



**Corporate Presentation | January 2013**

**International Technology Group  
for Defence and Automotive**



# Rheinmetall Group

## Leading positions in Defence and Automotive

### RHEINMETALL AG

Sales : € 4.5 billion

Employees: 22,000



#### RHEINMETALL DEFENCE

Leading European Defence company  
for ground forces technology

Sales: € 2.1 billion  
Employees: 9,800



#### RHEINMETALL AUTOMOTIVE

Leading Automotive supplier  
in engine components and systems

Sales: € 2.3 billion  
Employees: 12,200

Please note: sales FY 2011, employees estimated for 2012



## Rheinmetall Group Times of change and continuity



**Armin Papperger**  
CEO Rheinmetall AG  
CEO Defence



**Helmut P. Merch**  
CFO Rheinmetall AG



**Dr. Gerd Kleinert**  
CEO Automotive

- ▶ **Strategic review:** new opportunities and objectives to be announced in March 2013
- ▶ **Outlook FY 2013** as well as **mid-term targets** to be given in March
- ▶ **Preliminary figures** FY 2012 to be published in February



## Latest published Group figures

### Top-line growth, but weaker earnings

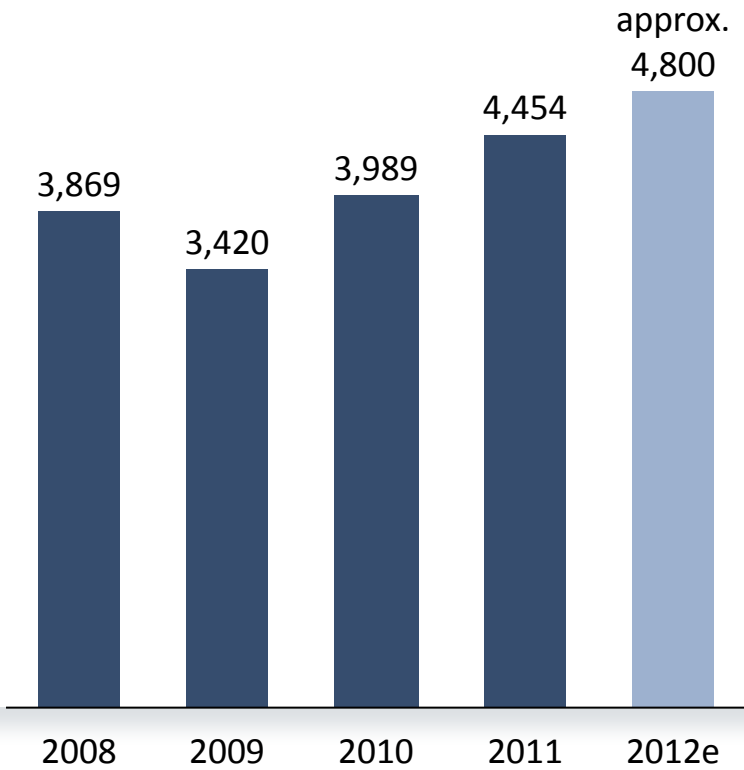
Group € million	Q1-3 2011	Q1-3 2012	Δ Q1-3 (2012/2011)	
Sales	3,105	3,275	+ 170	+ 5 %
EBITDA	336	321	- 15	- 4 %
EBIT	203	177	- 26	- 13 %
EBIT margin (%)	6.5	5.4	- 1.1pp	
EBT	161	136	- 25	- 15 %
Tax rate (%)	26	21	- 5pp	
Group net income	119	108	- 11	- 9 %
Minority interests	2	- 9	- 11	
Earnings per share (€)	3.04	3.06	+ 0.02	+ 1 %



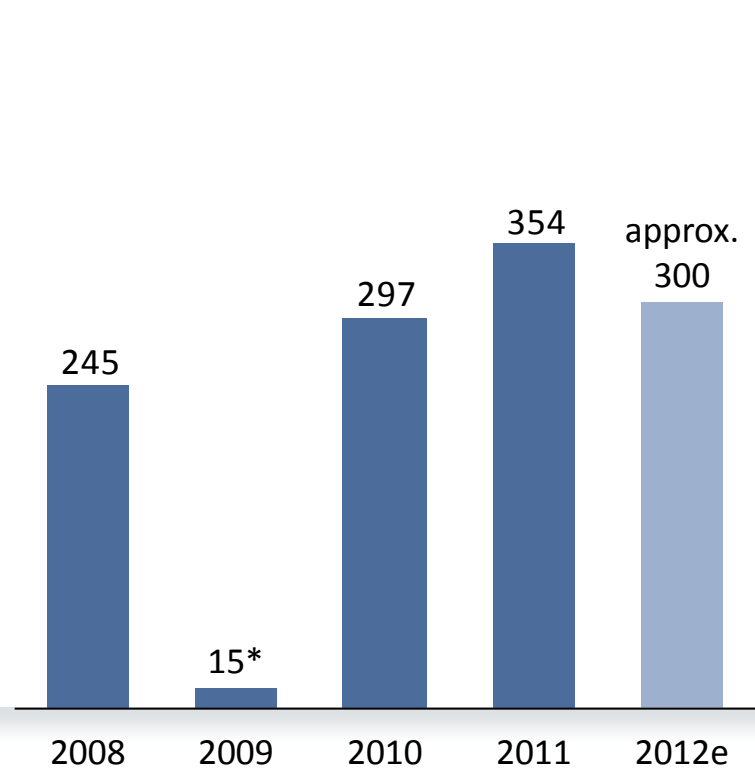
# Outlook FY 2012 as of Q3

## Rheinmetall on track to deliver solid Group EBIT

**Sales Group** in € million



**EBIT Group** in € million



\* € 138 million restructuring costs deducted



RHEINMETALL DEFENCE



# The divisional structure of Defence

## Broad range of technologically leading products



Sales (FY 2011): € 2.1 billion

### Combat Systems € 1.1 billion\*

Combat Platforms

Infantry

Protection Systems

Propulsion Systems

Combat International

### Electronic Solutions € 0.8 billion\*

Air Defence Systems

Defence Electronics

Electro-optics

Simulation and Training

### Wheeled Vehicles € 0.3 billion\*

Logistic Vehicles\*\*

Tactical Vehicles

Services

\* Inter-company sales not eliminated

\*\* Consolidated from 2012 onwards





## Main characteristics of the division

### **Strong market position with well-balanced product and risk portfolio**

- ▶ **Strong European player** for ground forces with significant product spin-offs for navy and airforce
- ▶ **Combination** of long-running/large-scale **systems supplier** business (e.g. vehicles, air defence) and highly profitable **components business**
- ▶ **High risk diversification** as a result of a broad **international location and customer network**
- ▶ **Large order backlog**





## International Defence markets: The current situation

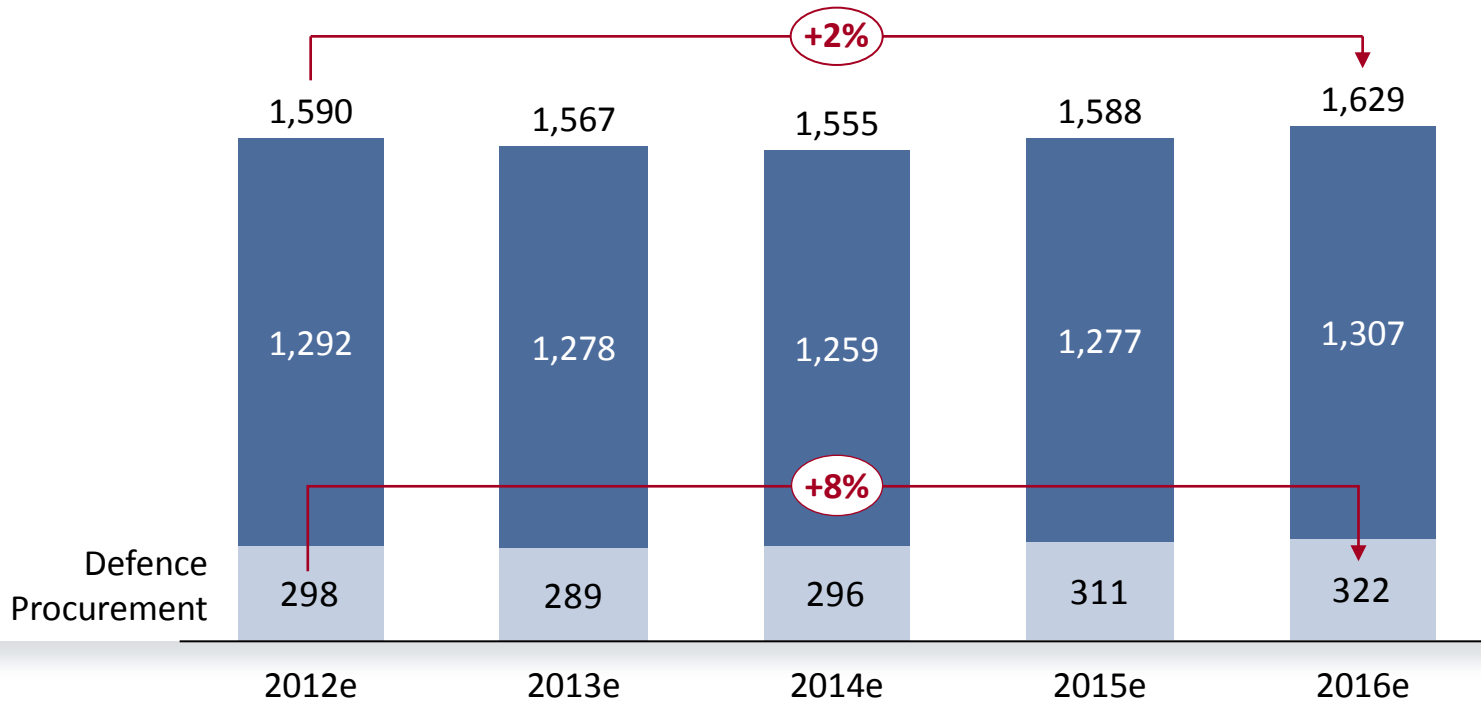
- ▶ In general still high global demand for modernization of forces:  
Defence remains a **growth market**
- ▶ **Lower growth momentum and higher volatility** in the development of  
Defence budgets worldwide
- ▶ **Increasing budgets** in many regions of the world, esp. in MENA and Asia
- ▶ **Budgets cuts** in most of the Western world and, as a consequence,  
cancellations or delays of projects and reduction of order volumes
- ▶ In the U.S. **threat of sequestration**/defence budget cuts not banned



