



RHEINMETALL AG

THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Conference Call Q3 2015

Düsseldorf | November 5, 2015



Highlights 9M 2015

Strong top line growth, earnings improved, guidance raised

- + 11%*** — Sales grew by EUR 367 million
- + 259%** — Operational earnings strongly improved to EUR 140 million
- + 584%** — Earnings per share up to EUR 1.89
- + 46%** — Free cash flow from operations better by EUR 229 million
- +** — Renewal of EUR 500 million syndicated loan significantly extending the maturity structure
- ↗** — Outlook lifted to EUR 5.1 billion with a margin of slightly above 5% due to better expectations in Defence

* FX-adjusted + 9%



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%



Key figures Q3 2015

Earnings per share strongly improved

Group <i>in EUR million</i>	Q3 2014	Q3 2015	Δ Q3 2015 / Q3 2014	
Sales	1,084	1,188	+ 104	+ 10%
EBITDA (reported)	40	110	+ 70	+ 175%
Operational earnings	7	61	+ 54	+ 771%
Special items: one-offs, restructuring costs	- 14	0	+ 14	
EBIT (reported)	- 7	61	+ 68	+ 971%
EBIT margin <i>in %</i>	- 0.6	5.1	+ 5.7pp	
Earnings per share <i>in EUR</i>	- 0.40	0.86	+ 1.26	+ 315%

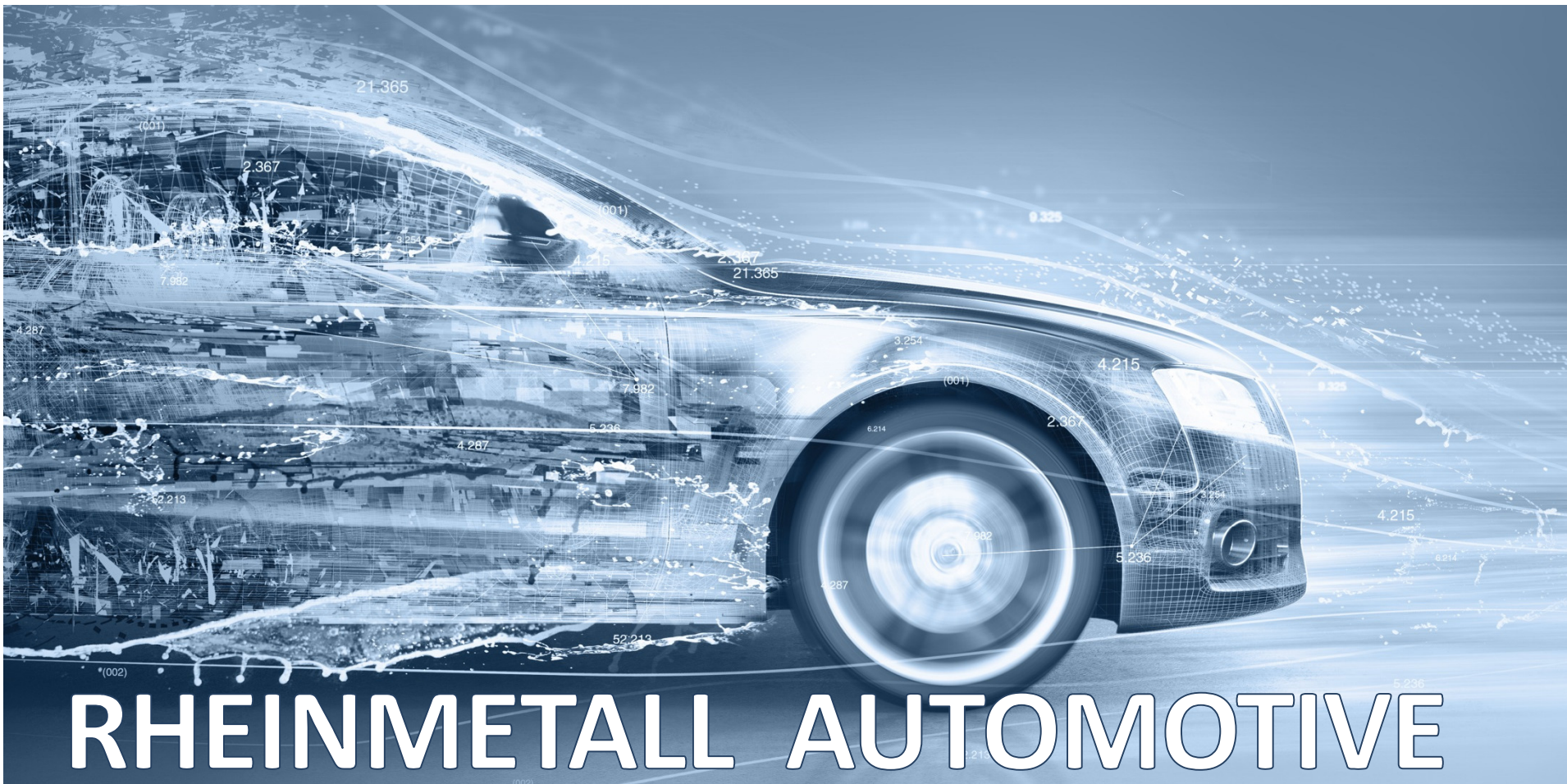


Key figures Q3 2015 per segment

Quarterly Automotive margin again above 8%, turn-around in Defence

Automotive <i>in EUR million</i>	Q3 2014	Q3 2015	Δ Q3 2015 / Q3 2014	
Sales	595	617	+ 22	+ 4%
EBITDA (reported)	71	78	+ 7	+ 10%
EBIT (reported)	46	50	+ 4	+ 9%
EBIT margin <i>in %</i>	7.7	8.1	+ 0.4pp	

Defence <i>in EUR million</i>	Q3 2014	Q3 2015	Δ Q3 2015 / Q3 2014	
Sales	489	571	+ 82	+ 17%
EBITDA (reported)	- 25	37	+ 62	+ 248%
EBIT (reported)	- 46	16	+ 62	+ 135%
EBIT margin <i>in %</i>	- 9.4	2.8	+ 12.2pp	





Highlights 9M 2015

Solid sales increase and improved profitability

- + 7%*** — Sales increased by EUR 126 million, outperforming global markets (+ 1%)
- + 18%** — Strong increase of EBIT to EUR 164 million
- + 0.8pp** — EBIT margin at 8.4% (Q3: 8.1%)
- + 91mn** — Free cash flow from operations positive at EUR 70 million
- + 31%** — Sales growth of Chinese entities (FX-adjusted + 10%) with rather stable earnings contribution, but **weak third quarter**
- +** — Agreement to set up a **joint venture for piston rings** with Riken in China signed

