



RHEINMETALL AG

THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Capital Markets Day | Vienna | November 26, 2015

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News since Q3 2015: Rheinmetall increases capital

Rheinmetall AG: Stock price development (Xetra) since 2009

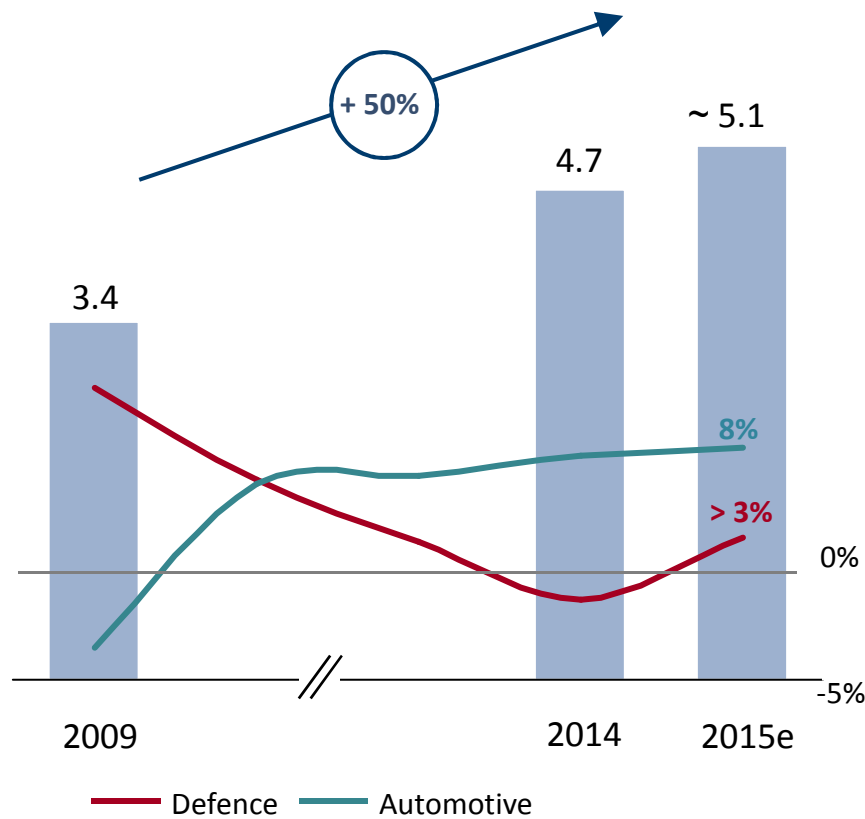




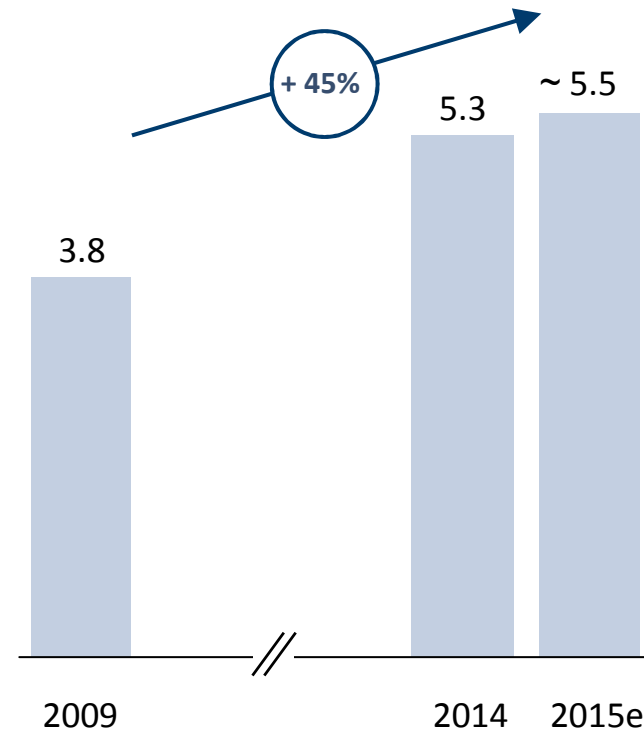
Corporate development 2009 - 2015

Strong increase in sales and total assets

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



Balance sheet in EUR million

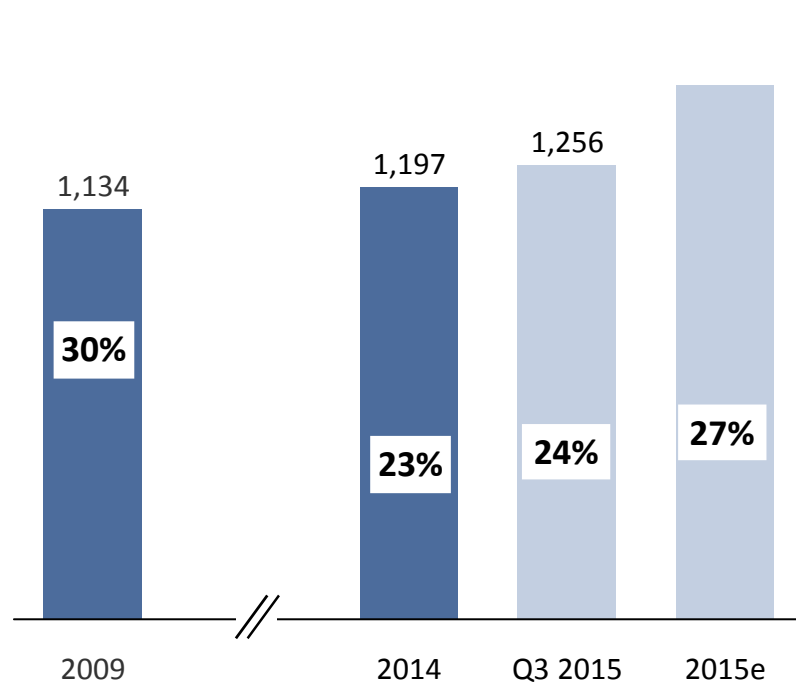




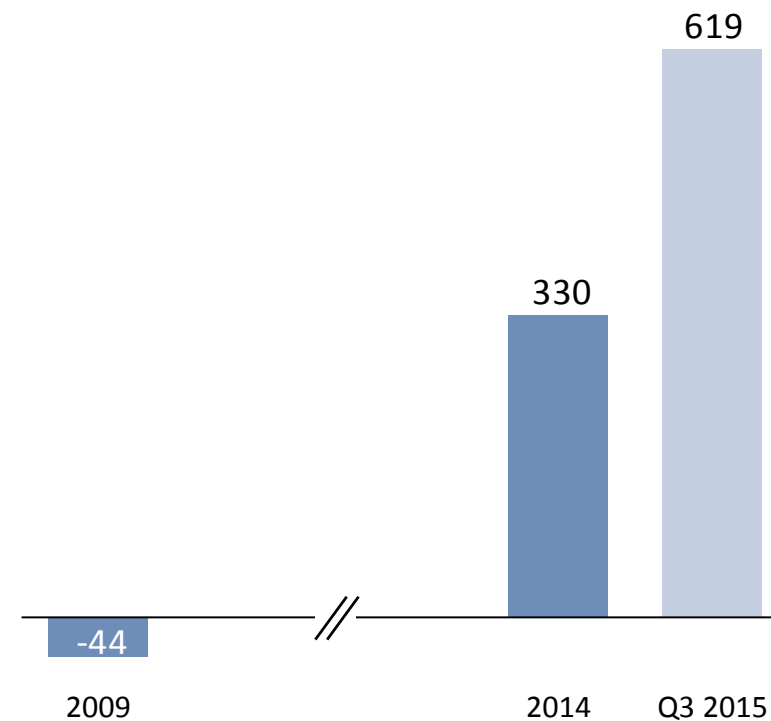
Corporate development 2009 - 2015

Equity ratio lowered, net financial debt increased

■ Equity (at year-end) in EUR million
Equity ratio in %



■ Net financial debt (at year-end) in EUR million





Capital increases Comparison 2009 and 2015

Capital increase	Increase by	Procedure	Gross proceeds	Use of proceeds
2015	10%	Exclusion of pre-emptive rights, Accelerated book-building	EUR 230 mn	<ul style="list-style-type: none"> – Finance Rheinmetall's growth strategy in the defense and automotive sectors, – Strengthen the financial position of the company – General corporate purposes
2009	10%	Exclusion of pre-emptive rights, Accelerated book-building	EUR 104 mn	<ul style="list-style-type: none"> – Finance the successful growth strategy in the Defence sector, – Safeguard favorable external debt funding conditions – Reduce the debt position



Capital increase 2015

Reasons for the transaction: Supporting the growth strategy



AUTOMOTIVE

Organic growth

- Growth above light vehicle production
- Increasing demand for Mechatronics products in Europe, North America and Asia
- Growth of WFOEs in China

Potential external growth

- Smart acquisitions, e.g. for special technological solutions or international add-on opportunities



DEFENCE

Organic growth

- High order backlog and ongoing order intake set basis for future top-line growth

Potential external growth

- Chances to participate in the consolidation process of the European Defence industry



Corporate development 2009 - 2015

Increasing 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





Outlook: Short-term perspective Recent developments and actual expectations



- **Q4 sales** expected to come in **at previous year's level**
- Automotive market China
 - **LV production** in Q4 expected **at previous year's level**
 - Rheinmetall Automotive **achieving FY targets**



- Continuing the **favorable order intake situation**
- Expected **Q4 sales** lead to a **raised outlook** for FY 2015



