



RHEINMETALL AG

THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Conference Call Q2 2014

Düsseldorf | August 7, 2014



H1 2014 at a glance

- **Introductory remark:** Accounting adjustments due to the new Castings JV (IFRS 5 Discontinued Operations) and due to IFRS 11 (Joint Arrangements)
- **Sales increased** by 8% to € 2,131 million (+ 11% adjusted for FX effects)
- **Operational earnings improved** by € 4 million to € 32 million, **EBT** by € 45 million to € - 9 million, **EPS positive** at € 0.01 after € - 0.66 in H1 2013
- **Headcount reduced** by 2% to 20,338 employees
- **Outlook updated** due to the cancellation of the export permit for the Russian order and due to the intended formation of the new Castings JV

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



H1 2014 in detail

Continuing operations <i>in € million</i>	H1 2013	H1 2014	Δ H1 2014/ H1 2013
Order intake	2,394	2,289	- 105
Order backlog	5,737	6,548	+ 811
Sales	1,975	2,131	+ 156
Operational earnings (EBIT before special items)	28	32	+ 4
Special items (one-offs, restructuring costs)	- 47	- 2	+ 45
EBIT (reported)	- 19	30	+ 49
EBT	- 54	- 9	+ 45
Group net income	- 45	- 7	+ 38
Earnings per share <i>in €</i>	- 0.66	0.01	+ 0.67
Employees	20,773	20,338	- 435

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



Cash flow statement

Free cash flow from operations low due to increase of working capital in Defence

Continuing and discontinued operations <i>in € million</i>	H1 2013	H1 2014	Δ H1 2014/ H1 2013
Net income	- 45	- 6	+ 39
Amortization / depreciation	100	100	± 0
Change in pension accruals	- 8	- 2	+ 6
Cash flow	47	92	+ 45
Changes in working capital and other items	- 132	- 542	- 410
Net cash used in operating activities	- 85	- 448	- 363
Cash outflow for additions to tangible and intangible assets	- 89	- 114	- 25
Free cash flow from operations	- 174	- 562	- 388

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



Restructuring program on track

	Actual H1 2014		Planned until 2016
Group headcount reported (as of December 31, 2012)	21,767		
Change in headcount due to restructuring	- 878	76%	- 1,160
New recruitment due to growth in sales	+ 216	-621	
Change in headcount due to acquisitions/divestments	+ 41		
Group headcount pro forma (as of June 30, 2014)	21,146		
Restatements due to IFRS 11 (Joint Arrangements)	+ 67		
Impact by new Castings JV according to IFRS 5	- 875		
Group headcount reported (as of June 30, 2014)	20,338		



RHEINMETALL DEFENCE



H1 2014 at a glance

- **Strong order intake of € 1,074 million**, slightly lower than previous year's H1 which contained the Qatar order of € 475 million
- **Sales increased by 7%** to € 895 million (+ 9% adjusted for FX effects)
- **Operational earnings still not satisfying**, reflecting
 - the **ramp-up of low-margin projects**, e.g. Puma, Boxer NL
 - the **further decrease of ammunition sales** H1 2014 vs. H1 2013
 - the **seasonal structure** of sales and earnings, strongly back-end loaded to Q4, comparable to previous year



H1 2014 in detail

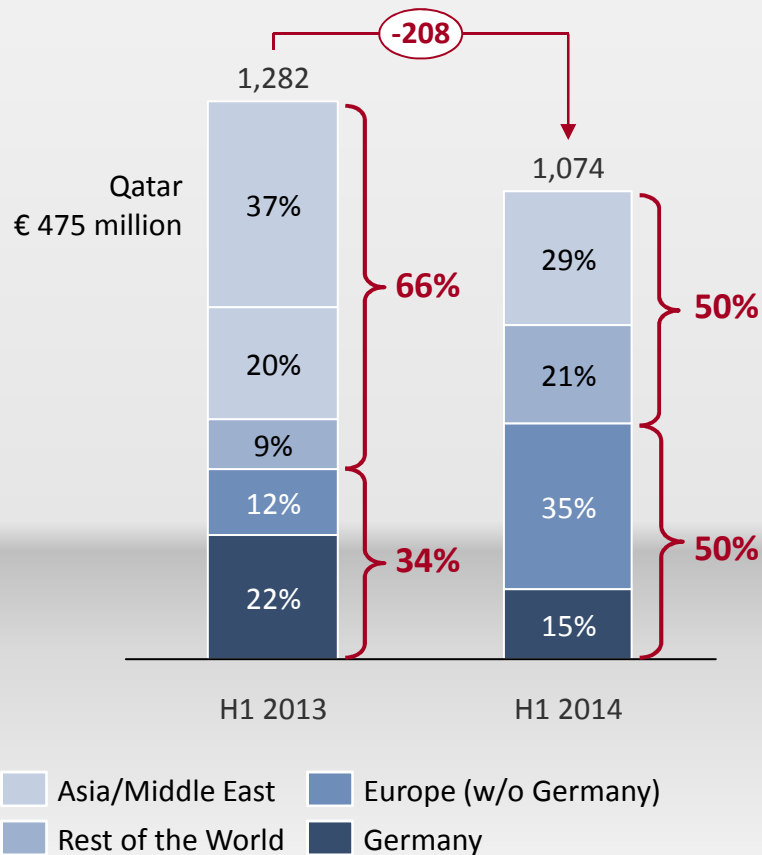
<i>in € million</i>	H1 2013	H1 2014	Δ H1 2014/ H1 2013
Order intake	1,282	1,074	- 208
Order backlog	5,383	6,174	+ 791
Sales	834	895	+ 61
Operational earnings (EBIT before special items)	- 48	- 52	- 4
Special items (one-offs, restructuring costs)	- 26	- 2	+ 24
EBIT (reported)	- 74	- 54	+ 20
Employees	9,411	9,228	- 183



