



H1 2012 | Düsseldorf, 10 August 2012

International Technology Group
for Defence and Automotive



Rheinmetall Group

Key messages

- ▶ **Sales** increased by 9%
- ▶ Solid **earnings**: EBIT on previous year's level, EBT and EPS above
- ▶ Operating **cash flow** € 65 million higher than in H1 2011
- ▶ Confirming **outlook** as of March 2012, assuming a stable economic environment in the Eurozone and unchanged global economic forecasts



RHEINMETALL DEFENCE



Rheinmetall Defence

Key messages

- ▶ **Order intake** remarkably improved by 33%, mainly caused by four medium-sized orders indicated in the Q1 call
- ▶ **Sales** grew by 12%, as logistic vehicles are consolidated now
- ▶ **EBIT** of € 56 million below previous year's H1 (€ 62 million)
- ▶ **Operating free cash flow** improved by € 121 million due to strong reduction in working capital
- ▶ **Airborne JV with EADS Cassidian** closed by the end of Q2 2012; one-off gain of € 31 million
- ▶ **Operational success** by two important milestones: final approval of project MANTIS passed, agreement with German MoD on Puma concluded



Defence sales and earnings

Strong order intake

Defence € million	H1 2011	H1 2012	Δ H1 (2012/2011)	
Order intake	853	1,138	+ 285	+ 33 %
Order backlog	4,740	4,589	- 151	- 3 %
Sales	904	1,010	+ 106	+ 12 %
EBITDA	100	99	- 1	- 1 %
EBIT	62	56	- 6	- 10 %
EBIT margin (%)	6.9	5.5	- 1.4 pp	- 20 %
One-offs (2011: PPA ADS, 2012: Gain JV Cassidian)	- 11	- 31	- 20	> 100 %
Amortization PPA	9	12	+ 3	+ 33 %
EBIT (adjusted)	60	37	- 23	- 38 %
EBT	55	49	- 6	- 11 %



Defence cash flow

Operating cash flow reflects success of working capital program

Defence € million	H1 2011	H1 2012	Δ H1 (2012/2011)
Net income	44	45	+ 1
Amortization / depreciation	38	43	+ 5
Change in pension accruals	- 3	- 5	- 2
Cash flow	79	83	+ 4
Changes in working capital and other items	- 366	- 250	+ 116
Net cash used in operating activities	-- 287	- 167	+ 120
Cash outflow for additions to tangible and intangible assets	- 37	- 36	+ 1
Free cash flow from operations*	- 324	- 203	+ 121

* Thereof free cash flow from operations Q1

- 264

- 166

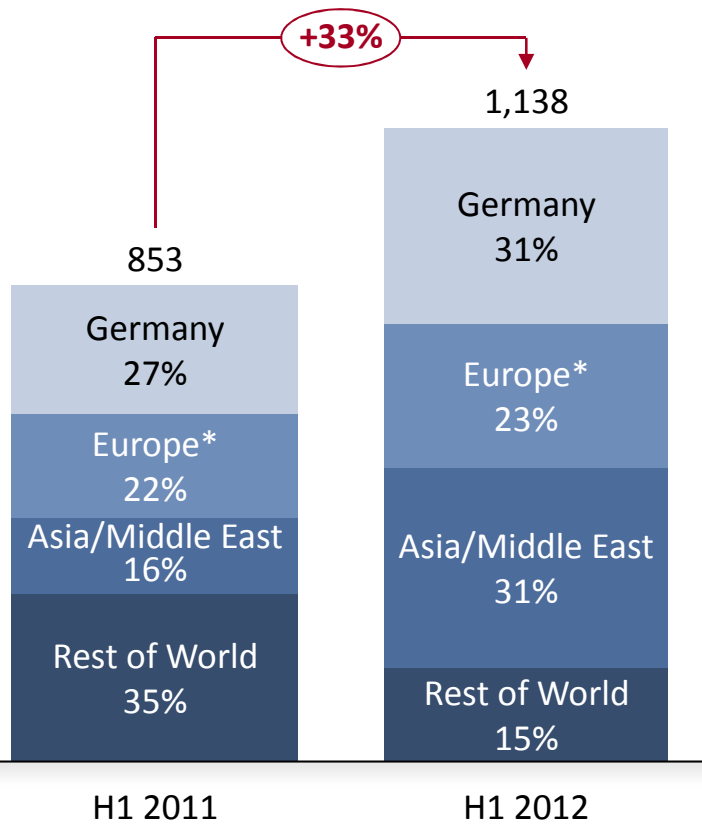
+ 98



Increasing order intake

Considerable improvement compared to previous year

Order intake H1 2011 vs. H1 2012 € million



Significant orders Q2 2012

- ▶ Two Air Defence orders from an Asian and from a Middle East country (total volume: € 133 million)
- ▶ Prolongation of the Heron service provider contract with German forces (volume: € 63 million)
- ▶ Future soldier system (“Gladius”) contract with German forces (volume: € 44 million)

Furthermore, large orders to be expected in the near future, each of it worth more than € 100 million, e.g.:

- ▶ Wheeled armored vehicle program of Canadian forces (TAPV)
- ▶ Air Defence order from another Asian customer
- ▶ Next step of the cooperation with Algeria

