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New Slogan for the Rheinmetall Group

International Partner for Security and Mobility

Rheinmetall Group

Security
- Basic need of mankind
- Basis for economic development and wealth
- Technologies for security in areas of conflicts
- Protection for soldiers in action

Mobility
- Megatrend in a connected world
- Precondition for personal freedom and trade over distances
- Fast and flexible response to demand
- Connection between mobility and climate protection: green technology

Rheinmetall Defence
Rheinmetall Automotive
Transition year 2013
A challenging market environment for both corporate sectors

2012 with weaker earnings generated by Automotive and Defence

Challenging market environment in 2013:
Budget cuts for Defence, weaker economic outlook for Automotive in Europe

2013 a transition year: Measures to improve cost efficiency necessary in both corporate sectors

Why we had to adjust the guidance

Lower sales in Defence than originally expected, triggered by budget cuts: Sales guidance for 2013 reduced by €100 million to €2.3 billion

Unexpected project cost overruns in three Defence export projects (simulation, tracked vehicles)

Particularly, a weakness in the highly profitable weapon and ammunition business, which cannot be compensated in H2 2013
Division Combat Systems

Share of the weapon and ammunition business

<table>
<thead>
<tr>
<th>Combat Platforms</th>
<th>Combat International</th>
<th>Infantry</th>
<th>Propulsion Systems</th>
<th>Protection Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ammunition Platforms</td>
<td>Rheinmetall Denel Munitions</td>
<td>40mm ammunition</td>
<td>Propulsion military</td>
<td>Softkill</td>
</tr>
<tr>
<td>Weapons</td>
<td>RWM Italia</td>
<td>SAF (Special ammunition &amp; field equipment)</td>
<td>Civil chemistry</td>
<td>Active Protection</td>
</tr>
<tr>
<td>Tracked vehicles</td>
<td>Rheinmetall Canada</td>
<td>Mortar ammunition</td>
<td>Passive Protection</td>
<td></td>
</tr>
</tbody>
</table>

Share of the weapon and ammunition business of total sales of the business unit (2012)

- Ammunition Platforms: 30%
- Propulsion: 87%
- Infantry: 100%
- Protection Systems: 56%
- Tracked vehicles: 29%

Weapon and Ammunition business
Sales development by product category 2008 – 2016e

- Sales in € million
- Rheinmetall Defence

Capital Markets Day 12/13 September 2013
© Rheinmetall 2013
“Rheinmetall 2015”
As a reminder: Cornerstones of the strategy program

- **Internationalization**: Extension of business operations outside Europe
- **Growth, products and innovations**: From 2015 organic sales revenue growth of 3-5% (CAGR) in normal economic cycle
- **Cost efficiency**: Restructuring measures in 2013, full savings effect from 2015 onwards

Internationalization
Increasing the company's presence outside Europe

- Additional activities in China
- Ramp-up of Mechatronics production in Mexico
- Large order for pumps from US customers
- New Defence offices in Russia and Saudi Arabia
- Significant new orders from Middle East and Australia
- More than half of the present order backlog with customers from outside of Europe
Internationalization – Automotive
Robust growth in the Emerging Markets

Change in light vehicle production 2015 vs. 2012 in %

- USA + 13%
- Western Europe + 2%
- Brazil + 23%
- Mexico + 21%
- India + 35%
- China + 35%

Source: IHS Automotive

Latest activities in China
- Opening of KSPG House in Shanghai
- Pierburg China opens a new plant in Kunshan
- New pump joint venture Pierburg Huayu Pump Technology
- New plant for large-bore pistons in Kunshan (start of production Q3 2013)

12 locations
3,500 employees
Sales 2012: €400 million
Internationalization – Automotive
Extension of the production facility in Mexico

**Three companies** (bearings, pistons, pumps) in one location
**Employees:** 674
**Sales 2012:** €46 million

- **2006:** Start in Mexico by acquisition of an established pistons producer
- Extension of the gasoline and diesel pistons production for passenger cars and commercial vehicles
- **2013/14:** Ramp-up of Mechatronics production

