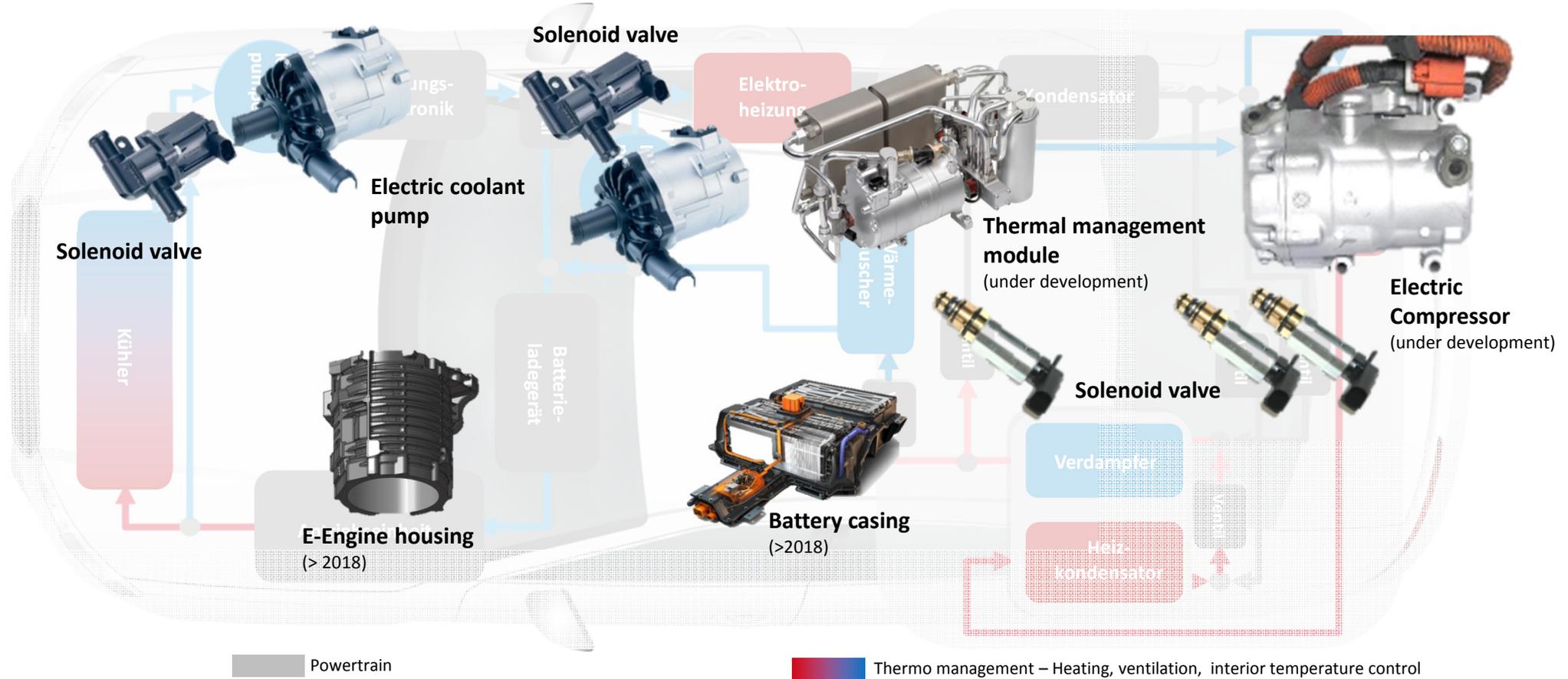
Enlarging the traditional product portfolio for combustion engines...



... by products for hybrid and electric engines



# Full electric vehicles – complexity creates potential



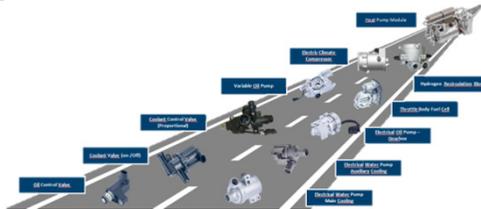
# Automotive strategy survey

## Hardparts



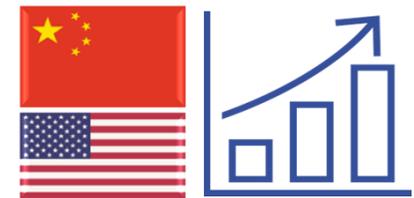
1. **Focused** investment strategy
2. **Optimization** of global footprint
3. **Selective** growth
4. **Focus** on cash generation

## 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

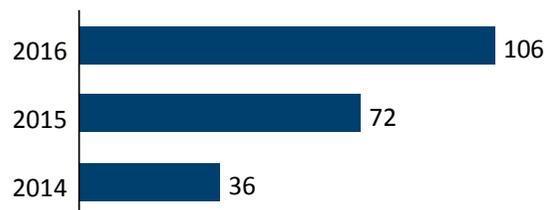


### Partner: Zhejiang Yinlun Machinery Co.

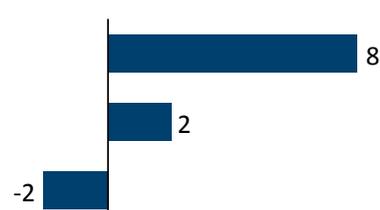
- Leading manufacturer of automobile radiators in China, renowned trademark
- Production of heat exchangers and components for emission reduction
- Sales 2016: CNY3.2 bn\* (~EUR400 m)

\* Source: Bloomberg

**Mechatronics in China**  
Sales in EUR million

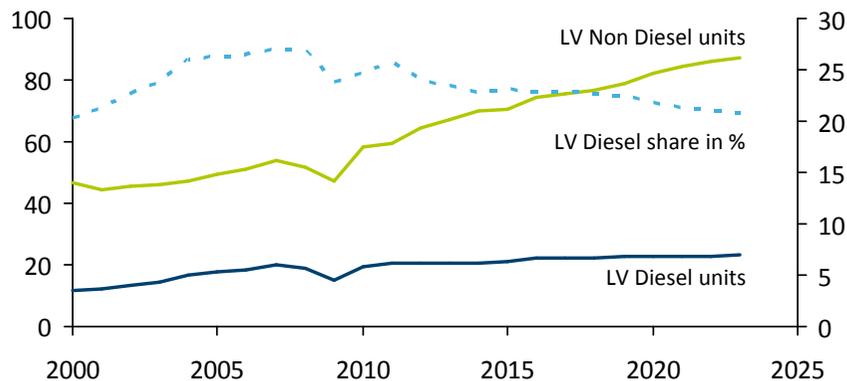


EBIT in EUR million



# LV Diesel exposure manageable, powertrain independence is the strategic target

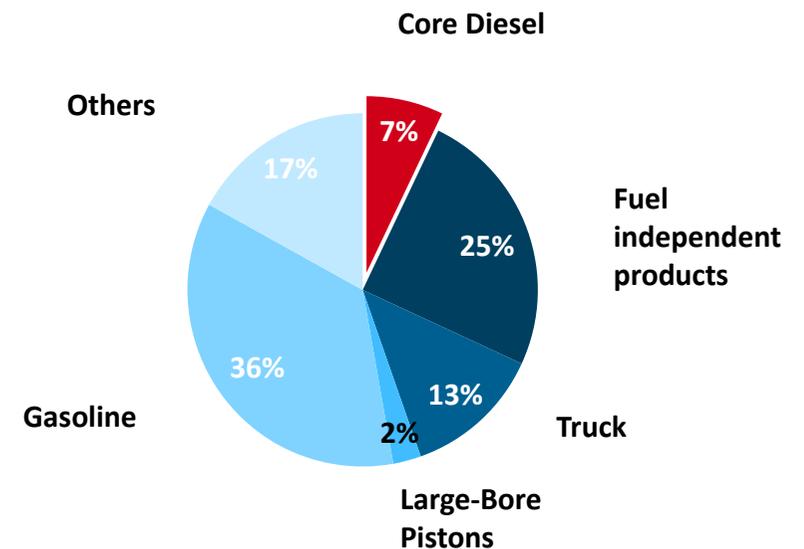
## ■ Combined global engine production forecast\*



## ■ 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:

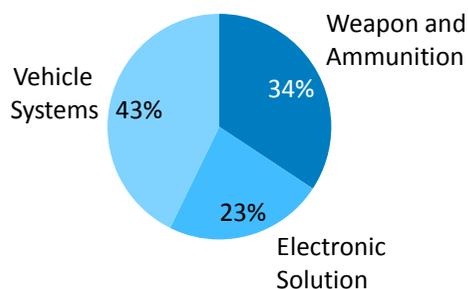
- Hybrid cars and e-cars offer chances for new products and higher content per car
- Refocus of R&D spending to enlarge the product portfolio
- Product pipelines are filled for every type of power trains in the coming years



