



**Q1-3 2013** | Düsseldorf, 8 November 2013

**International Partner  
for Security and Mobility**



## Financial highlights

- ▶ **Sales down by 6%** (€ - 183 million) to € 3,092 million
- ▶ **Operational earnings\*** at € 60 million, i.e. below previous year's level of € 122 million
- ▶ **Free cash flow from operations** at € - 359 million
- ▶ **Net financial debt improved** by € 80 million to € 514 million (as of September 30)
- ▶ **Downgrade** by Moody's from Baa3 to Ba1: no significant financial impact in 2013, additional costs of € 4-5 million expected for 2014
- ▶ **Group Outlook 2013 confirmed, segmental guidance 2013 specified**

\* EBIT before special items; EBIT (reported) = € 0 million



## Operational highlights

### Defence

- ▶ **Order intake in Q3 jumped** to € 1,362 million, especially owing to the Australian order for military trucks (volume € 1.1 billion, booked in Q3 2013)
- ▶ **Wheeled Vehicles passed the trough 2013:** operational performance improves quarter on quarter this year
- ▶ **Restructuring program on track,** expenses of € 38 million booked in Q1-3, thereof € 12 million booked in Q3

### Automotive

- ▶ **Weakness** of European light vehicle production **almost halted:** H1 -3.0%, Q3 -0.9%
- ▶ **Growth trend continued in Q3:** sales Mechatronics increased by 10%, i.e. € 27 million, to € 285 million
- ▶ **Restructuring program on track,** expenses of € 22 million booked in Q1-3, thereof € 1 million booked in Q3

\* EBIT before special items



## Cost efficiency Status quo of restructuring

	Costs 2012	Costs 2013		Total reduction of employees until 2015	Expected savings 2014	Full annual savings from 2015
		Q1-3	Q4e			
Combat Systems (esp. Tracked Vehicles)	17	10		150 - 170		
Electronic Solutions (esp. Air Defence Zurich)	3	3		100 - 130		
Wheeled Vehicles (esp. Logistic Vehicles)	0	25		250		
<b>Total Defence</b>	<b>20</b>	<b>38</b>	<b>2 - 12</b>	<b>500 - 550</b>	<b>~15</b>	<b>40 - 50</b>
Hardparts (esp. Pistons Thionville/Neckarsulm)	0	15		440		
Mechatronics (esp. merging Neuss/Nettetal)	0	7		100		
<b>Total Automotive</b>	<b>0</b>	<b>22</b>	<b>13</b>	<b>540</b>	<b>~10</b>	<b>20 - 25</b>

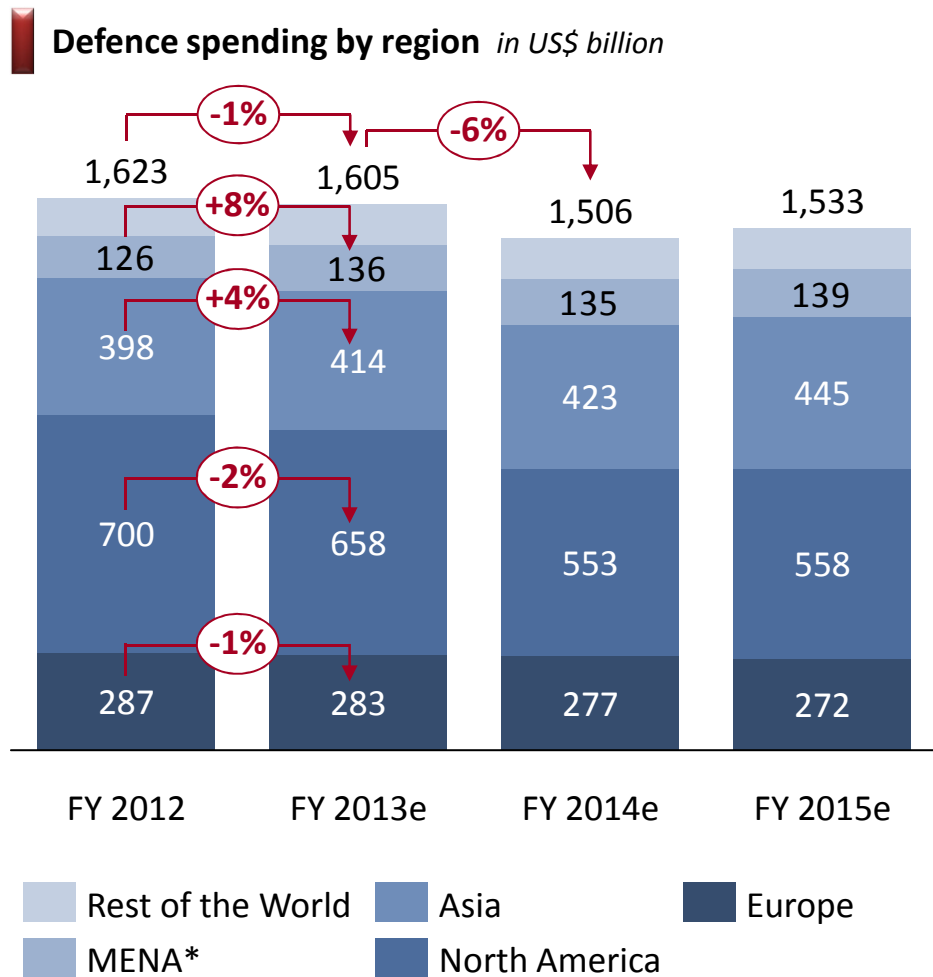
▶ Booked in Q3:	Defence	Combat Systems	€ 9 million
		Electronic Solutions	€ 3 million
	Automotive	Hardparts	€ 1 million

Costs and savings in € million



## Looking at the markets

### Recent research: Defence continues to be a challenging market



- ▶ **Global defence spending expected to decrease slightly in 2013**
- ▶ **Important customers of Rheinmetall affected** by budget cuts and troop withdrawals, e.g. UK (- 4%) and the US (- 6%)
- ▶ **Uncertain US budget situation**
- ▶ **Mid-term perspective:** Slight decrease of the European markets, further downside risks in the US, but **attractive growth prospects in Asia and Middle East**

