

Capital Markets Day 2017

Armin Papperger, CEO

Rheinmetall AG, 21 November 2017



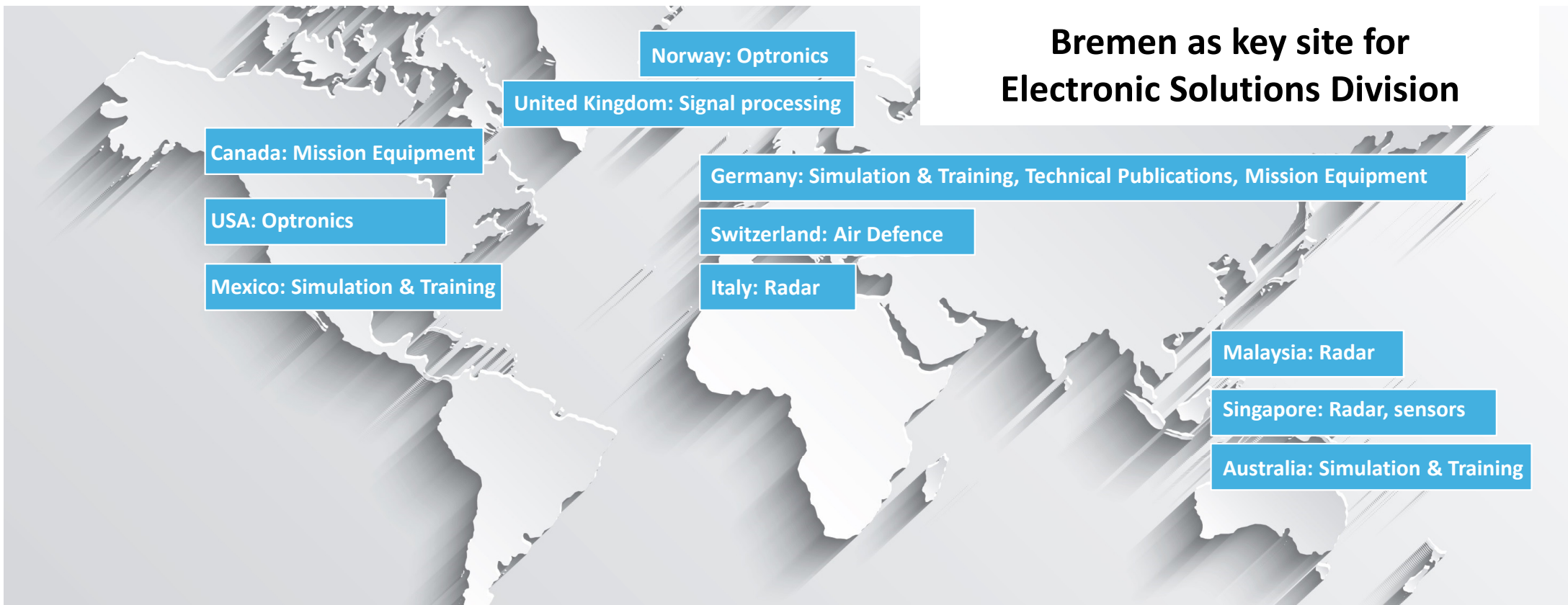


Welcome to Bremen

- **Key site of Electronic Solutions Division**
Sales: €745 million, Headcount: 2,927
- **Home of two business units: Mission Equipment and Simulation & Training**
Sales: €500 million, Headcount: 1,206 thereof 60% engineers