* FX-adjusted + 4%



Key figures 9M 2015

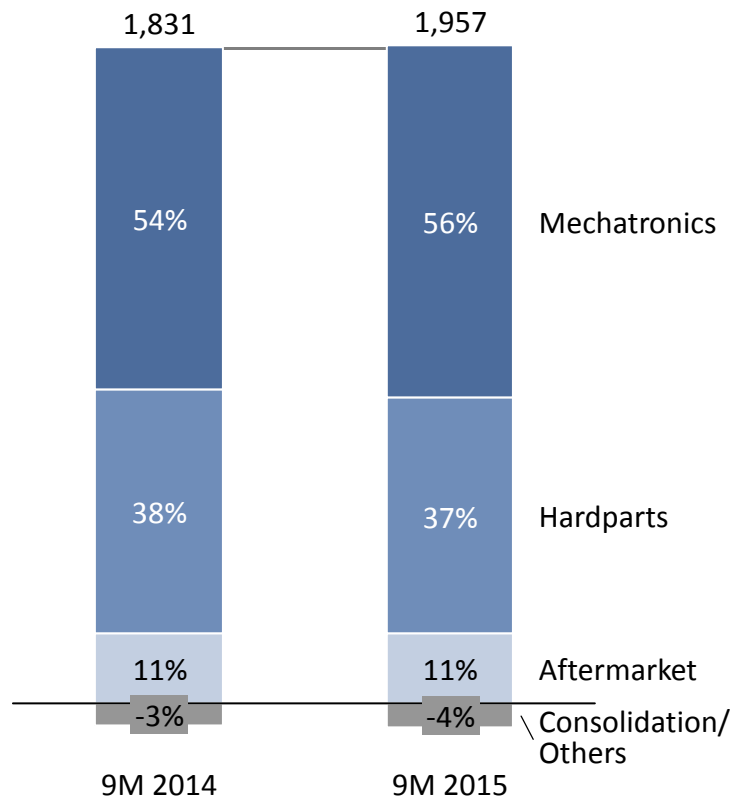
<i>in EUR million</i>	9M 2014	9M 2015	Δ 9M 2015 / 9M 2014	
Order intake	1,853	1,982	+ 129	+ 7%
Order backlog (September 30)	418	441	+ 23	+ 6%
Sales	1,831	1,957	+ 126	+ 7%
EBITDA (reported)	215	248	+ 33	+ 15%
Operational earnings	139	164	+ 25	+ 18%
Special items: one-offs, restructuring costs	0	0	± 0	± 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%



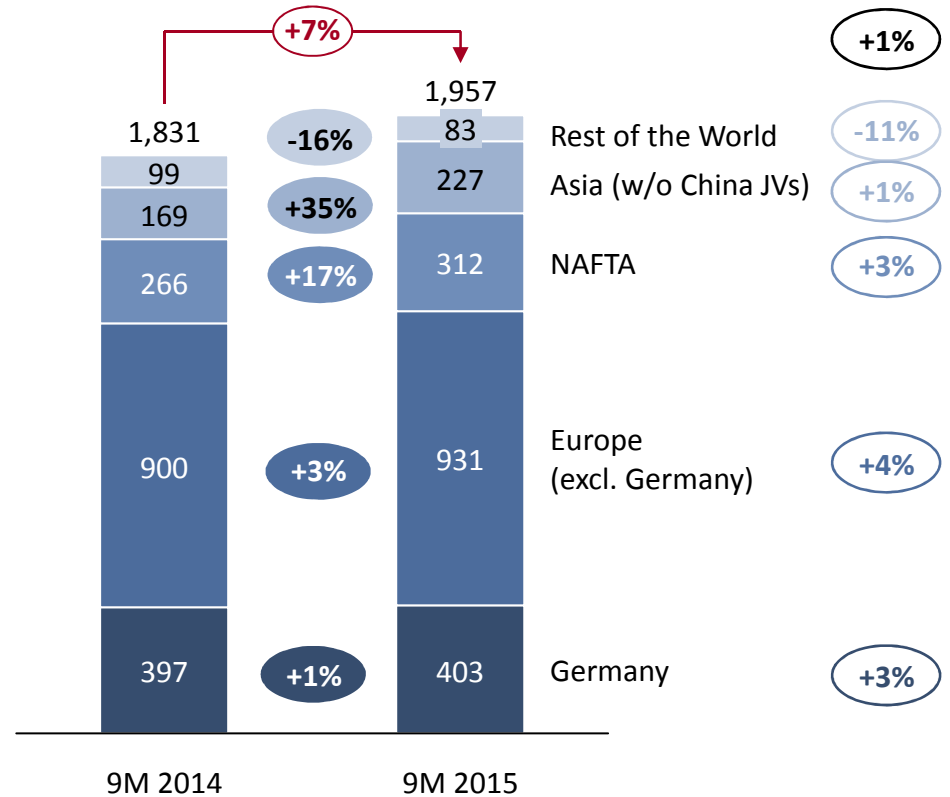
Mechatronics showing increasing sales share

Automotive significantly outperforming the NAFTA and the Asian market

Sales by division in EUR million



Sales by region in EUR million



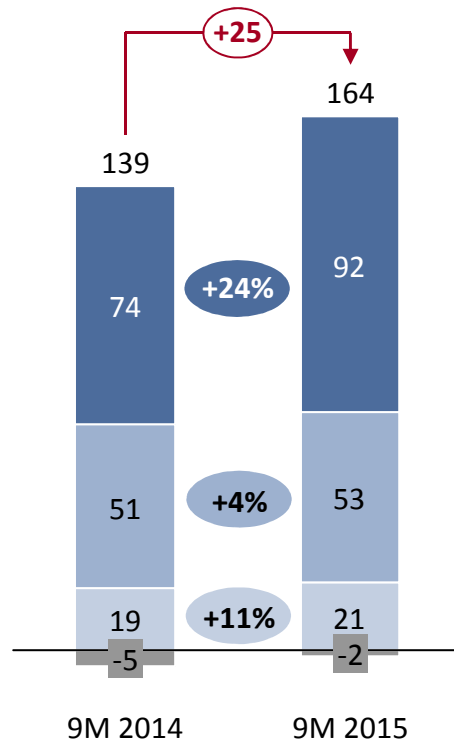
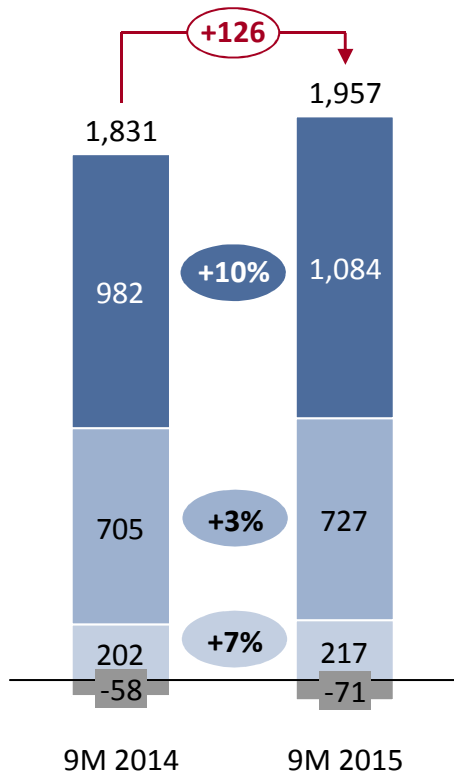
* 9M 2015 vs. 9M 2014, source: IHS Automotive (October 2015)



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

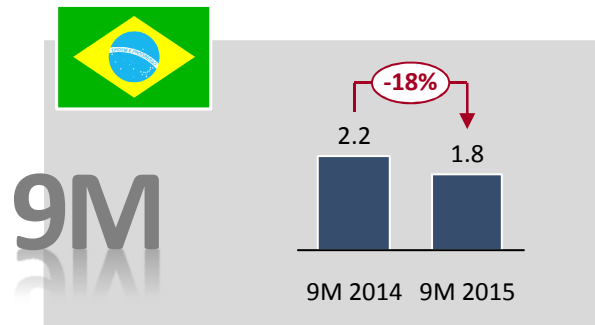




Markets in focus: Brazil and Russia

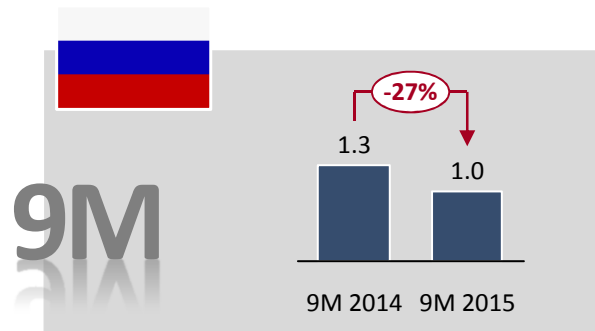
Earnings increase in Brazil, no impact by Russian market decline