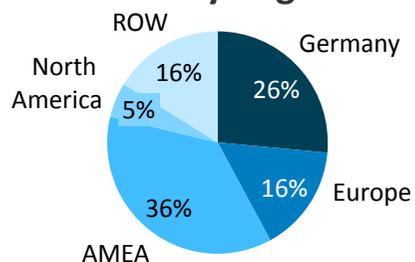
# Divisional structure of Rheinmetall Defence

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

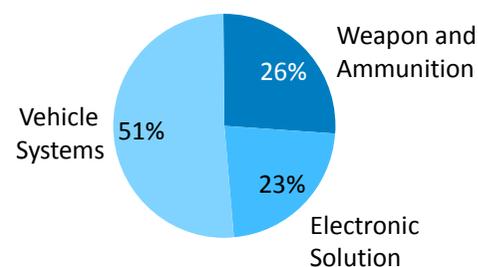
**Sales by Division**



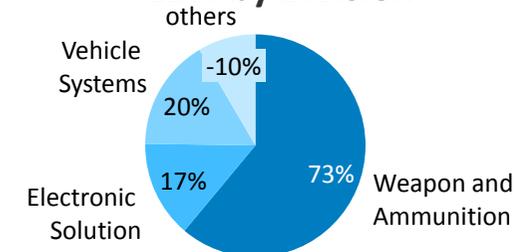
**Sales by Region**



**Order backlog by Division**



**EBIT by Division**



## Weapon and Ammunition

Weapon and Munition

Protection Systems

Propulsion Systems

## Electronic Solutions

Air Defence & Radar Systems

Mission Equipment

Simulation and Training

Technical Publications

## Vehicle Systems

Logistic Vehicles

Tactical Vehicles

\* after consolidation

All figures refer to FY 2016

## Highlights Rheinmetall Defence Q1 2017

### Solid quarter marked by strategic milestones

Lance turret



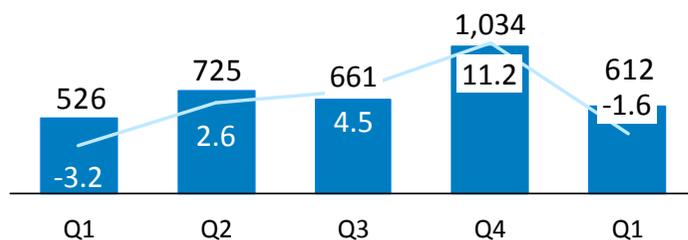
- **Sales increased** by 16% to €612 m
- **EBIT rose** by €7 m to -€10 m
- **EBIT margin gained** 1.6pp to -1.6%
- Despite low order intake in Q1, full year **book-to-bill ratio expected to be at least around 1.0**
- Announcements of three **strategically important partnerships**

## 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

Q 1

### Quarterly sales and margins development



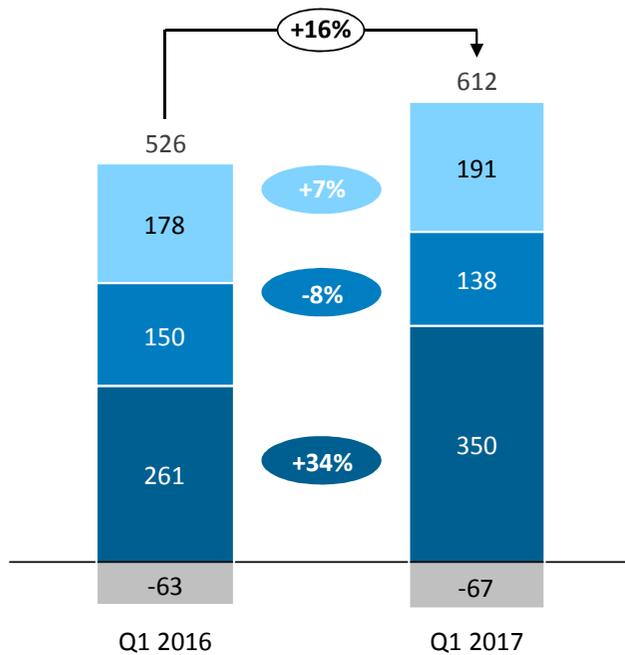
### Comments on quarterly performance

- 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 m0

# Earnings improvement in two divisions, Electronic Solutions stable

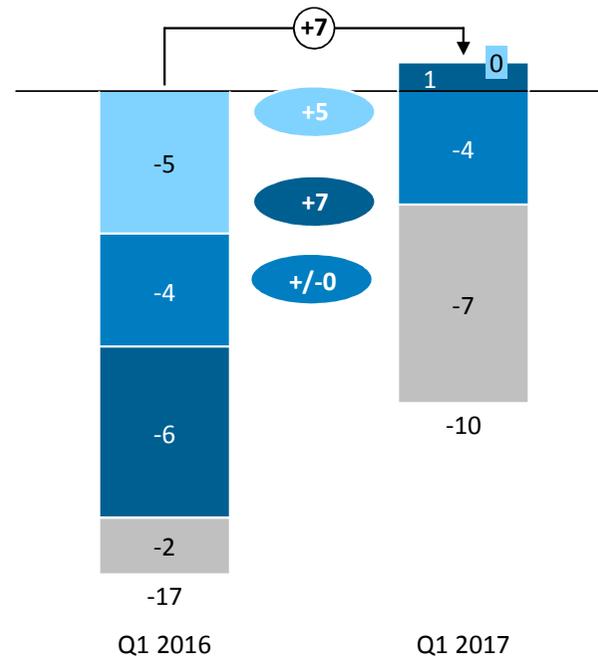
## Sales Defence

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

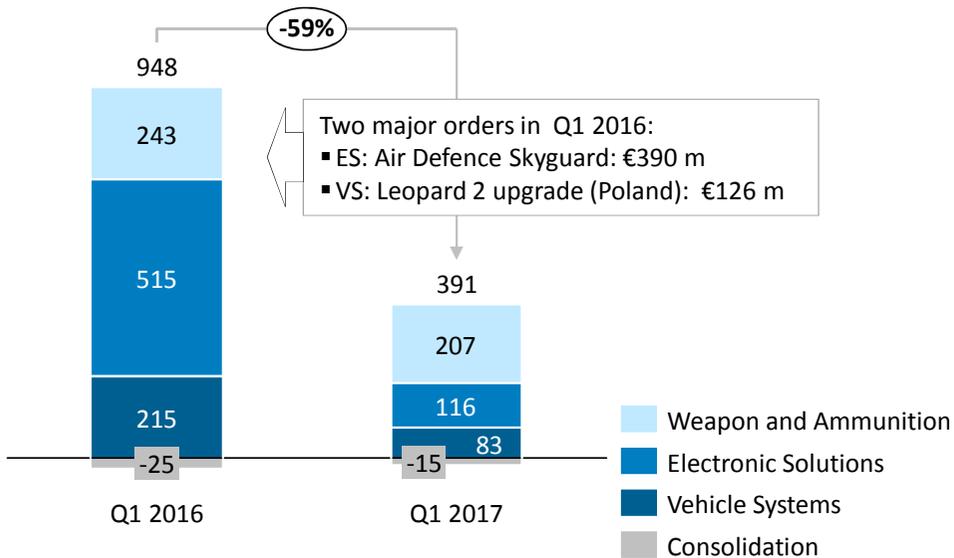
### Consolidation and others

- Losses at RIE\* and Rheinmetall International

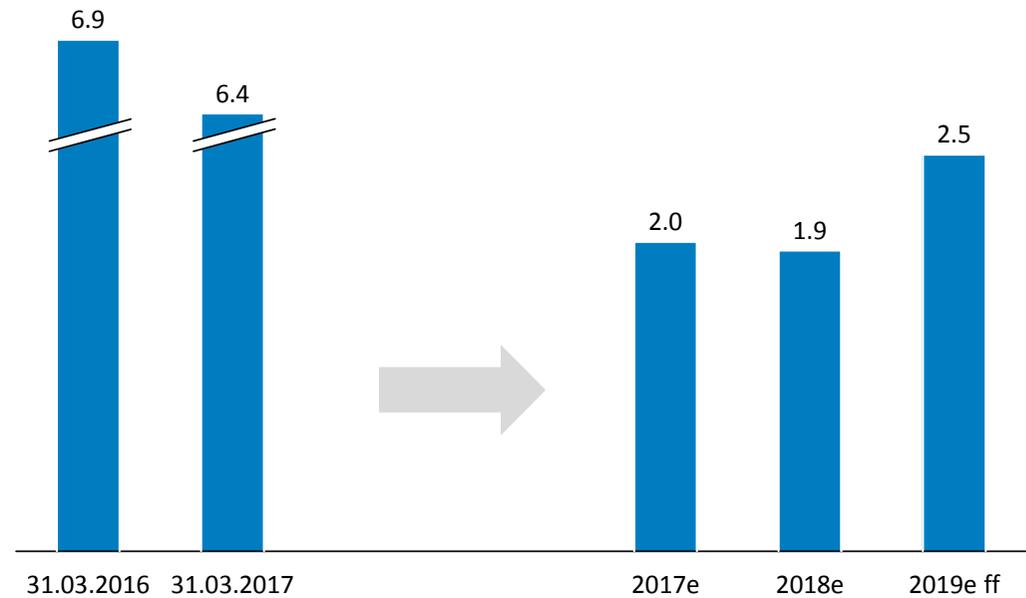
\* Rheinmetall International Engineering GmbH