Large mechatronics orders from America

- Several contracts by US OEMs worth more than €400 million for Mechatronics products
  - Oil and vacuum pumps
  - Exhaust gas recirculation modules
  - Solenoid valves
  - Throttle valves

- Start of production 2015 at Pierburg Pump Technology in Celaya, Mexico
Internationalization – Automotive

**Next steps Automotive**

- **China**: Establishment of large-bore piston factory; production launch Pierburg China
- **Mexico**: Ramp-up of Mechatronics production
- **Russia**: Sub-licensing of pistons (after-market)
- **South Korea**: Market entry to be taken into consideration
- **India**: Ramp-up of Pierburg/Pierburg pumps; optimized location for plain bearings

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Internationalization – Defence

**Robust growth in the Middle East and Asia**

- **Russia** +69%
- **Algeria** +41%
- **Middle East** +17%
- **Indonesia** +69%
- **South America** +10%
- **Australia** +14%
- **Europe** -2%
- **USA** -19%

**Defence budgets 2017 vs. 2012 in %**

*Including sequestration risks

Source: IHS Jane’s Defence
Internationalization – Defence
Developing new markets: Continuation of successful hub strategy

More than 50% of order backlog is non-European

Order backlog, top 10 orders highlighted in € million

Order backlog by regions in € million
Internationalization – Defence

Next steps Defence

**Australia:**
Establishment of hub, strengthening Rheinmetall Defence Australia, success in large-scale programs

**Russia:**
Establishment of local company, joint ventures, gradual extension of existing business activities

**South Africa:**
Continuation of organic growth through increased internationalization (GCC, South America)

**Algeria:**
Establishment of Fuchs (Fox) production, entry into local joint venture, office opening

**Gulf Cooperation Council (GCC) region:**
Extension of local presence

“**Rheinmetall 2015**” – Internationalization
**Continental Shift – boosting sales revenues outside Europe**

**Automotive & Defence**

2012: 29% → 2015: 33%

2012: 36% → 2015: 50%

* Driven by local production
Growth, products and innovations – Automotive

Market trends in powertrain technology

- **Growing importance of the powertrain technology** and rising market volume expected ...
- ... driven by globally enhanced emission standards \((\text{NO}_x)\) and legal regulations \((\text{CO}_2)\) connected with penalties
- **Downsizing/turbocharging** will gain further importance, likewise **hybridization**
- Last but not least, ongoing **global growth** of LV-production

Share of powertrain technology per middle-class petrol-/gasoline-powered passenger car *in €*

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2020e</th>
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<tbody>
<tr>
<td></td>
<td>2,200</td>
<td>3,000</td>
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</table>


Powertrain revenues worldwide *in € billion*

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2030e</th>
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<tbody>
<tr>
<td></td>
<td>187</td>
<td>459</td>
</tr>
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</table>

CAGR 5.0%
Growth, products and innovations – Automotive

Convert innovation pipeline into profitable growth

- Extension of **product expertise** in the field of powertrain technology
- Realization of growth potential of **mechatronics products**, especially in the field of **turbo-charged petrol engines**
- Extension of **after-market business**

Exhaust gas recirculation
- Solenoid valves
- Actuators
- Water-, oil- and vacuum pumps

- Strict regulations as growth driver
- Strong position in Europe, especially in Diesel markets
- High degree of innovation and well filled order pipeline

Sales split 2012*
- 45% (Before consolidation)
- 44%
- 11%

**Mechatronics**

**Hardparts**
- LV- and truck pistons
- Large bore pistons
- Bearings
- Continuous casting
- Engine blocks

**Motor Service**
- Engine parts for own products and third parties

- Global presence in 130 countries
- Large product portfolio with spare parts and services

* Before consolidation
Truck exhaust recirculation system
Optimizing engine emissions of future utility vehicles

- Precise setting for exhaust gas enables a substantial reduction of nitrogen oxide ($\text{NO}_x$) emissions from engines
- Robust, contactless actuation systems with integrated control electronics (Smart-Drive)

Booked business exceeds €100 million

Steel pistons for passenger cars
Solution for increasing specific engine performance requirements

- Need to deal with constantly rising mechanical and thermal strain on components
- Enables 4% lower consumption
- Patented, weight-reduced design

