



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



MOBILITY. SECURITY. **PASSION.**



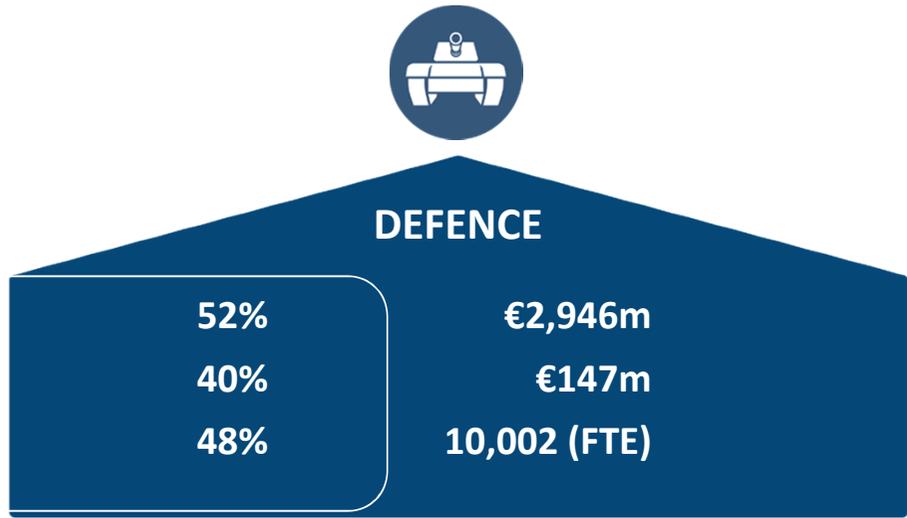
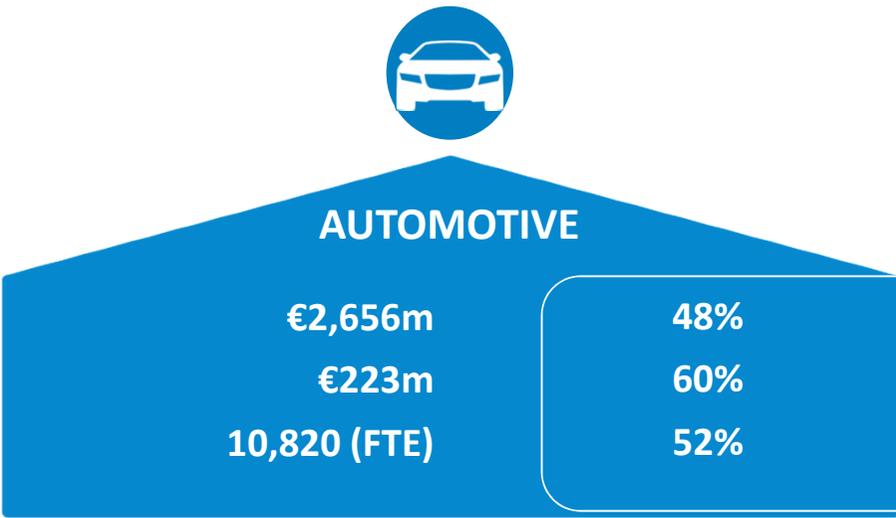
Rheinmetall AG Corporate Presentation

Düsseldorf, January 2018

RHEINMETALL GROUP

Rheinmetall Group: Serving the need for mobility and security

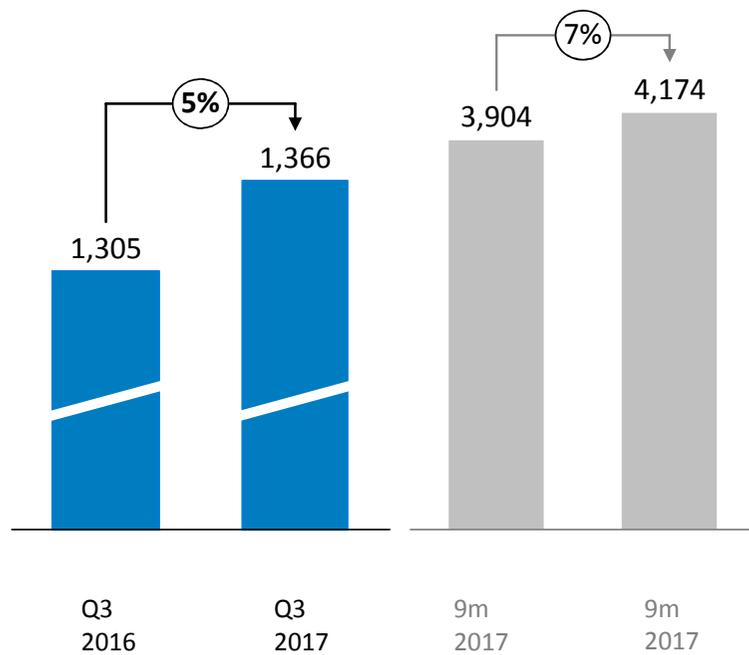
Key Performance Indicators	▪ Sales	€5,602m		Strategy roadmap	▪ Organic growth
	▪ EBIT	€353m			▪ Internationality expansion
	▪ Operating FCF	€161m			▪ Leading by innovations
	▪ EPS	€4.69			▪ Targeted acquisitions
	▪ Headcount	20,993 (FTE)			



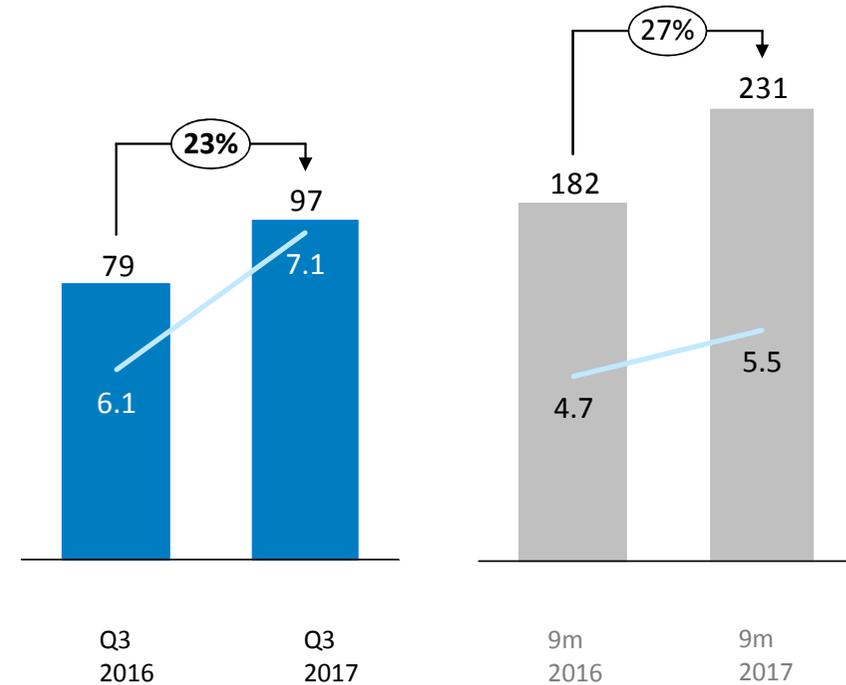
FTE: Full time employees

Good business development in the first 9 months

■ Sales
in EUR million

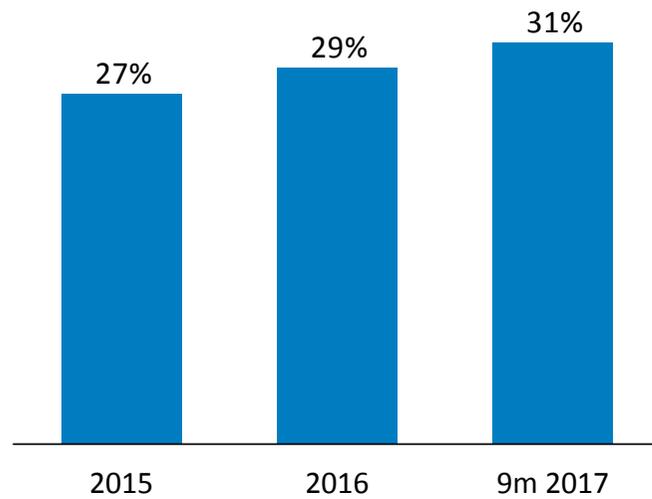


■ Operational result in EUR million
Operational margin in %

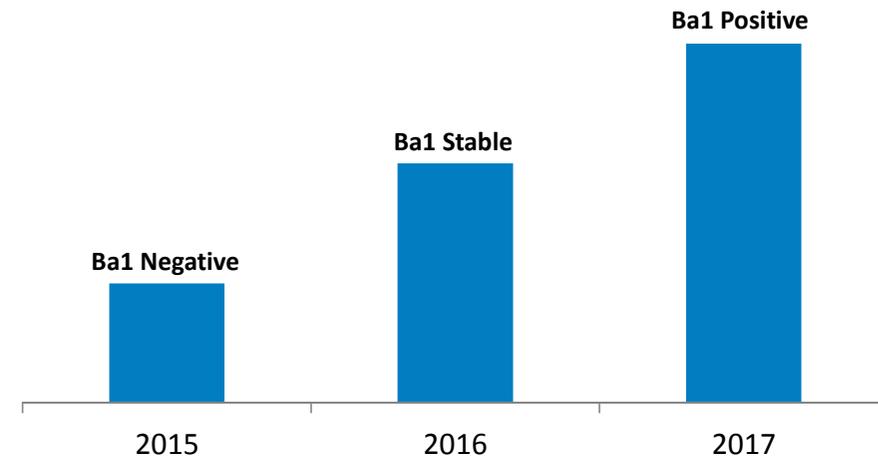


Financial KPIs on a positive track

■ Equity ratio
in %



■ Moody's Rating

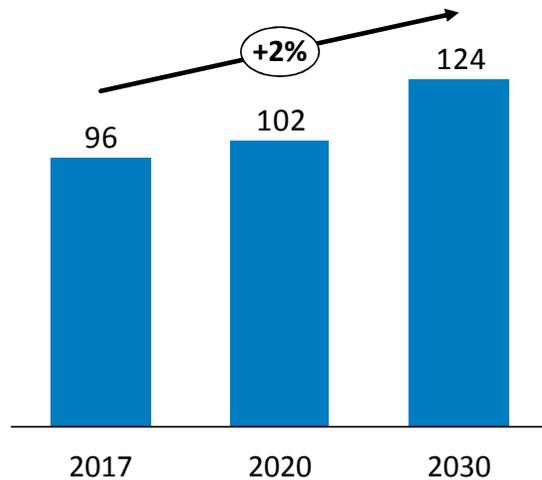


RHEINMETALL AUTOMOTIVE

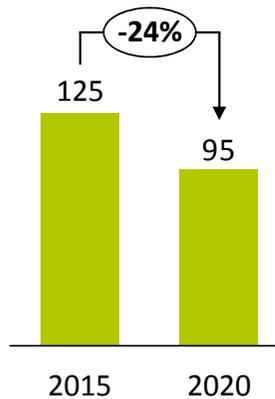
Drivers for growth

Rising global fleet and regulatory restrictions are supporting our growth

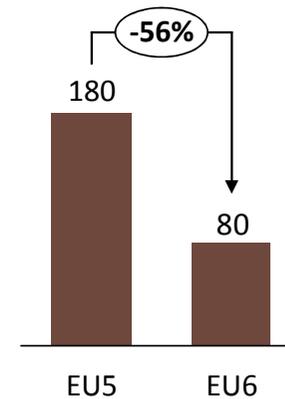
■ **Light vehicle production**
million vehicles per year



■ **Emission limits: CO₂**
in g/km



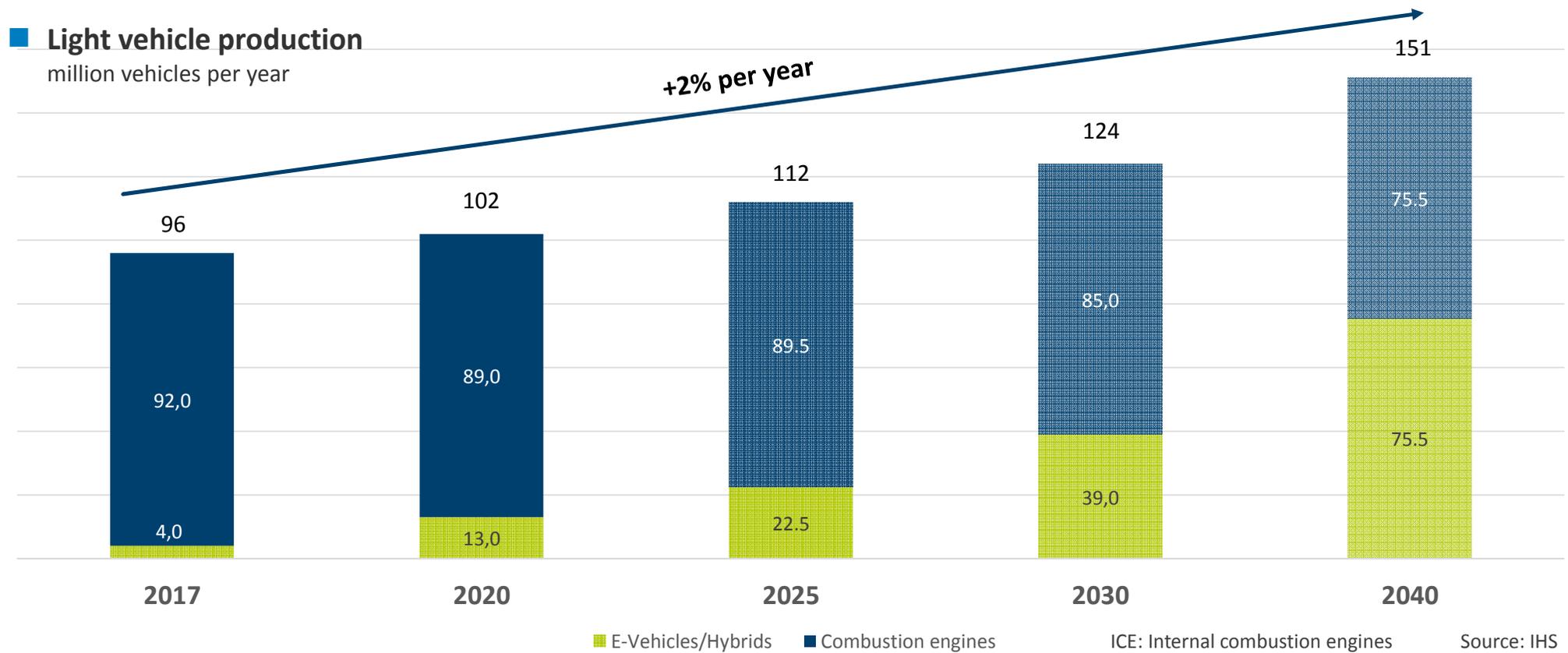
■ **Emission limits: NO_x**
in mg/km



Our goal is to outperform global market growth by 100 to 200 bp

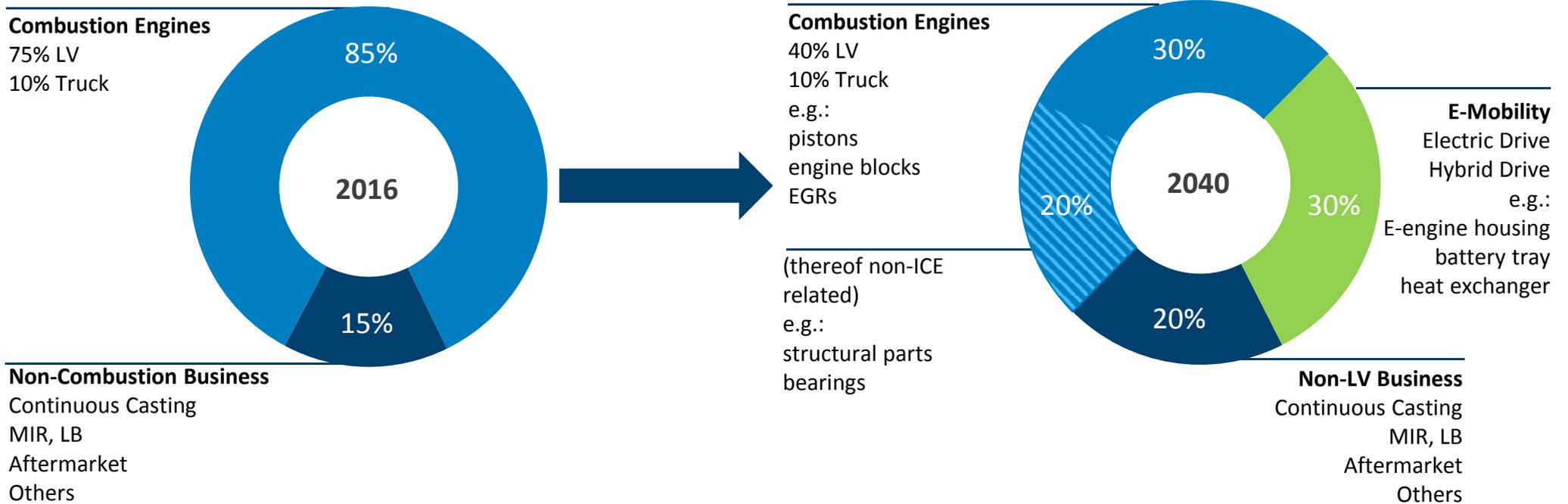
Drivers for growth

ICE tapers off, but continues to dominate; E-mobility offers additional chances



Strategic goal to reduce ICE exposure

■ Sales split



Data based on fiscal 2016

Emissions

Additional new products at a glance



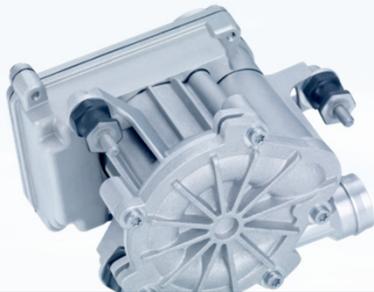
Electrical Vacuum Pump
EVP 40

**Booked business for series production
→ Start of production 2017!**



Electrical Vapor
Pump

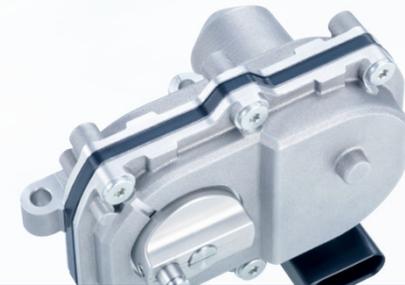
**Booked business for series production
→ Start of production 2018!**



