Capital Markets Day 2013
Combat Systems – The largest one of three divisions
Dr. Andreas Schwer

Content

- Combat Systems - A survey
- Internationalization and international competition
- In detail: The five business units
- Market trends, products and innovations
The largest division of Rheinmetall Defence

Key figures of the division

<table>
<thead>
<tr>
<th>in € million</th>
<th>2011</th>
<th>2012</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,197</td>
<td>1,136</td>
<td>- 5 %</td>
</tr>
<tr>
<td>Order intake</td>
<td>936</td>
<td>1,560</td>
<td>+ 66 %</td>
</tr>
<tr>
<td>EBIT</td>
<td>144</td>
<td>102</td>
<td>- 29 %</td>
</tr>
<tr>
<td>Employees</td>
<td>5,502</td>
<td>5,380</td>
<td>- 2 %</td>
</tr>
</tbody>
</table>
Components remain core business, but systems and service will grow

<table>
<thead>
<tr>
<th>Systems</th>
<th>Components</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="systems.png" alt="" /></td>
<td><img src="components.png" alt="" /></td>
<td><img src="service.png" alt="" /></td>
</tr>
<tr>
<td>~15% of sales</td>
<td>~75% of sales</td>
<td>~10% of sales</td>
</tr>
</tbody>
</table>

Locations as a basis for market access

International production and customer network

- **Canada**
  - Ottawa
  - Saint-Jean-sur-Richelieu
- **USA**
  - Stafford, VA
  - Camden, AR
- **Netherlands**
  - Lohr Ammannsegg
  - Atdorf
  - Stuben
- **Switzerland**
  - Zürich
  - Wimmis
- **Austria**
  - Schwabenstadt
- **Italy**
  - Ghedi
  - Domusnovas
- **South Africa**
  - Somerset West
  - Wellington
  - Boskop
  - Boksburg
- **Germany**
  - Unterlüß
  - Oberndorf
  - Neuenburg
  - Trittau
  - Silberhütte
  - Fronau
  - Bonn/Lohmar
  - Krefeld

50 customers worldwide

- **United Arab Emirates**
- **Saudi Arabia**
- **Sweden**
- **Switzerland**
- **Austria**
- **Italy**
- **South Africa**
- **Canada**
- **USA**
Distribution of sales and orders show the fruits of a focused international approach

Sales 2012 by regions in %

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales 2012 €1,136 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe (w/o Germany)</td>
<td>35%</td>
</tr>
<tr>
<td>Asia/Australia</td>
<td>10%</td>
</tr>
<tr>
<td>GCC</td>
<td>10%</td>
</tr>
<tr>
<td>North America</td>
<td>13%</td>
</tr>
<tr>
<td>RoW</td>
<td>5%</td>
</tr>
<tr>
<td>Germany</td>
<td>27%</td>
</tr>
</tbody>
</table>

Order backlog as of July 31, 2013 by regions in %

<table>
<thead>
<tr>
<th>Region</th>
<th>Order backlog €3,319 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe (w/o Germany)</td>
<td>43%</td>
</tr>
<tr>
<td>Asia/Australia</td>
<td>9%</td>
</tr>
<tr>
<td>GCC</td>
<td>24%</td>
</tr>
<tr>
<td>North America</td>
<td>12%</td>
</tr>
<tr>
<td>RoW</td>
<td>8%</td>
</tr>
<tr>
<td>Germany - thereof Puma order</td>
<td>33%</td>
</tr>
</tbody>
</table>

Growth markets in the strategic focus of Combat Systems

- Utilization of international growth opportunities by new concentration of sales force towards strategic growth markets
- Utilization of the international hubs within Combat Systems

<table>
<thead>
<tr>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>USA</td>
</tr>
<tr>
<td>Indonesia</td>
</tr>
<tr>
<td>Brazil</td>
</tr>
<tr>
<td>Russia</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Algeria</td>
</tr>
<tr>
<td>UAE</td>
</tr>
<tr>
<td>Qatar</td>
</tr>
<tr>
<td>Saudi Arabia</td>
</tr>
</tbody>
</table>
Recent orders illustrate importance of international target markets