All figures refer to FY 2016

Bremen as key site for Electronic Solutions Division



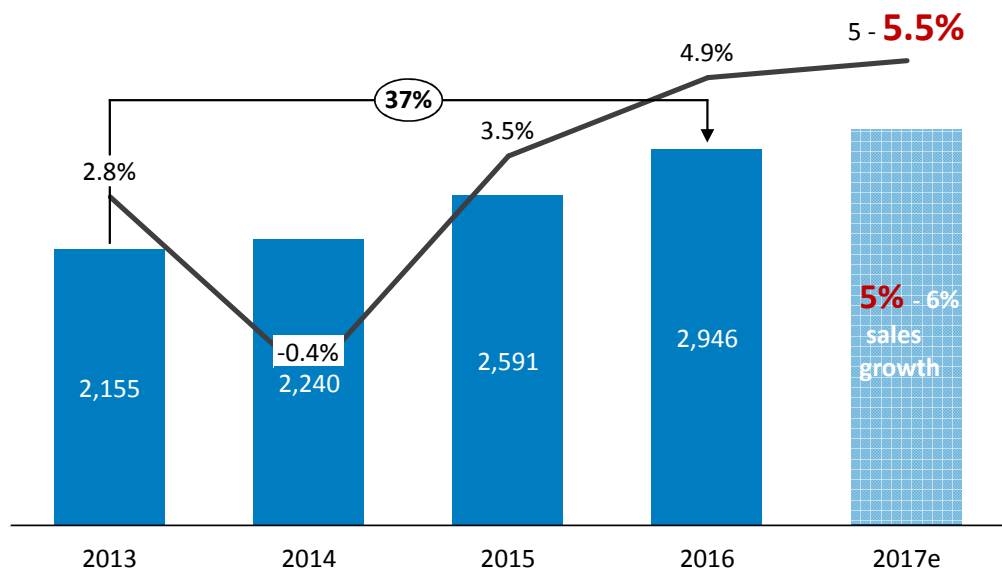
History

- 1996: Acquisition of STN Atlas, Bremen (Simulation & Training, Defence Electronics and Naval Systems) together with BAE Systems
- 1998: Acquisition of Oerlikon Contraves, Zurich (Air Defence)
- 2003: Split of STN Atlas; divestment of Naval Systems
- 2006 - 2012: Acquisitions: Simrad, AIM, Swiss Simtech Marinesoft, RFEL; Divestment: Majority in Airborne activities (drones, cargo loading) sold to Airbus
- 2012: Formation of Electronic Solutions Division
- 2017: Rheinmetall Electronics (formerly Rheinmetall Defence Electronics)

REVIEW2017

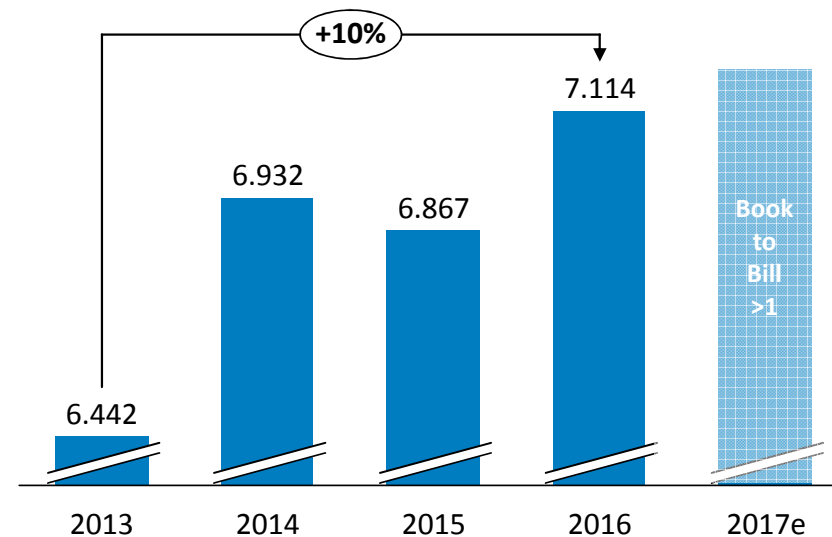
Defence with strong recovery of KPIs and solid base for future development

■ Sales and operating margin development
in € million / %

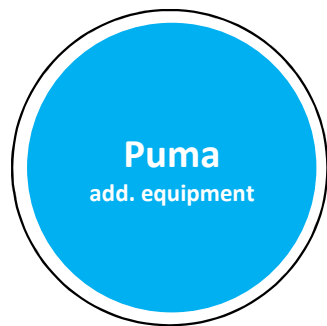
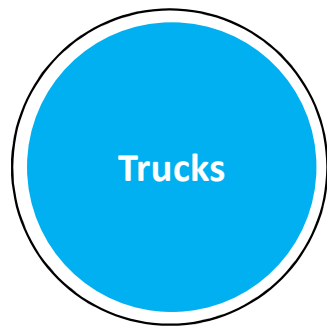
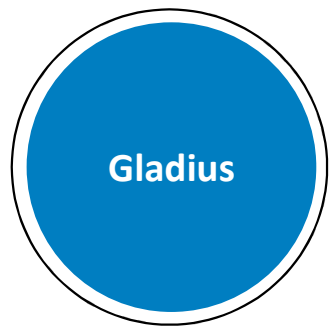