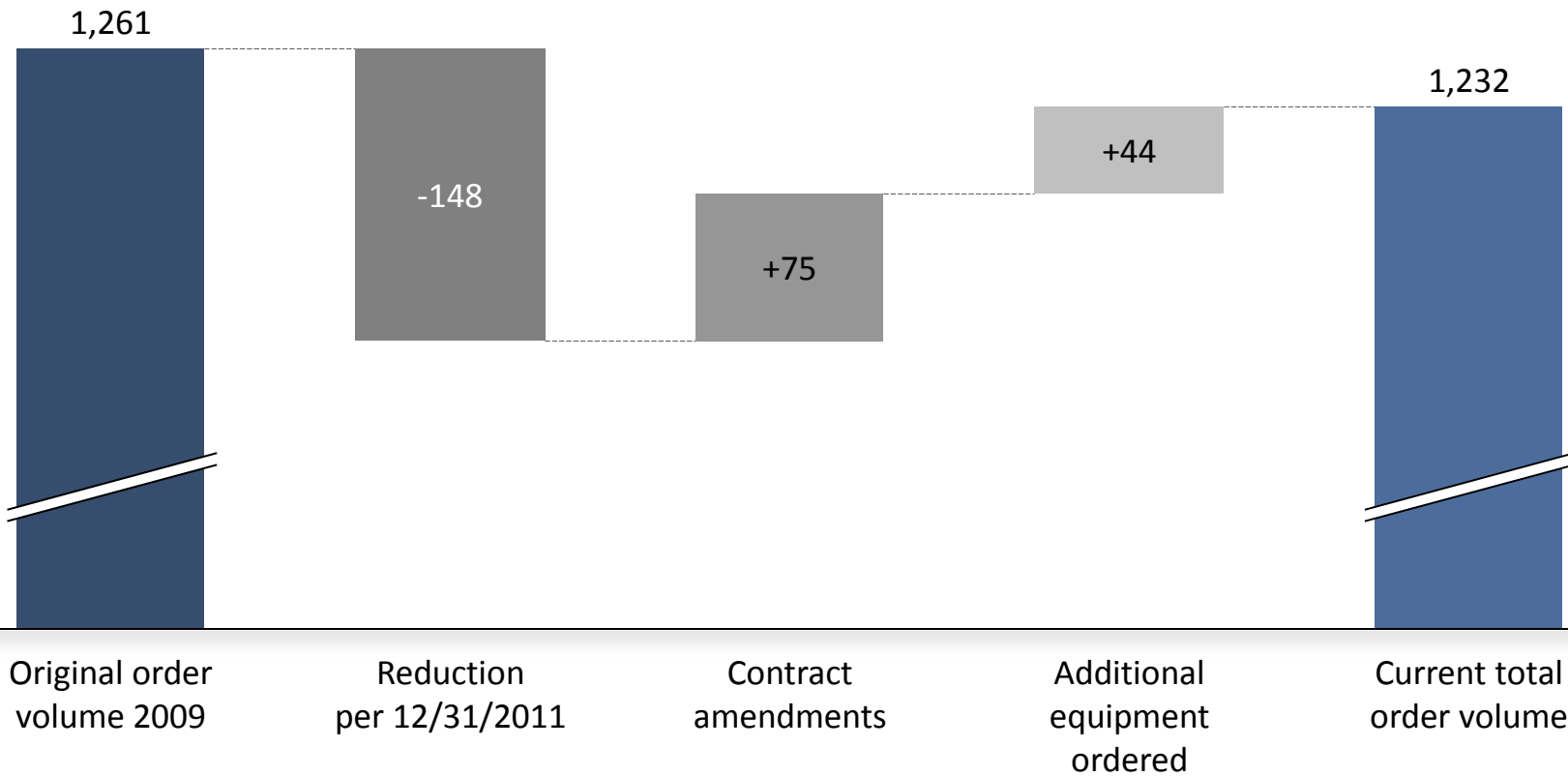
* Excluding Germany



Rheinmetall Defence

Changes of the Puma order volume

Order volume* € million



* Rheinmetall share of total order volume

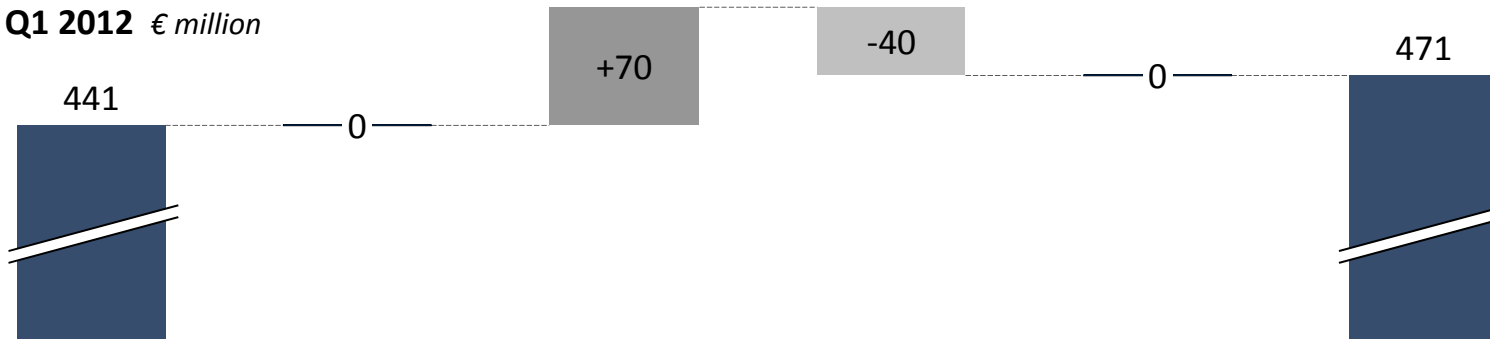


Rheinmetall Defence

Explanation for the development of sales and earnings (Q1)

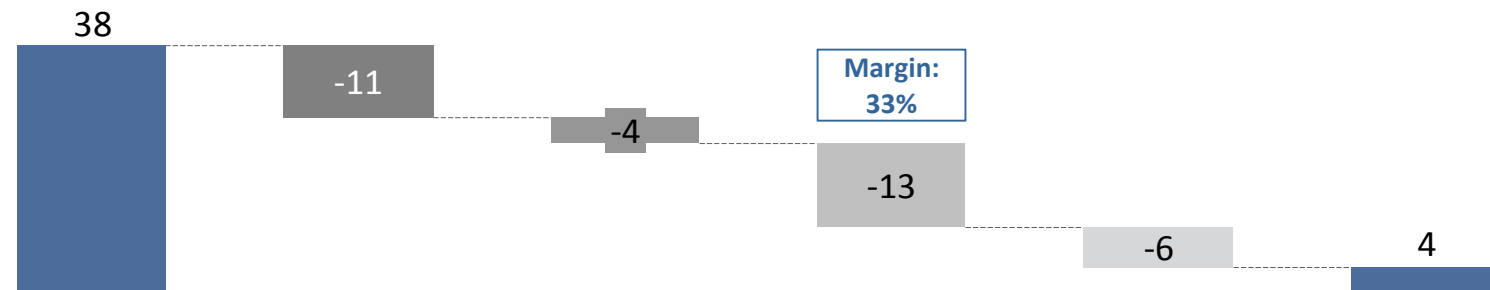
Sales bridge

Q1 2011 to Q1 2012 € million



EBIT bridge

Q1 2011 to Q1 2012 € million



Q1 2011

One-off gain
PPA ADS (2011)