New Side-Channel
Secondary Air Pump

Customer presentation

Wastegate Actuators
Gasoline Engine



Customer presentation

Efficiency

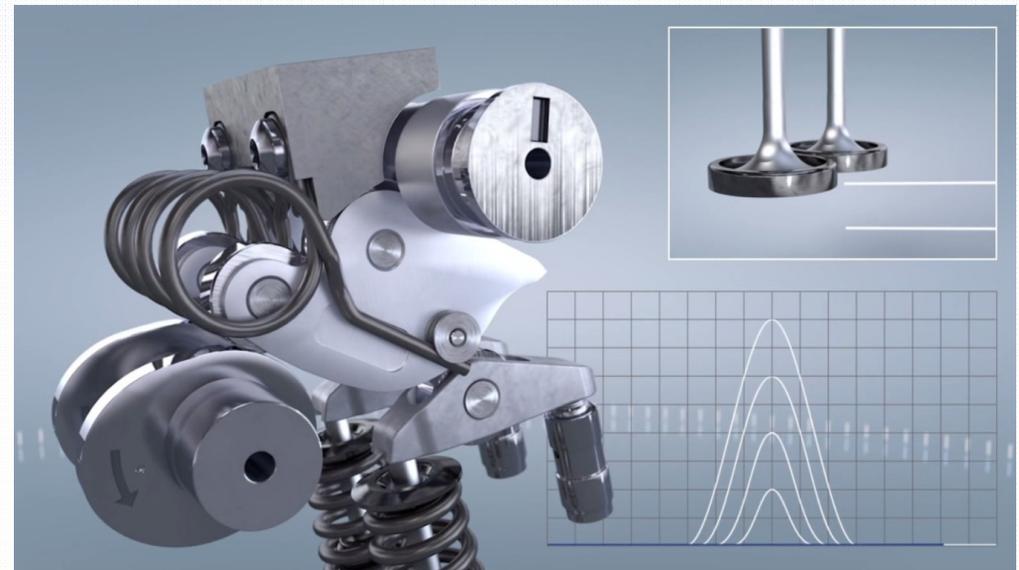
Variable valve train – UpValve

Booked business for series production

Asian customer – SOP 2020

4-cyl.-4V-turbo gasoline engine

SOP: Start of production



UpValve System Integrated in Gasoline Cylinder Head

Efficiency

Lightweight design parts – Valuable for all vehicle and powertrain concepts

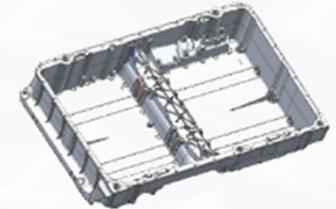
Existing Aluminum die cast technology

Lightweight is a strong trend in all powertrain concepts

Booked orders with German OEMs



Rear Axle Subframe
Weight: 18 kg
SOP: 01/2017



Battery Box
Weight: 17 kg
SOP: 2018

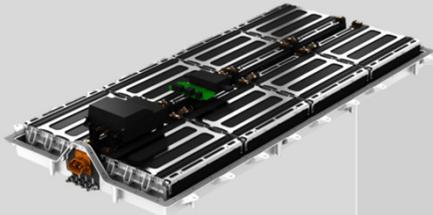


Housing for e-Engine
Weight: 20 kg
SOP: 2018

E-Mobility

Rheinmetall commands an complementary set of skills for E-mobility

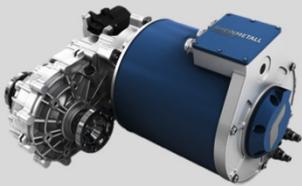
Battery Pack



Various Electrical Auxiliaries

- Electr. Coolant Pumps & Valves
- Electr. Oil Pumps
- Electr. A/C Compressor
- Electr. Vacuum Pumps
- Electr. Air Blower for Batt.-TM

E-Traction Motor



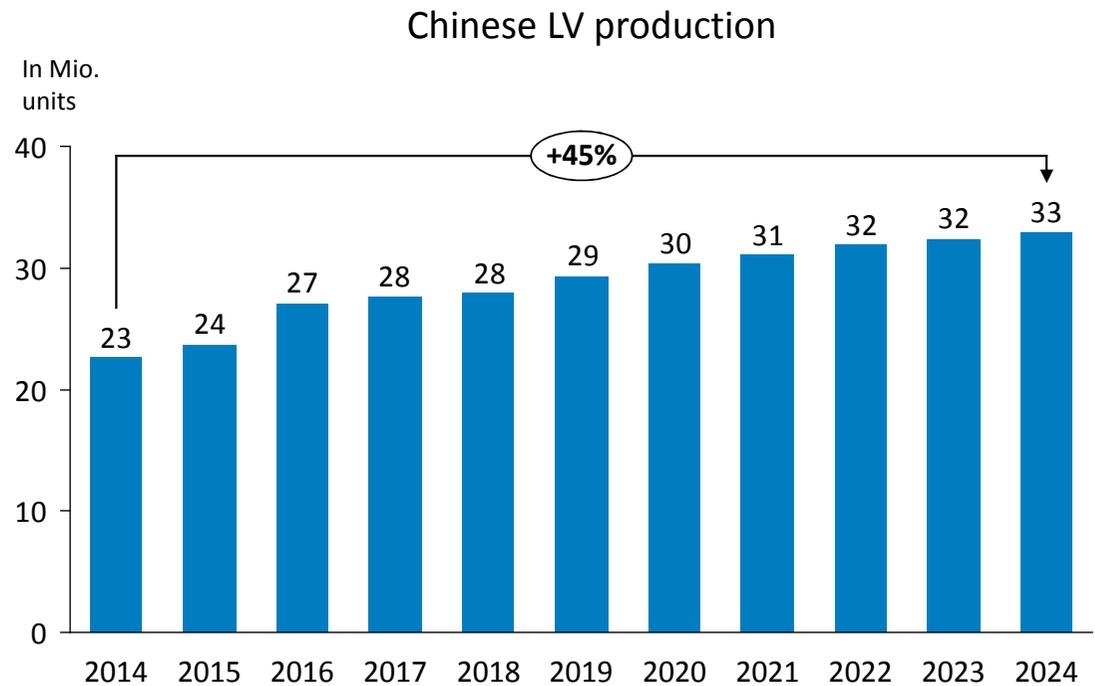
Thermal Management Components & Systems



Automotive: Automotive prepares to participate in future growth in China

■ China Strategy

- Increase Chinese share of total Automotive sales
- Strengthen presence by further local investment
- Continue our business with European OEM's
- Expand business with Chinese OEM's

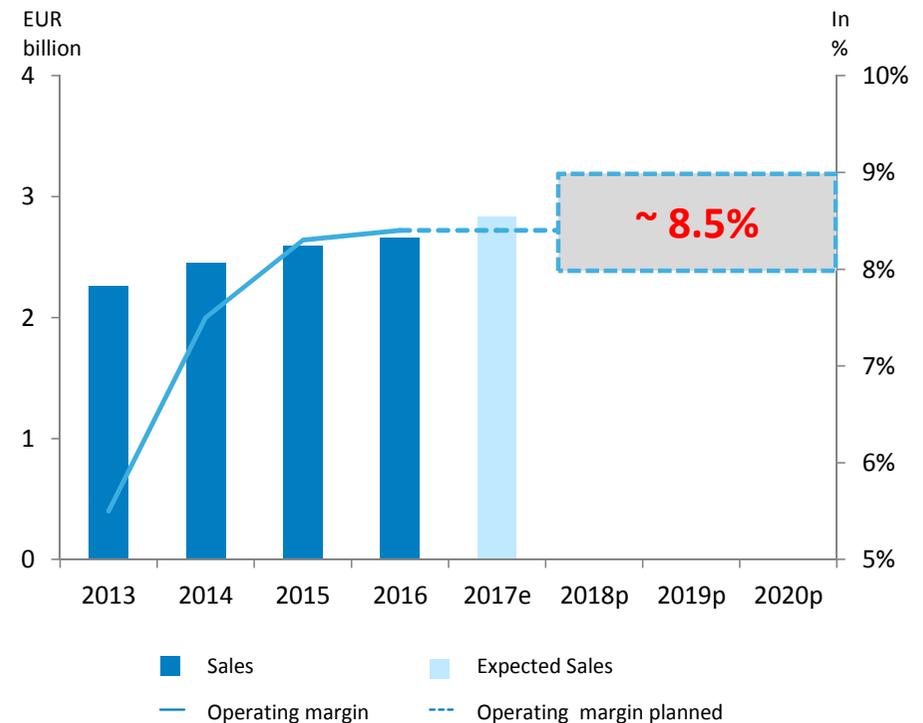


Source: IHS January 2018

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



RHEINMETALL DEFENCE

Multiple pillars support long-term demand growth

German defence policy



From hollow structures to full equipment

EU defence policy



European defence union;
European defence fund

NATO and international demand



Generally increasing defence budgets

New Products



Digitization of army equipment and communication

German defence policy: **Striving for full equipment**



New Role

- Very High Readiness Joint Task Force
- Lead nation European land-systems

More Personnel

- Mid-term return to 220,000 soldiers, from presently 170,000

Full Equipment

- Return to 100% equipment level
- Long-term structural reinforcement (new division)
- Digitization Army 4.0

Higher Budgets

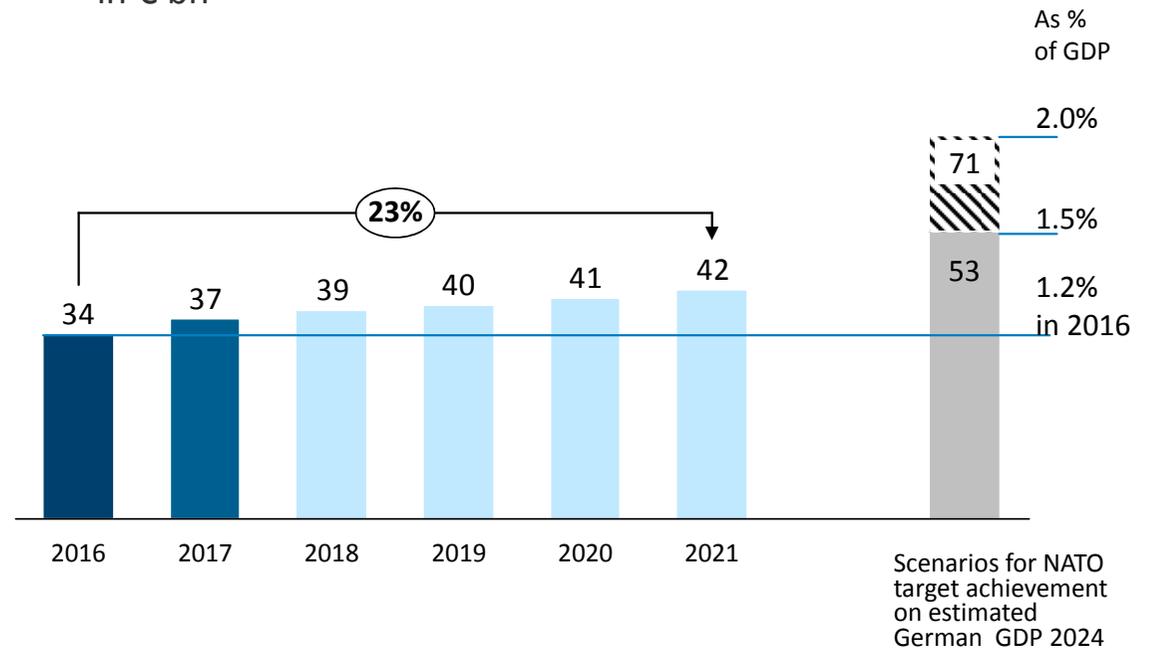
- Increasing defence budgets
- €130 bn investment until 2030

German defence policy: Germany is one of 22 NATO states to increase 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 € bn



German defence policy: Additional structural demand of German army under discussion

■ Vehicles – mid-to-long term potential



FOX (400 vehicles)



Boxer (300-400 vehicles)



Trucks (> 10.000 vehicles)



Puma (~250 vehicles)

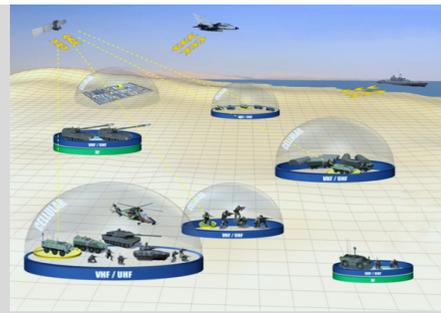
■ Equipment and ammunition – multi billion programs



NNBS (Short air defence)



TLVS (Tactical air defence)



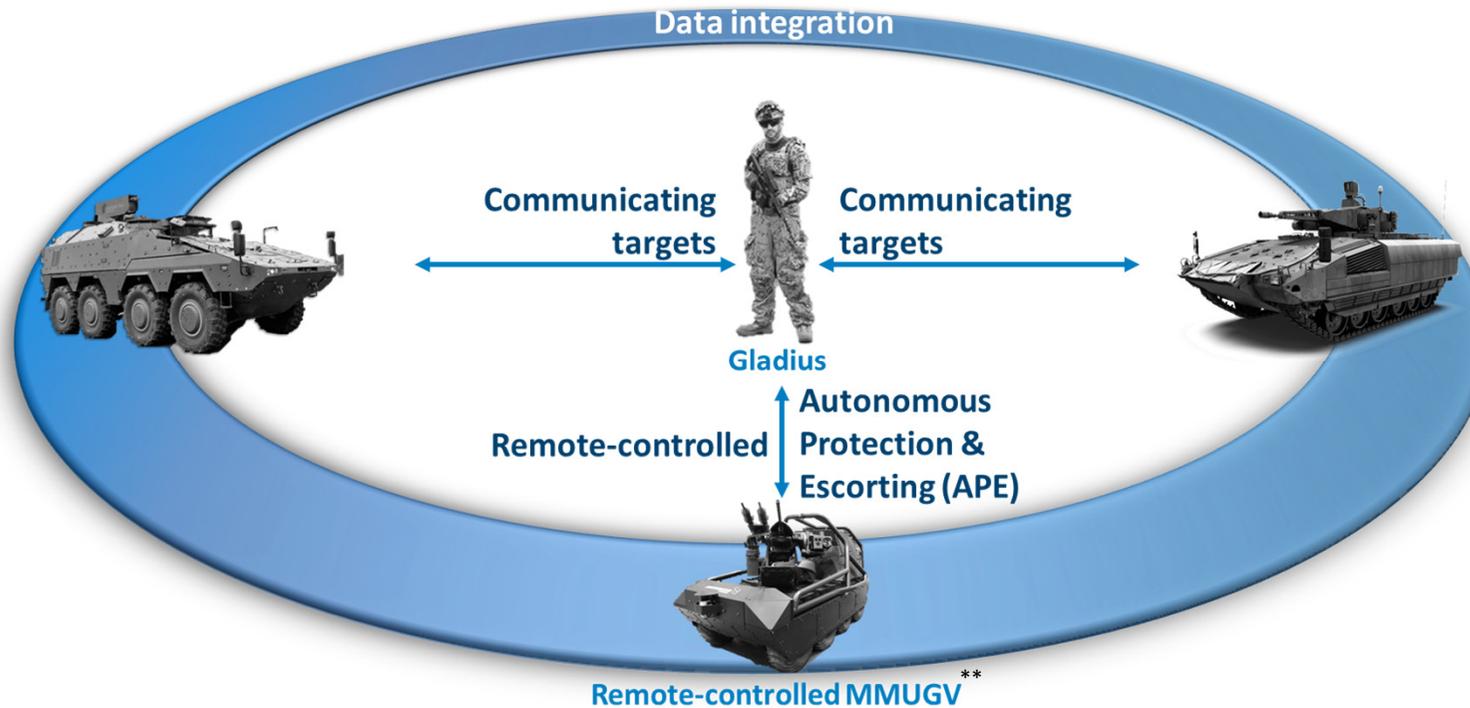
MoTaKo (> €5 bn net)



Ammunition (~€2 bn net)

German defence policy: Army 4.0

Integration of soldier systems, vehicles and BMS will be essential



Gladius Soldier System:

- System approach to soldier equipment
- Mission specific configurable equipment

TacNet BMS*:

- Sensor-effector network
- Processing and visualization of information
- Fit for NATO standards