\* MENA = Middle East and Northern Africa

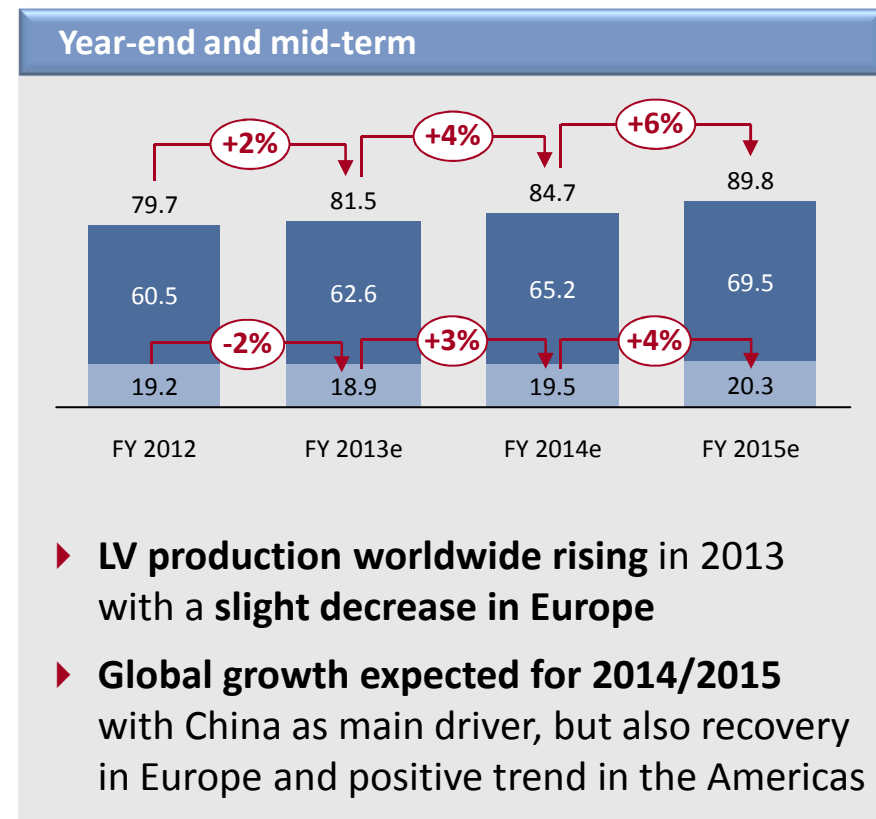
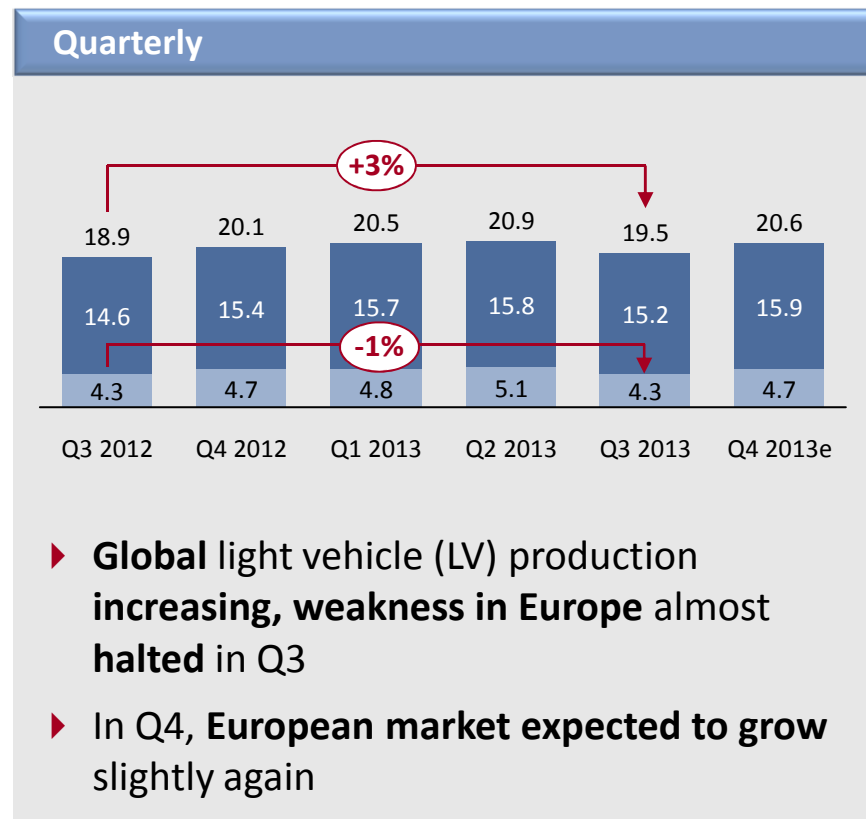
Source: IHS Jane's (October 2013), Rheinmetall team analysis



## Looking at the markets

# Global growth expected for FY 2013, encouraging mid-term prospects

Global and European production of light vehicles (LV) in million units



Rest of the World Europe

Source: IHS Automotive (October 2013)



## Q1-3 2013 in detail

### Results reflect weak development in Defence

Rheinmetall Group <i>in € million</i>	Q1-3 2012*	Q1-3 2013	Δ Q1-3 2013/ Q1-3 2012
Sales	3,275	3,092	- 183
Operational earnings (EBIT before special items)	122	60	- 62
Special items (one-offs, restructuring costs)	48	- 60	- 108
EBIT (reported)	170	0	- 170
Group net income	93	- 47	- 140
Earnings per share <i>in €</i>	2.66	- 0.63	- 3.29
Cash flow	226	97	- 129
Free cash flow from operations	- 382	- 359	+ 23
Employees	21,731	21,525	- 206

- ▶ Decline in sales and earnings due to **weak Defence performance**
- ▶ **Free cash flow from operations improved**
- ▶ **Holding and other costs remain at a low level**

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



**RHEINMETALL DEFENCE**





## Defence in a transition year

### Good order situation, sales still below previous year's level

Rheinmetall Defence <i>in € million</i>	Q1-3 2012*	Q1-3 2013	Δ Q1-3 2013/ Q1-3 2012
Order intake	1,578	2,644	+ 1,066
Order backlog	4,528	6,285	+ 1,757
Sales	1,470	1,263	- 207
Operational earnings (EBIT before special items)	31	- 52	- 83
Special items (one-offs, restructuring costs)	48	- 38	- 86
EBIT (reported)	79	- 90	- 169
Employees	9,700	9,355	- 345

- ▶ **Order backlog grew by 39%** compared to previous year
- ▶ **Sales** continue to be **weak in all three divisions**, sales of Wheeled Vehicles stabilizing
- ▶ **Restructuring program already impacting headcount**

