



Analysts Conference | Düsseldorf, 21 March 2012

**International Technology Group
for Defence and Automotive**



Rheinmetall Group: Highlights 2011

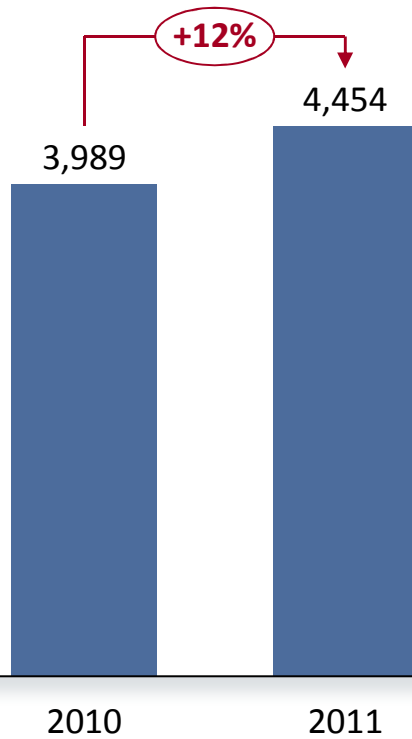
Rheinmetall shows new record earnings

- ▶ Double digit sales growth in the Group
- ▶ Group earnings achieve historically highest amount
- ▶ Dividend increase to € 1.80 per share proposed
- ▶ Successful renewal of syndicated loan facilities over € 500 million for a term of five years
- ▶ For 2012 Rheinmetall expects further sales growth and earnings on the high level of the year 2011
- ▶ An IPO of the Automotive segment remains an option, whose realization will depend on the further development of the capital market