Logistic vehicles

Volume effect

Product/project
mix

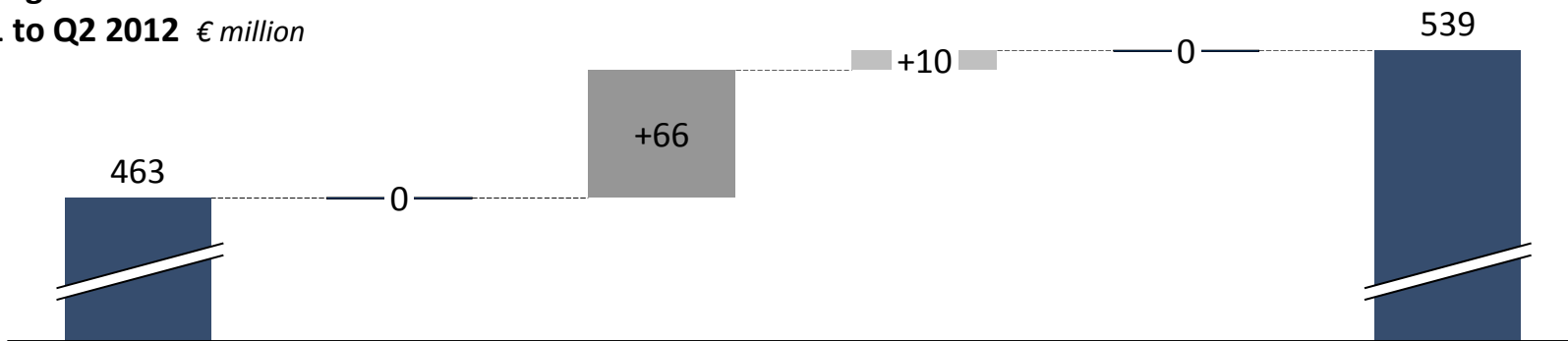
Q1 2012



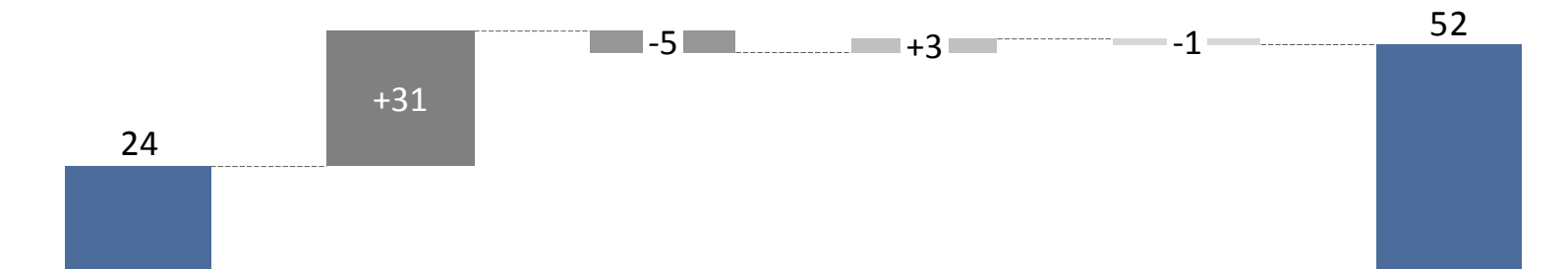
Rheinmetall Defence

Explanation for the development of sales and earnings (Q2)

Sales bridge
Q2 2011 to Q2 2012 € million



EBIT bridge
Q2 2011 to Q2 2012 € million



Q2 2011

One-off gain
Cassidian (2012)

Logistic vehicles

Volume effect

Product/project
mix

Q2 2012

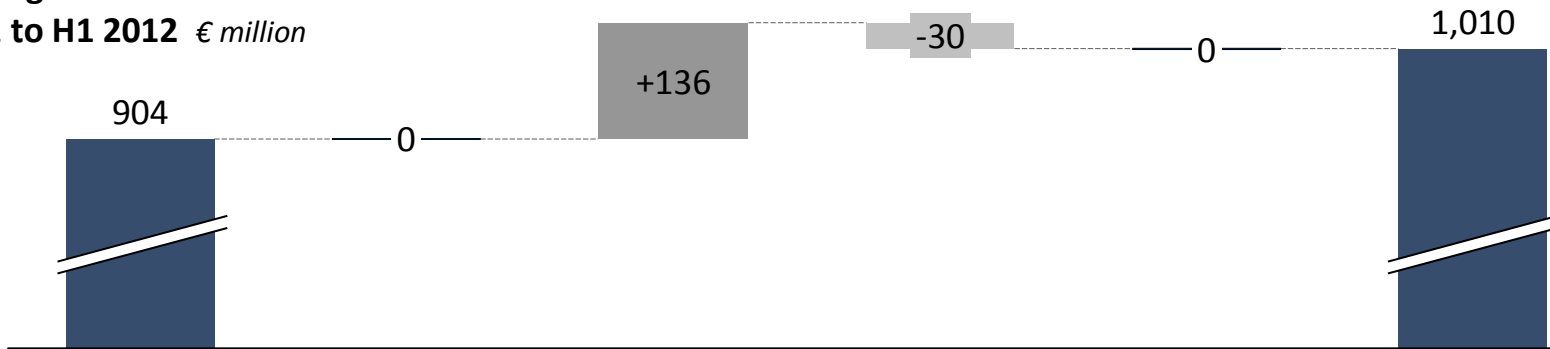


Rheinmetall Defence

Explanation for the development of sales and earnings (H1)

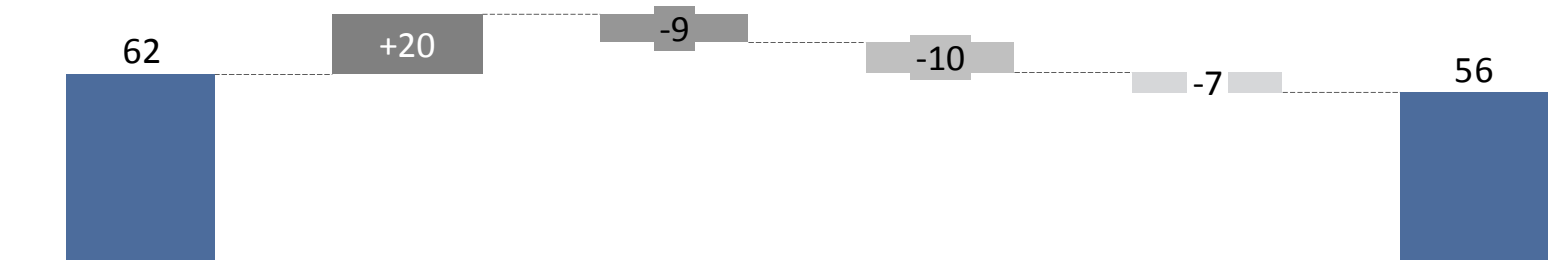
Sales bridge

H1 2011 to H1 2012 € million



EBIT bridge

H1 2011 to H1 2012 € million



H1 2011

One-off gains
(2011/2012)