Strong order intake

Large-scale contract with Norway and Sweden for military vehicles

Order intake by region in € million



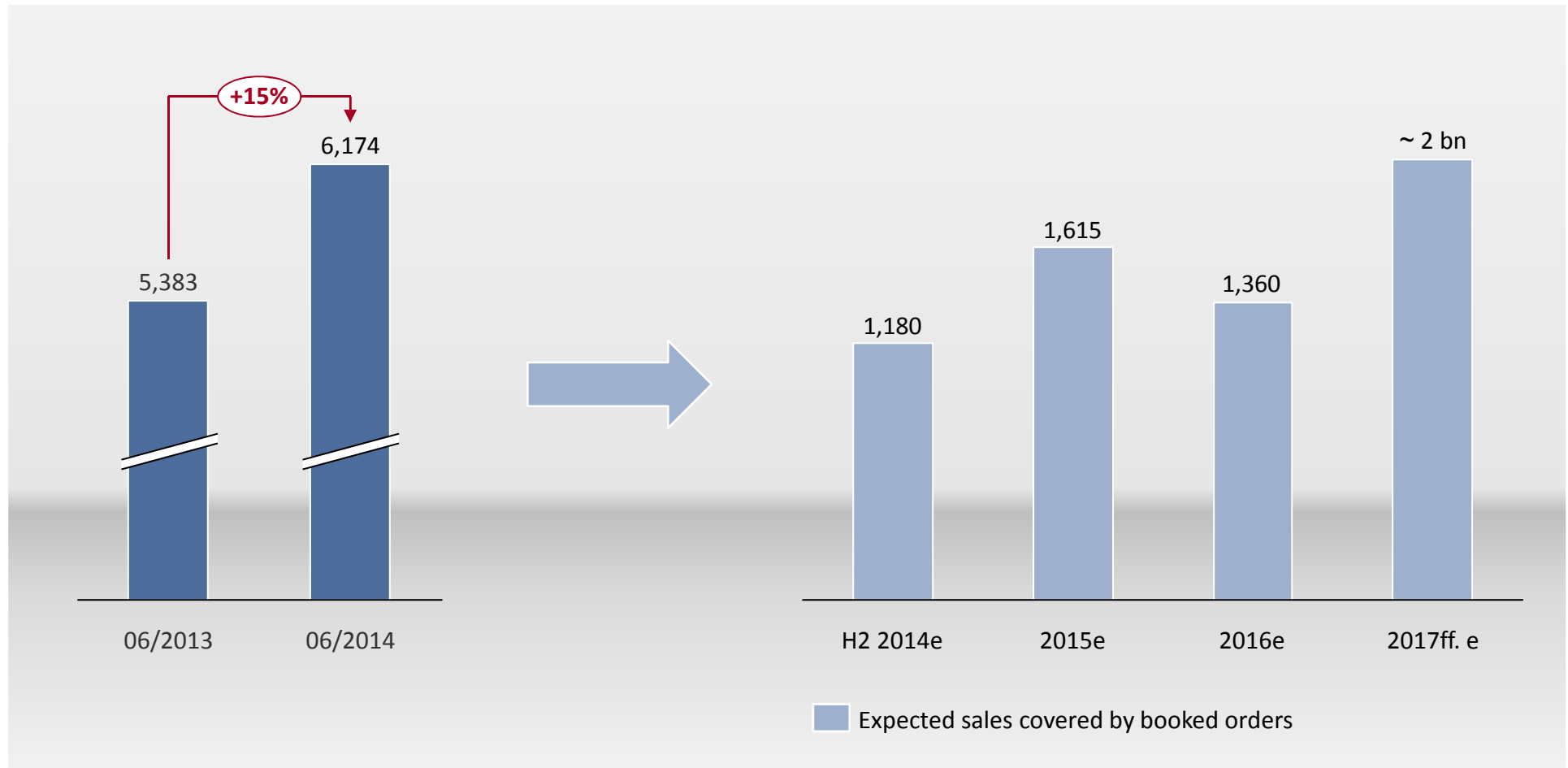
- Contract with Norway for military trucks of more than € 100 million, booked in Q1
- Swedish order of military trucks with a volume of roughly € 100 million, booked in Q2
- Long-term frame contract for delivery of military trucks until 2026 and logistic support over three decades, total potential of up to € 2 billion



