



**TECHNOLOGY GROUP**  
**FOR SECURITY**  
**AND MOBILITY**

CORPORATE PRESENTATION

January 2016



# The Technology Group for Security and Mobility

## Addressing the basic needs and megatrends in Defence and Automotive

### RHEINMETALL AG

Sales: EUR 5.1 billion

Employees: 20,700

#### RHEINMETALL DEFENCE

Sales: EUR 2.5 billion  
Employees: 9,600

#### RHEINMETALL AUTOMOTIVE

Sales: EUR 2.6 billion  
Employees: 11,000

#### 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.

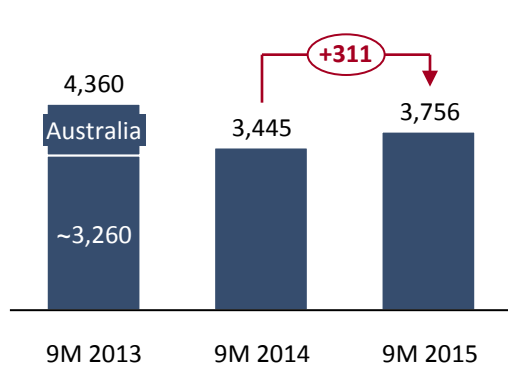
Figures: FY 2015e



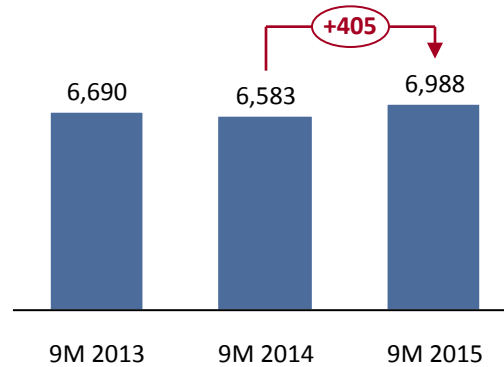
# Group key figures

## Successful development in first nine months 2015

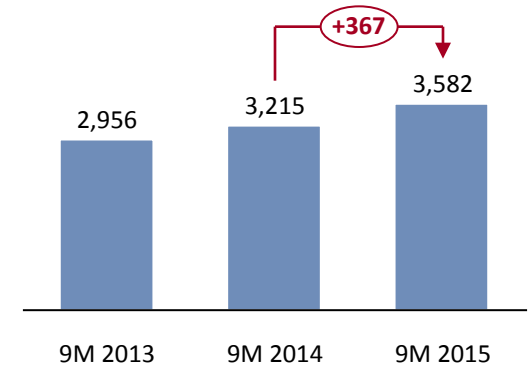
**Order intake** in EUR million



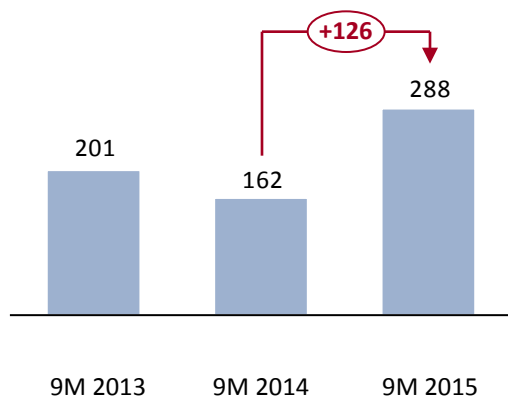
**Order backlog** in EUR million



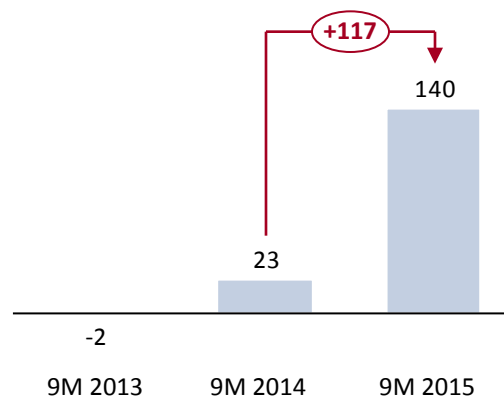
**Sales** in EUR million



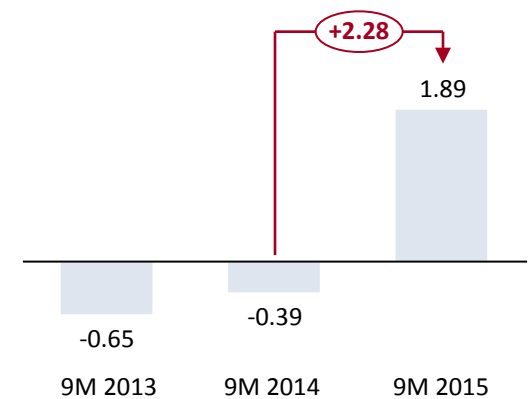
**EBITDA** in EUR million



**EBIT** in EUR million



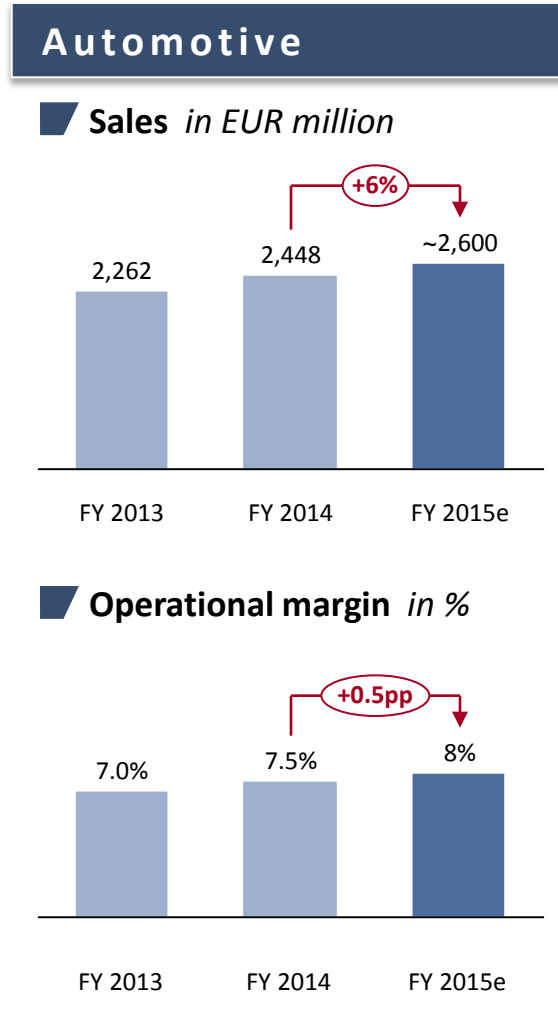
**Earnings per share** in EUR





# Targets FY 2015

## Highly confident to achieve the guided figures





# RHEINMETALL AUTOMOTIVE



# The divisional structure of Automotive

## Focused on the attractive segment of powertrain technology



**RHEINMETALL AUTOMOTIVE**

EUR 2.6 billion

### Hardparts

Pistons

Large-bore pistons

Bearings

### Mechatronics

Emission Systems

Solenoid Valves

Commercial Diesel Systems

Actuators

Pumps

### Aftermarket

International

National

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

Sales figure FY 2015e



# Automotive – completed by the activities in China

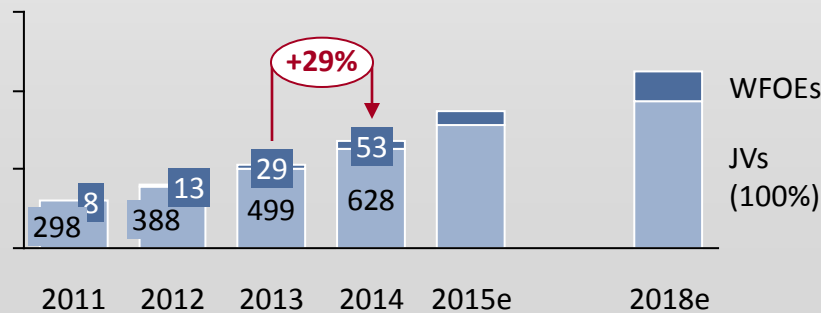
## Grasping chances in partnerships and with own subsidiaries

50/50 joint ventures with HASCO (SAIC group)			
Castings (ATAG)	Pistons (KSSP)	Castings (KPSNC)	Pumps (PHP)
2014	1997	2001	2012
Engine blocks and structural body parts	Pistons	Engine blocks, cylinder heads and structural body parts	Electrical and mechanical pumps
Germany/ Europe	China		

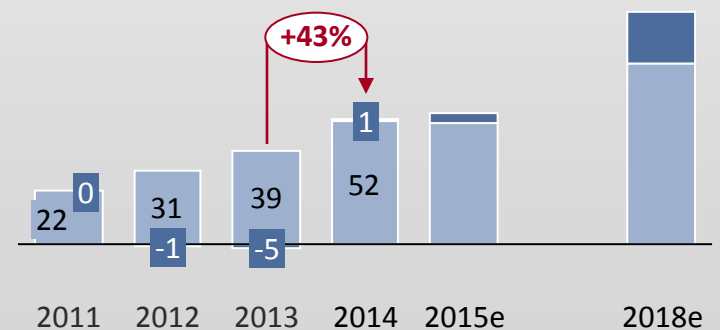
Wholly Foreign-Owned Enterprises (100% Rheinmetall Automotive)		
Aftermarket	Pierburg	Large-bore pistons
2008	2009	2013
Spare parts	EGR modules and electric throttle bodies	Large-bore pistons
China		

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

**Sales China in EUR million**



**EBIT China in EUR million**





# Organic growth of Automotive

## The three main drivers

# Growth



1

**Market growth**

The number of globally produced cars will continue to grow

2

**More content per car**

The number of Rheinmetall products per vehicle will increase

3

**Higher value of products**

The value of included products will rise, e.g. due to electrification trend

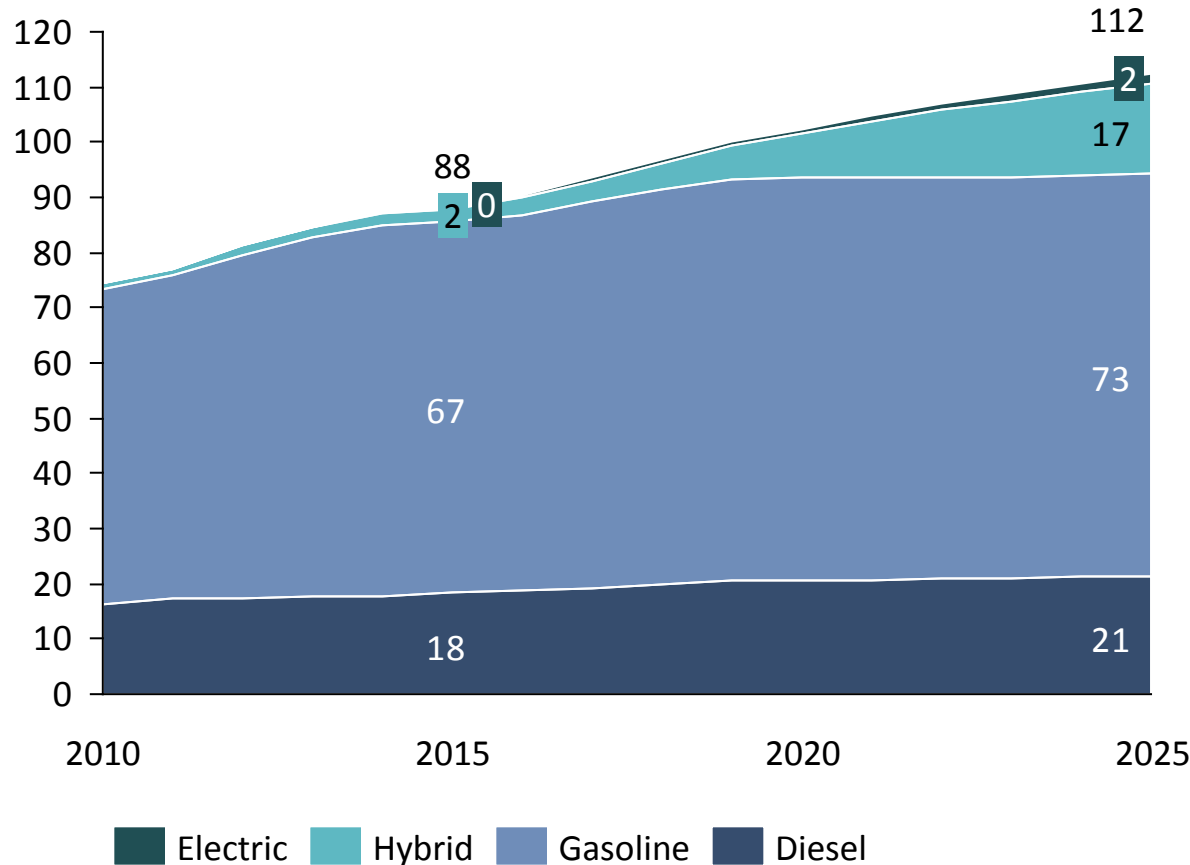




# Growth driver “Market growth”

## Ongoing increase of global demand for light vehicles

Forecast global light vehicle (LV) production in million units /



- Light vehicles remain on growth path:  
CAGR 2010-2025: 3%
- Combustion engines losing market shares, but defend dominant position
- Market share of combustion engines:
  - 2015: 97%
  - 2025: 84%

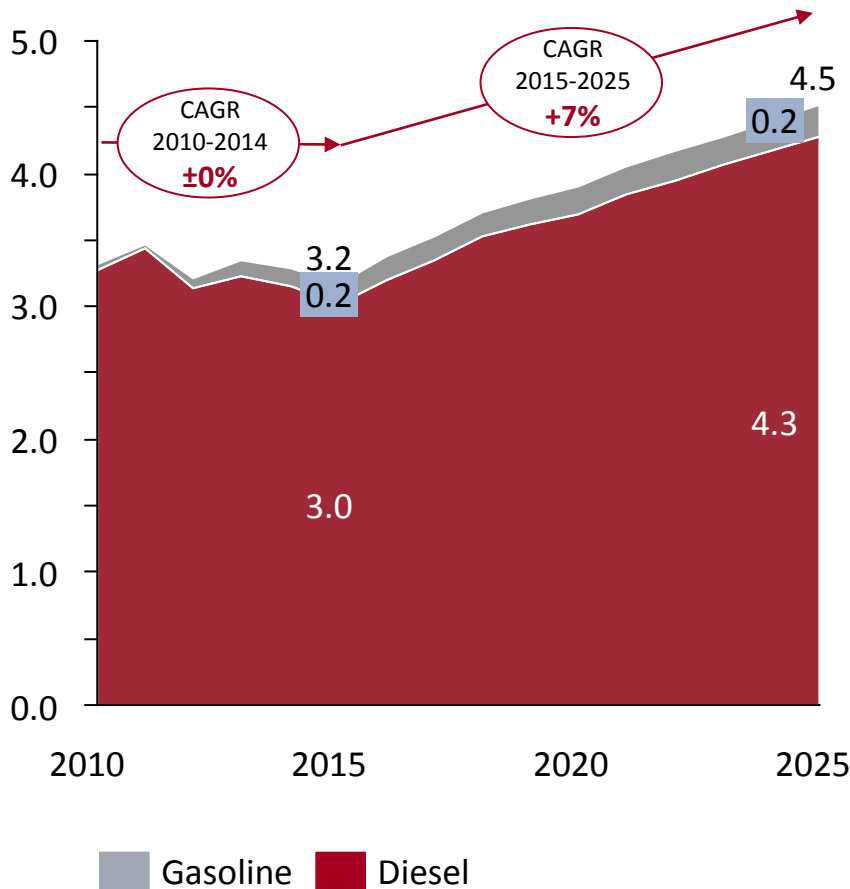
Source: IHS Automotive (October 2015)



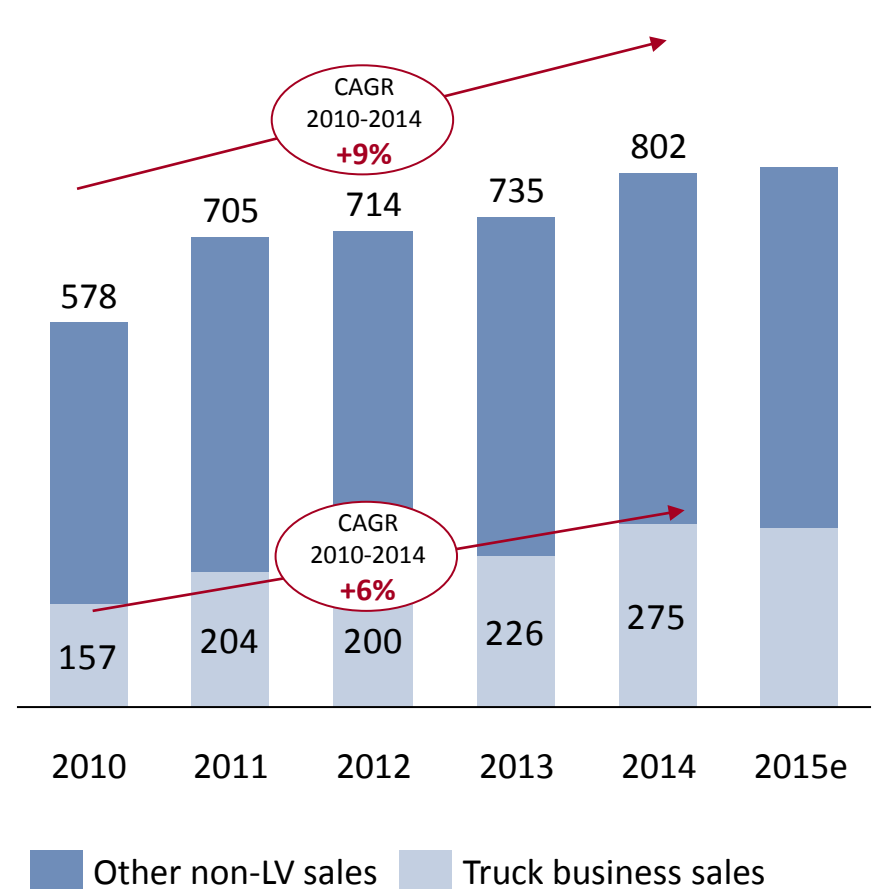
# Growth driver “Market growth”

## Truck engine production heading towards a growth phase

Forecast truck engine production in million units



Rheinmetall Automotive sales of non-LV and truck business in EUR million



Source: IHS Automotive (October 2015)

2013 figures adjusted according to IFRS 5 and according to IFRS 11



Growth driver “More content per car”

## Stricter environmental standards require additional products

### LEGISLATION

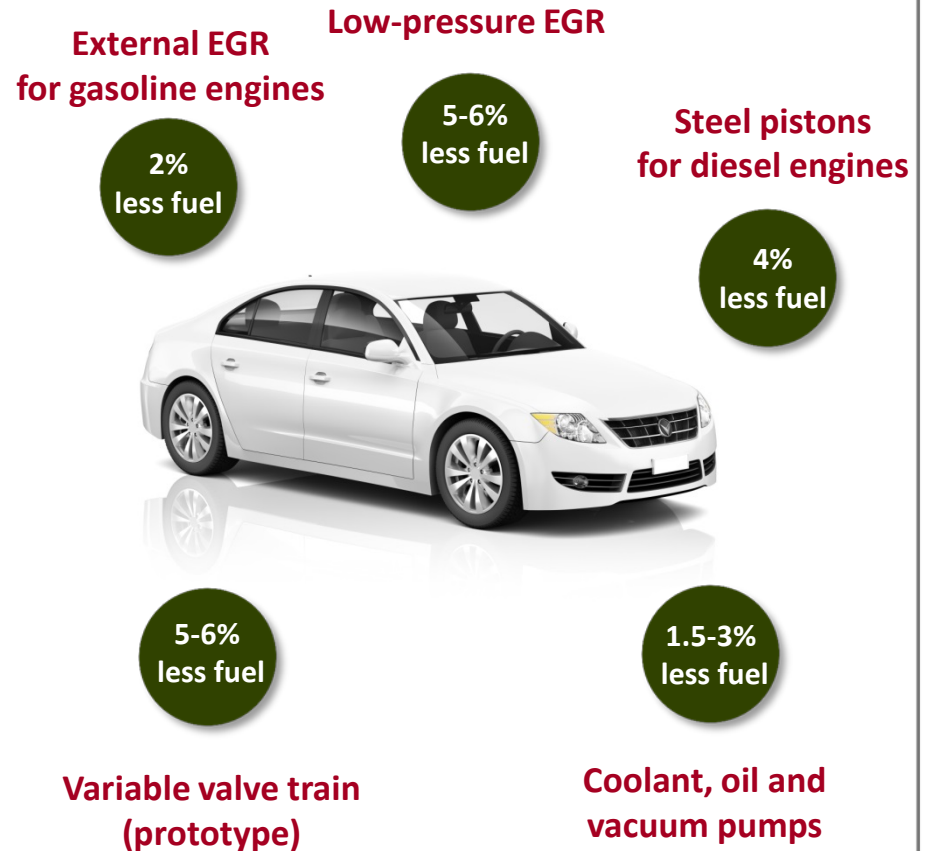
CO<sub>2</sub>

NO<sub>x</sub>

Trend:  
Tightening of  
emission standards

Additional  
products to  
achieve  
the stricter  
environmental  
standards

### EXAMPLES OF PRODUCTS /FUEL SAVINGS in %



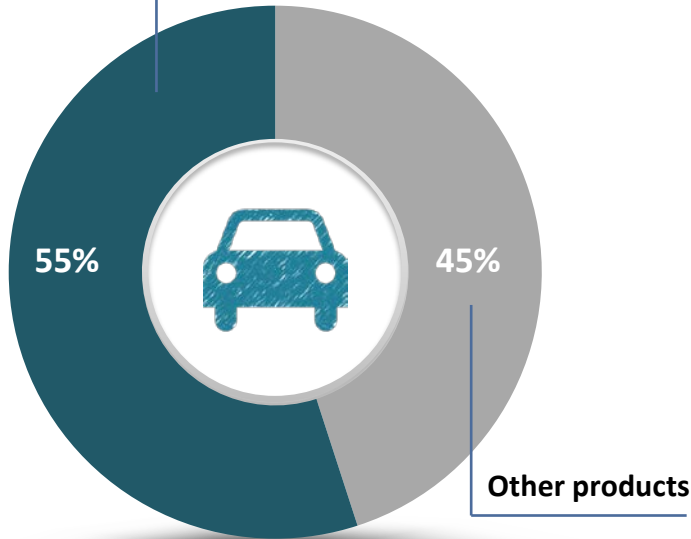


# Growth driver “More content per car” and “higher value per product”

## Sales share of green technology products will increase to 60%

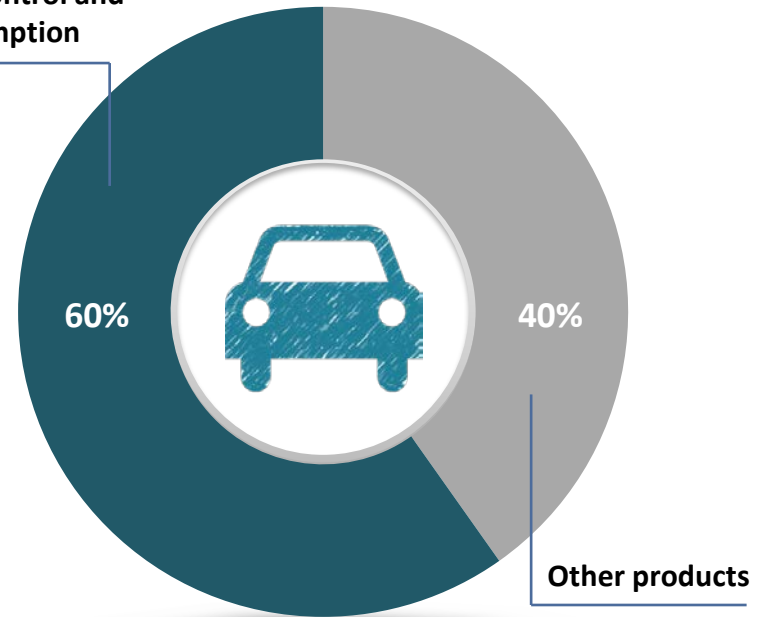
Automotive sales share 2014

Products for emission control and fuel consumption



Expected Automotive sales share 2016

Products for emission control and fuel consumption

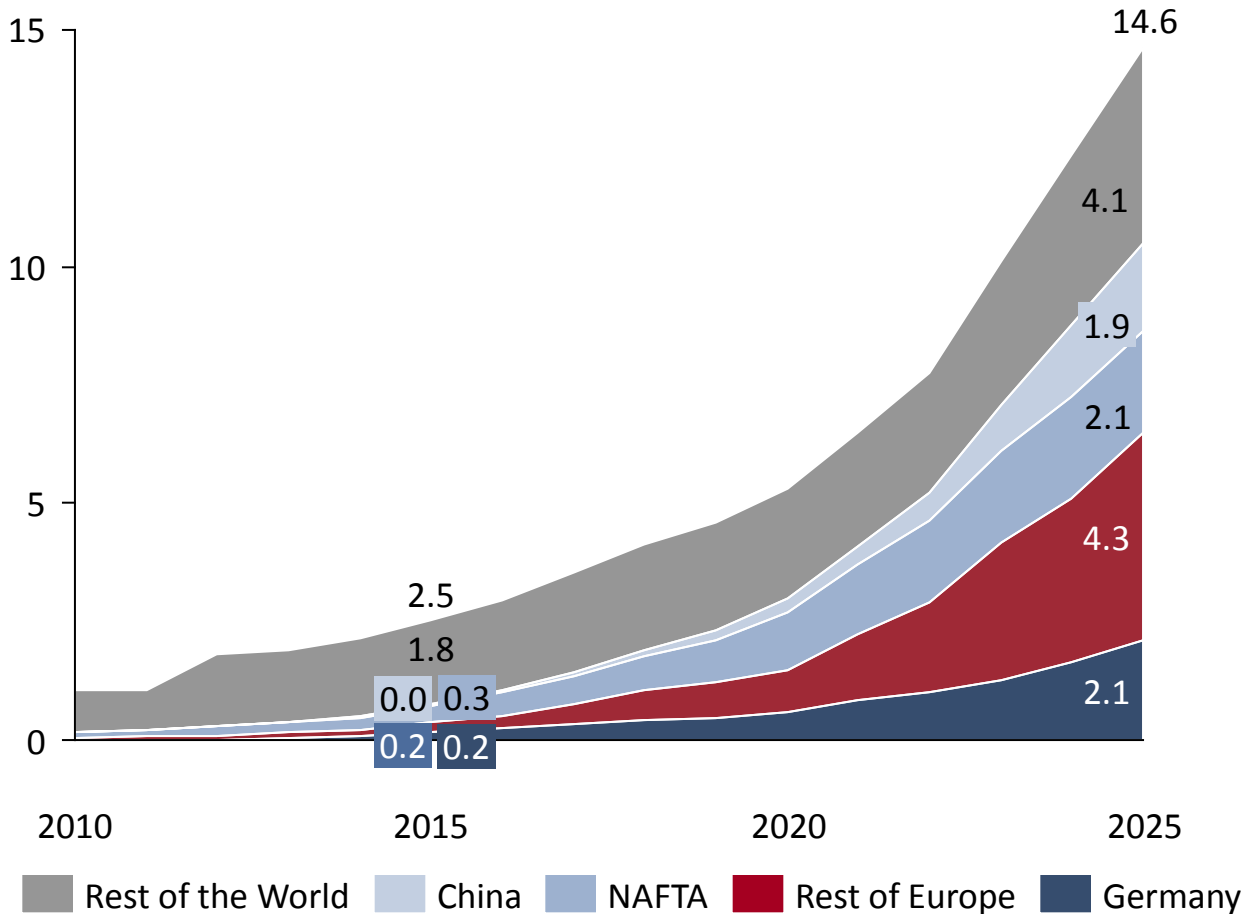




# Growth driver “More content per car”

## Trend to hybrid vehicles expected to accelerate

Forecast production of hybrid vehicles *in million units*



- Stricter emission regulations increase attractiveness of alternative energy concepts
- Hybrid powertrains will raise significantly and become a major market.
- Market shares:
  - 2015: 2%
  - 2025: 15%

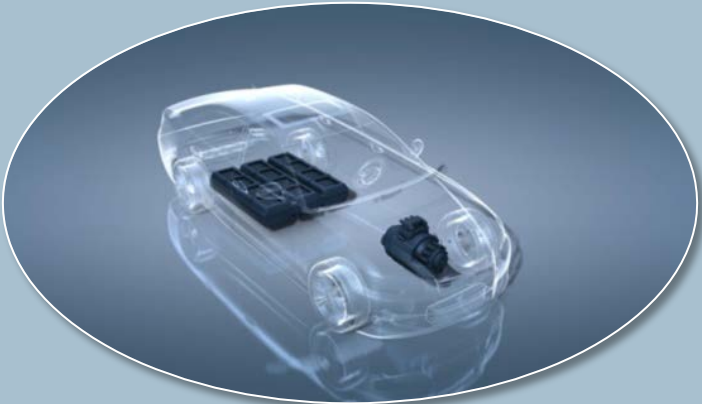
Source: IHS Automotive (October 2015)




# Growth driver “More content per car”

## Trend of hybridization requires more products of Rheinmetall


The traditional product portfolio for combustion engines ...