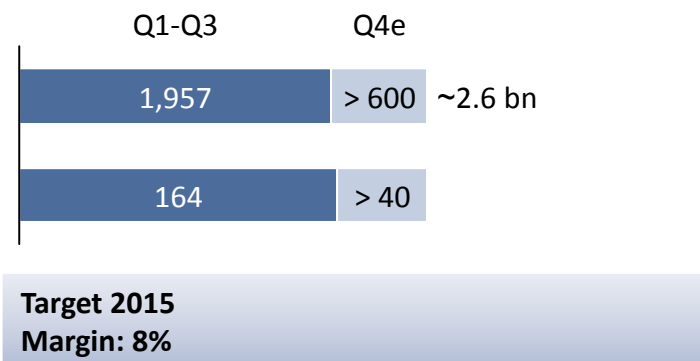
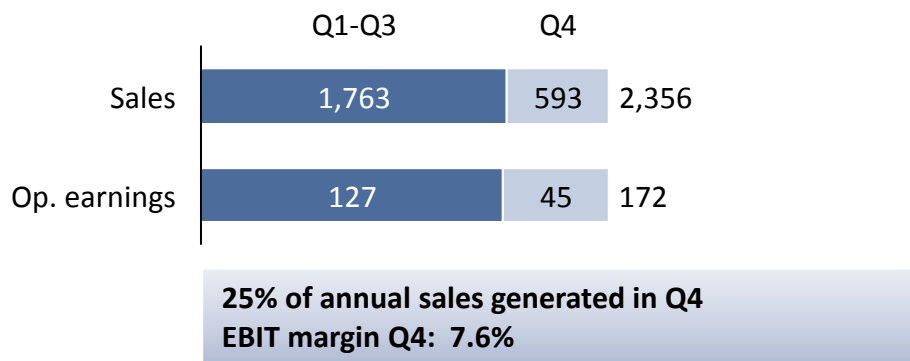
Outlook: Short-term perspective

Q4 figures will show typical back-end loaded structure in Defence

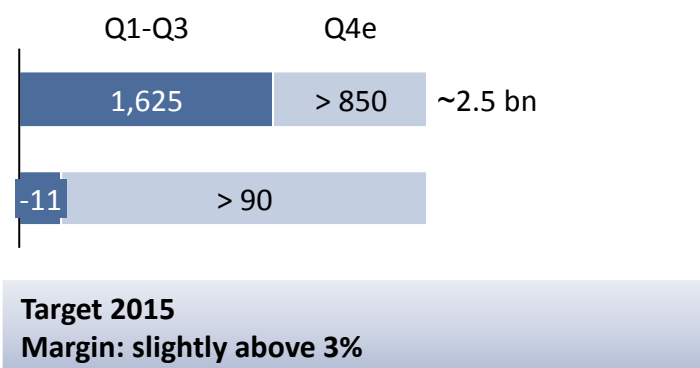
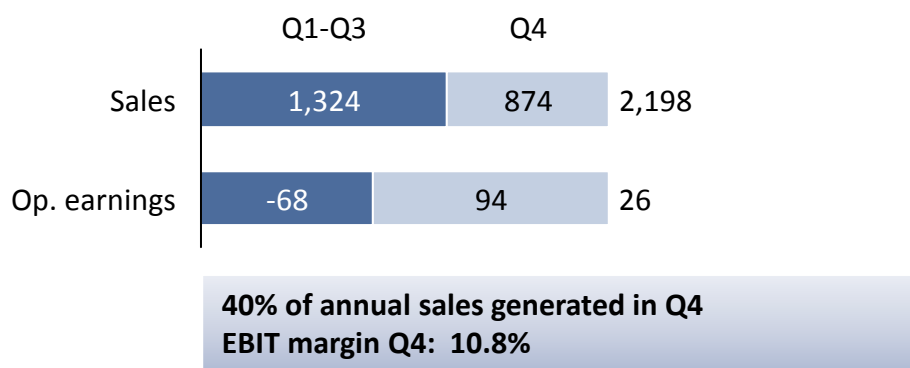
Ø 2013/2014

