



Corporate Presentation | May 2013

**International Partner**  
**for Security and Mobility**



# Rheinmetall Group

## Leading positions in Defence and Automotive

### RHEINMETALL AG

Sales : € 4.7 billion

Employees: 23,700



#### RHEINMETALL DEFENCE

Leading European Defence company  
for ground forces technology

Sales: € 2.3 billion  
Employees: 10,500



#### RHEINMETALL AUTOMOTIVE

Leading Automotive supplier  
in engine components and systems

Sales: € 2.4 billion  
Employees: 13,200

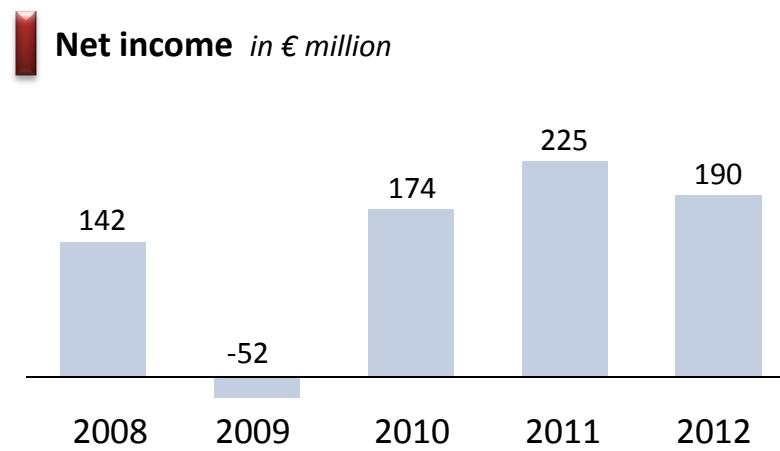
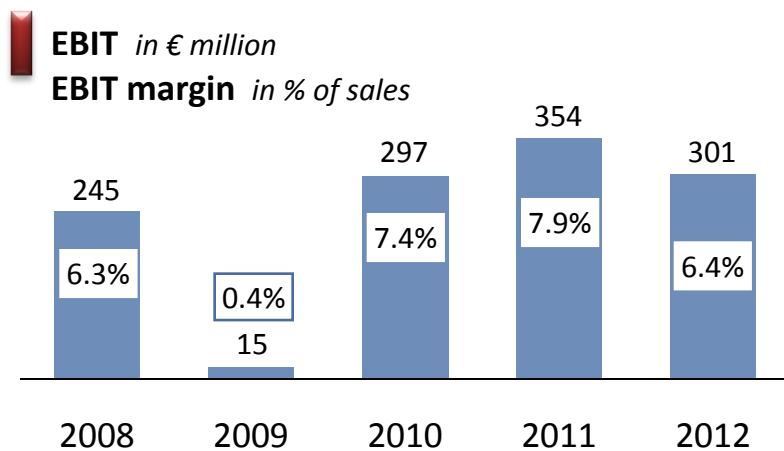
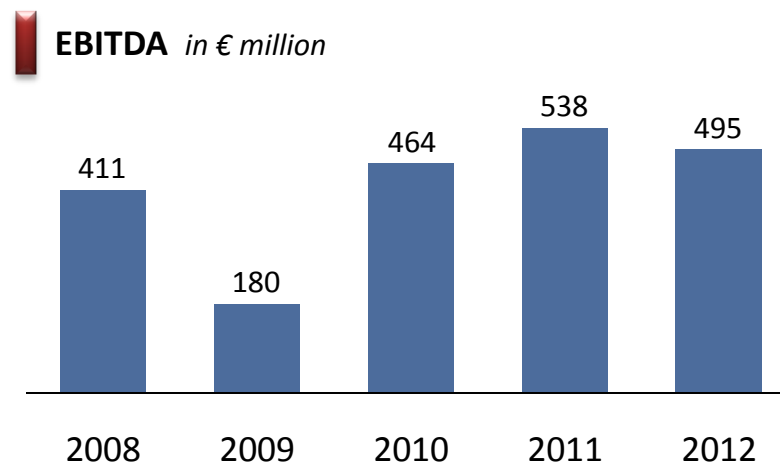
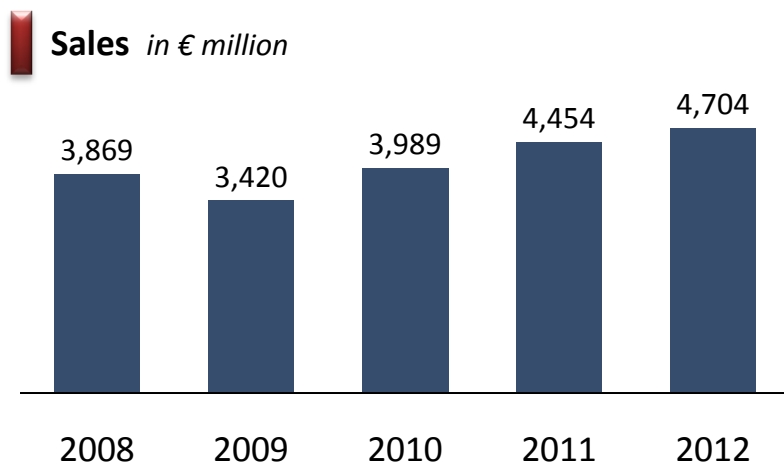


