



H1 2013 | Düsseldorf, 9 August 2013

International Partner
for Security and Mobility



Financial highlights

- ▶ **Sales down by 8%** (€ - 191 million) to € 2,062 million
- ▶ **Operational earnings* positive** at € 29 million, but below previous year's level of € 92 million
- ▶ **Free cash flow from operations** at € - 174 million, i.e. better by € 123 million (+ 42%)
- ▶ **Net financial debt improved** by € 169 million at € 337 million (as of 30 June)
- ▶ **Outlook 2013 reduced** due to lower performance in Defence

* EBIT before special items; EBIT (reported) = € - 18 million



Operational highlights

Defence

- ▶ Again **strong order intake**, e.g. Leopard 2 and tank howitzer components for Qatar
- ▶ **Australian order** for military trucks recently **received** with a volume of € 1.1 billion, booked in Q3 2013
- ▶ **Operational results improved in Q2 vs. Q1:** sales increased by € 108 million, operational earnings* by € 38 million
- ▶ **Restructuring program on schedule**, expenses of € 26 million booked in H1

Automotive

- ▶ **Stable sales** despite a shrinking European market
- ▶ Regarding sales and operational earnings, **Q2 2013 at a high level**
- ▶ **Operational results improved in Q2 vs. Q1:** sales increased by € 30 million, operational earnings* by € 15 million
- ▶ **Restructuring program on schedule**, expenses of € 21 million booked in H1
- ▶ Mechatronics: **Large frame contract** for US LV engines, worth more than € 400 million

* EBIT before special items



“Rheinmetall 2015” Implementation of the strategic key points in progress

Internationalization

- New Defence sales offices in Russia and Saudi Arabia
- New activities in China: production facility for large-bore pistons (100% ownership), JV for pumps, production facility for EGR valves

Growth, products and innovations

- Increase in the systems business: RMMV received large-scale order of new HX vehicles from Australia with newly designed protected cabin
- Commercial diesel business is ramping up, especially with EGR modules and back-pressure valves

Cost efficiency

- All major parts of the restructuring program initiated and in implementation phase



Cost efficiency Status quo of restructuring

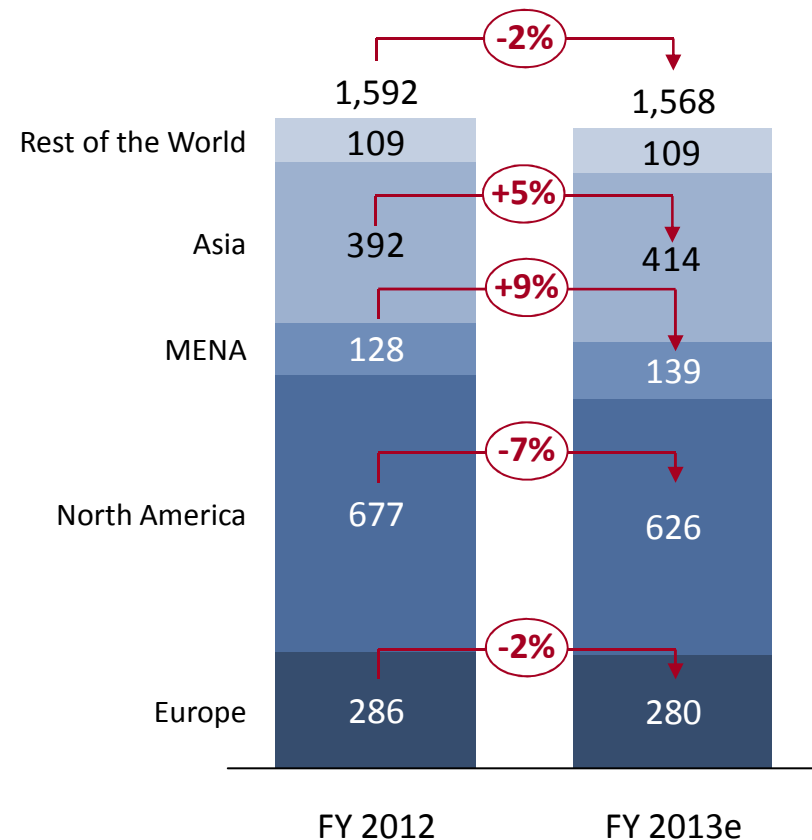
	Costs 2012	Costs 2013		Total reduction of employees until 2015	Full annual savings from 2015
		H1	H2e		
Combat Systems (esp. Tracked Vehicles)	17	1	14 - 24	150 - 170	40 - 50
Electronic Solutions (esp. Air Defence Zurich)	3	0		100 - 130	
Wheeled Vehicles (esp. Logistic Vehicles)	0	25		250	
Total Defence	20	26	14 - 24	500 - 550	40 - 50
Hardparts (esp. Pistons Thionville/Neckarsulm)	0	14	14	370	20 - 25
Mechatronics (esp. merging Neuss/Nettetal)	0	7		100	
Total Automotive	0	21	14	470	20 - 25



Looking at the markets

Reduced defence spending determines market environment

Defence spending by region in US\$ billion



Still a challenging market environment

- ▶ Global defence spending is expected to decrease in 2013
- ▶ Lower procurement spending in the Western world due to troops withdrawals and budgets under pressure
- ▶ Important customer countries of Rheinmetall affected, e.g. UK (- 4%) and the US (- 8%)

