



Corporate Presentation | June 2011

**International Technology Group**  
**for Defence and Automotive**



## Rheinmetall's two business units

### Rheinmetall AG

Sales: € 4.0 billion    Employees: 20,000    (2010)

#### Rheinmetall Defence



**Leading European defence company  
for ground forces technology**

Sales:        € 2.0 billion

Employees: 9,000

#### Rheinmetall Automotive



**Leading automotive supplier in  
engine components and systems**

Sales:        € 2.0 billion

Employees: 11,000



Q1 2011

## Key messages: Rheinmetall on growth path

- ▶ Sales increased by 28 % to € 1,027 million
- ▶ EBIT almost doubled from € 39 million to € 77 million
- ▶ Net income up by € 31 million to € 50 million
- ▶ EPS advanced from € 0.51 to € 1.26



## Q1 2011

### Strongly improved profitability

<b>Rheinmetall Group</b> € million	<b>Q1 2010</b>	<b>Q1 2011</b>	<b>Δ Q1 (2011/2010)</b>	
Sales	800	1,027	+ 277	+ 28 %
EBITDA	76	121	+ 45	+ 60 %
EBIT	39	77	+ 38	+ 97 %
EBIT-margin in %	4.9	7.5		+ 2.6 pp
EBT	27	63	+ 36	+ 134 %
Group net income	19	50	+ 31	+ 158 %
Earnings per share (€)	0.51	1.26	+ 0.75	+ 147 %

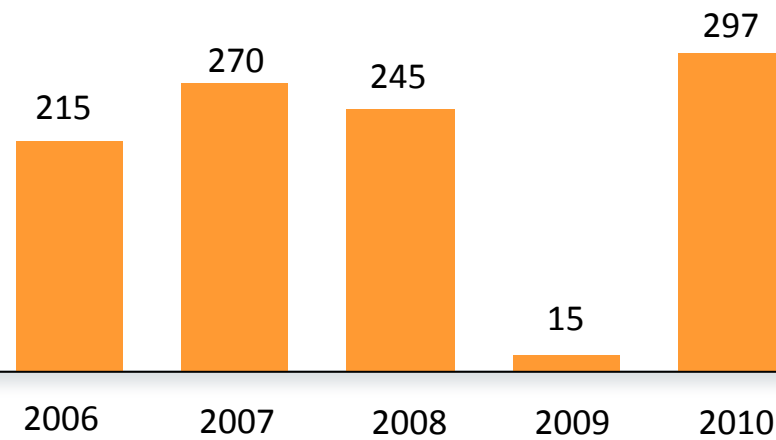
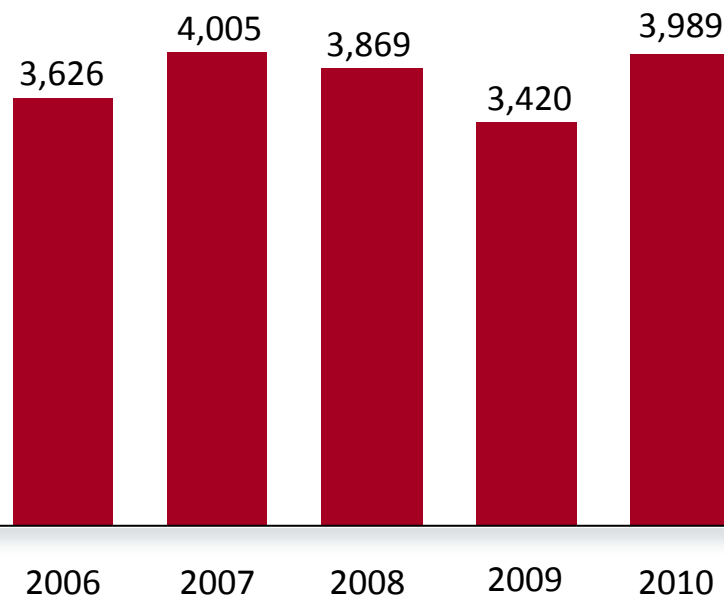


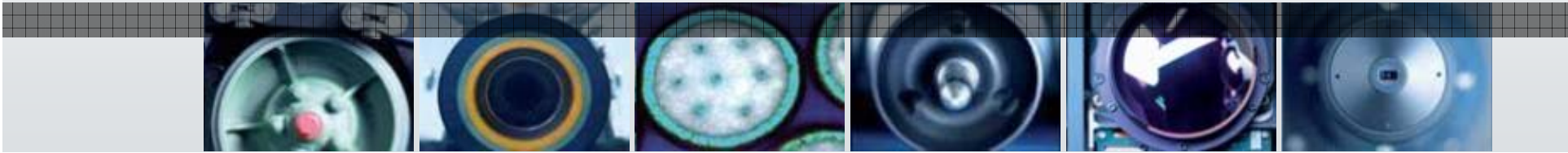
## Profit & loss account

### Strong and fast recovery after crisis years 2008/2009

Sales Group € million

EBIT Group € million





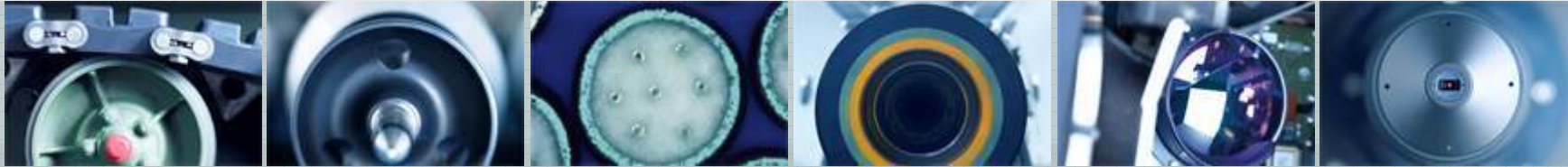
# Rheinmetall Defence





# Rheinmetall Defence

## Leading supplier for international land forces



Sales  
2010:

**Land Systems**  
€ 443 million

**Weapon and Munitions**  
€ 761 million

**Propellants**  
€ 91 million

**Air Defence**  
€ 326 million

**Defence Electronics**  
€ 258 million

**Simulation and Training**  
€ 154 million

Wheeled vehicles

Tracked Vehicles  
and Turrets

Services

Direct fire

Indirect fire

Infantry

Protection systems

Plant engineering

Propellant systems

Civil chemistry

Ground based  
air defence

Naval air defence

Services

Reconnaissance

Command & Control

Fire control units

Airborne systems

Flight simulation

Land simulation

Maritime and  
process simulation



## Rheinmetall Defence Highlights

- ▶ **Successful completion of six acquisitions until February 2011  
Joint venture with MAN for wheeled military vehicles started**
- ▶ **Sales in Q1 2011 at € 441 million; 27 % higher than Q1 2010;  
sales adjusted by changes of consolidated companies rose by 18 % or € 61 million**
- ▶ **EBIT in Q1 increases to € 38 million, EBIT-margin raised to 8.7 %**
- ▶ **Order intake in Q1 2011 with € 316 million lower than Q1 2010,  
which contained two large contracts of together € 231 million**
- ▶ **High order backlog and international diversification support future growth;  
Order backlog Q1 2010 almost unchanged at € 4,695 million**





## Q1 2011 Defence

### Strong growth of sales and earnings

<b>Defence</b> € million	<b>Q1</b> <b>2010</b>	<b>Q1</b> <b>2011</b>	<b>Δ Q1</b> <b>(2011/2010)</b>	
Order intake	467	316	- 151	- 32 %
Order backlog	4,743	4,695	- 48	- 1 %
<b>Sales</b>	<b>346</b>	<b>441</b>	<b>+ 95</b>	<b>+ 27 %</b>
EBITDA	37	57	+ 20	+ 55 %
EBIT before Amortisation PPA	26	43	+ 17	+ 67 %
<b>EBIT</b>	<b>25</b>	<b>38</b>	<b>+ 13</b>	<b>+ 54 %</b>
EBIT-margin	7.2 %	8.7 %		+ 1.5 pp
EBT	22	36	+14	+ 65 %

Earnings include gains from a FX-hedging operation of € 5 million in Q1 2010 and gains from the increase in the shareholding of ADS of € 11 million in Q1 2011

