



RHEINMETALL AG



THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Conference Call Q1 2016

Düsseldorf | May 12, 2016



Highlights Q1 2016

Strong order backlog, stable sales development, earnings progressing

Sales	increased by 1%, FX-adjusted by 2%
Order backlog	further increase to EUR 7.3 billion
Earnings	up to EUR 31 million, margin raised to 2.6%
Rating	Moody's outlook improved from "negative" to "stable"
CTA	for German pension liabilities started
Outlook	for group and segments confirmed



Key figures Q1 2016

<i>in EUR million</i>	Q1 2015	Q1 2016	Δ Q1 2016 / Q1 2015	
Order backlog	7,070	7,317	+ 247	+ 3%
Sales	1,173	1,180	+ 7	+ 1%
EBITDA	71	86	+ 15	+ 21%
EBIT (reported)	22	31	+ 9	+ 41%
EBIT margin <i>in %</i>	1.9	2.6	+ 0.7pp	
EBT	6	17	+ 11	+ 183%
Group net income	5	12	+ 7	+ 140%
Earnings per share <i>in EUR</i>	0.20	0.32	+ 0.12	+ 60%
Employees (March 31)	20,442	20,759	+ 317	+ 2%



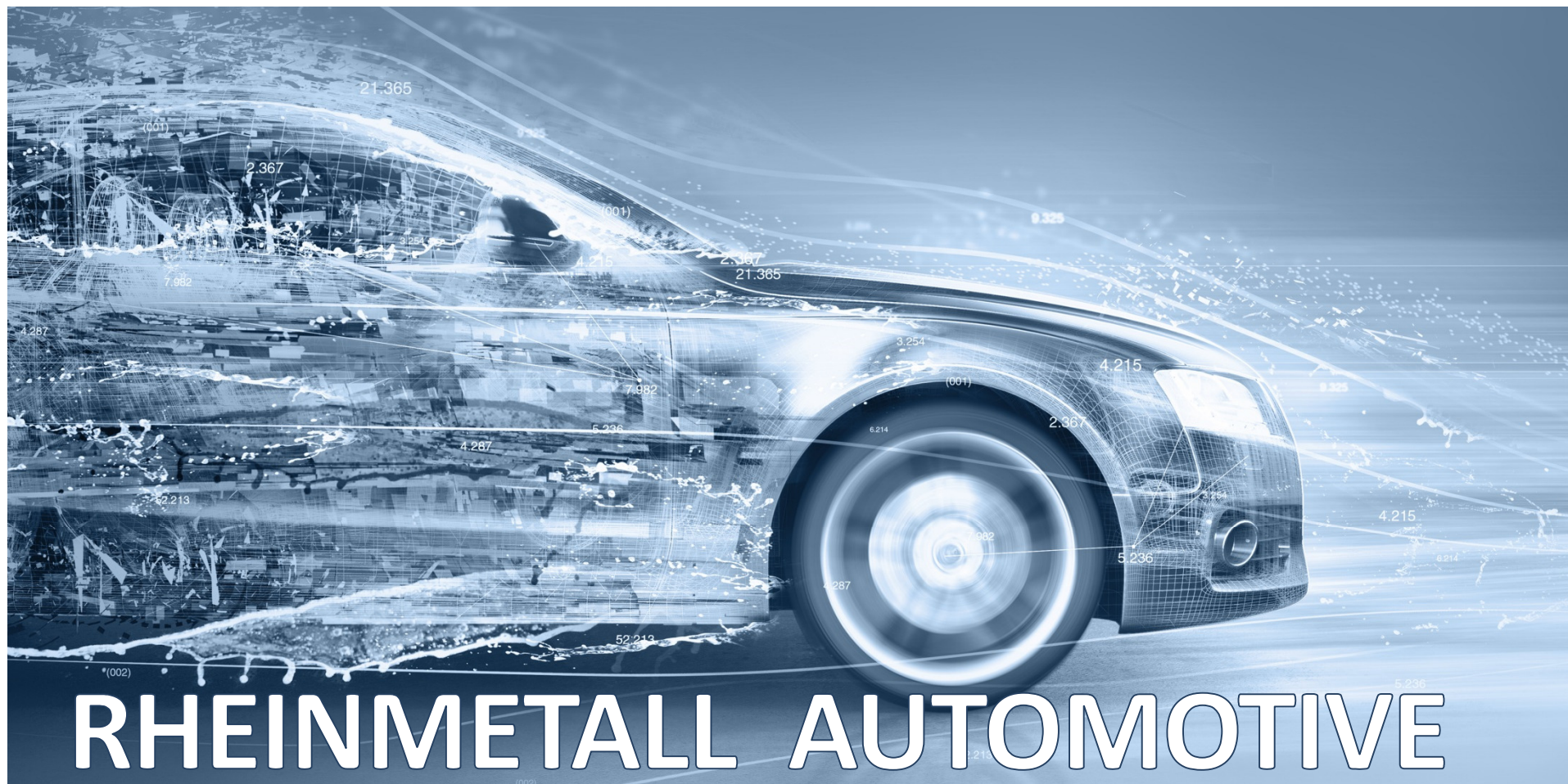
Cash flow statement

<i>in EUR million</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Δ Q1 2016/2015
Group net income	5	29	30	96	12	+ 7
Amortization / depreciation	49	50	49	55	55	+ 6
Change in pension accruals	0	1	0	2	-16	- 16
Cash flow	54	80	79	153	51	- 3
Changes in working capital and other items	- 202	- 100	8	267	-262	- 60
Net cash used in operating activities	- 148	- 20	87	420	- 211	- 63
Cash outflow for additions to tangible and intangible assets	- 56	- 55	- 78	- 121	- 52	4
Free cash flow from operations	- 204	- 75	9	299	- 263	- 59



Pension obligations – set-up of a CTA

- Rheinmetall decided to start the external funding of German pension obligations and to establish a „Contractual Trust Arrangement“ (CTA) for the Group
- In January 2016, the CTA was initially funded with an amount of EUR 30 million
- Main goals of the CTA:
 - Strengthening of the balance sheet
 - Reduction of capital market impacts on equity capital
- Long-term target: external funding of > 50% for German pension obligations





Highlights Q1 2016

Sales slightly reduced, profitability stable

Sales	▶	slightly reduced by EUR 10 million, FX-adjusted by -1%
Earnings	▶	margin at target level of 8%
China	▶	reduced growth rates of JVs and WFOEs
Strategy	▶	alliance with Riken in China intensified by 30%-stake