# High backlog declines on soft order intake in Q1

**Order intake by division**  
in EUR million



**Order backlog profile**  
in EUR billion

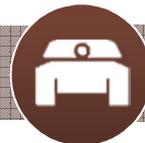


## Benefitting from growing and changing markets



### Impact:

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



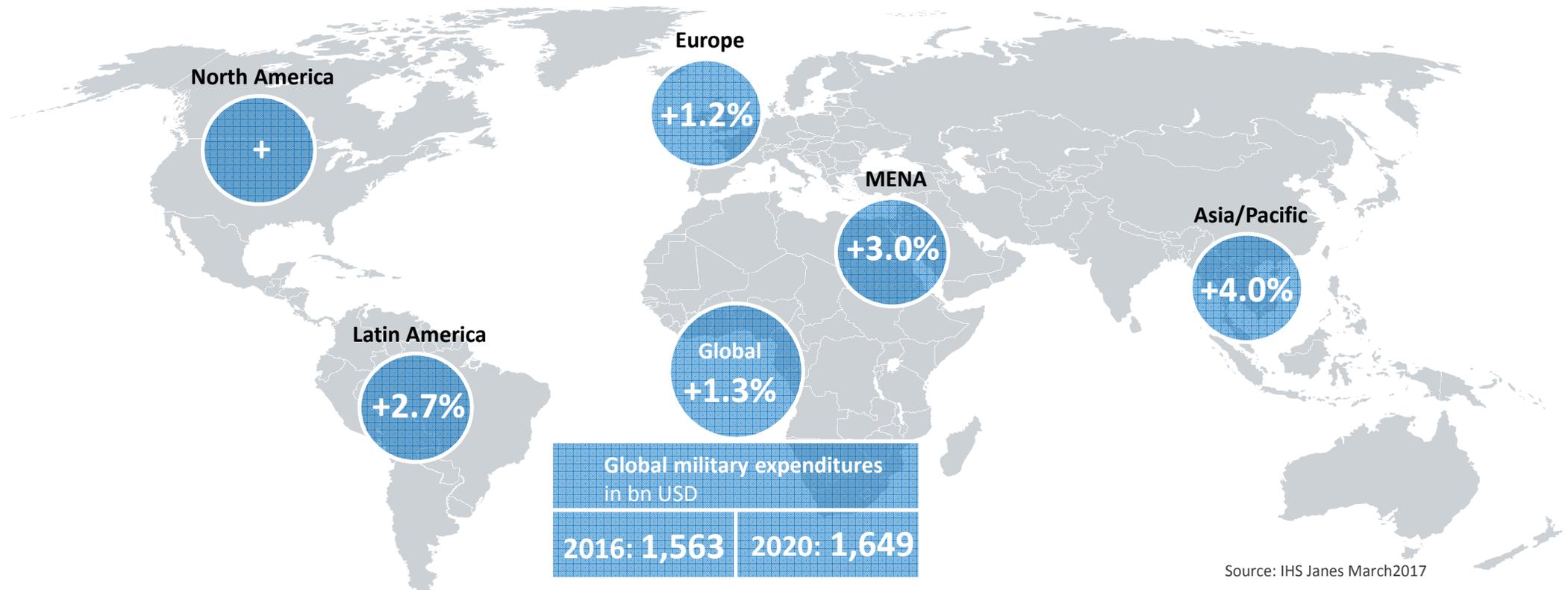
### Systematic expansion to security markets:

- 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.



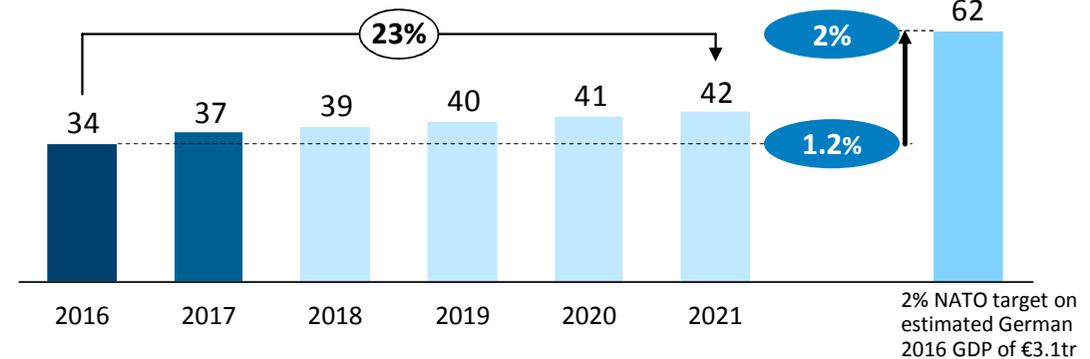
Source: IHS Janes March2017

## Further increase of German defence budget expected

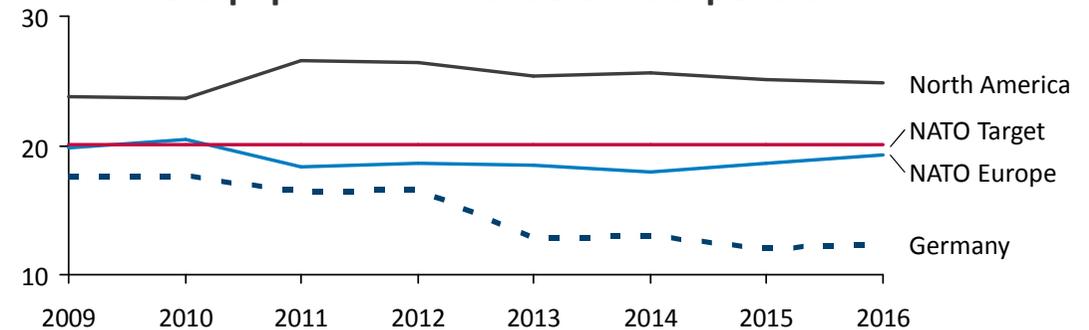
### ■ Enhanced future profile of German Bundeswehr

- “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



- Expansion and service of **simulation center**
- Modernization program **Fox**
- 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

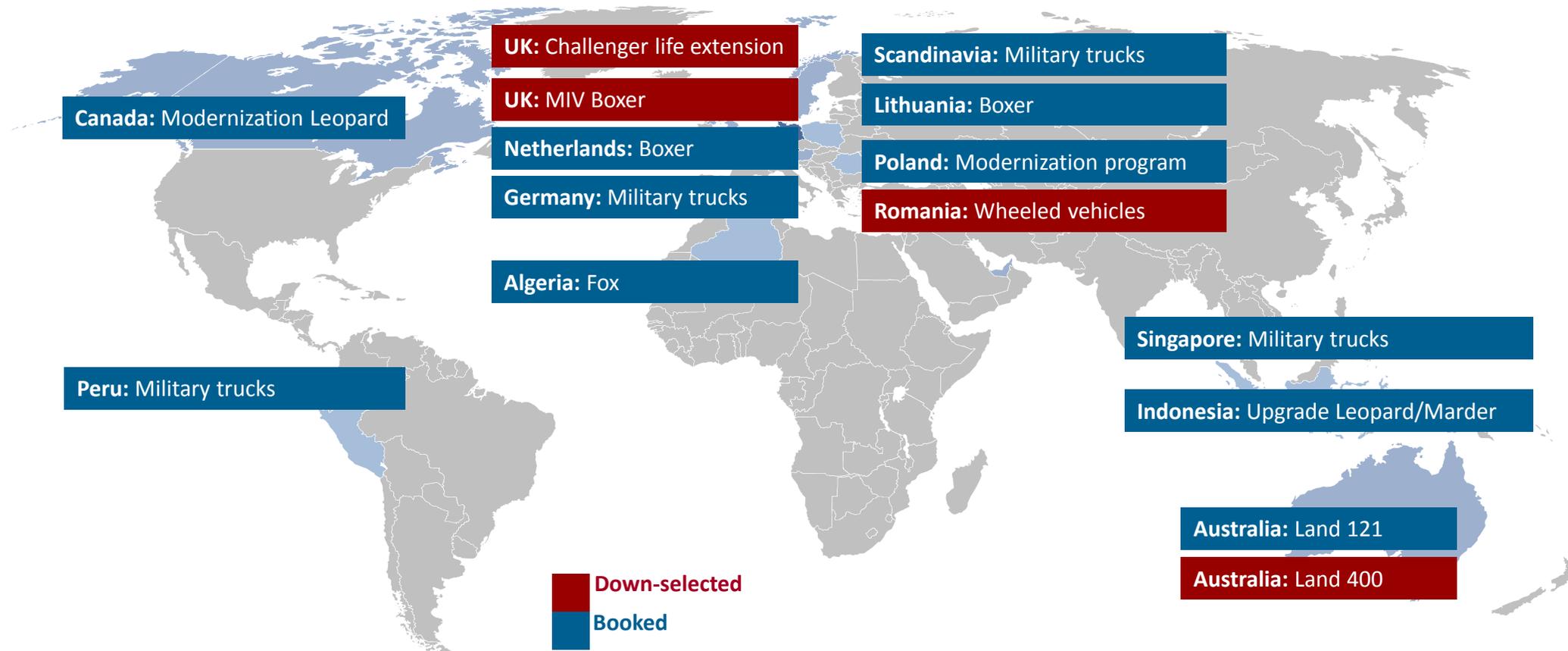
## Down selection in major international vehicle systems offers potential