PPA: Purchase price allocation



## Q1 2011 Defence

### Contribution of companies acquired in 2010/2011

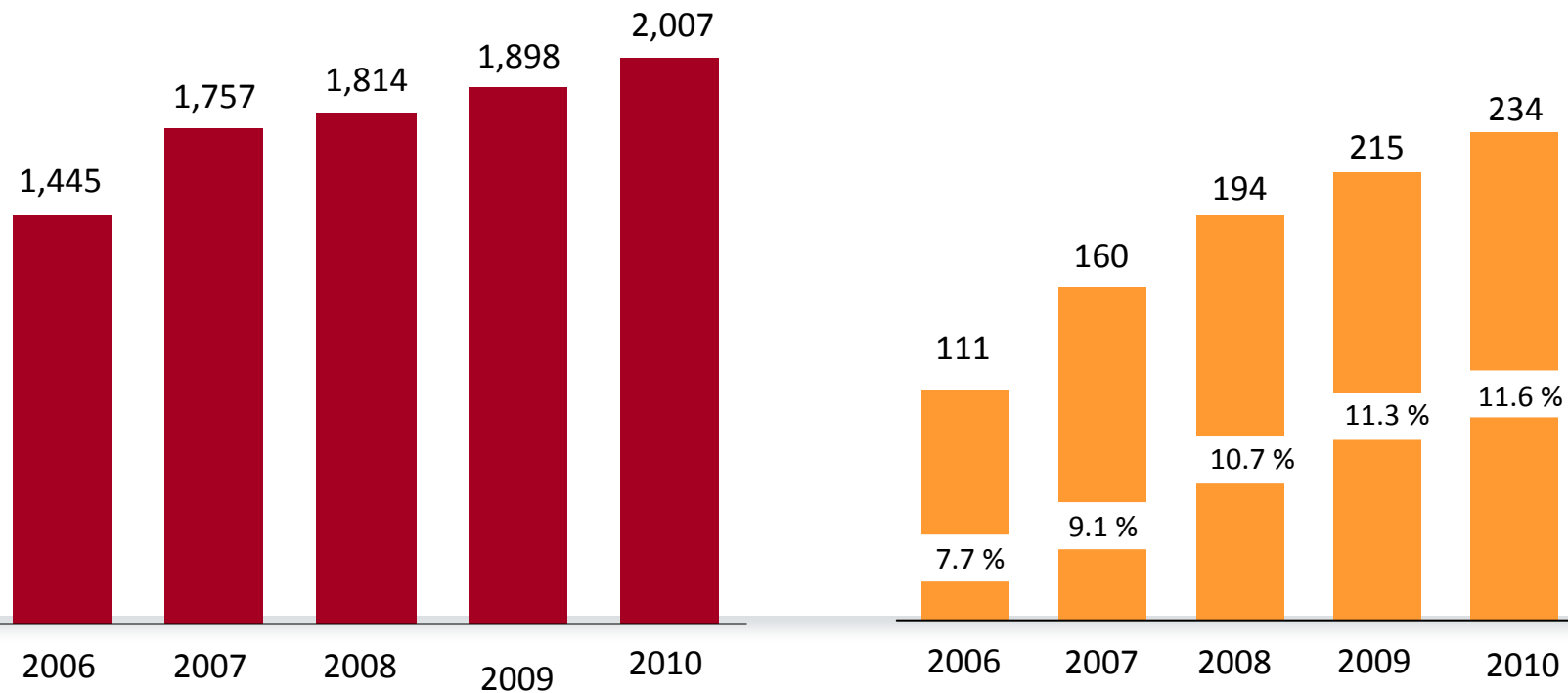
Defence € million	Q1 2010	Q1 2011	Δ Q1 (2011/2010)	
<b>Sales reported</b>	<b>346</b>	<b>441</b>	<b>+ 95</b>	<b>+ 27 %</b>
Divestments / acquisitions	- 2	- 36	- 34	
<b>Sales before acquisitions</b>	<b>344</b>	<b>405</b>	<b>+ 61</b>	<b>+ 18 %</b>
<b>EBIT reported</b>	<b>25</b>	<b>38</b>	<b>+ 13</b>	<b>+ 54 %</b>
EBIT from acquisitions before PPA	-	- 6	- 6	
Amortization PPA	-	4	+ 4	
One-offs (Q1 2010: hedging gains; Q1 2011: ADS)	- 5	- 11	- 6	
<b>EBIT before acquisitions and one-offs</b>	<b>20</b>	<b>25</b>	<b>+ 5</b>	<b>+ 25 %</b>



# Profit & loss account Defence

Sales € million

EBIT € million  
EBIT margin %





## Defence budget cuts are taking place...

### ...but there are also many opportunities for Rheinmetall

- ▶ Reduced budgets will be focussed on procurement of adequate equipment for armies on international peace-keeping operations
- ▶ Infantry systems, protected vehicles and protection systems will gain in importance and remain an essential element in fulfilling military tasks on international operations

### ...and confirm our growth strategy in international markets

- ▶ Pushing forward with the internationalization of Rheinmetall Defence
- ▶ Focusing product portfolio on protection/effectiveness of forces in operation
- ▶ Selecting acquisitions with a high strategic fit

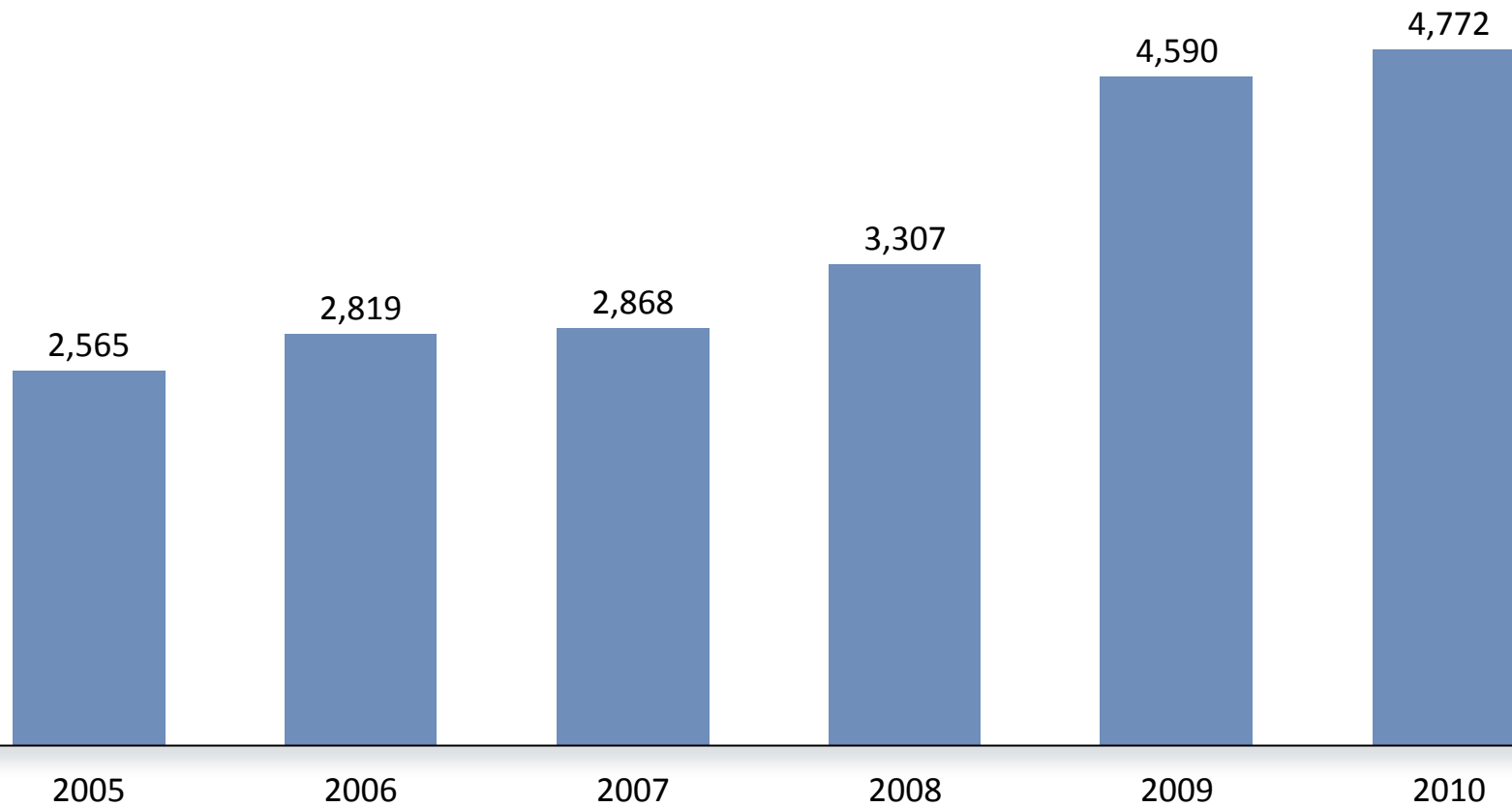
### ...and can be cushioned by a high order backlog

