



RHEINMETALL AG

# THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Conference Call FY 2013

Düsseldorf | March 19, 2014



## 2013 at a glance

### “RHEINMETALL 2015” DETERMINED OUR STRATEGIC AGENDA

- **Transition year 2013 finalized** in both sectors, recovery expected 2014
- **Group order backlog** increased by 20% **to record level** of € 6.5 billion
- **Group sales** decreased by 2% to € 4,613 million, adjusted for FX effects **at previous year's level**
- **Operational Group earnings** (EBIT before special items) of € 213 million **exceeded outlook** as of November 2013
- **Positive free cash flow from operations** despite a weak earnings performance
- **Dividend of € 0.40** proposed, payout ratio of 53%



# Mid-term strategy program “Rheinmetall 2015”

## First successful steps in 2013

### Internationalization

- **Defence:** Order intake of € 2.4 billion **from non-European customers**
- **Automotive:** Expansion of operations in **China** (sales +32%), **Mexico** (sales +38%) and the **Czech Republic** (sales +14%)

### Growth by products and innovation

- More than € 400 million R&D/Capex **invested for future growth**
- **Defence:** Ramp-up of **large innovative systems:** Puma (Germany), Boxer (Netherlands) and Fox (Algeria)
- **Automotive:** Start of production of **19 new products** with relevant sales contribution

### Cost efficiency

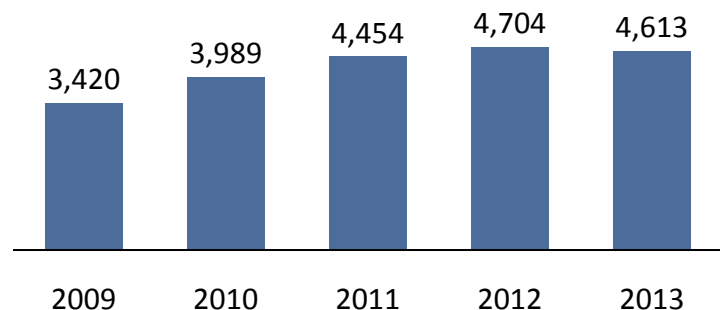
- **All restructuring measures negotiated and initiated** in 2013
- **More than 50% implemented** regarding headcount



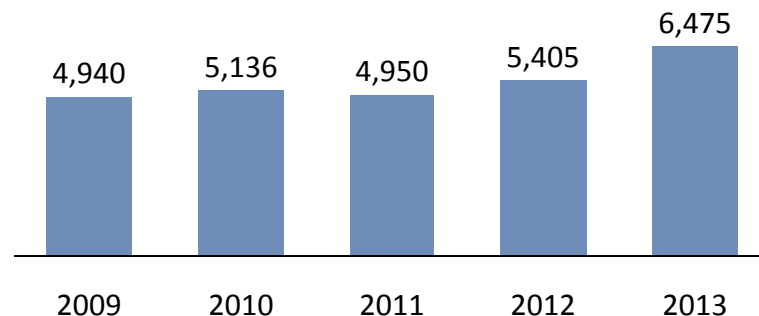
# Order backlog increased

## Earnings down due to weak performance in Defence

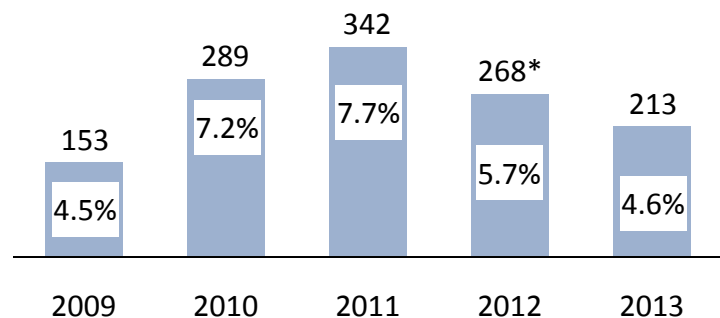
**Sales** in € million



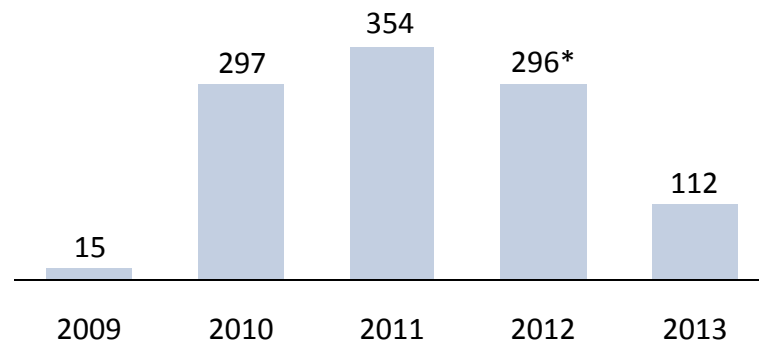
**Order backlog** in € million



**Operational earnings** in € million resp. margin in %



**EBIT** in € million



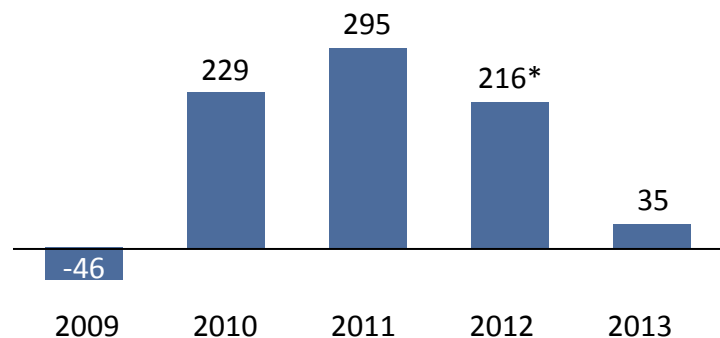
\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



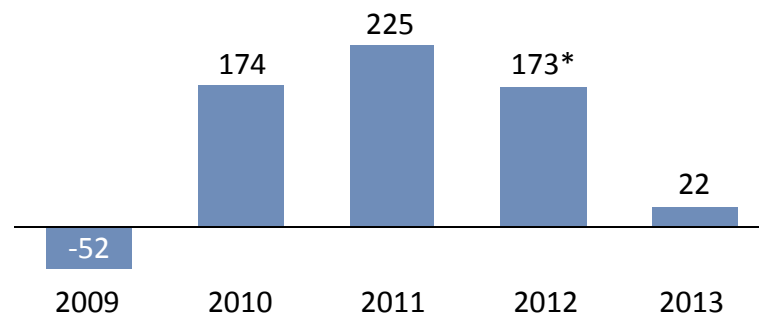
## Earnings particularly affected by restructuring charges

### EPS at € 0.75, dividend proposed at € 0.40

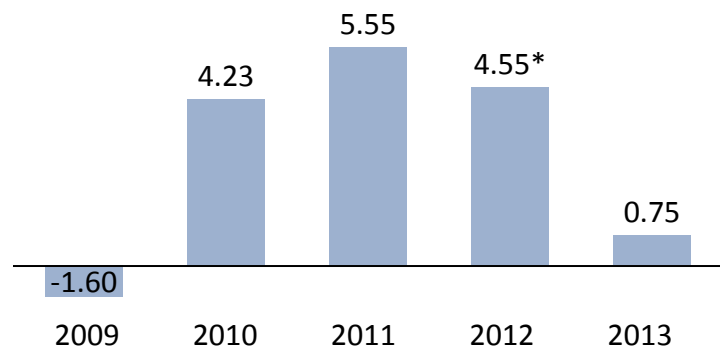
EBT in € million



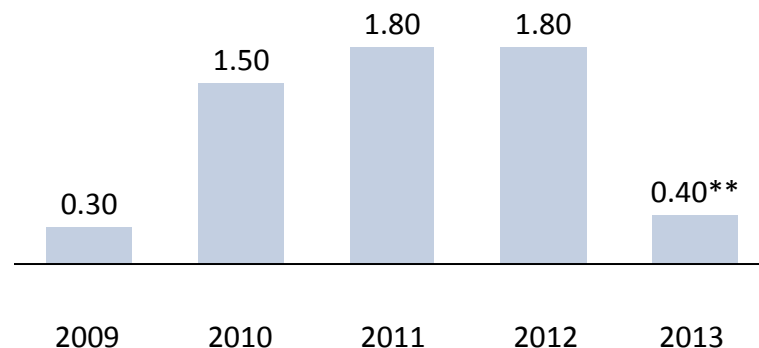
Net income in € million



Earnings per share in €



Dividend per share in €



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

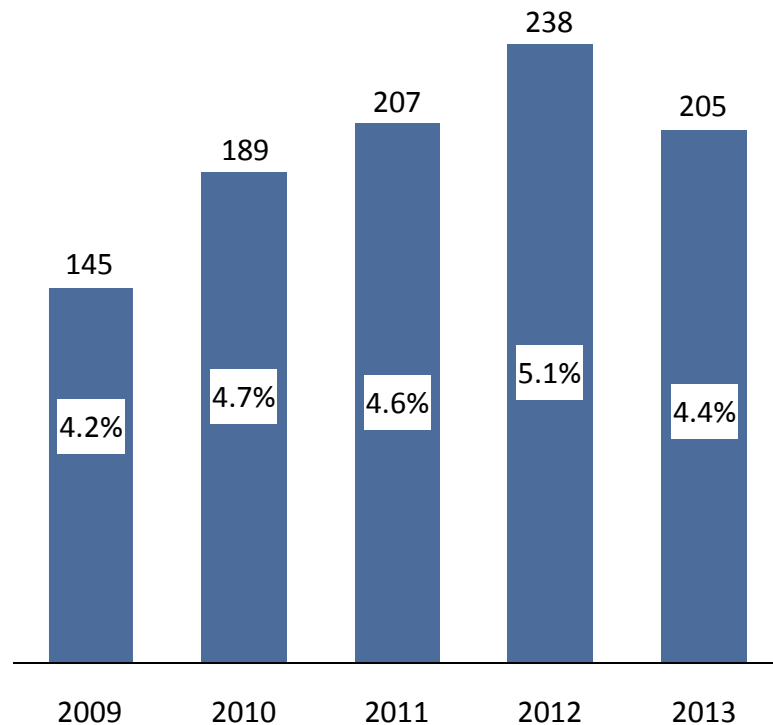
\*\* Proposal to the Annual General Meeting