Boxer with  
Lance turret

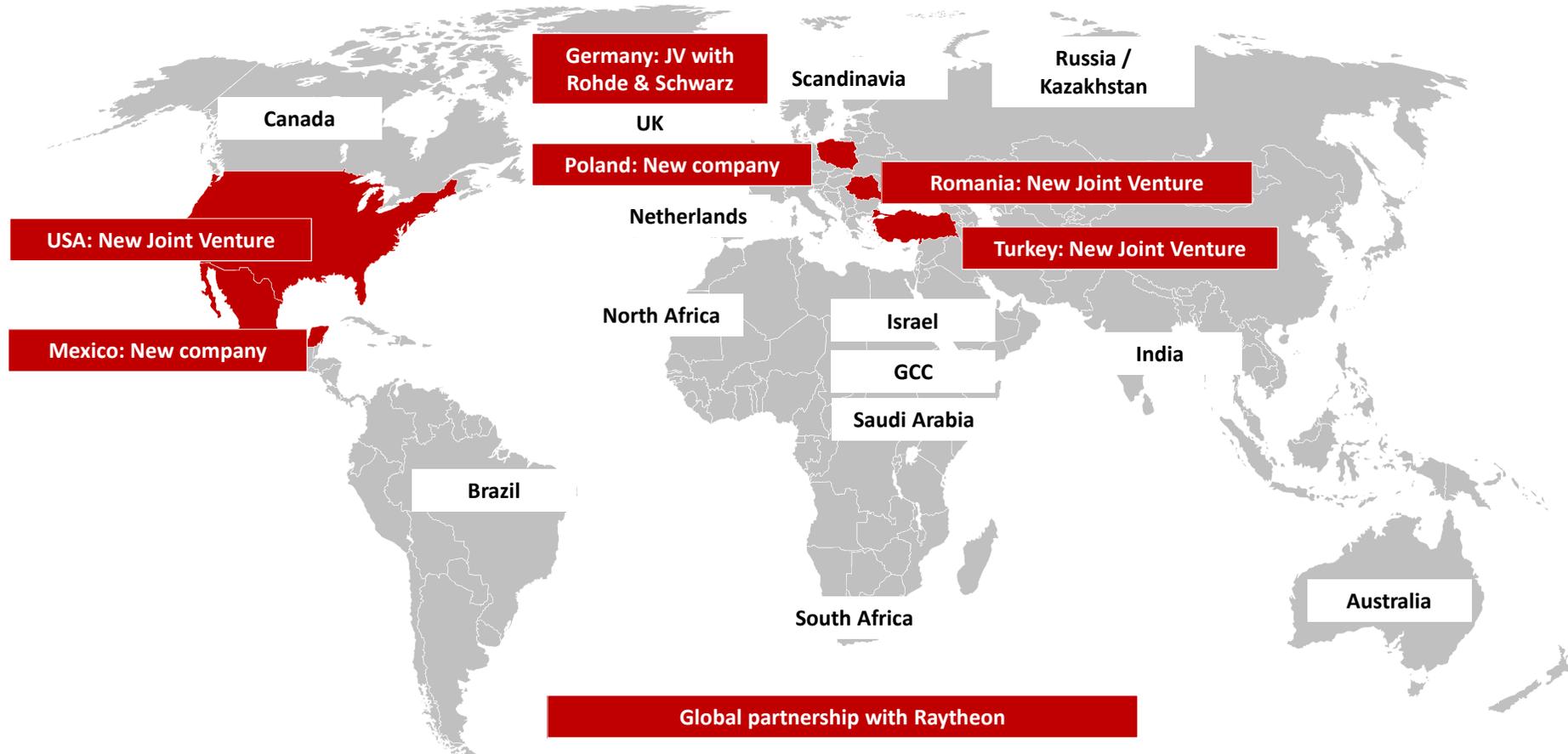


- **Australia**
  - Land 400 program: Boxer with Lance turret
  - Land 121 -5b: Logistic Vehicles follow-up contract
- **United Kingdom**
  - Challenger 2 Life extension and upgrade
  - MIV-Boxer 1,700 vehicles
- **Middle East customer**
  - Logistic Vehicles: Demand for further orders
- **Asia Pacific region**
  - Ammunition
  - Air Defence
- **Algeria**
  - Fox kits follow-up contract
- **Romania**
  - 8x8 amphibious vehicles

# 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)



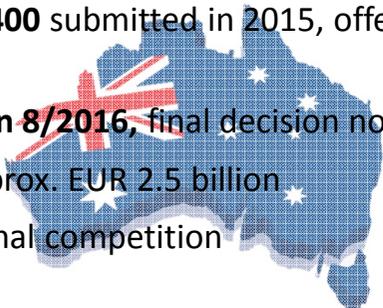
### TURKEY

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



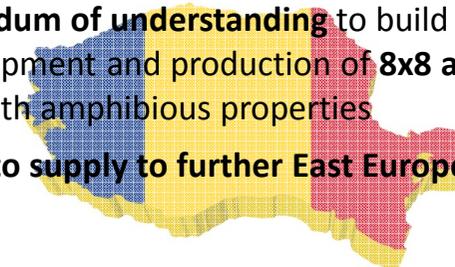
### AUSTRALIA

- **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



### AUTOMOTIVE

#### 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

#### Outlook 2017

Sales growth of 3-4% and margin  $\geq 8$

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



### DEFENCE

- 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**

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

\*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
<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); 2016: proposal</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		
<b>Order intake</b>		
<b>Order backlog (Dec. 31)</b>		
<b>Sales</b>		
<b>Operating result</b>		
<b>Operating margin (in %)</b>		
<b>EBITDA</b>		
<b>EBIT</b>		
<b>EBIT margin (in %)</b>		
<b>Capex</b>		
<b>Employees (Dec 31) according to capacity</b>		
<b>Mechatronics</b>	<b>Sales</b>	<b>Weapon &amp; Ammunition*</b>
	<b>EBIT</b>	
	<b>EBIT margin</b>	
<b>Hardparts</b>	<b>Sales</b>	<b>Electronic Solutions</b>
	<b>EBIT</b>	
	<b>EBIT margin</b>	
<b>Aftermarket</b>	<b>Sales</b>	<b>Vehicle Systems**</b>
	<b>EBIT</b>	
	<b>EBIT margin</b>	

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>

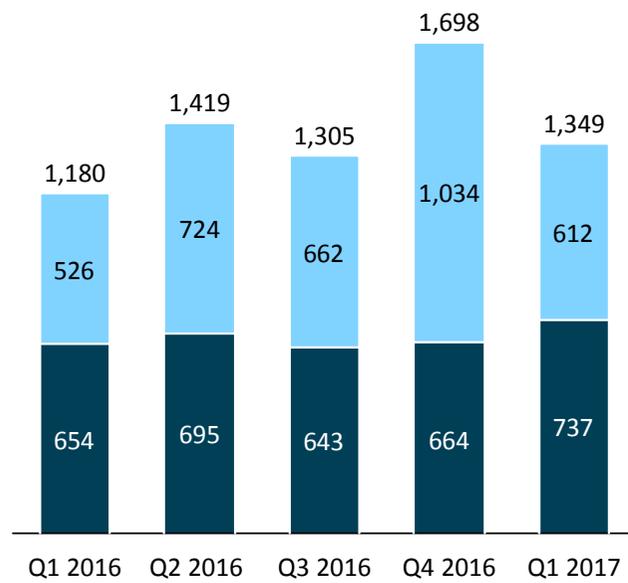
2013 figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)