- ▶ Currently close to € 5 billion



## Order backlog Almost doubled since 2005 – a backbone for future growth

Order backlog € million

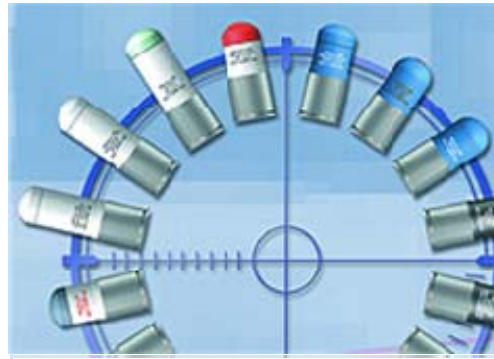




## Order backlog In 2010 international orders increased order backlog further



**Air Defence order from Middle East**  
Volume: € 230 million



**Partnering agreement with UK for ammunition extended**  
Volume: € 150 million for the period until 2015



**Market entry in Asia with engineering tank Kodiak**  
Volume: € 110 million



## Order backlog In 2010 international orders increased order backlog further



**Grenade launcher systems  
and ammunition for the  
Canadian army**  
Volume: € 70 million



**Training ammunition for  
the US Marine Corps**  
Volume: € 53 million

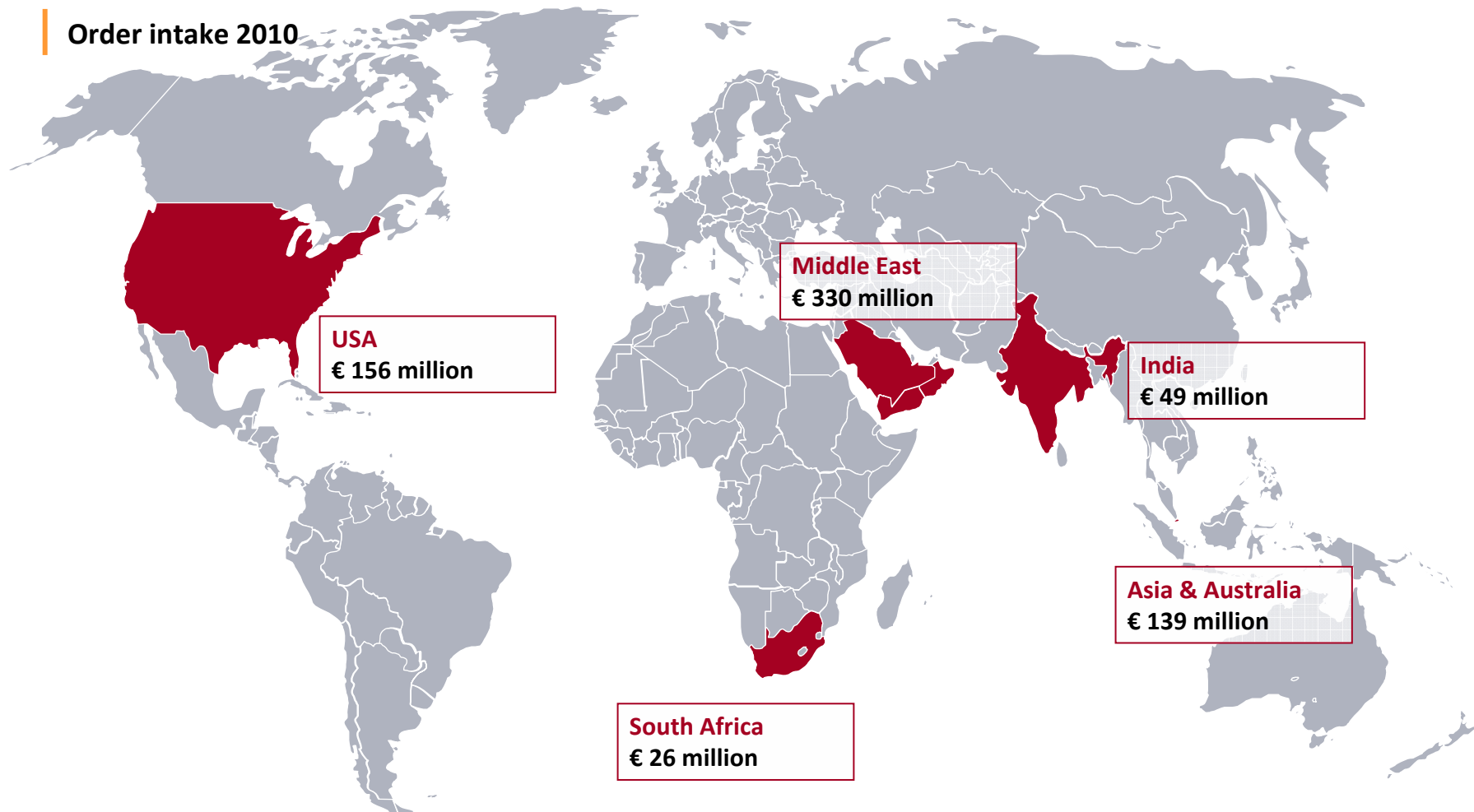


**Extension of UAV Heron  
service provider contract in  
Afghanistan**  
Volume: € 52 million



## International markets: successful steps

Order intake 2010



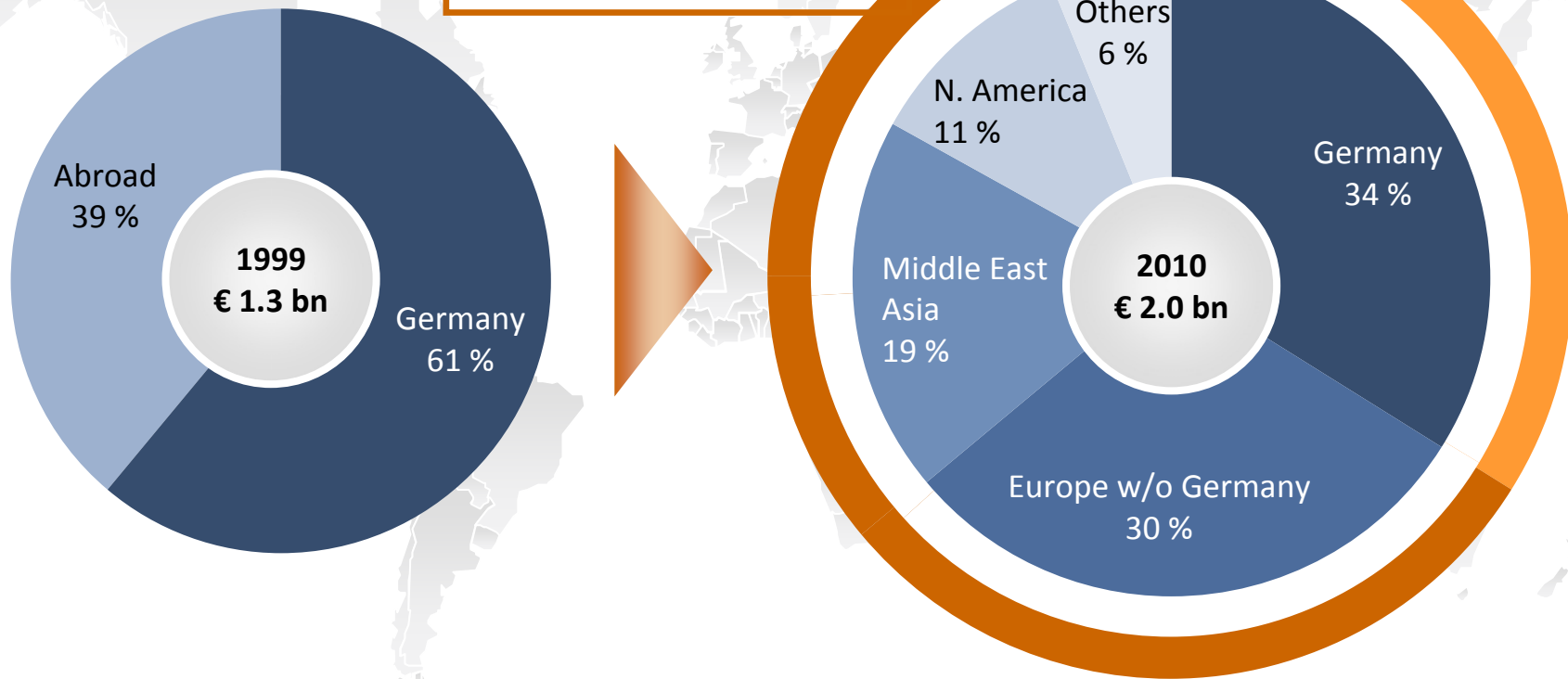




# Internationalization Complete change within one decade only

Sales abroad % of total sales

International customer base:  
