



October 2011

International Technology Group
for Defence and Automotive

NOT FOR DISTRIBUTION IN THE U.S.



Rheinmetall's two business units

Rheinmetall AG

Sales: € 4.0 billion Employees: 20,000 (2010)

Rheinmetall Defence



**Leading European defence company
for ground forces technology**

Sales: € 2.0 billion

Employees: 9,000

Rheinmetall Automotive



**Leading automotive supplier in
engine components and systems**

Sales: € 2.0 billion

Employees: 11,000

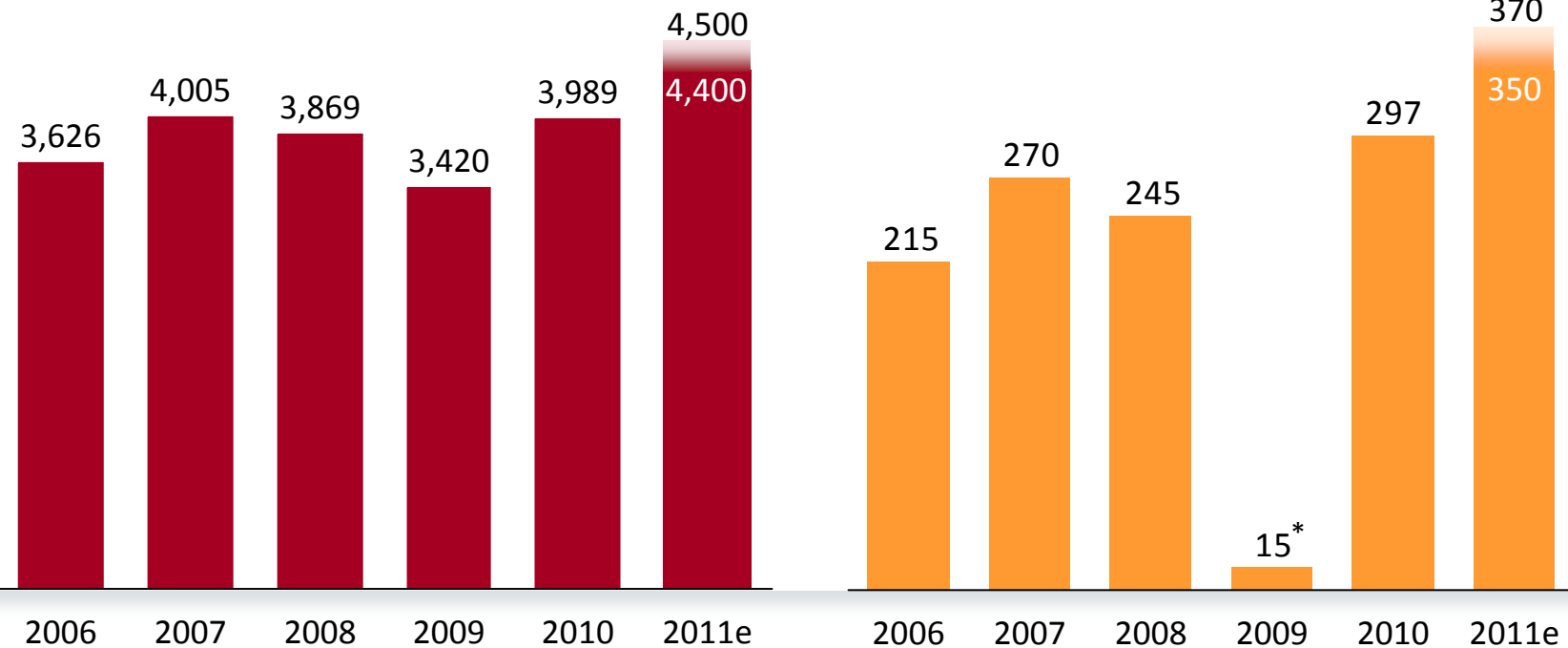


Profit & loss account

Strong and fast recovery after crisis years 2008/2009

Sales Group € million

EBIT Group € million



* € 138 million restructuring costs deducted



H1 2011 - Key messages (1): Rheinmetall is analysing the continuation of its two-pillar strategy

- ▶ Düsseldorf based Rheinmetall is analysing the continuation of its two-pillar strategy which comprises the Automotive and Defence divisions.
- ▶ Both businesses should be given the opportunity to further develop their market positions with more flexibility.
- ▶ In this context Rheinmetall is, in particular, exploring the possibility of an IPO of Kolbenschmidt Pierburg AG, which represents the Automotive division of the Group.
- ▶ The Executive Board, however, will keep the option open to maintain its current two-pillar strategy.



H1 2011 - Key messages (2): Strong group performance

- ▶ Group sales improve to € 2,075 million + 20 %
- ▶ EBIT rises from € 104 million to € 127 million + 22 %
- ▶ Net income up from € 57 million to € 75 million + 31 %
- ▶ Earnings per share at € 1.91 + 34 %

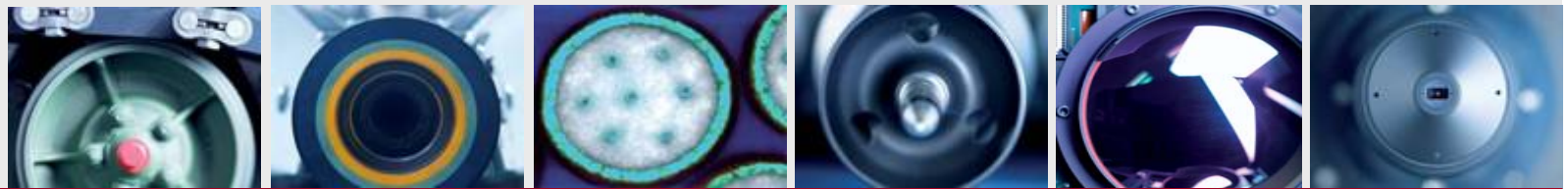
Outlook for FY 2011 improved

- ▶ EBIT range for FY 2011 raised:
from € 330 - € 360 million to a new range of € 350 - € 370 million



H1 2011: Despite strong top-line growth cash generation slightly better than previous year – Working capital will normalize at year-end

Rheinmetall Group € million	H1 2010	H1 2011	Δ H1 (2011/2010)
Group net income	57	75	+ 18
Amortization / depreciation	74	89	+ 15
Change in pension accruals	3	- 4	- 7
Cash flow	134	160	+ 26
Changes in working capital and other items	- 429	- 437	- 8
Net cash used in operating activities	- 295	- 277	+ 18
Cash outflow for additions to tangible and intangible assets	- 77	- 85	- 8
Free cash flow from operations	- 372	- 362	+ 10