Ongoing growth prospects in Middle East and Asia

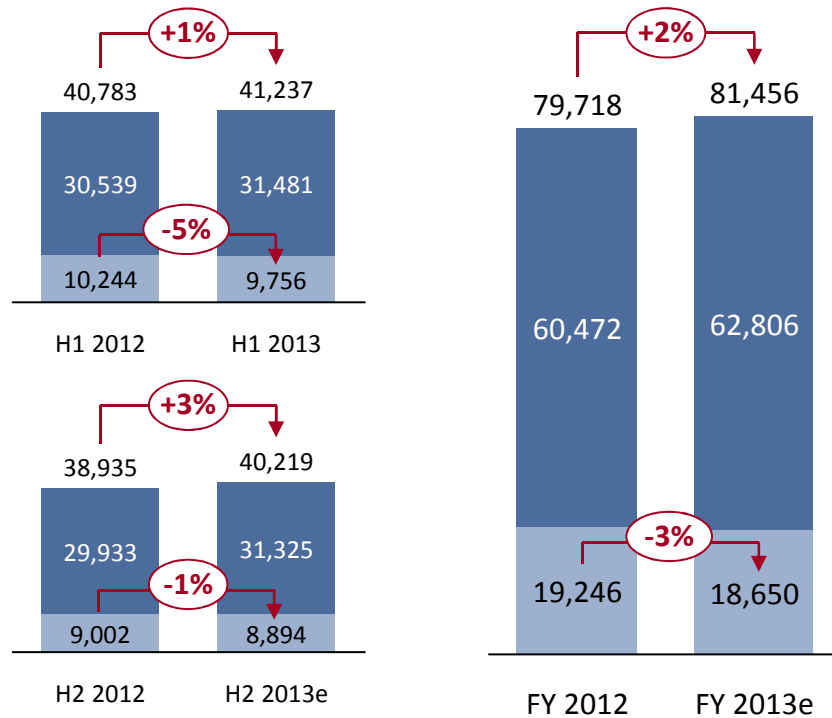
Source: IHS Jane's (July 2013)



Looking at the markets

Recovery of global markets still expected for H2 2013

Global and European production of light vehicles
in thousand units



Rest of the World Europe

Source: IHS Automotive (July 2013)

Global LV production still on growth path

- ▶ Light vehicle (LV) production globally increasing by 2% in 2013
- ▶ China and the Americas continue to be main drivers of the growth

European market expected to decrease in 2013

- ▶ Important countries still suffering from the crisis (e.g. France - 14%)
- ▶ Germany also slightly shrinking by 3%



H1 2013 in detail

Sales decreased, EBIT down, free cash flow from operations improved

Rheinmetall Group <i>in € million</i>	H1 2012*	H1 2013	Δ H1 2013/ H1 2012
Sales	2,253	2,062	- 191
Operational earnings (EBIT before special items)	92	29	- 63
Special items (one-offs, restructuring costs)	31	- 47	- 78
EBIT (reported)	123	- 18	- 141
Group net income	72	- 45	- 117
Earnings per share <i>in €</i>	1.94	- 0.66	- 2.60
Cash flow	162	46	- 116
Free cash flow from operations	- 297	- 174	+ 123
Employees	21,690	21,596	- 94

- ▶ **Less sales and low EBIT** due to Defence
- ▶ **Free cash flow from operations improved** due to lower working capital
- ▶ **Restructuring program in progress:** costs of € 47 million booked

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



RHEINMETALL DEFENCE



Defence in a transition year

Encouraging order situation, but earnings squeezed

Rheinmetall Defence <i>in € million</i>	H1 2012*	H1 2013	Δ H1 2013/ H1 2012
Order intake	1,138	1,282	+ 144
Order backlog	4,589	5,383	+ 794
Sales	1,010	834	- 176
Operational earnings (EBIT before special items)	25	- 48	- 73
Special items (one-offs, restructuring costs)	31	- 26	- 57
EBIT (reported)	56	- 74	- 130
Employees	9,690	9,411	- 279

- ▶ **Order backlog** very strong
- ▶ **Weak sales** in all three divisions, but Q2 improved compared to Q1
- ▶ H2 2013e: **no major changes in sales** to be seen in Q3, **strongly back-end loaded performance expected, further large-scale orders** in the pipeline

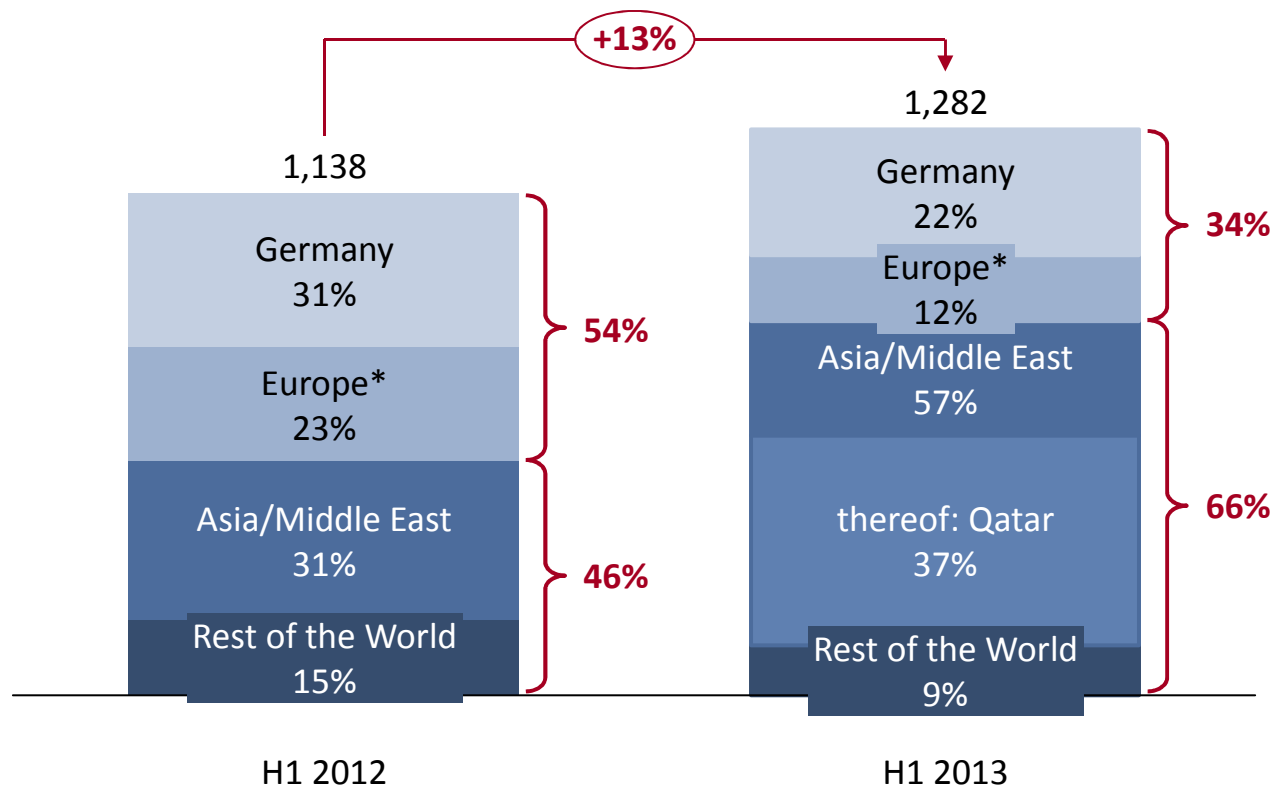
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Order intake by region