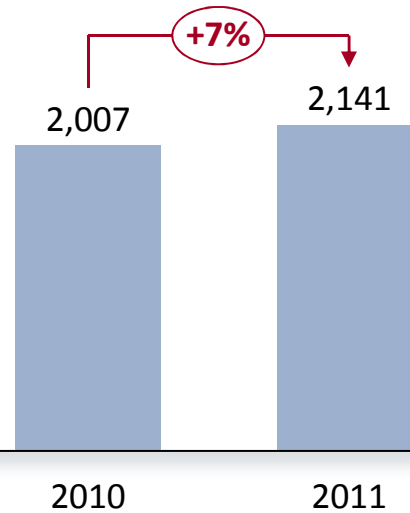


Both divisions contribute to excellent performance

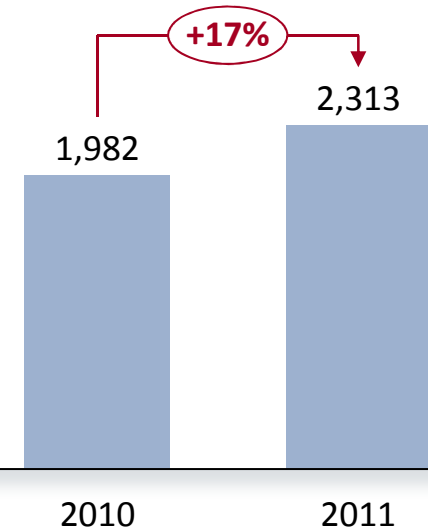
Sales Group € million



Sales Defence € million



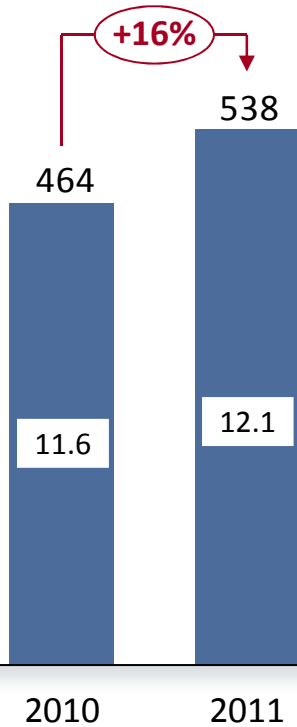
Sales Automotive € million



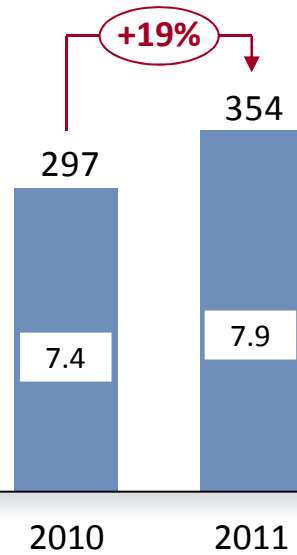


Earnings improve with even higher rates than sales

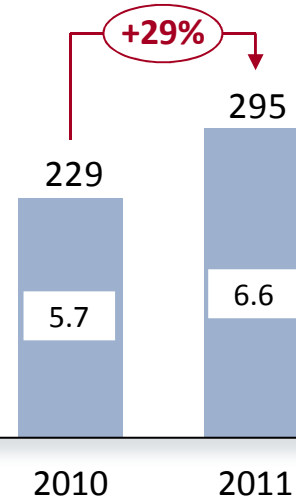
EBITDA € million
Margin % of sales



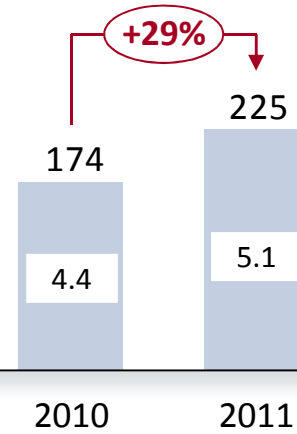
EBIT € million
Margin % of sales



EBT € million
Margin % of sales



Net income € million
Margin % of sales

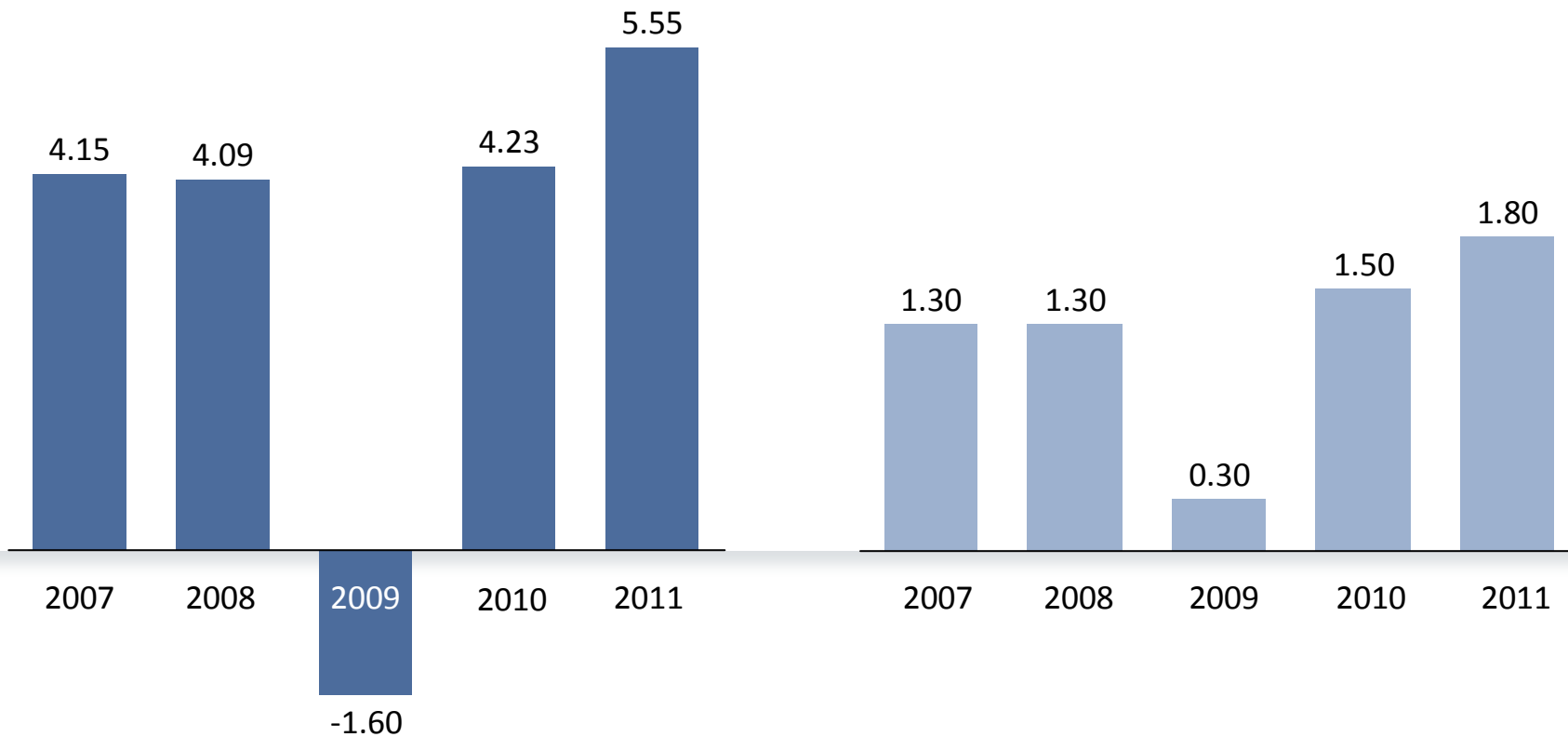




Earnings per share improved by 31%
Dividend increase to € 1.80 per share

Earnings per share *in €*

Dividend per share *in €*

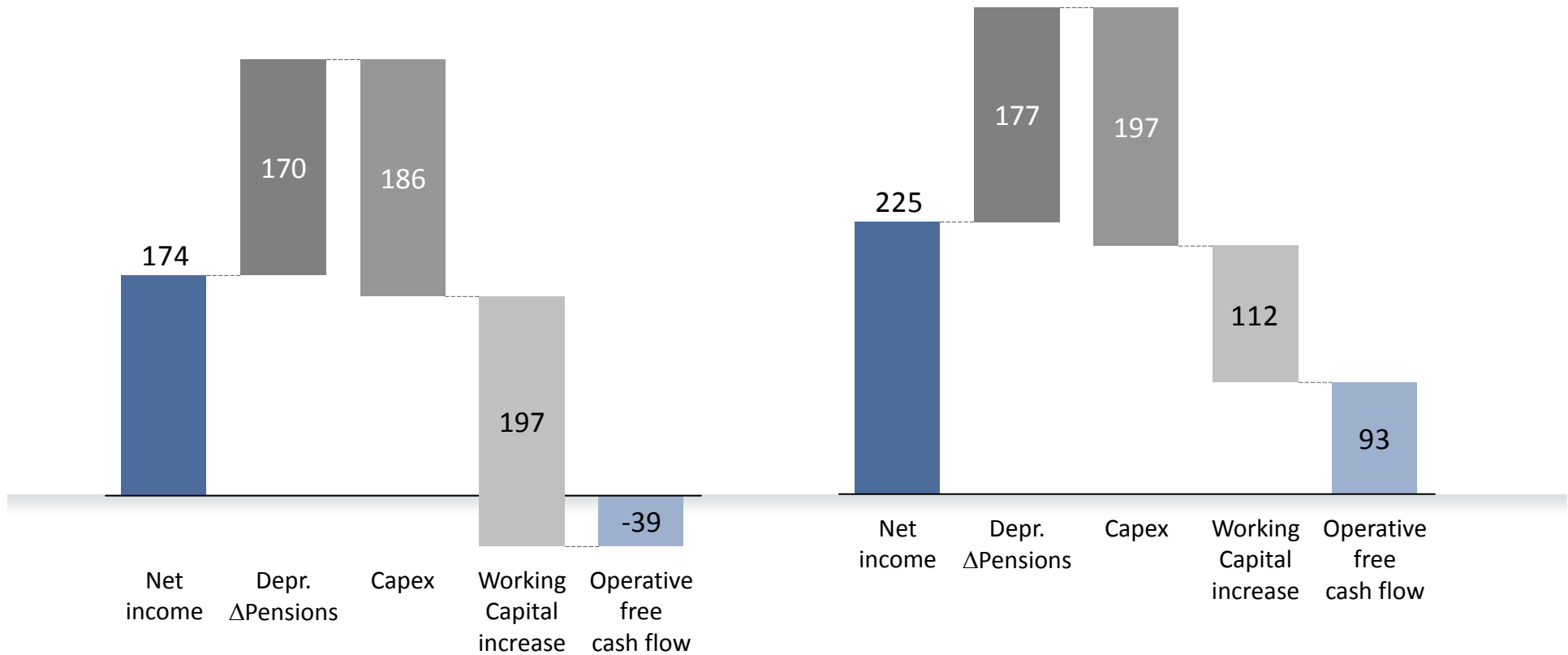




Operative free cash flow clearly improved

2010 € million

2011 € million

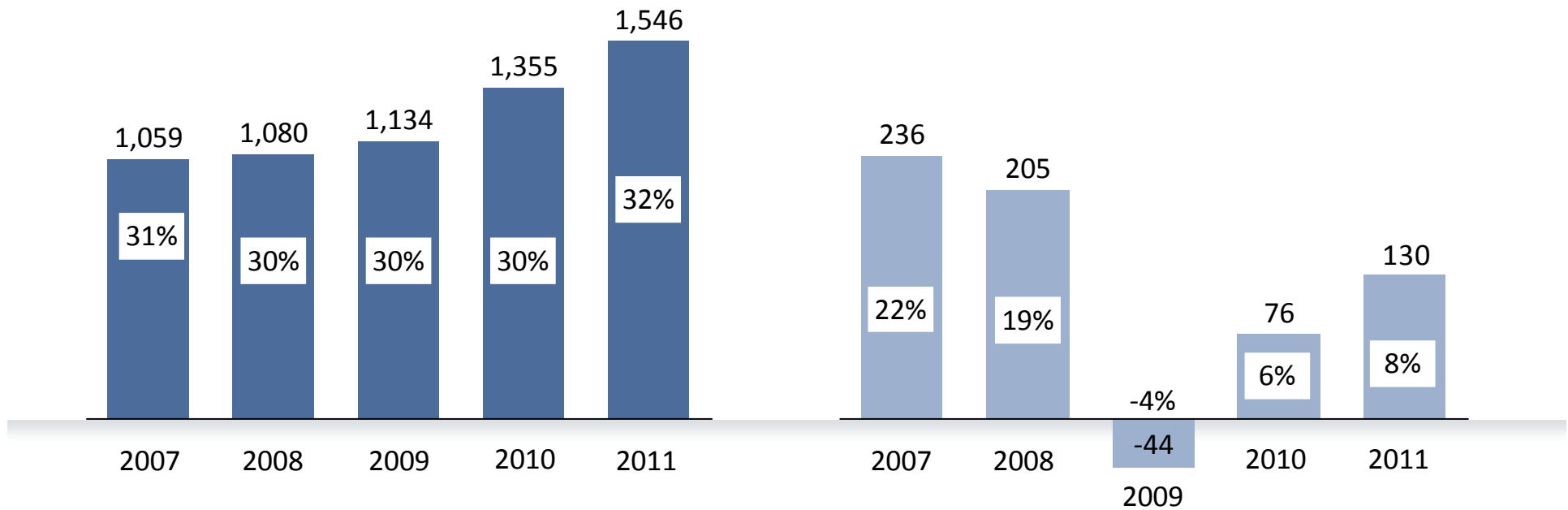




Solid development of equity and net financial debt

Equity € million
Equity ratio %

Net financial debt € million
Net gearing %*



* Net debt in % of equity



Rheinmetall Defence



Rheinmetall Defence: Highlights 2011

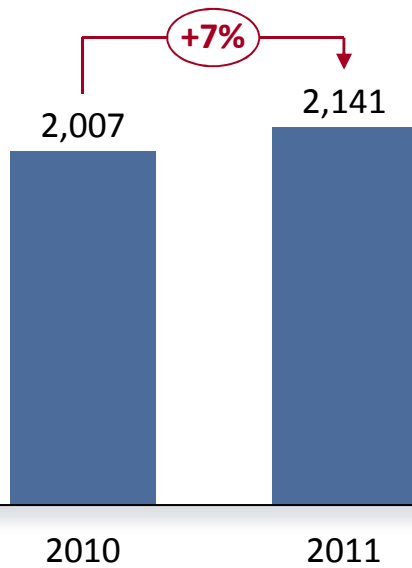
Success on new international markets

- ▶ Defence grows by 7%, thereof organically by 3%
- ▶ EBIT margin for the fourth time in a row above 10%
- ▶ Successful entry into new markets: Russia and Algeria
- ▶ Acquisitions of small but very innovative high-tech companies
- ▶ Significant strategic step by fully consolidating Rheinmetall MAN Military Vehicles
- ▶ Joint venture with EADS Cassidian for unmanned aerial vehicles

