



Corporate Presentation, January 2012

**International Technology Group
for Defence and Automotive**



Rheinmetall Group: Leading positions in Defence and Automotive

Rheinmetall AG

Sales: € 4.4 billion

Employees: 21,500

Rheinmetall Defence



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

Sales: € 2.1 billion

Employees: 10,000

Rheinmetall Automotive



**Leading technology supplier
in powertrain**

Sales: € 2.3 billion

Employees: 11,500

Please note: sales figures according to the latest outlook for FY 2011, employees estimated for FY 2011



Key messages in the fiscal year 2011

- ▶ Strong **sales increase** in Automotive and **solid growth** in Defence
- ▶ **Group results again significantly better** than in the previous year
- ▶ **Full year group outlook** as of Q3 2011 is confirmed
- ▶ **Stable balance sheet** with high equity ratio and a **financing framework in place until 2016** through successfully renewed syndicated loan of € 500 million in December 2011
- ▶ Rheinmetall regards the **preconditions for an IPO** of its Automotive division as **currently not fulfilled** due to high instability in the capital markets



Outlook 2011 as of Q3

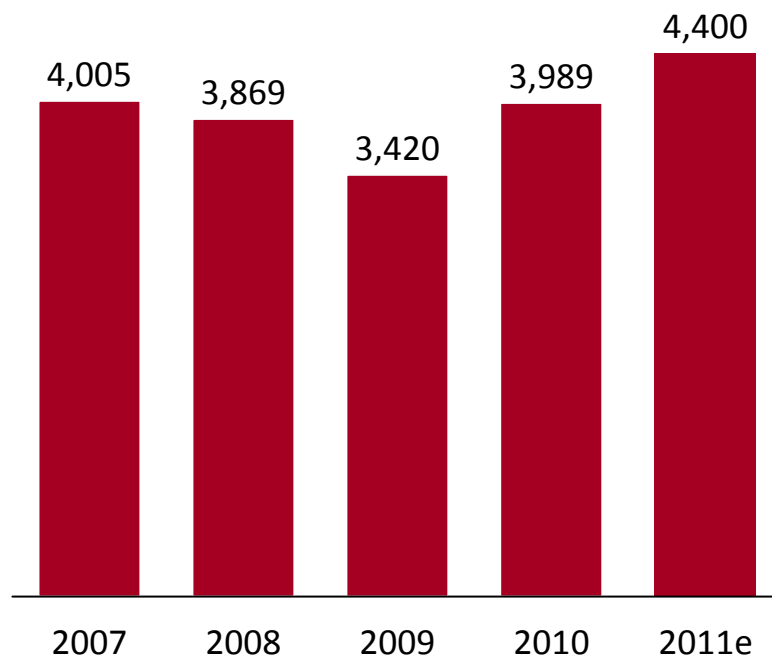
On track to achieve the guided figures

	Sales <i>in € billion</i>		EBIT <i>in € million</i>	
	FY 2010	Outlook 2011	FY 2010	Outlook 2011
Group	4.0	4.4	297	340 - 360
thereof: Defence	2.0	2.1	234	220 - 230
thereof: Automotive	2.0	2.3	81	140 - 150

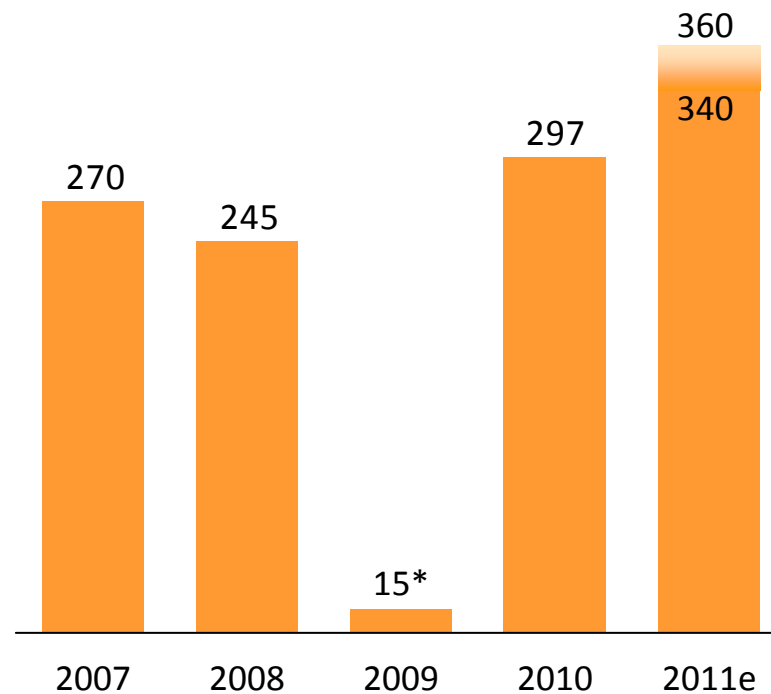


Sales and EBIT at another new record level

Sales Group in € million



EBIT Group in € million



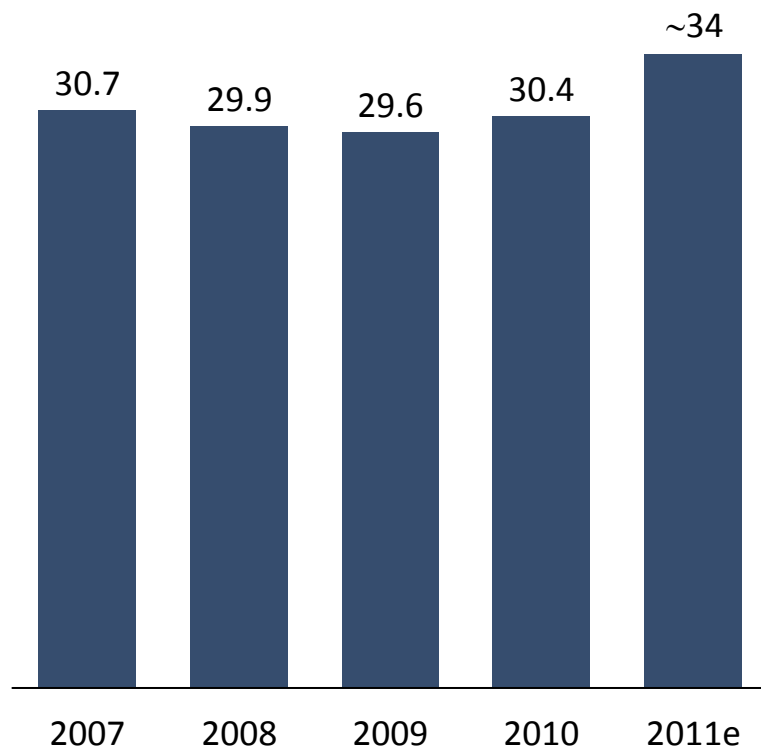
* € 138 million restructuring costs deducted