Updated
guidance Q3

■ Order book development
in € million



2017 with successful order acquisition especially in Germany



2017 marked by important strategic partnerships



Scope

Partnering agreement for the Bundeswehr assault rifle RS 522

Joint bid for MoTaKo /MoTIV project

Various areas of cooperation under analysis

Cooperation agreement for drive by wire technology in military and dual use applications incl. civilian emergency response vehicles

Status

Agreement signed Jan 2017

JV agreement signed Sep 2017 (74.9% Rheinmetall)

“Strategic collaboration agreement “ signed end of June with defined work share, exclusivity for German market

Agreement signed Sep 2017

Timing

Tender submitted May 2017
Decision expected H1 2019

Tender process starts 2019
Decision expected Q4 2020

3 years global exclusivity

MARKETINSIGHTS

Defence budgets made it to the headlines in 2017



Emmanuel Macron calls for EU army and shared defence budget

The Independent , Sept 26 2017

Congress proposes defense budget \$37 billion higher than Trump's

CNN, June 22, 2017



Chancellor Angela Merkel backs 2 percent of GDP NATO contribution

DW, Feb 25, 2017

Poland Increases the Defence Budget. MoD Changes Modernization Plans

Defence 24, June 9 2017



Danish government proposes 20 percent defence budget hike to deter Russia

Reuters, Oct 12, 2017

Defence budgets made it to the headlines in 2017



EUROPE

EU Launches New Era in Defense Cooperation

The Associated Press, Nov. 13 2017

Market growth based on several drivers

NATO and international demand:
Generally increasing defence budgets

EU defence policy
European defence union; European defence fund

German domestic demand
From hollow structures to full equipment

Army 4.0:
Digitization of army equipment and communication

NATO Targets: Target achievement remains an important growth driver

NATO target compliance

Only 6 out of 29 member states are currently in line with the 2% target

50% of member states spend below 20% on equipment

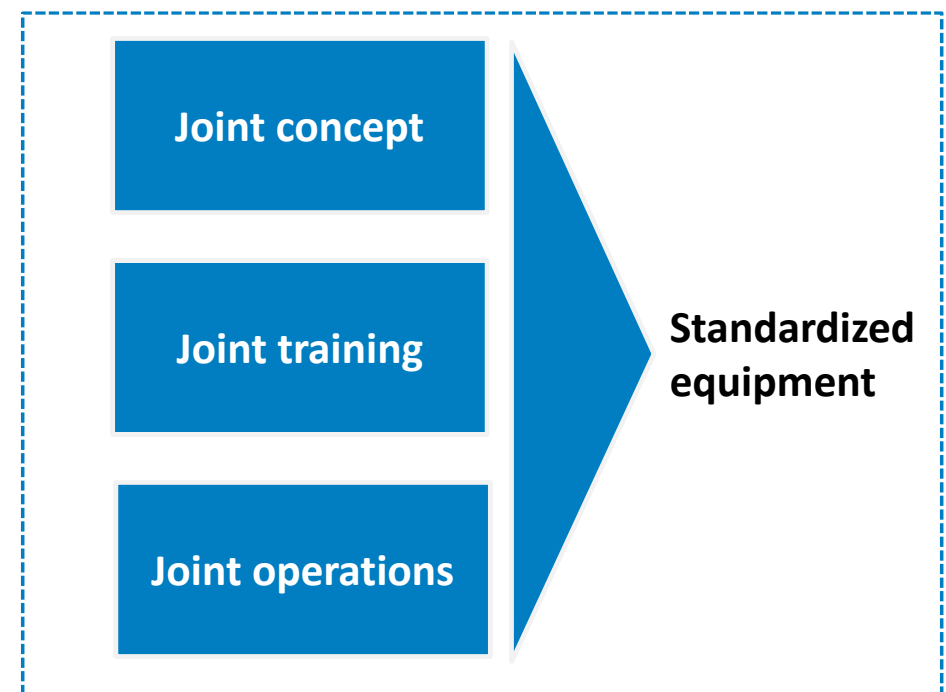
NATO data on 2017 budgets

NATO and international demand: Framework nation concept triggers standardization of equipment