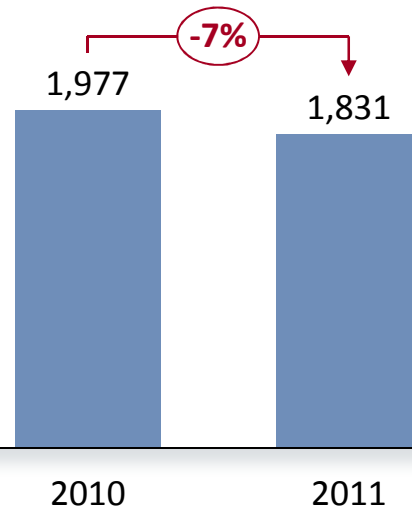


Defence sales increased to a new peak

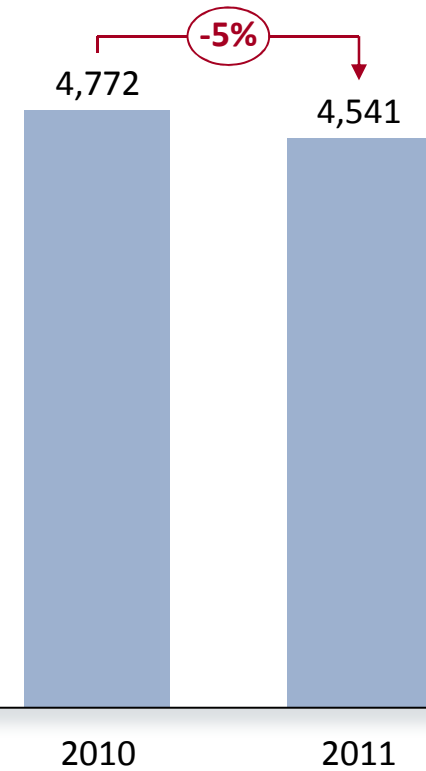
Sales € million



Order intake € million



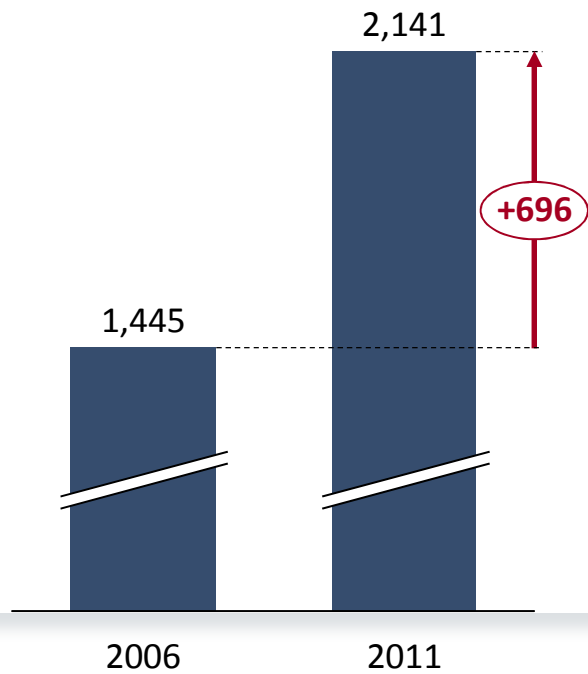
Order backlog € million



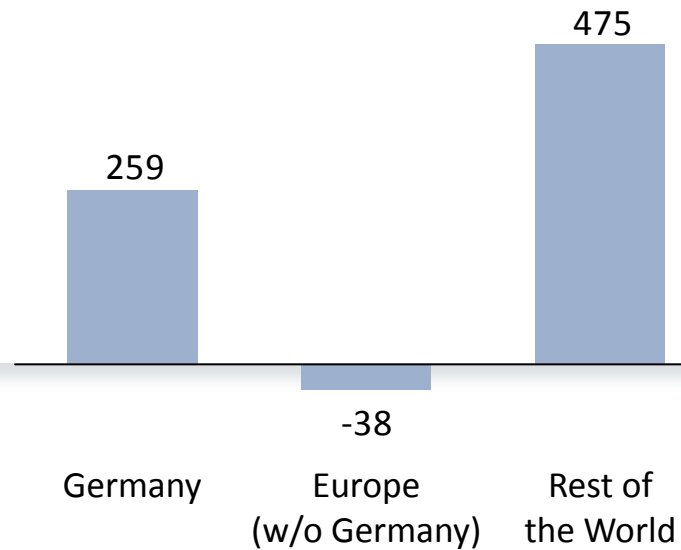


Successful strategy of internationalization outside of Europe

Sales 2011 compared to 2006 € million



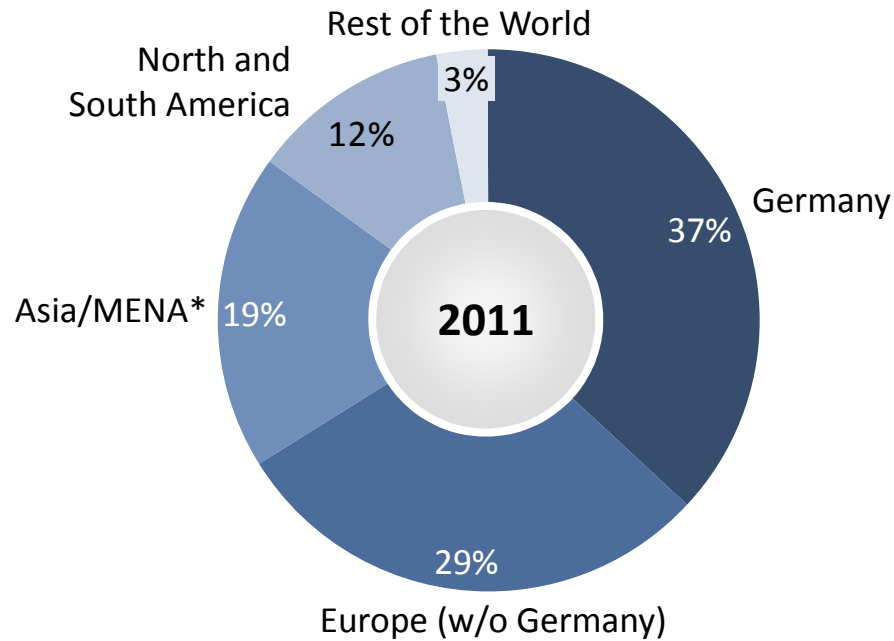
Increase/decrease by region € million



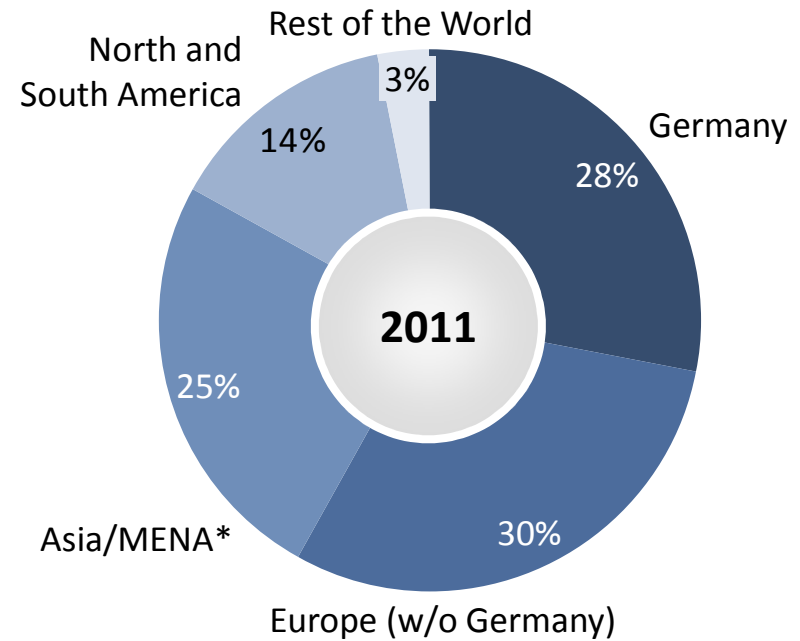


Almost three quarters of order intake from abroad

Sales 2011 by region %



Order intake 2011 by region %

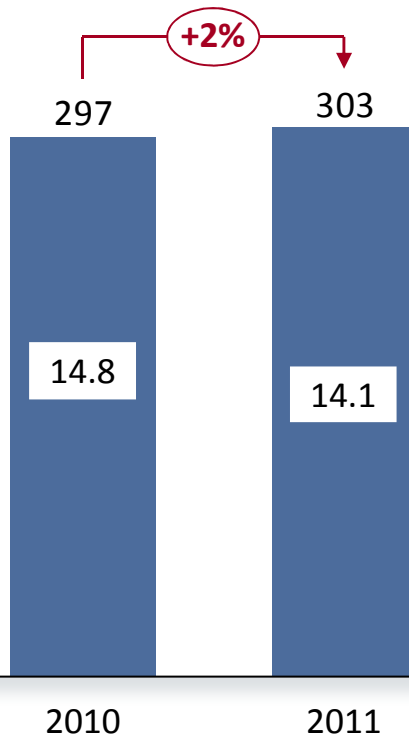


* MENA = Middle East/North Africa

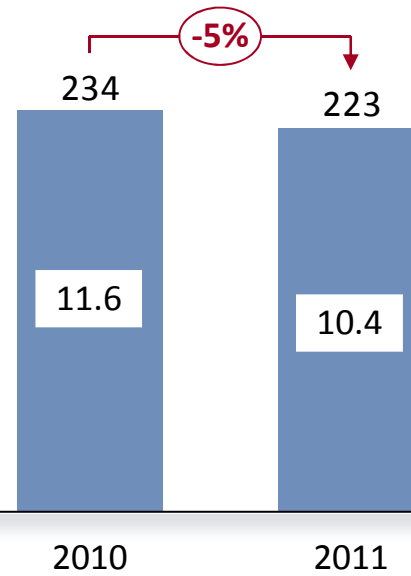


Earnings figures on previous year's level

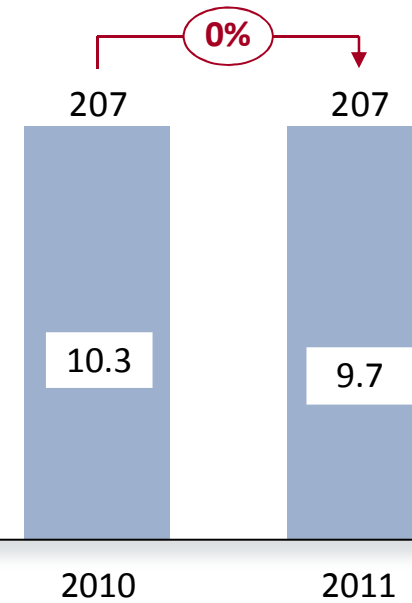
EBITDA € million
Margin % of sales



EBIT € million
Margin % of sales



EBT € million
Margin % of sales





Survey on one-offs

Defence € million	FY 2010	FY 2011	Δ (2011/2010)	
EBIT	234	223	- 11	- 4.7%
Amortizations purchase price allocations	8	17		
Changes in the scope of consolidation (badwill)	- 8	- 11		
Project costs	15	11		
Hedge earnings	- 5	-		
EBIT before one-offs	244	240	- 4	- 1.6%



Successful entry into new international markets



Industrial cooperation with Algeria

- ▶ Delivery of 54 vehicles (> € 150 million) from 2013 on
- ▶ Further deliveries as well as training and license contracts in negotiation
- ▶ Expected term of the project: about 10 years



Combat Training Center for Russia

- ▶ Contract for one Combat Training Center (> € 100 million)
- ▶ Further training centers planned

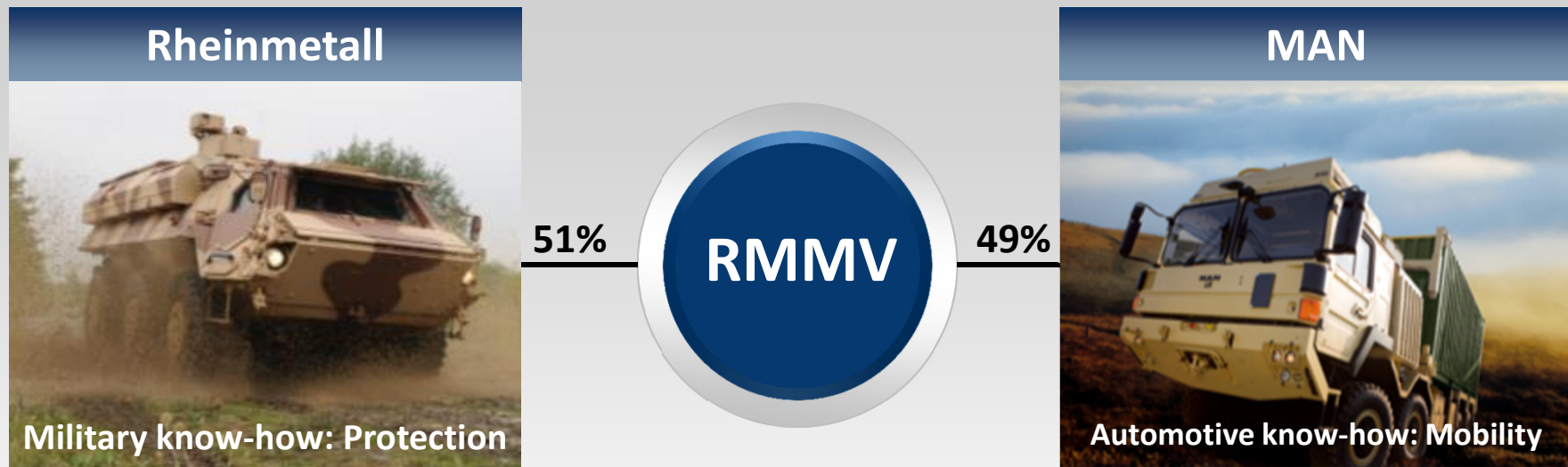


Military logistic vehicles for Australia

- ▶ Selection as preferred bidder
- ▶ Tender for more than 2,000 protected and unprotected vehicles



