Q3 2011, Frankfurt, 3 November 2011

International Technology Group
for Defence and Automotive

© Rheinmetall 2011

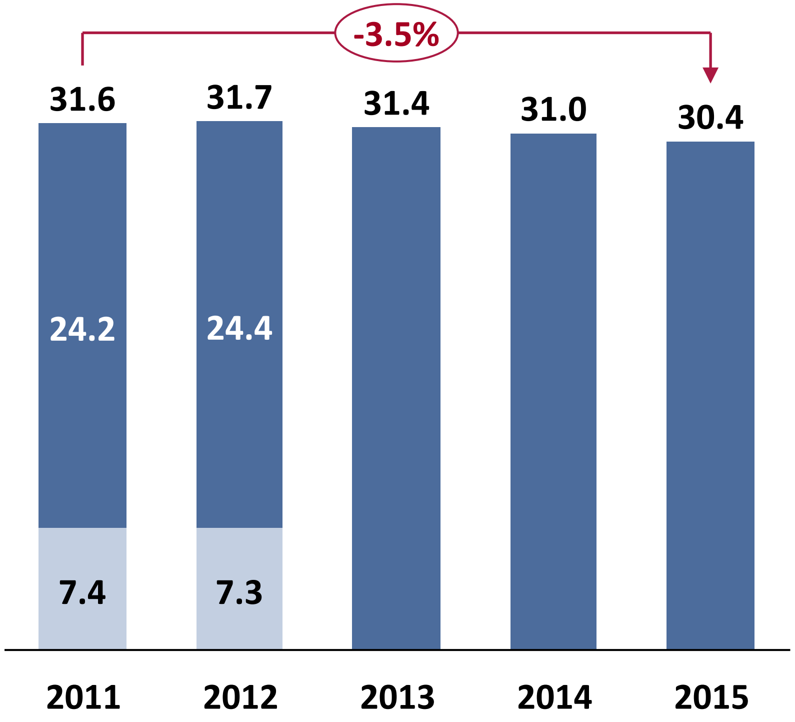
Introduction

- At the end of July 2011, Düsseldorf-based Rheinmetall publicly announced that it is analyzing the continuation of its **two-pillar strategy**.
- 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.
- In the light of prevailing high volatility and instability in the capital markets, Rheinmetall regards the **preconditions** for an IPO of its Automotive division as **currently not fulfilled**.

© Rheinmetall 2011

Defence
German defence budget to remain almost stable in the coming years

2011-2015 *in € billion*



Procurement incl. RDT&E (research, development, test and evaluation) in 2011 and 2012

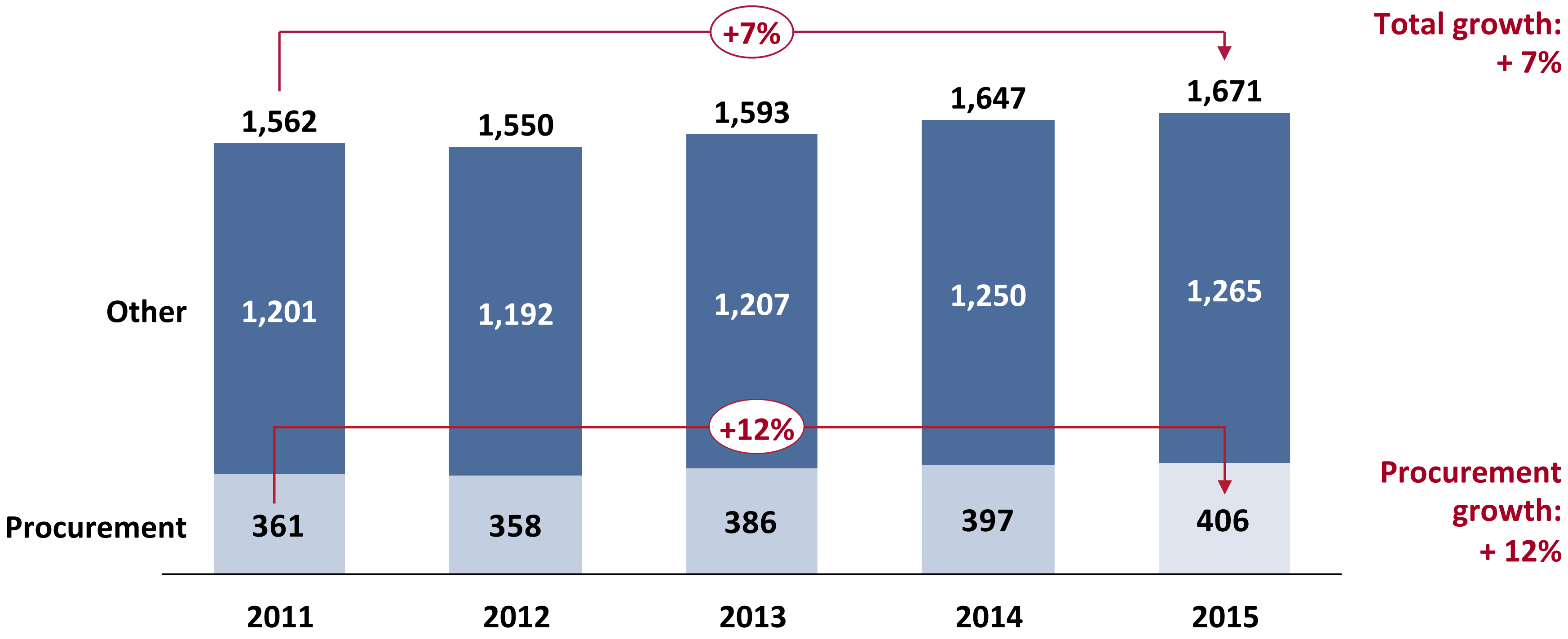
Source: German Department of Defence

- Procurement budget (incl. RDT&E) to remain stable
- Budget reduction of 3.5 % up to 2015 is driven by lower personnel expenses
- Number of troops will be reduced from currently around 207,000 to roughly 185,000
- Personnel measures will be financed separately (costs are not part of the defence budget)
- In future, up to 10,000 soldiers in operations will be ready for out-of-area missions instead of currently 7,500 (new “level of ambition”)

