



**TECHNOLOGIES FOR MOBILITY.
TECHNOLOGIES FOR SECURITY.
PASSION FOR BOTH.**



MOBILITY. SECURITY. **PASSION.**



Conference Call Q1 2017

Düsseldorf / 4 May 2017

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Highlights Rheinmetall Group Q1 2017

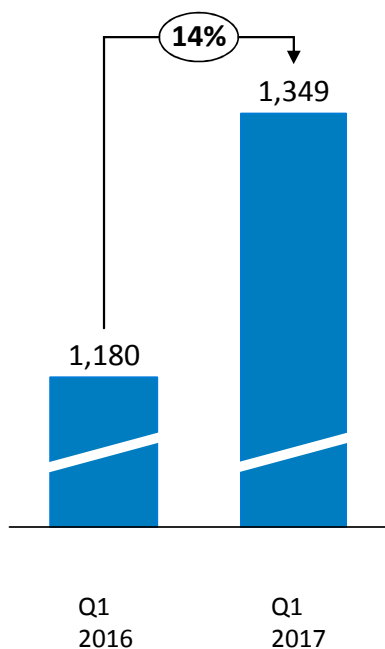
Successful start into 2017 for both segments



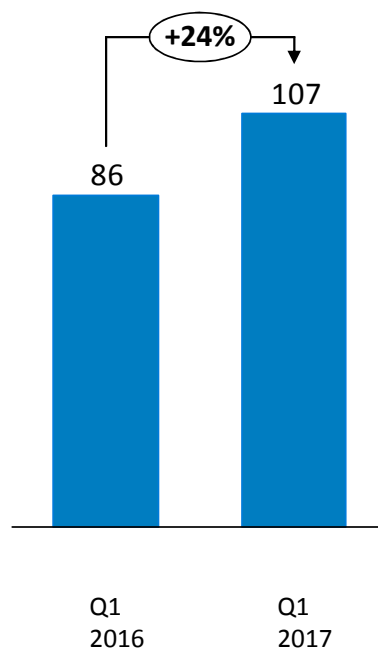
- **Sales** increased by 14% to **€1.349 bn**
- **EBIT** moved up by 61% to **€50 m**
- **Margin** gained 1.1pp to **3.7%**
- **Strong balance sheet** with equity ratio at **29.3%**
- **EPS** grew by 75% from €0.32 to **€0.56**
- Announcements of **strategically important partnerships** in Defence
- **Outlook confirmed**

Sales and results improved year over year

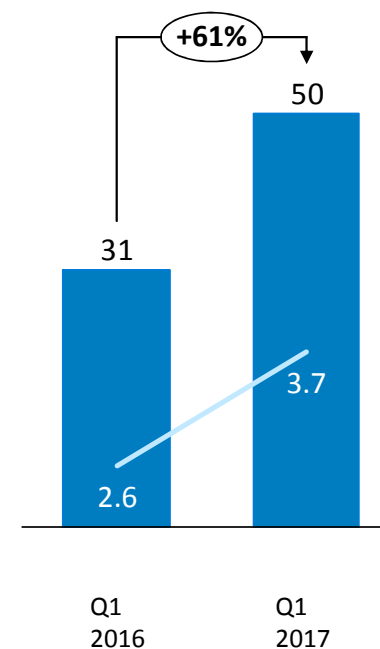
■ Sales
in EUR million



■ EBITDA
in EUR million

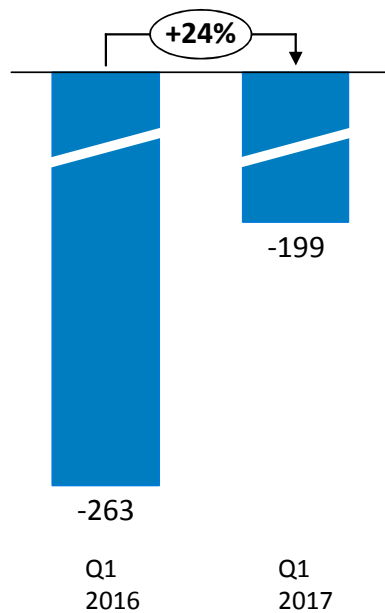


■ Operational earnings in EUR million
Operational margin in %

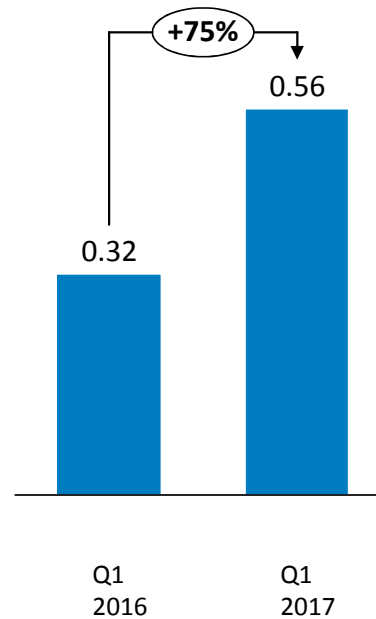


Cash flow and earnings per share confirm positive trend

■ **Operating Free Cash Flow**
in EUR million



■ **Earnings per share**
in EUR million



■ **Headcount**
in capacities



Highlights Rheinmetall Automotive Q1 2017

Favorable market development and base effect lead to strong sales growth



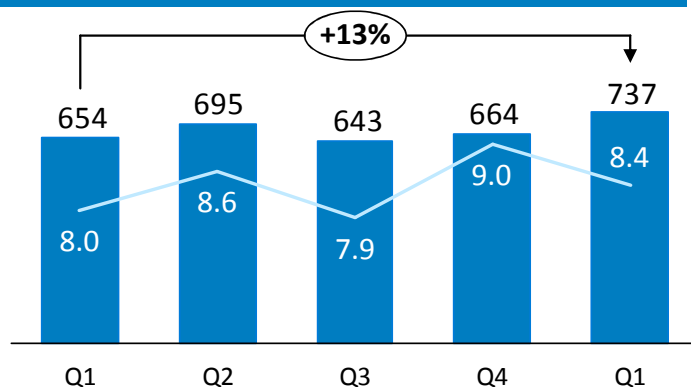
- **Sales rose** by 13% to €737 m
- **Strong Q1 sales** in line with front end loaded FY expectation for global LV production
- **EBIT grew** by ~20% to **€62 m**
- **Margin increased** by 0.4pp to **8.4%**
- **China activities with further improved** sales and profitability

Automotive with positive leverage on the back of strong sales

in EUR million	Q1 2016	Q1 2017	Δ %
Sales	654	737	12.7%
Operating earnings	52	62	19.2%
Operating margin in %	8.0	8.4	0.4 pp
Operating Free Cash Flow	- 139	- 118	15.1%
Operating FCF / Sales in %	- 21.3	- 16.0	5.3pp