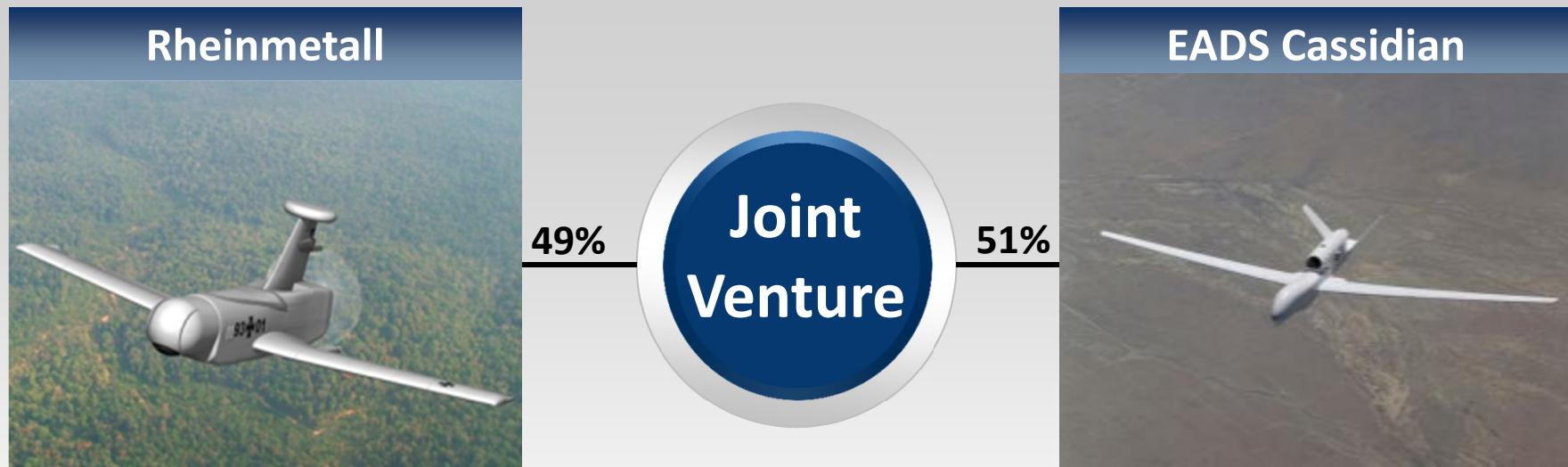
Rheinmetall MAN Military Vehicles (RMMV) Full consolidation by Rheinmetall from 2012 on



- ▶ May 2010: Combination of development and marketing activities (400 employees)
- ▶ January 2012: Integration of production plants Vienna (MAN) and Kassel (1,330 employees)



Unmanned aerial vehicles Contract on joint venture with Cassidian signed



- ▶ Consolidation of national capabilities
- ▶ Formation of a supplier offering the full spectrum of unmanned aerial vehicles
- ▶ Strengthening of the international competitive situation and of international sales
- ▶ Enlargement of development resources

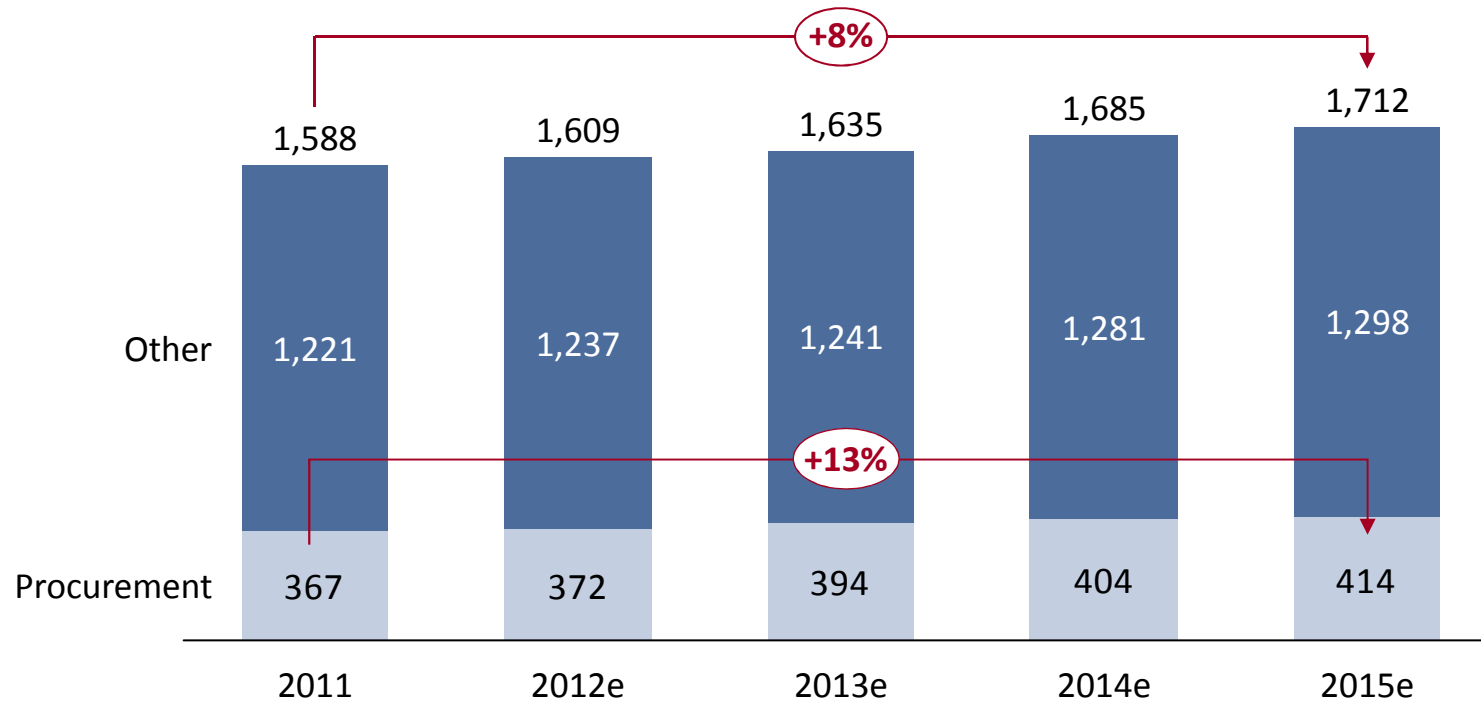


Outlook Defence



Global defence budgets will continue to grow, but differently by regions

Expected global defence spending and procurement 2011-2015 US\$ billion

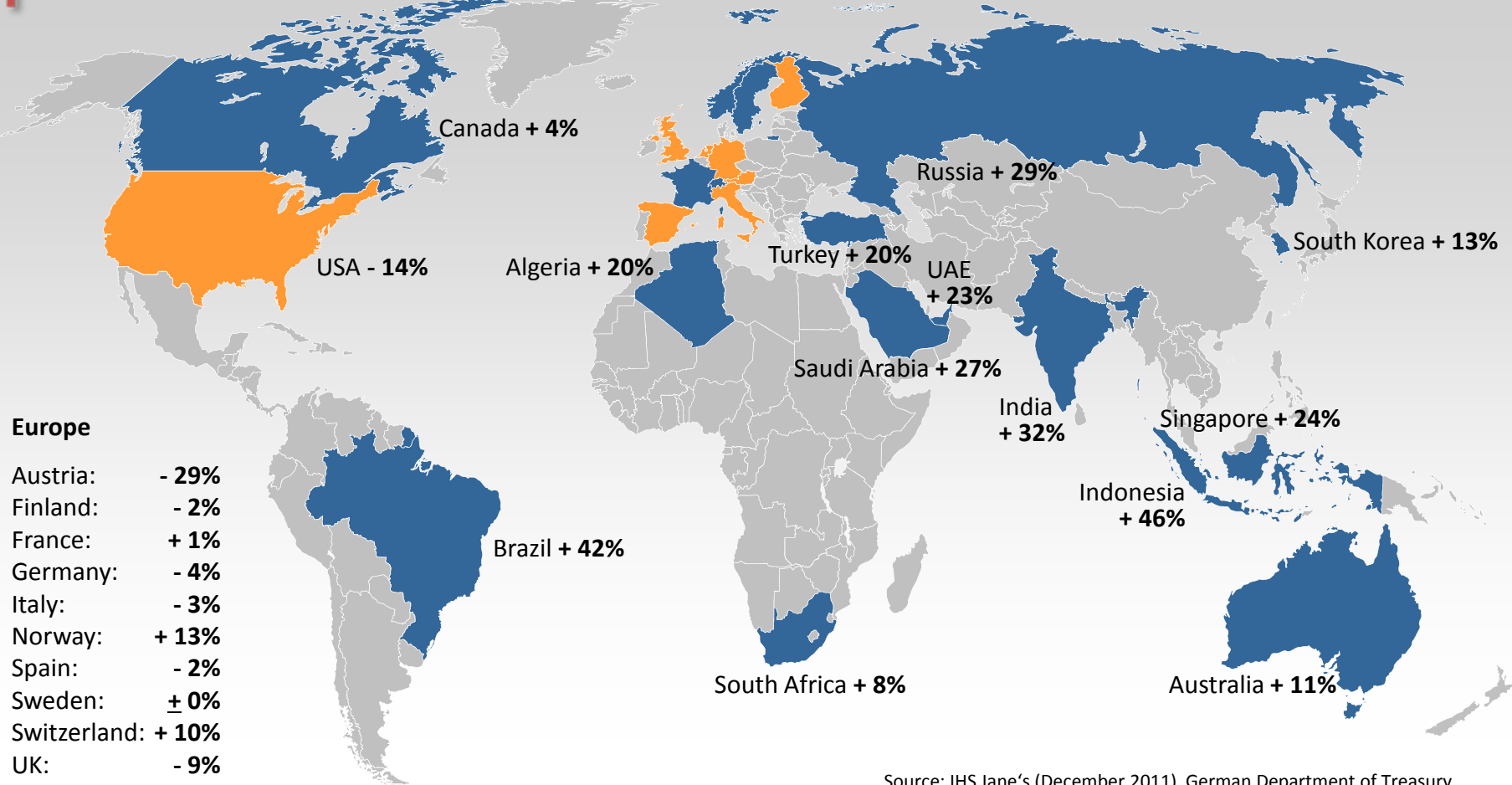


Source: IHS Jane's (March 2012)