Rheinmetall Defence





Rheinmetall Defence

Leading supplier for international land forces



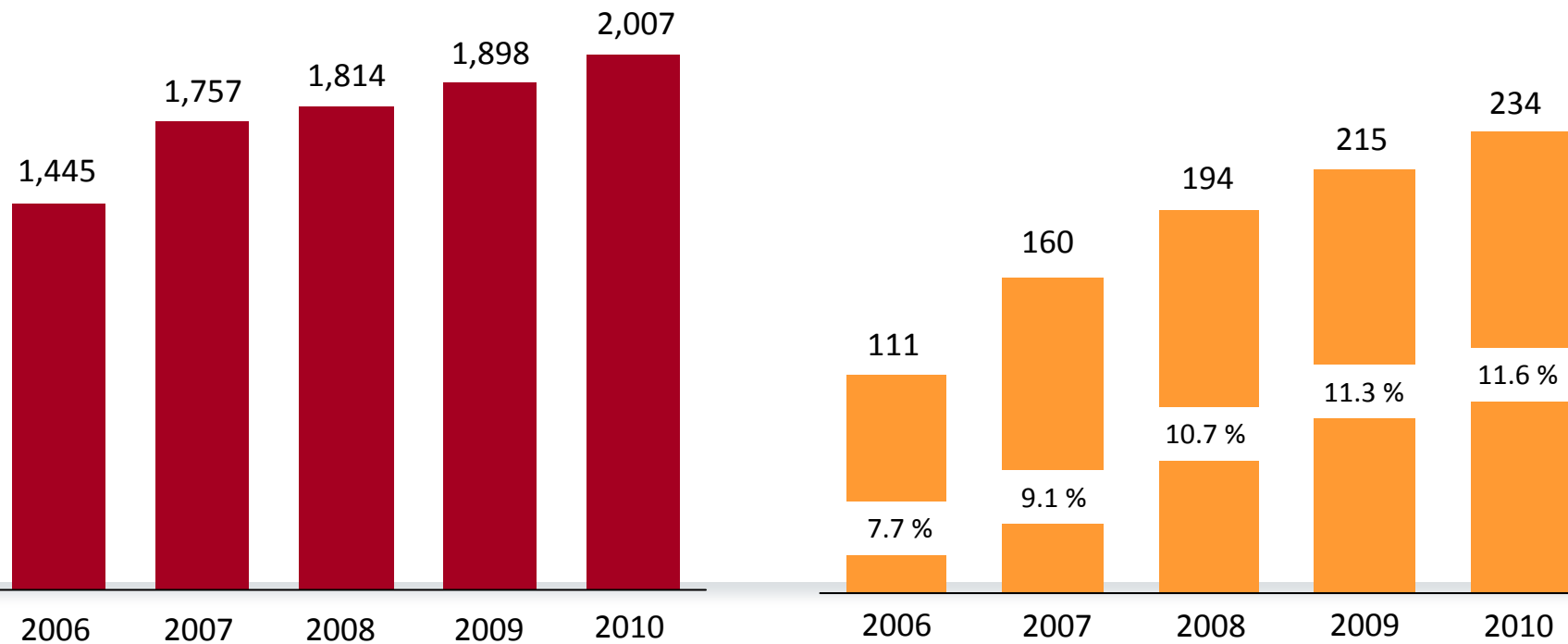
* Inter-company sales not eliminated



Profit & loss account Defence

Sales € million

EBIT € million
EBIT margin %





H1 2011

Key messages Defence

- ▶ Order intake increases considerably from € 316 million in Q1 up to € 537 million in Q2, order intake in H1 amounts to € 853 million in total
- ▶ Sales amount to € 904 million, 19 % above prior year level, thereof 10 % organic growth and 9 % growth by acquisitions
- ▶ EBIT remains at a high level keeping in mind the remarkable write-down of € 11 million in Land Systems Division: € 62 million



Defence budget cuts are taking place...

...but there are also many opportunities for Rheinmetall

- ▶ Reduced budgets will be focussed on procurement of adequate equipment for armies on international peace-keeping operations

...and confirm our growth strategy in international markets

- ▶ Pushing forward with the internationalization of Rheinmetall Defence
- ▶ Focusing product portfolio on protection/effectiveness of forces in operation
- ▶ Selecting acquisitions with a high strategic fit

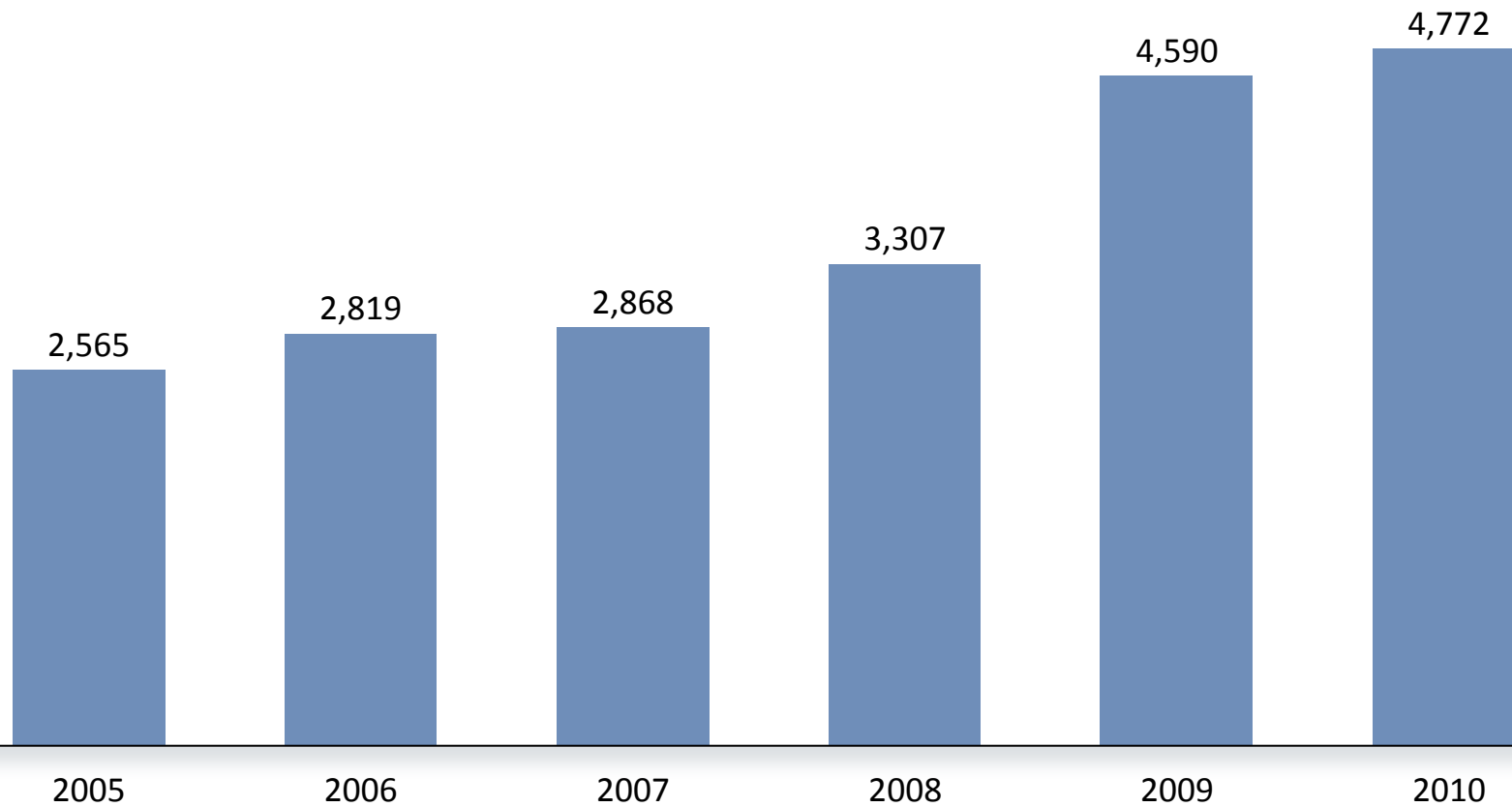
...and can be cushioned by a high order backlog