Logistic vehicles

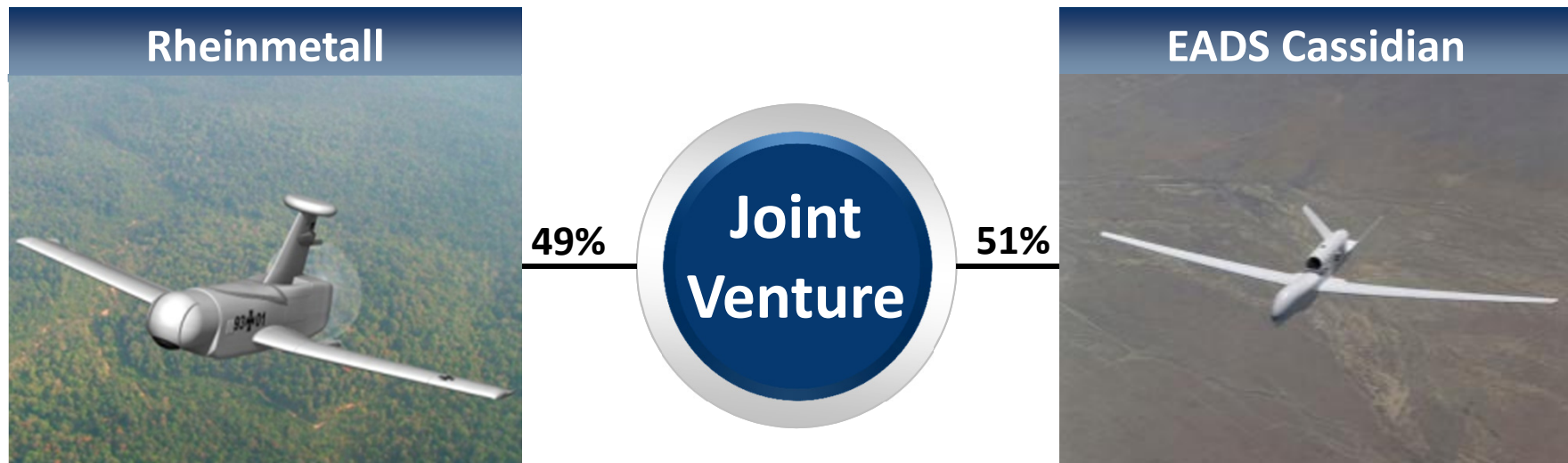
Volume effect

Product/project
mix

H1 2012



Airborne systems Joint venture with Cassidian closed



▶ Closing of the joint venture per 30 June 2012

▶ Expected figures for H2 2012 that will be deconsolidated: sales € 34 million, EBIT € 4 million



Outlook 2012: “Slightly below previous year” Although under pressure, guidance is achievable

Defence € million		2011		2012
Sales		2,141	Guidance:	2,500e
Logistic vehicles		-		- 400e
Sales net		2,141		2,100e
Sales H1 net		904	(1,010 – 136 =)	874
Sales H2 net		1,237		1,226e
EBIT H1 (before one-offs and logistic vehicles)	(62 – 11 =)	51	(56 – 31 + 9 =)	34
EBIT H2 (before one-offs and logistic vehicles)		161	Assumption →	161
EBIT	(223 – 11 =)	212		195

Additional assumptions:

- ▶ Logistic vehicles will achieve an EBIT of € 0 million in FY 2012
- ▶ Guidance has to be lowered by € 4 million due to the sale of airborne systems



RHEINMETALL AUTOMOTIVE



Rheinmetall Automotive Key messages

- ▶ Again **increasing results** in H1 2012:
 - **Sales** raised by 6%
 - **EBIT** grew by 12%
- ▶ Counting on the **right trends**: sales continued to grow even though European markets are shrinking
- ▶ Continuing growth in **China and India**



Automotive sales and earnings

Sales, earnings and profitability at another record level

Automotive € million	H1 2011	H1 2012	Δ H1 (2012/2011)	
Sales	1,171	1,243	+ 72	+ 6 %
EBITDA	127	138	+ 11	+ 9 %
EBIT	76	85	+ 9	+ 12 %
EBIT margin (%)	6.5	6.8	+ 0.3 pp	+ 5 %
EBT	68	77	+ 9	+ 13 %
Capex	47	60	+ 13	+ 28 %
Amortization / depreciation	51	53	+ 2	+ 4 %



Automotive cash flow

Slight increase of working capital due to growth

Automotive € million	H1 2011	H1 2012	Δ H1 (2012/2011)
Net income	50	57	+ 7
Amortization / depreciation	51	53	+ 2
Change in pension accruals	- 2	- 2	± 0
Cash flow	99	108	+ 9
Changes in working capital and other items	- 82	- 117	- 35
Net cash used in operating activities	+ 17	- 9	- 26
Cash outflow for additions to tangible and intangible assets	- 48	- 60	- 12
Free cash flow from operations*	- 31	- 69	- 38

* Thereof free cash flow from operations Q1

- 22

- 44

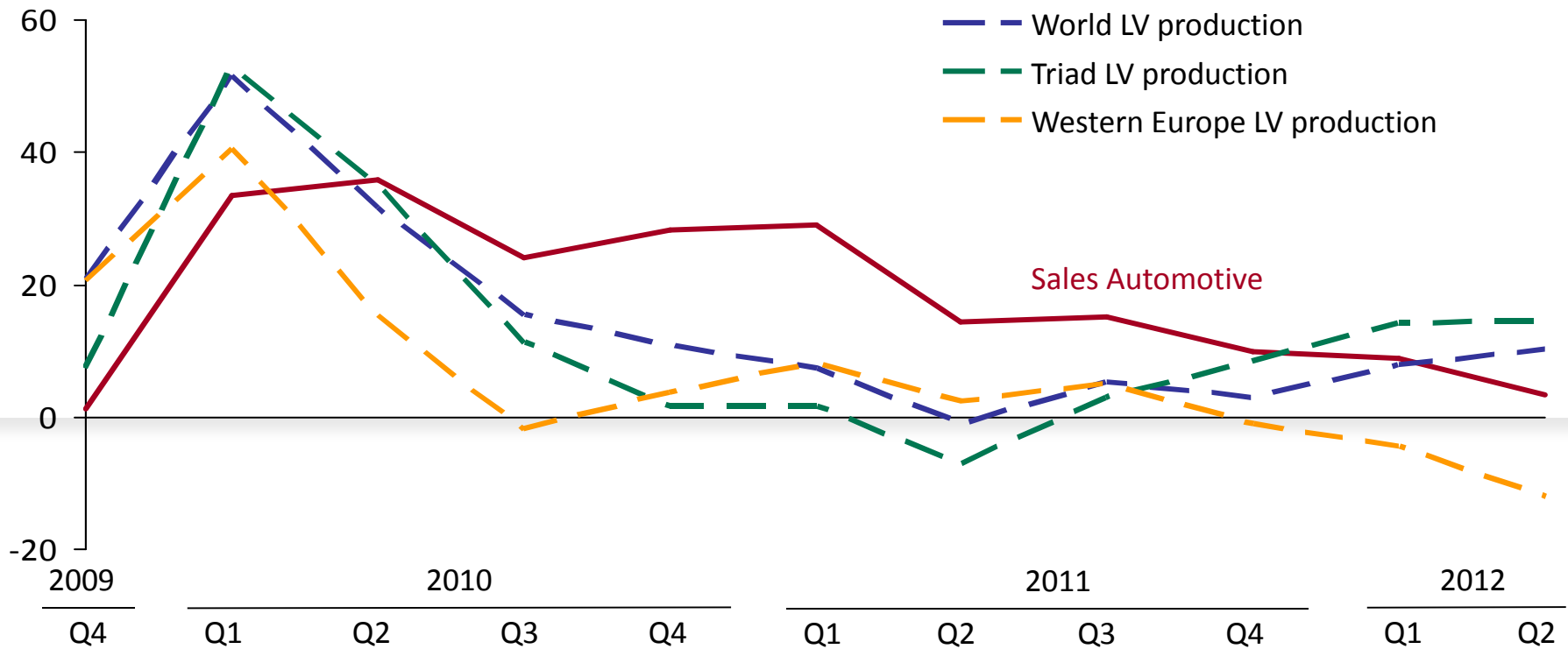
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Product portfolio corresponding to global market trends