Budget cuts in the US and in many European countries... ...but strong growth in other strategically important regions

Change in defence spending 2015 vs. 2011

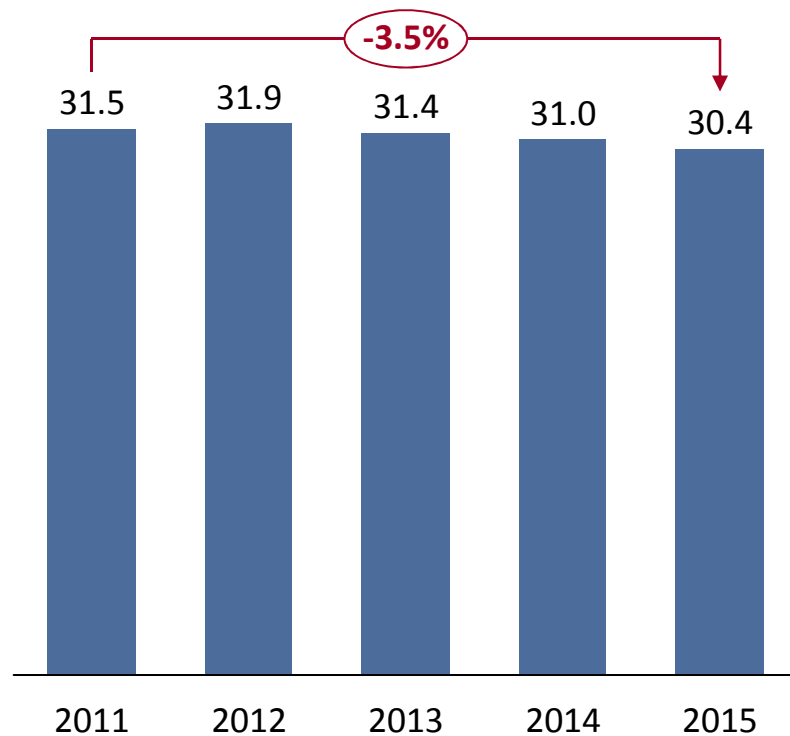


Source: IHS Jane's (December 2011), German Department of Treasury



German defence budget will remain almost stable until 2015

German defence budget 2011-2015 € billion



Selected programs and projects 2012

- ▶ Introduction of the globally unique C-RAM system MANTIS
- ▶ Start of production and delivery of “Future Soldier System” (IdZ2)
- ▶ Extension of service provider solution for reconnaissance drones in Afghanistan
- ▶ New mine clearing system
- ▶ Finalization of the negotiations on the reduced number of Puma vehicles
- ▶ Additional protection kit for the Puma

Source: German Department of Treasury/German Department of Defence



Important issues on the agenda 2012

- ▶ Safeguarding the high order backlog of more than € 4.5 billion as a basis for **growth and high visibility of sales** in the upcoming years
- ▶ International **marketing of the innovative key products**, which are at the beginning of the life cycles: Puma, Boxer, C-RAM/MANTIS, IdZ2
- ▶ **Continuation of the internationalization strategy** by selective acquisitions in order to generate further growth and to reduce the dependency on budget cuts
- ▶ Continuation of the programs for **increasing cost efficiency** and **improving quality**



Rheinmetall Automotive





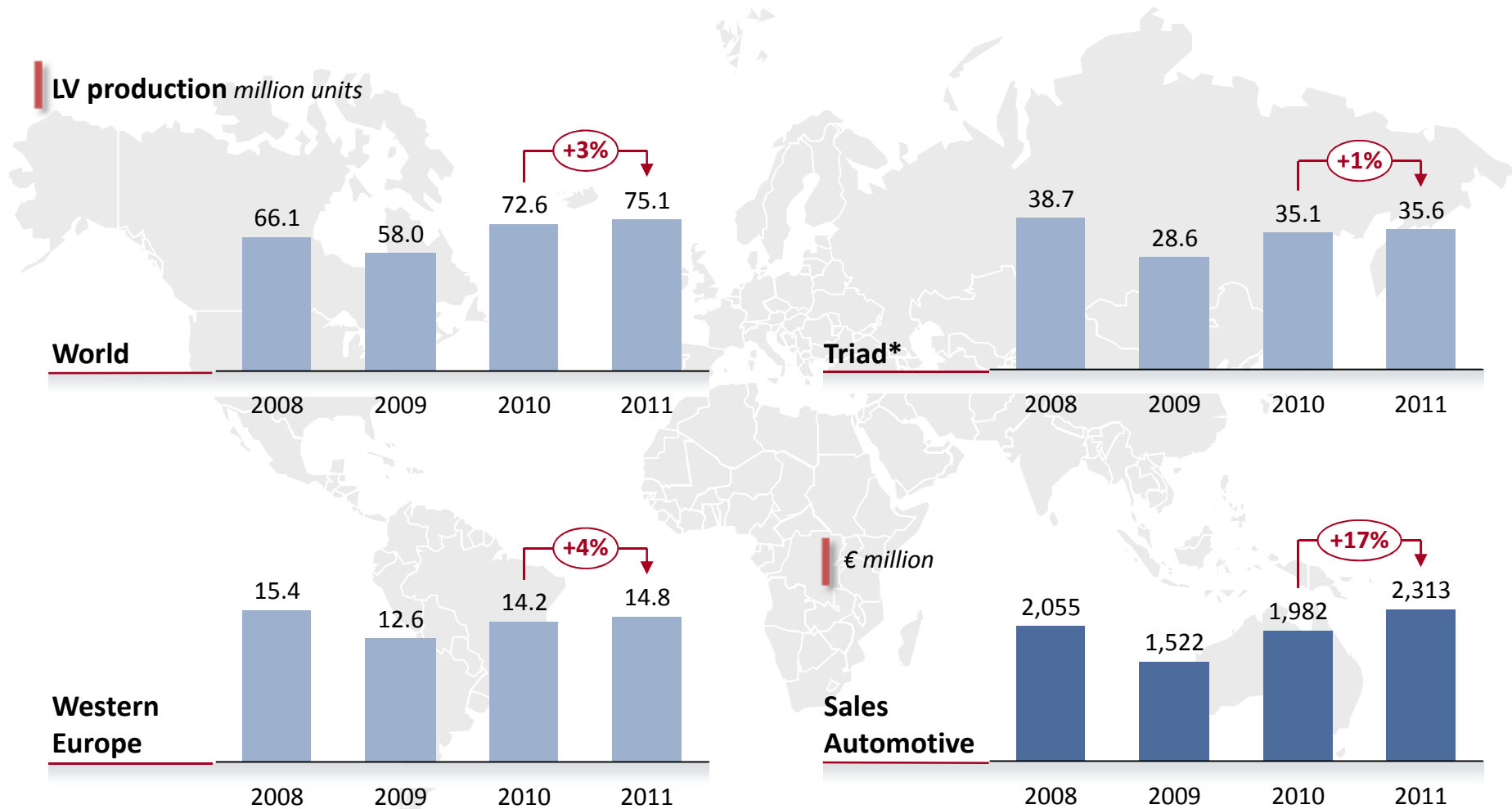
Rheinmetall Automotive: Highlights 2011

New record figures for sales and earnings

- ▶ Sales increase clearly exceeds growth of international automobile production
- ▶ EBIT margin increased from 4.1% to 6.5%
- ▶ Joint ventures in China with remarkable sales and earnings growth
- ▶ Market position in India strengthened by acquisition
- ▶ Non-LV business continues to grow
- ▶ Strong growth in the truck business (+30%)



Automotive grows stronger than the markets



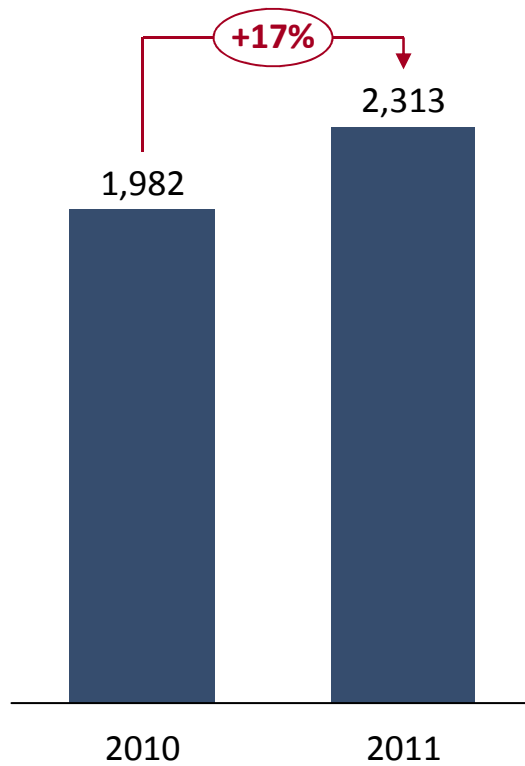
Source: IHS Automotive (March 2012)