■ Framework nation concept



- German initiative
- Framework nation provides basic military structures (incl. logistical and command structures)
- Smaller states contribute special capabilities
- Nucleus for EU army



NATO and international demand: UK vehicle programs



UK Mechanised Infantry Vehicle (MIV)

- 500 8x8 Boxer Utility Vehicles
- Total Value > GBP3 bn
- Decision on tender process pending – collaborative via OCCAR or competition
- Assessment phase expected to begin in 2018

NATO and international demand: UK vehicle programs



Challenger Upgrade

- 227 vehicles with total value of GBP685 m
- 10 year life extension of existing fleet
- End of program in 2035
- Rheinmetall and BAE final competitors
- Assessment phase contract awarded Dec 2016 (GBP23 m)

- **Next steps:**
Finalization of assessment and submission of final tender in Dec 2018
- Decision scheduled for end of Q2 2019

NATO and international demand: Australia vehicle programs



LAND 121 Phase 3b

- Around 2,500 vehicles and 3,000 modules
- Total Value: AUD 1.9 bn
- Delivery in process

LAND 121 Phase 5b

- Around 1,100 vehicles and 700 modules
- Follow up order to Phase 3b
- Tender submitted in August 2017

NATO and international demand: Australia vehicle programs



LAND 400 Phase 2

- 225 vehicles
- Total value: AUD 4 bn
- Rheinmetall: Boxer
- BAE/Patria final competitor

LAND 400 Phase 3

- Up to 467 tracked vehicles, thereof 365 Infantry Fighting Vehicles
- Lynx
- At least three competitors

EU defence policy: EU brought defense matters back on the agenda



Drivers for European defense politics

- Gain strategic autonomy
- Improve efficiency and interoperability
- Increase EU industry competitiveness

European Council decision

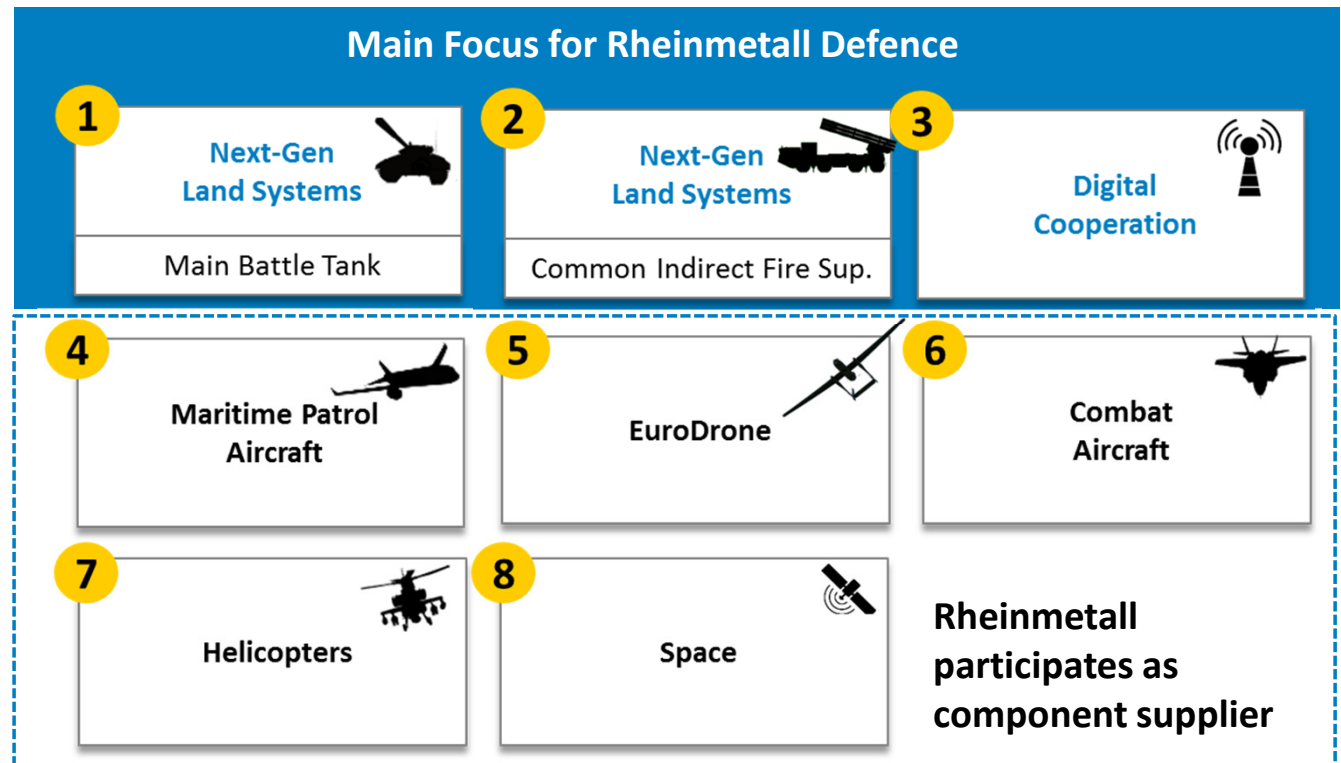
- Permanent structured cooperation (PESCO)
- European Defence Fund (€1.5 bn p.a. post 2020)
- Coordinated annual review on defence (CARD)