More than 80 countries



Mid-term planning 2011-2013 sees **international order intake quota by 80 %**



## Acquisitions Defence Growth by investing in future technologies (1)



### **Simrad Optronics, Norway**

- ▶ World market leader (70%) of remote weapon stations (Kongsberg)



### **SEI, Italy**

- ▶ Ammunition market Italy
- ▶ International naval and air forces

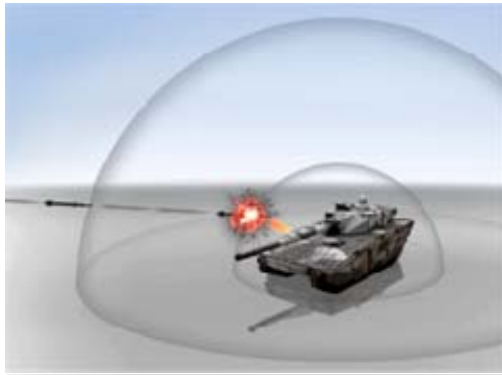


### **Laingsdale Engineering, South Africa**

- ▶ Vertical integration (fuses)
- ▶ Inert munition



## Acquisitions Defence Growth by investing in future technologies (2)



**ADS,**  
Germany

- ▶ Stake increased from 25 % to 74 %



**Chempro,**  
Germany

- ▶ 2007: takeover of 51 %



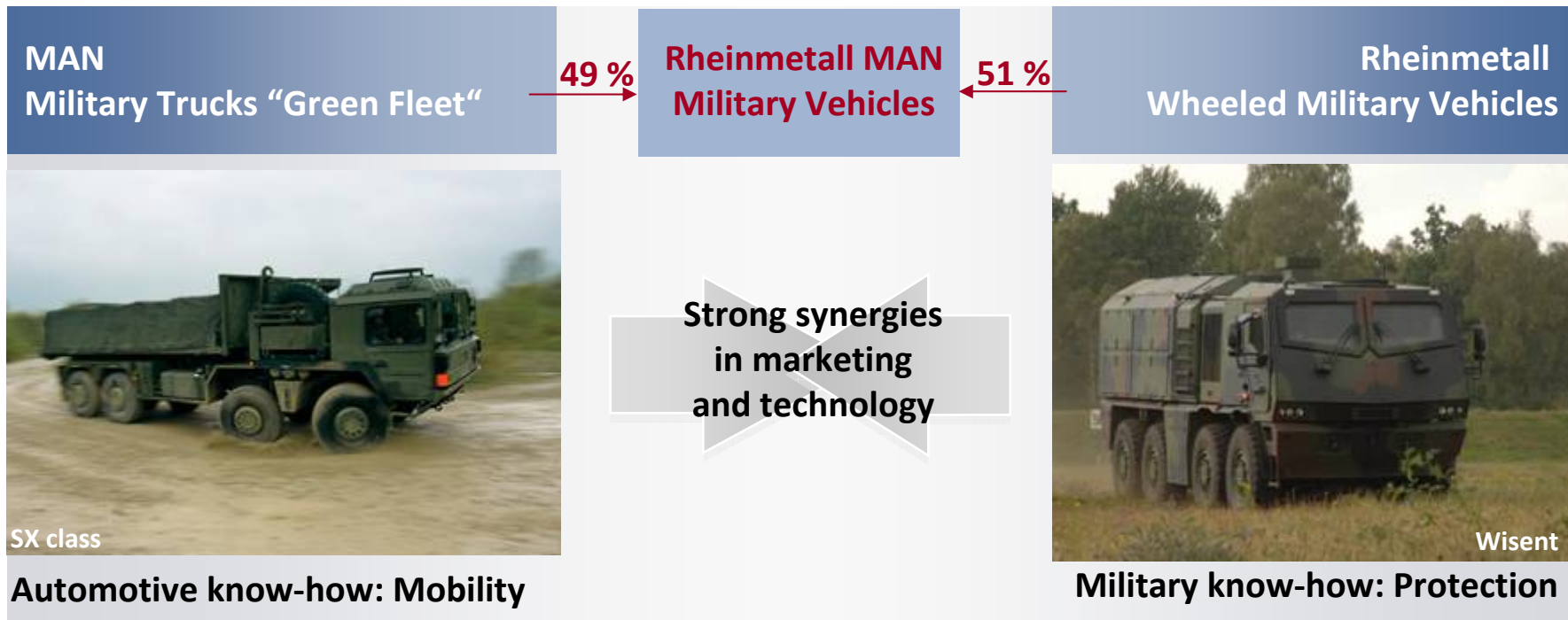
**Verseidag,**  
Germany

- ▶ 100 % takeover in two steps

▶ Active and passive protection for forces in military operations



## Joint Venture Rheinmetall MAN Military vehicles (RMMV) Creation of a strong supplier of wheeled military vehicles



### Step 1 (May 2010):

Combination of development and marketing activities; 370 employees

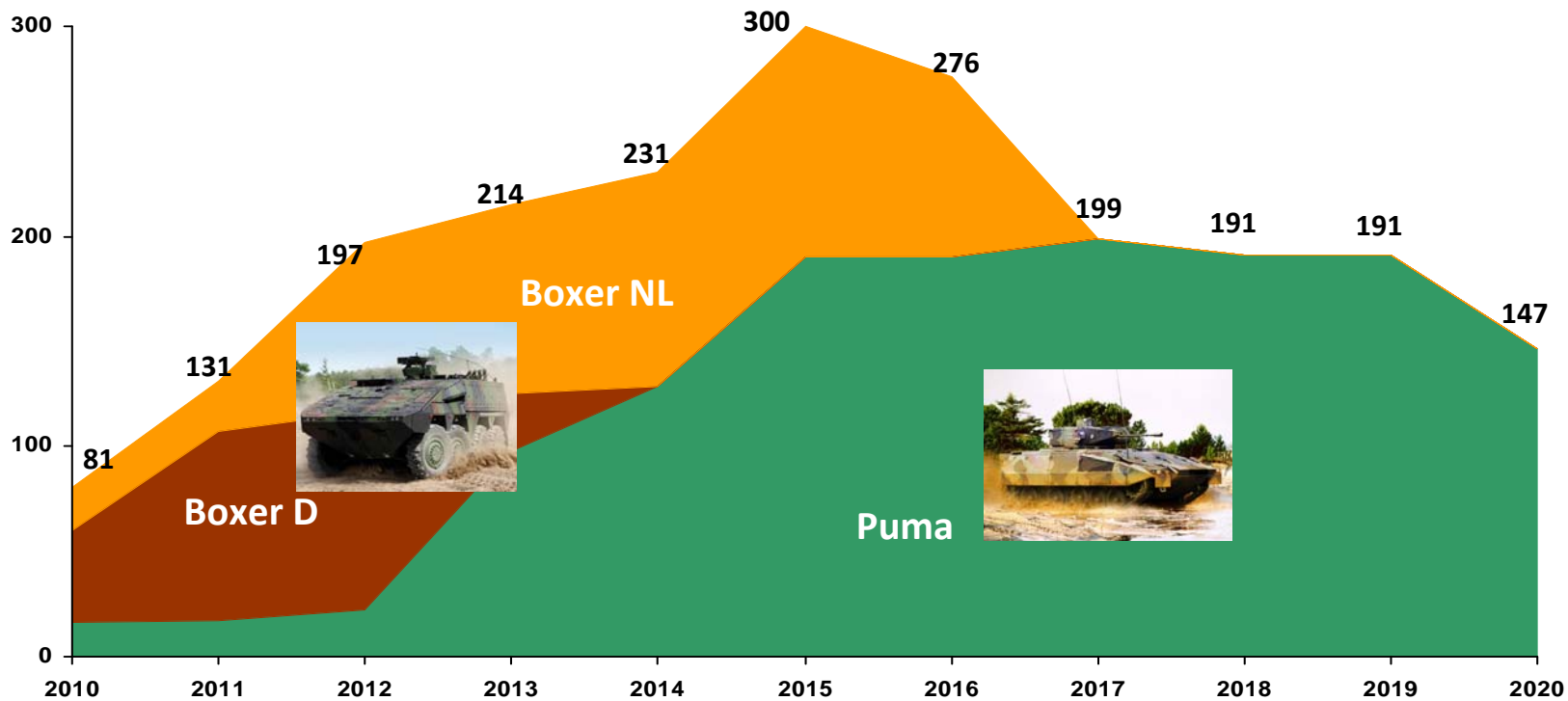
### Step 2 (until the end of 2010):

