



RHEINMETALL AG

THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Conference Call Q1 2014

Düsseldorf | May 8, 2014



Q1 2014 at a glance

- **Order intake increased** by € 343 million or 34%, leading to a **higher order backlog** of € 6,669 million, raised by € 1,249 million compared to Q1 2013
- **Sales up** by 12% to € 1,080 million, **growth in both divisions**
- **Enhanced earnings: operational earnings improved** by € 15 million, **EBT better** by € 21 million to € - 16 million, **EPS up** by € 0.42 to € - 0.19
- **Headcount reduced** by 2% to 21,257 employees
- **Outlook confirmed**

2013 Automotive figures restated according to IFRS 11 (Joint arrangements)



Q1 2014 in detail

<i>in € million</i>	Q1 2013*	Q1 2014	Δ Q1 2014/ Q1 2013
Order intake	1,018	1,361	+ 343
Order backlog	5,420	6,669	+ 1,249
Sales	965	1,080	+ 115
Operational earnings (EBIT before special items)	- 14	1	+ 15
Special items (one-offs, restructuring costs)	- 5	- 1	+ 4
EBIT (reported)	- 19	0	+ 19
EBT	- 37	- 16	+ 21
Group net income	- 29	- 13	+ 16
Earnings per share <i>in €</i>	- 0.61	- 0.19	+ 0.42
Employees	21,620	21,257	- 363

* 2013 Automotive figures restated according to IFRS 11 (Joint arrangements)



Cash flow statement

Free cash flow from operations significantly lower than previous year

<i>in € million</i>	Q1 2013*	Q1 2014	Δ Q1 2014/ Q1 2013
Net income	- 29	- 13	+ 16
Amortization / depreciation	48	48	± 0
Change in pension accruals	- 6	- 2	+ 4
Cash flow	13	33	+ 20
Changes in working capital and other items	- 206	- 440	- 234
Net cash used in operating activities	- 193	- 407	- 214
Cash outflow for additions to tangible and intangible assets	- 37	- 65	- 28
Free cash flow from operations	- 230	- 472	- 242

* 2013 Automotive figures restated according to IFRS 11 (Joint arrangements)



RHEINMETALL DEFENCE



Q1 2014 at a glance

- **Order intake 62% higher** than one year ago despite a challenging market environment
- **Sales increased by 14%** to € 414 million
- Business still impacted by continuously **weak ammunition market**
- **Operational performance not satisfying** in spite of the expected seasonal effect
- Concerning the further execution of the contract with Russia, Rheinmetall maintains a **close contact to the German government**



Q1 2014 in detail

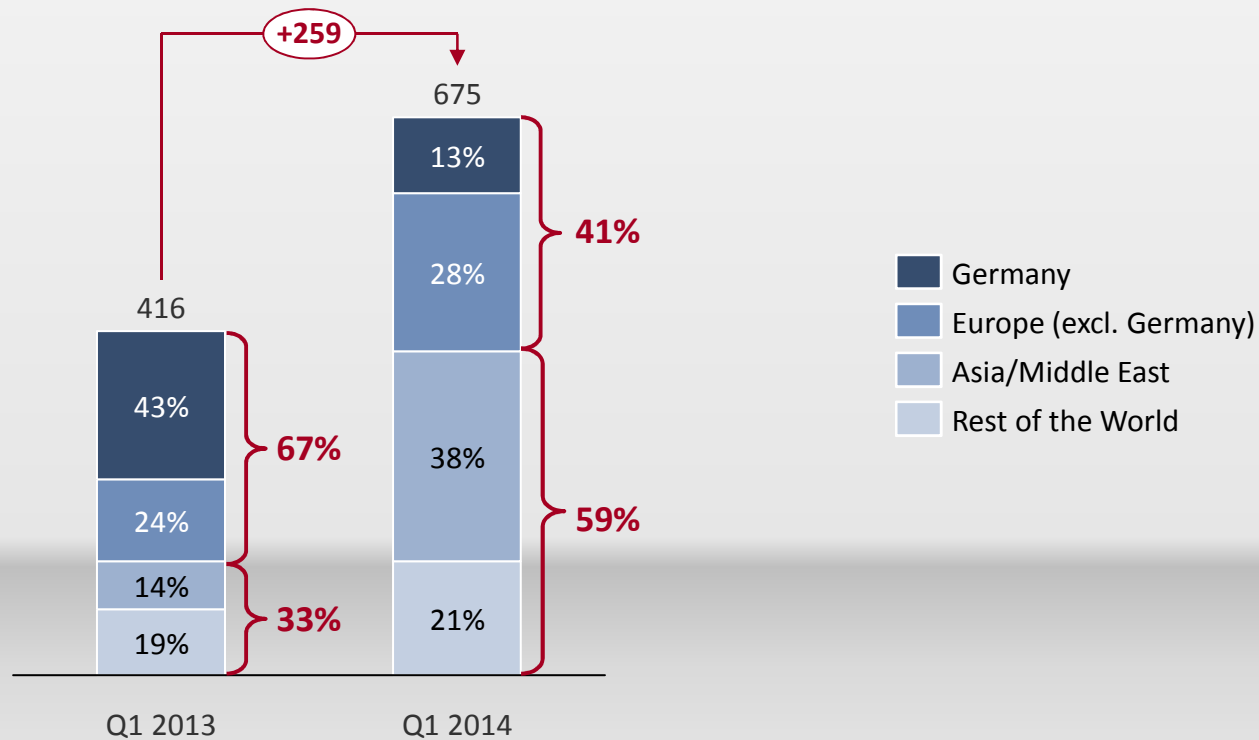
<i>in € million</i>	Q1 2013	Q1 2014	Δ Q1 2014/ Q1 2013
Order intake	416	675	+ 259
Order backlog	5,002	6,224	+ 1,222
Sales	363	414	+ 51
Operational earnings (EBIT before special items)	- 43	- 42	+ 1
Special items (one-offs, restructuring costs)	- 1	- 1	± 0
EBIT (reported)	- 44	- 43	+ 1
Employees	9,437	9,242	- 195