Order backlog Backbone for top line growth in the medium term

Order backlog as of June 2014... in € million

...turning into sales in € million

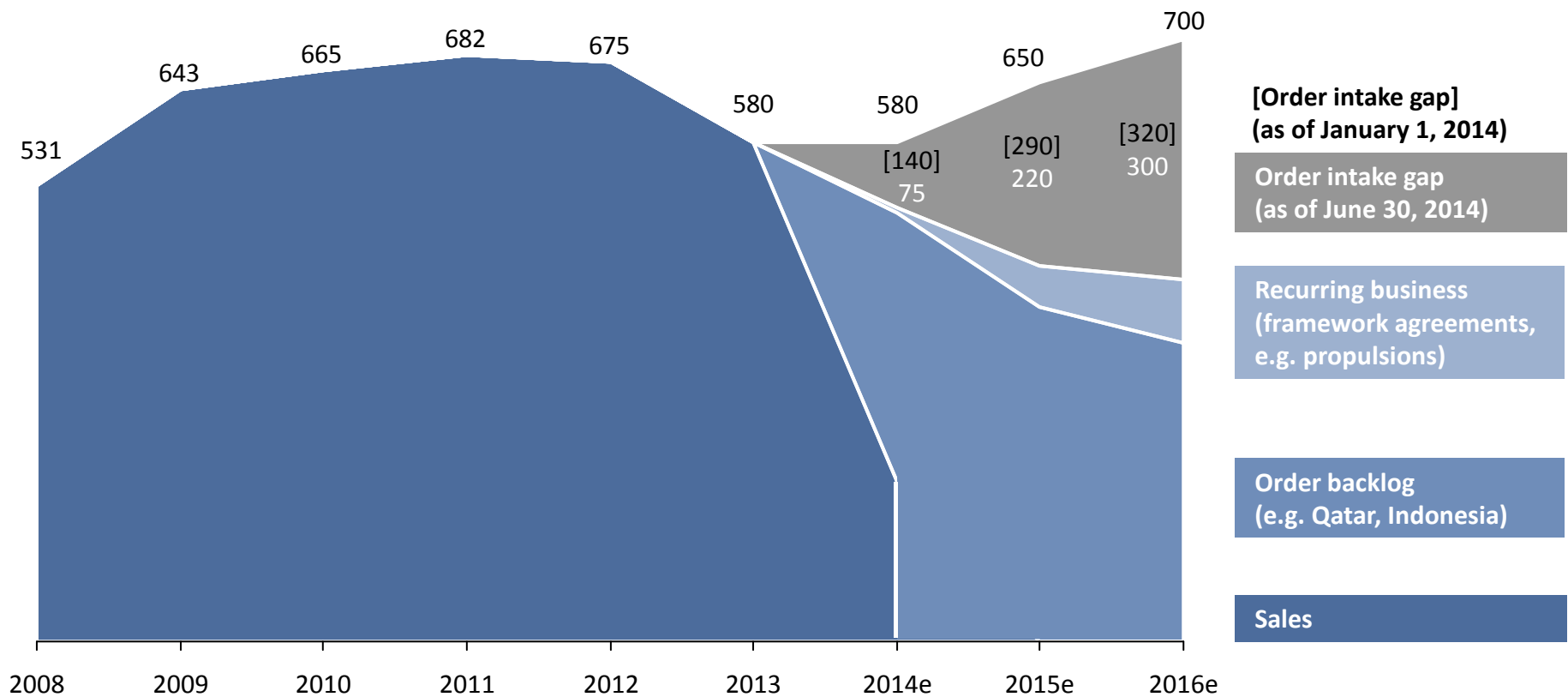




Weapon and ammunition business

Despite a weak market order intake gap was reduced

Sales weapon and ammunition business (as of June 30, 2014) in € million



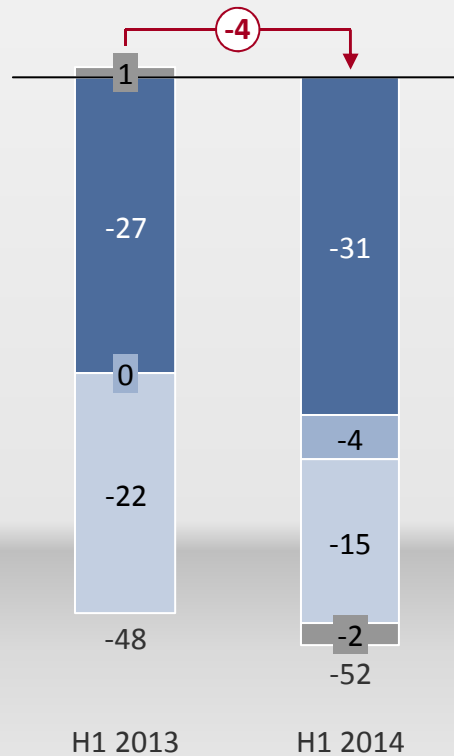
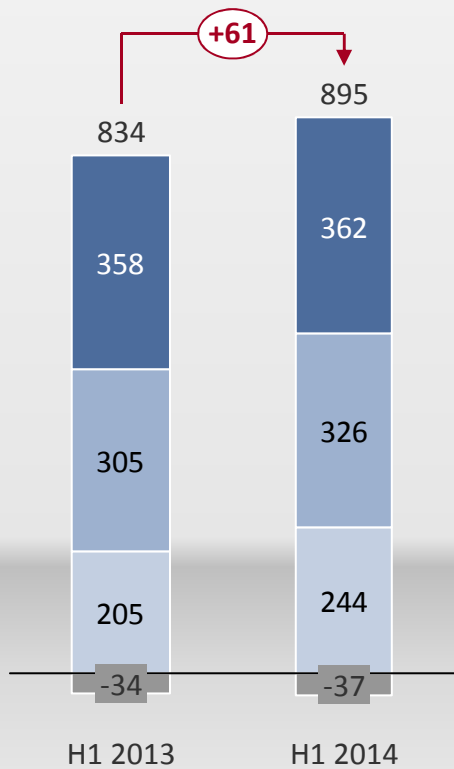