Main reason for outperforming the Western European market

Growth rate (quarter compared to previous year's quarter) in %

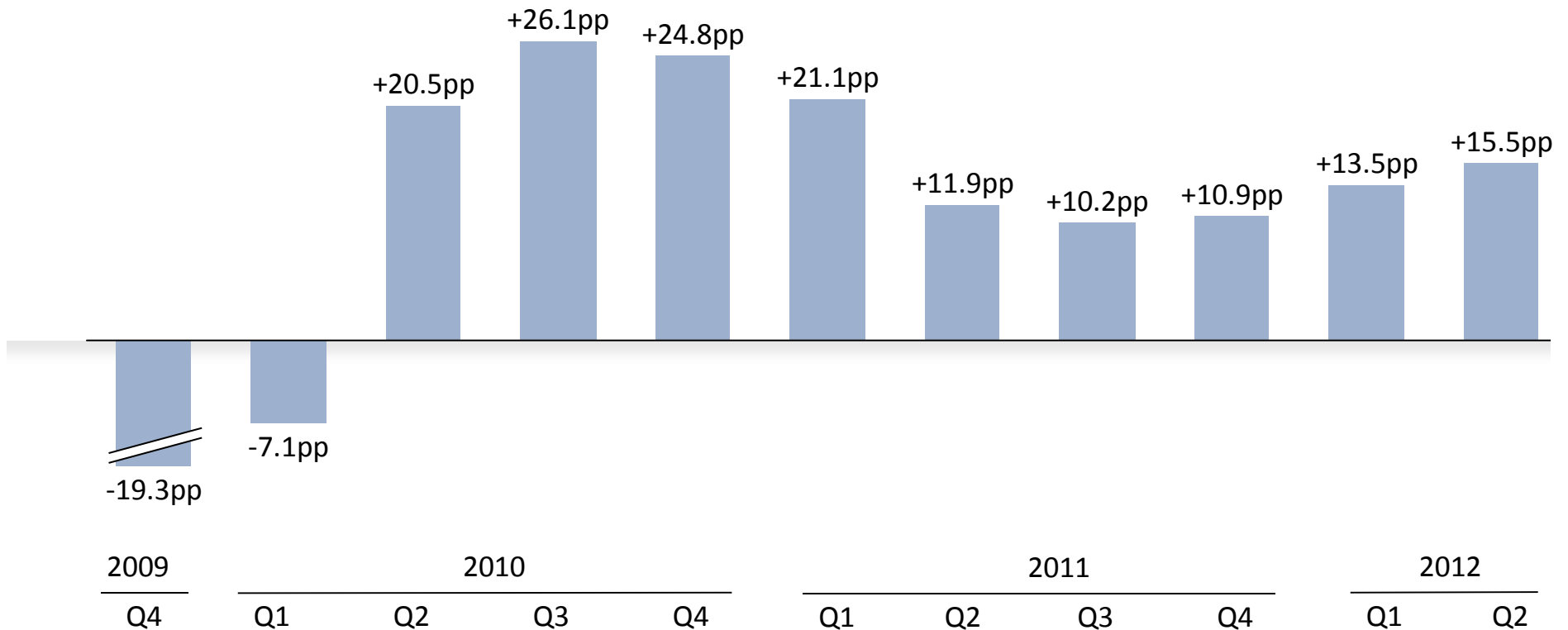


Basis for the calculation are quarterly sales figures for Automotive and LV production figures for World, Triad and Western Europe
 Source: IHS Automotive (July 2012); Triad = Western Europe, NAFTA, Japan



Outperformance of the European market since the mid of 2010 **Confirming the strategic focus of the product portfolio**

Difference in quarterly growth rate of LV production Western Europe and Sales Automotive



Basis for the calculation are quarterly sales figures for Automotive and light vehicle production figures for Western Europe

Source: IHS Automotive (July 2012)

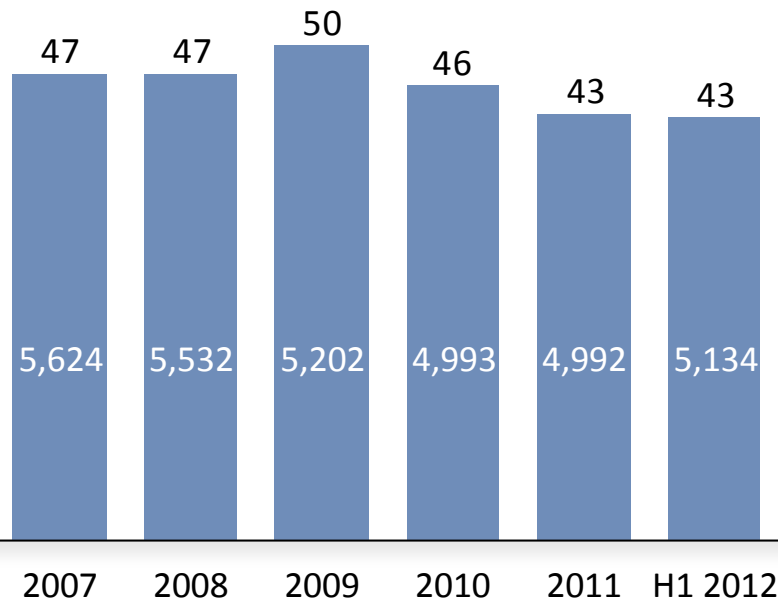


Headcount

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

Employees Germany

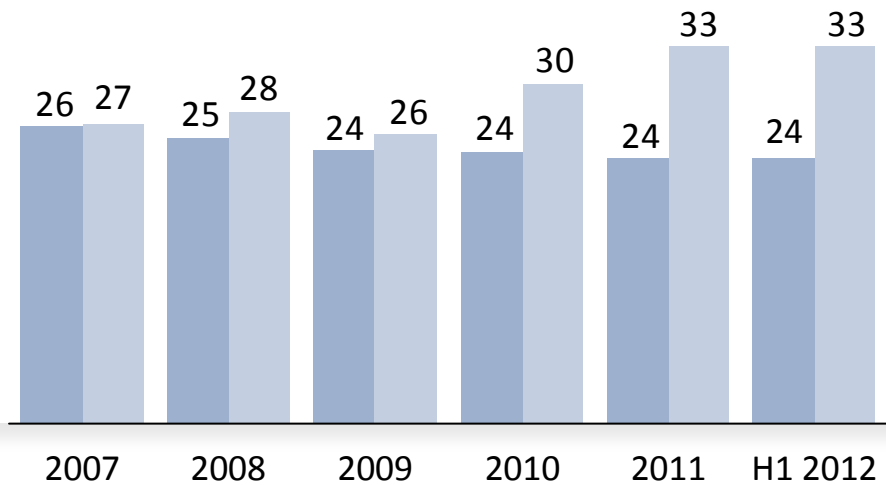
(capacities; per end of period)
% of total employees