**Actuators**




**Engine bearings**




**Solenoid valves**




**Electric throttle bodies**



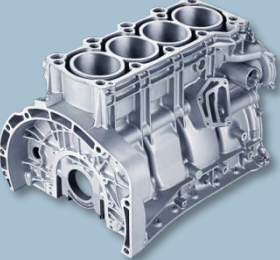
**Pistons**




**Mechanical coolant pumps**




**Engine blocks**



**Oil pumps**



**EGR valves**

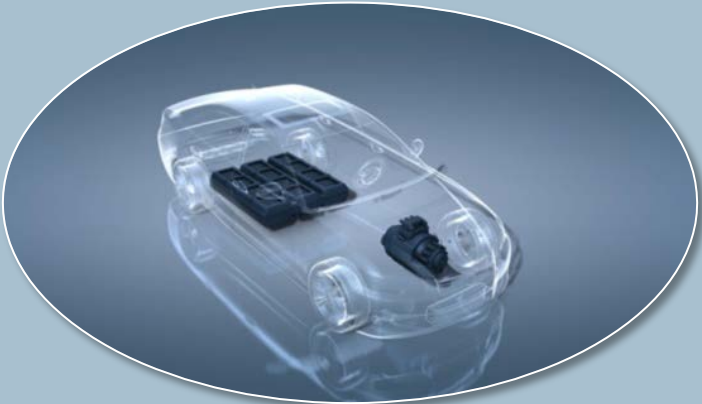




# Growth driver “More content per car”

## Trend of hybridization requires more products of Rheinmetall

... will be enlarged by products for hybrid engines.



**Actuators**

**Engine bearings**

**Solenoid valves**

**Electrical coolant valve**

**Electric throttle bodies**

**Electrical coolant pumps**

**Mechanical coolant pumps**

**Pistons**

**Structural components**

**Electrical oil pumps**

**Oil pumps**

**Engine blocks**

**Thermal management module**

**Electrical vacuum pumps**

**EGR valves**



# Growth driver “Higher value of products”

## Electrification and downsizing require more sophisticated products

### Products / product groups and possible price shifts

#### Coolant pump



Mechanical **>6x** Electrical

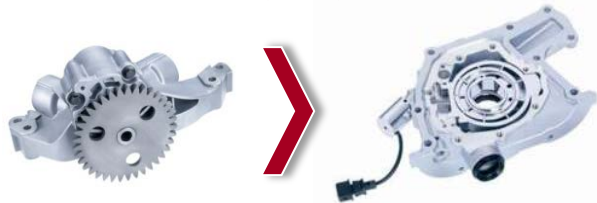
#### Exhaust gas recirculation



Valve **>3x** Valve, cooler, bypass and bypass actuator



#### Oil pump



Mechanical **>3x** Variable

#### Piston



Aluminum **>3x** Steel



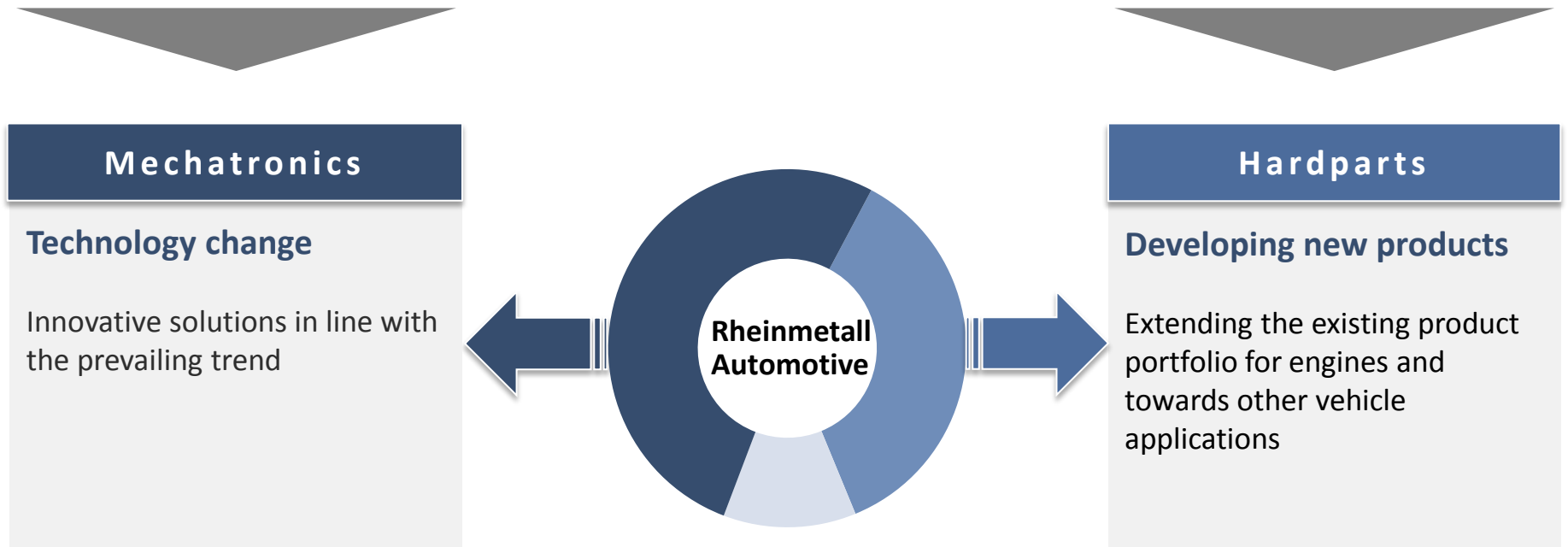


# Growth drivers “More content per car” and “Higher value of products”

## Technological change leads to new products and services

### Strategic target “engine neutrality”

- Reducing dependency on specific engine types
- Flexible product capacities, adjusted to the need of the customers: Gasoline, Diesel, Hybrid





# Automotive

## Key investment highlights

### Markets

- **Rising global demand** for light vehicles
- Continuing trend: **efficient engines** and **lower emissions**

### Products

- Focus: **fuel-reduction by Mechatronics** and **CO<sub>2</sub>-reduction by Hardparts**
- **More complex products** leading to higher content and value per vehicle

### Sales and orders

- Medium-term business covered by **frame contracts/nomination letters**
- **Innovative products** available for long-term growth

### Customers

- **Well-balanced customer structure** in the light vehicle business
- Enlargement of **non-LV-business** with selective growth

### China

- **Profitable growth** with shared risk of joint ventures
- 100%-subsidiaries: growth phase, widening **product range** and **focusing on domestic Chinese OEMs**

### Profitability

- 2015: **EBIT margin target of 8%** achieved for the first time
- **Sustain the achieved profitability level** under normal auto cycle scenarios

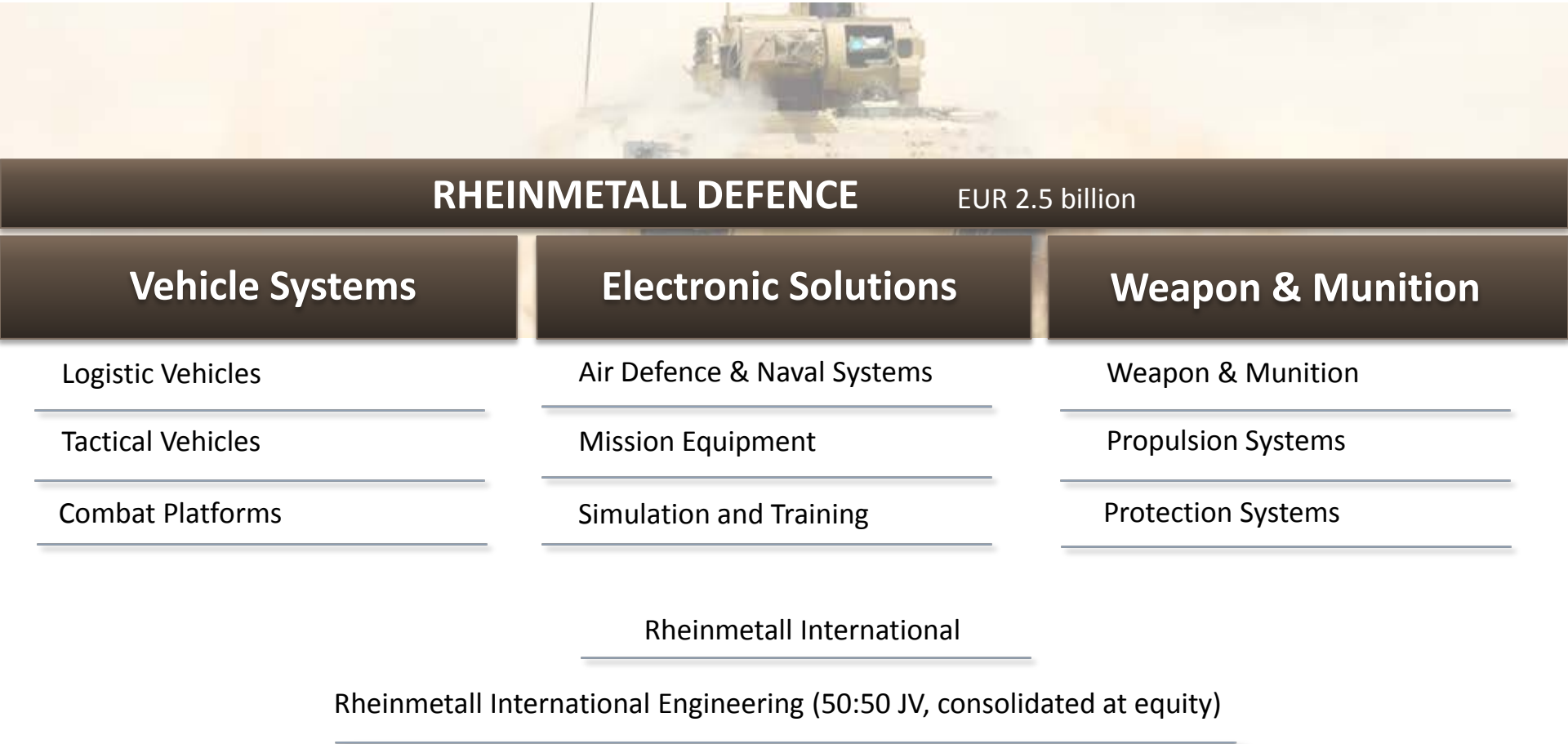


# RHEINMETALL DEFENCE



# The divisional structure of Defence

## More focused organizational structure for the future



Sales figure FY 2015e



# Organic growth of Defence

## The three main drivers

# Growth



# 1

### Market growth

Substantial change in global security situation results in increasing defence budgets

# 2

### High order backlog

More than 2x sales imply solid growth in the future, esp. in system business

# 3

### New markets & new products

Entry on new markets with local partners, innovations in the pipeline



Growth driver “Market growth”

## Substantial change in global security situation



**RUSSIA/UKRAINE CRISIS** is challenging NATO

– Armed military conflict at the Eastern border of NATO



**“ISLAMIC STATE”**

– Increasing threat of terrorism for Western countries



**“FAILING STATES”** in the MENA region and in Africa

– Europe facing higher pressure by migration



**NEW TROUBLE SPOTS** on the horizon

– E.g. higher engagement of German troops in Mali expected



**ENDING MISSIONS** in Iraq (complete) and Afghanistan (partial)

– Risk of civil wars due to a lack of effective governments



**CONFLICTS IN SOUTH CHINA SEA**

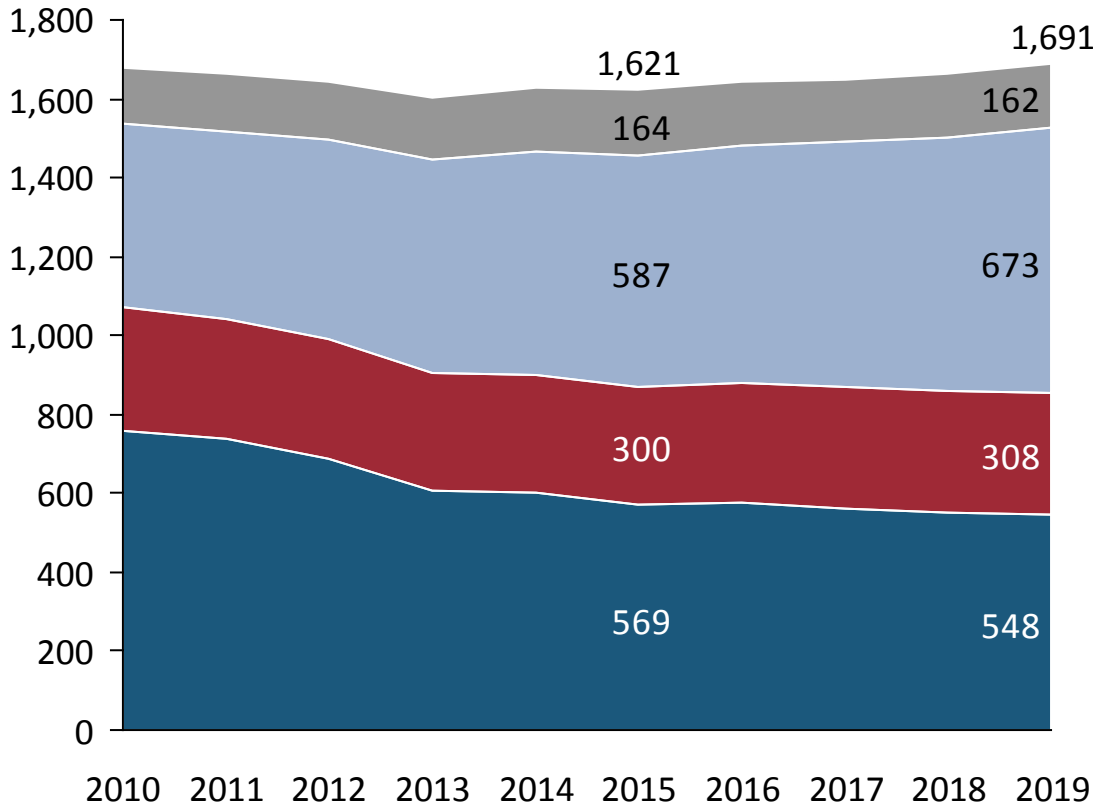
– Neighboring countries perceive Chinese expansion strategy as a threat



# Growth driver “Market growth”

## Budgets slightly increasing in Europe and MENA, but strongly in Asia/Pacific

Forecast defence budgets in EUR billion



Rest of the World Asia/Pacific/MENA Europe USA

**Asia/Pacific/MENA**  
 – Strong increase due to rising threats in Asia, slight increase until the end of the decade in the MENA region

**Europe**  
 – After a period of shrinking budgets increase expected due to changing security situation

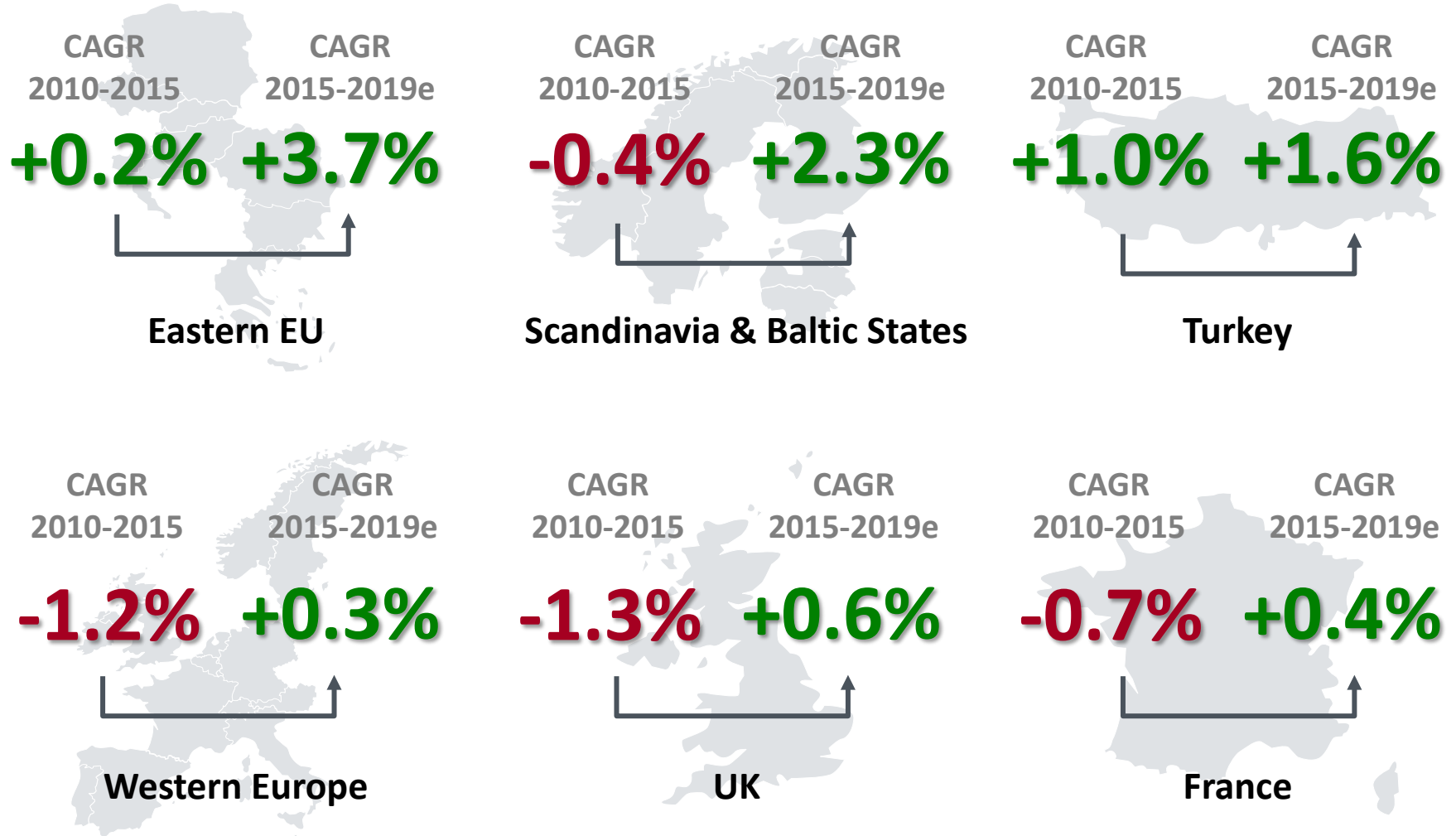
**USA**  
 – After a period of budget restriction stabilization achieved

Source: IHS Jane’s (November 2015)



# Growth driver “Market growth”

## Europe: Swing in defence budgets triggered by conflict situations



Source: IHS Jane’s (November 2015)





# Growth driver “Market growth”

## Germany: A number of projects towards full equipment of ground forces



**Fox**  
Demand for upgrade, order expected for 2016, delivery starting 2017. In addition potential for further vehicles



**Leopard 2**  
Upgrade of 103 tanks projected, order expected for 2017



**Boxer**  
Further 131 vehicles, order received in 12/2015, delivery starting 2017



**Gladius soldier system**  
Adjustment development and acquisition of further batches, order expected for 2016/17



**Infantry fighting vehicle**  
Demand for additional vehicles (Marder upgrade or 2. lot Puma)



**Ammunition**  
Restocking expected

**Puma**  
Additional equipment\* in negotiations, order expected for 2016



**Military trucks**  
Step-by-step replacement of appr. 2,500 vehicles, decision expected for 2016, total demand > 10,000 units over 10-15 years

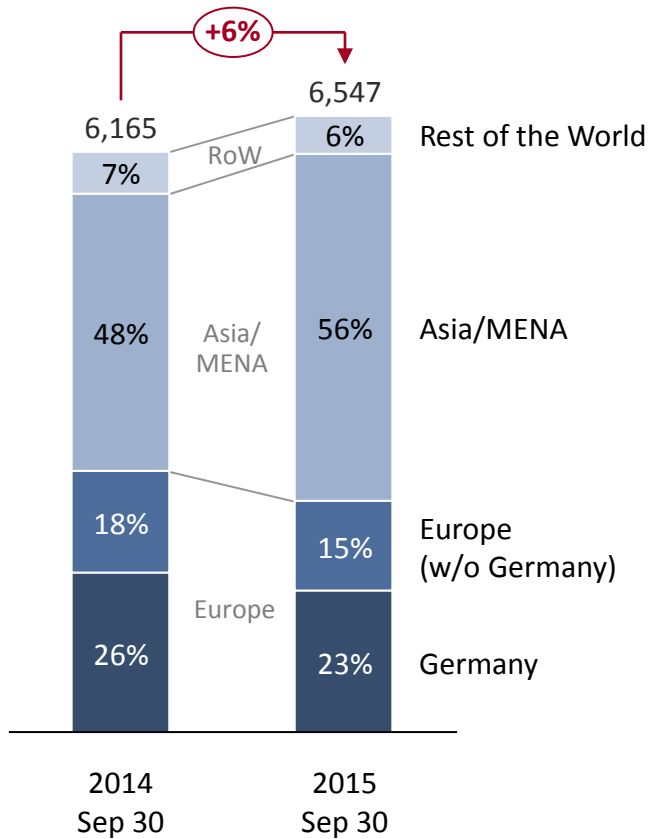
\* Integrated light missile system and specific secondary weapon station



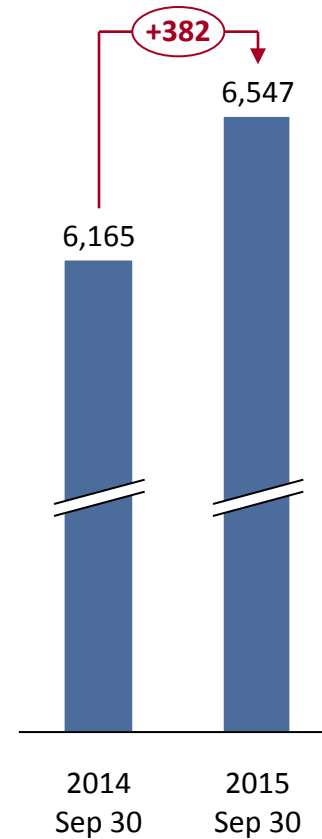
# Growth driver “High order backlog”

