



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.

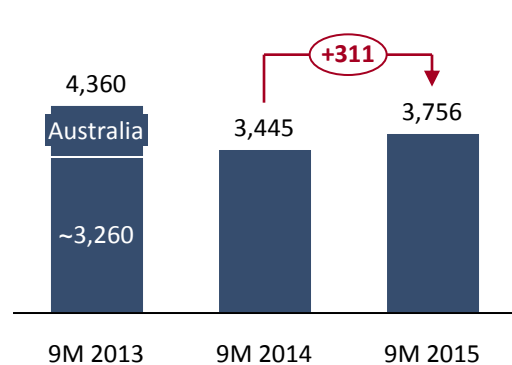
Figures: FY 2015e



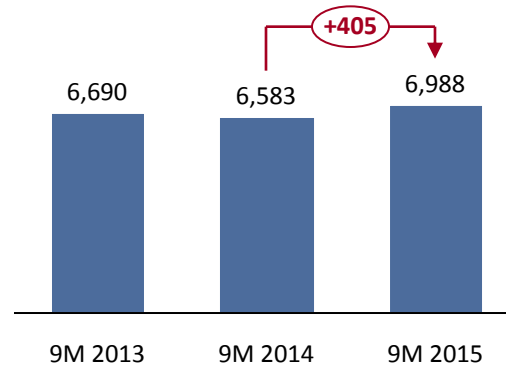
Group key figures

Successful development in first nine months 2015

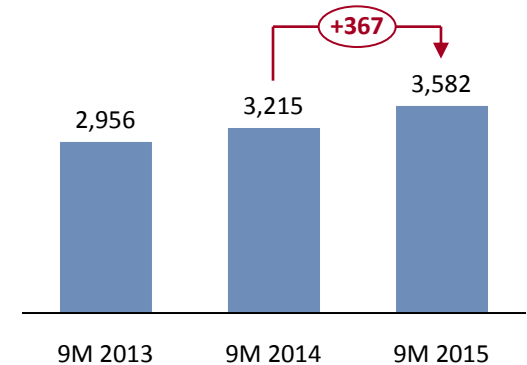
Order intake in EUR million



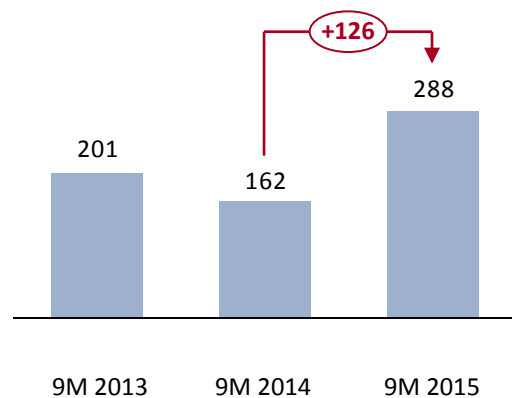
Order backlog in EUR million



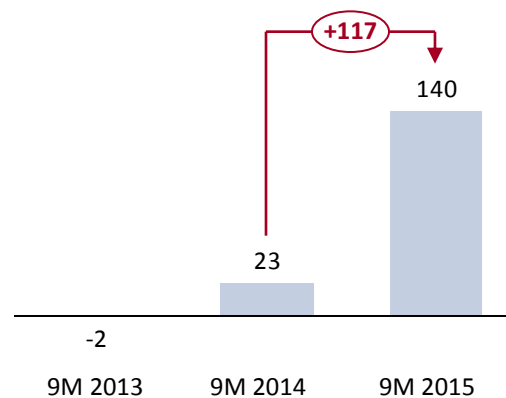
Sales in EUR million



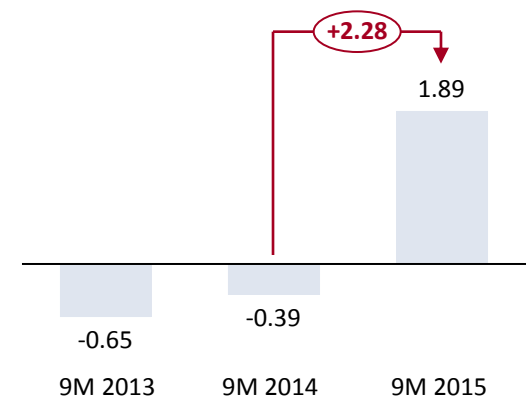
EBITDA in EUR million



EBIT in EUR million



Earnings per share in EUR



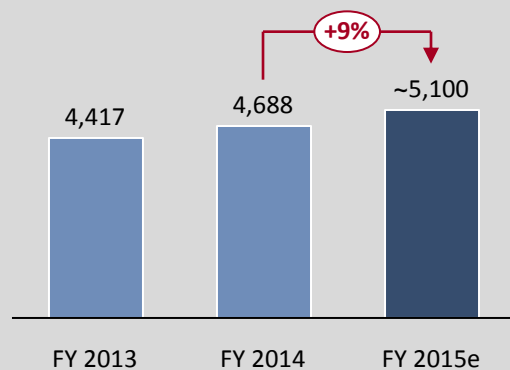


Targets FY 2015

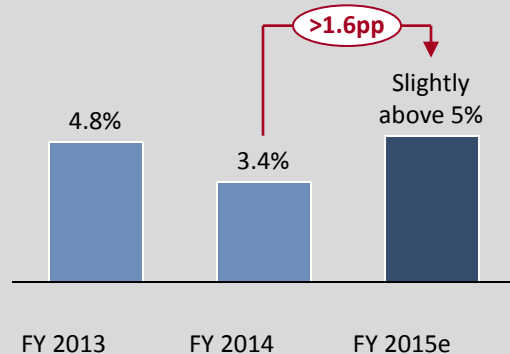
Highly confident to achieve the guided figures

Group

Sales in EUR million

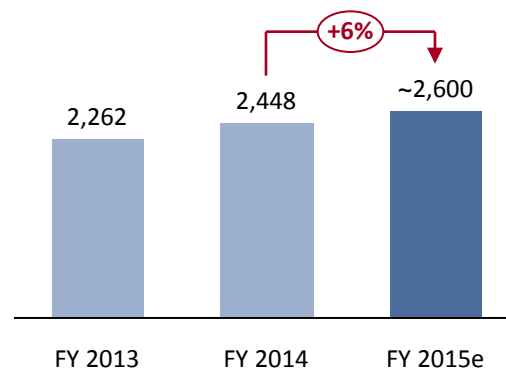


Operational margin in %

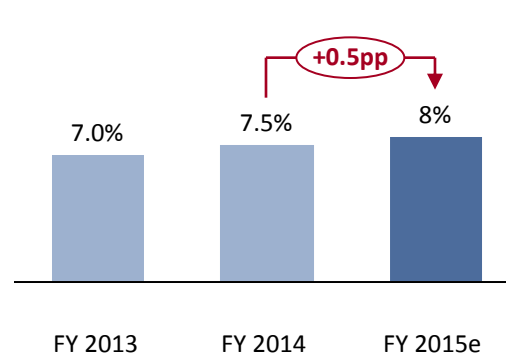


Automotive

Sales in EUR million

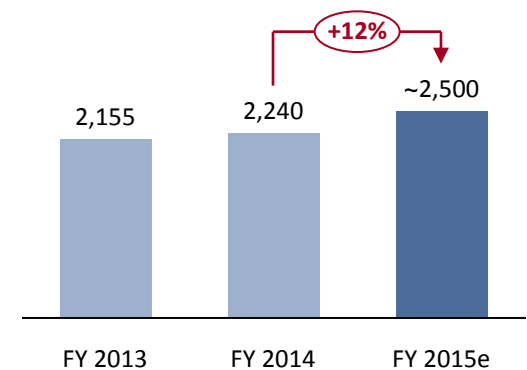


Operational margin in %

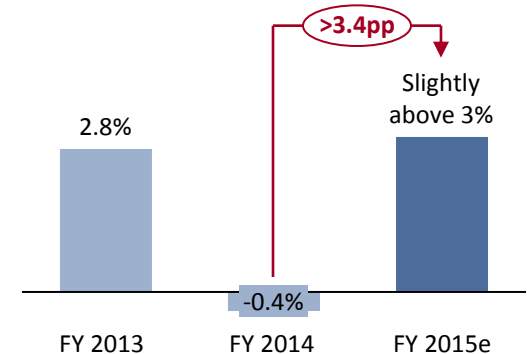


Defence

Sales in EUR million



Operational margin in %





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)

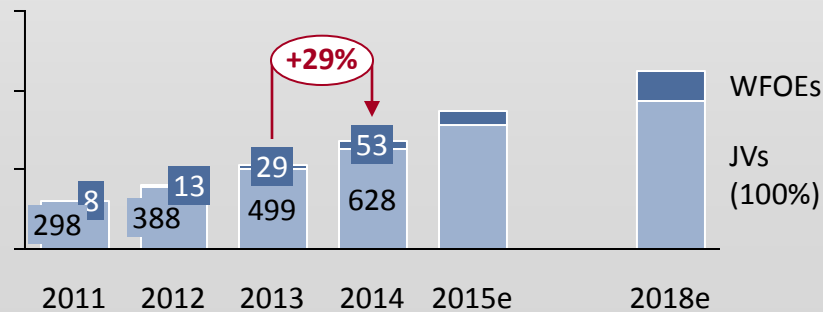
Sales figure FY 2015e

Automotive – completed by the activities in China

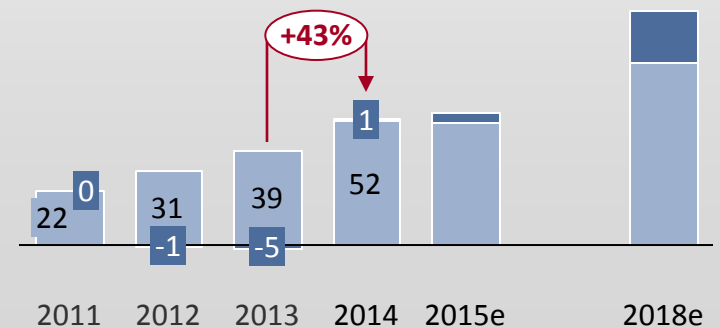
Grasping chances in partnerships and with own subsidiaries

50/50 joint ventures with HASCO (SAIC group)				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

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

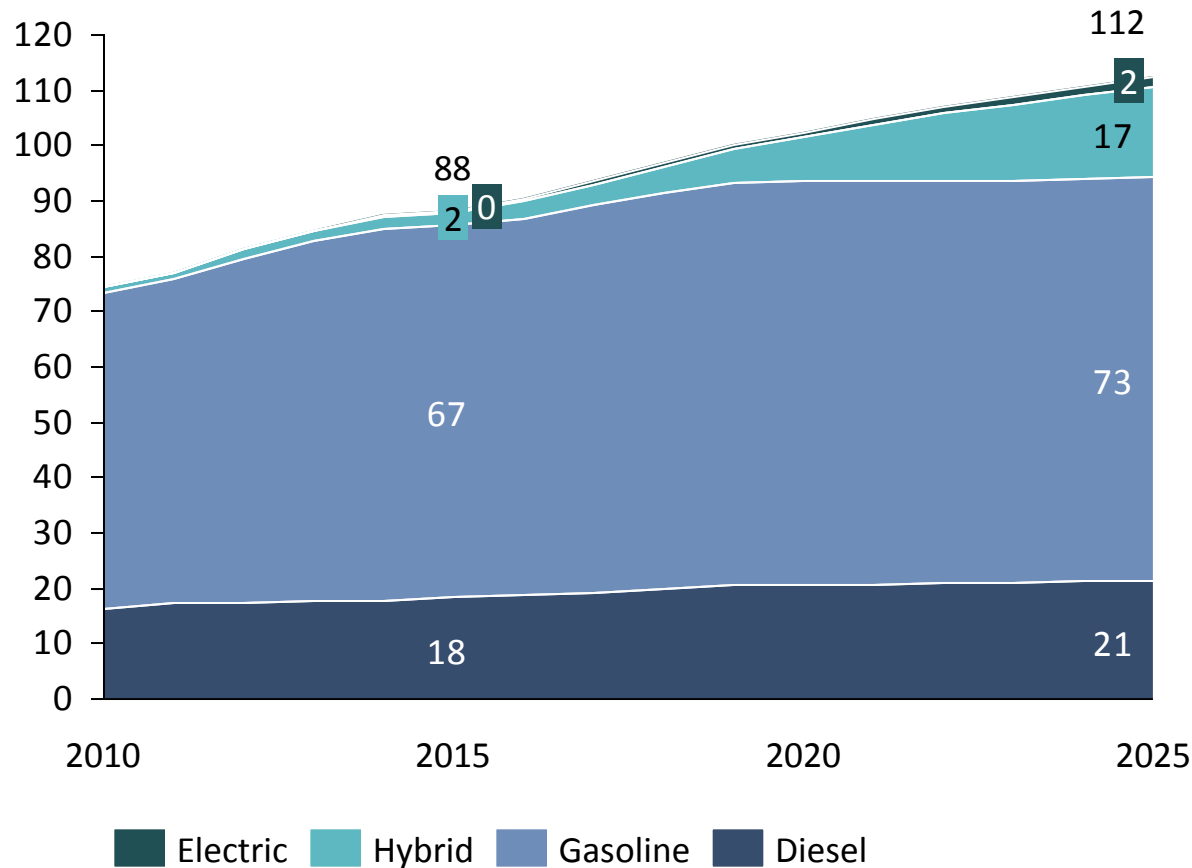
Higher value of products

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 /



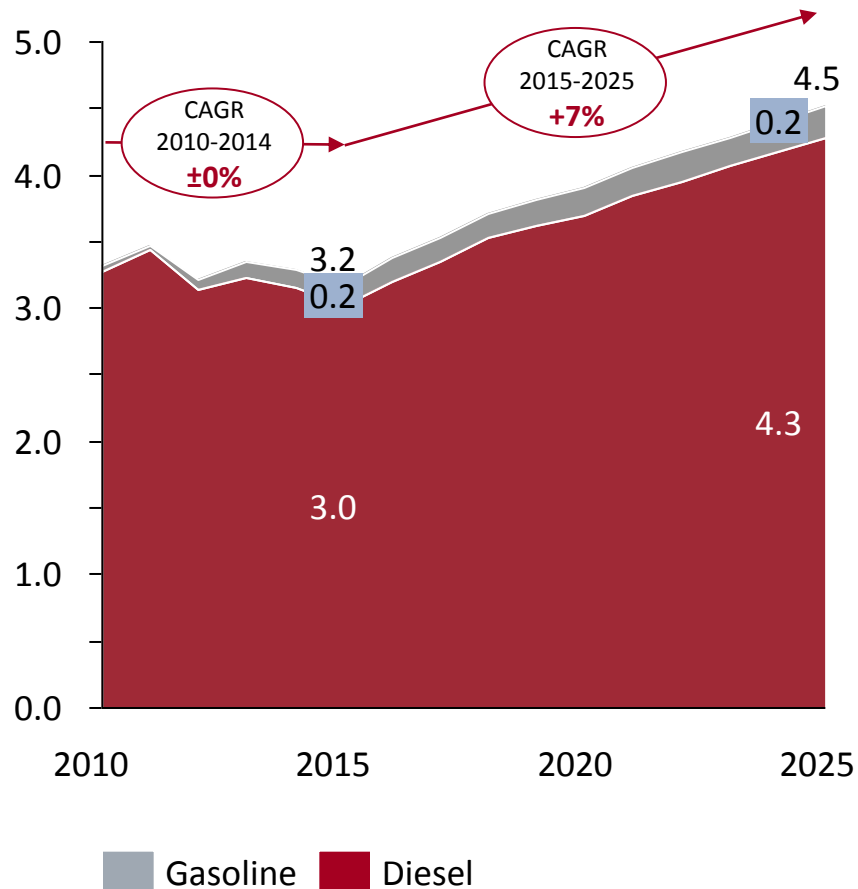
- Light vehicles remain on growth path:
CAGR 2010-2025: 3%
- Combustion engines losing market shares, but defend dominant position
- Market share of combustion engines:
 - 2015: 97%
 - 2025: 84%

Source: IHS Automotive (October 2015)

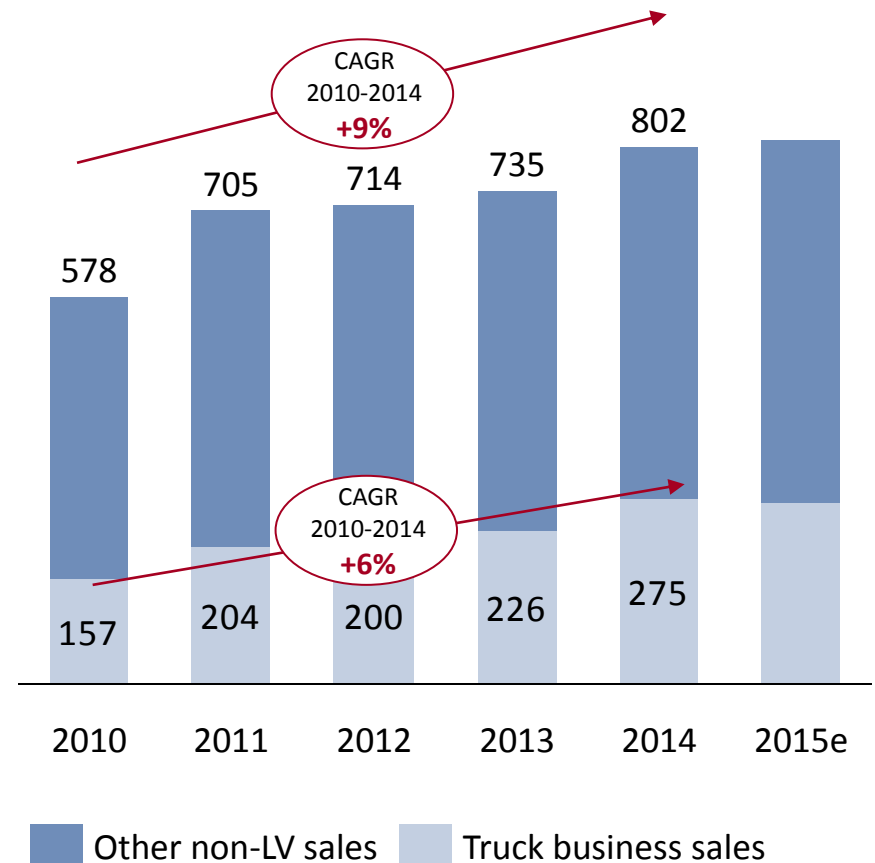
Growth driver “Market growth”

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

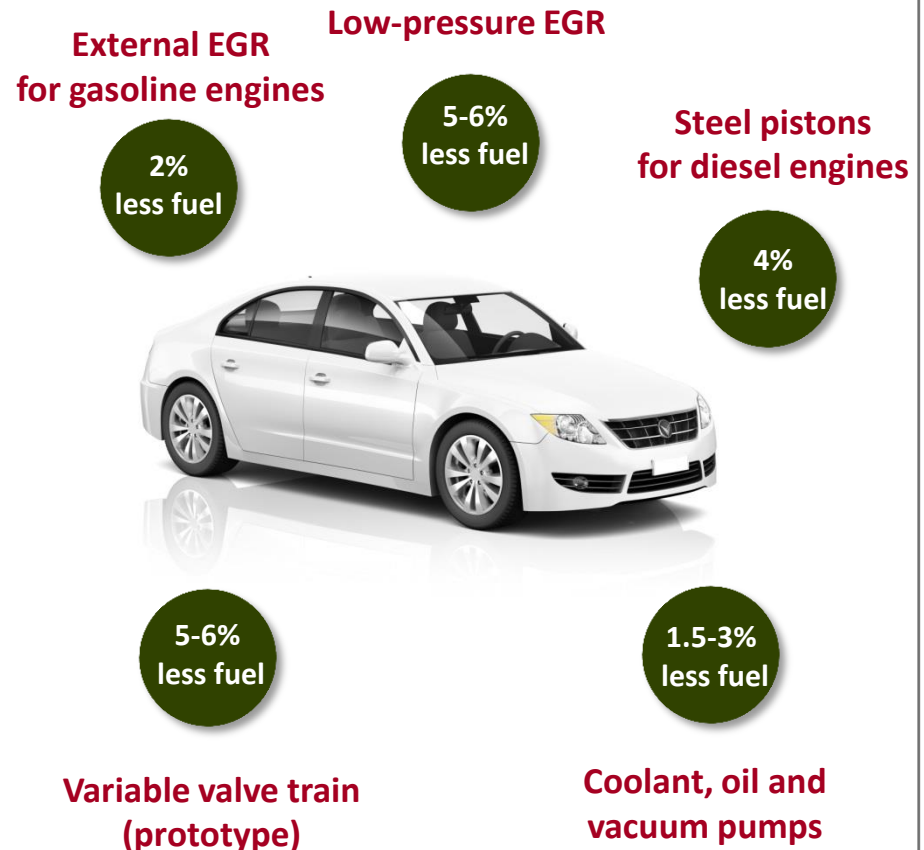
CO₂

NO_x

Additional products to achieve the stricter environmental standards

Trend:
Tightening of
emission standards

EXAMPLES OF PRODUCTS /FUEL SAVINGS in %



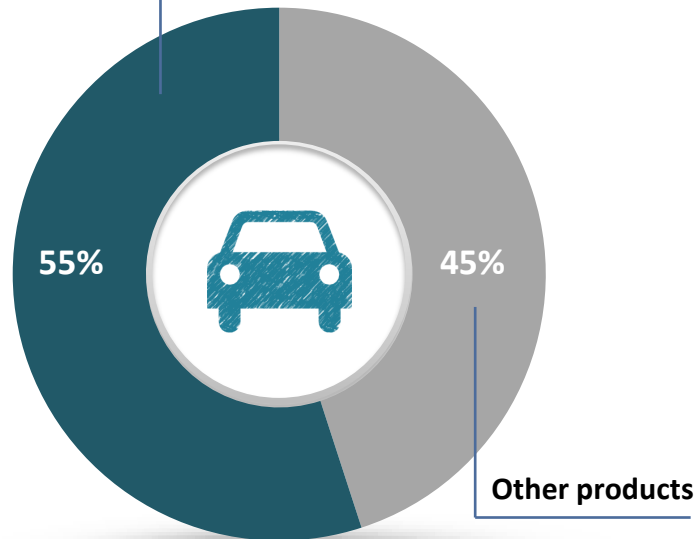


Growth driver “More content per car” and “higher value per product”