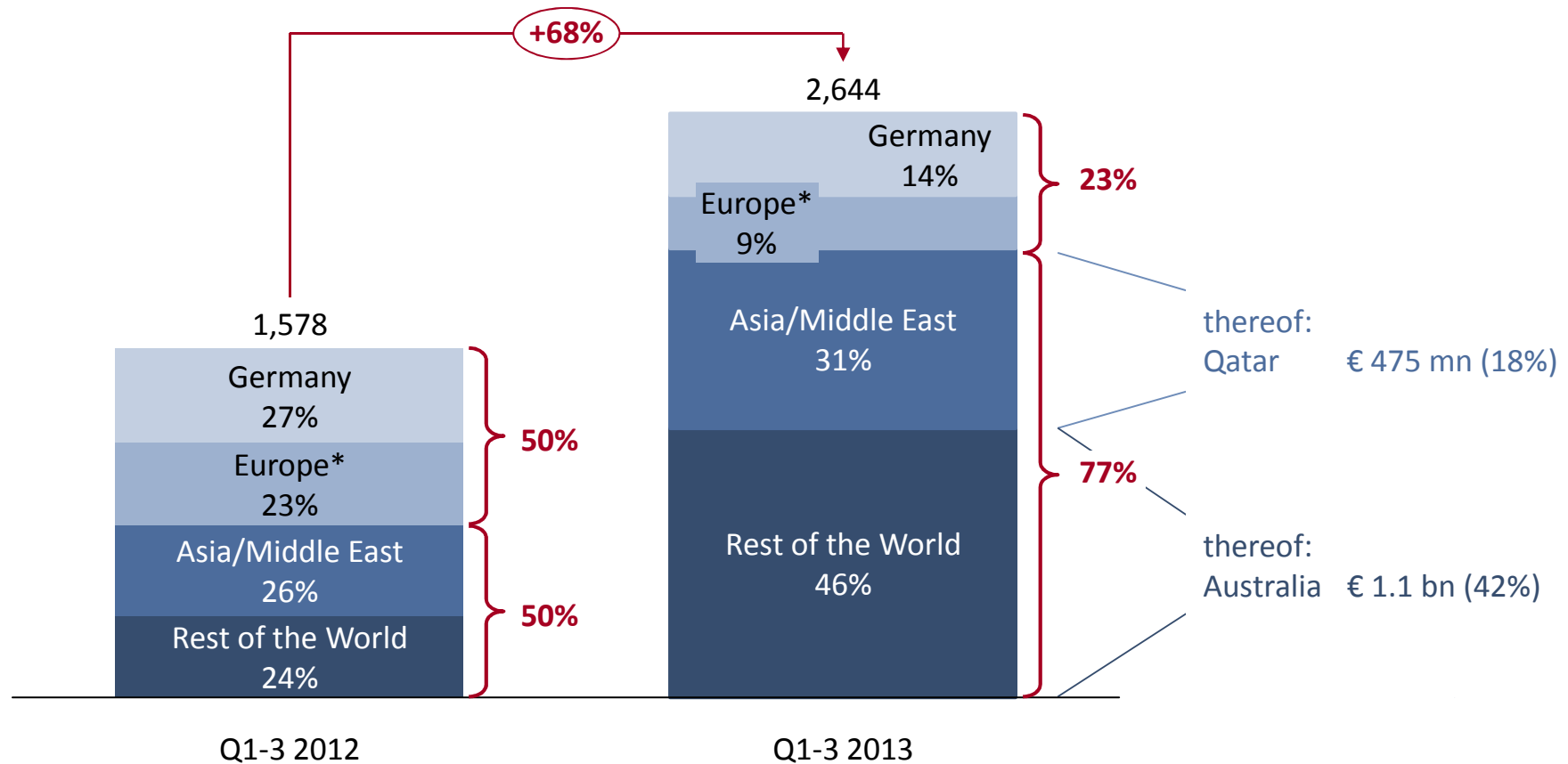
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# Order intake by region

## Two major orders received from growth regions

**Order intake by region** in € million resp. %

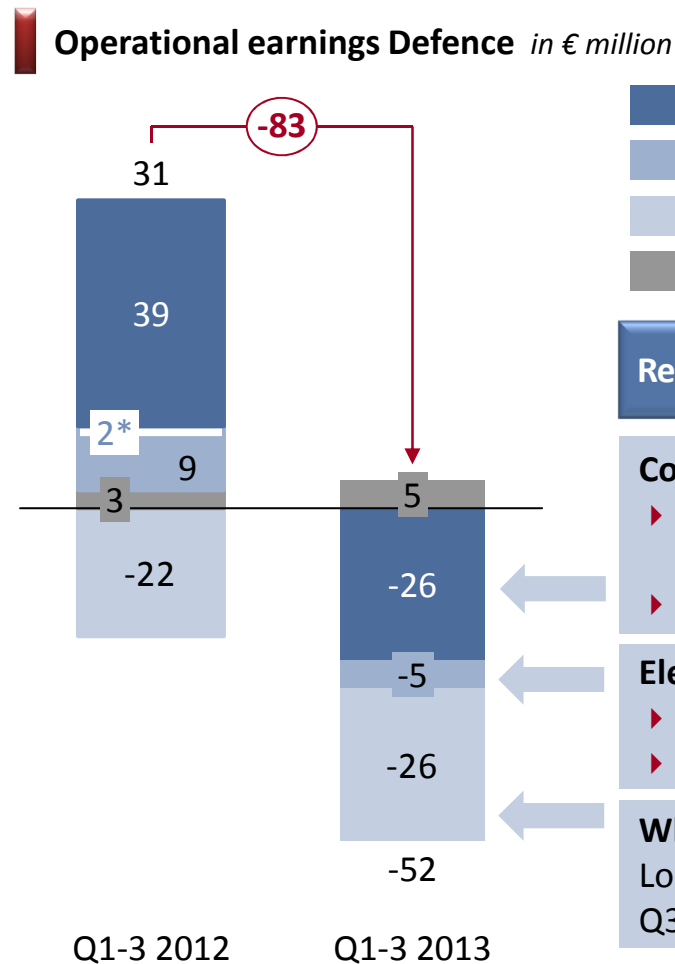
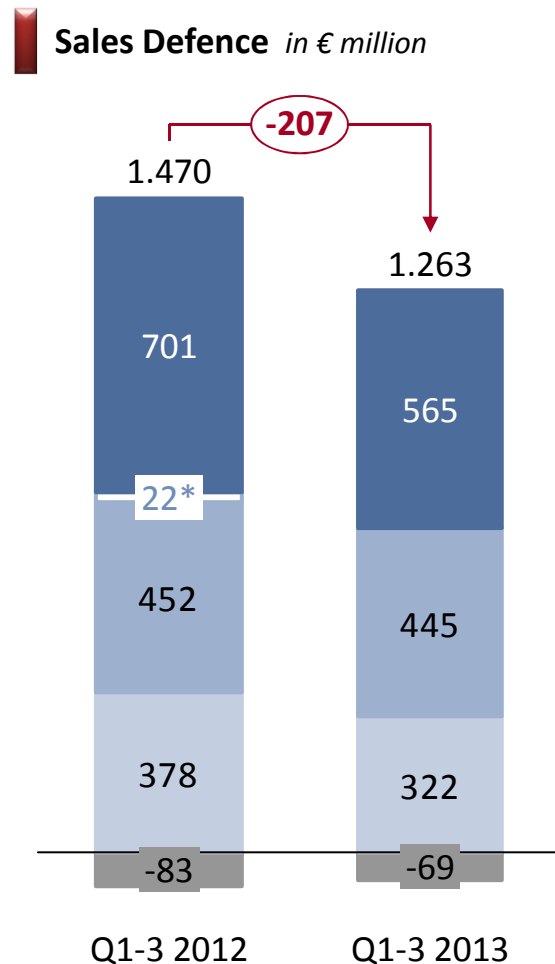


\* Excluding Germany



# Weak operational performance

## Sales down, earnings impacted by lower sales and cost overruns



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

**Reasons for earnings development**

**Combat Systems:**

- ▶ Lower sales in tracked vehicles and ammunition
- ▶ Cost overruns

**Electronic Solutions:**

- ▶ Lower sales in Air Defence
- ▶ Cost overruns

**Wheeled Vehicles:**

Loss mainly generated in H1, Q3 indicates improvement

\* 51% of drone business divested in Q2 2012



## New joint venture Door opener and accelerator for further internationalization



### Medium- and long-term **benefits for Rheinmetall:**

- 1 Accelerating the internationalization** of Rheinmetall Defence, especially in markets to which Rheinmetall Defence had only limited access before, e.g. Latin America, Northern Africa
- 2 Meeting the growing demand for local defence technology infrastructure**, esp. in emerging markets (e.g. turn-key plant)
- 3 Improving Rheinmetall's capacities and capabilities in project management** by experienced project managers



**RHEINMETALL AUTOMOTIVE**



Slight increase in sales

## Operational earnings improved despite a weak European market

Rheinmetall Automotive <i>in € million</i>	Q1-3 2012*	Q1-3 2013	Δ Q1-3 2013/ Q1-3 2012
Sales	1,805	1,829	+ 24
Operational earnings (EBIT before special items)	108	116	+ 8
Special items (one-offs, restructuring costs)	0	- 22	- 22
EBIT (reported)	108	94	- 14
Employees	11,892	12,022	+ 130