LV production in mn units



- Continuing decline of LV production market (2014: -14%, 2015e: -19%)
- Our Brazilian entities produce **for local markets as well as for other American markets**, particularly for the US, and Europe
- Despite difficult domestic market environment **increasing positive earnings** of Brazilian entity at a low margin level

LV production in mn units

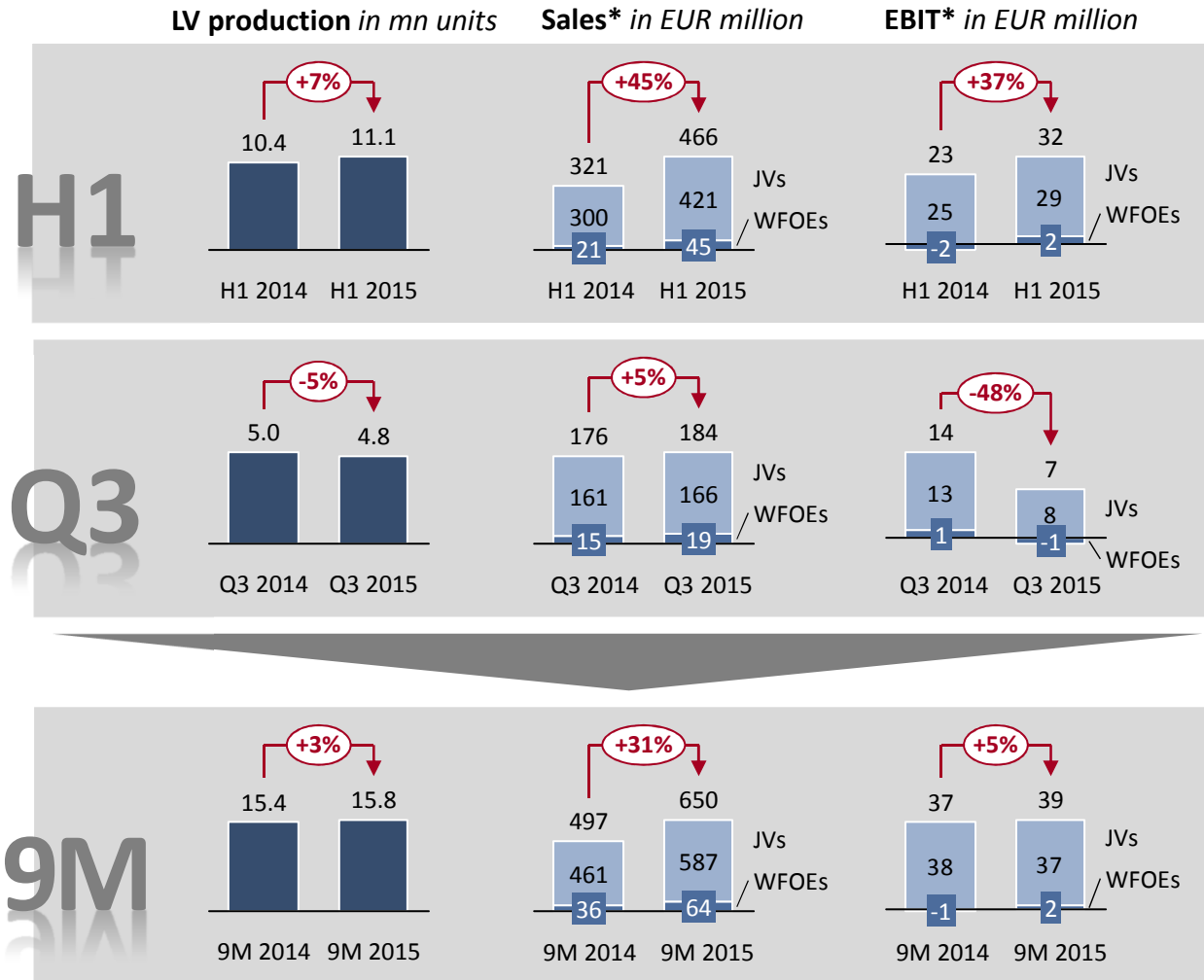


- Significant drop of LV production market
- **No entity in Russia**
- Mechatronics and Hardparts not affected, revenues with Russia limited to some Aftermarket business
- Thus, **no major impact of weak market noticeable**



Markets in focus: China

Weak third quarter after a strong H1 performance



- 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**

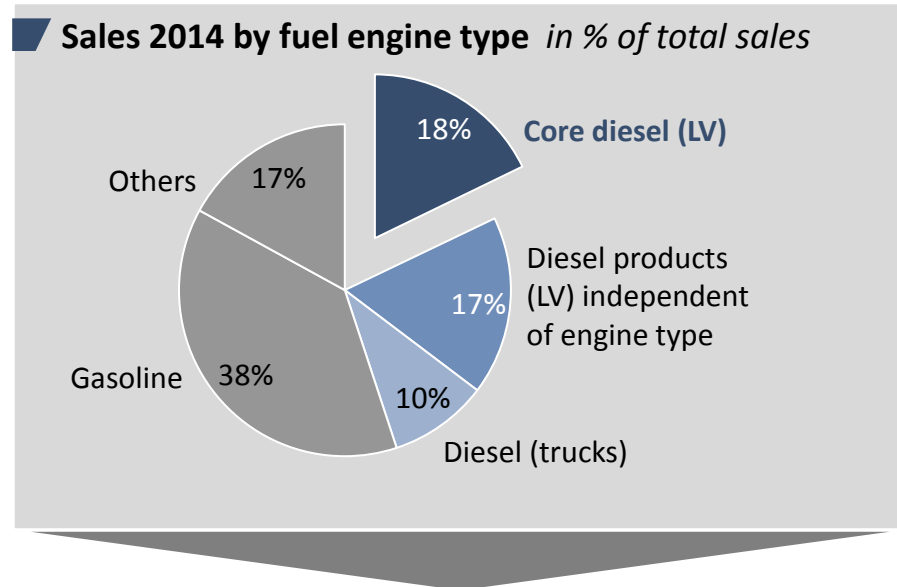
* Including 100% figures of 50/50 joint ventures, consolidated at equity

WFOE = Wholly Foreign-Owned Enterprise

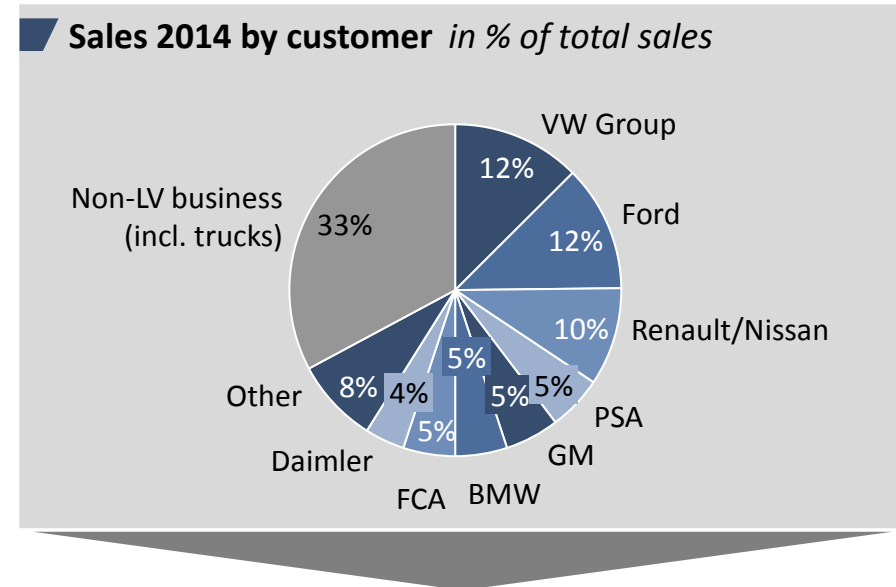


Markets in focus: Diesel engines

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%)**

All figures referring to total Automotive sales 2014

LV = Light vehicle



RHEINMETALL DEFENCE



Highlights 9M 2015

Strong top line growth, enhanced earnings, better cash flow

- > 1.0** — **Book-to-bill ratio above 1**
- + 6%** — **Order backlog at a high level** of more than EUR 6.5 billion
- + 17%*** — **Sales increased** by EUR 241 million to EUR 1,625 million
- +73mn** — **Operational loss reduced** to EUR - 11 million
- + 27%** — **Free cash flow from operations improved** to EUR -304 million