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

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



Franco-German lighthouse projects



German domestic demand: German MoD initiated three trend reversals



Personnel

- Mid-term return to 220,000 soldiers

Equipment

- Full equipment level
- Long-term structural reinforcement (new division)

Budget

- Increase of defence budgets
- €130 billion investment until 2030

German domestic demand: German army with new role as lead nation for VJTF



Very High Readiness Joint Task Force (VJTF)

- VJTF „the spearhead“ as part of the NATO Response Force
- Multinational brigade with 5 battalions (5.000 troops)
- Rotating lead nations
- Start of operation in 2017
- Germany will take on lead nation role in 2019 and 2023

➔ Higher equipment requirements!

German domestic demand: Additional structural demand of German army under discussion

■ Vehicles – mid-term potential



Fox



Boxer



Trucks



Puma

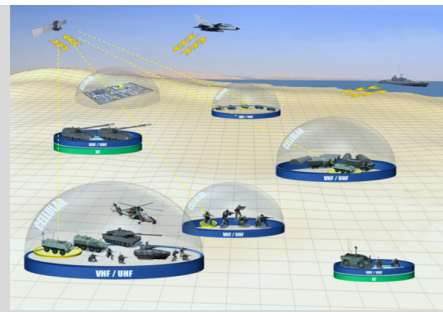
■ Equipment and ammunition – multi billion programs



NNBS (Short air defence)



TLVS (Tactical air defence)