Internationalization

Increasing share of order intake received from growth regions

Order intake by region in € million





Strong order intake continued

New orders strengthen order backlog of Logistic Vehicles and Air Defence

LOGISTIC VEHICLES



- Long-term framework contract with Norway
- Delivery of military trucks and logistic support
- First lot: 120 protected and unprotected vehicles as well as R&D with a total volume of more than € 100 million
- Booked in Q1

AIR DEFENCE



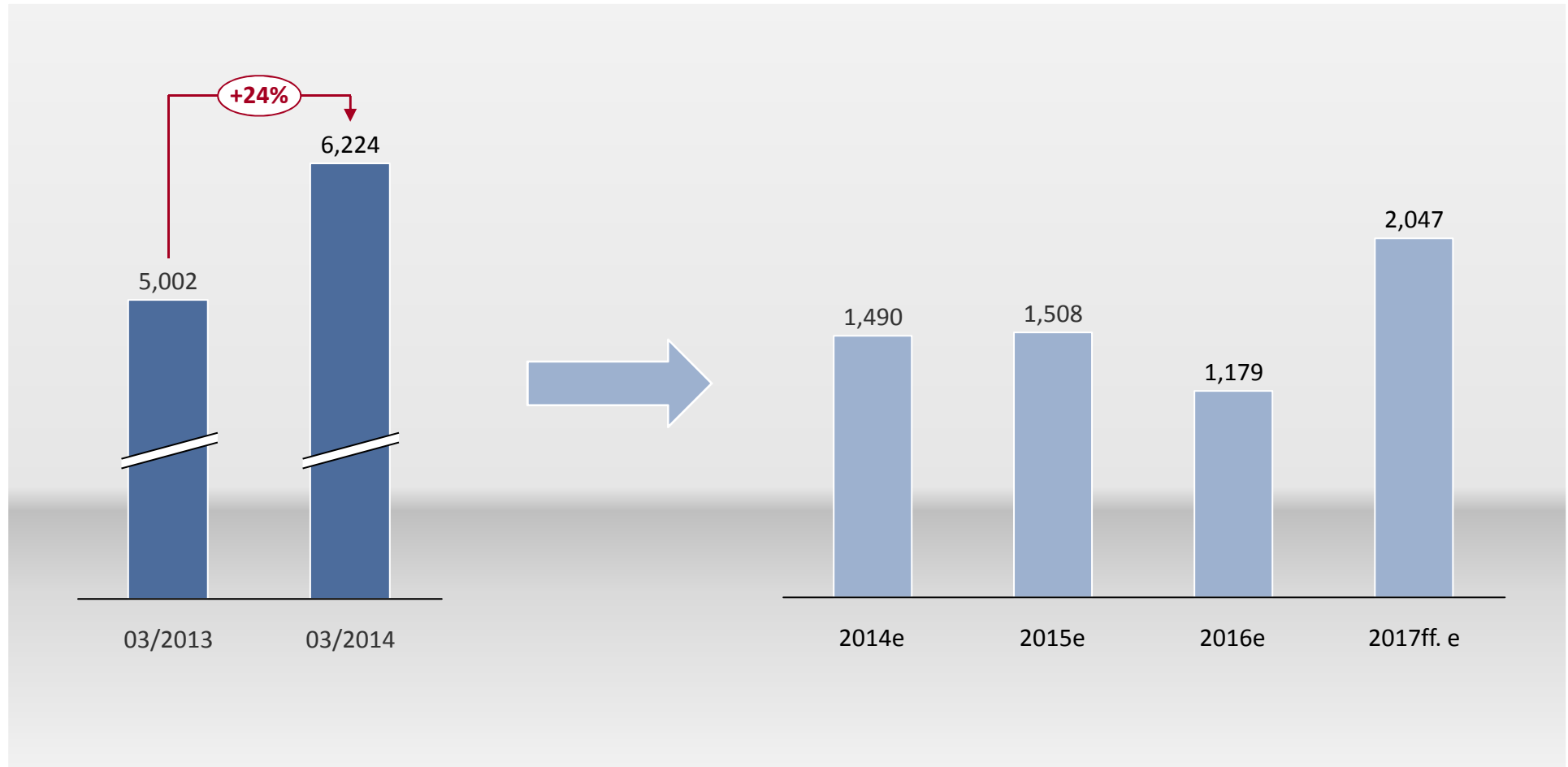
- Contracts with three customers (Indonesia, South Africa, MENA country)
- Modernization resp. expansion of existing air defence systems
- Total volume: roughly € 200 million
- Booked in Q1