Q1

Quarterly sales and margins development



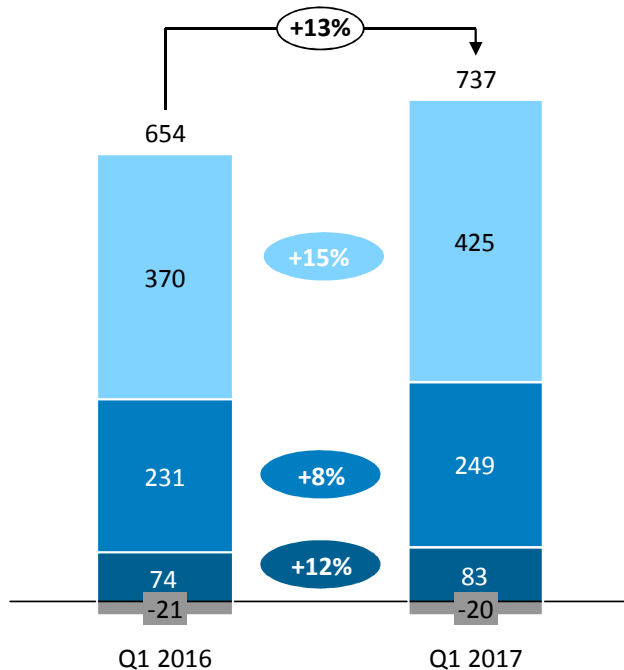
Comments on quarterly performance

- Sales increase of €82 m driven by all divisions, Mechatronics contributing the major share
- Good leverage rose operating result by ~20% to EUR 62 m
- Operating free cash flow increased on higher results and lower investment by €21 m to -€118 m0

Very strong quarter for all three divisions

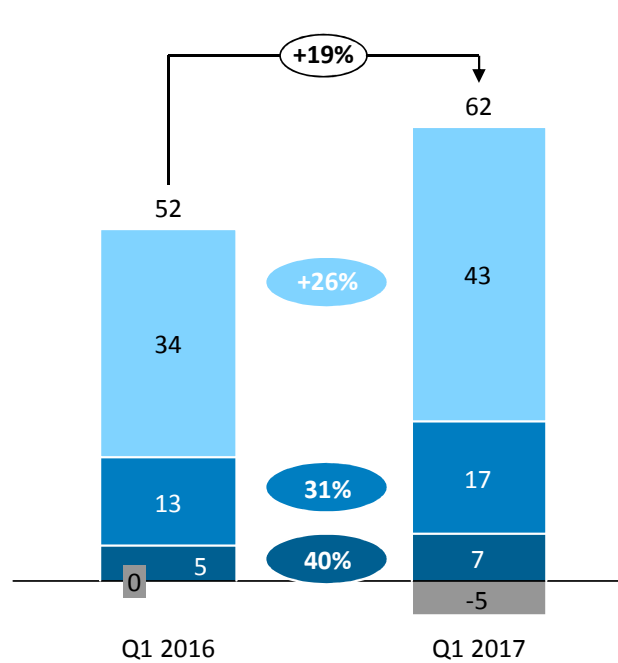
Sales Automotive

in EUR million



Operational earnings Automotive

in EUR million



Reasons for earnings development

Mechatronics

- Sales increased mostly in products for emission reductions

Hardparts

- Solid start to the year, especially in Europe; recovery in Large-bore Pistons and stable sales in Brazil on low levels

Aftermarket

- Positive sales environment in Europe and Asia

Consolidation and others

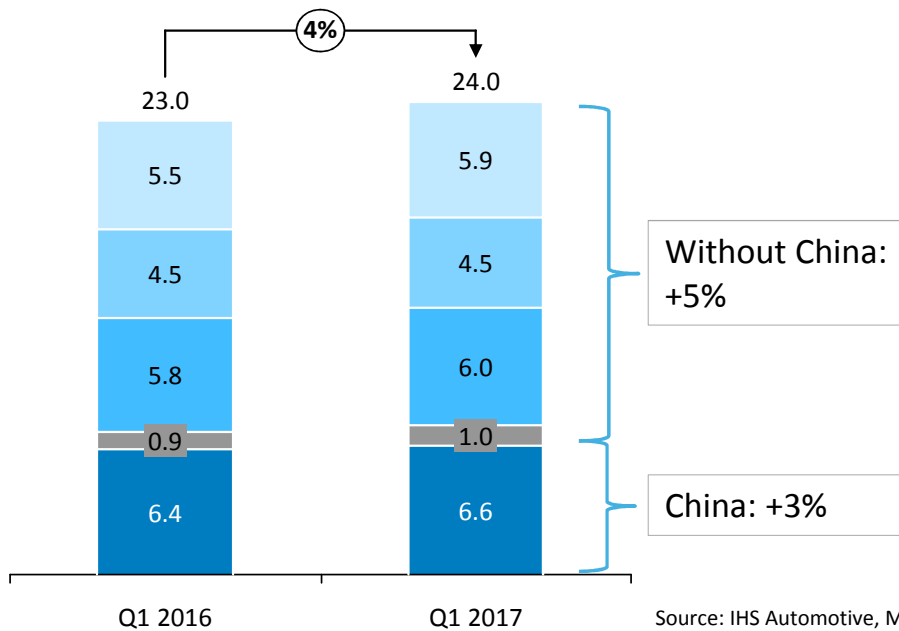
- Effect related mostly to buildup of a provision for environmental risks

Restatement of 2016 reported figures in Mechatronics and Aftermarkets related to change in plant assignment