- ▶ Currently close to € 5 billion



Order backlog Almost doubled since 2005 – a backbone for future growth

Order backlog € million





Order backlog

Important strategic orders H1 2011



Start of Fox project with Algeria

- ▶ Long-term agreement to build up a local manufactory, to qualify employees and to deliver personnel carriers
- ▶ First order (more than € 150 million) booked in Q2



Combat Training Center for Russia

- ▶ First significant step for German defence industry into the Russian market
- ▶ Total order volume above € 100 million, partially booked in Q2



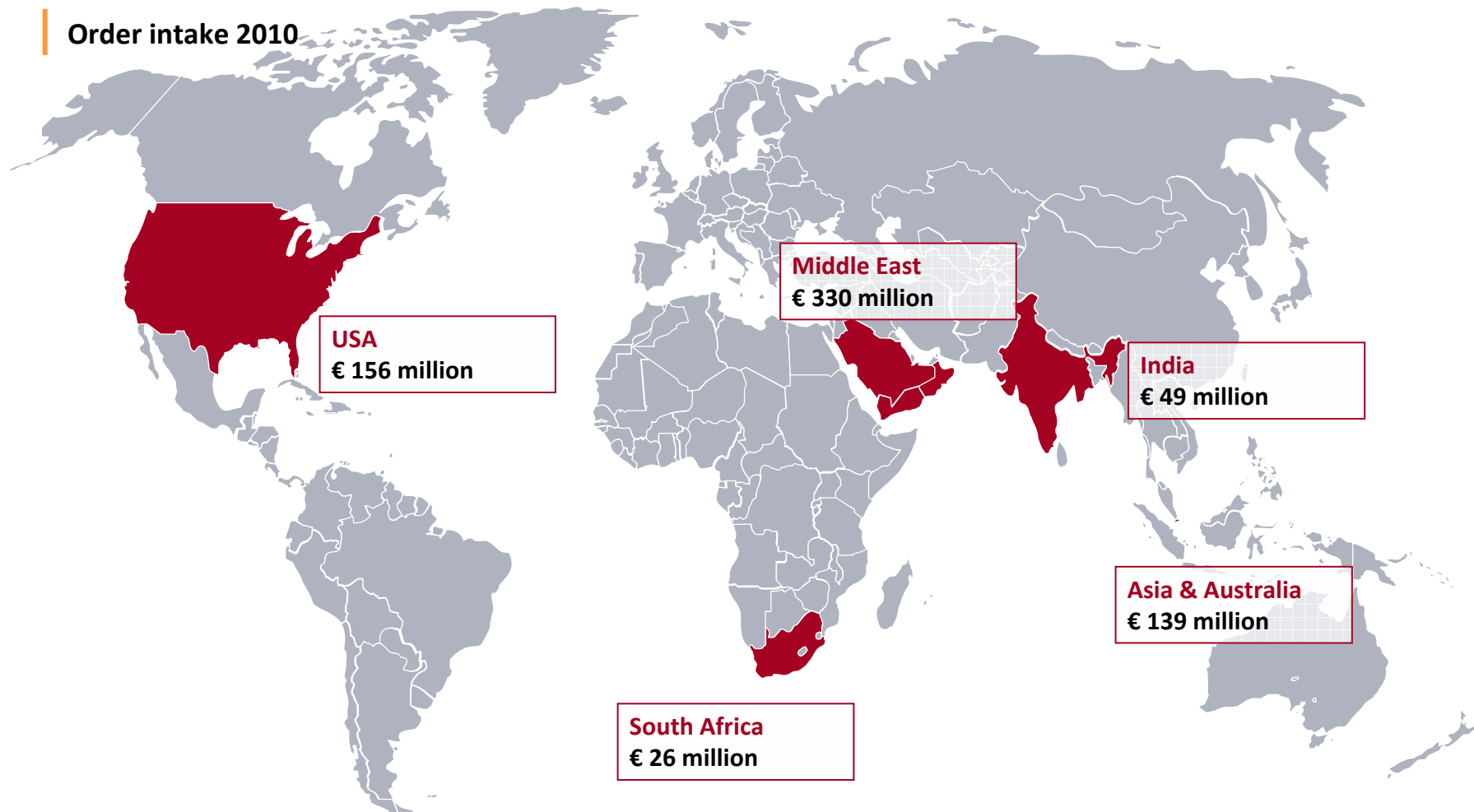
Mine Clearing Package for Germany

- ▶ Total contract volume of € 24 million including delivery of 7 new systems and refurbishment of old vehicles