Infantry Fighting Vehicle

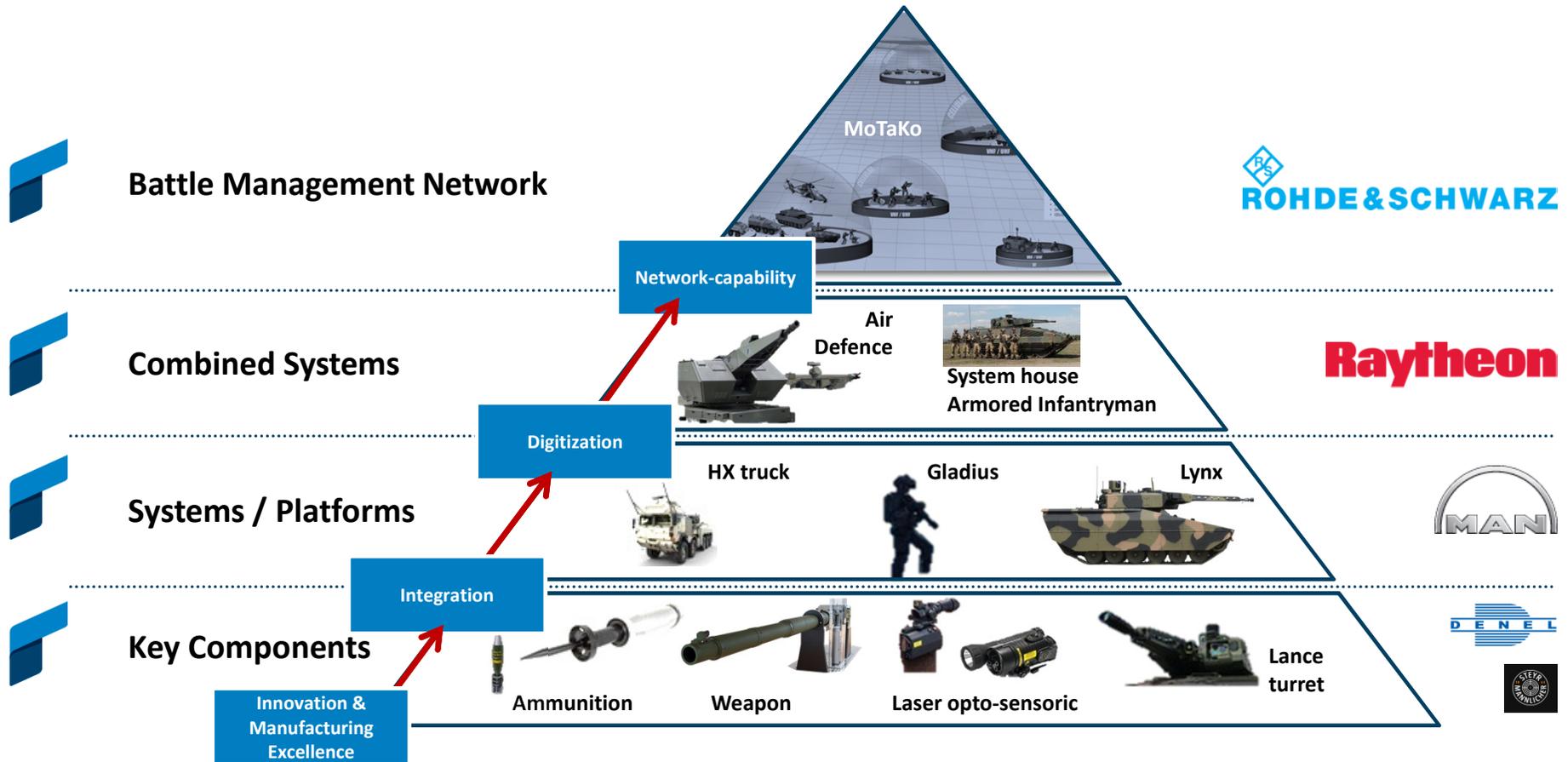
- Boxer
- Puma
- Lynx

*BMS: Battle Management System

**MMUGV= Multi Mission Unmanned Ground Vehicle

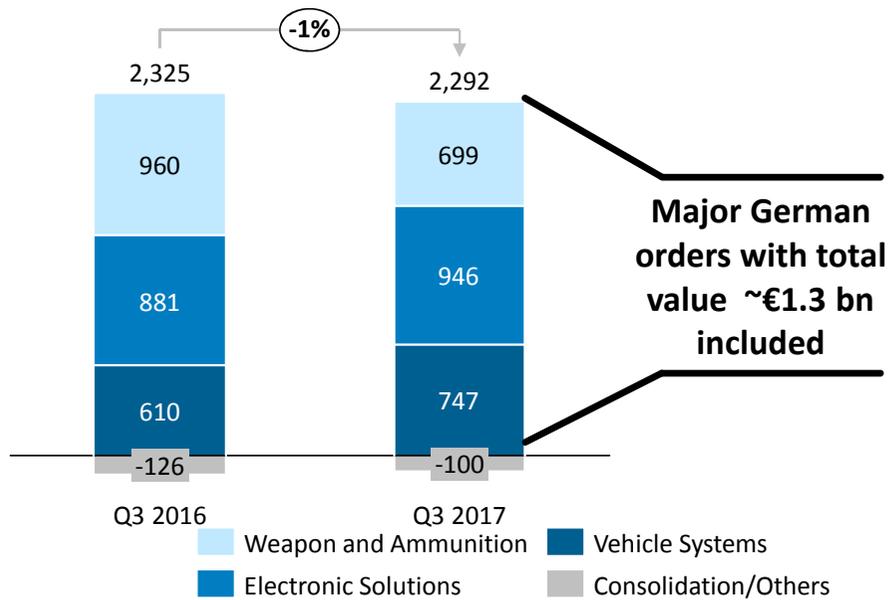
German defence policy: Army 4.0

Rheinmetall integrates components to systems

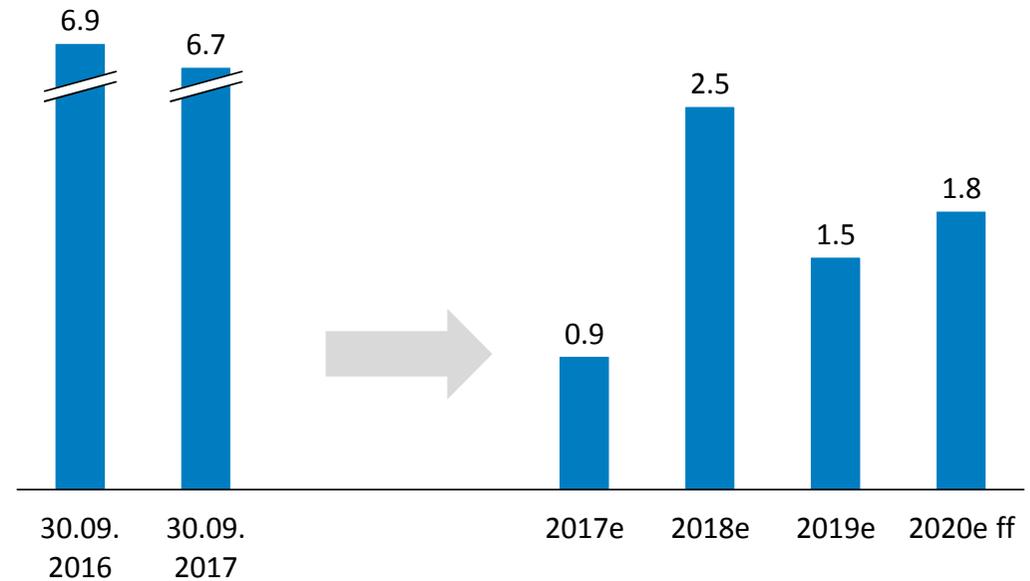


German defence policy: German contracts essential for good order intake in 9m 2017

Order intake by division
in EUR million



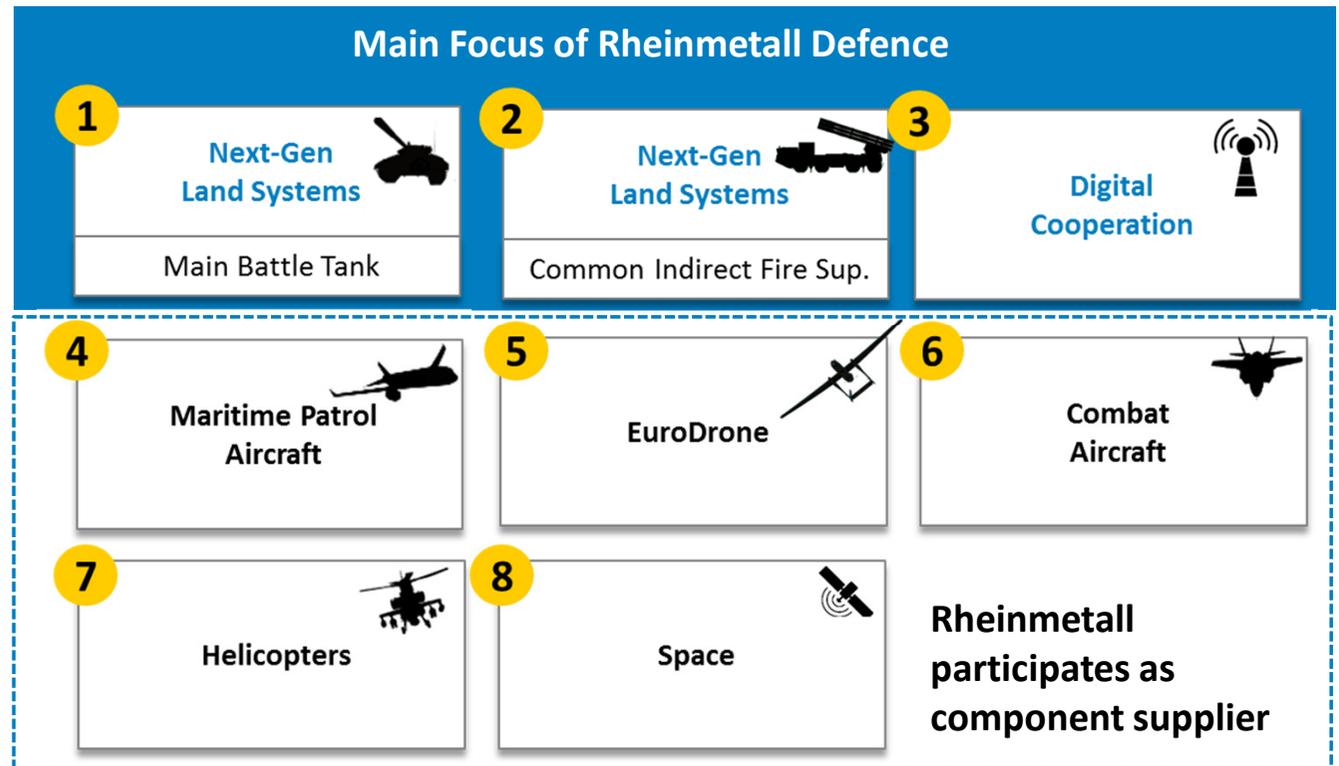
Order backlog profile
in EUR billion



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



Franco-German lighthouse projects



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

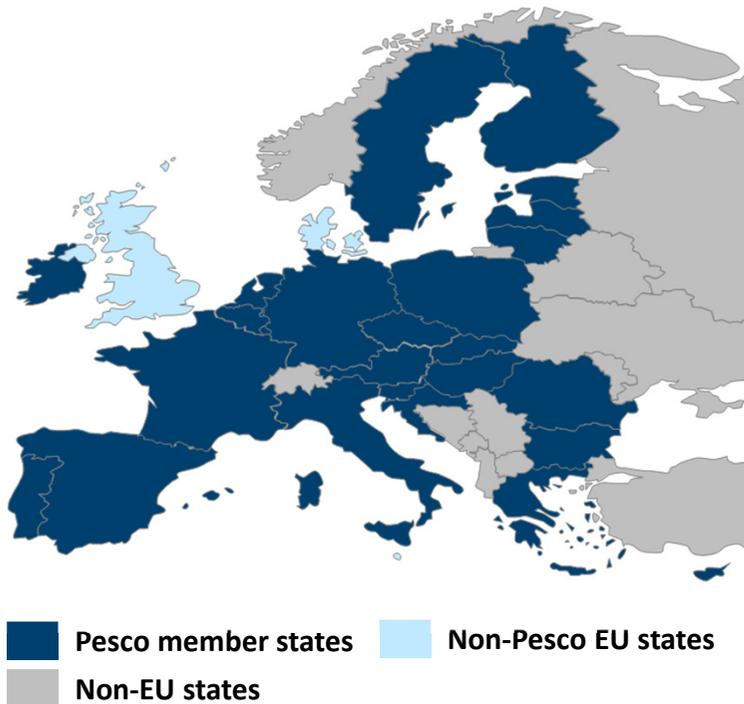
European Council decision

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

➔ **Rheinmetall Brussels liaison office
set up in Q3 2017**

EU defence policy: Standardization required in Europe

■ Pesco member states

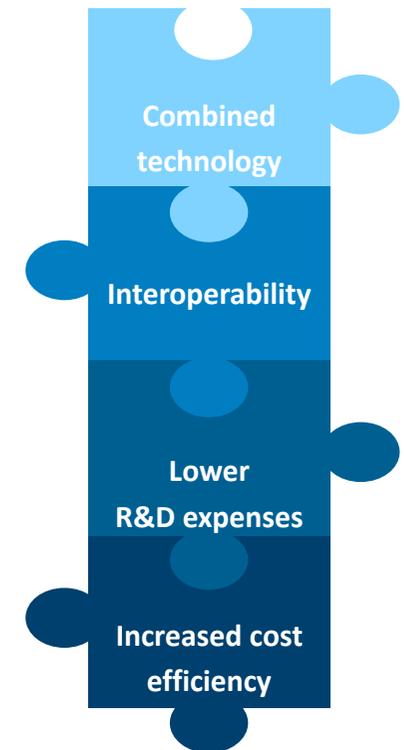


■ Current situation

US Army	European NATO member
Main Battle Tanks	
1 system Abrams	17 systems, thereof: Leopard 2 (D) Leclerc (F) Ariete (I) Challenger 2 (UK)
Infantry Vehicles	
2 systems Stryker Bradley	20 systems, thereof: Boxer (D) CV-90 (UK) Puma (D) BMP-2 (CZ)
Howitzers	
2 systems Paladin M77	27 systems, thereof: PZH 2000 (D) AS-90 (UK) L118 (UK) CAESAR (F)

Source: Handelsblatt/SIPRI

■ Benefits of Pesco



NATO and international demand: **Budget growth remains an important growth driver**



NATO target compliance

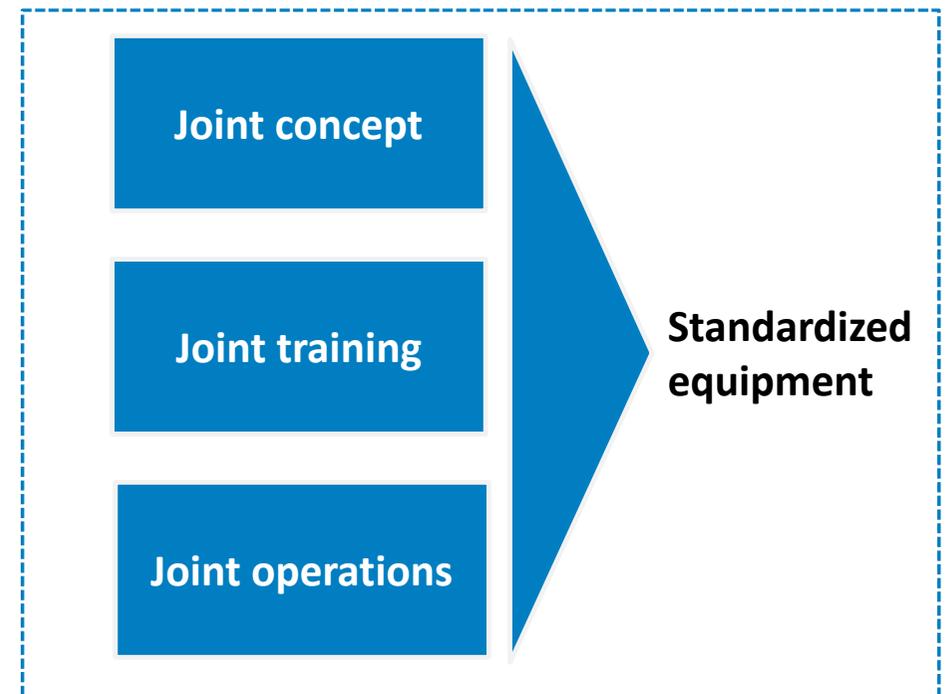
- Only 6 out of 29 member states are currently in line with the 2% target
- 50% of member states spend below 20% on equipment

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: **VJTF stimulates German and other participating countries' demand**



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

➔ New role requires more and better equipment!

➔ Additional demand from participating countries expected!

NATO and international demand (current tenders): UK and Australian vehicle programs



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 > GBP 0.5 bn
- 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

NATO and international demand: Eastern European vehicle programs



Leopard 2 upgrade Poland



- Modernization of 128 Leopard tanks
- Total value around €220 m
- Delivery in process



Boxer Lithuania



- 88 Boxer (infantry fighting vehicles)
- Total value around €390 m
- Delivery in process



BMP-2 replacement Czech Republic

- >200 infantry fighting vehicles
- Total value around €2bn
- Lynx and Puma presented at Brünn trade fare
- Competitors: GD, BAE

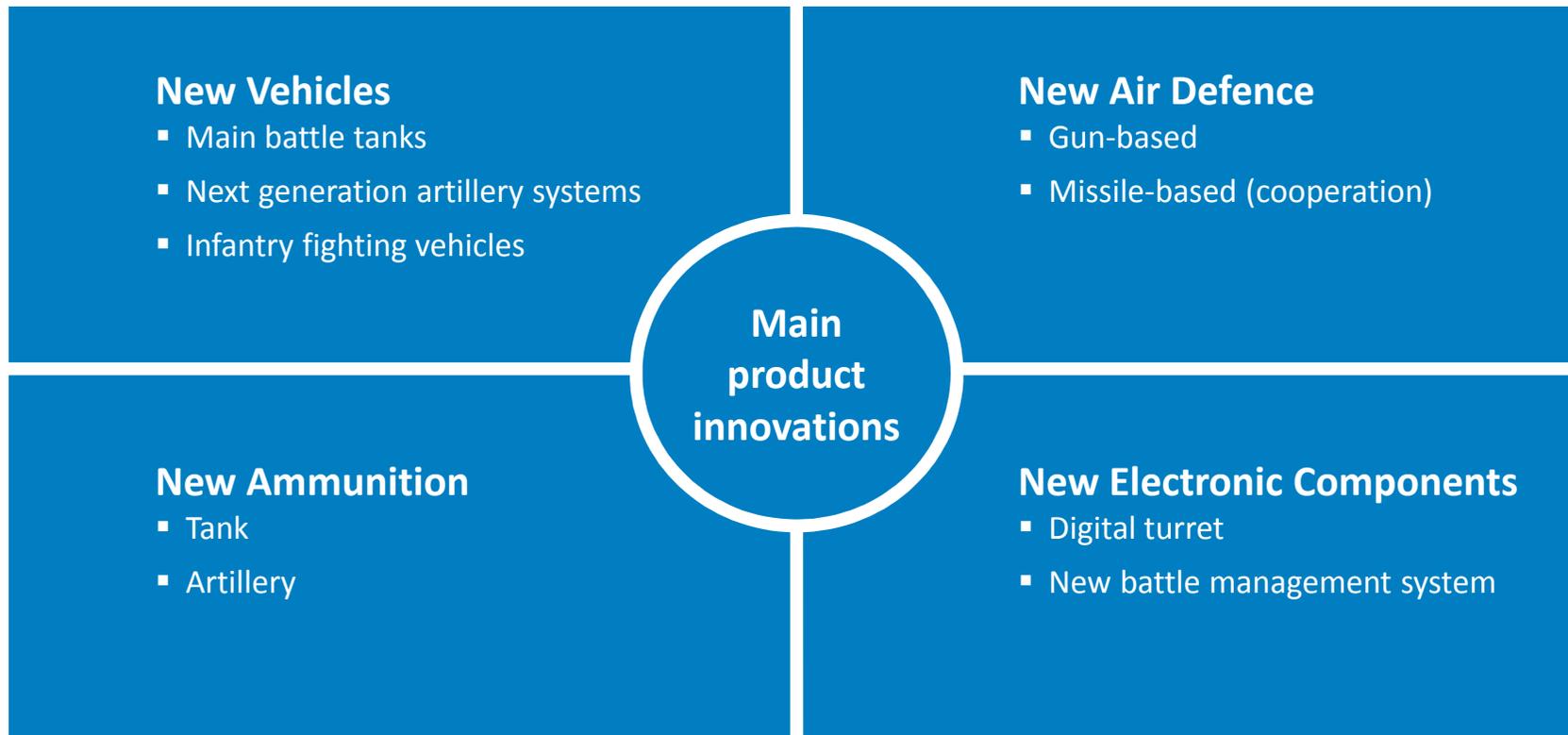


8x8 TBT / AGILIS Romania

- 342 vehicles
- Total value around €1.4 bn
- JV with Uzina Automecanica Moreni
- Competitors: GD, Iveco

 order already booked

New products: Innovative solutions as a catalyst for future growth



Defence: Drivers for structural earnings improvement

■ Defence

- Improving market environment
- Increasing margins due to the lower impact of legacy contracts
- Higher margin contained in the order book
- Development of new technologies



RHEINMETALL GROUP

Solid performance from a strong financial base

GROWTH

Positive business cycle in both segments
Automotive outpacing market
Defence growing at double digits

PERFORMANCE

Profitability significantly improved
Targeted margin corridor within reach
Cash conversion on high level

STABILITY

Successful de-leveraging process
Positive rating outlook
Financial flexibility enhanced

RHEINMETALL GROUP

APPENDIX

Outlook

Guidance affirmed for 2017

	 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 stepped up investment budgets
Rheinmetall	<ul style="list-style-type: none"> ▪ Automotive expected to outperform markets ▪ Important step of cost base improvement achieved with closure of French piston production 	<ul style="list-style-type: none"> ▪ Strong back end loading of Defence performance ▪ Single digit sales growth expected for 2017 ▪ Stronger sales momentum 2018
Updated Outlook 2017	<p style="color: #0070C0;">Sales growth expected at the upper range of the guidance of 6-7% and operating margin level confirmed around 8.4%</p>	<p style="color: #0070C0;">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%</p>
<p>Group expected to grow around 6% at an operating margin slightly above 6.5% incl. efforts for New Technologies</p>		

*Source: IHS October 2017

Selected key data: outlook 2017

Rheinmetall Group		Automotive	Defence	
Holding cost	~€20 – 25 m	Capex*	~5.5 - 6.5%	~3 - 4%
Tax rate	~30%	D & A*	~4.5 - 5.5%	~3 - 3.5%
		R & D*	~4 - 6%	~2 - 3%

- Financing:
- Bond €500 m (5.25% coupon) redeemed in September 2017
 - EIB loan €250 m (0.962% coupon) maturing in August 2023

- Rating:
- Ba1 (positive outlook) Moody's

* as percentage of sales

Group 2012 – 2016: Key figures

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

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

Segments 2012 – 2016 Key figures

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

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

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

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

* Combat Platforms until 2014

** Wheeled Vehicles until 2014

Income statement Group

In EUR million			Income Statement					
	Q3 '16	Q3 '17	Δ		Q3 '16	Q3 '17	Δ	
Total operating performance	1.385	1.407	22	→	Net operating income (EBIT)	79	75	-4
					Net interest income	1	3	2
					Interest expenses	- 15	- 13	2
Other operating income	26	19	-7		Earnings before tax (EBT)	65	65	0
Cost of materials	774	730	-44		Income tax	- 19	- 22	-3
Personnel expenses	346	384	38		Net income	46	43	-3
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					
Net operating income	79	75	-4		EBITDA	131	134	3