Stronger business especially in the growth markets

Order intake by region in € million resp. %

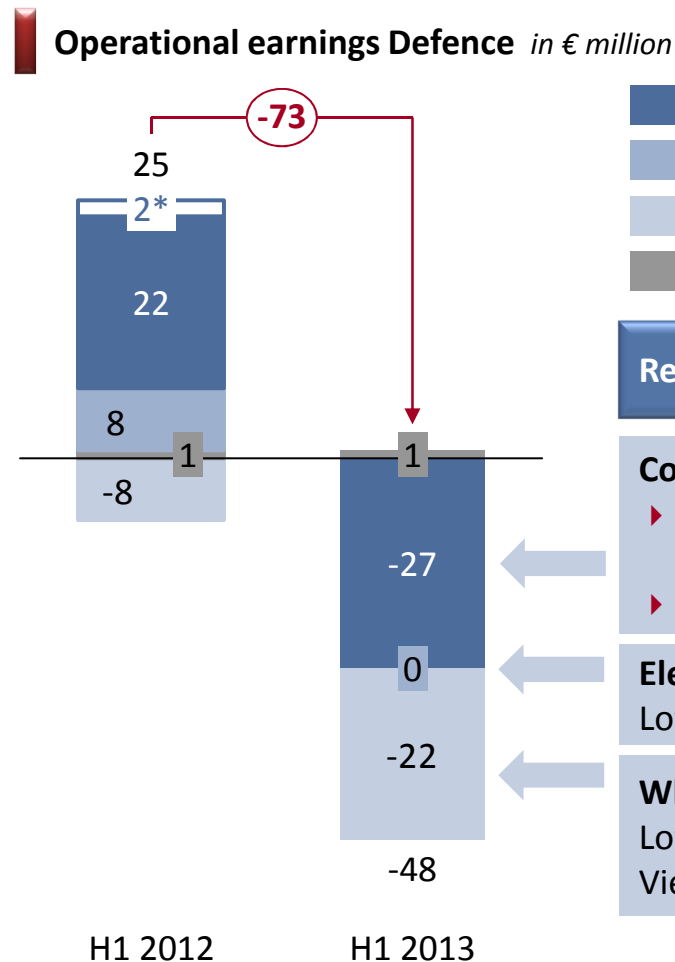
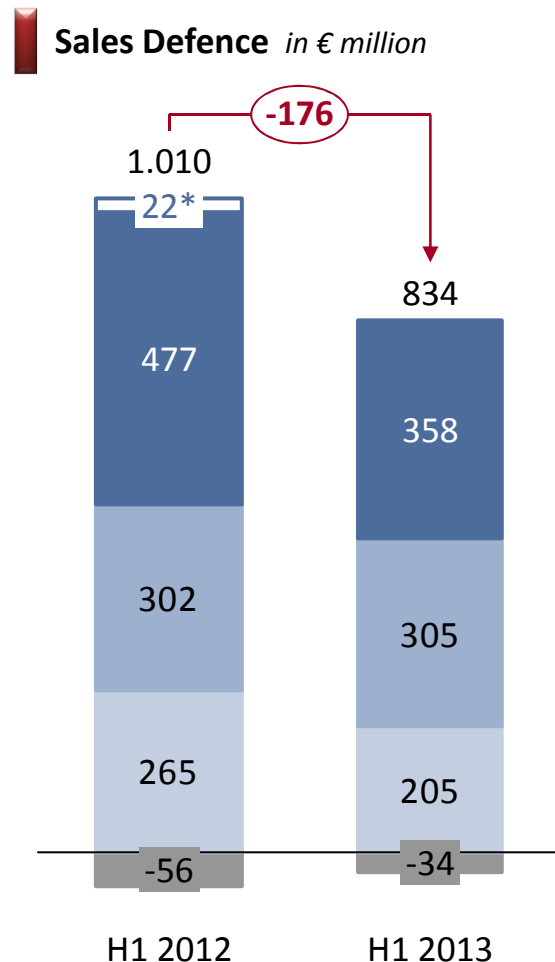


* Excluding Germany



Weak operational performance

Decline in earnings mainly caused by lower sales



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

Reasons for weaker earnings

- Combat Systems:**
 - ▶ Lower sales in tracked vehicles and ammunition
 - ▶ Project cost overruns
- Electronic Solutions:**
 - Lower sales in Air Defence
- Wheeled Vehicles:**
 - Lower sales and overcapacity Vienna plant

* 51% of drone business divested in Q2 2012

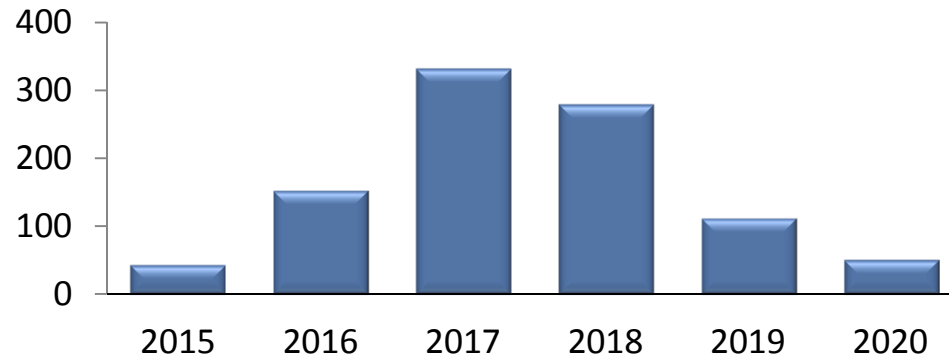


Big success in Australia

Wheeled Vehicles receives truck order worth € 1.1 billion, booked in Q3



Expected split of sales by years in € million



- ▶ Australia as a new international customer for Wheeled Vehicles
- ▶ Delivery of 2,500 protected and unprotected logistic vehicles with different configurations
- ▶ Roughly 1,000 vehicles will be equipped with a newly designed protected cabin of Rheinmetall's Combat Systems
- ▶ Vehicles will be built in the Vienna plant, modules and some bodies will be produced by local partners
- ▶ Service will be provided together with local partners