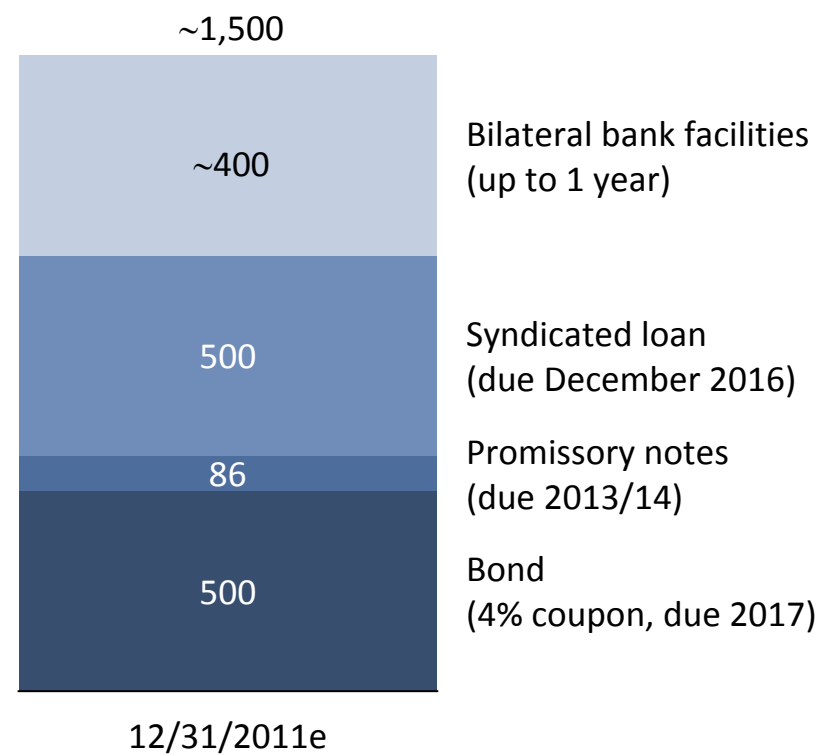
Strong balance sheet

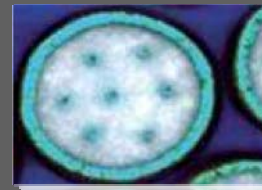
Solid basis for operative challenges and strategic development

Equity in % of total assets



Cash credit facilities in € million





Rheinmetall Defence



Rheinmetall Defence

Leading system house for international land forces



Rheinmetall MAN Military Vehicles

Wheeled vehicles

Military trucks

Combat Systems

Combat platforms (Tracked vehicles,
weapon and munitions)

Infantry systems

Protection systems

Propulsion systems

Electronic Solutions

Air defence systems

Command & control/
Reconnaissance systems

Electro-optical components

Simulation and training



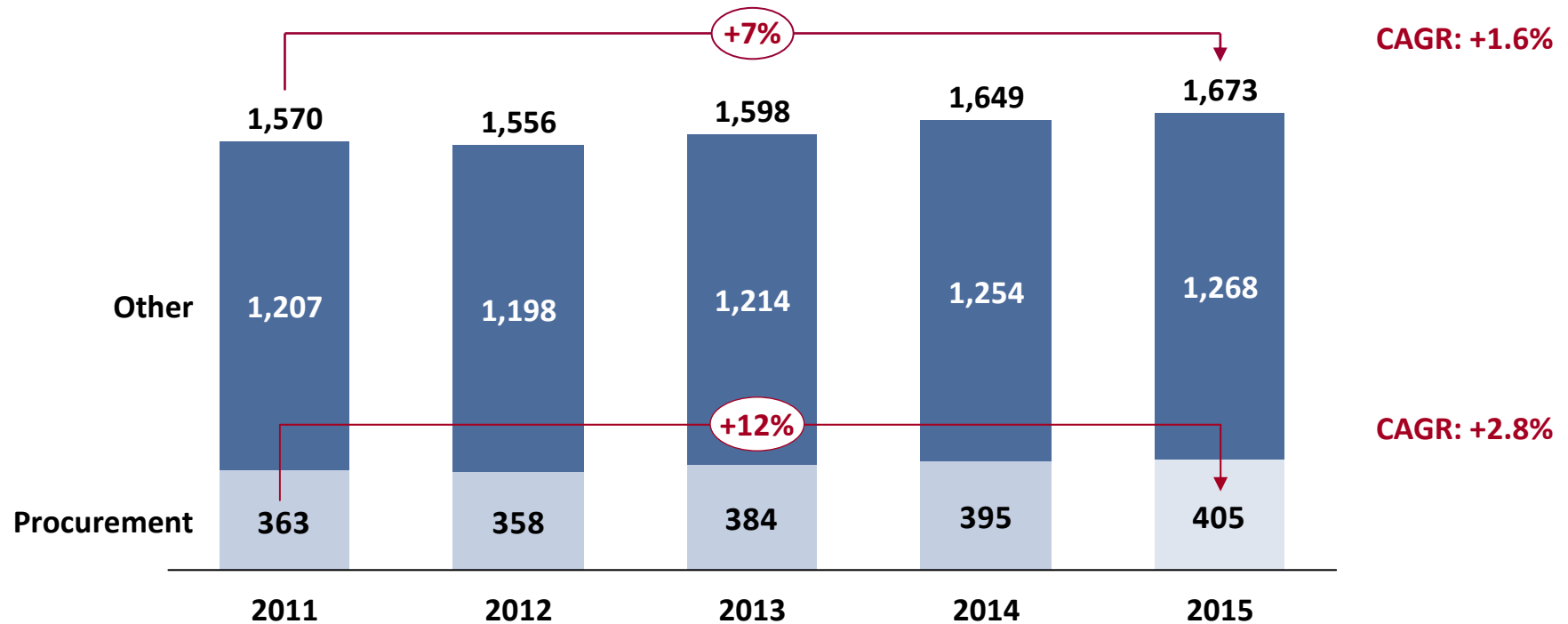
Top priorities on the Defence agenda

- ▶ Expanding the product and service portfolio, that **lowers dependency on budget cuts**, e.g. protection systems
- ▶ **Strictly managing our resources** in order to keep profitability high despite potential austerity measures
- ▶ Ensuring top-line growth by smart acquisitions and **further international engagement**, in particular outside of Europe
- ▶ **Marketing the new and innovative key products** that are at the beginning of their life cycle
- ▶ **Increasing the profitability** of military truck business



Defence growth will continue midterm... ...but less dynamically than in the last decade