Sales share of green technology products will increase to 60%

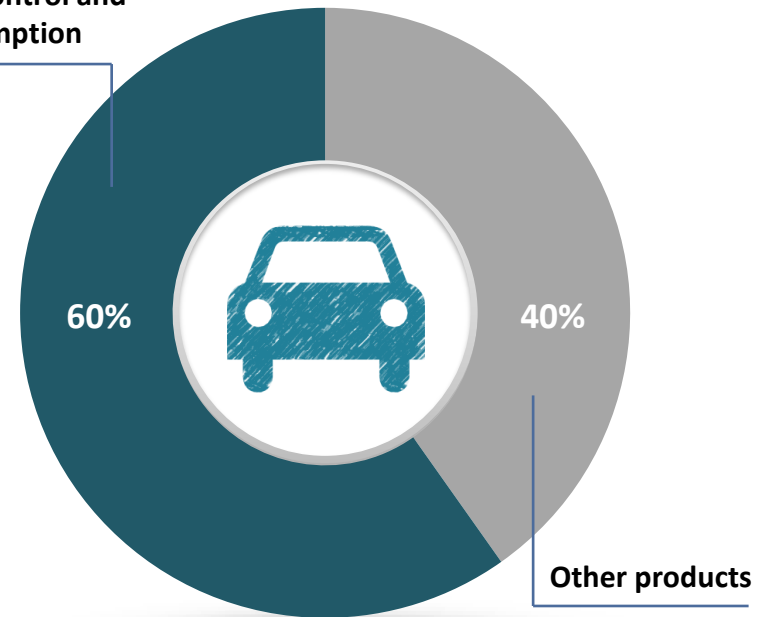
Automotive sales share 2014

Products for
emission control and
fuel consumption



Expected Automotive sales share 2016

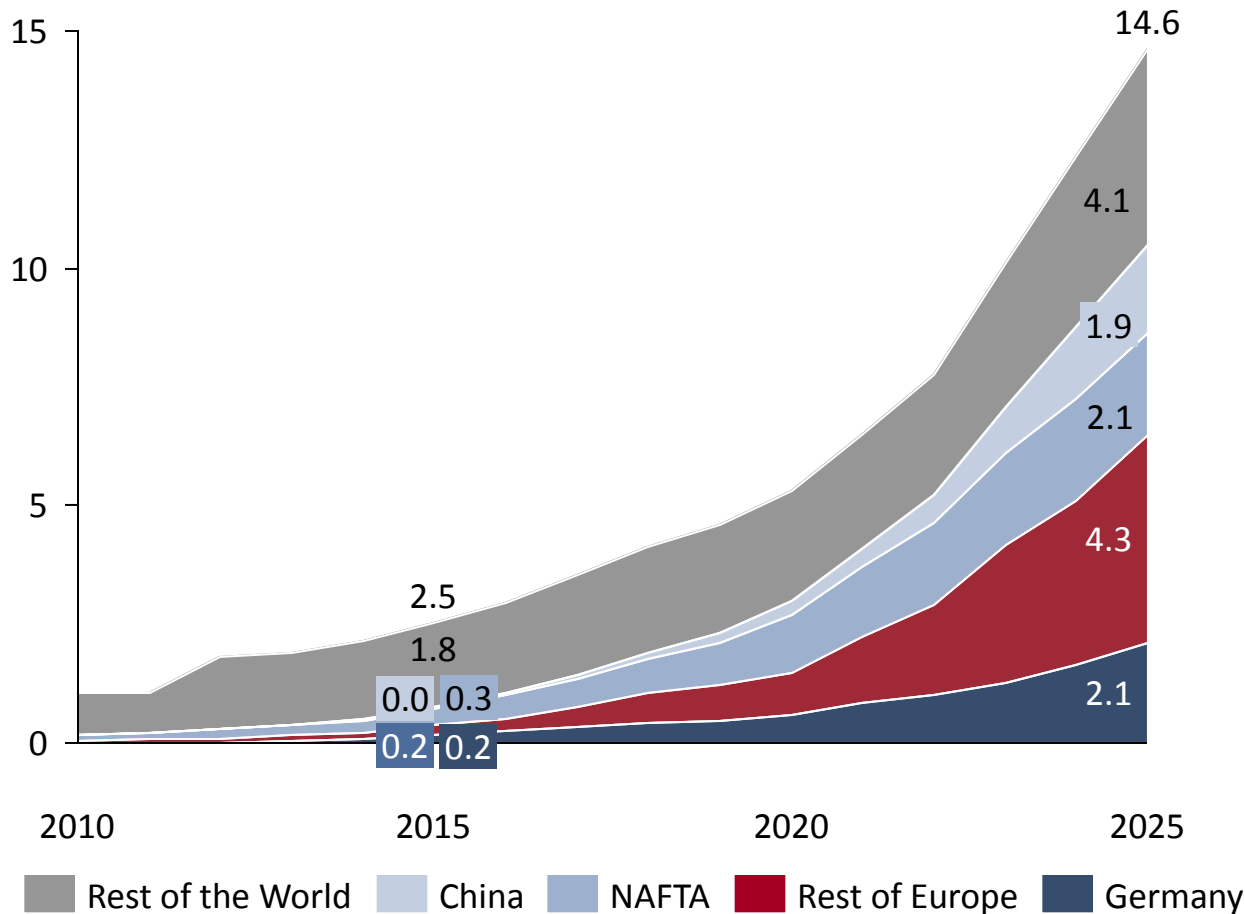
Products for
emission control and
fuel consumption



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 ...

Electric throttle bodies



Actuators



Engine bearings



Solenoid valves



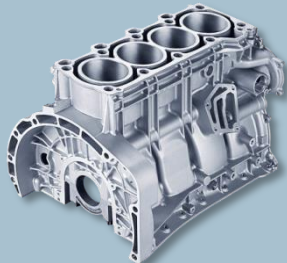
Pistons



Mechanical coolant pumps



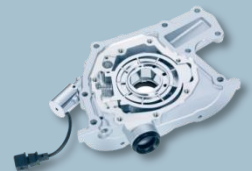
Engine blocks



EGR valves



Oil pumps



Growth driver “More content per car”

Trend of hybridization requires more products of Rheinmetall

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



Growth driver “Higher value of products”

Electrification and downsizing require more sophisticated products

Coolant pump



Mechanical
EUR 9-15



>6x



Electrical
EUR 55-85

Exhaust gas recirculation



Valve
EUR 20-25



>3x



Valve, cooler, bypass
and bypass actuator
EUR 70-90



Oil pump



Mechanical
EUR 8-30



>3x



Variable
EUR 18-55

Piston



Aluminum
EUR 3-12



>3x



Steel
EUR 20-30

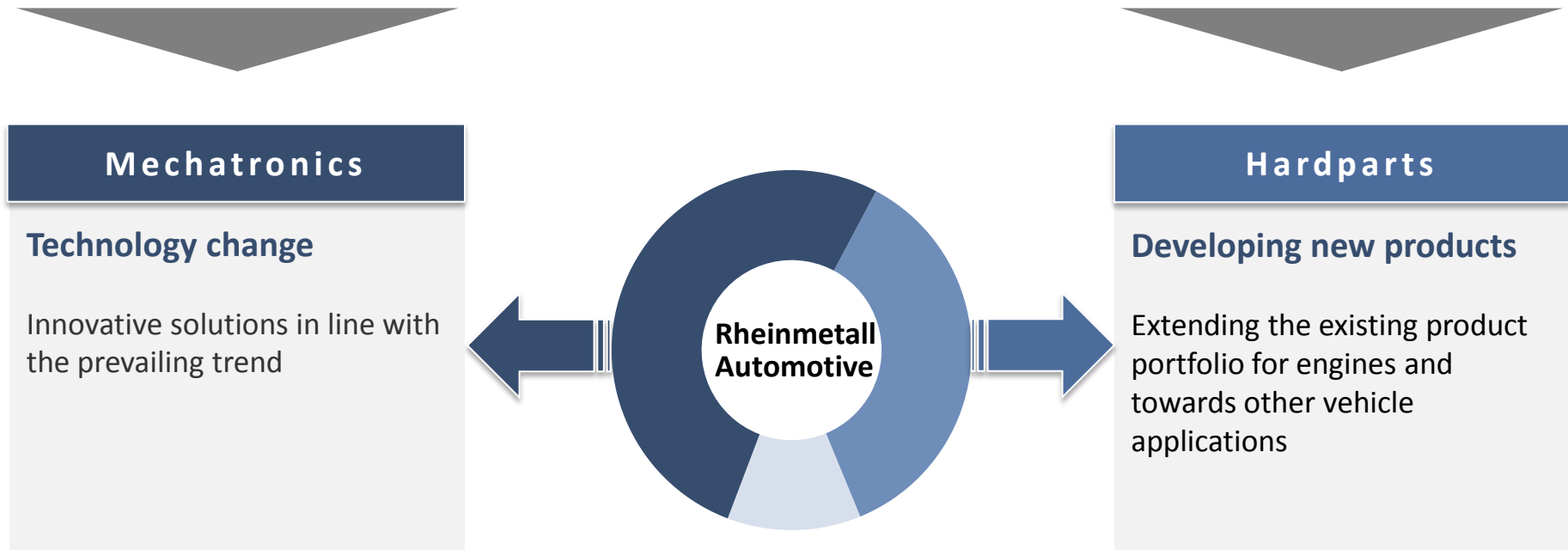


Growth drivers “More content per car” and “Higher value of products”

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 **CO₂-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

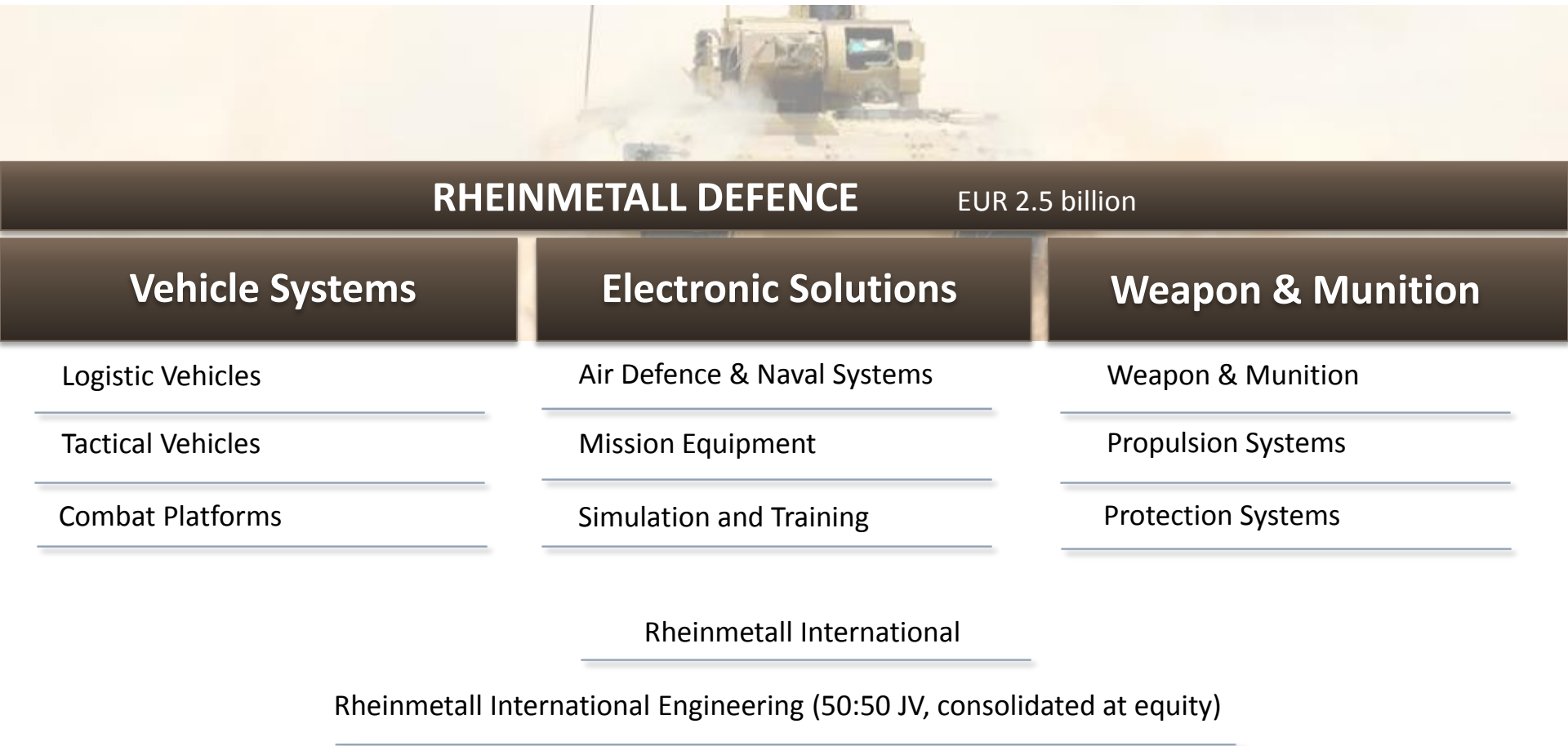


RHEINMETALL DEFENCE



The divisional structure of Defence

More focused organizational structure for the future





Organic growth of Defence

The three main drivers

Growth



3

New markets & new products

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

2

High order backlog

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

1

Market growth

Substantial change in global security situation results in increasing defence budgets



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



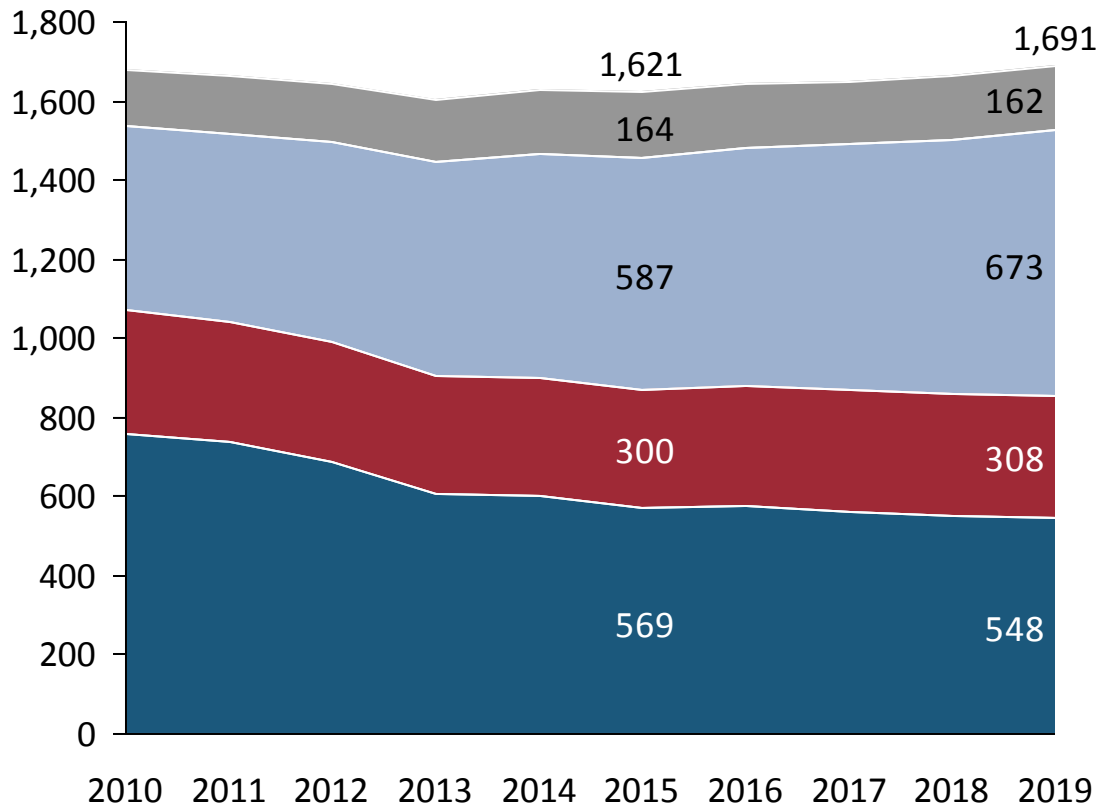
CONFLICTS IN SOUTH CHINA SEA

– 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

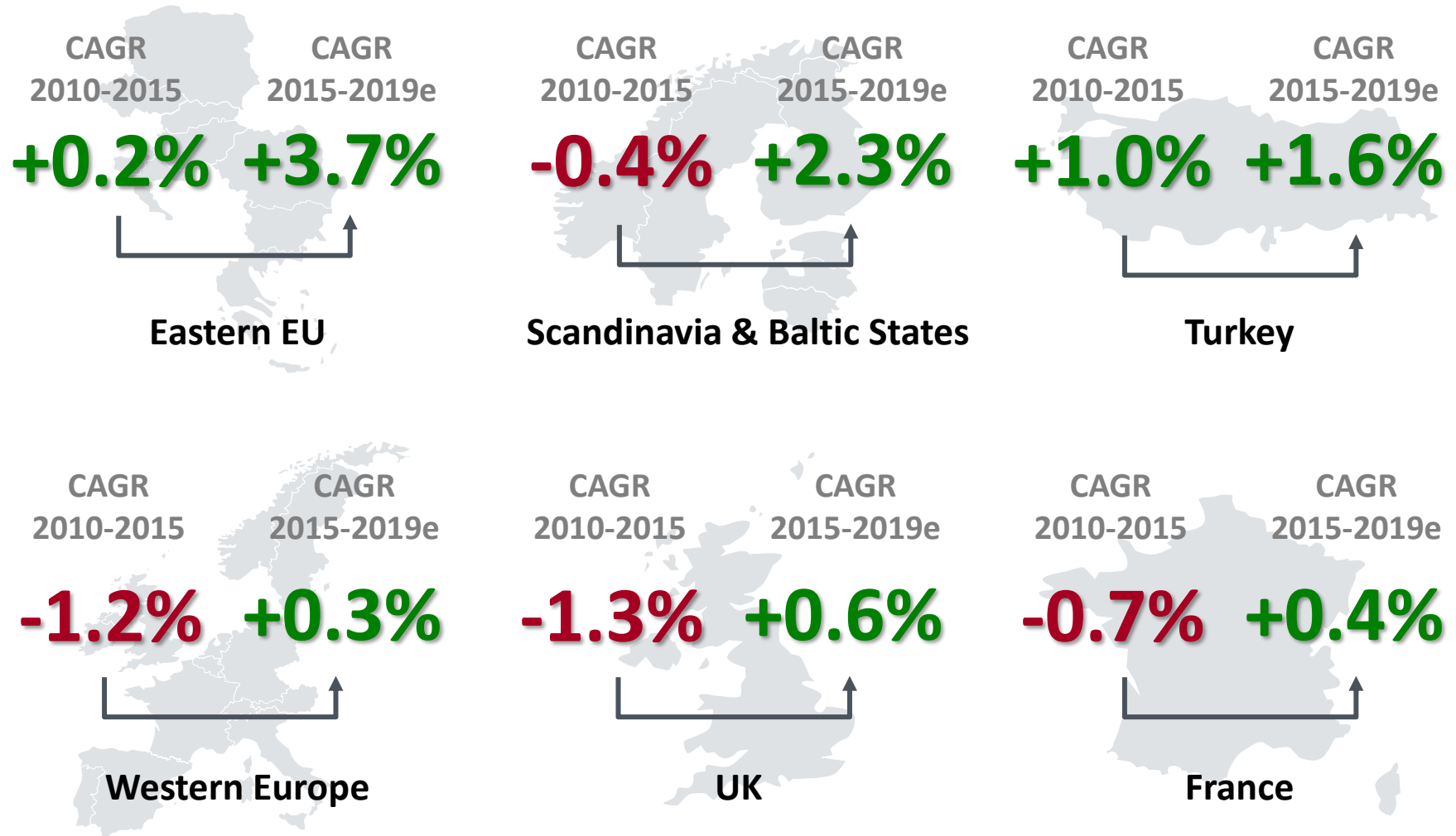
USA

- 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 new Fox 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)

2015

2016

2017

2018

BEYOND



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

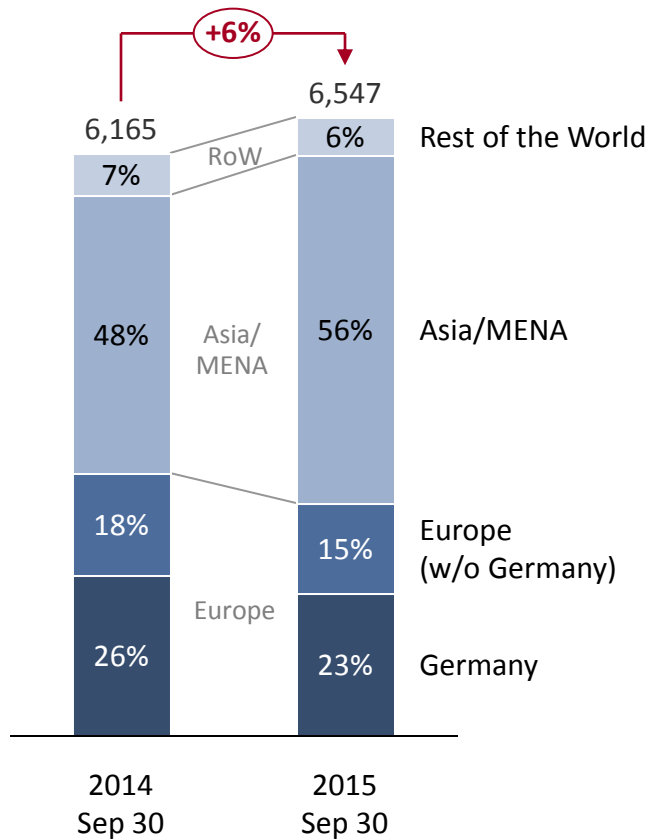
* Integrated light missile system and specific secondary weapon station



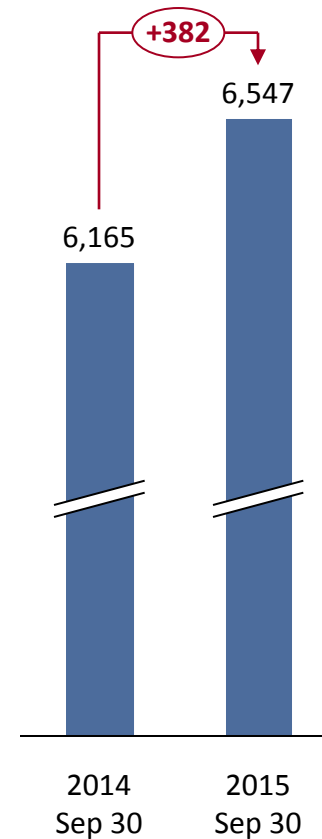
Growth driver “High order backlog”