## Mid-term future sales covered by received orders

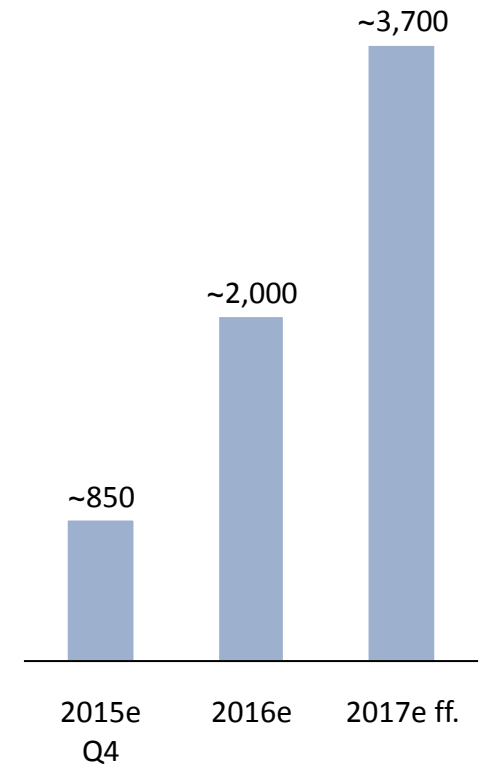
Order backlog by region in EUR million



Order backlog... in EUR million



...turning into sales

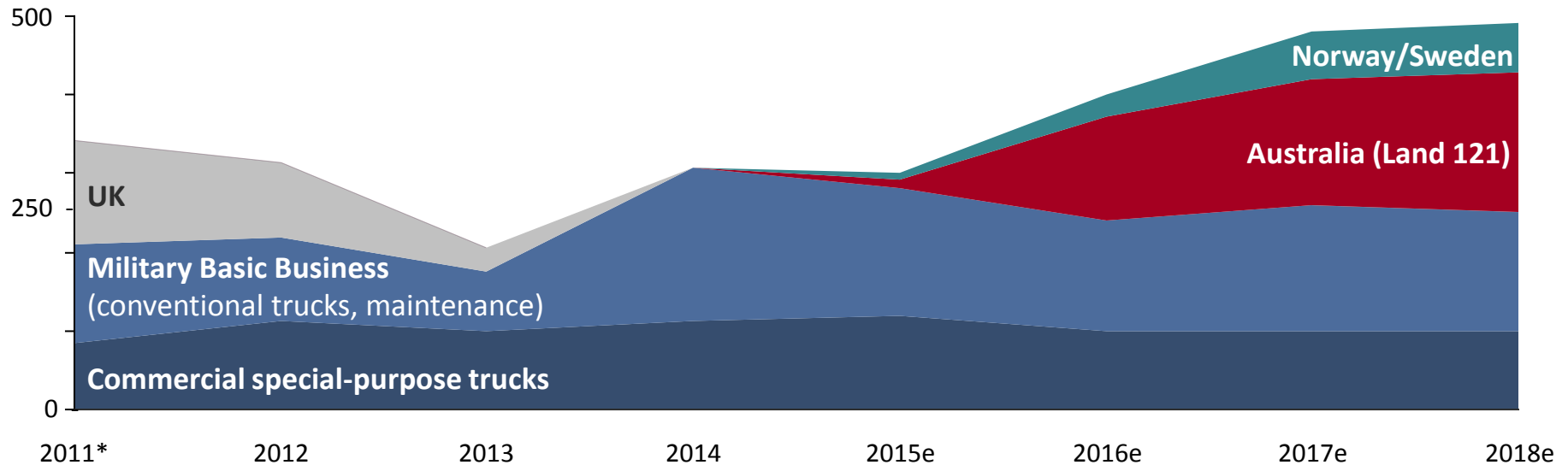




Growth driver “High order backlog”

**Higher capacity utilization will lead to turnaround of Wheeled Vehicles in 2016**

■ Sales of business unit “Logistic Vehicles”



- 2012/13: **Large UK order** (>7,000 trucks; EUR 1.6 billion) phased out
- 2013/2014: restructuring measures as **new orders** received **later than originally expected**: Australia, Scandinavia, New Zealand (> 3,000 trucks; EUR 1.4 billion)
- 2016e: By **ramping up the new orders**, business unit will **return to profitability**

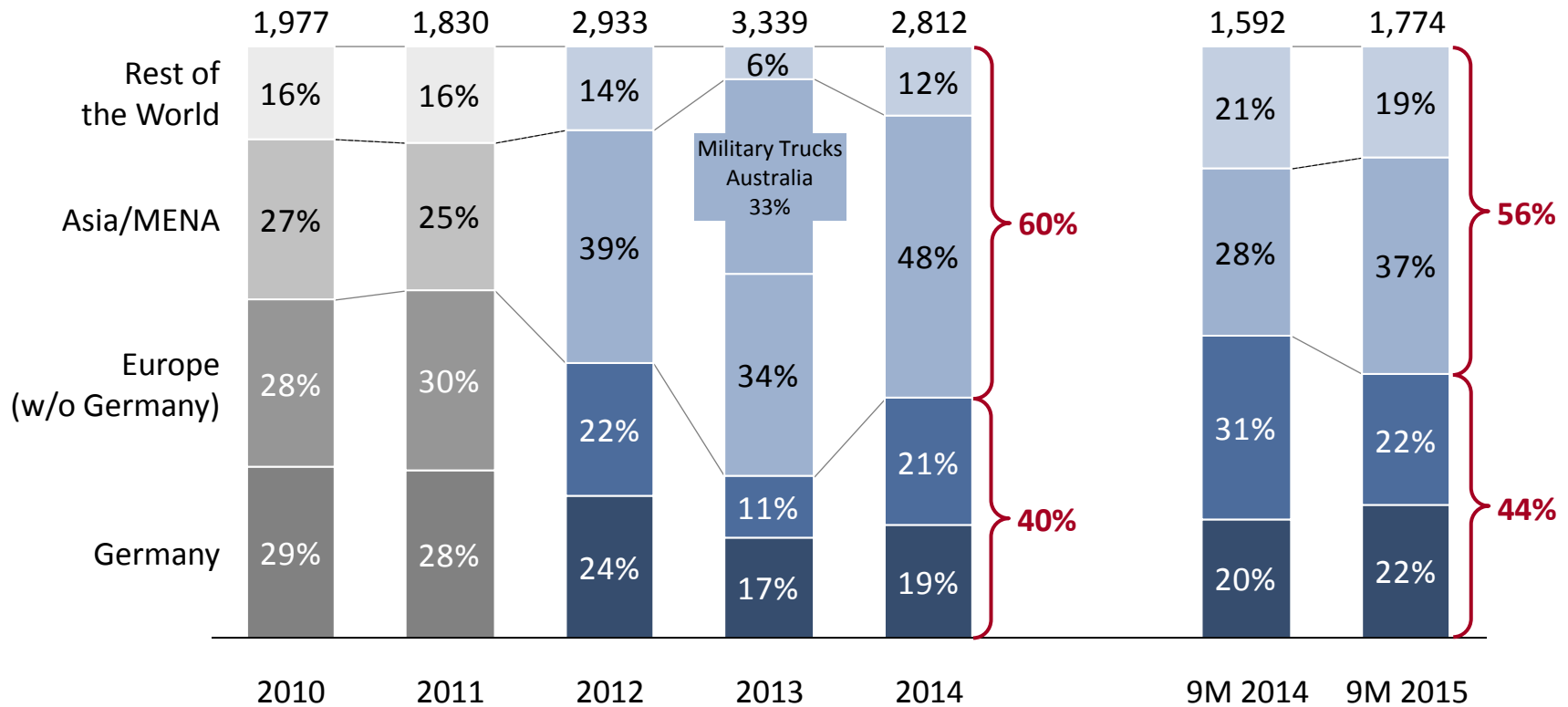
\* 2010 and 2011 not in Rheinmetall consolidation scope



# Growth driver “New markets & new products”

## Non-European share of orders raised to roughly 60%

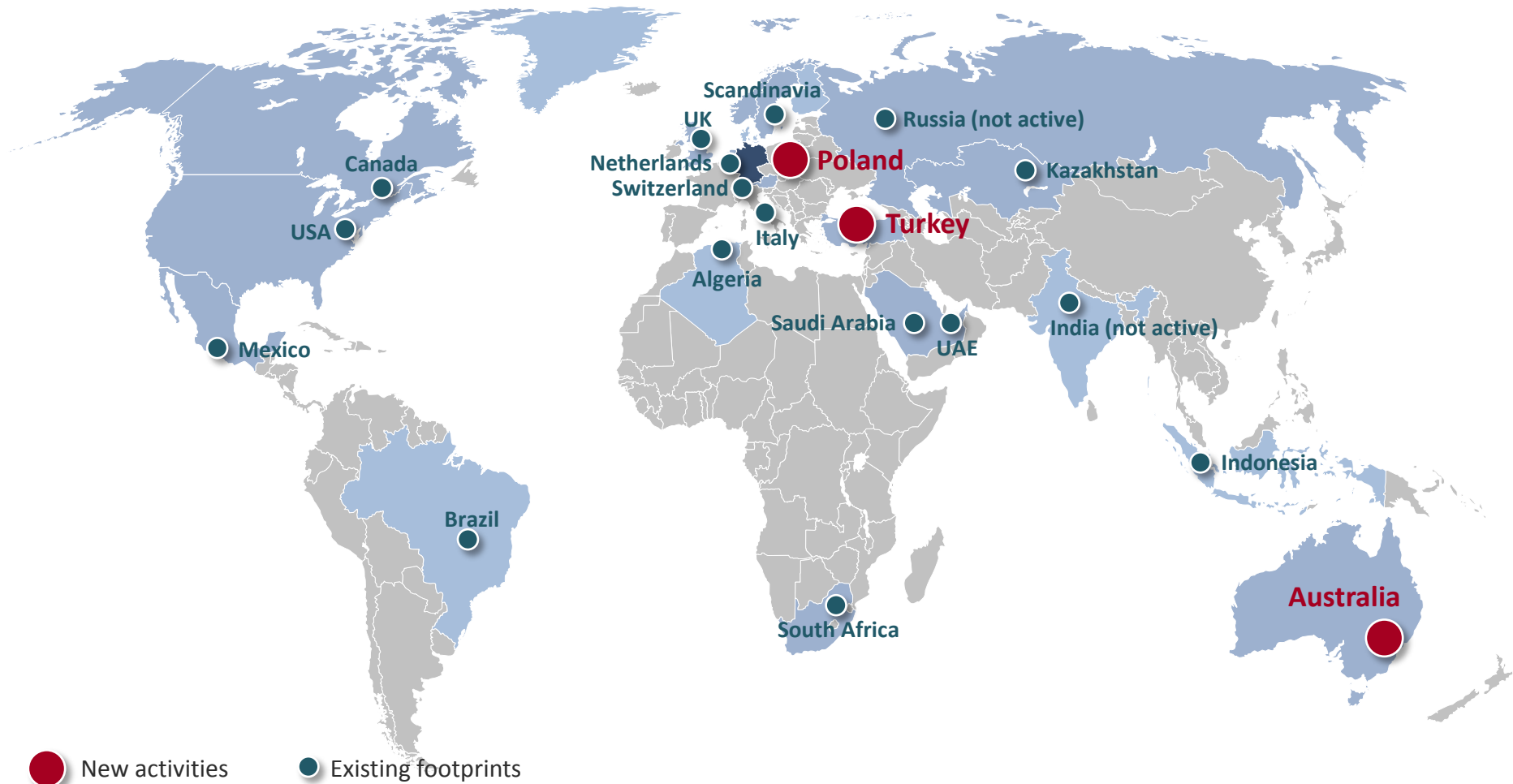
Order intake by region in EUR million





# Growth driver “New markets & new products”

## Recent activities expand international network for realizing growth potential



● New activities    ● Existing footprints



## Growth driver “New markets & new products”

### New products with different local partners in NATO countries



#### 6X6 AMPHIBIOUS VEHICLE

- **Cooperation agreement with PGZ**  
(major supplier of Polish forces, 19,000 employees) and its subsidiary Obrum
- Target: **Establishing a European defence cooperation and strengthening competitiveness**
- Three steps:
  - **Developing a new amphibious 6x6 wheeled armored reconnaissance vehicle**
  - **Providing Polish forces with new vehicle**
  - **Marketing the vehicle internationally**



#### AMMUNITION AND VEHICLES

- **Local entity “Rheinmetall Turk”** in the course of formation
- Rheinmetall Turk is designated partner of **joint ventures with Turkish defence companies** for
  - Medium- and large-caliber ammunition
  - Vehicle systems (armored vehicles, medium-caliber turret systems)





## Growth driver “New markets & new products”

### Further market potential beyond the large-scale truck order



#### LAND 400 PROGRAM



- Tender submitted in 2015, offering Boxer with Lance turret
- Teamed up with Northrop Grumman
- Down-selection in 2016, final decision not before 2018
- Total volume: appr. EUR 2.5 billion
- Strong international competition

#### Air Defence

Volume: appr. EUR 300 million

#### Simulation

Volume: appr. EUR 200 million

#### 155mm ammunition

Volume: appr. EUR 300 million

# Growth driver “New markets & new products”

## High-energy laser: Weapon technology of the 21<sup>st</sup> century



- **Laser technology developed, ready for operations in 3-5 years**
- **Domestic R&D orders of EUR ~40 million received**
- **Next step:** qualification phase for navy and air defence
- **Customer interest and first inquiries** from several countries (Europe, MENA)





Growth driver “New markets & new products”

**Modernization of MBT in the medium term, new concept in the long term**

### 1. Modernization



Rheinmetall recently developed/ is developing **innovative features**:

- New high-pressure **120mm cannon and ammunition**, performance increase: **+20%**
- **Digital turret** core system
- Active Defence System (ADS)

### 2. New 130mm caliber



- **New cannon** with a larger caliber
- **Increase of performance** (penetration, effectiveness) by **50%**
- **Marketing phase** starting in 2016

### 3. New concept (MGCS)



- **MGCS concept** for new main battle tank (MBT) **started**
- **Currently in concept phase** until 2017 in cooperation with the industry
- **Participation of several nations** expected, currently common project of Germany and France



# Defence

## Key investment highlights

### Markets

- International conflicts **trigger increasing budgets**
- Defence markets are **at a turning point in Europe**

### Products

- **New products in the pipeline** addressing the new challenges
- **Innovative solutions as well as traditional products** allow flexible adjustments to available budgets

### Sales and orders

- Mid-term organic sales growth **ensured by high order backlog**
- **Internationalization strategy** benefits from increasing global demand and offers further potential

### Internationalization

- **Flexibility gained** by global R&D and production capacities
- **Independent from national export regulations**

### Profitability

- 2015: **Achieving turnaround** with an EBIT margin of slightly above 3%
- 2016 and 2017: **Further margin improvement** expected



# MID-TERM PERSPECTIVES



## Mid-term perspective

# Looking ahead: Markets and Rheinmetall

### — Markets with good mid-term perspectives: Global growth in Defence and Automotive



#### Automotive

CAGR 2015-2018e:

#### Market

**3.5%**

#### Sales

**~ 5%**

#### Defence

CAGR 2015-2018e:

#### Market

**0.9%**

#### Sales

**~ 8%**

### — Changing markets:



- Stable market development will lead to normalized growth rates
- R&D efforts in order to create higher independency from engine concepts



- Recent threat scenarios and conflicts change macro-picture in the defence business
- Broad existing product portfolio covers increasing demand of land forces

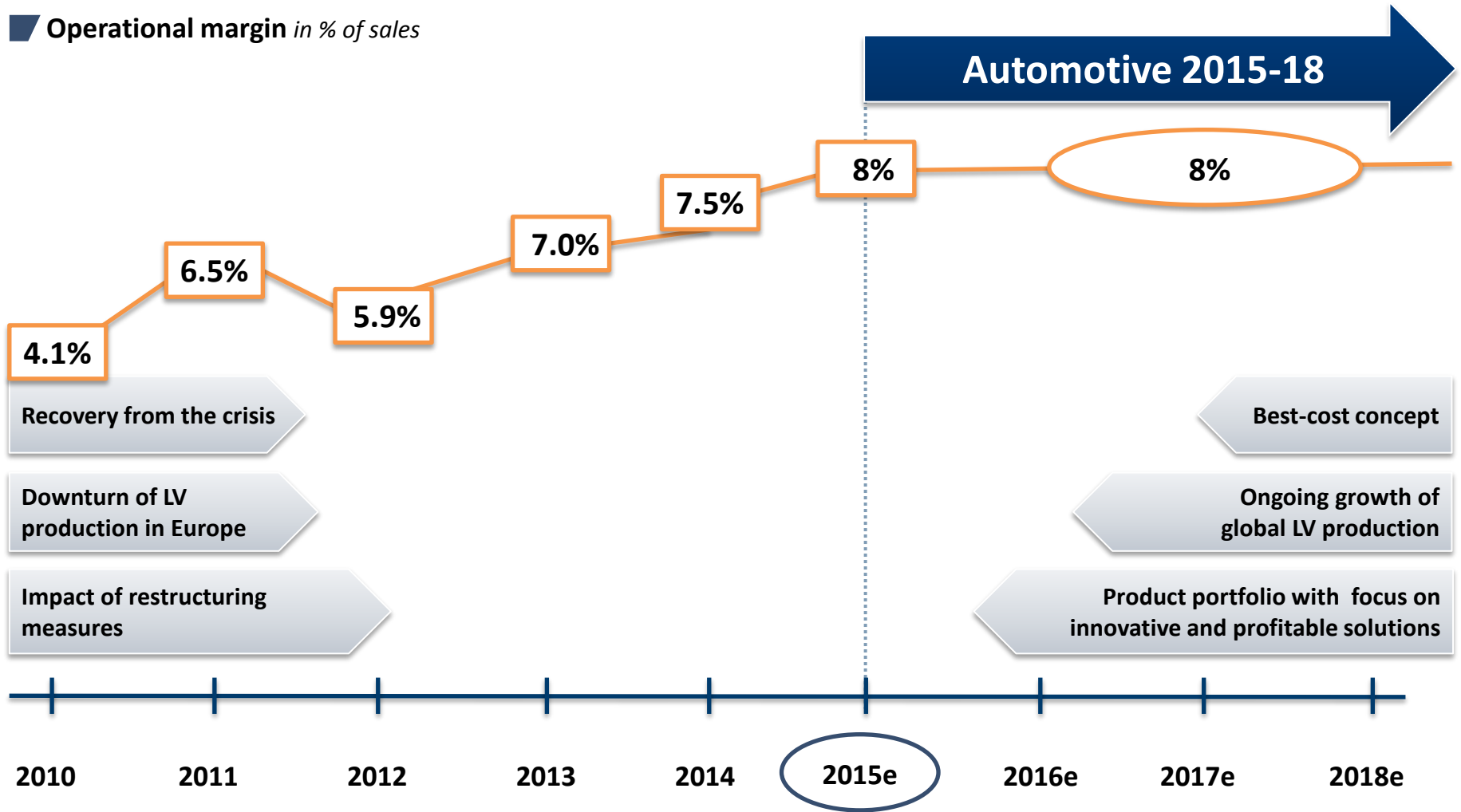
Source: IHS Automotive/IHS Jane's (November 2015)



# Automotive 2015 and beyond

## Maintaining the target margin level

Operational margin *in % of sales*

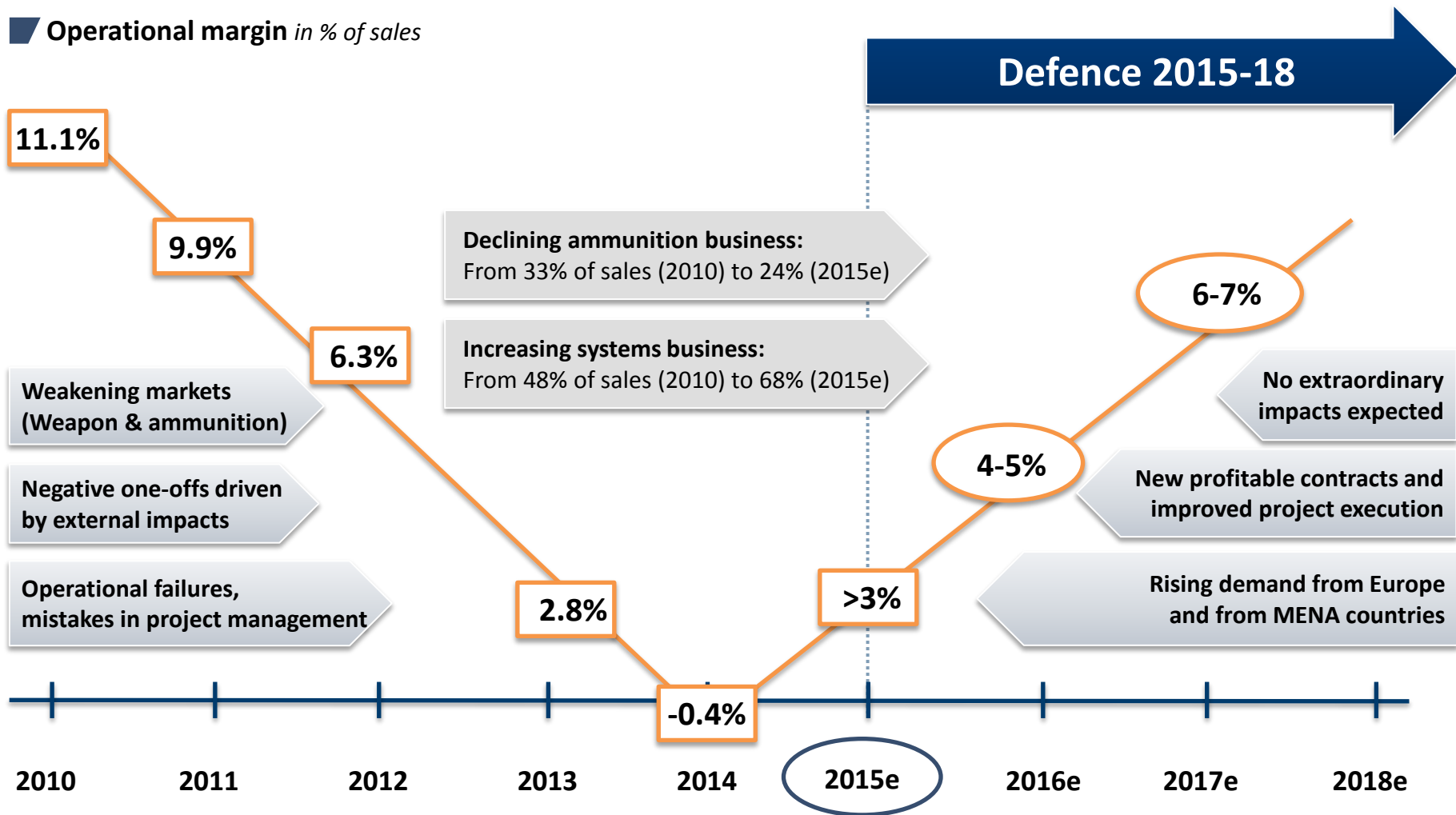




# Defence 2015 and beyond

## Based on turnaround 2015, earnings improvement will continue

Operational margin *in % of sales*





# Group

## APPENDIX



## Key figures: Group

<i>in EUR million</i>		2010	2011	2012	2013	2014
<b>Balance sheet</b>	<b>Total assets</b>	4,460	4,832	4,899	4,866	<b>5,271</b>
	<b>Shareholder's equity</b>	1,355	1,546	1,465	1,339	<b>1,197</b>
	<b>Equity ratio (in %)</b>	30.4	32.0	29.9	27.5	<b>22.7</b>
	<b>Pension liabilities</b>	677	729	919	891	<b>1,121</b>
	<b>Net financial debt</b>	76	130	98	147	<b>330</b>
	<b>Net gearing (in %)</b>	5.6	8.4	6.7	11.0	<b>27.6</b>
<b>Income statement</b>	<b>Sales</b>	3,989	4,454	4,704	4,417	<b>4,688</b>
	<b>Operating result</b>	289	342	268	211	<b>160</b>
	<b>Operating margin (in %)</b>	7.2	7.7	5.7	4.8	<b>3.4</b>
	<b>EBIT</b>	297	354	296	121	<b>102</b>
	<b>EBIT margin (in %)</b>	7.4	7.9	6.3	2.7	<b>2.2</b>
	<b>EBT</b>	229	295	216	45	<b>22</b>
	<b>Net income after minorities</b>	162	213	173	29	<b>18</b>
	<b>Earnings per share (in EUR)</b>	4.23	5.55	4.55	0.75	<b>0.47</b>
	<b>Dividend per share (in EUR)</b>	1.50	1.80	1.80	0.40	<b>0.30</b>
	<b>ROCE (in %)</b>	14.6	14.9	11.5	4.7	<b>3.9</b>
<b>Cash flow statement</b>	<b>Free cash flow from operations</b>	-39	93	125	20	<b>-182</b>
<b>Headcount</b>	<b>Employees (Dec 31) according to capacity</b>	19,979	21,516	21,767	20,264	<b>20,166</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)





## Key figures: Segments

AUTOMOTIVE				
2010	2011	2012	2013	2014
1,996	2,357	2,378	2,270	<b>2,466</b>
365	409	418	392	<b>416</b>
1,982	2,313	2,369	2,262	<b>2,448</b>
81	151	139	158	<b>184</b>
4.1	6.5	5.9	7.0	<b>7.5</b>
81	151	139	124	<b>184</b>
4.1	6.5	5.9	5.5	<b>7.5</b>
96	104	148	142	<b>158</b>
10,816	11,548	12,003	10,927	<b>10,830</b>
n/a	1,025	1,091	1,171	<b>1,322</b>
n/a	69	69	66	<b>96</b>
n/a	6.7	6.3	5.6	<b>7.3</b>
n/a	1,092	1,087	889	<b>934</b>
n/a	65	57	27	<b>72</b>
n/a	6.0	5.2	3.0	<b>7.7</b>
n/a	258	265	268	<b>269</b>
n/a	24	25	27	<b>26</b>
n/a	9.3	9.4	10.1	<b>9.7</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>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>Combat</b>
	<b>EBIT</b>	<b>Systems</b>
	<b>EBIT margin</b>	
<b>Hardparts</b>	<b>Sales</b>	<b>Electronic</b>
	<b>EBIT</b>	<b>Solutions</b>
	<b>EBIT margin</b>	
<b>Aftermarket</b>	<b>Sales</b>	<b>Wheeled</b>
	<b>EBIT</b>	<b>Vehicles</b>
	<b>EBIT margin</b>	

DEFENCE				
2010	2011	2012	2013	2014
1,977	1,831	2,933	3,339	<b>2,812</b>
4,772	4,541	4,987	6,050	<b>6,516</b>
2,007	2,141	2,335	2,155	<b>2,240</b>
223	212	146	60	<b>-9</b>
11.1	9.9	6.3	2.8	<b>-0.4</b>
234	223	173	4	<b>-67</b>
11.7	10.4	7.4	0.2	<b>-3.0</b>
93	102	90	62	<b>76</b>
9,037	9,833	9,623	9,193	<b>9,184</b>
n/a	1,198	1,136	1,027	<b>977</b>
n/a	146	102	31	<b>-4</b>
n/a	12.2	9.0	3.0	<b>-0.4</b>
n/a	799	748	710	<b>705</b>
n/a	86	97	11	<b>-53</b>
n/a	10.8	13.0	1.5	<b>-7.5</b>
n/a	255	567	539	<b>667</b>
n/a	-12	-25	-35	<b>-9</b>
n/a	-4.7	-4.4	-6.5	<b>-1.4</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)