Sales and earnings by division

Growth in sales, but unfavorable product mix effects

Sales Defence in € million

Operational earnings Defence in € million



Reasons for earnings development

Combat Systems

- Ramp-up of low-margin projects
- Lower sales in ammunition

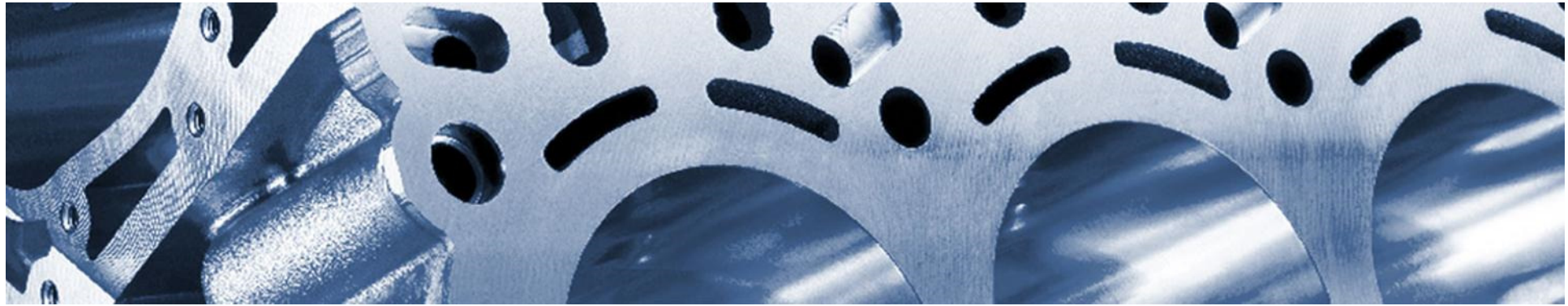
Electronic Solutions

- Higher sales in Air Defence
- Unfavorable product mix

Wheeled Vehicles

Higher sales in Tactical Vehicles

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



RHEINMETALL AUTOMOTIVE



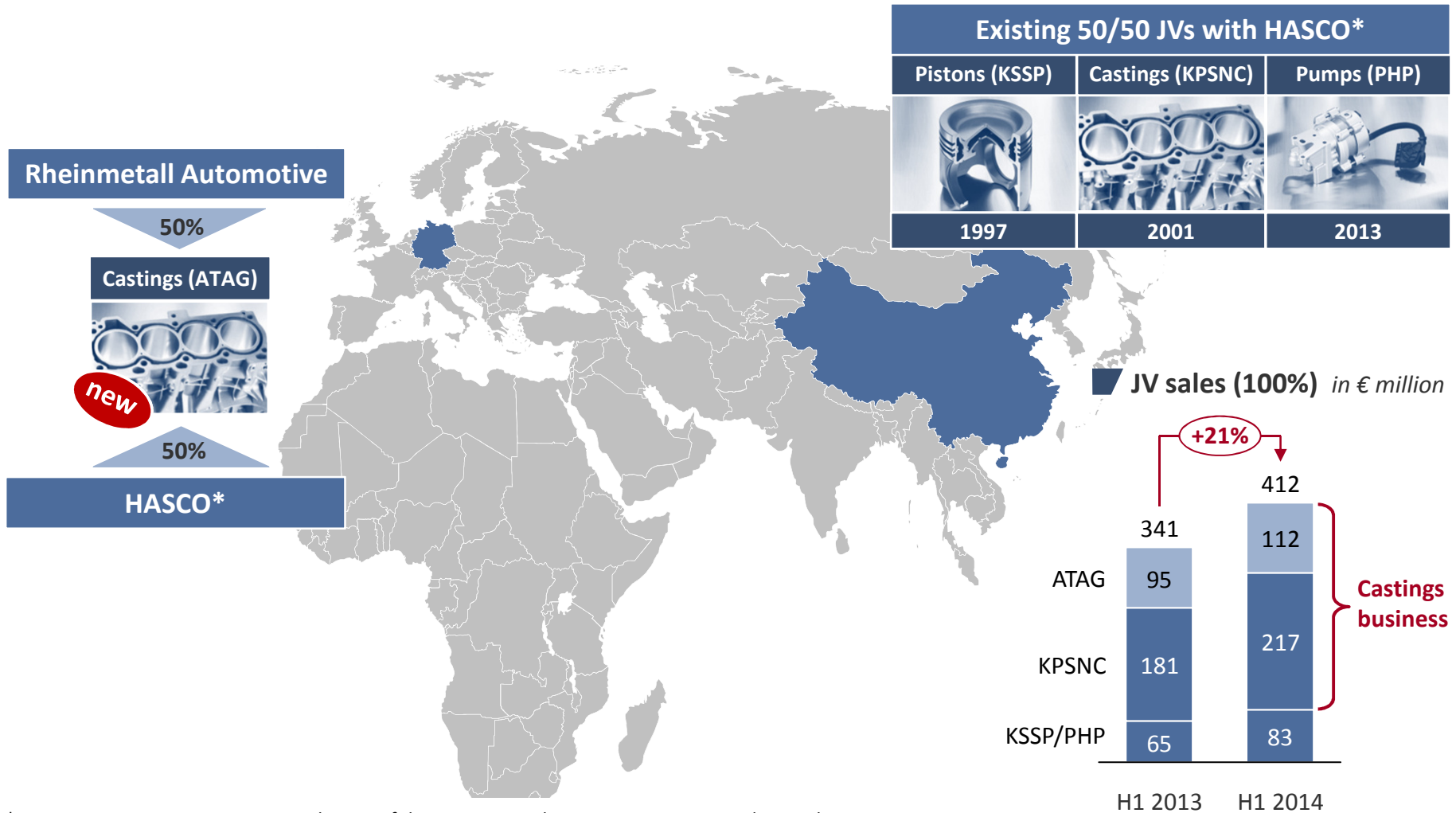
H1 2014 at a glance

- **Sales up by 8%** to € 1,236 million (+ 12% adjusted for FX effects), whereas global market grew by 3.5%
- **Headcount reduced by 2%** to 10,967 employees
- **Operational earnings improved** by 22% to € 93 million with an operational margin of 7.5%, compared to 6.7% in H1 2013
- **Sound growth in Chinese JV activities** increasing by 22%, while market grew by 10%
- Strong Chinese partner for the German **castings business**, which will be continued as a **50/50 joint venture**

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



Long-term partnership with HASCO* New joint venture for commonly developing the castings business



* Huayu Automotive Systems Co. Ltd., part of the SAIC Group, largest automotive supplier in China



H1 2014 in detail

Continuing operations <i>in € million</i>	H1 2013	H1 2014	Δ H1 2014/ H1 2013
Sales	1,141	1,236	+ 95
Operational earnings (EBIT before special items)	76	93	+ 17
Special items (one-offs, restructuring costs)	- 21	0	+ 21
EBIT (reported)	55	93	+ 38
Employees	11,219	10,967	- 252
Discontinued operations (ATAG)			
Sales	95	112	+ 17
Operational earnings (EBIT before special items)	1	5	+ 4
EBIT (reported)	1	- 2	- 3
Employees	885	875	- 10

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)