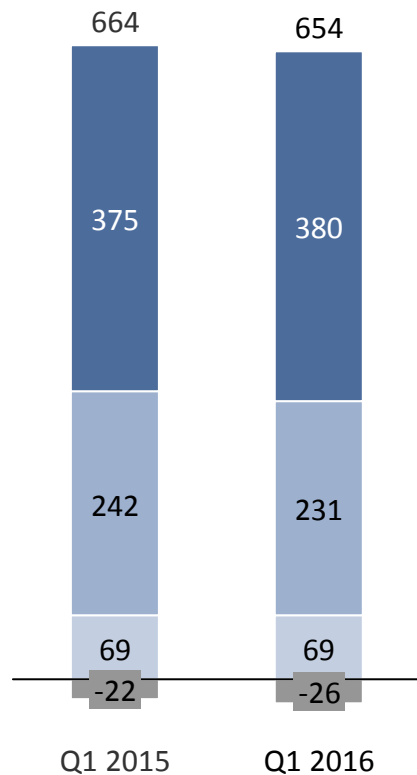
Key figures Q1 2016

<i>in EUR million</i>	Q1 2015	Q1 2016	Δ Q1 2016 / Q1 2015	
Order intake	689	662	- 27	- 4%
Order backlog (March 31)	407	452	+ 45	+ 11%
Sales	664	654	- 10	- 2%
EBITDA	83	85	+ 2	+ 2%
EBIT (reported)	55	52	- 3	- 5%
EBIT margin <i>in %</i>	8.3	8.0	- 0.3pp	
Free cash flow from operations	-26	-139	-113	
Employees (March 31)	10,932	10,894	- 38	- 0%

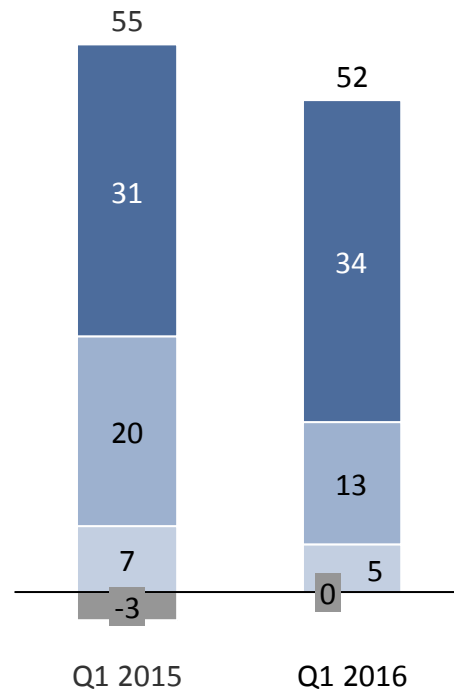


Sales affected by partially weaker demand EBIT margin at 8.0%

Sales Automotive in EUR million



Operational earnings Automotive in EUR million



Reasons for earnings development

Mechatronics
— Continuing growth

Hardparts
— Further deterioration of demand in Brazil
— Lower sales of large-bore pistons due to weak markets
— Stable at-equity earnings contribution from JVs

Aftermarket
— Start-up costs of new factory in Usti/CZ

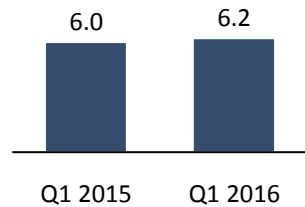
■ Mechatronics ■ Aftermarket
■ Hardparts ■ Consolidation



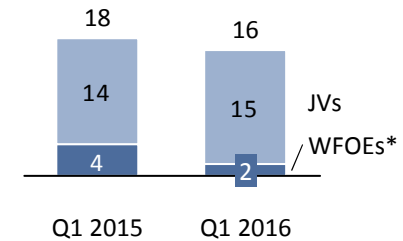
China: LV production continues to grow, but with reduced rates

Stable performance of Chinese joint ventures

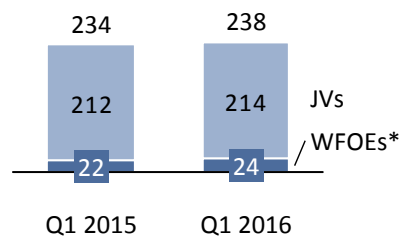
LV production
in million units



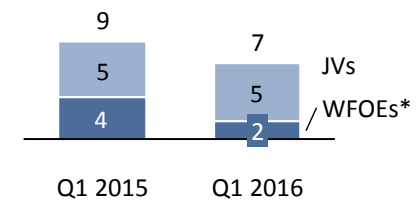
EBIT in EUR million**



Sales in EUR million**



Earnings contribution in EUR million



* WFOE = Wholly Foreign-Owned Enterprise

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



Global alliance with Riken Automotive acquires 30% in Riken Automobile Parts in China

Riken Automobile Parts (Wuhan) Co. Ltd.

- Strengthening of the existing strategic partnership concerning development and marketing with Riken Corp., Tokyo
- Automotive took over 30 % of Riken Automobile Parts (Wuhan) in March 2016
- Riken Automobile Parts: established 2004; 12,000 m² production facility in Wuhan, province of Hubei, China; workforce of 300 persons; production of piston rings, mainly for automotive customers in China





RHEINMETALL DEFENCE



Highlights Q1 2016

Strong order inflow, growing sales and improved earnings

Order intake	▶	soared to roughly EUR 950 billion shifting the book-to-bill ratio to 1.8
Order backlog	▶	increased to EUR 6.9 billion
Sales	▶	up by EUR 17 million; FX-adjusted by 6%
Earnings	▶	losses reduced by EUR 11 million to EUR -17 million



Key figures Q1 2016

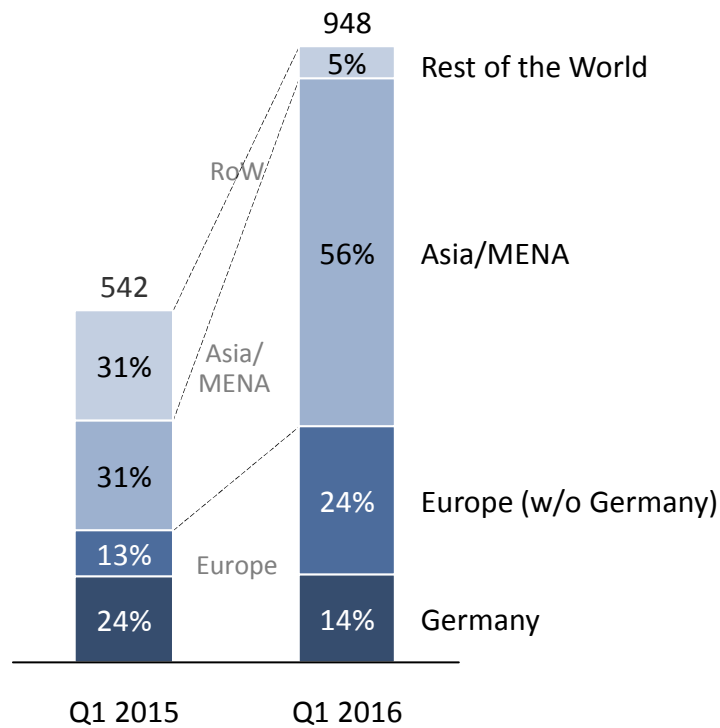
<i>in EUR million</i>	Q1 2015	Q1 2016	Δ Q1 2016/ Q1 2015	
Order intake	542	948	+ 406	+ 75%
Order backlog (March 31)	6,629	6,865	+ 236	+ 4%
Sales	509	526	+ 17	+ 3%
EBITDA	- 7	5	+ 12	
EBIT (reported)	- 28	- 17	+ 11	
EBIT margin <i>in %</i>	- 5.5	- 3.2	+ 2.3pp	
Free cash flow from operations	- 168	- 104	+ 64	
Employees (March 31)	9,359	9,705	+ 346	+ 4%