* FX-adjusted + 15%



Key figures 9M 2015

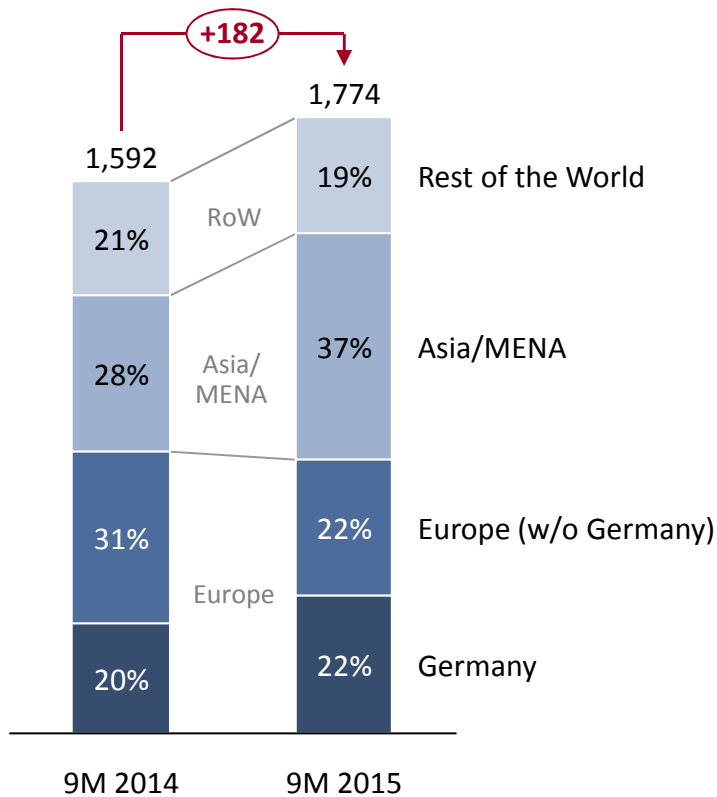
<i>in EUR million</i>	9M 2014	9M 2015	Δ 9M 2015 / 9M 2014	
Order intake	1,592	1,774	+ 182	+ 11%
Order backlog (September 30)	6,165	6,547	+ 382	+ 6%
Sales	1,384	1,625	+ 241	+ 17%
EBITDA (reported)	- 38	52	+ 90	+ 237%
Operational earnings	- 84	- 11	+ 73	- 87%
Special items: one-offs, restructuring costs	- 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%



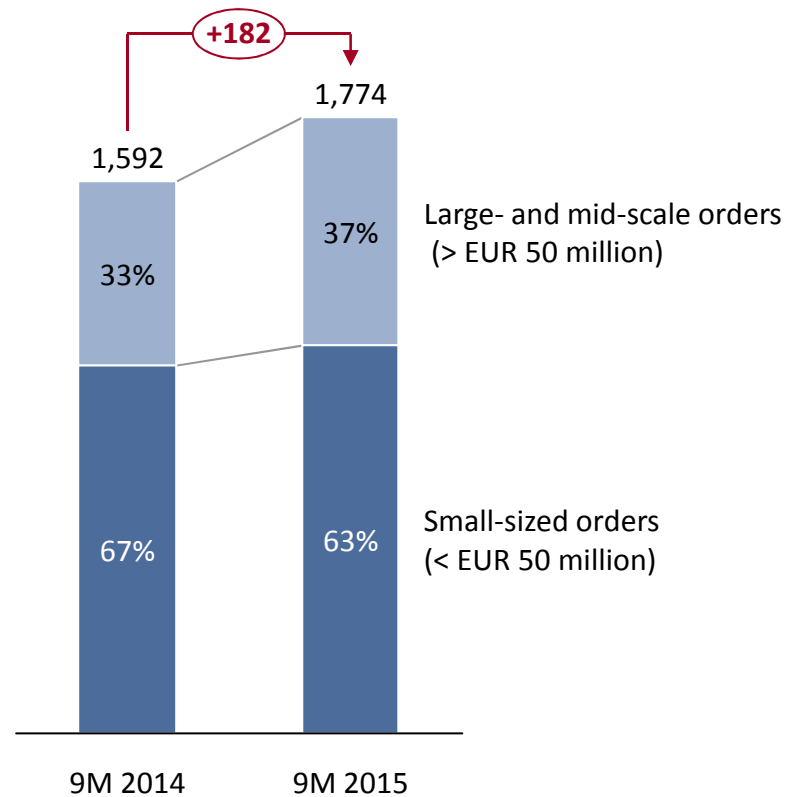
Order intake

Strong increase due to non-European contracts, robust basis of small-sized orders