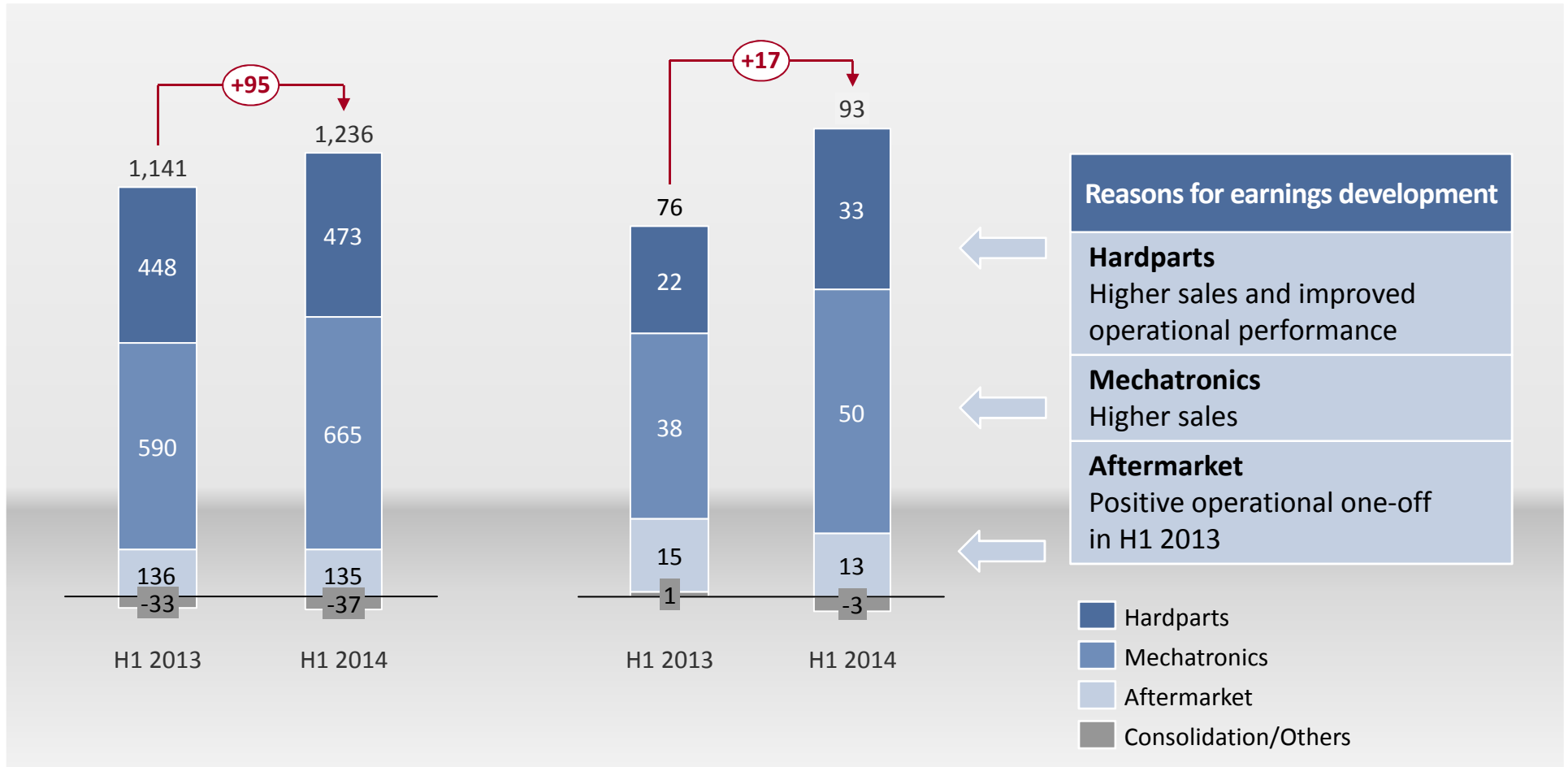


Sales and earnings by division

Growth in sales and better operational performance

Sales Automotive in € million

Operational earnings Automotive in € million



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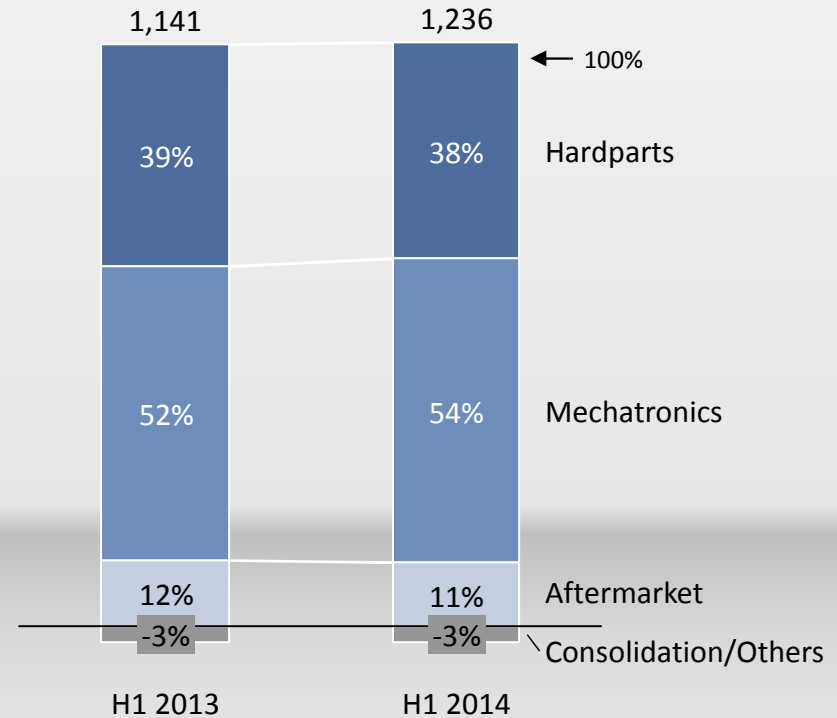
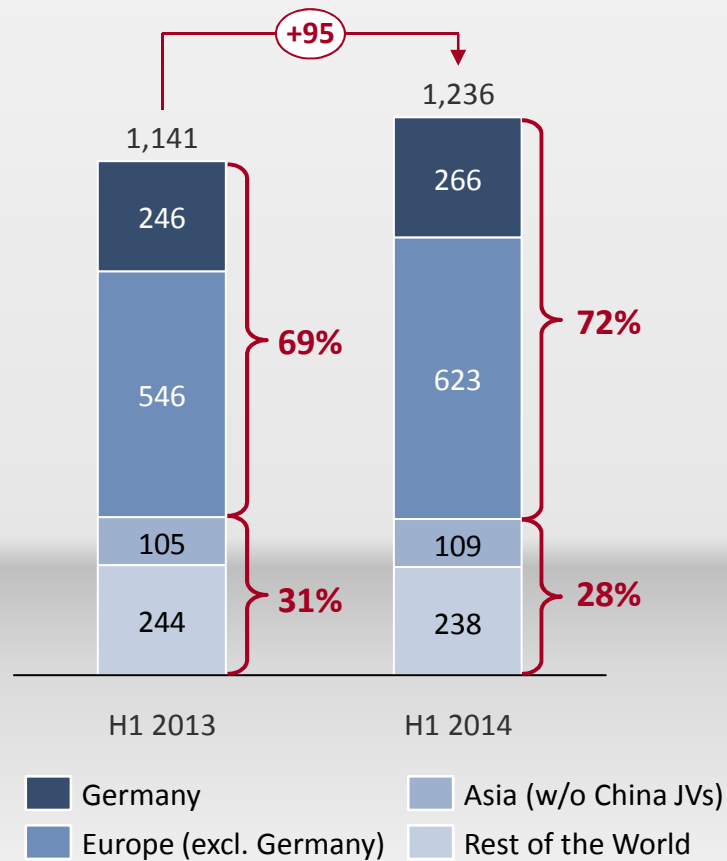


Sales by region and by division

Mechatronics benefits from growth in European markets

■ Sales by region in € million

■ Divisional sales share* in %



* Figures before intrasegmental consolidation

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



OUTLOOK



Market environment of the two segments

DEFENCE

- Shrinking budgets in traditional markets, **strong growth potential in emerging markets**
- Beginning **public discussion** in Germany **on restrictive export license policy**, which could affect our operations
- Global **ammunition market** remains **challenging**
- **Contract with Russia**: Rheinmetall will utilize all available legal options for **minimizing the financial burden**

AUTOMOTIVE

- **Global growth** in LV production (+ 3%)
- **Strong growth** in large markets China (+ 9%) and North America (+ 5%)
- Slightly **increasing European market** (+ 2%)
- **Weak Latin American markets** (e.g. Brazil - 8%)

Growth rates refer to FY figures 2014e vs. 2013



Due to the cancellation of export permit and the formation of new Castings JV Outlook 2014 updated

	Sales <i>in € billion</i>		Operational earnings <i>in € million</i>		
	original	updated	original	updated	
Group	4.8 - 4.9	4.6 - 4.7	230 - 250	200 - 220	
Defence	2.3	2.3	85 - 95	65 - 75	← Cancellation of export permit Russia
Automotive	2.5 - 2.6	2.3 - 2.4	165 - 175	155 - 165	← Formation of new Castings JV (IFRS 5)

- If the global Automotive production in H2 develops similar to H1, the **original outlook** for Automotive's FY earnings is **achievable**
- Further non-operational expenses of € 10 million expected, i.e. expected **Group EBIT of € 190 - 210 million**
- Outlook based on **key assumptions**:
 - **macroeconomic environment** stable, **global automotive industry** growing
 - **ammunition markets** stabilizing, **risks of further key large projects** in Defence not materializing