Integration of production plants Vienna (MAN) and Kassel (Rheinmetall); 1,330 employees



# Boxer and Puma: Backbone for sales in the next decade

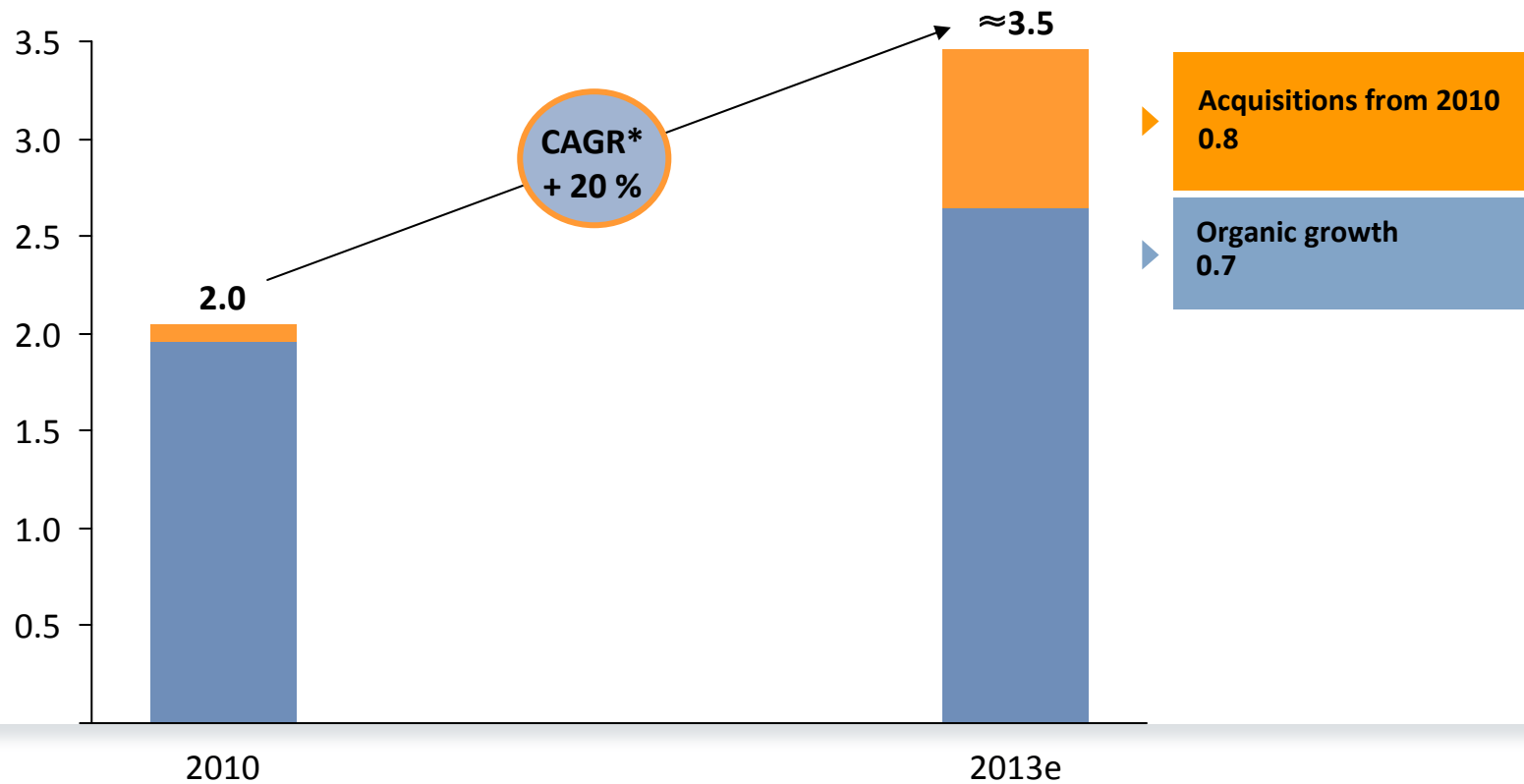
Total sales volume for Puma and Boxer without export orders and aftermarket  
€ million





## Defence division grows organically as well as by acquisitions

Sales € billion



\*Compound Annual Growth Rate (CAGR) 2011 – 2013 (Basis 2010)



## Rheinmetall Automotive





# Rheinmetall Automotive Products for powertrain and engines

						
<b>Sales</b>	<b>Pistons</b>	<b>Aluminum Technology</b>	<b>Pierburg</b>	<b>Pierburg Pump Technology</b>	<b>Bearings</b>	<b>Motor Service</b>
2010: € 605 million	€ 160 million	€ 515 million	€ 376 million	€ 187 million	€ 221million	
	Passenger car pistons	Aluminum engine blocks	Air management	Water pumps	Engine bearings	Automotive parts for engine repair and workshops
	Piston modules	Cylinder heads	Actuators	Oil pumps	Permaglide	
	Commercial vehicle pistons	Bedplates	Emission control	Vacuum pumps	Continuous casting	
	Large-bore pistons		Solenoid valves			





## Rheinmetall Automotive Highlights

- ▶ **Crisis overcome, Automotive on the fast lane:**
  - ▶ **Sales Q1 2011 jumped by 29 % to € 586 million**
  - ▶ **Sales increase again above growth rate in the Triad markets**
  
- ▶ **EBIT Q1 2011 boosted by € 23 million to € 40 million, EBIT margin lifted from 3.7 % to 6.8 %**
  
- ▶ **Excellent development of Chinese joint ventures (50% shareholdings, not consolidated); sales up by 18 % from € 61 million to € 72 million (100 %), EBIT raised from € 4 million to € 5 million (100 %)**
  
- ▶ **Japan disaster expected without significant impact, neither directly on the production site in Hiroshima nor indirectly through the supply-chain**



## Q1 2011 Automotive

### Strong sales and earnings improvement

<b>Automotive</b> € million	<b>Q1</b> <b>2010</b>	<b>Q1</b> <b>2011</b>	<b>Δ Q1</b> <b>(2011/2010)</b>	
Sales	454	586	+ 132	+ 29 %
EBITDA	41	65	+ 24	+ 57 %
EBIT	17	40	+ 23	+ 134 %
EBIT-margin in %	3.7 %	6.8 %		+ 3.1 pp
EBT	13	36	+ 23	+ 175 %
Capex	22	24	+ 2	+ 11 %
Amortization / Depreciation	24	25	+ 1	+ 3 %