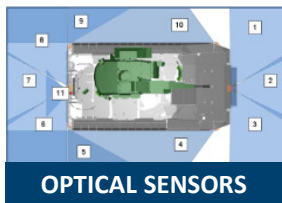
MoTaKo



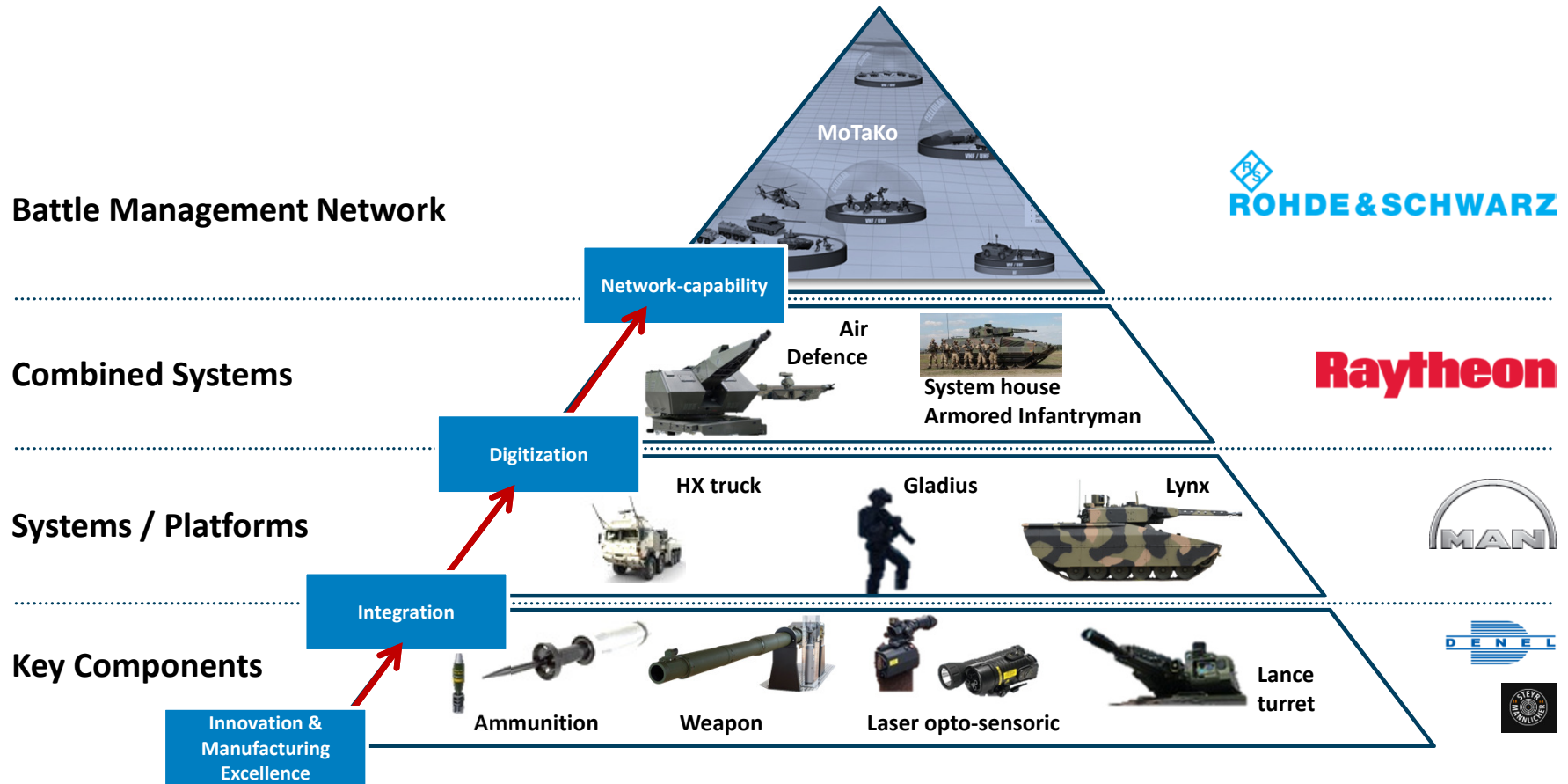
Ammunition

German domestic demand: IFV Puma additional potential until 2026 in detail

■ Puma



Army 4.0: Rheinmetall integrates components to systems



Army 4.0: Soldier systems build the foundation of all digitization

System Infantry



Battle Management System



Armored Infantrymen



Army 4.0: Panoview is the next level in digital turret systems



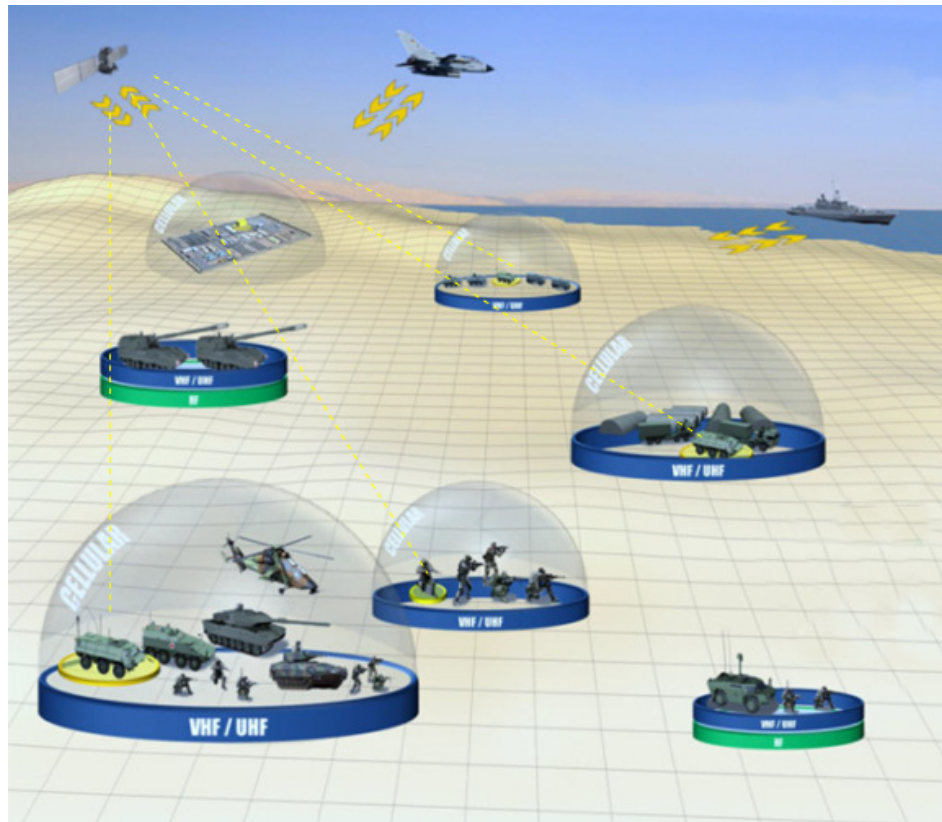
- Delivers real-time panoramic view
- Improves situational awareness, reduces reaction time and increases survivability
- Integrates with existing solutions
- PanoView allows to fuse sensor and tracker information such as areas of interest, tracks and notifications, C4I data and streamed sensor views in an intuitive, interactive user interface