© Rheinmetall 2011

Defence business continues to be a growing market

Total global defence spending and procurement 2011-2015 *in $ billion*



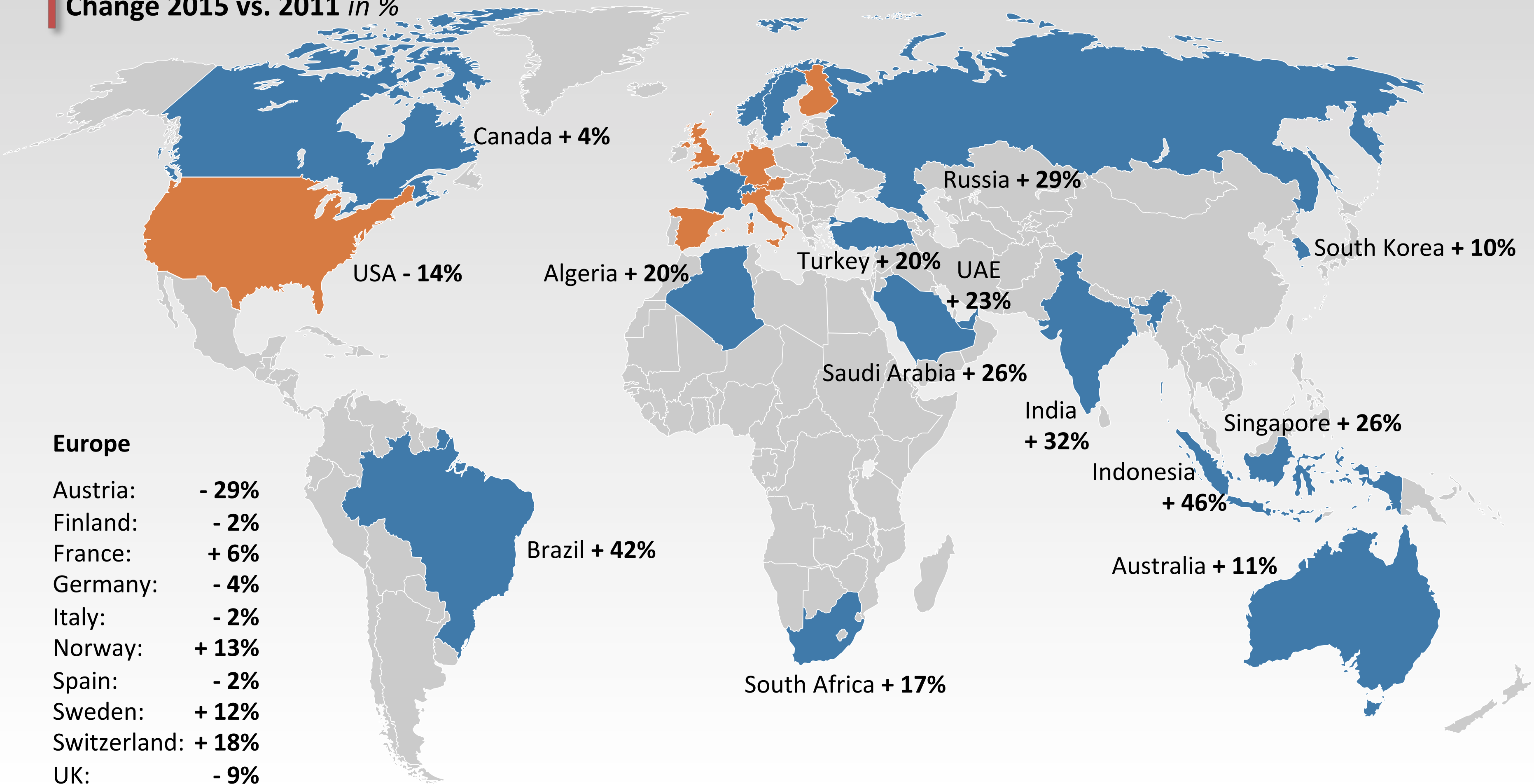
- Defence budgets worldwide rising
- Mixed picture: some countries cutting their budgets, some raising them

Source: IHS Jane's

© Rheinmetall 2011

Defence budgets in strategically important markets

Change 2015 vs. 2011 *in %*

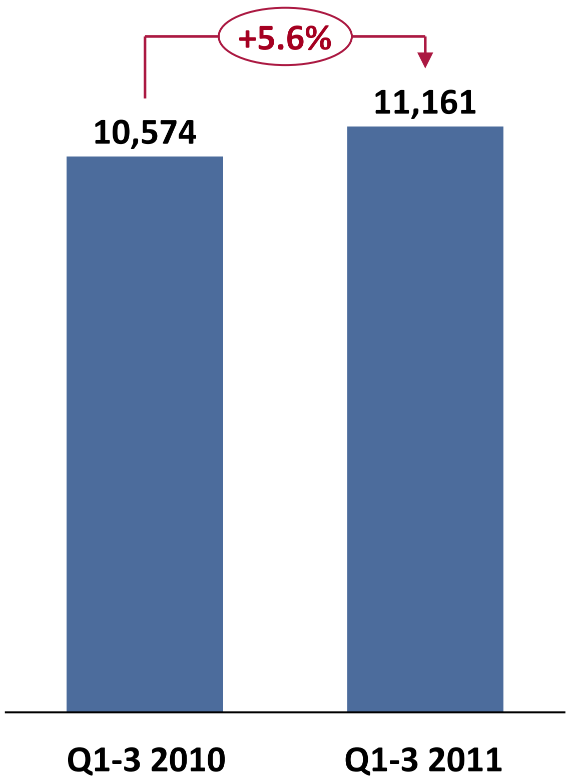


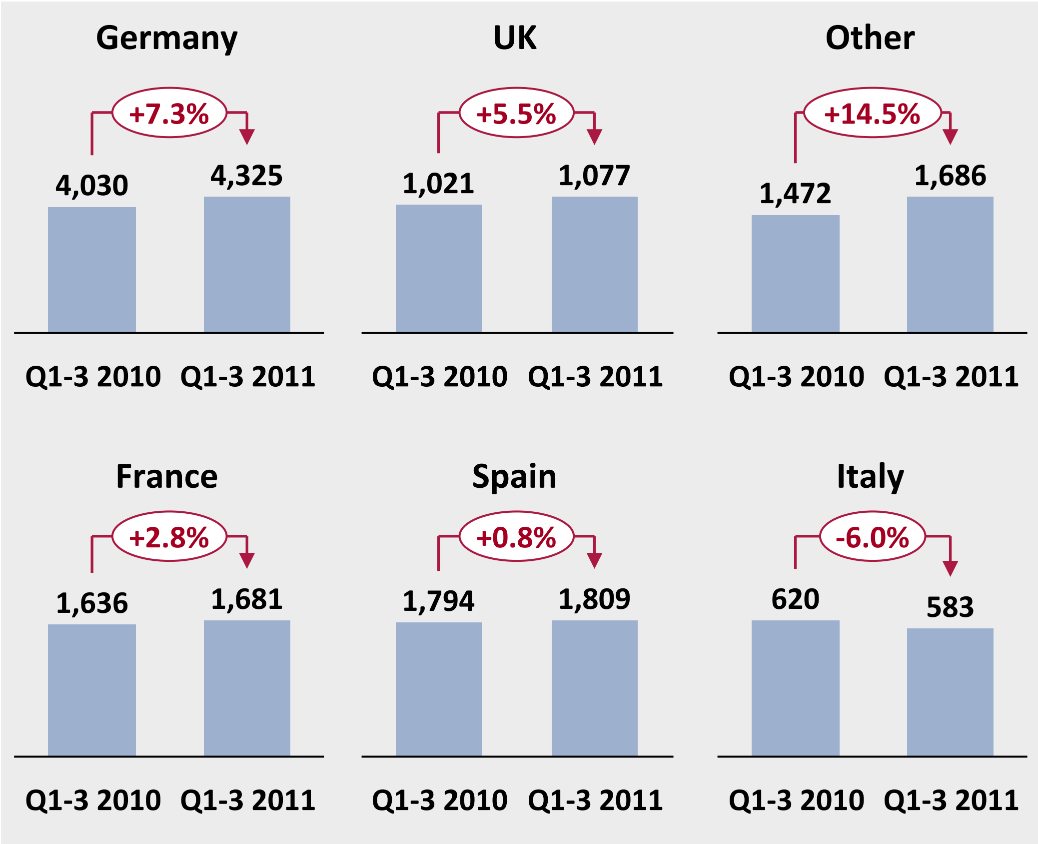
Source: IHS Jane's, German Department of Treasury