* Western Europe/NAFTA/Japan

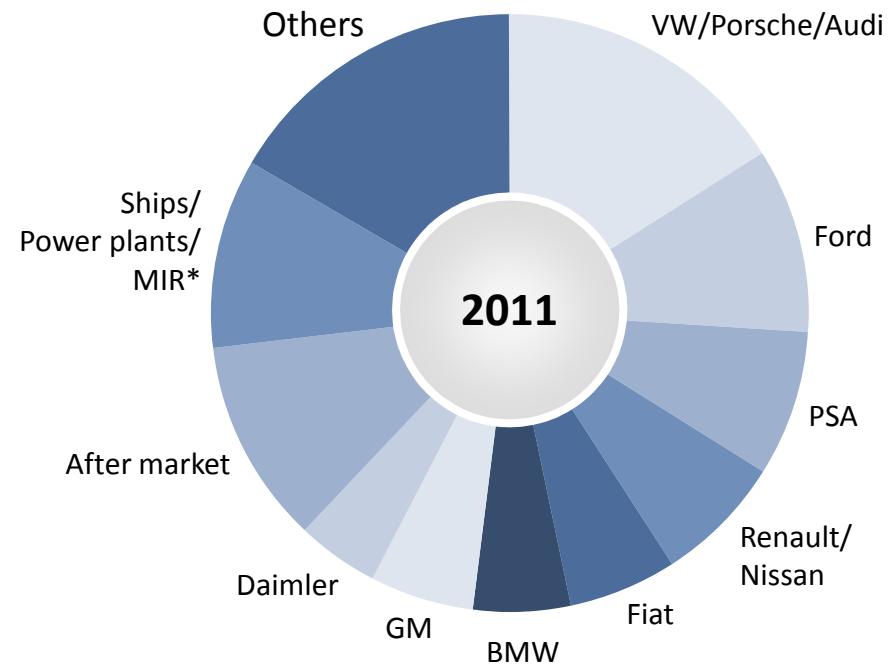


Sales at a new peak based on a well-balanced customer structure

Sales 2011 € million



Sales by customer

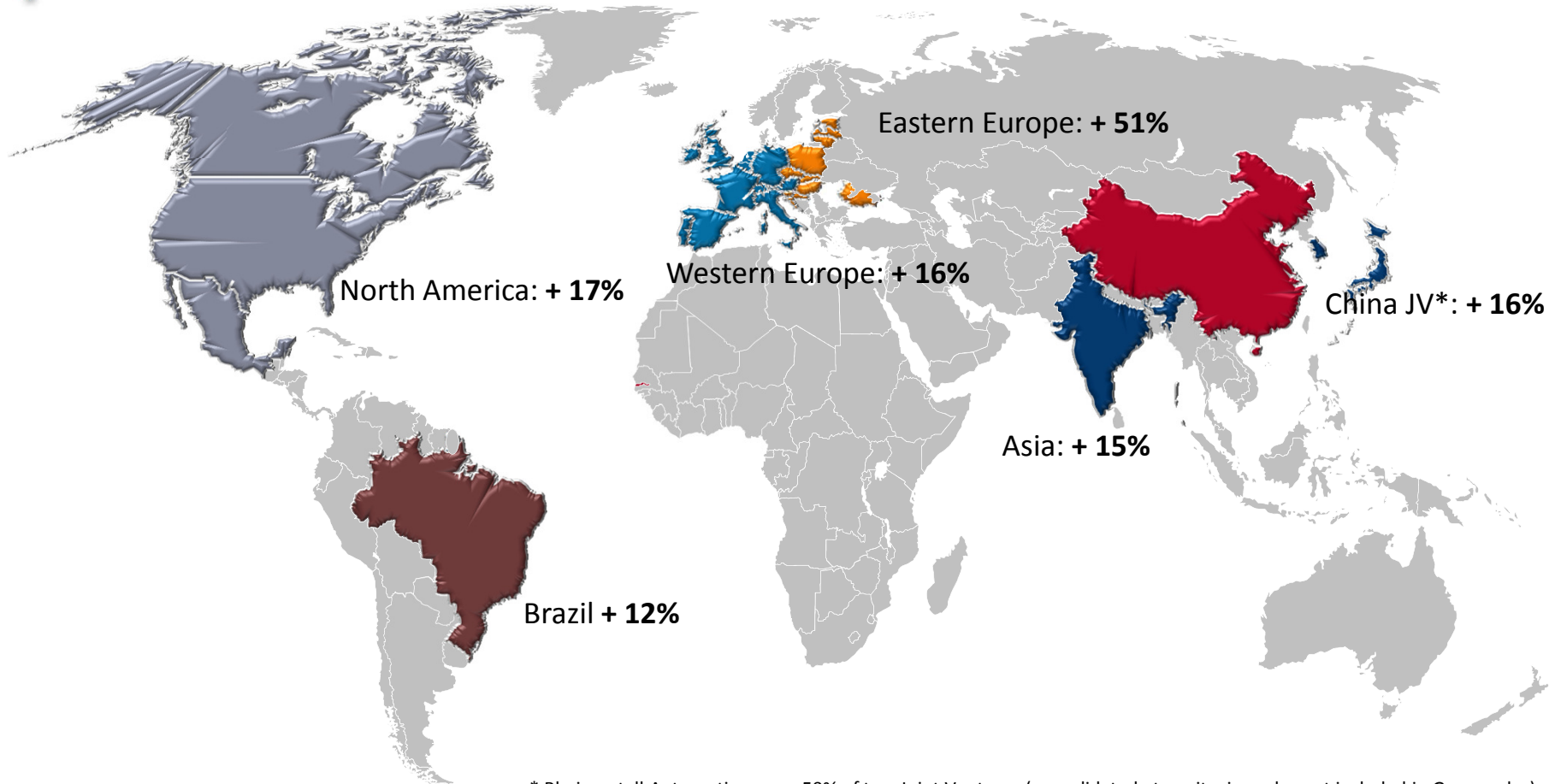


* Marine, Industry, Recreation



Strong sales growth in all regions with production sites

Sales growth in regions with own production sites 2011 compared to 2010 in %

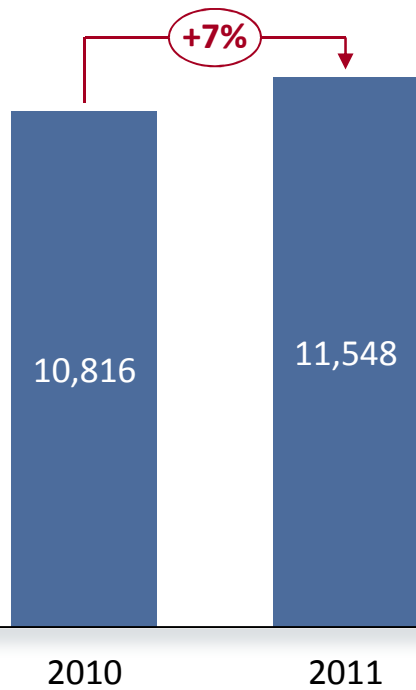


* Rheinmetall Automotive owns 50% of two Joint Ventures (consolidated at equity, i.e. sales not included in Group sales)

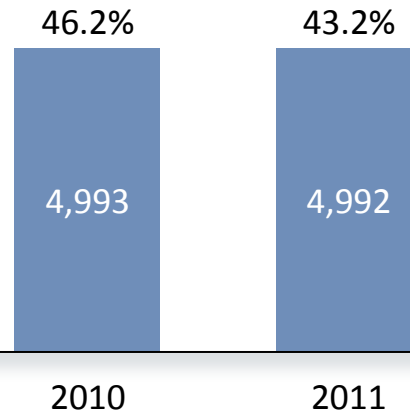


Cost-conscious build-up of capacities particularly in emerging countries

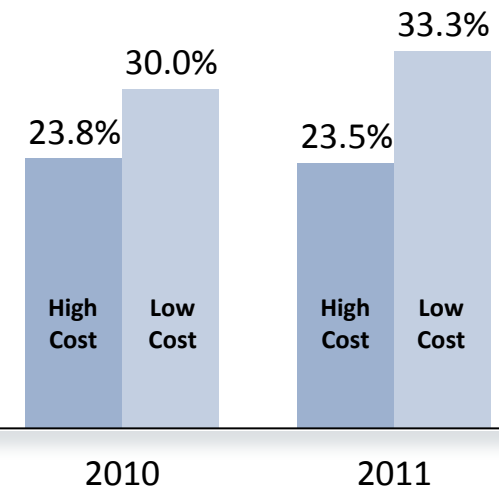
Total employees



Domestic employees
% of total employees



Employees by high cost* / low cost countries**
% of total employees



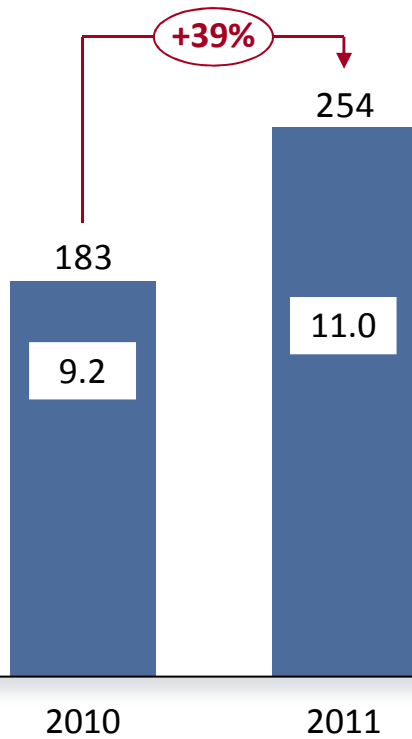
* High-cost countries (excluding Germany) are: France, Italy, Japan, Spain, USA