2015

Automotive sales and earnings in EUR million



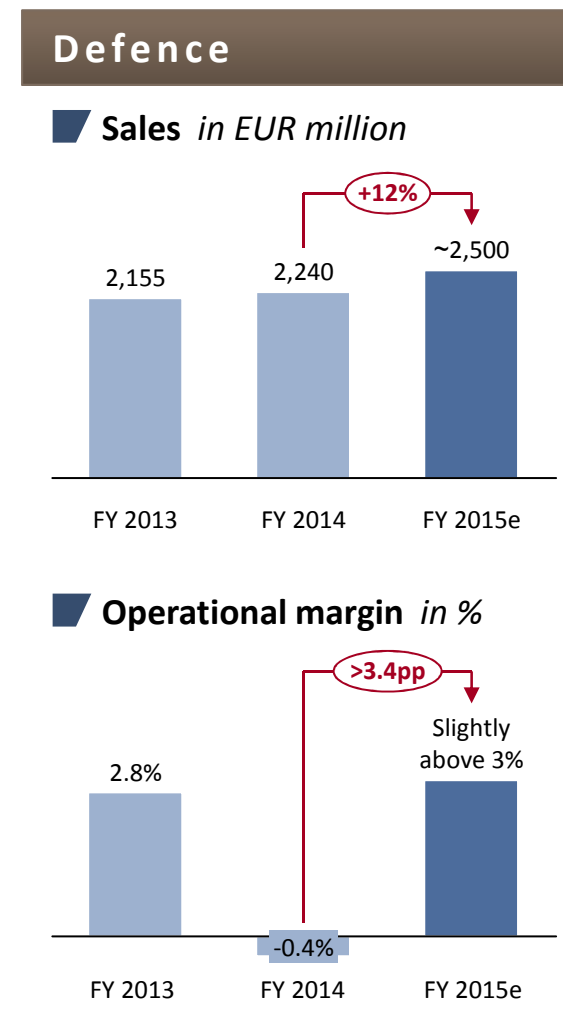
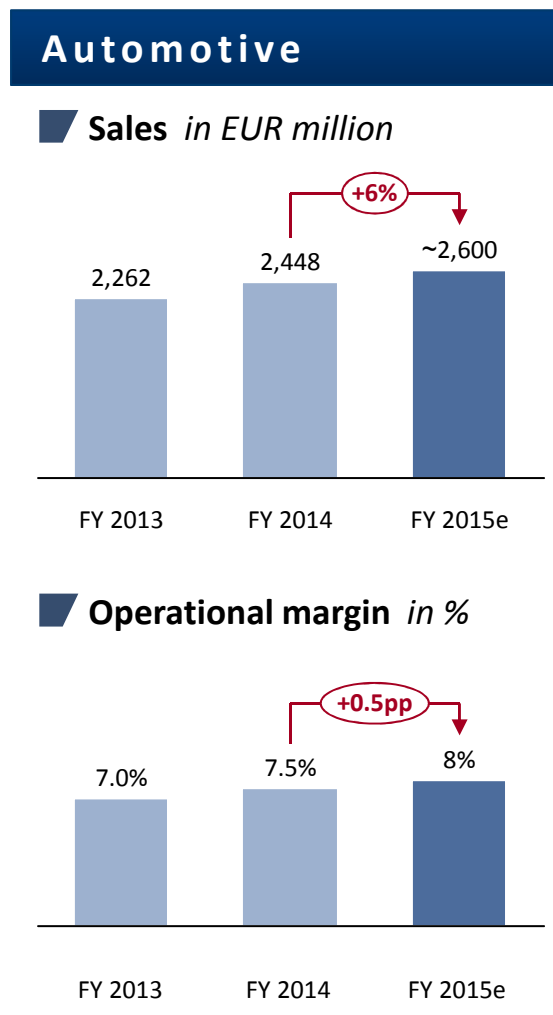
Defence sales and earnings in EUR million