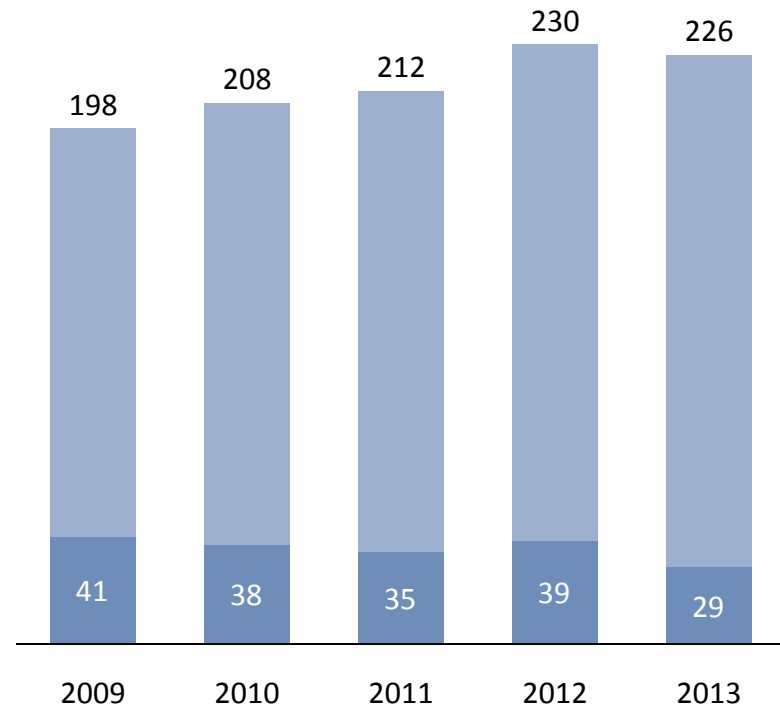
# Capex and R&D at a high level

## Even in a difficult year more than € 400 million invested in the future

■ Capex\* in € million resp. in % of sales



■ R&D (self-funded) in € million



■ R&D ■ thereof capitalized

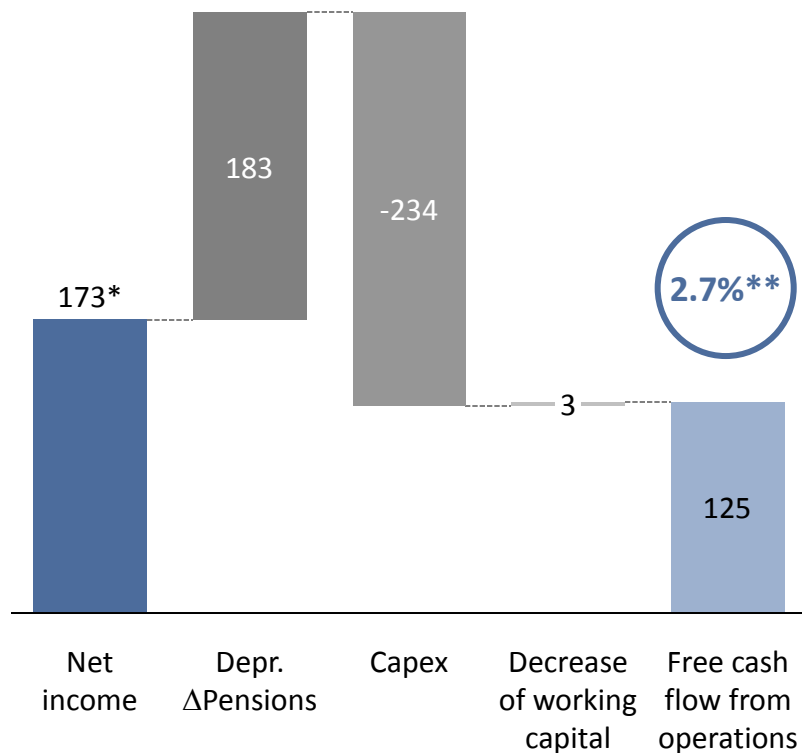
\* Including non-cash-out investments



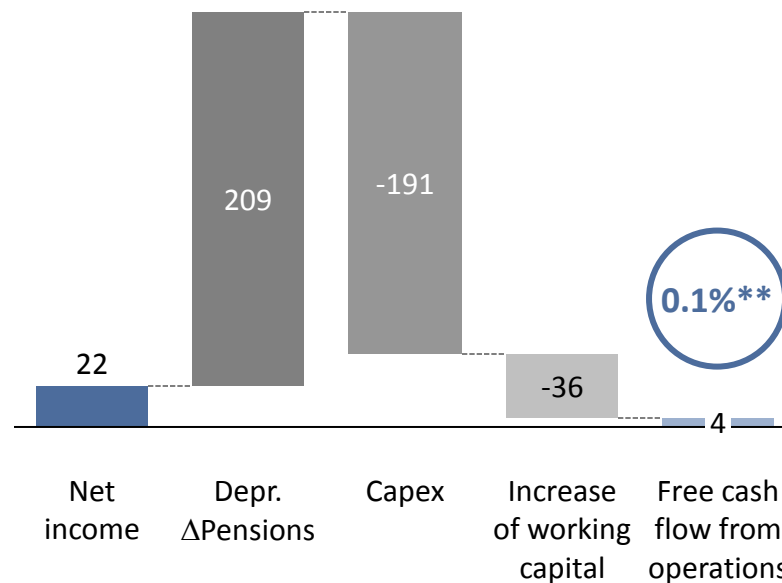
# Cash flow statement

## Positive free cash flow from operations in 2013 despite weak earnings

2012 in € million



2013 in € million



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

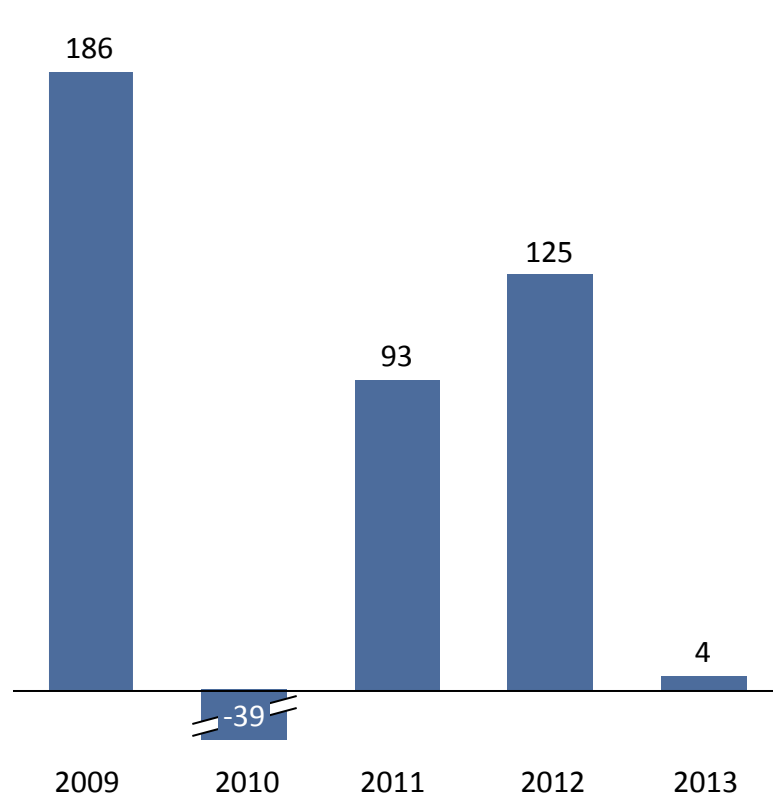
\*\* in % of sales



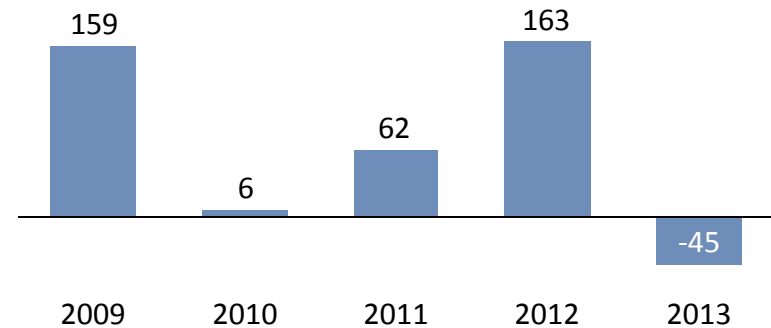
# Weak earnings burden free cash flow in Defence

## Free cash flow in Automotive significantly positive

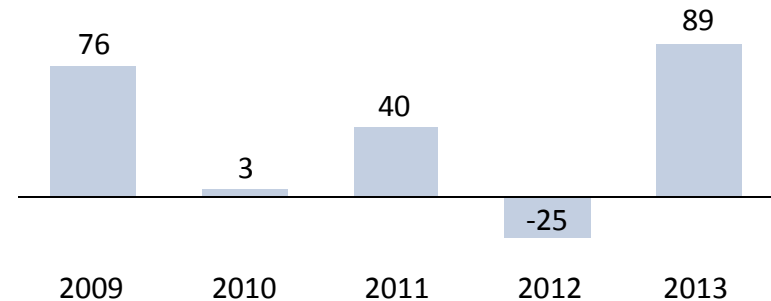
Free cash flow from operations Group in € million



Free cash flow from operations Defence in € million



Free cash flow from operations Automotive in € million







## Transition phase finalized, restructuring program fully on track

### All planned measures in implementation

	Costs 2012	Costs 2013	Total reduction of employees until 2016	Expected savings 2014	Full annual savings from 2015
Combat Systems (esp. Tracked Vehicles)	17	15	240		
Electronic Solutions (esp. Air Defence Zurich)	3	14	130		
Wheeled Vehicles (esp. Logistic Vehicles)	0	22	230		
<b>Total Defence</b>	<b>20</b>	<b>51</b>	<b>600</b>	<b>~15</b>	<b>40 - 50</b>
Hardparts (esp. Pistons Thionville/Neckarsulm)	0	23	450		
Mechatronics (esp. merging Neuss/Nettetal)	0	11	100		
Motor Service	0	1	10		
<b>Total Automotive</b>	<b>0</b>	<b>35</b>	<b>560</b>	<b>~10</b>	<b>20 - 25</b>
<b>Total Group</b>	<b>20</b>	<b>86</b>	<b>1,160</b>	<b>~25</b>	<b>60 - 75</b>

Additionally, **further expenses of € 15 million** – € 5 million in Defence and € 10 million in Automotive – were booked in 2013 for strategic portfolio measures.

Costs and savings in € million



# RHEINMETALL DEFENCE



## 2013 at a glance

### HIGH SHARE OF ORDER INTAKE FROM NON-EUROPEAN CUSTOMERS

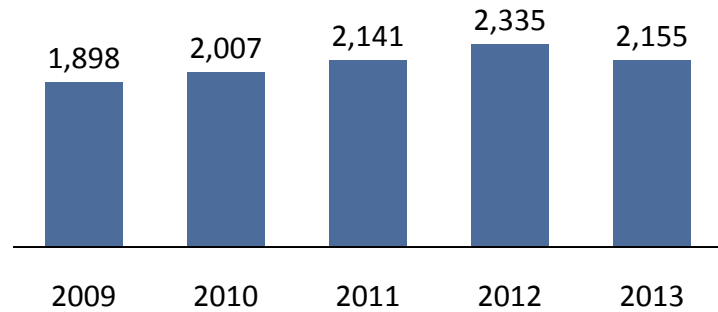
- **Order intake increased** by € 406 million (+ 14%) to € 3,339 million despite weak traditional markets
- **International large-scale orders** from non-European customers **acquired**
- **Operational earnings declined** by € 85 million to € 60 million
- **Restructuring program on track**, charges of € 51 million booked
- **New international sales offices opened**, e.g. Saudi Arabia
- **New joint venture with Ferrostaal started**, accelerating Rheinmetall Defence's internationalization efforts



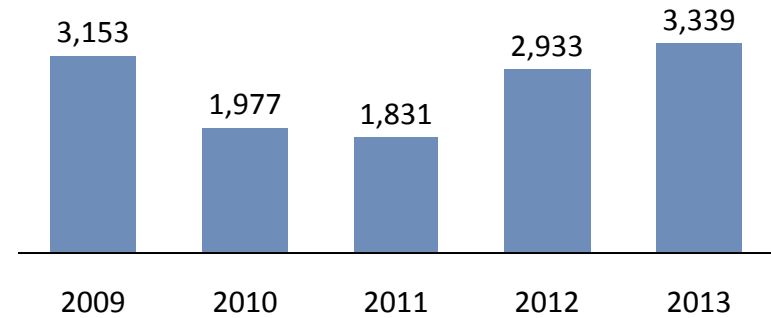
# Defence in a transition year

## Sales declined, order intake at a record level

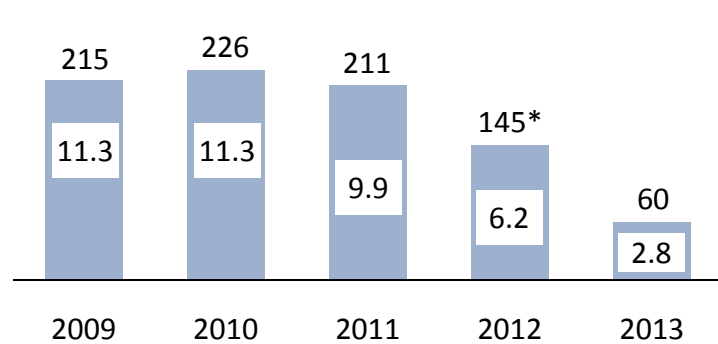
**Sales** in € million



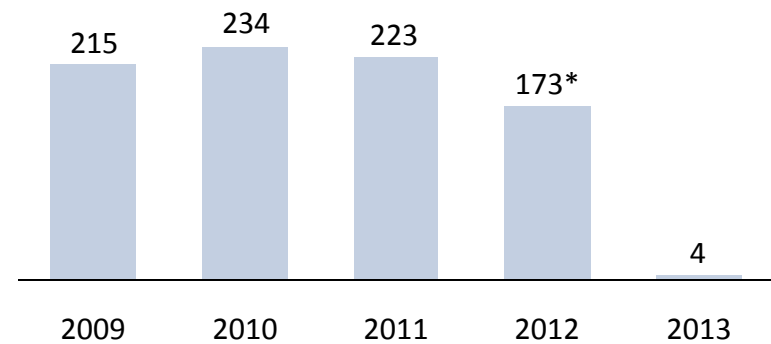
**Order intake** in € million



**Operational earnings** in € million resp. margin in %



**EBIT** in € million



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

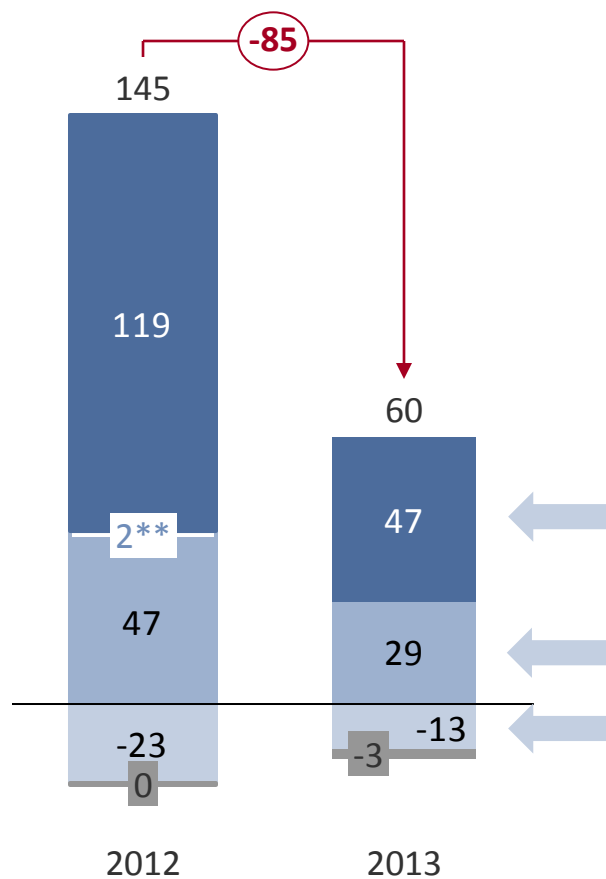
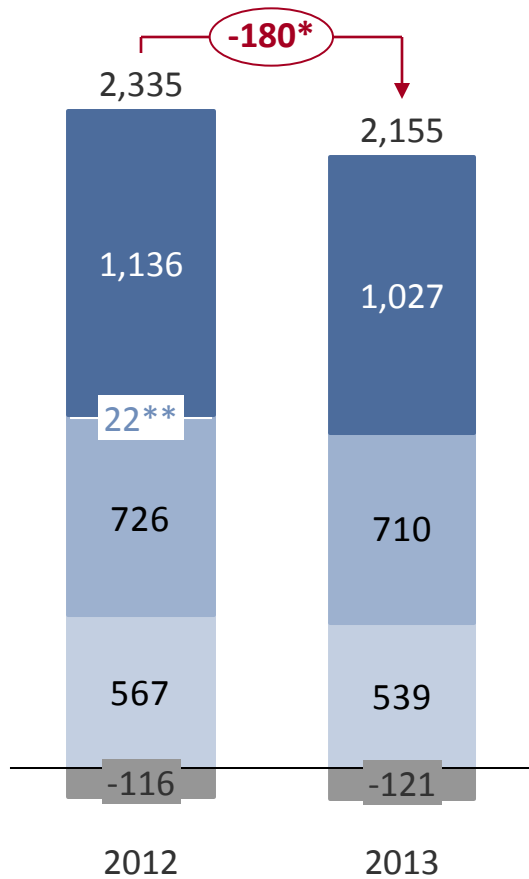


# Weak operational performance

## Earnings affected by lower sales and cost overruns

■ Sales Defence in € million

■ Operational earnings Defence in € million



- 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, H2 indicates improvement

\* Without FX effects: € - 143 million

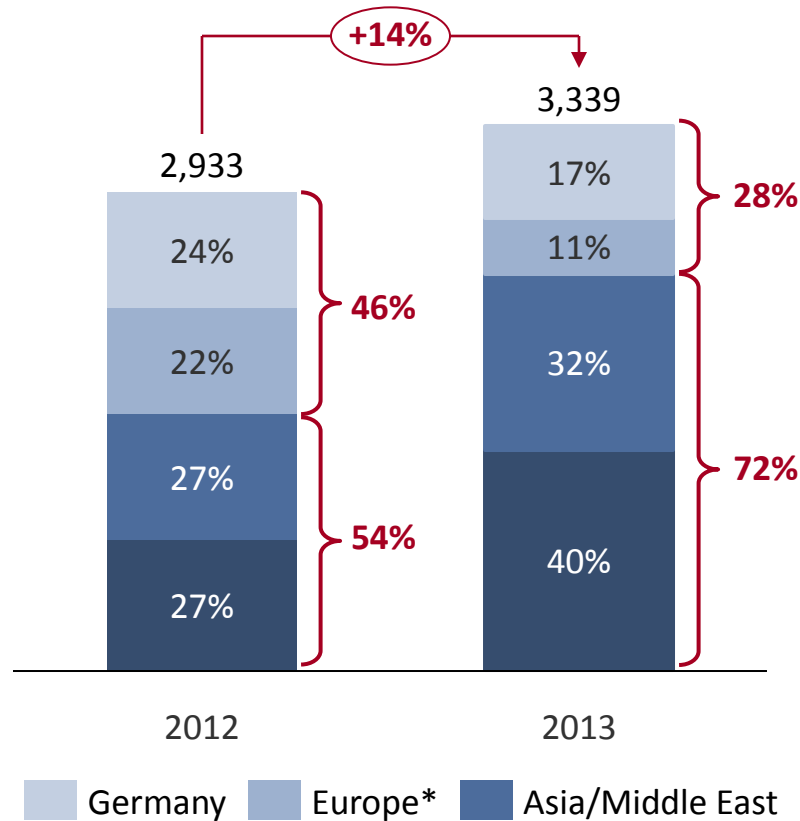
\*\* 51% of drone business divested in Q2 2012