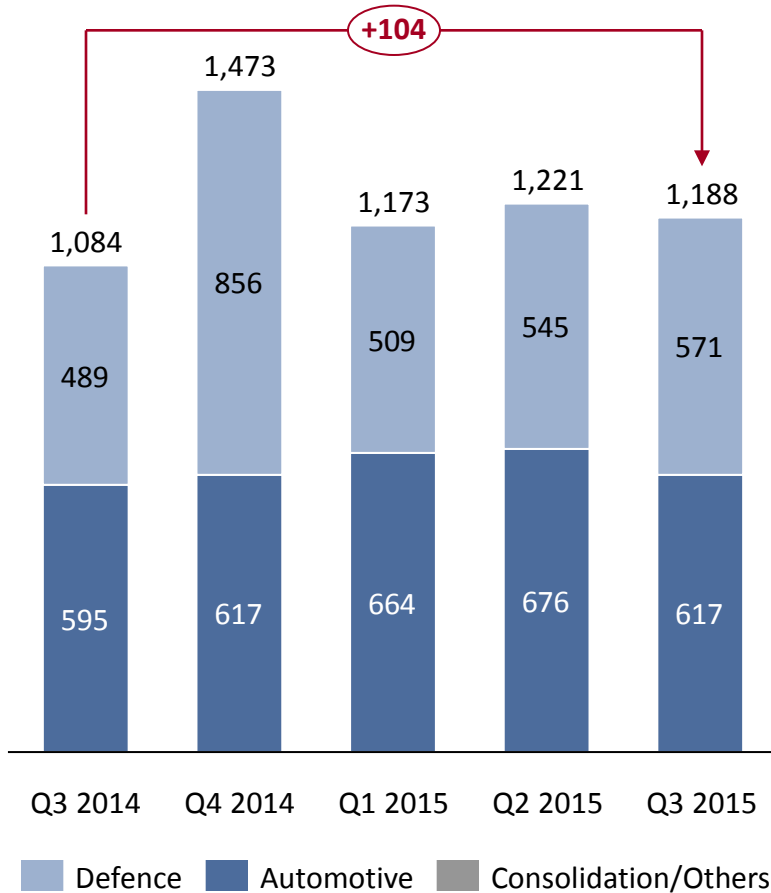
## Key figures 9M 2015

<i>in EUR million</i>	9M 2014	9M 2015	Δ 9M 2015 / 9M 2014	
Sales	3,215	<b>3,582</b>	+ 367	+ 11%
EBITDA (reported)	162	<b>288</b>	+ 126	+ 78%
Operational earnings	39	<b>140</b>	+ 101	+ 259%
Special items: one-offs, restructuring costs	- 16	<b>0</b>	+ 16	
EBIT (reported)	23	<b>140</b>	+ 117	+ 509%
EBIT margin <i>in %</i>	0.7	<b>3.9</b>	+ 3.2pp	
EBT	- 32	<b>96</b>	+ 128	+ 400%
Group net income	- 20	<b>64</b>	+ 84	+ 420%
Earnings per share <i>in EUR</i>	- 0.39	<b>1.89</b>	+ 2.28	+ 584%
Free cash flow from operations	- 499	<b>- 270</b>	+ 229	+ 46%
Employees (September 30)	20,237	<b>20,665</b>	+ 428	+ 2%

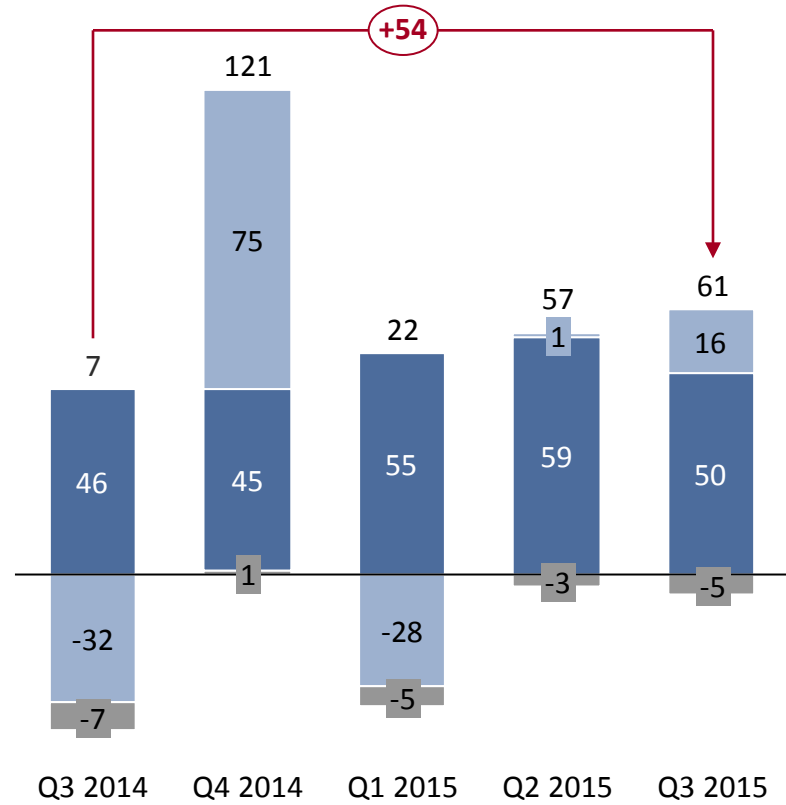


# Quarterly development

■ Sales in EUR million



■ Operational earnings in EUR million





## Cash flow statement

<i>in EUR million</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Δ Q3 2015/2014
Group net income	- 14	41	5	29	<b>30</b>	+ 44
Amortization / depreciation	49	59	49	50	<b>49</b>	± 0
Change in pension accruals	- 2	- 1	0	1	<b>0</b>	+ 2
<b>Cash flow</b>	<b>33</b>	<b>101</b>	<b>54</b>	<b>80</b>	<b>79</b>	<b>+ 46</b>
Changes in working capital and other items	70	334	- 202	- 100	<b>8</b>	- 62
<b>Net cash used in operating activities</b>	<b>103</b>	<b>435</b>	<b>- 148</b>	<b>- 20</b>	<b>87</b>	<b>- 16</b>
Cash outflow for additions to tangible and intangible assets	- 50	- 120	- 56	-55	<b>- 78</b>	- 28
<b>Free cash flow from operations</b>	<b>53</b>	<b>315</b>	<b>- 204</b>	<b>- 75</b>	<b>9</b>	<b>- 44</b>



## Balance sheet

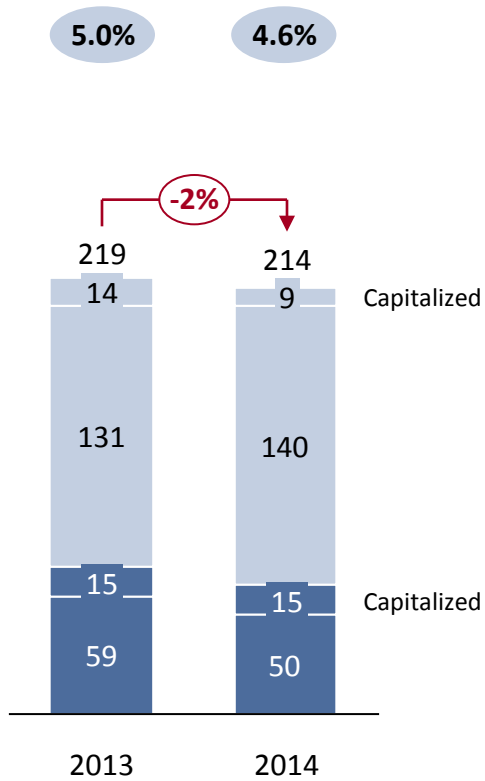
<i>in EUR million</i>	2014 Sep 30	2014 Dec 31	2015 Sep 30	Δ 2015/ 2014 Sep 30
<b>Assets</b>	<b>5,211</b>	<b>5,271</b>	<b>5,230</b>	<b>+ 19</b>
Non-current assets	2,389	2,504	2,577	+ 188
Current assets	2,822	2,767	2,653	- 169
<b>Equity &amp; Liabilities</b>	<b>5,211</b>	<b>5,271</b>	<b>5,230</b>	<b>+ 19</b>
Equity	1,253	1,197	1,256	+ 3
Pension liabilities	991	1,121	1,106	+ 115
Other non-current liabilities	729	938	956	+ 227
Current liabilities	2,238	2,015	1,912	- 326
Equity ratio	24%	23%	24%	± 0pp
Net debt	658	330	619	- 39
Working capital	950	813	1,004	+ 54



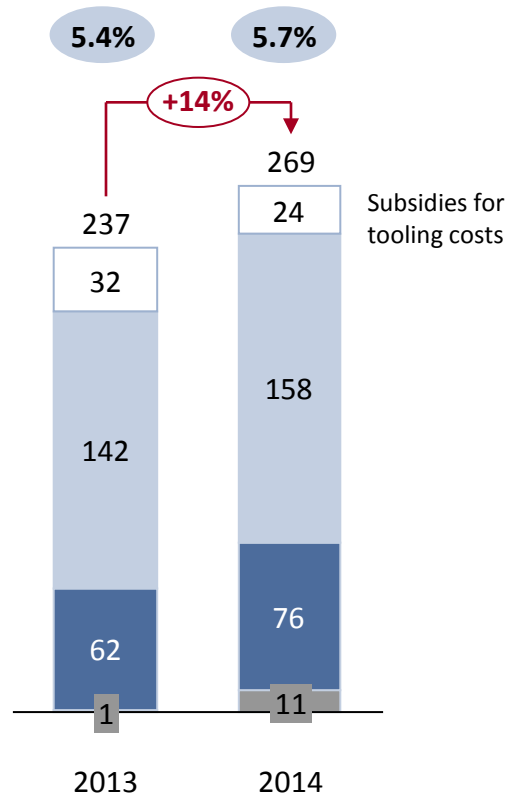
# Capex and R&D

## More than EUR 400 million invested in the future

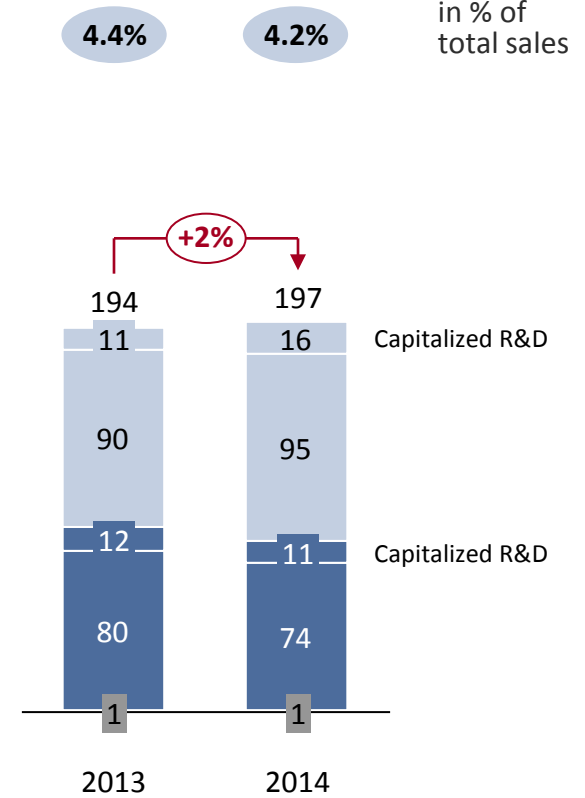
R&D in EUR million



Capex in EUR million



Depreciation & amortization in EUR million



Automotive Defence Consolidation/others

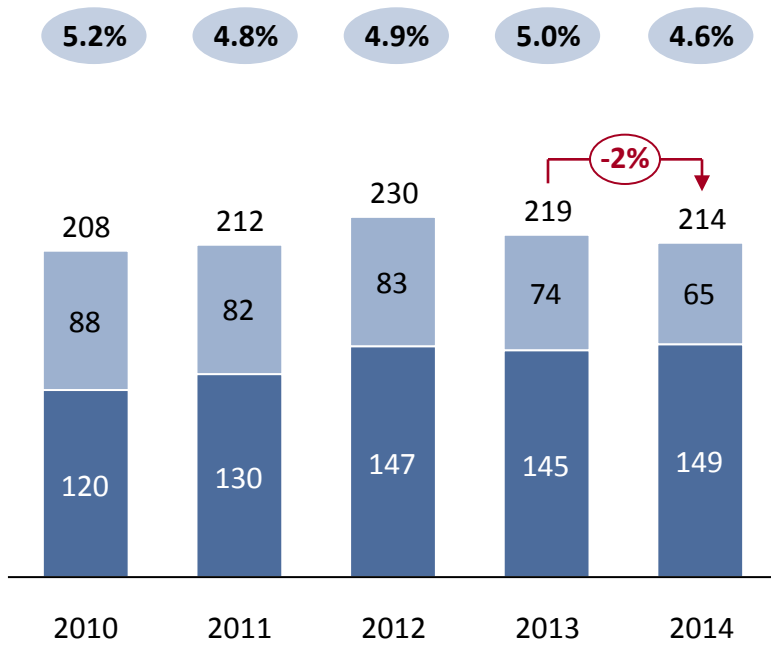
2013 figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



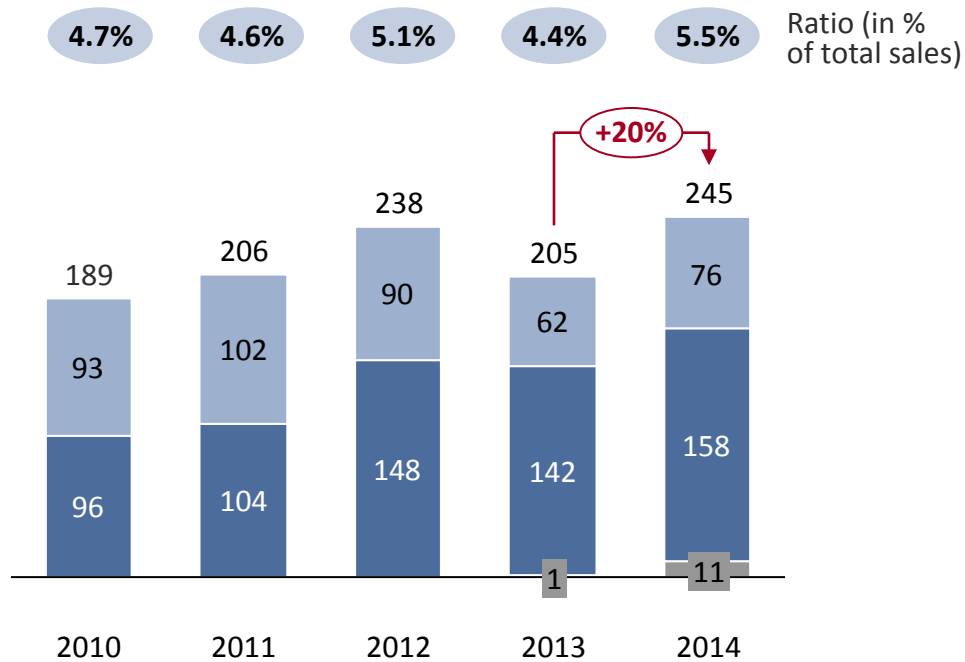
# Capex and R&D

## Long-term stable ratios

R&D in EUR million



Capex in EUR million



R&D ratio	Avg. 2010-15
Defence:	3.6%
Automotive:	6.1%
RHM group:	4.9%

Capex ratio	Avg. 2010-15
Defence:	4.0%
Automotive:	5.6%
RHM group:	4.9%

- Defence
- Automotive
- Consolidation/Others

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

<i>in EUR million</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Δ Q3 2015/2014
Net income	- 39	20	- 30	- 8	<b>3</b>	+ 42
Amortization / depreciation	21	23	21	21	<b>21</b>	± 0
Change in pension accruals	2	- 2	0	3	<b>2</b>	± 0
<b>Cash flow</b>	<b>- 16</b>	<b>41</b>	<b>- 9</b>	<b>16</b>	<b>26</b>	<b>+ 42</b>
Changes in working capital and other items	84	271	- 142	- 112	<b>- 25</b>	- 109
<b>Net cash used in operating activities</b>	<b>68</b>	<b>312</b>	<b>- 151</b>	<b>- 96</b>	<b>1</b>	<b>- 67</b>
Cash outflow for additions to tangible and intangible assets	- 22	- 28	- 17	- 15	<b>- 26</b>	- 4
<b>Free cash flow from operations</b>	<b>46</b>	<b>284</b>	<b>- 168</b>	<b>- 111</b>	<b>- 25</b>	<b>- 71</b>

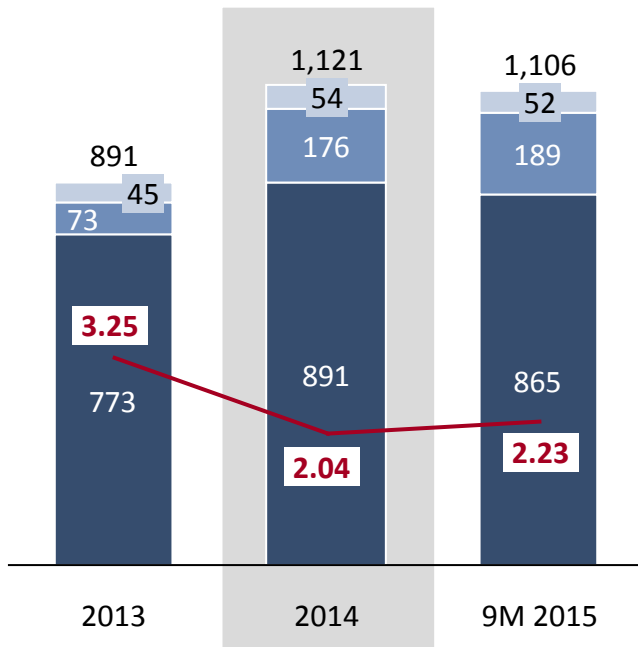




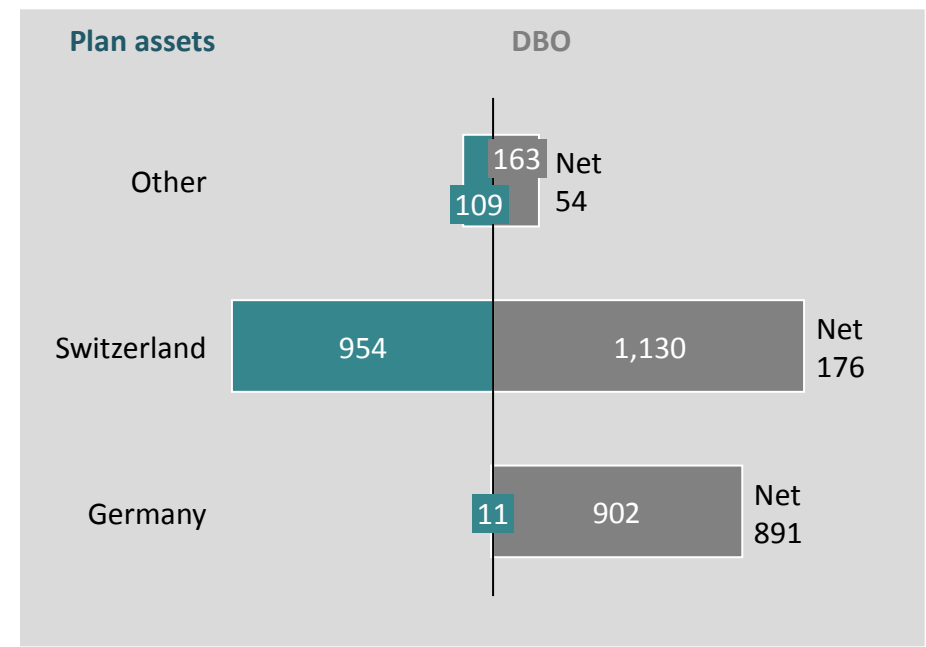
# Pension obligations

## Internal funding in Germany, external funding in Switzerland

■ Pension obligations by country in EUR million



■ Plan assets and Defined Benefit Obligation (DBO) by country (per Dec 31 2014) in EUR million



■ Other ■ Switzerland ■ Germany — Discount rate\*

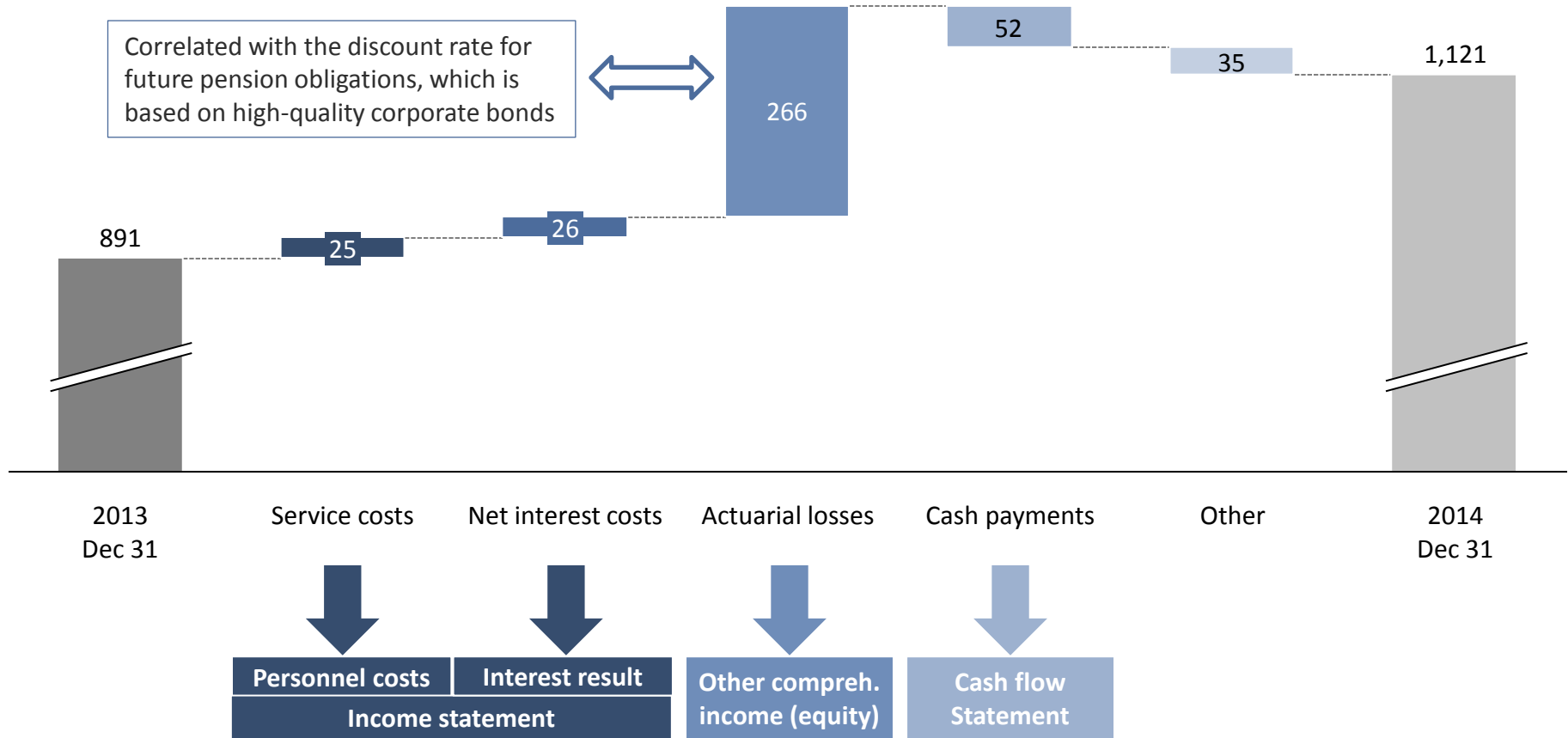
\* For German pension liabilities of Rheinmetall



# Pension obligations

## Actuarial losses are main factor for increase of pensions

Elements of change in pension liabilities in EUR million





# Cost efficiency program

## Restructuring measures in final phase

	Costs 2013	Costs 2014	Total reduction of employees until 2016	Savings* 2014	Savings* 2015	Full annual savings* from 2016
Combat Systems (esp. Tracked Vehicles)	15	4	240			
Electronic Solutions (esp. Air Defence Zurich)	14	5	130			
Wheeled Vehicles (esp. Logistic Vehicles)	22	0	230			
<b>Total Defence</b>	<b>51</b>	<b>9</b>	<b>600</b>	<b>13</b>	<b>~30</b>	<b>~40</b>
Hardparts (esp. Pistons Thionville/Neckarsulm)	22		440			
Mechatronics (esp. merging Neuss/Nettetal)	11		100			
Aftermarket	1		10			
<b>Total Automotive</b>	<b>34</b>	<b>0</b>	<b>550</b>	<b>12</b>	<b>~20</b>	<b>~25</b>
<b>Total Group</b>	<b>85</b>	<b>9</b>	<b>1,150</b>	<b>25</b>	<b>~50</b>	<b>~65</b>
<b>Status as at September 30, 2015</b>			<b>1,046</b>			

91%

\* Savings amount with regard to FY 2012



## Capital increase: corporate development 2009 - 2015

### Rising sales managed with a shrinking equity basis and higher net debt

#### Sales

- Growth by EUR 1.7 billion (+50%)

#### Balance sheet

- Assets and liabilities increase by EUR 1.7 billion (+45%)

#### Pensions

- Increase by EUR 511 million (+84%)

#### Equity

- Equity ratio down by 6 percentage points

#### Net financial debt

- Increase by EUR 377 million

#### Rating

- Downgrade by Moody's to Ba1 in October 2013

#### Share price

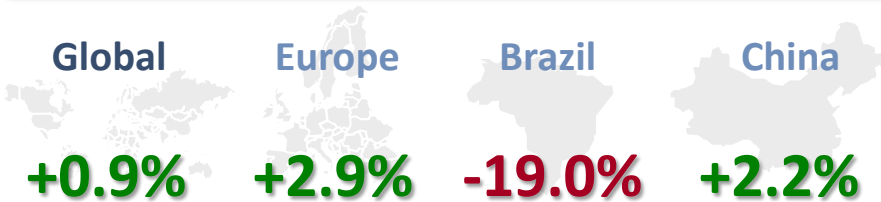
- Strongly recovered share price



## Market environment

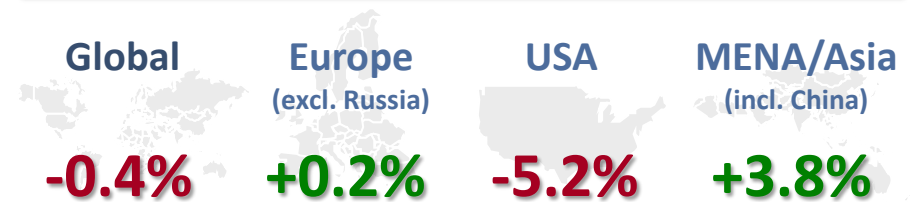
### Reduced global LV production expectations, Defence slightly decreasing