## Cash Flow Statement Group

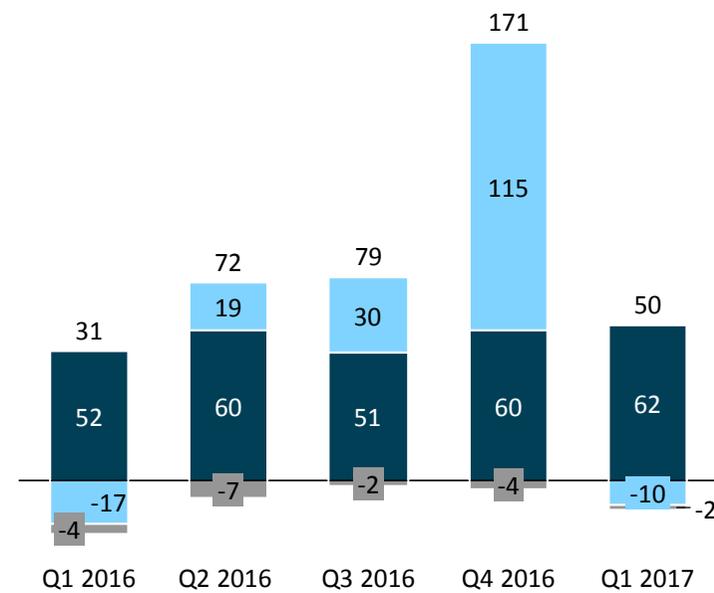
in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Δ Q1 2016/2017
Group Net Income	12	41	46	116	28	16
Amortization / depreciation	55	54	52	67	57	2
Change in pension accruals	- 16	2	-	-	- 34	- 18
Cash Flow	51	97	98	183	51	-
Changes in working capital and other items	- 262	- 112	- 1	389	- 207	55
Net 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



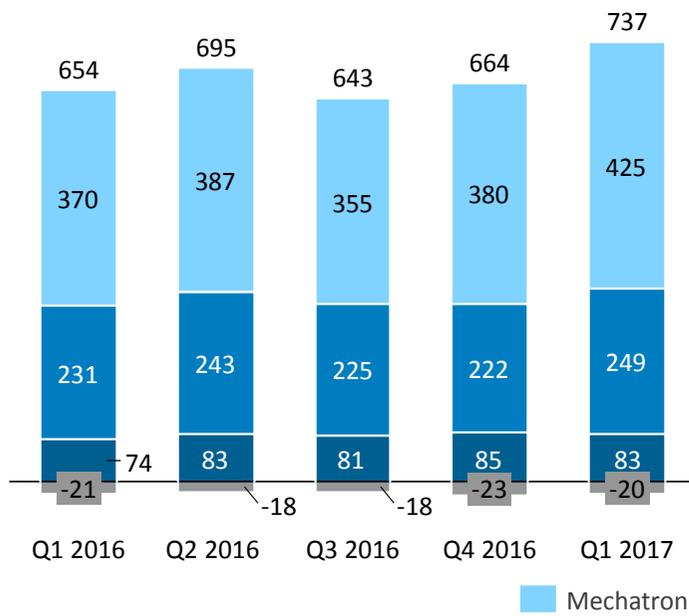
**Operational earnings**  
in EUR million



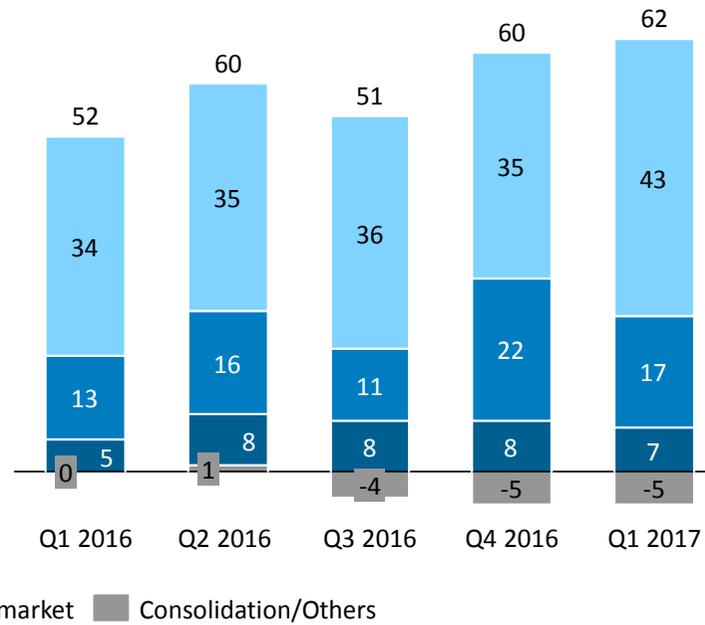
■ Defence ■ Automotive ■ Consolidation/Others

# Quarterly development Automotive

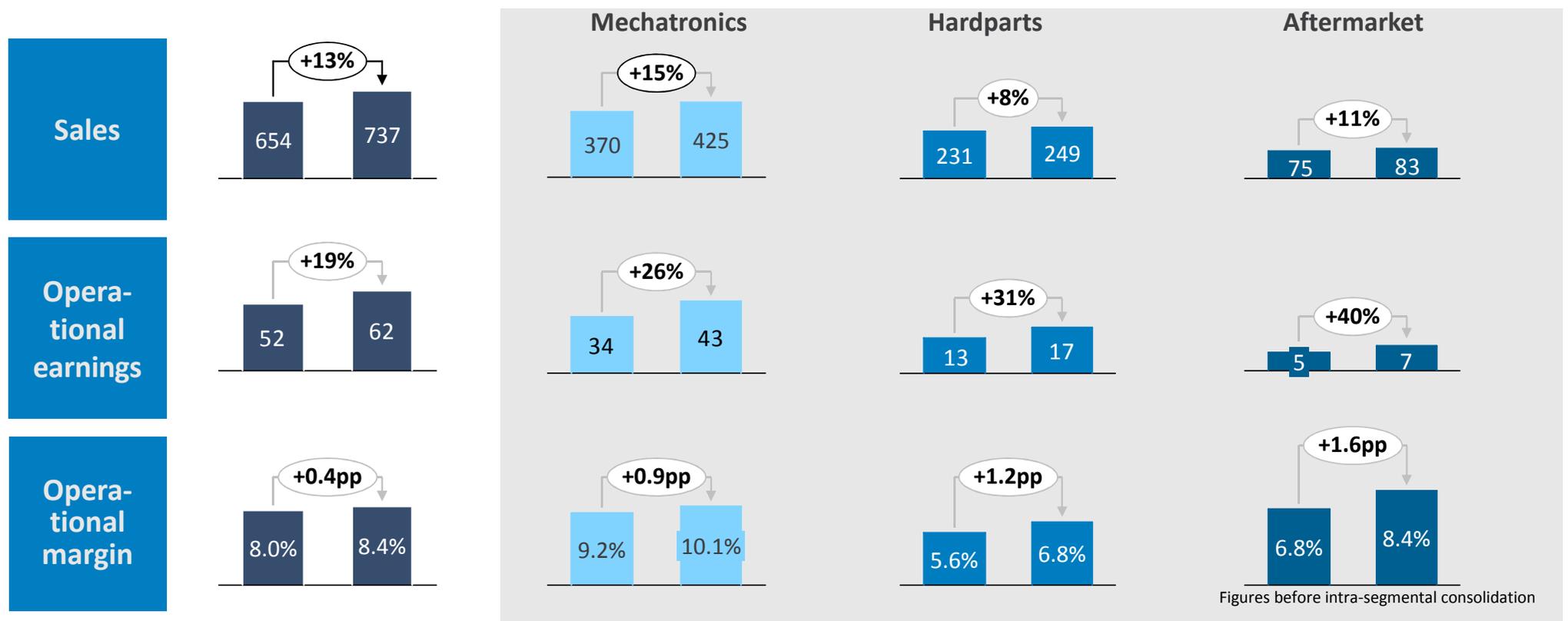
**Sales by division**  
in EUR million



**Operational earnings by division**  
in EUR million



## Key figures Automotive by division (Q1 2016/2017)

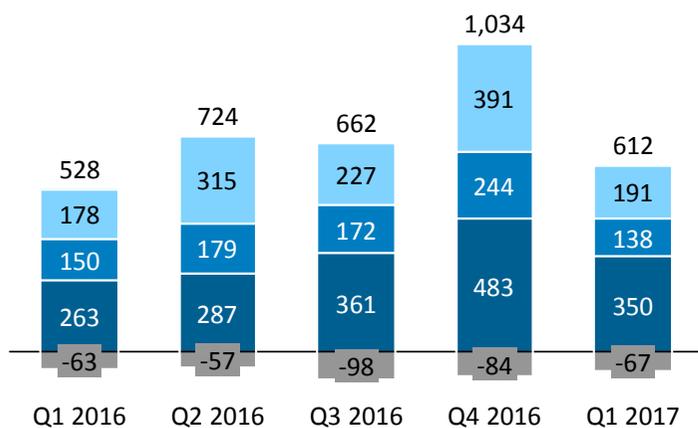


## Quarterly cash flow statement Automotive

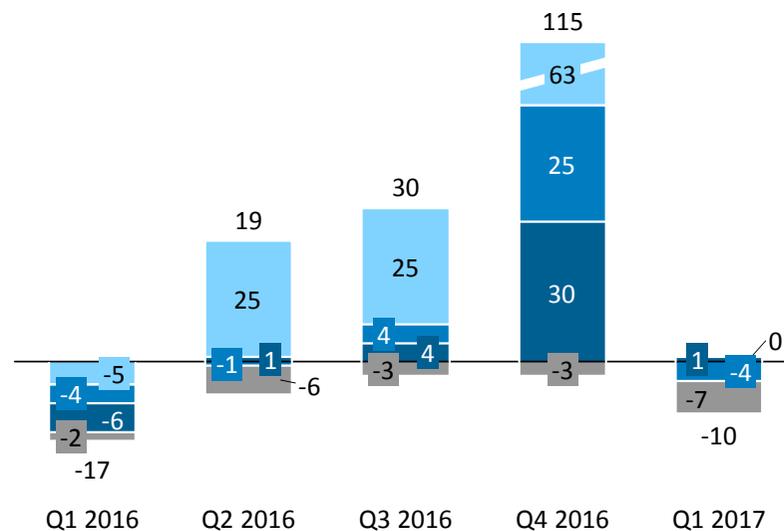
in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Δ Q1 2016/2017
Net income	38	42	36	49	<b>46</b>	+8
Amortization / depreciation	33	31	29	40	<b>32</b>	-1
Change in pension accruals	-	-	- 1	- 1	-	+/-0
<b>Cash Flow</b>	<b>71</b>	<b>73</b>	<b>64</b>	<b>88</b>	<b>78</b>	<b>+7</b>
Changes in working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