Outlook FY 2015

Raised guidance as of November 5, 2015 confirmed



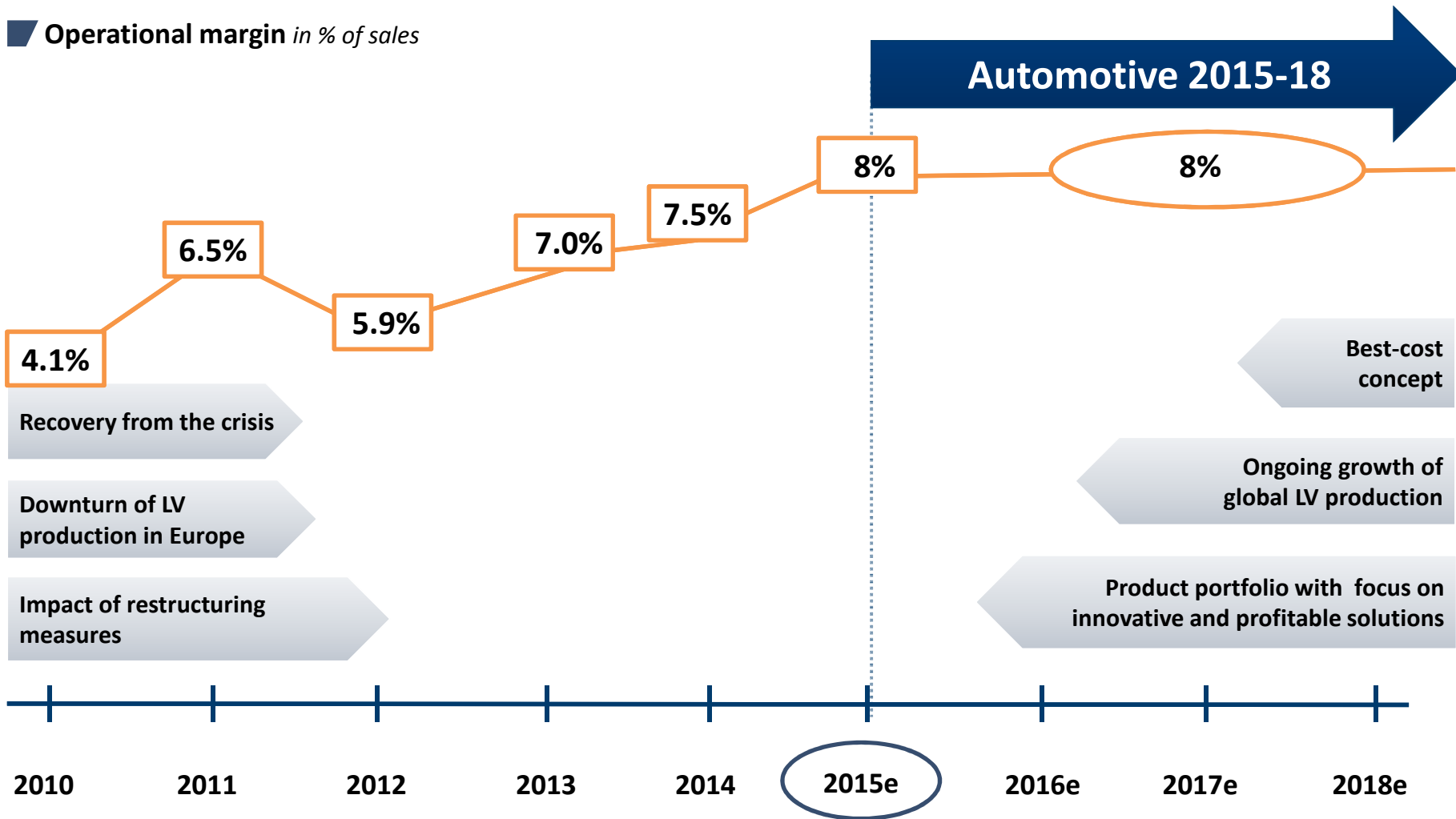


OUTLOOK BEYOND 2015

Automotive 2015 and beyond

Maintaining the target margin level

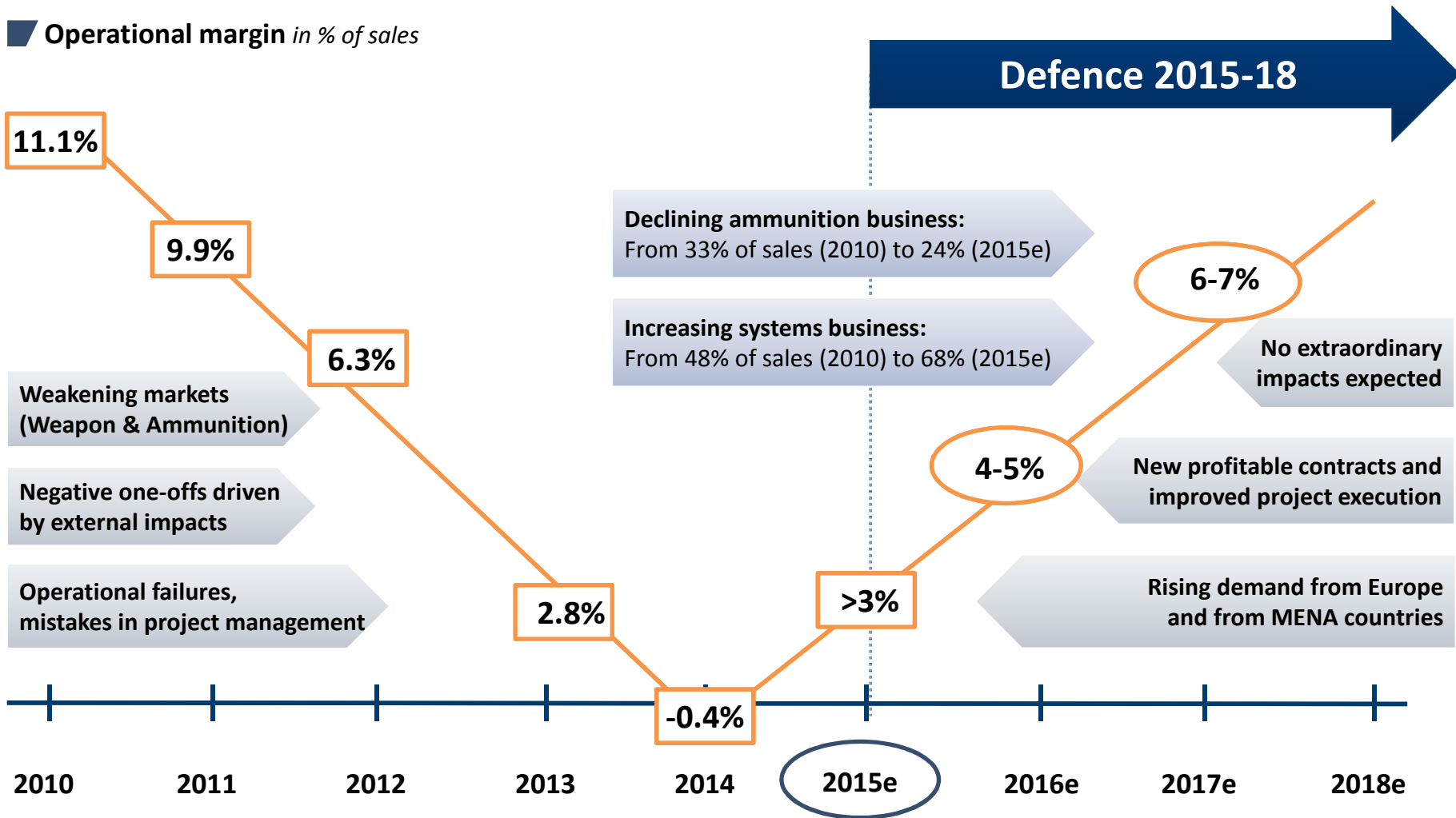