Order intake by region in EUR million



Order intake by order size in EUR million

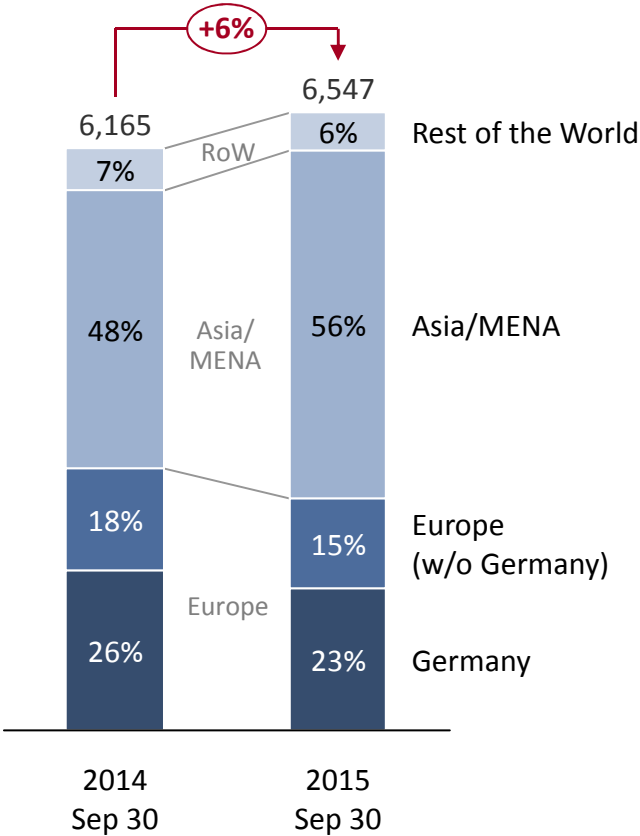




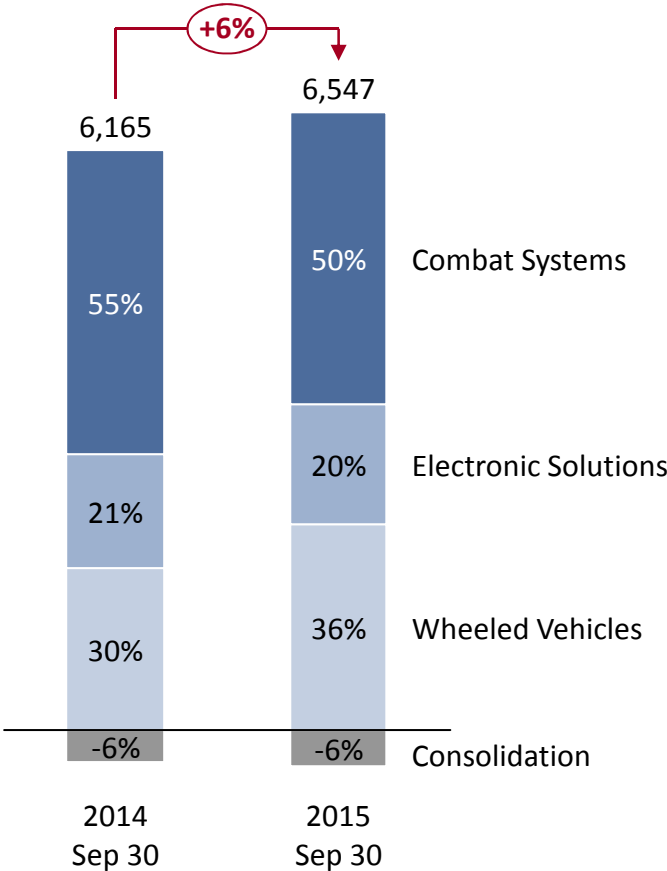
Order backlog

Successful internationalization outside Europe

Order backlog by region in EUR million



Order backlog by division in EUR million

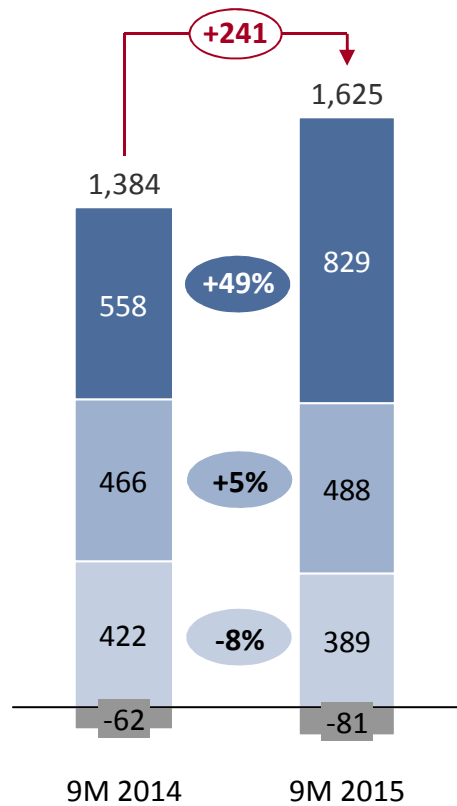




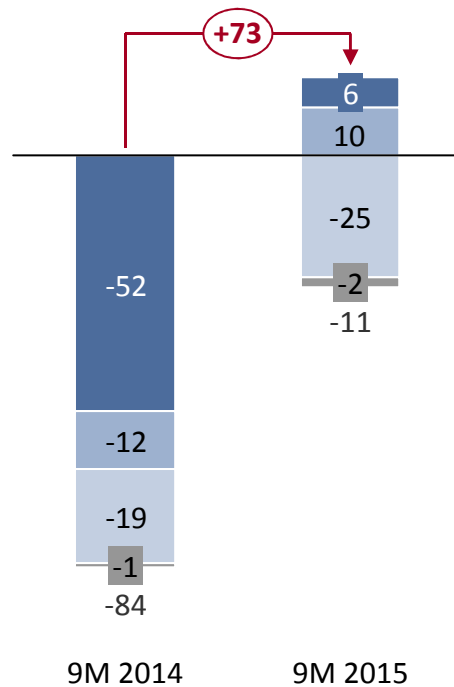
Top-line rose due to ramp-up of large-scale projects

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

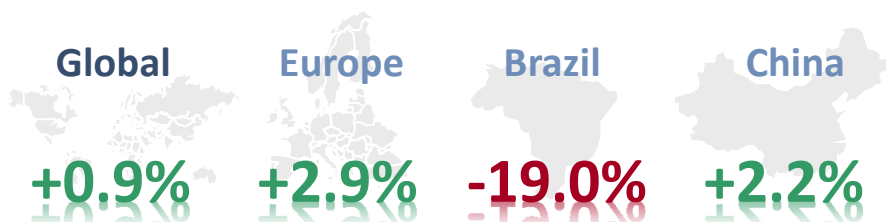




Market environment

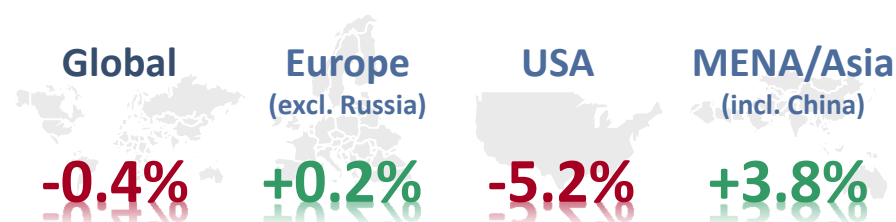
Reduced global LV production expectations, Defence slightly decreasing

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)



Looking ahead at Q4

AUTOMOTIVE



- **Q4 sales** expected to come in at **previous year's level**
- **China:**
 - **LV production** in Q4 expected at previous year's level
 - **Our business in Q4** expected to **grow again**

DEFENCE



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



Outlook FY 2015

Raised guidance due to Defence, Automotive unchanged

Outlook 2015

	Sales <i>in EUR billion</i>			Operational margin <i>in %</i>		
	2014	2015e		2014	2015e	
		August	November		August	November
Group	4.7	~ 5.0	~ 5.1	3.4	approx. 5	slightly above 5
Automotive	2.4	~ 2.6	~ 2.6	7.5	8	8
Defence	2.2	~ 2.4	~ 2.5	- 0.4	3	slightly above 3

Assumptions

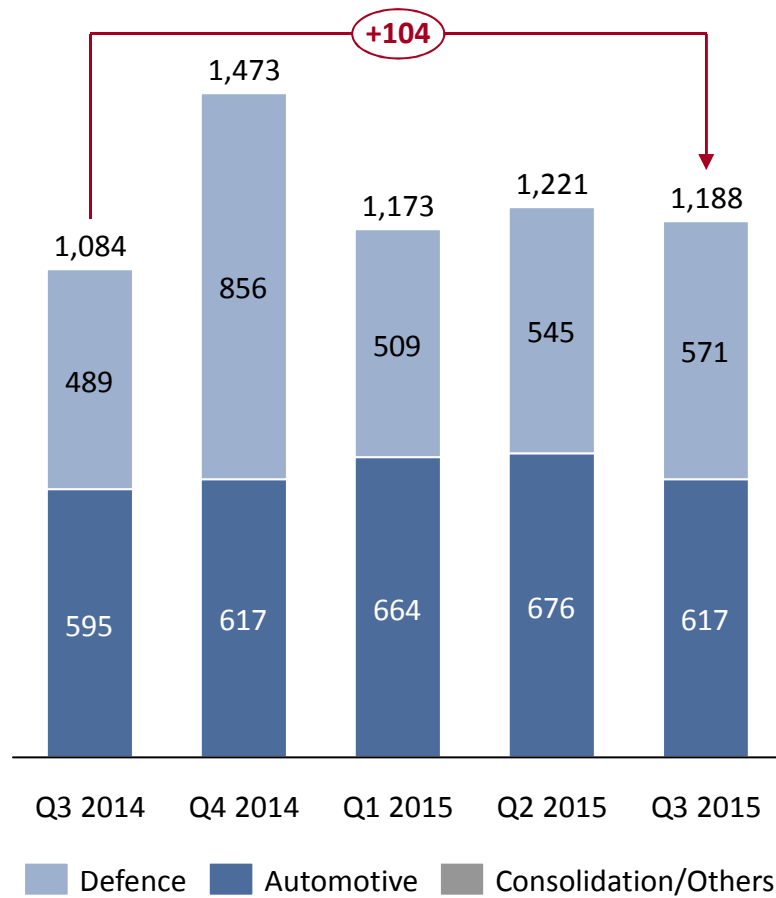
- Global automotive industry growing as forecast
- Generating back-end loaded Q4 revenues in Defence as scheduled, no significant one-offs