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

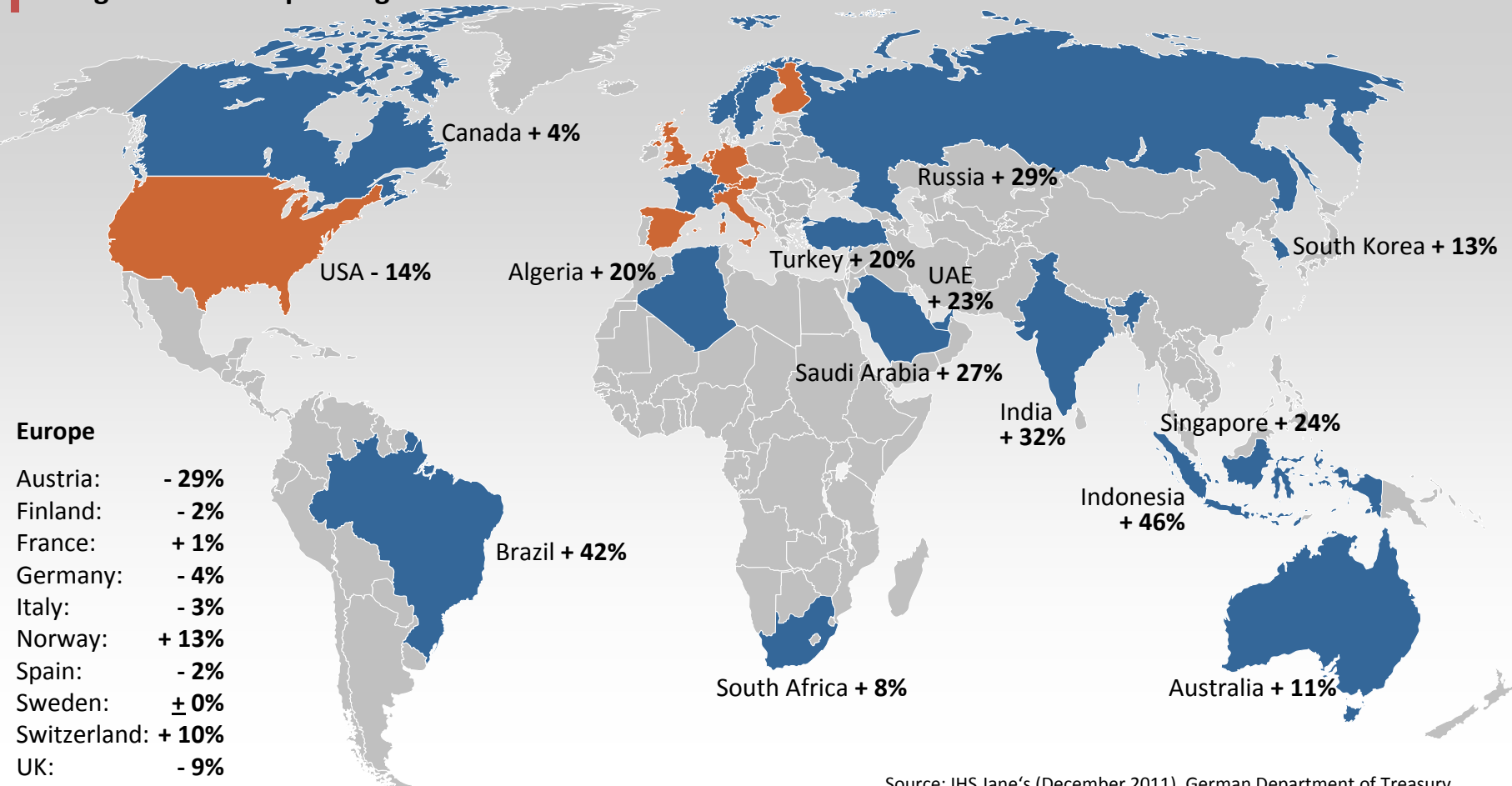


Source: IHS Jane's (December 2011)



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

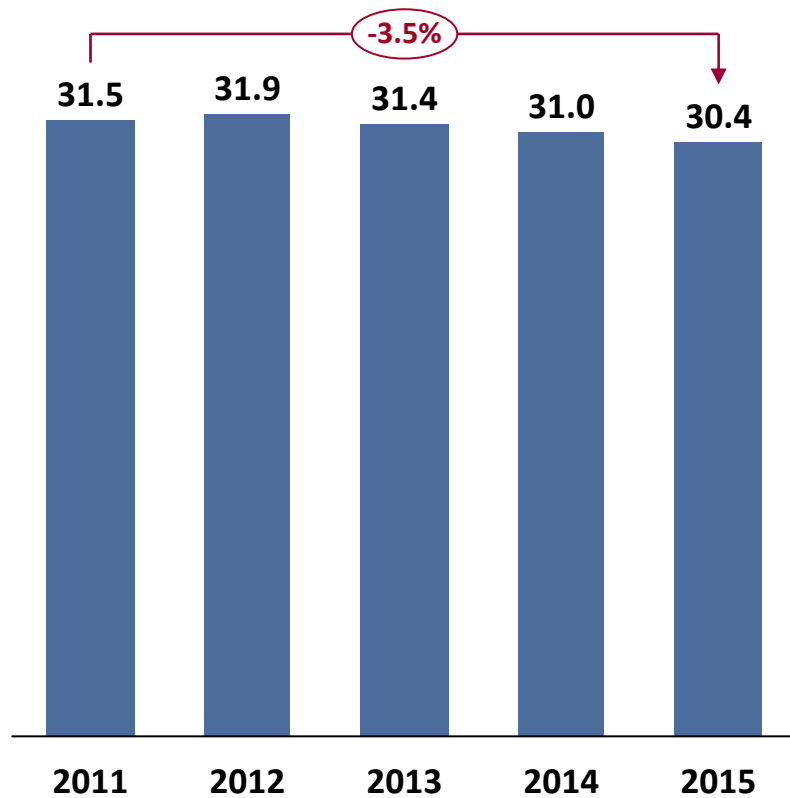


Source: IHS Jane's (December 2011), German Department of Treasury

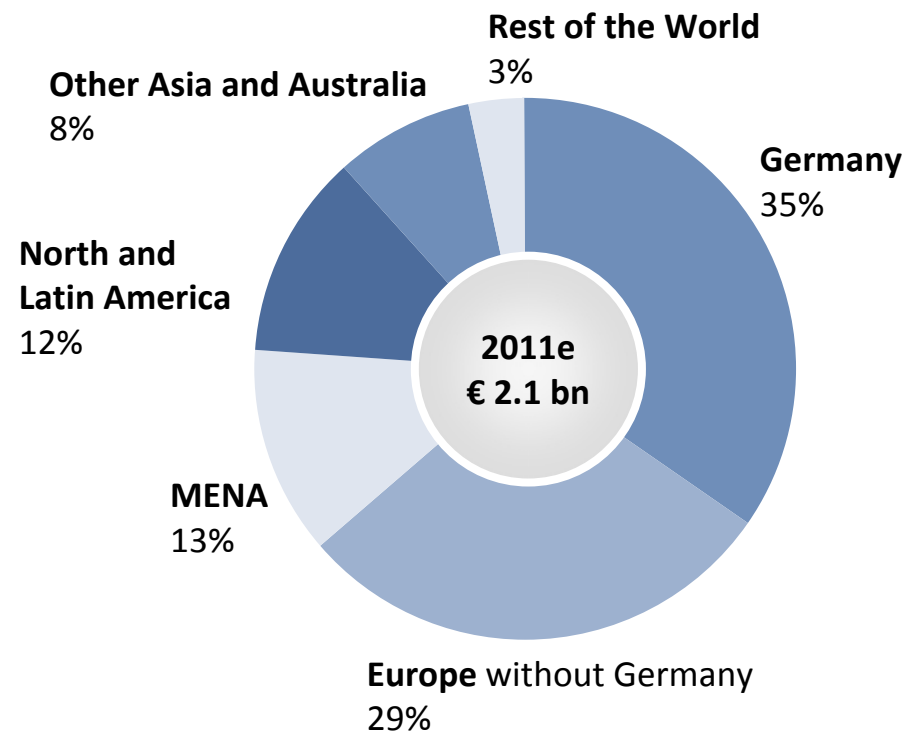


German defence budget will remain almost stable Rheinmetall's home market currently generates one third of sales