# Defence industry in a challenging environment

## Global defence budgets will continue to grow, but less dynamically

Expected global defence spending and procurement in US\$ billion

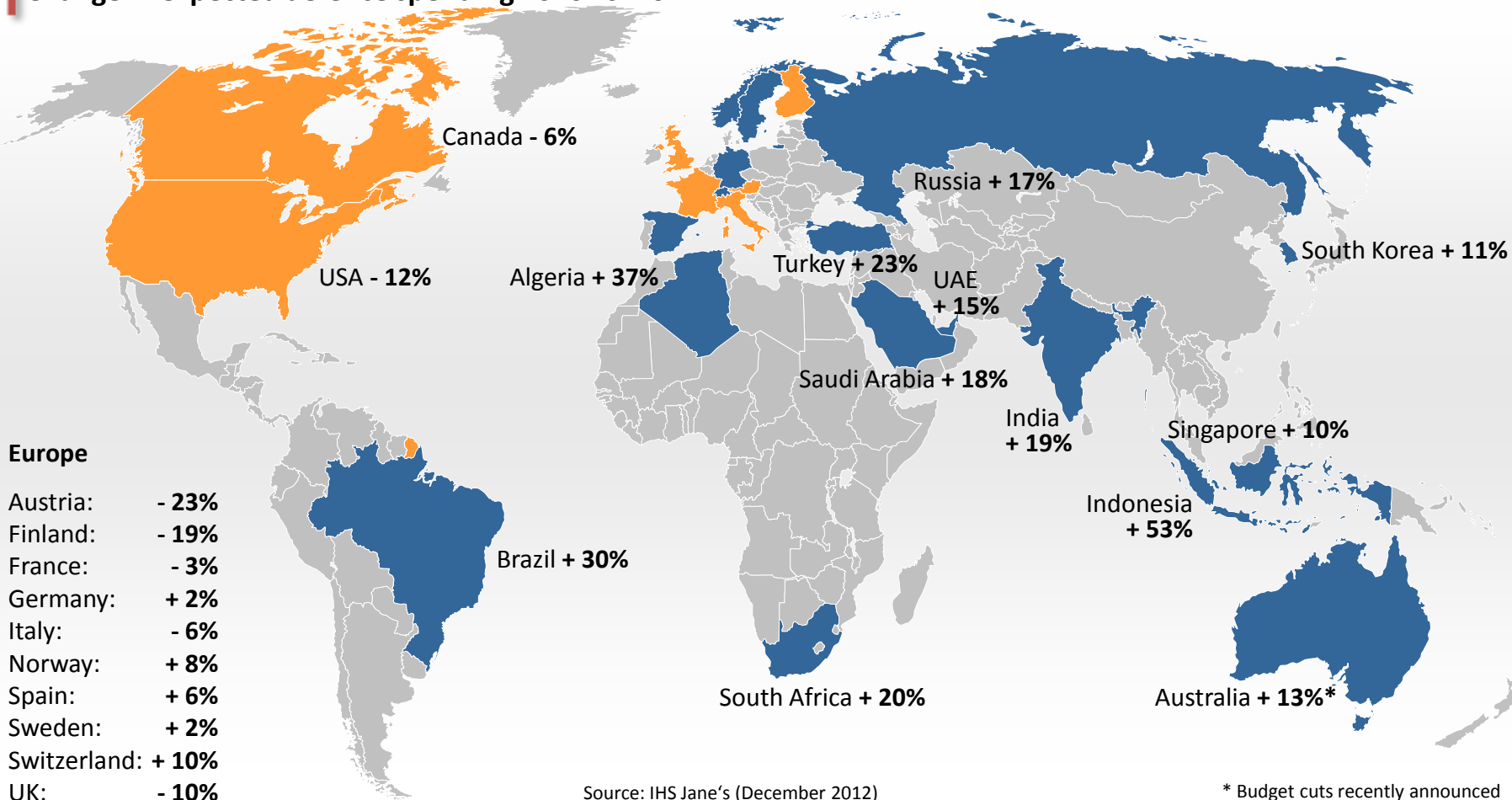


Source: IHS Jane's (December 2012)



# Budget cuts in the US and in many European countries... ...but strong growth in other strategically important regions

## Change in expected defence spending 2016 vs. 2012



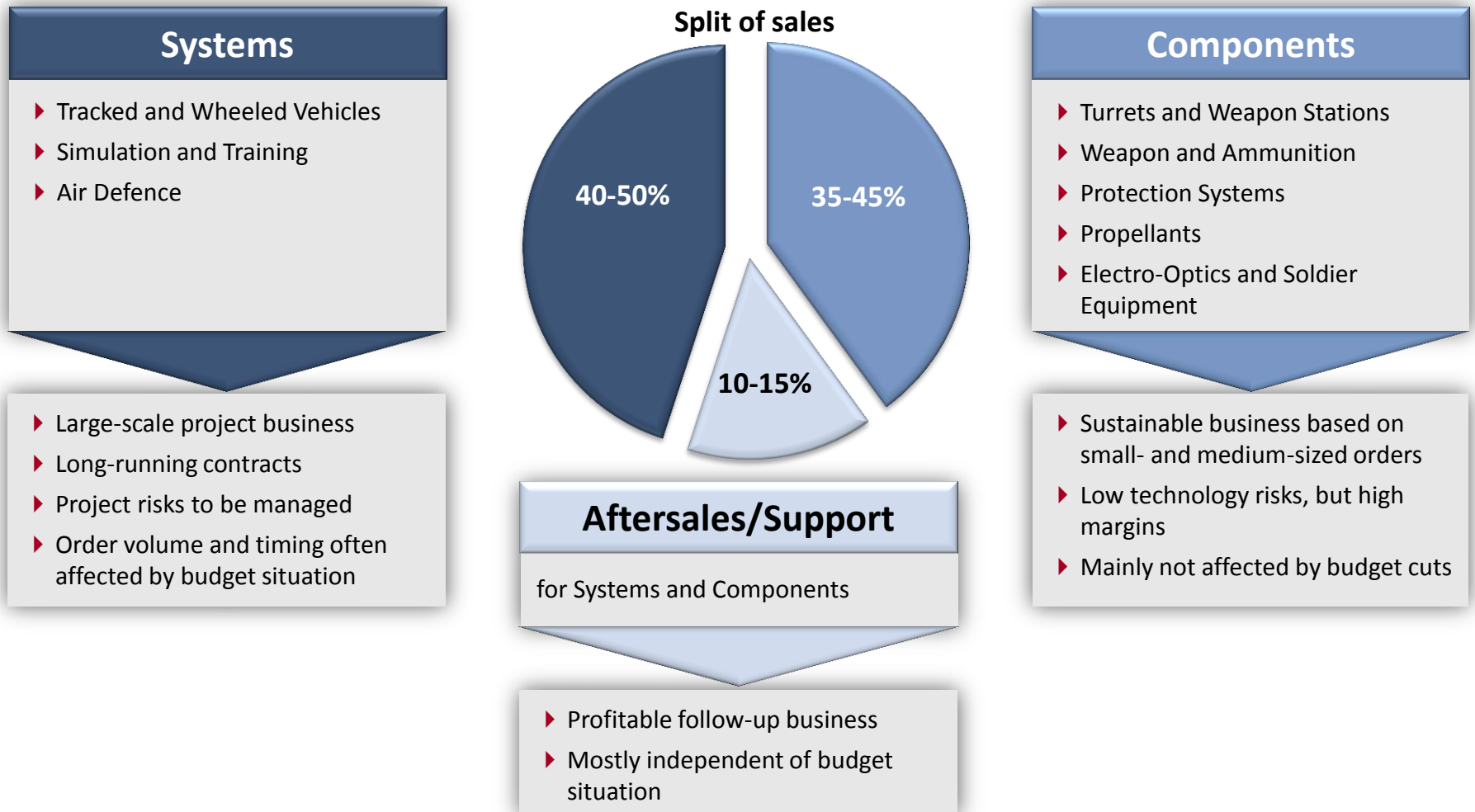
Source: IHS Jane's (December 2012)

\* Budget cuts recently announced



## Different kinds of business

# Well-balanced mix of systems, components and aftersales business





# Global location network

## Rheinmetall has established sites in all important defence markets

Production sites and sales offices 2012



More than 80 customers worldwide



## Latest published Defence figures

### Order intake remains strong, but earnings not satisfying

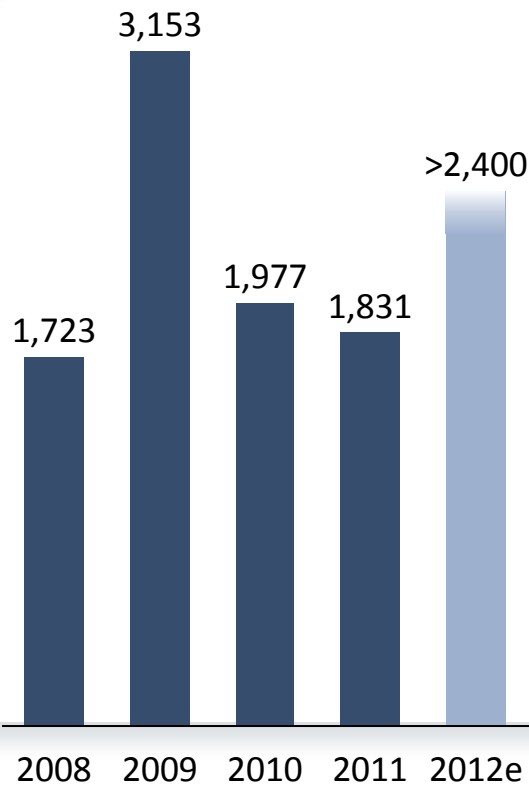
Defence € million	Q1-3 2011	Q1-3 2012	Δ Q1-3 (2012/2011)	
Order intake	1,303	1,578	+ 275	+ 21 %
Order backlog	4,746	4,528	- 218	- 5 %
Sales	1,370	1,470	+ 100	+ 7 %
EBITDA	161	144	- 17	- 11 %
EBIT	104	79	- 25	- 24 %
EBIT margin (%)	7.6	5.4	- 2.2pp	
One-offs	- 11	- 48	- 37	
Amortization PPA	13	18	+ 5	
EBIT (adjusted)	106	49	- 57	
EBT	94	69	- 25	- 27 %