Mid-term future sales covered by received orders

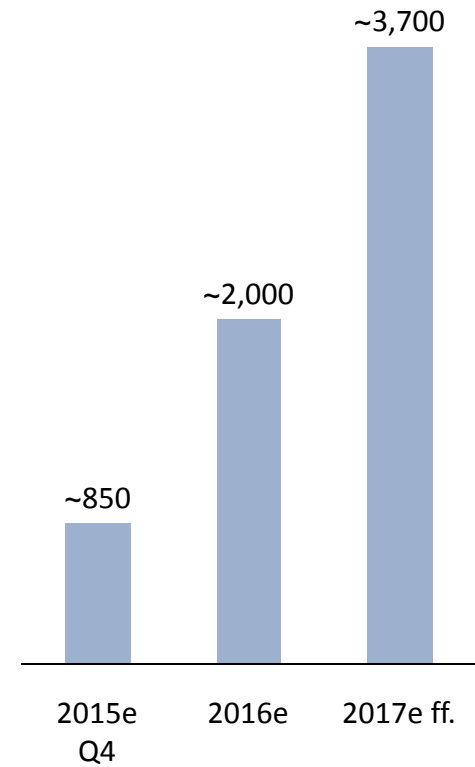
Order backlog by region in EUR million



Order backlog... in EUR million



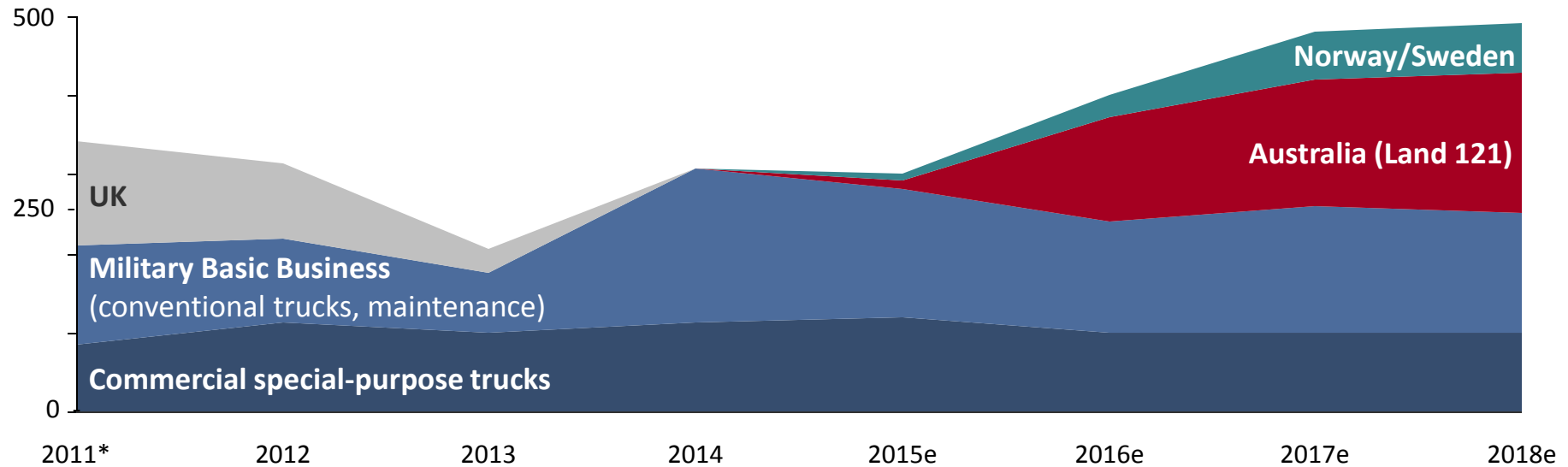
...turning into sales



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**

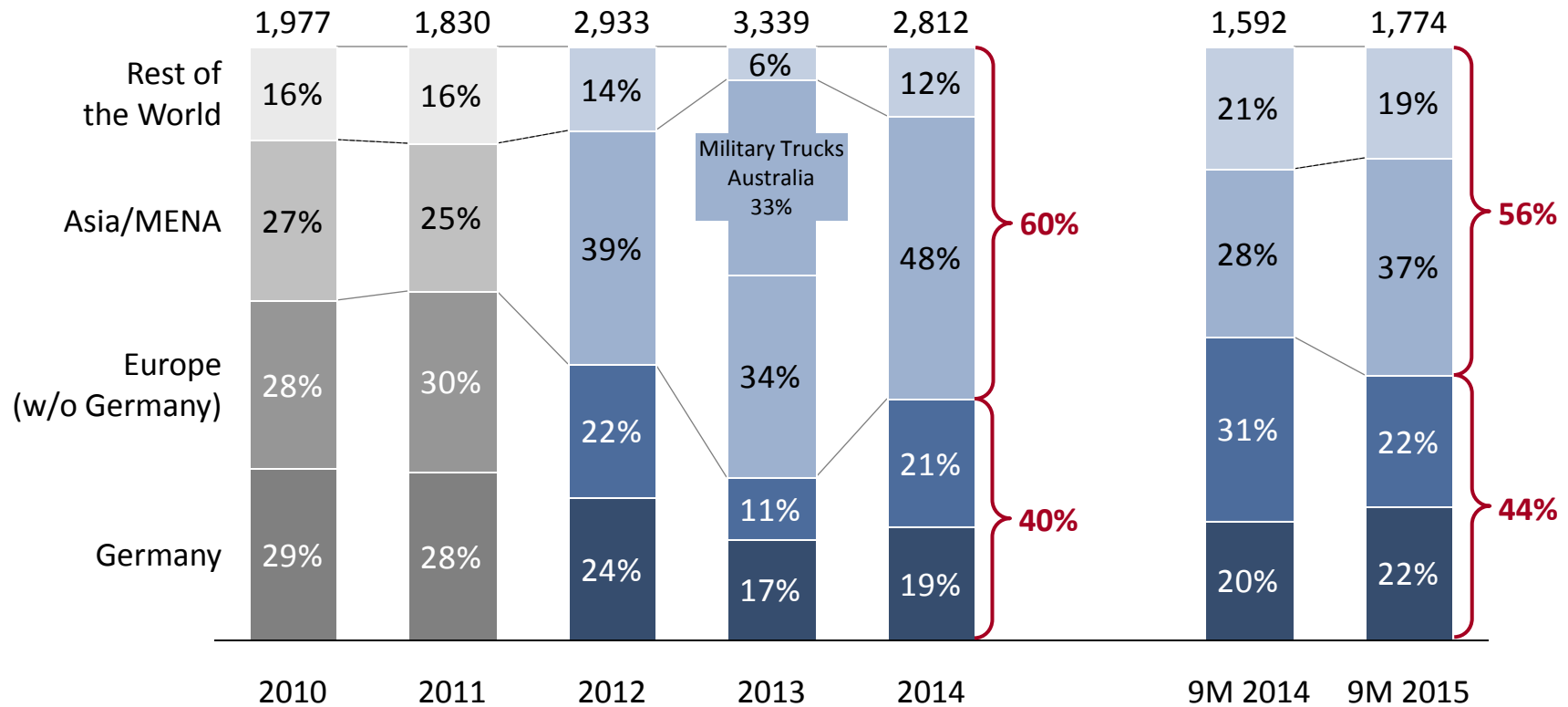
* 2010 and 2011 not in Rheinmetall consolidation scope



Growth driver “New markets & new products”

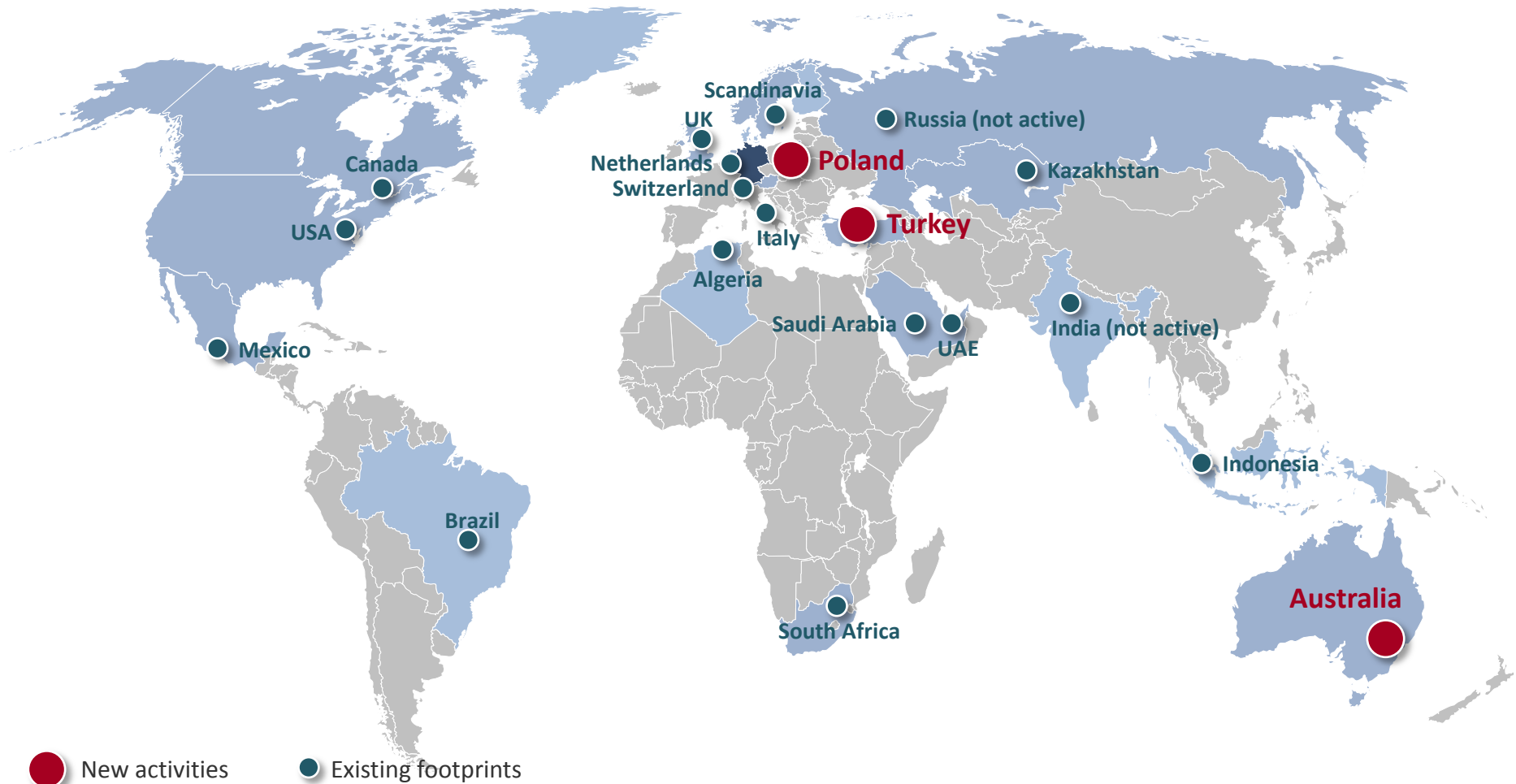
Non-European share of orders raised to roughly 60%

Order intake by region in EUR million



Growth driver “New markets & new products”

Recent activities expand international network for realizing growth potential





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 21st 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

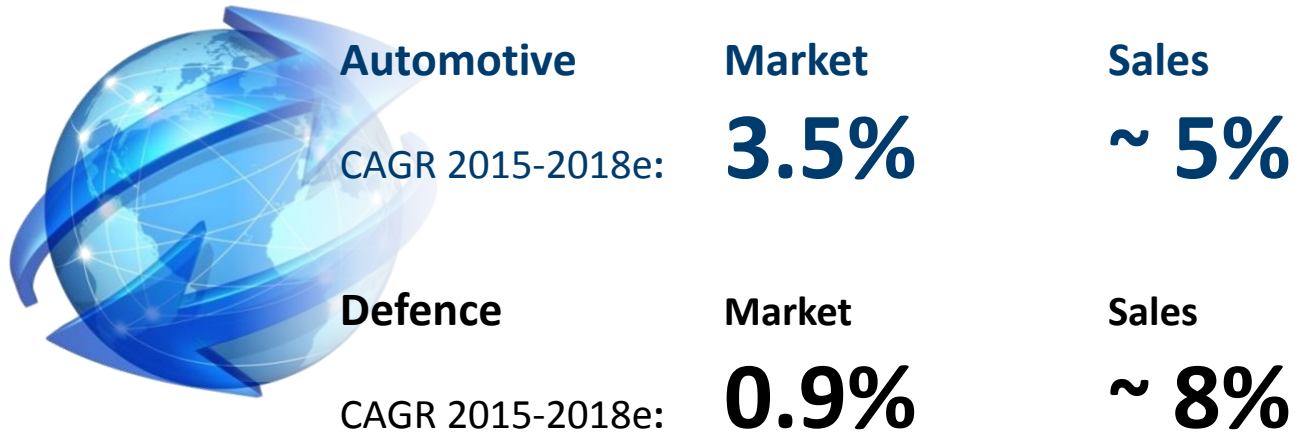
- 2015: **Achieving turnaround** with an EBIT margin of slightly above 3%
- 2016 and 2017: **Further margin improvement** expected



Mid-term perspective

Looking ahead: Markets and Rheinmetall

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



— 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

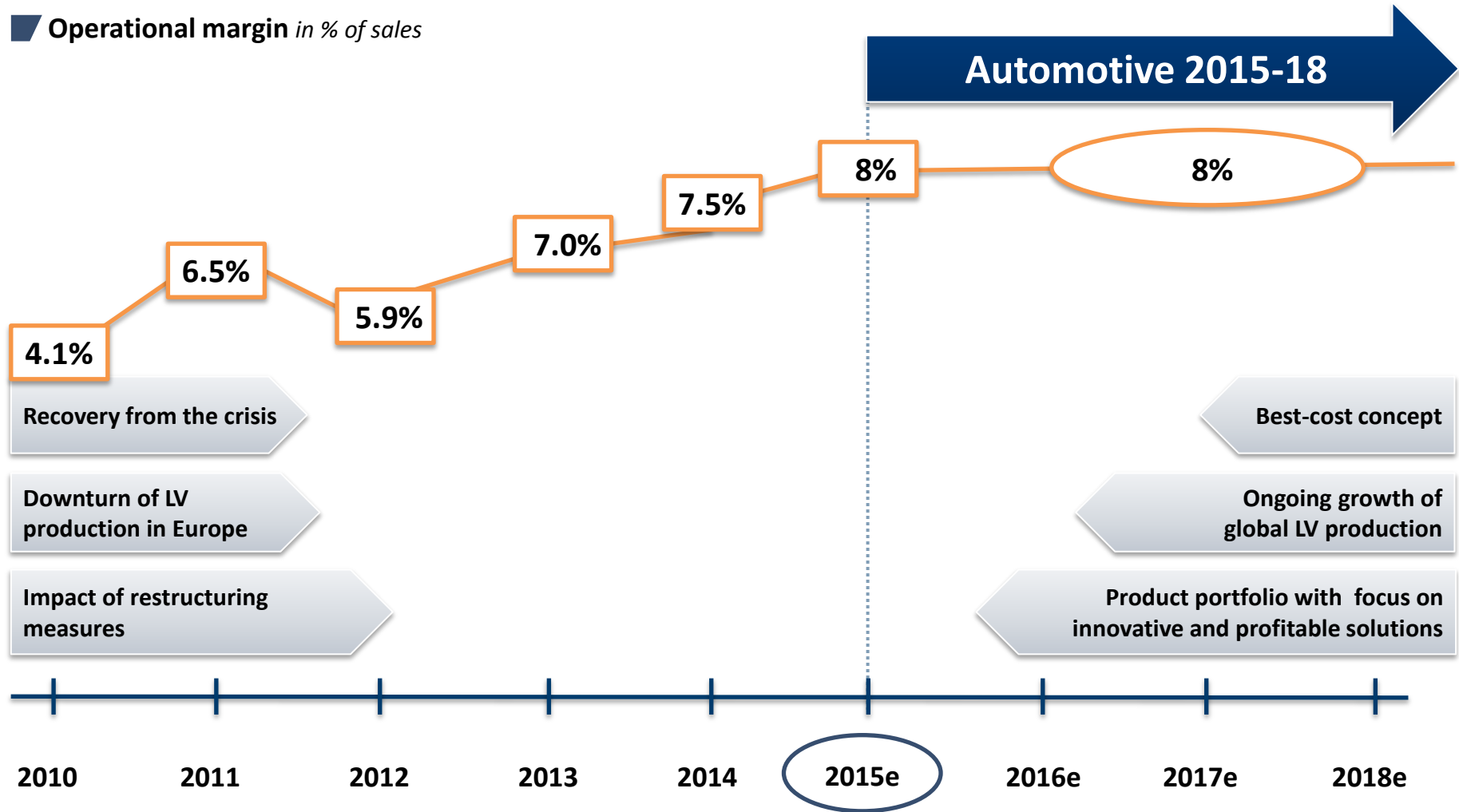
Source: IHS Automotive/IHS Jane's (November 2015)



Automotive 2015 and beyond

Maintaining the target margin level

Operational margin *in % of sales*

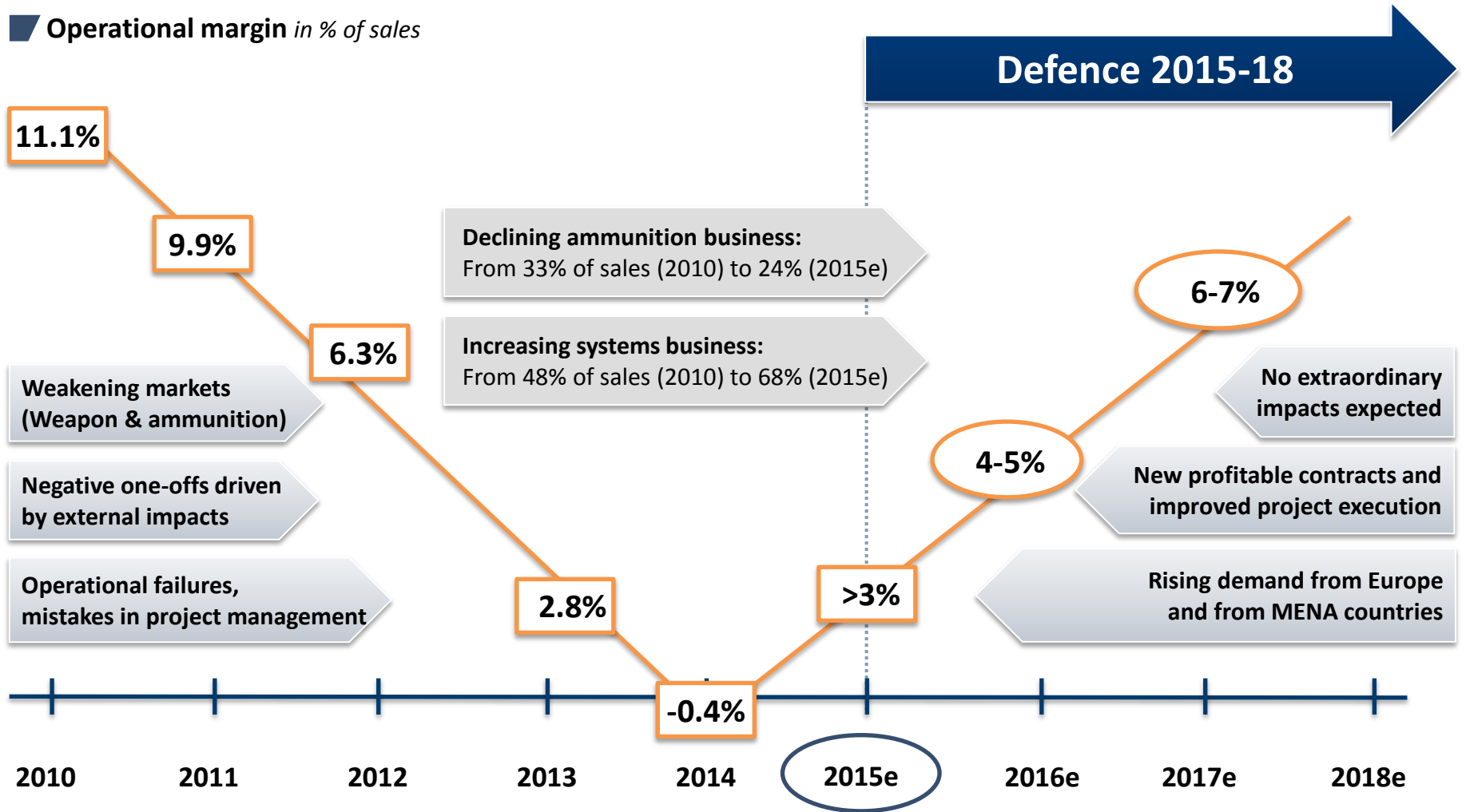




Defence 2015 and beyond

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

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	2,466
365	409	418	392	416
1,982	2,313	2,369	2,262	2,448
81	151	139	158	184
4.1	6.5	5.9	7.0	7.5
81	151	139	124	184
4.1	6.5	5.9	5.5	7.5
96	104	148	142	158
10,816	11,548	12,003	10,927	10,830
n/a	1,025	1,091	1,171	1,322
n/a	69	69	66	96
n/a	6.7	6.3	5.6	7.3
n/a	1,092	1,087	889	934
n/a	65	57	27	72
n/a	6.0	5.2	3.0	7.7
n/a	258	265	268	269
n/a	24	25	27	26
n/a	9.3	9.4	10.1	9.7

in EUR million		
Order intake		
Order backlog (Dec. 31)		
Sales		
Operating result		
Operating margin (in %)		
EBIT		
EBIT margin (in %)		
Capex		
Employees (Dec 31) according to capacity		
Mechatronics	Sales	Combat
	EBIT	Systems
	EBIT margin	
Hardparts	Sales	Electronic
	EBIT	Solutions
	EBIT margin	
Aftermarket	Sales	Wheeled
	EBIT	Vehicles
	EBIT margin	

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

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)