German defence budget 2011-2015 in € billion



Split of expected Rheinmetall Defence sales 2011



Source: German Department of Defence/German Department of Treasury

MENA = Middle East and Northern Africa



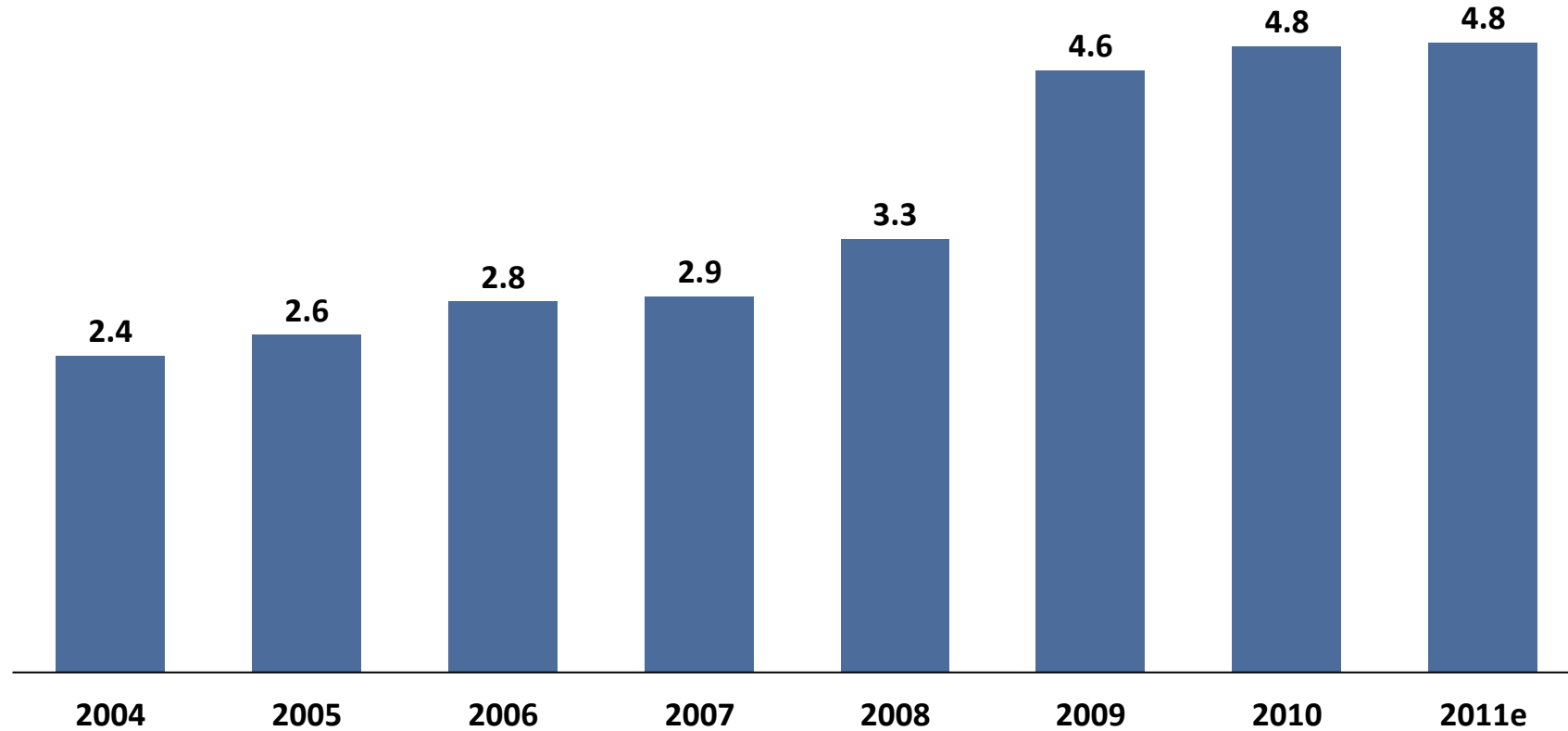
Defence budget cuts are challenging our business, but...

- ▶ ...the order backlog of close to € 5 billion provides **high visibility of sales** in the upcoming years
- ▶ ...Rheinmetall has received large orders in international markets and is pushing forward for **further internationalization to diversify market risks**
- ▶ ...selected acquisitions speed up the **entry into new markets** with growing budgets
- ▶ ...costs have been prudently managed in order to secure **high flexibility and profitability**
- ▶ ...procurement cuts are **more likely outside of Rheinmetall's business portfolio**