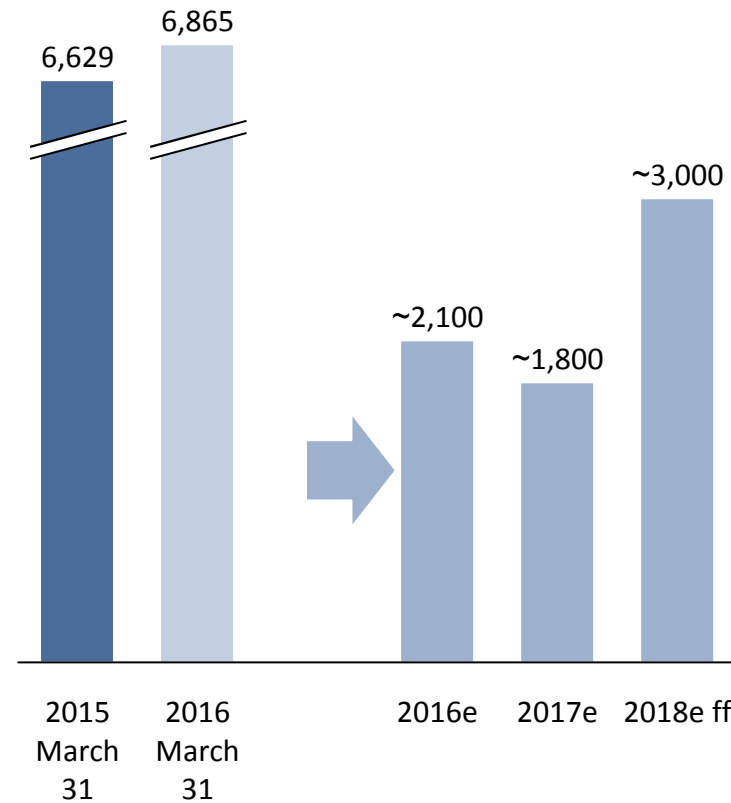
Increasing share of non-European order intake

High order book coverage of mid-term future sales

Order intake by region in EUR million



Order backlog turning into sales in EUR million





Recent order flow New orders and frame contracts

Air Defence MENA
EUR 390 million



Upgrade Leopard 2 Poland
EUR 130 million



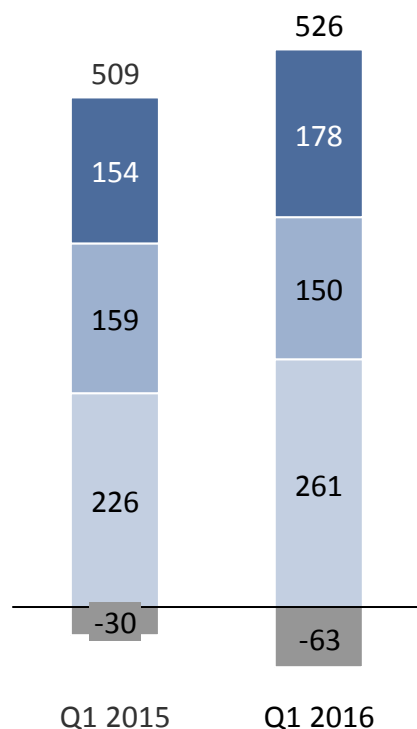
Artillery ammunition MENA
EUR 84 million



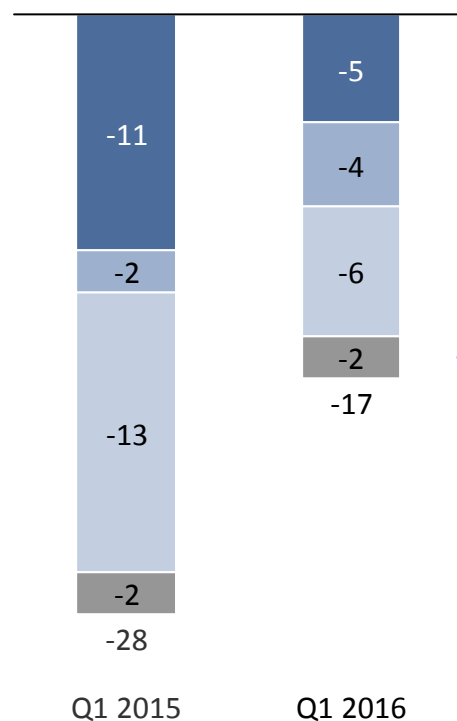


Sales increase in Weapon and Ammunition and in Vehicle Systems Earnings improving but seasonally not yet in profit zone

Sales Defence in EUR million



Operational earnings Defence in EUR million



Reasons for earnings development

Weapon and Ammunition

— Higher sales

Electronic Solutions

— Lower sales in Air Defence

Vehicle Systems




— Higher sales of tracked vehicles

- Weapon and Ammunition
- Electronic Solutions
- Vehicle Systems
- Consolidation/Others





Short-term perspective Outlook fiscal year 2016 confirmed

		Sales in € billion		Operational margin	
		2015	2016	2015	2016
	Group	5.2	~ 5.5	5.5%	~ 6%
	Defence	2.6	~ 2.8	3.5%	4.5-5%
	Automotive	2.6	~ 2.7	8.3%	~ 8%

Assumptions

- Key large-scale projects in Defence to be realized as scheduled, no significant one-offs
- Global automotive industry growing as forecast