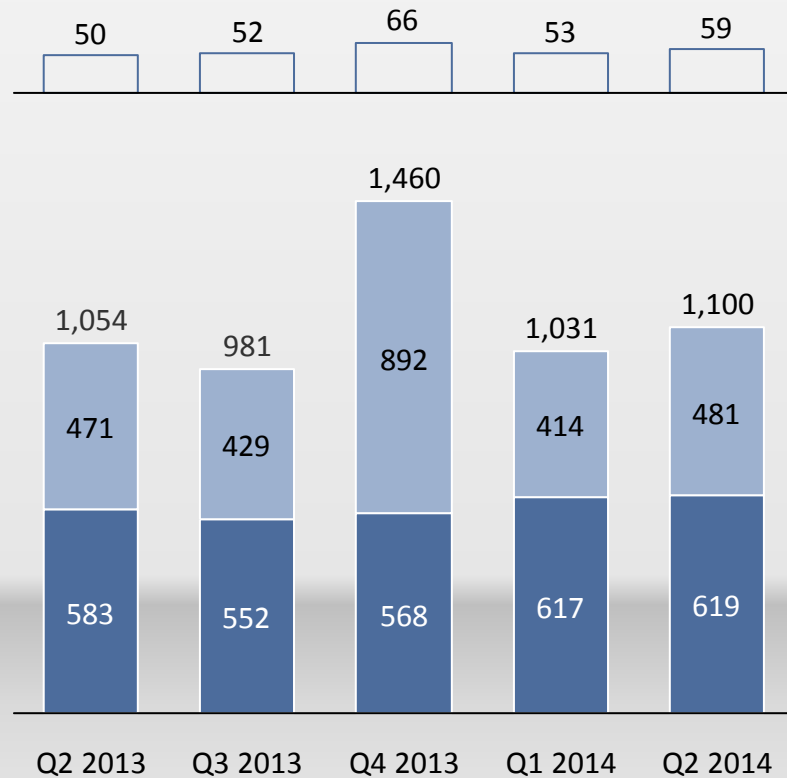


APPENDIX

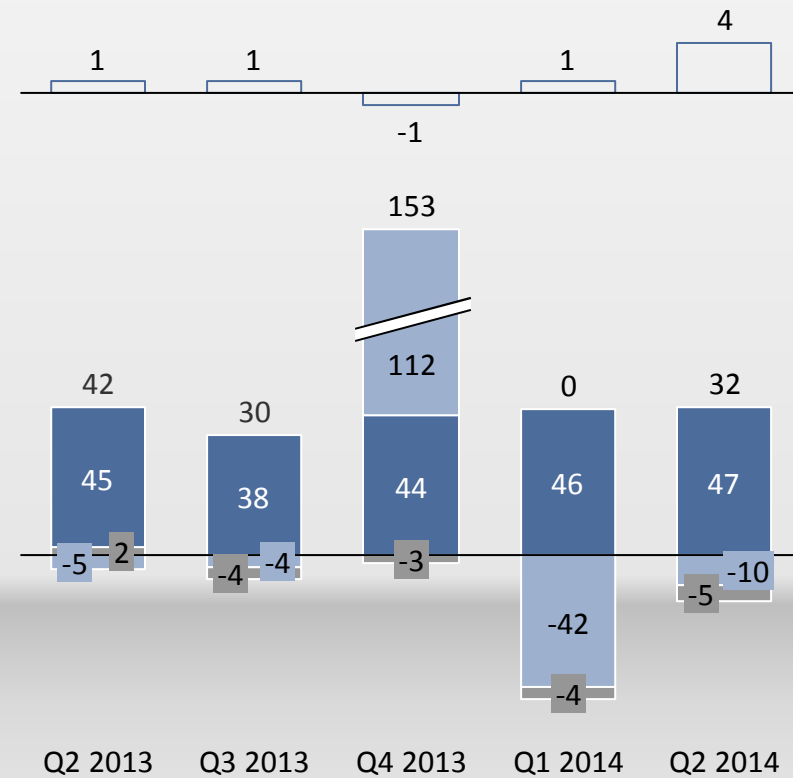


Quarterly development

Sales in € million



Operational earnings in € million

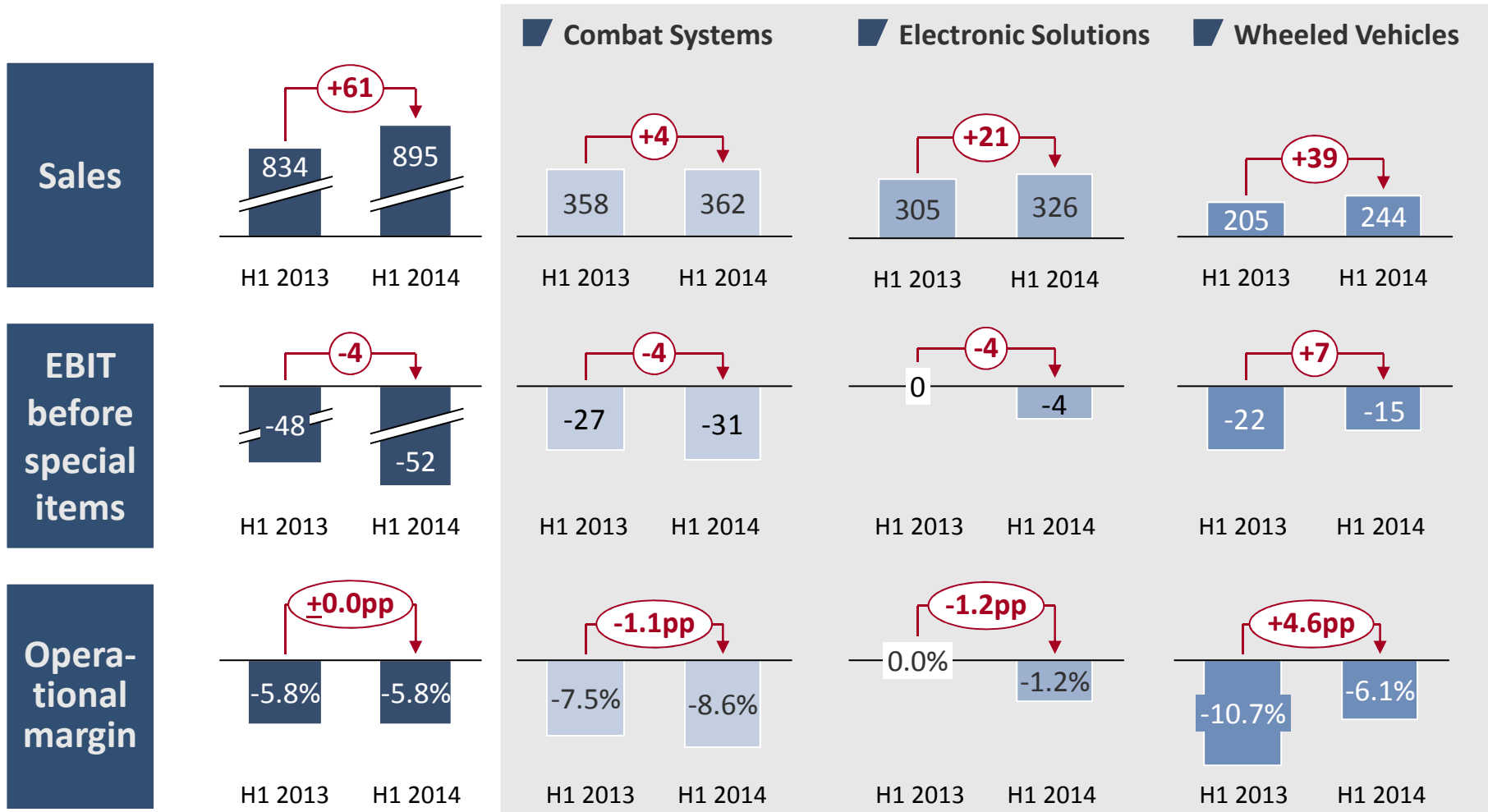


ATAG (to be discontinued)
 Defence
 Automotive
 Consolidation/Others

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



Key figures Defence by division (operational before special items)