RHEINMETALL AUTOMOTIVE



Stable sales

EBIT mainly affected by lower sales in Hardparts and restructuring costs

Rheinmetall Automotive <i>in € million</i>	H1 2012*	H1 2013	Δ H1 2013/ H1 2012
Sales	1,243	1,228	- 15
Operational earnings (EBIT before special items)	81	77	- 4
Special items (one-offs, restructuring costs)	0	- 21	- 21
EBIT (reported)	81	56	- 25
Employees	11,861	12,042	+ 181

- ▶ **Sales and operational earnings at a high level**
- ▶ **Operational margin of Automotive in Q2 2013 raised to 7.3%** (+ 2.1pp compared to Q1 2013, + 1.2pp compared to Q2 2012)
- ▶ H2 2013e: based on current market forecasts, we expect a **stable business performance**

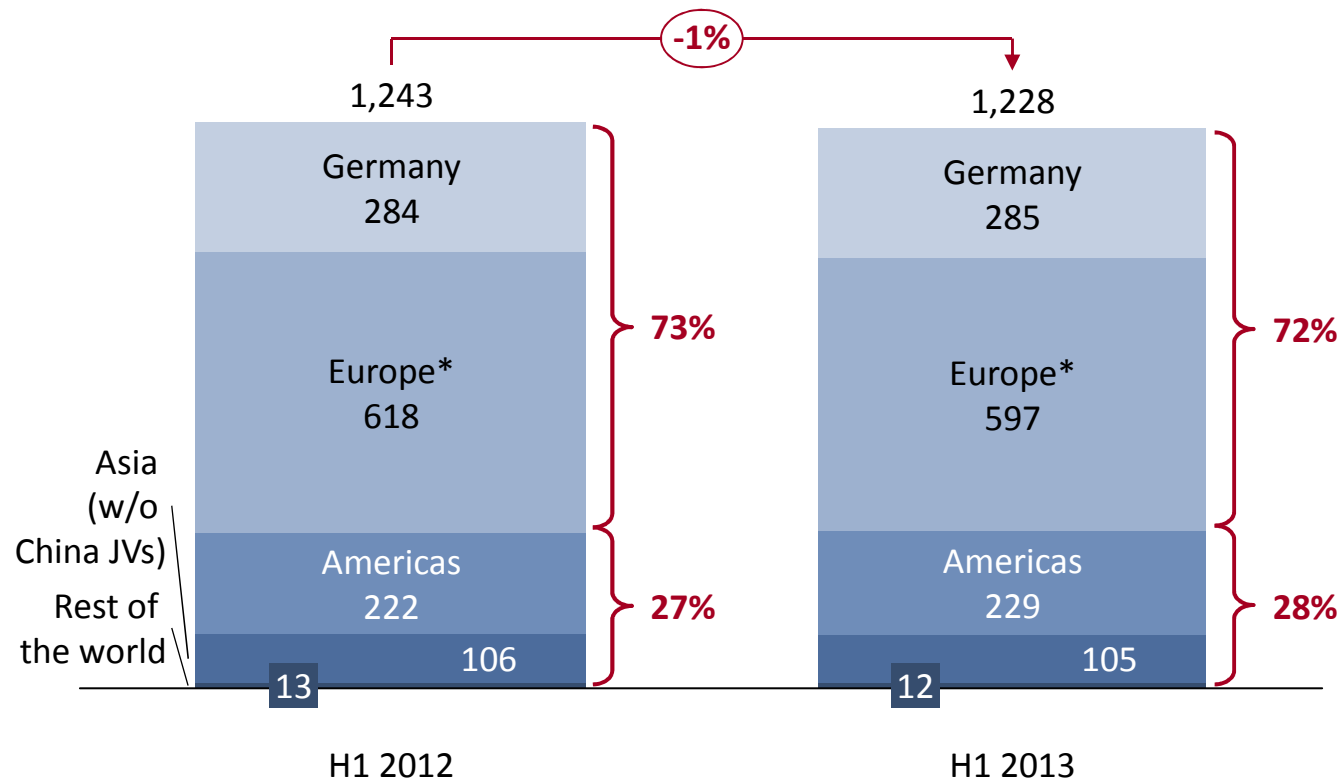
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Sales by region