International markets: successful steps

Order intake 2010

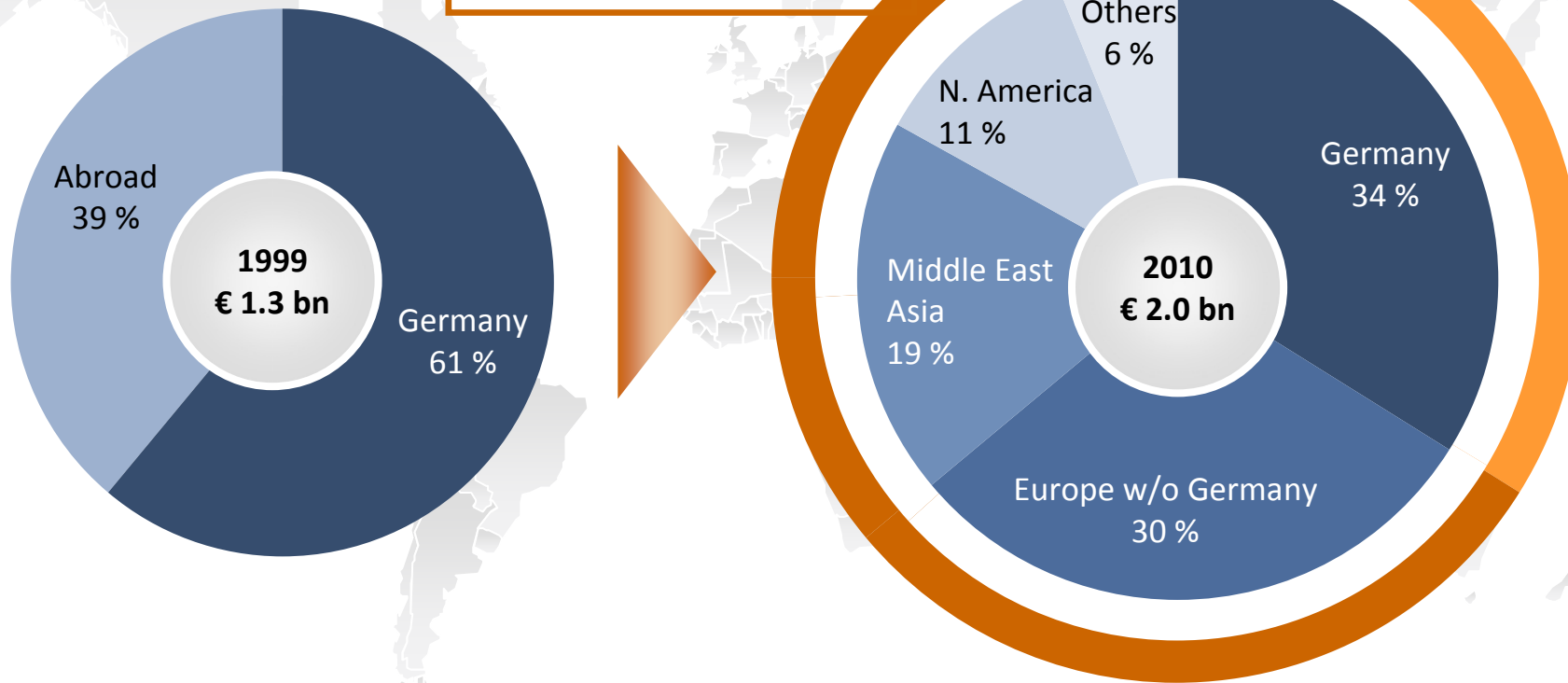




Internationalization Complete change within one decade only

Sales abroad % of total sales

International customer base:
More than 80 countries



Mid-term planning 2011-2013 sees **international order intake quota by 80 %**



Acquisitions Defence Growth by investing in future technologies (1)



Simrad Optronics,
Norway

- ▶ 2010: World market leader (70 %) of remote weapon stations (Kongsberg)



SEI,
Italy

- ▶ 2010: Ammunition market Italy
- ▶ International naval and air forces

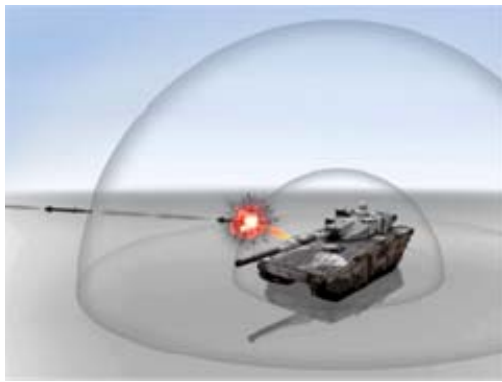


Laingsdale Engineering,
South Africa

- ▶ 2011: Vertical integration (fuses)
- ▶ Inert munition



Acquisitions Defence Growth by investing in future technologies (2)



ADS,
Germany

- ▶ 2011: Stake increased from 25 % to 74 %



Chempro,
Germany

- ▶ 2007: takeover of 51 %



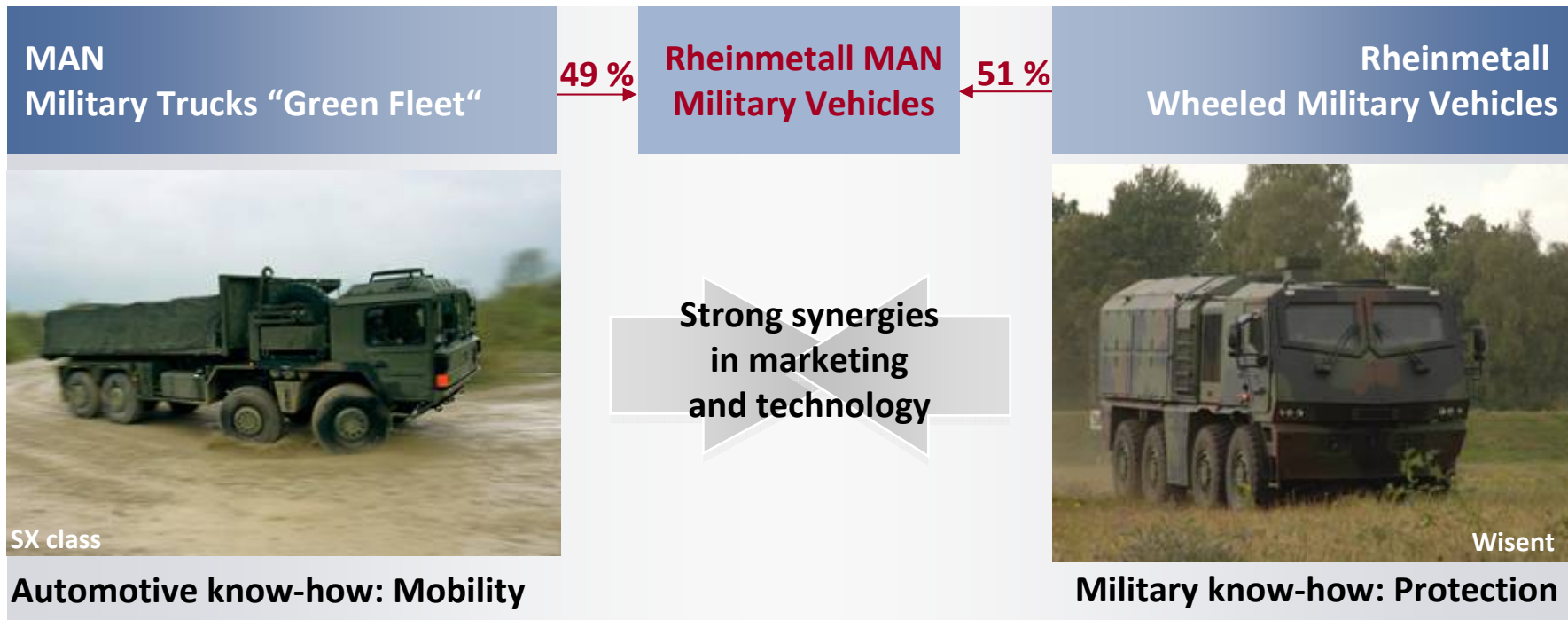
Verseidag,
Germany

- ▶ 2010: takeover of 100 %

▶ **Active and passive protection for forces in military operations**



Joint Venture Rheinmetall MAN Military vehicles (RMMV) Creation of a strong supplier of wheeled military vehicles



Step 1 (May 2010):

