



RHEINMETALL AG

THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Conference Call Q1 2015

Düsseldorf | May 7, 2015



Highlights Q1 2015

Order backlog at record level, improved cash flow and outlook confirmed

+ 7%

— **Order backlog raised** to more than EUR 7 billion

+ 14%

— **Sales higher** by EUR 142 million

+ 2.0pp

— Operational earnings up to EUR 22 million,
EBIT margin positive at 1.9%

+ 56%

— **Free cash flow from operations improved**
by EUR 264 million to EUR -204 million



— **Outlook confirmed**



Key figures Q1 2015

<i>in EUR million</i>	Q1 2014	Q1 2015	Δ Q1 2015 / Q1 2014	
Sales	1,031	1,173	+ 142	+ 14%
Operational earnings	0	22	+ 22	
Special items: one-offs, restructuring costs	- 1	0	+ 1	+ 100%
EBIT (reported)	- 1	22	+ 23	
EBIT margin <i>in %</i>	- 0.1	1.9	+ 2.0pp	
EBT	- 17	6	+ 23	+ 135%
Group net income	- 13	5	+ 18	+ 139%
Earnings per share <i>in EUR</i>	- 0.19	0.20	+ 0.39	+ 205%
Employees (March 31)	20,374	20,442	+ 68	+ 0%

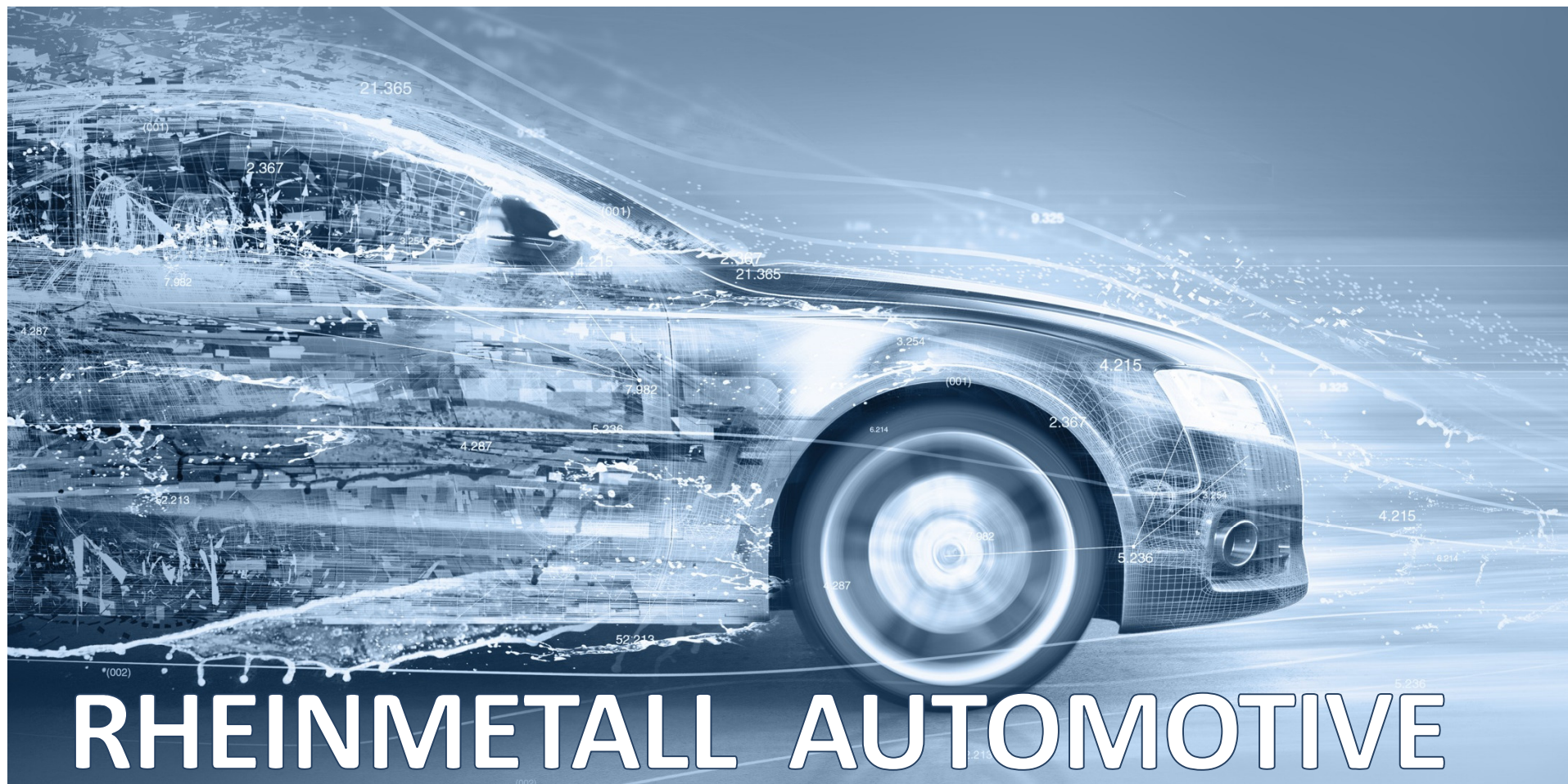
Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“



Cash flow statement

<i>in EUR million</i>	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Δ Q1 2015/2014
Group net income	- 13	7	- 14	41	5	+ 18
Amortization / depreciation	48	52	49	59	49	+ 1
Change in pension accruals	- 2	0	1	- 2	0	+ 2
Cash flow	33	59	36	98	54	+ 21
Changes in working capital and other items	- 436	- 95	70	337	- 202	+ 234
Net cash used in operating activities	- 403	- 36	106	435	- 148	+ 255
Cash outflow for additions to tangible and intangible assets	- 65	- 47	- 52	- 120	- 56	+98
Free cash flow from operations	- 468	- 83	54	315	- 204	+ 264

Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“





Highlights Q1 2015

Solid sales growth, enhanced profitability and new global alliance

+ 8%

— Sales up by EUR 47 million, outperforming global markets (+ 1%)

+ 20%

— Operational earnings increased to EUR 55 million

+ 0.8pp

— EBIT margin at 8.3%

+ 46%

— Sales growth of Chinese entities substantially above market level

NEW

— Global alliance with Riken Corporation (Japan)