**BUSINESS YEAR 2012**



# Sales and earnings

## Earnings remain high



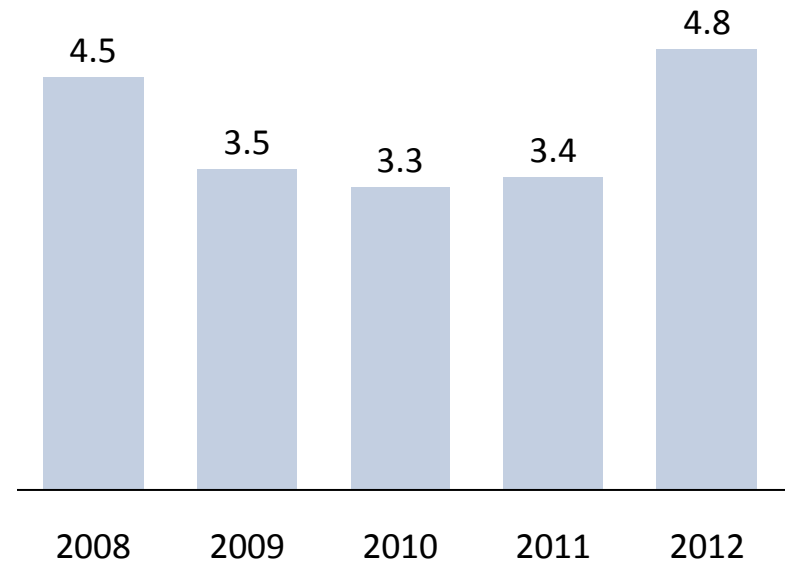
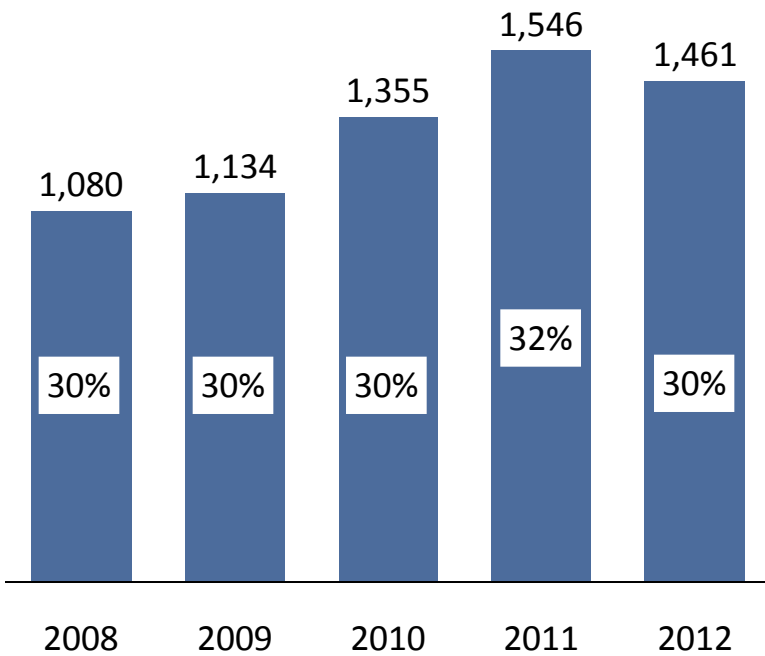


# Finance

## Solid equity ratio

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

**Rheinmetall – own shares (at year-end) in %**



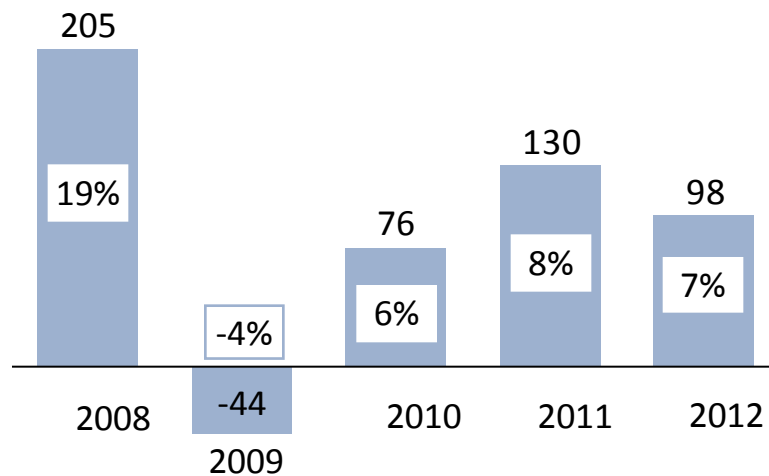
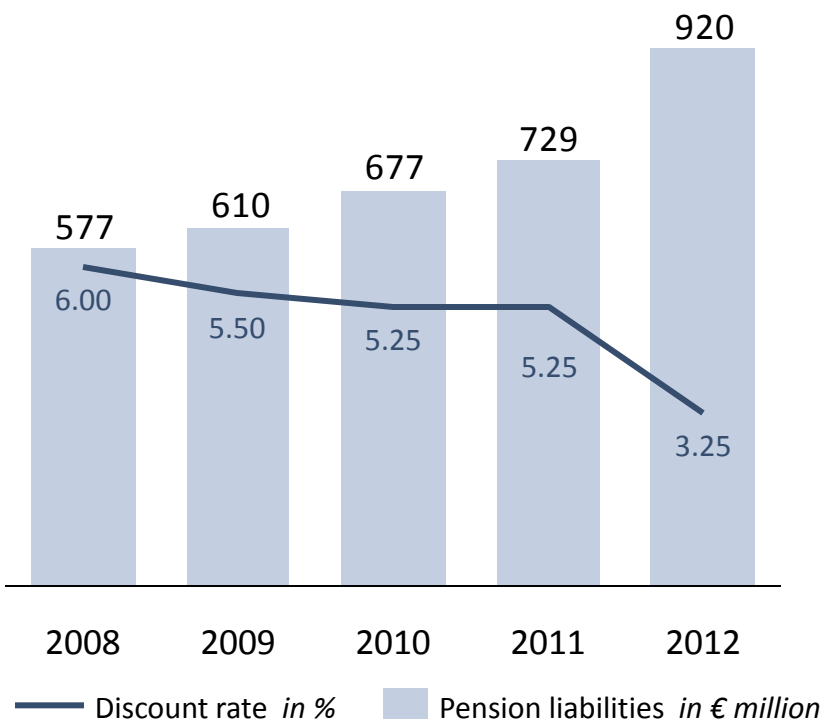