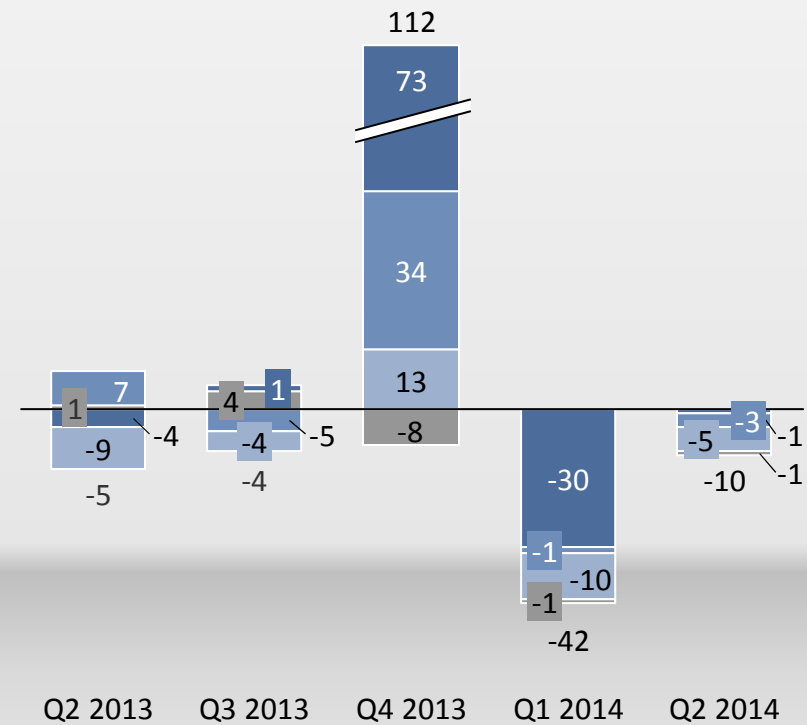
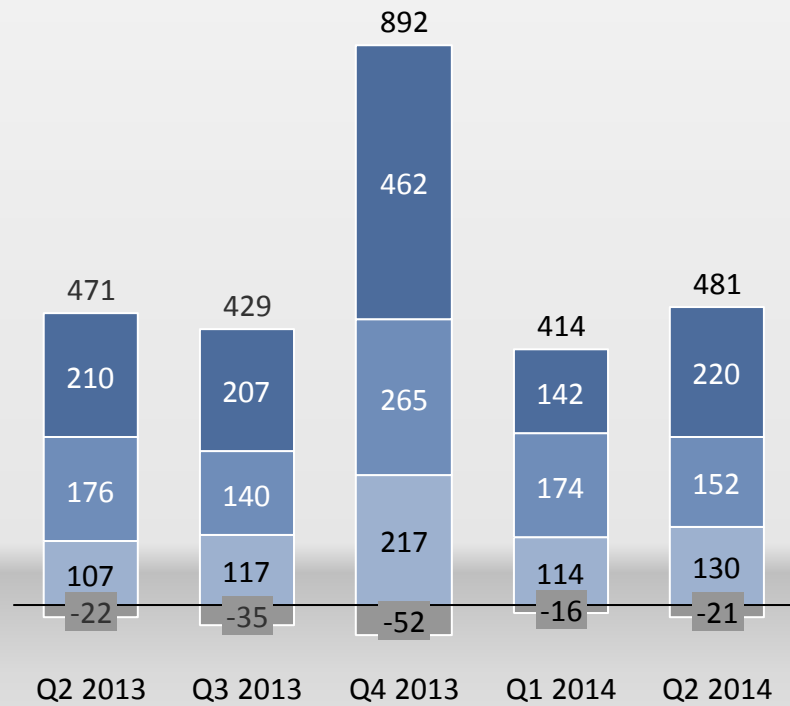
Figures before intrasegmental consolidation



Quarterly development

Sales Defence in € million

Operational earnings Defence in € million



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

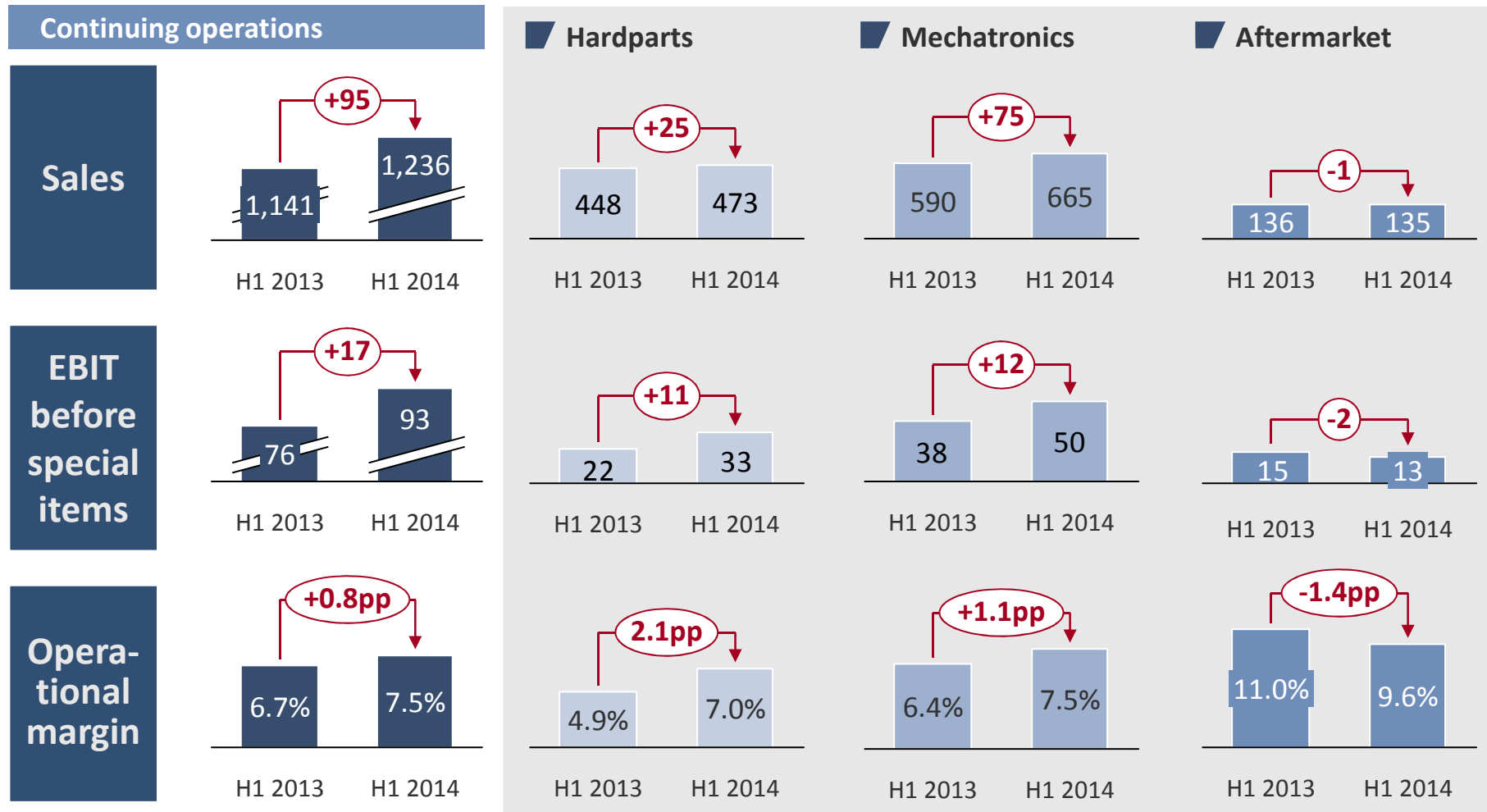


Cash flow statement

<i>in € million</i>	H1 2013	H1 2014	Δ H1 2014/ H1 2013
Net income	- 74	- 53	+ 21
Amortization / depreciation	44	41	- 3
Change in pension accruals	- 3	0	+ 3
Cash flow	- 33	- 12	+ 21
Changes in working capital and other items	- 84	- 425	- 341
Net cash used in operating activities	- 117	- 437	- 320
Cash outflow for additions to tangible and intangible assets	- 22	- 26	- 4
Free cash flow from operations	- 139	- 463	- 324