Operational margin in % of sales



Defence 2015 and beyond

Based on turnaround 2015, earnings improvement will continue

Operational margin in % of sales

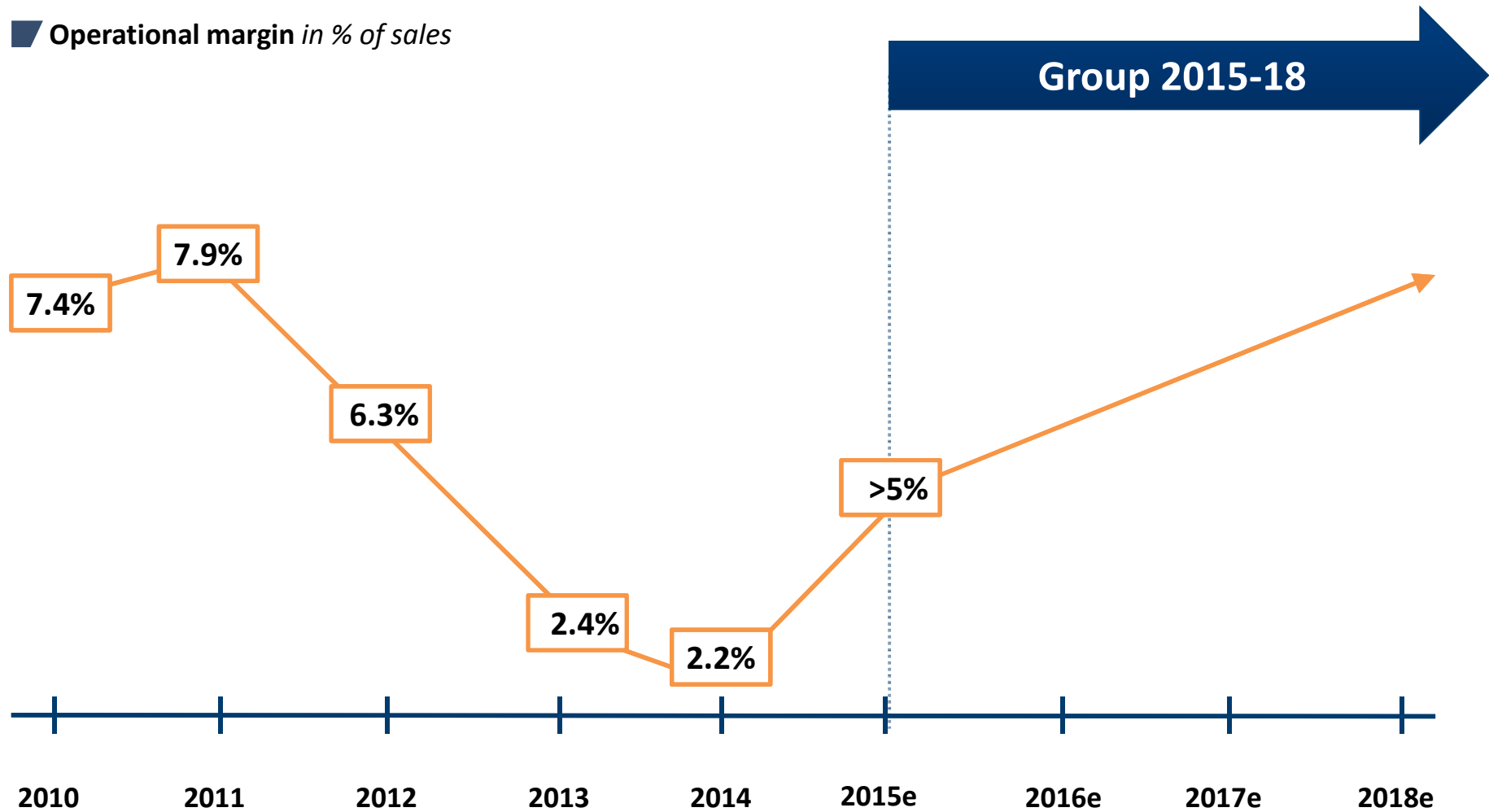




Rheinmetall 2015 and beyond