# Rising pension provisions triggered by decreasing interest rates

## Net financial debt low

**Pension liabilities (at year-end) in € million**  
**Interest rate\* in %**

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



\* Discount rate for German pension liabilities of Rheinmetall

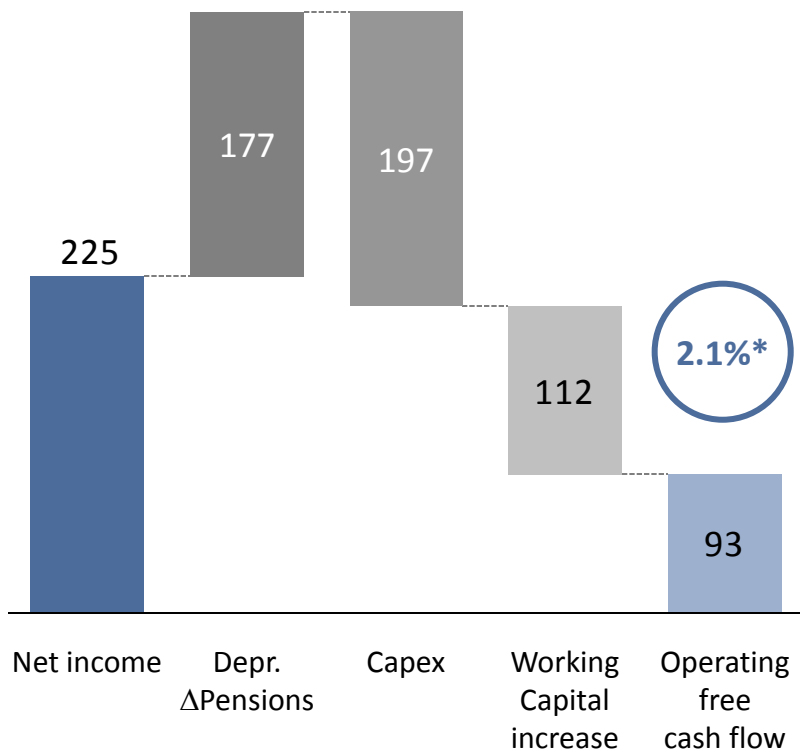
\* Net debt in % of equity



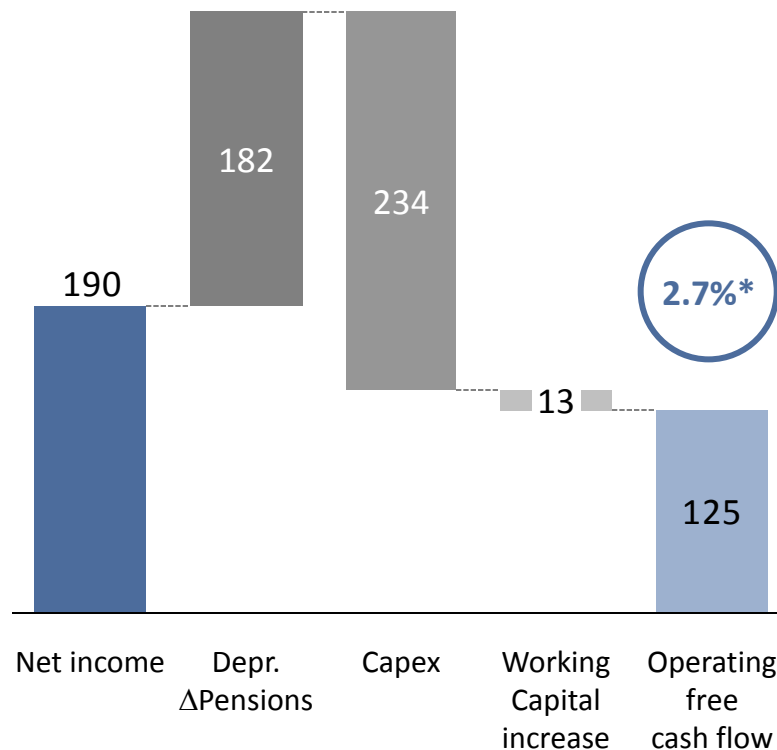
# Cash flow

## Improved operating free cash flow

**2011** in € million



**2012** in € million

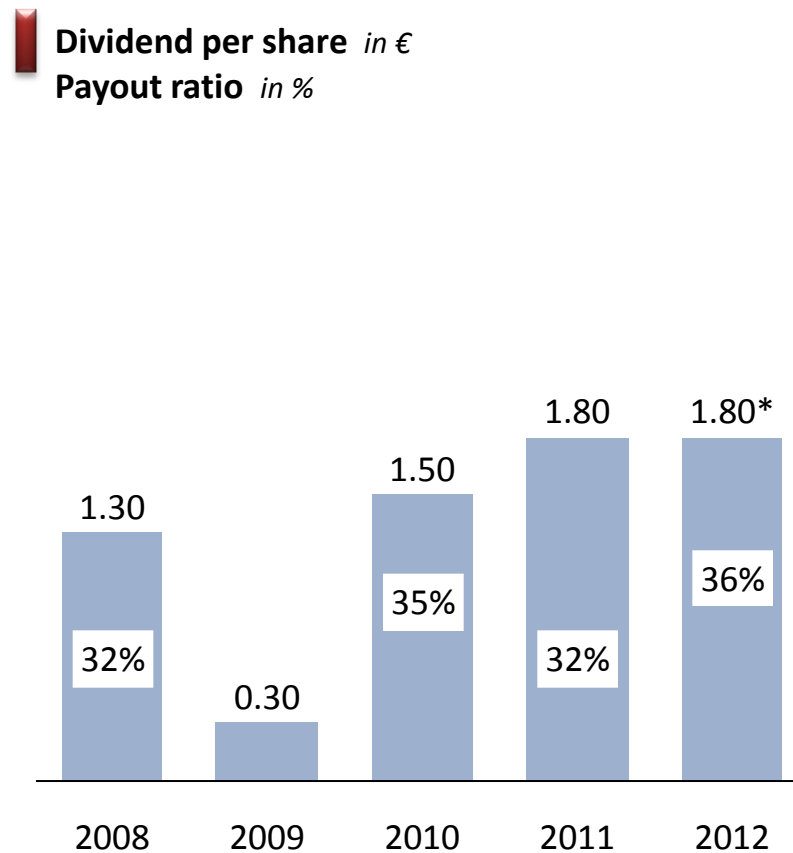
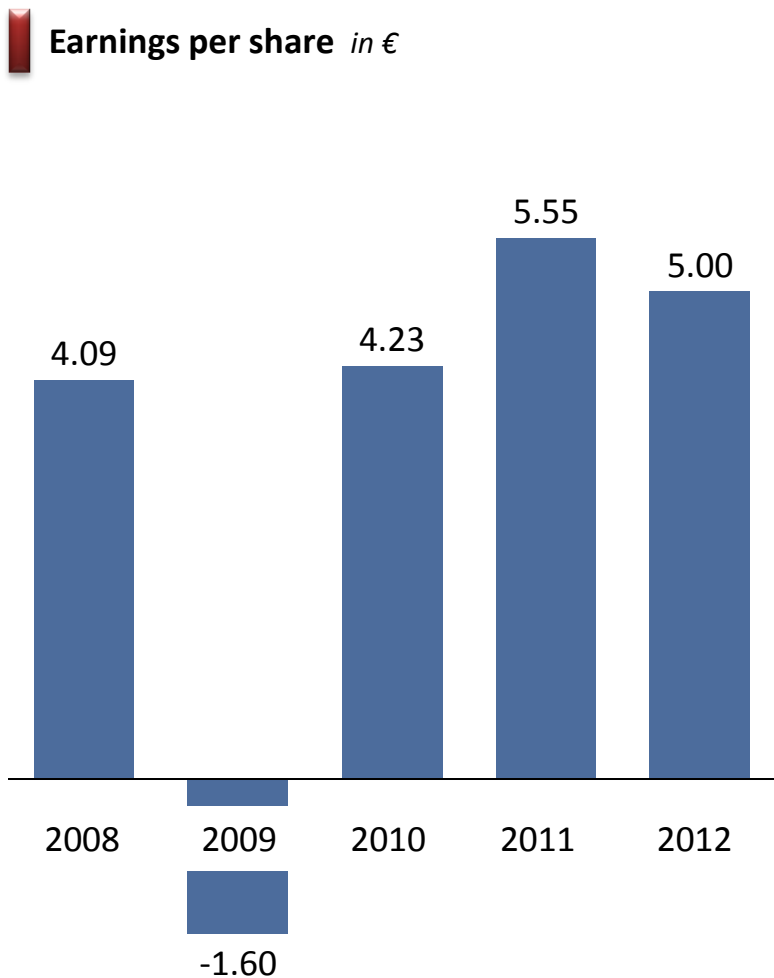