Order backlog Backbone for top line growth in the medium term

Order backlog as of March 2014... in € million

...turning into sales in € million



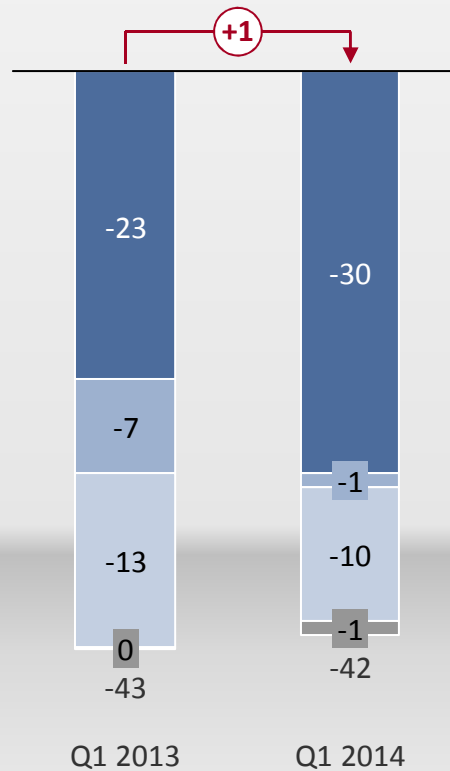
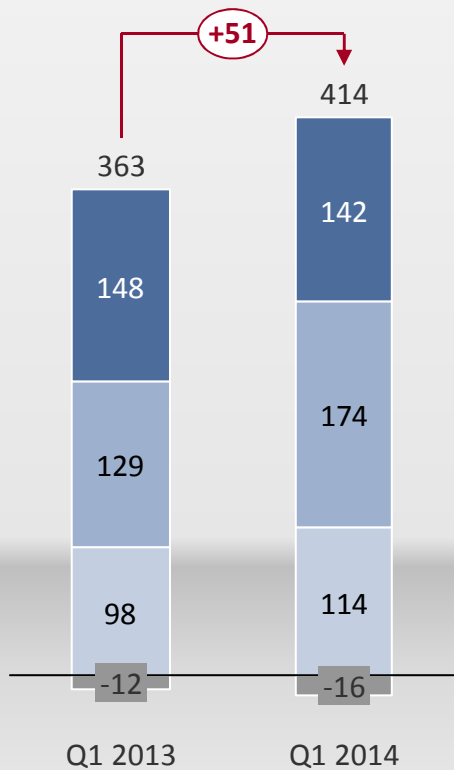


Sales and earnings by division

Top line improved, mixed picture in earnings

■ Sales Defence in € million

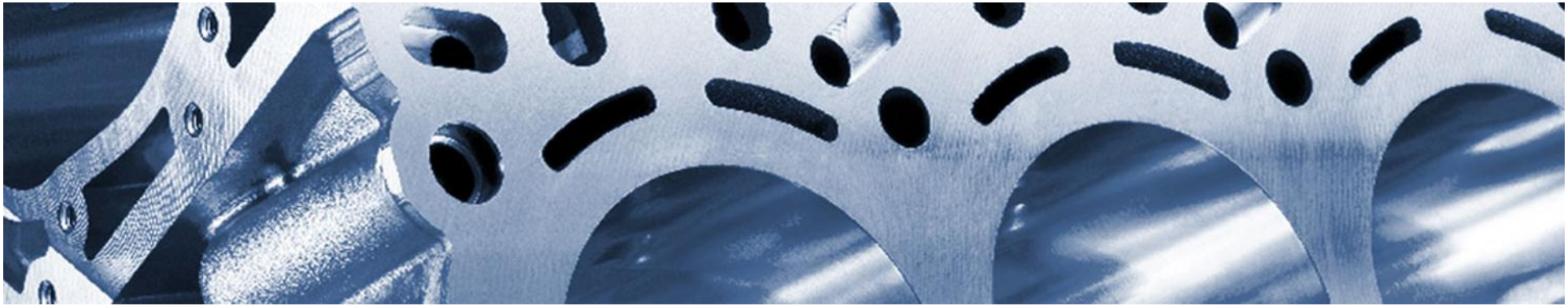
■ Operational earnings Defence in € million



Reasons for earnings development

- Combat Systems**
 - Lower sales
 - Unfavorable product mix
- Electronic Solutions**
 - Higher sales in Air Defence
- Wheeled Vehicles**
 - Higher sales in Tactical Vehicles

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



RHEINMETALL AUTOMOTIVE



Q1 2014 at a glance

- **Good operational performance:** sales increased by 11% to € 666 million
- **Significant improvement of operational earnings** by 53% to € 47 million, operational margin raised from 5.1% to 7.1%
- **Business activities in China (+ 27%) outperformed** the Chinese market (+ 10%) again, comparing Q1 2014 to Q1 2013

2013 figures restated according to IFRS 11 (Joint arrangements)



Q1 2014 in detail

<i>in € million</i>	Q1 2013*	Q1 2014	Δ Q1 2014/ Q1 2013
Sales	602	666	+ 64
Operational earnings (EBIT before special items)	31	47	+ 16
Special items (one-offs, restructuring costs)	- 4	0	+ 4
EBIT (reported)	27	47	+ 20
Employees	12,039	11,873	- 166

* 2013 figures restated according to IFRS 11 (Joint arrangements)