Slight decrease of sales in Europe partially compensated by other markets

Sales by region in € million



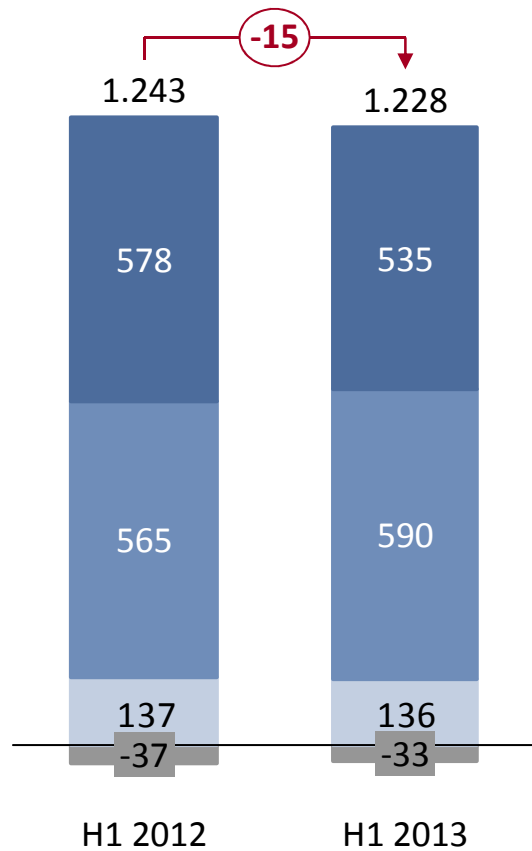
* Excluding Germany



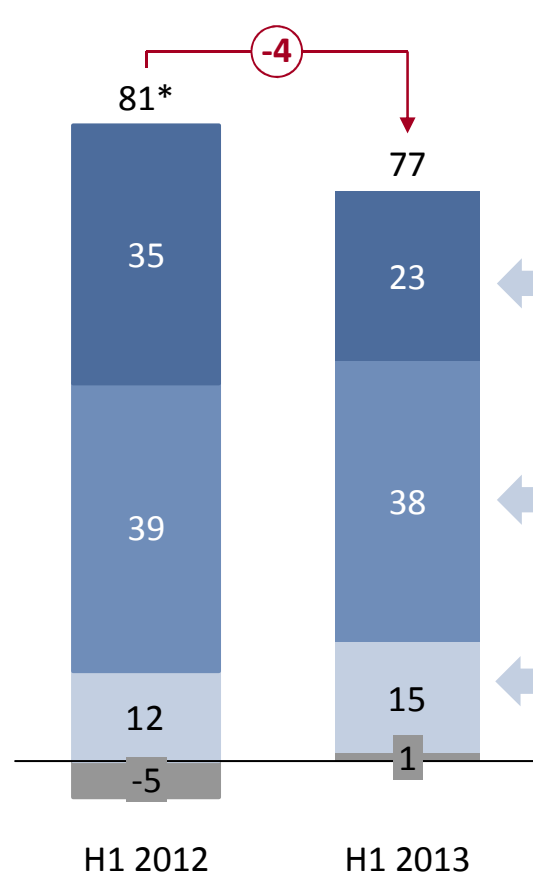
Stable operational performance

Earnings impacted by lower Hardparts sales

Sales Automotive in € million



Operational earnings Automotive in € million



Reasons for weaker earnings

- Hardparts:** Sales down by € 43 million
- Mechatronics:**
 - ▶ Higher sales of € 25 million
 - ▶ Additional R&D
- Motor Service:** Improved earnings

Legend:
■ Hardparts
■ Mechatronics
■ Motor Service
■ Consolidation/Others

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



China still a booming market for mobility

Joint ventures and subsidiaries with sustainable growth



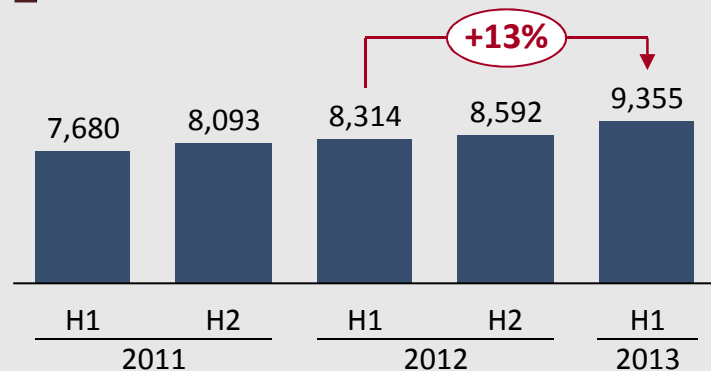
Mechatronics:

- ▶ **New facility for the production of EGR valves** opened in Kunshan in 2013
- ▶ **New joint venture** with Chinese SAIC (50%/50%) for pumps **recently founded**, start of production in 2014

Hardparts:

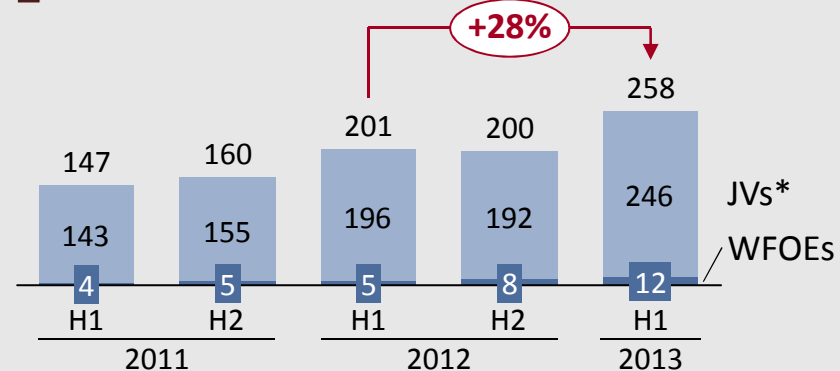
- ▶ **New 100% subsidiary** (WFOE) for large-bore pistons **set up** in Q2 2013, start of production in 2013

LV production China in thousand units



Source: IHS Automotive (July 2013)

Sales Automotive China in € million



* Rheinmetall Automotive owns 50% of the joint ventures, consolidated at equity



OUTLOOK



Outlook 2013 updated Defence reduced, Automotive confirmed

	Sales <i>in € billion</i>		EBIT <i>in € million</i>	
	Original	Updated	Original	Updated
Group	4.8 - 4.9	4.7 - 4.8	240 - 260*	180 - 200*
	Restructuring costs		60 - 80	75 - 85
Defence	2.4	2.3	130**	60 - 70**
	Restructuring costs		40 - 50	40 - 50
Automotive	2.4 - 2.5	2.4 - 2.5	140**	140**
	Restructuring costs		20 - 30	35

* Including holding costs, before restructuring costs

** Before restructuring costs



APPENDIX



Income statement

Rheinmetall Group <i>in € million</i>	H1 2012*	H1 2013	Δ H1 2013/ H1 2012
Sales	2,253	2,062	- 191
EBITDA	219	81	- 138
EBITDA margin <i>in %</i>	9.7	3.9	- 5.8pp
EBIT (reported)	123	- 18	- 141
EBIT margin (reported) <i>in %</i>	5.5	- 0.9	- 6.4pp
Special items (One-offs, restructuring costs)	+ 31	- 47	- 78
Operational earnings (EBIT before special items)	92	29	- 63
Employees	21,690	21,596	- 94

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



Income statement

Rheinmetall Group <i>in € million</i>	H1 2012*	H1 2013	Δ H1 2013/ H1 2012
EBIT (reported)	123	- 18	- 141
Interest	- 36	- 36	± 0
EBT	87	- 54	- 141
Taxes	- 15	9	+ 24
Group net income	72	- 45	- 117
Minority interests	+ 2	+ 20	+ 18
Group earnings (after minorities)	74	- 25	- 99
Number of shares (weighted average) <i>in million</i>	38.2	37.8	- 0.4
Earnings per share <i>in €</i>	1.94	- 0.66	- 2.60

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



Cash flow statement

Rheinmetall Group <i>in € million</i>	H1 2012*	H1 2013	Δ H1 2013/ H1 2012
Group net income	72	- 45	- 117
Amortization / depreciation	96	99	+ 3
Change in pension accruals	- 6	- 8	- 2
Cash flow	162	46	- 116
Changes in working capital and other items	- 362	- 131	+ 231
Net cash used in operating activities	- 200	- 85	+ 115
Cash outflow for additions to tangible and intangible assets	- 97	- 89	+ 8
Free cash flow from operations	- 297	- 174	+ 123