- ▶ **Sales increased** by 7% in Q3, leading to a slight growth of Q1-3 revenues
- ▶ **Operational margin Q1-3 improved** from 6.0% to 6.3%
- ▶ **Additional R&D costs of € 12 million** lowered earnings
- ▶ Q4 2013e: based on current market forecasts, we expect a **stable business performance**

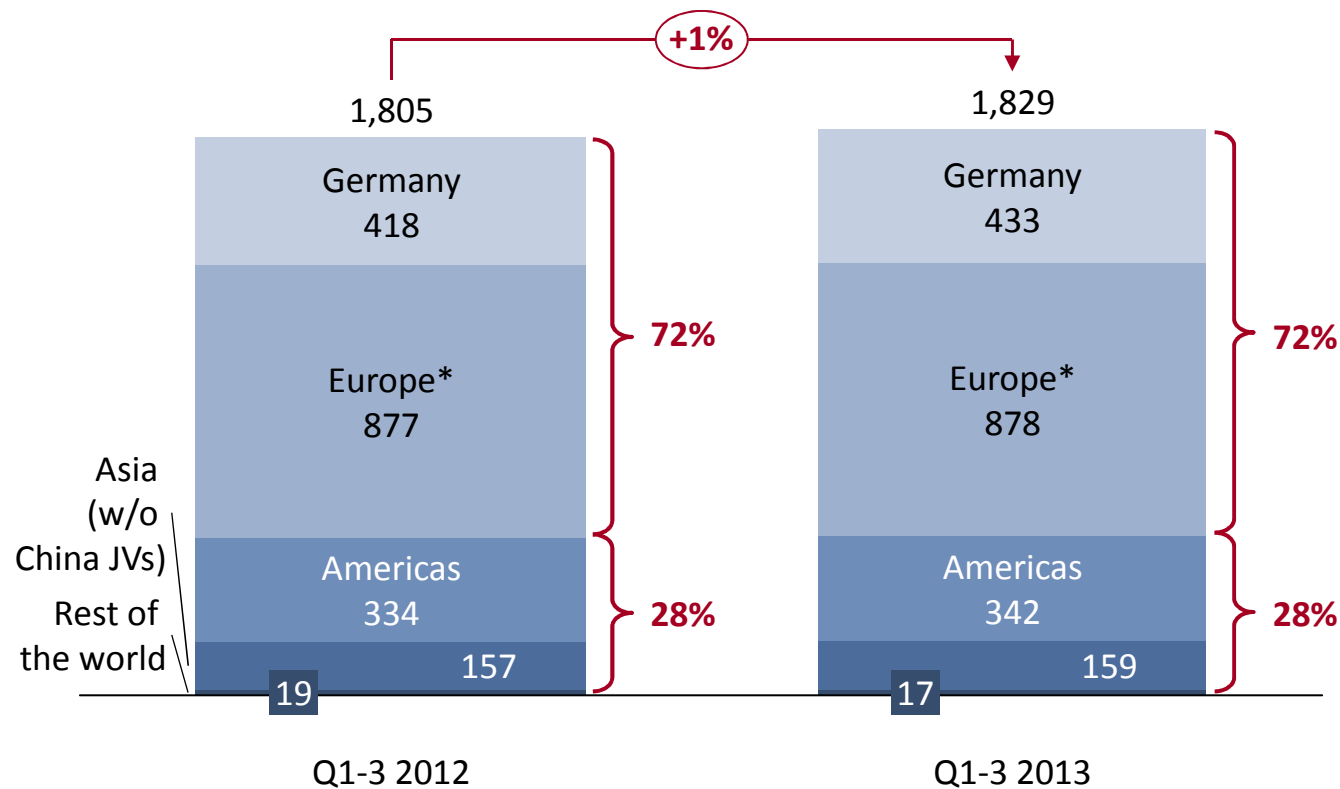
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## Sales by region

### Slight improvement of revenues in Germany and in the Americas

Sales by region in € million



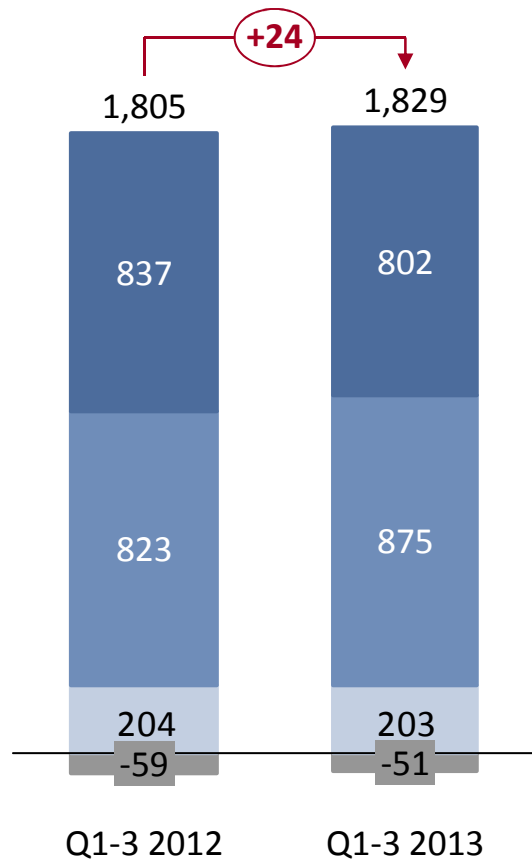
\* Excluding Germany



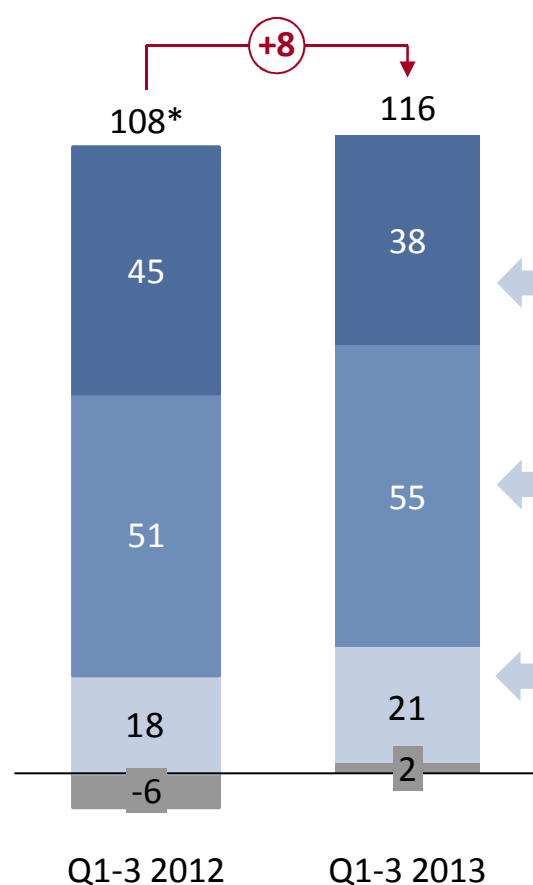
# Top and bottom line growth

## Positive development of sales and operational earnings

**Sales Automotive** in € million



**Operational earnings Automotive** in € million



**Reasons for earnings development**

- Hardparts:** Sales down by € 35 million
- Mechatronics:**
  - ▶ Higher sales of € 52 million
  - ▶ Additional R&D (€ 12 million)
- Motor Service:** Improved earnings