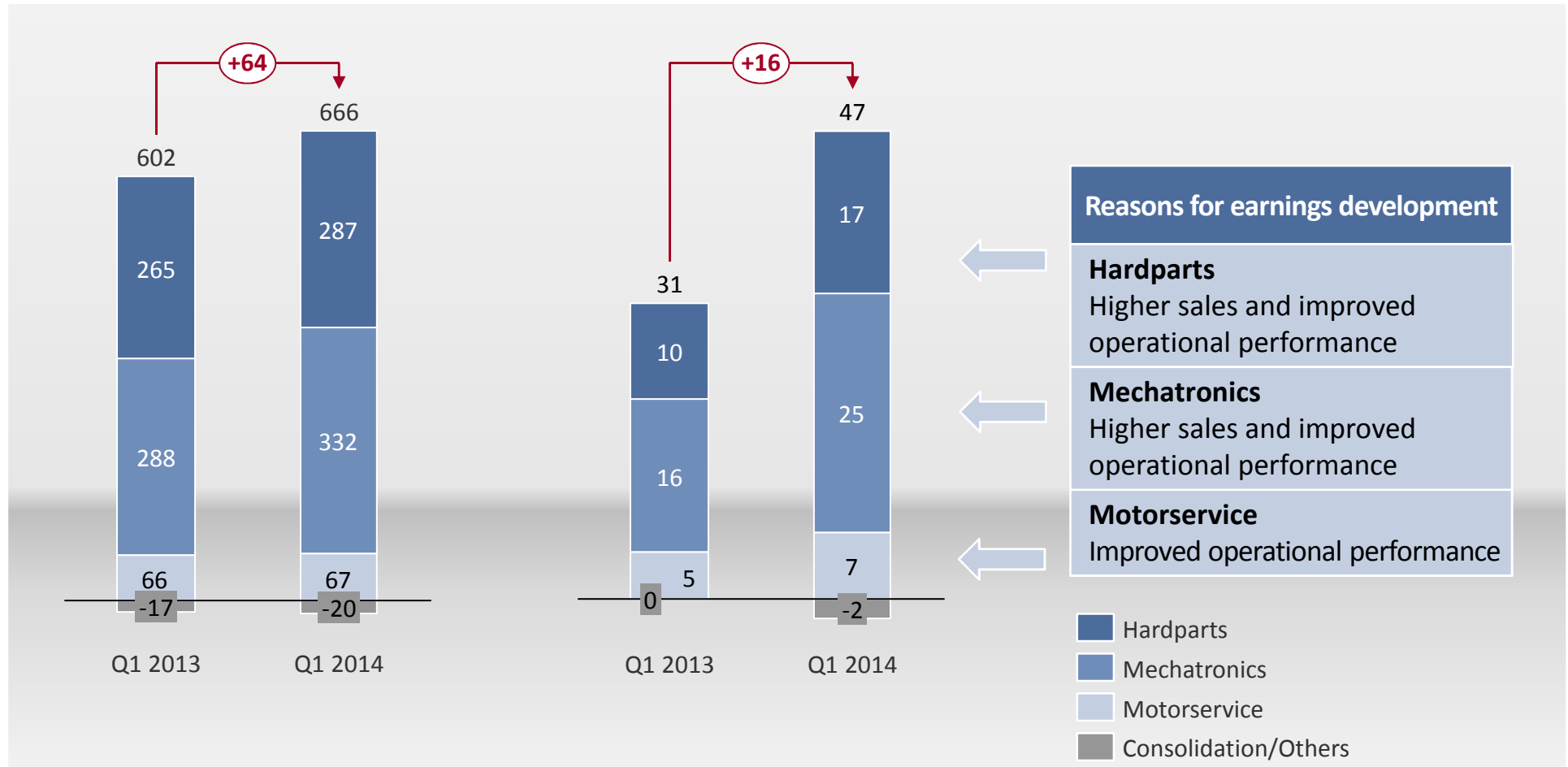


Sales and earnings by division

Earnings improved due to higher sales and better operational performance

■ Sales Automotive in € million

■ Operational earnings Automotive in € million



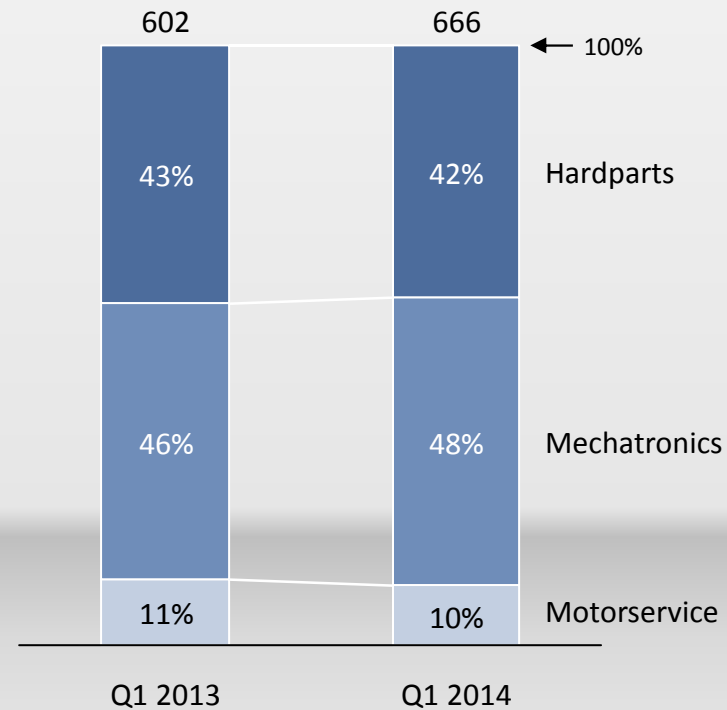
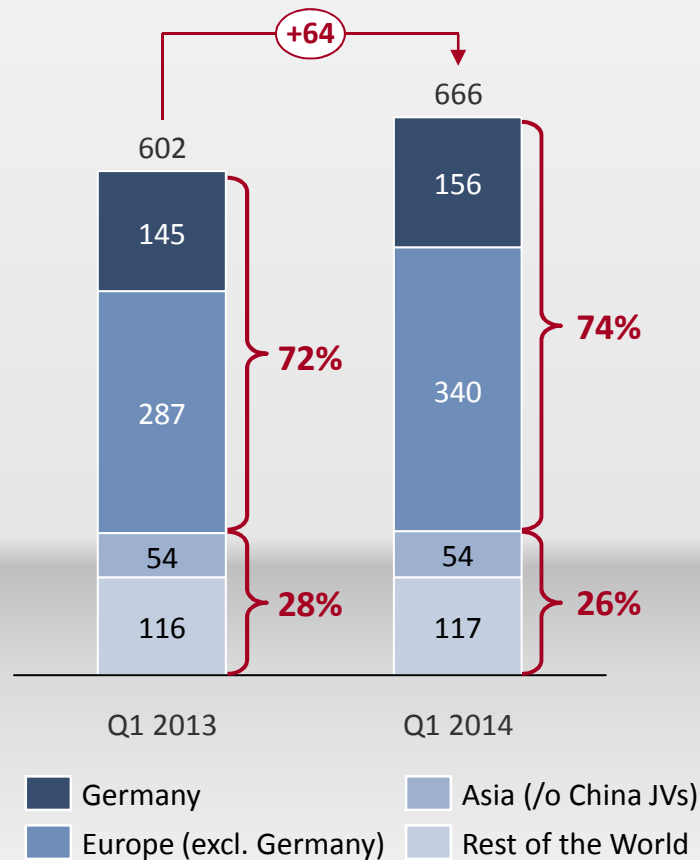
2013 figures restated according to IFRS 11 (Joint arrangements)