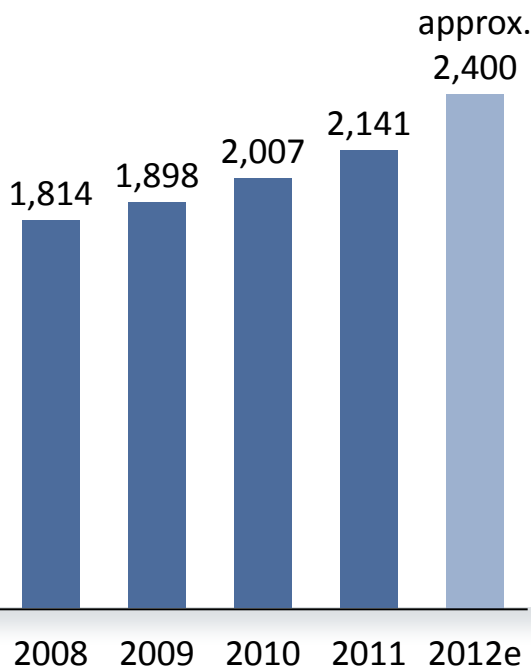
# Outlook FY 2012 as of Q3

## Non-organic sales growth and lower earnings expected

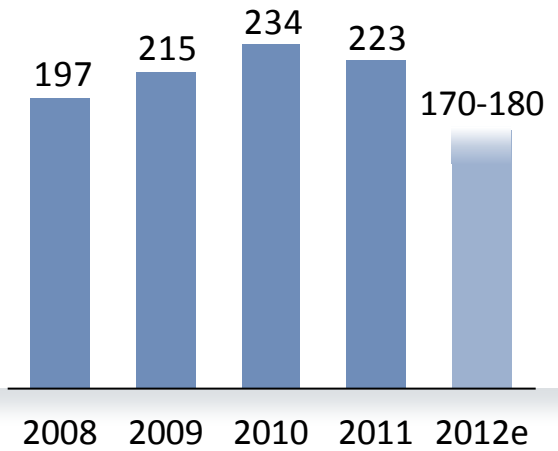
**Order intake Defence** *in € million*



**Sales Defence** *in € million*



**EBIT Defence** *in € million*







RHEINMETALL AUTOMOTIVE



# The divisional structure of Automotive **Focused on the attractive segment of powertrain technology**



Sales (FY 2011): € 2.3 billion

**Hardparts**  
 € 1.1 billion\*

Pistons

Aluminum Technology

Plain Bearings

Large Bore Pistons

**Mechatronics**  
 € 1.0 billion\*

Pierburg

Pierburg Pump Technology

**Motor Service**  
 € 0.3 billion\*

International

Domestic

\* Inter-company sales not eliminated



Main characteristics of the division

## Rheinmetall Automotive en route in attractive market segments

- ▶ Leading supplier of Clean & Lean products, driven by **challenging CO<sub>2</sub> regulations and tighter emission standards**
- ▶ Solid footprint in **dynamic growth markets**, such as Brazil, India, China and Mexico
- ▶ Increase of profitability and risk diversification by continuous growth of the **non-LV business**



## How will international Automotive markets develop?

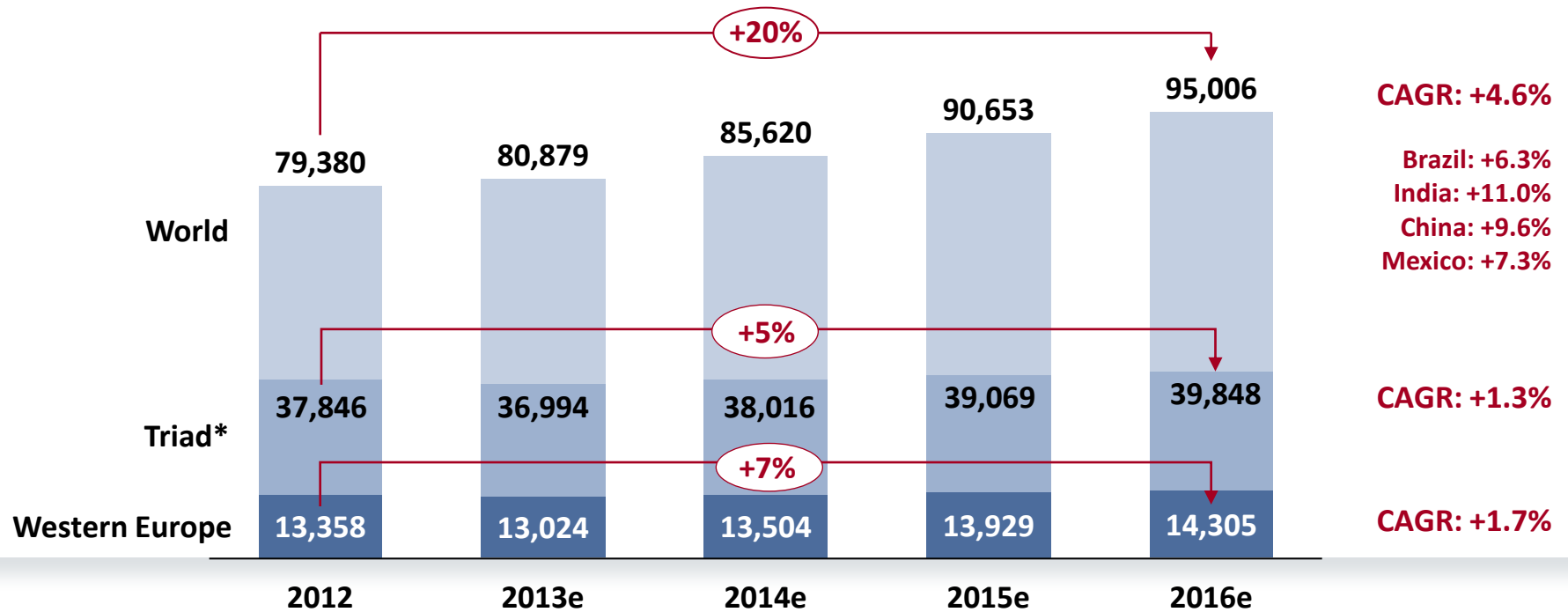
- ▶ **Global growth trend** of light vehicles: experts expect increasing production figures for the upcoming years...
- ▶ ...but **“Continental Shift”** in international light vehicle production continues: Emerging markets (e.g. Brazil, India, China, Mexico) grow dynamically, while Western Europe will only slightly increase
- ▶ **German OEMs** benefit from global demand for premium cars



# LV production expected to grow continuously

## Global growth driven by emerging markets

Expected production of light vehicles by region *in thousand units*



\* Triad = NAFTA + Western Europe + Japan  
 Source: IHS Automotive (December 2012)



# Clean & Lean products

## Growth driver: Tightened emission regulations

# CLEAN



EGR valve



EGR cooler



Double EGR cooler  
high/low pressure

EURO 4

2005

EURO 5

2010

EURO 6

2015

▶ Emerging countries expected to follow with a lag of 5 to 10 years



Truck business expected to follow

EGR valve

Back pressure valve

EGR cooler modules

Exhaust gas sensors

EGR = Exhaust gas recirculation



# Clean & Lean products

## Growth driver: Reduction of fuel consumption and CO<sub>2</sub> emissions

# LEAN

### Downsizing/Turbocharging

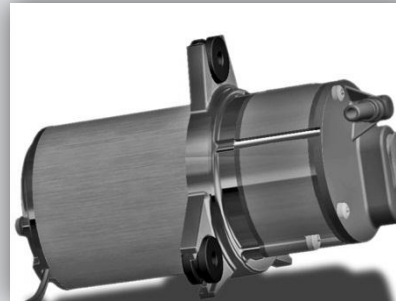


High-performance bearings  
Ring carrier pistons



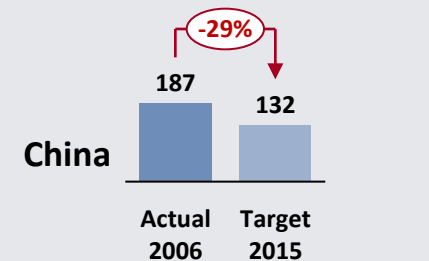
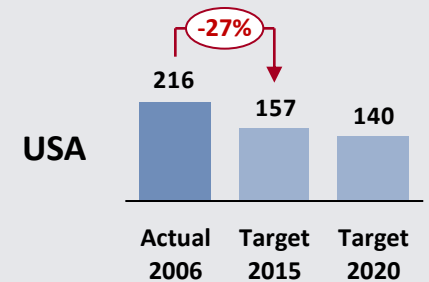
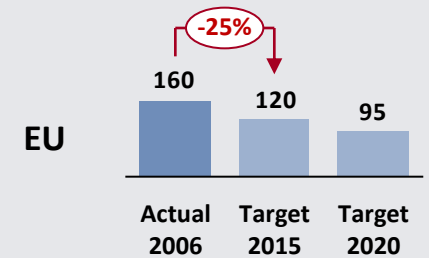
Wastegate actuators  
Solenoid valves