Key figures Automotive by division (operational before special items)



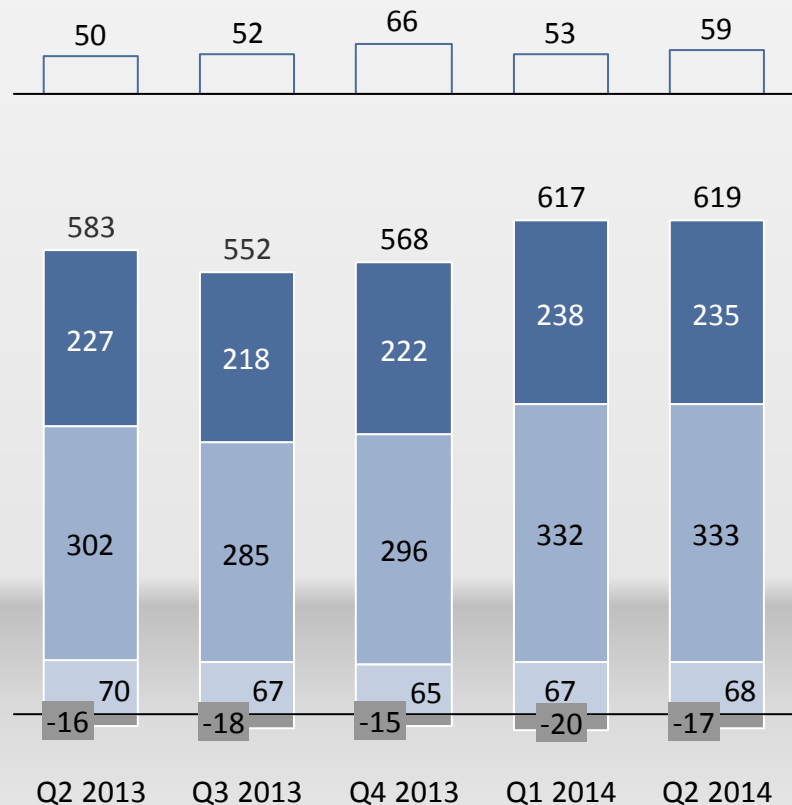
Figures before intrasegmental consolidation

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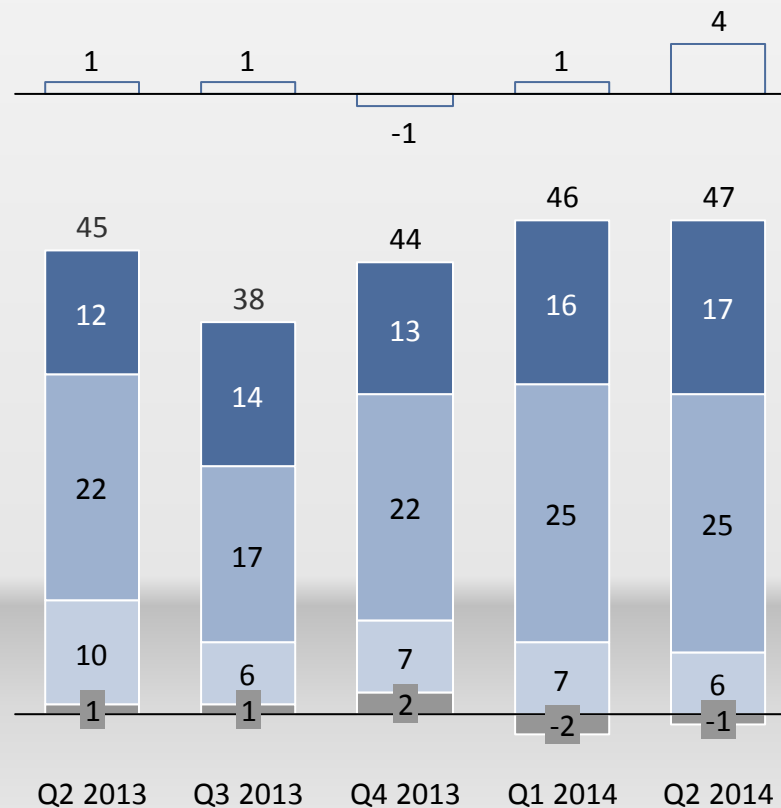


Quarterly development

Sales Automotive in € million



Operational earnings Automotive in € million



ATAG (to be discontinued)
 Hardparts
 Mechatronics
 Aftermarket
 Consolidation/Others

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



Cash flow statement

Continuing and discontinued operations <i>in € million</i>	H1 2013	H1 2014	Δ H1 2014/ H1 2013
Net income	34	66	+ 32
Amortization / depreciation	56	59	+ 3
Change in pension accruals	- 4	1	+ 5
Cash flow	86	126	+ 40
Changes in working capital and other items	- 54	- 112	- 58
Net cash used in operating activities	32	14	- 18
Cash outflow for additions to tangible and intangible assets	- 67	- 79	- 12
Free cash flow from operations	- 35	- 65	- 30

Figures adjusted according to IFRS 5 (Discontinued Operations) with regard to the intended formation of the ATAG JV and according to IFRS 11 (Joint Arrangements)



Pro forma calculation going concern: Automotive and ATAG JV aggregated H1 2014 in detail

Continuing and discontinued operations <i>in € million</i>	H1 2013	H1 2014	Δ H1 2014/ H1 2013
Sales	1,236	1,348	+ 112
Operational earnings (EBIT before special items)	77	98	+ 21
Special items (one-offs, restructuring costs)	- 21	- 7	+ 14
EBIT (reported)	56	91	+ 35
Employees	12,104	11,842	- 262

Figures adjusted according to IFRS 11 (Joint Arrangements)



Pro forma calculation going concern: Group and ATAG JV aggregated H1 2014 in detail

Continuing and discontinued operations <i>in € million</i>	H1 2013*	H1 2014	Δ H1 2014/ H1 2013
Order intake	2,483	2,398	- 85
Order backlog	5,769	6,580	+ 811
Sales	2,070	2,243	+ 173
Operational earnings (EBIT before special items)	29	37	+ 8
Special items (one-offs, restructuring costs)	- 47	- 9	+ 38
EBIT (reported)	- 18	28	+ 46
EBT	- 54	- 6	+ 48
Group net income	- 25	2	+ 27
Earnings per share <i>in €</i>	- 0.66	0.05	+ 0.71
Employees	21,658	21,213	- 445

* Figures restated according to IFRS 11 (Joint Arrangements)



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