Army 4.0: SENECA – Latest development to enhance effectiveness of combatants

■ Sensor Effector Network for Enhanced Combat Applications



Army 4.0: MoTaKo / MoTIV will propel the German Army into the digital future



JV-share and core capabilities

Rheinmetall (74.9%):

- Command systems
- Cross-functional operator interface
- Vehicle integration

Rohde & Schwarz (25.1%):

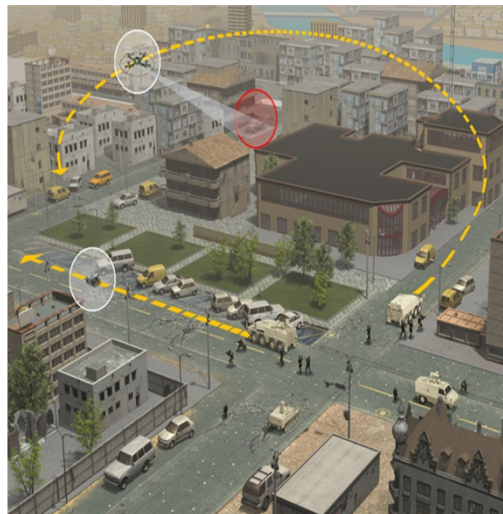
- Communication system architecture, IP based solution for voice and data transmission
- Incorporation of third party components and solutions

Scope and Timeline

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

Mobile Taktische Kommunikation
Mobiler Taktischer InformationsVerbund

Army 4.0: Live simulation of the three building blocks

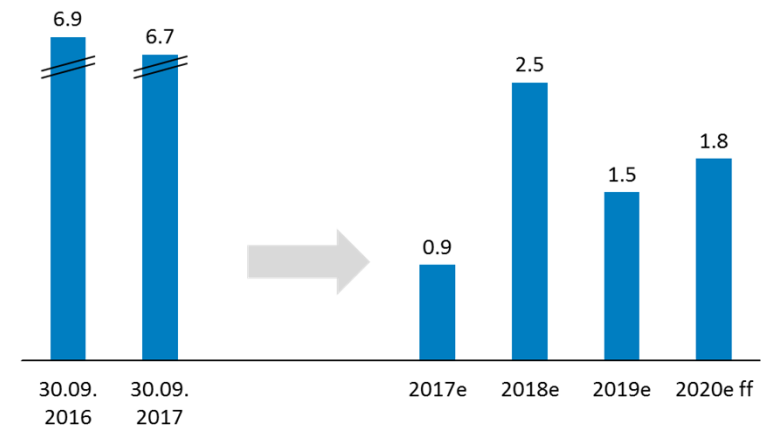


Growth: Rheinmetall Defence with a strong focus on organic growth

■ Long-term demand based on several pillars

■ Strong order backlog

Market growth based on multiple drivers



Growing at improved performance

GROWTH

Long-term growth trend fully intact

Defence business growth returns to double digit %-rate

PERFORMANCE

Profitability improved on product mix and higher leverage

Lagging business in Electronic Solutions is stabilizing

OUTLOOK

Well on track to enter target corridor of 6-7% operating margin mid-term

High order backlog

Great growth potentials for all three divisions

MOBILITY. SECURITY. PASSION.

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