# Internationalization

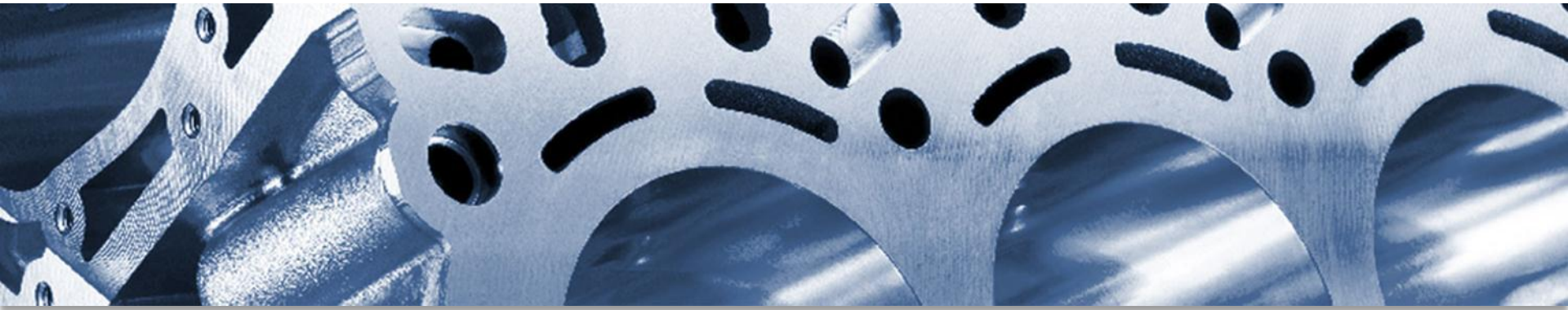
## Increasing share of order intake received from growth regions

Order intake by region in € million resp. %



- **Large-scale orders from growth regions** (e.g. Australia, Indonesia, Qatar) overcompensate decreasing demand from established markets
- **System orders** secure long-term relationship including service business
- Order intake includes **components business** like ammunition or weapon stations

\* Excluding Germany



# RHEINMETALL AUTOMOTIVE



## 2013 at a glance

### AUTOMOTIVE OUTPERFORMS THE GLOBAL MARKET

- **Growth trend continued:** sales increased by 4%, adjusted for FX effects by 6%
- **Operational earnings at a record level** of € 160 million
- **Products for reducing emissions and fuel consumption** are growth drivers
- **Operations** in China, Mexico and the Czech Republic **expanded**
- **Restructuring program on track**, charges of € 35 million booked

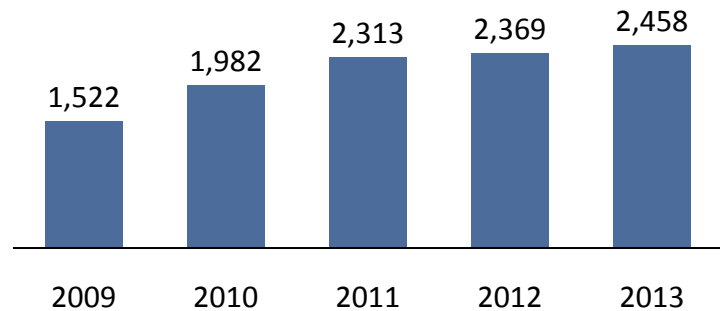




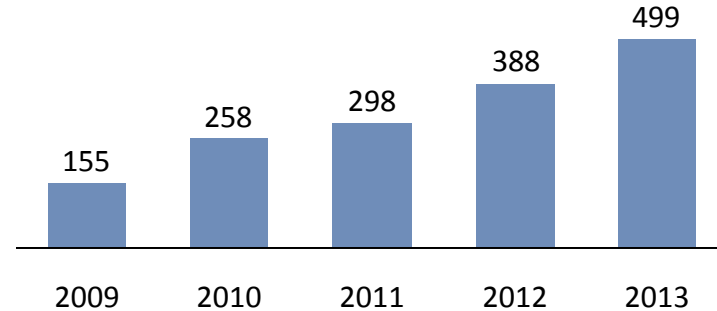
# Sales and earnings

## Strong sales and operational earnings in spite of a flat European market

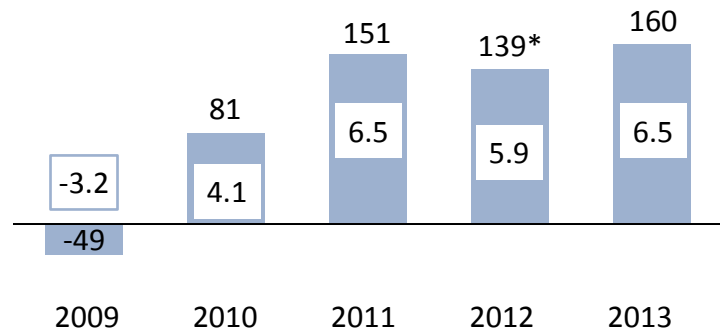
**Sales** in € million



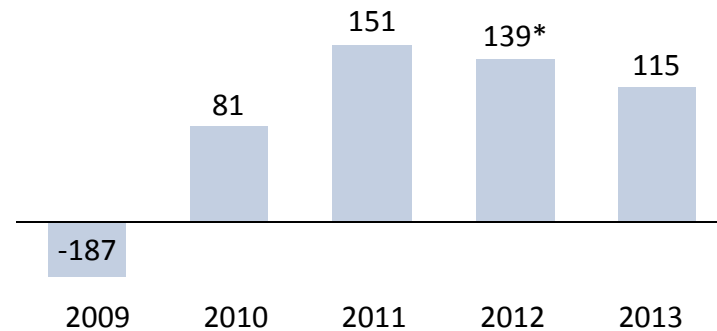
**Sales China JVs (100%)** in € million



**Operational earnings** in € million resp. margin in %



**EBIT** in € million



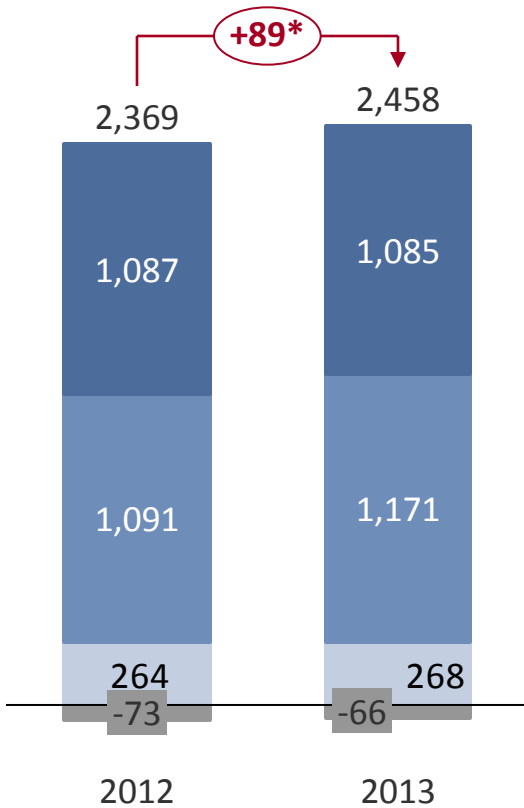
\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



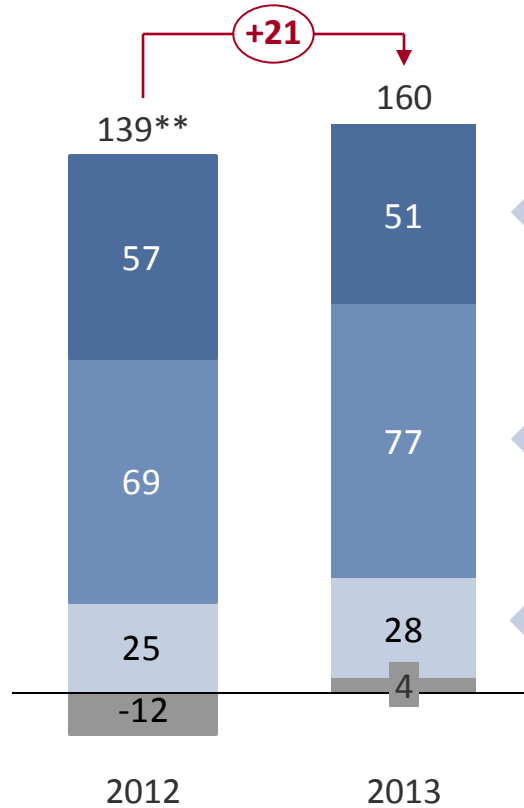
# Top and bottom line growth

## Mechatronics pushes sales and operational earnings

Sales Automotive in € million



Operational earnings Automotive in € million



### Reasons for earnings development

#### Hardparts

- Unfavorable product mix
- Start-up costs Large-bore pistons China

#### Mechatronics

Higher sales of € 80 million and increase of R&D by € 12 million

#### Motor Service

Improved earnings

- Hardparts
- Mechatronics
- Motor Service
- Consolidation/Others

\* Without FX effects: € + 146 million

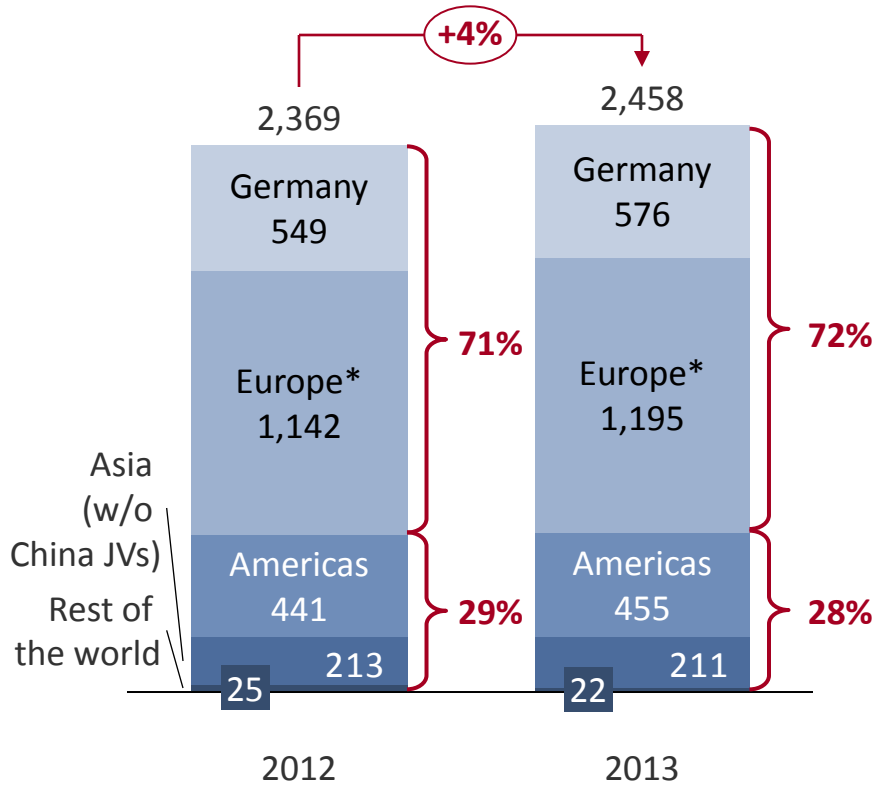
\*\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



# Sales growth due to European and American markets

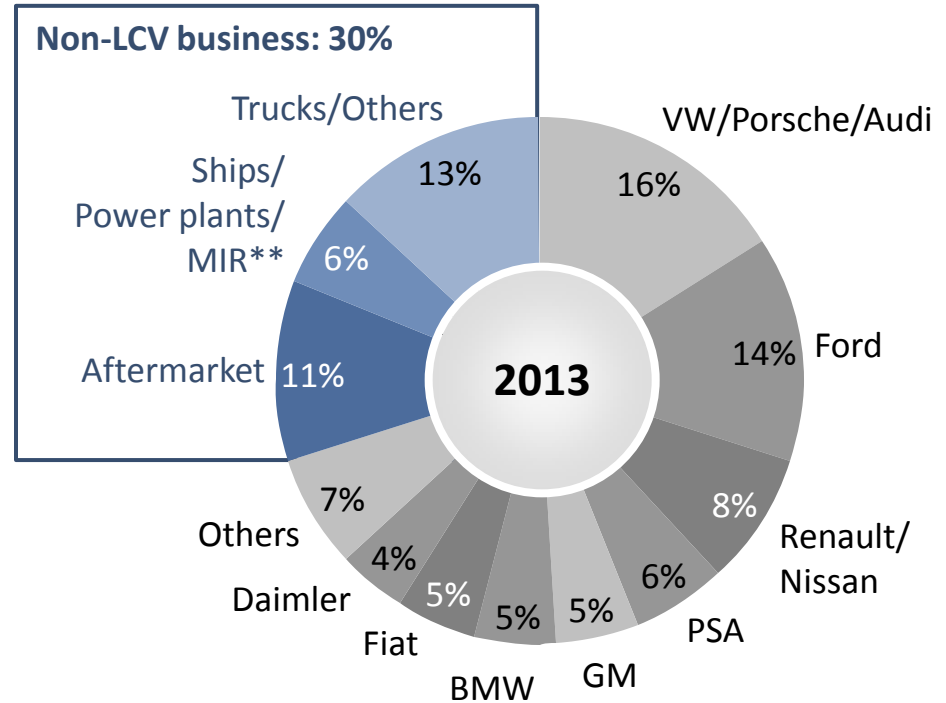
## Automotive benefits from balanced customer base

Sales by region in € million



\* Excluding Germany

Sales by customer in %



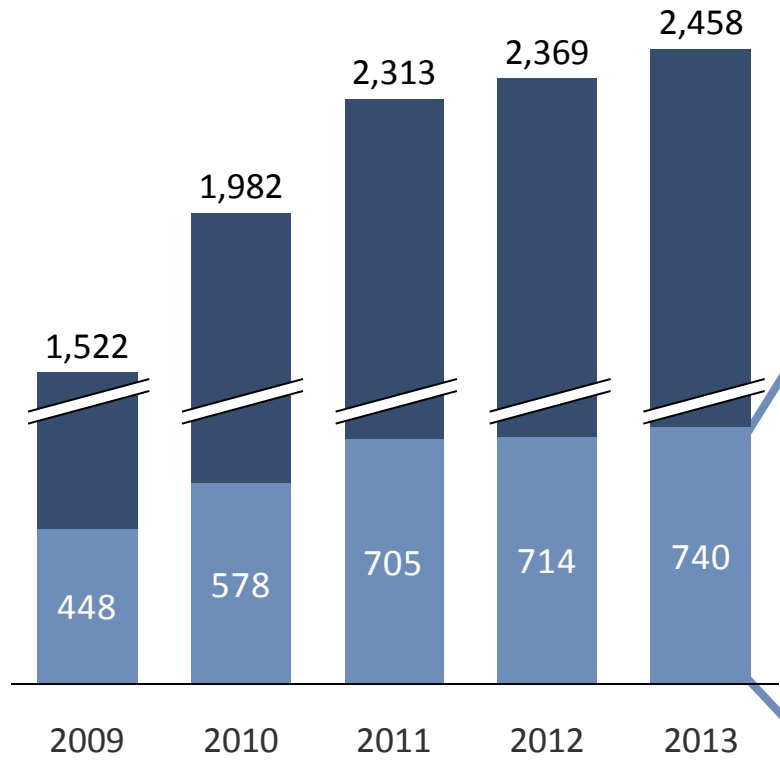
\*\* MIR = Marine, Industry, Recreation



# Strong growth in non-LCV business

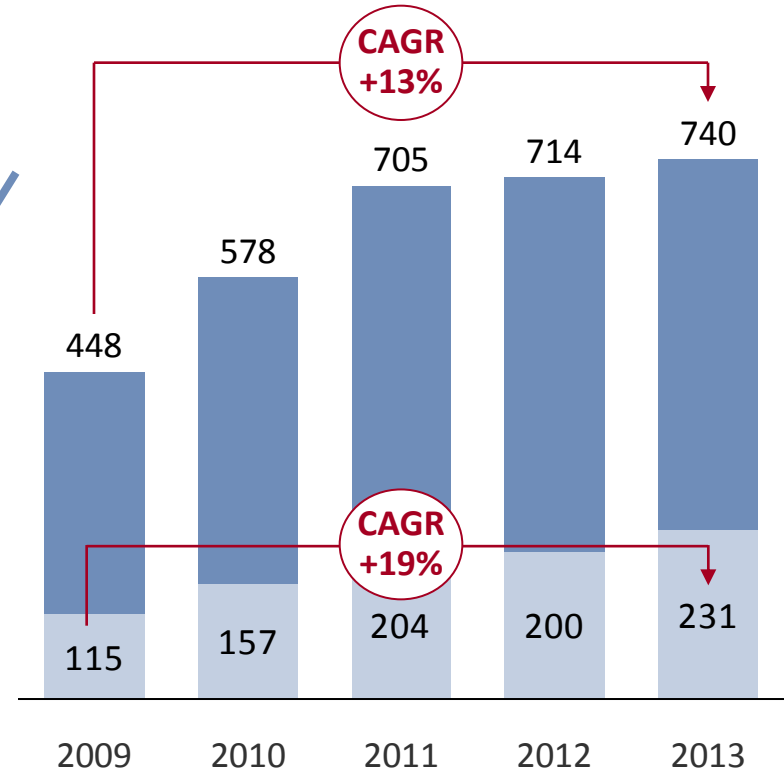
## Sales of truck business doubled within 5 years