Hardparts  
 Mechatronics  
 Motor Service  
 Consolidation/Others

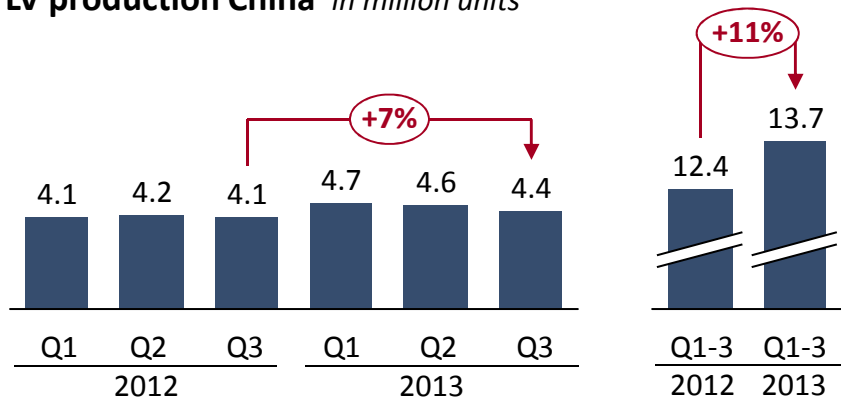
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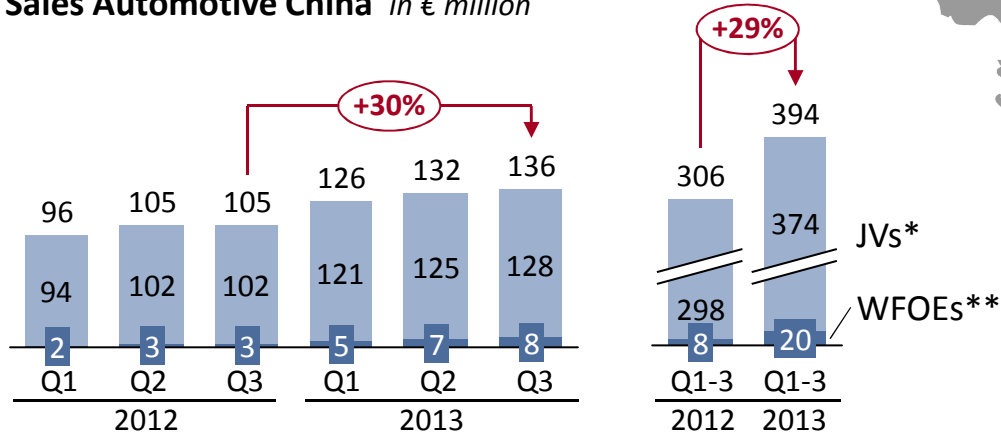


# China still a booming market for mobility Joint ventures heading for another successful year

**LV production China** in million units



**Sales Automotive China** in € million



\* Rheinmetall Automotive owns 50% of the joint ventures, consolidated at equity

\*\* WFOE = Wholly Foreign-Owned Enterprise

Source: IHS Automotive (October 2013)



## OUTLOOK



Group outlook 2013 confirmed  
**Defence expected at lower end, Automotive might exceed previous outlook**

	Sales <i>in € billion</i>	EBIT <i>in € million</i>	
		August	November
<b>Group</b>	<b>4.7 - 4.8</b>	<b>180 - 200*</b>	
	<b>Restructuring costs</b>	<b>75 - 85</b>	
Defence	2.3	60 - 70**	60**
	Restructuring costs	40 - 50	
Automotive	2.4 - 2.5	140**	140 - 150**
	Restructuring costs	35	

\* Including holding costs, before restructuring costs

\*\* Before restructuring costs



## APPENDIX



## Income statement

Rheinmetall Group <i>in € million</i>	Q1-3 2012*	Q1-3 2013	Δ Q1-3 2013/ Q1-3 2012
Sales	3,275	3,092	- 183
EBITDA	314	149	- 165
EBITDA margin <i>in %</i>	9.6	4.8	- 4.8 pp
Operational earnings (EBIT before special items)	122	60	- 62
Special items (One-offs, restructuring costs)	48	- 60	- 108
EBIT (reported)	170	0	- 170
EBIT margin (reported) <i>in %</i>	5.2	0.0	- 5.2 pp
Employees	21,731	21,525	- 206

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



## Income statement

Rheinmetall Group <i>in € million</i>	Q1-3 2012*	Q1-3 2013	Δ Q1-3 2013/ Q1-3 2012
EBIT (reported)	170	0	- 170
Interest	- 54	- 55	- 1
EBT	116	- 55	- 171
Taxes	- 23	8	+ 31
Group net income	93	- 47	- 140
Minority interests	- 9	- 23	- 14
Group earnings (after minorities)	102	- 24	- 126
Number of shares (weighted average) <i>in million</i>	38.1	37.9	- 0.2
Earnings per share <i>in €</i>	2.44	- 0.63	- 3.07

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



## Cash flow statement

Rheinmetall Group <i>in € million</i>	Q1-3 2012*	Q1-3 2013	Δ Q1-3 2013/ Q1-3 2012
<b>Group net income</b>	<b>93</b>	<b>- 47</b>	<b>- 140</b>
Amortization / depreciation	144	149	+ 5
Change in pension accruals	- 10	- 5	+ 5
<b>Cash flow</b>	<b>227</b>	<b>97</b>	<b>- 130</b>
Changes in working capital and other items	- 446	- 321	+ 125
<b>Net cash used in operating activities</b>	<b>- 219</b>	<b>- 224</b>	<b>- 5</b>
Cash outflow for additions to tangible and intangible assets	- 163	- 135	+ 28
<b>Free cash flow from operations</b>	<b>- 382</b>	<b>- 359</b>	<b>+ 23</b>

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



## Comparison Q3 2012 vs. Q3 2013

Rheinmetall Group <i>in € million</i>	Q3 2012*	Q3 2013	Δ Q3 2013/ Q3 2012
Sales	1,022	1,030	+ 8
Operational earnings (EBIT before special items)	30	31	+ 1
Operational margin <i>in %</i>	2.9	3.0	+ 1.0 pp
Special items (One-offs, restructuring costs)	17	- 13	- 30
EBIT (reported)	47	18	- 29
Group net income	21	- 2	- 23
Earnings per share <i>in €</i>	0.73	0.03	- 0.70
Cash flow	65	51	- 14
Free cash flow from operations	- 85	- 185	- 100