Combination of development and marketing activities; 370 employees

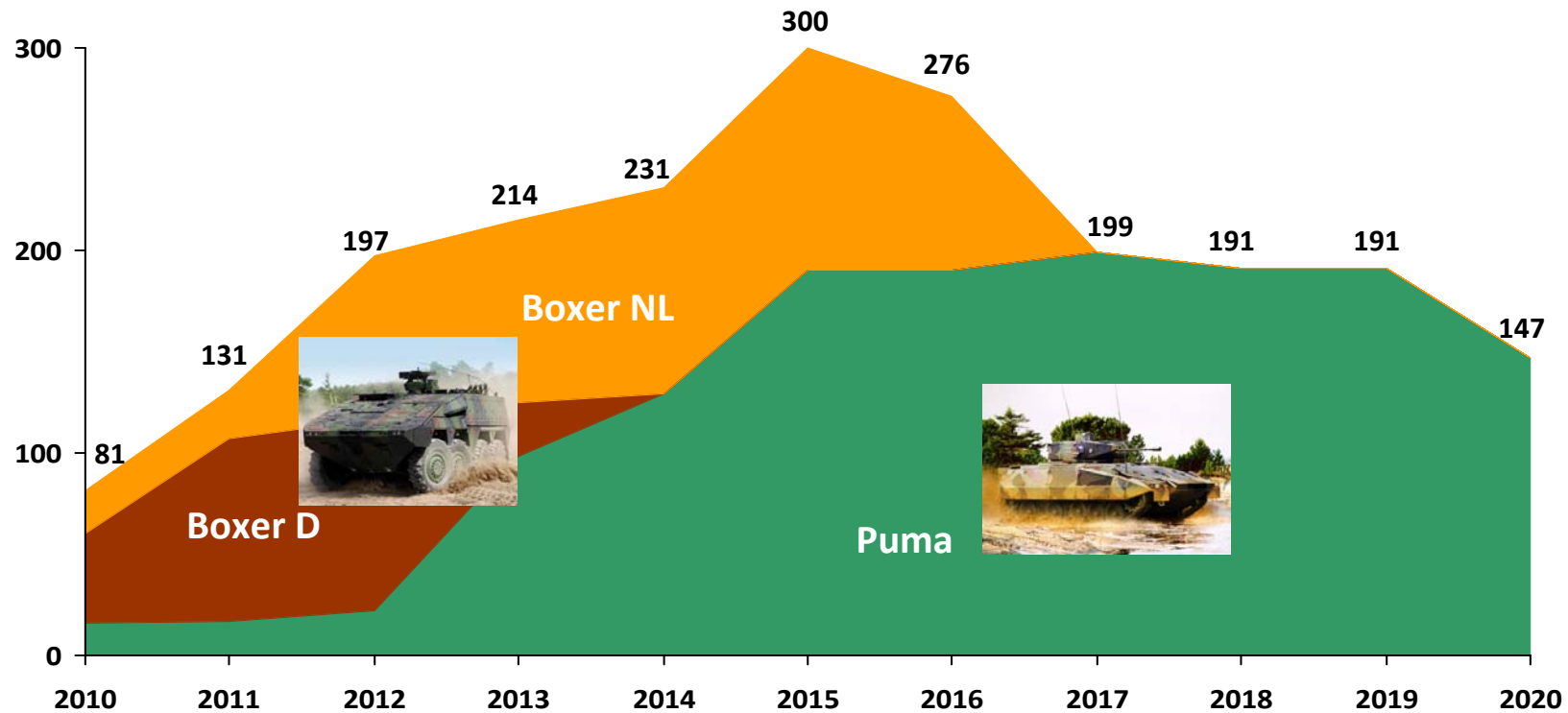
Step 2 (until the end of 2011):

Integration of production plants Vienna (MAN) and Kassel (Rheinmetall); 1,330 employees



Boxer and Puma: Backbone for sales in the next decade

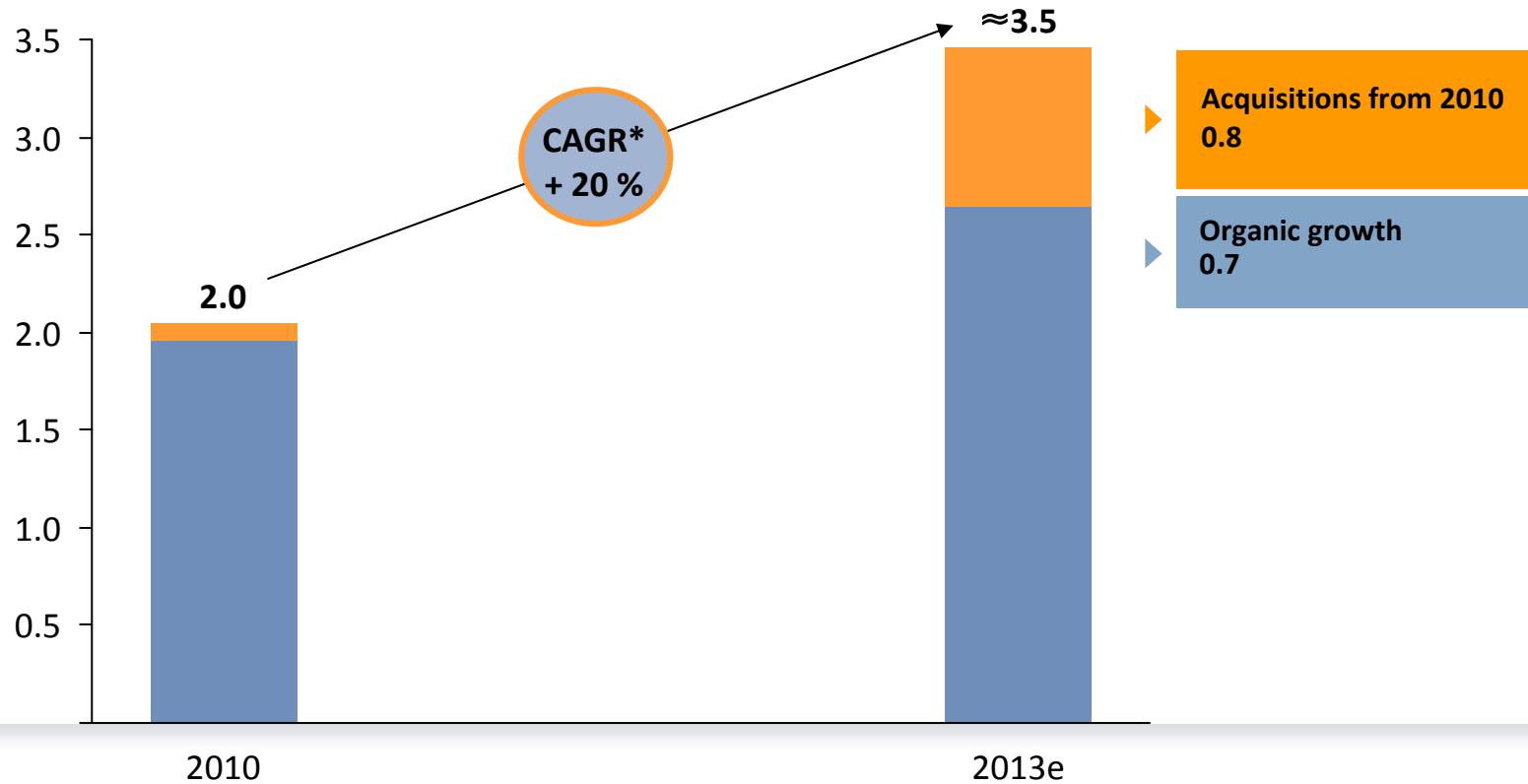
Total sales volume for Puma and Boxer without export orders and aftermarket
€ million





Defence division grows organically as well as by acquisitions

Sales € billion



*Compound Annual Growth Rate (CAGR) 2011 – 2013 (Basis 2010)



Rheinmetall Automotive





Rheinmetall Automotive

Products for powertrain and engines

Pistons	Aluminum Technology	Pierburg	Pierburg Pump Technology	Bearings	Motor Service
					