■ Sales Automotive and non-LCV sales in € million



■ Rest of Automotive sales ■ Non-LCV sales

■ Non-LCV sales and truck business sales in € million

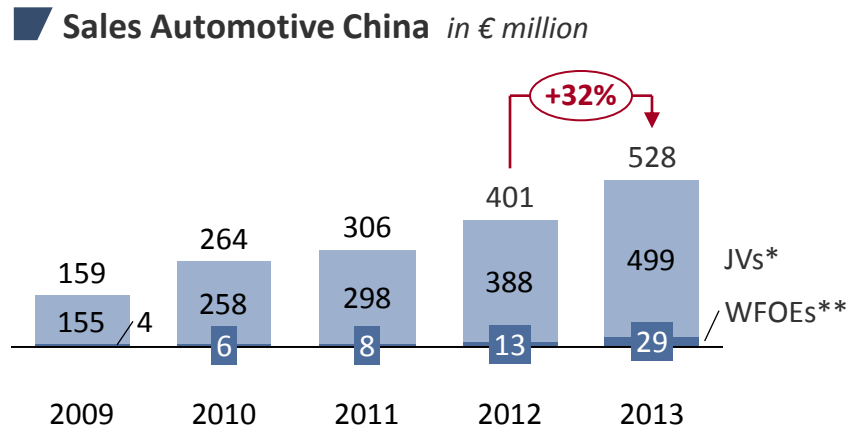
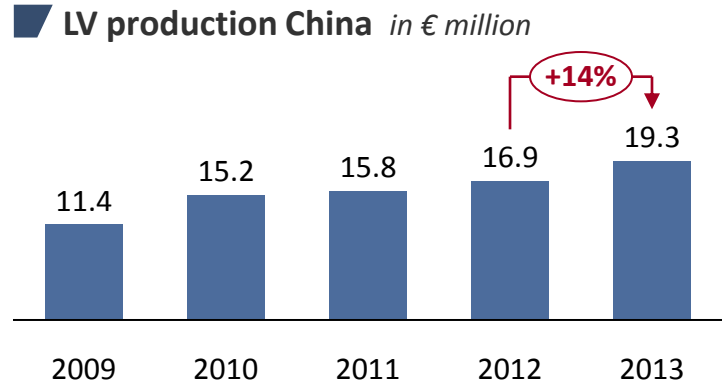


■ Rest of Non-LCV sales ■ Truck business sales



# Internationalization

## Joint ventures in China see another successful year



Source: IHS Automotive (February 2014)

\* Rheinmetall Automotive owns 50% of the joint ventures, consolidated at equity  
 \*\* WFOE = Wholly Foreign-Owned Enterprise



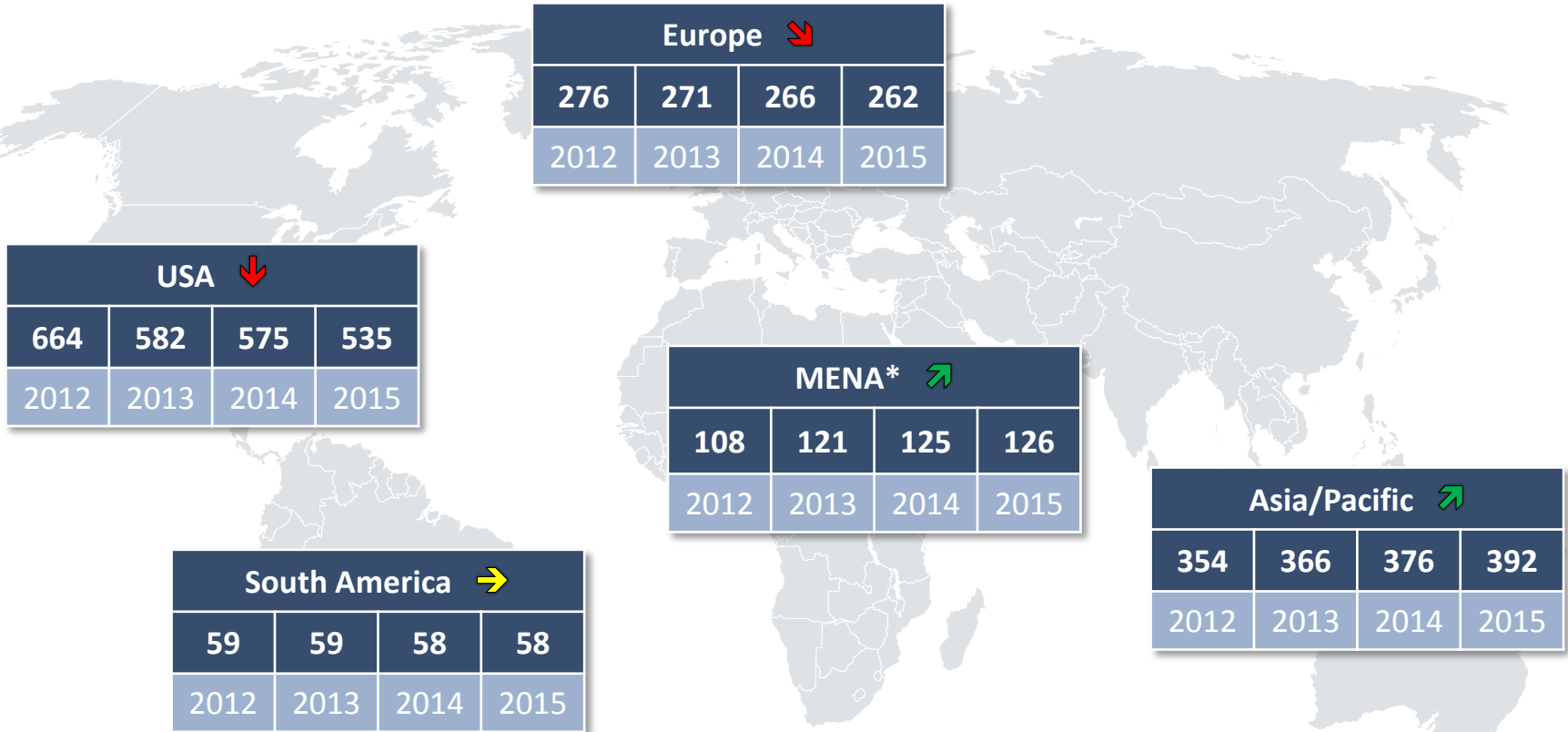
# MARKETS AND OUTLOOK



# Looking at the markets

## Shift of budget growth from traditional markets to emerging markets

Defence spending by region in US\$ billion



\* MENA = Middle East and Northern Africa  
 Source: IHS Jane's (March 2014), Rheinmetall team analysis

Rheinmetall focuses on the MENA region and Asia/Pacific for future growth.



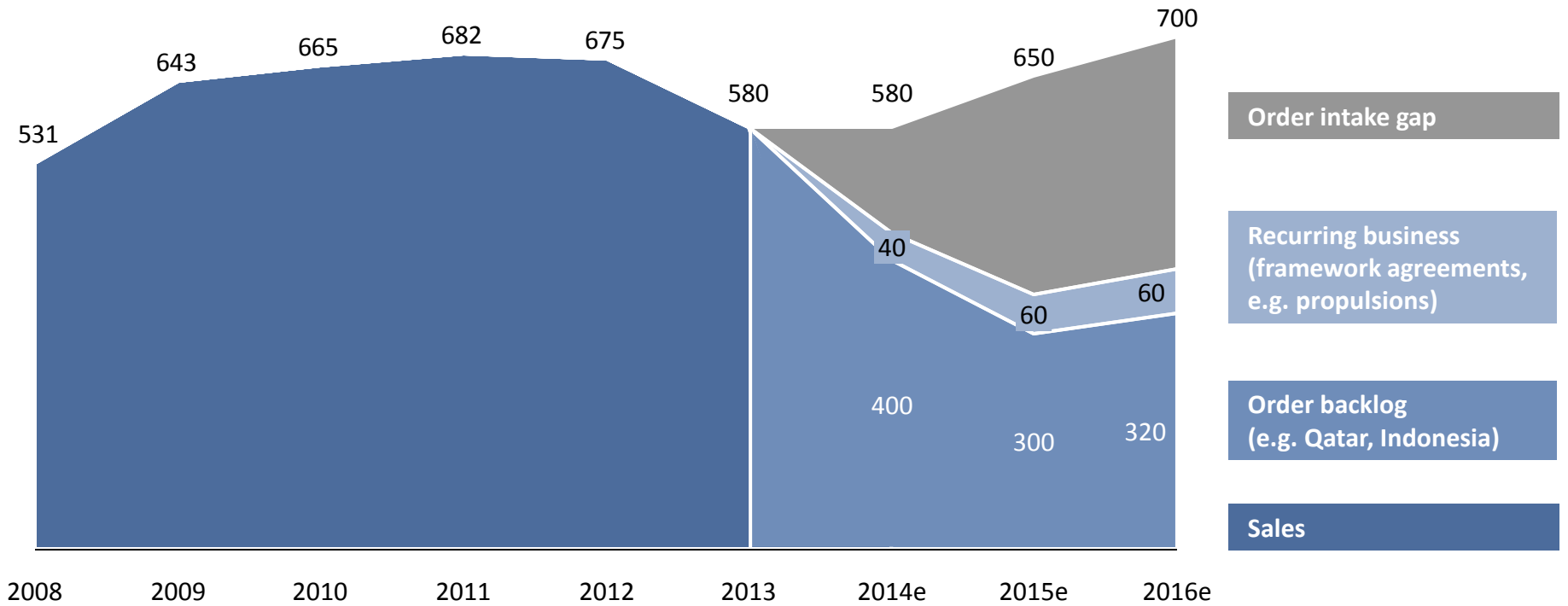
# Weapon and ammunition business

## Recovery expected to begin later and to a lower extent

Sales weapon and ammunition business in € million

Previous estimates

600      650-670      700-750      750-800



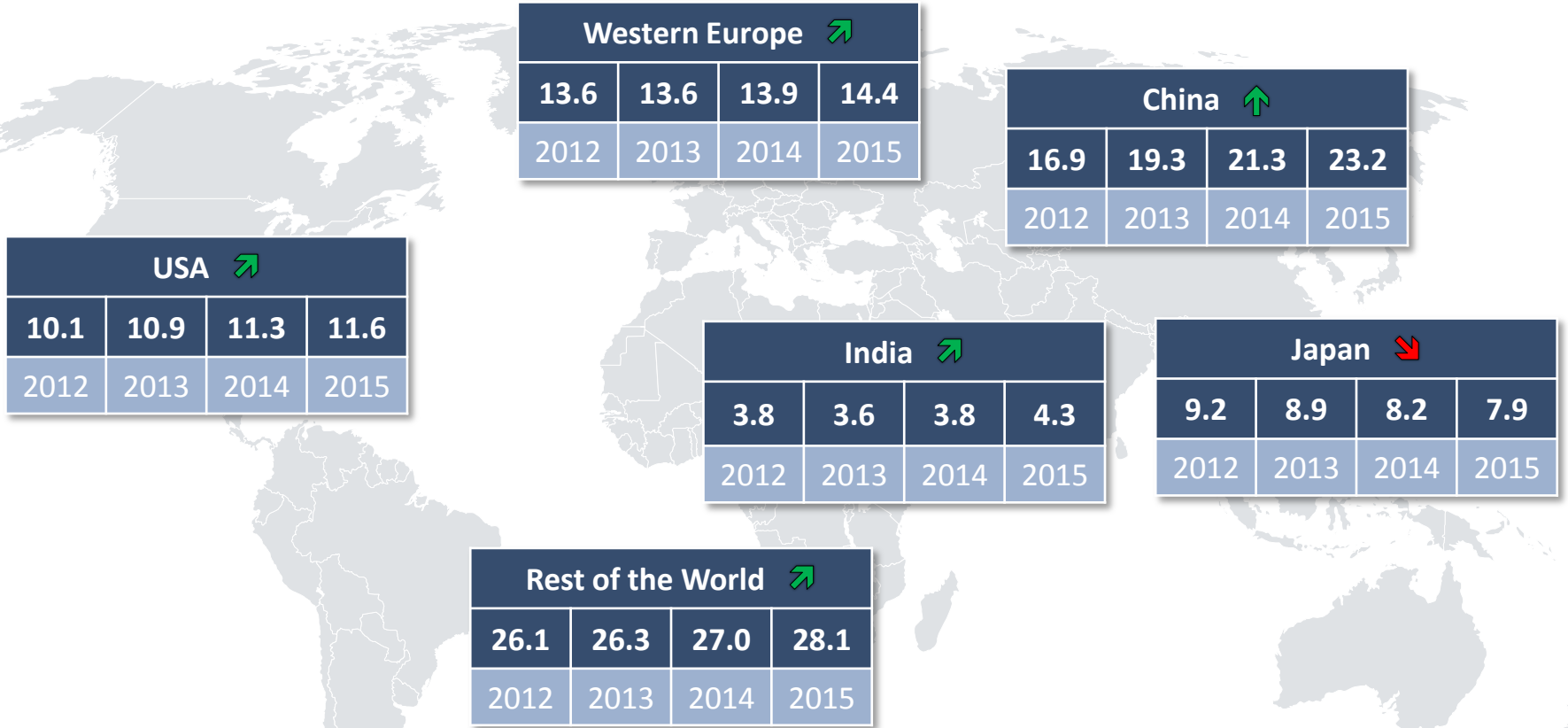




# Looking at the markets

## China still expected to grow rapidly, slight increase in Europe and the US

Light vehicle production by region *in million units*



Source: IHS Automotive (February 2014)