Markets for light vehicle and non-light vehicle products outpaced

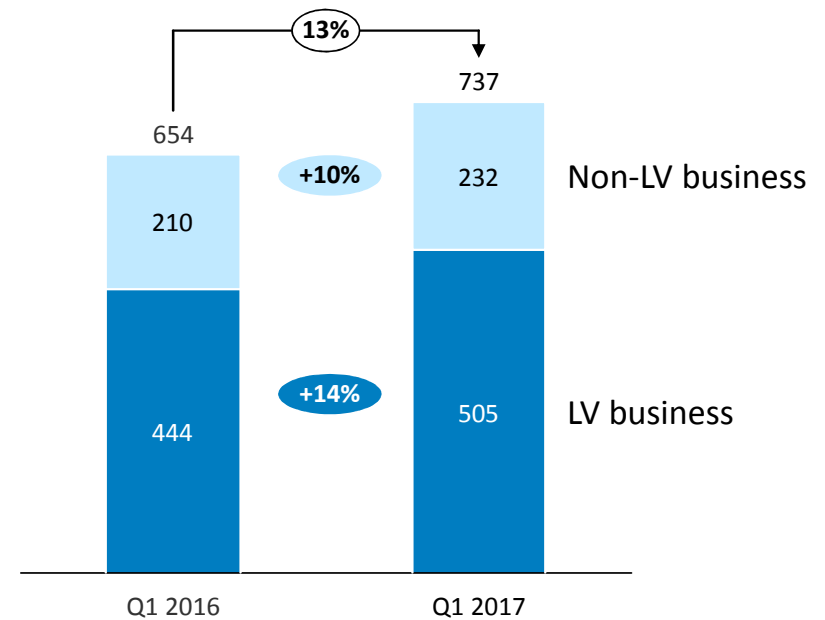
Global LV production

in million units



Sales Automotive LV/Non-LV

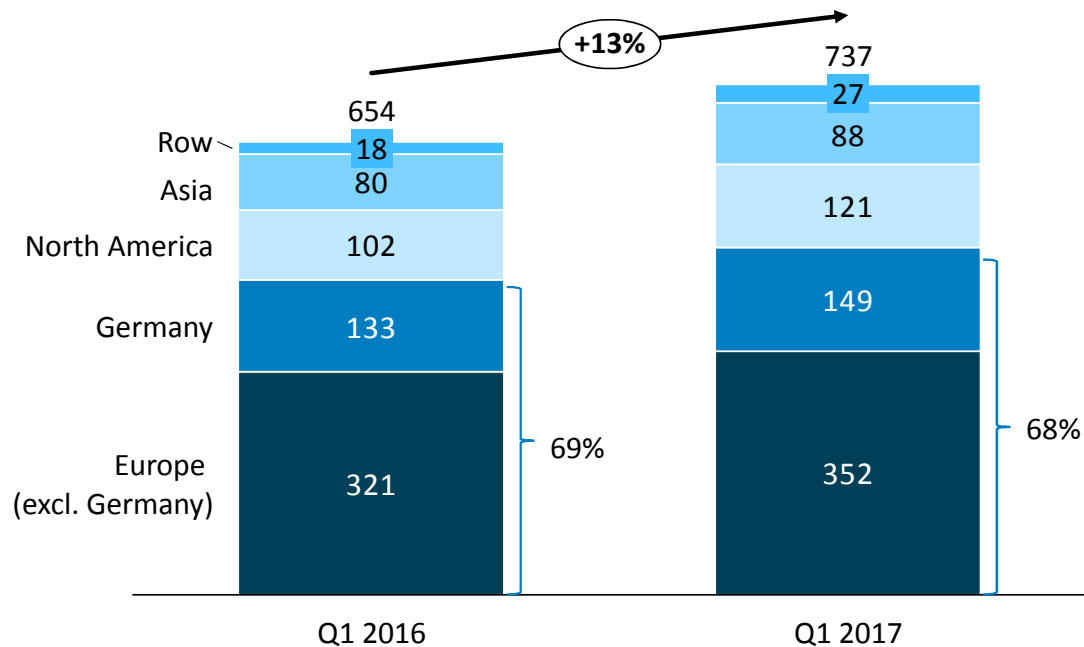
in EUR million



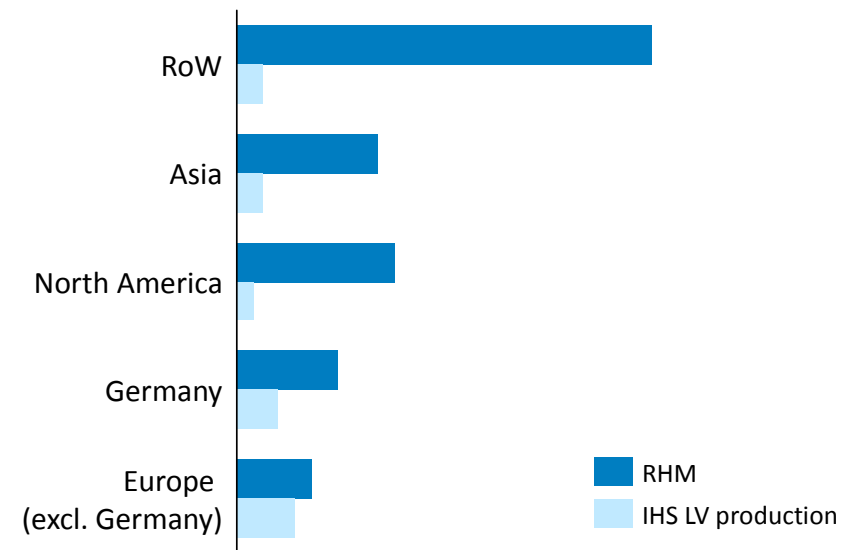
■ Europe
 ■ NAFTA
 ■ Asia without China
 ■ Rest of the World
 ■ China

Growth especially in regions outside Europe

■ **Regional sales development Automotive**
in EUR million



■ **Regional sales growth Q1 2017**
in %



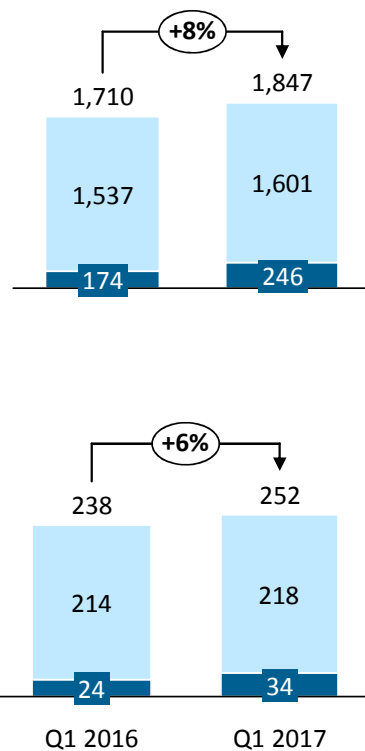
Mechatronics products gaining momentum in China

China LV production

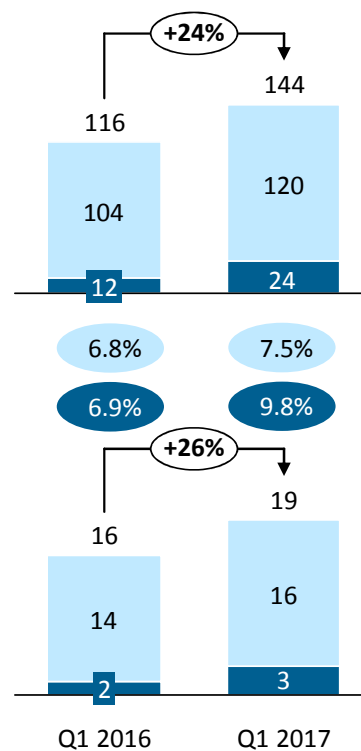
in million units



Sales in million



EBIT in million / in %



- Hardparts JVs with modest growth
- Strong growth of WFOEs, especially in Mechatronics
- Limited FX-effect on sales
- Margin further improved, especially in Mechatronics

■ JVs
■ WFOEs

Including 100% figures of 50/50 JV, consolidated at equity
WFOE = Wholly Foreign-Owned Enterprise