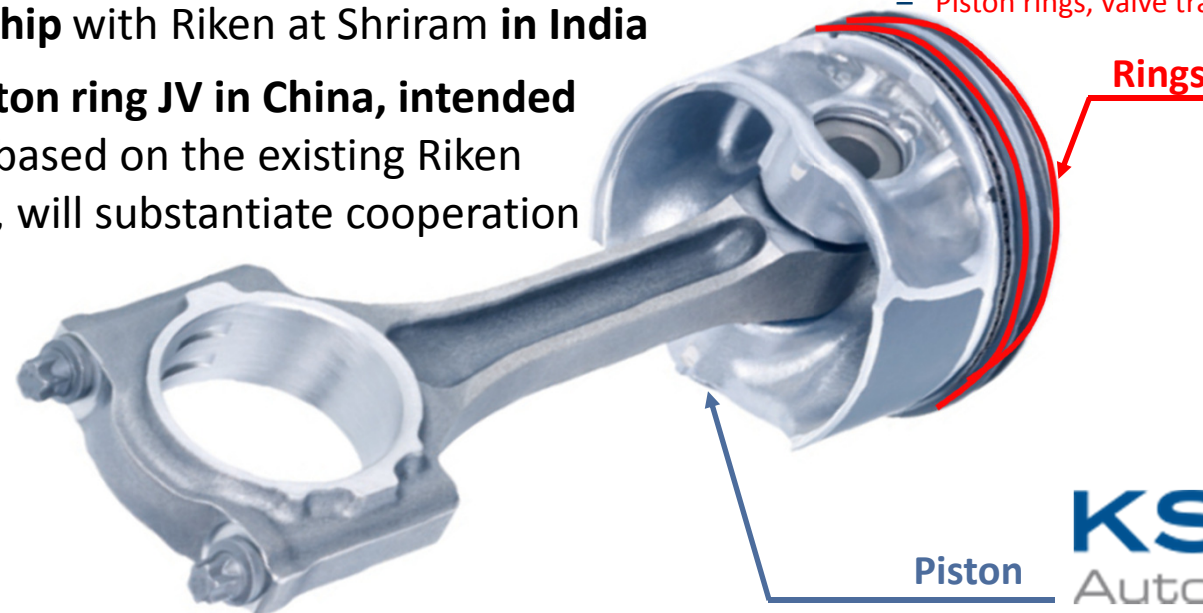
Global alliance with Riken Strengthening the competitive position in the pistons business

- **Global strategic alliance** for sales, engineering and the development of piston modules
- Target: **Strengthening competitiveness** and **safeguarding present leading position** in important markets, e.g. China
- **Existing partnership** with Riken at Shriram in India
- **Formation of piston ring JV in China, intended** for H2 2015 and based on the existing Riken facility in Wuhan, will substantiate cooperation

RIKEN
RIKEN CORPORATION

- Tokyo stock-listed
- Sales 2014: ~ EUR 700 million
- Leading technologies for light and commercial vehicles and for industrial applications
- Piston rings, valve train components

Piston module



KSPG
Automotive



Key figures Q1 2015

<i>in EUR million</i>	Q1 2014	Q1 2015	Δ Q1 2015 / Q1 2014	
Order intake	633	689	+ 56	+ 9%
Order backlog (March 31)	410	441	+ 31	+ 8%
Sales	617	664	+ 47	+ 8%
Operational earnings	46	55	+ 9	+ 20%
Special items: one-offs, restructuring costs	0	0	± 0	± 0%
EBIT (reported)	46	55	+ 9	+ 20%
EBIT margin <i>in %</i>	7.5	8.3	+ 0.8pp	
Free cash flow from operations	-76	-26	+50	
Employees (March 31)	10,990	10,932	- 58	- 1%

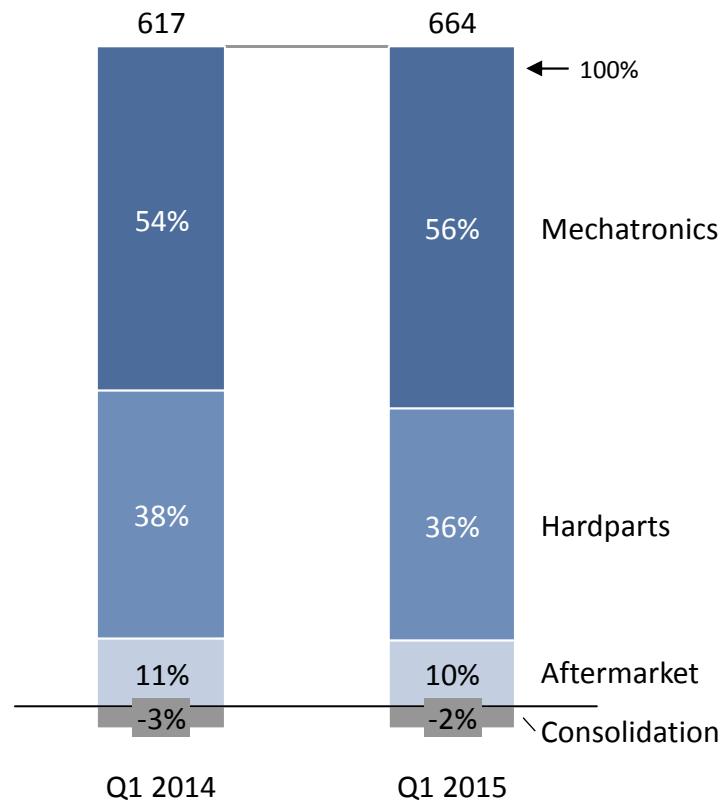
Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“