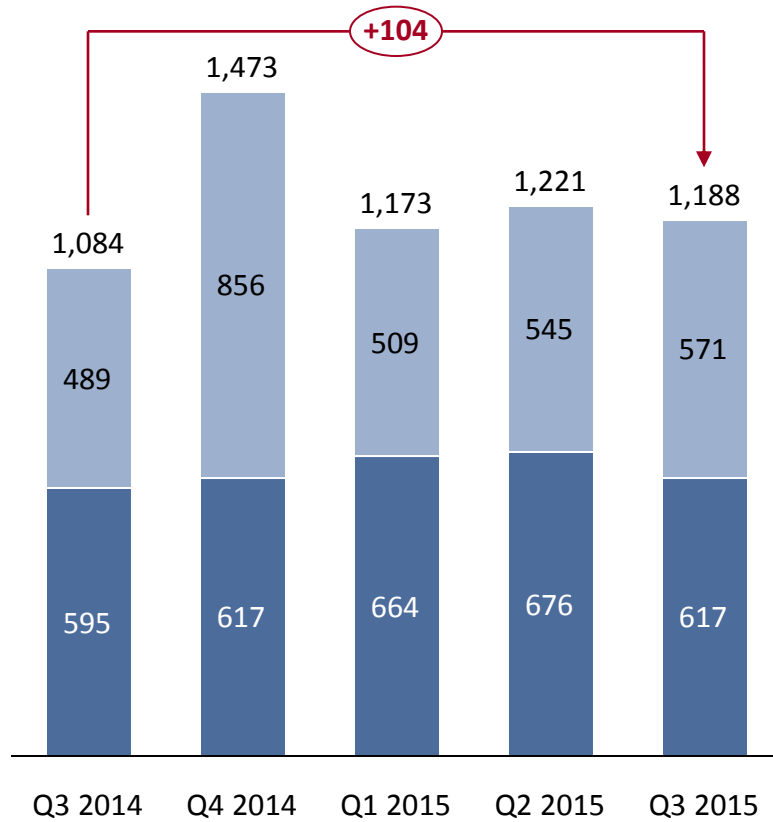


Key figures 9M 2015

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

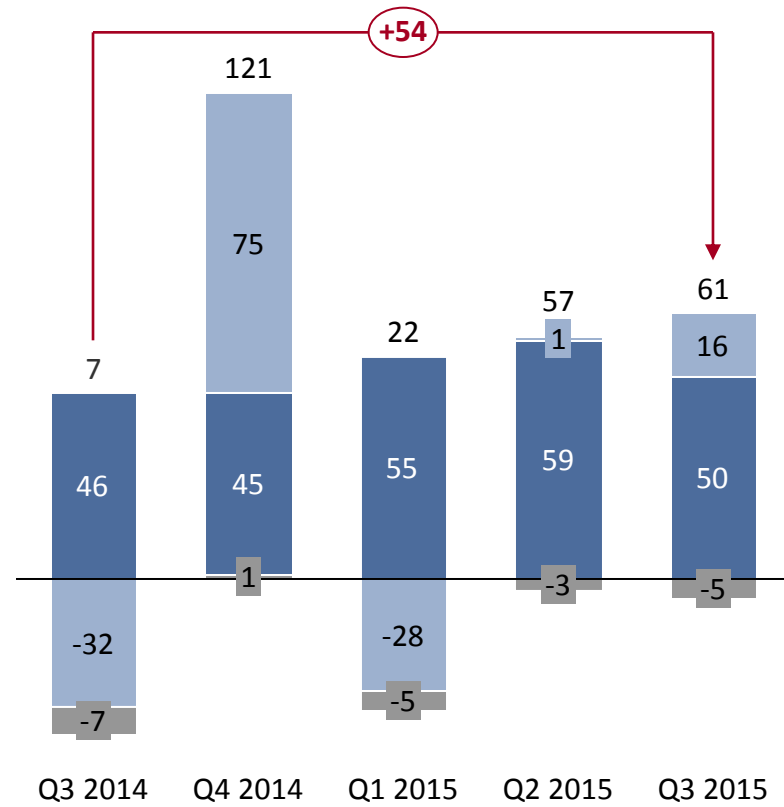
Quarterly development

■ Sales in EUR million



■ Defence ■ Automotive ■ Consolidation/Others

■ 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	30	+ 44
Amortization / depreciation	49	59	49	50	49	± 0
Change in pension accruals	- 2	- 1	0	1	0	+ 2
Cash flow	33	101	54	80	79	+ 46
Changes in working capital and other items	70	334	- 202	- 100	8	- 62
Net cash used in operating activities	103	435	- 148	- 20	87	- 16
Cash outflow for additions to tangible and intangible assets	- 50	- 120	- 56	-55	- 78	- 28
Free cash flow from operations	53	315	- 204	- 75	9	- 44



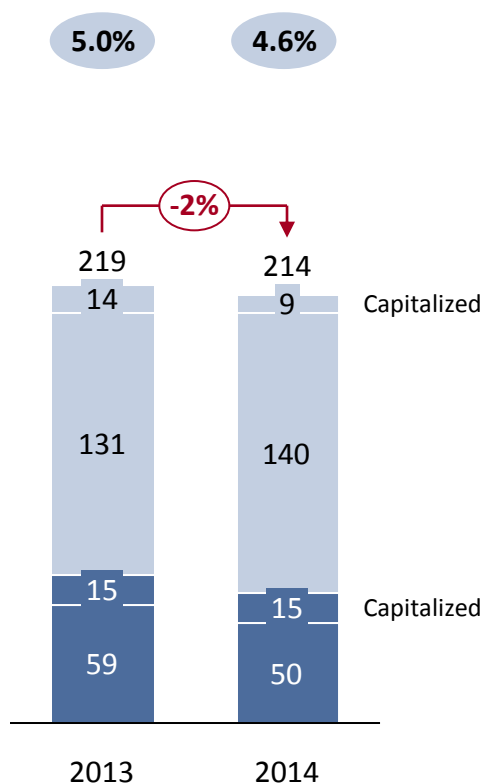
Balance sheet

<i>in EUR million</i>	2014 Sep 30	2014 Dec 31	2015 Sep 30	Δ 2015/ 2014 Sep 30
Assets	5,211	5,271	5,230	+ 19
Non-current assets	2,389	2,504	2,577	+ 188
Current assets	2,822	2,767	2,653	- 169
Equity & Liabilities	5,211	5,271	5,230	+ 19
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

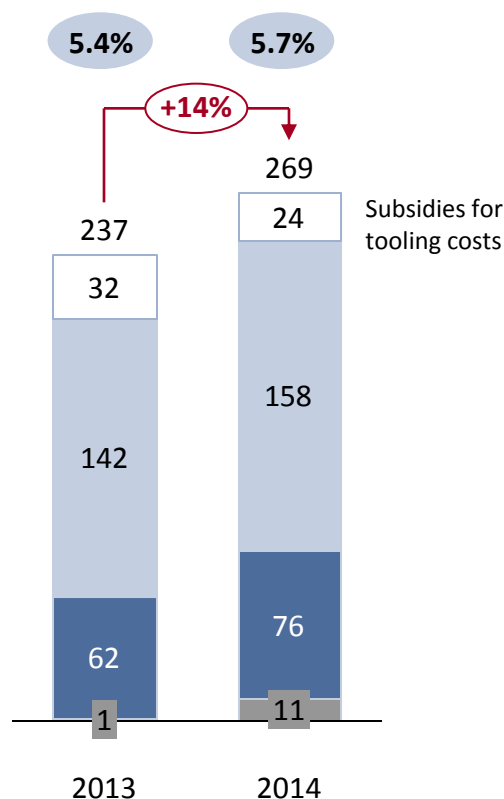
Capex and R&D

More than EUR 400 million invested in the future

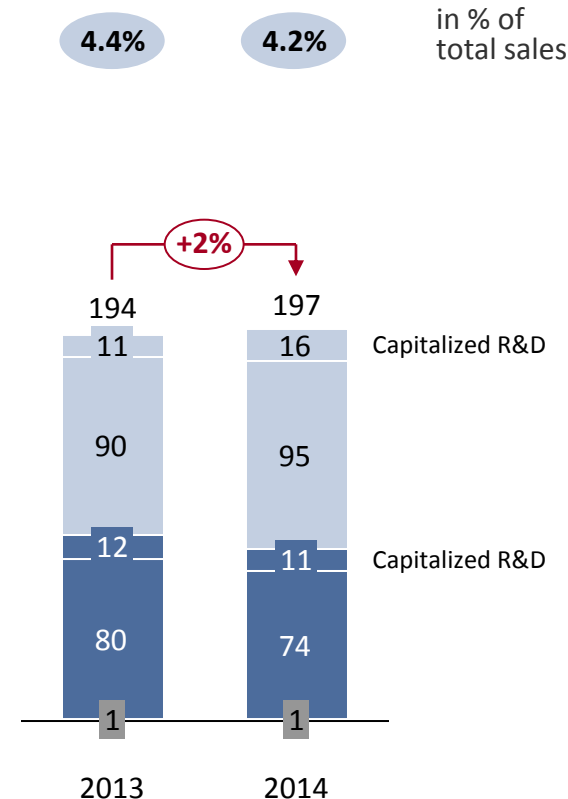
■ R&D in EUR million



■ Capex in EUR million



■ Depreciation & amortization in EUR million



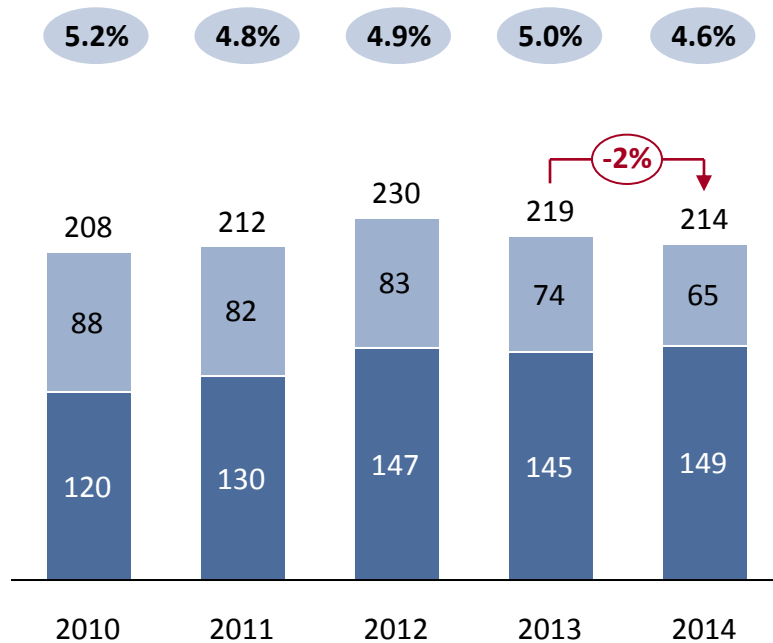
■ Automotive ■ Defence ■ Consolidation/others

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)

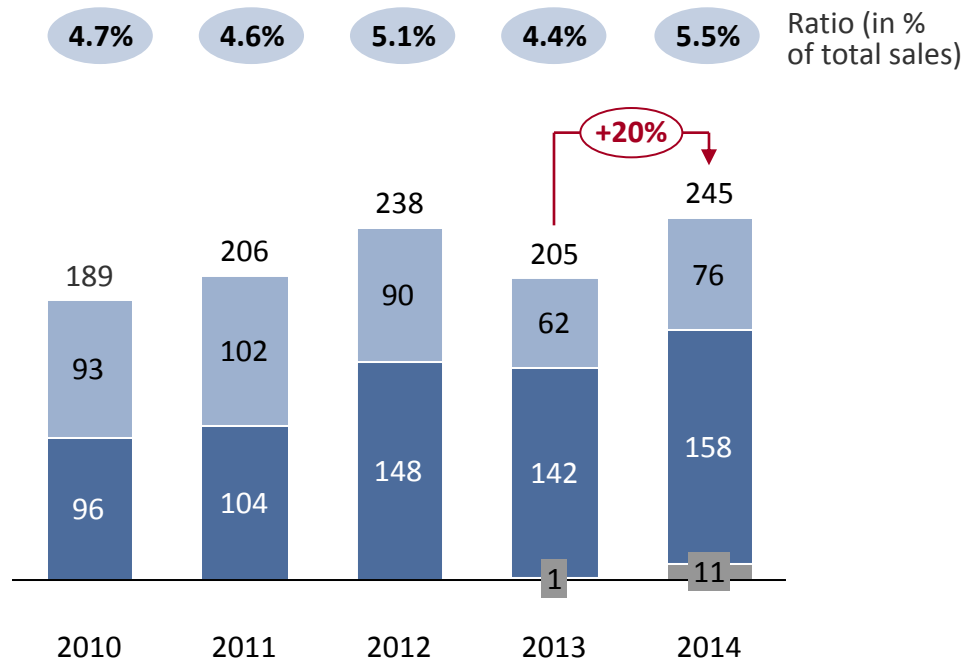
Capex and R&D

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

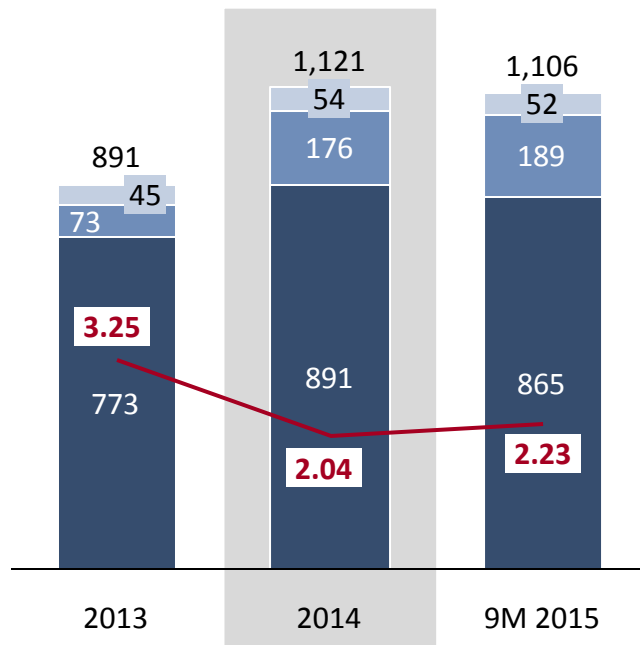
<i>in EUR million</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Δ Q3 2015/2014
Net income	- 39	20	- 30	- 8	3	+ 42
Amortization / depreciation	21	23	21	21	21	± 0
Change in pension accruals	2	- 2	0	3	2	± 0
Cash flow	- 16	41	- 9	16	26	+ 42
Changes in working capital and other items	84	271	- 142	- 112	- 25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



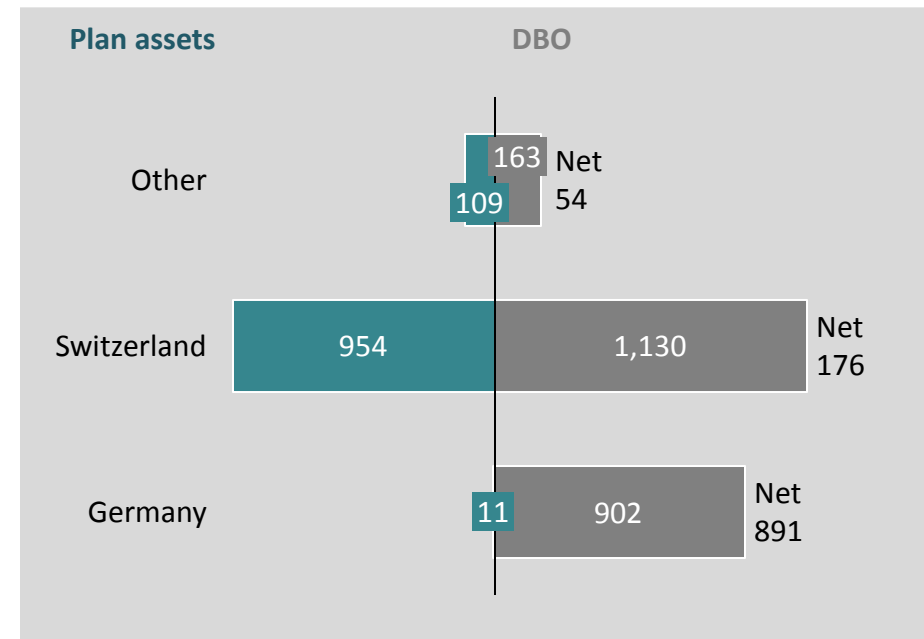
Pension obligations

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*

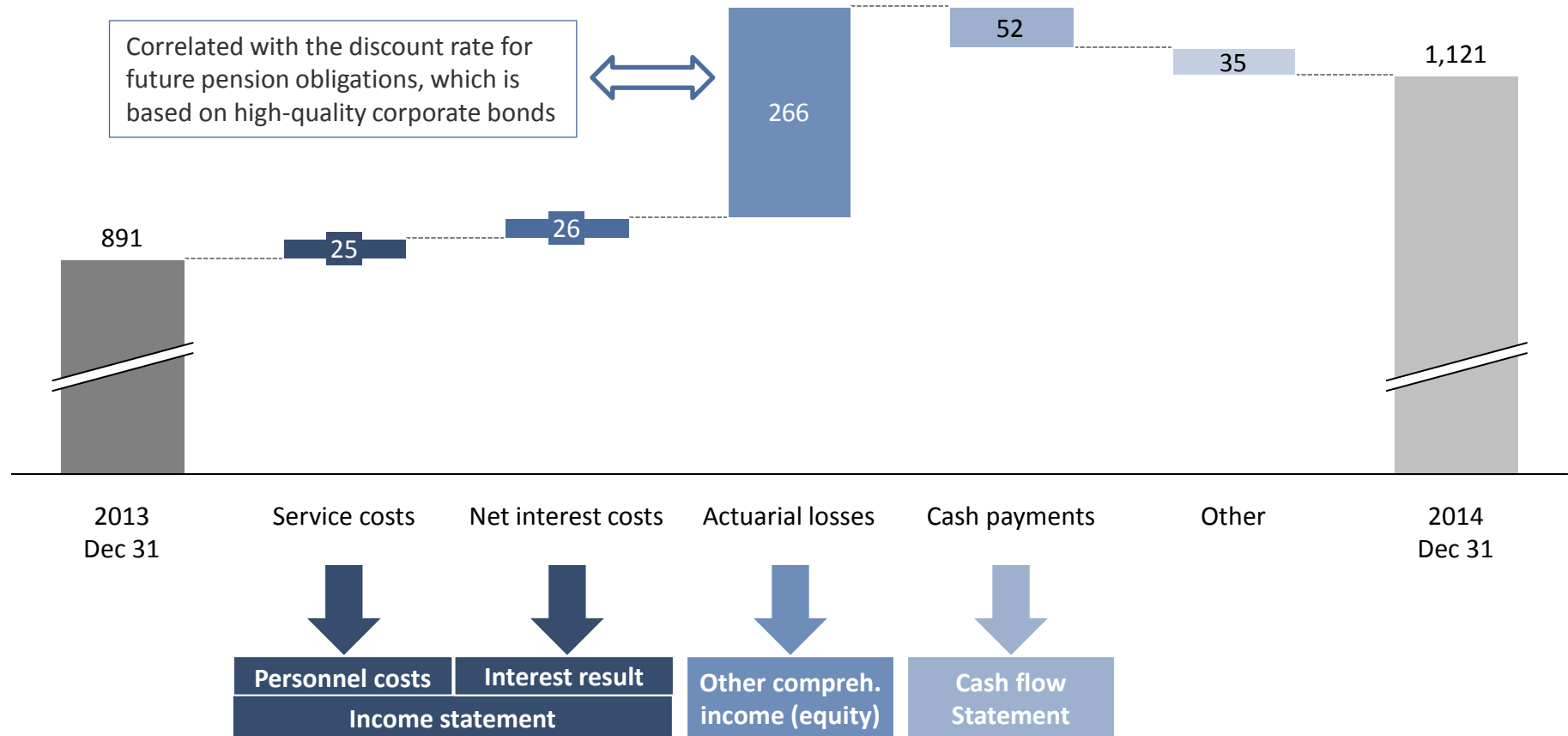
* For German pension liabilities of Rheinmetall



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			
Total Defence	51	9	600	13	~30	~40
Hardparts (esp. Pistons Thionville/Neckarsulm)	22		440			
Mechatronics (esp. merging Neuss/Nettetal)	11		100			
Aftermarket	1		10			
Total Automotive	34	0	550	12	~20	~25
Total Group	85	9	1,150	25	~50	~65
Status as at September 30, 2015			<div> <div>91%</div> <div>1,046</div> </div>			

* 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

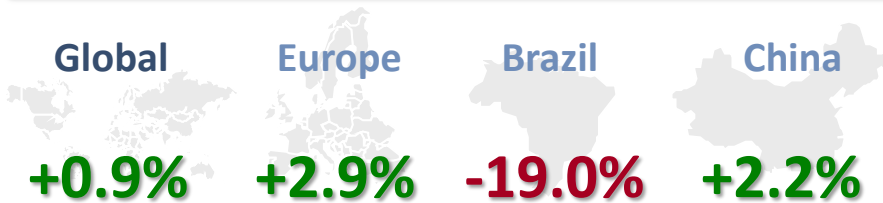
Share price

- Strongly recovered share price

Market environment

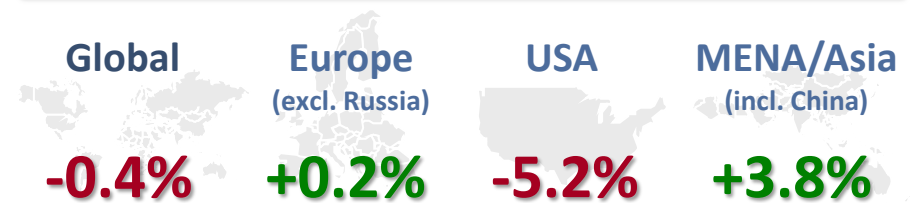
Reduced global LV production expectations, Defence slightly decreasing

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)



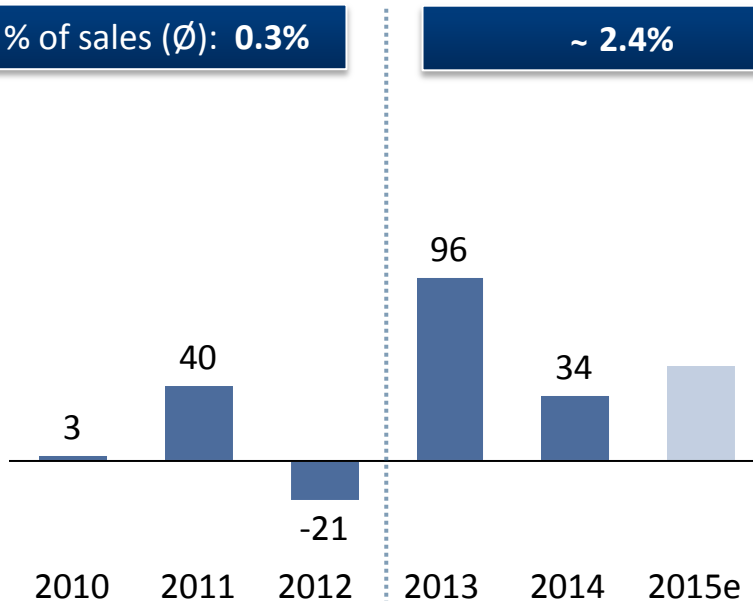
Cash flow generation as future priority

Automotive und Defence: mixed effects in previous years

Operating Free Cash Flow Automotive in EUR million

in % of sales (Ø): 0.3%

~ 2.4%

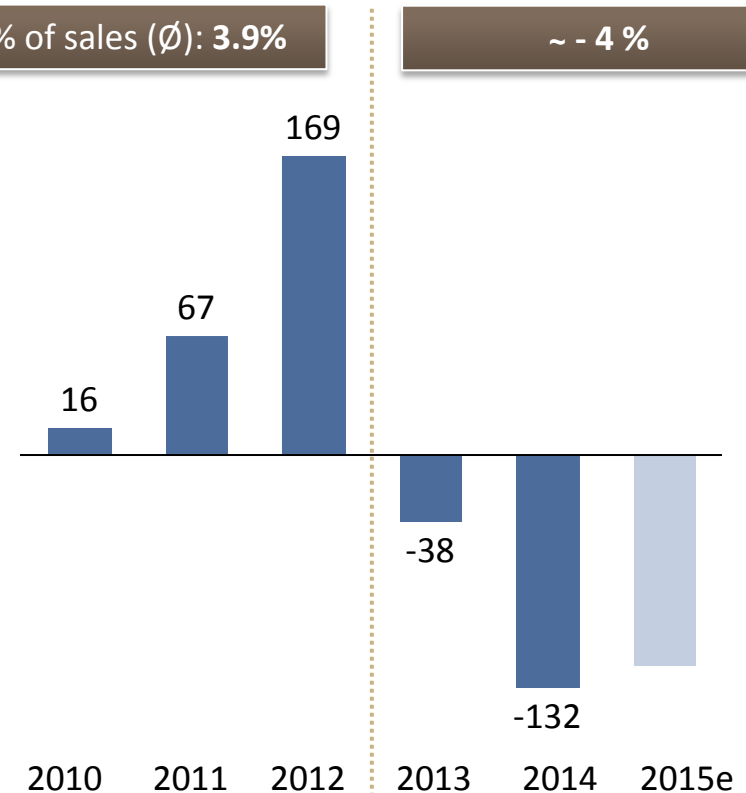


Positive cash contribution after recovery from crisis and comprehensive restructuring efforts