# Quarterly development Defence

**Sales by division**  
in EUR million



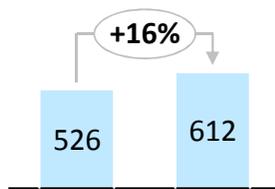
**Operational earnings by division**  
in EUR million



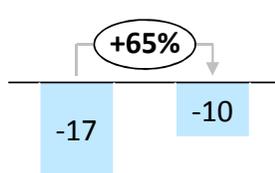
■ Weapon & Ammunition 
 ■ Electronic Solutions 
 ■ Vehicle Systems 
 ■ Consolidation/Others

# Key figures Defence by division (Q1 2016/2017)

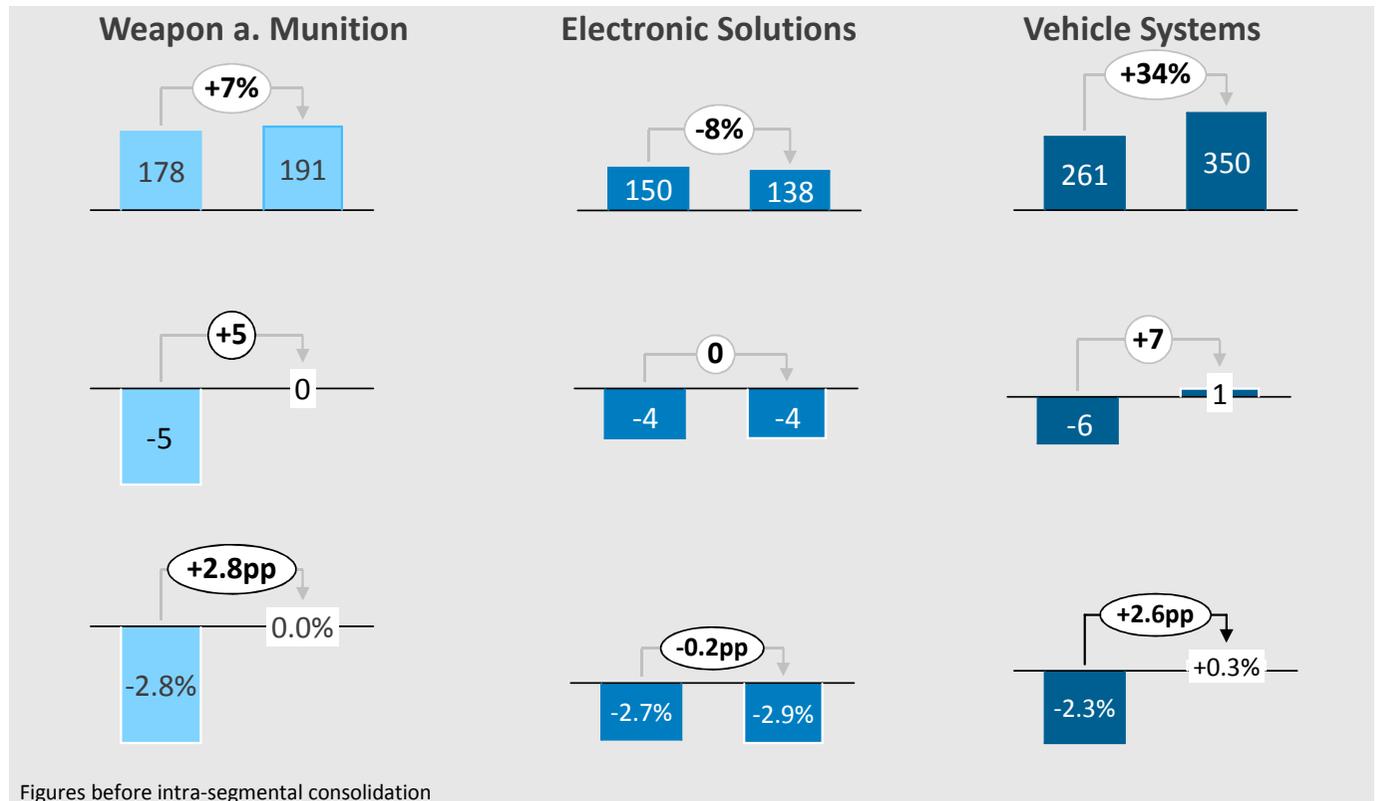
Sales



Operational earnings



Operational margin



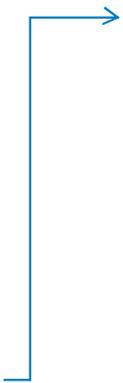
## Quarterly cash flow statement Defence

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
<b>Cash Flow</b>	3	27	36	105	5	+2
Changes in working capital and other items	- 90	-123	- 8	248	- 61	+29
<b>Net cash used in operating activities</b>	- 87	- 96	28	353	- 56	+31
Cash outflow for additions to tangible and intangible assets	- 17	- 21	- 23	- 34	- 16	+1
<b>Free cash flow from operations</b>	- 104	-117	5	319	- 72	+32

# Income statement Group

In EUR million

## Income Statement

	Q1 '16	Q1 '17	Δ		Q1 '16	Q1 '17	Δ	
<b>Total operating performance</b>	1,256	1,416	160		<b>Net operating income (EBIT)</b>	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		<b>Earnings before tax (EBT)</b>	17	38	21
Amortization, depreciation and impairment	55	57	2		Income tax	- 5	-10	-5
Other operating expenses	148	174	26		<b>Net income</b>	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
<b>Net operating income</b>	31	50	19		Rheinmetall shareholders	13	24	11
					<b>EBITDA</b>	86	107	21

# Cash flow statement Group

In EUR million

## Cash Flow Statement

	Q1 '16	Q1 '17	Δ		Q1 '16	Q1 '17	Δ
<b>Net Income</b>	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				
<b>Cash flows from operating activities</b>	<b>-211</b>	<b>-156</b>	<b>55</b>				
<b>Investments in assets</b>	<b>-52</b>	<b>-43</b>	<b>9</b>				
Cash receipts from the disposal of assets	0	2	2				
<b>Investments in consolidated companies and other financial assets</b>	<b>-13</b>	<b>0</b>	<b>13</b>				
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				
<b>Cash flow from investing activities</b>	<b>-132</b>	<b>-123</b>	<b>9</b>				
				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
					<b>1</b>	<b>5</b>	
				<b>Cash flow from financing activities</b>			<b>4</b>
				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
				<b>Opening cash and cash equivalents Jan 1</b>	<b>691</b>	<b>616</b>	<b>-75</b>
				<b>Closing cash and cash equivalents Dez 1</b>	<b>345</b>	<b>344</b>	<b>-1</b>