Employees abroad by high cost and low cost countries

(capacities; per end of period; excluding China JVs)
% of total employees

3,523 employees in China JVs on top (as of 06/30/2012)



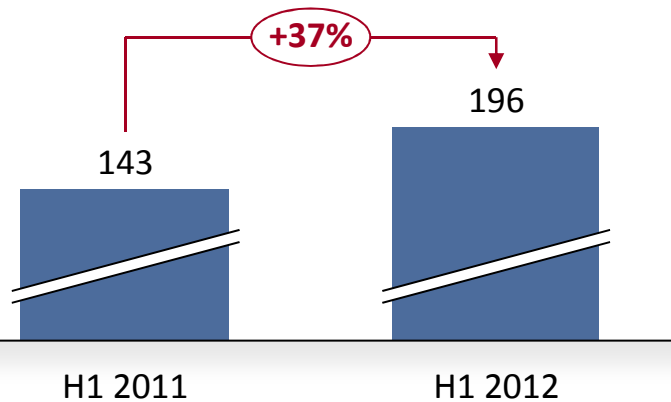
High-cost production countries: France, Italy, Japan, Spain, USA

Low-cost production countries: Brazil, China, Czech Republic, India, Mexico

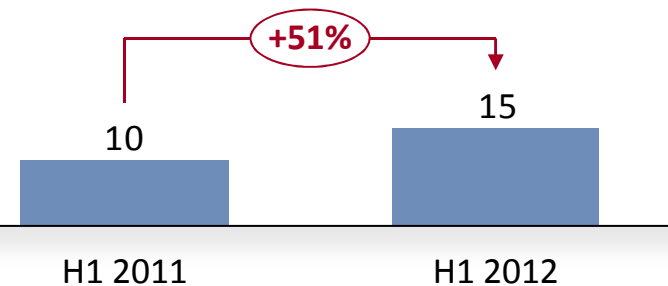


Dynamic markets: China Continuing growth in sales and earnings

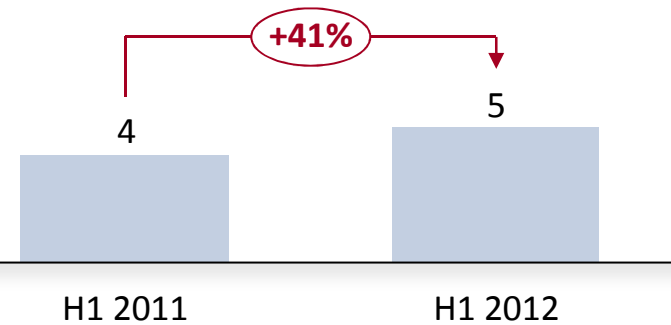
Sales Joint Ventures* € million



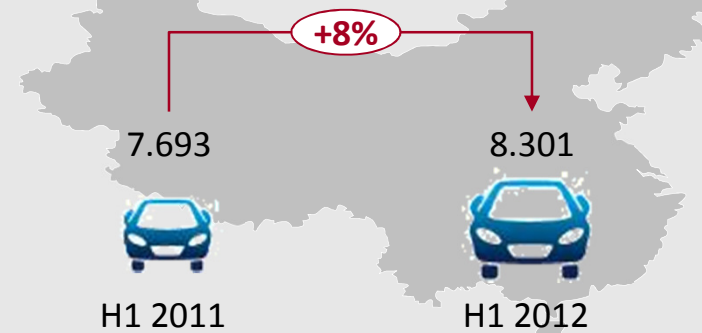
EBIT Joint Ventures* € million



Sales WFOEs** € million



LV production China million units



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

** Wholly foreign-owned enterprises

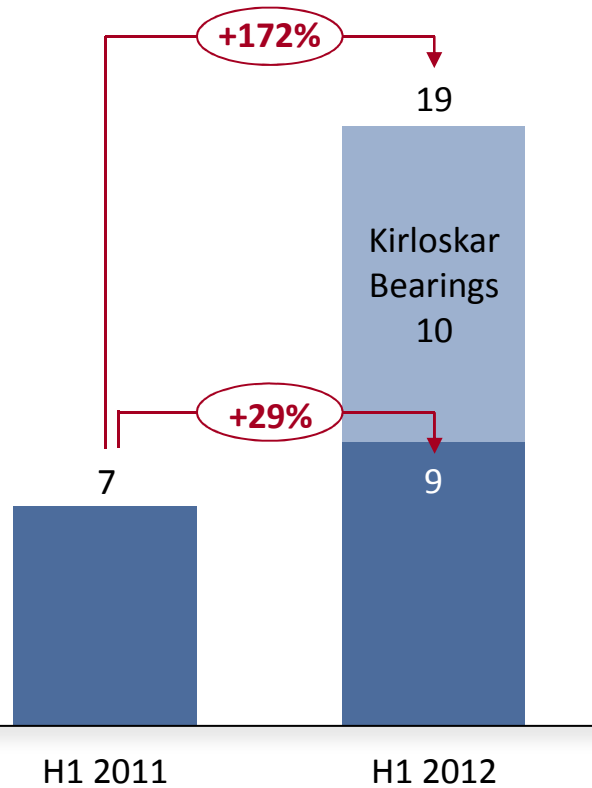
Source: IHS Automotive (July 2012)



Dynamic markets: India

Increasing business by strong organic growth and strategic acquisition

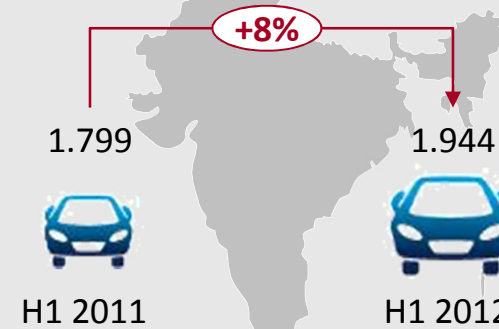
Sales KSPG India € million



Key facts KSPG India

- ▶ Integration of Kirloskar Bearings – included in the figures since Q4 2011 – completed
- ▶ Employees: 615 (as of 06/30/2012)

LV production India million units



Source: IHS Automotive (July 2012)



GROUP



Group sales and earnings (1)

Strong top-line growth, slight improvement of EBT

Group € million	H1 2011	H1 2012	Δ H1 (2012/2011)	
Sales	2,075	2,253	+ 178	+ 9 %
EBITDA	216	223	+ 7	+ 3 %
EBITDA margin (%)	10.4	9.9	- 0.5 pp	- 5 %
Amortization / depreciation	- 89	- 96	- 7	+ 8 %
EBIT	127	127	± 0	± 0 %
EBIT margin	6.1	5.6	- 0.5 pp	- 8 %
Interest	- 29	- 27	+ 2	+ 7 %
EBT	98	100	+ 2	+ 2 %