Sales 2010*					
€ 605 million	€ 160 million	€ 515 million	€ 376 million	€ 187 million	€ 221million
Passenger car pistons	Aluminum engine blocks	Air management	Water pumps	Engine bearings	Automotive parts for engine repair and workshops
Piston modules	Cylinder heads	Actuators	Oil pumps	Permaglide	
Commercial vehicle pistons	Bedplates	Emission control	Vacuum pumps	Continuous casting	
Large-bore pistons		Solenoid valves			

* Inter-company sales not eliminated

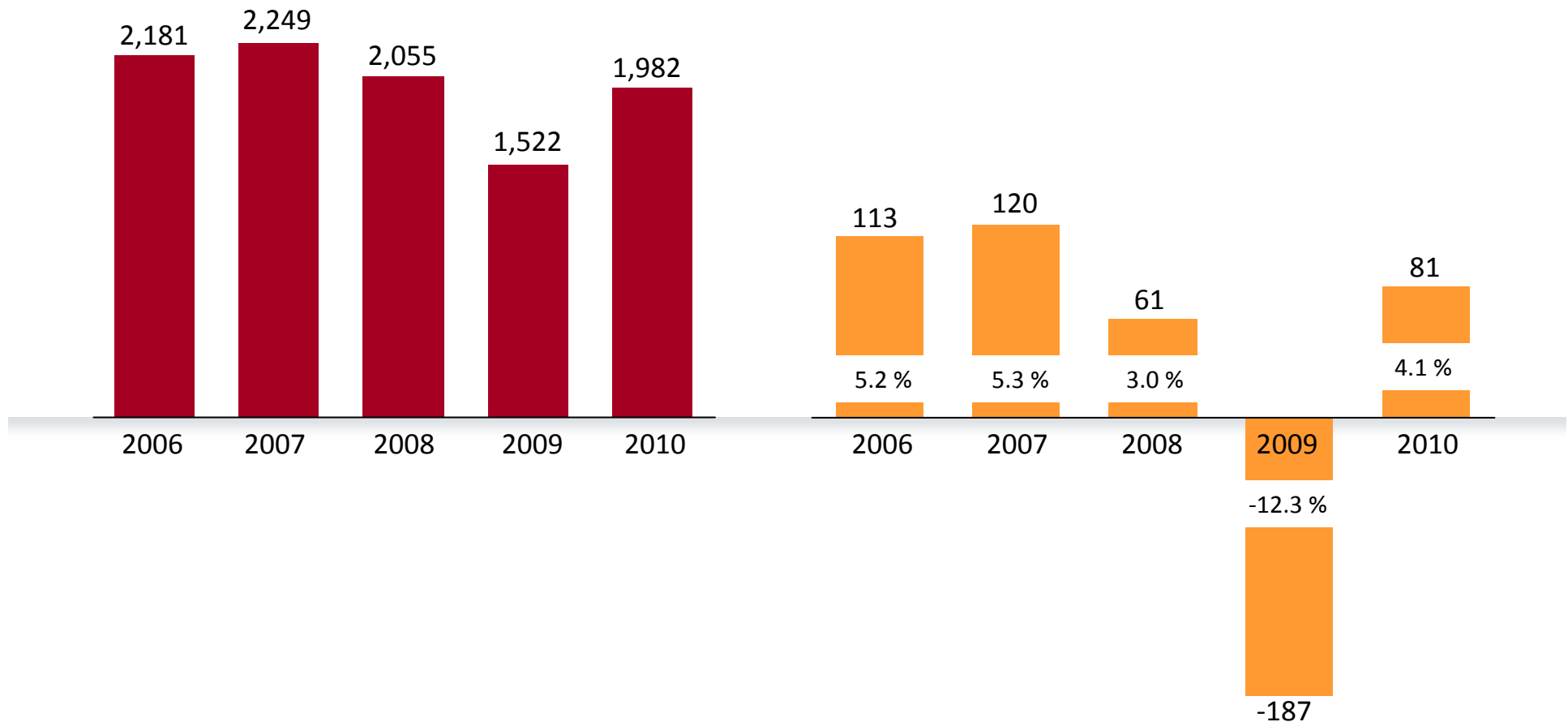


Profit & loss account

Back on track to push for the EBIT margin target of 8 %

Sales € million

EBIT € million
EBIT margin %





H1 2011

Key messages Automotive

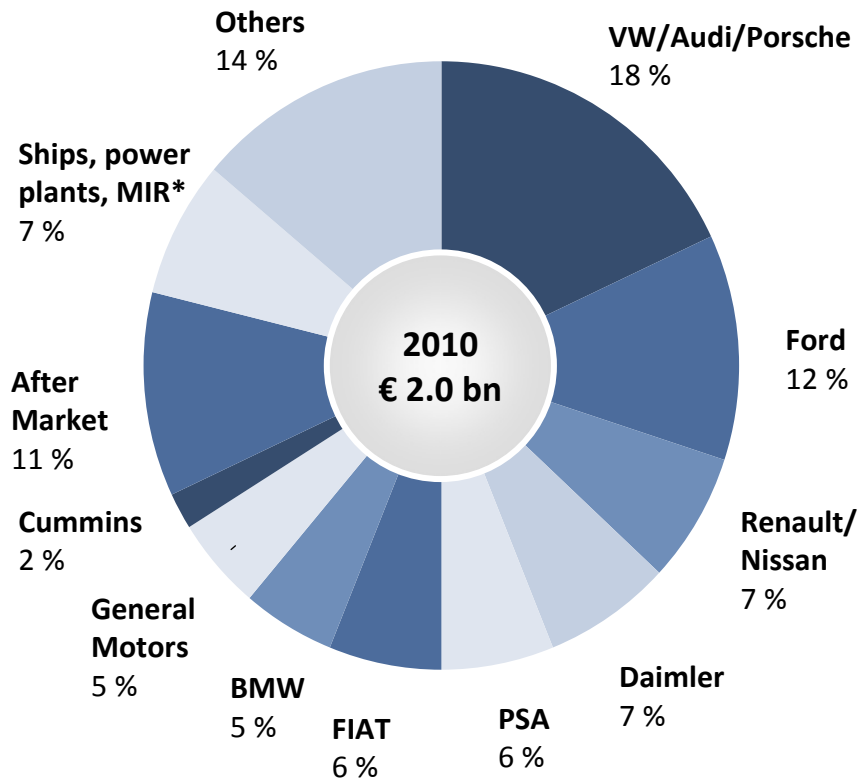
- ▶ Strong development continues due to upward cycle in automotive industry and trends regarding CO₂-reduction and emission control
- ▶ Sales increase by 21 % to € 1,171 million and develop favorably compared to the global automotive production
- ▶ EBIT improves by € 33 million to € 76 million and EBIT margin improves from 4.5 % to 6.5 %
- ▶ Strong development of Chinese joint ventures (not consolidated) continues: H1-sales (50 %) up from € 67 million to € 72 million (+ 7 %), EBIT (50 %) up from € 4 million to € 5 million (+ 25 %)