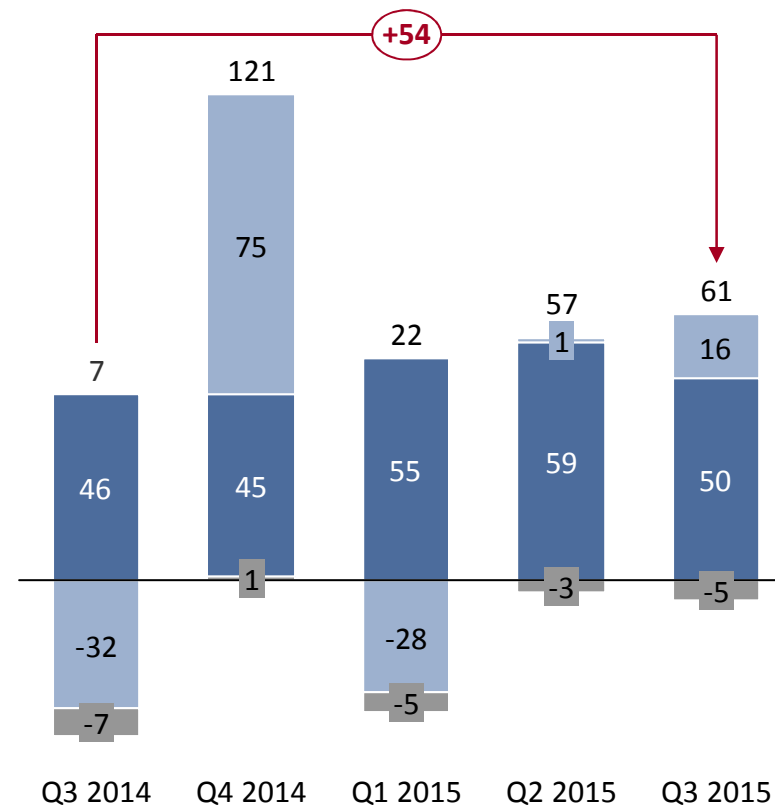


Quarterly development

Sales in EUR million



Operational earnings in EUR million





Balance sheet

<i>in EUR million</i>	30.09. 2014	31.12. 2014	30.09. 2015	Δ 30.09.15/ 30.09.14
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