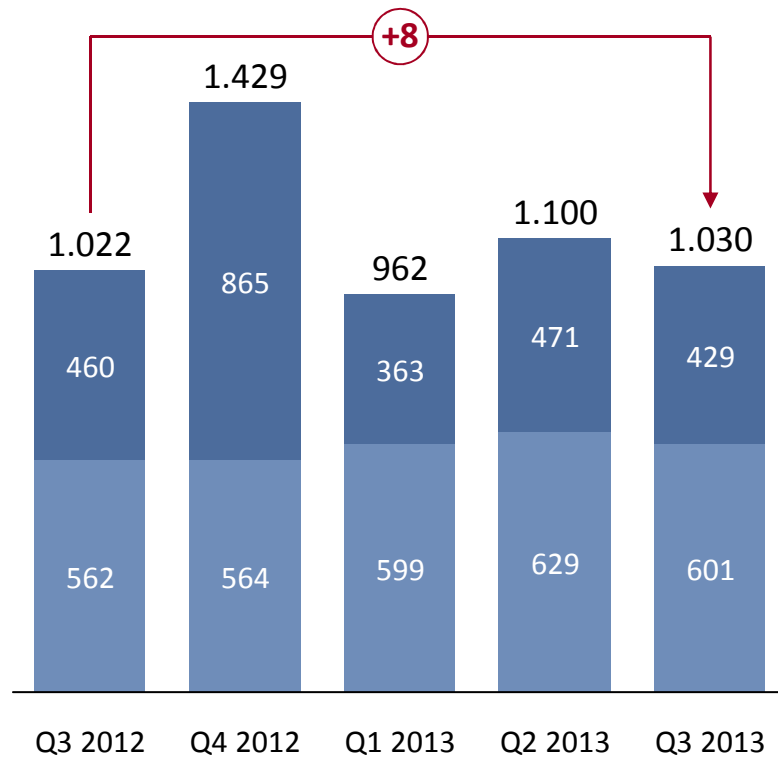
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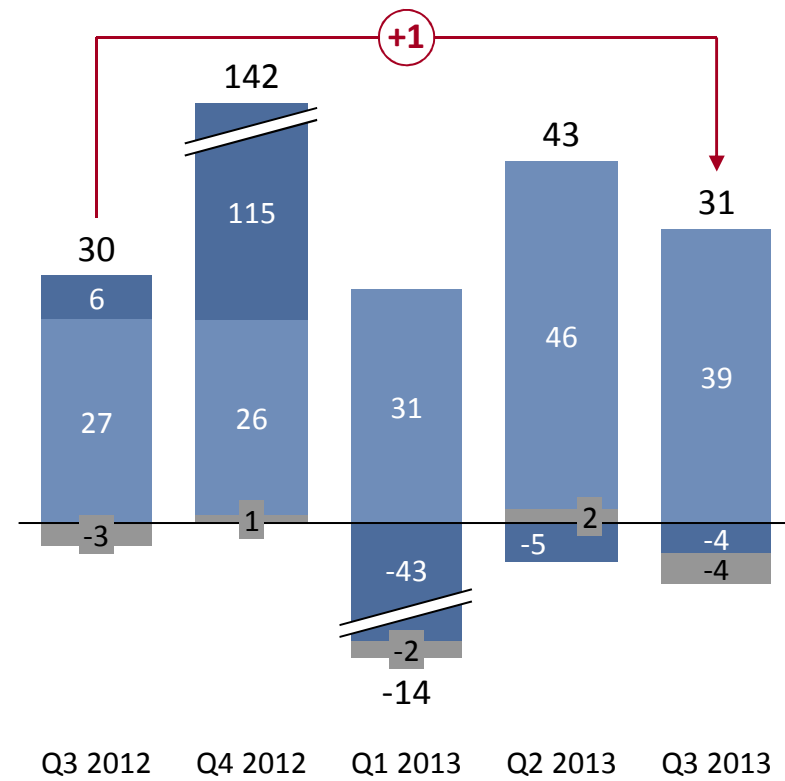