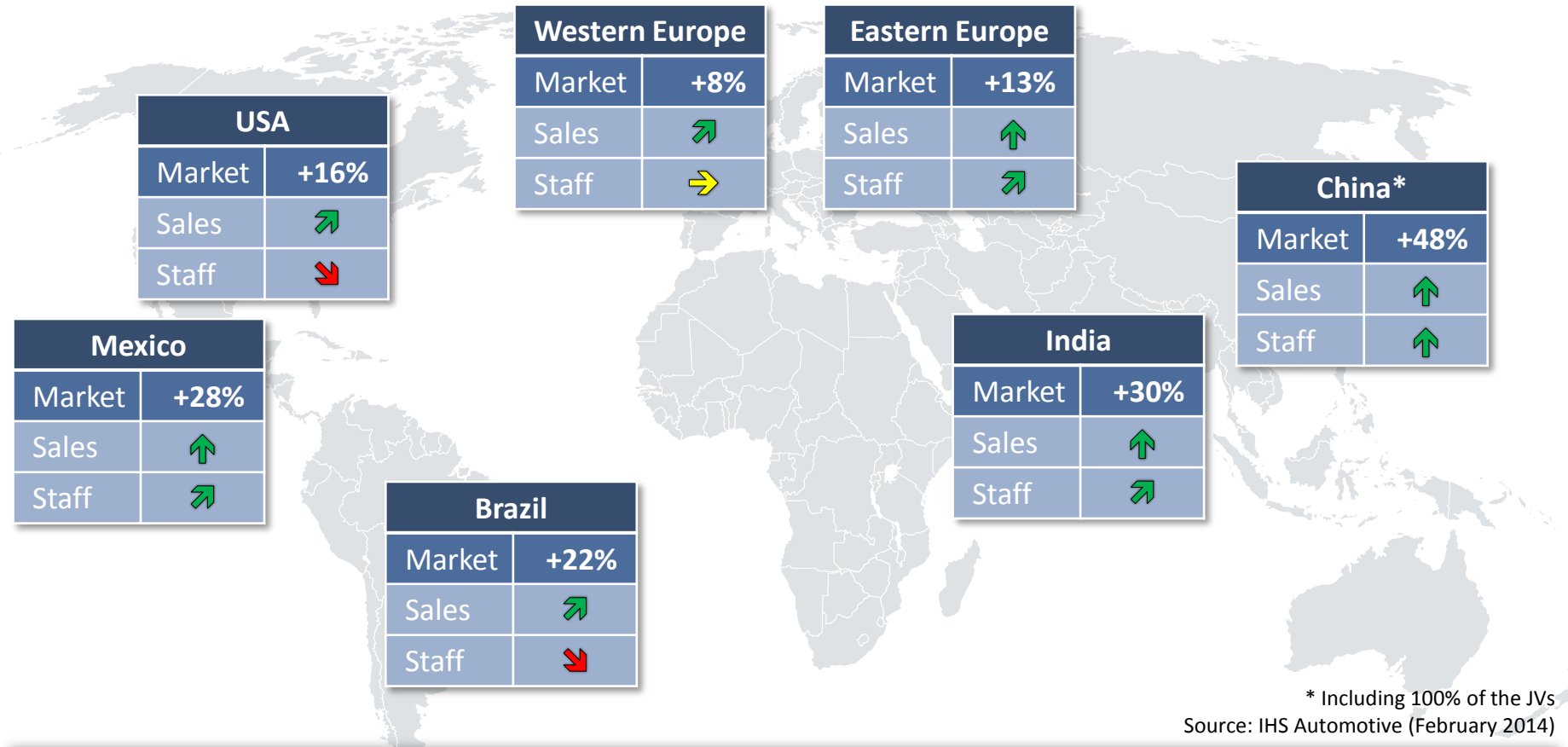
**Rheinmetall focuses on China, India and the Americas for future growth.**



# Automotive is expected to remain a growth market

## “Continental shift” in Rheinmetall’s sales and staff figures

### Market and business expectations Rheinmetall Automotive 2012-2016e



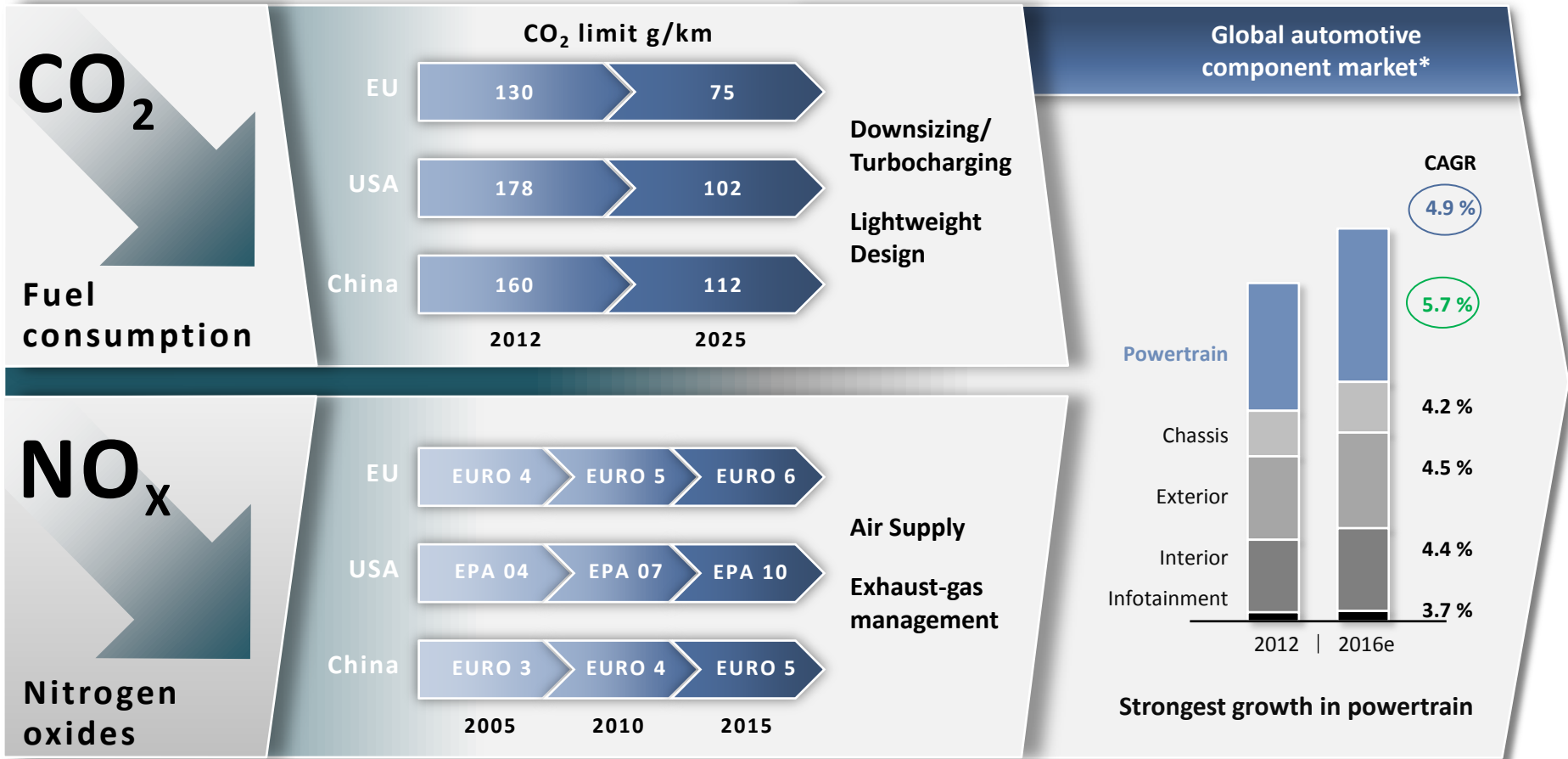
\* Including 100% of the JVs  
Source: IHS Automotive (February 2014)

➤ Rheinmetall will save costs in the established markets and expand its footprint in the growth markets.



# Megatrend “Protection of the environment”

## Regulations as growth drivers of the powertrain technology



\* Source: IHS AutoInsight 2012

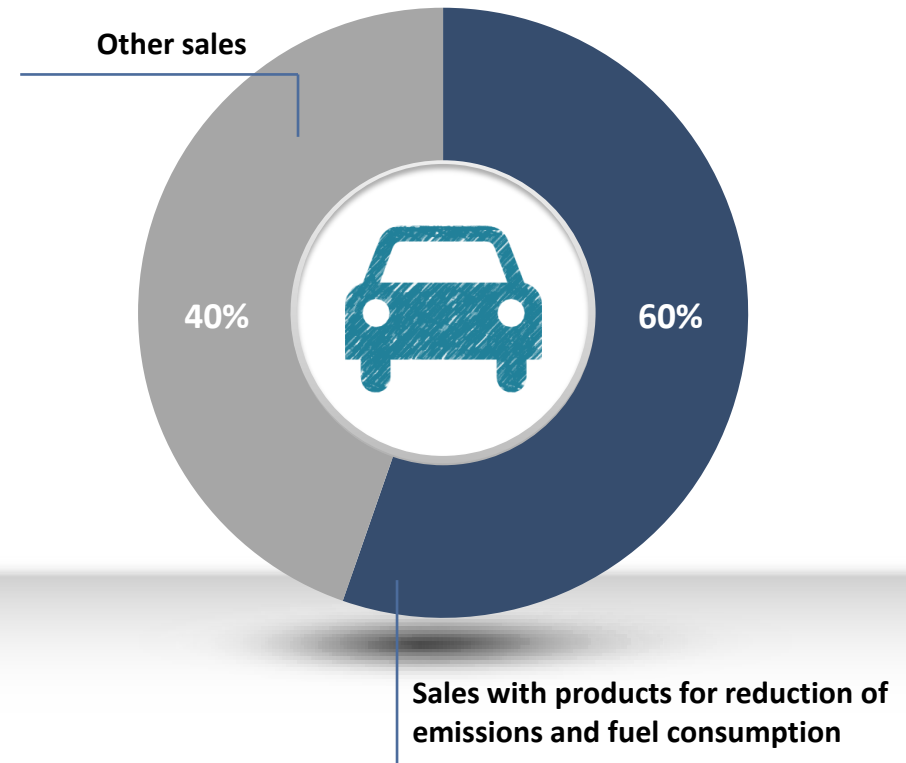
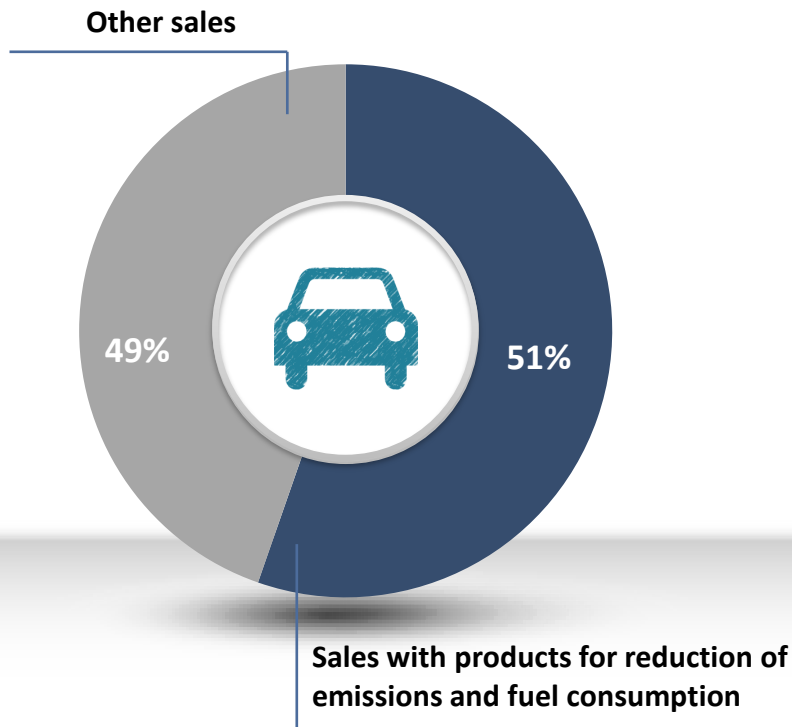


# Megatrend “Protection of the environment”

## Sales share of green technology products will increase to 60%

■ Sales share 2013

■ Expected sales share 2016





# Mid-term strategy program “Rheinmetall 2015”

## The way forward in 2014

### Internationalization

- Defence: Strengthening the **international sales force** and a **non-European order intake** of more than 50%
- Automotive: **Further shift** of existing and new products **to sites in growth regions**

### Growth by products and innovation

- Defence: **Organic growth by system orders** (e.g. Puma, Boxer), but **delay of ammunition business recovery**
- Automotive: Continuation of the **strong growth in Mechatronics**

### Cost efficiency

**Further execution of the restructuring program**  
in order to generate full savings effects from 2015 onwards



## Outlook 2014

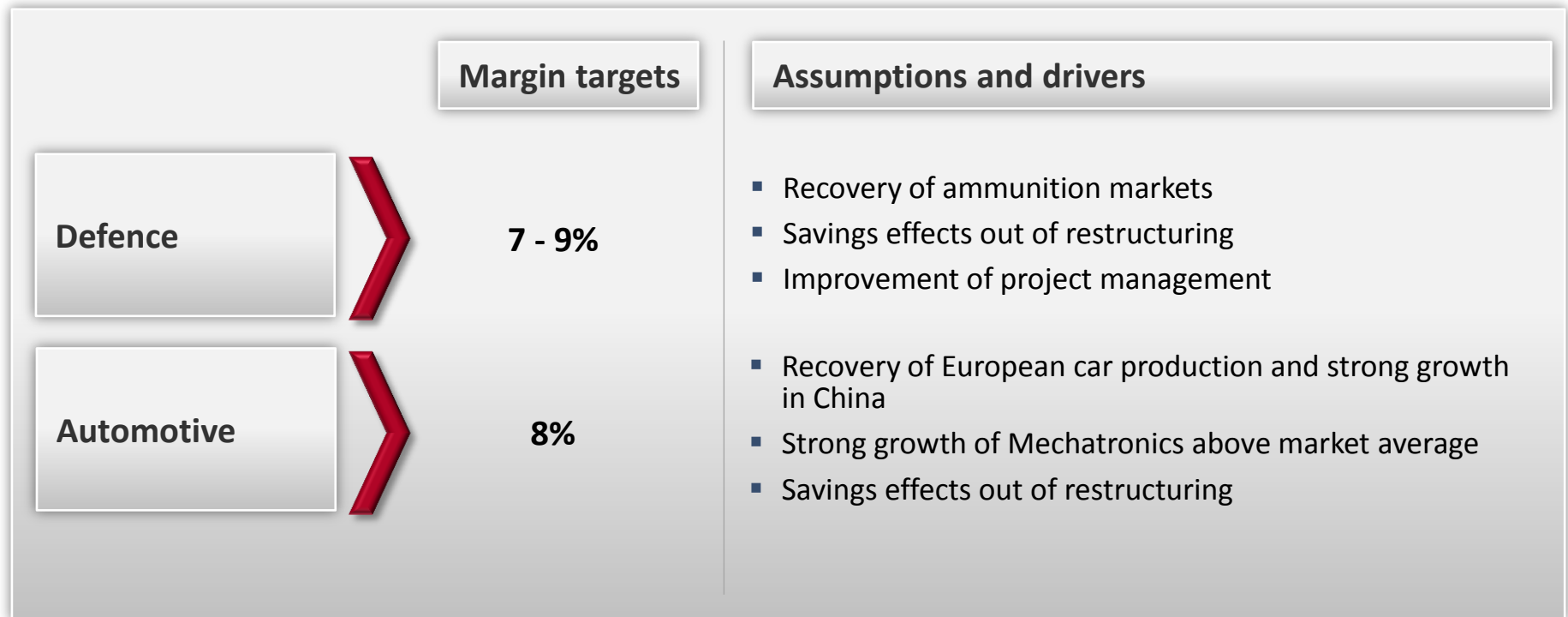
### Top line growth and improvement of earnings

	Sales <i>in € billion</i>		Operational earnings <i>in € million</i>	
	2013	2014e	2013	2014e
Group	4.6	4.8 - 4.9	213	230 - 250
Defence	2.2	2.3	60	85 - 95
Automotive	2.5	2.5 - 2.6	160	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