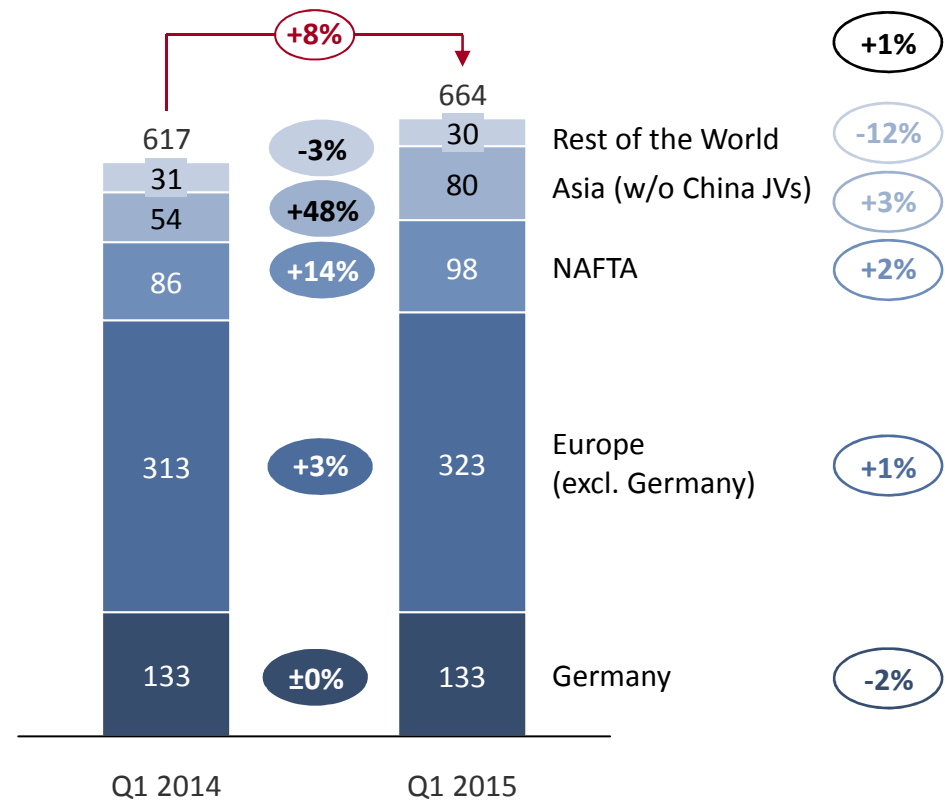
Growth story of Mechatronics continues

Strong top line increase outside of Europe

Sales by division in EUR million



Sales by region in EUR million



Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“

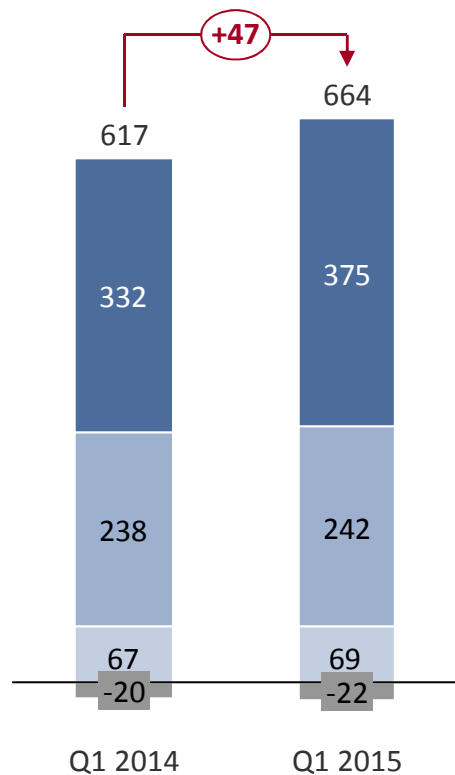
* Q1 2015 vs. Q1 2014, source: IHS Automotive (April 2015)



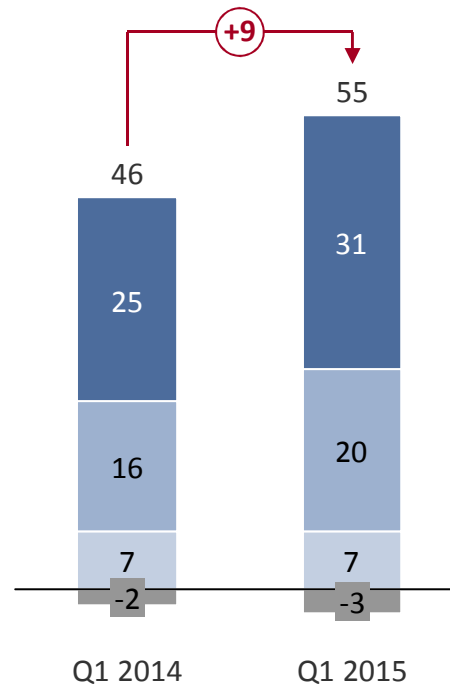
Sales growth outperforming global markets

EBIT margin at 8.3%

Sales Automotive in EUR million



Operational earnings Automotive in EUR million



Reasons for earnings development

- Mechatronics**
 - Higher sales
- Hardparts**
 - Increasing earnings contribution of Chinese JVs
 - Break-even of large-bore piston subsidiary in China
 - At-equity results of new castings JV (former ATAG) for the first time
- Aftermarket**
 - Slight sales increase

■ Mechatronics ■ Aftermarket
■ Hardparts ■ Consolidation

Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“



China: LV production continues to grow on high level Excellent performance of Chinese entities

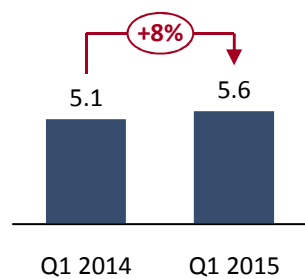
LATEST DEVELOPMENT

- **New production site for pistons planned**
 - Covering strong demand of Chinese OEMs
 - Start of production scheduled for early 2016
- **Break-even of WFOEs*** with solid earnings contribution
- **JVs continuing on growth track**

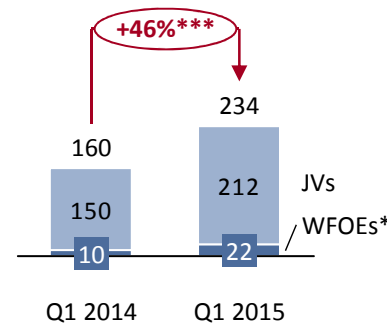


Q1 FIGURES

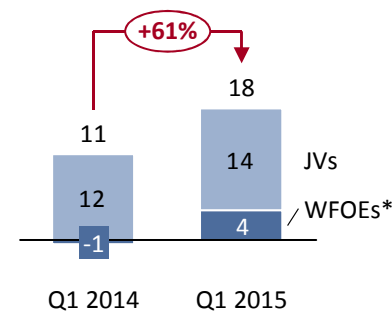
LV production
in million units



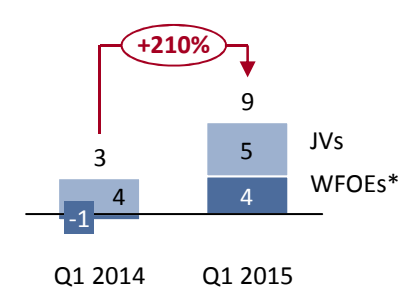
Sales** in EUR million



EBIT** in EUR million



Earnings contribution
in EUR million



* WFOE = Wholly Foreign-Owned Enterprise

** Including 100% figures of the 50/50 joint ventures, consolidated at equity

*** FX-adjusted + 23%



RHEINMETALL DEFENCE



Highlights Q1 2015

Book-to-bill ratio above 1, top line growth and improved earnings

> 1

— **Solid book-to-bill ratio** above 1

+ 7%

— **Order backlog increased** to more than EUR 6.6 billion

+ 23%

— **Sales up** by EUR 95 million

+ 33%

— **Operational earnings improved** by EUR 14 million,
but still loss reported



Key figures Q1 2015

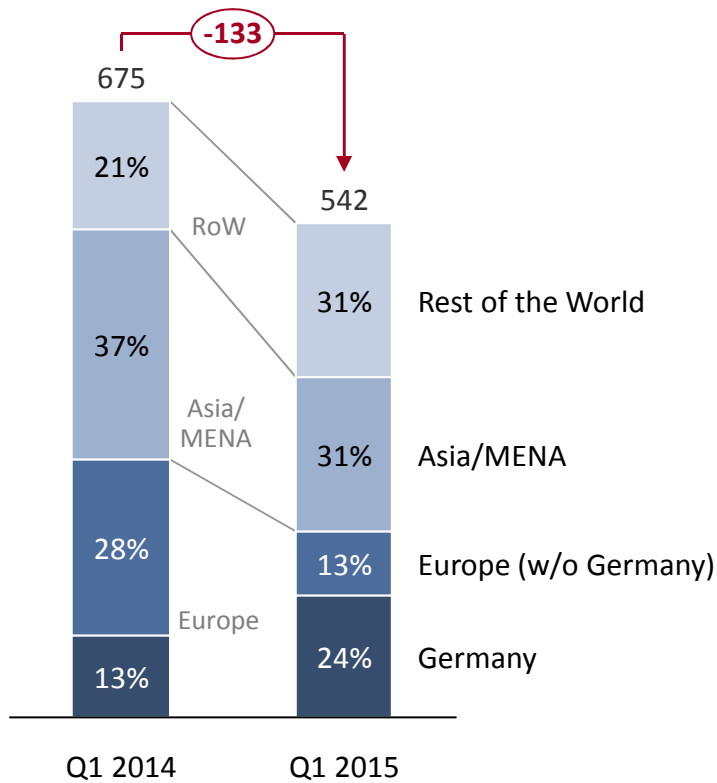
<i>in EUR million</i>	Q1 2014	Q1 2015	Δ Q1 2015 / Q1 2014	
Order intake	675	542	- 133	- 20%
Order backlog (March 31)	6,224	6,629	+ 405	+ 7%
Sales	414	509	+ 95	+ 23%
Operational earnings	- 42	- 28	+ 14	+ 33%
Special items: one-offs, restructuring costs	- 1	0	+ 1	+ 100%
EBIT (reported)	- 43	- 28	+ 15	+ 35%
EBIT margin <i>in %</i>	- 10.4	- 5.5	+ 4.9pp	
Free cash flow from operations	- 368	- 168	+ 200	
Employees (March 31)	9,242	9,359	+ 117	+ 1%