## Quarterly development

**Sales** in € million



**Operational earnings\*** in € million

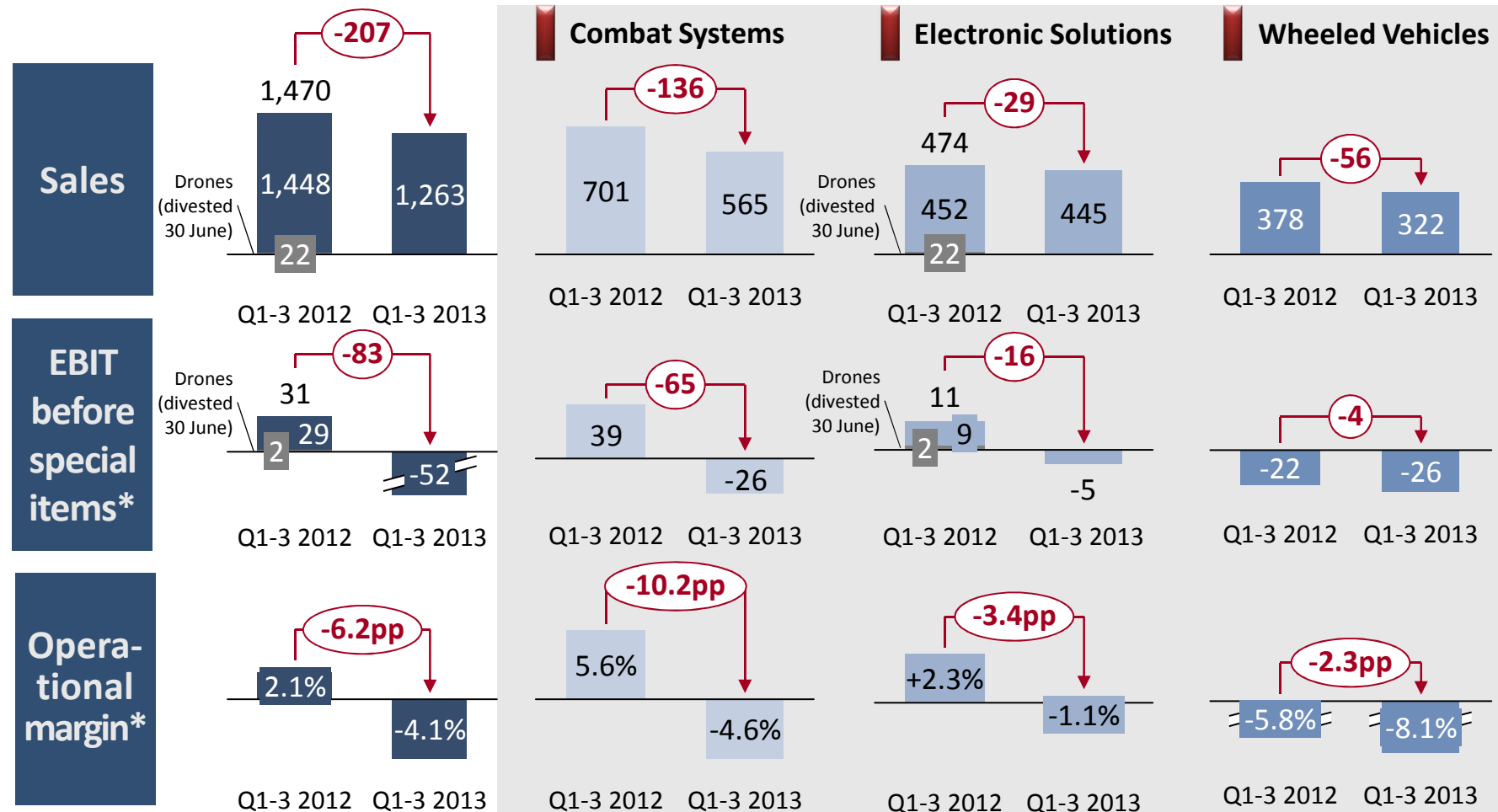


■ Defence ■ Automotive ■ Consolidation/Others

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



## Key figures Defence by division (operational before special items)



Figures before intrasegmental consolidation

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



## Comparison Q3 2012 vs. Q3 2013

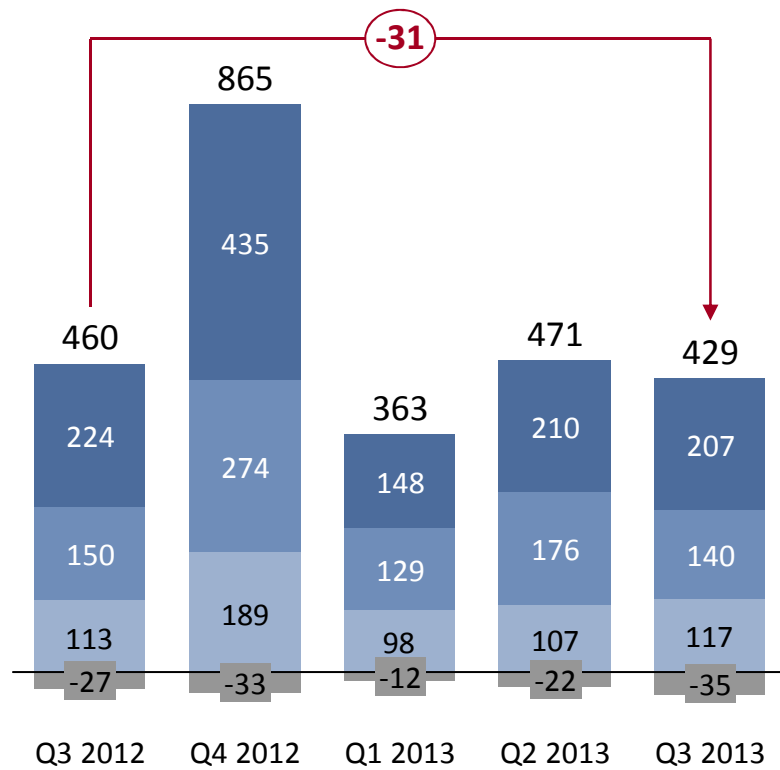
Rheinmetall Defence <i>in € million</i>	Q3 2012*	Q3 2013	Δ Q3 2013/ Q3 2012
Order intake	440	1,362	+ 922
Order backlog	4,528	6,285	+ 1,757
Sales	460	429	- 31
Operational earnings (EBIT before special items)	6	- 4	- 10
Operational margin <i>in %</i>	1.3	- 0.9	- 2.2 pp
Special items (One-offs, restructuring costs)	17	- 12	- 29
EBIT (reported)	23	- 16	- 39
Employees	9,700	9,355	- 345

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)