** Low-cost countries are: Brazil, Czech Republic, India, Mexico, Turkey

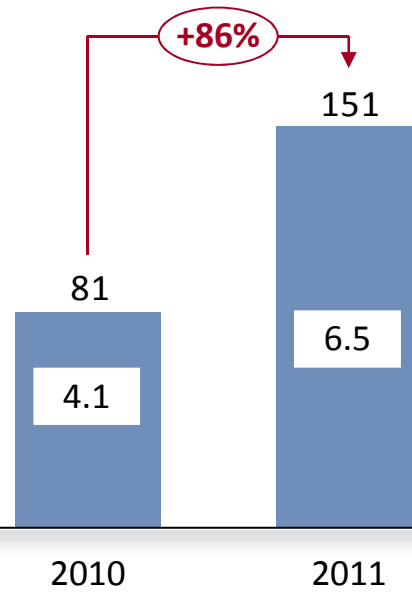


Earning power lifted to a new level

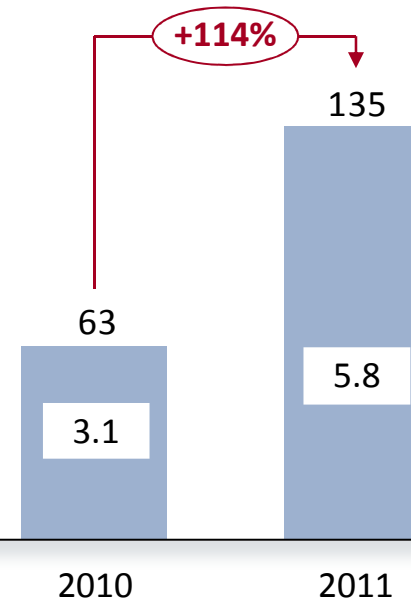
EBITDA € million
Margin % of sales



EBIT € million
Margin % of sales



EBT € million
Margin % of sales





Growth drivers: Tightened emission regulations

CLEAN



EGR valve



EGR cooler



Double EGR cooler high/low pressure

EURO 4

EURO 4
2005

EURO 5

EURO 5
2010

EURO 6

EURO 6
2015

▶ Emerging countries expected to follow with a lag of 5 to 10 years



Truck business expected to follow

- EGR valve
- EGR cooler modules
- Back pressure valve
- Exhaust gas sensors



Growth drivers: Reduction of fuel consumption and CO₂ emissions

LEAN

Downsizing/Turbocharging



- ▶ Ring carrier pistons
- ▶ High-performance bearings
- ▶ Solenoid valves
- ▶ Wastegate actuators

Hybridization

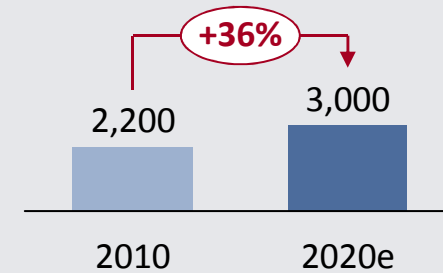


- ▶ Electric water pumps
- ▶ Electric vacuum pumps

- Legal framework for CO₂ fleet emissions
- CO₂ penalties

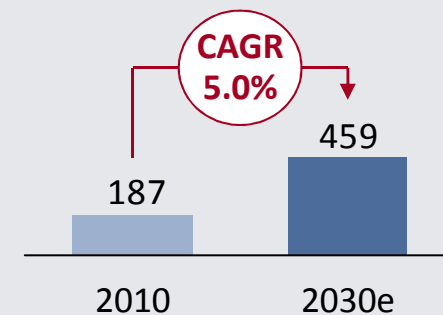
CLEAN & LEAN

Powertrain technology content per mid-size gasoline vehicle *in €*



Source: Roland Berger (2010/2011)

Global powertrain revenues *€ billion*

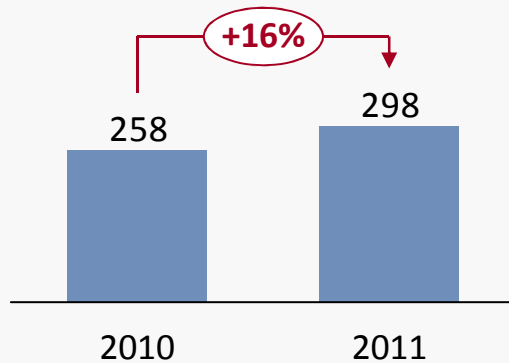


Source: McKinsey (2011)



Dynamic markets: China Expansion of the strong JV-business and wholly owned subsidiaries

Sales Joint Ventures* € million

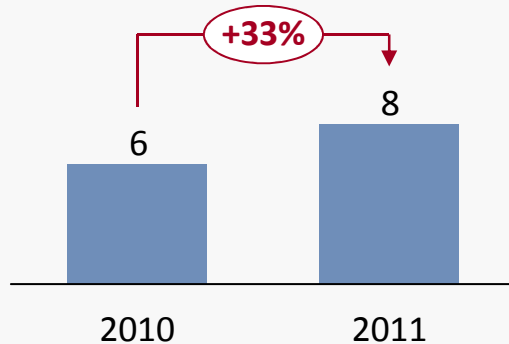


LV production China thousand units



Source: IHS Automotive (March 2012)

Sales WFOEs** € million



- ▶ **Two established 50/50 JVs** with SAIC benefit from SAIC's customer base
- ▶ **Wholly foreign-owned enterprises** providing Pierburg products and aftermarket services (start-up phase)
- ▶ Access to Japanese OEMs in China through **Joint Venture with Mikuni**
- ▶ **Technology center** established in 2010
- ▶ **Employees: 3,515*** / 9 production sites**

* Rheinmetall Automotive owns 50% of two JVs (consolidated at equity, i.e. sales not included in Group sales)

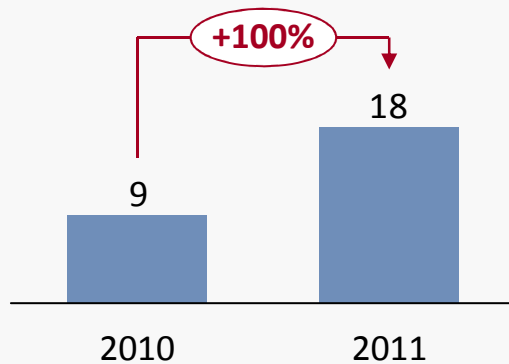
** Wholly foreign-owned enterprises

*** Including full and temporary employees



Dynamic markets: India Acquisition of bearings business and set-up of own production

Sales KSPG Automotive India € million

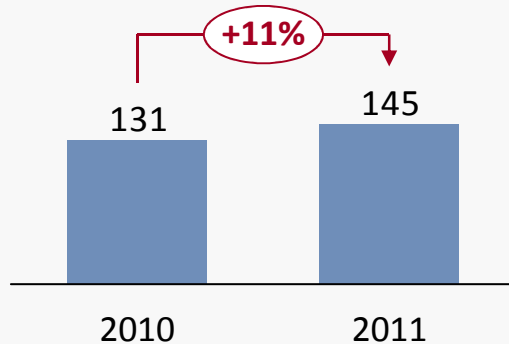


LV production India thousand units



Source: IHS Automotive (March 2012)

Sales Joint Venture Shriram* € million



- ▶ **Acquisition of Kirloskar Bearings business:**
 - Included in Group figures from October 1, 2011 on (Sales Q4: € 5 million)
 - Production integrated in Pierburg plant in Pune
- ▶ Set-up of **own production** facility for pumps and EGR valves in Pune continued
- ▶ Joint Venture with Shriram (20% stake*) benefits from market growth
- ▶ **Employees: 618 / 2 production sites**

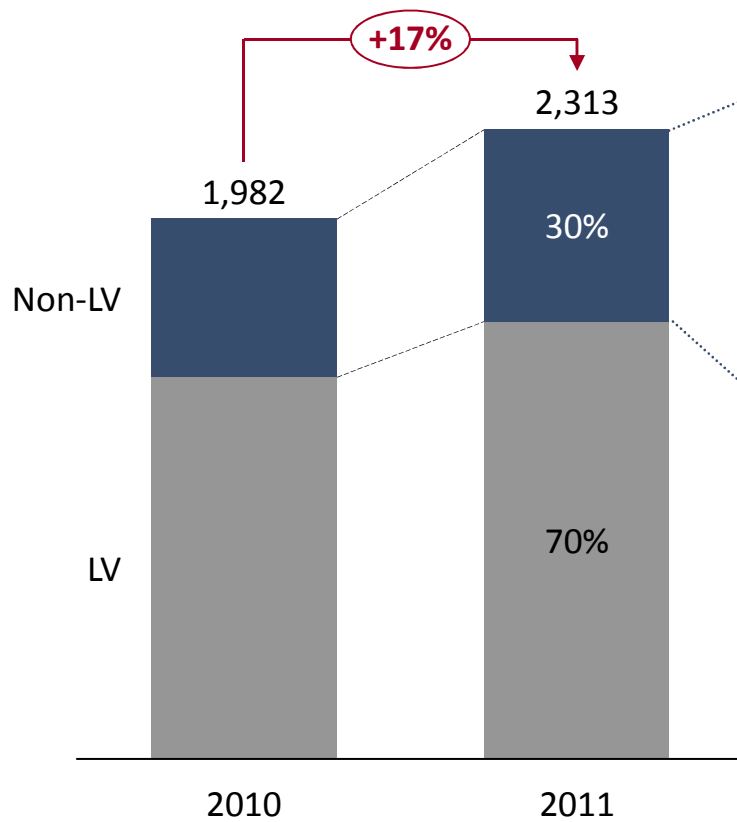
* Rheinmetall Automotive owns 20% of the JV (consolidated at equity, i.e. sales not included in Group sales)