Highlights Rheinmetall Defence Q1 2017

Solid quarter marked by strategic milestones



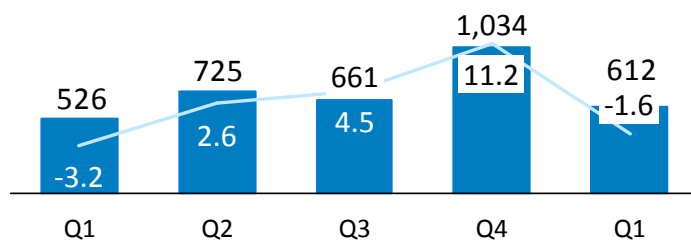
- **Sales increased** by 16% to €612 m
- **EBIT rose** by €7 m to -€10 m
- **EBIT margin gained** 1.6pp to -1.6%
- Despite low order intake in Q1, full year **book-to-bill ratio expected to be at least around 1.0**
- Announcements of three **strategically important partnerships**

Defence: Top line growth converted into result improvements

in EUR million	Q1 2016	Q1 2017	Δ %
Order intake	948	391	-58.7%
Sales	526	612	16.4%
Operating result	-17	-10	41.2%
Operating margin in %	-3.2	-1.6	1.6 pp
Operating Free Cash Flow	-104	-72	30.8%
Operating FCF / Sales in %	-19.8	-11.8	8.0 pp

Q 1

Quarterly sales and margins development

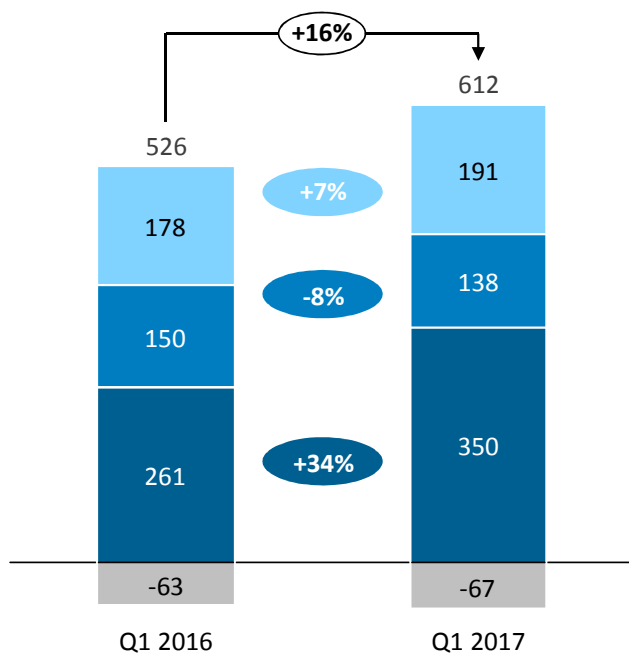


Comments on quarterly performance

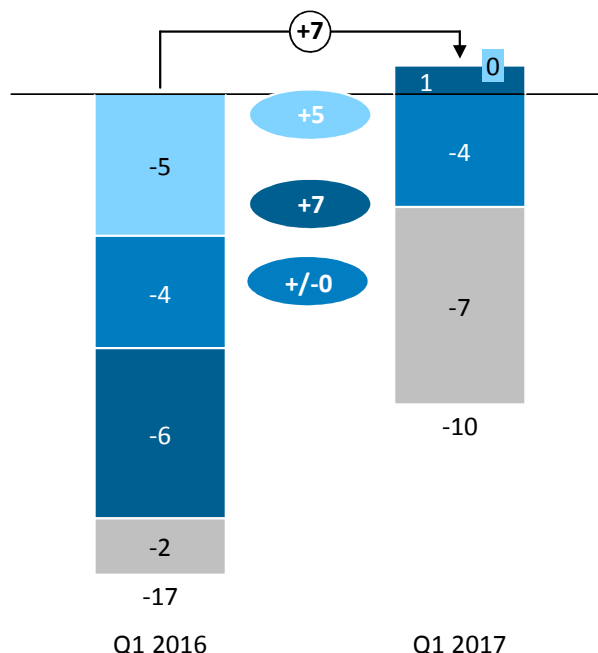
- Order entry in Q1 '16 inflated by two major orders (~€520 m)
- Main sales driver: Vehicle Systems
- Results improved by €7 m to -€10 m
- Operating free cash flow rose by €32 m to -€72 m0

Earnings improvement in two divisions, Electronic Solutions stable

Sales Defence in EUR million



Operational earnings Defence in EUR million



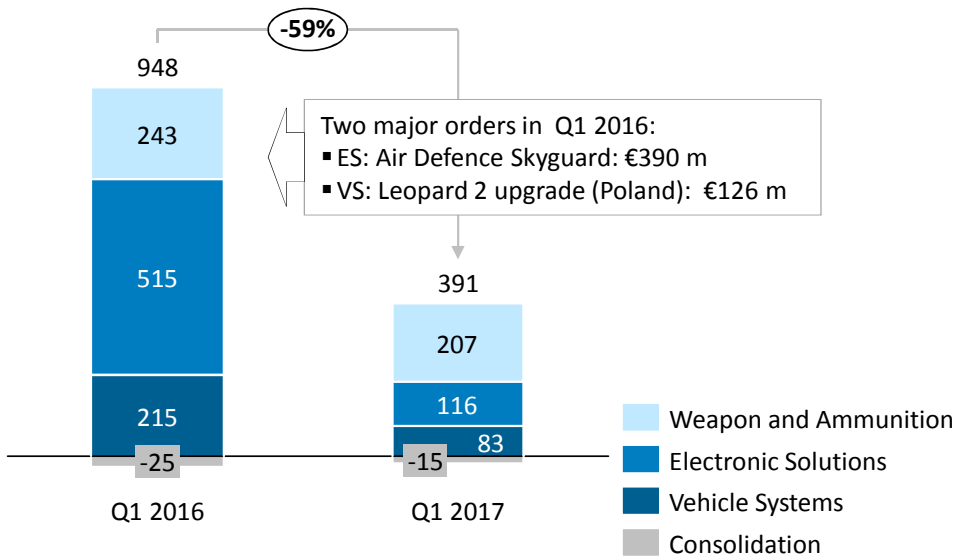
Reasons for earnings development

- Weapon and Ammunition**
 - Favorable product mix
- Electronic Solutions**
 - Impact from lower sales in Air Defence and Radar Systems
- Vehicle Systems**
 - Ramp-up of Australian trucks reflected in sales growth and results
- Consolidation and others**
 - Losses at RIE* and Rheinmetall International