Order backlog has doubled since 2004

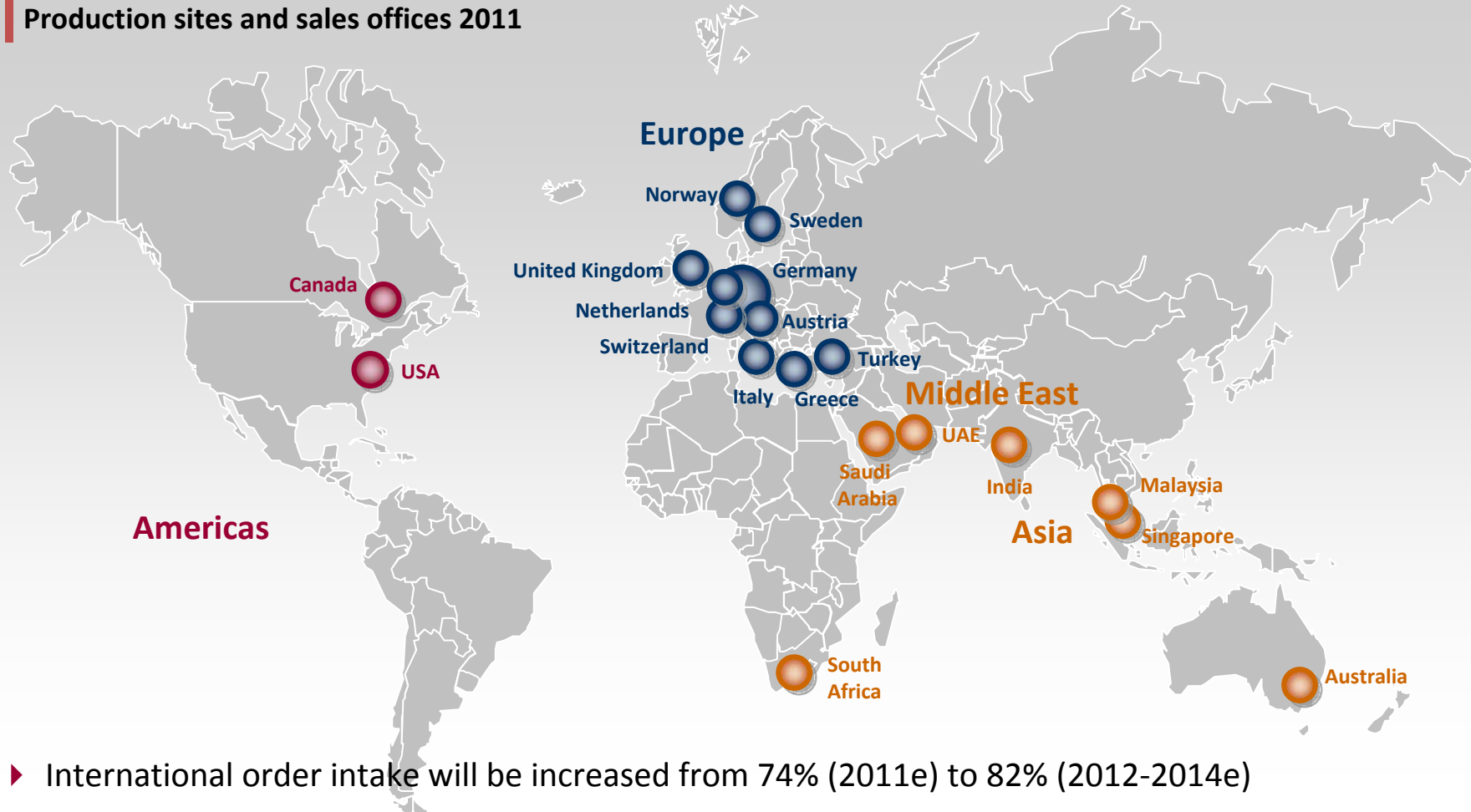
Order backlog 2004-2011 in € billion





Strong position in established markets, high potential in new markets
Rheinmetall pursues a strategy of consequent internationalization

Production sites and sales offices 2011



- ▶ International order intake will be increased from 74% (2011e) to 82% (2012-2014e)



Successful entry into new international markets in 2011

Protected vehicles for Algeria, simulation and training for Russia



Fox vehicles for Algeria

- ▶ Delivery of 54 Fox vehicles produced in Germany, volume > € 150 million, booked in 2011
- ▶ Qualifying Algerian workers to skilled production employees (contract in negotiation)
- ▶ Delivery of Fox vehicle kits for local production plus license fees (contracts in negotiation)
- ▶ Expected total volume > € 1 billion over the next 10 years



Combat Training Centers for Russia

- ▶ Contract about one Combat Training Center
- ▶ Volume > € 100 million, booked in 2011
- ▶ Interested in further centers, potential volume: > € 500 million
- ▶ Russian interest in other Rheinmetall products, e.g. protection systems



Opportunities for further organic growth Marketing new and innovative key products



Multi-role armored vehicle Boxer

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



C-RAM (MANTIS)

- ▶ Final shooting approval in February 2012
- ▶ Additional systems for German army
- ▶ International marketing started



Infantry fighting vehicle Puma

- ▶ First vehicles delivered to German forces
- ▶ Slight reduction of order volume in negotiation
- ▶ Long-term export opportunities due to highest technological standards and modular construction



Future soldier system (IdZ 2)

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



Ongoing enlargement of protection business One of the key drivers in defence markets



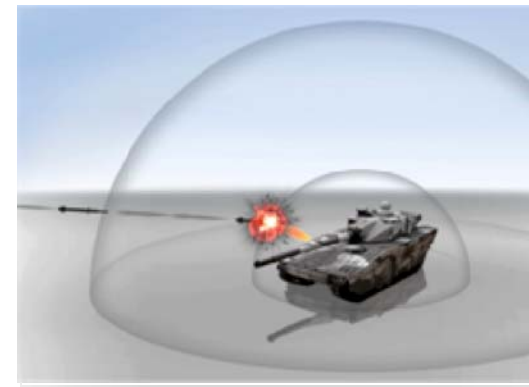
Protection by softkill

- ▶ 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)



Rheinmetall MAN Military Vehicles A new joint venture of strategic importance



- ▶ Closing of the final step in the set-up of the joint venture on January 1, 2012: Integration of the **production sites Kassel and Vienna**
- ▶ **Down-selection in Australian tender** in December 2011 (up to 2,700 vehicles)
- ▶ **Improvement of profitability** is one of the main targets on the Defence agenda
 - Cost saving programs within the business unit Military trucks
 - Operative excellence in the ramp-up of Fox Algeria and Boxer
 - Realizing synergetic effects



Rheinmetall Automotive



Rheinmetall Automotive with two brands Kolbenschmidt and Pierburg Products for powertrain and engines



Hardparts

Pistons for automotive and industrial applications

Bearings for automotive and industrial applications

Engine blocks and cylinder heads

Mechatronics

Emission control and air management

Pumps for water, vacuum and oil

Motor Service

Automotive parts for engine repair and workshop

Original equipment services and special original equipment



Top priorities on the Automotive agenda

- ▶ **Growing stronger than the markets** with “clean” and “lean” products that are essential to meet the international emission and CO₂-regulation standards
- ▶ **Participating in dynamic market growth** in emerging countries: extending the business in China and India
- ▶ Strengthening profitability by **expanding the high-margin non-light vehicle business**
- ▶ Being **prepared for a possible economic downturn**: continuation of prudent cost management and maintaining high flexibility in staffing