## Mid-term targets out of “Rheinmetall 2015”





## APPENDIX GROUP

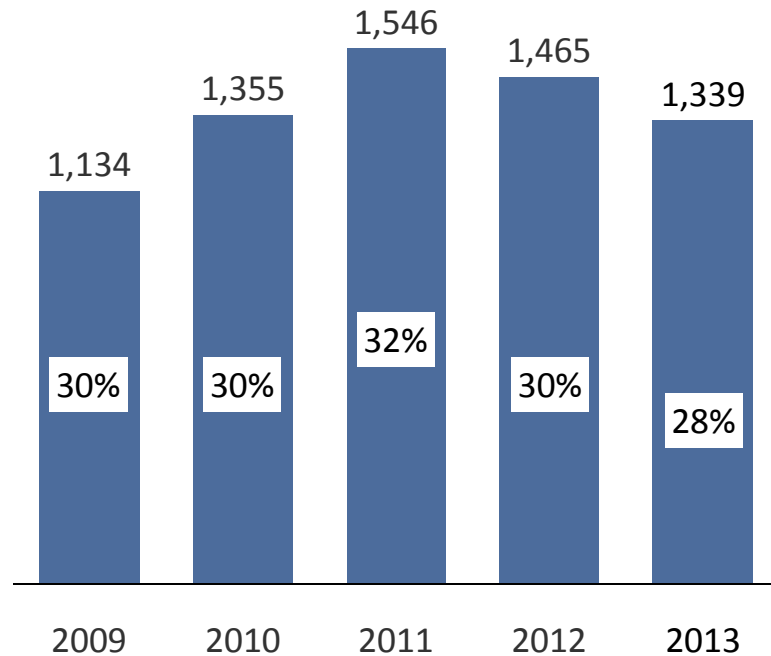




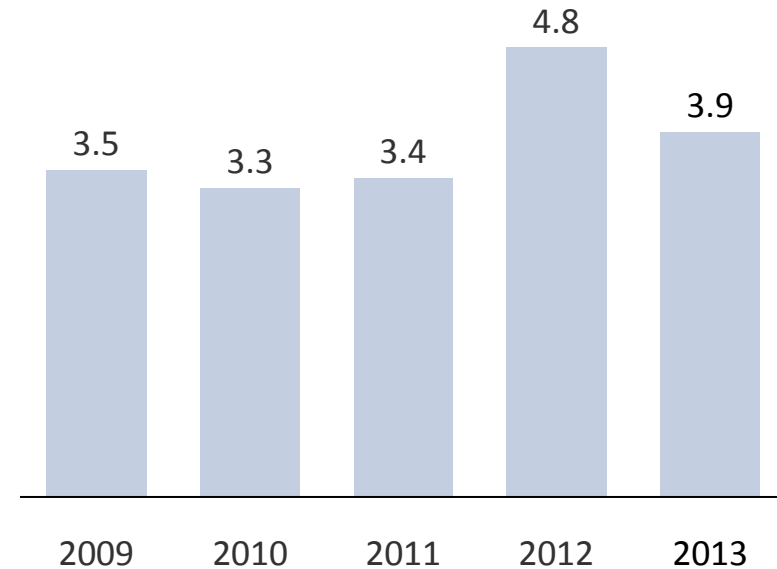
## Finance

## Sound equity ratio

Equity (at year-end) in € million  
Equity ratio in %



Treasury shares (at year-end) in % of all shares

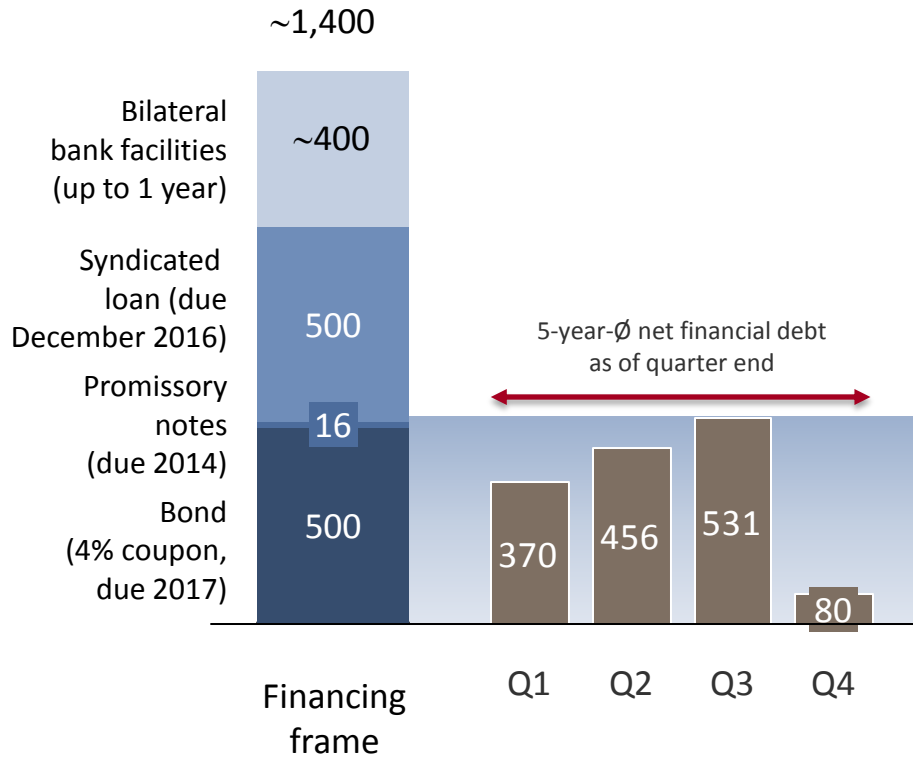




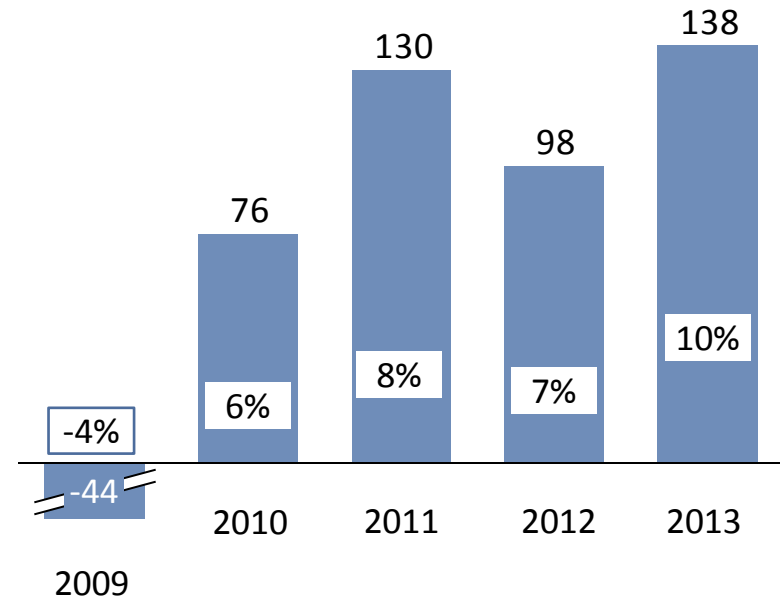
# Solid balance sheet

## High cash credit facilities and low financial debt

**Cash credit facilities (as of December 31, 2013)**  
in € million



**Net financial debt (at year-end) in € million**  
**Net gearing in %**



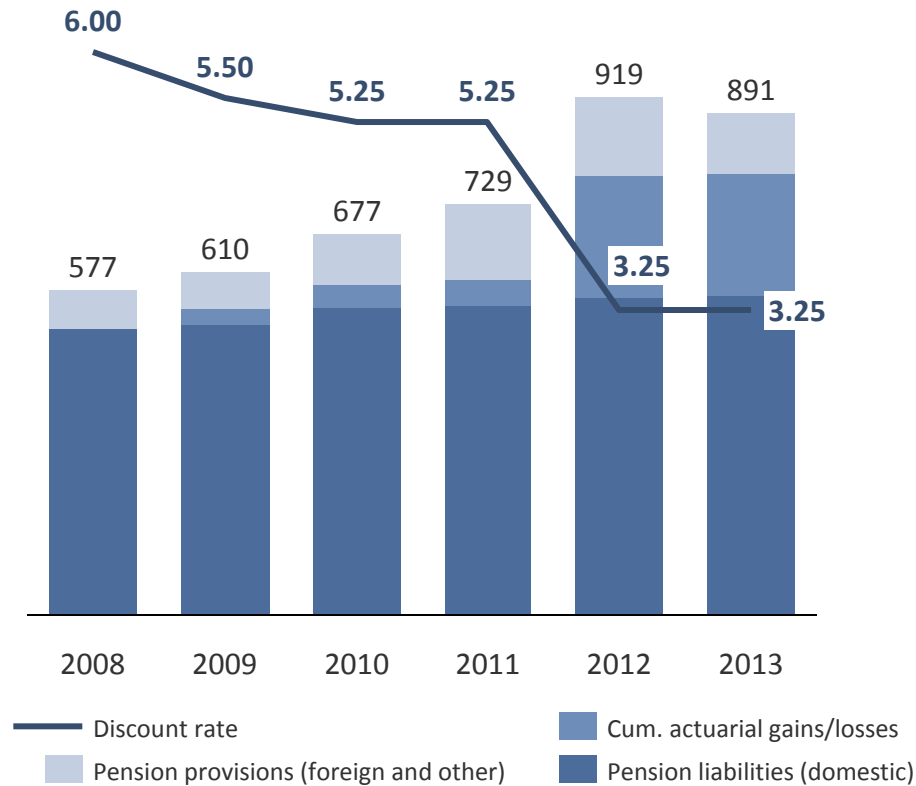
\* Net debt in % of equity



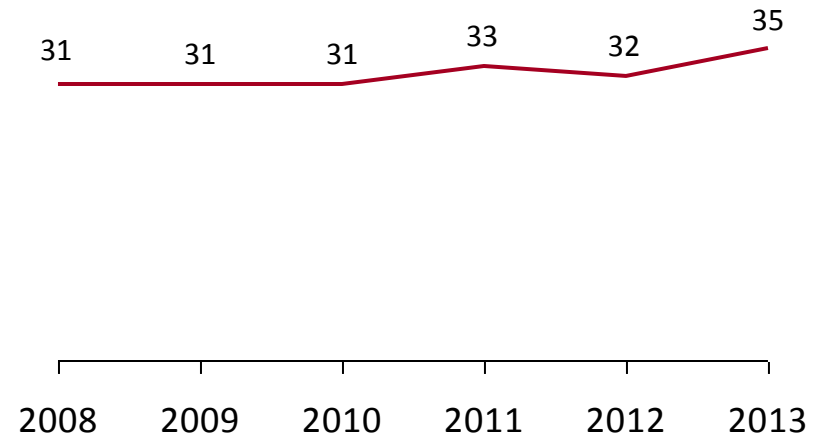
## Solid balance sheet

# Pension liabilities reduced, current expenses almost stable

**Pension liabilities and discount rate\***  
in € million resp. in %



**Domestic pension payments** in € million



\* Discount rate for German pension liabilities of Rheinmetall



## Key figures

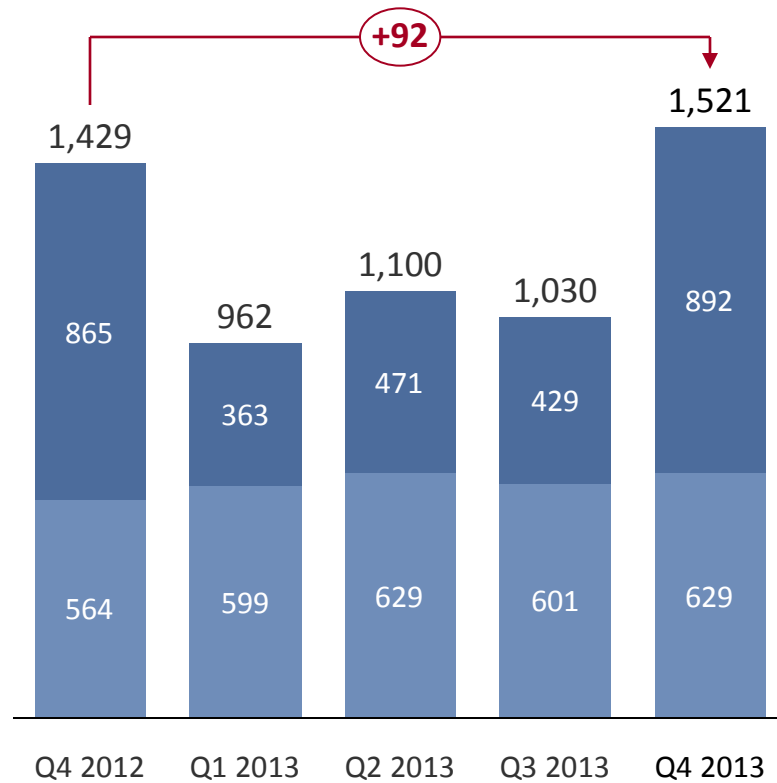
<i>in € million</i>	2012*	2013	Δ 2013/2012
Order intake	5,311	<b>5,805</b>	+ 494
Order backlog	5,405	<b>6,475</b>	+ 1,070
Sales	4,704	<b>4,613</b>	- 91
Operational earnings (EBIT before special items)	268	<b>213</b>	- 55
Special items (one-offs, restructuring costs)	28	<b>- 101</b>	- 129
EBIT (reported)	296	<b>112</b>	- 184
EBT	216	<b>35</b>	- 181
Group net income	173	<b>22</b>	- 151
Earnings per share <i>in €</i>	4.55	<b>0.75</b>	- 3.80
Cash flow	356	<b>231</b>	- 125
Free cash flow from operations	125	<b>4</b>	- 121
Employees	21,767	<b>21,081</b>	- 686

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

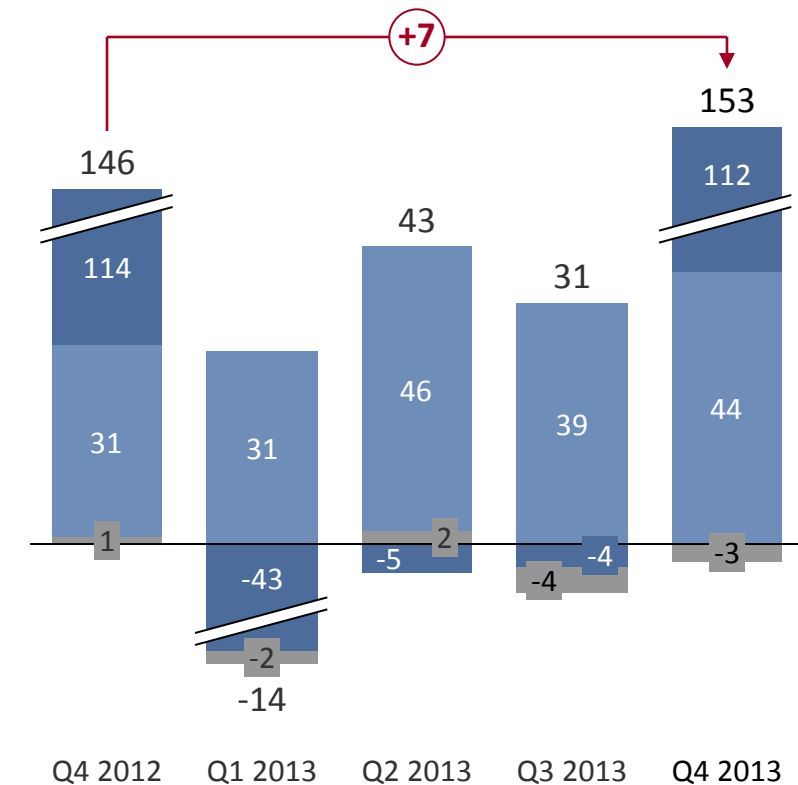


# Quarterly development

■ Sales in € million



■ Operational earnings\* in € million



■ Defence ■ Automotive ■ Consolidation/Others

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



## Cash flow statement

<i>in € million</i>	2012*	2013	Δ 2013/2012
Net income	173	22	- 151
Amortization / depreciation	194	212	+ 18
Change in pension accruals	- 11	- 3	+ 8
<b>Cash flow</b>	<b>356</b>	<b>231</b>	<b>- 125</b>
Changes in working capital and other items	3	- 36	- 39
<b>Net cash used in operating activities</b>	<b>359</b>	<b>195</b>	<b>- 164</b>
Cash outflow for additions to tangible and intangible assets	- 234	- 191	+ 43
<b>Free cash flow from operations</b>	<b>125</b>	<b>4</b>	<b>- 121</b>