Operating Free Cash Flow Defence in EUR million

in % of sales (Ø): 3.9%

~ - 4 %



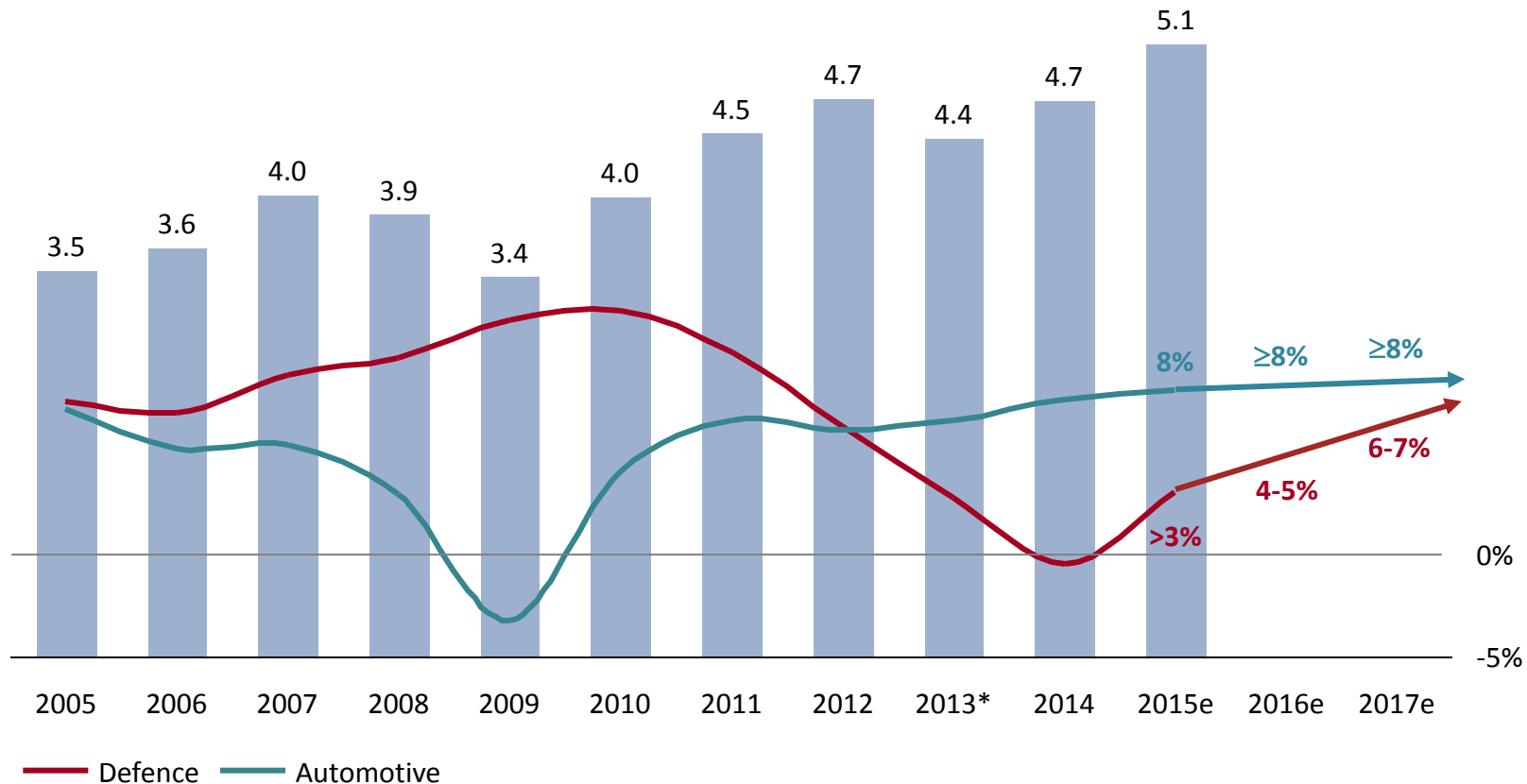
Since 2013, deteriorating performance has lead to negative cash flow development



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



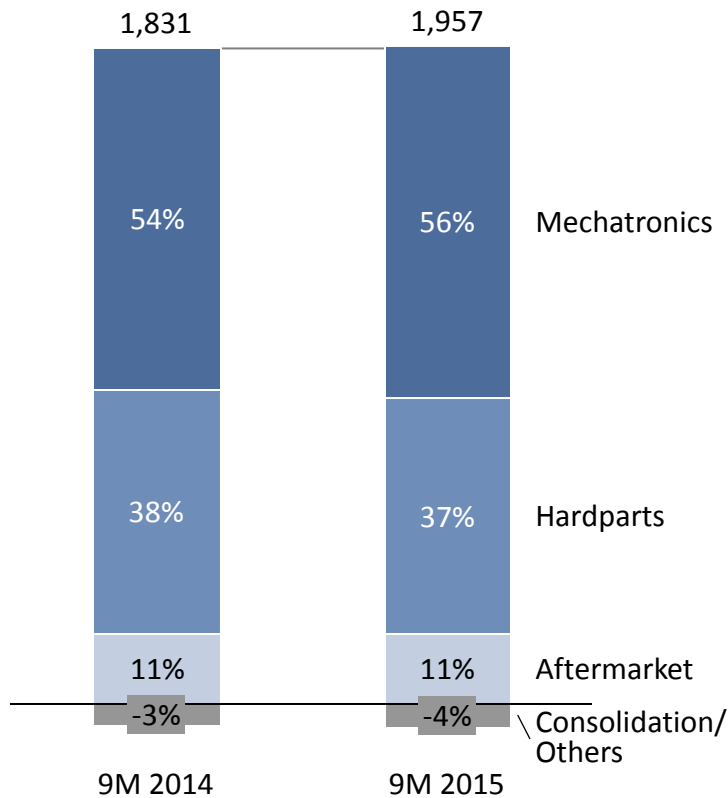
Key figures 9M 2015

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

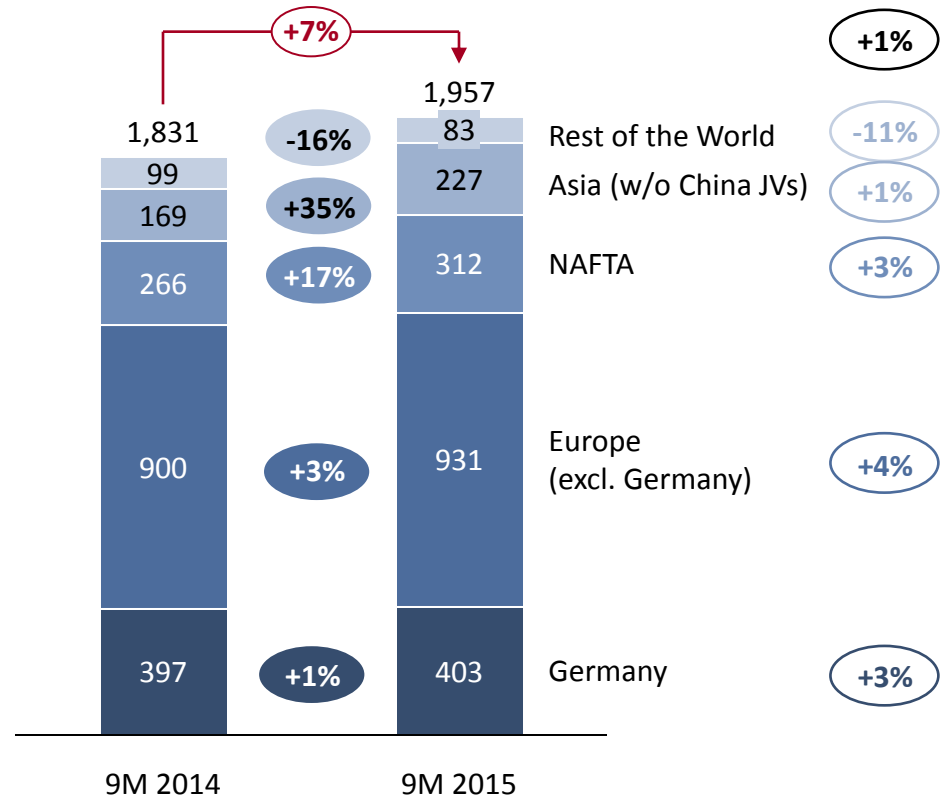


Mechatronics showing increasing sales share **Automotive significantly outperforming the NAFTA and the Asian market**

■ Sales by division in EUR million



■ Sales by region in EUR million



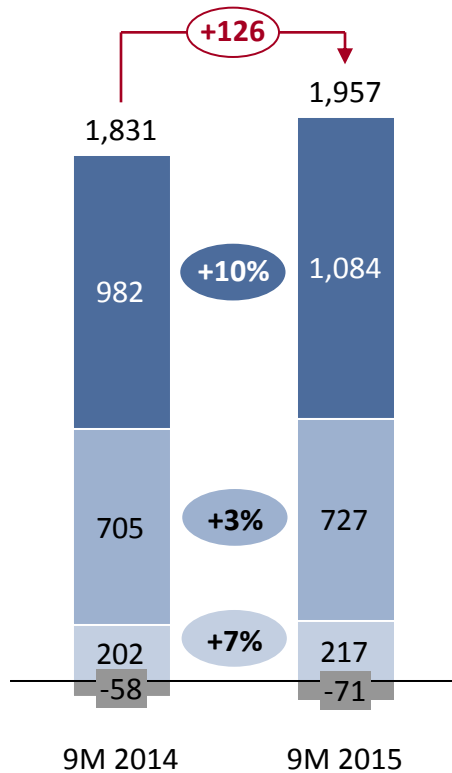
* 9M 2015 vs. 9M 2014, source: IHS Automotive (October 2015)



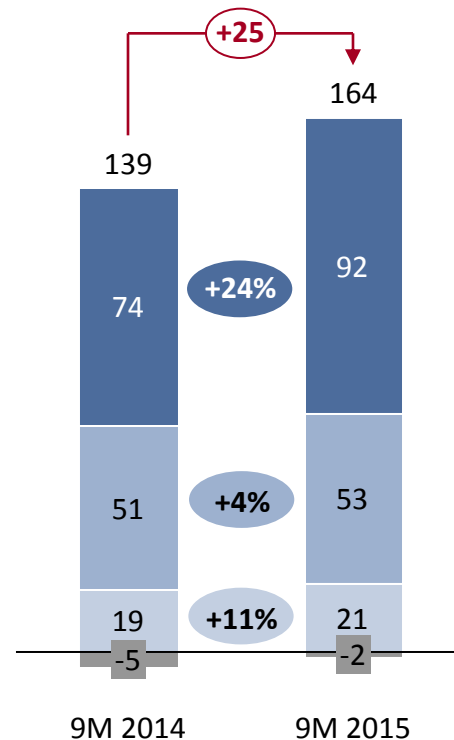
Top line growth particularly driven by Mechatronics

Earnings benefit from higher sales volumes

■ Sales Automotive in EUR million



■ Operational earnings Automotive in EUR million



Reasons for earnings development

Mechatronics

- Higher sales
- Increased efficiency

Hardparts

- Lower at-equity contribution by Chinese JVs
- Positive at-equity results of new castings JV (former ATAG)

Aftermarket

- Higher sales





Cash flow statement

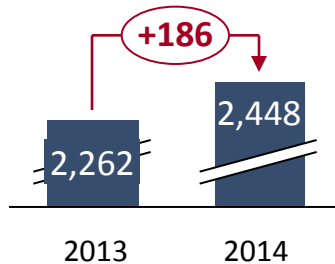
<i>in EUR million</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Δ Q3 2015/2014
Net income	37	29	40	43	35	- 2
Amortization / depreciation	27	36	28	28	28	+ 1
Change in pension accruals	0	- 1	0	0	- 2	- 2
Cash flow	64	64	68	71	61	- 3
Changes in working capital and other items	- 1	79	- 60	4	40	+ 41
Net cash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

FY 2014

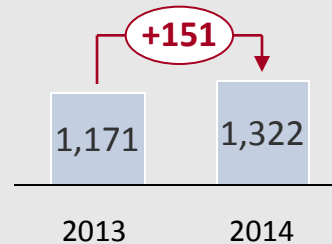
Key figures Automotive by division

Continuing operations in EUR million

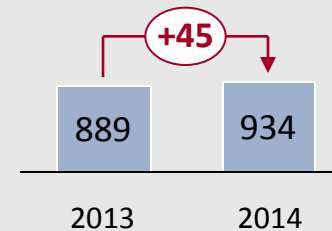
Sales



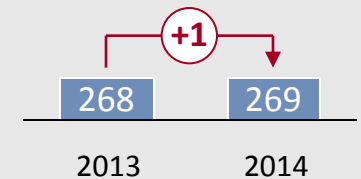
Mechatronics



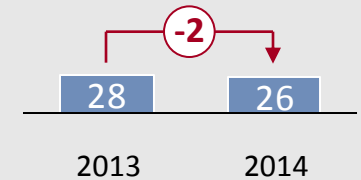
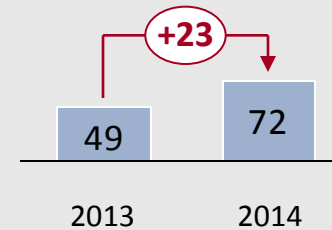
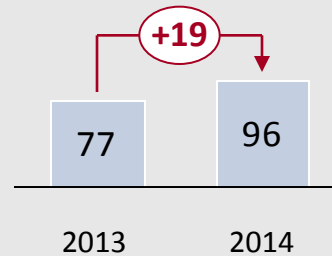
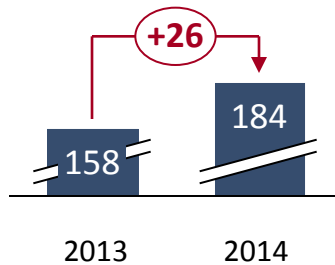
Hardparts



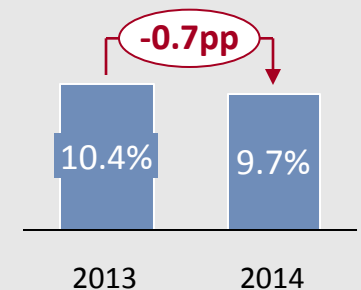
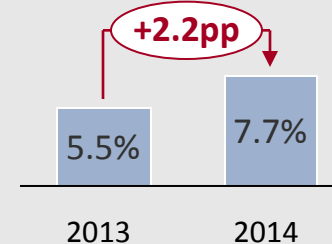
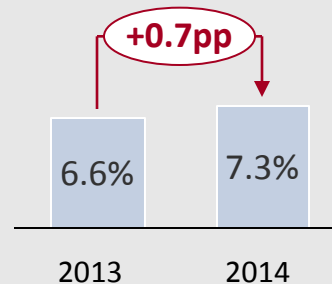
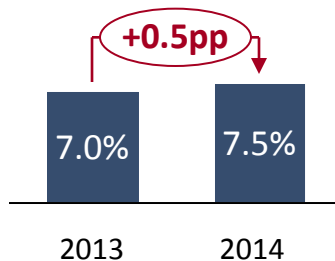
Aftermarket



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)

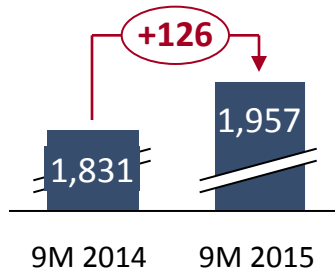


9M 2015

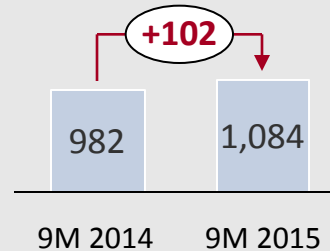
Key figures Automotive by division

in EUR million

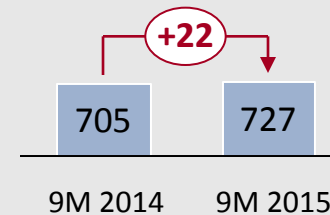
Sales



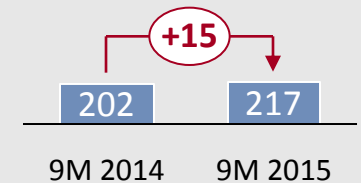
Mechatronics



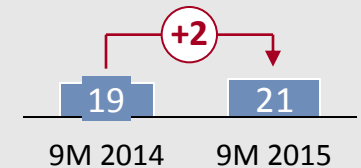
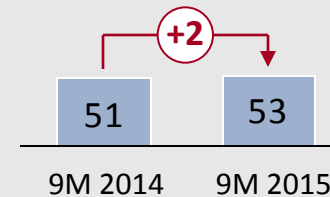
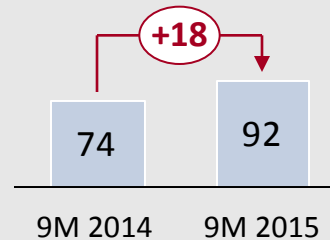
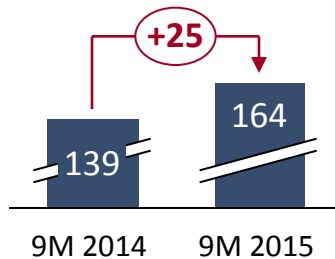
Hardparts



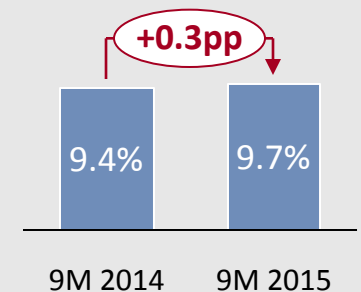
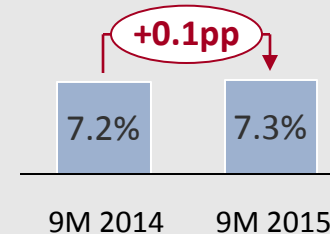
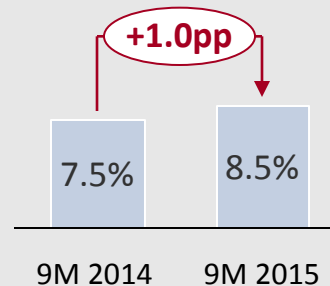
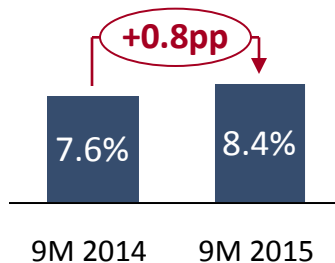
Aftermarket



Operational earnings



Operational margin

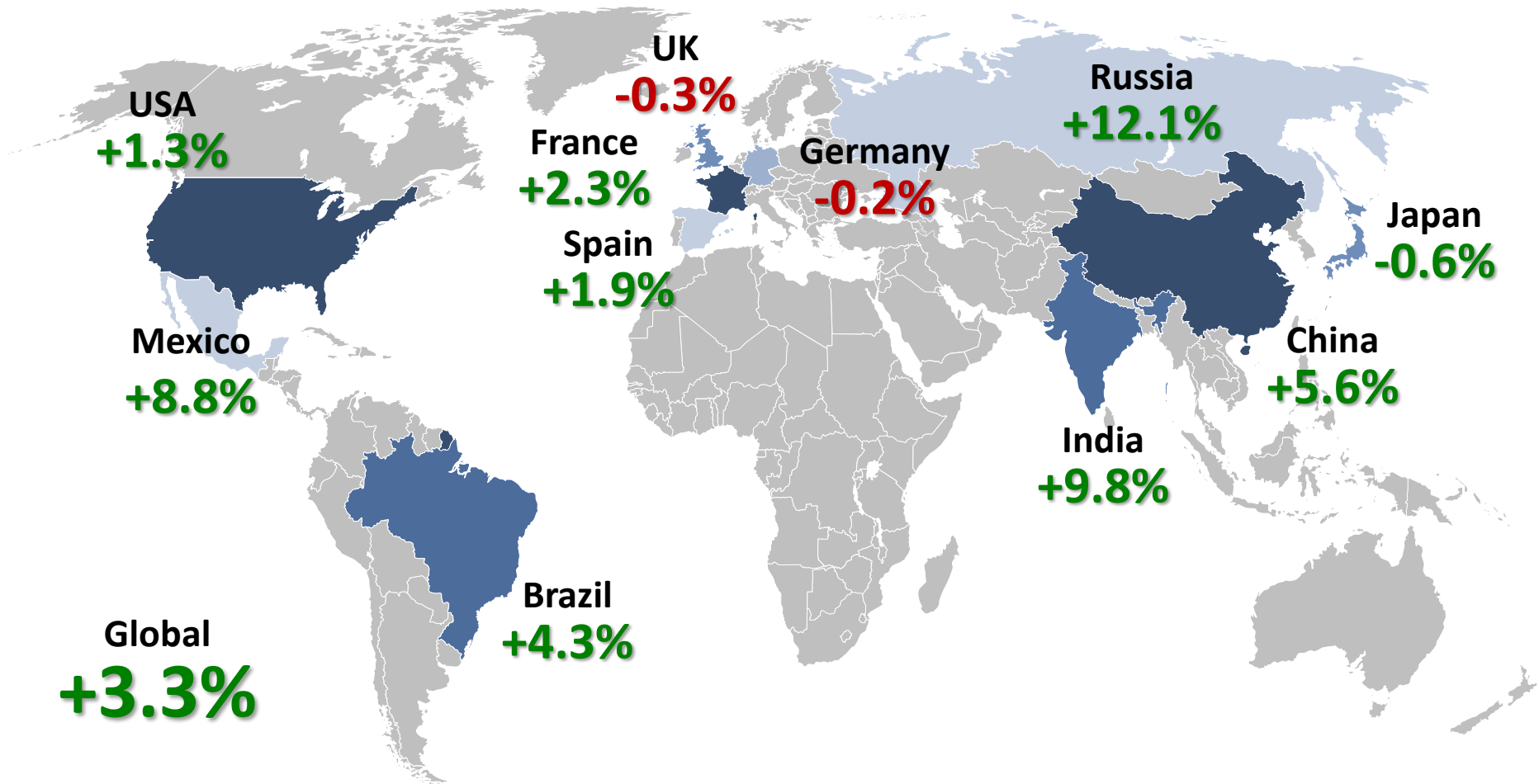


Figures before intrasegmental consolidation

Automotive market

Globally growing with moderate increase in Europe and the United States

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

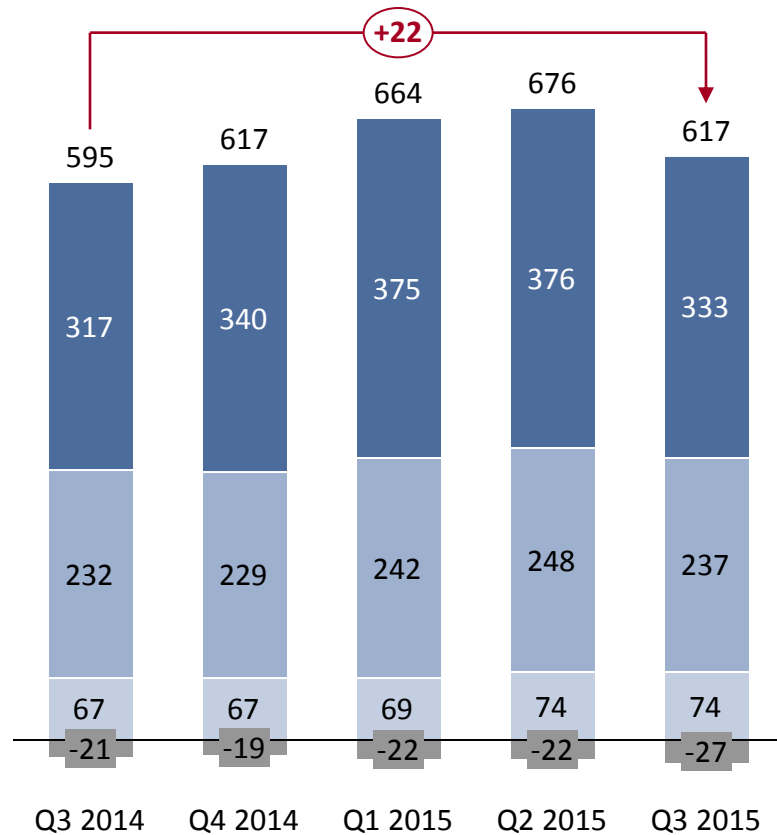


Source: IHS Automotive (October 2015)