Group sales and earnings (2)

Considerable increase of net income and EPS

Group € million	H1 2011	H1 2012	Δ H1 (2012/2011)	
EBT	98	100	+ 2	+ 2 %
Taxes	- 23	- 18	+ 5	+ 22 %
Tax rate (%)	23	18	- 5 pp	- 22 %
Group net income	75	82	+ 7	+ 9 %
Minority interests	- 2	+ 2	+ 4	> 100 %
Group earnings (after minorities)	73	84	+ 11	+ 15 %
Number of shares (weighted average in million)	38.3	38.2	- 0.1	0 %
Earnings per share (€)	1.91	2.20	+ 0.29	+ 15 %



Group cash flow

Benefitting from strongly improved working capital in Defence

Group € million	H1 2011	H1 2012	Δ H1 (2012/2011)
Group net income	75	82	+ 7
Amortization / depreciation	89	96	+ 7
Change in pension accruals	- 4	- 6	- 2
Cash flow	160	172	+ 12
Changes in working capital and other items	- 437	- 372	+ 65
Net cash used in operating activities	- 277	- 200	+ 77
Cash outflow for additions to tangible and intangible assets	- 85	- 97	- 12
Free cash flow from operations*	- 362	- 297	+ 65

* Thereof free cash flow from operations Q1

- 299

- 226

+ 73



Rheinmetall Group Outlook 2012

	Sales € billion		EBIT € million	
	2012e	2011	2012e	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

We confirm our outlook as of March 2012, but there is higher pressure on achieving the profit targets in Defence.

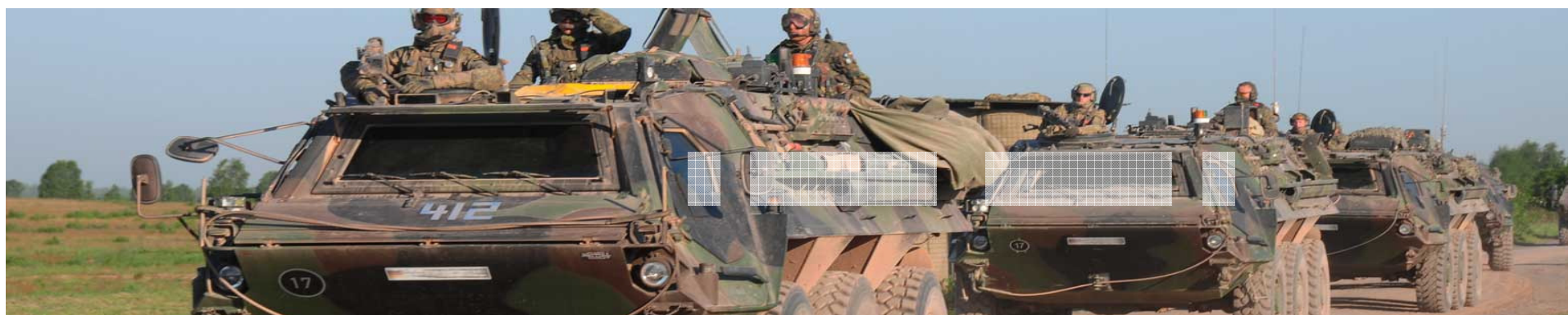
Basic assumption: The economic environment in the Eurozone will remain stable and the global economic forecasts will be unchanged.



APPENDIX



New divisional structure in Defence



Sales (FY 2011)*: € 2.2 billion

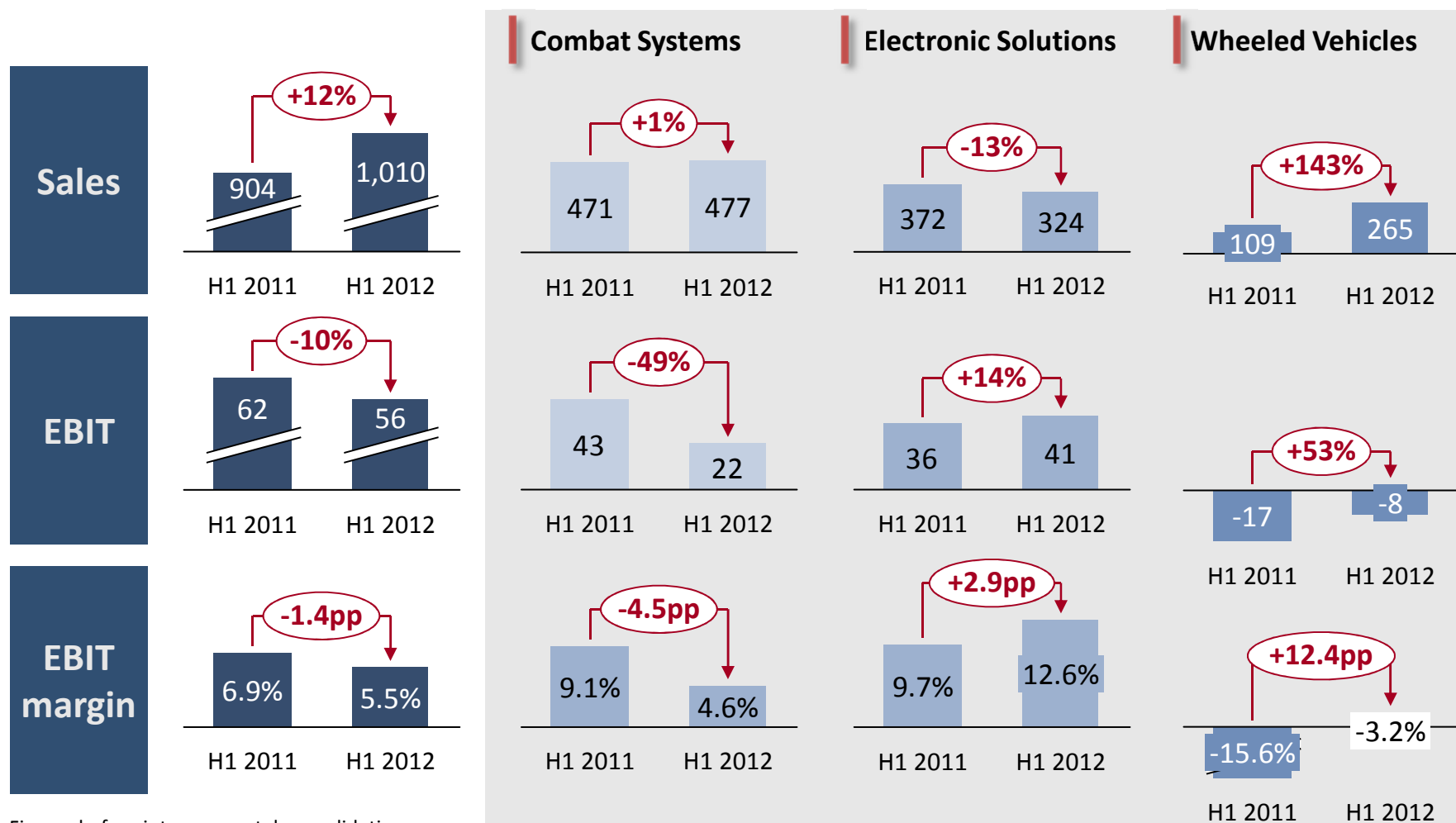
Combat Systems € 1.1 billion*	Electronic Solutions € 0.8 billion*	Wheeled Vehicles € 0.3 billion*
Combat Platforms	Air Defence Systems	Logistic Vehicles**
Infantry	Defence Electronics	Tactical Vehicles
Protection Systems	Electro-optical Components	
Propulsion Systems	Simulation and Training	
Combat International		