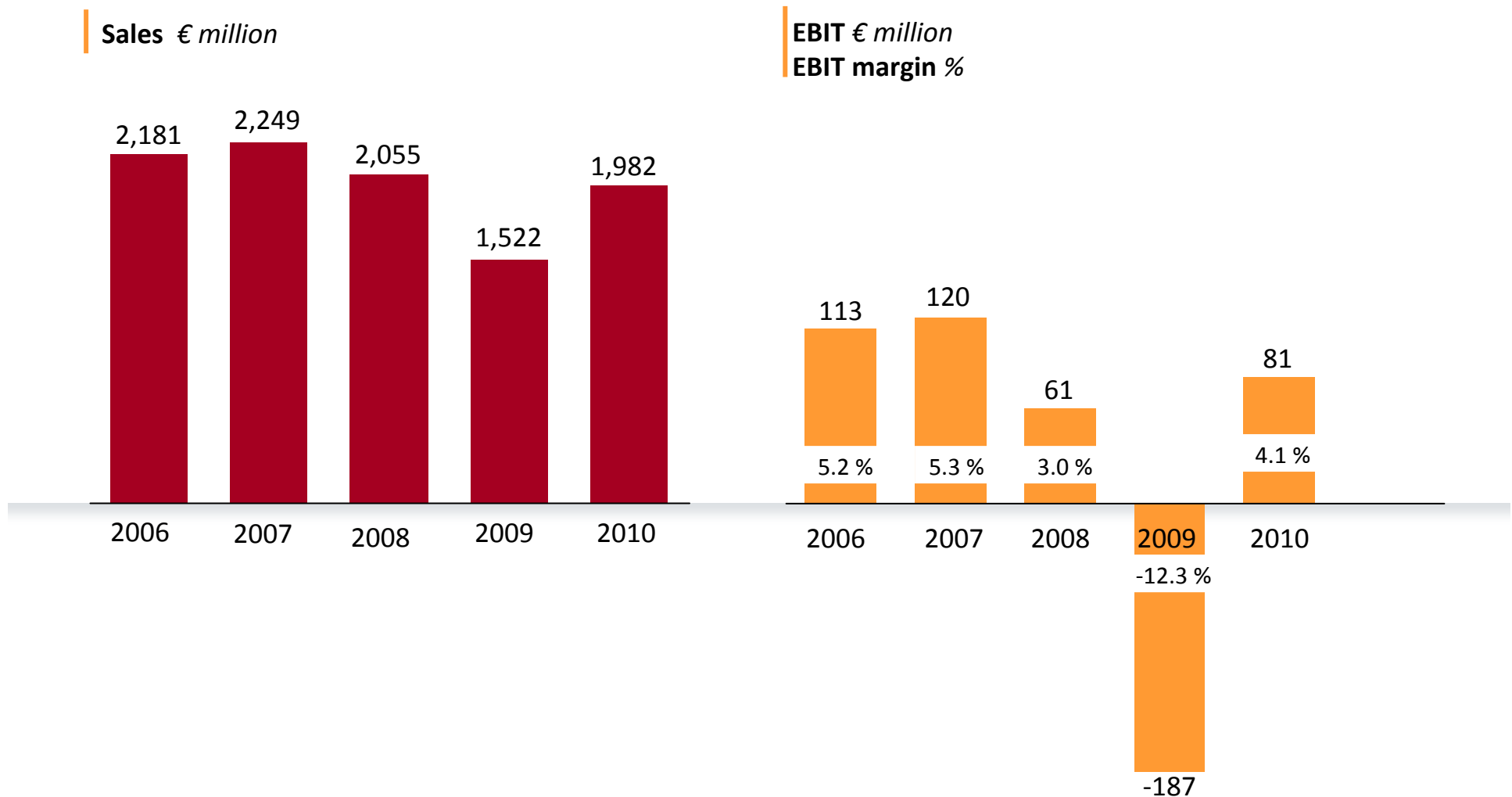


## Profit & loss account

### Back on track to push for the EBIT-margin target of 8 %

Sales € million

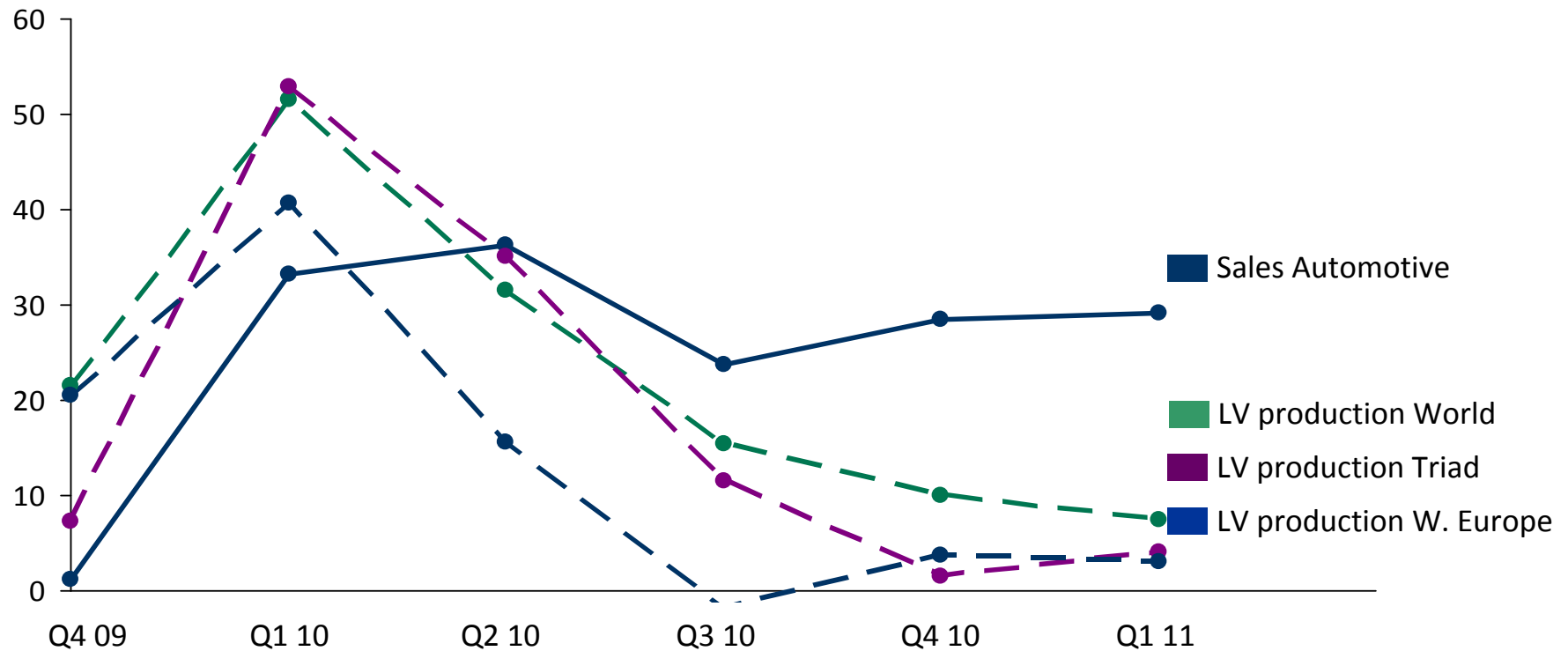
EBIT € million  
EBIT margin %





## Since Q2 2010 Automotive has shown a structurally better development than the markets

Change versus quarter of previous year %



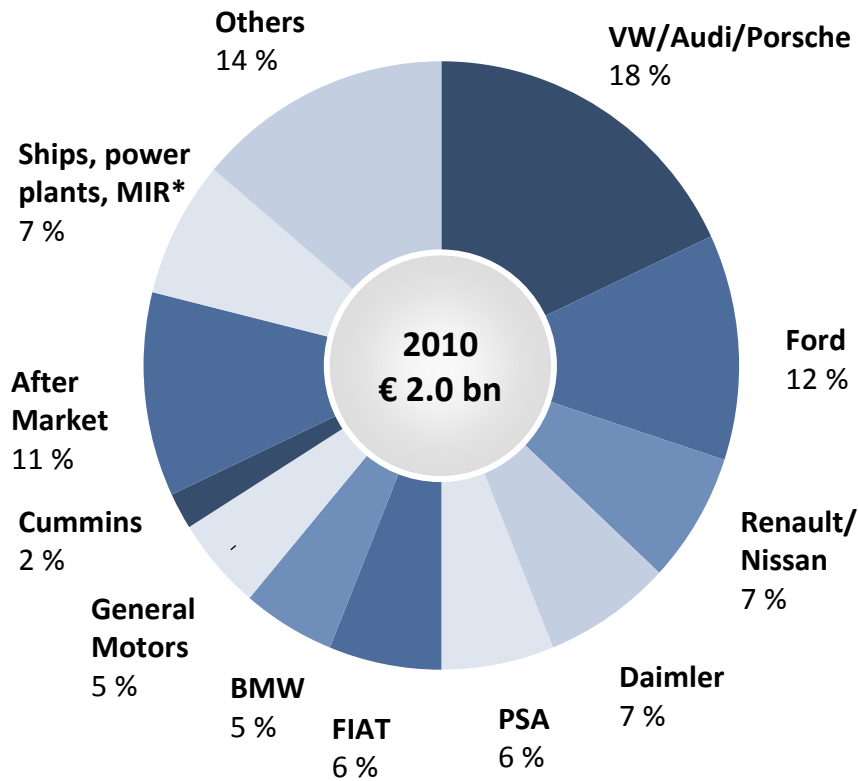
Basis for the calculation are quarterly sales figures for Automotive and LV production figures for World and Triad IHS Automotive (CSM) data; Triad markets = Western Europe, NAFTA, Japan



# Key figures

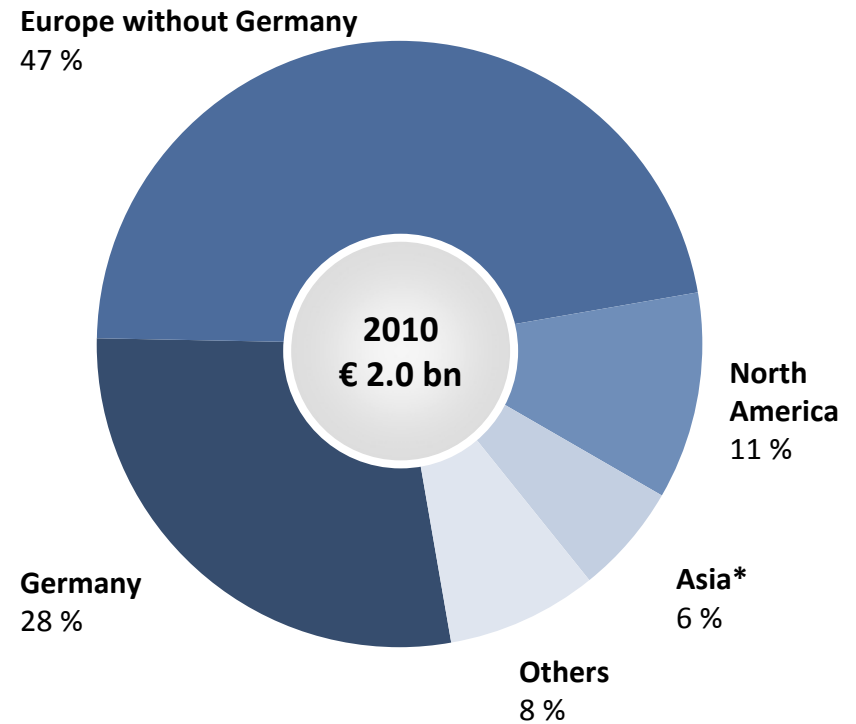
## Well balanced customer base with growing potential in Asian markets

Sales by customer %



\* MIR = Marine, Industrial, Recreational

Sales by region %

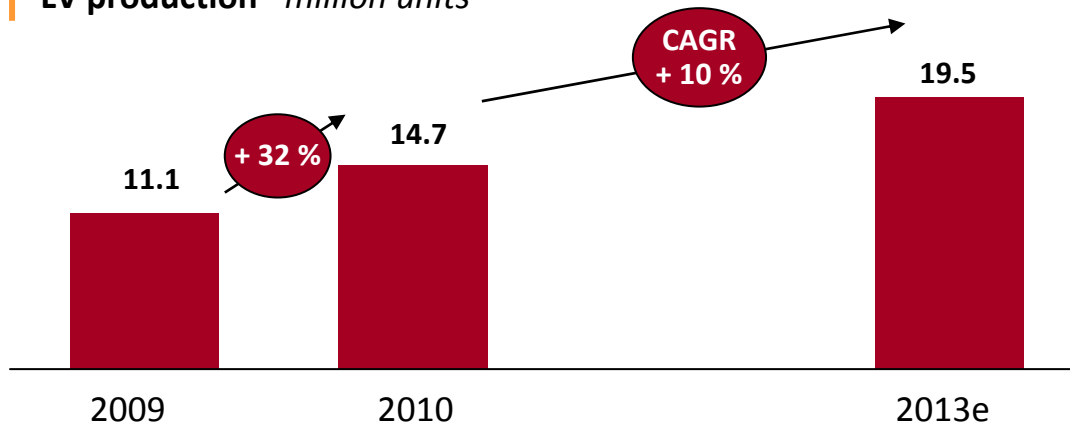


\* without JV China

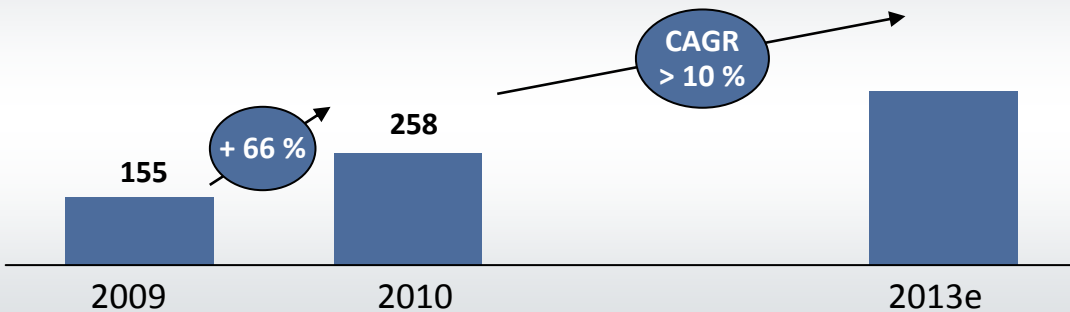


## Growth market China Business market grows and growth target above

LV production\* million units



JV sales (100 %) million €



- ▶ 8 locations
- ▶ 2 joint ventures (50/50) with SAIC, not consolidated
- ▶ 2 new wholly owned subsidiaries

\* Source: CSM March 2011



## Successful ramp-ups Automotive is strongly represented in new and innovative cars



### PSA Citroën C4

- ▶ EGR-cooler-module