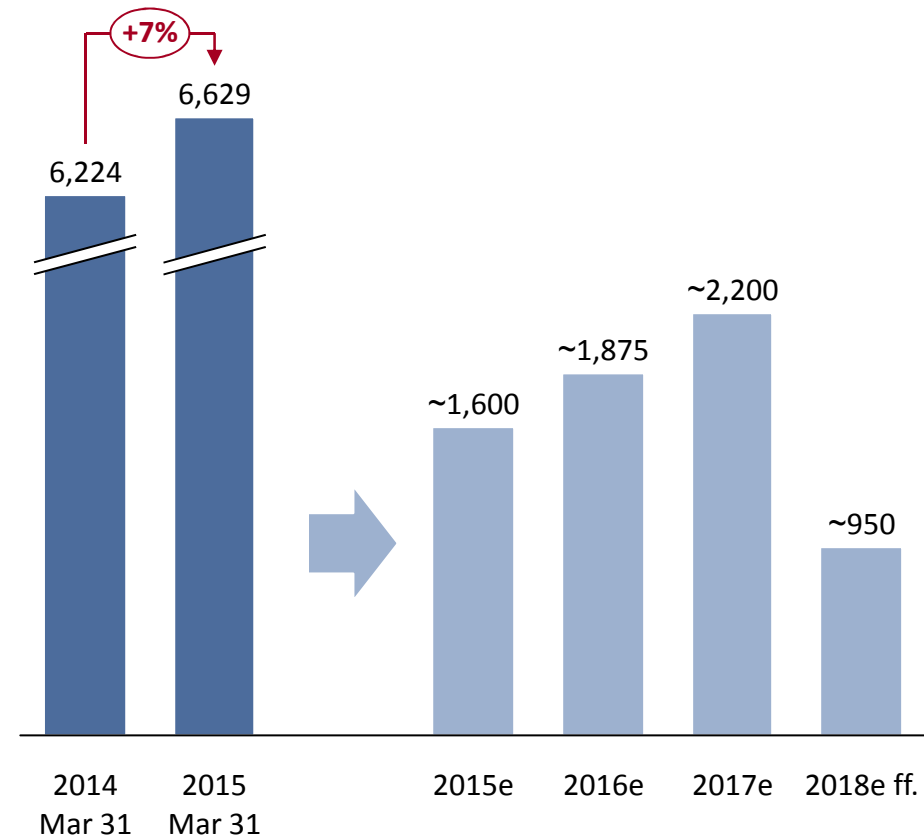
Increasing share of non-European order intake

High order book coverage of mid-term future sales

Order intake by region in EUR million



Order backlog turning into sales in EUR million

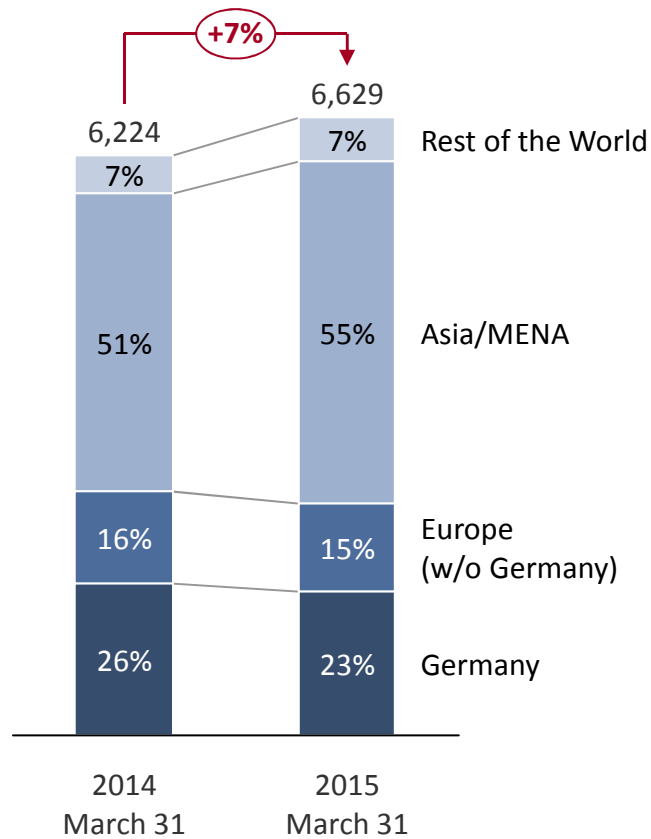




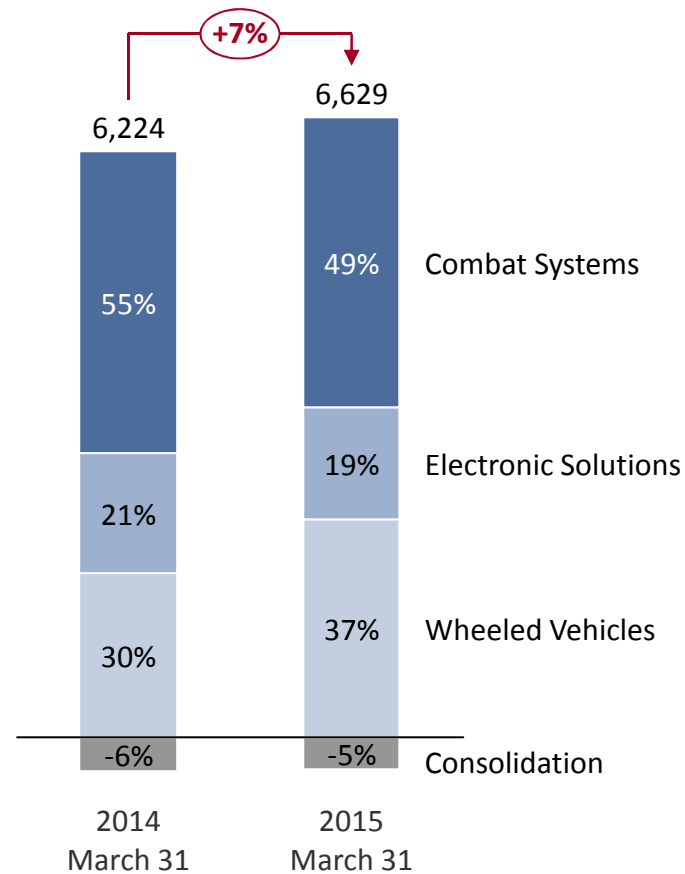
Splitting the order backlog by region and division