#### AUTOMOTIVE



- **Global LV production** with +0.9% lower than previously expected (May +1.9%, August +1.7%)
- Optimistic picture of **Western Europe** (+6.1%)
  - Germany increasing by 2.6%
  - Compared to Q2 report, higher growth expectations for Spain, France, UK and Italy
- **Eastern Europe** (excl. Russia) increasing by 5.4%, **Russia** dropping by -27%, but not affecting Rheinmetall
- **Brazil**: Strong market decline
- **China**: Growth expectations continuously lowered over the year

#### DEFENCE



- **Germany** with rising budget: additional EUR 8 billion spread over the next 4 years
- **Europe**: Conflict-induced security policy triggers increase of budgets (esp. Baltic, Scandinavia)
- Growth in **MENA and Asia/Pacific**
- Continuing budget reduction in the **United States** (currently in political negotiations)
- Changed **global security situation**:
  - Mission in Afghanistan expected for extension
  - Deployment of US ground forces in Syria conceivable
  - Intensified mission of German forces in Mali in discussion
- Rising budgets of China and Russia indicate **increasing global tensions**

Figures 2015e vs. 2014

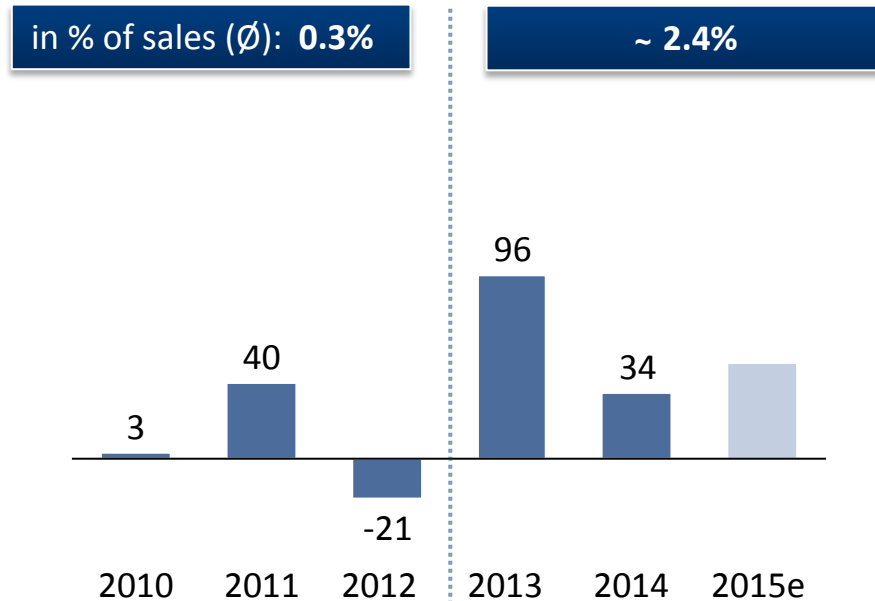
Source: IHS Automotive (October 2015), IHS Jane's (October 2015)



## Cash flow generation as future priority

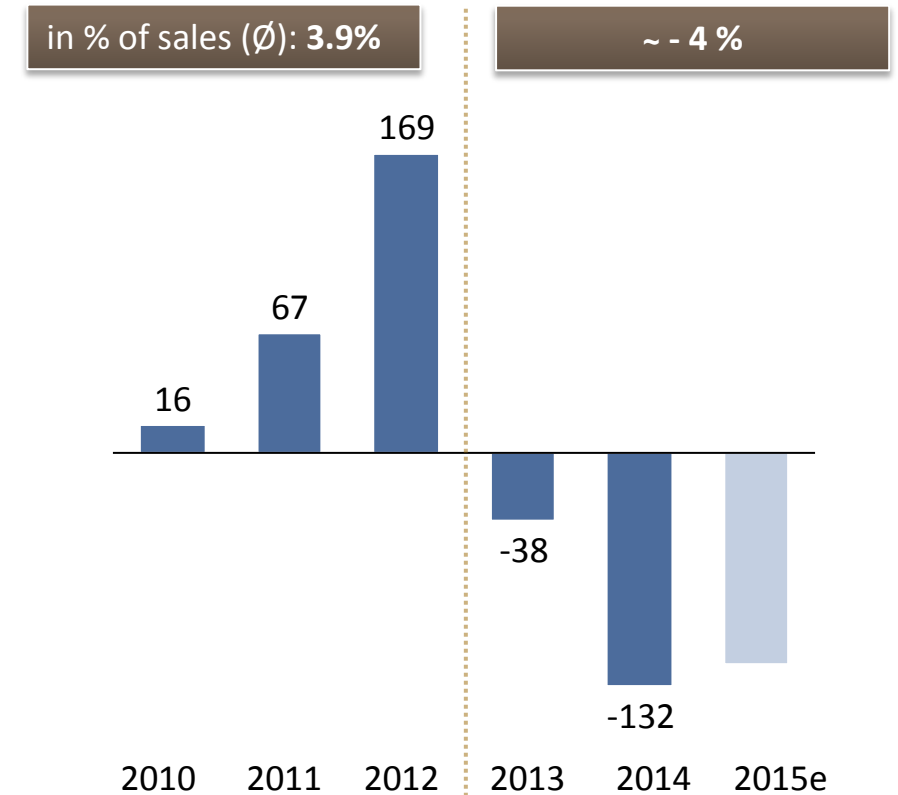
### Automotive und Defence: mixed effects in previous years

Operating Free Cash Flow Automotive in EUR million



Positive cash contribution after recovery from crisis and comprehensive restructuring efforts

Operating Free Cash Flow Defence in EUR million



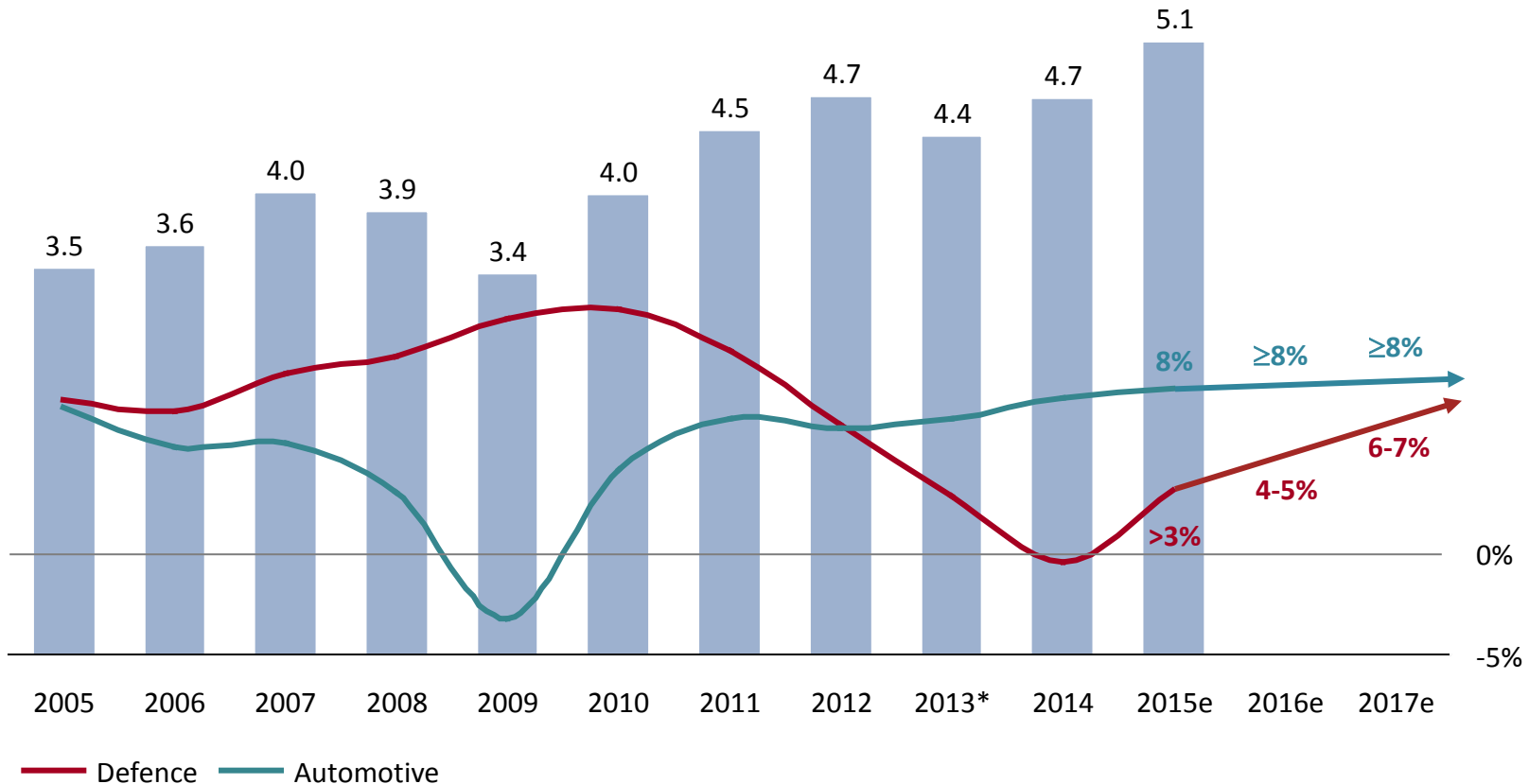
Since 2013, deteriorating performance has led to negative cash flow development



# Forecast 2016e and 2017e

## Return to long-term profitability path

■ Sales Group in EUR billion  
 Segmental operational margin in % of segmental sales



\* 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)



## Being prepared for the future

### Capital increase

- Condition for stable finances and for future growth

### Restructuring

- Restructuring finished: Measures have improved cost structures

### Profitability

- Concentration on high-end products with attractive profitability in Automotive
- Improved earnings in Defence

### Cash Flow

- Rising earnings contribution
- Normalizing capex and gradually improving working capital

### Outlook

- We are striving to bring Defence to the target margin level
- We are focused on maintaining the achieved margin level of Automotive





# Automotive

## APPENDIX



## Key figures 9M 2015

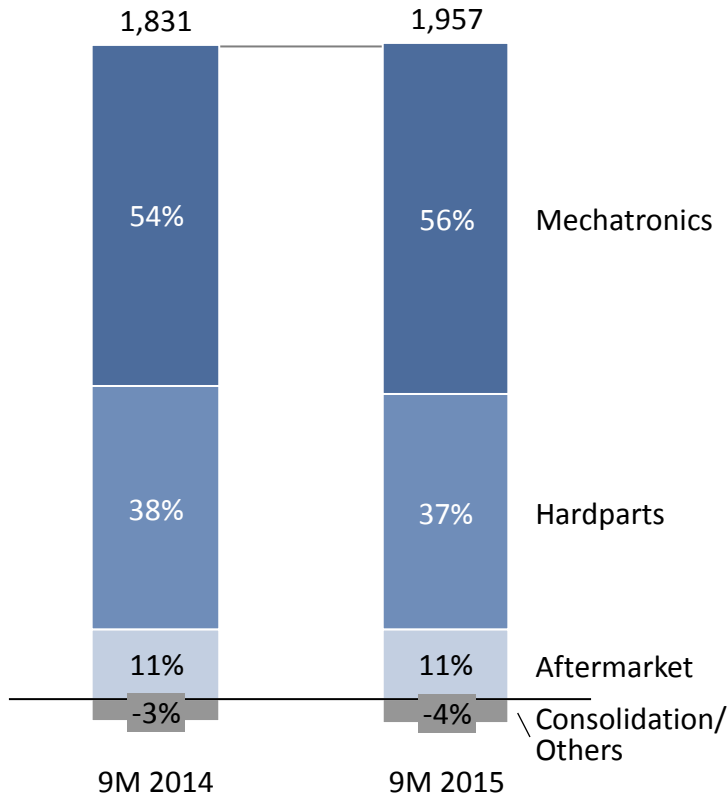
<i>in EUR million</i>	9M 2014	9M 2015	Δ 9M 2015 / 9M 2014	
Order intake	1,853	<b>1,982</b>	+ 129	+ 7%
Order backlog (September 30)	418	<b>441</b>	+ 23	+ 6%
Sales	1,831	<b>1,957</b>	+ 126	+ 7%
EBITDA (reported)	215	<b>248</b>	+ 33	+ 15%
Operational earnings	139	<b>164</b>	+ 25	+ 18%
Special items: one-offs, restructuring costs	0	<b>0</b>	± 0	± 0%
EBIT (reported)	139	<b>164</b>	+ 25	+ 18%
EBIT margin <i>in %</i>	7.6	<b>8.4</b>	+ 0.8pp	
Free cash flow from operations	- 21	<b>70</b>	+ 91	+ 433%
Employees (September 30)	10,861	<b>10,971</b>	+ 110	+ 1%



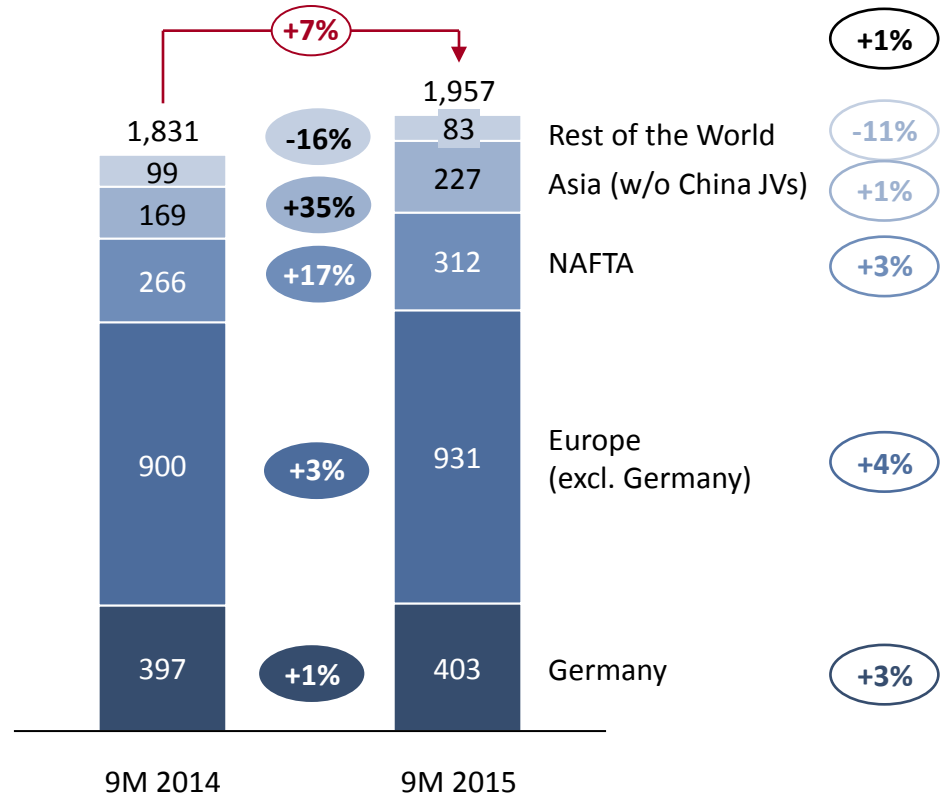
# Mechatronics showing increasing sales share

## Automotive significantly outperforming the NAFTA and the Asian market

■ Sales by division in EUR million



■ Sales by region in EUR million



\* 9M 2015 vs. 9M 2014, source: IHS Automotive (October 2015)

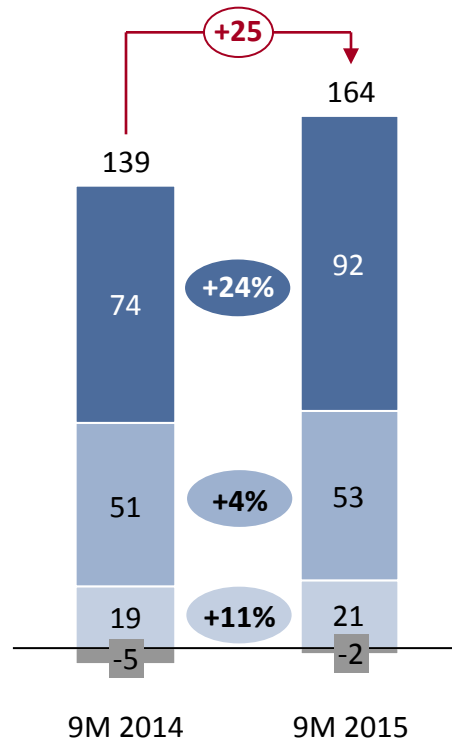
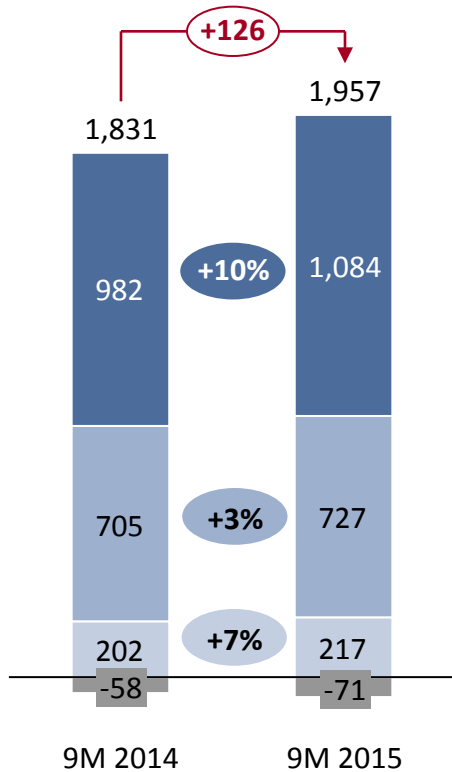


# Top line growth particularly driven by Mechatronics

## Earnings benefit from higher sales volumes

■ Sales Automotive in EUR million

■ Operational earnings Automotive in EUR million



Reasons for earnings development	
<b>Mechatronics</b>	<ul style="list-style-type: none"> <li>Higher sales</li> <li>Increased efficiency</li> </ul>
<b>Hardparts</b>	<ul style="list-style-type: none"> <li>Lower at-equity contribution by Chinese JVs</li> <li>Positive at-equity results of new castings JV (former ATAG)</li> </ul>
<b>Aftermarket</b>	<ul style="list-style-type: none"> <li>Higher sales</li> </ul>





## Cash flow statement

<i>in EUR million</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Δ Q3 2015/2014
Net income	37	29	40	43	35	- 2
Amortization / depreciation	27	36	28	28	28	+ 1
Change in pension accruals	0	- 1	0	0	- 2	- 2
<b>Cash flow</b>	<b>64</b>	<b>64</b>	<b>68</b>	<b>71</b>	<b>61</b>	<b>- 3</b>
Changes in working capital and other items	- 1	79	- 60	4	40	+ 41
<b>Net cash used in operating activities</b>	<b>63</b>	<b>143</b>	<b>8</b>	<b>75</b>	<b>101</b>	<b>+ 38</b>
Cash outflow for additions to tangible and intangible assets	- 29	- 88	- 34	- 34	- 46	- 17
<b>Free cash flow from operations</b>	<b>35</b>	<b>55</b>	<b>- 26</b>	<b>41</b>	<b>55</b>	<b>+ 21</b>

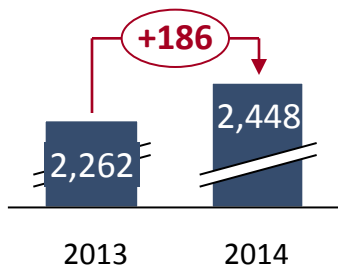


FY 2014

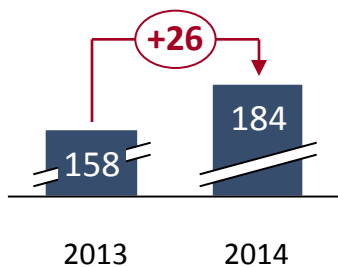
# Key figures Automotive by division

Continuing operations in EUR million

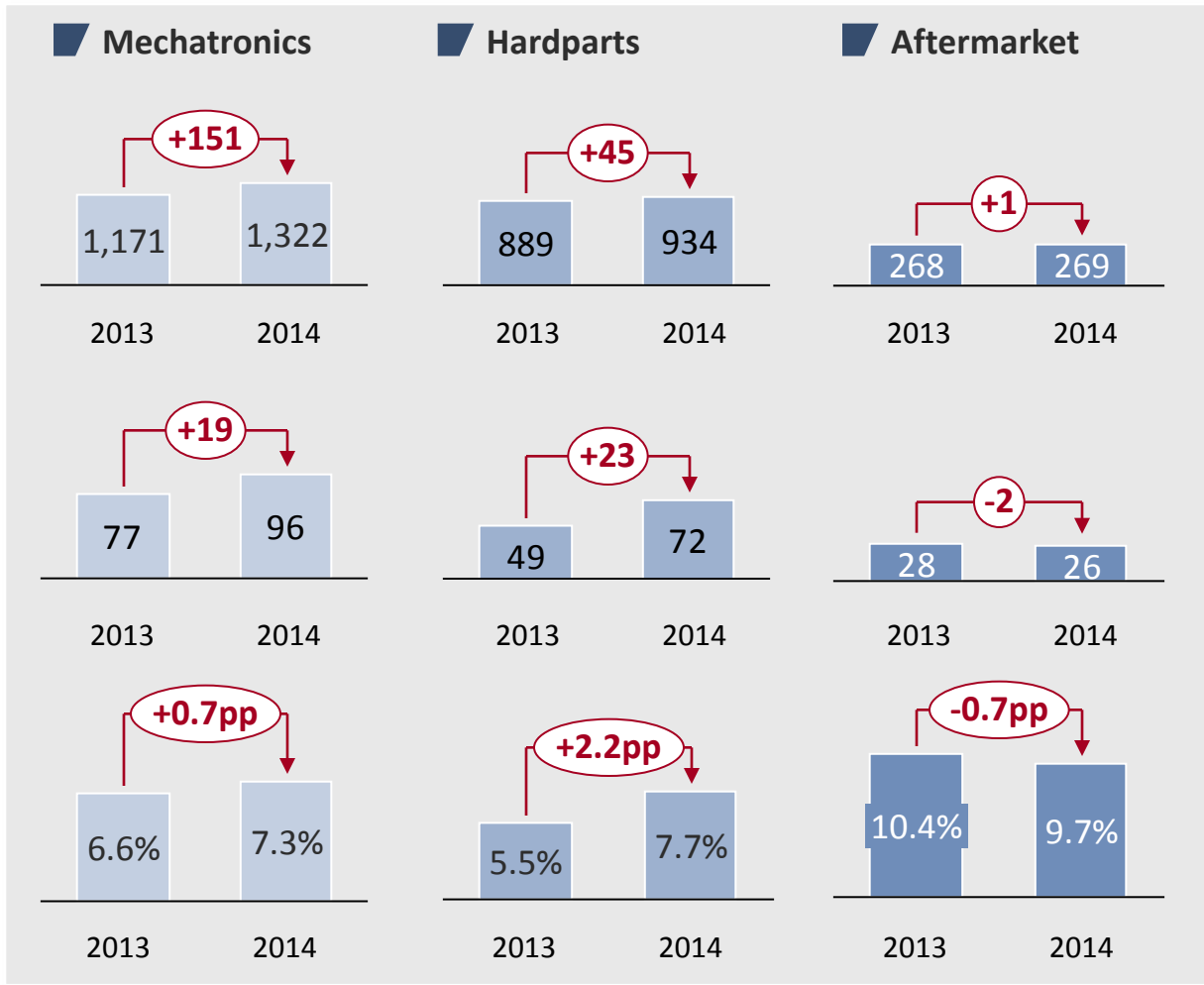
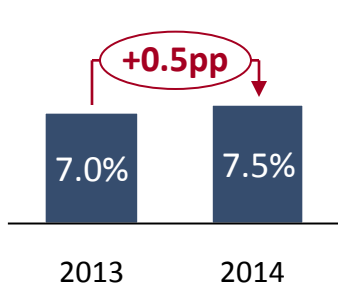
Sales



Operational earnings



Operational margin



Figures before intrasegmental consolidation

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

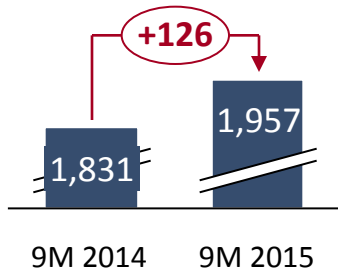


# 9M 2015

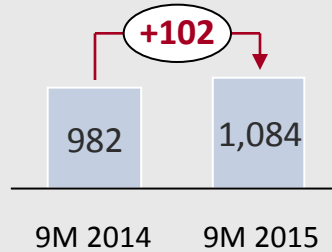
## Key figures Automotive by division

in EUR million

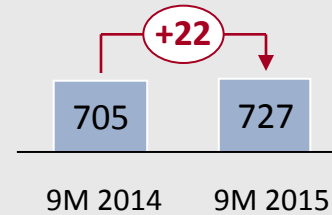
### Sales



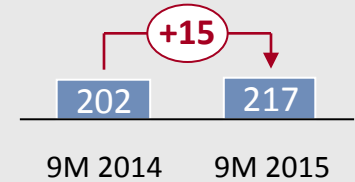
### Mechatronics



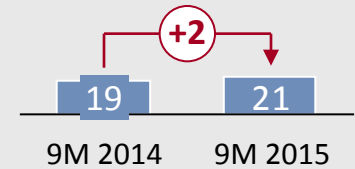
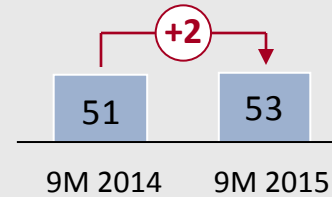
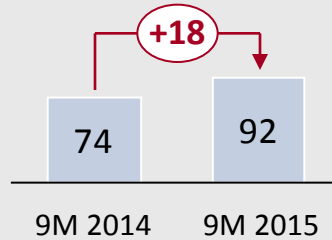
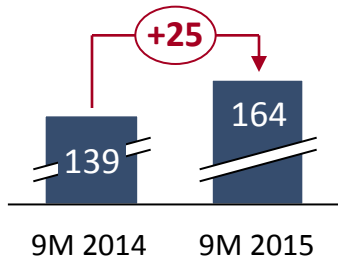
### Hardparts