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



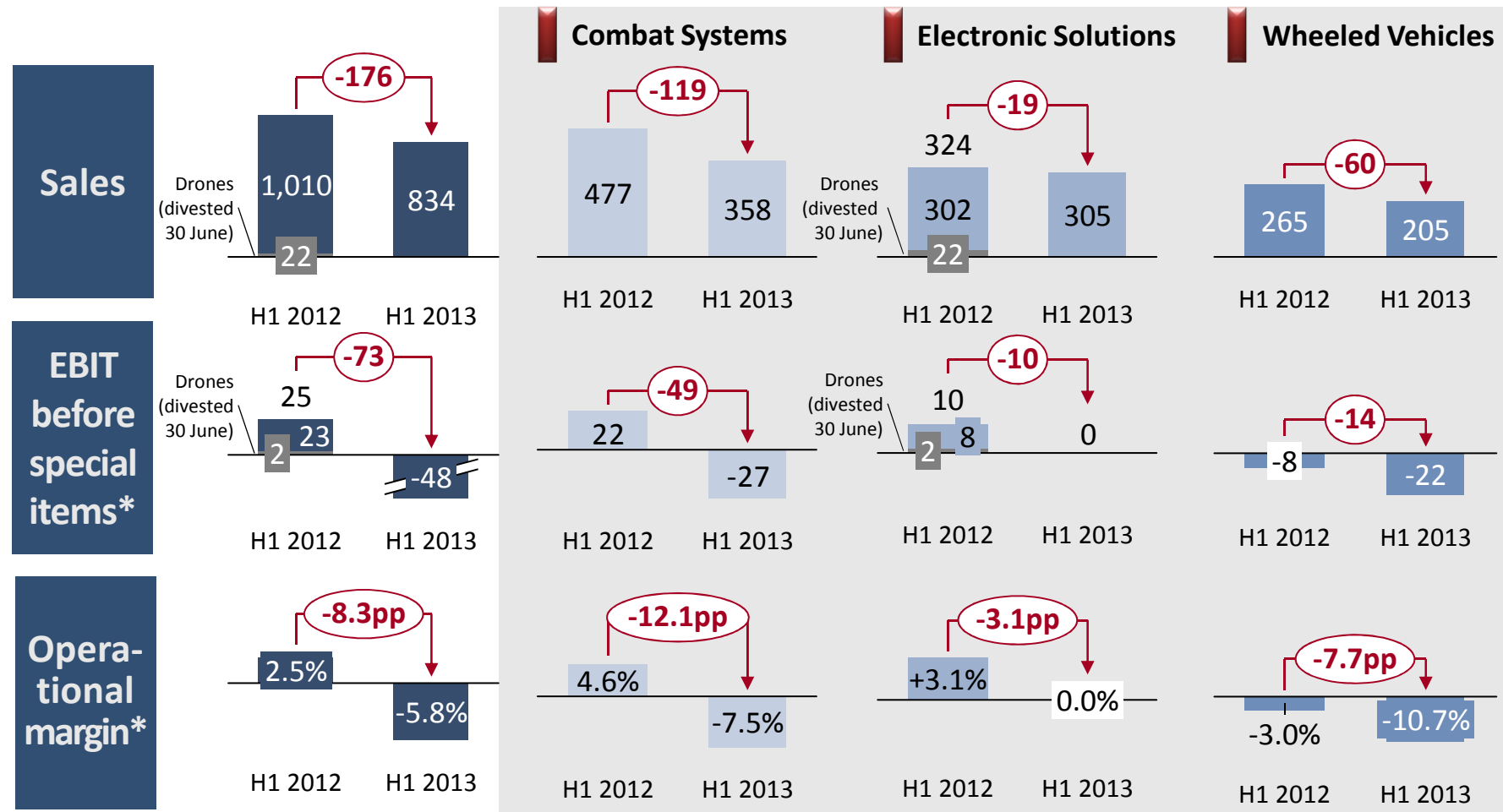
Comparison Q2 2012 vs. Q2 2013

Rheinmetall Group <i>in € million</i>	Q2 2012*	Q2 2013	Δ Q2 2013/ Q2 2012
Sales	1,144	1,100	- 44
Operational earnings (EBIT before special items)	49	43	- 6
Special items (One-offs, restructuring costs)	31	- 42	- 73
EBIT (reported)	80	1	- 79
Group net income	52	- 16	- 68
Earnings per share <i>in €</i>	1.32	- 0.04	- 1.36
Cash flow	100	33	- 67
Free cash flow from operations	- 71	56	+ 127
Employees	21,690	21,596	- 94

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



Key figures Defence by division (operational before special items)



Figures before intrasegmental consolidation

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



Comparison Q2 2012 vs. Q2 2013

Rheinmetall Defence <i>in € million</i>	Q2 2012*	Q2 2013	Δ Q2 2013/ Q2 2012
Order intake	706	866	+ 160
Order backlog	4,589	5,383	+ 794
Sales	539	471	- 68
Operational earnings (EBIT before special items)	21	- 5	- 26
Special items (One-offs, restructuring costs)	31	- 25	- 56
EBIT (reported)	52	- 30	- 82
Employees	9,690	9,412	- 278