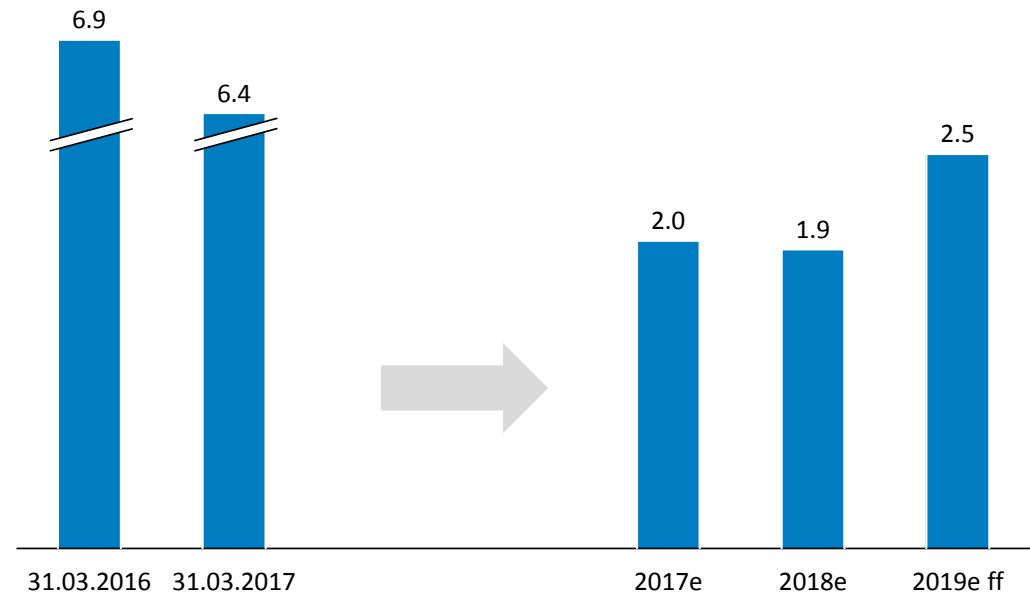
* Rheinmetall International Engineering GmbH

High backlog declines on soft order intake in Q1

Order intake by division
in EUR million



Order backlog profile
in EUR billion



Three major partnering agreements mark next step for potential growth



Raytheon



Objective

- Bid for the planned rifle procurement of the Bundeswehr
- Plan: Technology partnership with 60% value creation in Germany

Potential areas of cooperation:

- Air defence (Patriot-replacement)
- Weapon & Munition
- Combat vehicles
- Training
- Cyber security

Future digital communication and battle management system of the German ground forces:

- MoTaKo
- MoTIV

Status

Cooperation agreement
January 2017

Memorandum of Understanding
February 2017

Memorandum of Understanding
March 2017

Next steps

- Submit final bid for Special Forces tender until May 2017
- Prepare bid for general army tender

- Finalize assessment phase

- Invite additional partners

Outlook 2017

Sales and earnings targets confirmed

AUTOMOTIVE



Macro view

- **Global** LV production expected to grow by **~2%***
- **Chinese** LV production only with moderate growth of **2.5%**

Rheinmetall

- Automotive expected to **outperform markets**
- Ongoing efforts to **streamline the global footprint** of Hardparts to optimize assets and cost structure

Outlook 2017

Sales growth of 3-4% and margin ≥ 8

Group expected to grow 4-5% at a margin around 6.3% incl. efforts for New Technologies

DEFENCE



- Further **demand increase** in key markets expected
- Germany and other allies have **increased investment budgets**
- Defence 2017 order intake is expected to grow starting Q3 especially from German orders
- **Single digit** sales growth expected for 2017
- **Stronger sales momentum 2018**

Sales growth of 5-6% and margin 5-5.5%

*Source: IHS March 2017



Appendix

Financial reminder for 2017

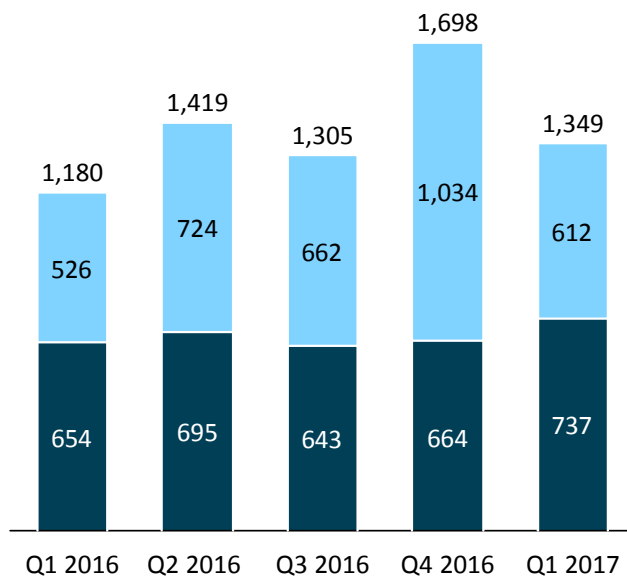
	Automotive	Defence
▪ Capex	~5.5-6.5%	~3-4%
▪ D&A	~4.5-5.5%	~3-3.5%
▪ R&D	~4-6%	~2-3%
▪ Holding cost (underlying)	~EUR20 million - EUR25 million	
▪ Expected corporate tax rate	~30%	
▪ Financing	EUR500 million bond (5,25% coupon) will mature in September EIB loan EUR250 million (0,962% coupon) as of August 2017	
▪ Rating	Ba1 (stable) Moody's	

Cash Flow Statement Group

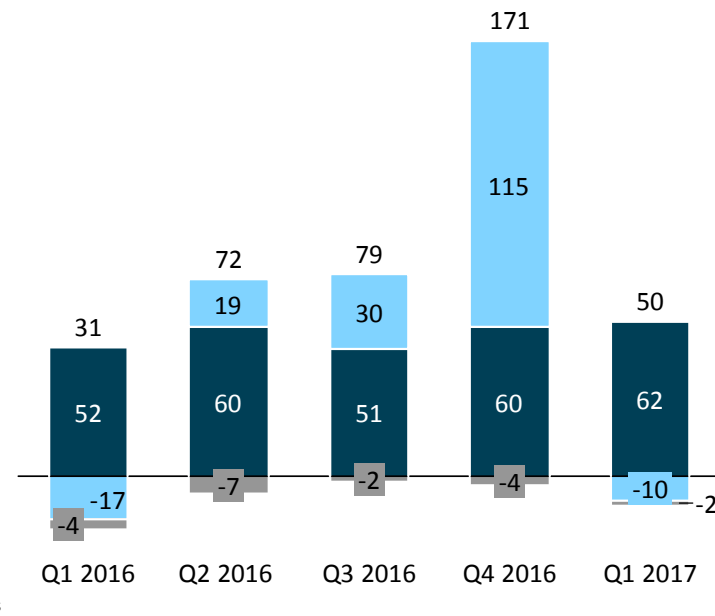
in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Δ Q1 2016/2017
Group Net Income	12	41	46	116	28	16
Amortization / depreciation	55	54	52	67	57	2
Change in pension accruals	- 16	2	-	-	- 34	- 18
Cash Flow	51	97	98	183	51	-
Changes in working capital and other items	- 262	- 112	- 1	389	- 207	55
Net cash used in operating activities	- 211	- 15	98	572	- 156	55
Cash outflow for additions to tangible and intangible assets	- 52	- 60	- 62	- 109	- 43	9
Free Cash Flow from Operations	- 263	- 75	36	463	- 199	64