Key figures

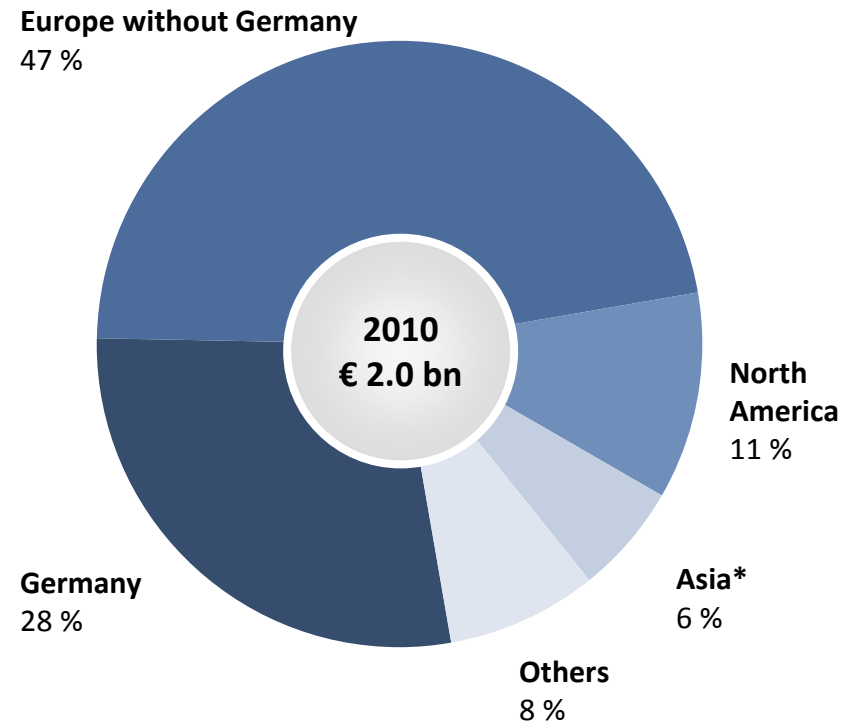
Well balanced customer base with growing potential in Asian markets

Sales by customer



* MIR = Marine, Industrial, Recreational

Sales by region

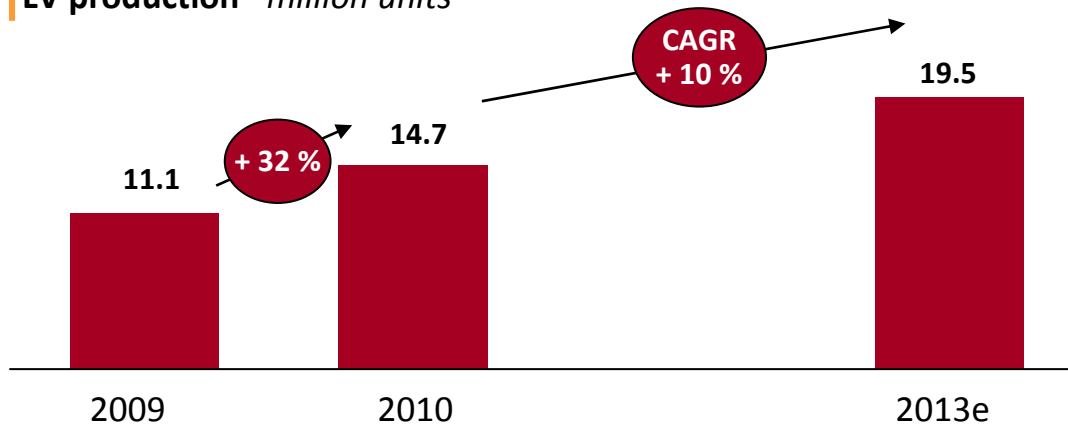


* without JV China

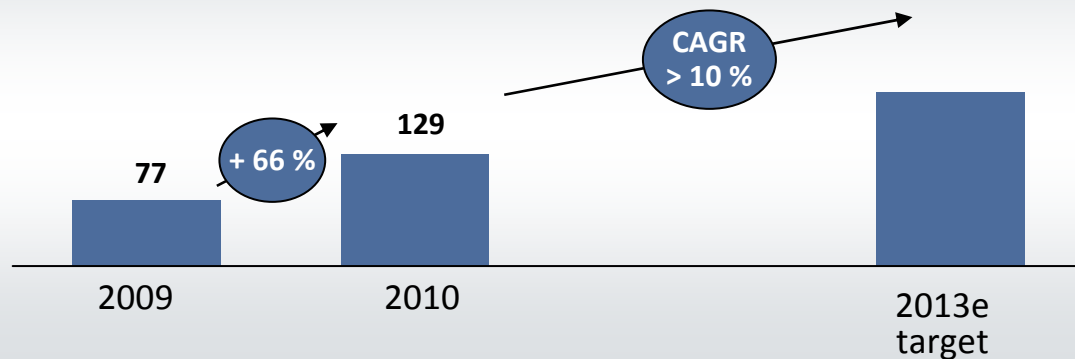


Growth market China

LV production* million units



JV sales** € million



- ▶ 8 locations
- ▶ 2 joint ventures (50/50) with SAIC, not consolidated
- ▶ 2 new wholly owned subsidiaries

* Source: CSM March 2011

** JV sales figures show Rheinmetall quota of 50 %



Successful ramp-ups Automotive is strongly represented in new and innovative cars



Volkswagen Passat

- ▶ Vacuum- and water pump
- ▶ Electrical diverter valve
- ▶ Switch valves
- ▶ Pistons



BMW 5 series

- ▶ Water pump
- ▶ Electrical diverter valve
- ▶ Switch valves
- ▶ Pistons



Ford Focus

- ▶ EGR-cooler-module
- ▶ Oil- and cooling pump
- ▶ Electro-pneumatic converter
- ▶ Pistons



Large cross-divisional contract for highly demanded fuel-efficient engines

Cross-divisional order...

EGR-cooler



Water pump



Pistons



Engine block



... for 7 brands

Citroen



Peugeot



Ford / Volvo



BMW



Mazda



Toyota



- ▶ Common platform of PSA & Ford for 1,4 l & 1,6 l Diesel engines
- ▶ Fully compliant with EU 5 – emission regulations
- ▶ Start of production in 2010, from 2011 onwards expected annual contract volume of € 130 - 150 million