First market launch 2014 with German customer
Range extenders
Bridging technology towards pure electromobility

- Range extensions for electrically powered vehicles to accustomed distances
- Package-optimized engine and generator concept
- Outstanding acoustics and low in vibration

Since January 2013 in successful test runs

Growth, products and innovations – Defence
Market trends in Land Systems business

- Land forces remain of high importance for crisis intervention ("last mile")
- Networking down to the level of individual soldiers will become more common (e.g. Gladius)
- Protection technologies will gain a higher significance
- New weapon technologies (e.g. laser) and unmanned technologies (e.g. route clearance system) will become more accepted
- Increasing importance of live-training
Growth, products and innovations – Defence
Convert innovation pipeline into profitable growth

DEFENCE

- Extension of the system- and service business
- Ensuring a comprehensive innovation pipeline
- Strengthening competencies in large-scale project management

Components

- Turrets and weapon stations
- Weapon and ammunition
- Active and passive protection
- Drive trains
- Electro-optical components

Service/Support

- Profitable follow-up business
- Independent of budget restraints

Systems

- Tracked vehicles
- Wheeled vehicles
- Simulation and training
- Air Defence

Sustainable business with small and medium-sized orders
- Low technological risk, but high margins
- Mainly not affected by budget cuts

Large-scale project business
- Long-running contracts
- Project risk management
- Order volume and timing often affected by budget situation

Sales

35-45%
40-50%
10-15%
Further development of the HX model range
The maximum in protection and mobility

- New front axle for cabin to provide greater level of protection
- In combination with ADS, the first truck protected against RPG attacks

Roughly 1,000 protected cabins included in truck order from Australia

Future Soldier System
Gladius for the Bundeswehr

- Integrates infantry troops into networked operational leadership
- 900 soldiers equipped and trained for deployment in Afghanistan by the end of 2013

Sales since 2011: €130 million
Rheinmetall machine guns
Perfect accuracy and impact, caliber 12.5/7.62

- Large distances due to improved performance ammunition
- Low weight due to high-performance materials
- Ideal arms for remote control weapon stations

“Rheinmetall 2015” – Growth by products and innovations
Growth contribution by takeovers and investments since 2007
“Rheinmetall 2015” – Cost efficiency
What cost initiatives cost, and what they will accomplish

Non-recurring expenses 2013:

- Defence €40-50 million
- Automotive €35 million

Savings per annum from 2015:

- Defence €40-50 million
- Automotive €20-25 million

2012: €20 million
2014: €15 million
2014: €10 million

Objectives for 2015
“Rheinmetall 2015” – Objectives for 2015

**Growth and earnings**

- **Organic growth of 3-5% p.a.** from 2015 in both segments
- Assuming a stable market environment, Rheinmetall Automotive envisions an **EBIT margin of 8% from 2015**
- After the successful termination of restructuring, Rheinmetall Defence expects an **EBIT margin of 10%**

“Rheinmetall 2015” – Defence

**Growth and earning target – achievable and realistic**

- Improvement of project management
- Capture of new markets with existing products, e.g. Boxer, ADS, Gladius
- Recovery of ammunition markets
- Completion of restructuring programs

<table>
<thead>
<tr>
<th>Year</th>
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<th>2012</th>
<th>2013e</th>
<th>2014e</th>
<th>2015e</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>~3%</td>
<td>6.3%</td>
<td>10.4%</td>
<td>11.6%</td>
<td>10%</td>
<td>~3%</td>
</tr>
</tbody>
</table>
“Rheinmetall 2015” – Objectives for 2015

Cash flow and finance

- We concentrate on the successful **organic development** of both segments and on the **improvement of operating free cash flow**

- We aim to maintain our **investment grade rating**

- We will seize opportunities for **focused acquisitions** in both segments

- We confirm our **dividend policy** with a payout ratio of at least 30% of earnings per share
Summary

- Great importance of **further internationalization** in both sectors
- “**Rheinmetall 2015**” gives the right answer to the ongoing market changes
- **Technology leadership** and **product innovations** are decisive growth factors
- Rheinmetall is the **international partner for security and mobility**
**Financial Diary**

| November 8, 2013 | Q3 2013 |

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