© Rheinmetall 2011

Automotive
LV production in Western Europe: National markets grow differently

LV production in Western Europe *in thousand*



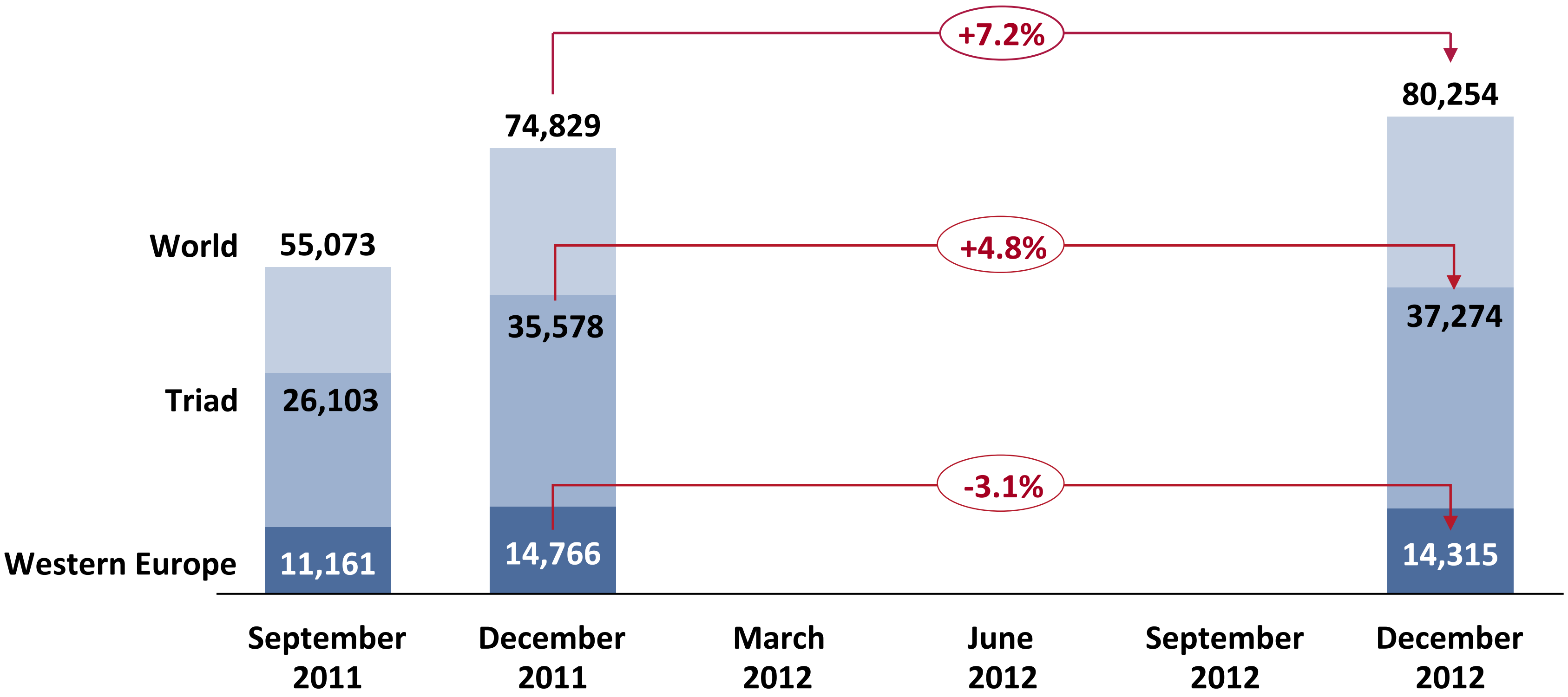


Source: IHS Automotive (CSM)

© Rheinmetall 2011

Global LV production expected to grow further

Number of produced LV by region *in thousand*



Source: IHS Automotive (CSM); Triad = Western Europe + NAFTA + Japan

© Rheinmetall 2011

Key messages: Rheinmetall maintains its growth course

- Strong sales growth, driven by both divisions, Automotive and Defence
- Group results again significantly better than in the previous year and higher than ever before
- Rheinmetall continues to be right on track to another record-setting year
- Rheinmetall updates the outlook for FY 2011

© Rheinmetall 2011

Group financials

Group sales and earnings significantly improved (1)

Rheinmetall Group € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)	
Sales	2,720	3,105	+ 385	+ 14 %
EBITDA	287	336	+ 49	+ 17 %
EBITDA margin in %	10.5	10.8		+ 0.3 pp
Amortization / depreciation	114	133	+ 19	+ 17 %
EBIT	173	203	+ 30	+ 18 %
EBIT margin in %	6.4	6.5		+ 0.1 pp

© Rheinmetall 2011

Group sales and earnings significantly improved (2)

Rheinmetall Group € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)	
EBIT	173	203	+ 30	+ 18 %
Interest	- 40	- 42	- 2	+ 4 %
EBT	133	161	+ 28	+ 22 %
Taxes	- 33	- 42	- 9	+ 30 %
Tax rate in %	25	26		+ 1 pp

© Rheinmetall 2011

Group sales and earnings significantly improved (3)

Rheinmetall Group € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)	
Group net income	100	119	+ 19	+ 19 %
Minority interests	5	2	- 3	- 59 %
Group earnings (after minorities)	95	117	+ 22	+ 23 %
Number of shares (weighted average in million)	38.2	38.3	+ 0.1	
Earnings per share (€)	2.48	3.04	+ 0.56	+ 23 %