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

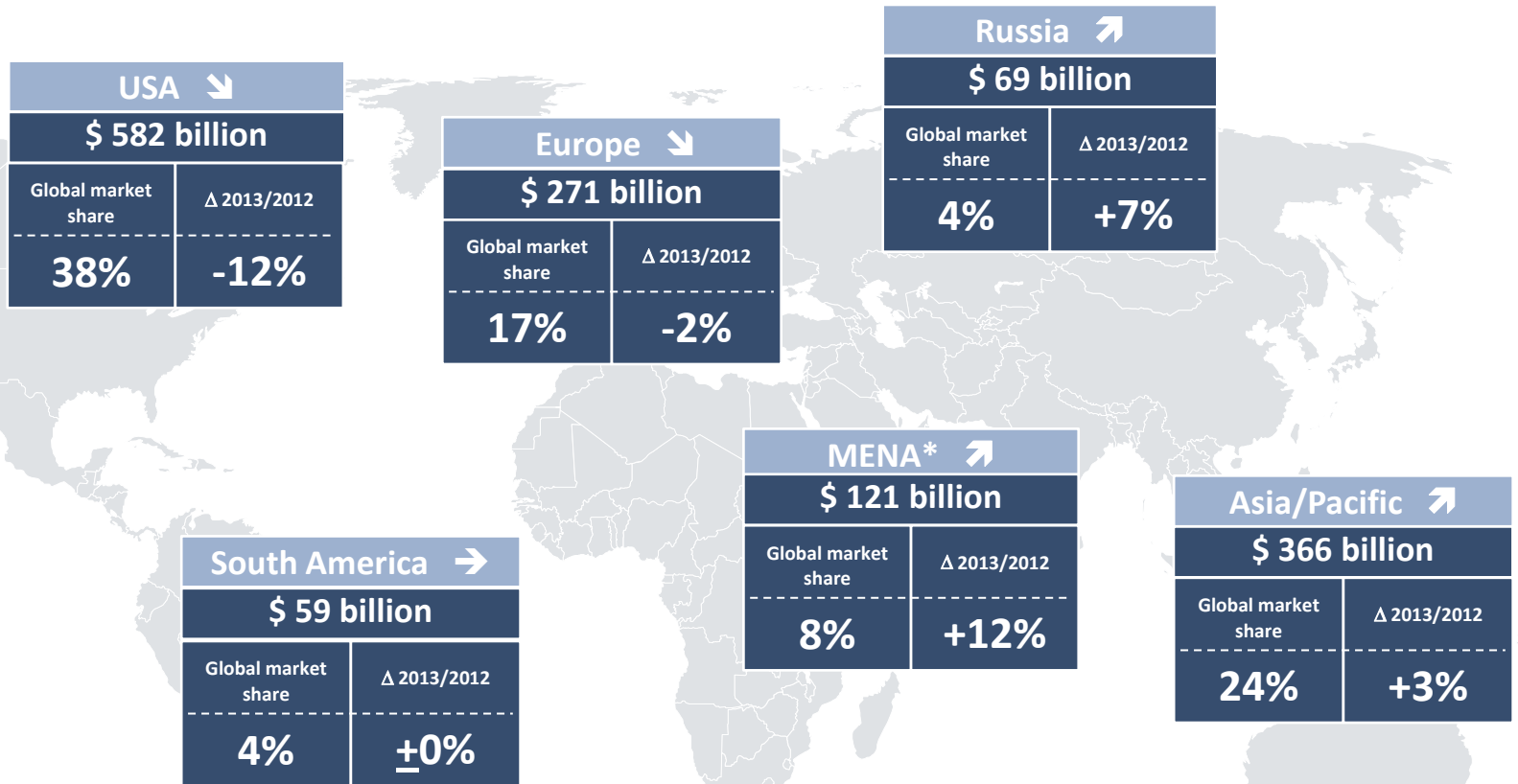


## APPENDIX DEFENCE



# Global defence market 2013

## Decreasing established markets, growth regions MENA and Asia/Pacific



\* MENA = Middle East and Northern Africa

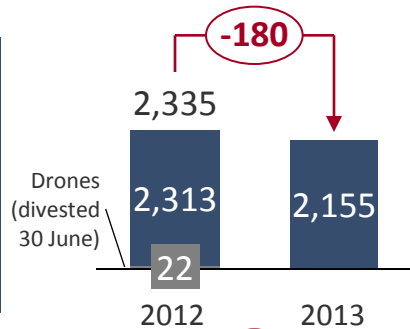
Source: IHS Jane's (March 2014), Rheinmetall team analysis



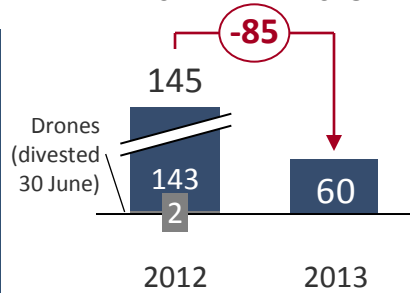


# Key figures Defence by division (operational before special items)

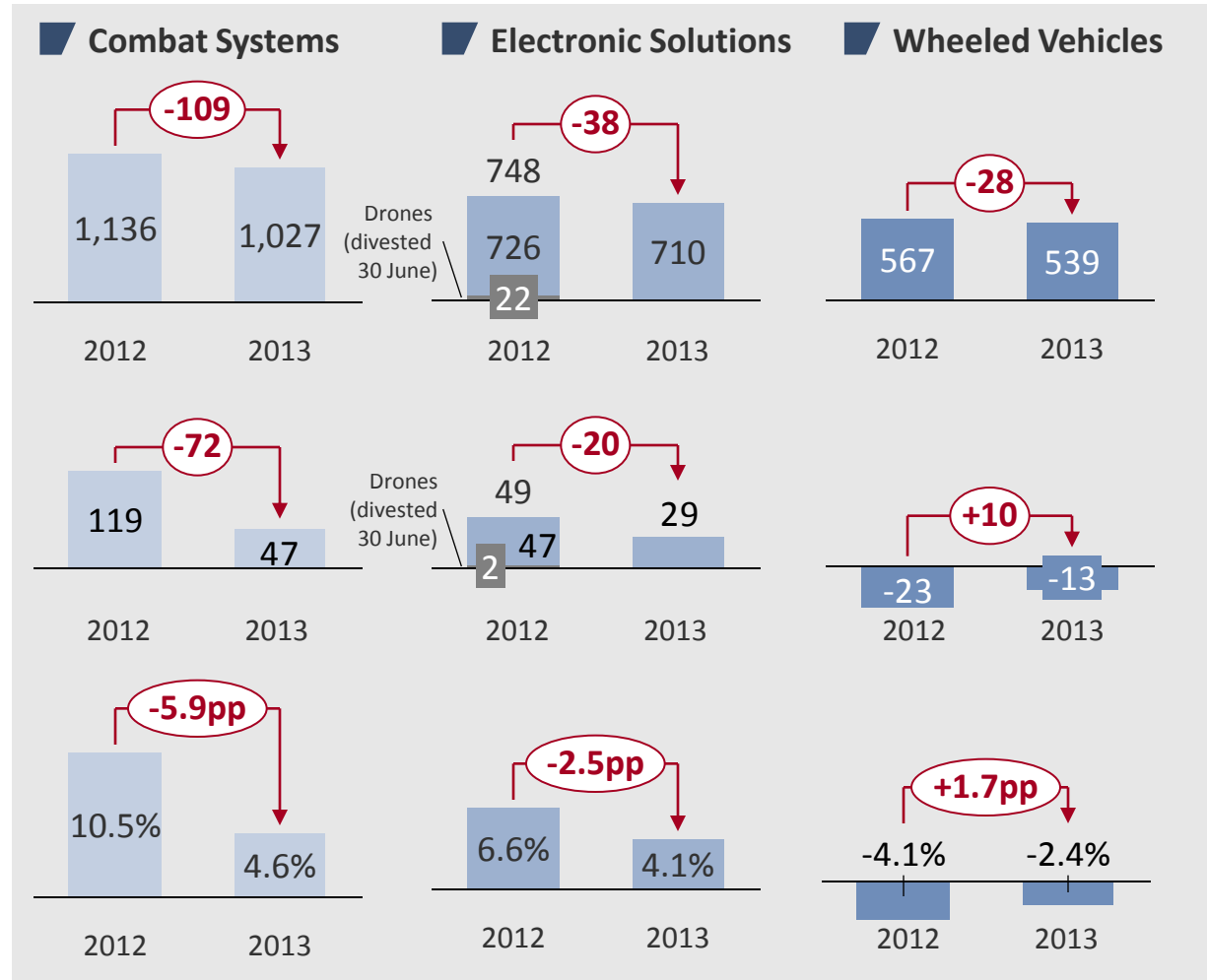
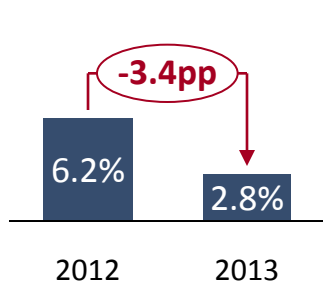
## Sales



## EBIT before special items\*



## Operational margin\*



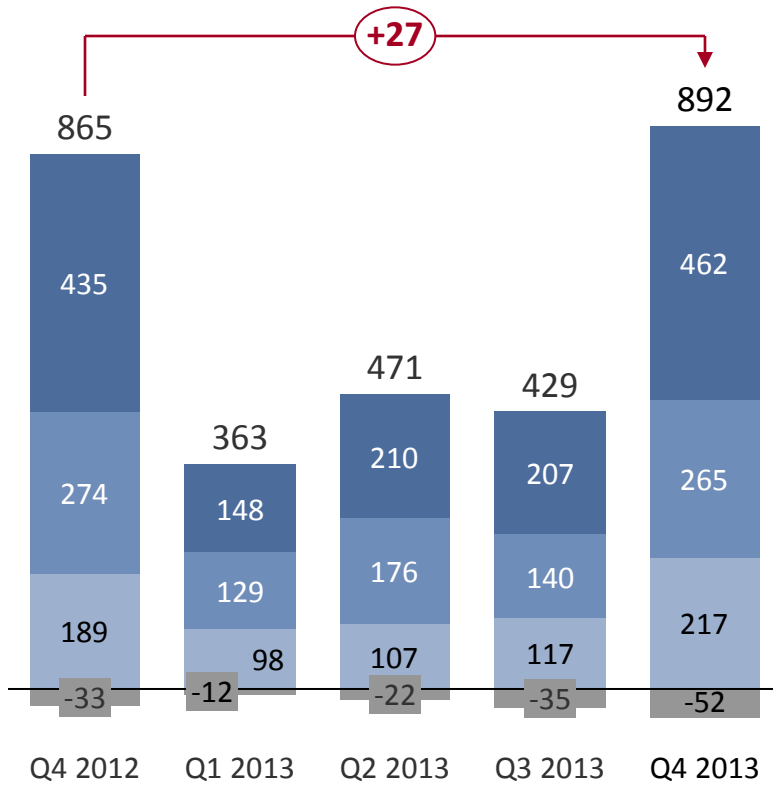
Figures before intrasegmental consolidation

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

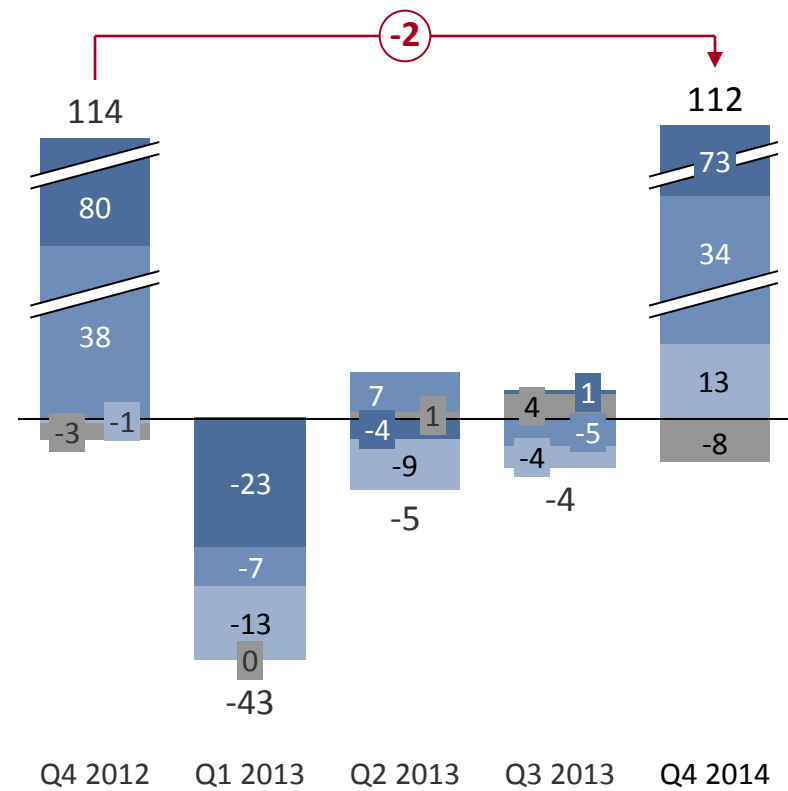


# Quarterly development

**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)



## Key figures

<i>in € million</i>	<b>2012*</b>	<b>2013</b>	<b>Δ 2013/2012</b>
Order intake	2,933	3,339	+ 406
Order backlog	4,987	6,050	+ 1,063
Sales	2,335	2,155	- 180
Operational earnings (EBIT before special items)	145	60	- 85
Special items (one-offs, restructuring costs)	28	- 56	- 84
EBIT (reported)	173	4	- 169
Employees	9,623	9,193	- 430

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



## Cash flow statement

<i>in € million</i>	2012*	2013	Δ 2013/2012
Net income	109	- 27	- 136
Amortization / depreciation	89	92	+ 3
Change in pension accruals	- 3	2	+ 5
<b>Cash flow</b>	<b>195</b>	<b>67</b>	<b>- 128</b>
Changes in working capital and other items	58	- 54	- 112
<b>Net cash used in operating activities</b>	<b>253</b>	<b>13</b>	<b>- 240</b>
Cash outflow for additions to tangible and intangible assets	- 90	- 58	+ 32
<b>Free cash flow from operations</b>	<b>163</b>	<b>- 45</b>	<b>- 208</b>