### Hybridization



Electric vacuum pumps  
Electric water pumps

### CO<sub>2</sub> fleet emission targets in g/km



Legal framework  
for CO<sub>2</sub> fleet emissions

CO<sub>2</sub> penalties



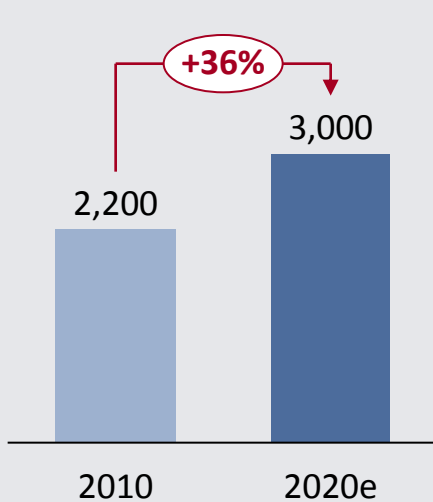


# Clean & Lean products

## Both trends are fueling current and future powertrain growth

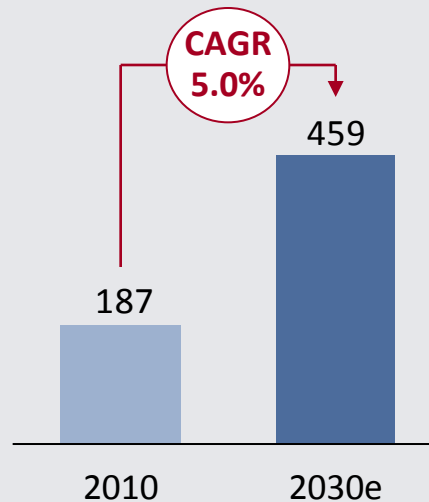
# CLEAN & LEAN

**Powertrain technology content per mid-size gasoline vehicle**  
in €



Source: Roland Berger (2010/2011)

**Global powertrain revenues**  
in € billion

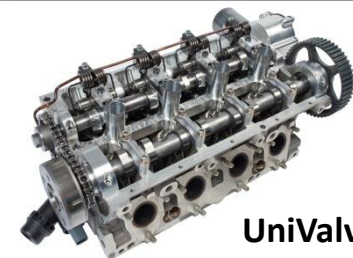


Source: McKinsey (2011)

Future growth secured by innovative products (examples)



**Steel pistons**



**UniValve**

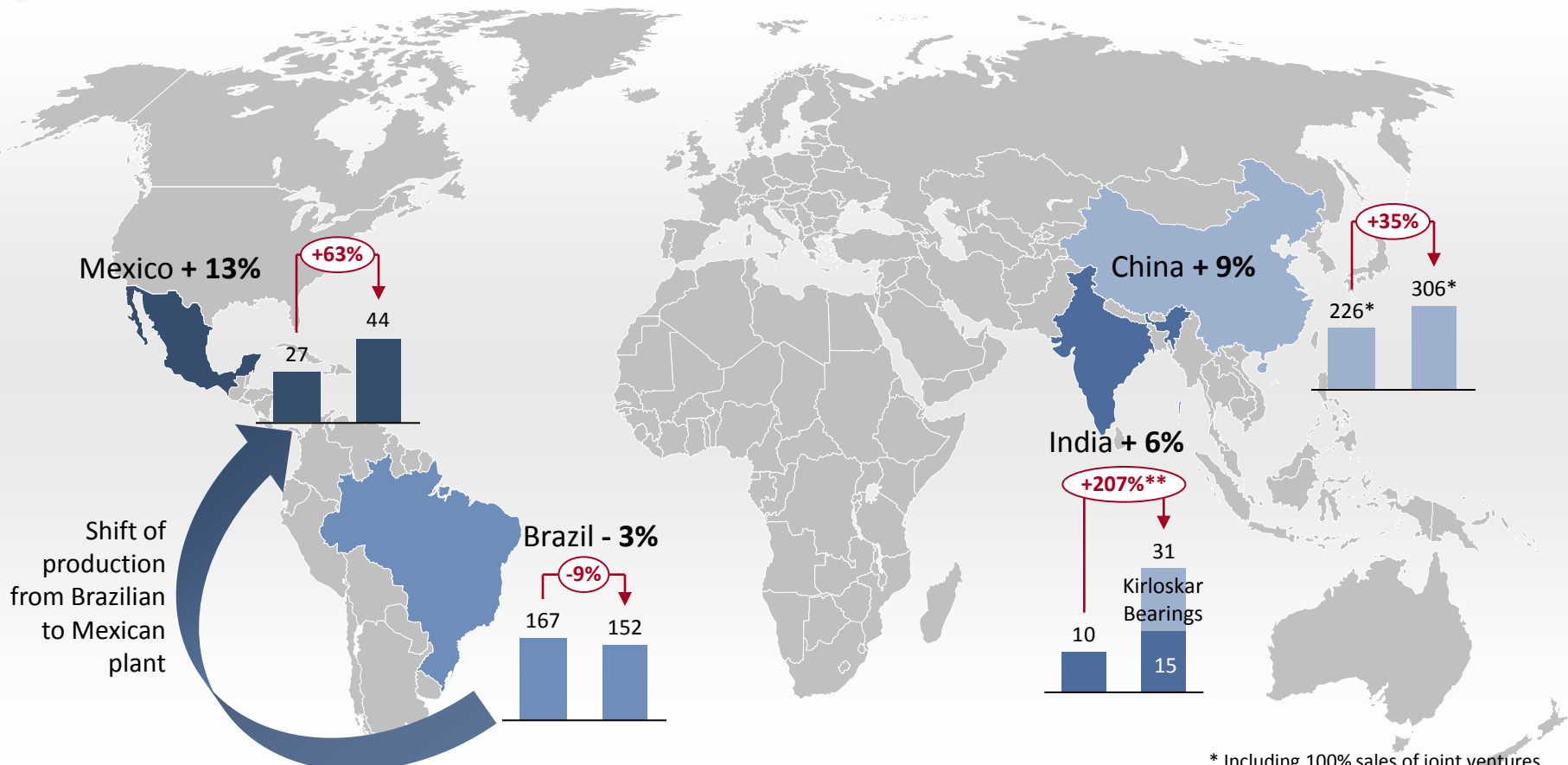


**Range Extender**



# Automotive well-positioned Outperforming growth in the emerging markets

Expected change of LV production and Automotive sales growth Q1-3 2012 vs. Q1-3 2011



Source: IHS Automotive (December 2012)

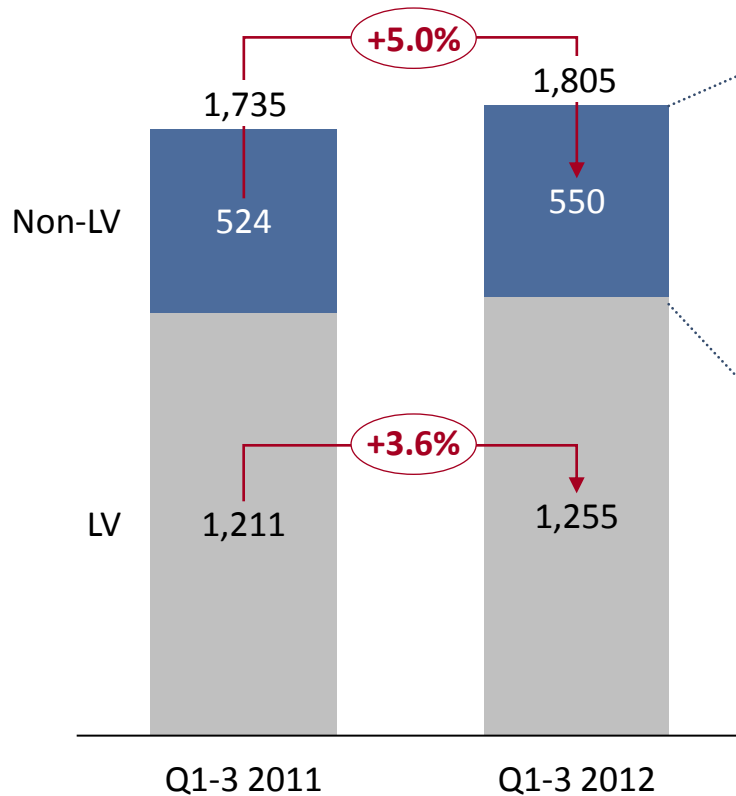
\* Including 100% sales of joint ventures  
\*\* Growth rate of sales without Kirloskar Bearings 51%



# Growth strategy in the high-margin non-LV business

## Risk diversification and increase of profitability

Non-LV business Q1-3 2012 compared to Q1-3 2011 in € million



**Truck business**  
€ 156 million



**Industrials\***  
€ 190 million



**Aftermarket**  
€ 204 million



\* Ships/Power plants/MIR (= Marine, Industry, Recreation)



## Latest published Automotive figures

### Sales and earnings development

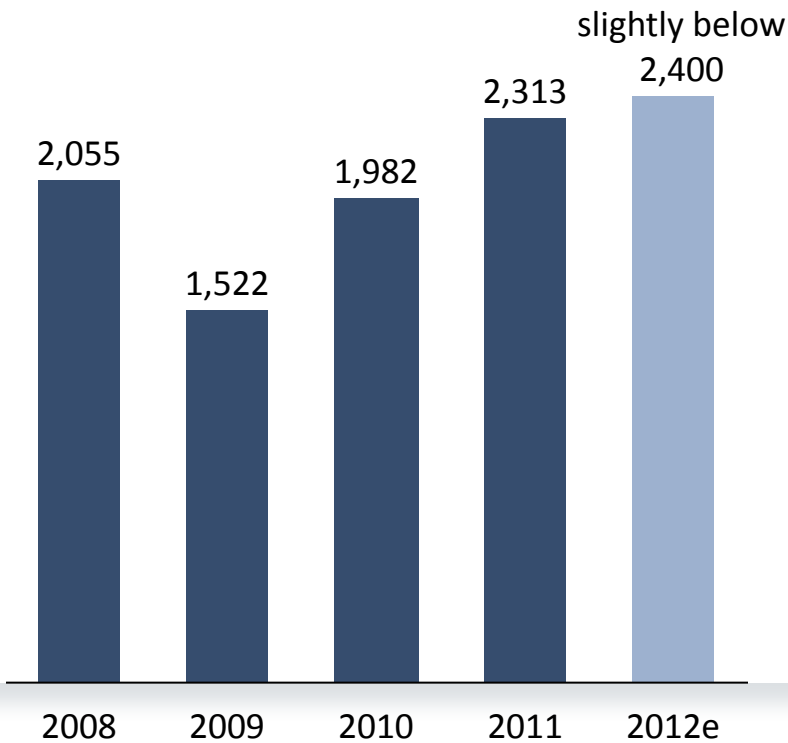
Automotive € million	Q1-3 2011	Q1-3 2012	Δ Q1-3 (2012/2011)	
Sales	1,735	1,805	+ 70	+ 4 %
EBITDA	191	194	+ 3	+ 2 %
EBIT	115	115	± 0	± 0 %
EBIT margin (%)	6.6	6.4	- 0.2pp	
EBT	104	104	± 0	± 0 %
Capex	74	105	+ 31	+ 42 %
Amortization / depreciation	76	79	+ 3	+ 4 %