Quarterly development Group

Sales
in EUR million



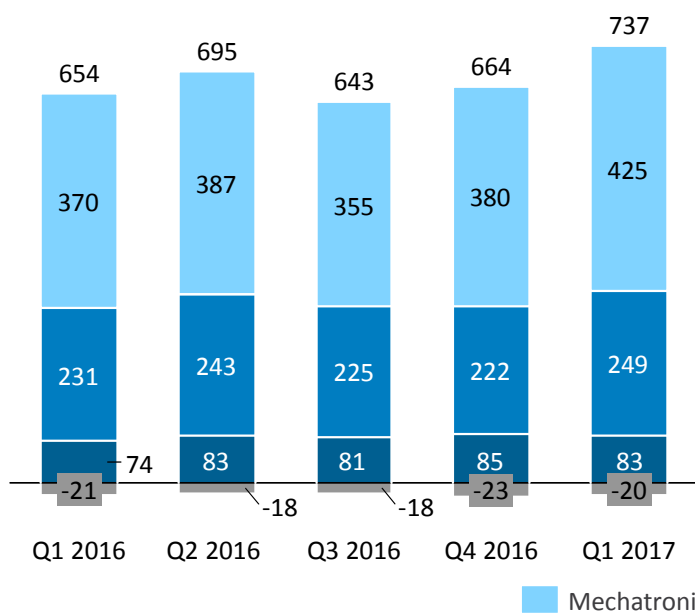
Operational earnings
in EUR million



Quarterly development Automotive

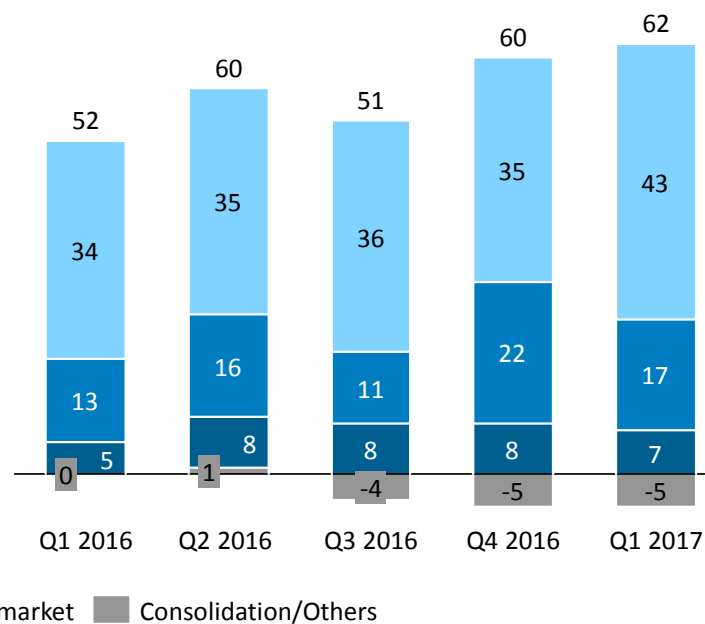
Sales by division

in EUR million

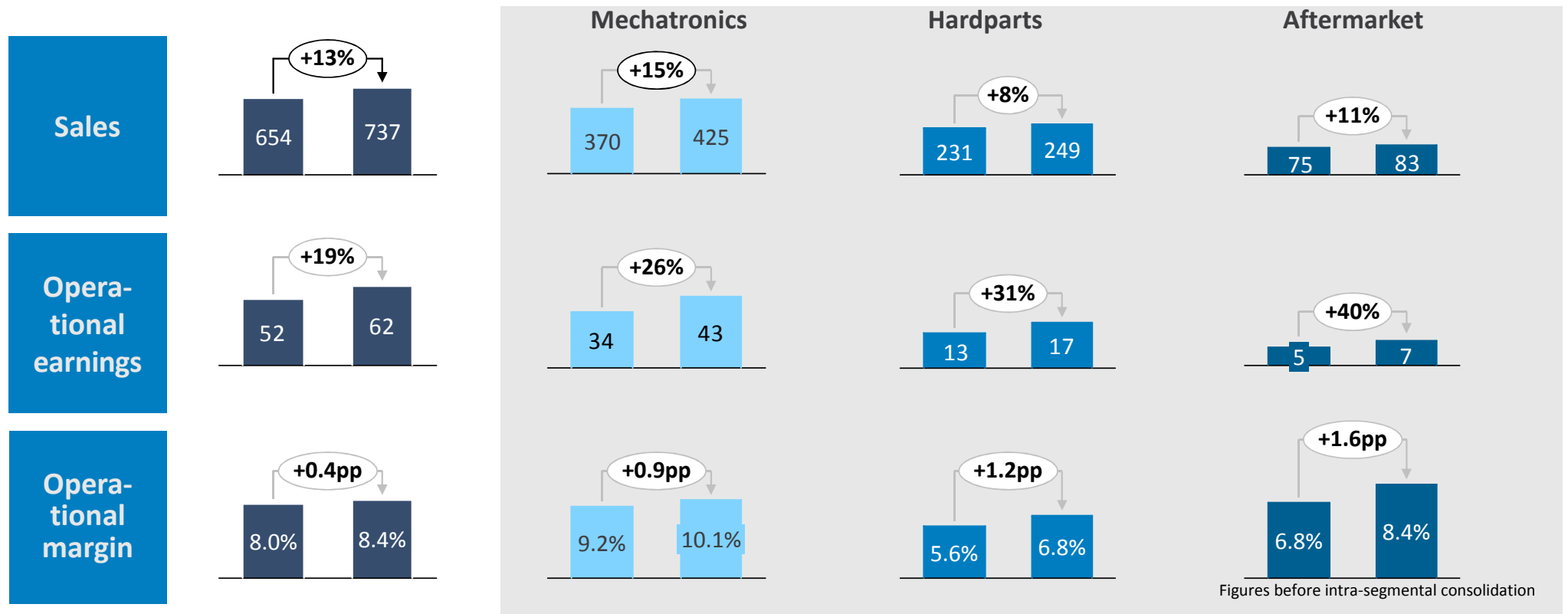


Operational earnings by division

in EUR million



Key figures Automotive by division (Q1 2016/2017)