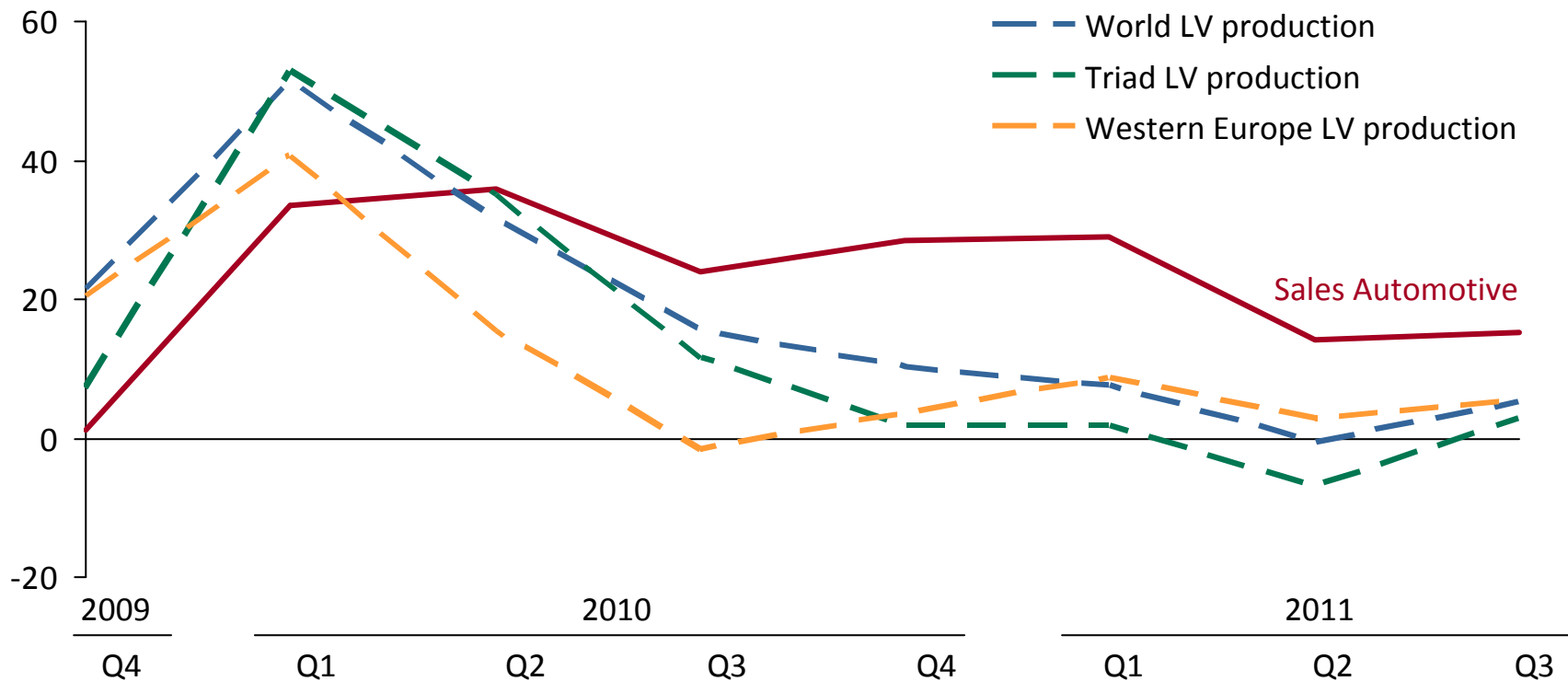


Product portfolio corresponding to global market trends

Main reason for outperforming the markets since the mid of 2010

Light vehicle (LV) production

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



Emission reduction as a key driver in powertrain market

Regulatory standards enforce exhaust gas recirculation technology

CLEAN

Strong growth through tightened emission regulations



EGR valve

EURO 4

2005



EGR cooler

EURO 5

2010



Double EGR cooler high/low pressure

EURO 6

2015

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



Products for truck business expected to follow

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



CO₂ reduction as a key driver in powertrain market

Turbocharging and hybridization increase demand for our products

LEAN Substantial reduction of fuel consumption and therefore CO₂ emissions

Downsizing/Turbocharging



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

Hybridization

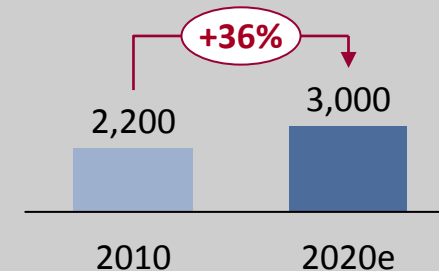


- ▶ Electric water pumps
- ▶ Electric vacuum pumps

- ▶ Legal framework for CO₂ fleet emissions
- ▶ CO₂ penalties

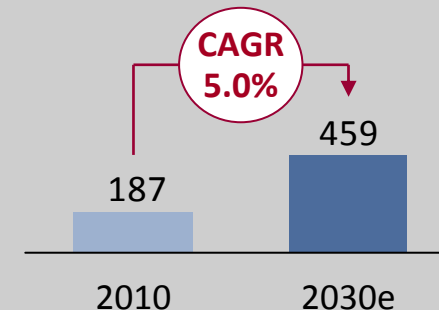
CLEAN & LEAN

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



Source: Roland Berger (2010/2011)

Global powertrain revenues *in € billion*



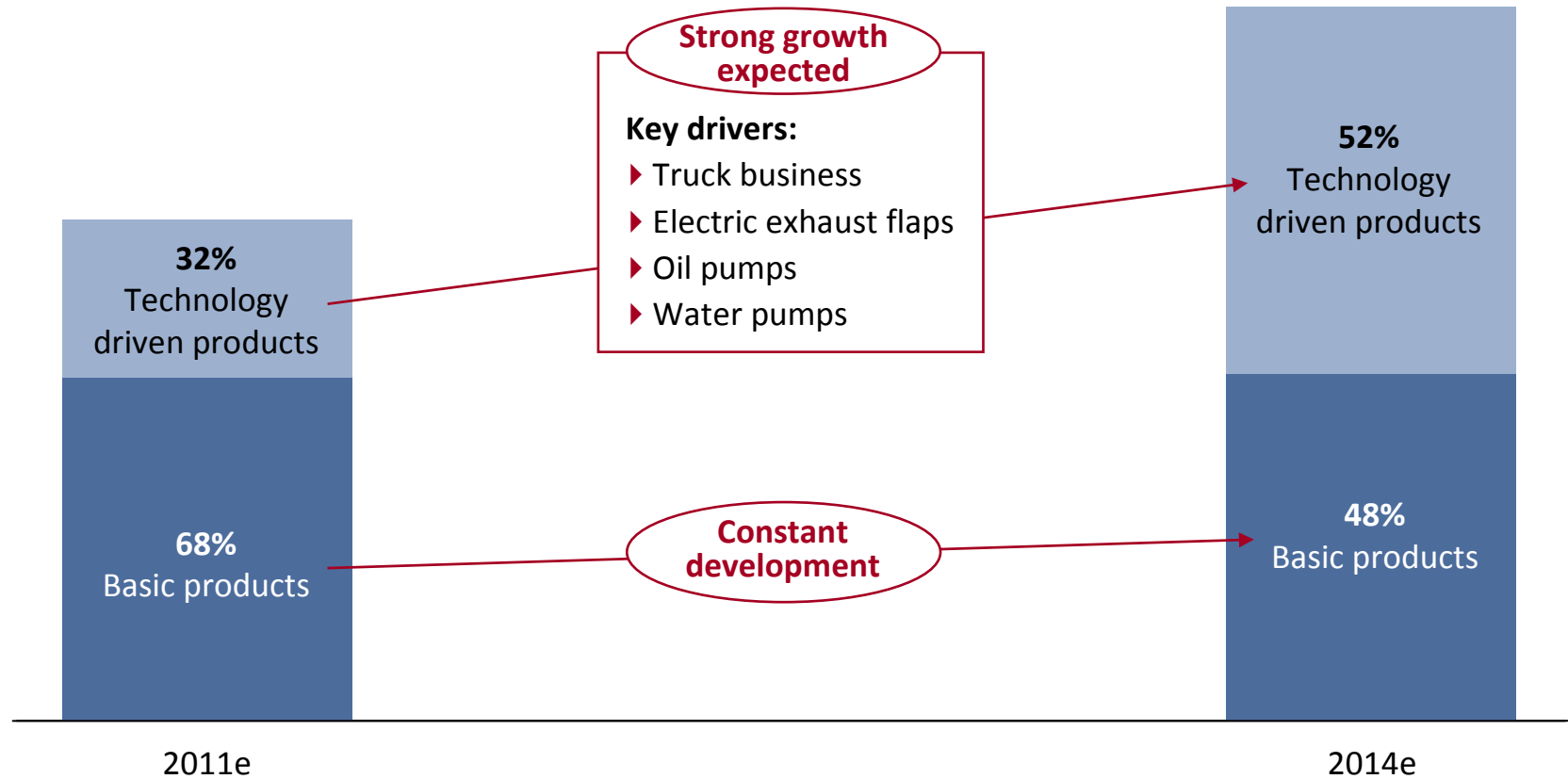
Source: McKinsey (2011)