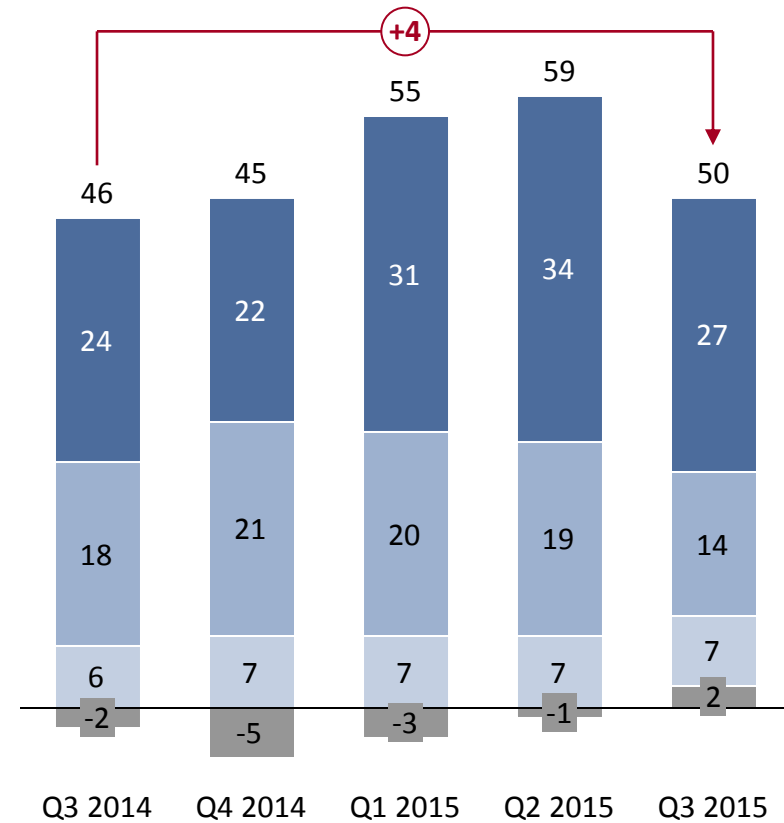


Quarterly development

■ 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

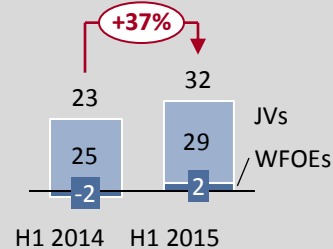
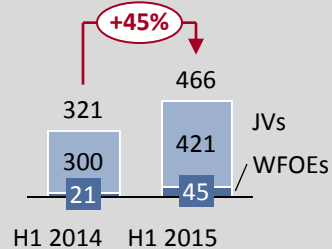
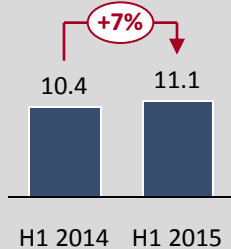


LV production in mn units

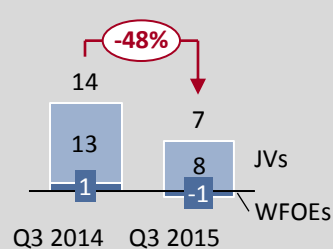
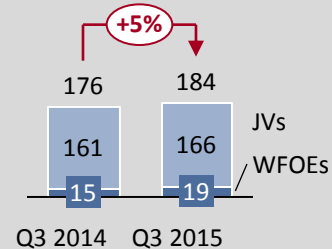
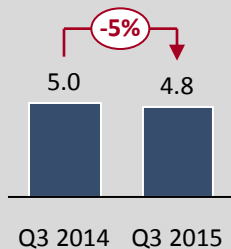
Sales* in EUR million

EBIT* in EUR million

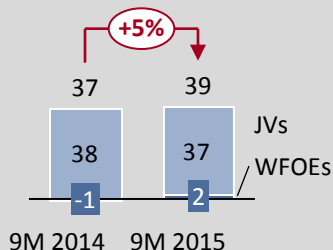
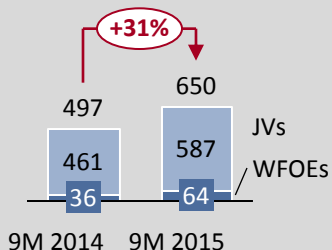
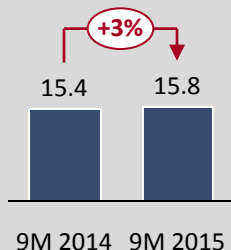
H1



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

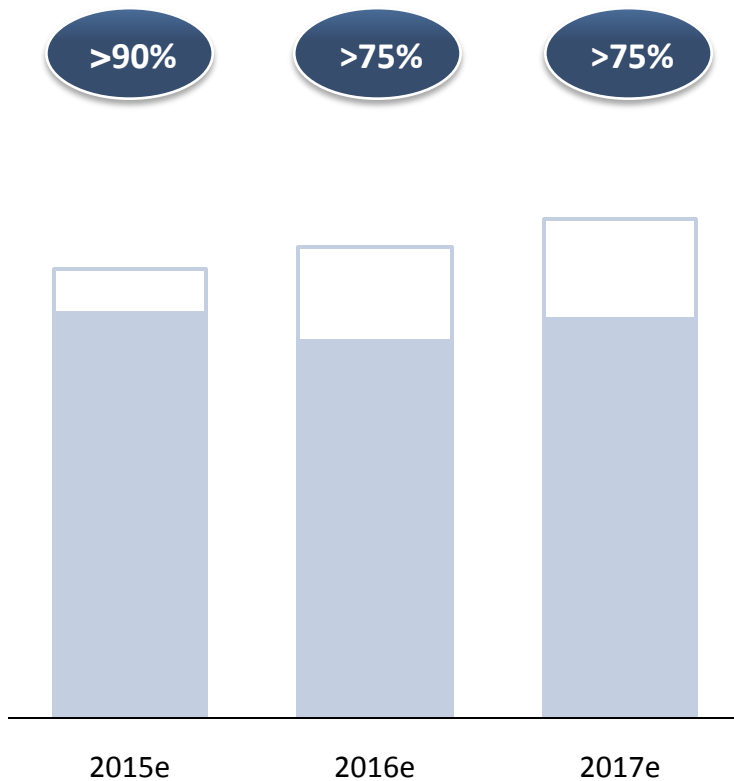
- Normalized level of market growth
- FX-adjusted **top-line increase** of 10%
- Better earnings due to **break-even in 100% subsidiaries**

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

WFOE = Wholly Foreign-Owned Enterprise

Nomination letters indicate good coverage of planned revenues

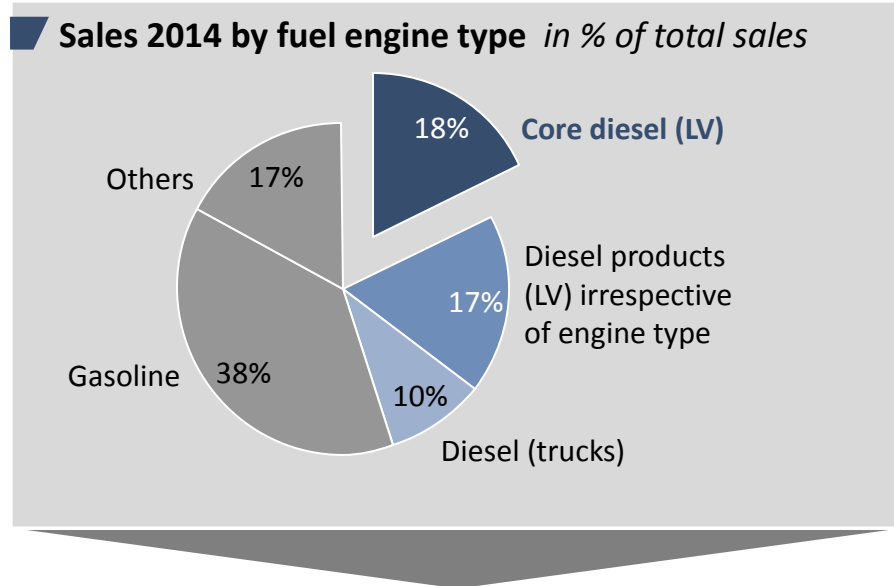
■ Sales covered by booked business
in EUR million resp. in % of planned sales



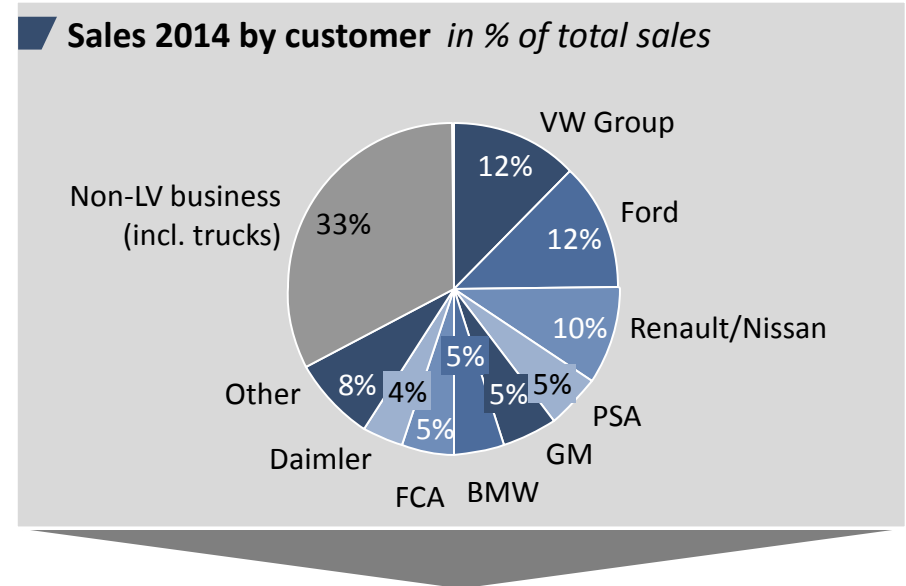
- In general:
 - Nomination letters represent frame contracts (“booked business”) for the lifetime of an engine platform
 - Relevant for order intake: short-term calls, 6-8 weeks ahead of delivery
- **Mechatronics:** According to booked business, sales coverage of roughly 80%
- **Hardparts:** According 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



- **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

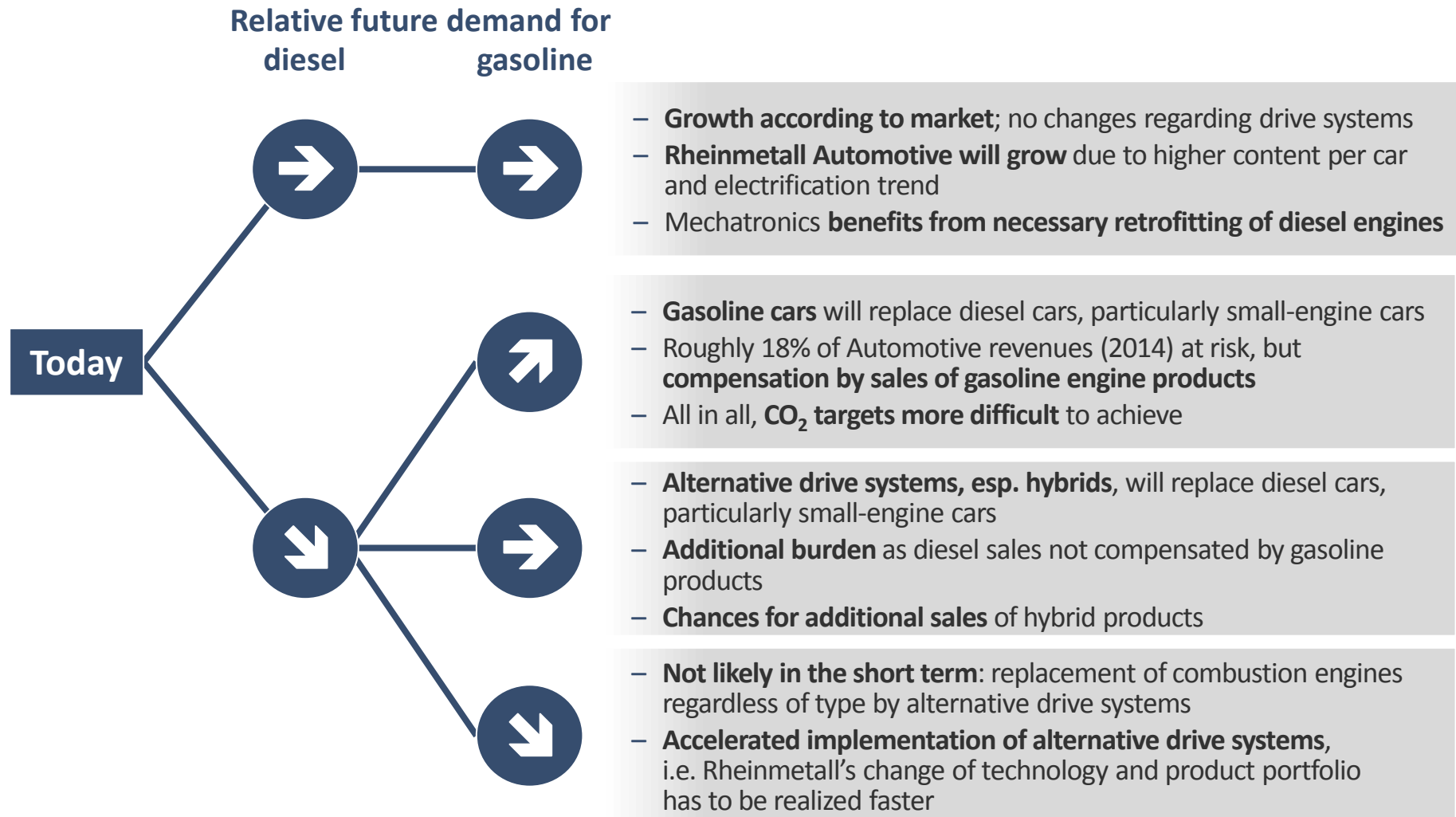


- **Broadly diversified customer structure** with
 - 3 OEMs representing a sales share of 10% or more
 - a number of OEMs representing a sales share of around 5%
- **High share of non-LV business (33%)**



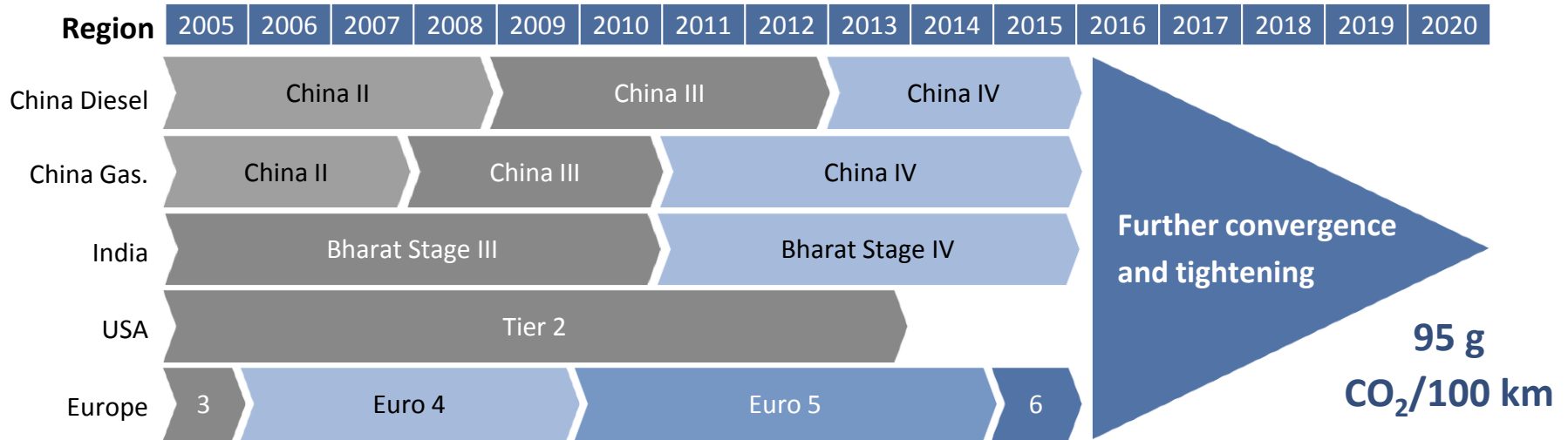
Different possible scenarios resulting from “Dieselgate”

Impacts principally manageable for Rheinmetall





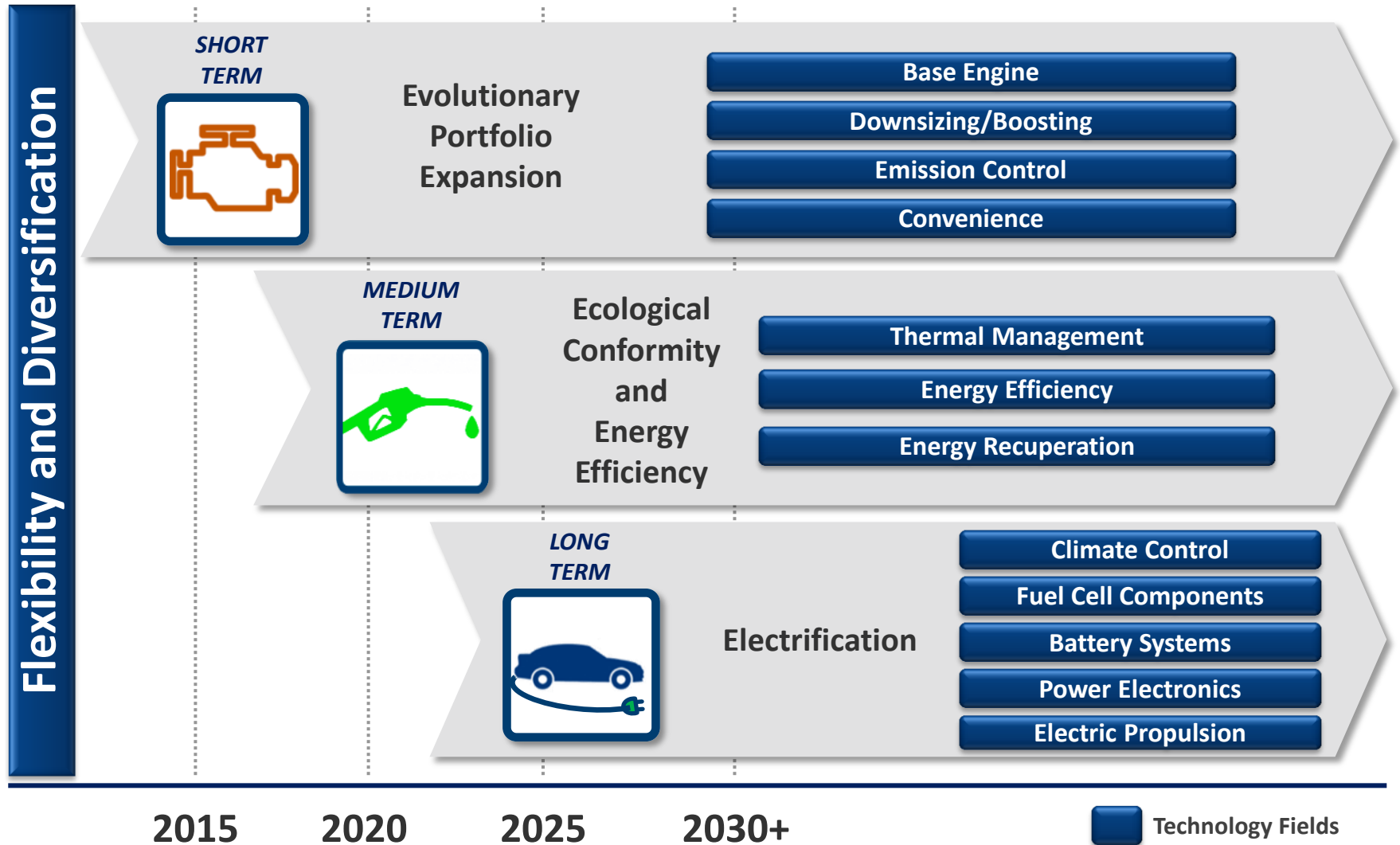
Permanently tightening and globally converging emission legislation