\* In % of sales



# Earnings per share and dividend

## Dividend stable at € 1.80



\* Proposal to the annual general meeting





# The divisional structure of Defence

## Broad range of technologically leading products



Sales (FY 2012): € 2.3 billion

### Combat Systems € 1.1 billion

Combat Platforms

Infantry

Protection Systems

Propulsion Systems

Combat International

### Electronic Solutions € 0.7 billion

Air Defence Systems

Defence Electronics

Electro-optics

Simulation and Training

### Wheeled Vehicles € 0.6 billion

Logistic Vehicles

Tactical Vehicles

Services

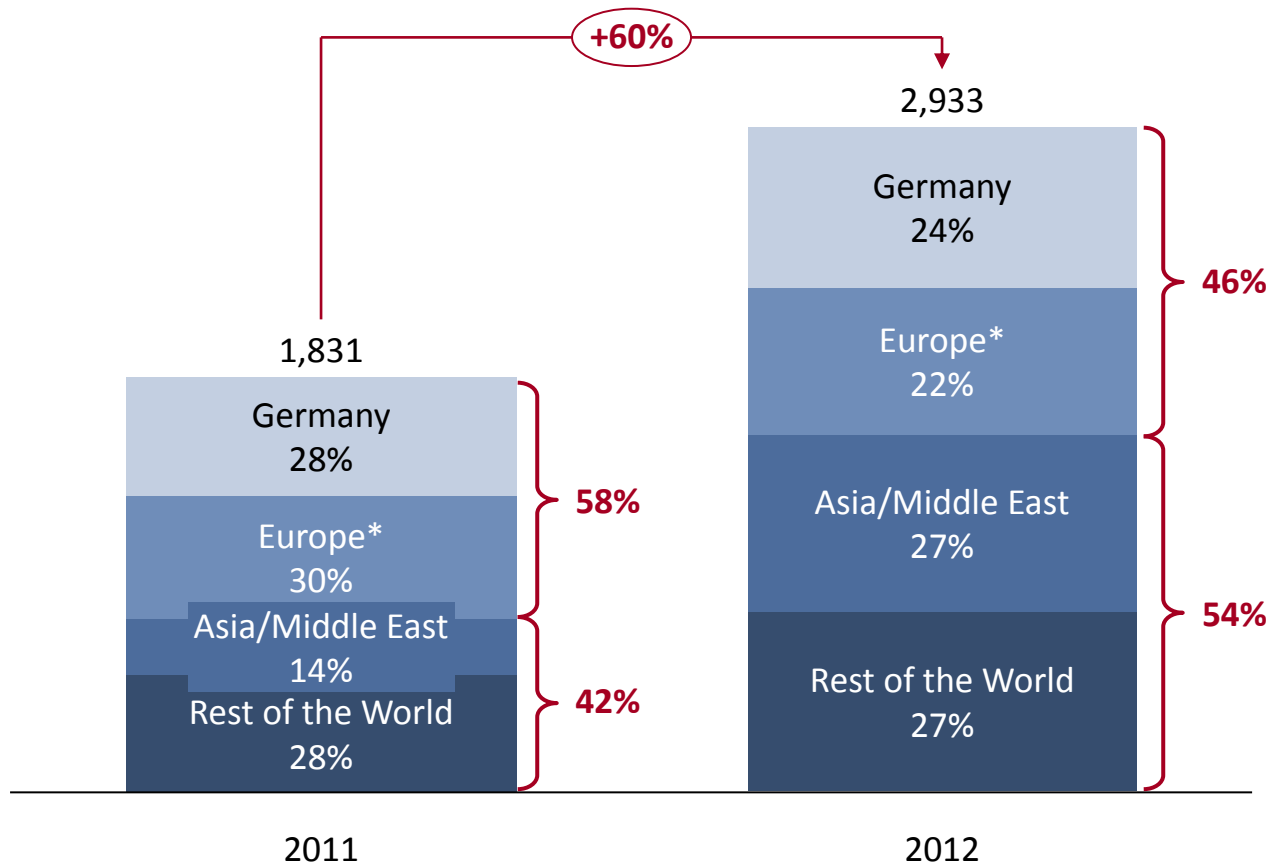
Inter-company sales not eliminated



# Order intake

## Increasing share received from growth regions

Order intake by region in € million



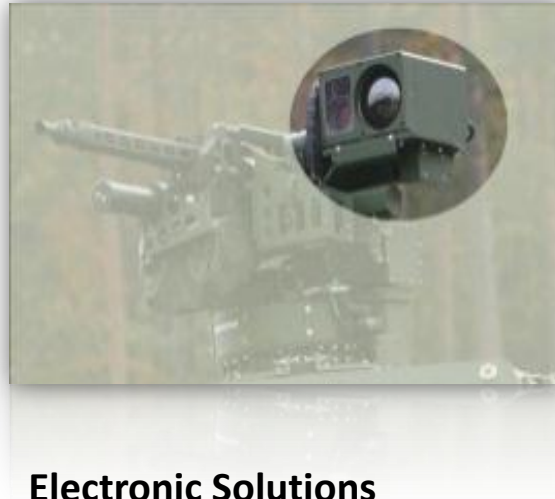
\* Without Germany

## High order backlog of almost € 5 billion Strong backbone for future sales



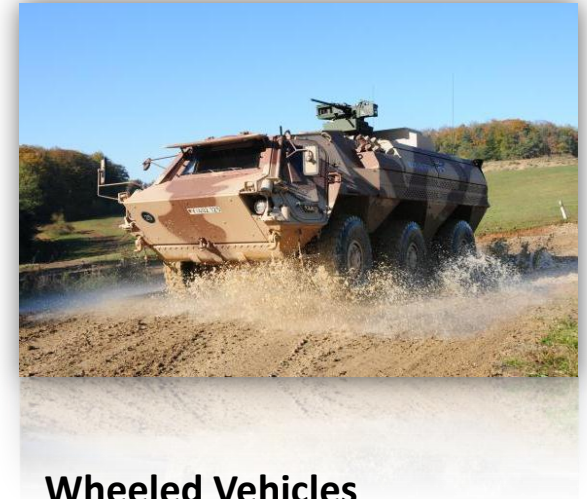
### Combat Systems

- ▶ Puma: roll-out at the end of 2013 (order volume > € 1 billion)
- ▶ Large ammunition order from a MENA country (order volume € 320 million)
- ▶ Preparation TAPV-order Canada (order volume € 160 million)



### Electronic Solutions

- ▶ Air Defence equipment for Asian customers (order volume € 284 million) and Brazil
- ▶ Weapon stations for CROWS III (USA) (sales potential up to US\$ 100 million) and for Germany (€ 55 million)