Success of Rheinmetall's CLEAN & LEAN strategy

Strong growth expected based on technology driven products

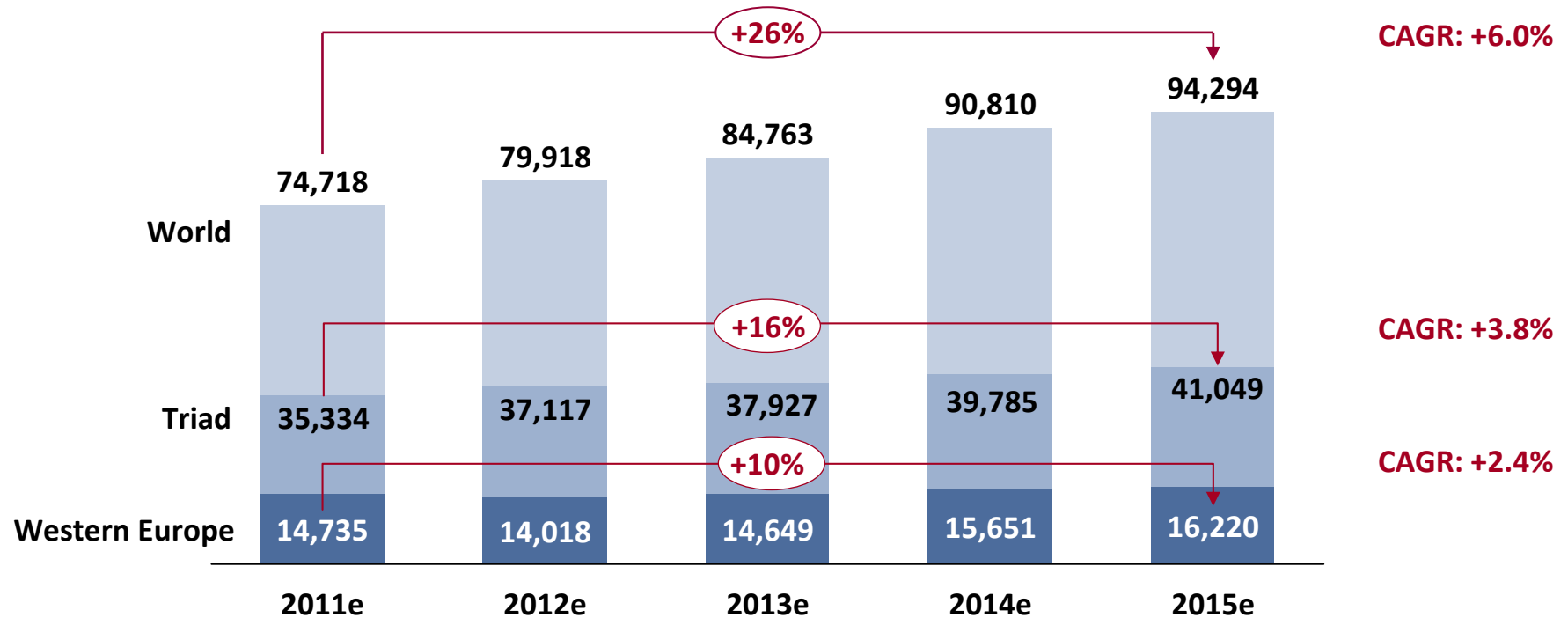
Share of sales





What are the expectations for automotive production figures? **Globally upwards, but slightly downwards in Western Europe this year**

Expected production of light vehicles by region *in thousand units*

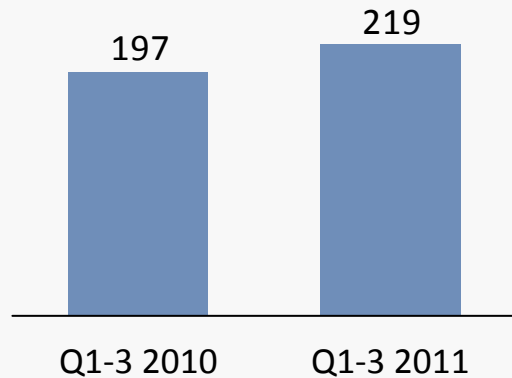


Source: IHS Automotive (December 2011)

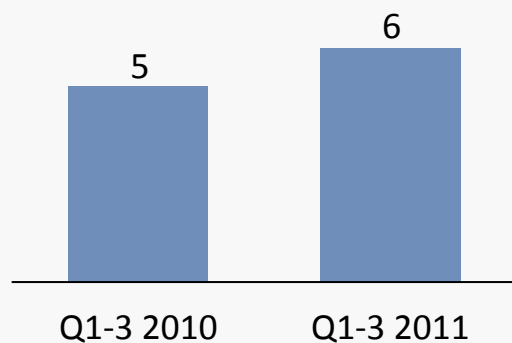


Dynamic markets: Capturing the growth opportunities in China Expanding the strong JV-business by own companies

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: 3,488***
10 plants

* Rheinmetall Automotive owns 50% of two JVs (consolidated at equity)

** Wholly foreign-owned enterprises

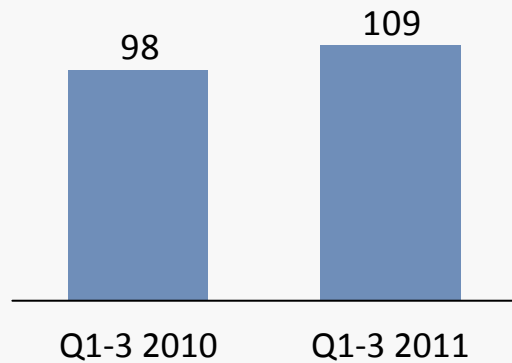
*** Including full and temporary employees as of 09/30/2011



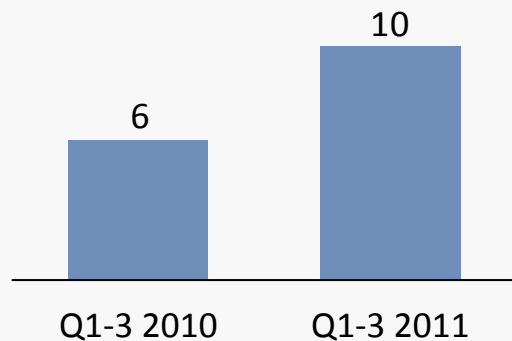
Dynamic markets: Capturing the growth opportunities in India