© Rheinmetall 2011

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

Rheinmetall Group € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)
Group net income	**100**	**119**	**+ 19**
Amortization / depreciation	114	133	+ 19
Change in pension accruals	-2	- 9	- 7
Cash flow	**212**	**243**	**+ 31**
Changes in working capital and other items	- 547	- 530	+ 17
Net cash used in operating activities	**- 335**	**- 287**	**+ 48**
Cash outflow for additions to tangible and intangible assets	- 117	- 131	- 14
Free cash flow from operations	**- 452**	**- 418**	**+ 34**

© Rheinmetall 2011

Rheinmetall Defence

Key messages Defence

- Sales growth of 8 %, thereof organic growth: 2 %
- Market entry in Russia and Algeria with a large realistic growth potential
- New products ready for international markets
- Enlargement of the highly dynamic business area “Protection”

© Rheinmetall 2011

Strong performance on a high level

Defence € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)	
Order intake	1,468	1,303	- 165	- 11 %
Order backlog	4,884	4,746	- 138	- 3 %
Sales	1,264	1,370	+ 106	+ 8 %
EBITDA	164	161	- 3	- 2 %
EBIT	123	104	- 19	- 15 %
EBIT margin in %	9.7	7.6		- 2.1 pp
EBT	109	94	- 15	- 14 %

Including € 11 million write-down in Q2 2011 for a wheeled armored vehicle program

© Rheinmetall 2011

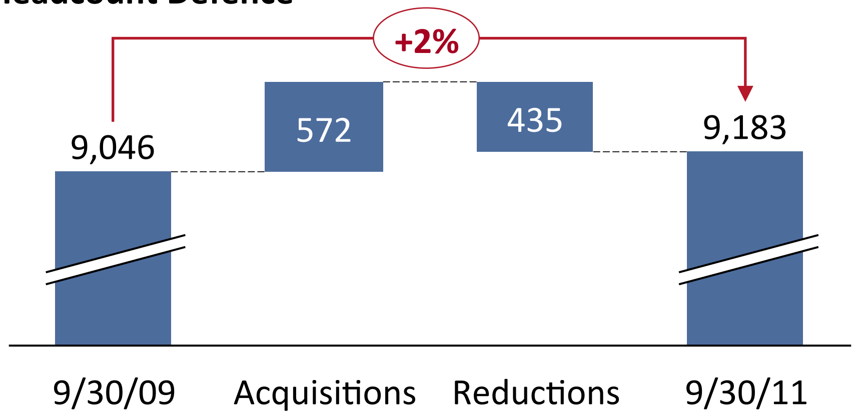
Survey on one-offs

Defence € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)	
EBIT reported	**123**	**104**	**- 19**	**- 15 %**
Hedging gains	- 5	0	+ 5	
Positive effect by PPA ADS	0	- 11	- 11	
Write-down for a wheeled armored vehicle project	0	+ 11	+ 11	
Amortization PPA	+ 5	+ 13	+ 8	
EBIT adjusted	**123**	**117**	**- 6**	**- 5 %**

© Rheinmetall 2011

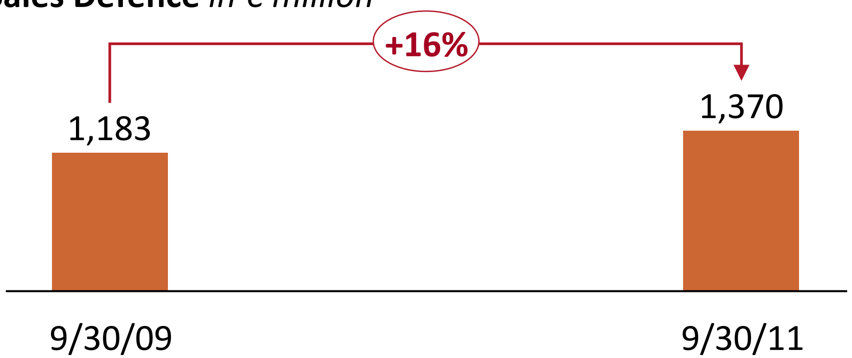
Rheinmetall well-prepared for further potential budget cuts:
Only slight staff increase in the face of several defence acquisitions

Headcount Defence



- Increase in headcount by acquiring Simrad Optronics, Verseidag, SEI, Laingsdale and ADS
- Efficient and socially responsible reduction in the last two years
- Consequently, high flexibility in staffing policy

Sales Defence *in € million*



- At the same time disproportionate improvement in sales

2009 figures not including Contraves Malaysia which has been divested in 2010

© Rheinmetall 2011

Important strategic orders in new markets:
Three steps with Algeria in an industrial politics related project

Three steps:

- Delivery of 54 Fox vehicles produced in Germany, volume: > € 150 million, booked in Q2
- Qualifying Algerian workers to skilled production employees (contract under negotiation)
- Delivery of Fox vehicle kits for local production on Algerian sites, plus license fees (contracts under negotiation)

Key contract facts:

- Expected total volume: > € 1 billion
- Total contract term: about 10 years
- Strong political support

© Rheinmetall 2011

Important strategic orders in new markets:
First combat training center to Russia

Key contract facts:

- Contract for one Combat Training Center (CTC) in Mulino (near Nizhny Novgorod)
- Total volume of more than € 100 million, partially booked in Q2
- Interested in further centers, potential volume: > € 500 million

Framework:

- First substantial order by Russia for German defence industry
- Approved by German government
- Russia is highly interested in other products of Rheinmetall, e.g. protection systems

© Rheinmetall 2011

Rheinmetall MAN Military Vehicles (RMMV): **Phase 2 will start at the beginning of 2012**

- Phase 2 (integration of the production sites Kassel and Vienna) will start on January 1, 2012
- Expected large-scale orders in military truck business will be received with a time lag: slower growth expected in 2012 and 2013 than originally planned

© Rheinmetall 2011

New products at the beginning of their life cycle

Multi-role armored vehicle Boxer

- On duty in Afghanistan since September 2011
- Increase of German order volume possible
- Excellent opportunities for export: competition trials in several countries

C-RAM (MANTIS)

- Final system tests in progress
- Final shooting approval planned for February 2012
- Two additional systems planned by German army
- International marketing started

Infantry fighting vehicle Puma

- First vehicles delivered to German forces
- Decrease of German order volume currently under discussion
- Long-term export opportunities due to highest technological standards and modular construction

Future soldier system (IdZ 2)

- Start of serial phase in Germany for 300 soldiers: contract and delivery in 2012 (~ € 40 million)
- Estimated long-term volume for German forces: ~ 10,000 soldiers