## Balance Sheet Group

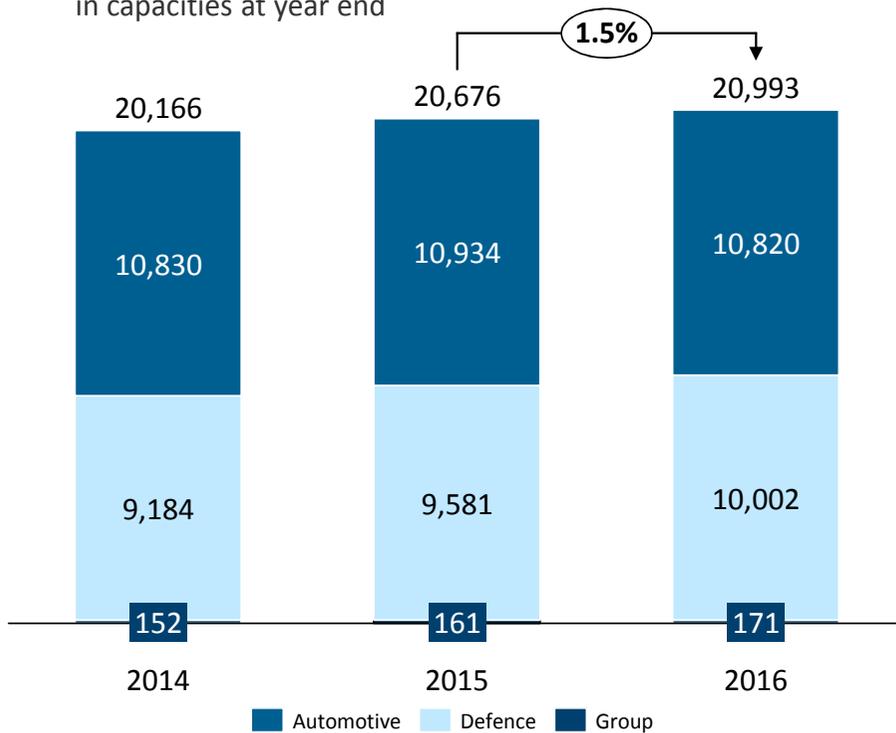
In EUR million

### Balance Sheet

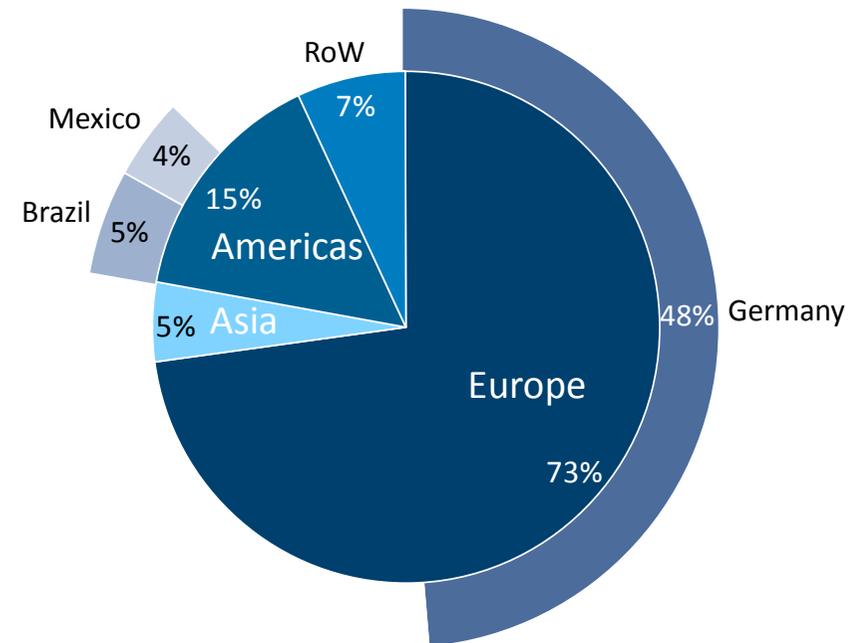
	31.12.'16	31.3.'17	Δ		31.12.'16	31.3.'17	Δ
<b>Non-current assets</b>	<b>2,762</b>	<b>2,756</b>	- 6	<b>Equity</b>	<b>1,781</b>	<b>1,814</b>	<b>33</b>
Intangible assets	819	811	- 8	Share capital	112	112	-
Property, plant and equipment	1,378	1,371	- 7	Additional paid-in capital	532	532	-
Investment property	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
<b>Current assets</b>	<b>3,388</b>	<b>3,428</b>	40	<b>Non-current liabilities</b>	<b>1,629</b>	<b>1,623</b>	- 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	<b>Current liabilities</b>	<b>2,740</b>	<b>2,747</b>	<b>7</b>
				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
<b>Total assets</b>	<b>6,150</b>	<b>6,184</b>	34	<b>Total liabilities</b>	<b>6,150</b>	<b>6,184</b>	<b>34</b>

# 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

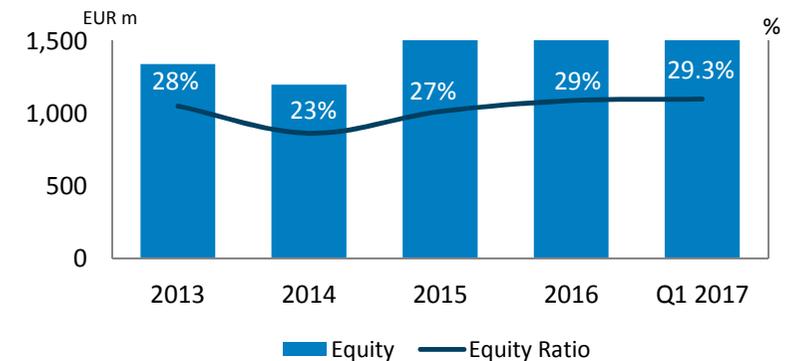
## Financial solidity materially improved

### Drivers

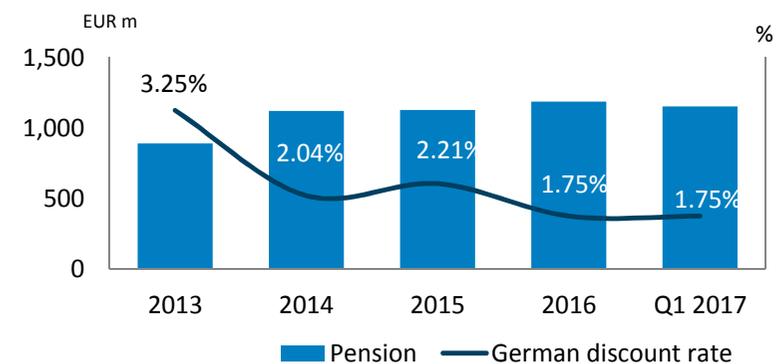
- Delivery on our targets
- Capitalizing on our restructuring efforts
- Achievement of a solid equity ratio
- Pension stabilized on further CTA funding
- Supportive market environment in both segments