Cash flow statement Group

In EUR million

Cash Flow Statement

	9m 2016	9m 2017	Δ		9m 2016	9m 2017	Δ
Net Income	99	122	23				
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				
Cash flows from operating activities	-128	-20	108				
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 financi	2	-9	-11				
Cash flow from investing activities	-219	-12	207				
				Capital payment to/ capital contribution by non-controlling ii	-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
				Cash flow from financing activities	-35	-200	-165
				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
				Opening cash and cash equivalents January 1	691	616	-75
				Closing cash and cash equivalents September 30	309	370	61

Balance Sheet Group

In EUR million				Balance Sheet			
	31.12.'16	30.09.'17	Δ		31.12.'16	30.09.'17	Δ
Non-current assets	2,762	2,715	-47	Equity	1,781	1,811	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
Current assets	3,388	3,210	-178	Non-current liabilities	1,629	1,948	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	Current liabilities	2,740	2,166	-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
Total assets	6,150	5,925	-225	Total liabilities	6,150	5,925	-225

Equity and pension liabilities

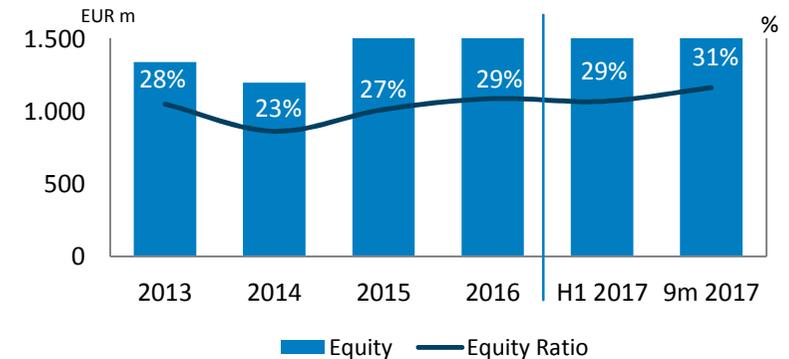
Financial solidity materially improved

Drivers

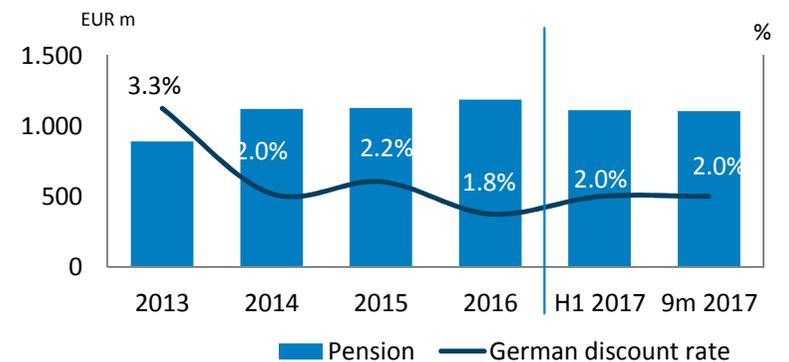
- Confidence increased by delivery on our targets
- Capitalizing on our restructuring efforts
- Achievement of a solid equity ratio
- Pension stabilized on further CTA funding
- Supportive market environment in both segments

Credit rating Ba1 with outlook positive since August 2017

Equity and Equity ratio

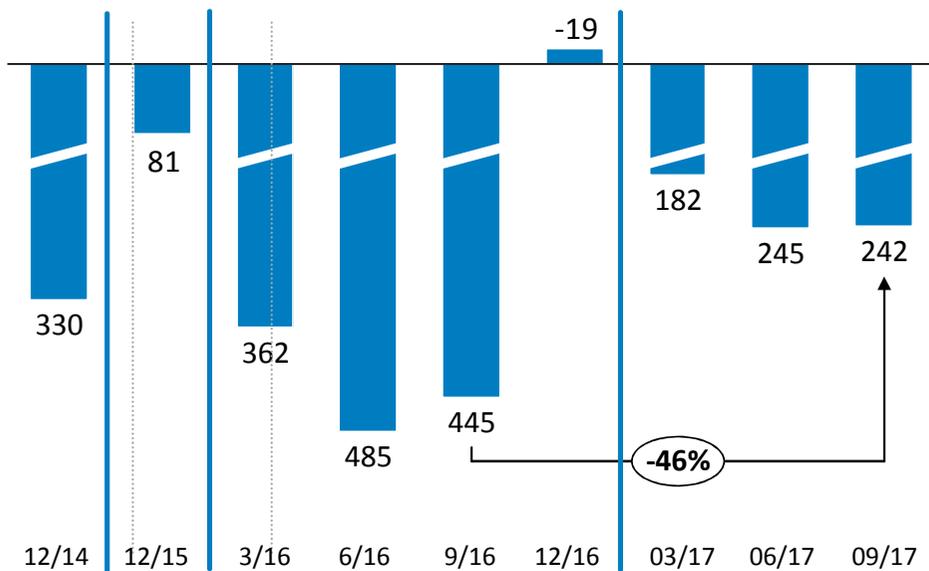


Pension liabilities and German discount rate

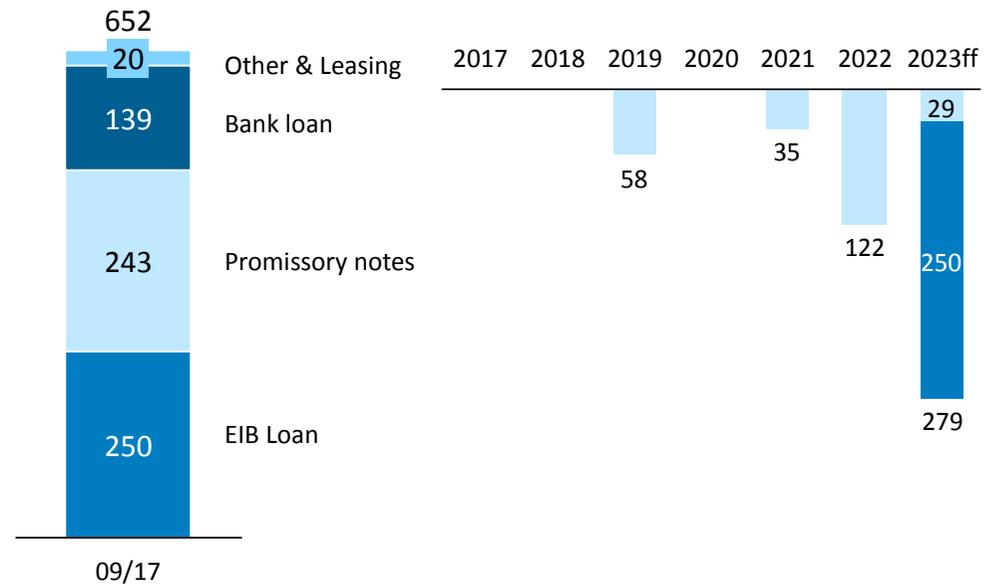


Net-financial debt considerably improved on positive cash development

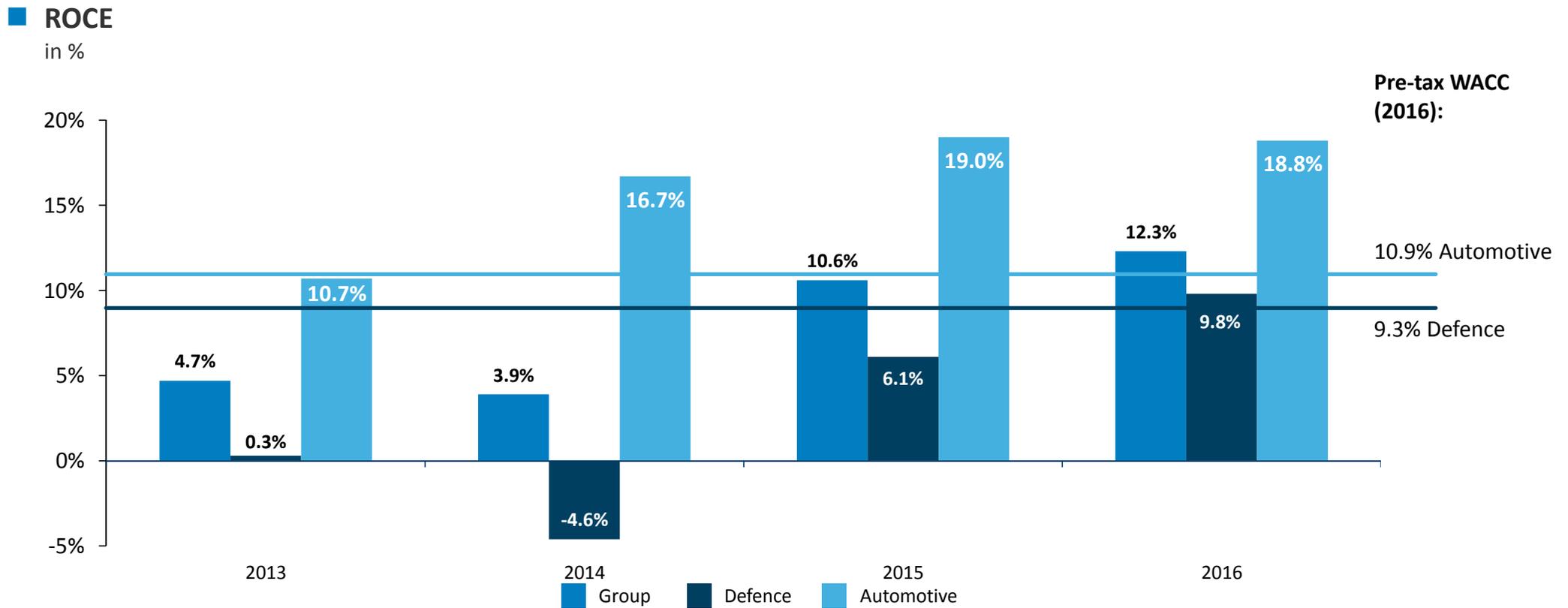
Net-financial debt
in EUR million at quarter end



Debt composition and maturity profile of instruments
in EUR million



Continuing ROCE improvement



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

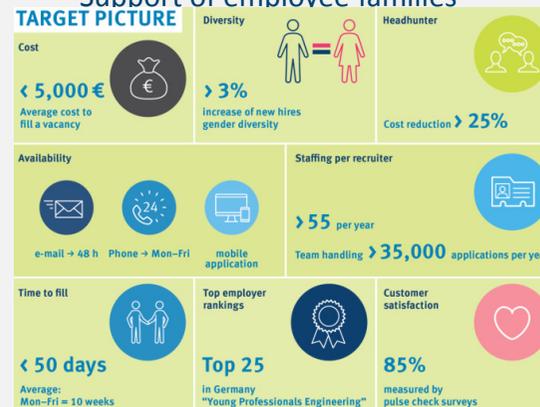
■ Environment

- **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 e-bike, e-motor and battery pack
- **Support of conservation**
- **Development of the former production site in Düsseldorf**



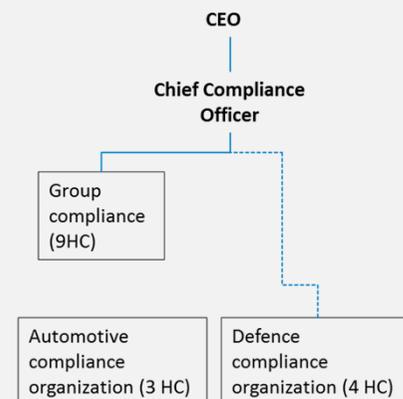
■ Social

- **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

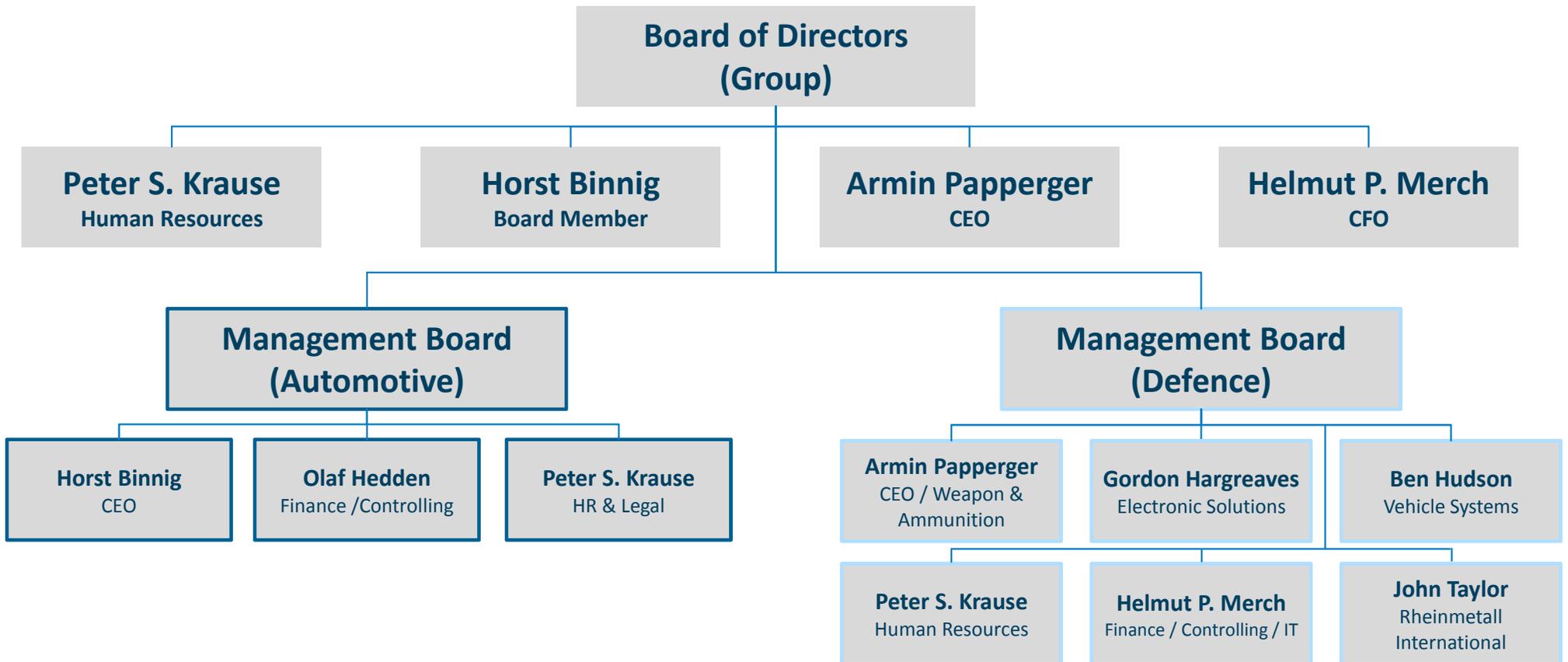


■ Governance

- **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

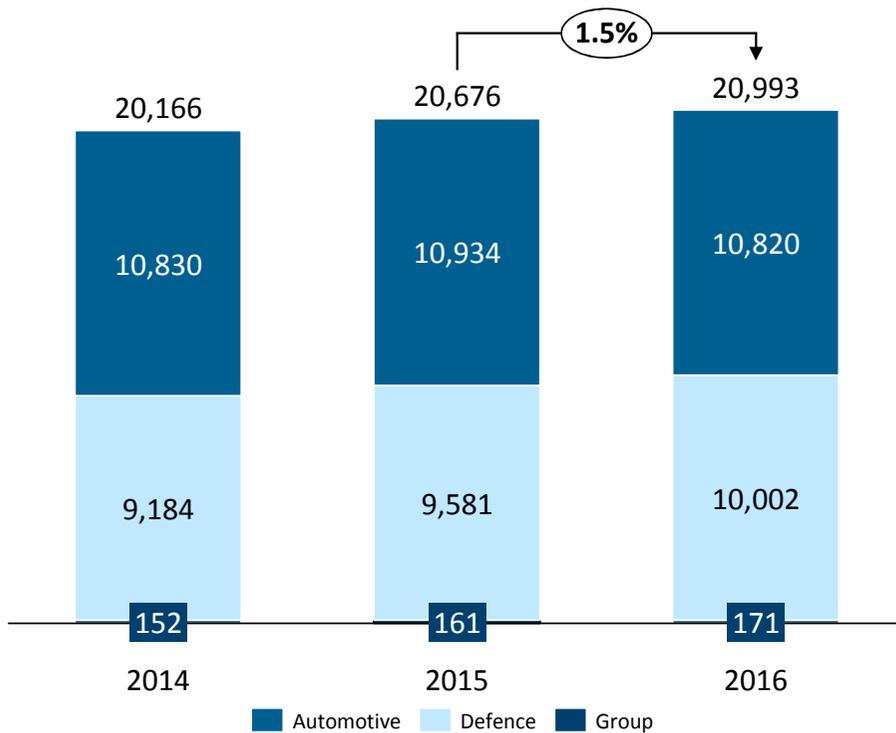


Management Structure

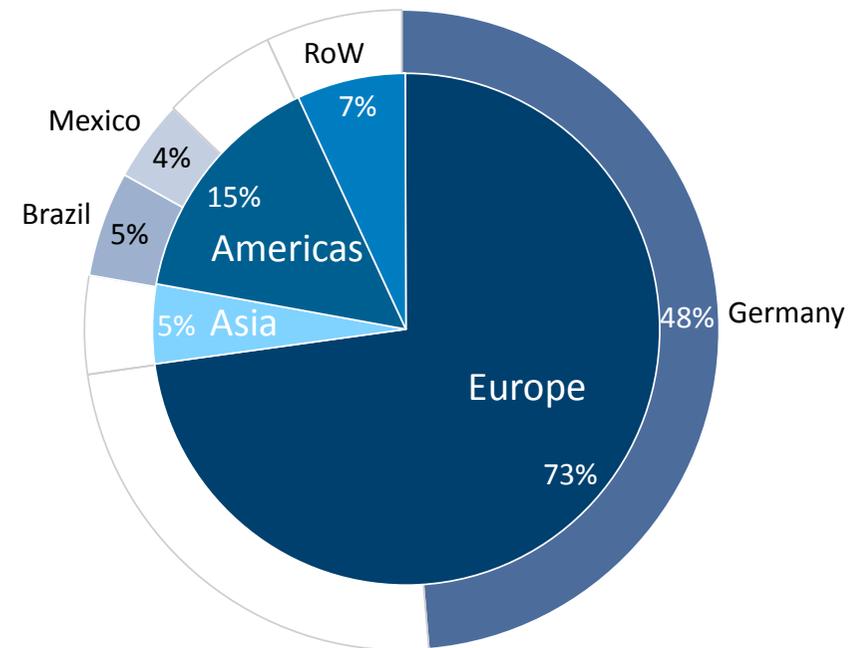


Moderate headcount increase to accompany growth

Headcount per segment
in capacities at year end



Headcount per region
in capacities at year end



RHEINMETALL Q3 2017

APPENDIX

Highlights Rheinmetall Group Q3 2017

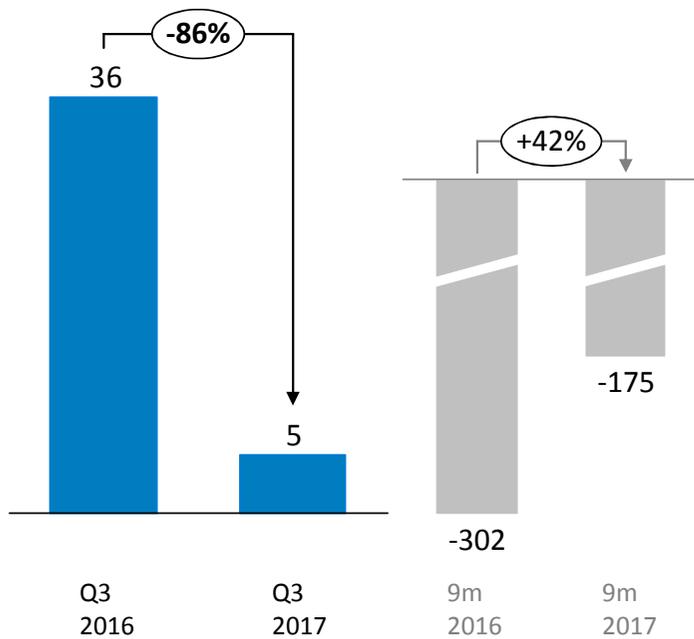
Solid quarter with strong result contribution from Defence