- ▶ Oil- and cooling pump
- ▶ Electro-pneumatic converter
- ▶ Pistons



### Ford Focus

- ▶ EGR-cooler-module
- ▶ Oil- and cooling pump
- ▶ Electro-pneumatic converter
- ▶ Pistons



### Volkswagen Passat

- ▶ Vacuum- and water pump
- ▶ Electrical diverter valve
- ▶ Switch valves
- ▶ Pistons



## Successful ramp-ups Automotive is strongly represented in new and innovative cars



### BMW 5 series

- ▶ Water pump
- ▶ Electrical diverter valve
- ▶ Switch valves
- ▶ Pistons



### Mercedes C-Class

- ▶ Intake manifold
- ▶ Electro-pneumatic converter
- ▶ Various bearings
- ▶ Pistons



### Audi A8

- ▶ EGR-cooler-module
- ▶ EGR-Valve
- ▶ Secondary air valve
- ▶ Vacuum- and water pump
- ▶ Aluminium engine block





## Large cross-divisional contract for highly demanded fuel-efficient engines

### Cross-divisional order...

EGR-cooler



Water pumps



Pistons



Engine blocks



### ... for 7 brands

Citroen



Peugeot



Ford / Volvo



BMW



Mazda



Toyota



- ▶ Common platform of PSA & Ford for 1,4 l & 1,6 l Diesel engines
- ▶ Fully compliant with EU 5 – emission regulations
- ▶ Start of production in 2010, from 2011 onwards annual contract volume of € 130 - 150 million