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

### Equity and Equity ratio

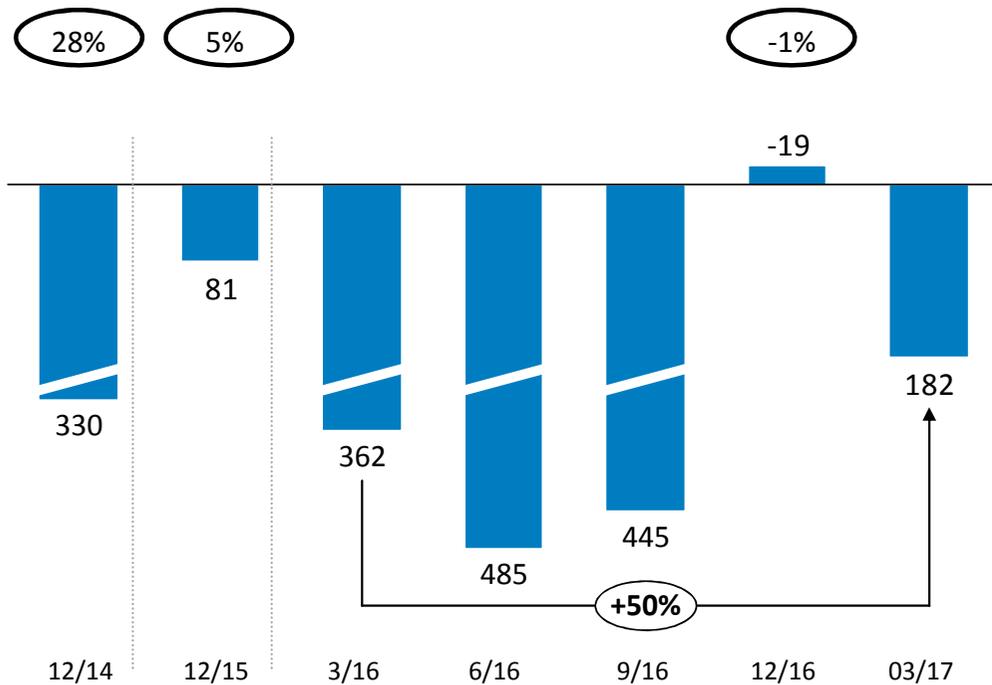


### Pension liabilities and German discount rate

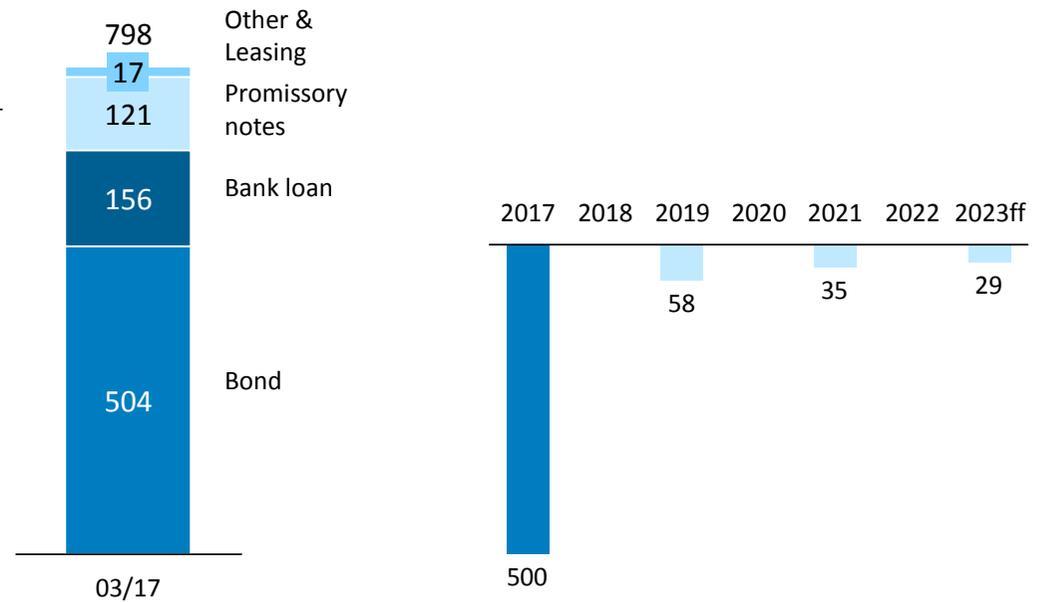


# Net-financial debt considerably improved on positive cash development

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



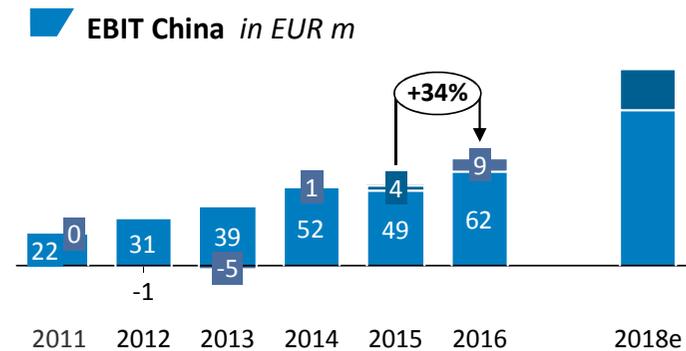
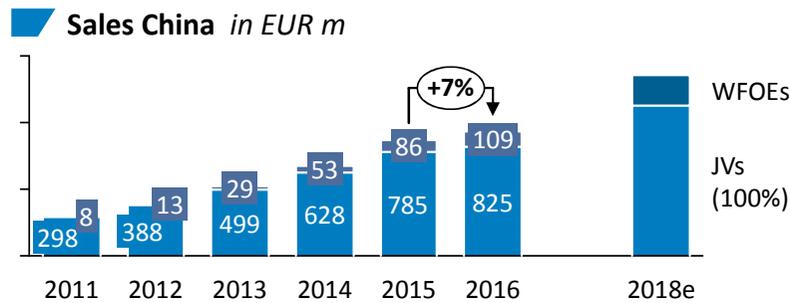
■ **Debt composition and maturity profile of instruments**  
in EUR million



# 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)			JV subsidiary
Aftermarket	Pierburg	Large-bore pistons	Pumps (PMP Ch.)
2008	2009	2013	2012
Spare parts	EGR modules and electric throttle bodies	Large-bore pistons	Electrical and mechanical pumps
China			China



## First orders for public security and e-mobility

### ■ Public Security



Survivor vehicles  
for German police forces

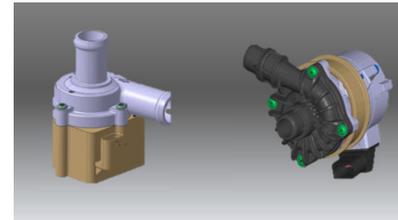


Drone detection systems  
for Swiss prisons



Innovative body armor  
for German police forces in  
several states

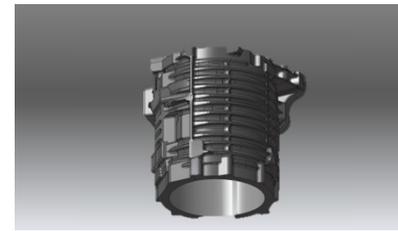
### ■ Electromobility



Pump technology for  
electric vehicles



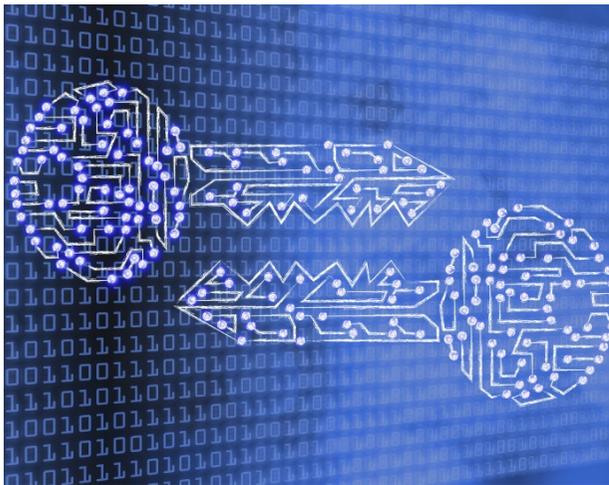
Aluminum battery boxes  
for German premium OEM



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

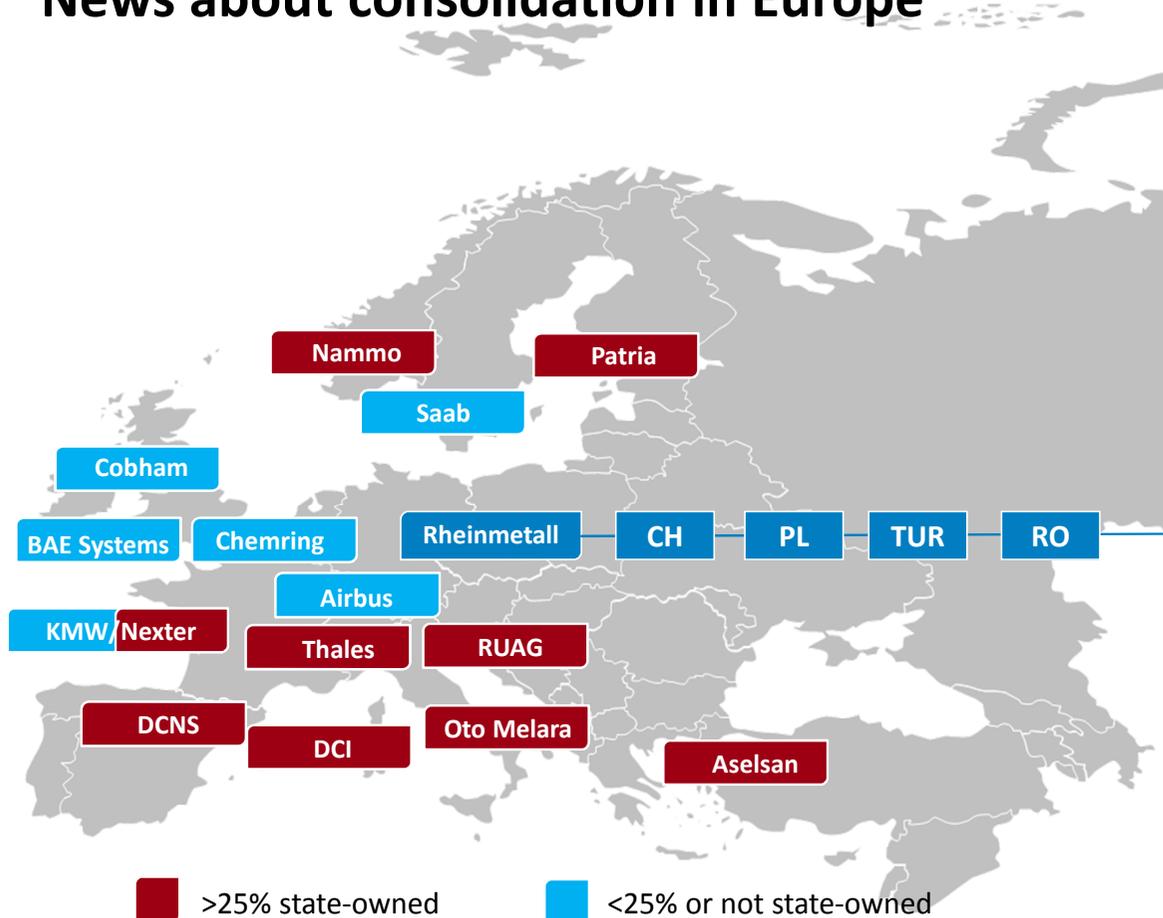


>3x



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

Annual Stockholders' Meeting	Berlin	9 May
RS Switzerland	Zurich, Lugano	10-11 May
Warburg Highlights	Hamburg	19 May
RS Paris	Paris	23 May
Deutsche Bank dbAccess	Berlin	21-23 Jun
<b>H1 Earnings call</b>		3 Aug
<b>Q3 Earnings call</b>		7 Nov
Capital Markets Day 2017	Bremen	21-22 Nov

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