Large share of growth region Asia/MENA, increase in Wheeled Vehicles

Order backlog by region *in EUR million*



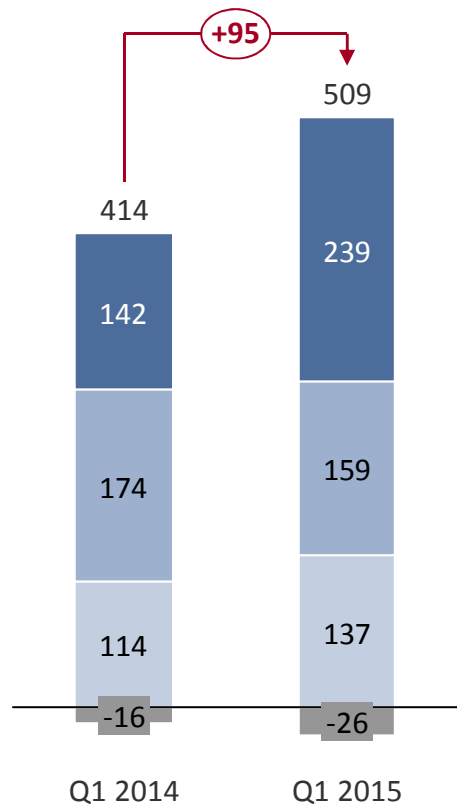
Order backlog by divisions *in EUR million*



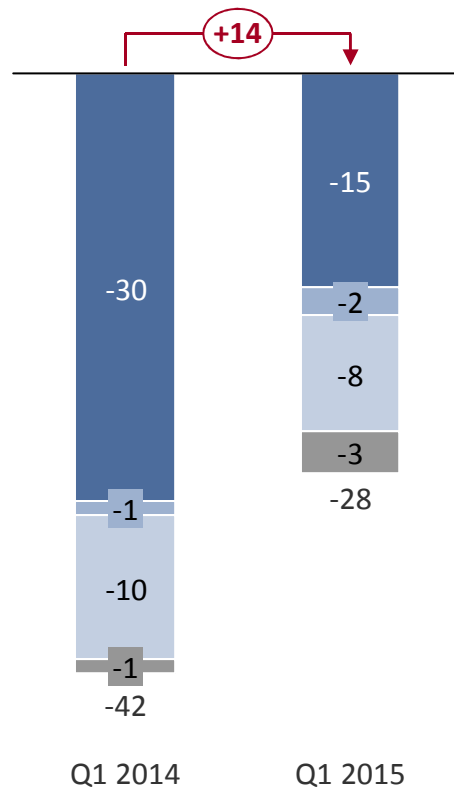


Sales increase in Combat Systems and Wheeled Vehicles Earnings improvement due to operational leverage, but still loss reported

■ Sales Defence in EUR million



■ Operational earnings Defence in EUR million



Reasons for earnings development

Combat Systems

- Higher sales in Tracked Vehicles and Weapon & Ammunition

Electronic Solutions

- Lower sales in Air Defence

Wheeled Vehicles

- Higher sales in low-margin Logistic Vehicles

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



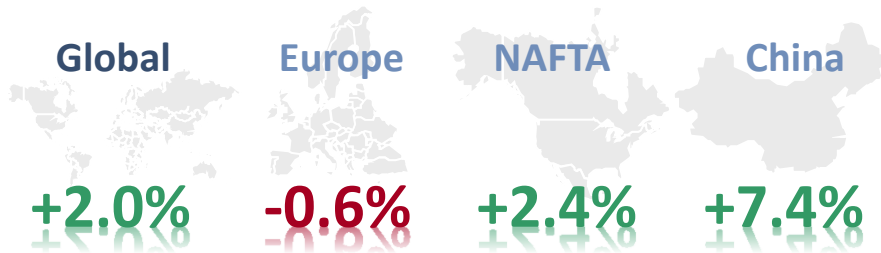
MARKETS AND OUTLOOK



Market environment

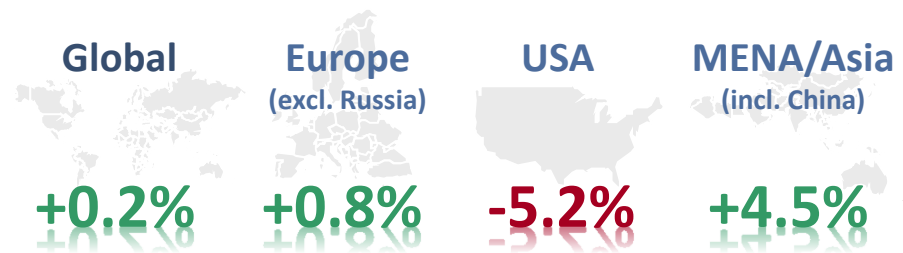
LV production keeps on growing, Defence globally stable

AUTOMOTIVE



- Global LV production expected to grow by 2% in 2015
- Mixed picture in Europe:
 - Germany stable
 - Slight reduction in France and UK
 - Growth in Spain and Italy
 - Decline in Eastern Europe
- NAFTA: Solid growth driven by USA and Mexico
- China: Growth slowing down, but still far above average

DEFENCE



- Europe: Conflict-induced security policy triggers increase of budgets, particularly in Eastern Europe and Scandinavia
- NATO installs „Very High Readiness Joint Task Force“ with Germany providing up to 2,700 soldiers
- Budgets 2016-2019 enlarged by Germany (+ EUR 8 billion) and France (+ EUR 3.8 billion)
- Strong growth in MENA and Asia/Pacific, whereas continuing budget reduction in the US

Figures 2015e vs. 2014

Source: IHS Automotive (April 2015), IHS Jane's (April 2015)



Outlook for FY 2015 confirmed

Outlook 2015

	Sales <i>in EUR billion</i>		Operational margin <i>in %</i>	
	2014	2015e	2014	2015e
Group	4.7	4.8 - 5.0	3.4	approx. 5
Defence	2.2	2.3 - 2.4	- 0.4	3
Automotive	2.4	2.5 - 2.6	7.5	8

Assumptions

- Key large-scale projects in Defence to be realized as scheduled, no significant one-offs
- Global automotive industry growing as forecast