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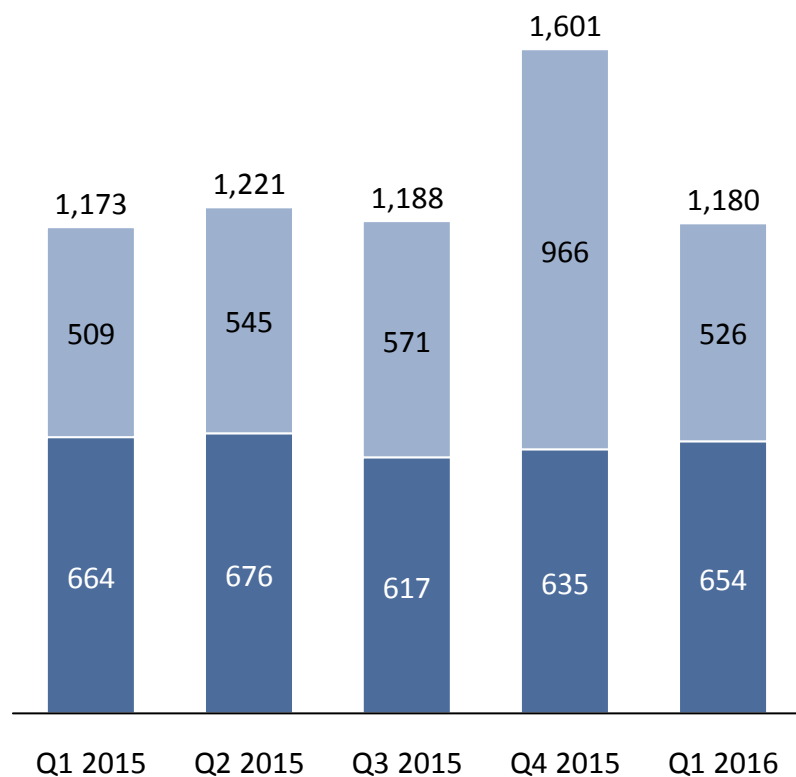
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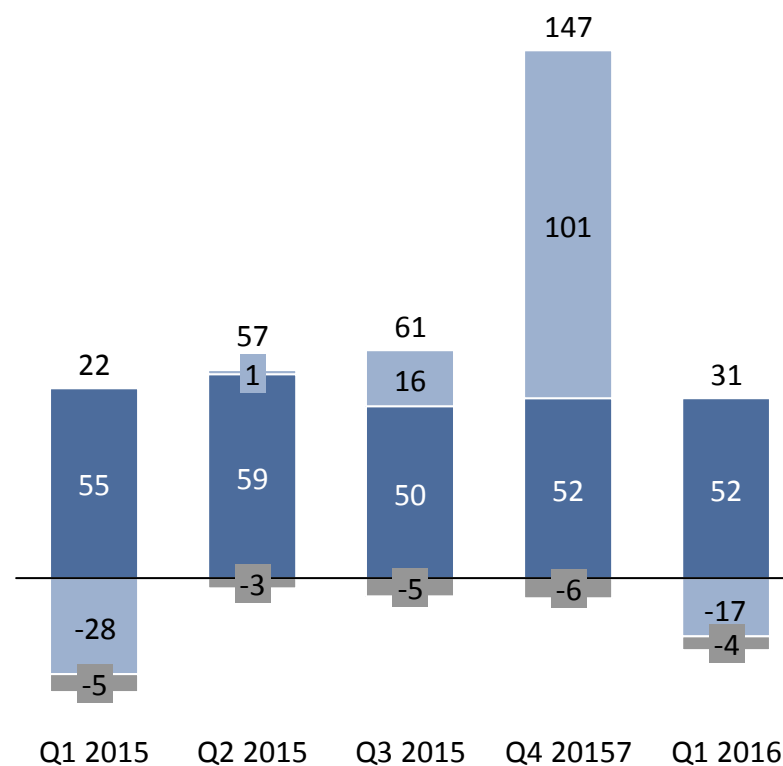