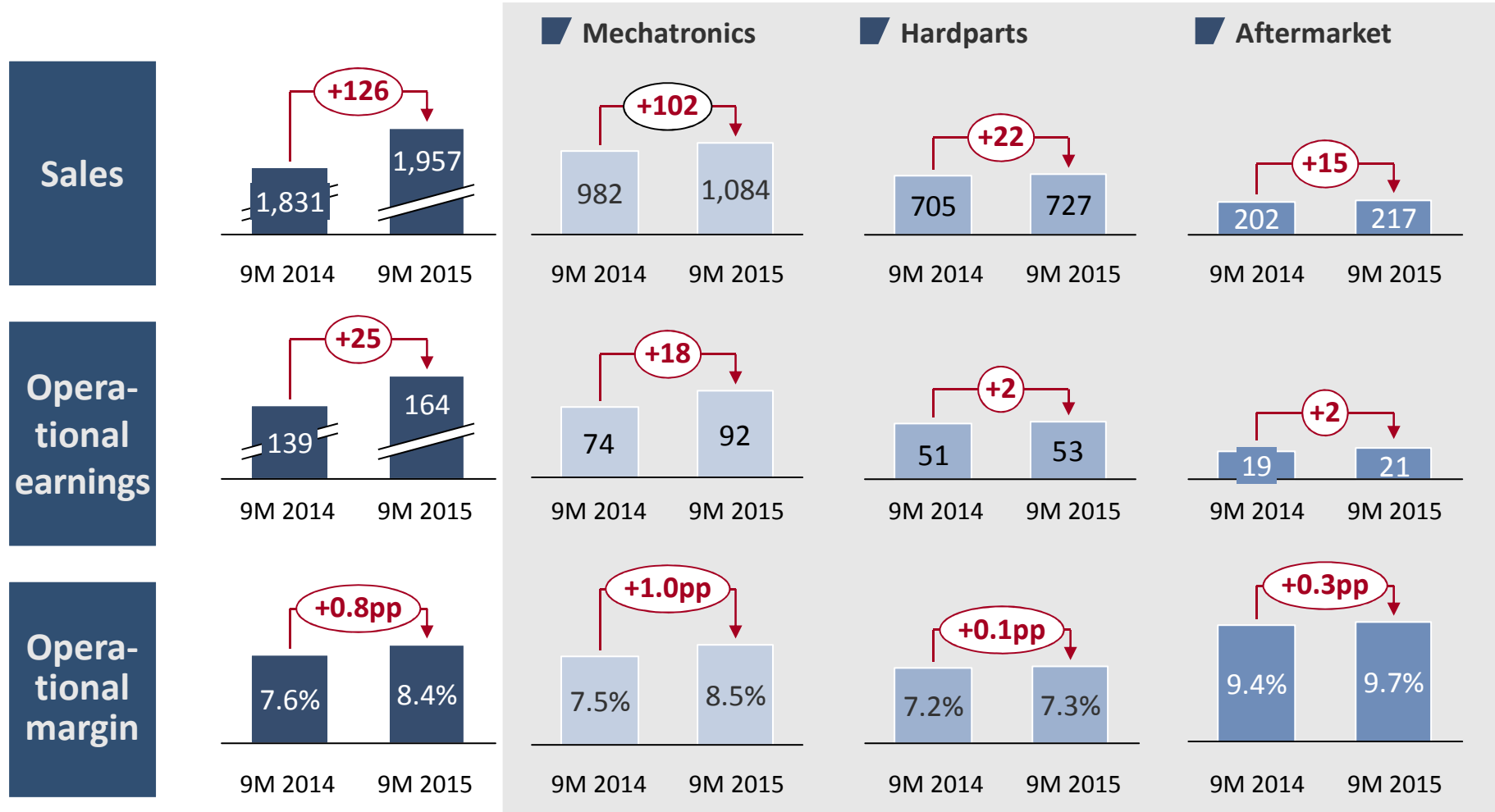


Cash flow statement

<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



Key figures Automotive by division

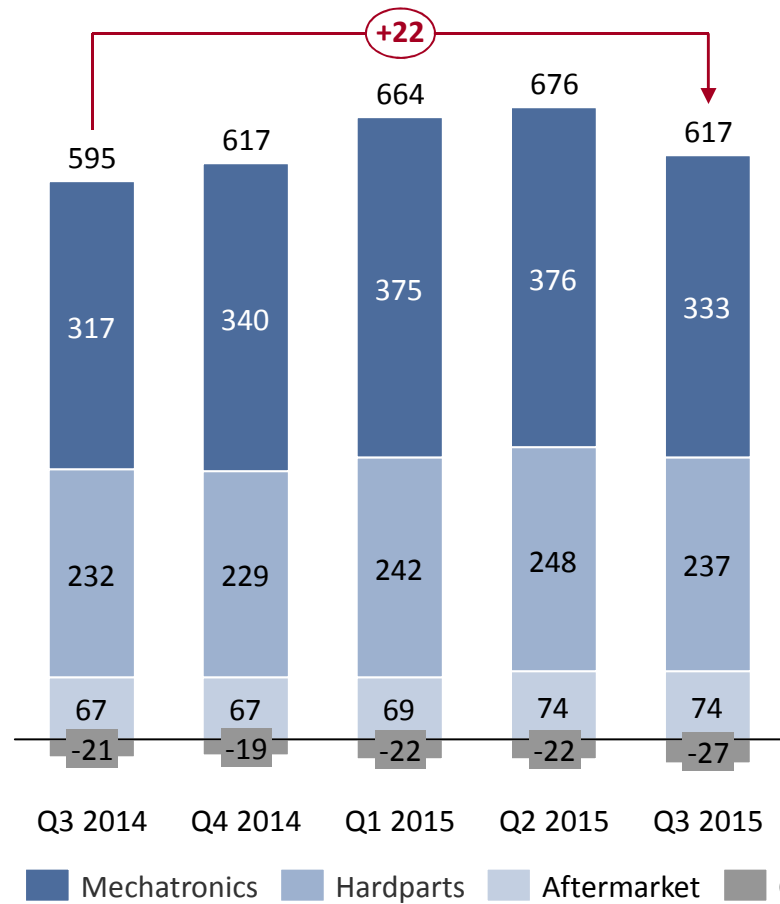


Figures before intrasegmental consolidation

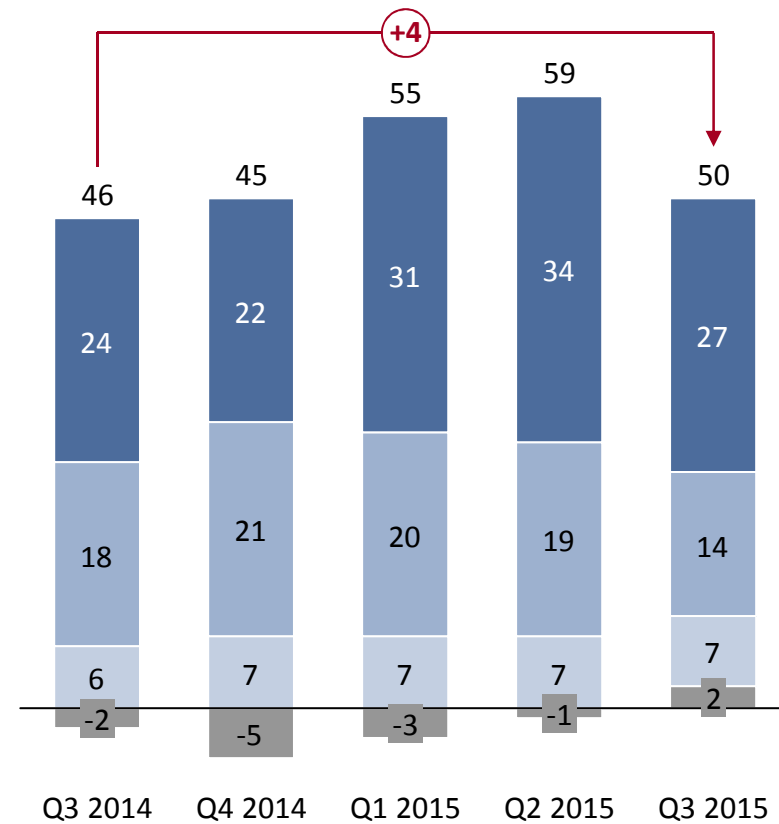


Quarterly development

Sales Automotive in EUR million



Operational earnings Automotive in EUR million



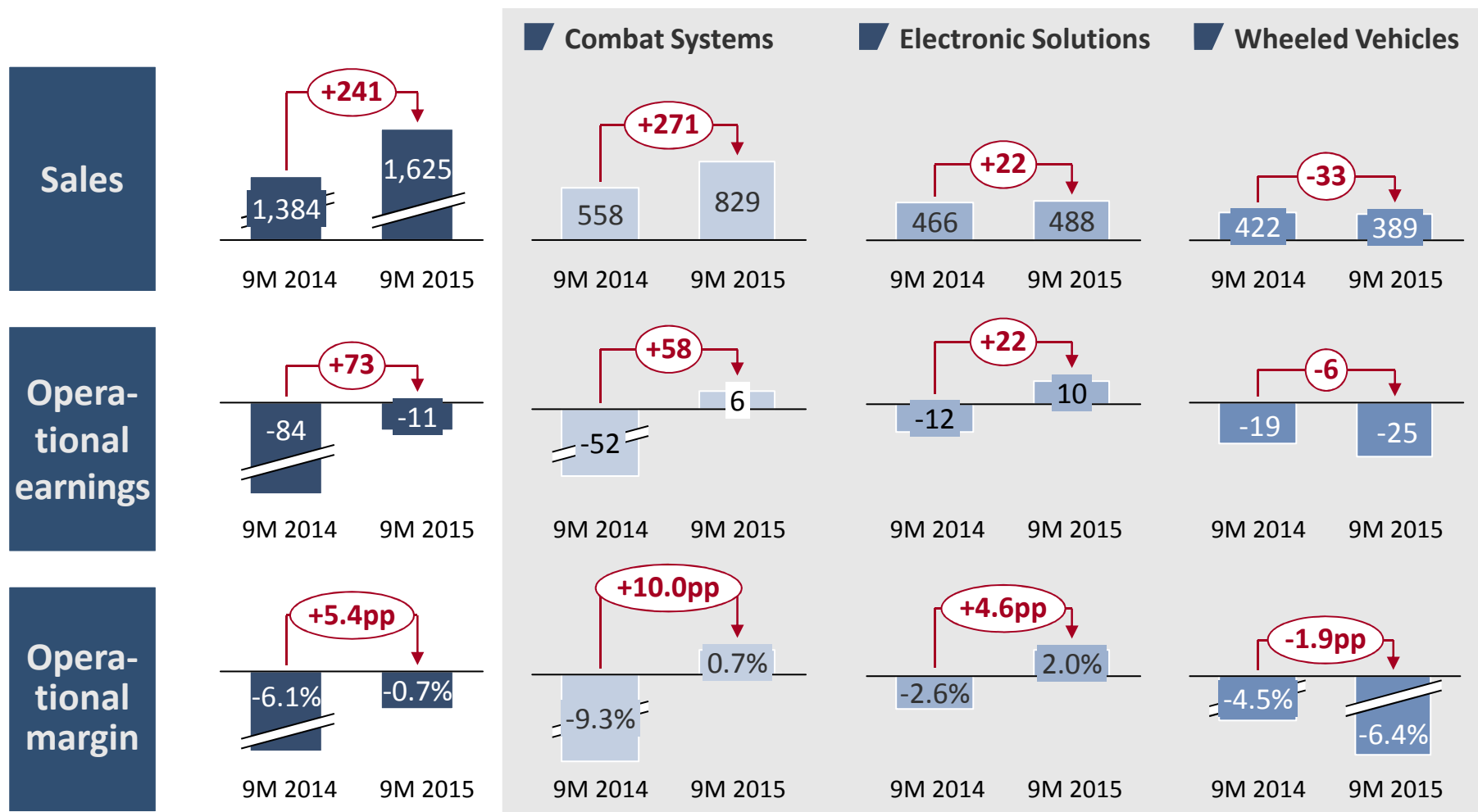


Cash flow statement

<i>in EUR million</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Δ Q3 2015/2014
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