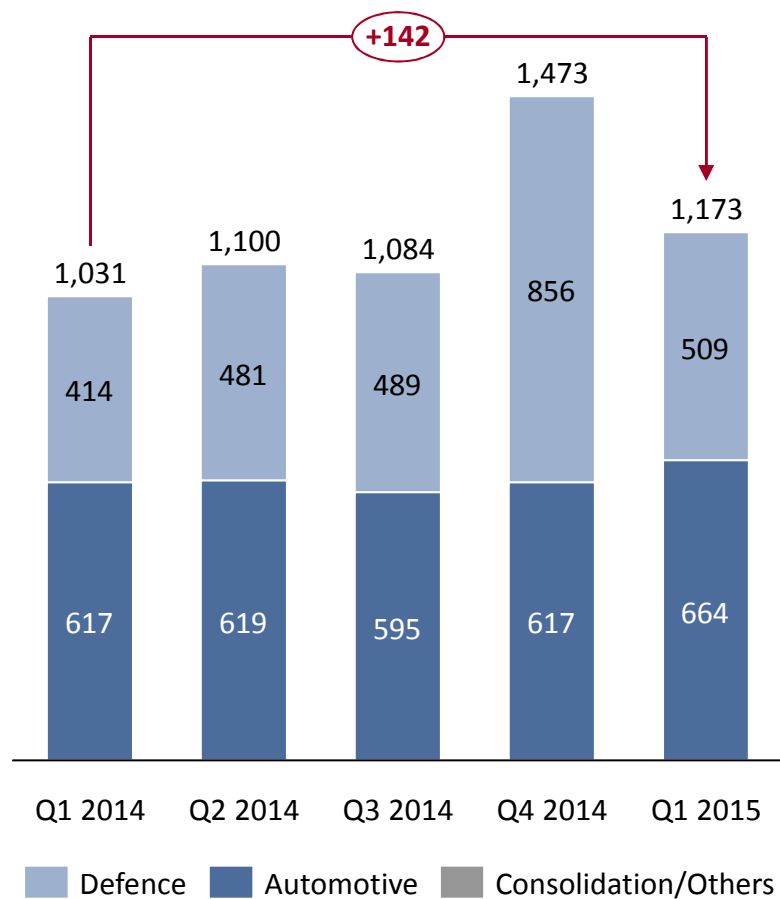


APPENDIX

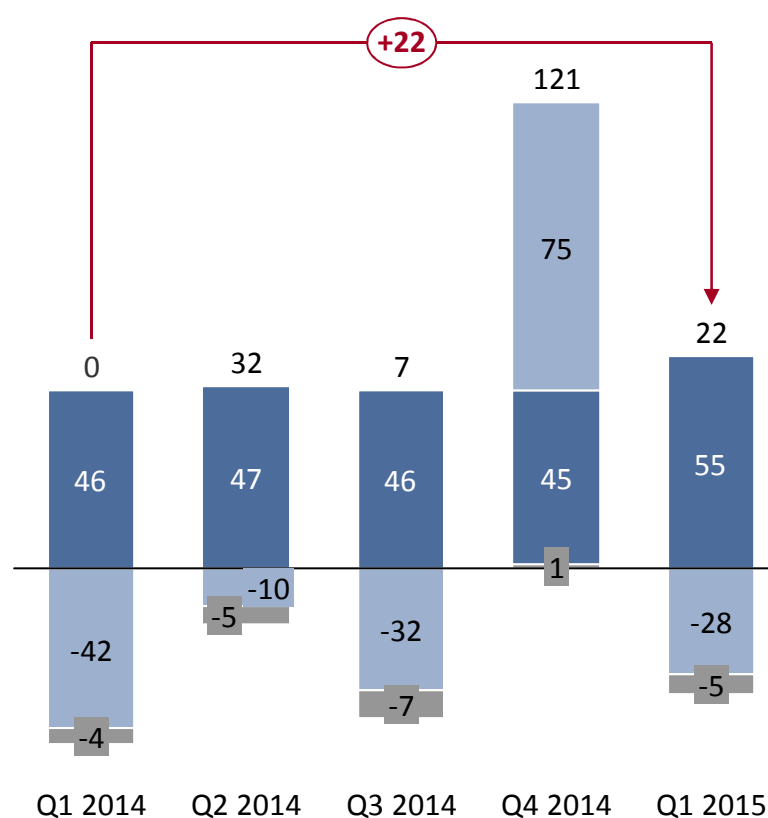


Quarterly development

Sales in EUR million



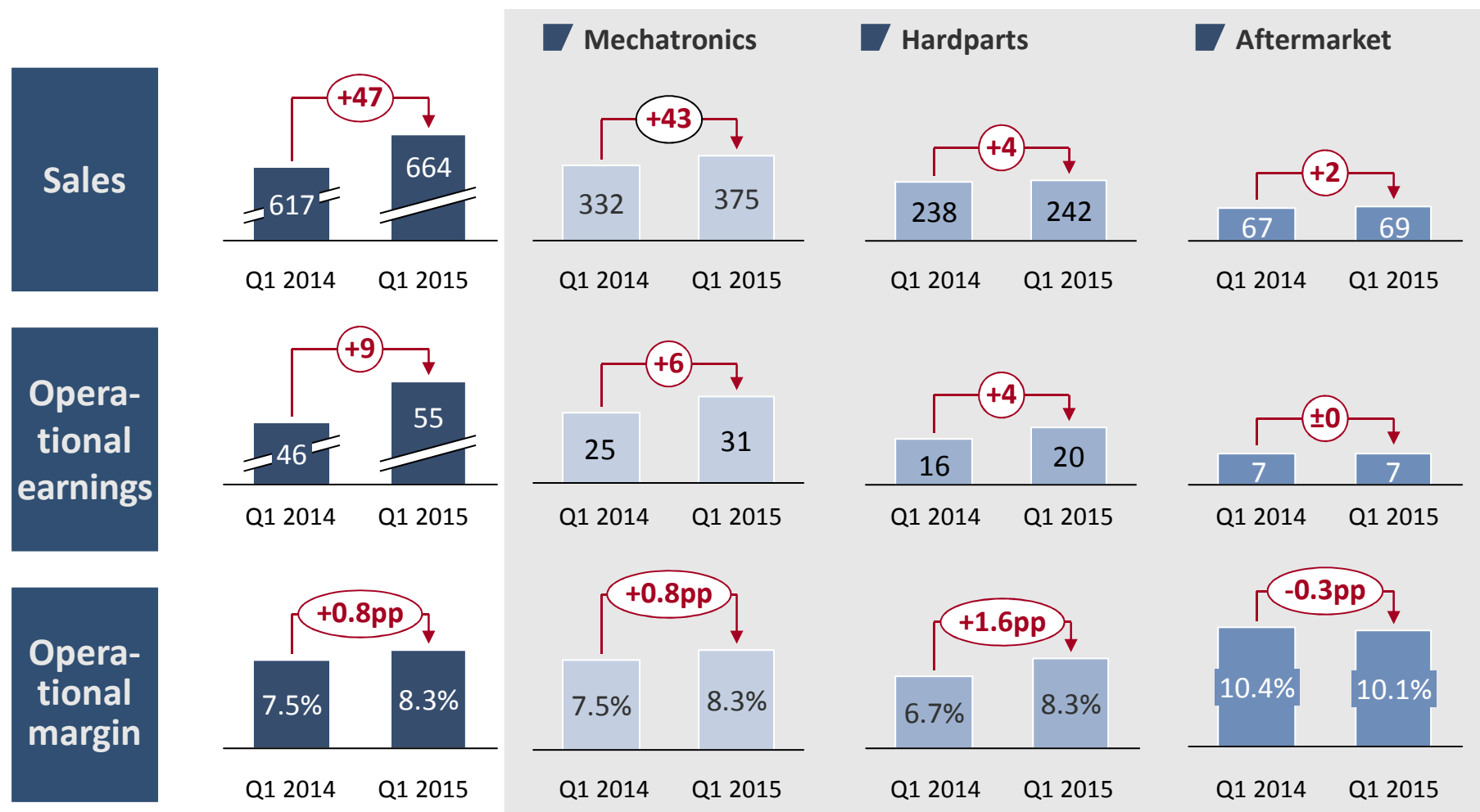
Operational earnings in EUR million



Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“



Key figures Automotive by division



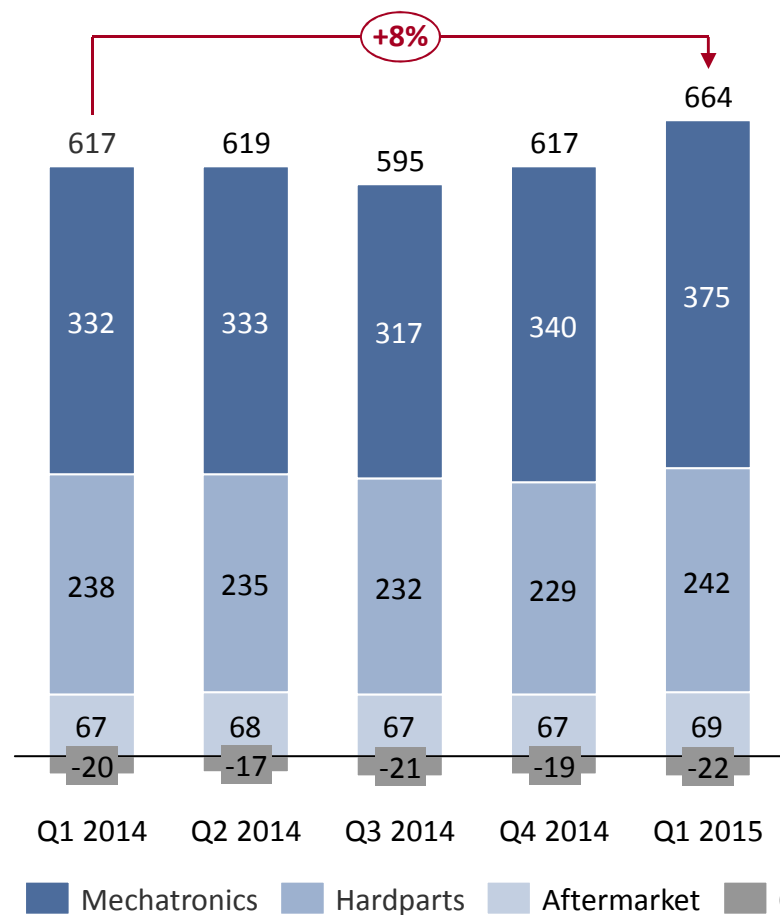
Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“