Increasing sales due to growing European markets Especially Europe-based Mechatronics benefits from market development

■ Sales by region in € million

■ Divisional sales share* in %



2013 figures restated according to IFRS 11 (Joint arrangements)

* Figures before intrasegmental consolidation



OUTLOOK



Outlook 2014 confirmed

	Sales <i>in € billion</i>	Operational earnings <i>in € million</i>
Group	4.8 - 4.9	230 - 250
Defence	2.3	85 - 95
Automotive	2.5 - 2.6	165 - 175

- Further non-operational expenses of € 10 million expected, i.e. expected **Group EBIT of € 220 - 240 million**
- Outlook based on **assumptions**
 - **macroeconomic environment** stable – **global automotive industry** growing
 - **ammunition markets** stabilizing – **key large-scale projects** in Defence to be realized as scheduled

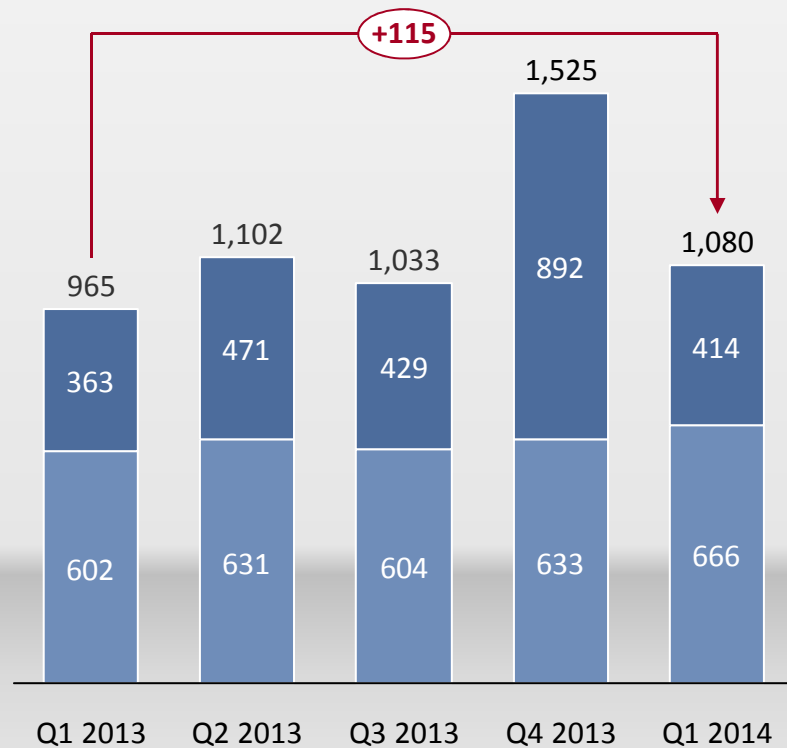


APPENDIX

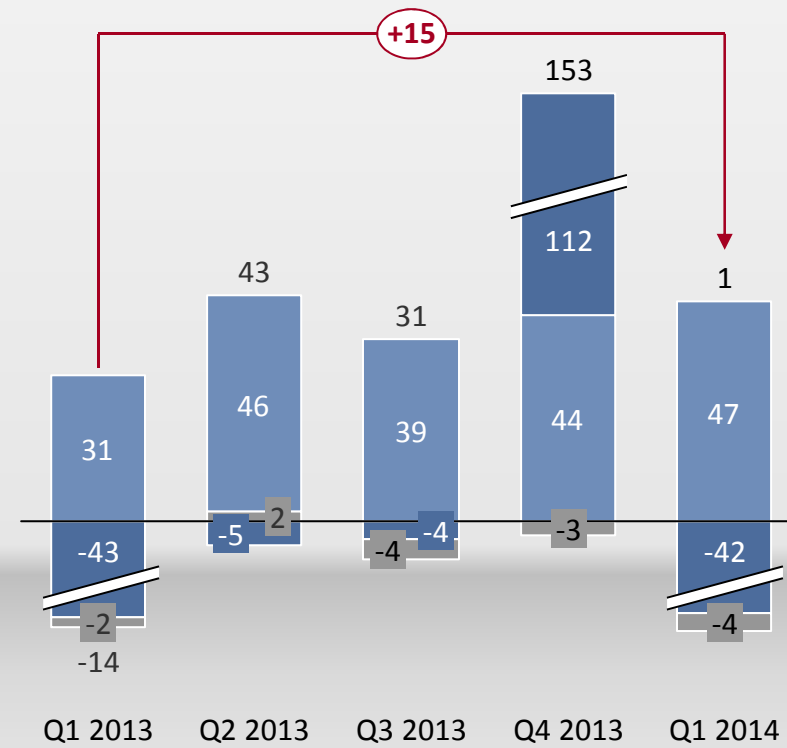


Quarterly development

■ Sales in € million



■ Operational earnings in € million

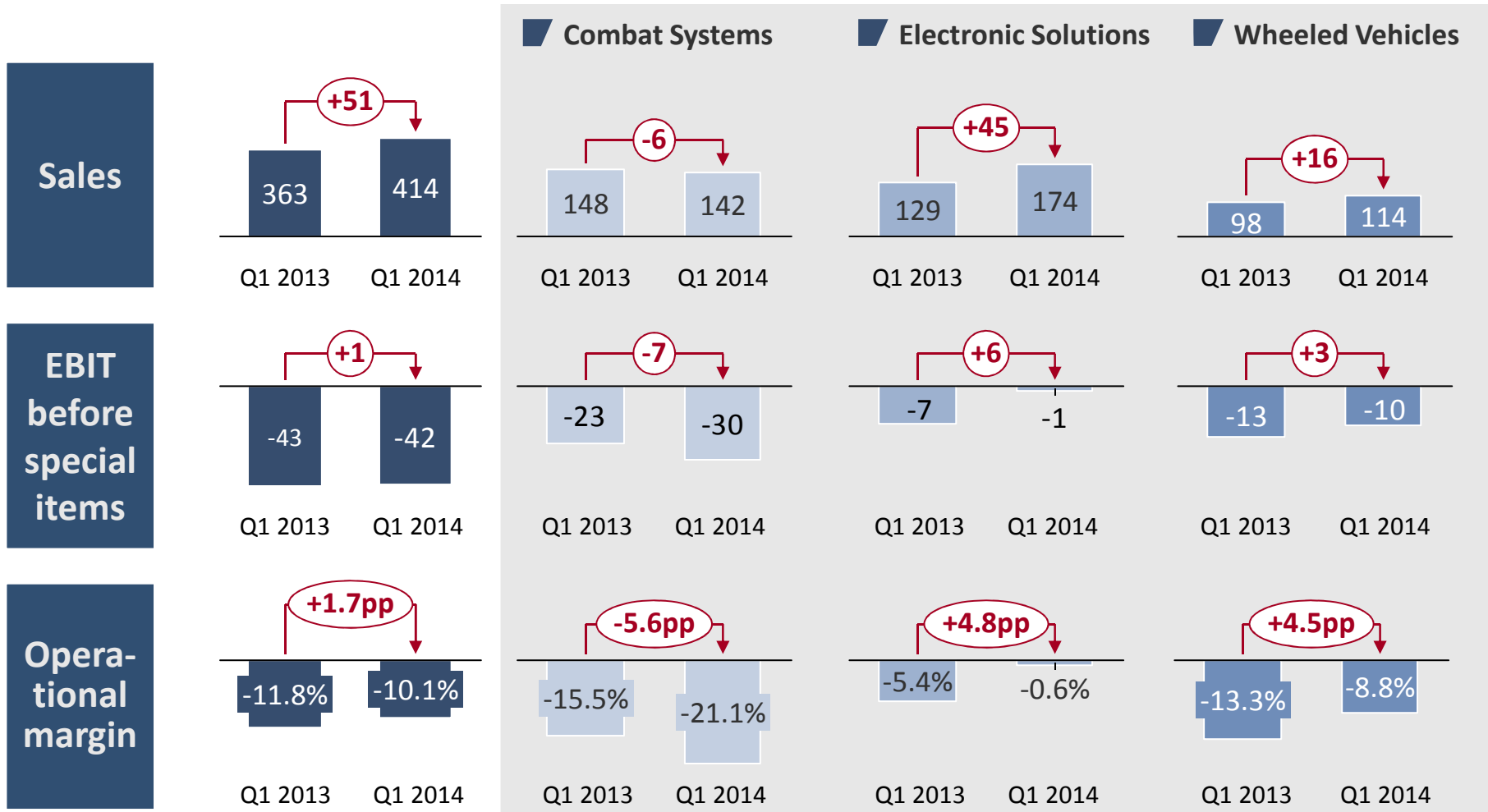


■ Defence ■ Automotive ■ Consolidation/Others

2013 Automotive figures restated according to IFRS 11 (Joint arrangements)



Key figures Defence by division (operational before special items)



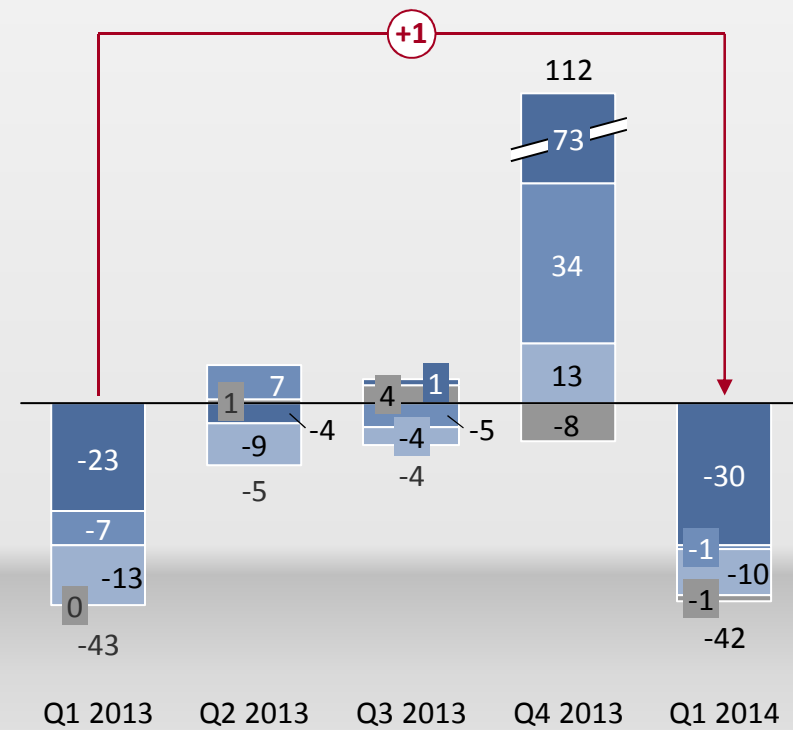
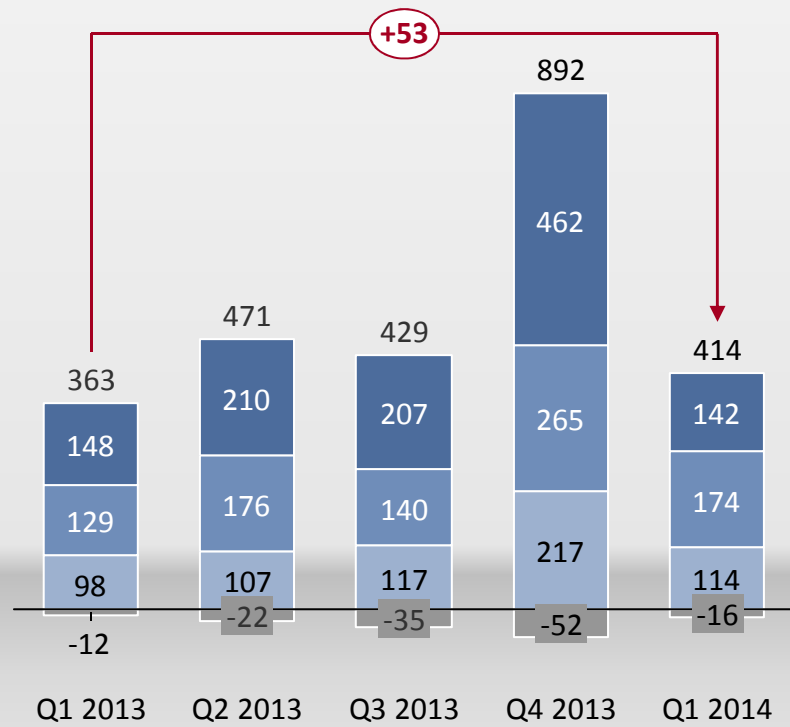
Figures before intrasegmental consolidation