Quarterly development

Sales in EUR million



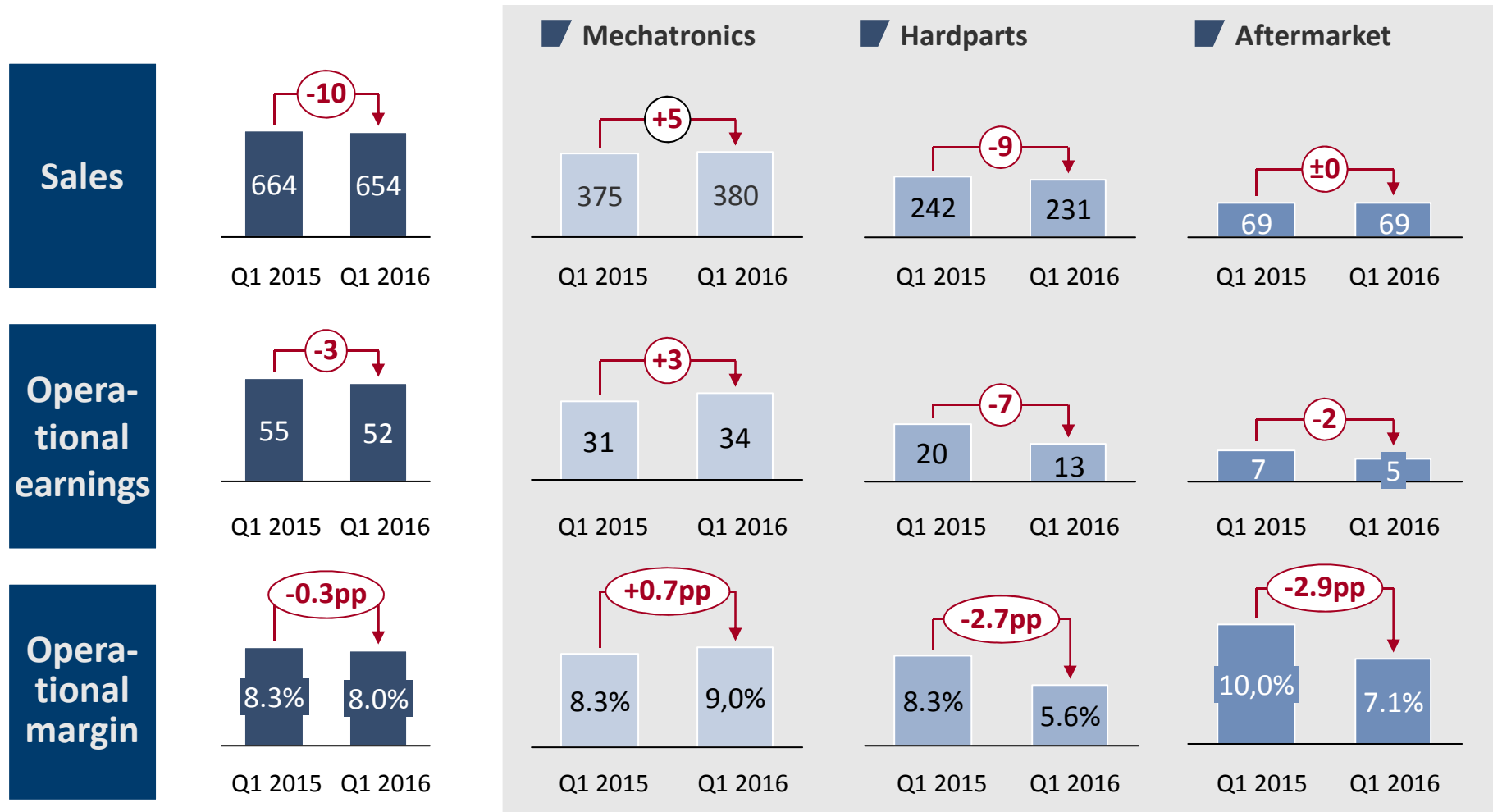
Operational earnings in EUR million



Defence Automotive Consolidation/Others



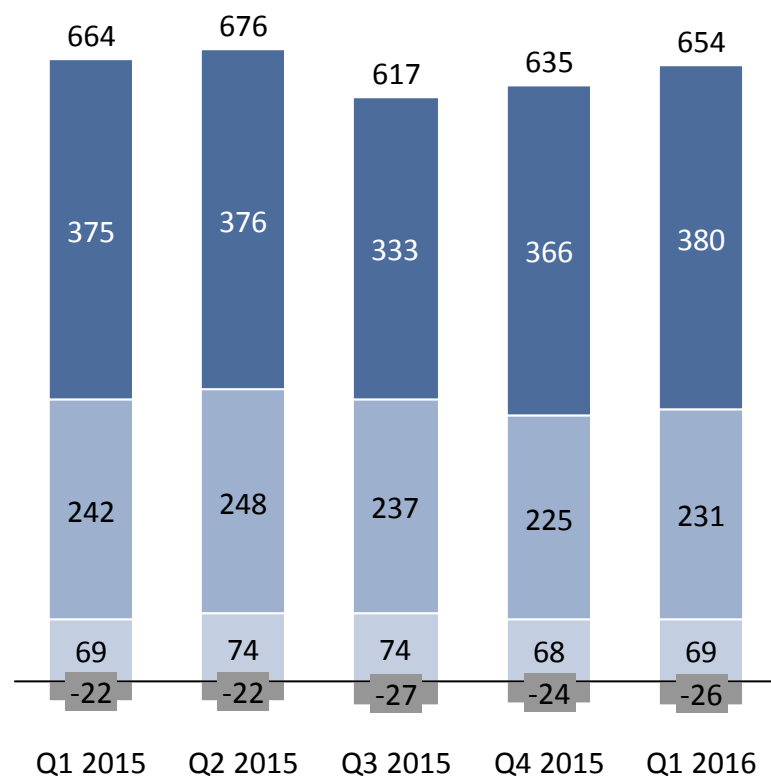
Key figures Automotive by division



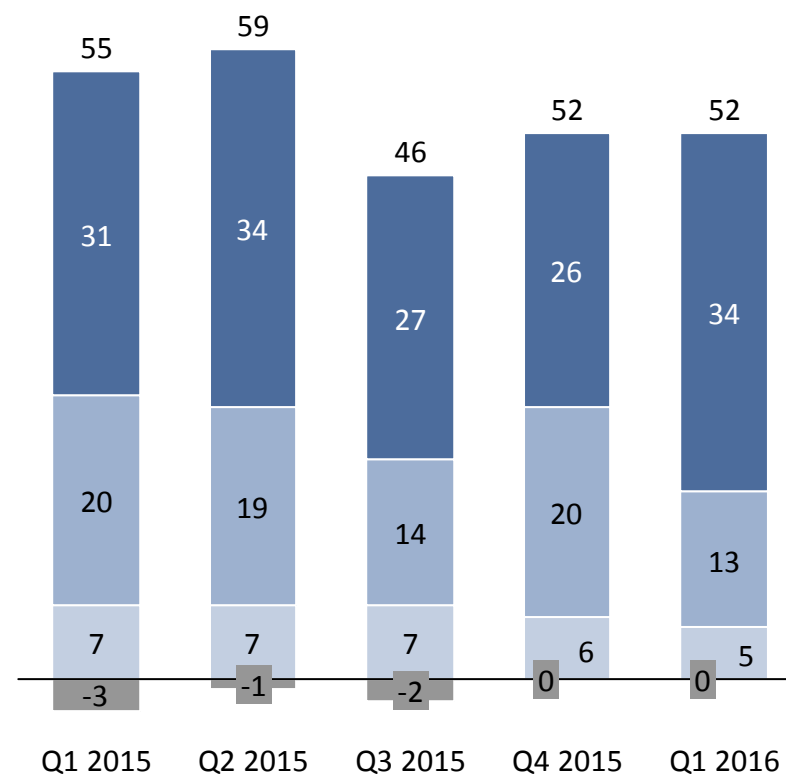


Quarterly development

Sales Automotive in EUR million



Operational earnings Automotive in EUR million



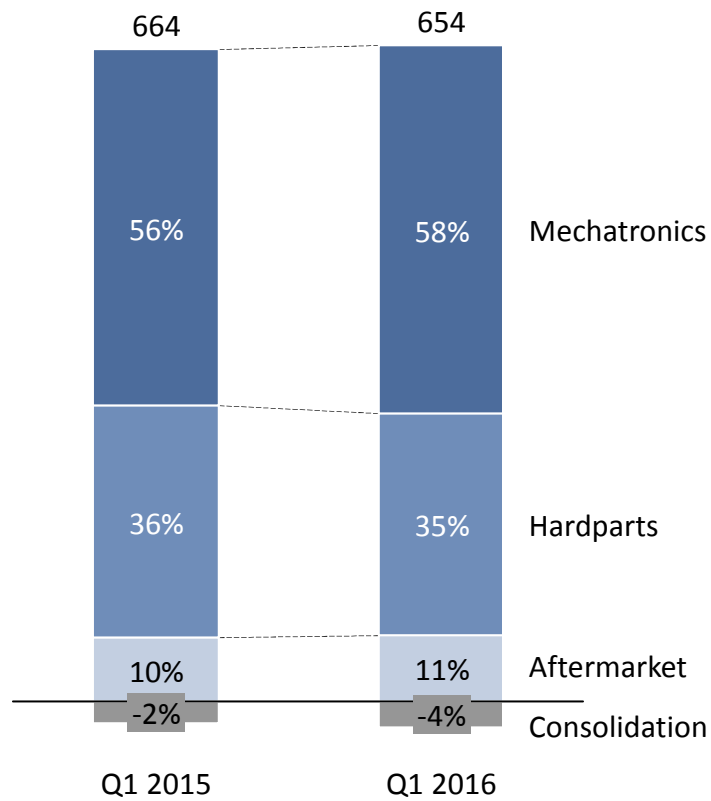
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Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“