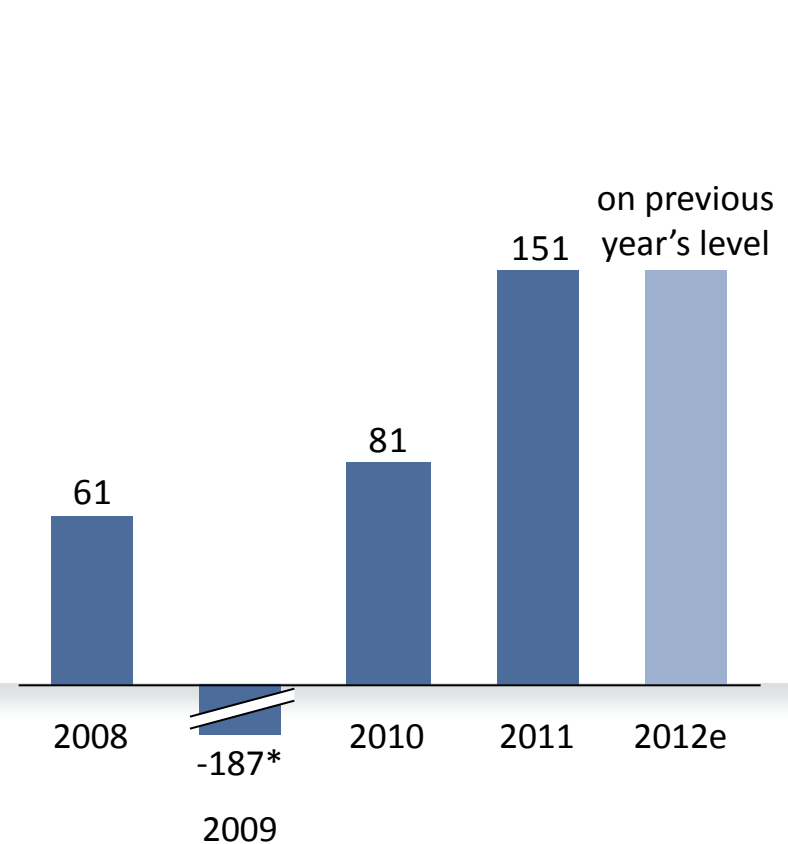
# Outlook FY 2012 as of Q3

## Constant sales and earnings in spite of shrinking Western European markets

Sales Automotive in € million



EBIT Automotive in € million



\* € 138 million restructuring costs deducted



## SUMMARY



# Rheinmetall Group

## Summary and investment highlights

### Strong market positions

- Defence as a leading international partner for ground forces with a broad and well-balanced product portfolio
- Automotive as a leading supplier of “clean” and “lean” engine parts and solutions for the global automotive industry

### High degree of internationalization

- Top-line growth potential as both segments are well-established in their respective most important markets
- Risk diversification by a broad customer base and by a global spread of business activities

### Securing profitability and growth

- Focusing on cost efficiency and structural optimization in order to secure future profitability
- Consequent utilization of all growth opportunities resulting from a large pipeline of innovative products





## APPENDIX



# New management in charge

## Short CVs



**Armin Papperger**  
CEO Rheinmetall AG  
CEO Defence

Born in 1963

Graduated in Engineering

- Since 1990 Rheinmetall AG
- 1990-2001 Quality Management, Rheinmetall Defence
- 2001-2007 Managing Director, Rheinmetall Defence
- 2007-2010 Head of Weapons&Munitions division, Rheinmetall Defence
- Since 2011 CEO Defence, Rheinmetall AG
- Since 2013 CEO, Rheinmetall AG



**Helmut P. Merch**  
CFO Rheinmetall AG

Born in 1956

Graduated in Economics

- Started his career as a controller at Bertelsmann AG, Gütersloh
- Since 1982 Rheinmetall AG
- 1982-2001 Several managing positions in Rheinmetall's subsidiaries, e.g. Divisional Head and Executive Board member of Jagenberg AG, Vice Chairman of Aditron AG
- Since 2001 CFO Defence, Rheinmetall AG
- Since 2013 CFO, Rheinmetall AG



**Dr. Gerd Kleinert**  
CEO Automotive

Born in 1948

Successfully completed an apprenticeship as a toolmaker

- Diploma and PhD in Engineering
- 1970-1971 Engineer, Adam Opel AG
- 1974-1980 Research Associate, Technical University Kaiserslautern
- 1980-1992 Several managing positions, VDO Adolf-Schindling AG, e.g. Head of R&D, Head of Marketing
- 1992-2001 Several managing positions, TRW Automotive Electronics, e.g. General Manager Europe
- Since 2001 CEO Automotive, Rheinmetall AG



## Group cash flow

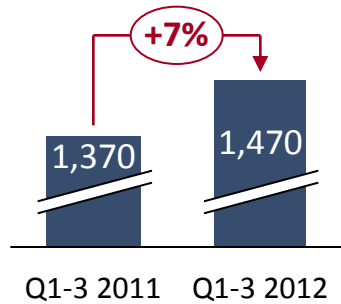
### Benefitting from strongly improved working capital in Defence

Group € million	Q1-3 2011	Q1-3 2012	Δ Q1-3 (2012/2011)
Group net income	119	108	- 11
Amortization / depreciation	133	144	+ 11
Change in pension accruals	- 9	- 11	- 2
<b>Cash flow</b>	<b>243</b>	<b>241</b>	<b>- 2</b>
Changes in working capital and other items	- 530	- 460	+ 70
<b>Net cash used in operating activities</b>	<b>- 287</b>	<b>- 219</b>	<b>+ 68</b>
Cash outflow for additions to tangible and intangible assets	- 131	- 163	- 32
<b>Free cash flow from operations</b>	<b>- 418</b>	<b>- 382</b>	<b>+ 36</b>

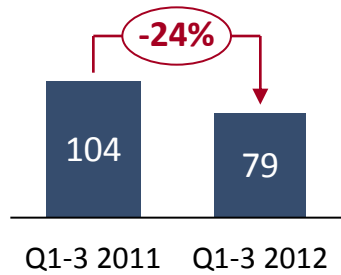


# Key figures Defence by divisions

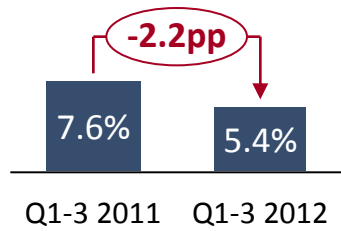
Sales



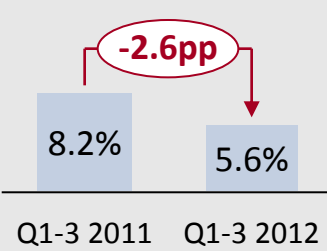
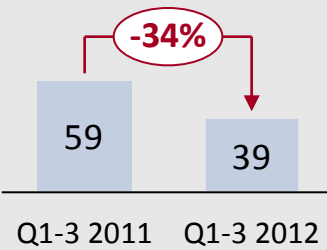
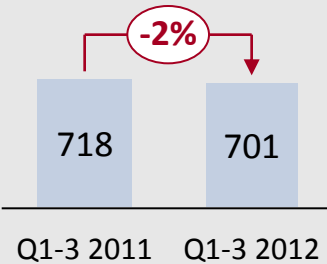
EBIT



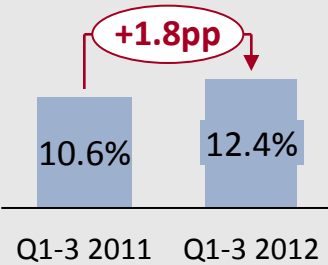
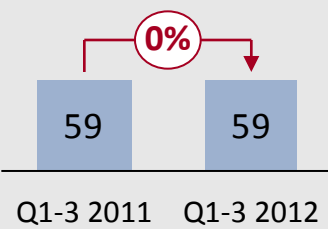
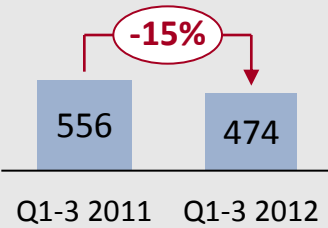
EBIT margin



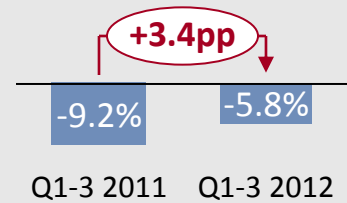
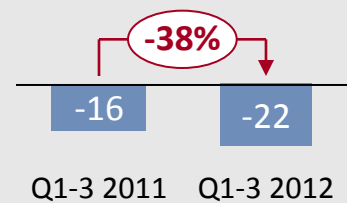
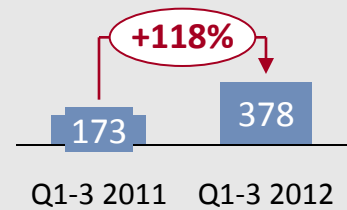
## Combat Systems