Quarterly development

Sales Defence in € million

Operational earnings Defence in € million



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

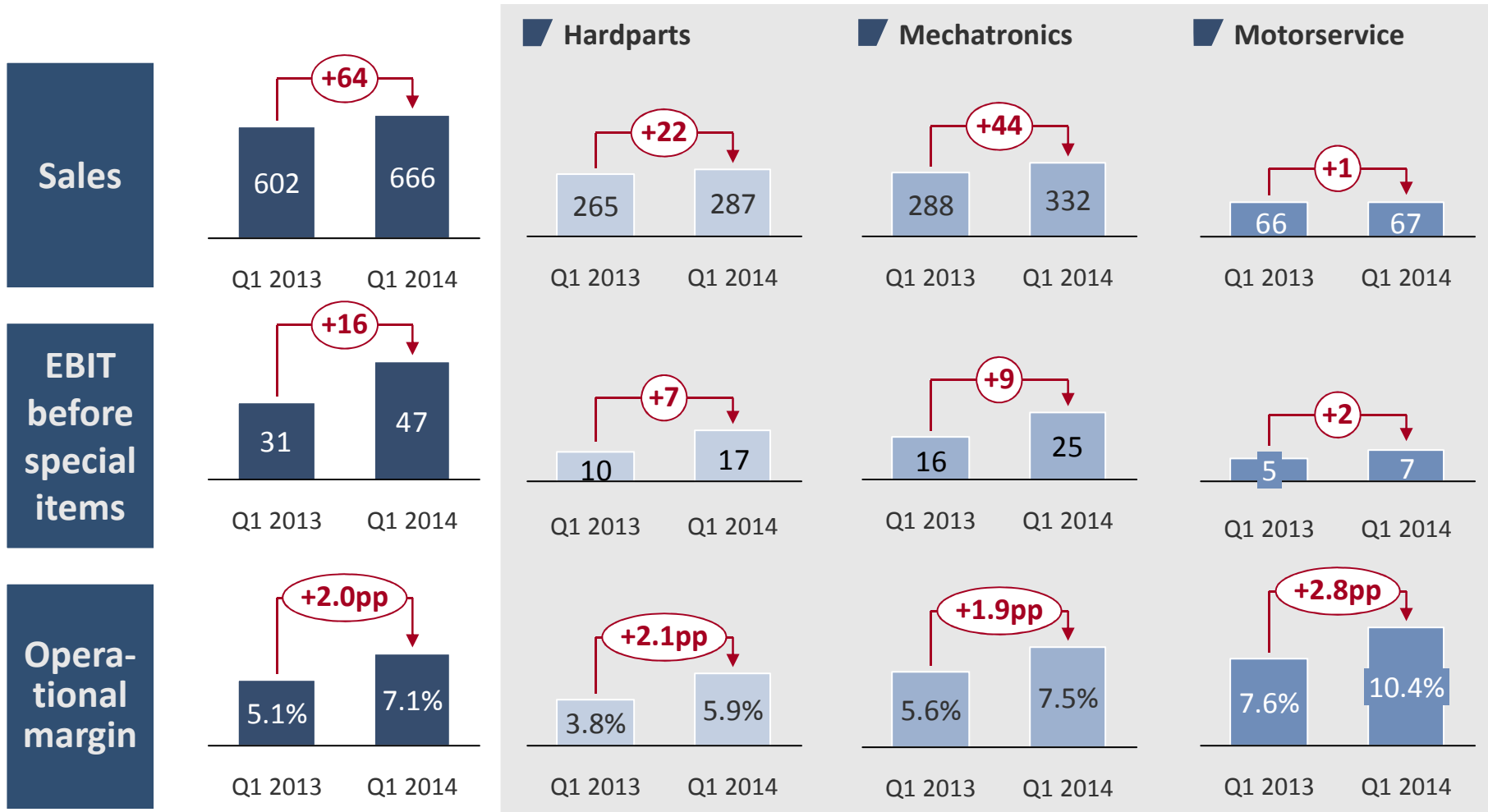


Cash flow statement

<i>in € million</i>	Q1 2013	Q1 2014	Δ Q1 2014/ Q1 2013
Net income	- 39	- 39	± 0
Amortization / depreciation	22	20	- 2
Change in pension accruals	- 1	1	+ 2
Cash flow	- 18	- 18	± 0
Changes in working capital and other items	- 155	- 339	- 184
Net cash used in operating activities	- 173	- 357	- 184
Cash outflow for additions to tangible and intangible assets	- 9	- 11	- 2
Free cash flow from operations	- 182	- 368	- 186