© Rheinmetall 2011

Great opportunities for further large-scale orders

Leopard 2

- Key parts and Leo support vehicles from Rheinmetall: 40% of total workshare

- Order potential for GCC countries

Civil protection based on C-RAM technology

- Successful on duty during the World Economic Forum Davos and in aerial surveillance of Switzerland

- Currently a large project on protection of civil infrastructure

Military logistics vehicles

- Delivered to more than 50 armed forces worldwide

- Currently participating in several large tenders

© Rheinmetall 2011

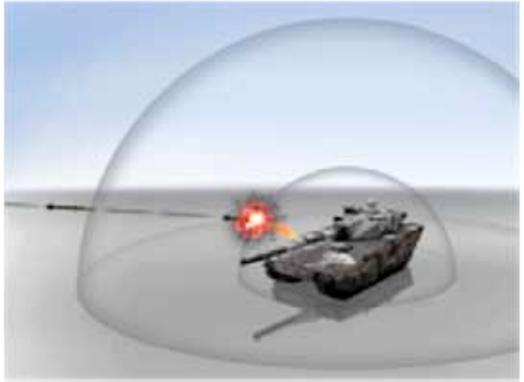
Enlargement of „Protection“ business area : Innovative technologies and dynamic demand due to out-of-area missions

Protection by softkill

- Comprising flares (airplanes) and fog (ships, vehicles)
- Genuine Rheinmetall expertise

Passive protection

- Enabling high protection and high mobility at the same time
- Acquired companies: Chempro (2007), Verseidag (2010)



Active protection systems

- Innovative technology offering active protection against antitank weapons
- Acquired company: ADS (2011)

Sales Q1-3 2010: € 55 million

Sales Q1-3 2011: € 82 million

+49 %

© Rheinmetall 2011





Rheinmetall Automotive

Key messages Automotive

- Growth in Automotive significantly outperforms the markets
- Q3 results achieve record levels
- Continuation of sales growth in China and India
- Remarkable interest in innovative range extender at IAA fair 2011

© Rheinmetall 2011

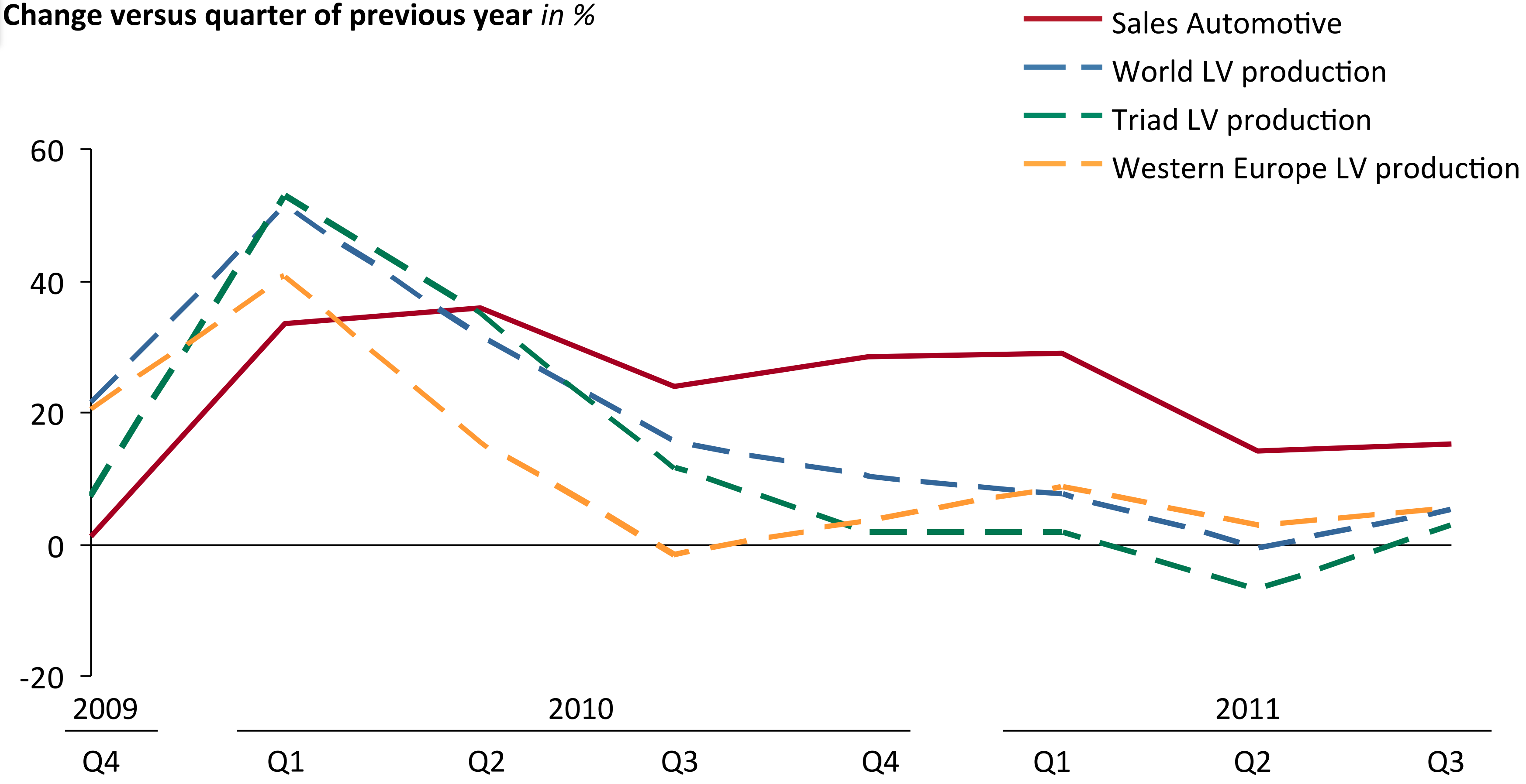
Sales, earnings and profitability continued to improve significantly

Automotive € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)	
Sales	1,456	1,735	+279	+ 19 %
EBITDA	135	191	+ 56	+ 41 %
EBIT	63	115	+ 52	+ 82 %
EBIT margin in %	4.3	6.6		+ 2.3 pp
EBT	51	104	+ 53	+ 105 %
Capex	67	74	+ 7	+ 10 %
Amortization / Depreciation	72	76	+ 4	+ 5 %