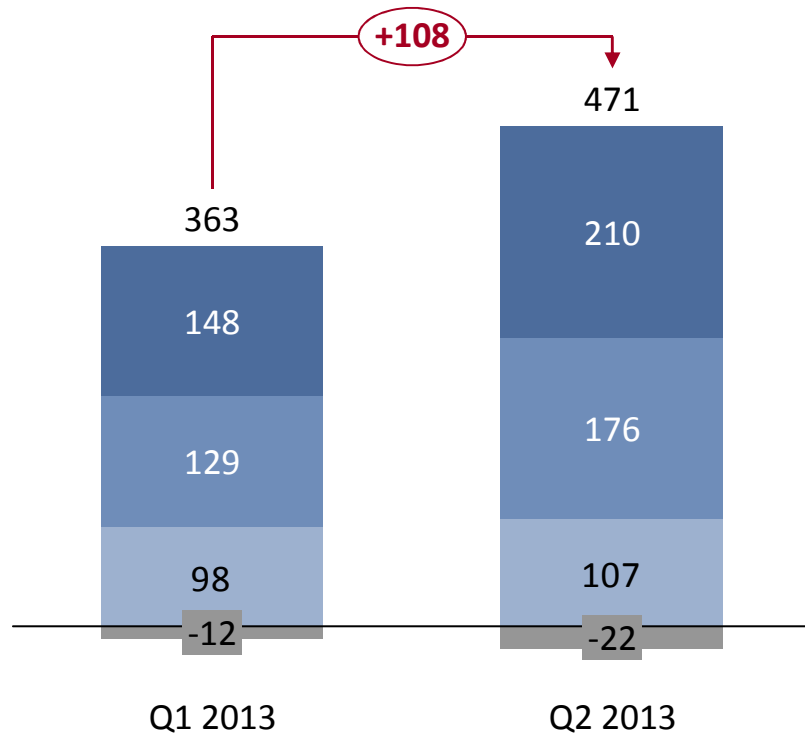
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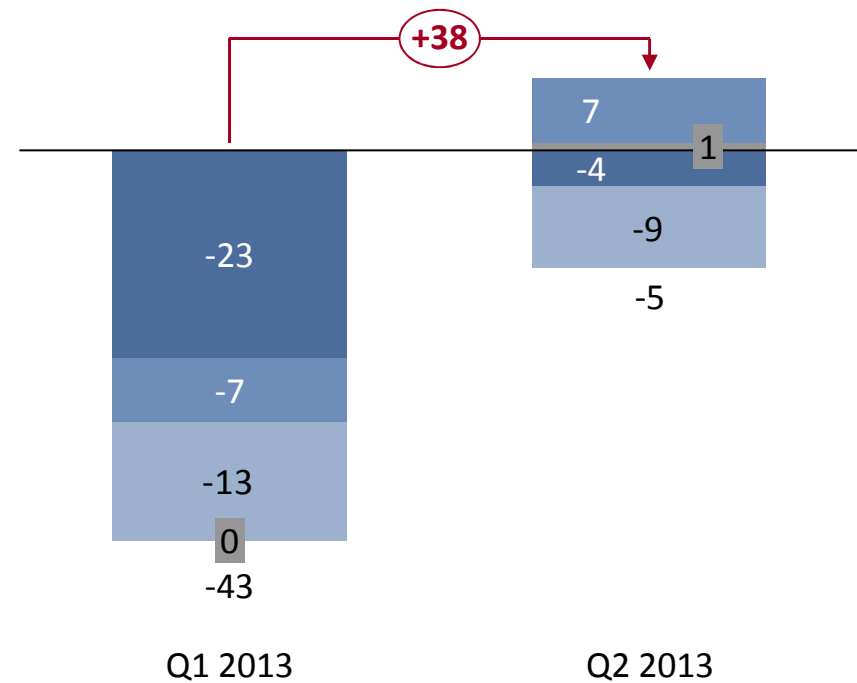
Development Q2 2013