Growth strategy in the high-margin non-LV business

Risk diversification and increase of profitability

Non-LV sales 2011 compared to 2010 € million



Truck business



Industrials



After market





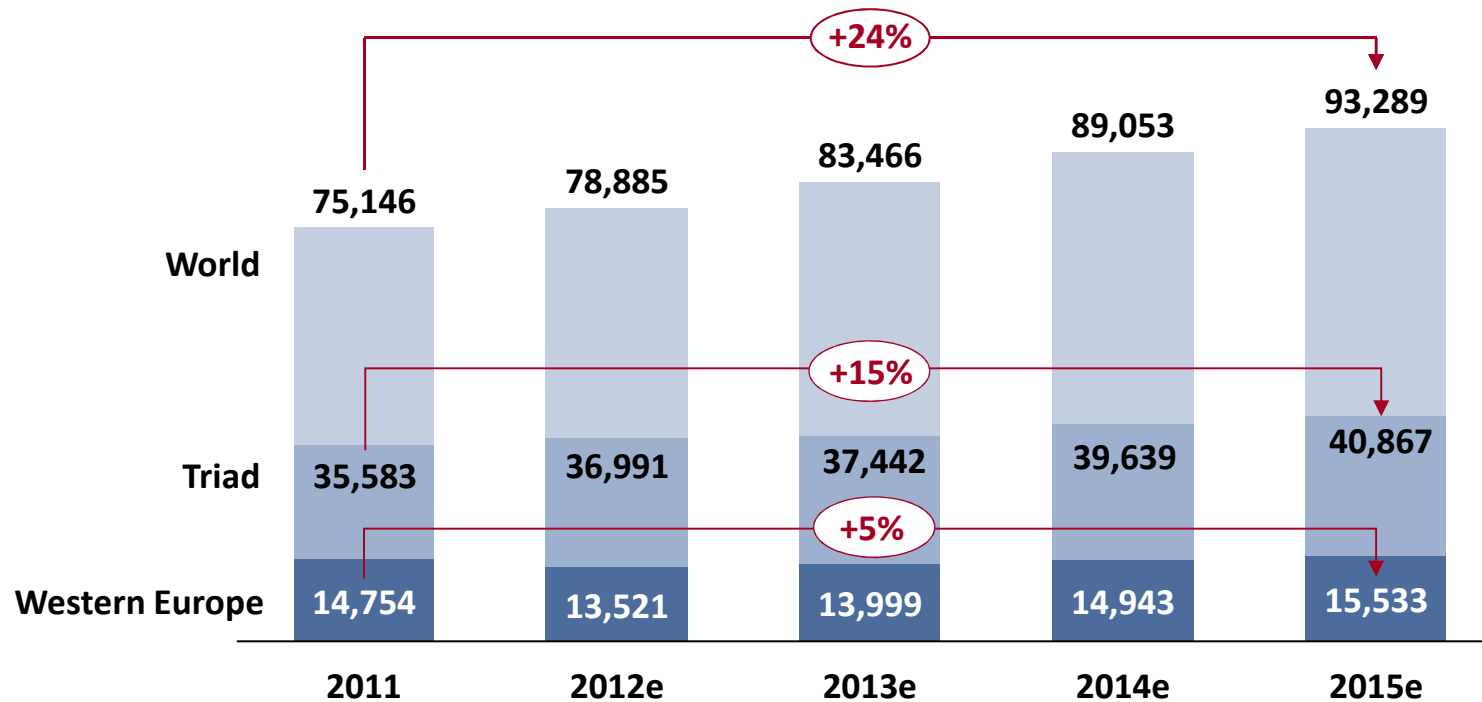
Outlook Automotive



LV production expected to grow further in the long term

Globally increasing, but regionwise with different dynamics

Expected LV production by region *thousand units*



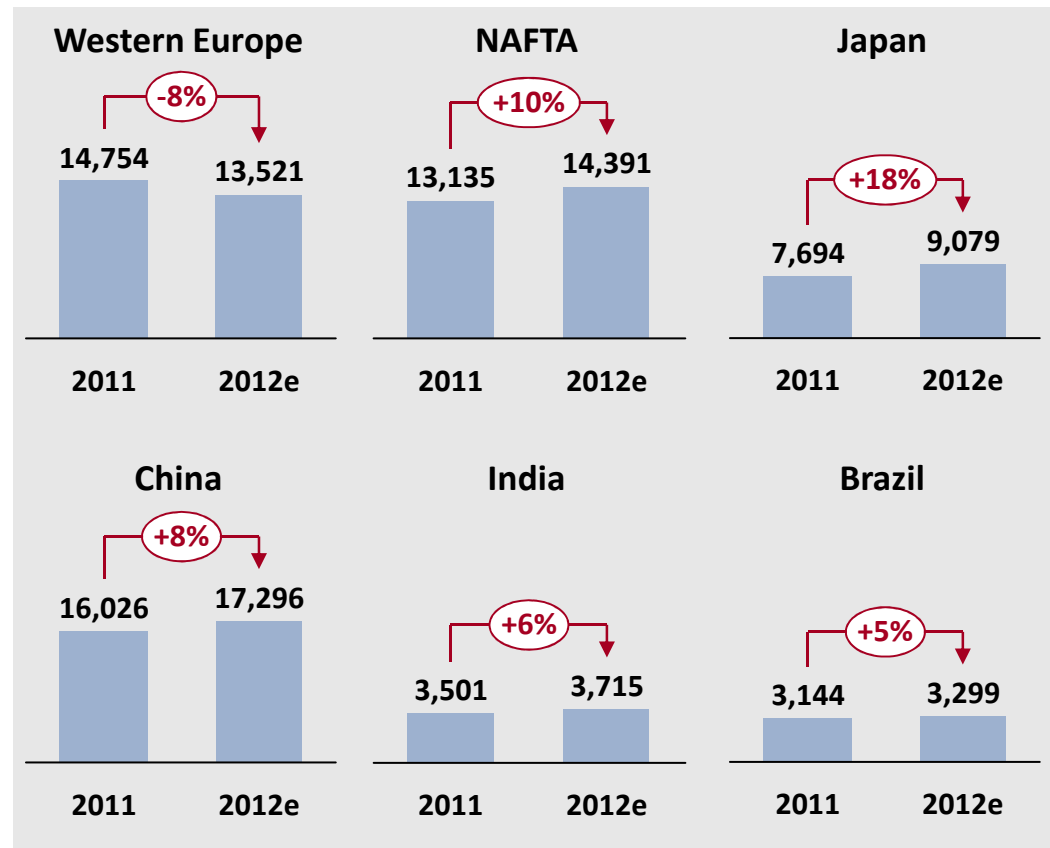
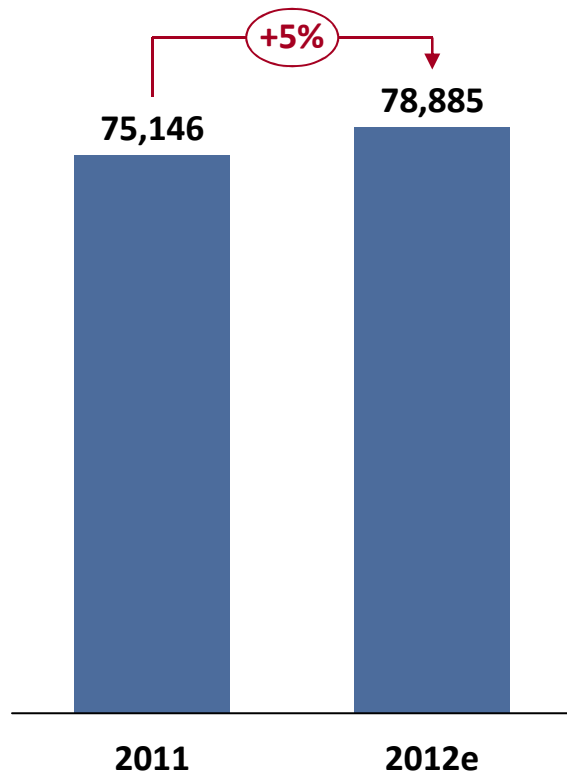
Source: IHS Automotive (March 2012)



LV production in the short term

Globally growing, but slightly decreasing in Western Europe

Expected global LV production *thousand units*

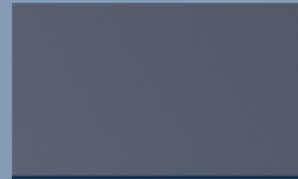


Source: IHS Automotive (March 2012)



Important issues on the agenda 2012

- ▶ **Sales growing stronger** than production in international markets
- ▶ **Benefitting from the dynamic growth** of emerging countries: expansion of existing business in China and India
- ▶ Strengthening the earning power by **extending the Non-LV and truck business**
- ▶ Continuing the **strict cost management and the flexible employment policy** in order to react quickly in case of declining demand



Outlook Group



Outlook 2012

Sales growth and safeguarding top level of earnings expected

	Sales € billion		EBIT € million	
	2012	2011	2012	2011
Group	approximately 4.9	4.5	on previous year's level	354
Defence	approximately 2.5	2.1	slightly below previous year	223
Automotive	slightly above 2.4	2.3	slightly above previous year	151



Appendix



Cash flow Defence

Defence € million	2010	2011	Δ (2011/2010)
Net income	165	161	- 4
Amortization / depreciation	63	80	+ 17
Change in pension accruals	8	- 3	- 11
Cash flow	236	238	+ 2
Changes in working capital and other items	- 137	- 83	+ 54
Net cash used in operating activities	99	155	+ 56
Cash outflow for additions to tangible and intangible assets	93	93	0
Free cash flow from operations	6	62	+ 56



Cash flow Automotive

Automotive € million	2010	2011	Δ (2011/2010)
Net income	38	105	+ 67
Amortization / depreciation	102	103	+ 1
Change in pension accruals	- 14	- 5	+ 9
Cash flow	126	203	+ 77
Changes in working capital and other items	- 30	- 59	- 29
Net cash used in operating activities	96	144	+ 48
Cash outflow for additions to tangible and intangible assets	- 93	- 104	- 11
Free cash flow from operations	3	40	+ 37



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Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. In particular, such factors may have a material adverse effect on the costs and revenue development of Rheinmetall. Further, the economic downturn in Rheinmetall’s markets, and changes in interest and currency exchange rates, may also have an impact on Rheinmetall’s business development and the availability of financing on favorable conditions. The factors that could affect Rheinmetall’s future financial results are discussed more fully in Rheinmetall’s most recent annual and quarterly reports which can be found on its website at www.rheinmetall.com.

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