Key figures Automotive by division (operational before special items)



Figures before intrasegmental consolidation

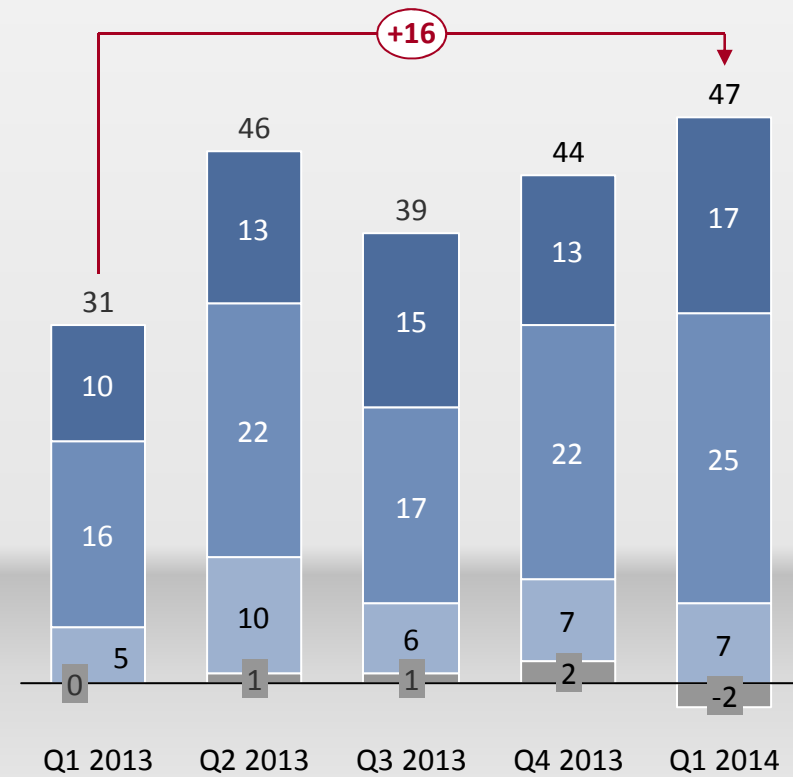
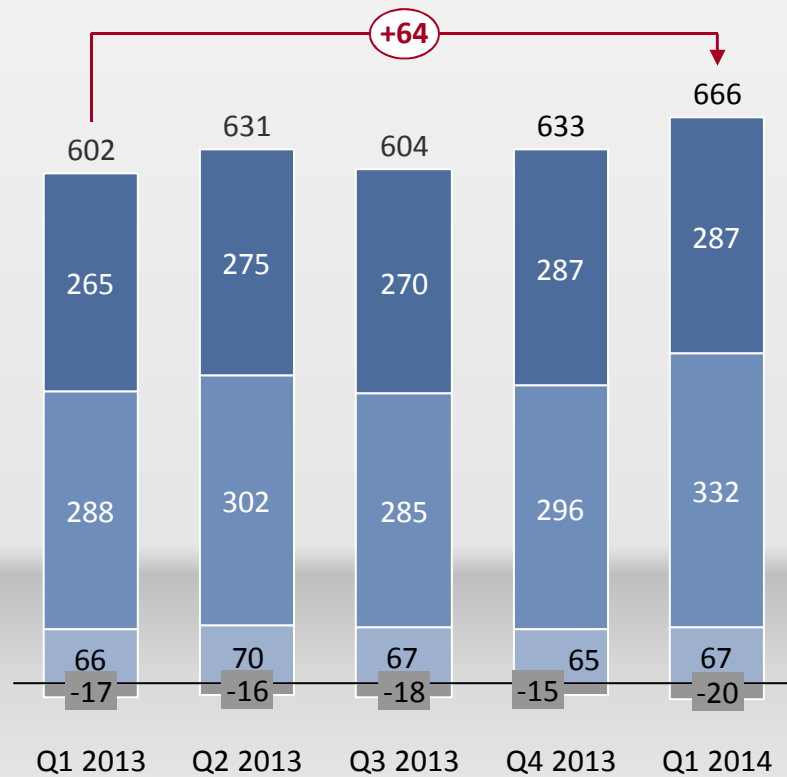
2013 figures restated according to IFRS 11 (Joint arrangements)



Quarterly development

Sales Automotive in € million

Operational earnings Automotive in € million



■ Hardparts
 ■ Mechatronics
 ■ Motorservice
 ■ Consolidation/Others

2013 figures restated according to IFRS 11 (Joint arrangements)



Cash flow statement

<i>in € million</i>	Q1 2013*	Q1 2014	Δ Q1 2014/ Q1 2013
Net income	19	33	+ 14
Amortization / depreciation	26	28	+ 2
Change in pension accruals	- 5	0	+ 5
Cash flow	40	61	+ 21
Changes in working capital and other items	- 58	- 88	- 30
Net cash used in operating activities	- 18	- 27	- 9
Cash outflow for additions to tangible and intangible assets	- 28	- 53	- 25
Free cash flow from operations	- 46	- 80	- 34

* 2013 figures restated according to IFRS 11 (Joint arrangements)



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