Key figures Defence by division

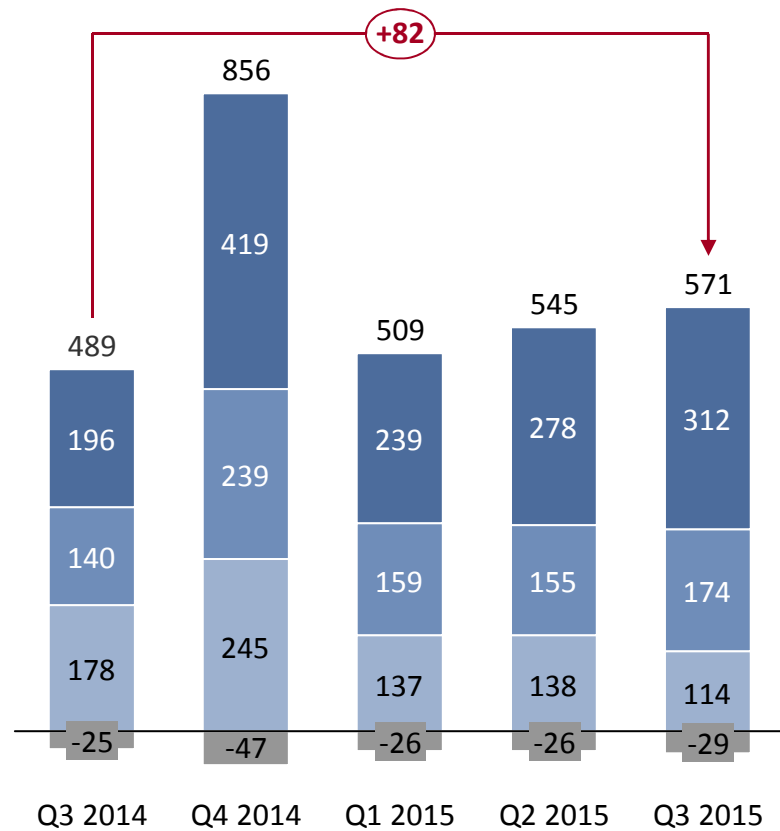


Figures before intrasegmental consolidation

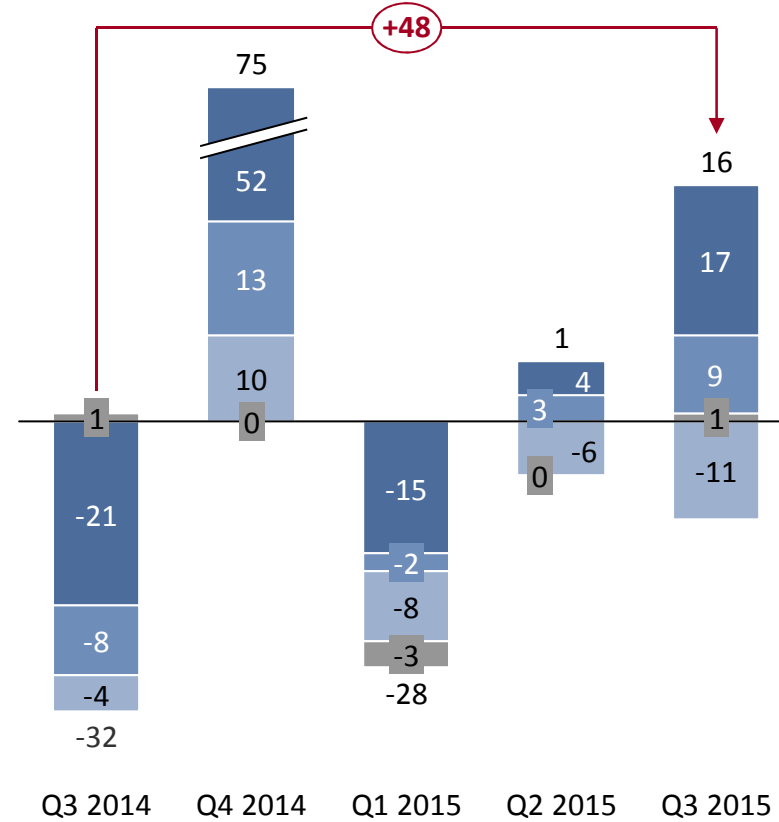


Quarterly development

Sales Defence in EUR million



Operational earnings Defence in EUR million



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



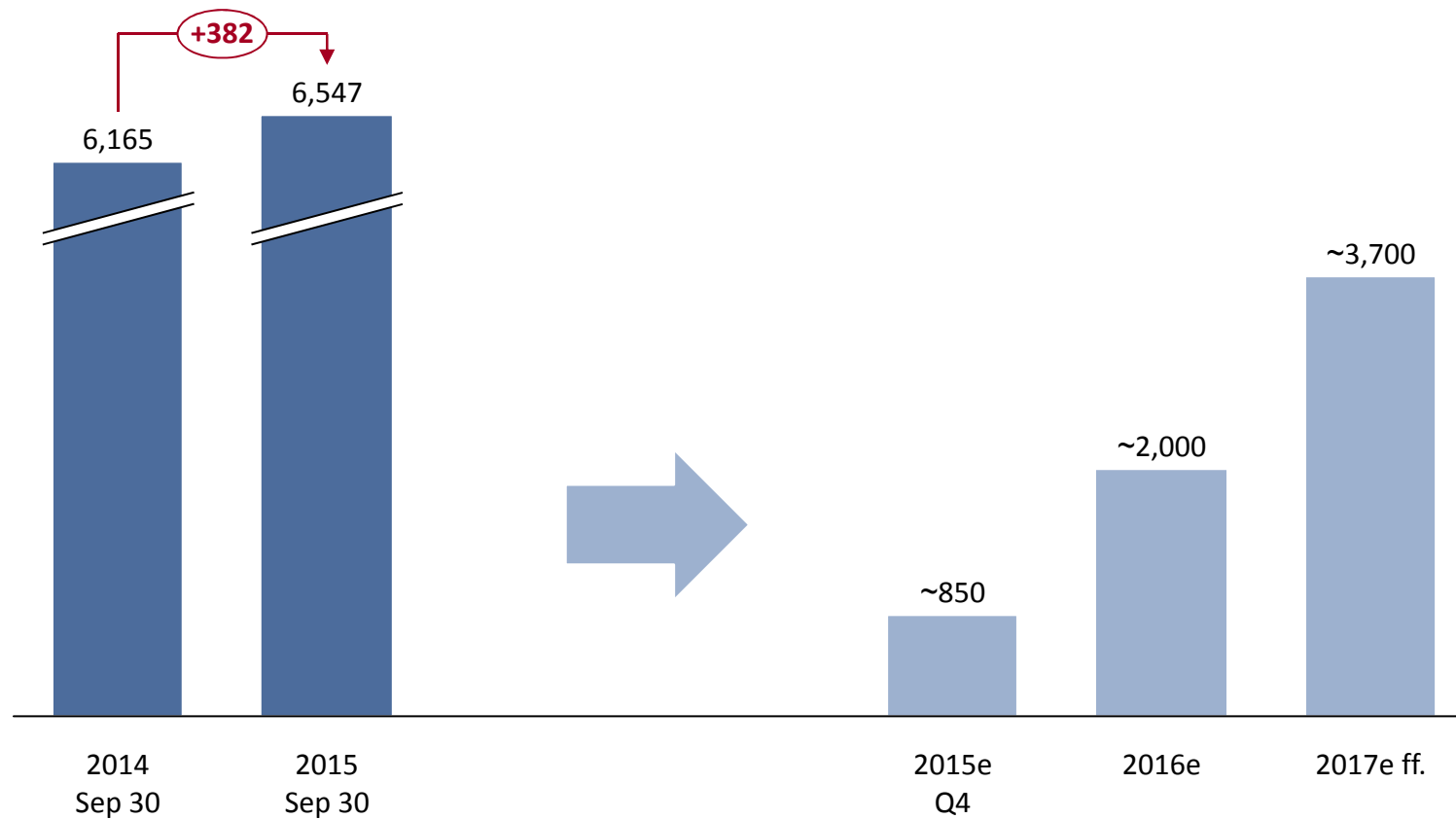
Cash flow statement

<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



Order backlog and sales split per year High order book coverage of mid-term future sales

Order backlog (as of September 30) in EUR million turning into sales in EUR million





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