## Electronic Solutions



## Wheeled Vehicles



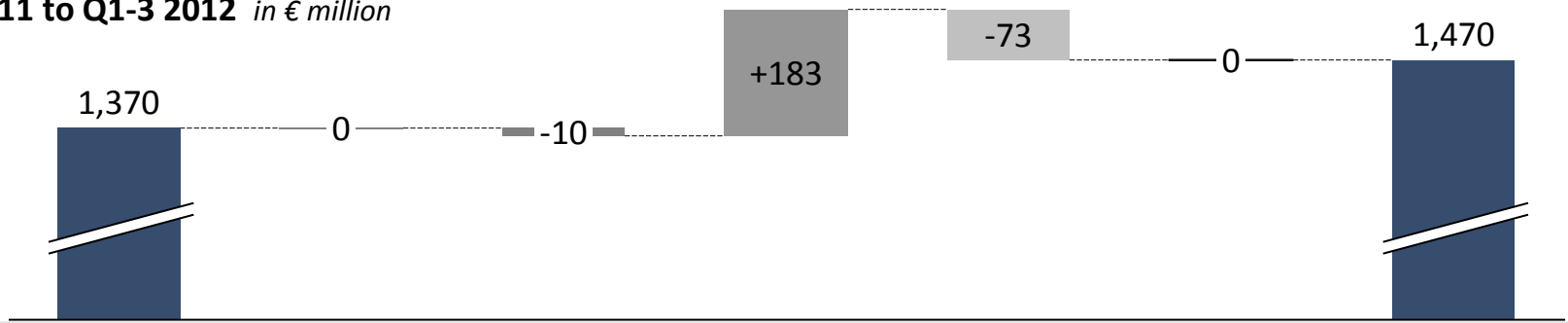
Figures before intersegmental consolidation



## Development of Defence sales and earnings (Q1-3)

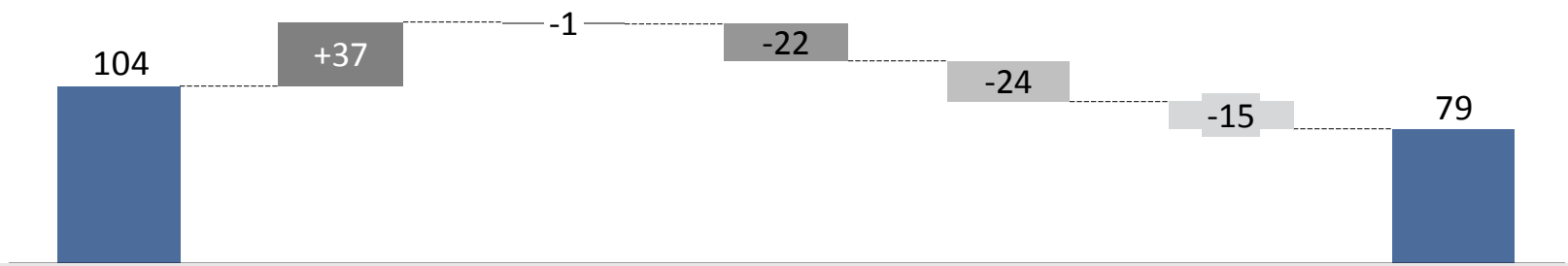
### Sales bridge

Q1-3 2011 to Q1-3 2012 in € million



### EBIT bridge

Q1-3 2011 to Q1-3 2012 in € million



Q1-3 2011

One-offs

Deconsolidation  
airborne

Logistic  
vehicles

Volume Effect

Product/project  
mix

Q1-3 2012



## Defence cash flow

### Operating cash flow improved due to successful working capital program

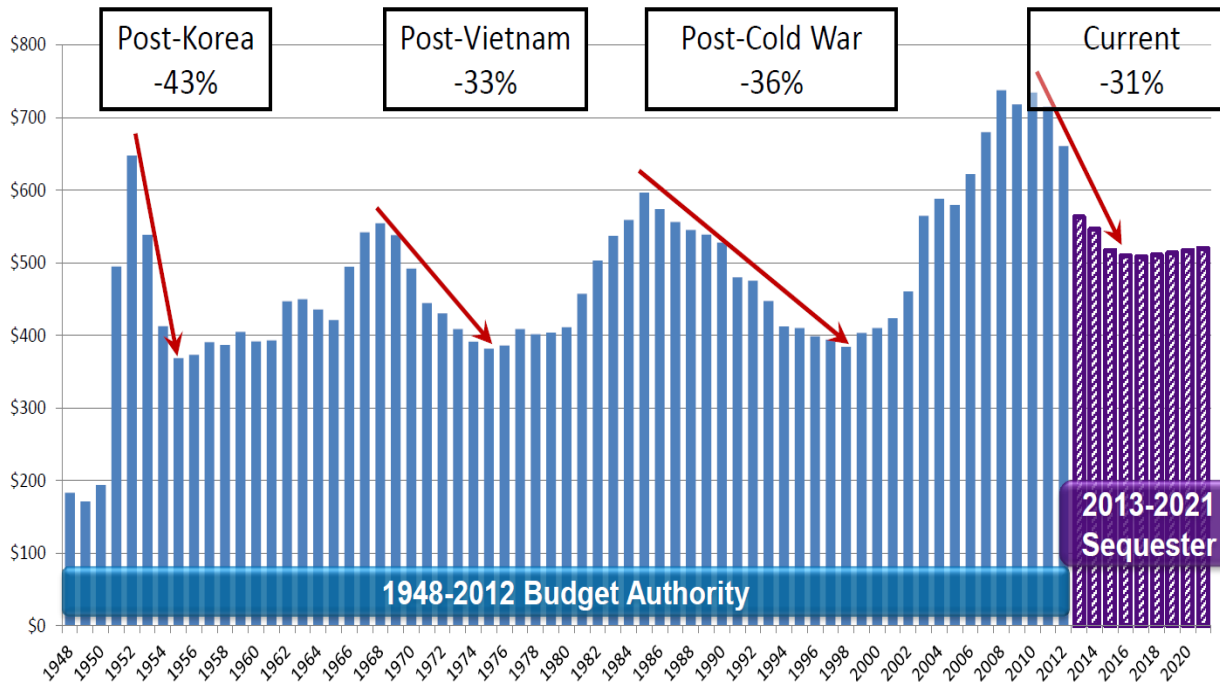
Defence € million	Q1-3 2011	Q1-3 2012	Δ Q1-3 (2012/2011)
Net income	69	55	- 14
Amortization / depreciation	57	65	+ 8
Change in pension accruals	- 3	- 8	- 5
<b>Cash flow</b>	<b>123</b>	<b>112</b>	<b>- 11</b>
Changes in working capital and other items	- 384	- 317	+ 67
<b>Net cash used in operating activities</b>	<b>- 261</b>	<b>- 205</b>	<b>+ 56</b>
Cash outflow for additions to tangible and intangible assets	- 57	- 57	± 0
<b>Free cash flow from operations</b>	<b>- 318</b>	<b>- 262</b>	<b>+ 56</b>



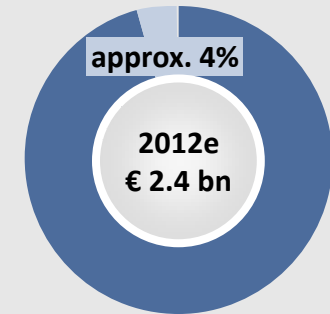
# Cyclical development of US defence budget

## Rheinmetall impacted by US sequestration on a limited scale

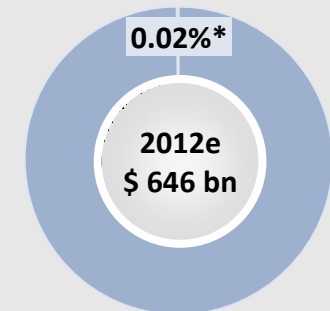
US defence budget since 1948 in US\$ billion



US share of expected total sales Rheinmetall Defence



Expected Rheinmetall share of total US defence spending



Source: Center for Strategic and International Studies 2012

\* 1 € = 1,30 US\$  
Source: IHS Jane's (December 2012)



# Significant product spin-offs for navy and airforce

## Securing access to all services of armed forces

### Naval products



10-15 % of total Defence sales

### Airforce products



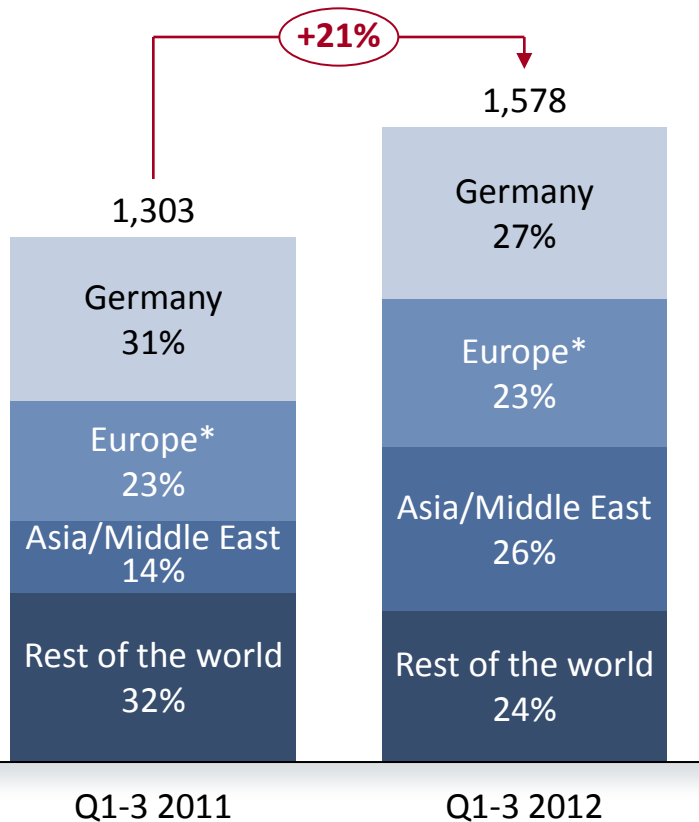
approx. 5 % of total Defence sales





## Driven by high international presence Order intake shows double-digit growth rate

Order intake Q1-3 2011 vs. Q1-3 2012 in € million



- ▶ Domestic orders still stable regarding absolute numbers, but relatively losing significance
- ▶ Asia and Middle East becoming more and more important