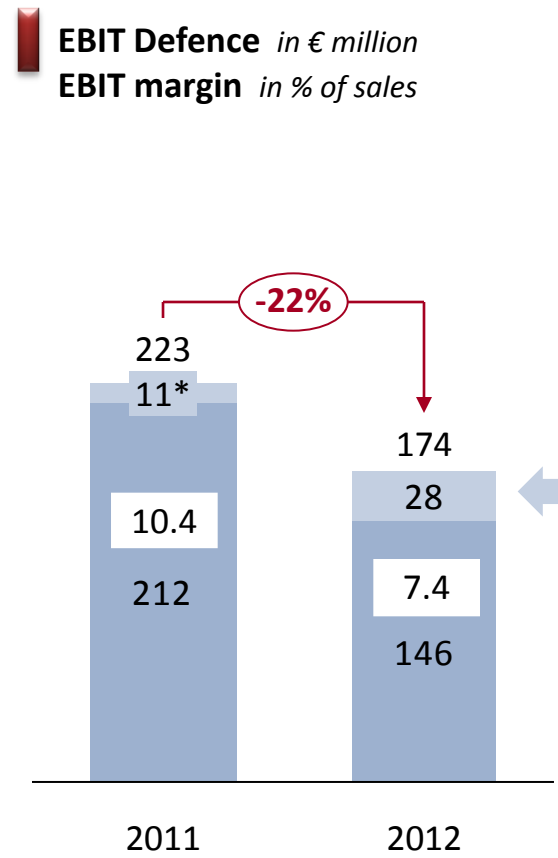
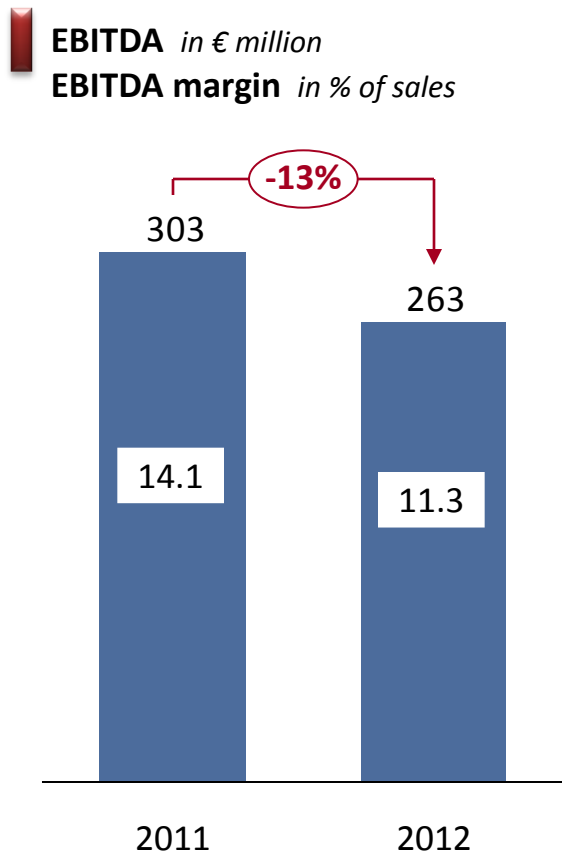
### Wheeled Vehicles

- ▶ Boxer Netherlands: roll-out (order volume ~ € 500 million)
- ▶ Fox Algeria: continuation of the order (booked order of € 200 million)



# Earnings development

## Lower operational performance



**One-offs 2012** in € million

Partial divestment of drone business	+ 48
Restructuring costs	- 20
<b>Net effect</b>	<b>+ 28</b>

\* One-off due to PPA ADS



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



Sales (FY 2012): € 2.4 billion

<b>Hardparts</b> € 1.1 billion	<b>Mechatronics</b> € 1.1 billion	<b>Motor Service</b> € 0.3 billion
Pistons	Pierburg	International
Aluminum Technology	Pierburg Pump Technology	Domestic
Plain Bearings		
Large Bore Pistons		