Key trends:

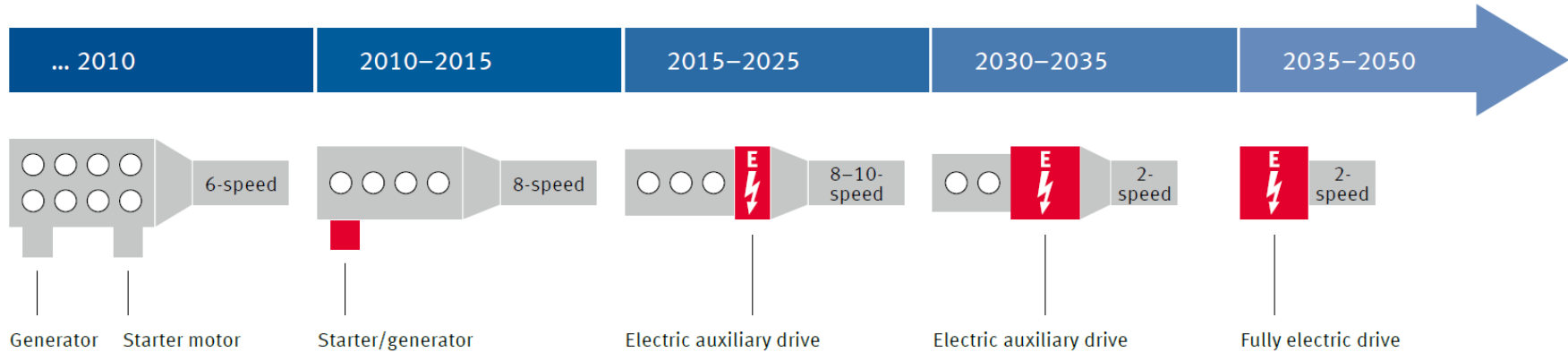
- China is generally following the European Union
- India is generally following the European Union
- USA are independent (using Federal and Californian systems)

Technologies: KSPG's Future Technology Fields



Alternative drive systems

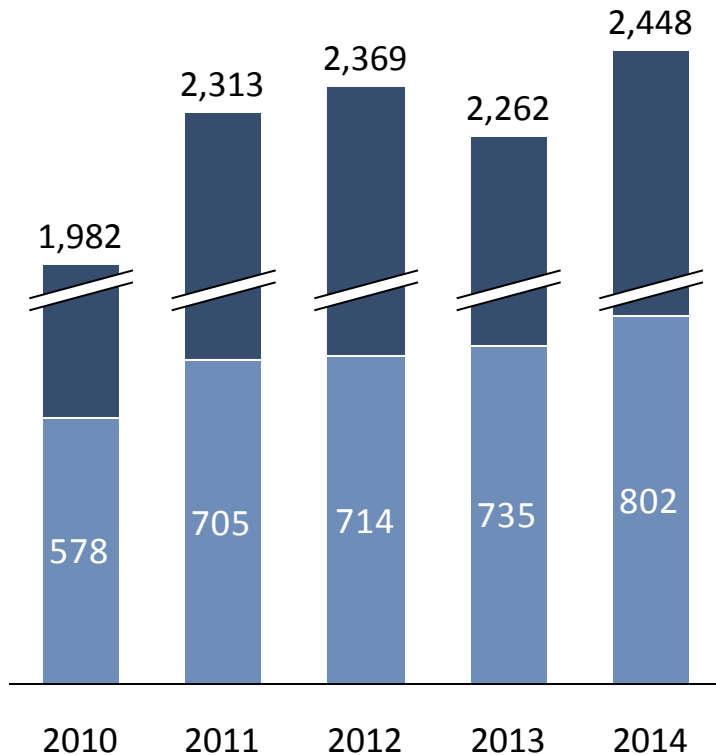
Electrification of the powertrain will take place evolutionary



Strong growth in non-LV business

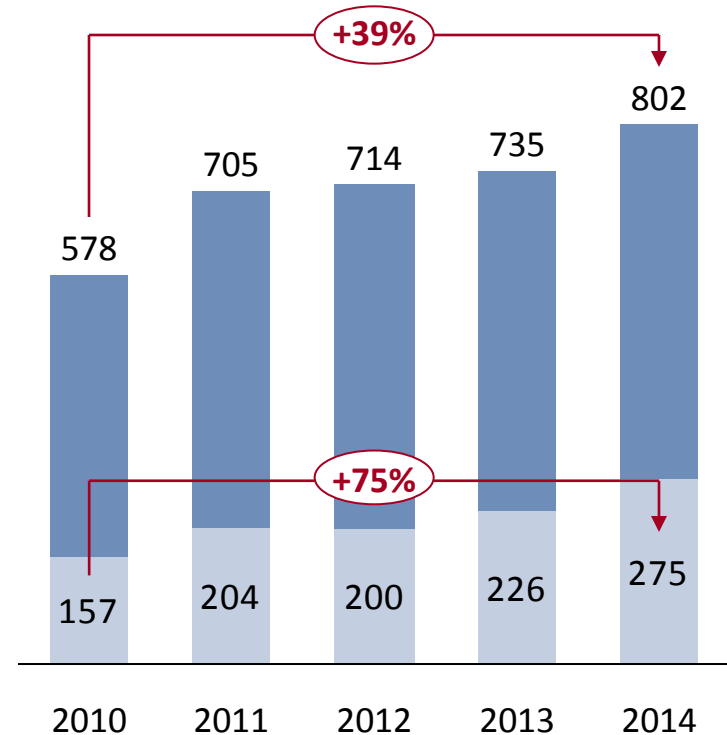
Sales of truck business almost doubled within 5 years

■ 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)

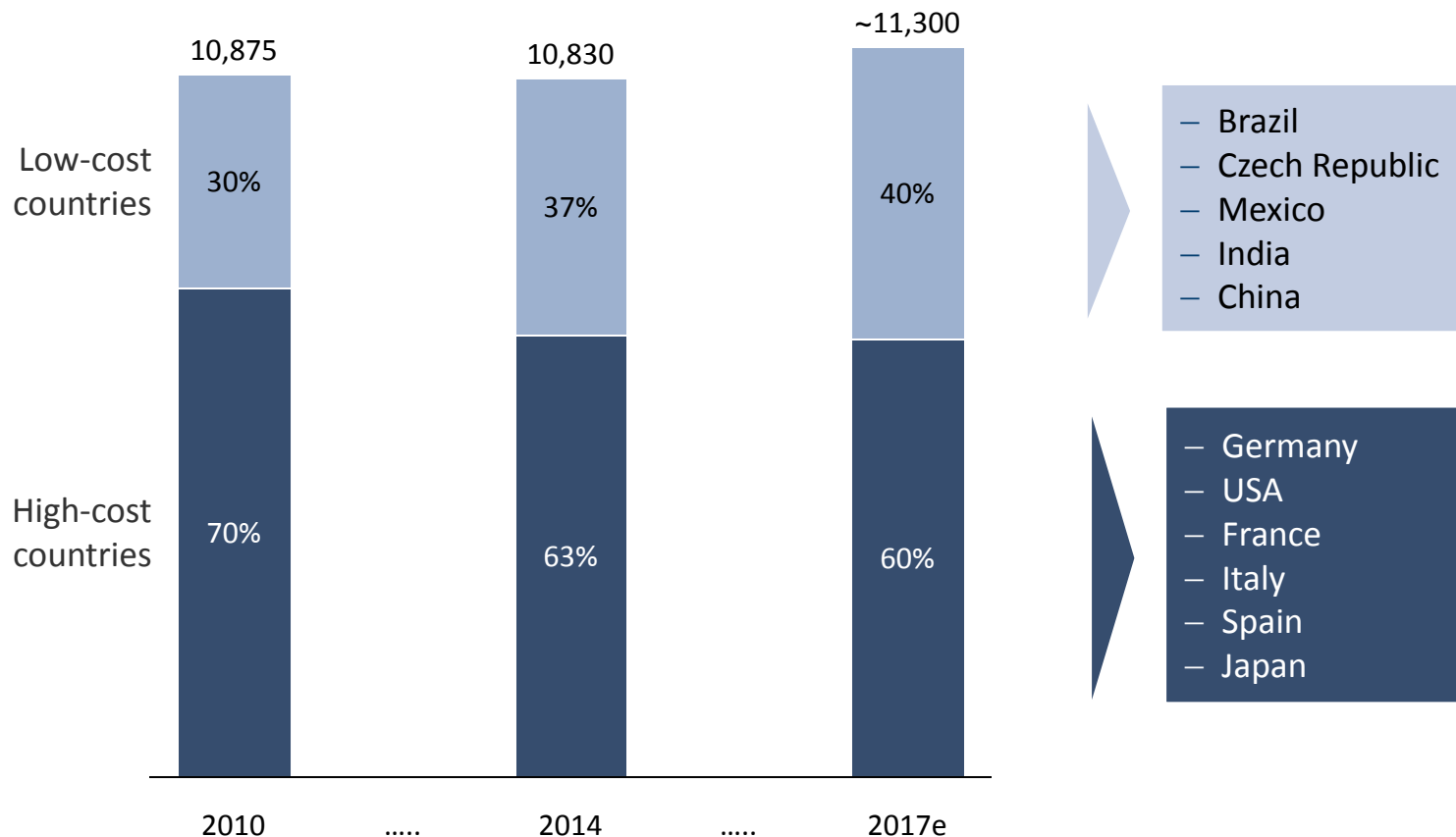


Cost efficiency

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

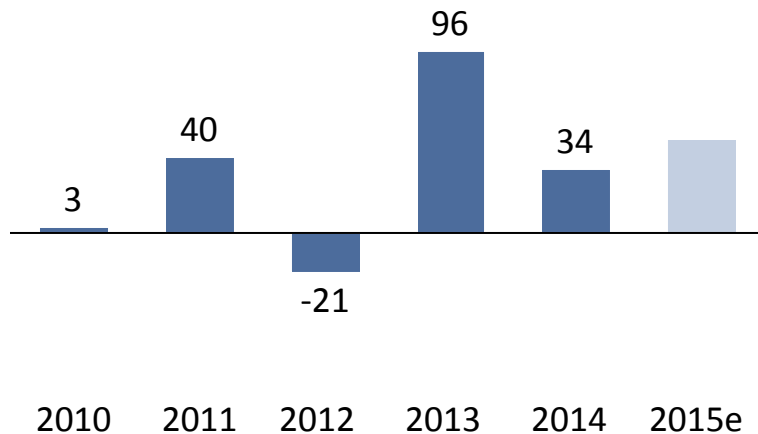




Cash flow generation as future priority

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

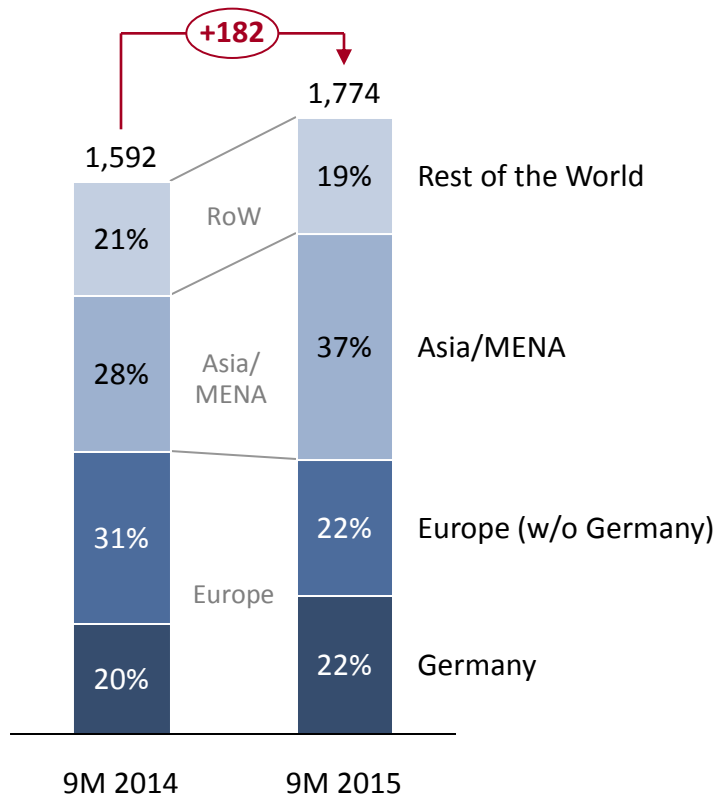
<i>in EUR million</i>	9M 2014	9M 2015	Δ 9M 2015 / 9M 2014	
Order intake	1,592	1,774	+ 182	+ 11%
Order backlog (September 30)	6,165	6,547	+ 382	+ 6%
Sales	1,384	1,625	+ 241	+ 17%
EBITDA (reported)	- 38	52	+ 90	+ 237%
Operational earnings	- 84	- 11	+ 73	- 87%
Special items: one-offs, restructuring costs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



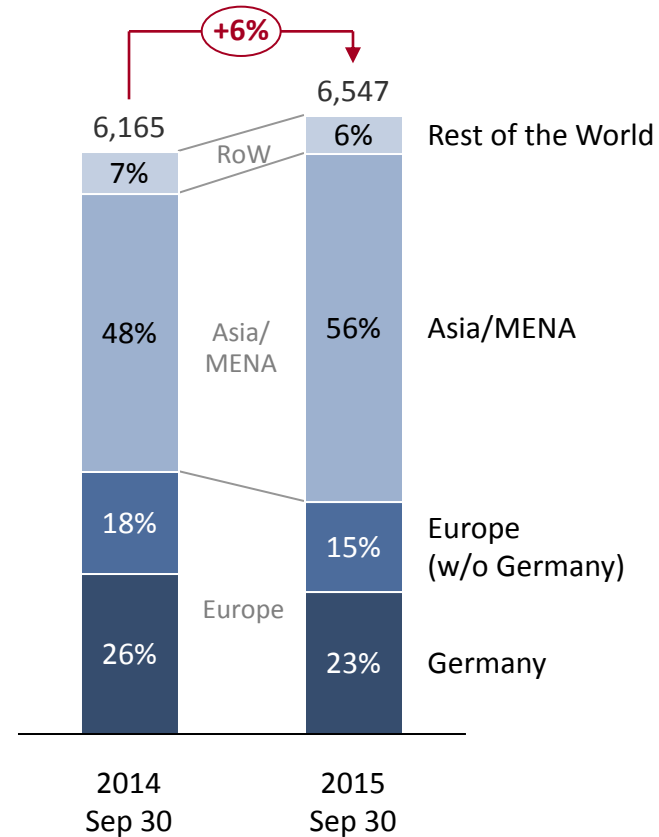
Order situation

Successful internationalization outside Europe

Order intake by region in EUR million



Order backlog by region in EUR million

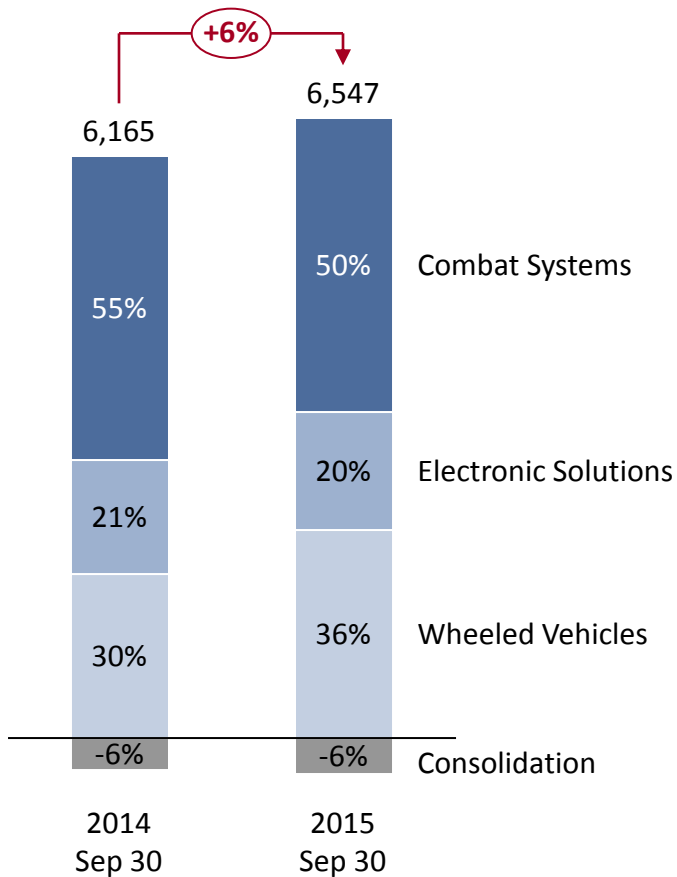




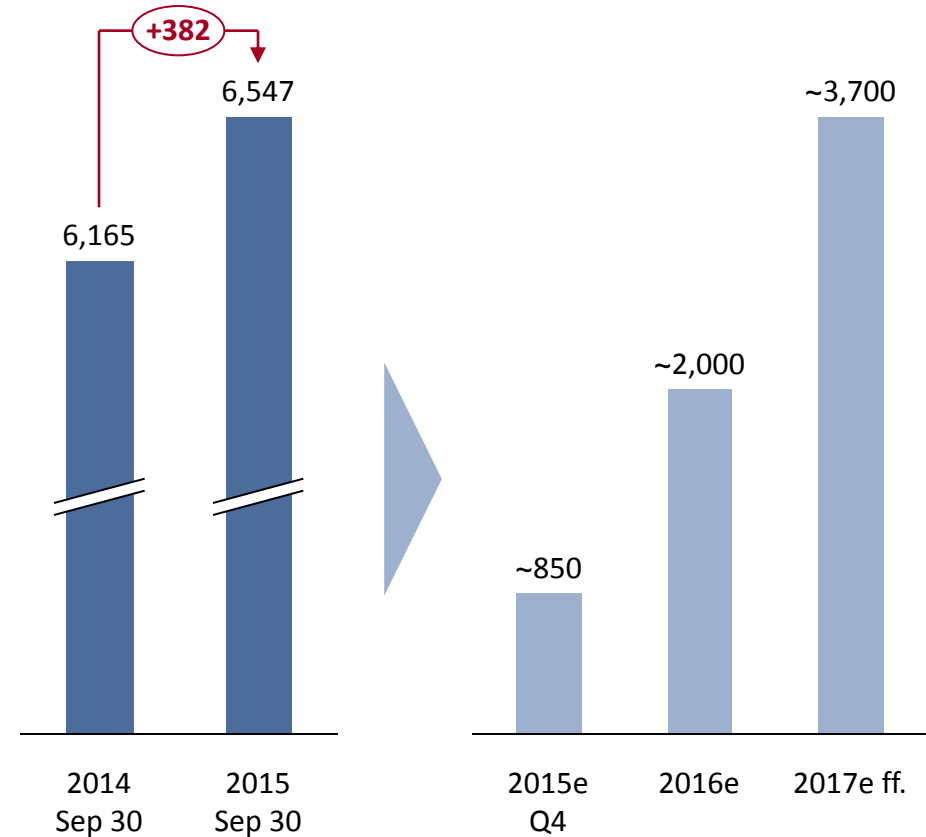
Order backlog

High order book coverage of mid-term future sales

Order backlog by region in EUR million



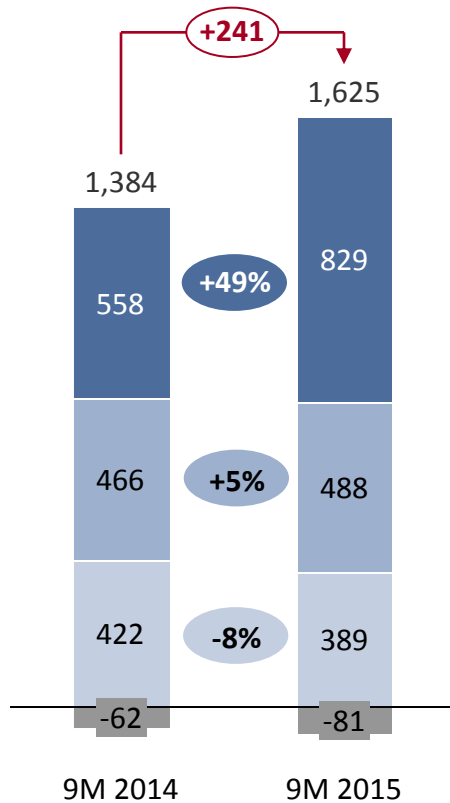
Order backlog / sales distribution over time in EUR million



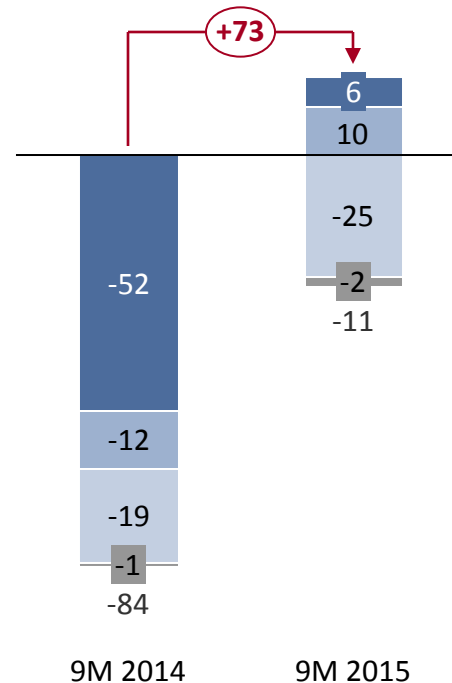
Top-line rose due to ramp-up of large-scale projects

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"



Cash flow statement

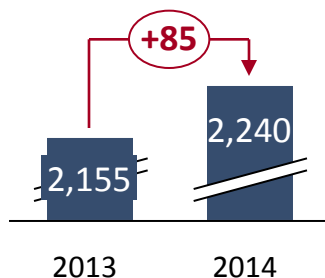
<i>in EUR million</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Δ Q3 2015/2014
Net income	- 39	20	- 30	- 8	3	+ 42
Amortization / depreciation	21	23	21	21	21	± 0
Change in pension accruals	2	- 2	0	3	2	± 0
Cash flow	- 16	41	- 9	16	26	+ 42
Changes in working capital and other items	84	271	- 142	- 112	- 25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