Operational earnings benefit from higher sales

Sales Defence in € million



Operational earnings Defence in € million



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



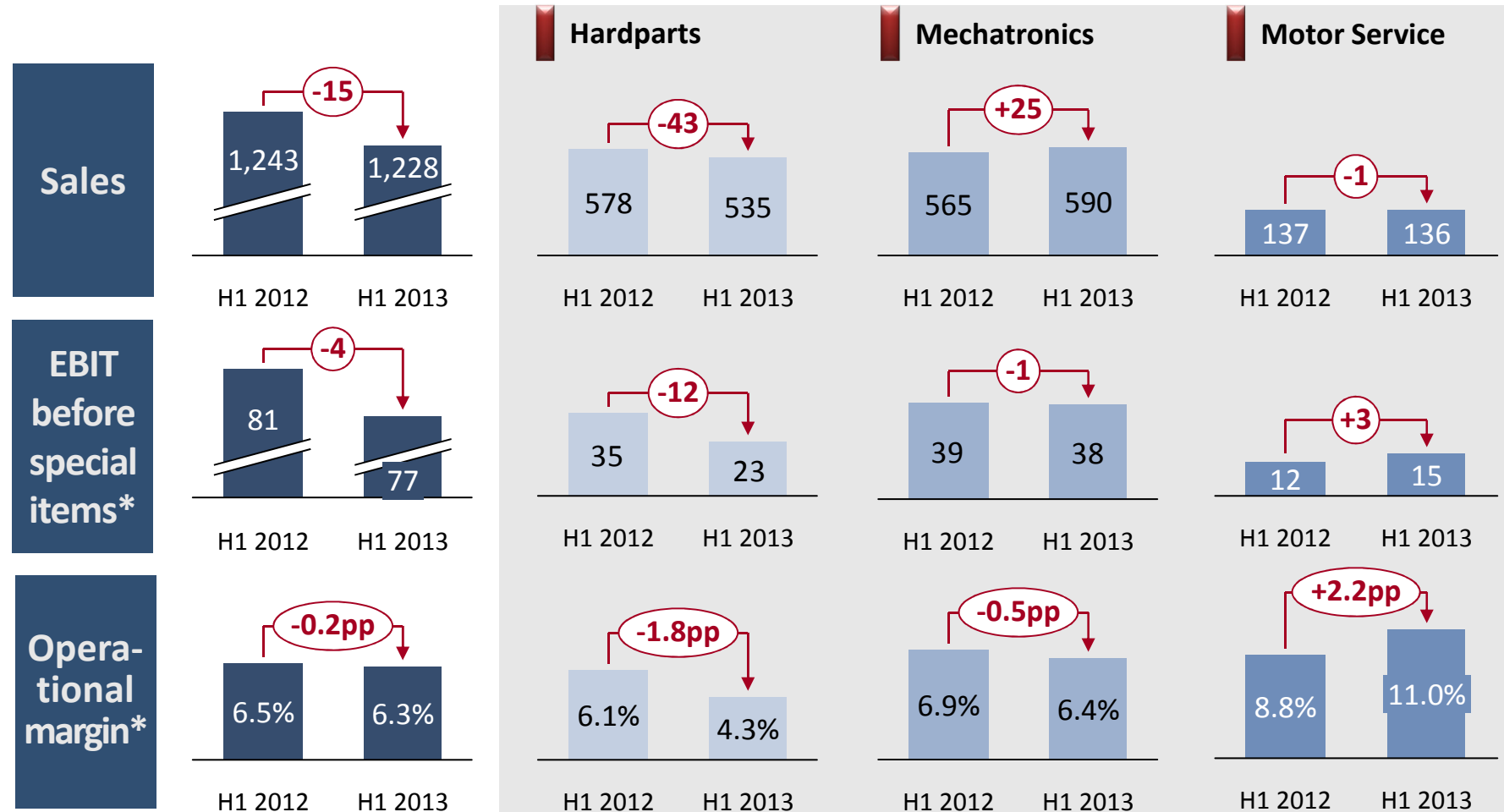
Cash flow Defence

Rheinmetall Defence <i>in € million</i>	H1 2012*	H1 2013	Δ H1 2013/ H1 2012
Net income	39	- 74	- 113
Amortization / depreciation	43	44	+ 1
Change in pension accruals	- 5	- 3	+ 2
Cash flow	77	- 33	- 110
Changes in working capital and other items	- 296	- 84	+ 212
Net cash used in operating activities	- 219	- 117	+ 102
Cash outflow for additions to tangible and intangible assets	- 36	- 22	+ 14
Free cash flow from operations	- 255	- 139	+ 116

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



Key figures Automotive by division (operational before special items)



Figures before intrasegmental consolidation

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



Comparison Q2 2012 vs. Q2 2013

Rheinmetall Automotive <i>in € million</i>	Q2 2012*	Q2 2013	Δ Q2 2013/ Q2 2012
Sales	605	629	+ 24
Operational earnings (EBIT before special items)	37	46	+ 9
Special items (One-offs, restructuring costs)	0	- 17	- 17
EBIT (reported)	37	29	- 8
Employees	11,861	12,042	+ 181

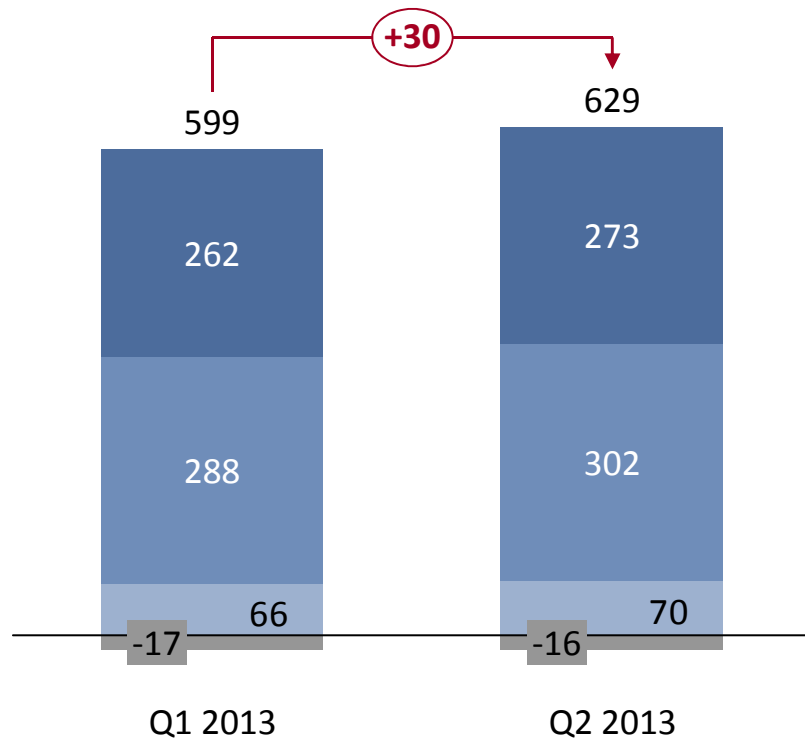
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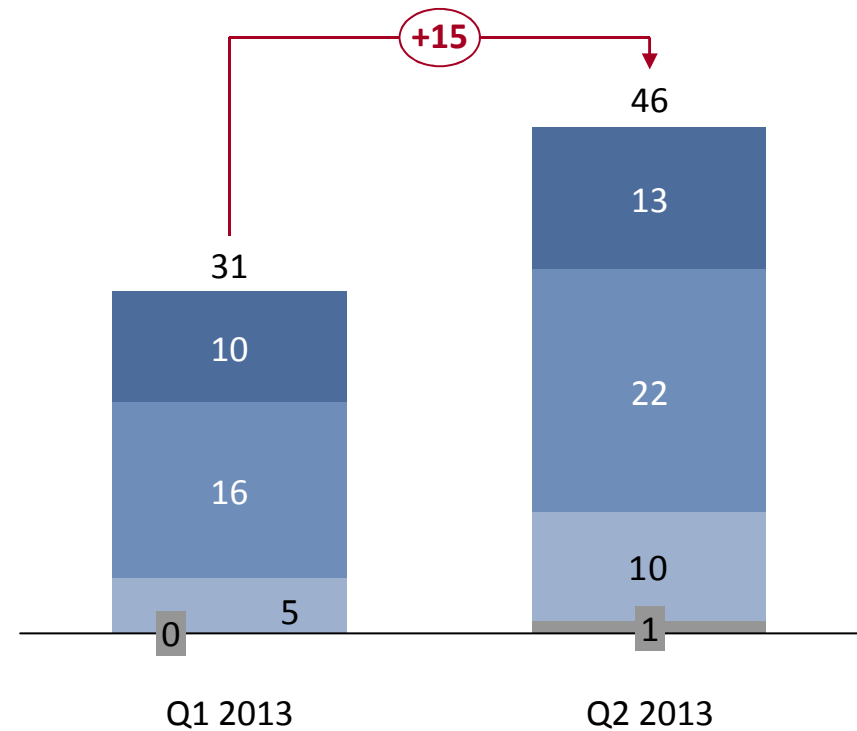
Development Q2 2013

Sales and earnings improved in the second quarter

Sales Automotive in € million



Operational earnings Automotive in € million



Hardparts
 Mechatronics
 Motor Service
 Consolidation/Others



Cash flow Automotive

Rheinmetall Automotive <i>in € million</i>	H1 2012*	H1 2013	Δ H1 2013/ H1 2012
Net income	53	34	- 19
Amortization / depreciation	53	55	+ 2
Change in pension accruals	- 3	- 4	- 1
Cash flow	103	85	- 18
Changes in working capital and other items	- 112	- 52	+ 60
Net cash used in operating activities	- 9	33	+ 42
Cash outflow for additions to tangible and intangible assets	- 60	- 67	- 7
Free cash flow from operations	- 69	- 34	+ 35

* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



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