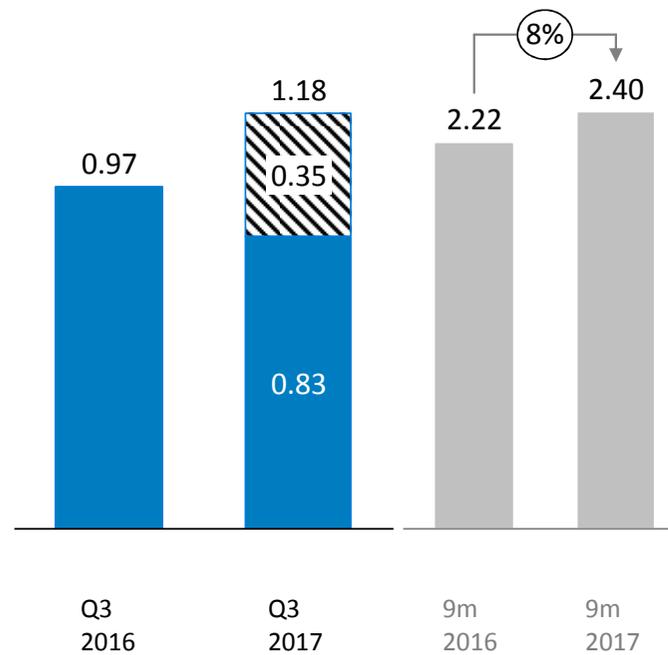
- **Sales** increased by 4.7% to **€1.366 bn** or 5.4% currency adjusted
- **Operating result** improved by 23% to **€97 m**
- **Group margin** gained 100bp advancing from 6.1% to **7.1%**
- **Automotive** optimized global footprint with an **EBIT impact of €22 m**
- **FY guidance affirmed**

Cash flow affected by working capital buildup in Defence

Operating Free Cash Flow
in EUR million



Earnings per share
in EUR

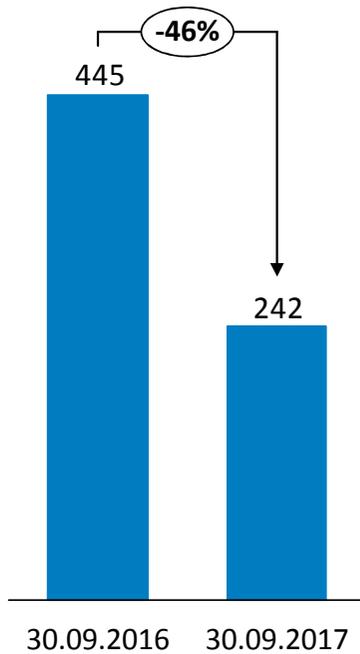


Headcount
in capacities

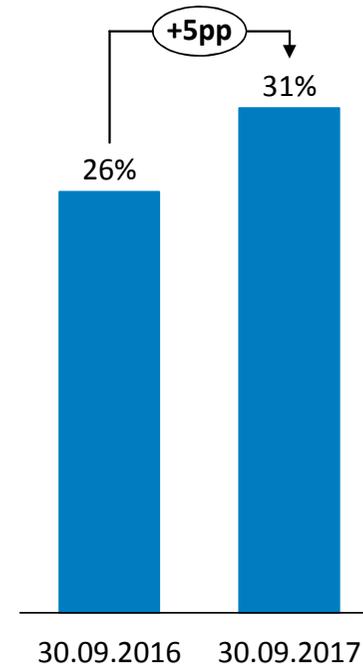


Solid financial status further improved

■ **Net debt**
in EUR million

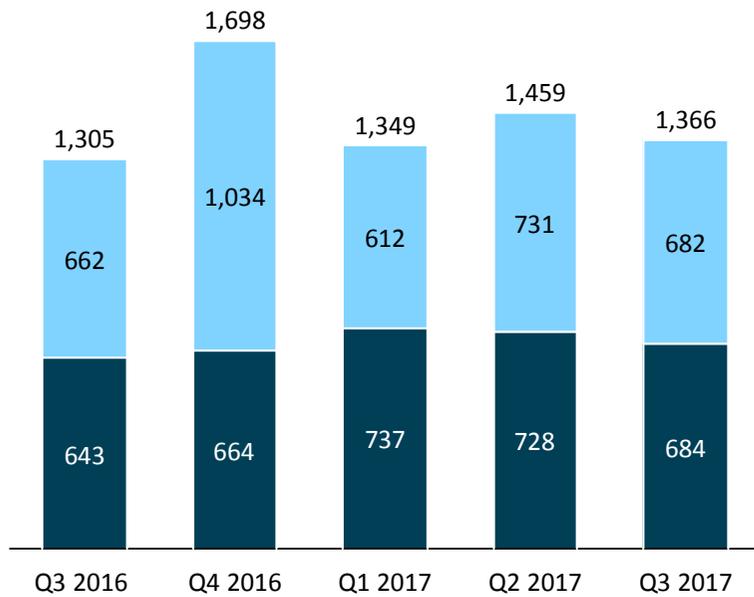


■ **Equity ratio**
in % of total assets

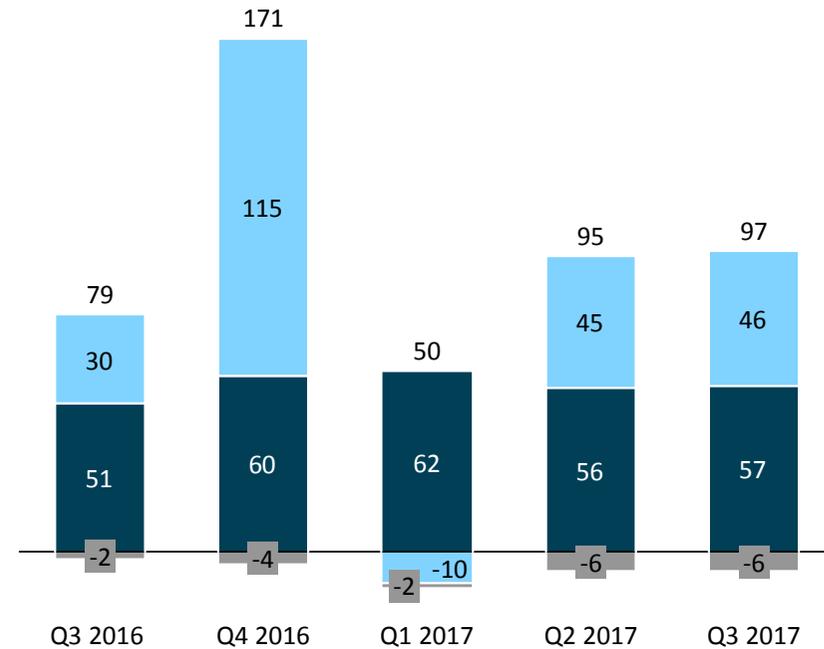


Quarterly development Group

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
Cash Flow	98	246	183	51	103	103	257	5	11
Changes in working capital and other items	-1	-374	389	-207	-34	-36	-277	-35	97
Net cash used in operating activities	98	-128	572	-156	69	67	-20	-31	108
Cash outflow for additions to tangible and intangible assets	-62	-174	-109	-43	-50	-62	-155	-	19
Free Cash Flow from Operations	36	-302	463	-199	19	5	-175	-31	127

Highlights Rheinmetall Automotive Q3 2017

Market outperformed, margin improved



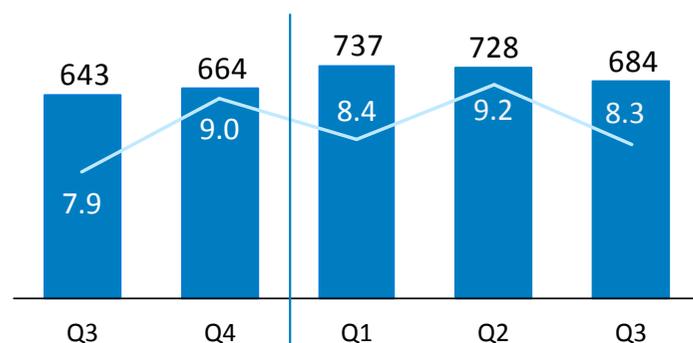
Solenoid valve

- **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



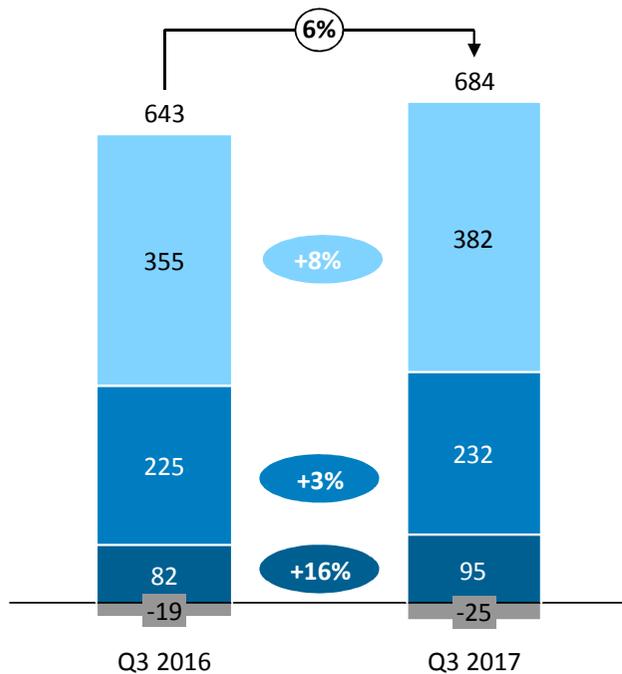
Comments on quarterly performance

- 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

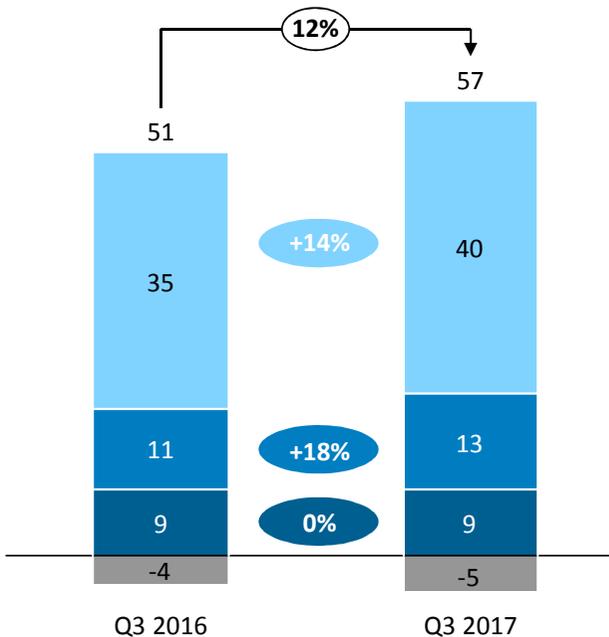
in EUR million	Q3 2016	Q3 2017	Δ %	9m 2016	9m 2017	Δ %
Sales	643	684	6.4%	1,992	2,149	7.9%
Operating result	51	57	11.8%	163	186	14.1%
Operating margin in %	7.9	8.3	40 bp	8.2	8.7	47 bp
EBIT	51	35	-31.4%	163	164	0.9%
Operating Free Cash Flow	47	81	72.3%	- 41	32	178.0%
Operating FCF / Sales in %	7.3	11.8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

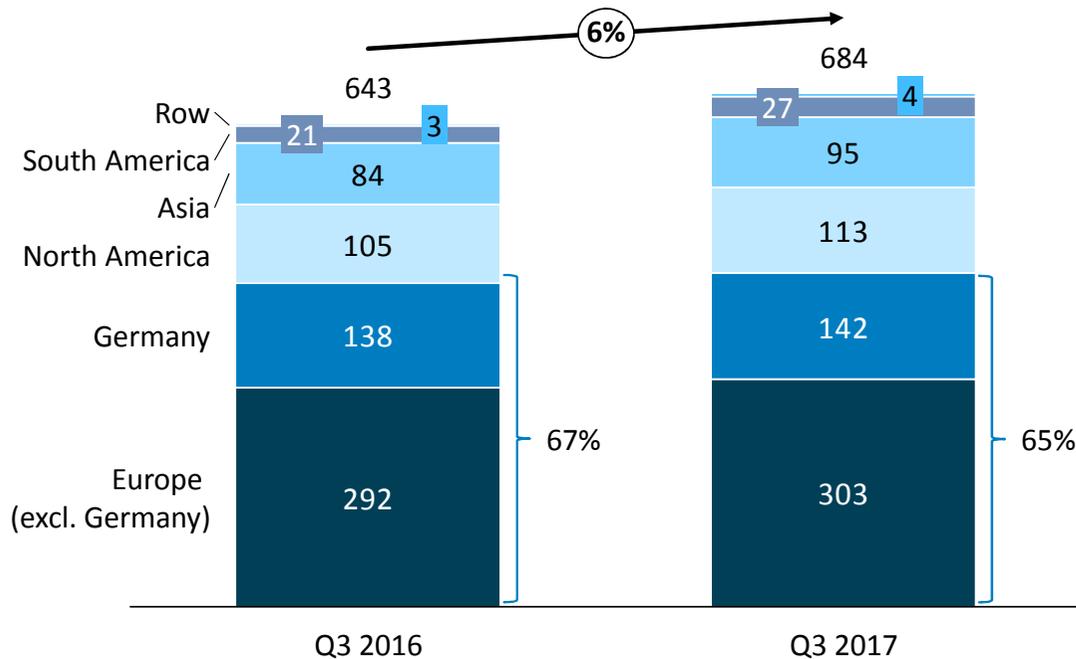
Aftermarket

- Recovery of sales in East European countries

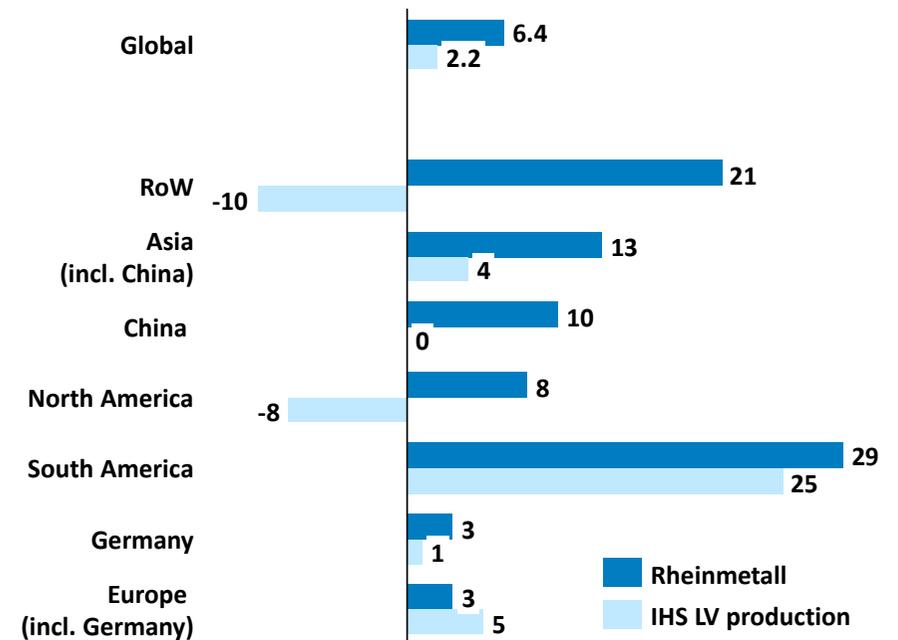
Restatement of 2016 reported figures in Mechatronics and Aftermarkets related to change in plant assignment

Markets in better shape than anticipated, outperformance intact

Regional sales development Automotive
in EUR million

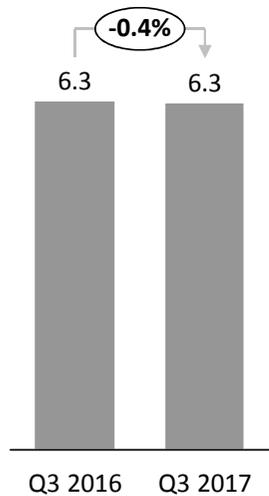


Regional sales growth Q3 2017
in % (IHS October 2017)

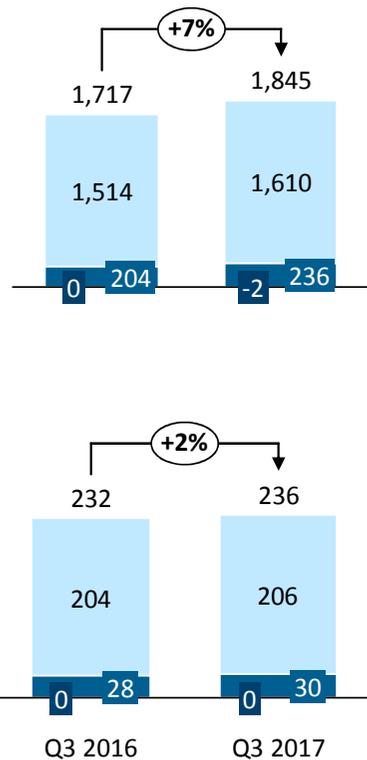


Chinese entities stronger than the market

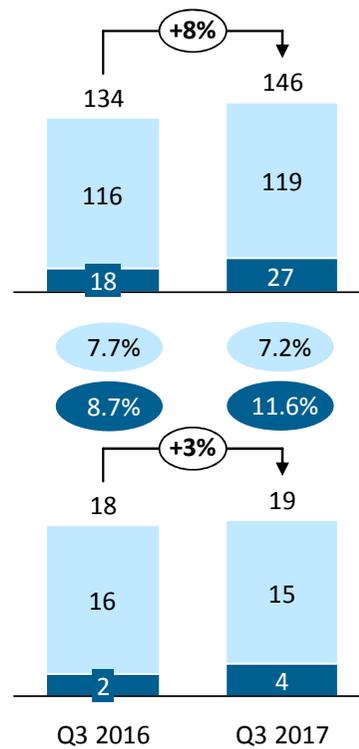
China LV production
in million units



Sales in million



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



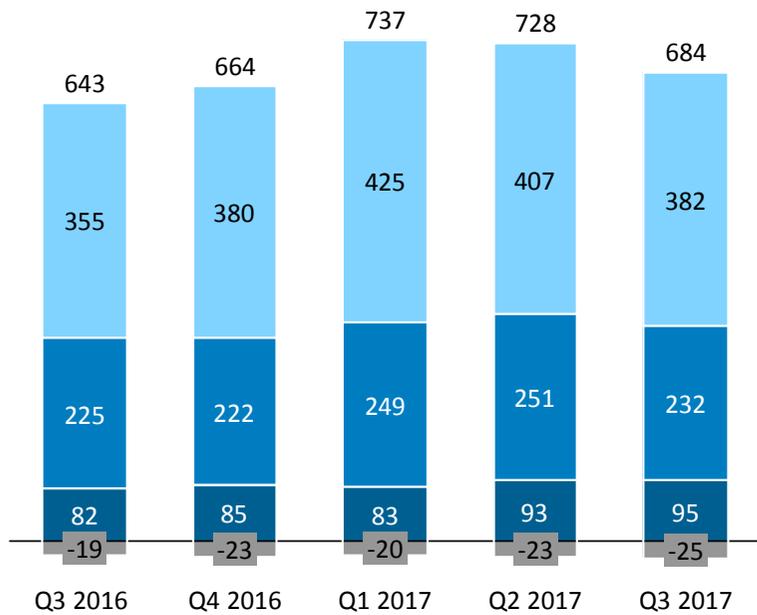
Hardparts site

■ Financial impact

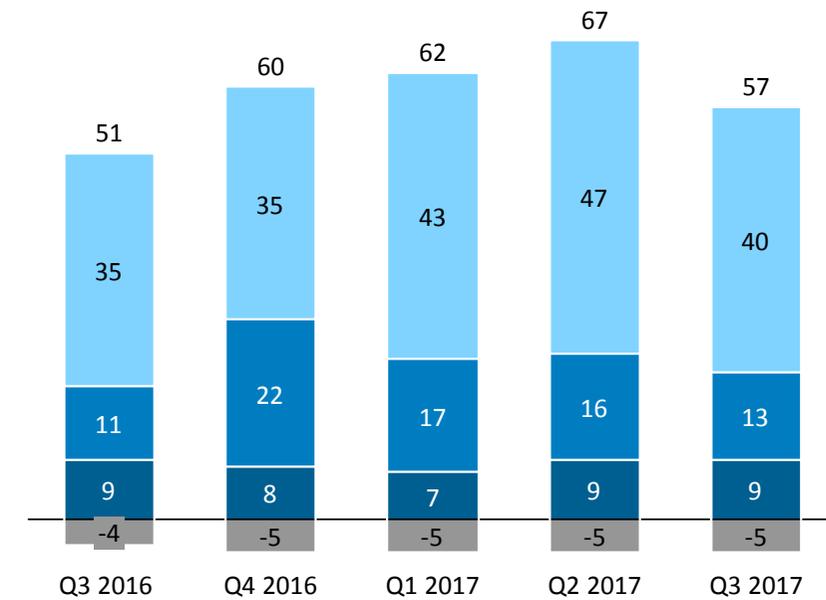
- One time cost of around €22 m, thereof:
 - €17 m for severance payments and site remediation (cash-effect in 2018)
 - €5 m asset impairment (non-cash effect)
- Annual savings of around €10 m expected mid-term