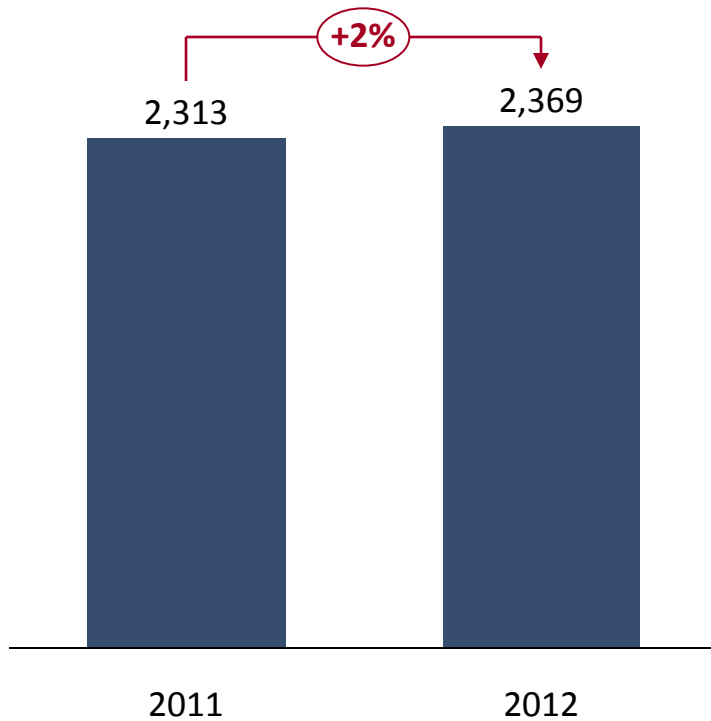
Inter-company sales not eliminated



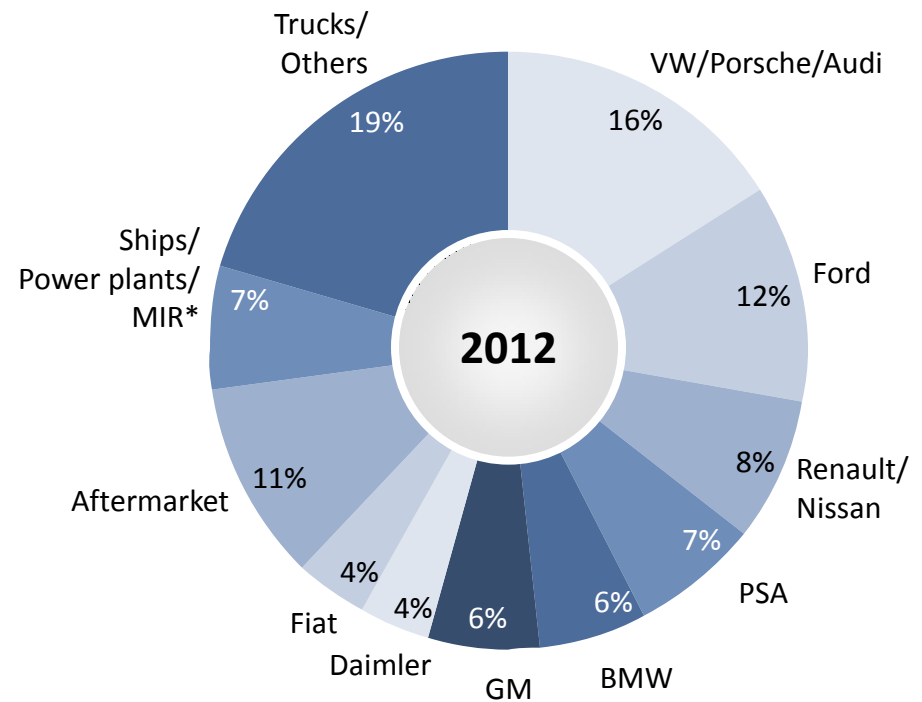
# Automotive sales

## Automotive benefits from balanced customer base

**Sales Automotive** in € million



**Sales by customer** in %



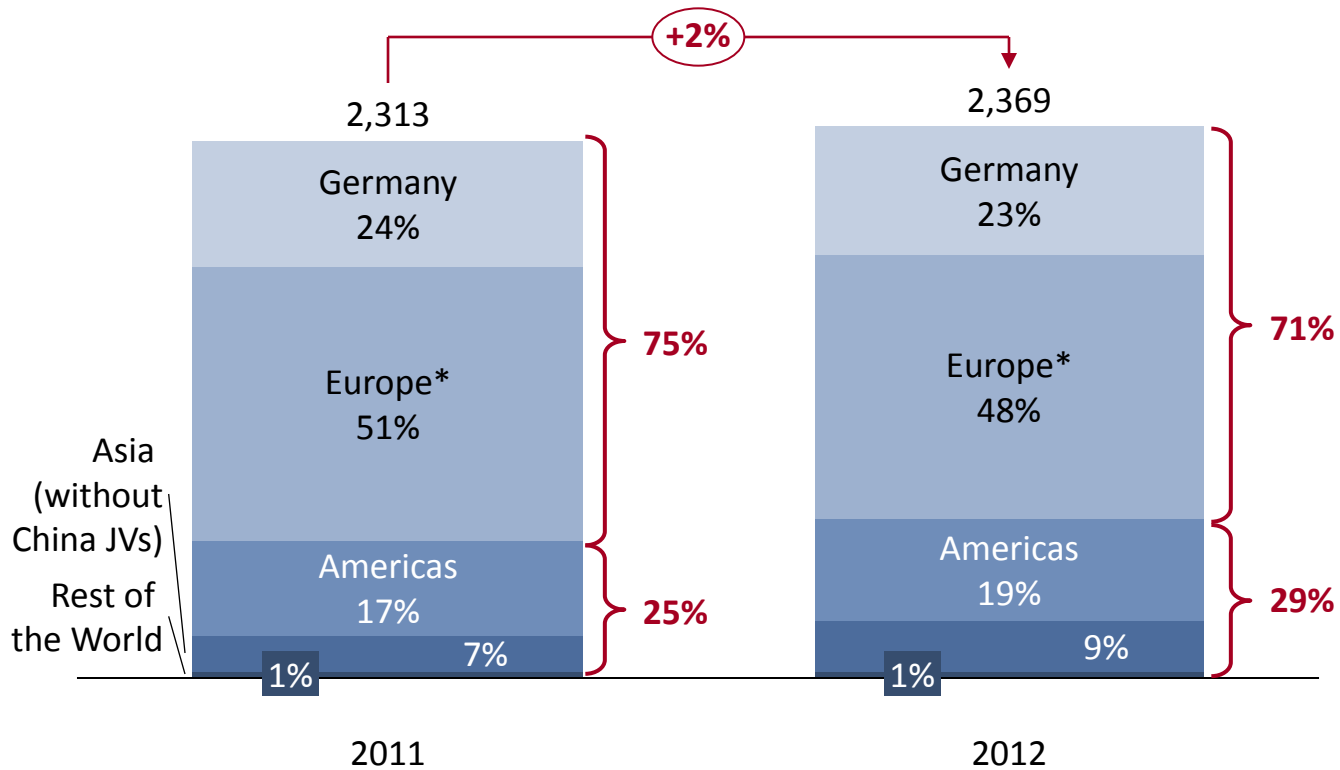
\* Marine, Industry, Recreation



# Automotive sales by region

## Growth particularly encouraging in North America and Asia

Sales by region in € million resp. %

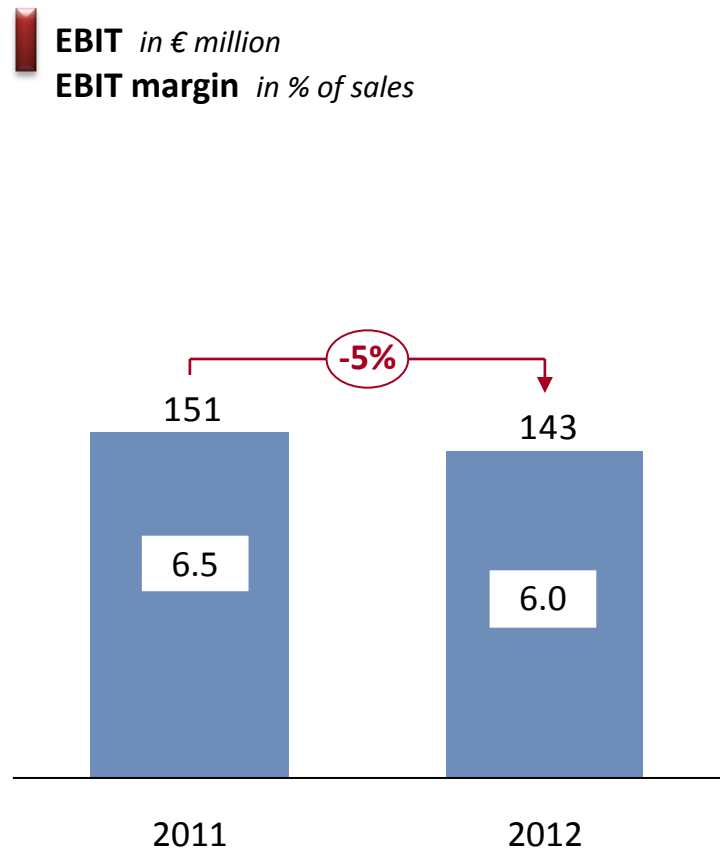
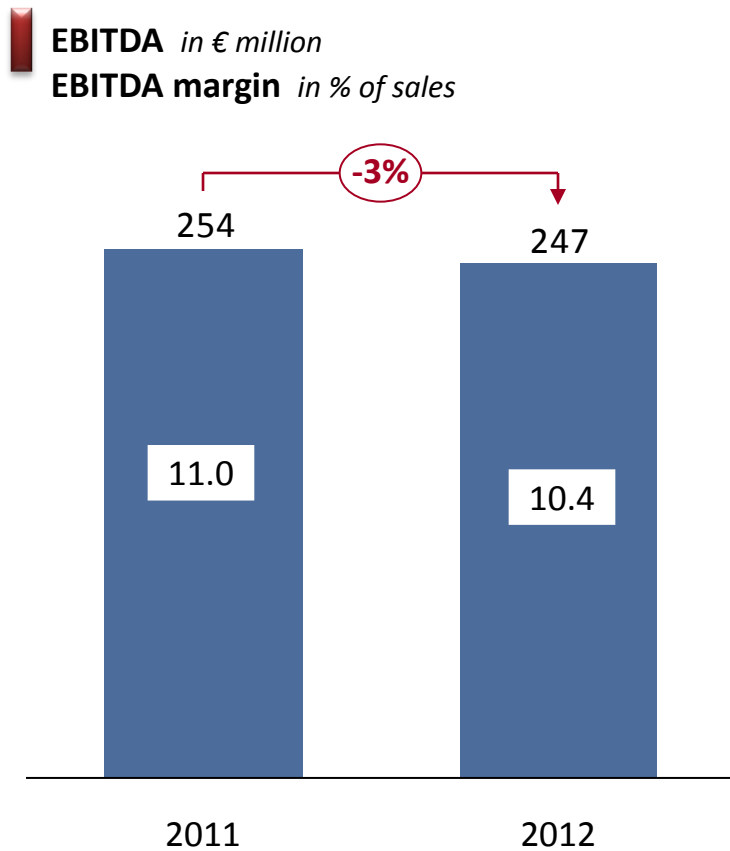