**Traditional markets**
- Germany
- Switzerland
- Netherlands
- Scandinavia
- United Kingdom
- USA

**New markets (MENA, Asia)**
- Significant orders worth €1.1 billion from Middle East / Asia in the last 12 months:
  - Ammunition MENA €320 million
  - Five orders for tank and artillery ammunition from GCC €350 million
  - Vehicle components/ammunition Qatar €475 million

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**Internationalization**
**Qatar: Weapon technology and ammunition**

- **Volume:** € 475 million, booked in Q2 2013
- **Leopard 2 A7+ tanks:** Weapon systems and fire control units for 62 vehicles
- **Tank howitzers:** Chassis and weapon systems for 24 self-propelled howitzers
- **Participation of Combat Systems:**
  - First batch of ammunition (about 1/3 of order value)
  - Weapon technology

**Sales split in € million**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (in € million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014e</td>
<td></td>
</tr>
<tr>
<td>2015e</td>
<td></td>
</tr>
<tr>
<td>2016e</td>
<td></td>
</tr>
<tr>
<td>2017e</td>
<td></td>
</tr>
</tbody>
</table>
Internationalization
Canada: Tactical armored patrol vehicle TAPV

- Volume: € 160 million, booked in Q3 2012
- 500 vehicles to be delivered from 2014-2016
- 4x4 armored wheeled vehicle specifically designed for the Canadian forces
- Importance for Rheinmetall Canada: multiple integration functions and final vehicle assembly
- Important role in the program’s long-term system support

Sales split in € million

Internationalization
MENA: Prime contractor for ammunition

- Volume: € 320 million, booked in Q4 2012
- Naval ammunition contract for a MENA country
- Rheinmetall Defence takes over the role as prime contractor
- Delivery of both Rheinmetall and other ammunition

Sales split in € million
Internationalization

Middle East: Mortar ammunition

- Volume: € 50 million, booked in Q3 2013
- Rheinmetall Denel Munition will supply ammunition for a mobile 120mm mortar system to a customer in the Middle East
- Package comprises especially illumination and smoke/obscurant rounds
- Completed in partnership with a local company in the customer country
- Delivery of the ammunition starting in 2014

Far East: Engineering tanks

- Volume: € 95 million, booked in 2010
- Extension of the existing MTB fleet of the customer
- Extremely versatile and robust support vehicles for pioneer tasks
- Based on Leopard chassis
In detail: The five business units

<table>
<thead>
<tr>
<th>Combat International</th>
<th>Combat Platforms</th>
<th>Infantry</th>
<th>Propulsion Systems</th>
<th>Protection Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Rheinmetall Munitions</td>
<td>Main battle tanks, artillery systems, support vehicles, Infantry systems, Ammunition, Directed energy and future platforms, Service</td>
<td>40mm systems, Mortar systems, Special ammunition and field equipment, Fuze systems</td>
<td>Propellant systems, Civil chemistry</td>
<td>Passive protection, Active protection, Softkill</td>
</tr>
<tr>
<td>Rheinmetall Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RWM Italia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rheinmetall Denel Munition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International offices</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Business unit
Combat Platforms

- Safeguarding technology leadership and mid-term growth
  - Rheinmetall belongs globally to the top three suppliers of large and medium caliber ammunition
  - Declining earnings with traditional markets in 2012/2013, but successful acquisition of new orders from MENA, turning into profitable sales mid-term
- Restructuring of product unit Tracked Vehicles
  - € 17 million booked in 2012, another € 11 million expected in 2013
  - Expanding capacities of Unterlüß production site, closing Gersthofen in 2014
- Successful start of Puma serial production
- Accessing and strengthening new markets in the US, Indonesia, Qatar, Russia and Saudi Arabia
Business unit
Combat International

- Successful integration of acquired companies
  - Rheinmetall Denel Munition (RDM): Remarkable growth since consolidation (Sept. 2008)
  - RWM Italia: Sales doubled since consolidation (Dec. 2010)
- New products or services, e.g. multi-mode warheads for missiles and SAGE aircraft bomb
- Stabilizing the approach on the North American market