Figures before intrasegmental consolidation

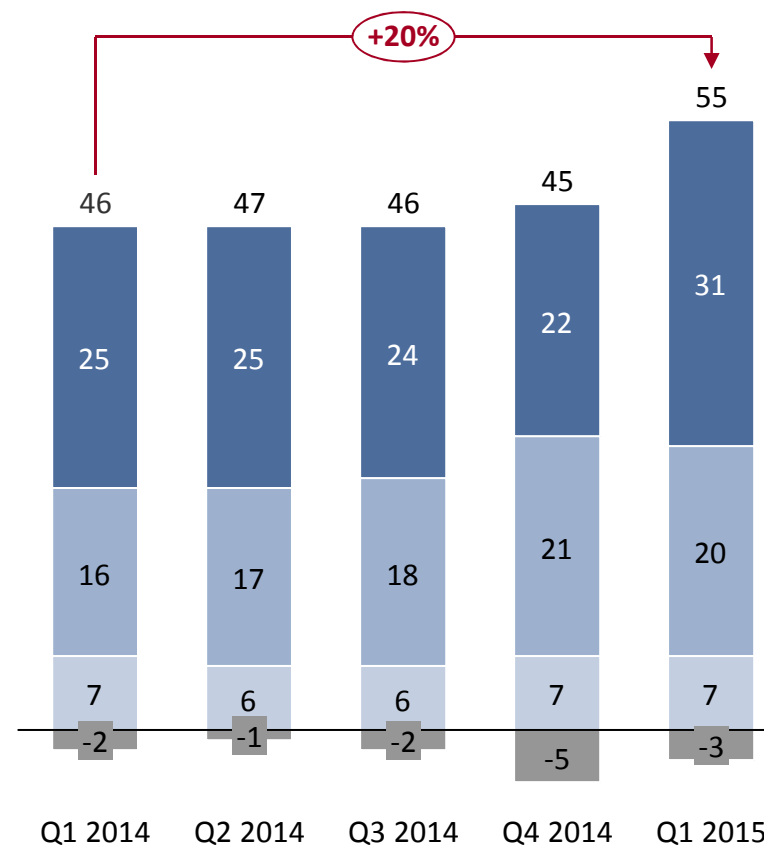


Quarterly development

Sales Automotive in EUR million



Operational earnings Automotive in EUR million



Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“



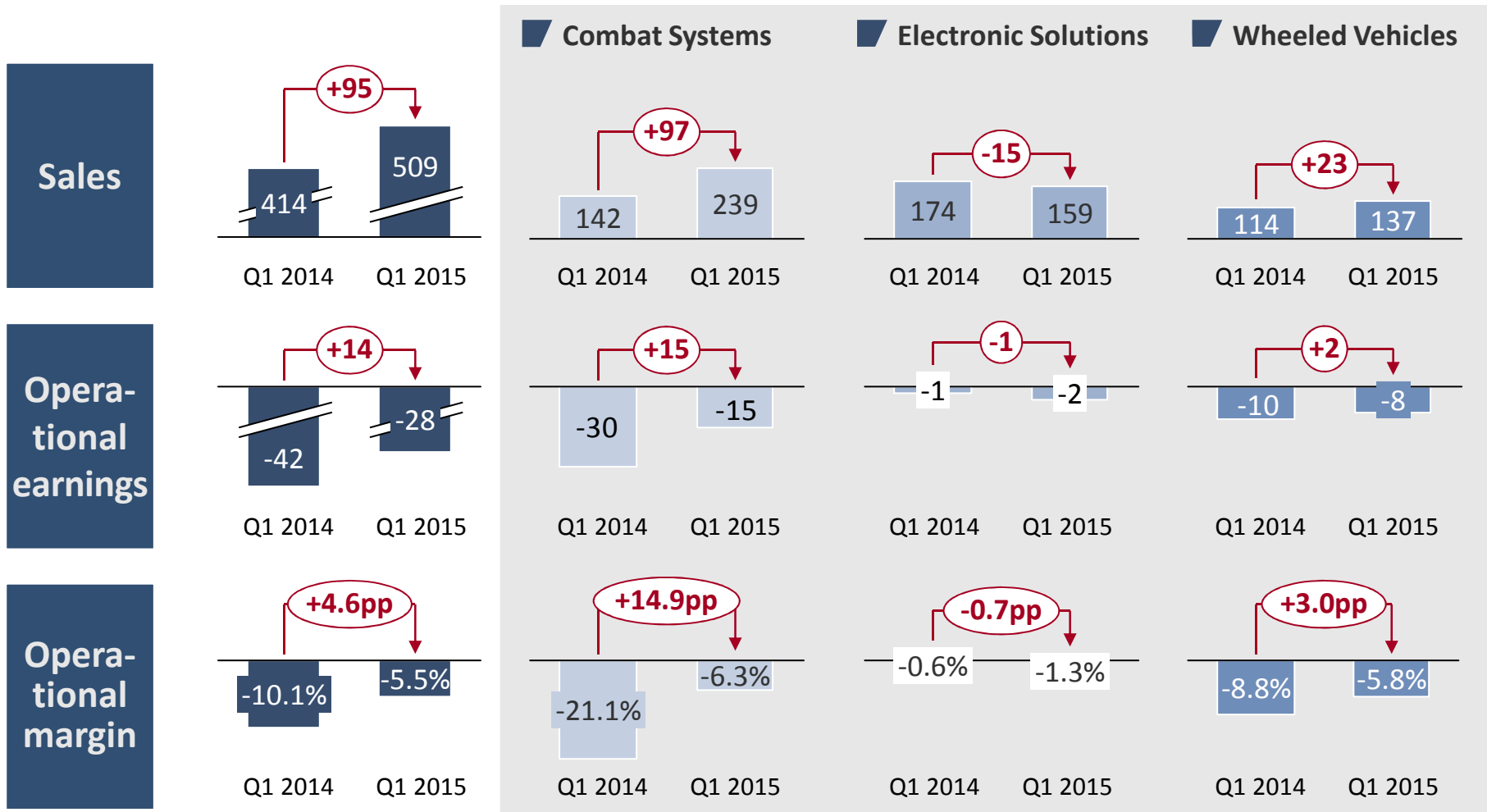
Cash flow statement

<i>in EUR million</i>	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Δ Q1 2015/2014
Net income	33	33	37	29	40	+ 7
Amortization / depreciation	28	31	27	36	28	± 0
Change in pension accruals	0	1	0	- 1	0	± 0
Cash flow	61	65	64	64	68	+ 7
Changes in working capital and other items	- 84	- 18	0	78	- 60	+ 24
Net cash used in operating activities	- 23	47	64	142	8	+ 31
Cash outflow for additions to tangible and intangible assets	- 53	- 26	- 29	- 88	- 34	+ 19
Free cash flow from operations	- 76	21	35	54	- 26	+ 50

Figures 2014 adjusted for retrospective application of IFRS 5 „Discontinued Operations“