## Strategic acquisitions Strengthening highly profitable aftermarket business

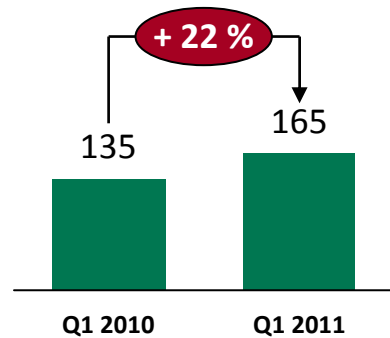


- ▶ **Burkert Fahrzeugteile GmbH, Germany** – an internationally renowned supplier of aftermarket products for commercial vehicles
- ▶ **Intec, France** – an experienced supplier of commercial vehicle turbochargers
- ▶ **Mid-term sales target : € 40 million**

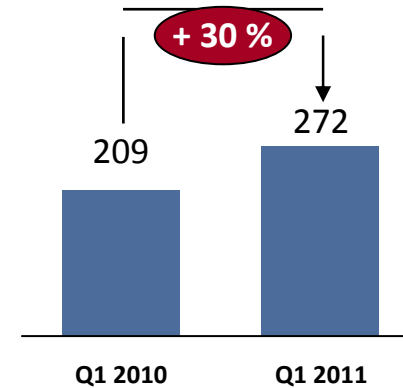


## Strong performance of all divisions

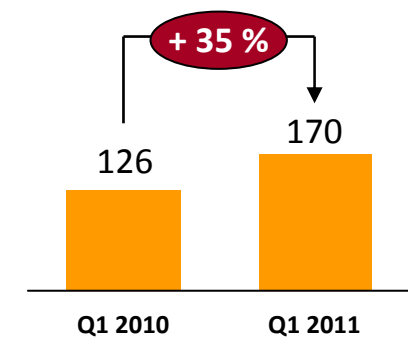
### Pistons



### Pierburg / Pumps



### Other Automotive



#### Sales

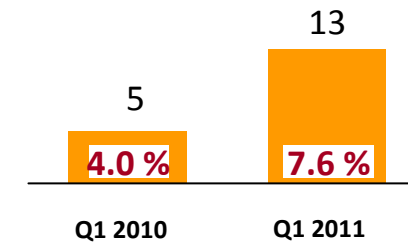
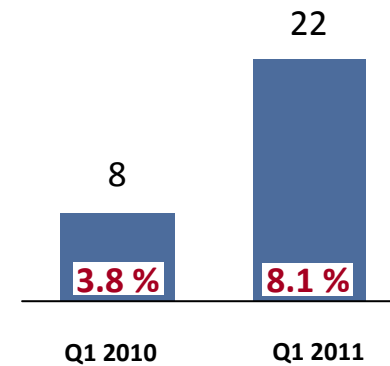
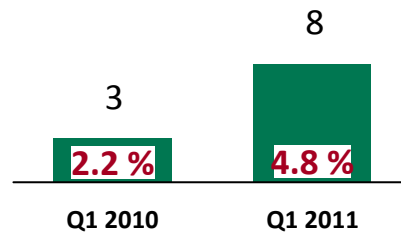
Q1 2011:  
€ 586 million

#### EBIT

Q1 2011:  
€ 40 million

#### EBIT margin

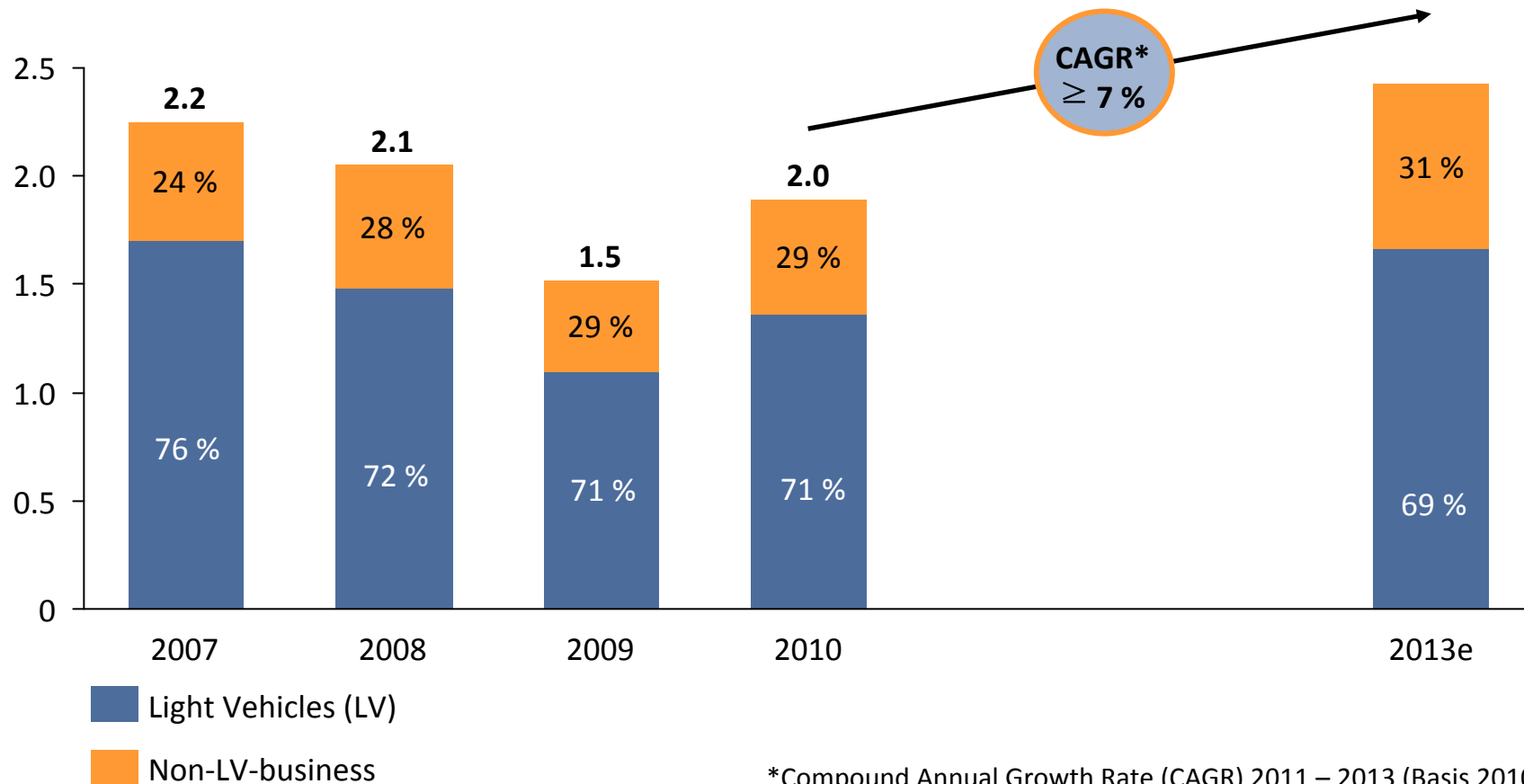
Q1 2011:  
6.8 %





## Topline growth of Rheinmetall Automotive High growth with increasing importance of Non-Light Vehicle business

Sales € billion





## Outlook





## Outlook

<b>2011</b>	<b>Sales</b> in € billion	<b>EBIT</b> in € million
<b>Group</b>	<b>4.3</b>	<b>330 - 360</b>
<b>Defence</b>	<b>2.2 *</b>	<b>230 - 250</b>
<b>Automotive</b>	<b>2.1</b>	<b>110 - 130</b>

- ▶ Review of the guidance at the presentation of H1 figures on 29 July 2011

\*without taking into account the share in sales attributable to MAN for Rheinmetall MAN Military Vehicles GmbH logistical vehicles



## Disclaimer

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Any forward looking statement contained in this presentation represent our best judgement as to what will occur in the future.

The Company undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect the Company's future financial results are discussed more fully in the Company's most recent Annual and Quarterly Reports. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

Percentage changes have been calculated from the full figures.