Business unit
Infantry Systems

- Traditionally well focused and very profitable business unit
  - Rheinmetall is the leading supplier of 40mm ammunition worldwide
  - Cross-selling opportunities for further products: grenade launchers, fire control systems and fuses
- Affected by reduction of ammunition orders, e.g. UK and US
- Focus on profitable niches: Entering the small caliber market

*Procurement of 40mm ammunition (US Presidential Budget)*

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<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>230</td>
</tr>
<tr>
<td>2009</td>
<td>95</td>
</tr>
<tr>
<td>2010</td>
<td>112</td>
</tr>
<tr>
<td>2011</td>
<td>87</td>
</tr>
<tr>
<td>2012</td>
<td>97</td>
</tr>
<tr>
<td>2013</td>
<td>92</td>
</tr>
</tbody>
</table>
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Business unit  
**Propulsion Systems**

- Stable sales and good earnings contribution within target range
- Widening the technological lead in the broad product portfolio with competitive production processes in order to maintain the worldwide leading position
- Unlocking growth potential in new markets (e.g. Eastern Europe, Asia) with conforming technology by cooperations

Business unit  
**Protection Systems**

- Successful positioning of the hard-kill active protection system ADS in the market
- Commercially successful serial production start-up for protected cabins in Unterlüß
- Strong organic and non-organic growth in soft-kill and passive protection
Substantial market trends

“MOBILITY, PROTECTION AND PRECISION FIRE POWER ARE A WINNING COMBINATION”
The United States Army Maneuver Center of Excellence, 17/03/2013

- **Avoidance of collateral damages** through increased precision and scalability effect of weapons and ammunition
- **Highest level of protection** for soldiers
- **Smaller and lighter weapon systems** with significantly increased penetration power, effect and range
- **Higher reliability and life cycle of weapon systems** under tough environmental conditions (dust, sand, heat, vibration)
- **Flexibility** for sophisticated mission and effect opportunities: close range / long distance, lethal and non-lethal, multi mission ability

Innovations
**Rapid Obscuring System Rosy**

- Smoke screen for self-protection against unexpected attacks, caliber 40mm
- Innovative technology: 360° protection, dynamic screens, interruption of line of sight
- Available in configurations for land and naval forces

Opportunities for business with land and naval forces
Innovations
Forward-looking high-energy laser technology

- Highly accurate, silent, effective and scalable impacts against today's threats
- Action chain of detection - tracking - fighting successfully documented
- 50 kW weapons technology with upgrade potential to 100 kW

First tests successful

Innovations
Medium caliber turret Lance

- Manned and unmanned version available
- Mountable on a variety of different platforms
- Highly attractive for other vehicle system providers

Rheinmetall competence on systems and components level
Route clearance package

- Response to an immediate operational requirement of ISAF Forces
- Consisting of:
  - Rheinmetall’s remote controlled Wiesel
  - Fox (Command and Control)
  - RMMV Multi FSA (Transportation)
  - Mini Mine Wolf manipulator vehicle
- Task: detecting mines and IEDs concealed on roads and in open terrain

Delivered to German Armed Forces in Afghanistan

Innovations
MBT Revolution

- Comprehensive upgrade for main battle tanks significantly enhances current capabilities
- Completely new digital turret concept; advanced fire power
- 360° Situational awareness system
- Excellent C4I and network-enabled capabilities

Offering access to most advanced MBT technology
Summary

- Combat Systems is in its product range presently no. 4 in the world, medium-term target: to become no. 3
- Extensive international customer and locations network
- Technology leadership in weapon and ammunition
- Comprehensive and complete product portfolio
- Large order backlog creates a solid basis for future profitable growth
- Solid earnings situation in Business units Propulsion systems, Infantry and Combat International
- Sales dip in ammunition business has to be overcome
- Earnings weakness refers mainly to the tracked vehicle business
  - 2013: Restructuring of tracked vehicle business will be continued
  - 2014: Restructuring program finished, first savings
  - 2015: Growth by new orders turning into sales
Financial Diary

November 8, 2013 | Q3 2013

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