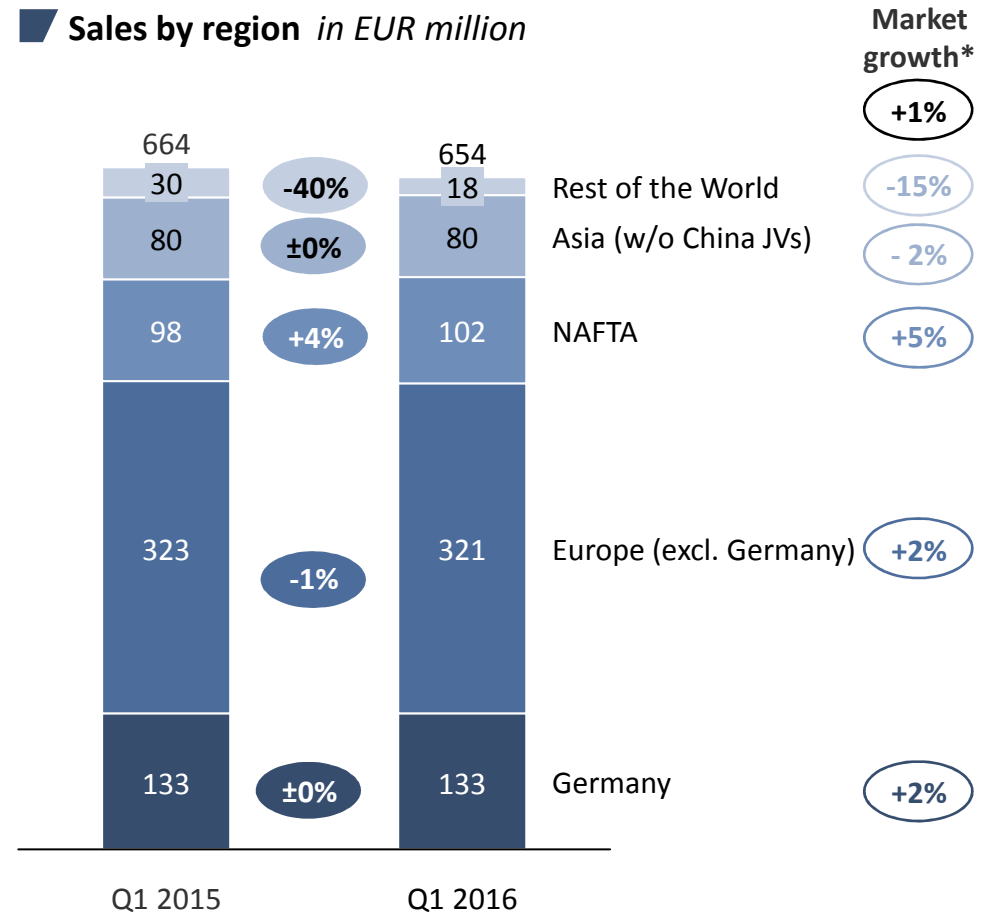


Sales structure and market growth

Sales by division in EUR million



Sales by region in EUR million



* Q1 2016 vs. Q1 2015, source: IHS Automotive (March 2016)