© Rheinmetall 2011

Since Q2 2010 Automotive has outperformed the markets

Change versus quarter of previous year *in %*

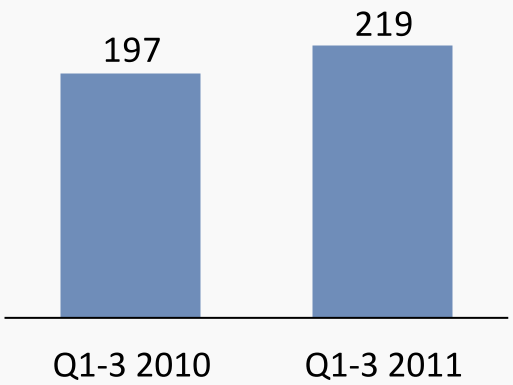


Basis for the calculation are quarterly sales figures for Automotive and LV production figures for World, Triad and Western Europe
Source: IHS Automotive (CSM); Triad = Western Europe, NAFTA, Japan

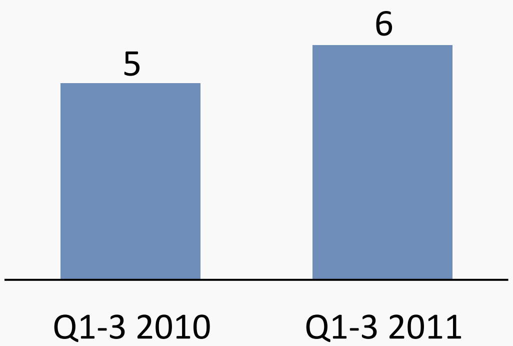
© Rheinmetall 2011

Capturing the growth opportunities in China

Sales Joint Ventures* *in € million*



Sales WFOEs** *in € million*



Key highlights

1. **Two 50/50 JVs** with SAIC – advantageous market entry strategy to benefit from SAIC's customer base (since 1997)
2. **Wholly foreign-owned enterprises** providing aftermarket services and producing Pierburg products (since 2009)
3. Access to Japanese OEMs in China through **JV with Mikuni** (since 2010)
4. **Technology center** established in 2010

Employees: 3,457***
10 plants

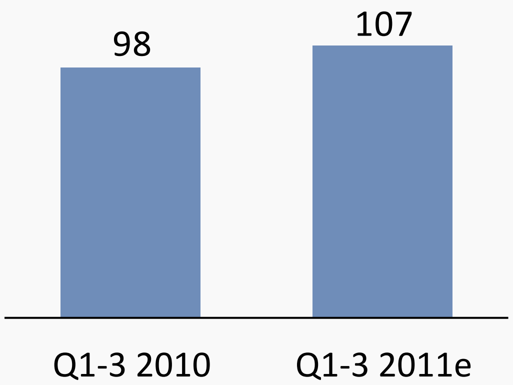
* Rheinmetall Automotive owns 50 % of two JVs (consolidated at equity)
** Wholly foreign-owned enterprises

*** Including full and temporary employees

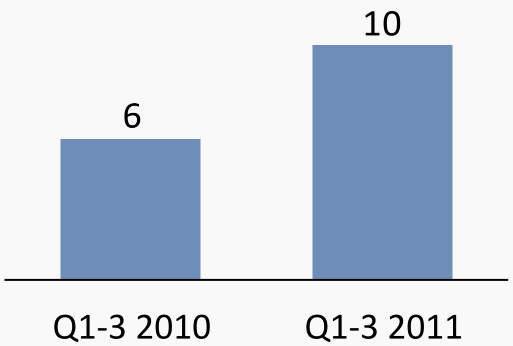
© Rheinmetall 2011

Capturing the growth opportunities in India

Sales Joint Venture Shriram* *in € million*



Sales KSPG Automotive India *in € million*



Key highlights

1. **JV with Shriram** (20 % stake) benefits from market growth (since 2005)
2. Set-up of own production facility for pumps and EGR valves in Pune (since 2009)
3. **Acquisition of Kirloskar Bearings business**:
   - Included in group figures from October 1, 2011 onwards
   - Sales: roughly € 20 million (2010)
   - Production already integrated in Pierburg plant in Pune

Employees: 692
3 plants

* Rheinmetall Automotive owns 20 % of the JV (consolidated at equity)

© Rheinmetall 2011

Headcount with a high degree of flexibility and significant increase in low-cost countries

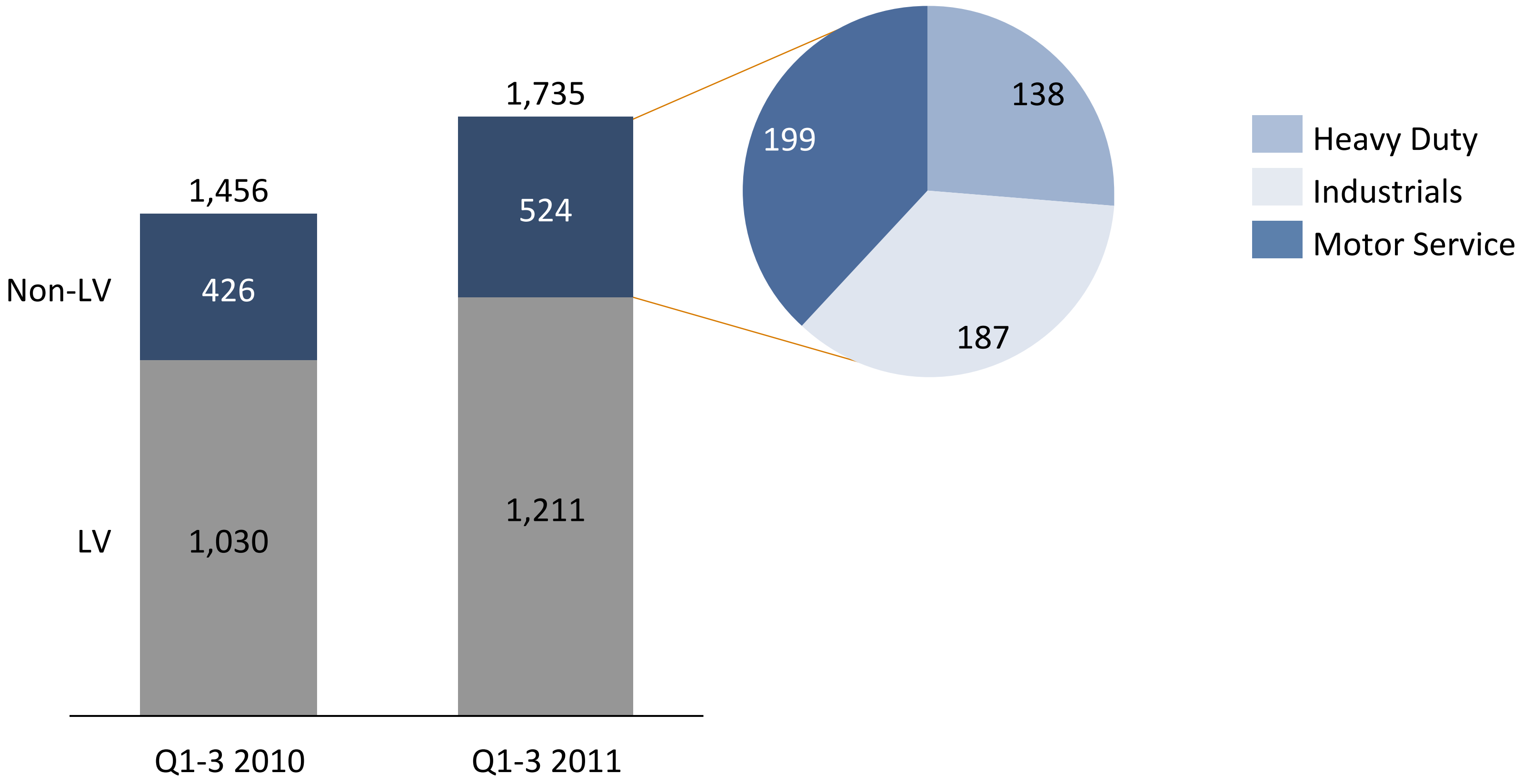
Sales in € million **Headcount** in persons	**2007**	**2009**	**2011e**
Sales	2,249	1,522	2,300
Headcount	11,895	10,339	11,785
thereof: High-cost countries	8,755	7,694	7,767
thereof: Low-cost countries	3,140	2,645	4,018
Temporary staff	474	205	950