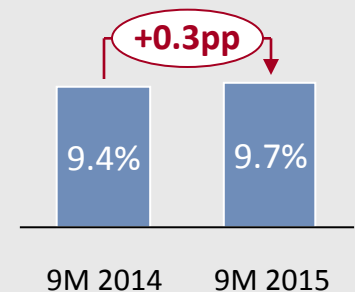
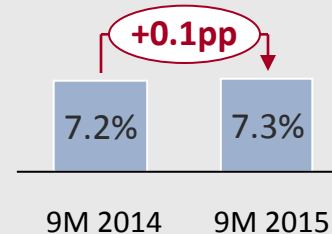
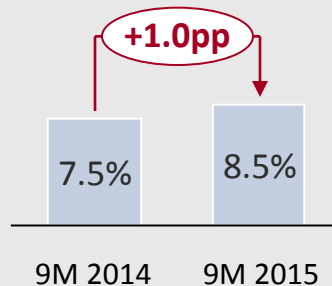
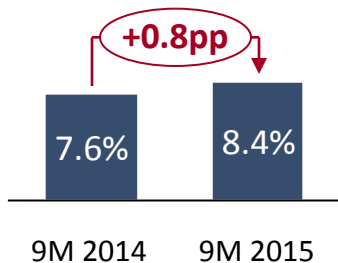
### Aftermarket



### Operational earnings



### Operational margin



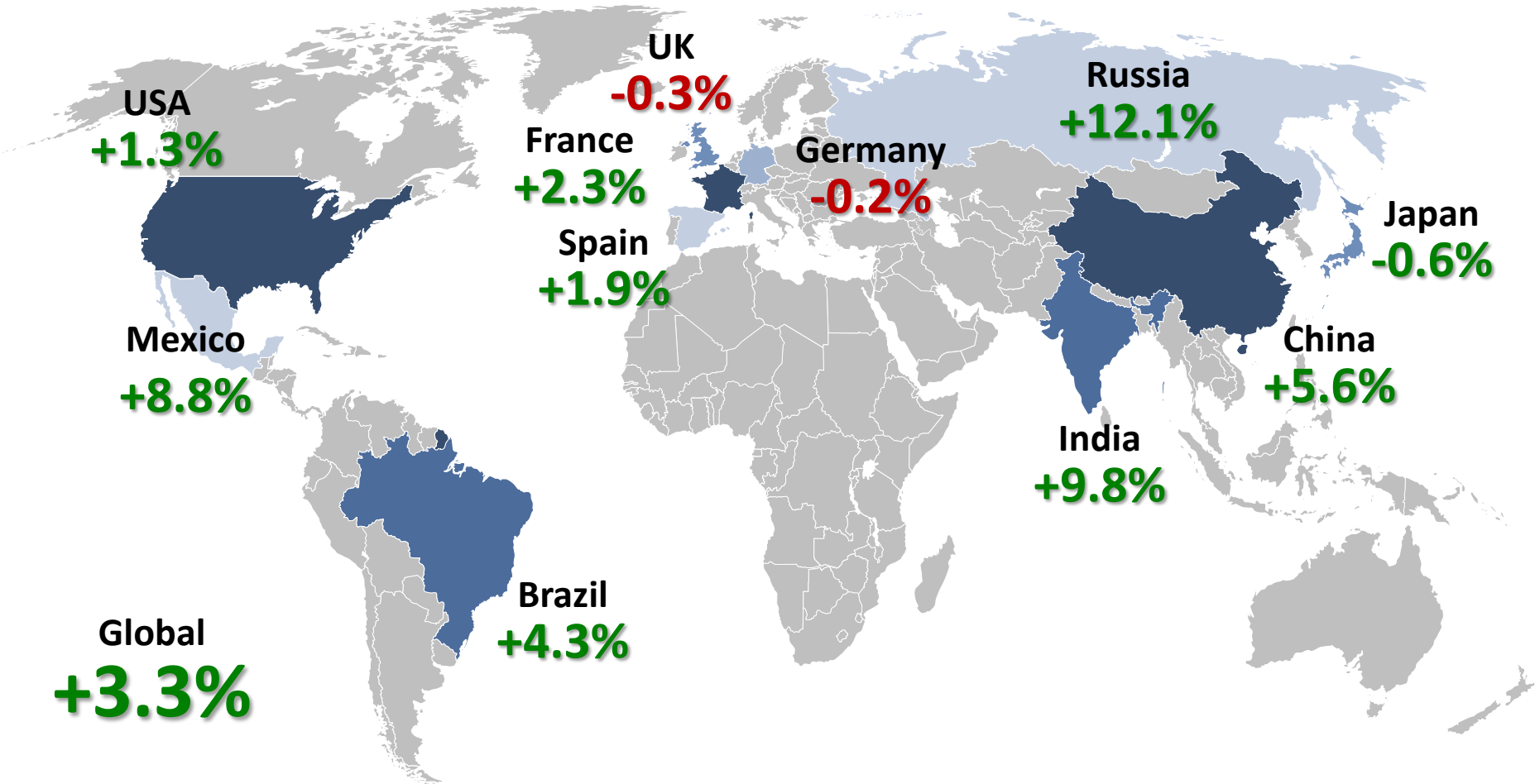
Figures before intrasegmental consolidation



# Automotive market

## Globally growing with moderate increase in Europe and the United States

Development of LV production 2015e-2019e in % p.a.



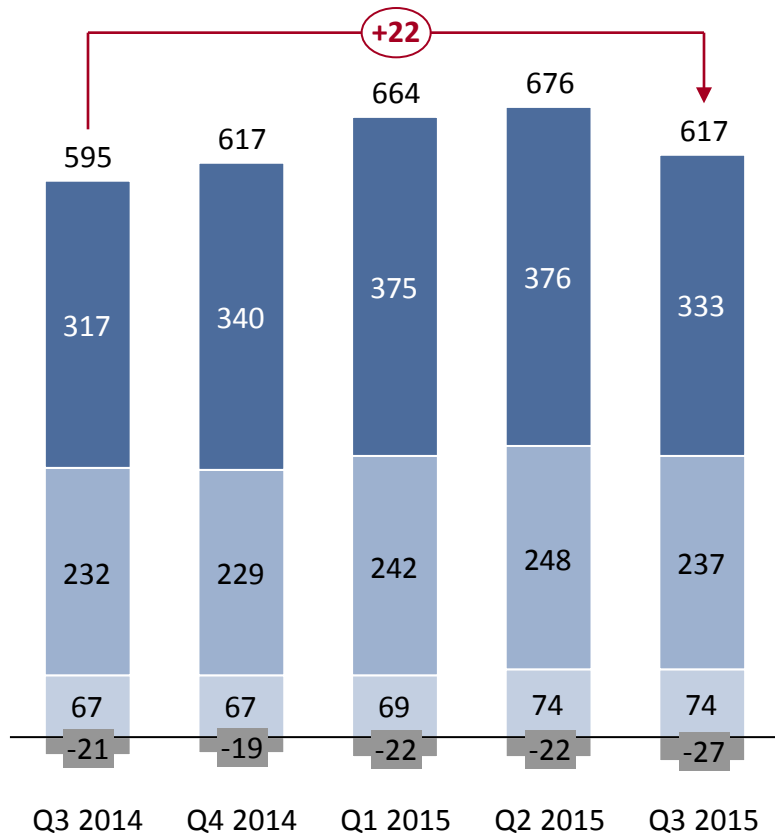
Source: IHS Automotive (October 2015)



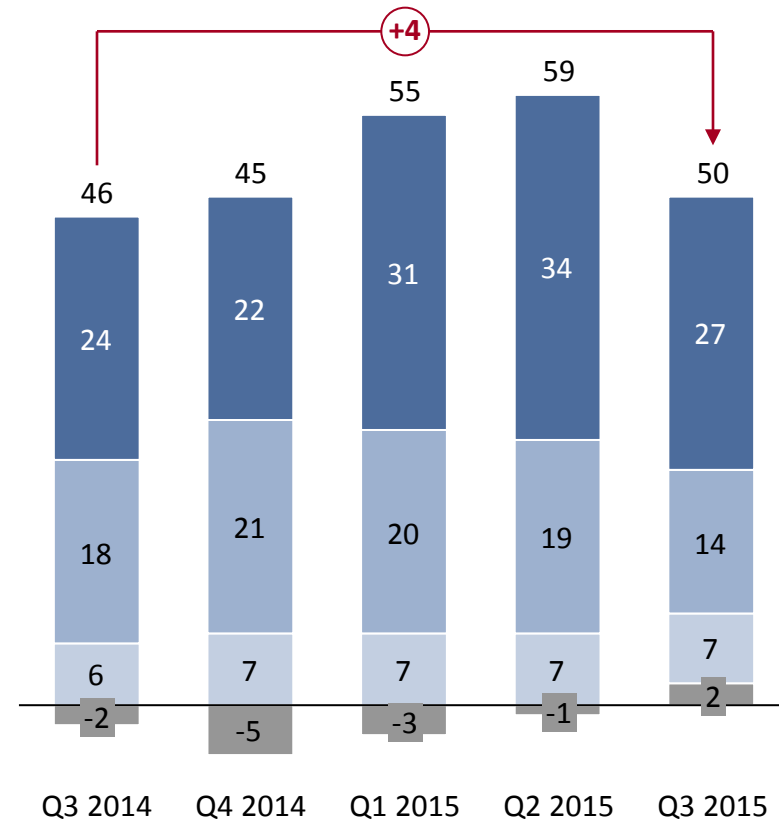


## Quarterly development

■ Sales Automotive in EUR million



■ Operational earnings Automotive in EUR million



■ Mechatronics ■ Hardparts ■ Aftermarket ■ Consolidation/Others



# Markets in focus: China

## Weak third quarter after a strong H1 performance

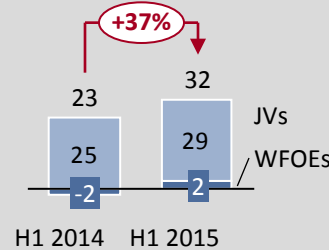
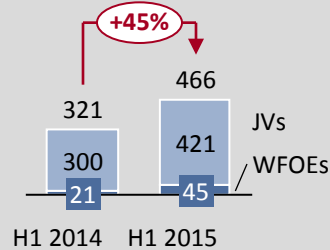
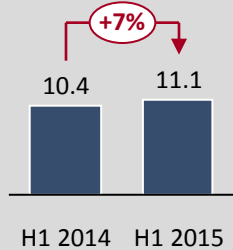


LV production in mn units

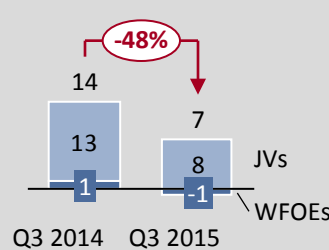
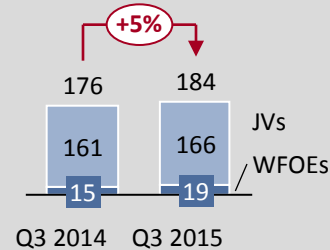
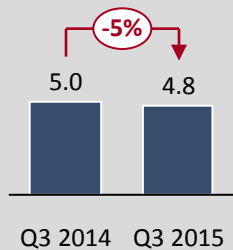
Sales\* in EUR million

EBIT\* in EUR million

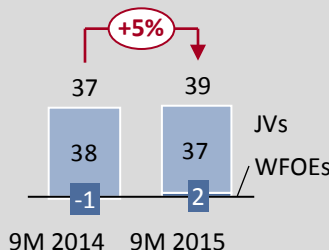
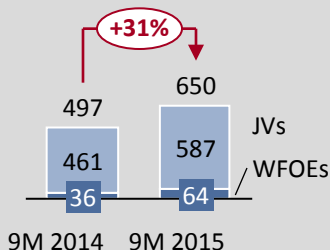
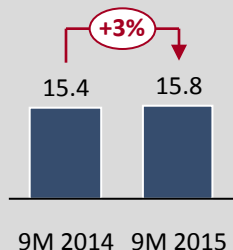
H1



Q3



9M



- Signs of **economic slowdown and lower Auto market growth**
- **Strong and profitable growth** in JVs
- **Break-even** in 100% subsidiaries

- Top-line **growth due to FX effects**
- **Temporary market weakness in Q3** affected JVs and 100% subsidiaries

- Normalized level of market growth
- FX-adjusted **top-line increase** of 10%
- Better earnings due to **break-even in 100% subsidiaries**

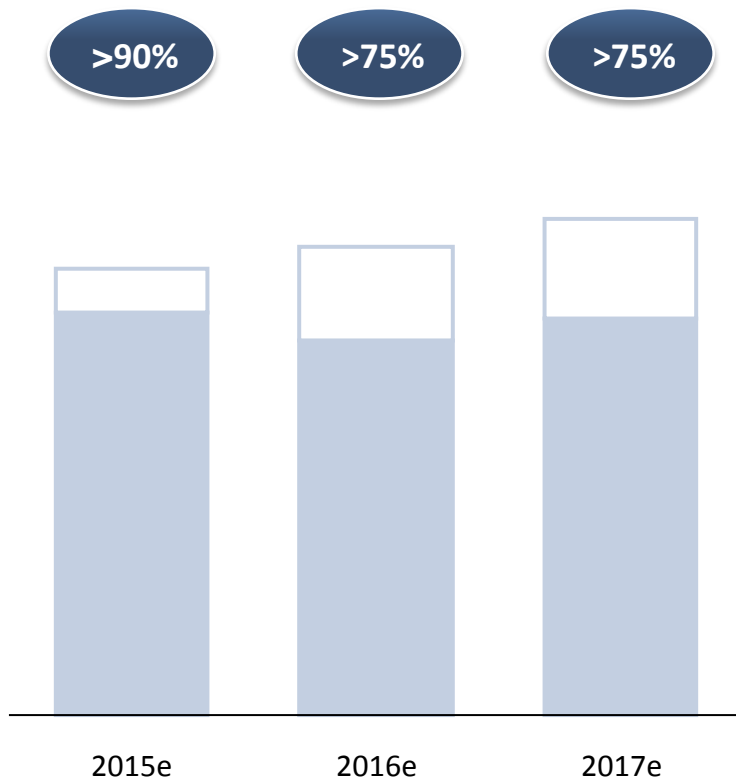
\* Including 100% figures of 50/50 joint ventures, consolidated at equity

WFOE = Wholly Foreign-Owned Enterprise



## Nomination letters indicate good coverage of planned revenues

■ Sales covered by booked business  
in EUR million resp. in % of planned sales



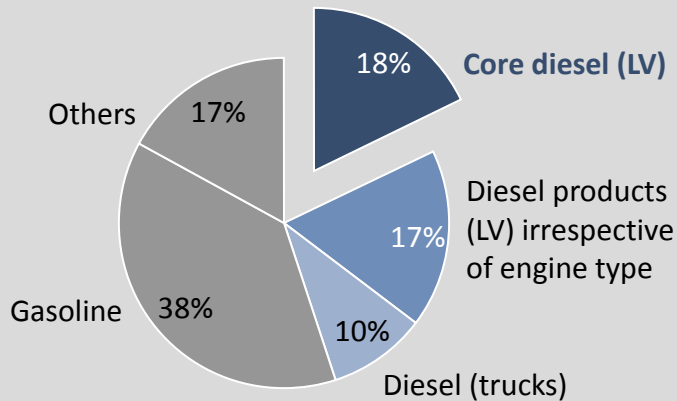
- In general:
  - Nomination letters represent frame contracts (“booked business”) for the lifetime of an engine platform
  - Relevant for order intake: short-term calls, 6-8 weeks ahead of delivery
- **Mechatronics:** According to booked business, sales coverage of roughly 80%
- **Hardparts:** According to booked business, sales coverage of roughly 70%
  - Estimates refer to serial automotive business (LV, commercial vehicles)
  - Not included: large-bore piston business (higher coverage due to single contracts), continuous casting business and warehousing business “Non-Automotive”
- **Aftermarket:** Not included



## Markets in focus: Diesel engines

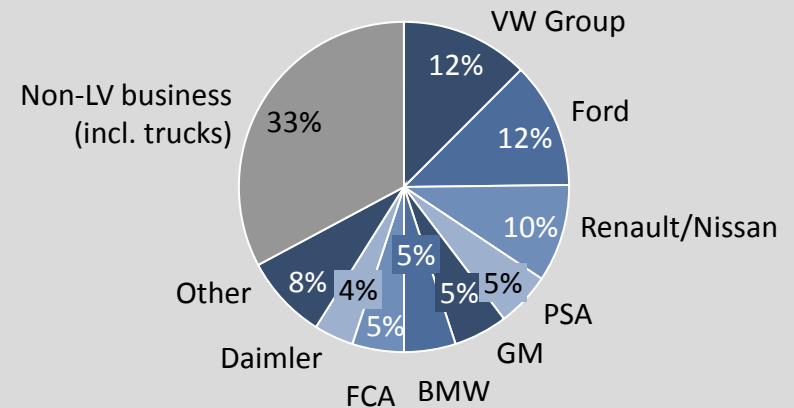
### Core LV diesel exposure less than 20% of sales, high customer diversification

Sales 2014 by fuel engine type in % of total sales



- **18% directly related to diesel technology**, i.e. LV diesel emission systems and LV diesel pistons
- **17% generated by products** for diesel LV platforms, which are **independent of engine type** (e.g. pumps)
- Generally spoken, **45% generated by diesel engine platforms**, thereof 10% truck business

Sales 2014 by customer in % of total sales

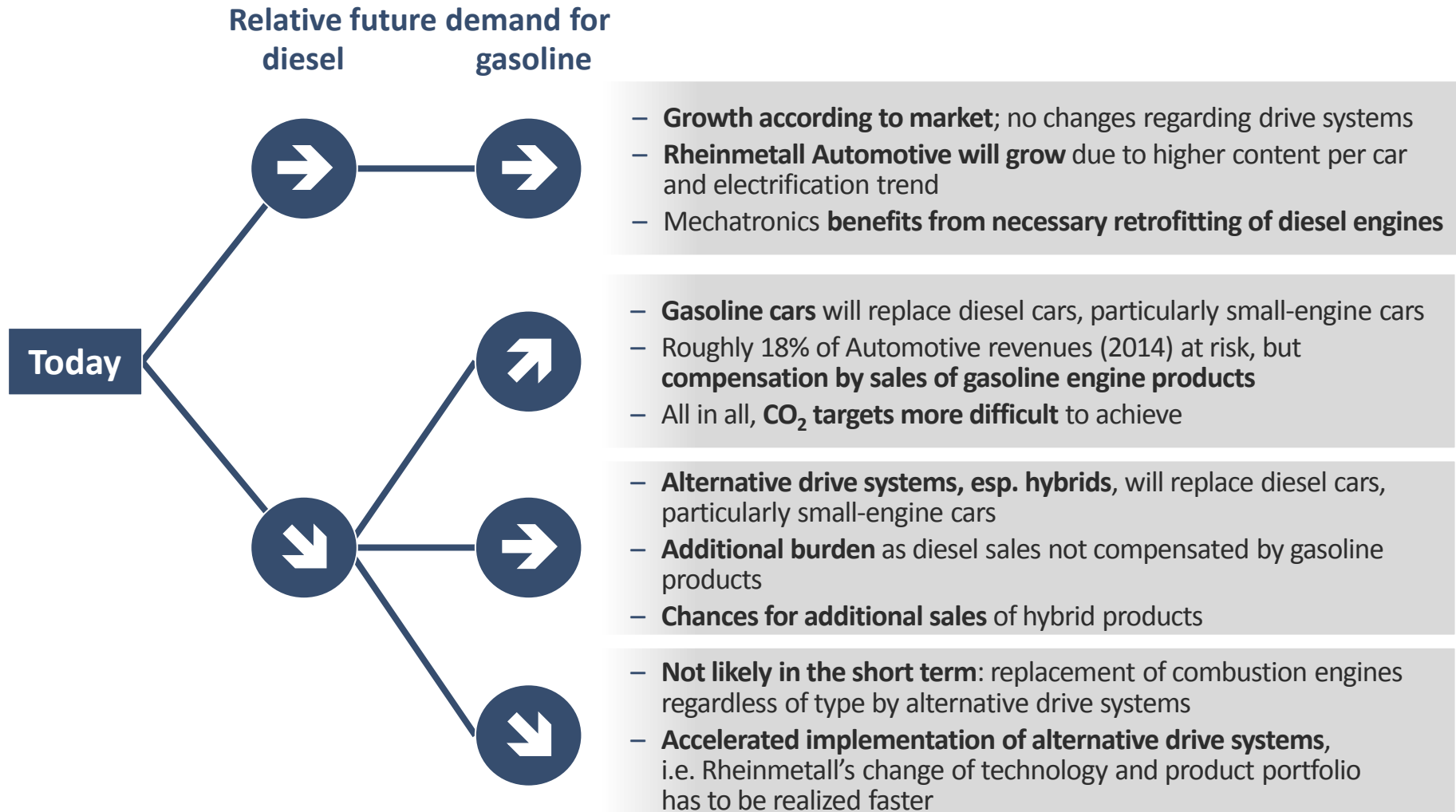


- **Broadly diversified customer structure** with
  - 3 OEMs representing a sales share of 10% or more
  - a number of OEMs representing a sales share of around 5%
- **High share of non-LV business (33%)**



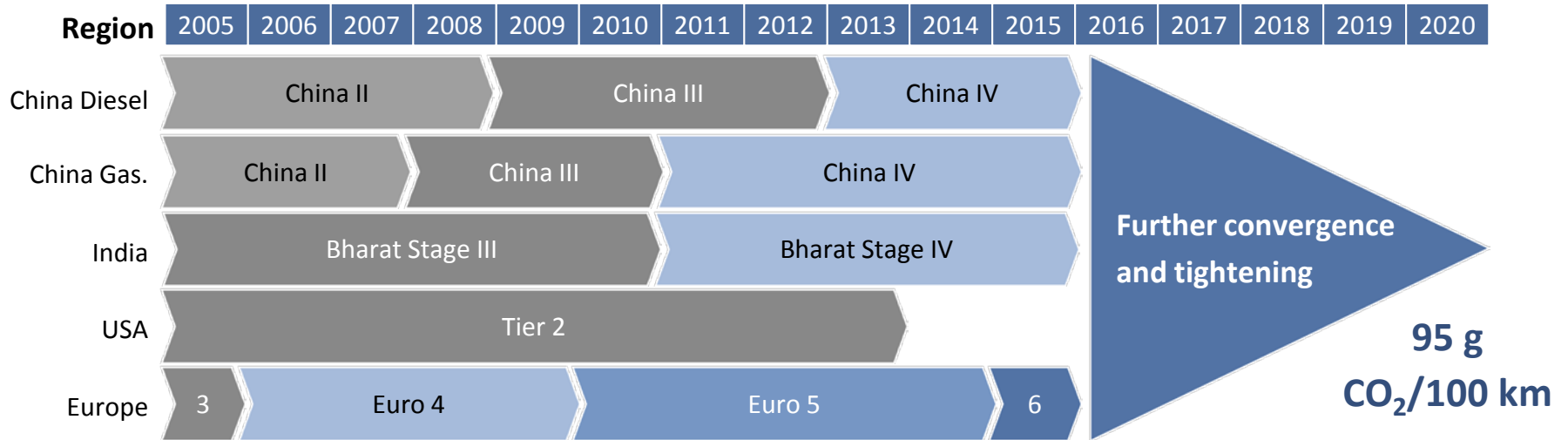
## Different possible scenarios resulting from “Dieselgate”

### Impacts principally manageable for Rheinmetall





## Permanently tightening and globally converging emission legislation

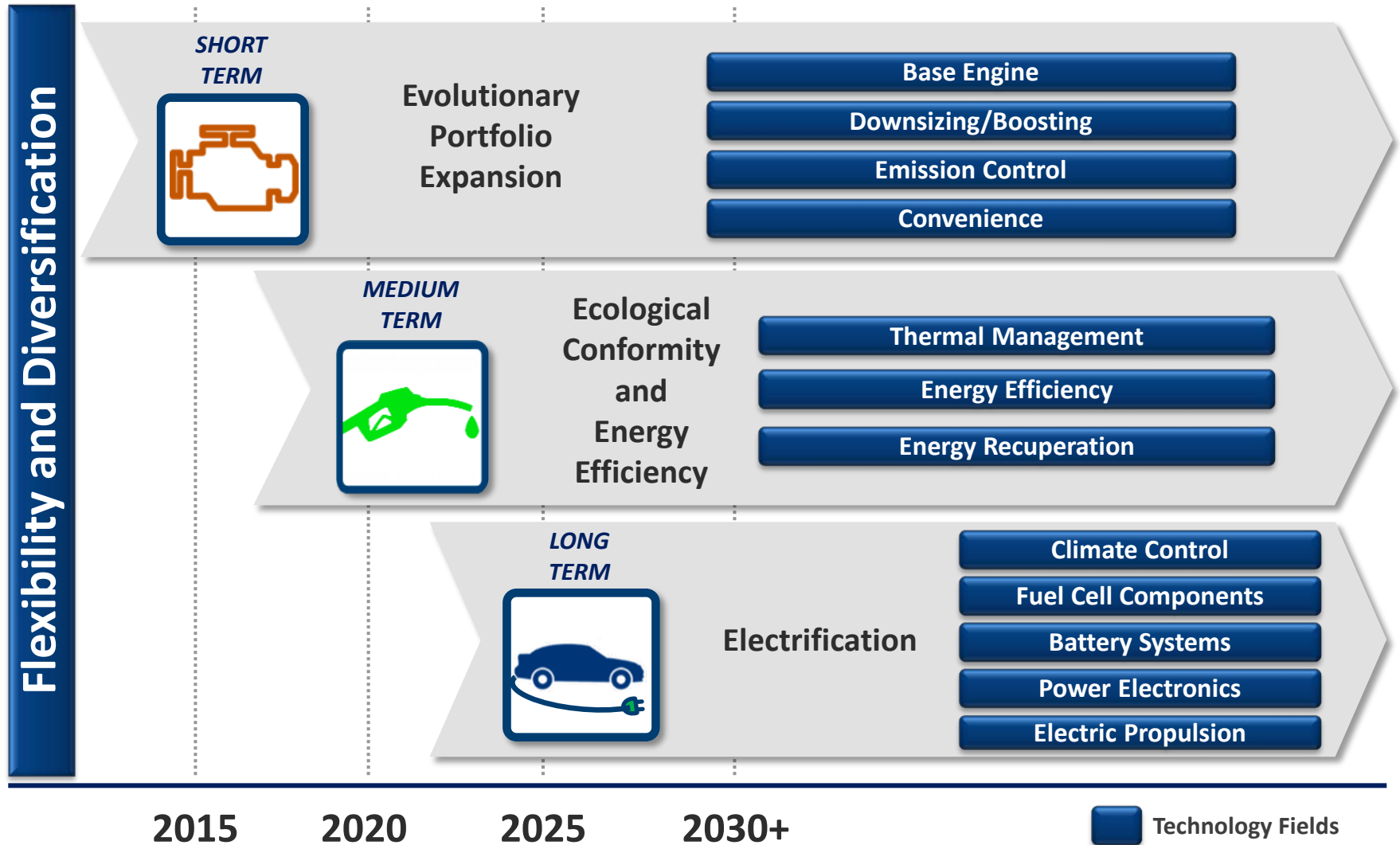


### Key trends:

- China is generally following the European Union
- India is generally following the European Union
- USA are independent (using Federal and Californian systems)