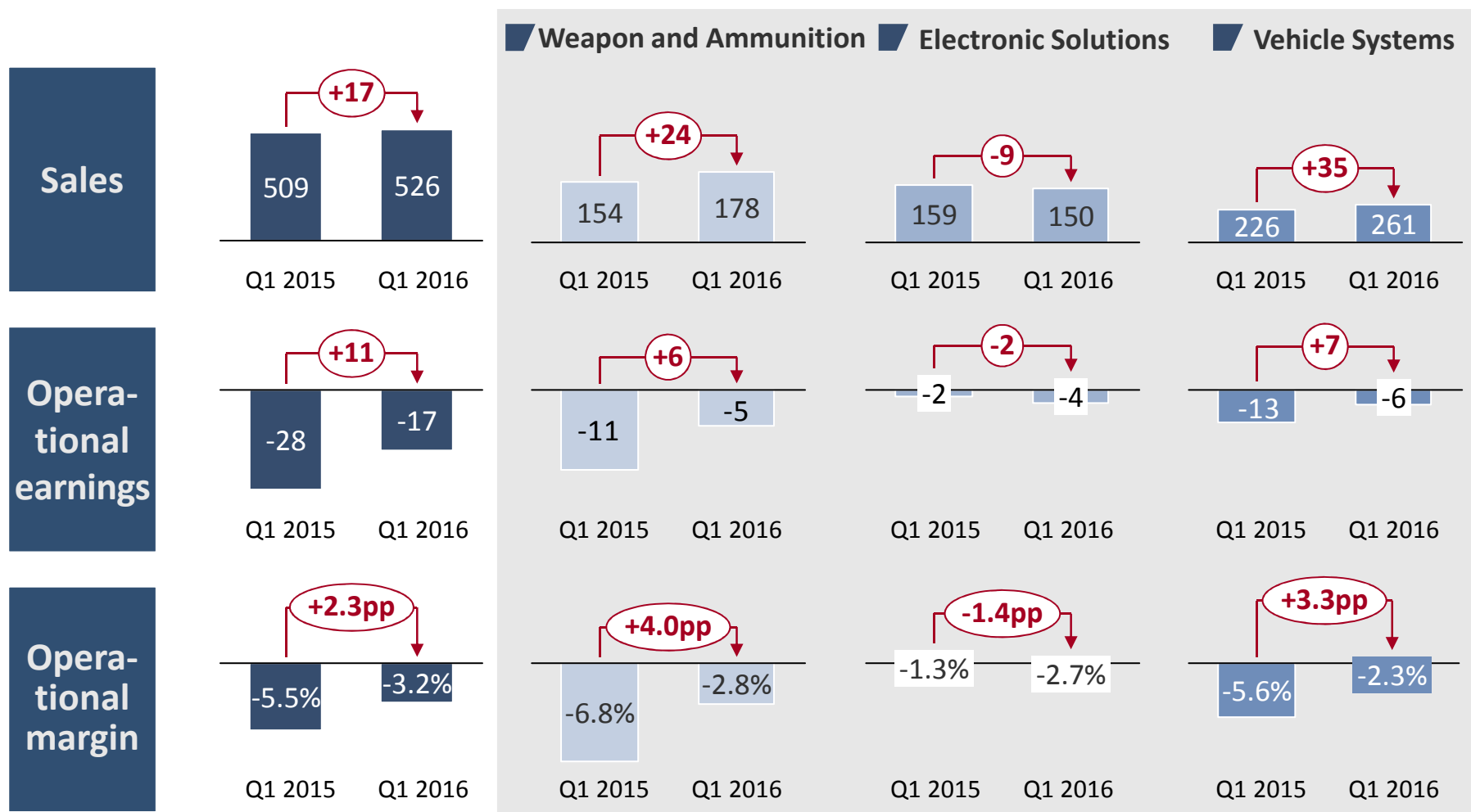
Cash flow statement

<i>in EUR million</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Δ Q1 2016/2015
Net income	40	43	35	43	38	- 2
Amortization / depreciation	28	28	28	32	33	+ 5
Change in pension accruals	0	0	-2	0	0	± 0
Cash flow	68	71	61	75	71	+ 3
Changes in working capital and other items	- 60	4	40	23	-178	- 118
Net cash used in operating activities	8	75	101	98	- 107	- 115
Cash outflow for additions to tangible and intangible assets	- 34	- 34	- 46	- 72	- 32	+ 2
Free cash flow from operations	- 26	41	55	26	- 139	- 113

Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“



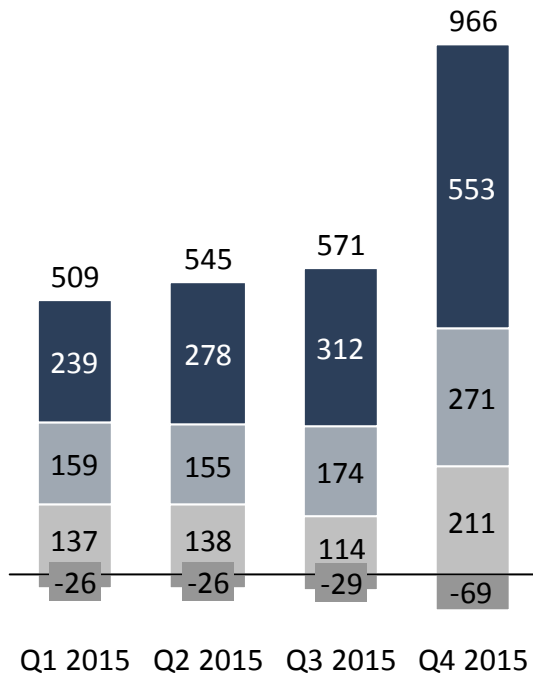
Key figures Defence by division



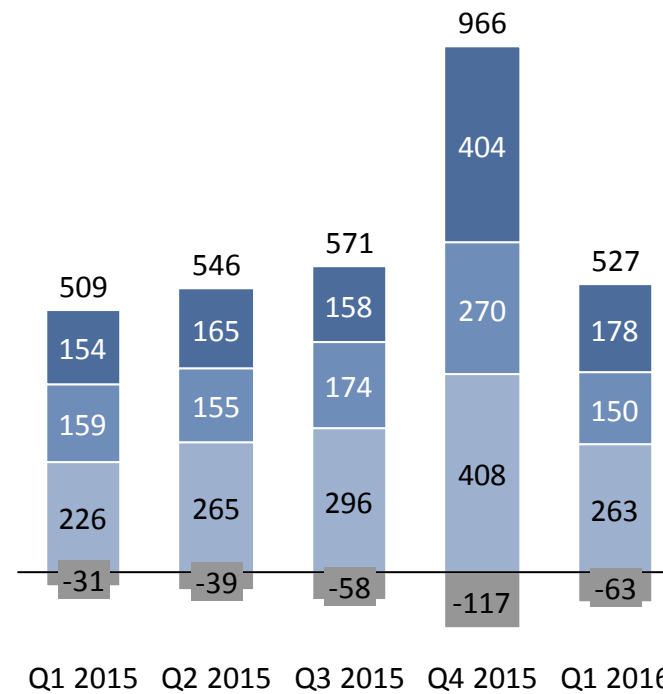


Quarterly development: Sales

Sales Defence – old divisional structure
in EUR million



Sales Defence – new divisional structure
in EUR million



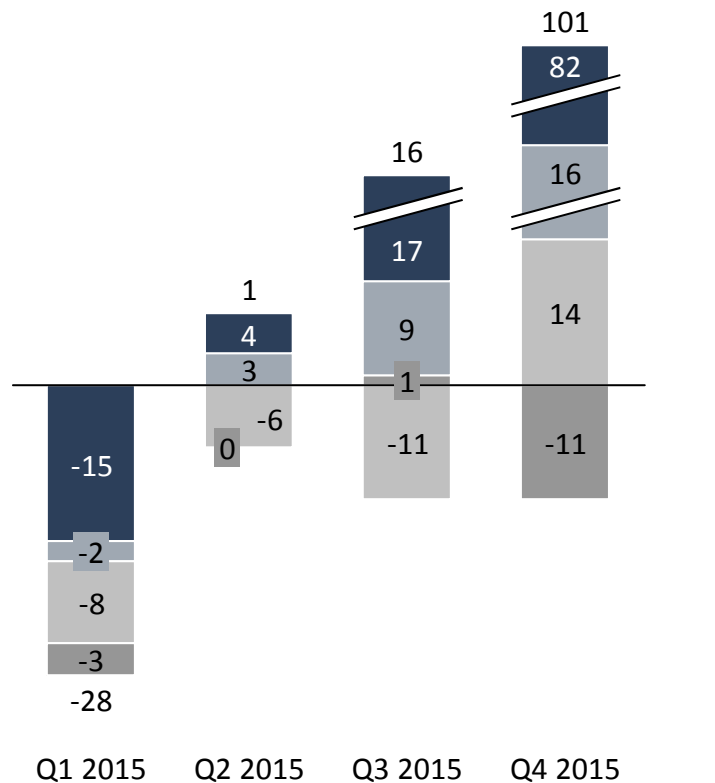
Combat Systems
 Wheeled Vehicles
 Electronic Solutions
 Consolidation/Others

Weapon and Ammunition
 Vehicle Systems
 Electronic Solutions
 Consolidation/Others