\* Without Germany



# Earnings development

## Ramp-ups and investments in non-domestic locations affect margin







Q1 2013



## Financial highlights

- ▶ Decline in **sales** of 13%
- ▶ **Quarterly operational loss\*** of € - 14 million
- ▶ **Free cash flow** from operations: impact of negative earnings almost absorbed by lower increase of working capital
- ▶ **Net financial debt** reduced by € 79 million to € 325 million
- ▶ **Outlook 2013** remains unchanged

\* EBIT pre-restructuring; EBIT (reported) = € - 19 million



## Divisional highlights

### Defence

- ▶ **Stable order intake**, e.g. „Gladius“ from Germany, recovery vehicles from Denmark, ammunition from South Africa
- ▶ **Lower sales** caused by seasonality of project business and lower demand for ammunition
- ▶ **Operational earnings\* down** from € 4 million to € - 43 million due to decline in sales and product mix effects
- ▶ Planned **restructuring measures initiated**

### Automotive

- ▶ **Sales decreased** by 6 % to € 599 million, but lower than Western European market (- 12%)
- ▶ **Operational earnings\*\* declined** to € 31 million due to lower sales in Hardparts and additional R&D expenses in Mechatronics
- ▶ First **restructuring measures started**
- ▶ Mechatronics: **New plant opened** for production of exhaust-gas recirculation (EGR) valves and electric throttle valves in China
- ▶ **China**: JVs with strong top-line growth (+ 28%) and good earnings figures (+ 57%)

\* EBIT pre-restructuring; EBIT (reported) = € - 44 million

\*\* EBIT pre-restructuring; EBIT (reported) = € 27 million



# “Rheinmetall 2015”

## Status quo of restructuring

DEFENCE	<b>Tracked Vehicles (D):</b> implementation phase	<ul style="list-style-type: none"> <li>▶ Reduction by 150 employees</li> <li>▶ Total volume: € 28 million, thereof € 17 million booked in Q4 2012</li> </ul>
	<b>Air Defence Zurich (CH):</b> implementation phase	<ul style="list-style-type: none"> <li>▶ Reduction by 100-110 employees</li> <li>▶ Total volume: € 6 million, thereof € 3 million booked in Q4 2012</li> </ul>
	<b>RMMV Vienna plant (A):</b> finalization of negotiations expected for Q2 2013	<ul style="list-style-type: none"> <li>▶ Reduction by 250-300 employees</li> <li>▶ Costs expected to be booked in Q2 2013</li> </ul>
AUTOMOTIVE	<b>Plants in Neuss and Nettetal (D):</b> start of merging two production facilities	<ul style="list-style-type: none"> <li>▶ Reduction by 100 employees</li> <li>▶ Total volume: € 7 million, thereof € 4 million booked in Q1 2013</li> </ul>
	<b>Piston plant Thionville (F):</b> program measures initiated	<ul style="list-style-type: none"> <li>▶ Reduction by 80 out of 260 employees</li> <li>▶ Costs expected to be booked in Q2 2013</li> </ul>



## Q1 2013 in detail

### Sales decreased, EBIT dropped, free cash flow from operations stable

Rheinmetall Group <i>in € million</i>	Q1 2012*	Q1 2013	Δ Q1 2013/ Q1 2012
Sales	1,109	962	- 147
Operational earnings (EBIT pre-restructuring)	43	- 14	- 57
Restructuring costs	0	- 5	- 5
EBIT (reported)	43	- 19	- 62
Group net income	20	- 29	- 49
Earnings per share <i>in €</i>	0.56	- 0.61	- 1.17
Cash flow	62	13	- 49
Free cash flow from operations	- 226	- 230	- 4
Employees	21,661	21,560	- 101