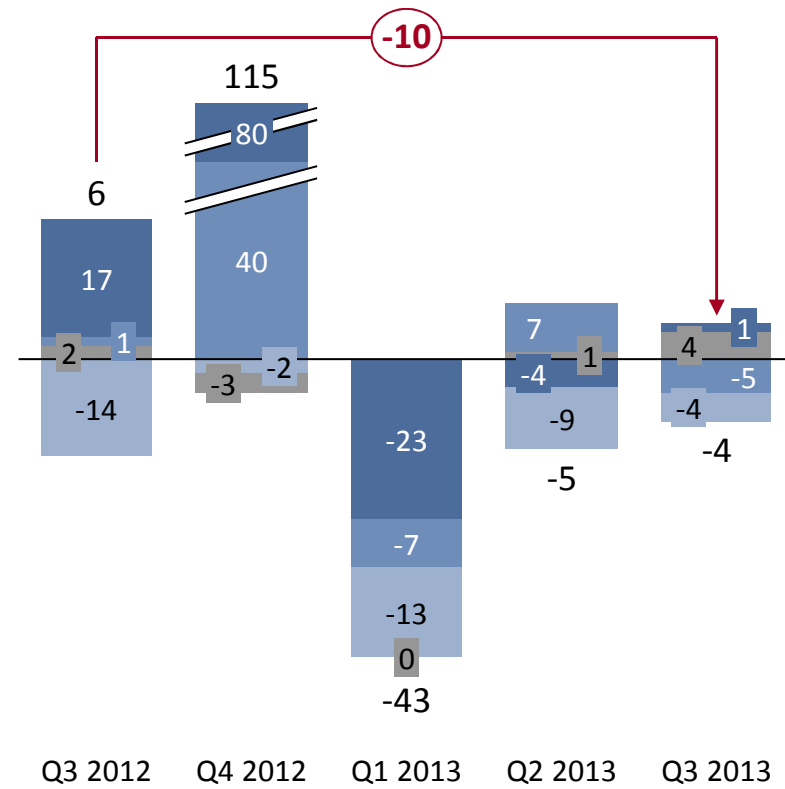


## Quarterly development

**Sales Defence** in € million



**Operational earnings Defence\*** in € million



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

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



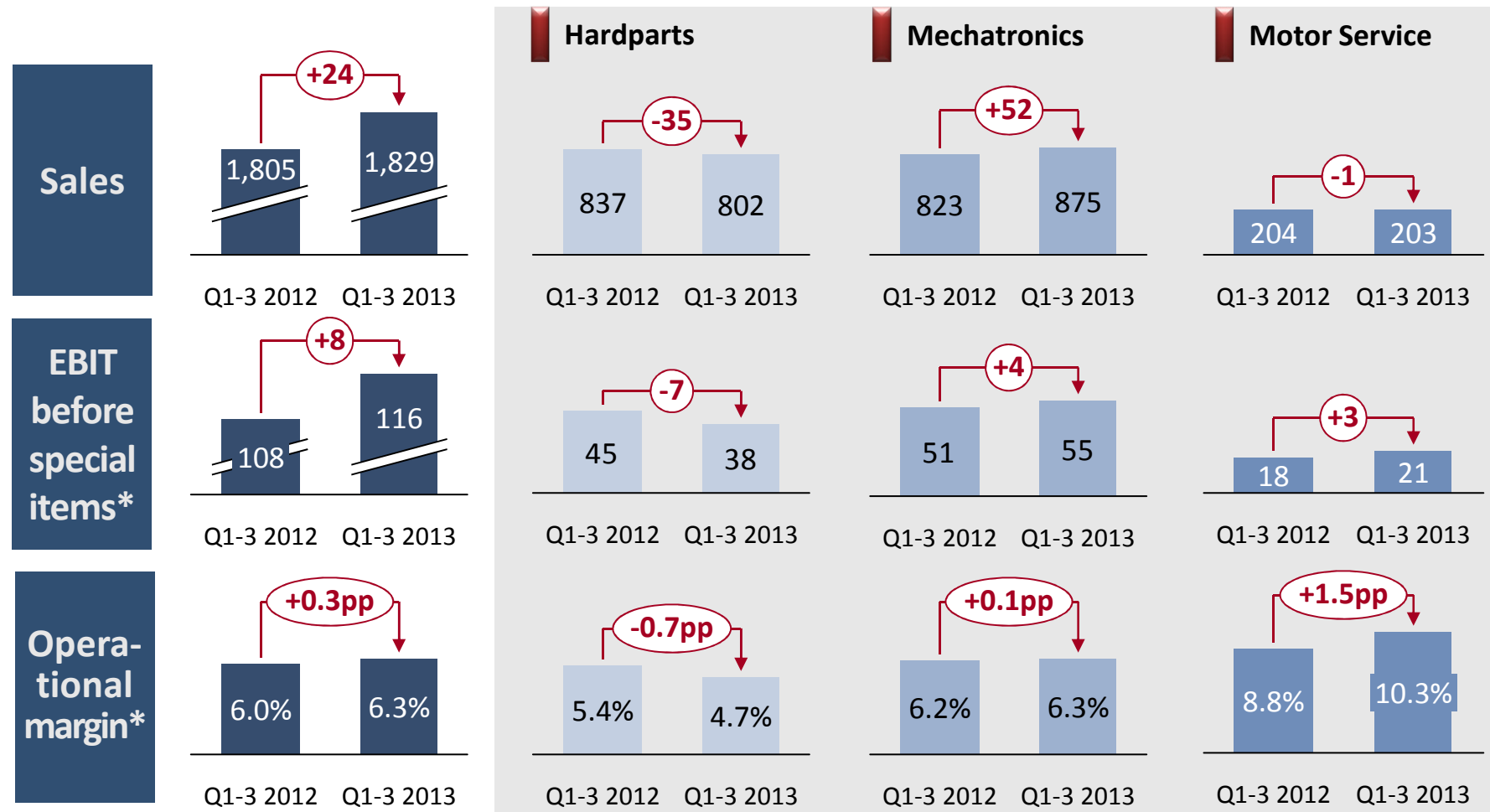
## Cash flow Defence

Rheinmetall Defence <i>in € million</i>	Q1-3 2012*	Q1-3 2013	Δ Q1-3 2013/ Q1-3 2012
<b>Net income</b>	<b>46</b>	<b>- 93</b>	<b>- 139</b>
Amortization / depreciation	65	67	+ 2
Change in pension accruals	- 13	0	+ 13
<b>Cash flow</b>	<b>98</b>	<b>- 26</b>	<b>- 124</b>
Changes in working capital and other items	- 296	- 223	+ 73
<b>Net cash used in operating activities</b>	<b>- 198</b>	<b>- 249</b>	<b>- 51</b>
Cash outflow for additions to tangible and intangible assets	- 57	- 34	+ 23
<b>Free cash flow from operations</b>	<b>- 255</b>	<b>- 283</b>	<b>- 28</b>

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



## Key figures Automotive by division (operational before special items)



Figures before intrasegmental consolidation

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



## Comparison Q3 2012 vs. Q3 2013

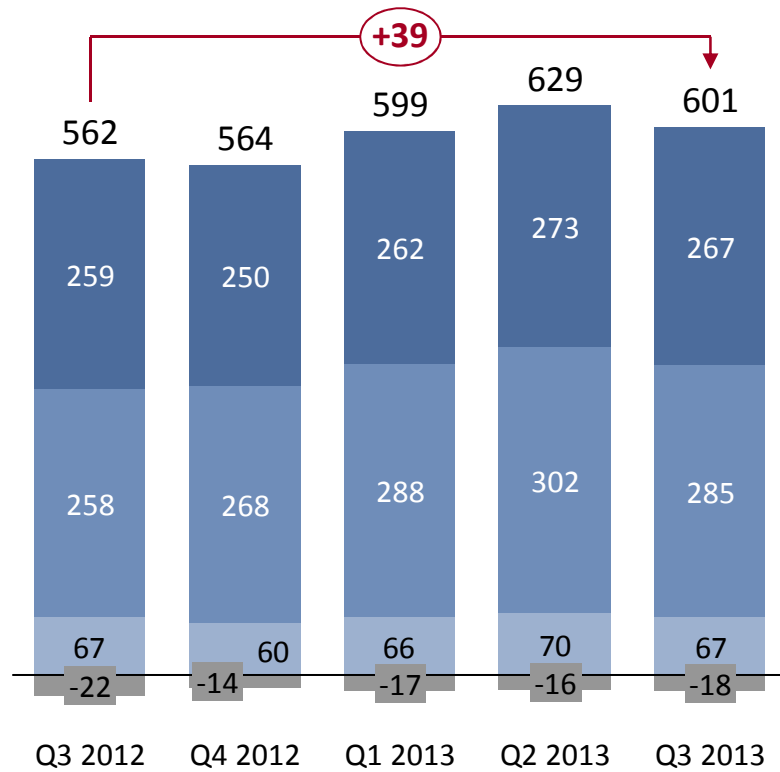
Rheinmetall Automotive <i>in € million</i>	Q3 2012*	Q3 2013	Δ Q3 2013/ Q3 2012
Sales	562	601	+ 39
Operational earnings (EBIT before special items)	27	39	+ 12
Operational margin <i>in %</i>	4.8	6.5	+ 1.7 pp
Special items (One-offs, restructuring costs)	0	- 1	- 1
EBIT (reported)	27	38	+ 11
Employees	11,892	12,022	+ 130

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)

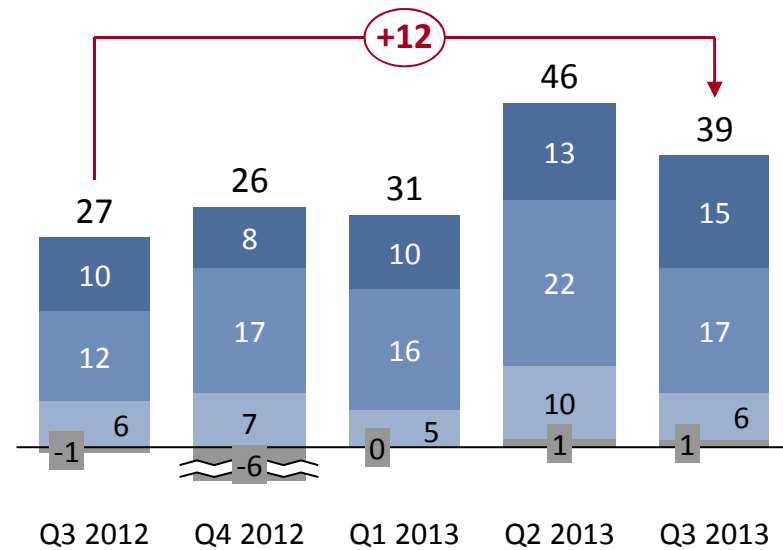


## Quarterly development

**Sales Automotive** in € million



**Operational earnings Automotive\*** in € million



■ Hardparts ■ Mechatronics ■ Motor Service ■ Consolidation/Others

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)





## Cash flow Automotive

Rheinmetall Automotive <i>in € million</i>	Q1-3 2012*	Q1-3 2013	Δ Q1-3 2013/ Q1-3 2012
<b>Net income</b>	<b>71</b>	<b>61</b>	<b>- 10</b>
Amortization / depreciation	79	82	+ 3
Change in pension accruals	- 4	- 4	± 0
<b>Cash flow</b>	<b>146</b>	<b>139</b>	<b>- 7</b>
Changes in working capital and other items	- 149	- 89	+ 60
<b>Net cash used in operating activities</b>	<b>- 3</b>	<b>50</b>	<b>+ 53</b>
Cash outflow for additions to tangible and intangible assets	- 105	- 99	+ 6
<b>Free cash flow from operations</b>	<b>- 108</b>	<b>- 49</b>	<b>+ 59</b>

\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



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This presentation contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to Rheinmetall’s financial condition, results of operations and businesses and certain of Rheinmetall’s plans and objectives. These forward-looking statements reflect the current views of Rheinmetall’s management with respect to future events. In particular, such forward-looking statements include the financial guidance contained in the outlook for 2013.

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