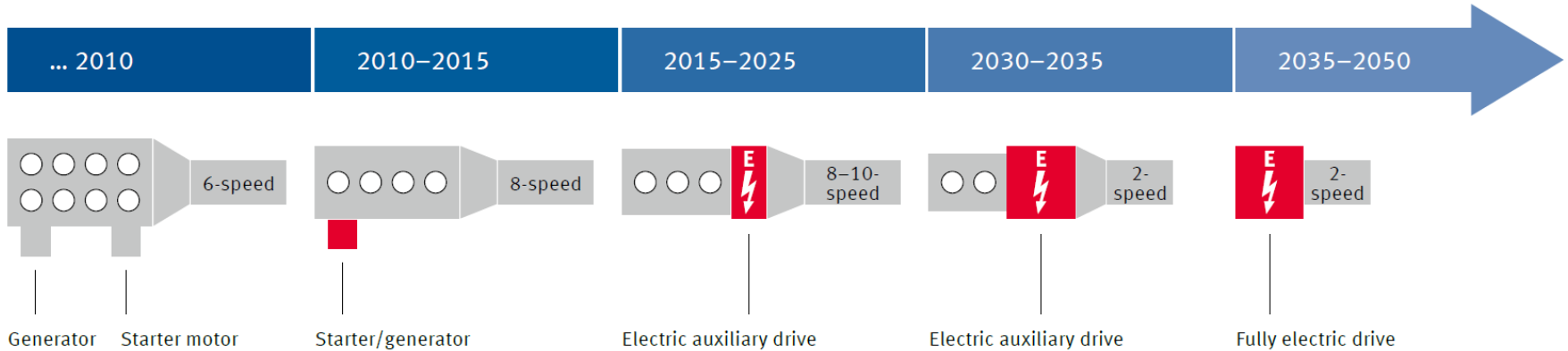
# Technologies: KSPG's Future Technology Fields





# Alternative drive systems

## Electrification of the powertrain will take place evolutionary



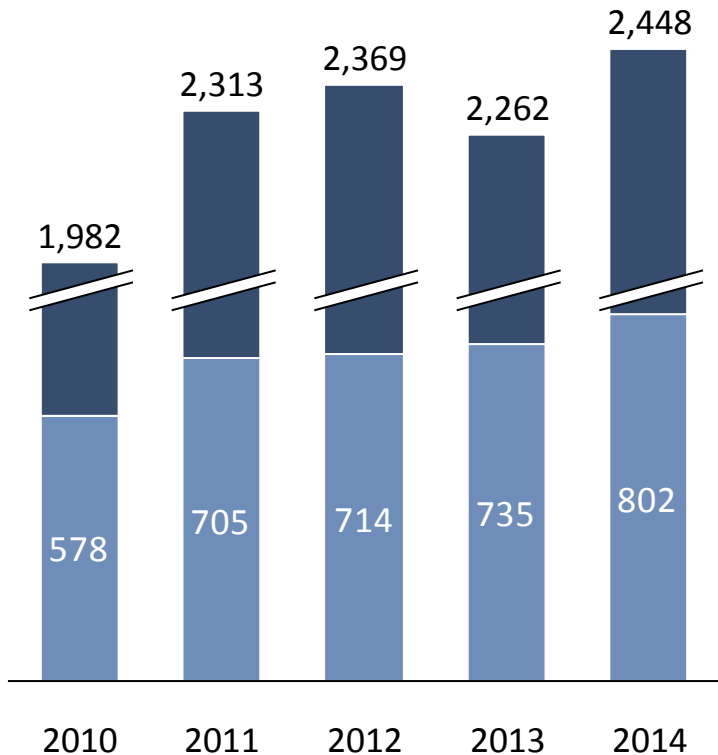




# Strong growth in non-LV business

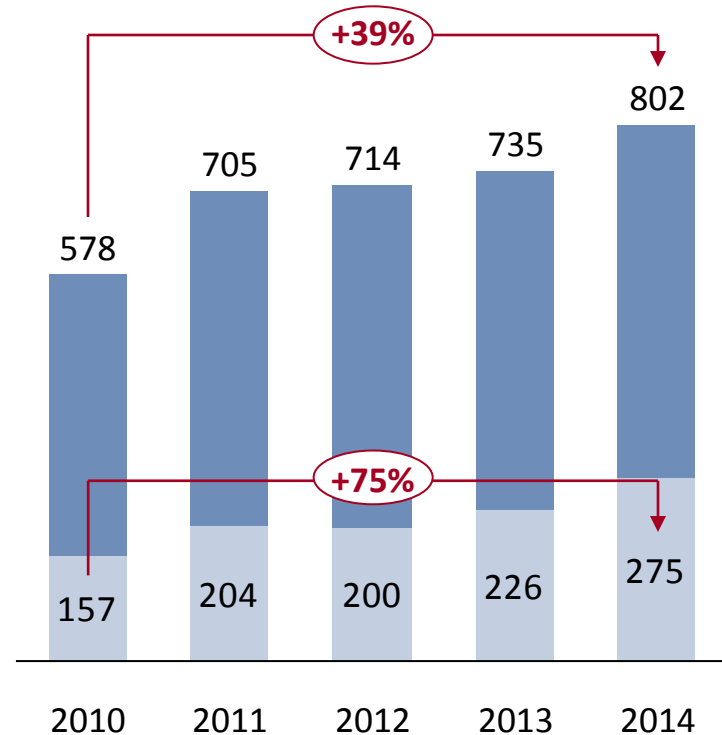
## Sales of truck business almost doubled within 5 years

■ Sales Automotive and non-LV in EUR million



■ Other Automotive sales ■ Non-LV sales

■ Sales non-LV and truck business in EUR million



■ Other non-LV sales ■ Truck business sales

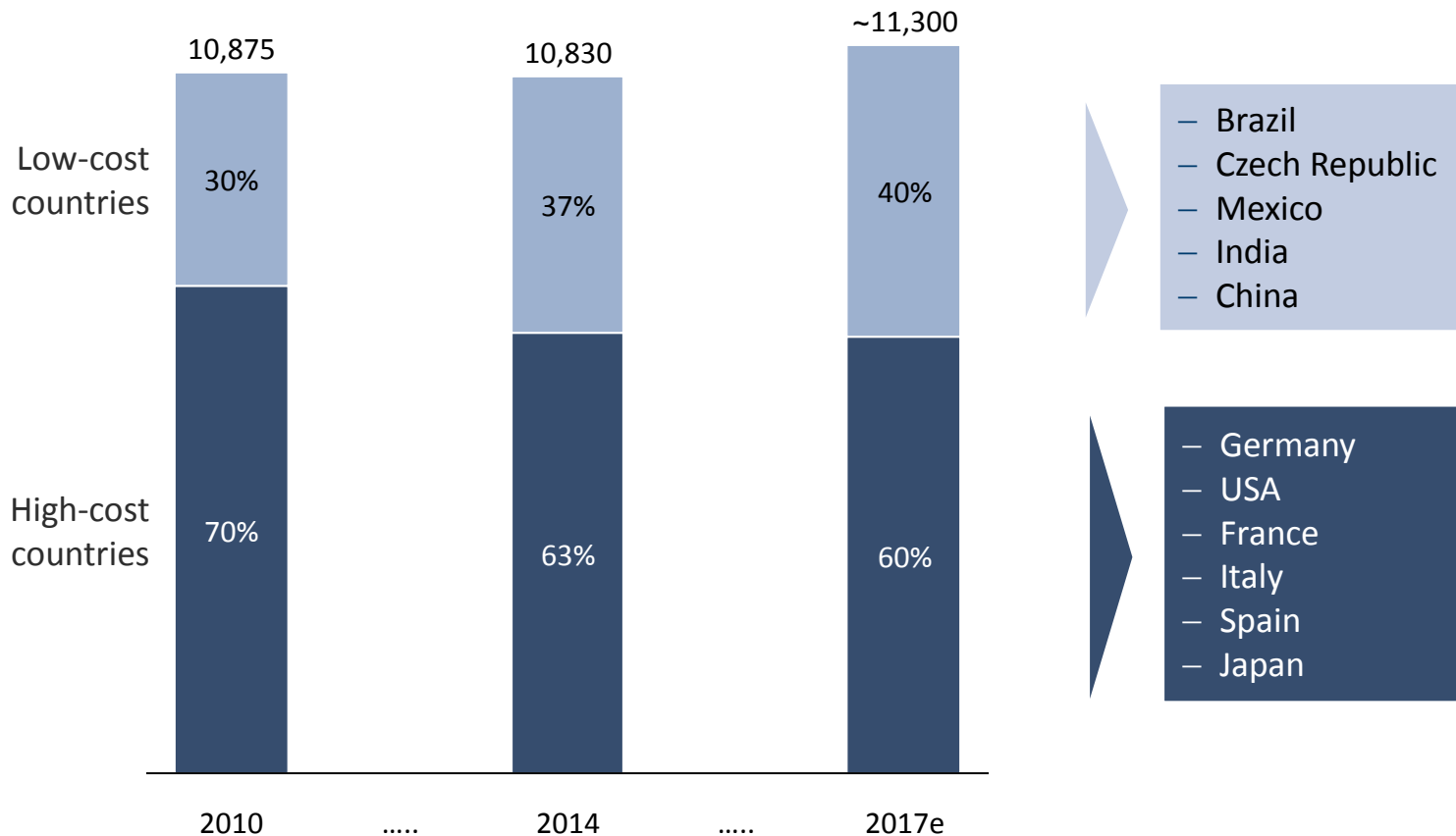
2013 figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



# Cost efficiency

## Structural improvement by best-cost concept

Headcount in full-time equivalents  
 Split of headcount by high cost- and low-cost countries in % of total headcount

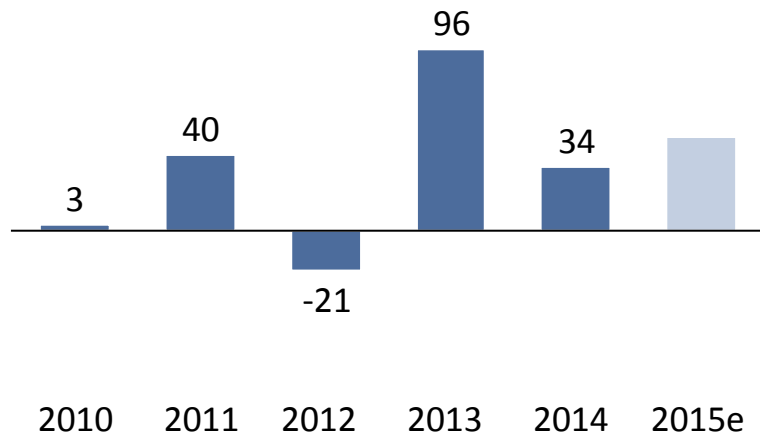




## Cash flow generation as future priority

### Automotive

#### Operating Free Cash Flow Automotive *in EUR million*



Cash Flow target:  
Range of 2% - 4% of sales

#### Main drivers:

- Top-line growth
- Stable EBITDA margin level: 12% - 13%
- Capex ratio: 5.5% - 6.5%
- Working capital ratio stable: 11% - 12%



# Defence

## APPENDIX



## Key figures 9M 2015

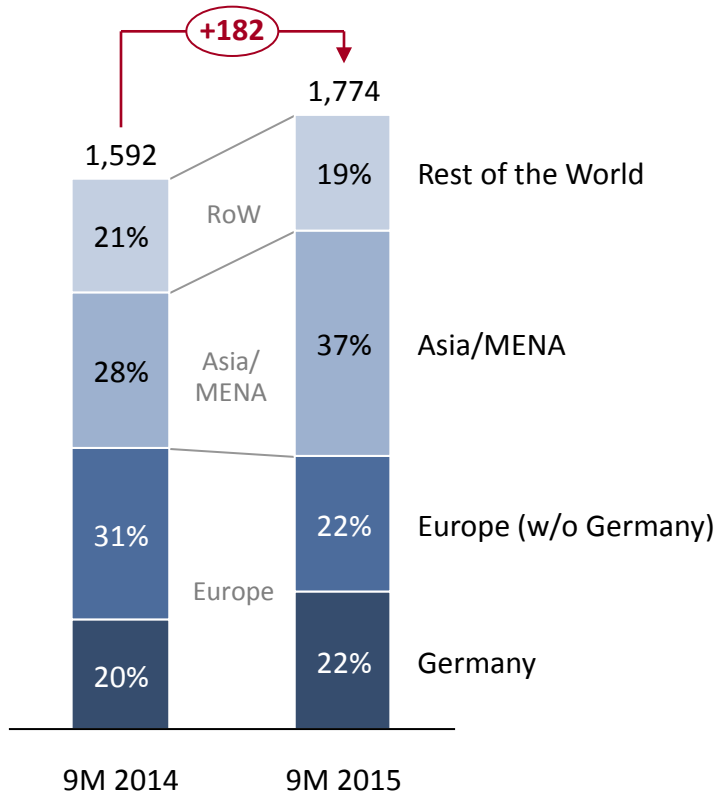
<i>in EUR million</i>	9M 2014	9M 2015	Δ 9M 2015 / 9M 2014	
Order intake	1,592	<b>1,774</b>	+ 182	+ 11%
Order backlog (September 30)	6,165	<b>6,547</b>	+ 382	+ 6%
Sales	1,384	<b>1,625</b>	+ 241	+ 17%
EBITDA (reported)	- 38	<b>52</b>	+ 90	+ 237%
Operational earnings	- 84	<b>- 11</b>	+ 73	- 87%
Special items: one-offs, restructuring costs	- 16	<b>0</b>	+ 16	- 100%
EBIT (reported)	- 100	<b>- 11</b>	+ 89	+ 89%
EBIT margin <i>in %</i>	- 7.2	<b>- 0.7</b>	+ 6.5pp	
Free cash flow from operations	- 416	<b>- 304</b>	+ 112	- 27%
Employees (September 30)	9,229	<b>9,540</b>	+ 311	+ 3%



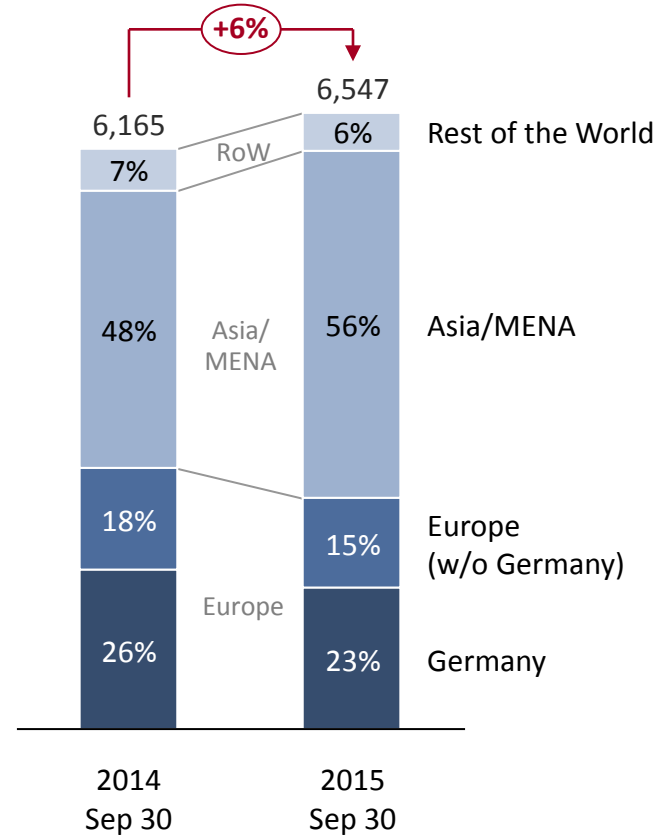
# Order situation

## Successful internationalization outside Europe

Order intake by region in EUR million



Order backlog by region in EUR million

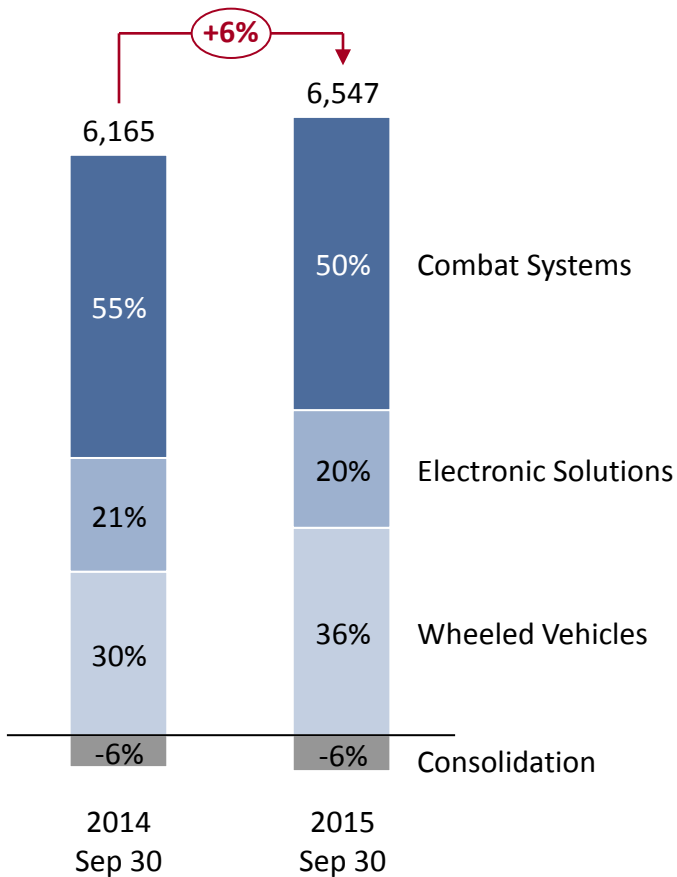




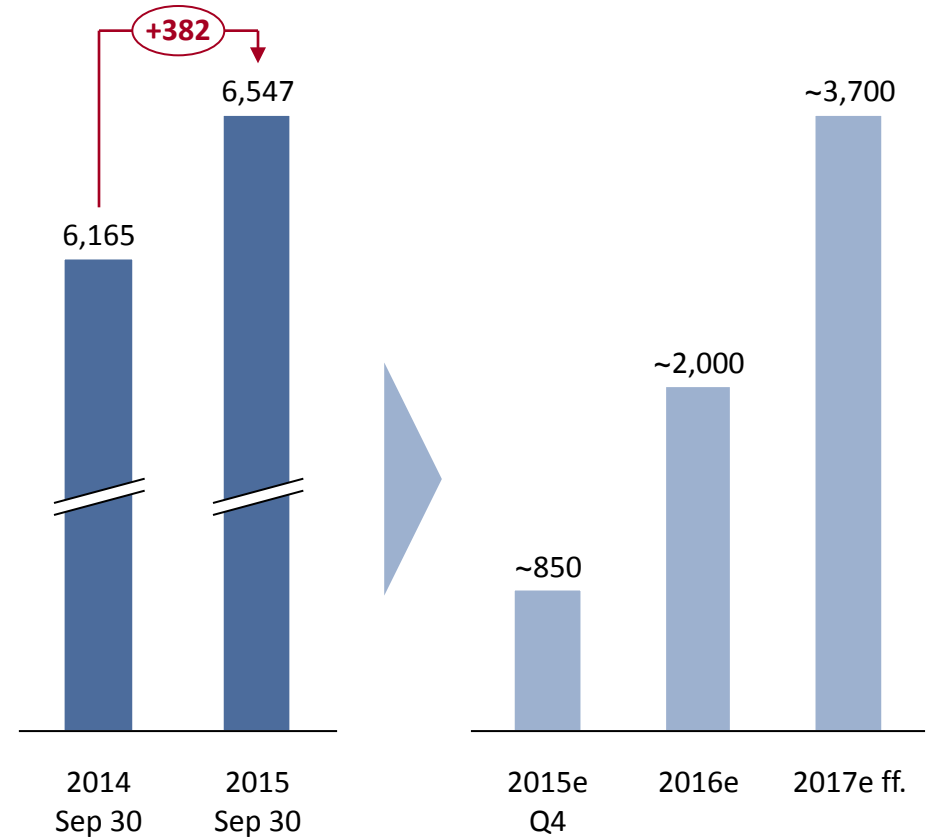
# Order backlog

## High order book coverage of mid-term future sales

Order backlog by region in EUR million



Order backlog / sales distribution over time in EUR million

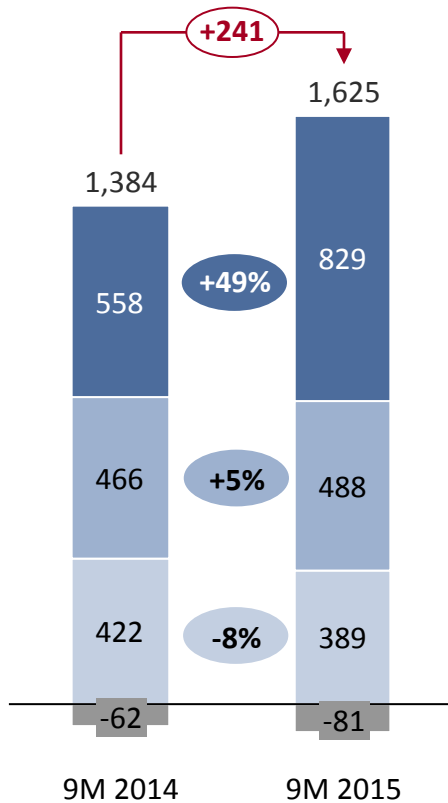




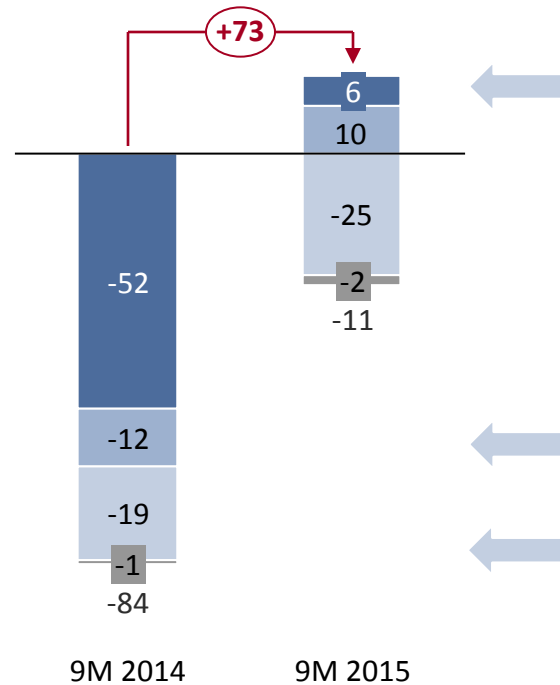
# Top-line rose due to ramp-up of large-scale projects

## Turn-around in earnings

■ Sales Defence in EUR million



■ Operational earnings Defence in EUR million



### Reasons for earnings development

**Combat Systems**

- Improved capacity utilization in Tracked Vehicles and Ammunition
- In Q3 2014, provisions for potential warranties in naval guns contract (EUR 20 million)

**Electronic Solutions**

- Higher sales
- Reduced loss in Norwegian subsidiary, but operational problems not yet fully solved
- In Q3 2014, withdrawal of export license to Russia (EUR 15 million)

**Wheeled Vehicles**

- Lower sales in more profitable business unit "Tactical Vehicles"

■ Combat Systems ■ Electronic Solutions ■ Wheeled Vehicles ■ Consolidation/Others





## Cash flow statement

<i>in EUR million</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Δ Q3 2015/2014
Net income	- 39	20	- 30	- 8	<b>3</b>	+ 42
Amortization / depreciation	21	23	21	21	<b>21</b>	± 0
Change in pension accruals	2	- 2	0	3	<b>2</b>	± 0
<b>Cash flow</b>	<b>- 16</b>	<b>41</b>	<b>- 9</b>	<b>16</b>	<b>26</b>	<b>+ 42</b>
Changes in working capital and other items	84	271	- 142	- 112	<b>- 25</b>	- 109
<b>Net cash used in operating activities</b>	<b>68</b>	<b>312</b>	<b>- 151</b>	<b>- 96</b>	<b>1</b>	<b>- 67</b>
Cash outflow for additions to tangible and intangible assets	- 22	- 28	- 17	- 15	<b>- 26</b>	- 4
<b>Free cash flow from operations</b>	<b>46</b>	<b>284</b>	<b>- 168</b>	<b>- 111</b>	<b>- 25</b>	<b>- 71</b>