Group earnings will benefit from both segments

Operational margin in % of sales

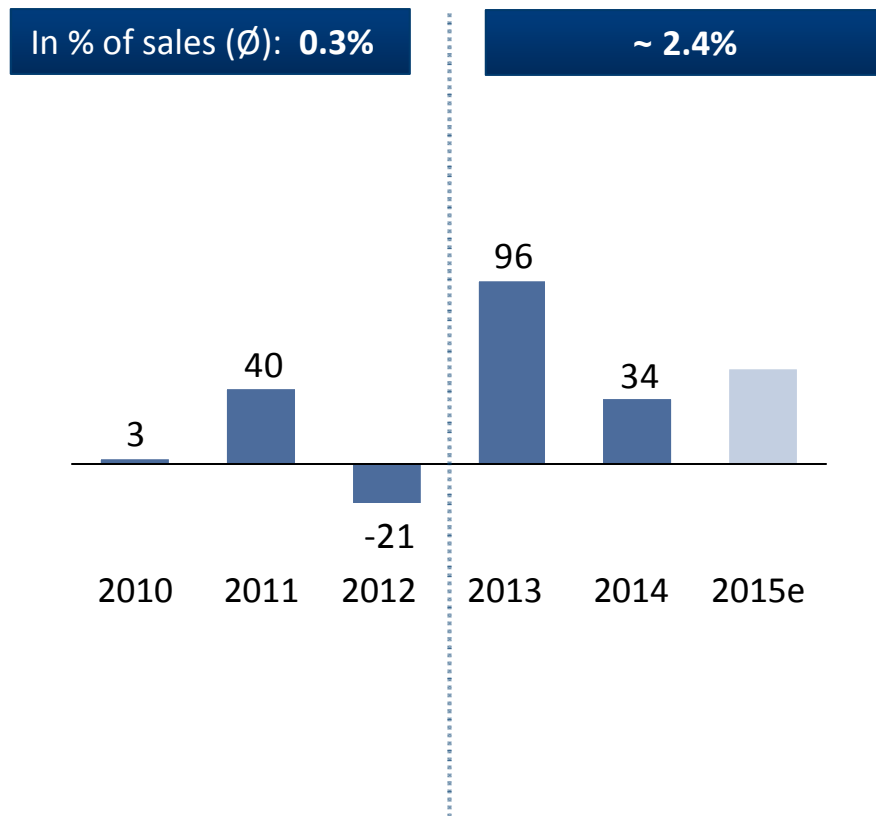




Cash flow generation as future priority

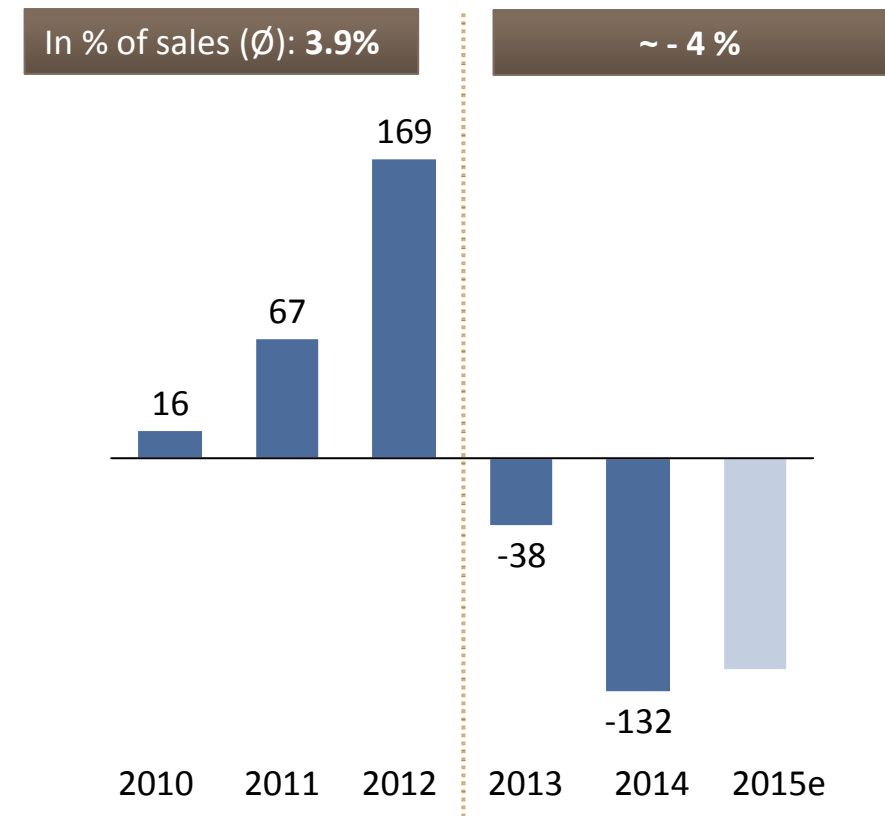
Automotive und Defence: mixed effects in previous years