Key figures Defence by division

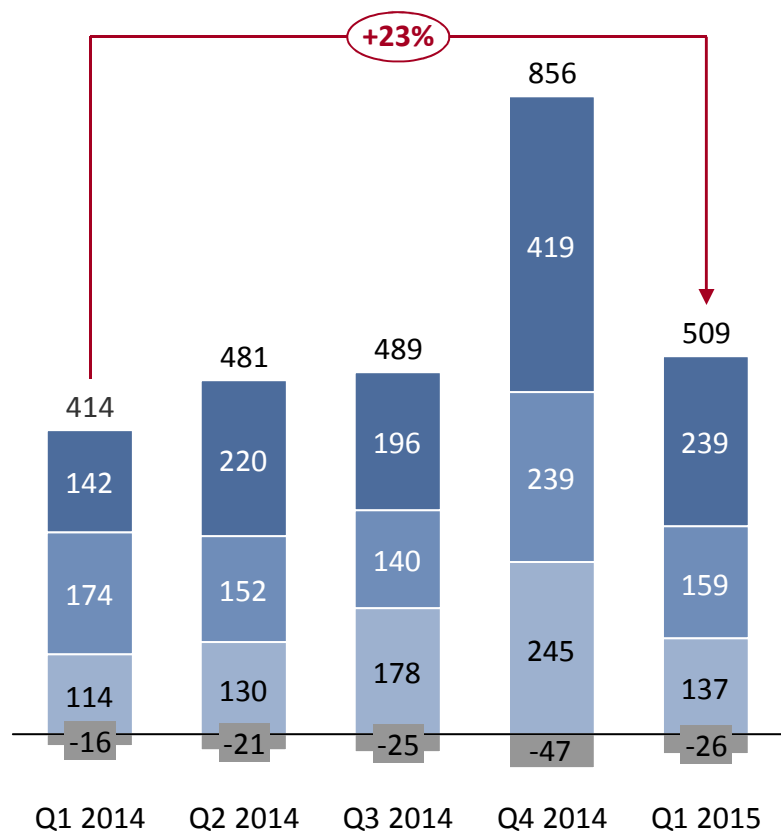


Figures before intrasegmental consolidation

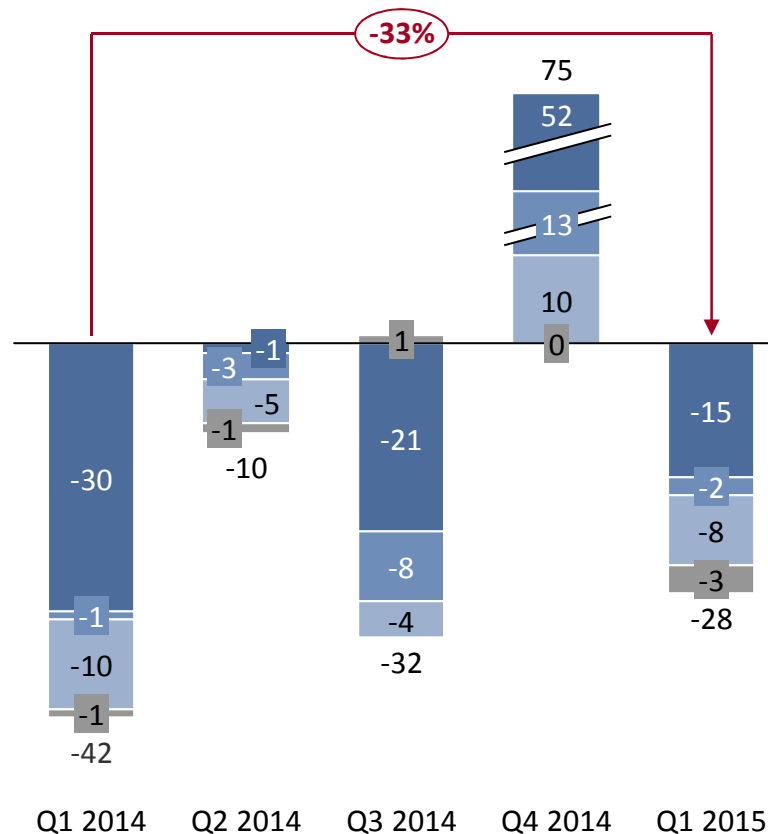


Quarterly development

Sales Defence in EUR million



Operational earnings Defence in EUR million



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



Cash flow statement

<i>in EUR million</i>	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Δ Q1 2015/2014
Net income	- 39	- 14	- 39	20	- 30	+ 9
Amortization / depreciation	20	21	21	23	21	+ 1
Change in pension accruals	1	- 1	2	- 2	0	- 1
Cash flow	- 18	6	- 16	41	- 9	+ 9
Changes in working capital and other items	- 338	- 85	83	271	- 142	+ 196
Net cash used in operating activities	- 356	- 79	67	312	- 151	+ 205
Cash outflow for additions to tangible and intangible assets	- 11	- 15	- 22	- 28	- 17	- 6
Free cash flow from operations	- 367	- 94	45	284	- 168	+ 199



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