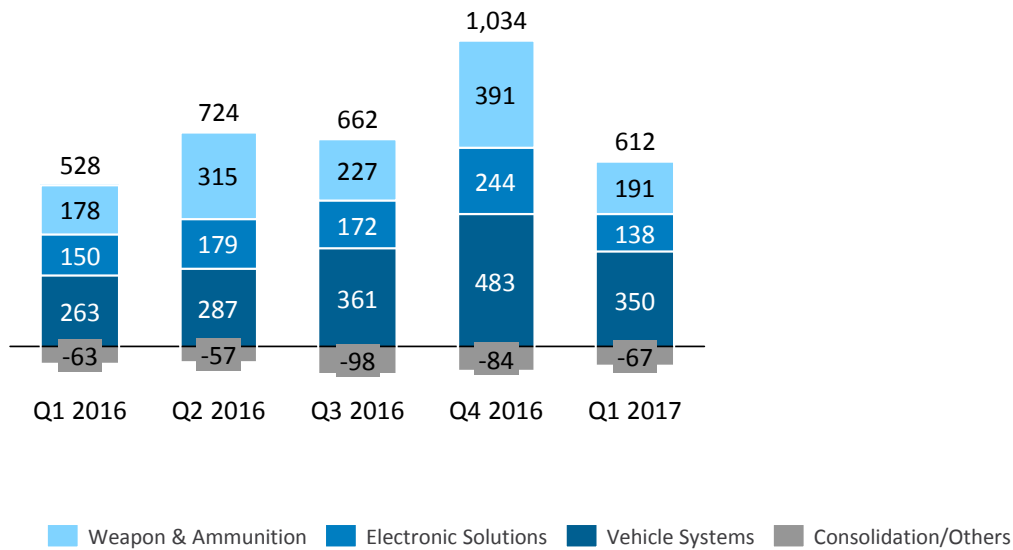


Quarterly cash flow statement Automotive

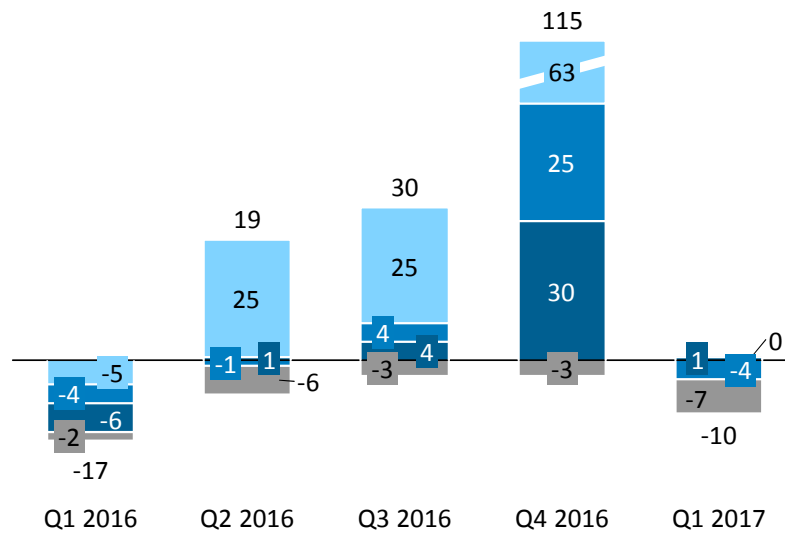
in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Δ Q1 2016/2017
Net income	38	42	36	49	46	+8
Amortization / depreciation	33	31	29	40	32	-1
Change in pension accruals	-	-	- 1	- 1	-	+/-0
Cash Flow	71	73	64	88	78	+7
Changes in working capital and other items	- 178	14	17	130	-172	+6
Net cash used in operating activities	- 107	87	81	218	- 94	+13
Cash outflow for additions to tangible and intangible assets	- 32	- 36	- 35	- 71	- 24	+8
Free cash flow from operations	- 139	51	46	147	-118	+21

Quarterly development Defence

Sales by division
in EUR million

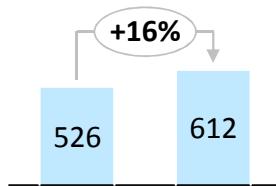


Operational earnings by division
in EUR million

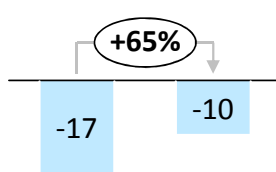


Key figures Defence by division (Q1 2016/2017)

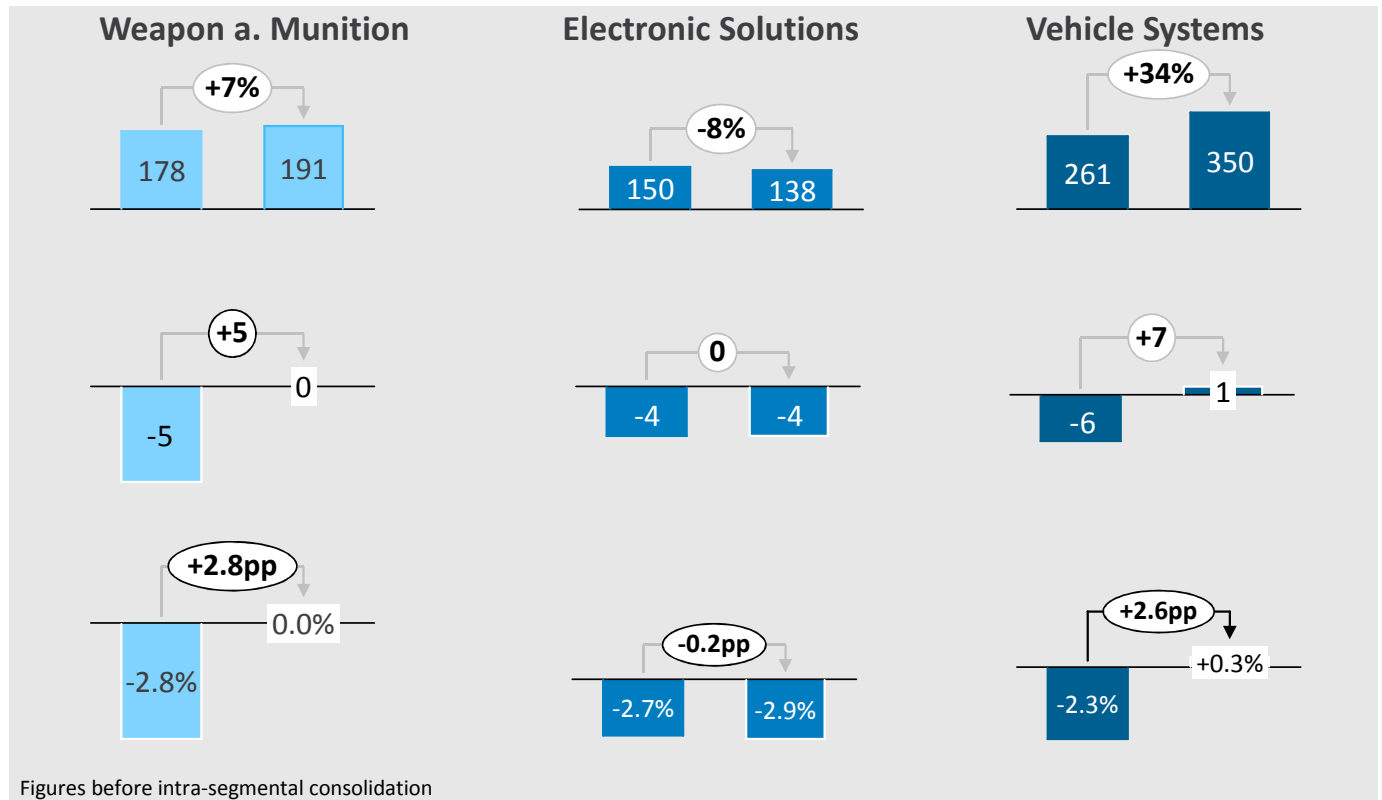
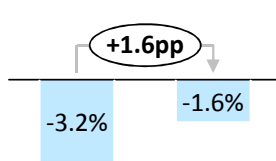
Sales