▶ **Consequence of the growth path:**  
Order backlog of more than € 5 billion for FY 2012 quite feasible

\* Excluding Germany



## New orders 2012

### Selected competitive products strengthen the order backlog



#### Air defence systems and services for Asian customers

- ▶ As indicated: Two orders received in Q1-3 2012, a third one in Q4
- ▶ Total volume: € 285 million



#### Canadian wheeled vehicle program TAPV\*

- ▶ 500 vehicles to be delivered from 2014-2016, support contract until 2021
- ▶ Volume of Rheinmetall's share: € 160 million



#### Weapon station components for US forces

- ▶ Electro-optical components for Common Remotely Operated Weapon Stations (CROWS III)
- ▶ Part of the framework agreement running for 5 years
- ▶ Potential contract volume: US\$ 100 million

\* Tactical Armored Patrol Vehicle



# High order intake in FY 2012

## New orders booked in Q4 – some examples



**Ammunition for a MENA country**  
Volume: € 320 million



**Air Defence for an Asian customer**  
Volume: € 113 million



**Military trucks for Far East**  
Volume: € 86 million



**Weapon stations for Germany**  
Volume: € 41 million



**Air Defence for Brazil**  
Volume: € 38 million



**Route clearing system for Germany**  
Volume: € 31 million



# Cost efficiency and structural optimization

## Focusing forces in order to secure future profitability

### Tracked Vehicles

- ▶ Reduction of workers
- ▶ Commonly agreed cost savings with immediate effect
- ▶ Reduction of production sites
- ▶ Restructuring costs: approximately € 15 million

**Cutting costs by € 20-30 million per year from 2015 onwards**



### Air Defence

- ▶ Staff reduction by 80 employees to 700
- ▶ Restructuring costs: around € 3 million

**Saving costs of € 7 million per year from 2014 onwards**



### Wheeled Vehicles

- ▶ Significant change of the market environment (e.g. South Africa, Australia)
- ▶ Cost savings program initiated

**Preparing a further action plan in order to adjust cost structure**

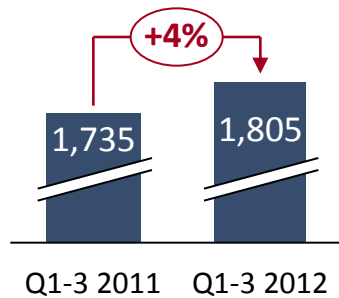




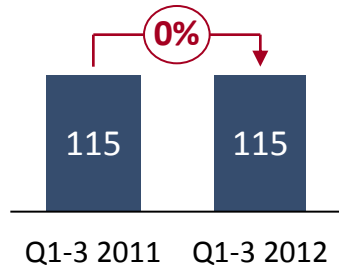


# Key figures Automotive by divisions

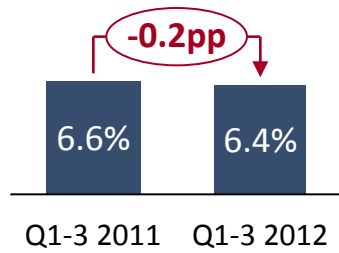
Sales



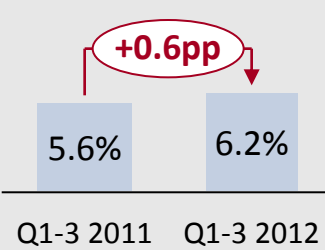
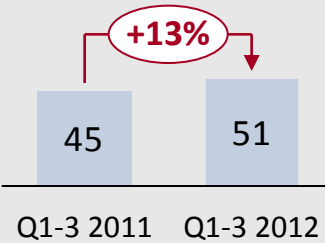
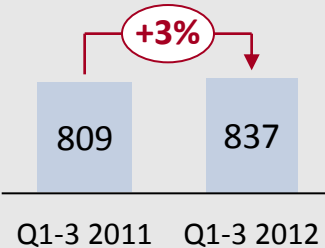
EBIT



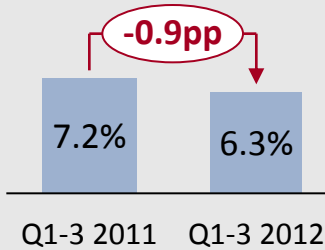
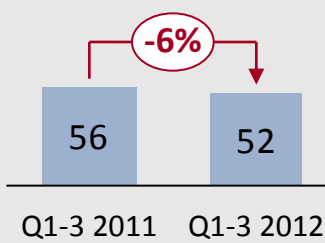
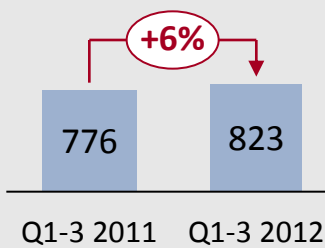
EBIT margin



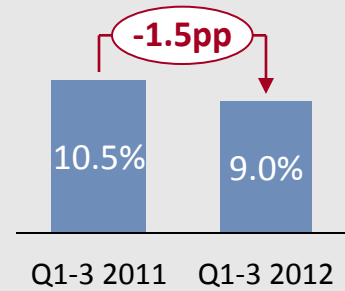
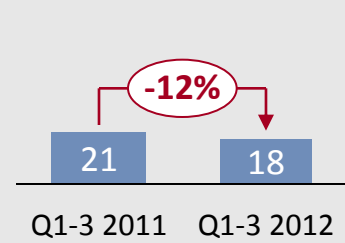
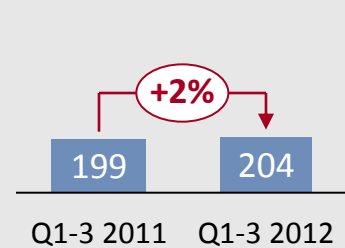
## Hardparts



## Mechatronics



## Motor Service



Figures before intersegmental consolidation



## Automotive cash flow

### Slight increase of working capital due to growth

Automotive € million	Q1-3 2011	Q1-3 2012	Δ Q1-3 (2012/2011)
Net income	76	76	± 0
Amortization / depreciation	76	79	+ 3
Change in pension accruals	- 5	- 4	+ 1
<b>Cash flow</b>	<b>147</b>	<b>151</b>	<b>+ 4</b>
Changes in working capital and other items	- 137	- 154	- 17
<b>Net cash used in operating activities</b>	<b>10</b>	<b>- 3</b>	<b>- 13</b>
Cash outflow for additions to tangible and intangible assets	- 74	- 105	- 31
<b>Free cash flow from operations</b>	<b>- 64</b>	<b>- 108</b>	<b>- 44</b>



# Global manufacturing and distribution network

## Presence in all important Automotive markets

### Production sites and sales offices 2012

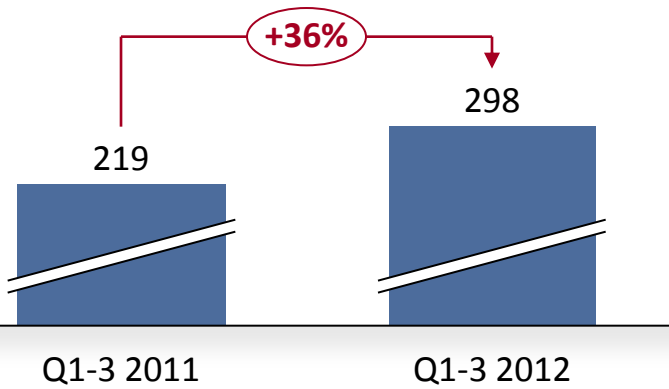




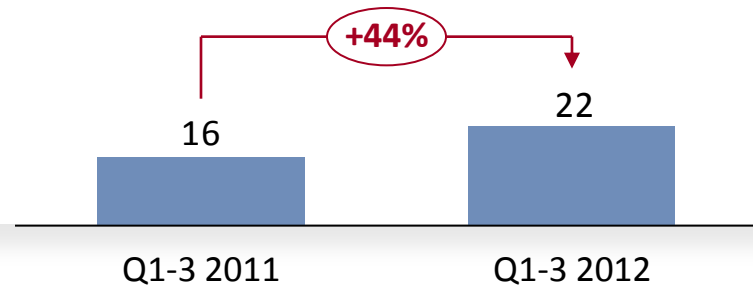
# Dynamic markets: China

## Sales and earnings still growing

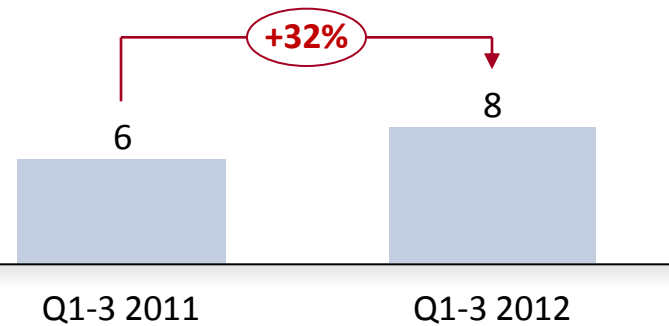
Sales Joint Ventures\* in € million



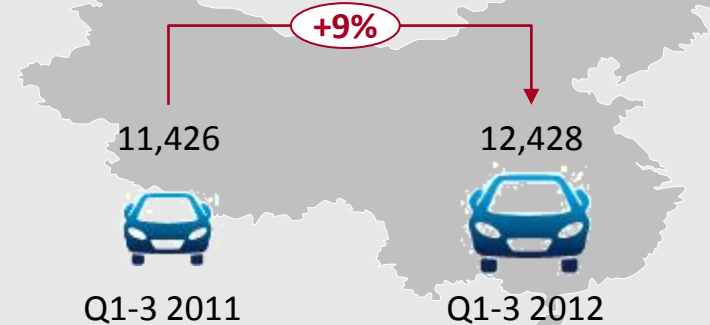
EBIT Joint Ventures\* in € million



Sales WFOEs\*\* in € million



LV production China in thousand units



\* KSPG owns 50% of two JVs (consolidated at equity, i.e. sales not included in Group sales)