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

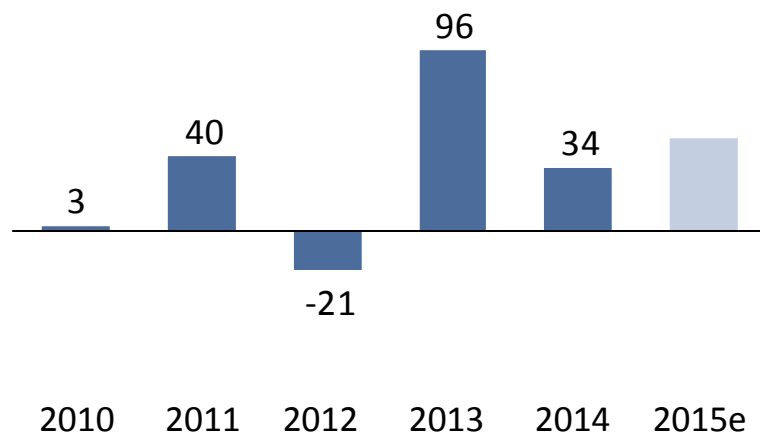


Since 2013, deteriorating performance has lead to negative cash flow development



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:

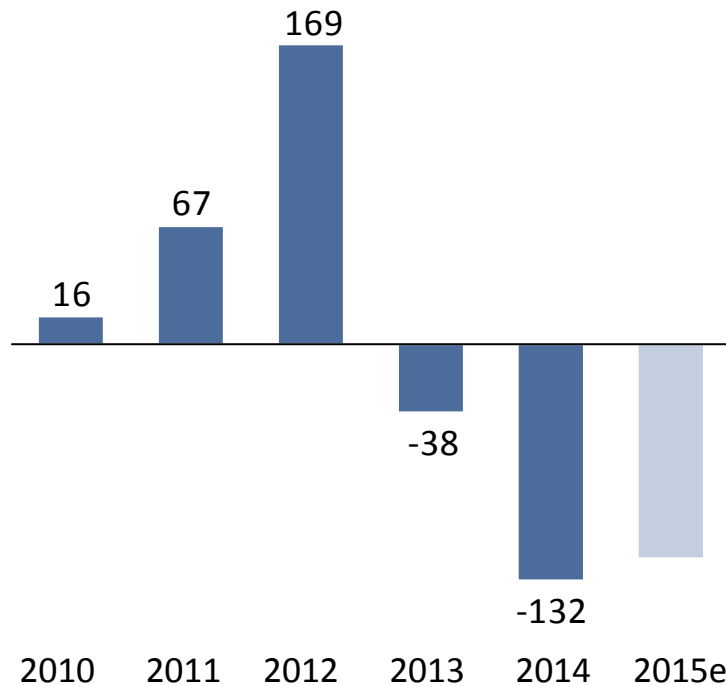
- Top-line growth
- Stable EBITDA margin level: 12% - 13%
- Capex ratio: 5.5% - 6.5%
- Working capital ratio stable: 11% - 12%



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





Mid-term perspective Looking ahead

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



CAGR 2015-2018e Automotive: **3.5%**

CAGR 2015-2018e Defence: **0.9%**

- Changing markets:

Automotive

- Stable market development will lead to normal growth rates
- R&D efforts in order to create higher independency from engine concepts: additional products for hybrid and electric engines



Defence

- Recent threat scenarios and conflicts change macro-picture in defence business
- Broad existing product portfolio covers four out of five national key technologies



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



Mid-term perspective Looking ahead

— Organic growth

- Top-line growth remains an important driver of Rheinmetall's earnings
- Well secured by nomination letters in Automotive and order backlog in Defence

— Growth by acquisitions remains a valid option for both segments

— Improving profitability until 2018

- Mainly driven by further recovery of the Defence segment
- Stable margin development in Automotive

— Continuation of the internationalization strategy



- Further expanding WFOE business in China to EUR 150 - 200 million sales in 2018/19
- Strengthening the best-cost production facilities (Czech Republic, Mexico, India)



- Expanding footprint in international hubs with local value creation



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