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
Cash Flow	64	208	88	78	82	62	222	-2	14
Changes in working capital and other items	18	-146	129	-172	20	61	-91	43	55
Net cash used in operating activities	82	62	217	-94	102	123	131	41	69
Cash outflow for additions to tangible and intangible assets	-35	-103	-71	-24	-33	-42	-99	-7	4
Free cash flow from operations	47	-41	146	-118	69	81	32	34	73

Highlights Rheinmetall Defence Q3 2017

Strong momentum in earnings and order intake

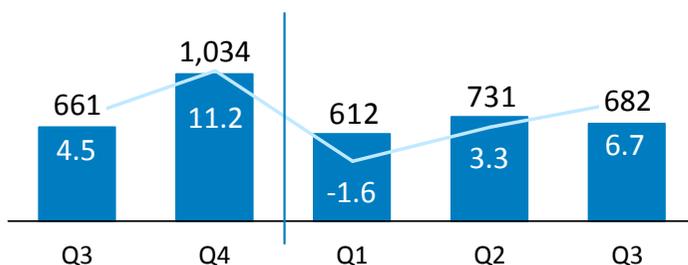


- **Order intake rose by €296 m to €870 m**
- **Sales gained 3% to €682 m**
- **Operating result increased by 53% from €30 m to €46 m**
- **Operating margin went up from 4.5% to 6.7%**

Rheinmetall Defence

Margin and order intake trend positively towards FY guidance

Quarterly sales and margins development



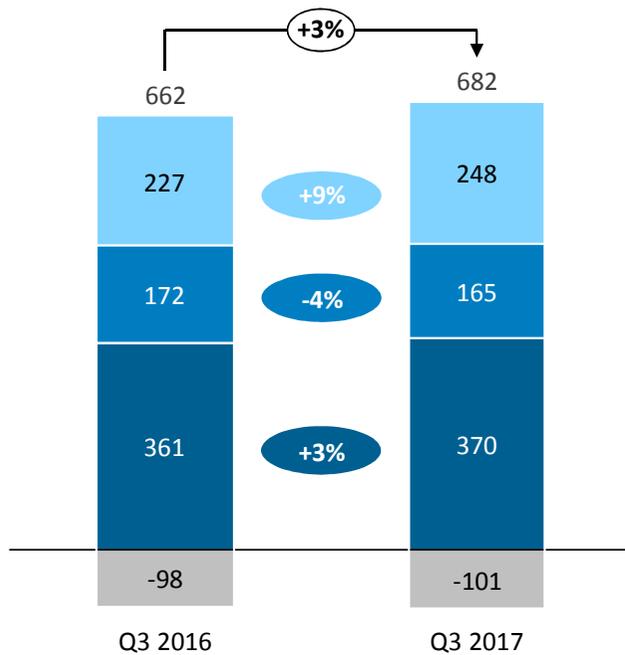
Comments on quarterly performance

- 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

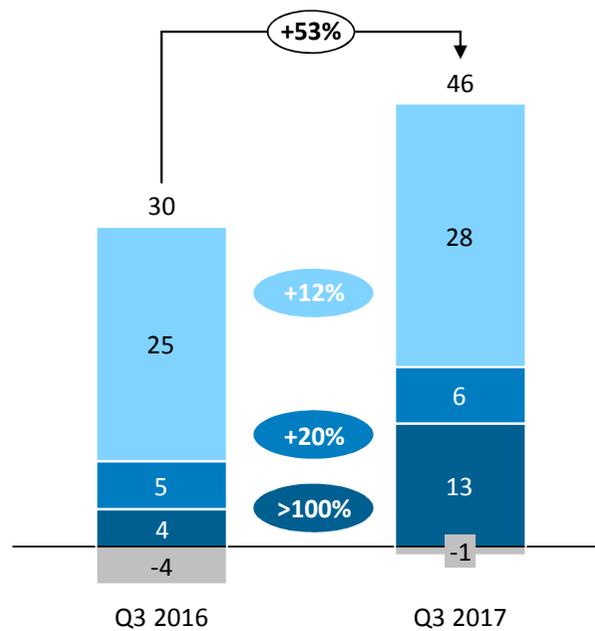
in EUR million	Q3 2016	Q3 2017	Δ %	9m 2016	9m 2017	Δ %
Order intake	574	870	51.6%	2,325	2,292	-1.4%
Sales	662	682	3.0%	1,912	2,025	5.9%
Operating result	30	46	53.2%	32	60	88.9%
Operating margin in %	4.5	6.7	220 bp	1.7	3.0	130 bp
EBIT	30	46	53.8%	32	57	79.2%
Operating Free Cash Flow	5	- 52	n.a.	- 216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

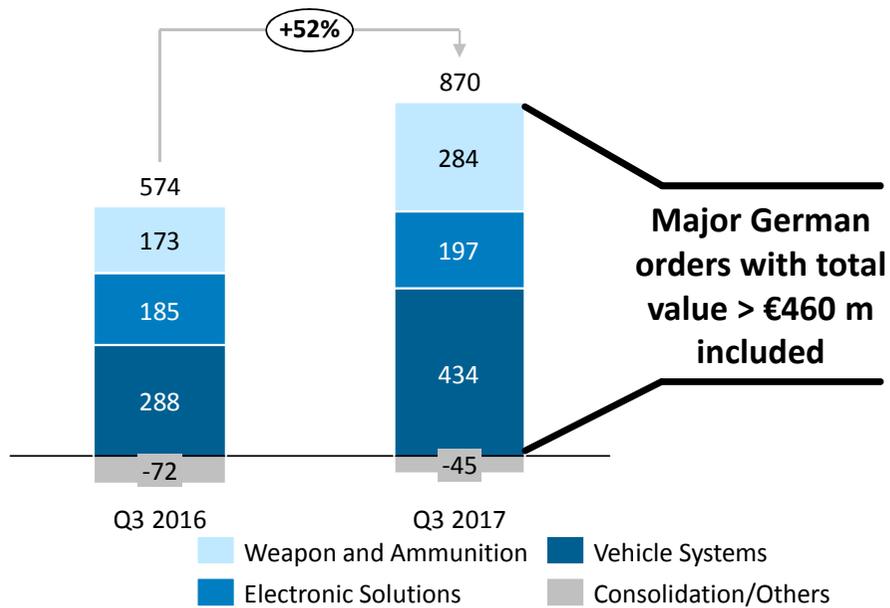
Vehicle Systems

- Sales driven by high order execution in tactical and logistical vehicles

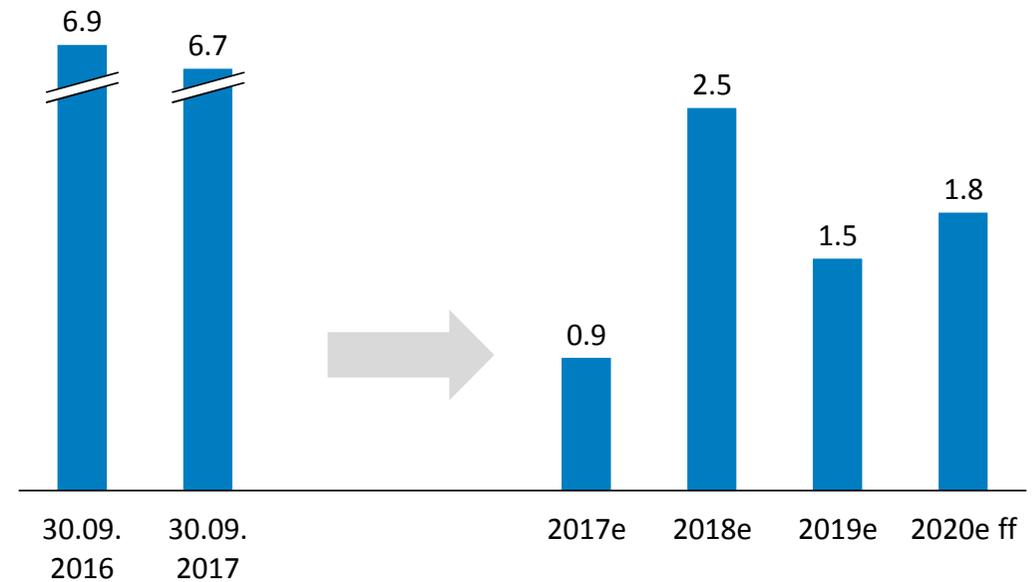
■ Weapon a. Ammunition
 ■ Vehicle Systems
■ Electronic Solutions
 ■ Consolidation/Others

German contracts essential for high order intake in Q3

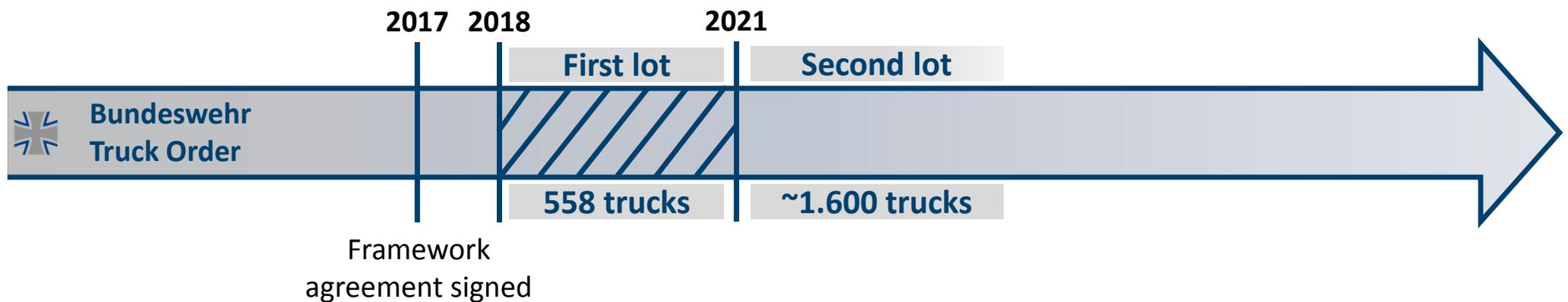
Order intake by division
in EUR million



Order backlog profile
in EUR billion



Rheinmetall will modernize German logistical fleet



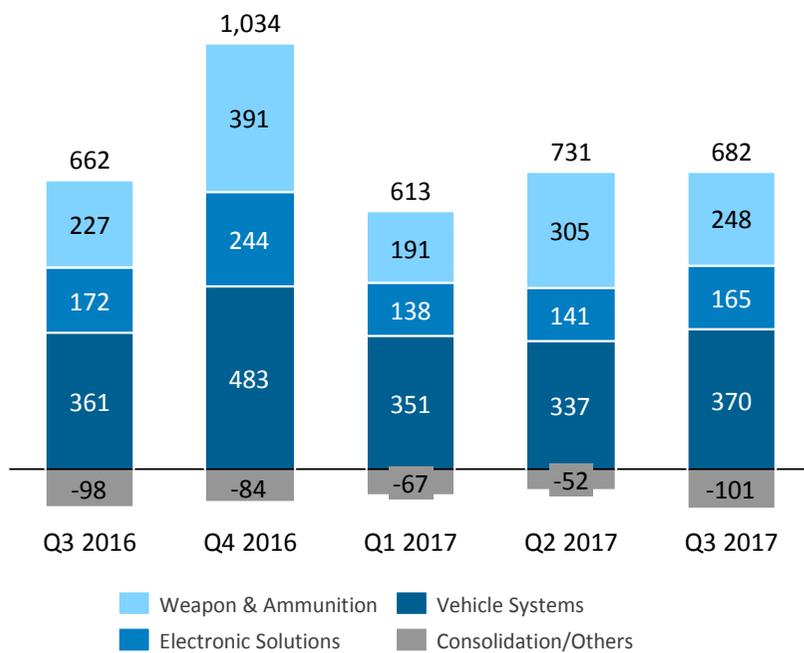
■ Framework agreement

- 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

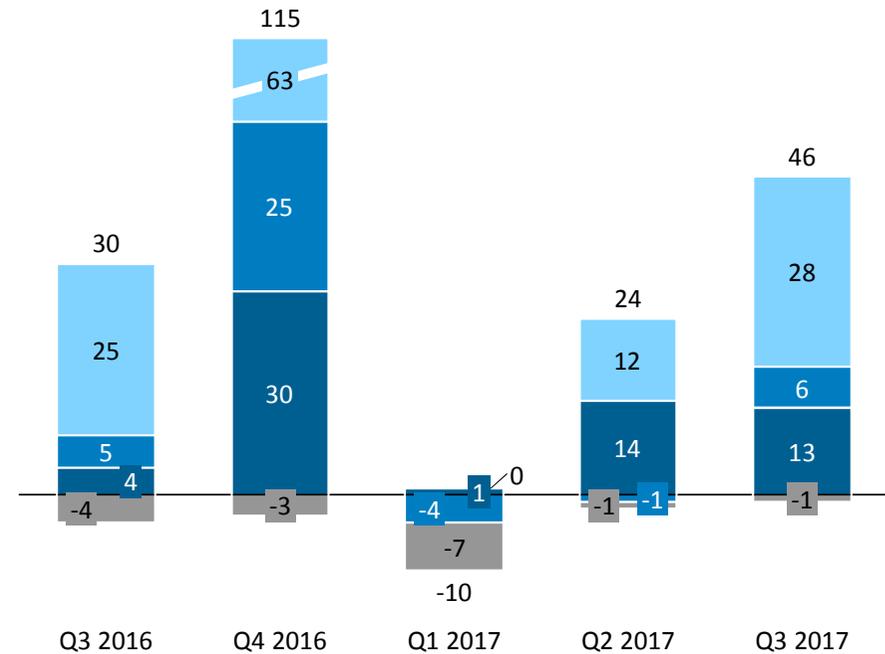


Quarterly development Defence

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
Cash Flow	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
Net cash used in operating activities	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
Free cash flow from operations	5	-216	319	-72	-33	-52	-157	-57	59