- Currently 3,457 employees in China on top.

© Rheinmetall 2011

Non-LV business with remarkable growth

Non-LV business Q1-3 2011 compared to Q1-3 2010 *in € million*



© Rheinmetall 2011

Market growth Powertrain
Key driver: Emission reduction

CLEAN

Strong growth through tightened emission regulations

EGR valve

EGR cooler

Double EGR cooler high/low pressure

EURO 4	EURO 5	EURO 6
2005	**2010**	**2015**

- Emerging countries will follow with a lag of 5 to 10 years

Products for truck business will follow

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

© Rheinmetall 2011

Market growth Powertrain
Key driver: CO_2 reduction

LEAN

Substantial reduction of fuel consumption and therefore CO_2 emissions

Downsizing/Turbocharging

- Ring carrier pistons
- High-performance bearings
- Solenoid valves
- Wastegate actuators
- Emission control for gasoline engines (CLEAN)

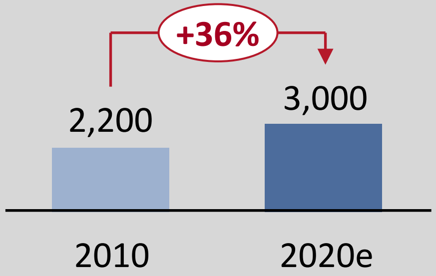
Hybridization

- Electric water pumps
- Electric vacuum pumps

- Legal framework for CO_2 fleet emissions
- CO_2 penalties

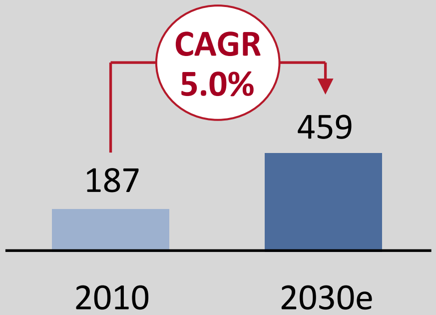
CLEAN & LEAN

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



Source: Roland Berger (2010/2011)

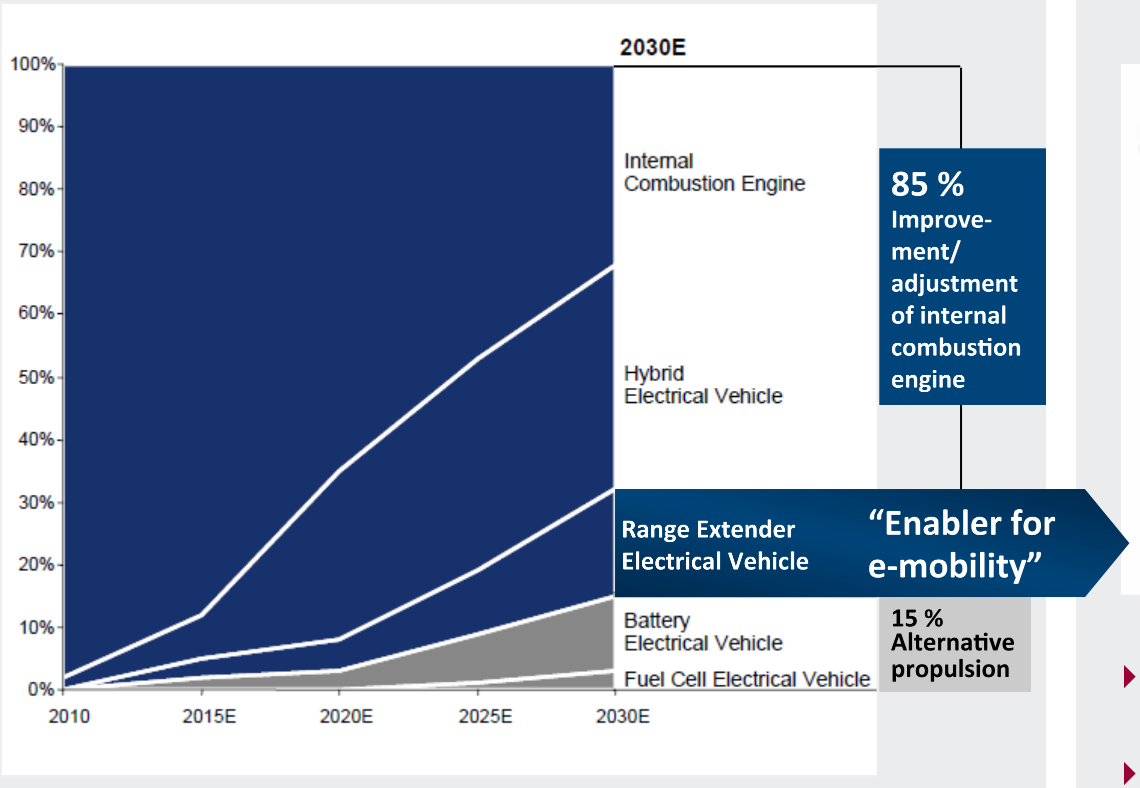
Global powertrain revenues *in € billion*



Source: McKinsey (2011)

© Rheinmetall 2011

KSPG Range Extender: First presentation at IAA 2011



Source: McKinsey

- Internal combustion engine generates additional energy for ~ 400 km
- CO_2 reduction potential 80 %
- Reduces battery weight and costs
- Compact design: size of a spare wheel