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



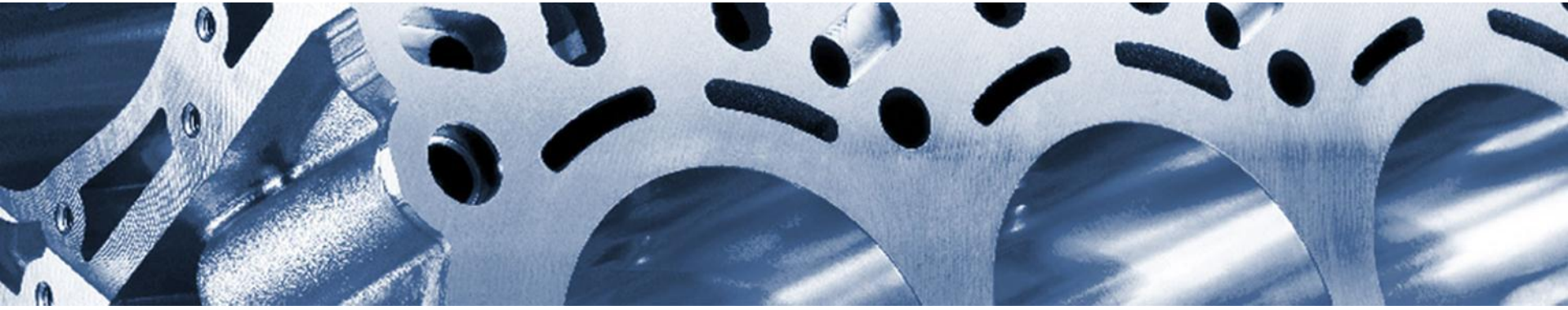
## New joint venture with Ferrostaal started January 2014

### 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

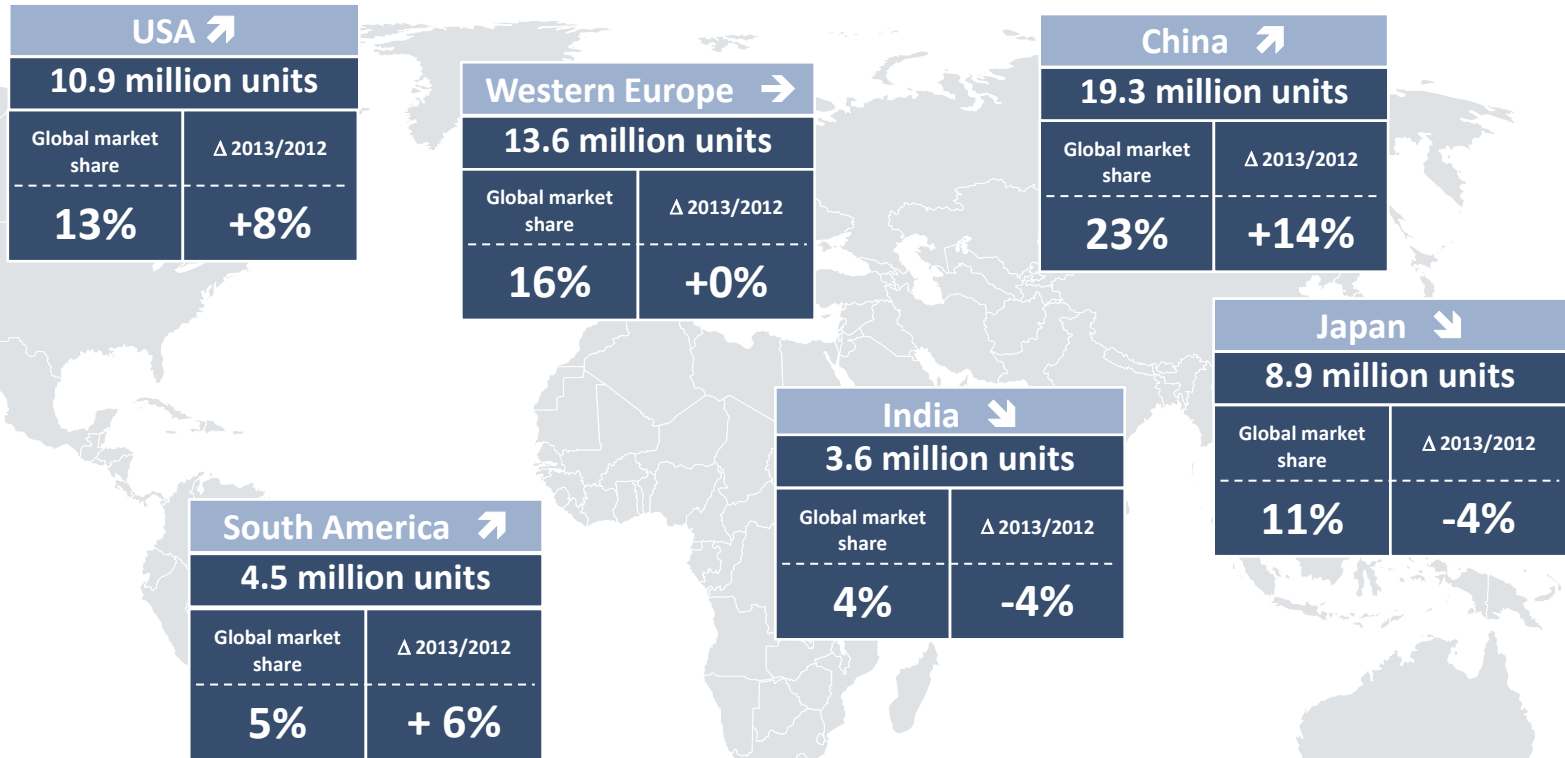


## APPENDIX AUTOMOTIVE



# Global automotive market 2013

## Western Europe stagnating, China and the Americas growing

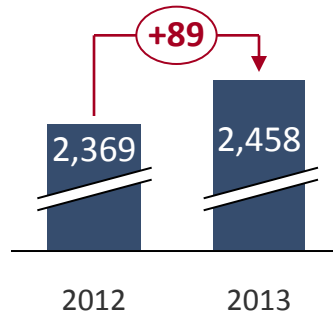


Source: IHS Automotive (February 2014)

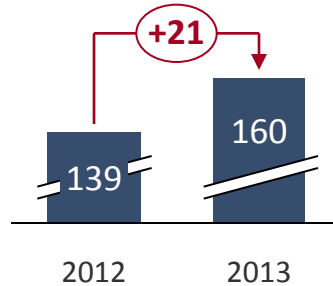


## Key figures Automotive by division (operational before special items)

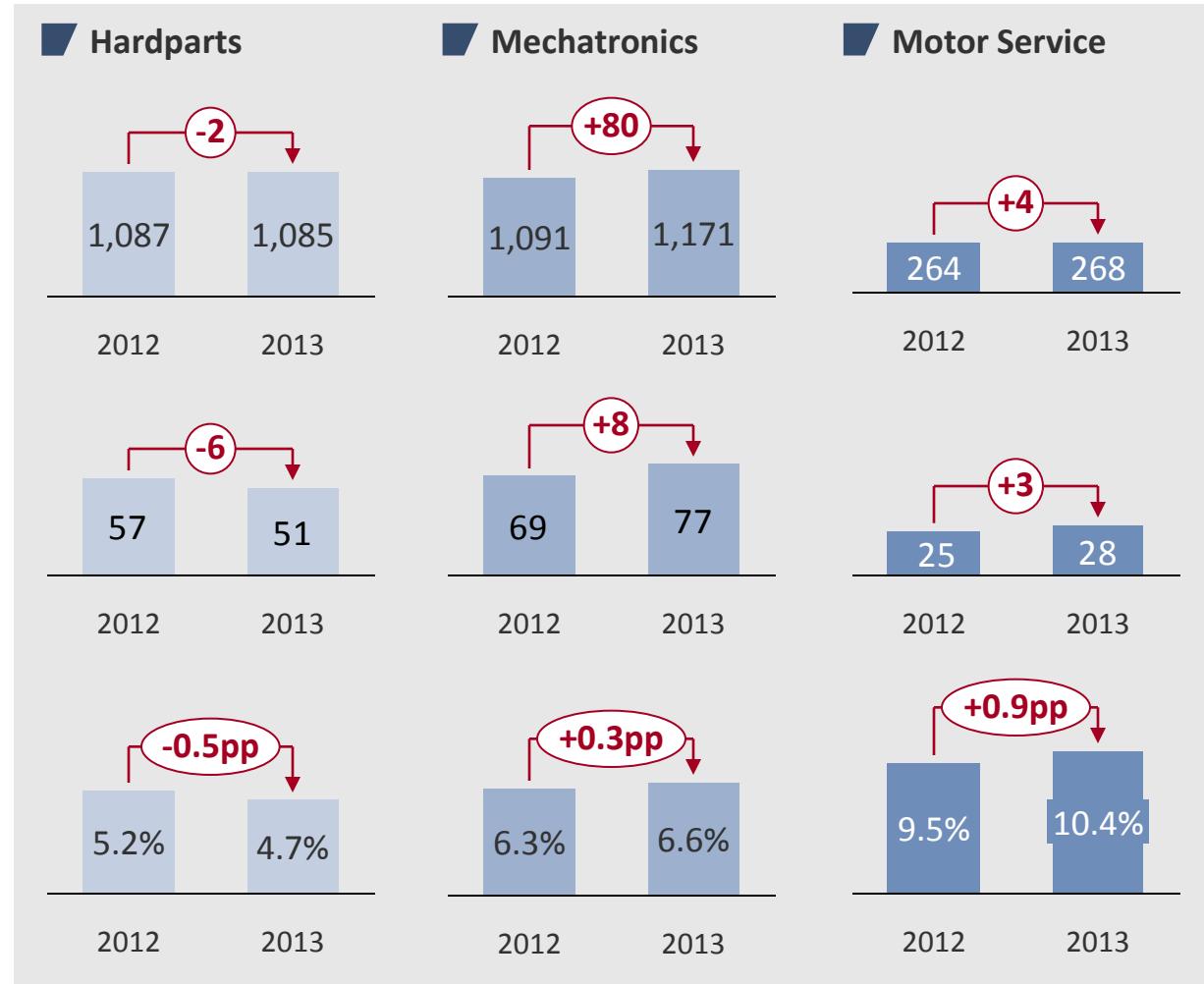
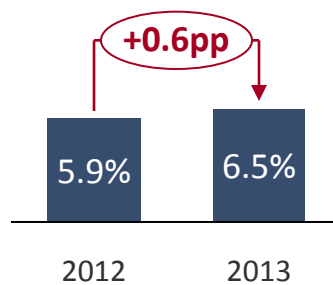
**Sales**



**EBIT before special items\***



**Operational margin\***



Figures before intrasegmental consolidation

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





## Key figures

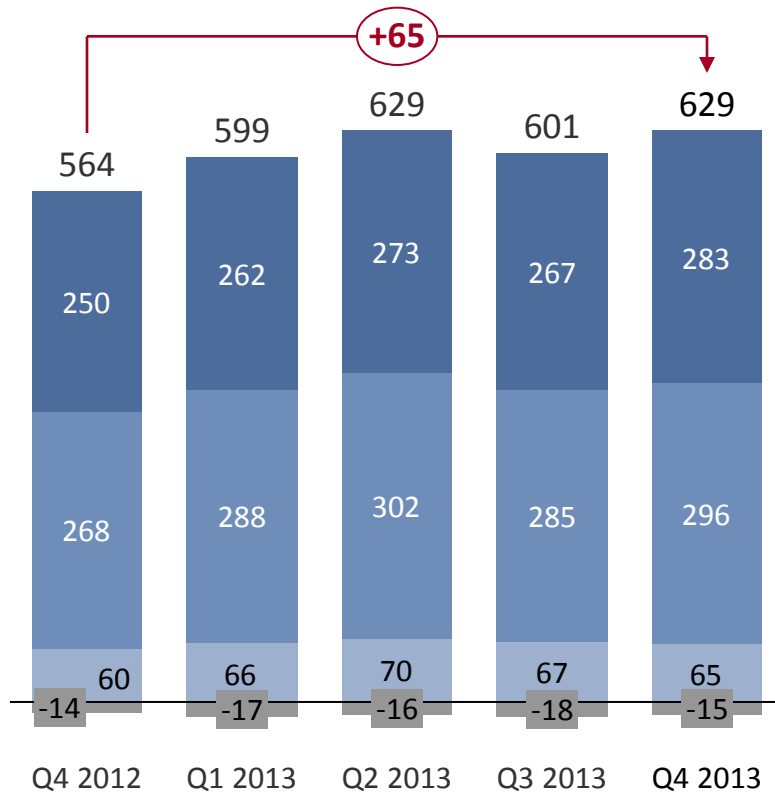
<i>in € million</i>	<b>2012*</b>	<b>2013</b>	<b>Δ 2013/2012</b>
Sales	2,369	2,458	+ 89
Operational earnings (EBIT before special items)	139	160	+ 21
Special items (one-offs, restructuring costs)	0	- 45	- 45
EBIT (reported)	139	115	- 24
Employees	12,003	11,744	- 259

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

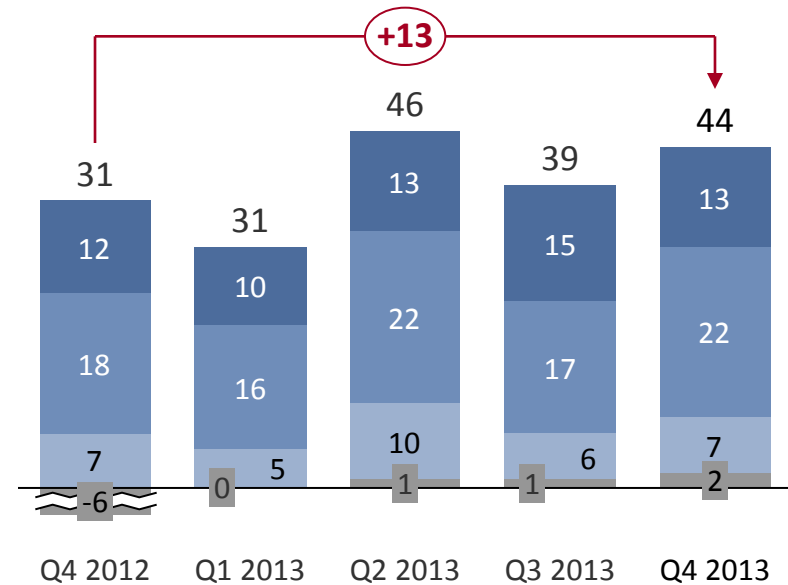


# Quarterly development

■ 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 statement

<i>in € million</i>	2012*	2013	Δ 2013/2012
Net income	99	81	- 18
Amortization / depreciation	104	119	+ 15
Change in pension accruals	- 9	- 4	+ 5
<b>Cash flow</b>	<b>194</b>	<b>196</b>	<b>+ 2</b>
Changes in working capital and other items	- 75	20	+ 95
<b>Net cash used in operating activities</b>	<b>119</b>	<b>216</b>	<b>+ 97</b>
Cash outflow for additions to tangible and intangible assets	- 144	- 127	+ 17
<b>Free cash flow from operations</b>	<b>- 25</b>	<b>89</b>	<b>114</b>

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



## Financial diary

March 19, 2014	Annual report FY 2013
May 6, 2014	Annual General Meeting
May 8, 2014	Q1 2014
August 7, 2014	Q2 2014



## Disclaimer

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 2014.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. In particular, such factors may have a material adverse effect on the costs and revenue development of Rheinmetall. Further, the economic downturn in Rheinmetall’s markets, and changes in interest and currency exchange rates, may also have an impact on Rheinmetall’s business development and the availability of financing on favorable conditions. The factors that could affect Rheinmetall’s future financial results are discussed more fully in Rheinmetall’s most recent annual and quarterly reports which can be found on its website at [www.rheinmetall.com](http://www.rheinmetall.com).

All written or oral forward-looking statements attributable to Rheinmetall or any group company of Rheinmetall or any persons acting on their behalf contained in or made in connection with this presentation are expressly qualified in their entirety by factors of the kind referred to above. No assurances can be given that the forward-looking statements in this presentation will be realized. Except as otherwise stated herein and as may be required to comply with applicable law and regulations, Rheinmetall does not intend to update these forward-looking statements and does not undertake any obligation to do so.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire or dispose of securities in Rheinmetall AG or any of its direct or indirect subsidiaries.