FY 2014

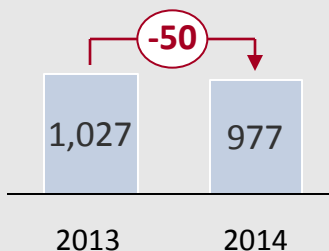
Key figures Defence by division

in EUR million

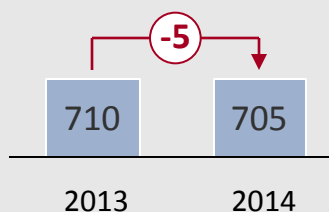
Sales



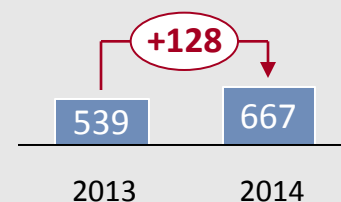
Combat Systems



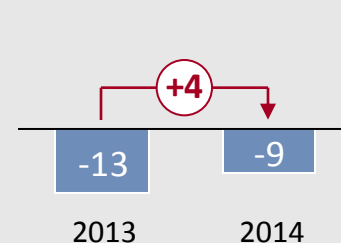
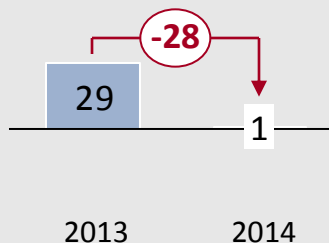
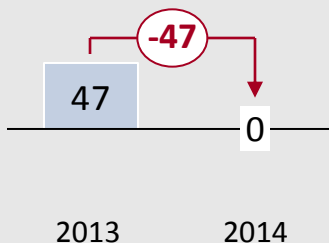
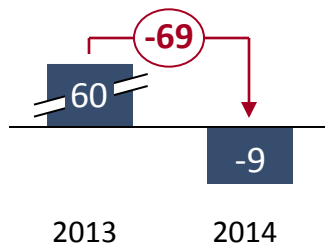
Electronic Solutions



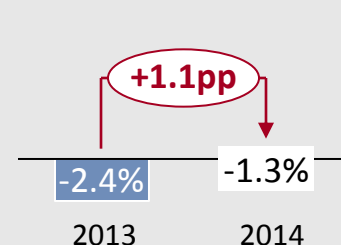
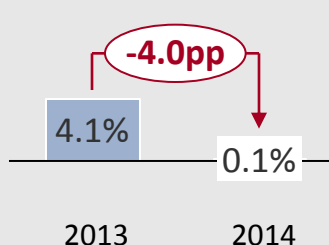
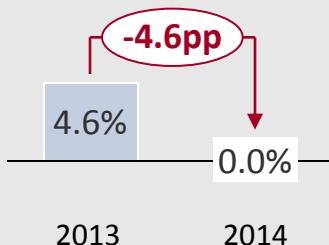
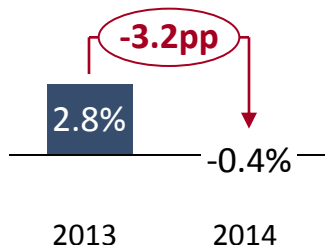
Wheeled Vehicles



Operational earnings



Operational margin



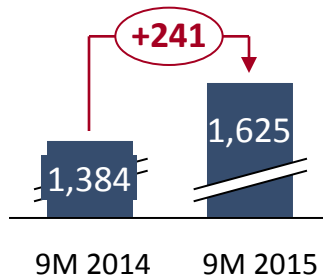
Figures before intrasegmental consolidation

9M 2015

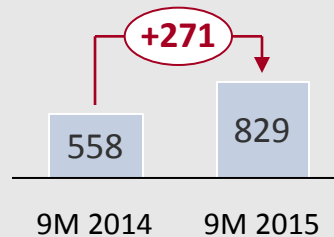
Key figures Defence by division

in EUR million

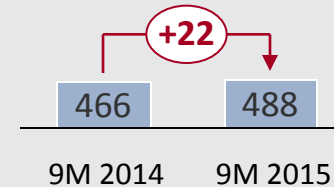
Sales



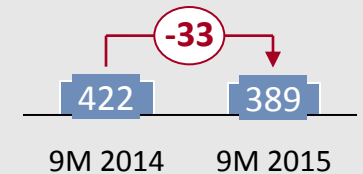
Combat Systems



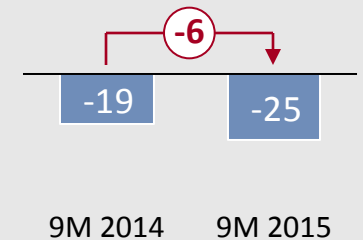
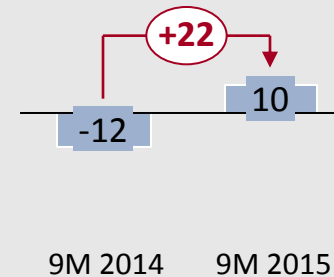
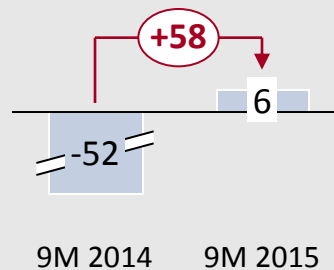
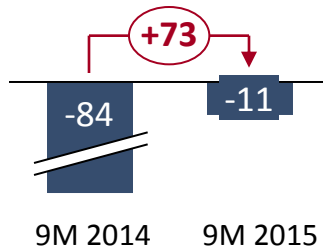
Electronic Solutions



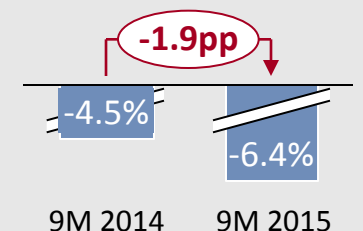
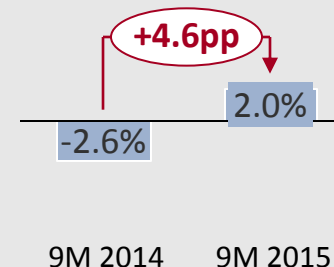
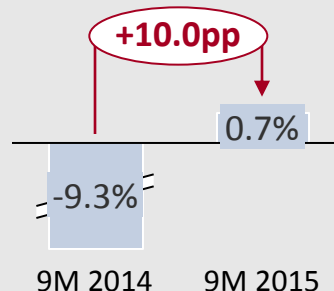
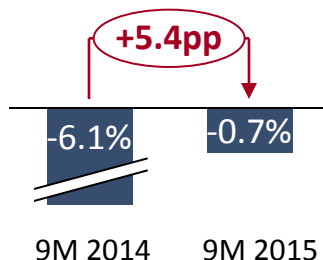
Wheeled Vehicles



Operational earnings



Operational margin

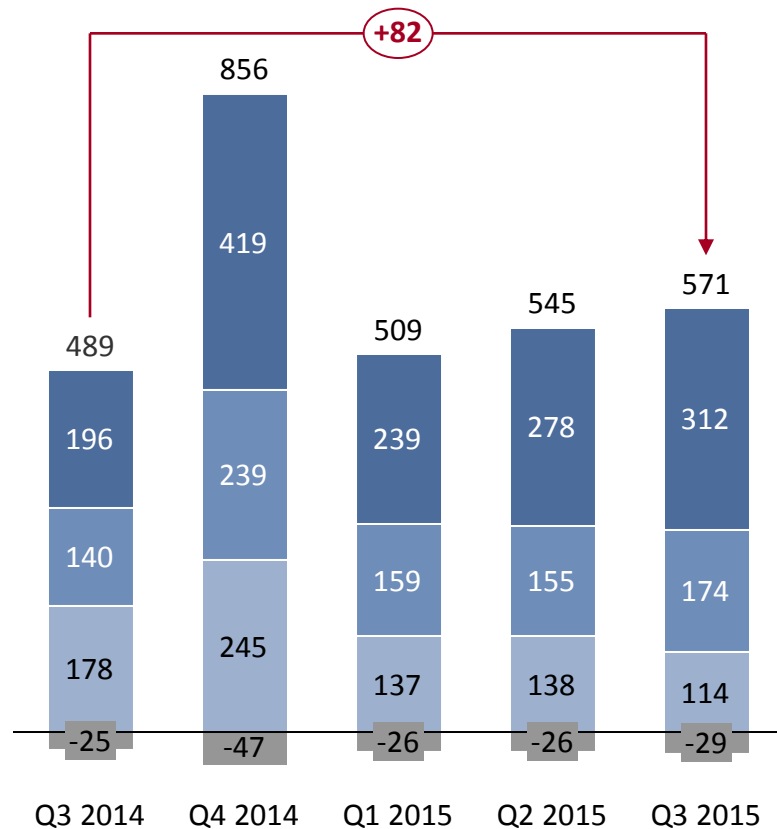


Figures before intrasegmental consolidation

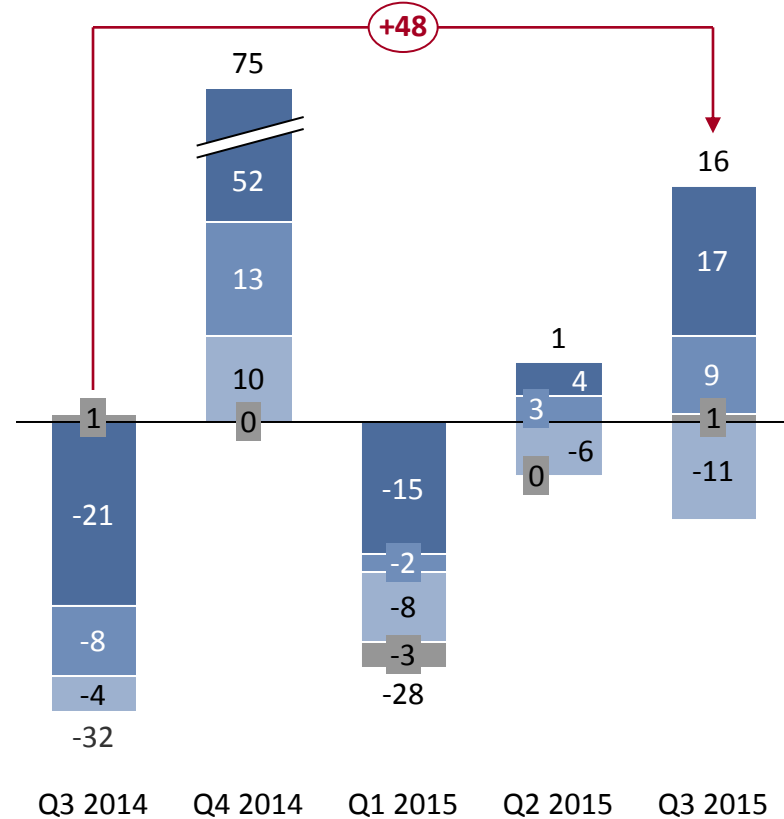


Quarterly development

■ Sales Defence in EUR million



■ Operational earnings Defence in EUR million



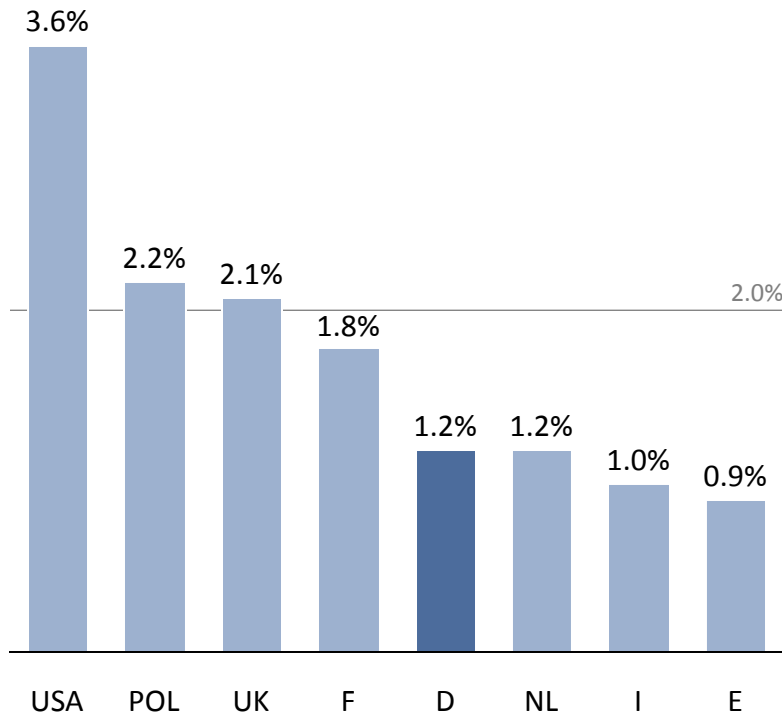
■ Combat Systems ■ Electronic Solutions ■ Wheeled Vehicles ■ Consolidation/Others



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



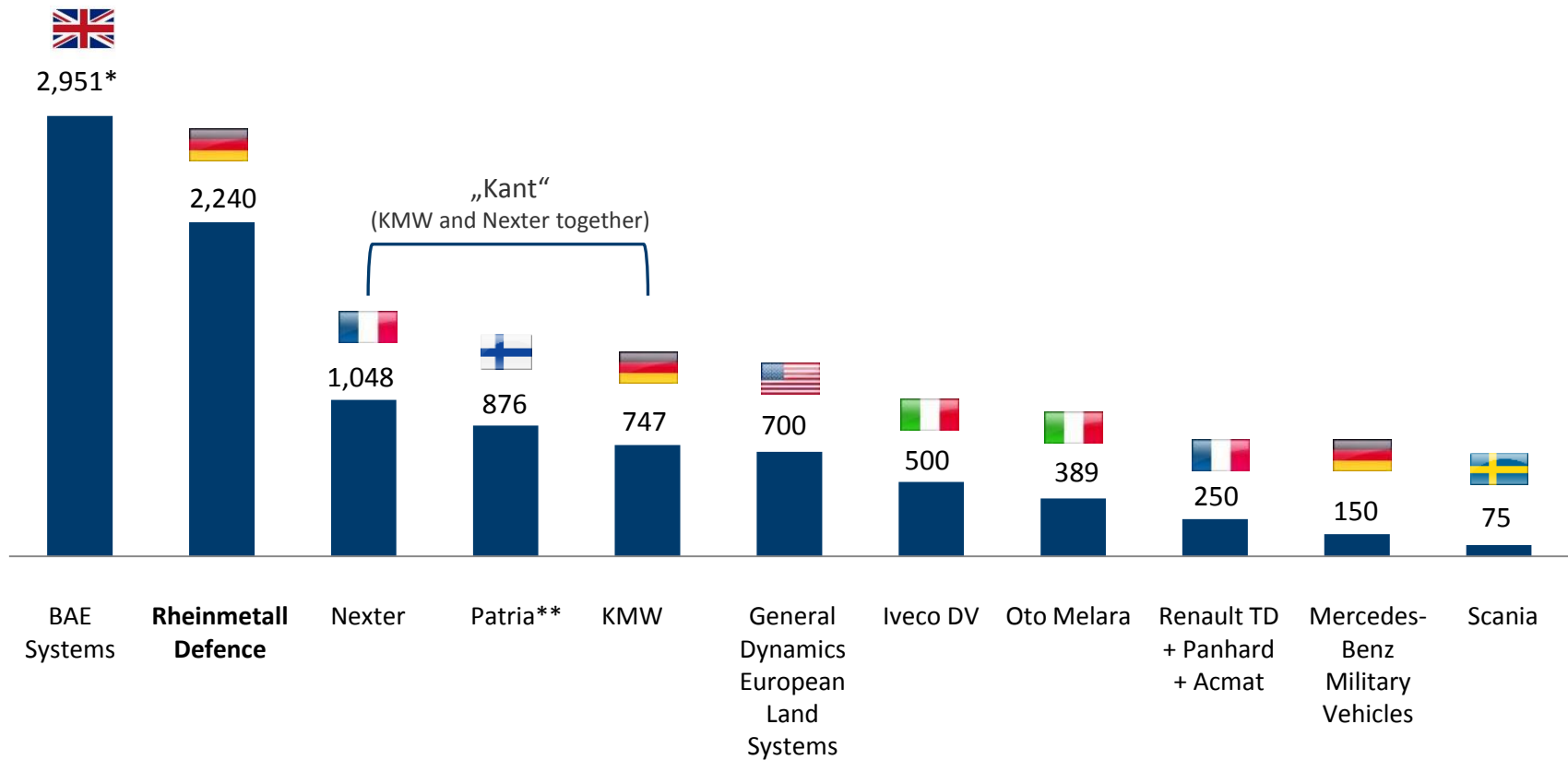
- **Continuing principle:** Decisions are made case by case with restrictive alignment
- **Neither certain countries nor certain products** generally **ruled out** (except for embargo countries like China, North Korea)
- **But certain combinations** of countries and products currently rather **unlikely**
- **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

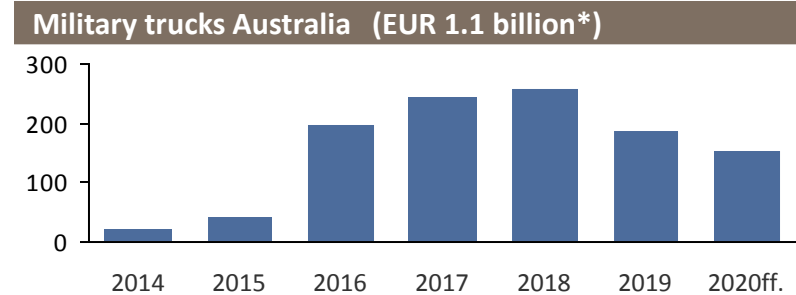
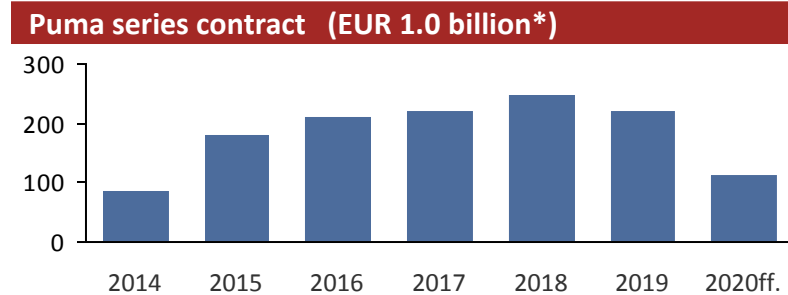
***) Including Nammo

Source: Annual reports, Rheinmetall analyses and estimates



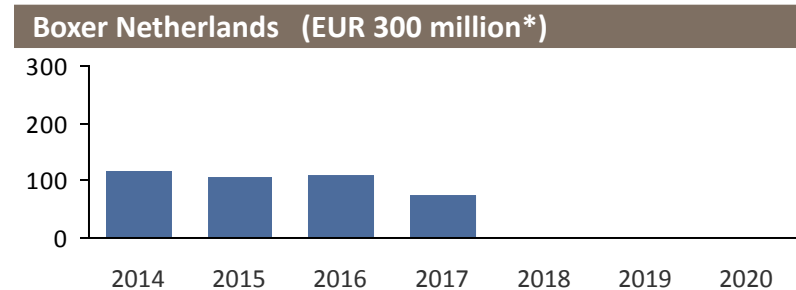
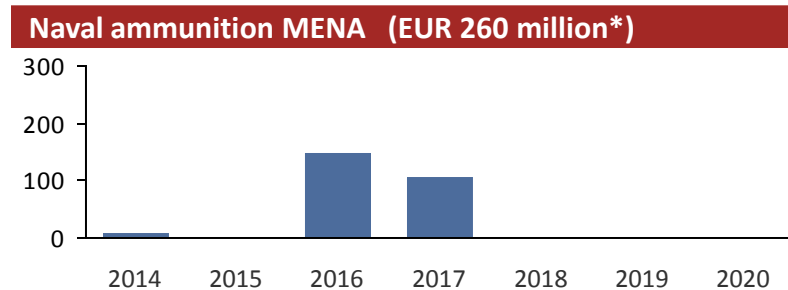
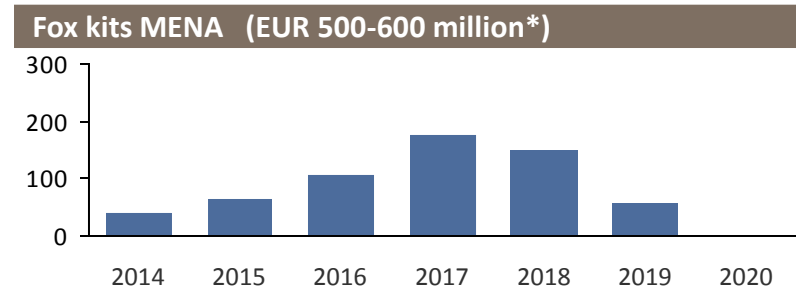
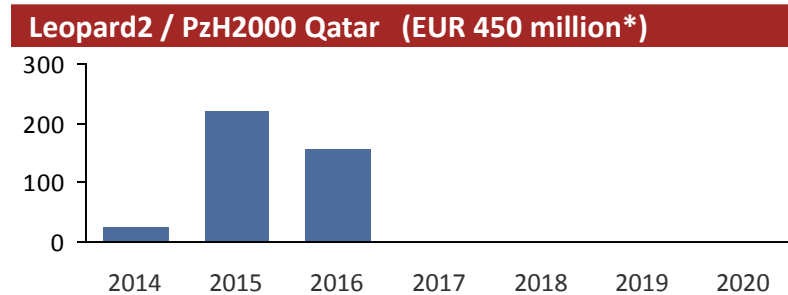
Turning order backlog into sales

Sales development for top six projects by order volume



Combat
Systems

Wheeled
Vehicles



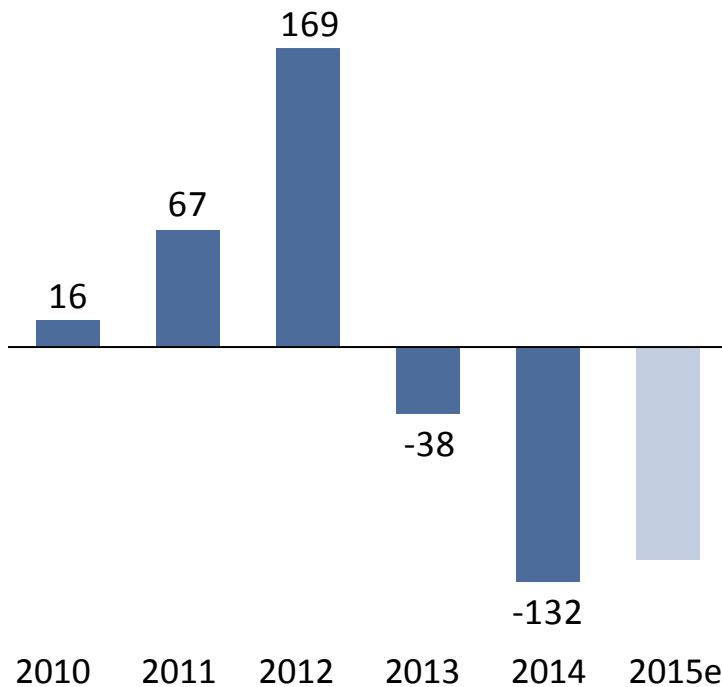
* Figures refer to order backlog as of December 31, 2014



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



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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.

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