RHEINMETALL AUTOMOTIVE

APPENDIX

Automotive with leading technology and market positions

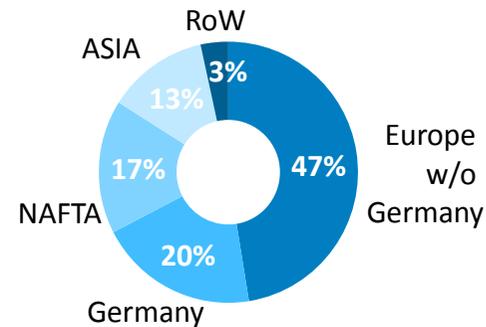
■ Key Figures

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

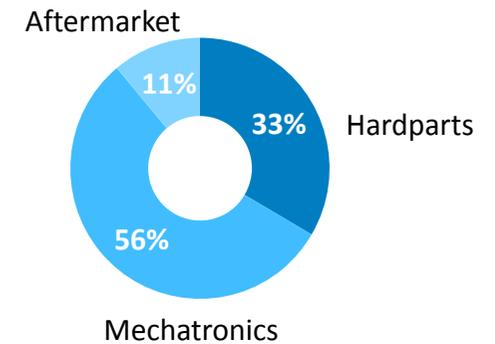
■ Structure

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

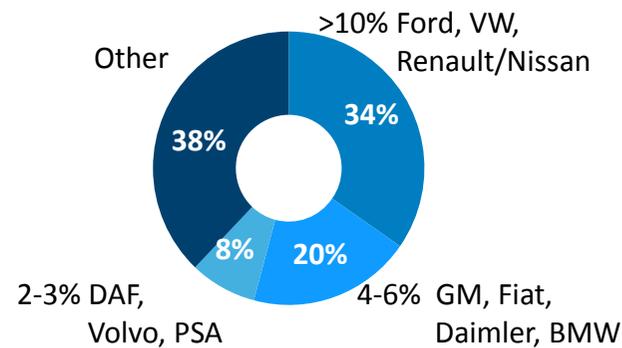
■ Sales by region



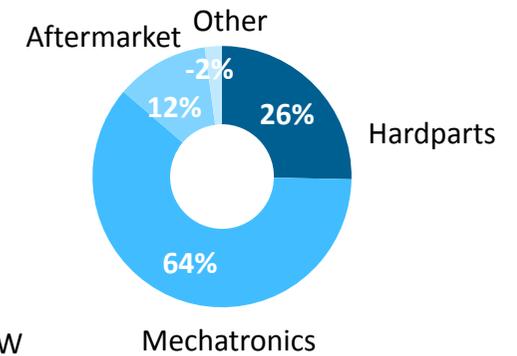
■ Sales by division



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

Optimizing global footprint

- Further internationalization of our Mechatronics business

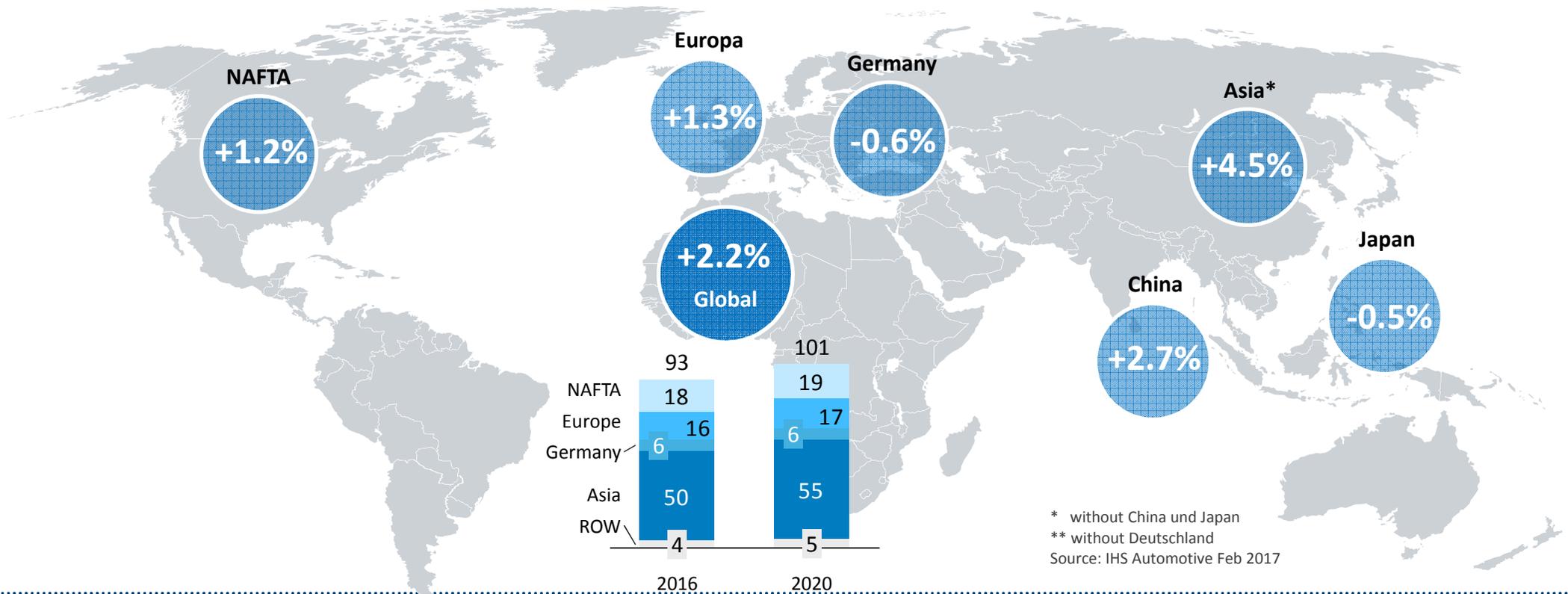
Optimizing global footprint

- Continuously focus capacity management, especially in Hardparts



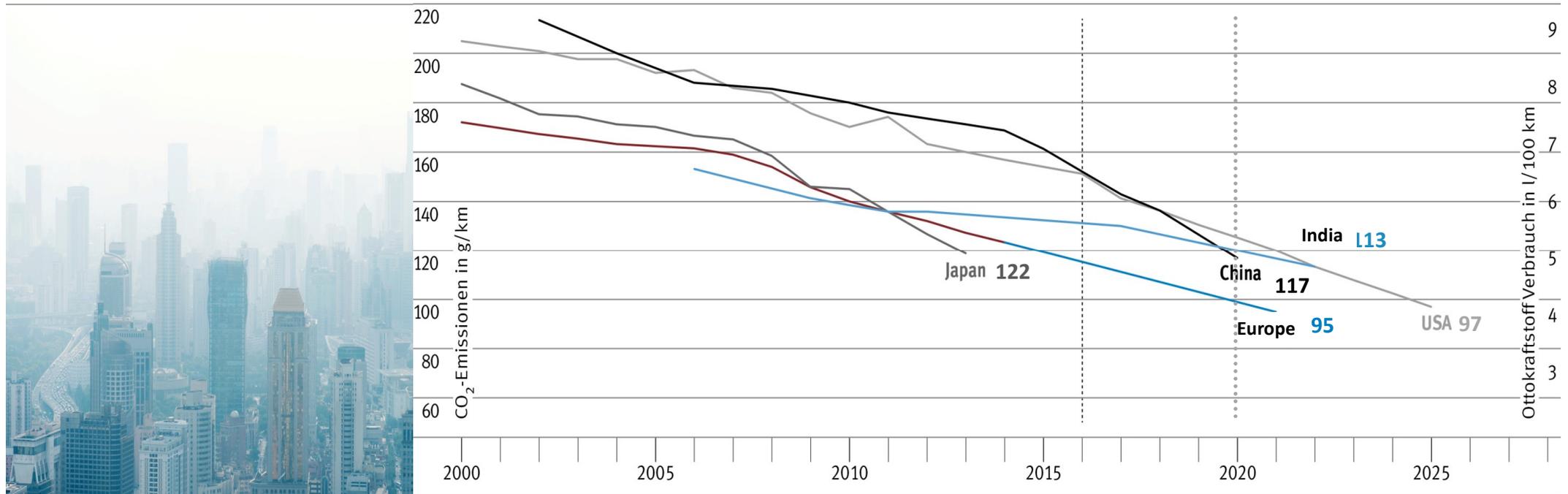
Rising global light vehicle production

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



Governments will continue to demand reduction of CO₂ emissions

■ CO₂ emission
in g/km

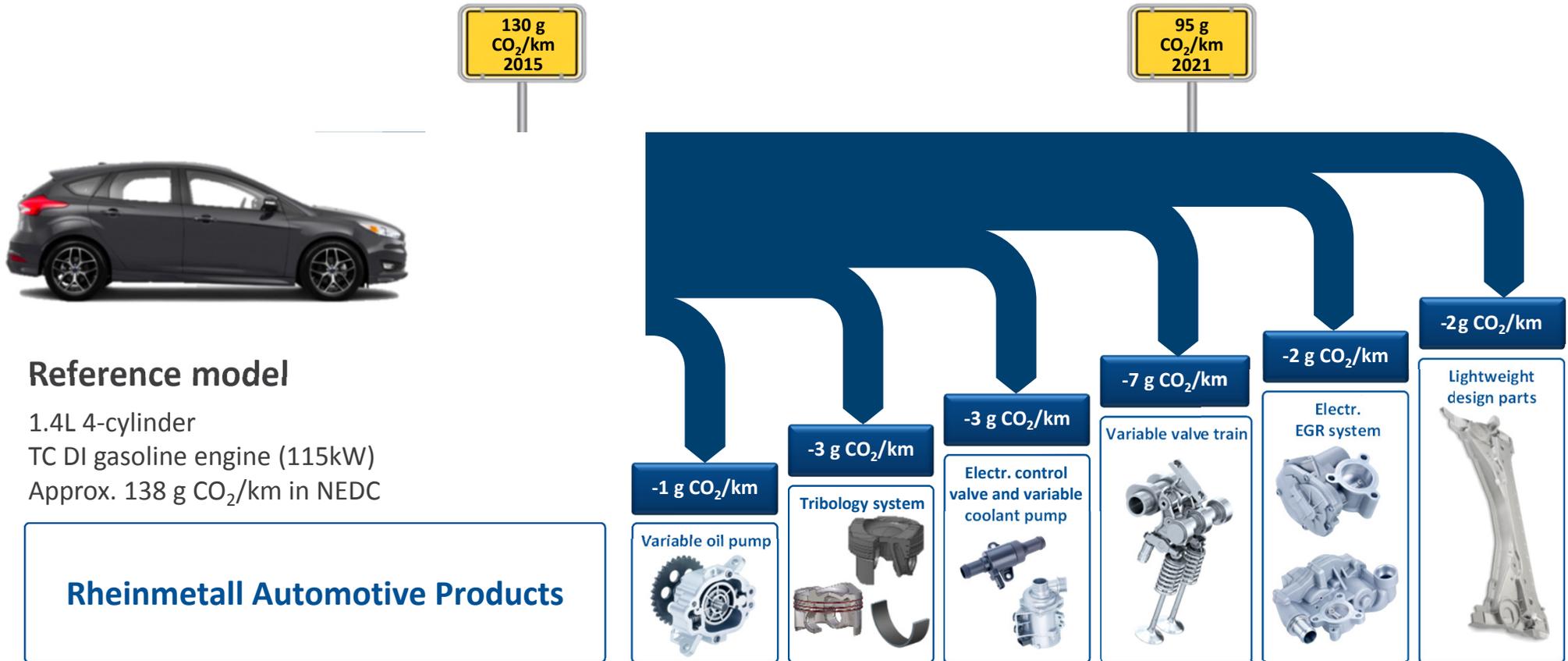


*Note that Japan has already exceeded its 2020 statutory target, as of 2013

Source: ICCT

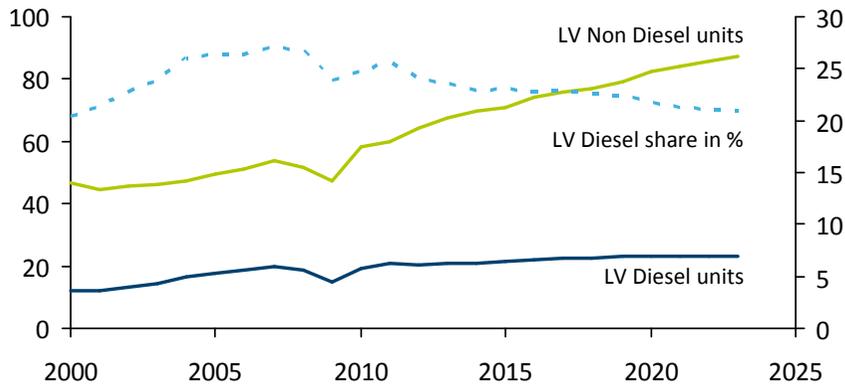
Efficiency

CO₂ Reduction with Automotive Products – Gasoline Engine Vehicle



LV Diesel exposure limited; powertrain independence is the strategic target

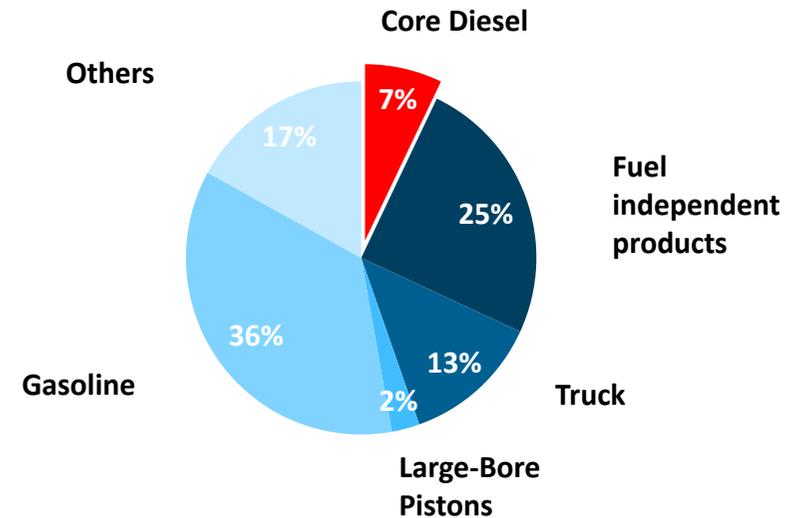
■ Combined global engine production forecast*



■ 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

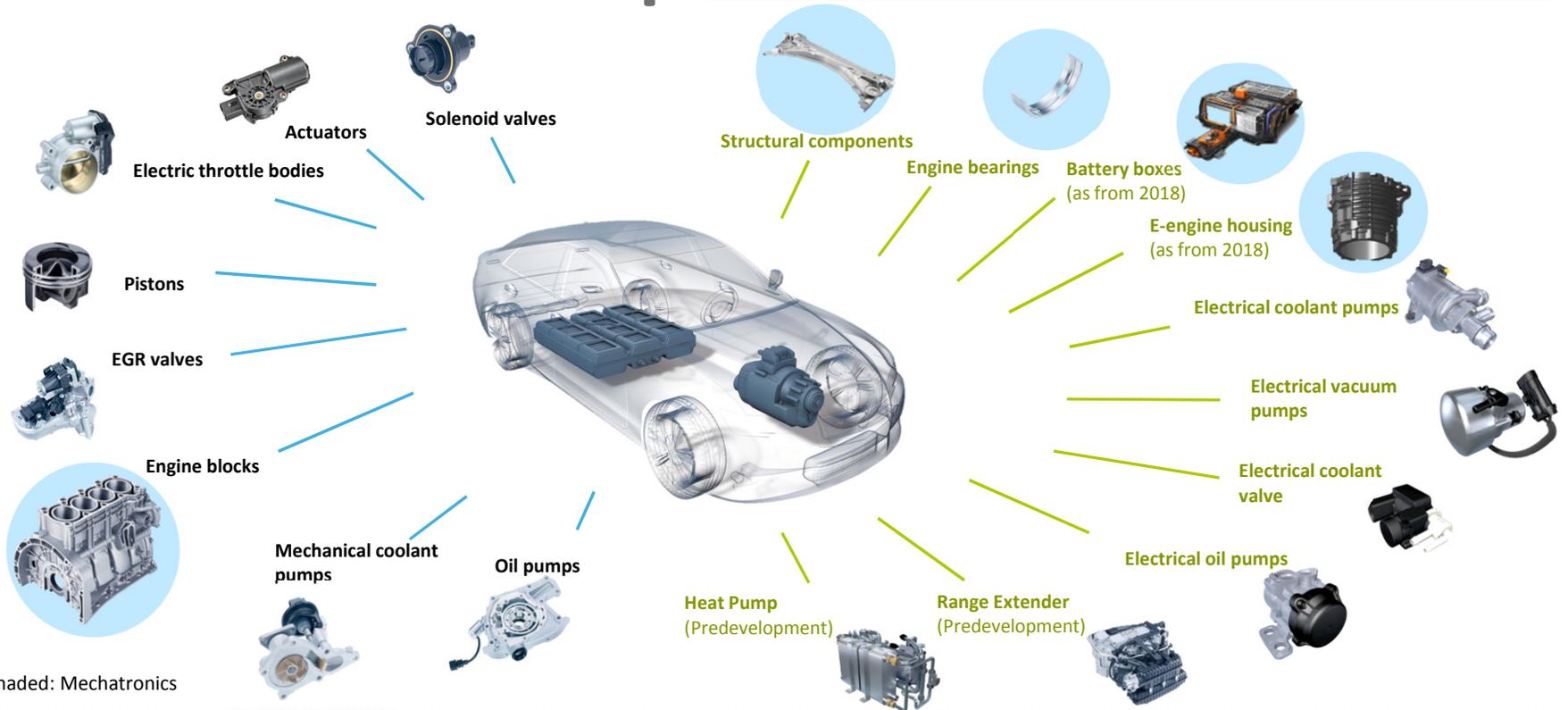
** Rheinmetall Automotive sales FY 2016

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

■ 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 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

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



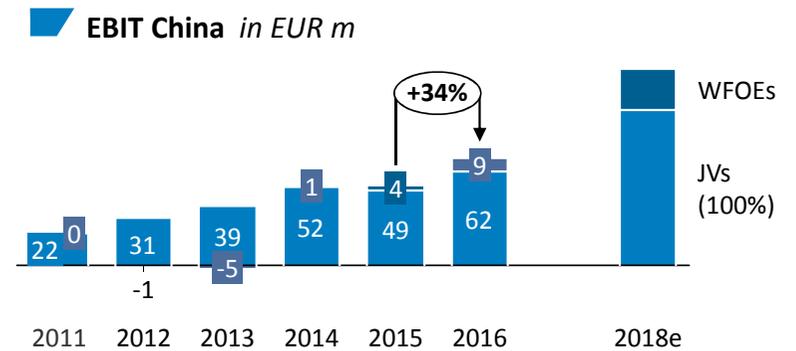
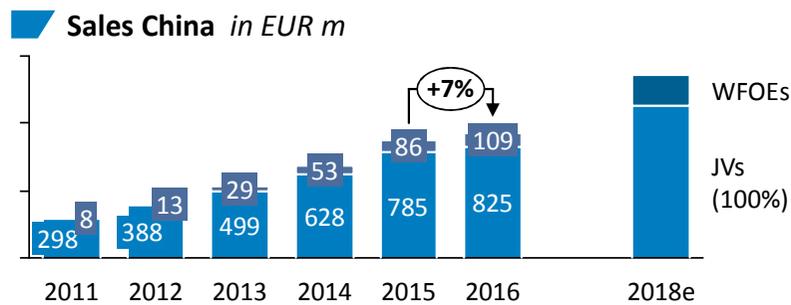
>3x



Steel

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



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

Germany

- Tamm
- Berlin
- Dormagen
- Hartha
- Langenhagen
- Neckarsulm (Headquarter)**
- 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

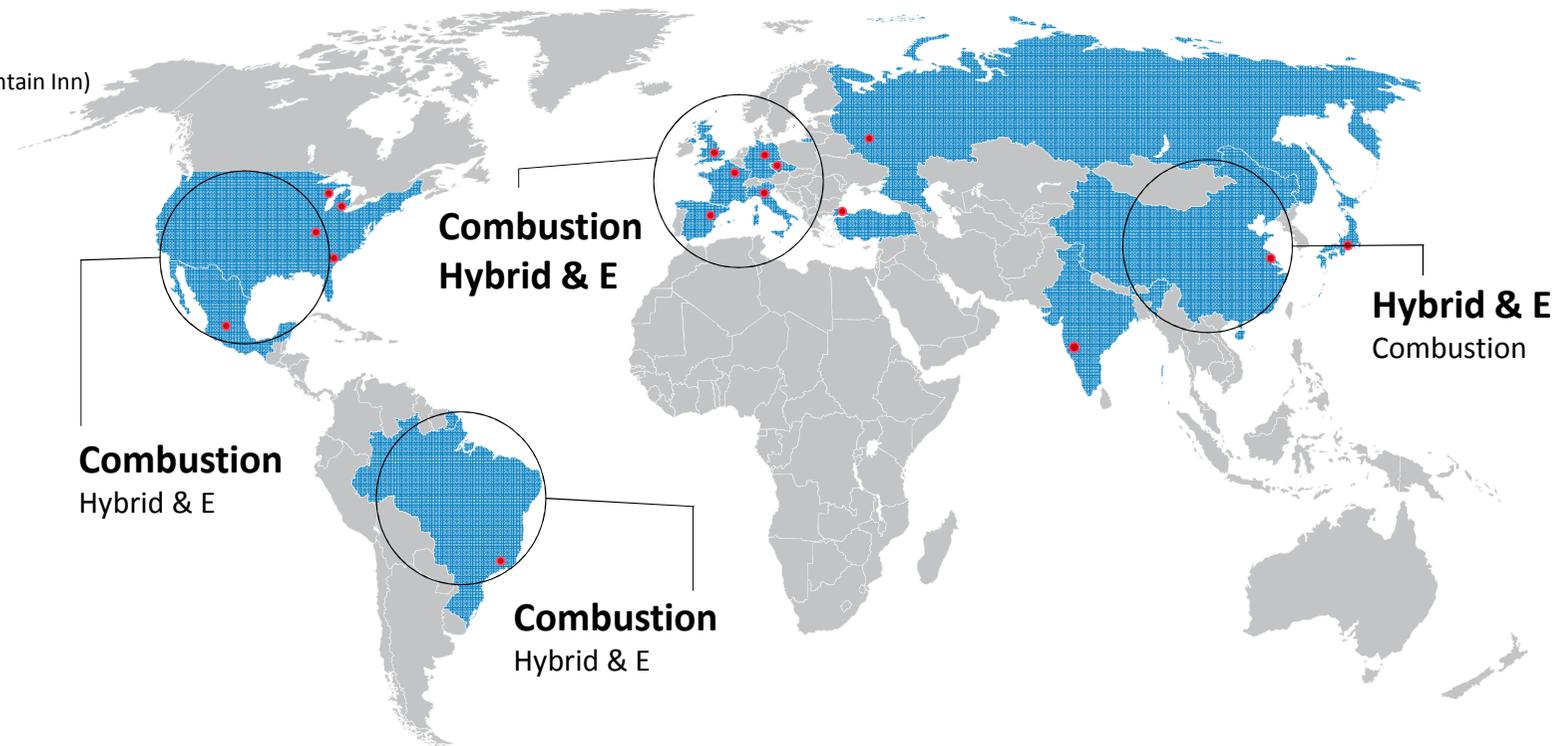
- Pune
- New Delhi
- Supa

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

RHEINMETALL DEFENCE

APPENDIX

Defence is a leading supplier with an increasing international presence

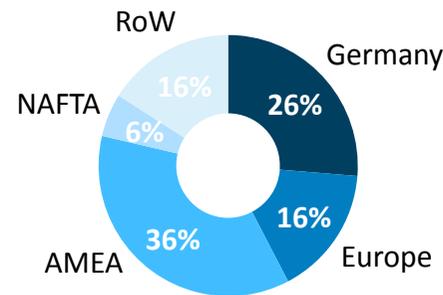
Key Figures

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

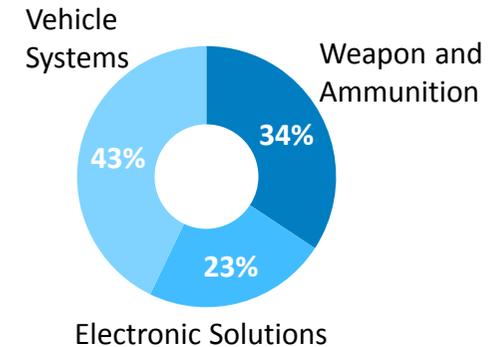
Structure

Weapon and Ammunition	
Weapon and Ammunition	Protection Systems
Propulsion Systems	
Electronic Solutions	
Air Defence & Radar Systems	Mission Equipment
Simulation and Training	Technical Publications
Vehicle Systems	
Logistic Vehicles	Tactical Vehicles