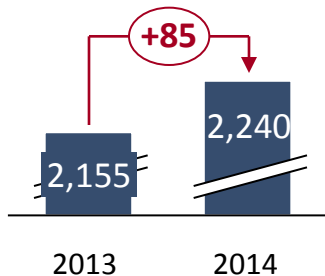


FY 2014

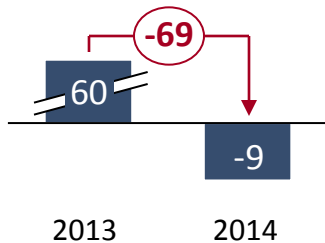
# Key figures Defence by division

*in EUR million*

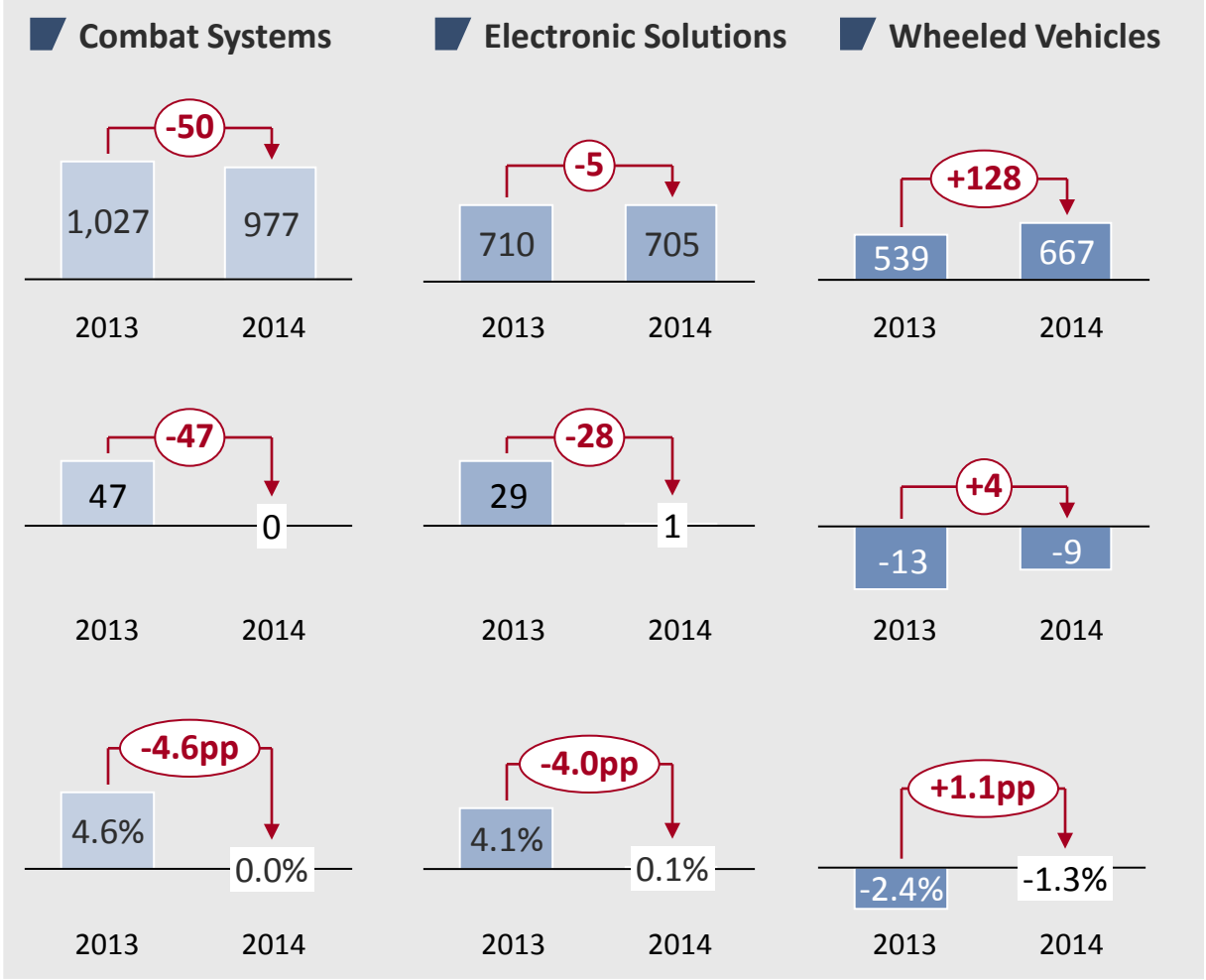
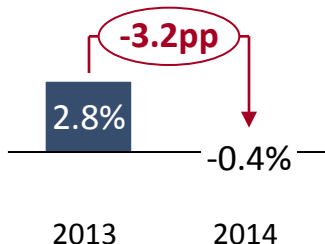
**Sales**



**Operational earnings**



**Operational margin**



Figures before intrasegmental consolidation

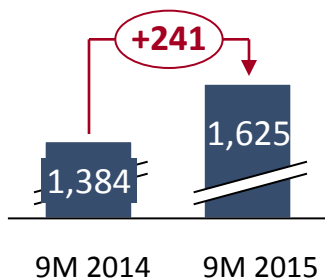


# 9M 2015

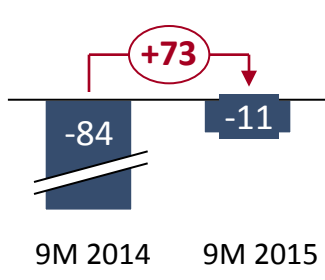
## Key figures Defence by division

in EUR million

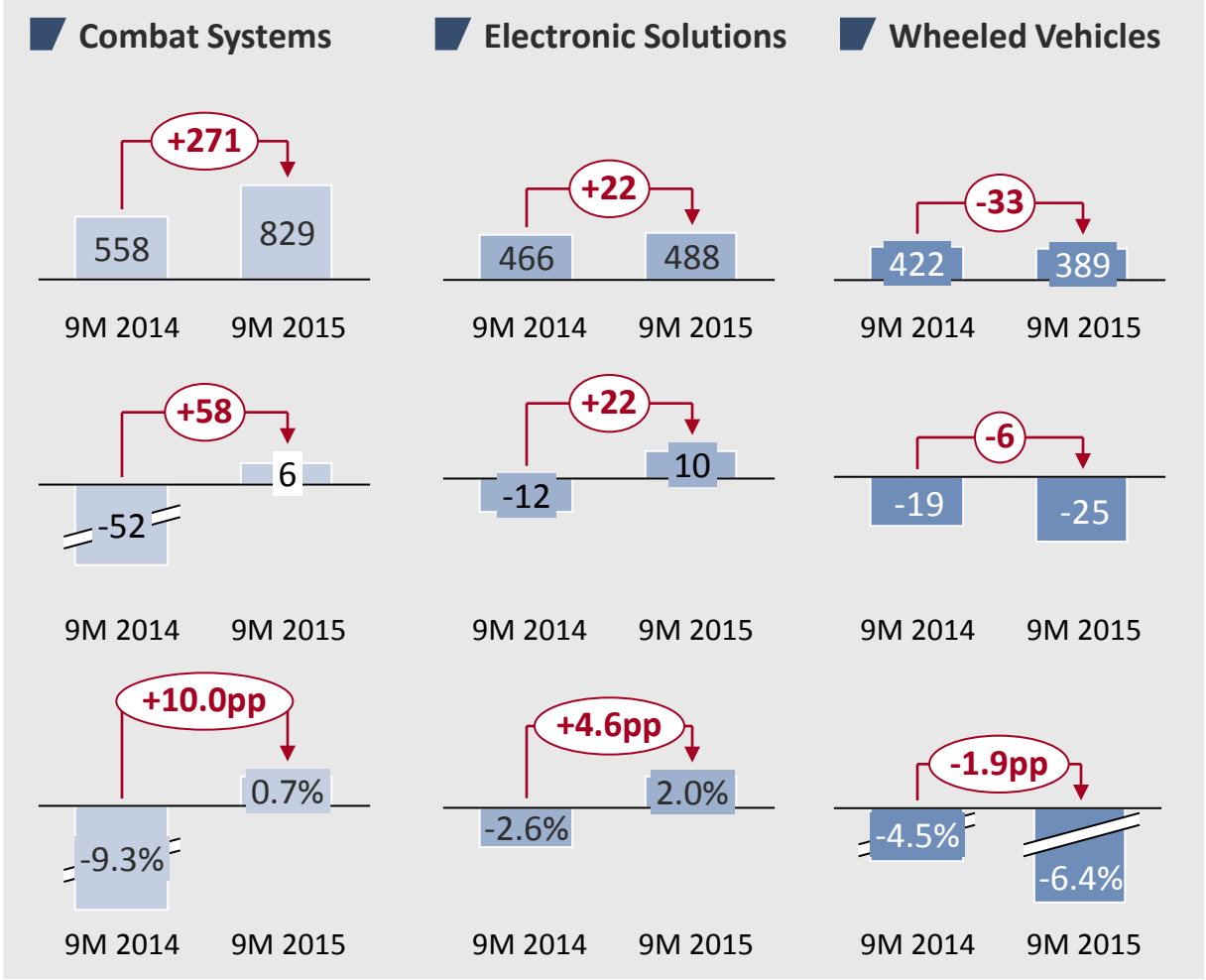
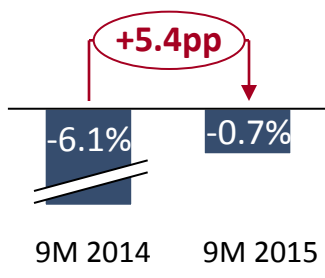
### Sales



### Operational earnings



### Operational margin

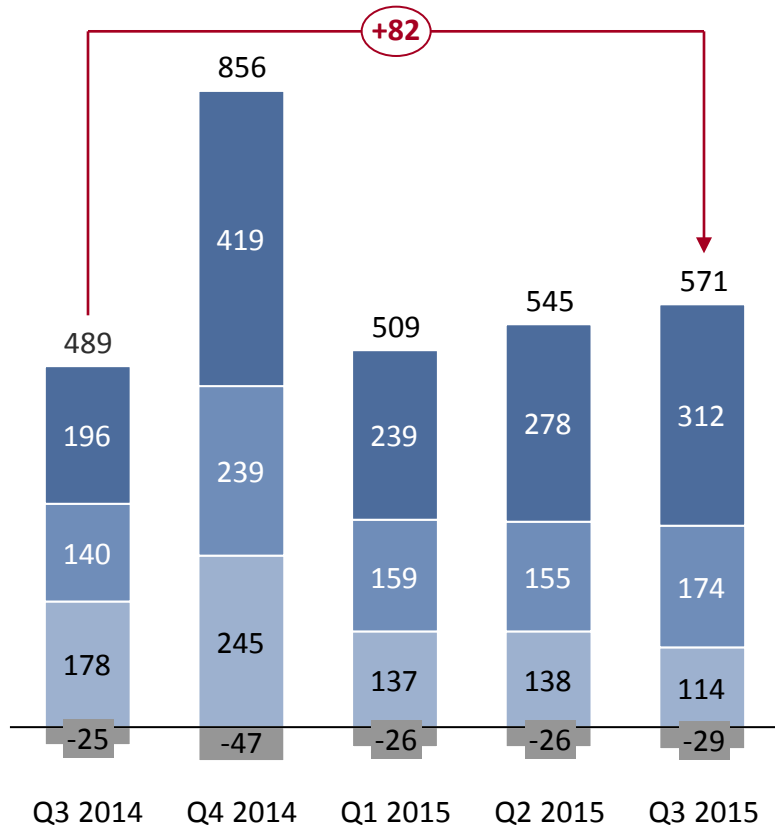


Figures before intrasegmental consolidation

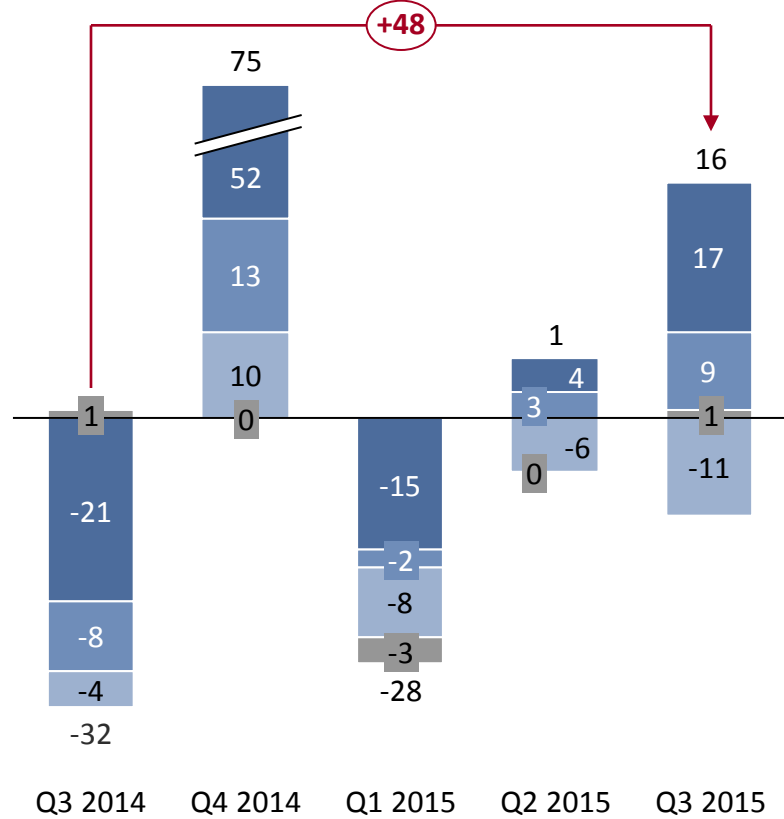


# Quarterly development

■ Sales Defence in EUR million



■ Operational earnings Defence in EUR million



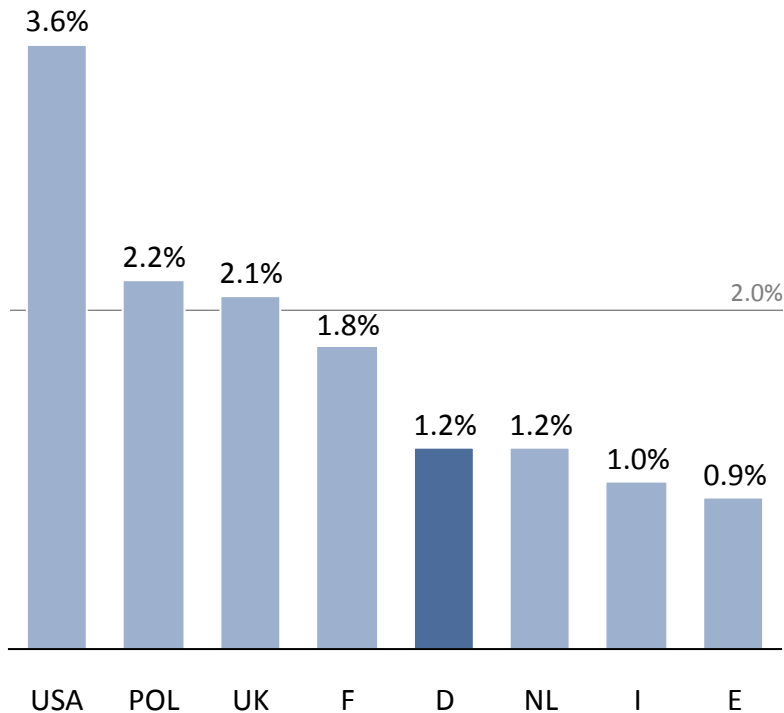
■ Combat Systems ■ Electronic Solutions ■ Wheeled Vehicles ■ Consolidation/Others



## Defence policy NATO

# Rising budgets in several NATO countries expected, among them Germany

### Defence budgets 2015e in % of GDP



- **NATO summit in Wales 2014** decided **return to higher defence budgets:**  
target level of 2% of GDP within 10 years
- **Target** to fulfil operational NATO requirements: Increasing the NATO response force (NRF) from 13,000 to 40,000 soldiers; creation of the interim **Very high readiness joint task force (VJTF)** as “arrowhead”.  
Full readiness of land forces by a **higher number of vehicles and a sufficient level of ammunition**
- **Consequences for Germany:**  
**Increasing budgets** (+ EUR 8 billion),  
contribution of 4,000 soldiers to the VJTF.

Source: NATO



## Definition of key defence technologies in Germany

### Rheinmetall currently provides a broad product range for key technologies

#### Network centric operations



- Soldier systems (e.g. Gladius, ISS)
- Battle management systems (Iniochos)
- Sensor planning (e.g. SC2PS)
- Digital turret systems

#### Sensor technology



- Optical und infrared sensors (e.g. MSP, FIRST, SEOSS, UMIT)
- Radar sensors (e.g. X-TAR3D, Medium Range Radar)
- Acoustic sensors (e.g. ASLS)

#### Protected and armored vehicles



- Wheeled: Boxer, Fox, AMPV, HX2
- Tracked: Puma, Marder, Leopard incl. support vehicles, Wiesel
- PzH2000
- Components (e.g. turrets, weapon stations, protected cabins)

#### Protection



- Softkill
- Hardkill
- Active protection
- Ballistic protection

#### Submarines



- Covered by Rheinmetall with components



## German export license policy

### Fairly reliable practice of case-by-case decision rule achieved



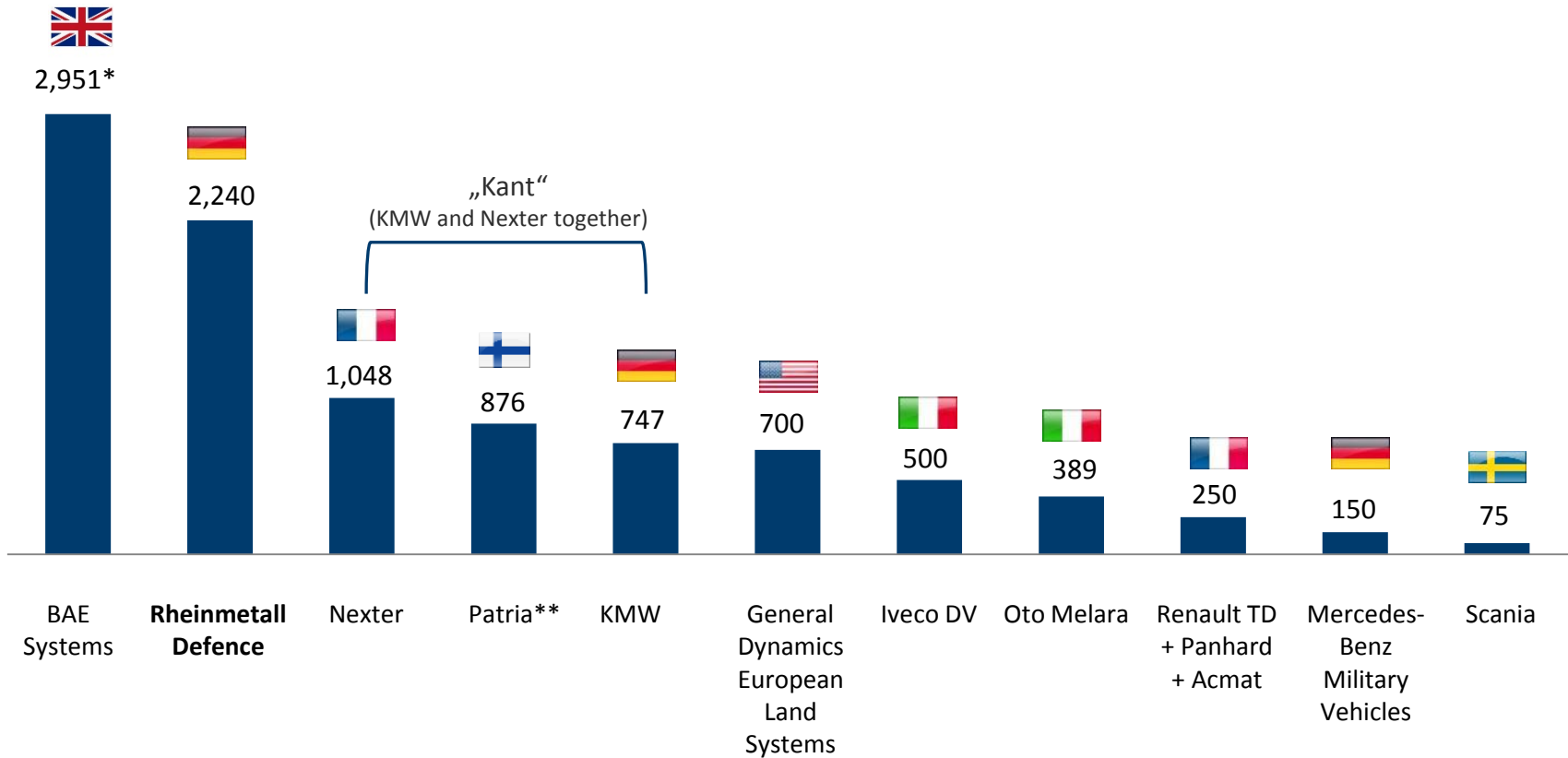
- **Continuing principle:** Decisions are made case by case with restrictive alignment
- **Neither certain countries nor certain products** generally ruled out (except for embargo countries like China, North Korea)
- **But certain combinations** of countries and products currently rather **unlikely**
- **Established an “early warning system”** in order to be prepared for decisions at an early stage



# Consolidation of the defence industry

## Land systems industry in Europe

Sales 2014 in EUR million



\*) Thereof 1,934 EUR million are related to US business

\*\*\*) Including Nammo

Source: Annual reports, Rheinmetall analyses and estimates

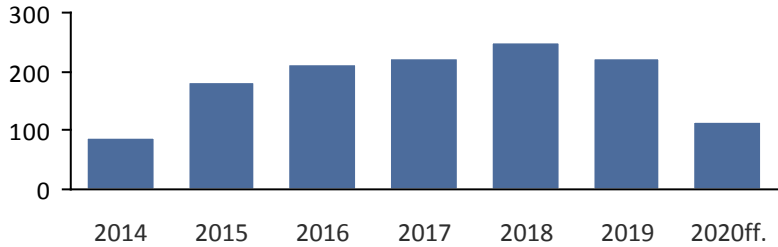




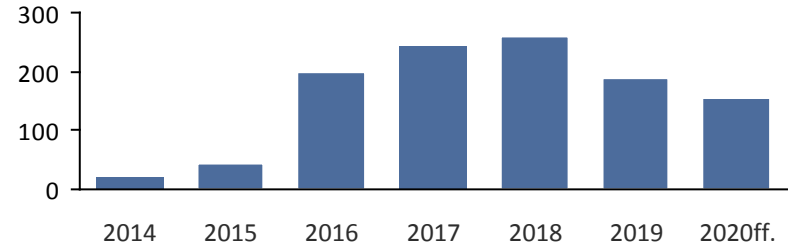
# Turning order backlog into sales

## Sales development for top six projects by order volume

**Puma series contract (EUR 1.0 billion\*)**



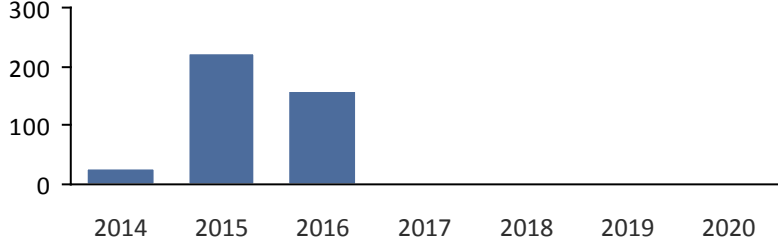
**Military trucks Australia (EUR 1.1 billion\*)**



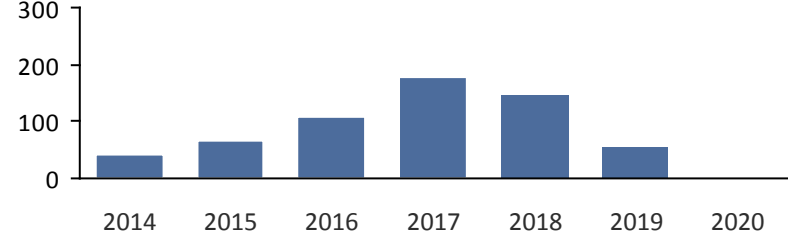
Combat Systems

Wheeled Vehicles

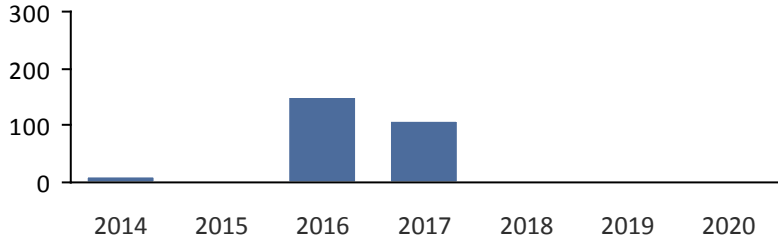
**Leopard2 / PzH2000 Qatar (EUR 450 million\*)**



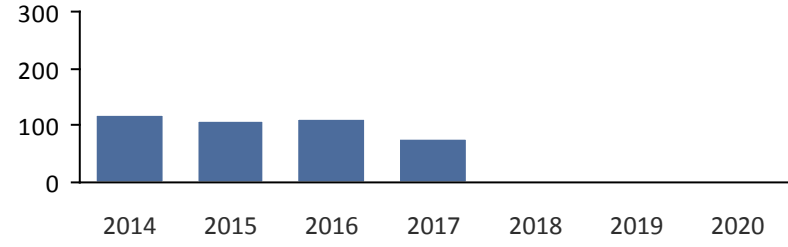
**Fox kits MENA (EUR 500-600 million\*)**



**Naval ammunition MENA (EUR 260 million\*)**



**Boxer Netherlands (EUR 300 million\*)**



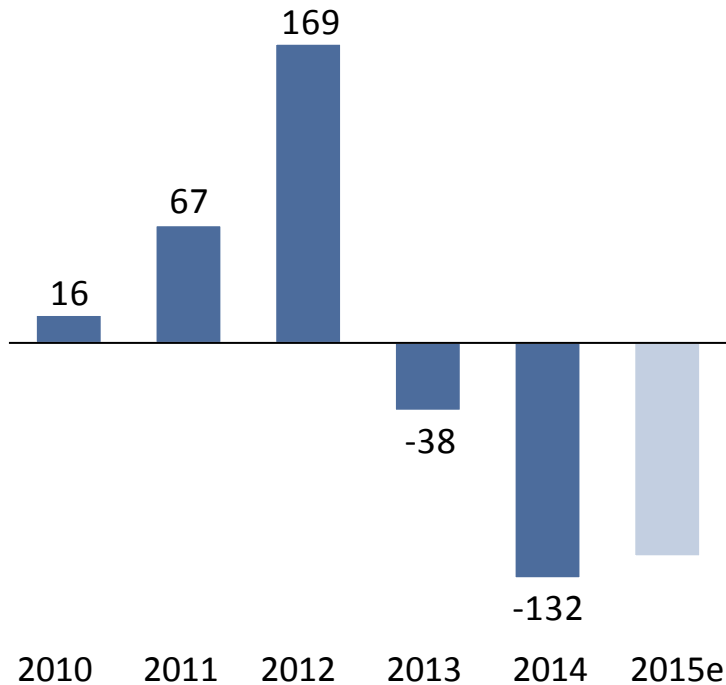
\* Figures refer to order backlog as of December 31, 2014



# Cash flow generation as future priority

## Defence

### Operating Free Cash Flow Defence *in EUR million*



Cash Flow target:  
Range of 2% - 4% of sales

#### Main drivers:

- Top-line growth
- Increasing EBITDA margin: range of 7% - 10%
- Capex ratio stable: 3% - 4%
- Working capital mainly affected by ramp-ups, large projects and down-payments; therefore hard to predict: ~ 25% - 35% of sales



## Disclaimer

This presentation contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to Rheinmetall’s financial condition, results of operations and businesses and certain of Rheinmetall’s plans and objectives. These forward-looking statements reflect the current views of Rheinmetall’s management with respect to future events. In particular, such forward-looking statements include the financial guidance contained in the outlook for 2015.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. In particular, such factors may have a material adverse effect on the costs and revenue development of Rheinmetall. Further, the economic downturn in Rheinmetall’s markets, and changes in interest and currency exchange rates, may also have an impact on Rheinmetall’s business development and the availability of financing on favorable conditions. The factors that could affect Rheinmetall’s future financial results are discussed more fully in Rheinmetall’s most recent annual and quarterly reports which can be found on its website at [www.rheinmetall.com](http://www.rheinmetall.com).

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