* Inter-company sales not eliminated

** Consolidated from 2012 onwards



Key figures Defence by divisions





New divisional structure in Automotive



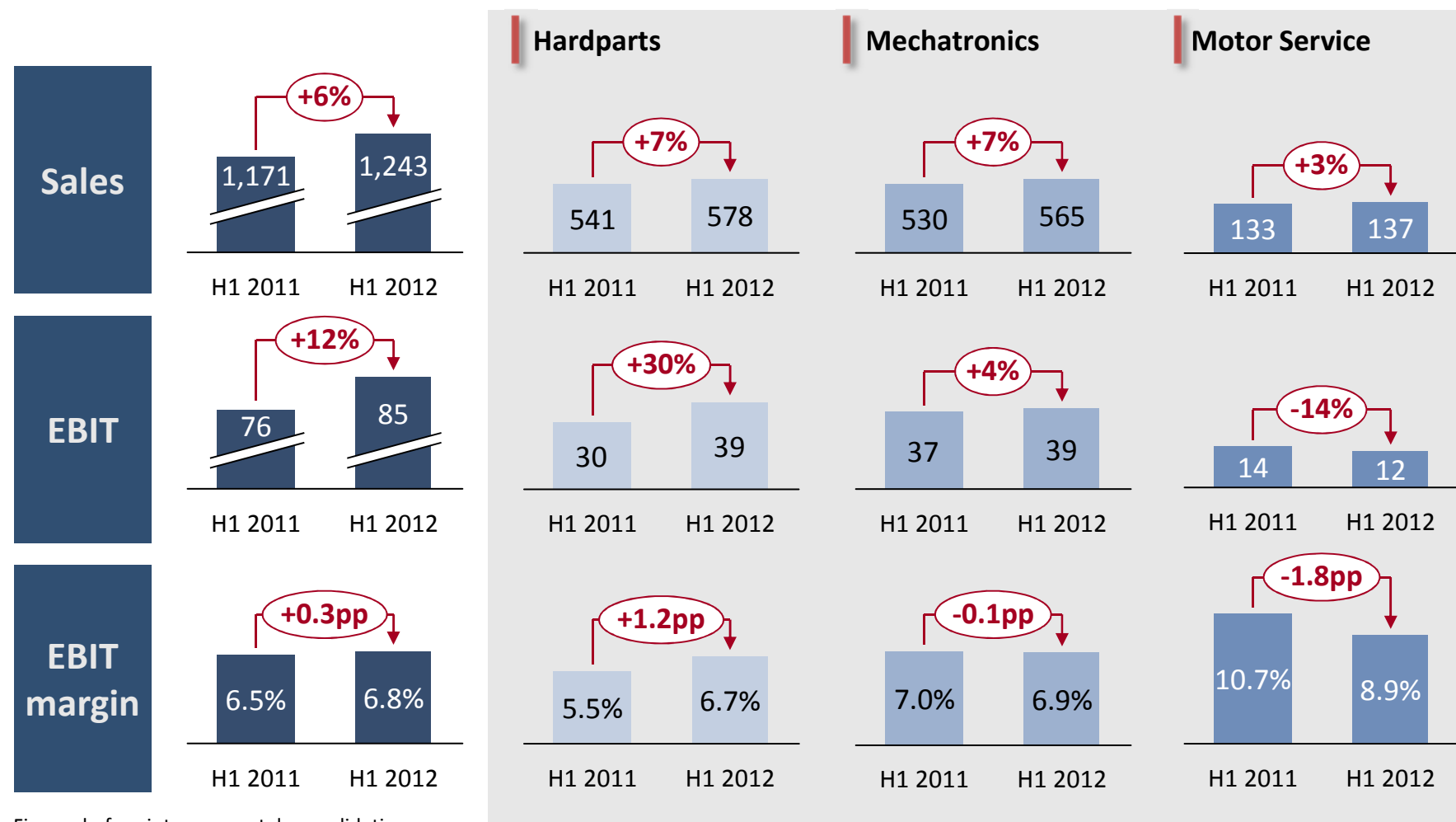
Sales (FY 2011)*: € 2.4 billion

Hardparts € 1.1 billion*	Mechatronics € 1.0 billion*	Motor Service € 0.3 billion*
Pistons	Pierburg	International
Aluminum Technology	Pierburg Pump Technology	Domestic
Plain Bearings		
Large Bore Pistons		

* Inter-company sales not eliminated



Key figures Automotive by divisions



Figures before intersegmental consolidation



Quarterly development of the divisions

	Sales						EBIT						EBIT margin					
	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2
	2011	2011	2011	2011	2012	2012	2011	2011	2011	2011	2012	2012	2011	2011	2011	2011	2012	2012
Combat Systems	221	250	247	479	205	272	21*	22	16	87	0	22	9.5	8.8	6.5	18.2	0.0	8.1
Electronic Solutions	185	187	184	244	163	161	18	18	23	27	6	35#	9.7	9.6	12.5	11.1	3.7	21.7
Wheeled Vehicles	58	51	64	82	127	138	1	-18	1	3	-4	-4	1.7	-35.3	1.6	3.7	-3.1	-2.9
Rheinmetall Defence	441	463	466	771	471	539	38*	24	42	118	4	52#	8.6	5.2	9.0	15.3	0.8	9.6
Hardparts	267	274	268	283	301	278	12	18	16	20	21	18	4.6	6.4	5.8	7.0	7.0	6.4
Mechatronics	270	260	246	249	288	276	22	15	18	13	20	18	8.3	5.7	7.4	5.4	7.1	6.7
Motor Service	67	67	65	60	67	70	8	7	7	3	6	6	11.3	10.0	10.1	5.1	8.9	9.0
Rheinmetall Automotive	585	585	564	579	638	605	40	36	39	36	46	39	6.8	6.2	6.9	6.2	7.2	6.5
Holding	-	-	-	-	-	-	-1	-10	-6	-2	-4	-10	-	-	-	-	-	-
Rheinmetall Group	1,027	1,048	1,030	1,350	1,109	1,144	77*	50	76	151	45	82#	7.5	4.8	7.4	11.2	4.1	7.2

* Including a positive one-off of € 11 million due to PPA ADS

Including a positive one-off of € 31 million due to JV Cassidian



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