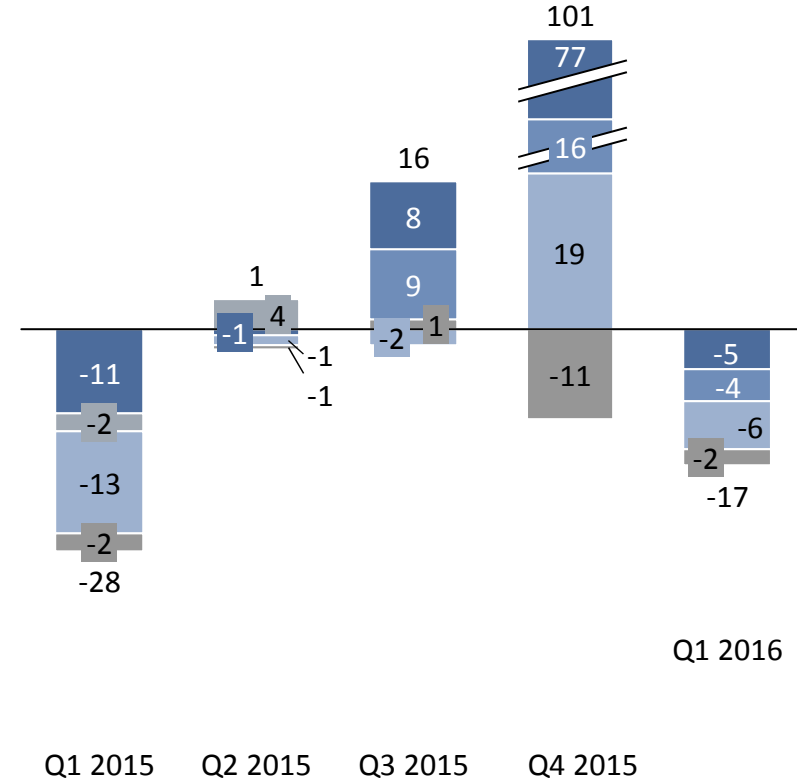
Quarterly development: Operational earnings

Operational earnings Defence – old divisional structure in EUR million



Combat Systems
 Wheeled Vehicles
 Electronic Solutions
 Consolidation/Others

Operational earnings Defence – new divisional structure in EUR million

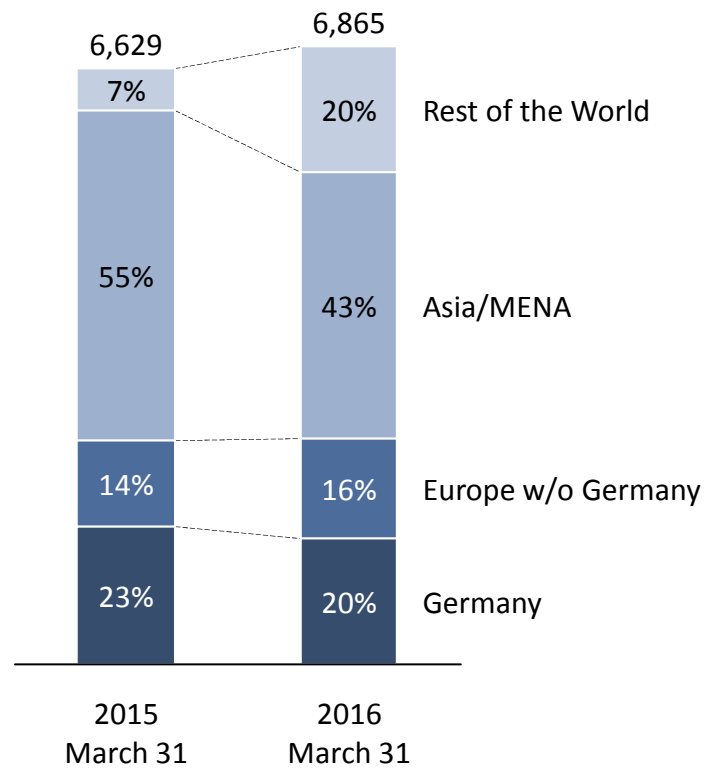


Weapon and Ammunition
 Vehicle Systems
 Electronic Solutions
 Consolidation/Others

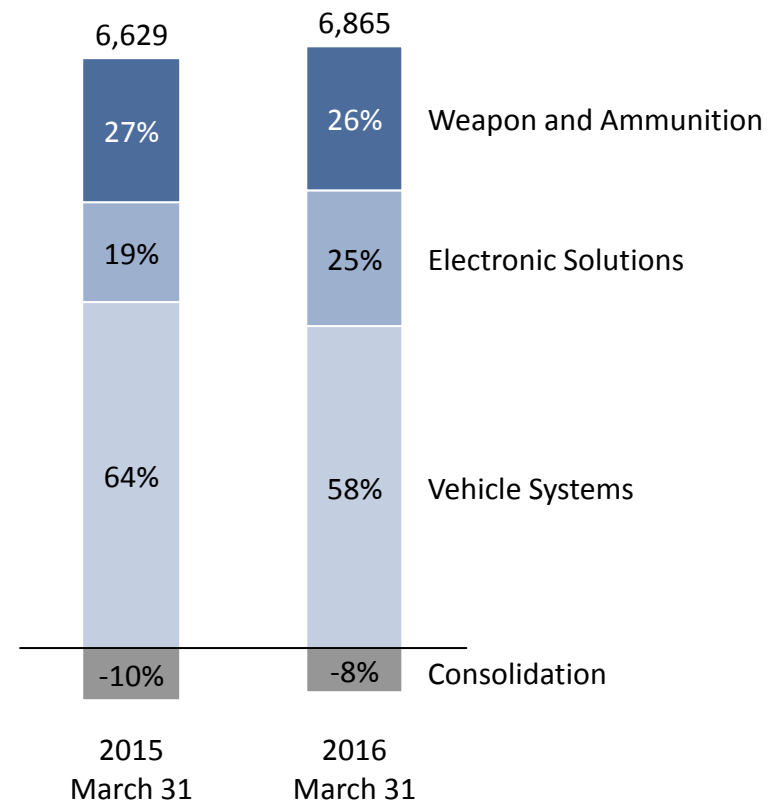


Order backlog by region and division

Order backlog by region *in EUR million*



Order backlog by divisions *in EUR million*





Cash flow statement

<i>in EUR million</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Δ Q1 2016/2015
Net income	- 30	- 8	3	67	- 20	+ 10
Amortization / depreciation	21	21	21	22	22	+ 1
Change in pension accruals	0	3	2	3	1	+ 1
Cash flow	- 9	16	26	92	3	+ 12
Changes in working capital and other items	- 142	- 112	- 25	212	- 90	+ 52
Net cash used in operating activities	- 151	- 96	1	304	- 87	+ 64
Cash outflow for additions to tangible and intangible assets	- 17	- 15	- 26	- 38	- 17	± 0
Free cash flow from operations	- 168	- 111	- 25	266	- 104	+ 64