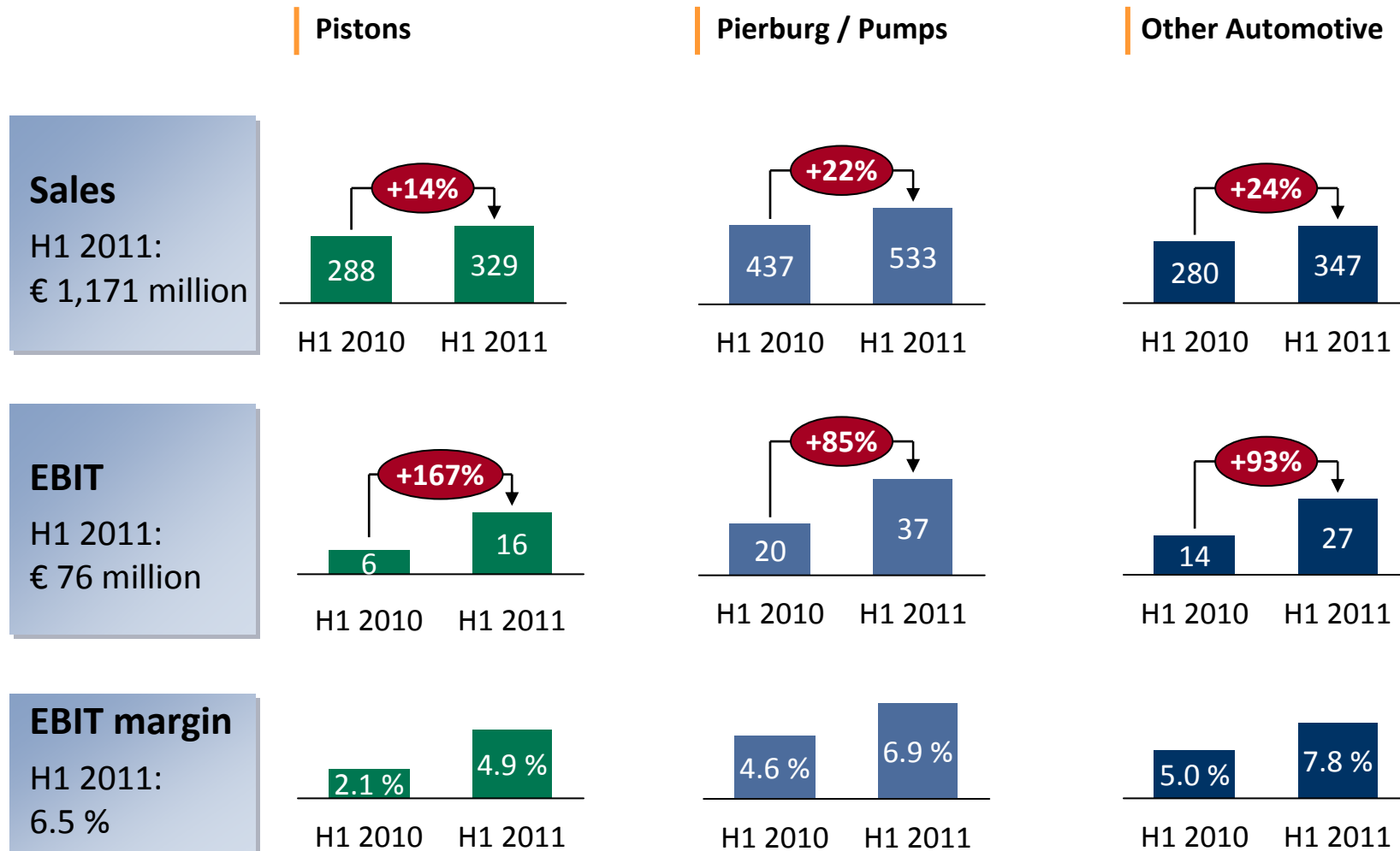
Strategic acquisitions Strengthening aftermarket business



- ▶ **Burkert Fahrzeugteile GmbH, Germany** – an internationally renowned supplier of aftermarket products for commercial vehicles
- ▶ **Intec, France** – an experienced supplier of commercial vehicle turbochargers
- ▶ **Mid-term sales target expected:** up to € 40 million



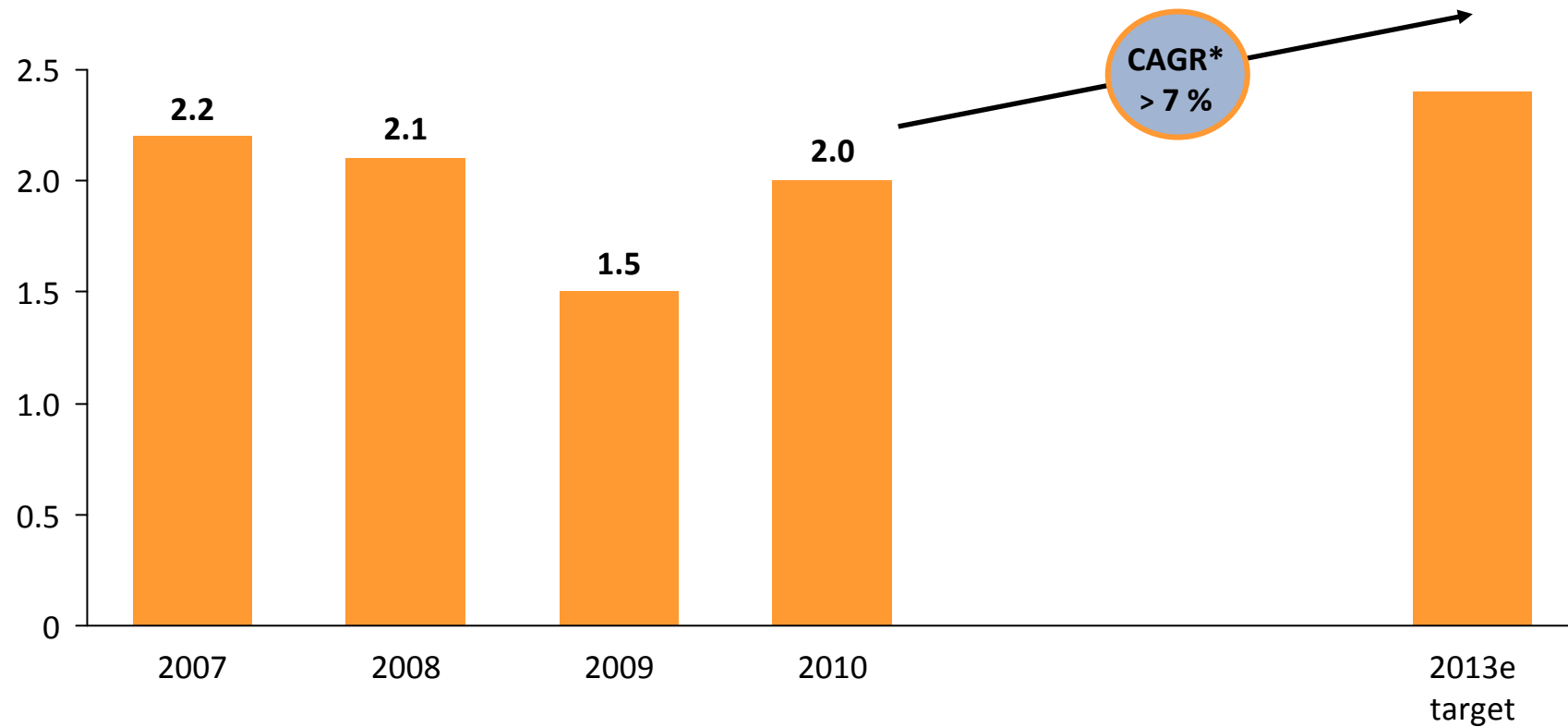
Strong increase of sales and profitability





High topline growth of Rheinmetall Automotive

Sales € billion



*Compound Annual Growth Rate (CAGR) 2011 – 2013 (Basis 2010)



Outlook



Outlook 2011 improved

2011	Sales € billion		EBIT € million	
	Outlook Q1	Updated outlook	Outlook Q1	Updated outlook
Group	4.3	4.4 - 4.5	330 - 360	350 - 370
Defence*	2.2	2.2	230 - 250	230 - 250
Automotive	2.1	2.2 - 2.3	110 - 130	130 - 150

*without RMMV figures of MAN logistical vehicles



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