Operational earnings



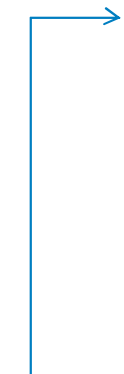
Operational margin



Quarterly cash flow statement Defence

in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Δ Q1 2016/2017
Net income	- 20	3	13	78	- 16	+4
Amortization / depreciation	22	22	22	26	24	+2
Change in pension accruals	1	2	1	- 3	- 3	-4
Cash Flow	3	27	36	105	5	+2
Changes in working capital and other items	- 90	-123	- 8	248	- 61	+29
Net cash used in operating activities	- 87	- 96	28	353	- 56	+31
Cash outflow for additions to tangible and intangible assets	- 17	- 21	- 23	- 34	- 16	+1
Free cash flow from operations	- 104	-117	5	319	- 72	+32

Income statement Group

In EUR million				Income Statement				
	Q1 '16	Q1 '17	Δ		Q1 '16	Q1 '17	Δ	
Total operating performance	1,256	1,416	160		Net operating income (EBIT)	31	50	19
Other operating income	26	27	1		Net interest income	-	3	3
Cost of materials	688	762	74		Interest expenses	-14	-15	-1
Personnel expenses	364	398	34		Earnings before tax (EBT)	17	38	21
Amortization, depreciation and impairment	55	57	2		Income tax	- 5	-10	-5
Other operating expenses	148	174	26		Net income	12	28	16
Income from companies carried at equity	8	4	-4		of which:			
Other financial results	- 4	- 6	-2		Minority interest	- 1	4	5
Net operating income	31	50	19		Rheinmetall shareholders	13	24	11
					EBITDA	86	107	21

Cash flow statement Group

In EUR million

Cash Flow Statement

	Q1 '16	Q1 '17	Δ		Q1 '16	Q1 '17	Δ
Net Income	12	28	16				
Amortization, depreciation and impairment	55	57	2				
Dotation of CTA	-30	-30	0				
Changes in pension provisions	-1	-4	-3				
Income from disposal of non-current assets	0	0	0				
Changes in other provisions	40	56	16				
Changes in inventories	-85	-145	-60				
Changes in receivables, liabilities(w/o financial debts) and prepaid & deferred items	-180	-121	59				
Pro rata income from investmentst carried at equity	-8	-3	5				
Dividends received from investments carried at equity	1	2	1				
Other non-cash expenses and income	-15	4	19				
Cash flows from operating activities	-211	-156	55				
Investments in assets	-52	-43	9				
Cash receipts from the disposal of assets	0	2	2				
Investments in consolidated companies and other financial assets	-13	0	13				
Payments for the purchase of short-term commercial papers	-67	-202	-135				
Change in divestments of consolidated companies and financial assets		0	0				
Cash receipts from the disposal of short-term financial assets		120	120				
Cash flow from investing activities	-132	-123	9				
				Capital payment to/ capital contribution by non-controlling ii	0	4	4
				Increase in shares in consolidated subsidiaries	0	0	0
				Dividends paid out bei RHM AG	0	0	0
				Other profit distribution	-2	-5	-3
				Shares issued to employees	0	0	0
				Borrowing of financial debts	17	14	-3
				Repayment of financial debts	-14	-8	6
					1	5	
				Cash flow from financing activities			4
				Changes in financial resources	-342	-274	68
				Changes in cash and cash equivalents due to exchange rates	-4	2	6
				Total change in financial resources	-346	-75	271
				Opening cash and cash equivalents Jan 1	691	616	-75
				Closing cash and cash equivalents Dez 1	345	344	-1

Balance Sheet Group

In EUR million

Balance Sheet

	31.12.'16	31.3.'17	Δ		31.12.'16	31.3.'17	Δ
Non-current assets	2,762	2,756	- 6	Equity	1,781	1,814	33
Intangible assets	819	811	- 8	Share capital	112	112	-
Property, plant and equipment	1,378	1,371	- 7	Additional paid-in capital	532	532	-
Investment property	53	54	1	Retained earnings	1,074	1,104	30
Investments carried at equity	240	244	4	Treasury shares	- 32	- 32	-
Other non-current assets	36	47	11	Minorities	95	98	3
Deferred tax assets	236	229	- 7	Rheinmetall AG shareholders' equity	1,686	1,714	28
Current assets	3,388	3,428	40	Non-current liabilities	1,629	1,623	- 6
Inventories (net)	1,098	1,245	147	Provision for Pensions and similar obligatino:	1,186	1,153	- 33
Trade receivables	1,306	1,337	31	Other provisions	135	141	6
Other financial assets	43	54	11	Financial debts	220	218	- 2
Other receivables and assets	125	159	34	Other liabilities	56	86	30
Income tax receivables	10	17	7	Deferred tax liabilities	32	25	- 7
Cash and cash equivalents	806	616	- 190	Current liabilities	2,740	2,747	7
				Other provisions	516	564	48
				Financial debts	567	580	13
				Trade liabilities	766	750	- 16
				Other liabilities	838	783	- 55
				Income tax liability	53	70	17
Total assets	6,150	6,184	34	Total liabilities	6,150	6,184	34

Next events and IR contacts

■ Events 2017

Annual Stockholders' Meeting	Berlin	9 May
RS Switzerland	Zurich, Lugano	10-11 May
Warburg Highlights	Hamburg	19 May
RS Paris	Paris	23 May
Deutsche Bank dbAccess	Berlin	21-23 Jun
H1 Earnings call		3 Aug
Q3 Earnings call		7 Nov
Capital Markets Day 2017	Bremen	21-22 Nov

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