\*\* Wholly foreign-owned enterprises

Source: IHS Automotive (December 2012)

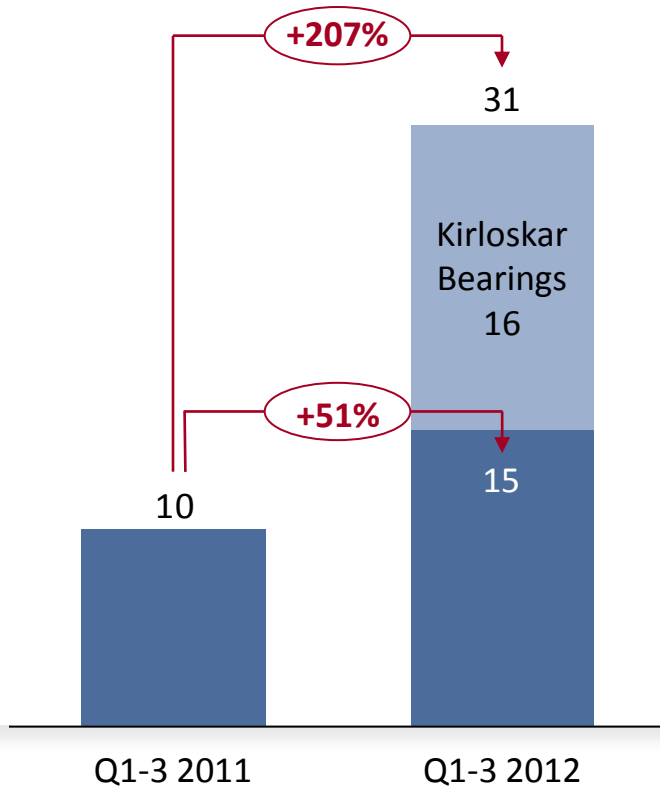




## Dynamic markets: India

# Strong revenues caused by both organic growth and strategic acquisition

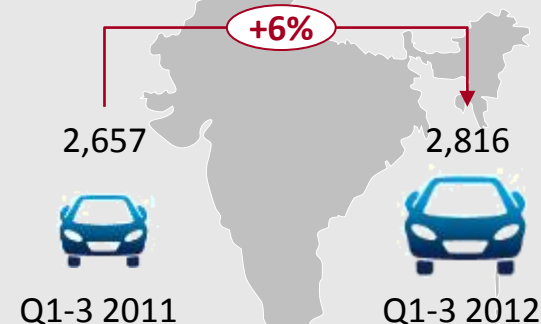
### Sales KSPG India *in € million*



### Key facts KSPG India

- ▶ Integration of Kirloskar Bearings – included in the figures since Q4 2011 – completed
- ▶ Employees: 602 (as of 09/30/2012)
- ▶ Break-even achieved in Q3 2012

### LV production India *in thousand units*



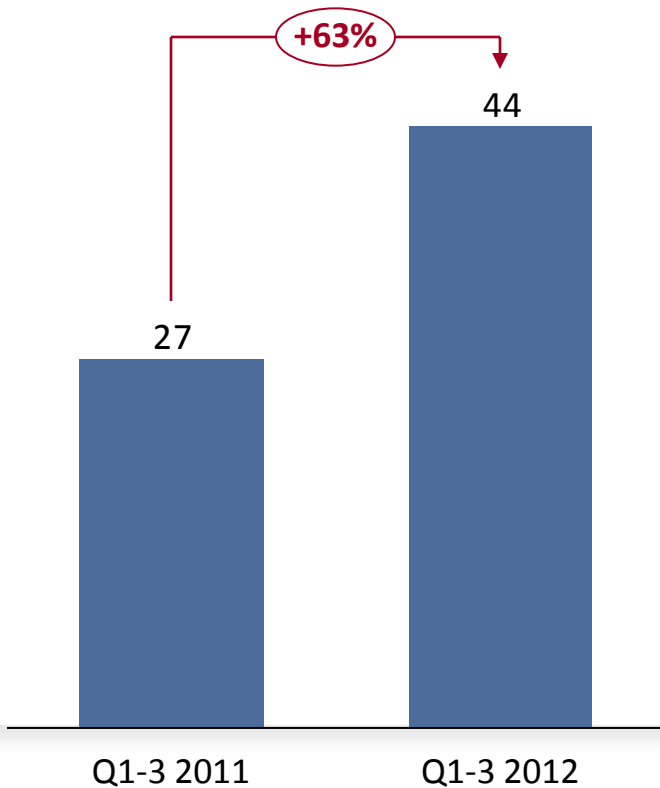
Source: IHS Automotive (December 2012)



## Dynamic markets: Mexico

### Focusing production for American markets

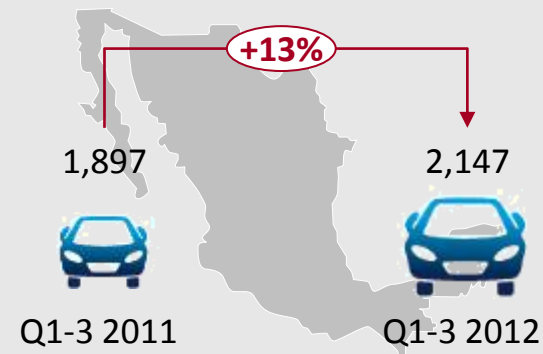
Sales KSPG Mexico *in € million*



Key facts KSPG Mexico

- ▶ Production of pumps, pistons and bearings
- ▶ Extending production of pistons
- ▶ Shifting production of bearings from the U.S. and Brazil to the existing site in Celaya, Mexico

LV production Mexico *in thousand units*



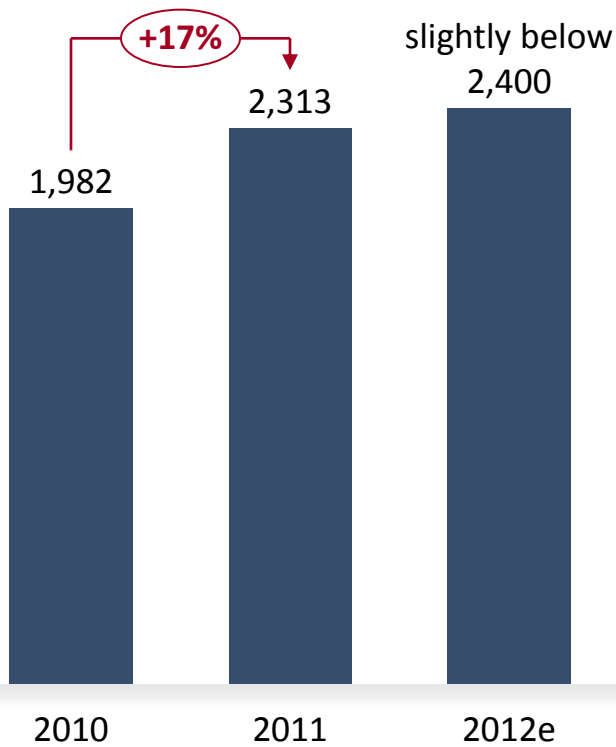
Source: IHS Automotive (December 2012)



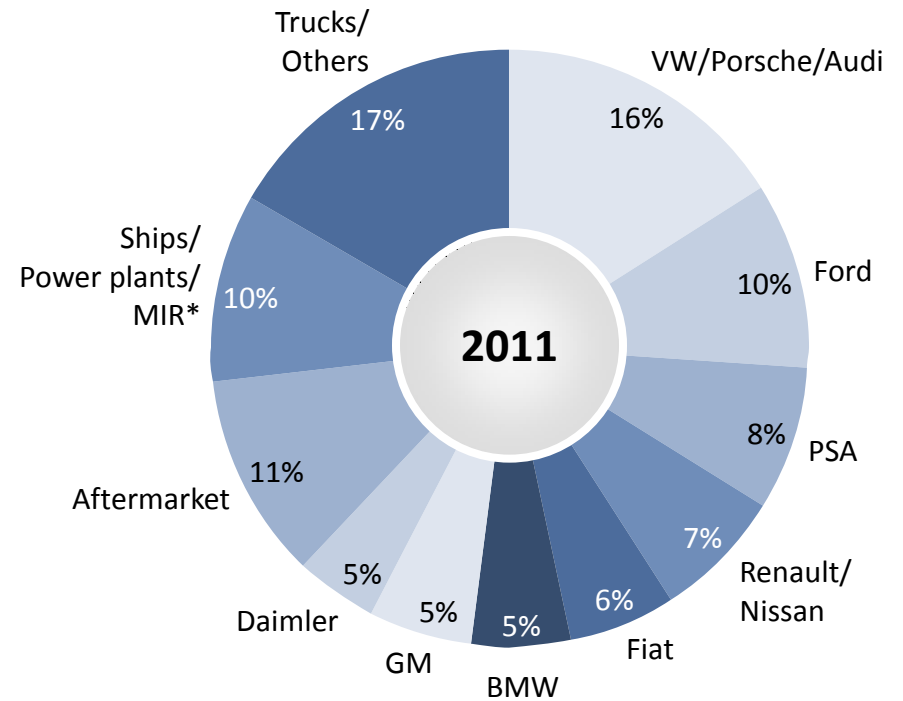
# Strong and solid position in the markets

## Growing sales and well-balanced customer structure

Sales in € million



Sales 2011 by customer



\* Marine, Industry, Recreation



## Financial Diary

March 20, 2013	Annual report 2012
May 8, 2013	Q1 2013
May 14, 2013	Annual General Meeting
August 9, 2013	Q2 2013



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