© Rheinmetall 2011

Outlook

Updating outlook 2011

2011			Sales € billion			EBIT € million
	Outlook Q1	Outlook Q2	Updated outlook Q3	Outlook Q1	Outlook Q2	Updated outlook Q3
Group	4.3	4.4 - 4.5	4.4	330 - 360	350 - 370	340 - 360
Defence	2.2	2.2	2.1	230 - 250	230 - 250	220 - 230
Automotive	2.1	2.2 - 2.3	2.3	110 - 130	130 - 150	140 - 150

 © Rheinmetall 2011

Appendix

Cash flow Defence

Defence € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)
Net income	**83**	**69**	**- 14**
Amortization / depreciation	41	57	+ 16
Change in pension accruals	1	- 3	- 4
Cash flow	**125**	**123**	**- 2**
Changes in working capital and other items	- 429	- 384	+ 45
Net cash used in operating activities	**- 304**	**- 261**	**+ 43**
Cash outflow for additions to tangible and intangible assets	- 52	- 57	- 5
Free cash flow from operations	**- 356**	**- 318**	**+ 38**

© Rheinmetall 2011

Cash flow Automotive

Automotive € million	Q1-3 2010	Q1-3 2011	Δ Q1-3 (2011/2010)
Net income	**36**	**76**	**+ 40**
Amortization / depreciation	72	76	+ 4
Change in pension accruals	- 3	- 5	- 2
Cash flow	**105**	**147**	**+ 42**
Changes in working capital and other items	- 107	- 137	- 30
Net cash used in operating activities	**- 2**	**10**	**+ 12**
Cash outflow for additions to tangible and intangible assets	- 65	- 74	- 9
Free cash flow from operations	**- 67**	**- 64**	**+ 3**

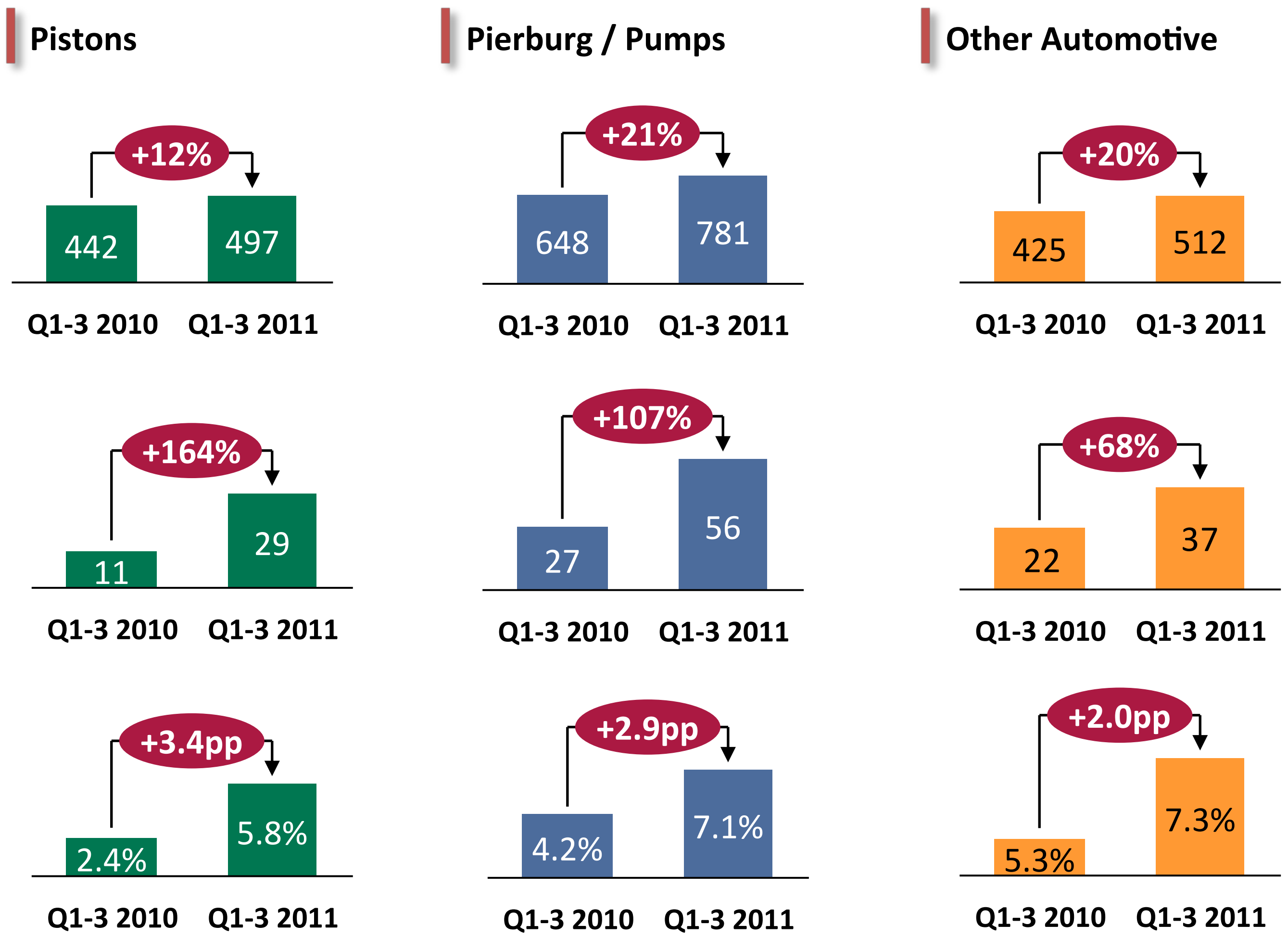
© Rheinmetall 2011

Automotive: Strong increase in sales and profitability

Sales
Q1-3 2011:
€ 1,735 million

EBIT
Q1-3 2011:
€ 115 million

EBIT margin
Q1-3 2011:
6.6 %



Disclaimer

This presentation contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to Rheinmetall’s financial condition, results of operations and businesses and certain of Rheinmetall’s plans and objectives. These forward-looking statements reflect the current views of Rheinmetall’s management with respect to future events. In particular, such forward-looking statements include the financial guidance contained in the outlook for 2011.

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.

All written or oral forward-looking statements attributable to Rheinmetall or any group company of Rheinmetall or any persons acting on their behalf contained in or made in connection with this presentation are expressly qualified in their entirety by factors of the kind referred to above. No assurances can be given that the forward-looking statements in this presentation will be realized. Except as otherwise stated herein and as may be required to comply with applicable law and regulations, Rheinmetall does not intend to update these forward-looking statements and does not undertake any obligation to do so.
This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire or dispose of securities in Rheinmetall AG or any of its direct or indirect subsidiaries.

© Rheinmetall 2011