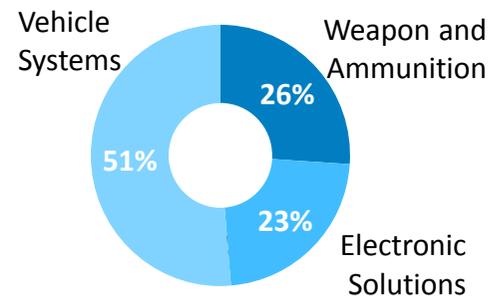
Sales by region



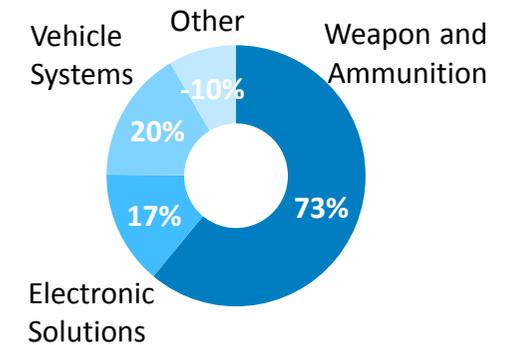
Sales by division



Order backlog by division



EBIT by division



All figures refer to FY 2016

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

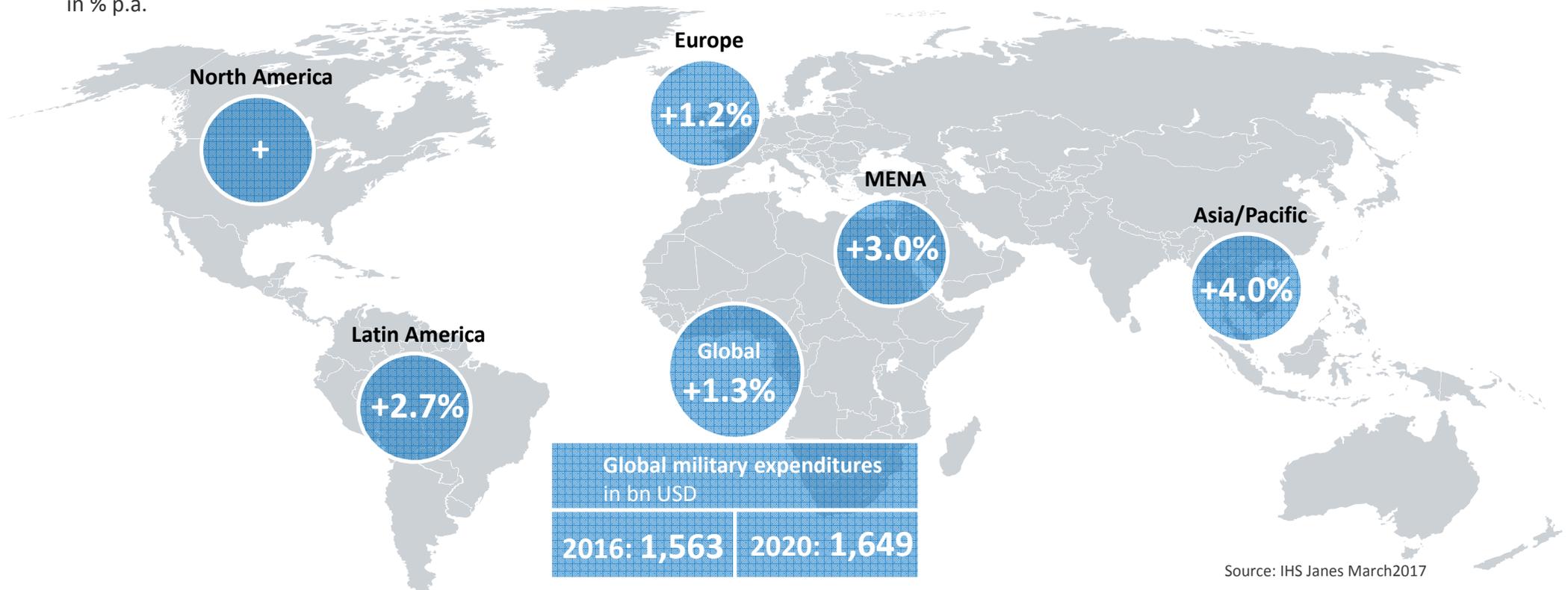
Creating innovations

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



Defence is at the beginning of long lasting market growth

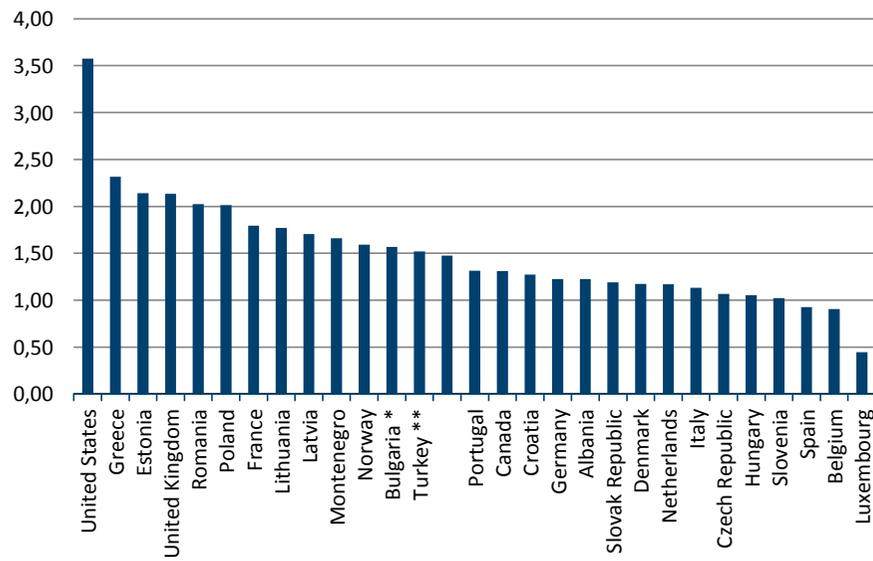
■ Defence budgets development 2016 – 2020 in % p.a.



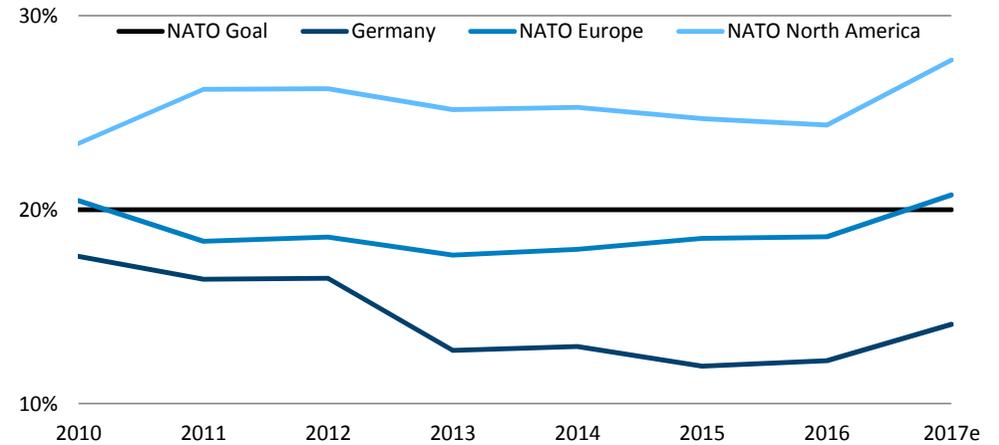
Source: IHS Janes March2017

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

■ NATO Defence budgets
in % of GDP 2017e*



■ NATO equipment expenditure
in % of total expenditure *



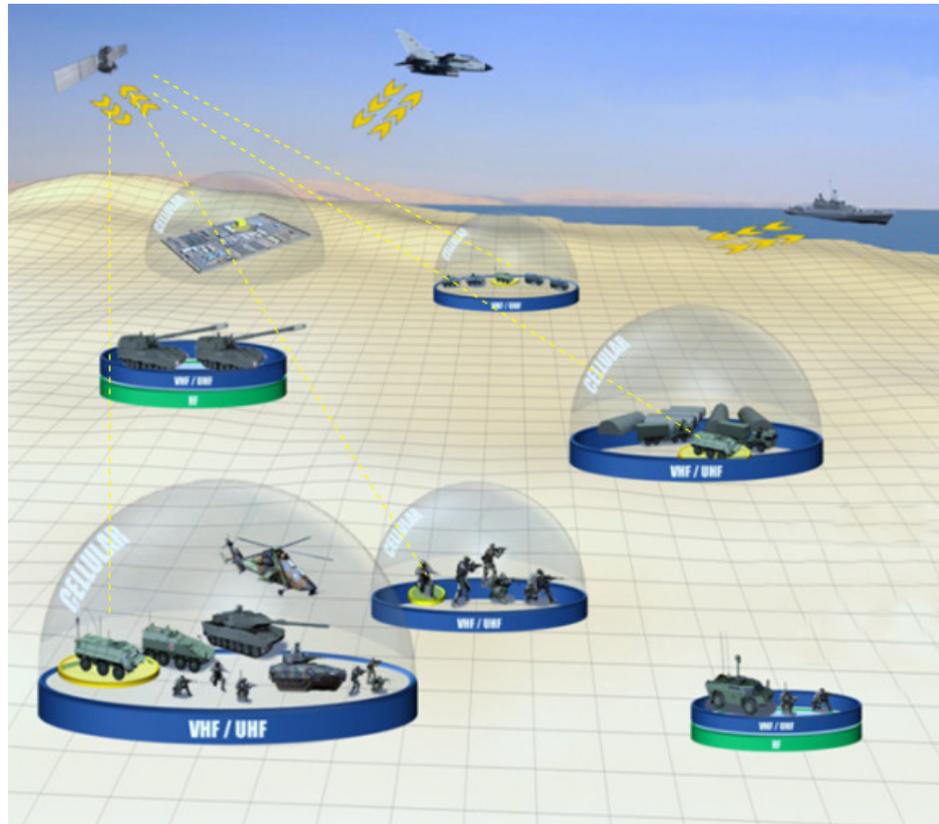
* NATO 06/2017: Equipment expenditure as a share of defence expenditure based on 2010 prices and currencies

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: 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%):

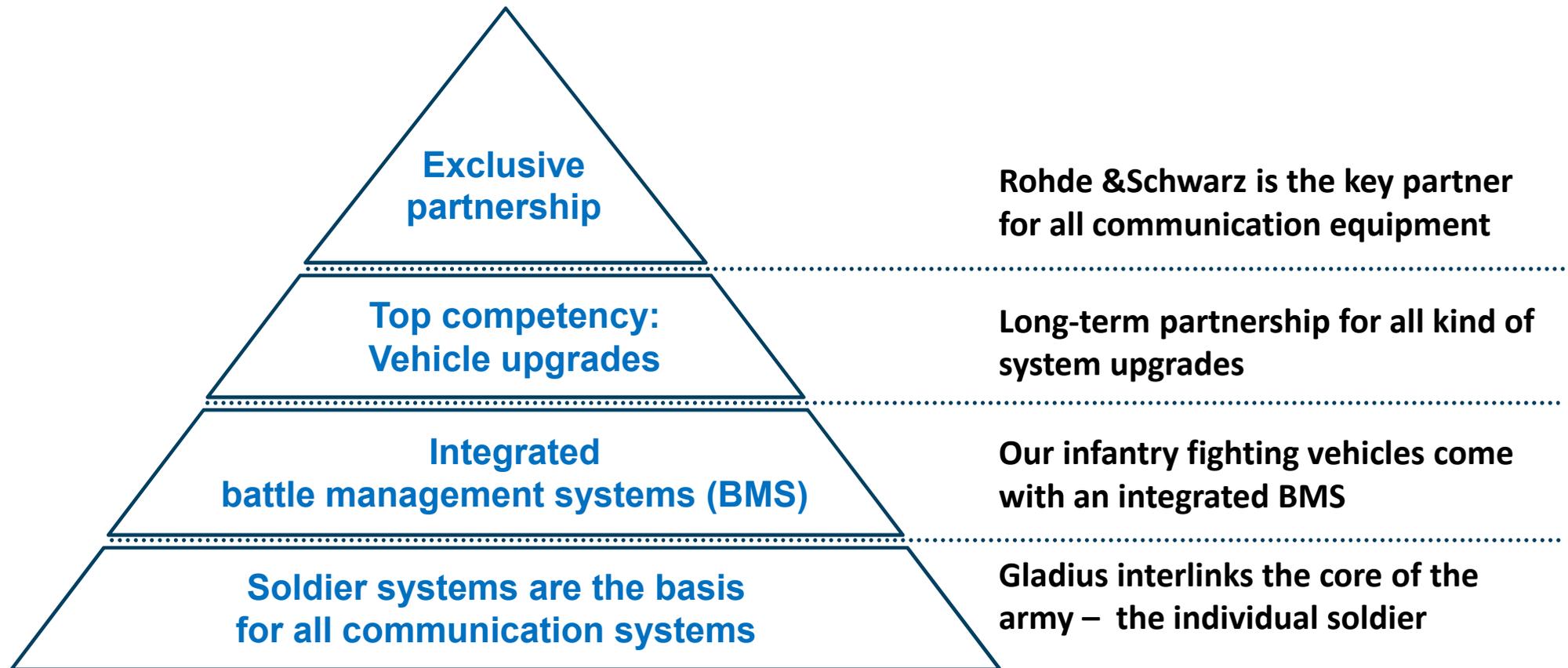
- Communication system architecture, IP based solution for voice and data transmission
- Incorporation of third party components and solutions

Scope and Timeline

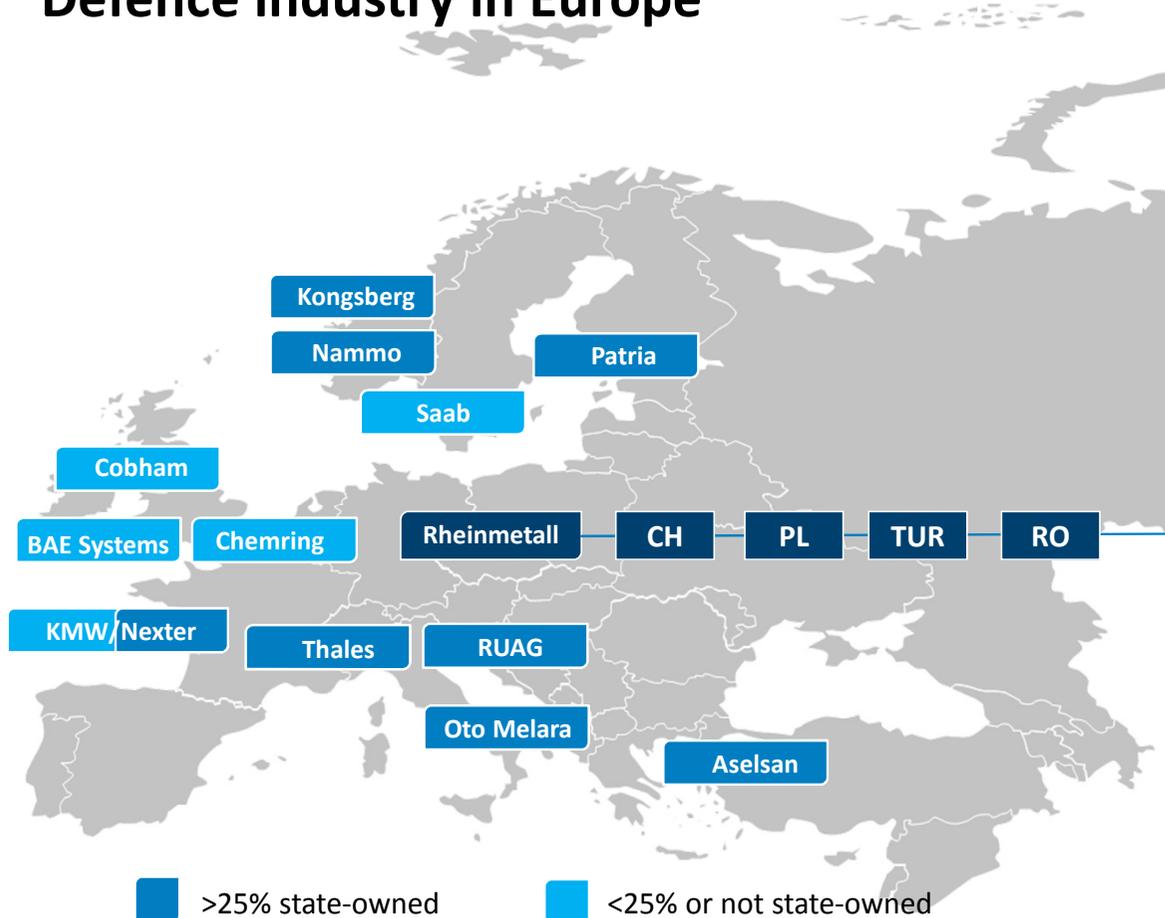
- Most important strategic procurement project for the German army
- Total value exceeds € 5 bn
- Tender process starts 2019
- Start of production Q2 2021

Mobile Taktische Kommunikation
Mobiler Taktischer InformationsVerbund

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



Defence industry in Europe



- **Governmental shareholding** restricts room for cross-border consolidation
- **Big common armament programs** could be catalysts for further consolidation

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 2018

Commerzbank Conference	New York	8 - 10 Jan
Kepler Cheuvreux Conference	Frankfurt	15 - 16 Jan
Bankhaus Lampe Conference	London	1 Feb
Provisional figures 2017		1 Mar
Annual Report 2017		15 Mar
Q1 2018 Report		4 May
Annual General Meeting	Berlin	8 May

■ IR Contacts

Franz-Bernd Reich
Head of IR
Tel: +49-211 473-4718
Email: franz-bernd.reich@rheinmetall.com

Dirk Winkels
Senior Investor Relations Manager
Tel: +49-211 473-4749
Email: dirk.winkels@rheinmetall.com

Rosalinde Schulte
Investor Relations Assistant
Tel: +49-211 473-4718
Email: rosalinde.schulte@rheinmetall.com

■ Quick link to documents

Corporate Presentation



Interim Reports



Annual Reports



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