Set-up of a production facility and acquisition of bearings business

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: 611**
3 plants

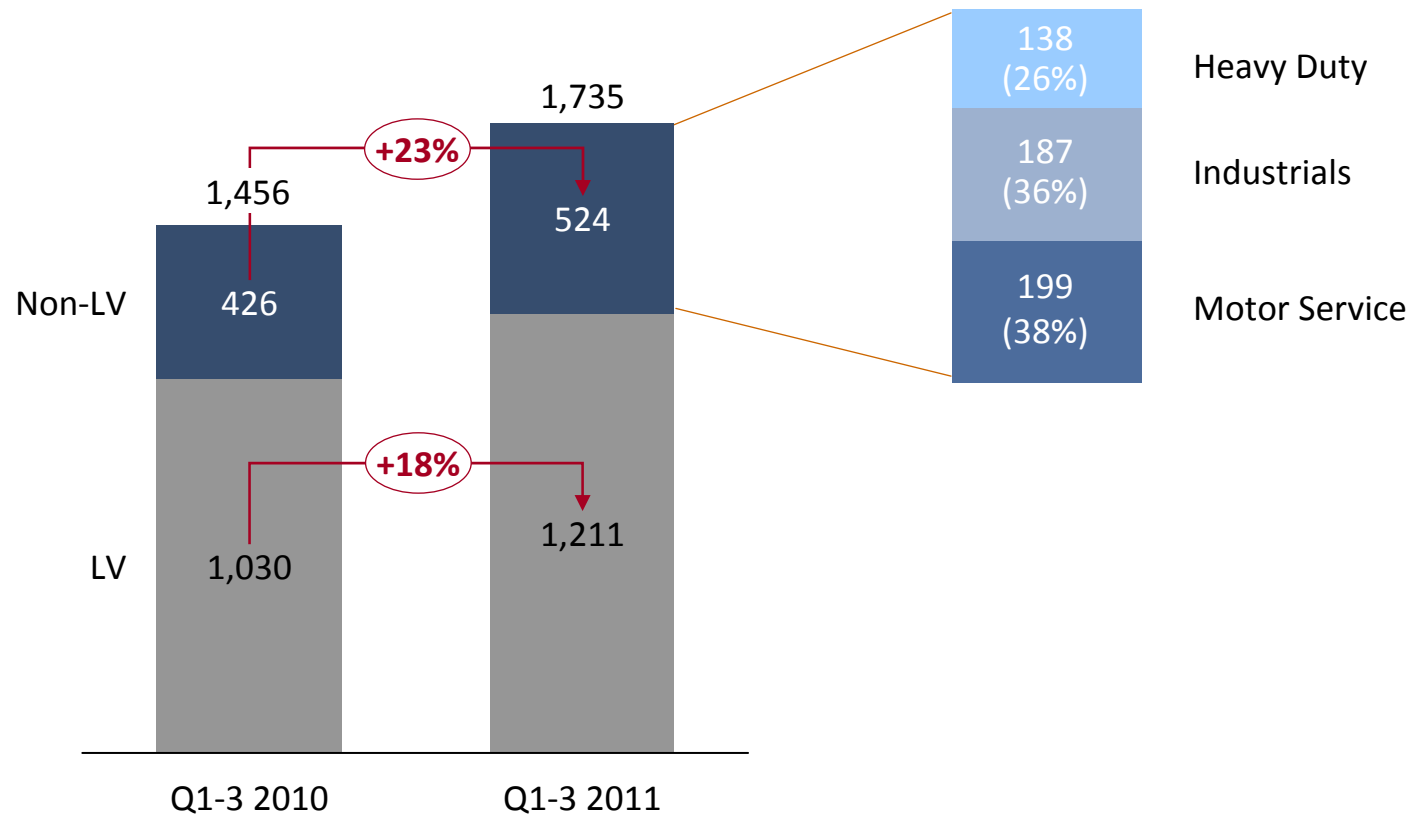
* Rheinmetall Automotive owns 20% of the JV (consolidated at equity)

** as of 11/30/2011



Risk diversification by extending the high-margin non-LV business

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



LV = Light Vehicles



Prepared for market downturns

Headcount with a high degree of flexibility

<i>Sales in € million</i>			
<i>Headcount (capacities) in persons</i>	2007	2009	2011e
Sales	2,249	1,522	2,300
Headcount	11,895	10,339	11,503
thereof: High-cost countries	8,755	7,694	7,972
thereof: Low-cost countries	3,140	2,645	3,531
Temporary staff	474	205	950

▶ 3,488 employees in China on top (as of 09/30/2011)



Objectives beyond staffing and personnel expenses

Rigid cost and pricing management

- ▶ Keeping capex strictly under control and **stabilizing capex ratio** sustainably at around 5%, coming from more than 7% in the past
- ▶ Fully **shifting light vehicle piston production** to low-cost countries: expiration in German facilities in 2014
- ▶ Increasing the proportion of high profitable **non-light vehicle piston business** from the current 43% to 50%
- ▶ **Improving price quality** by negotiations on price increases for low-margin products
- ▶ Continuing the **successful hedging policy for raw materials**



Summary: Investment highlights



Summary Rheinmetall Group

Investment highlights

Strong market positions

- Defence as a leading international system house for ground forces
- Automotive as a specialized provider of “clean” and “lean” innovations in powertrain technology

Clear management strategy and operative excellence

- Profitable growth driven by product innovations and further internationalization
- Continuously improving programs to achieve operative excellence and labor cost flexibility

Business targets

- Defence showing growth on a high earnings level and strong presence in international markets
- Automotive showing further top-line growth above market average driven by the mega-trends CO₂-reduction and emission control



Appendix



Consolidated income statement

€ million	2006	2007	2008	2009	2010
Sales	3,626	4,005	3,869	3,420	3,989
EBITDA	366	438	411	180	464
EBIT	215	270	245	15	297
EBIT margin (%)	5.9	6.7	6.3	0.4	7.4
Group net income	123	150	142	- 52	174
Earnings per share (€)	3.41	4.15	4.09	- 1.60	4.23
Dividend per share (€)	1.00	1.30	1.30	0.30	1.50
Amortization / depreciation	151	168	166	165	167
Employees (Dec. 31)	18,799	19,185	21,020	19,766	19,979



Consolidated balance sheet and consolidated cash flow statement

Consolidated balance sheet

€ million	2006	2007	2008	2009	2010
Total assets	3,389	3,448	3,612	3,835	4,460
Total equity	937	1,059	1,080	1,134	1,355
Net liquidity	- 205	- 236	- 205	+ 44	- 76
Pension accruals	519	522	577	610	677

Consolidated cash flow statement

€ million	2006	2007	2008	2009	2010
Cash Flow	308	352	308	120	344
Free operating cash flow	9	21	118	186	- 39



Defence – Segment report

€ million	2006	2007	2008	2009	2010
Sales	1,445	1,757	1,814	1,898	2,007
Order intake	1,696	1,804	1,723	3,153	1,977
Order backlog (Dec. 31)	2,819	2,868	3,307	4,590	4,772
EBITDA	147	211	237	263	297
Amortization / depreciation	36	51	43	48	63
EBIT	111	160	194	215	234
EBIT margin (%)	7.7	9.1	10.7	11.3	11.6
Capital expenditures	43	53	53	74	93
Employees (Dec. 31)	6,759	7,175	9,217	9,304	9,037



Automotive – Segment report

€ million	2006	2007	2008	2009	2010
Sales	2,181	2,249	2,055	1,522	1,982
EBITDA	226	237	184	- 70	183
Amortization / depreciation	113	117	123	117	102
EBIT	113	120	61	- 187	81
EBIT margin (%)	5.2	5.3	3.0	- 12.3	4.1
Capital expenditures	149	148	146	70	96
Employees (Dec. 31)	11,922	11,895	11,682	10,339	10,816



Financial Diary

March 21, 2012	Annual report 2011
May 11, 2012	Q1 2012
May 15, 2012	Annual General Meeting
August 10, 2012	Q2 2012



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