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



## Solid order situation

### Quarterly loss caused by decreasing sales

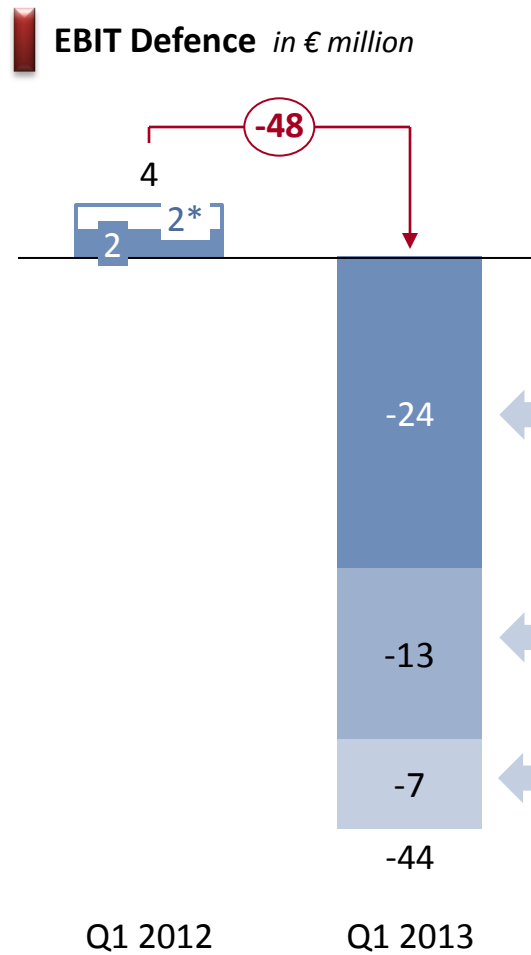
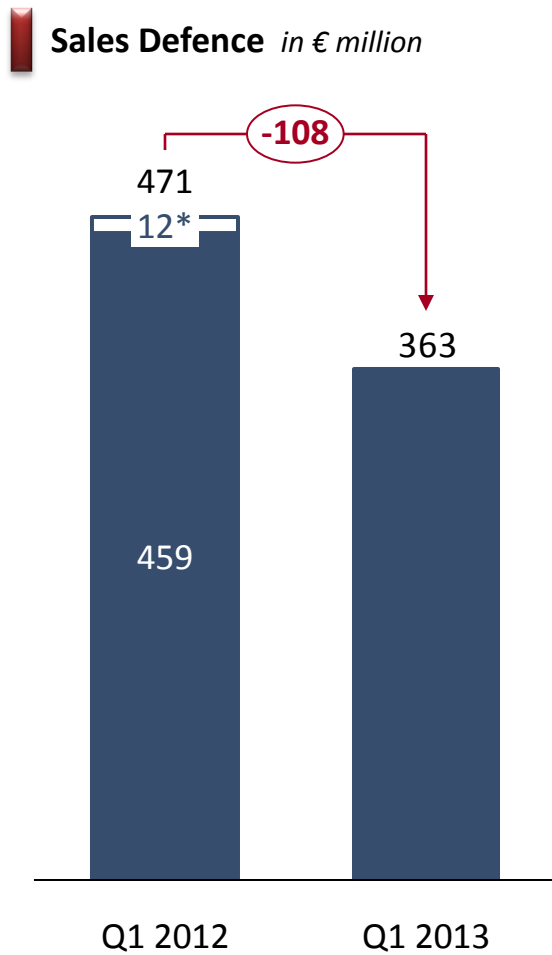
Rheinmetall Defence <i>in € million</i>	Q1 2012*	Q1 2013	Δ Q1 2013/ Q1 2012
Order intake	432	416	- 16
Order backlog	4,527	5,002	+ 475
Sales	471	363	- 108
Operational earnings (EBIT pre-restructuring)	4	- 43	- 47
Restructuring costs	0	- 1	- 1
EBIT (reported)	4	- 44	- 48
Employees	9,822	9,437	- 385

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



# Weak operational performance

## Decline in earnings due to lower sales and product mix effects



**Reasons for weaker EBIT**

- Combat Systems:**
  - ▶ Lower sales in tracked vehicles and ammunition
  - ▶ Restructuring costs (€ 1 million)
- Wheeled Vehicles:**
  - Lower sales and overcapacity Vienna plant
- Electronic Solutions:**
  - Lower sales in Air Defence and product mix effects

\* 51% of drone business divested in Q2 2012



## Weakness in Western European markets continued Sales and earnings declined, first restructuring costs booked

Rheinmetall Automotive <i>in € million</i>	Q1 2012*	Q1 2013	Δ Q1 2013/ Q1 2012
Sales	638	599	- 39
Operational earnings (EBIT pre-restructuring)	44	31	- 13
Restructuring costs	0	- 4	- 4
EBIT (reported)	44	27	- 17
Employees	11,699	11,979	+ 280

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

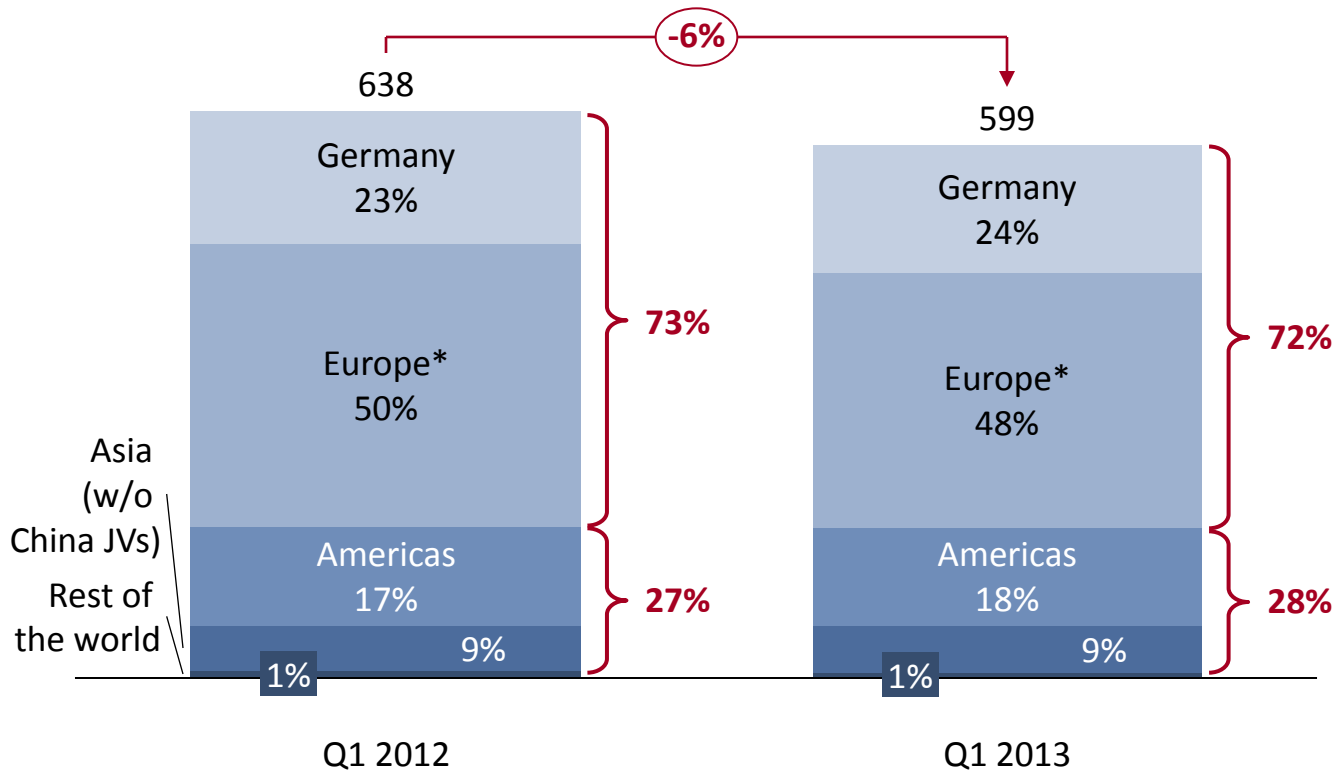




# Sales by region

## Moderate decrease of sales due to weaker European markets

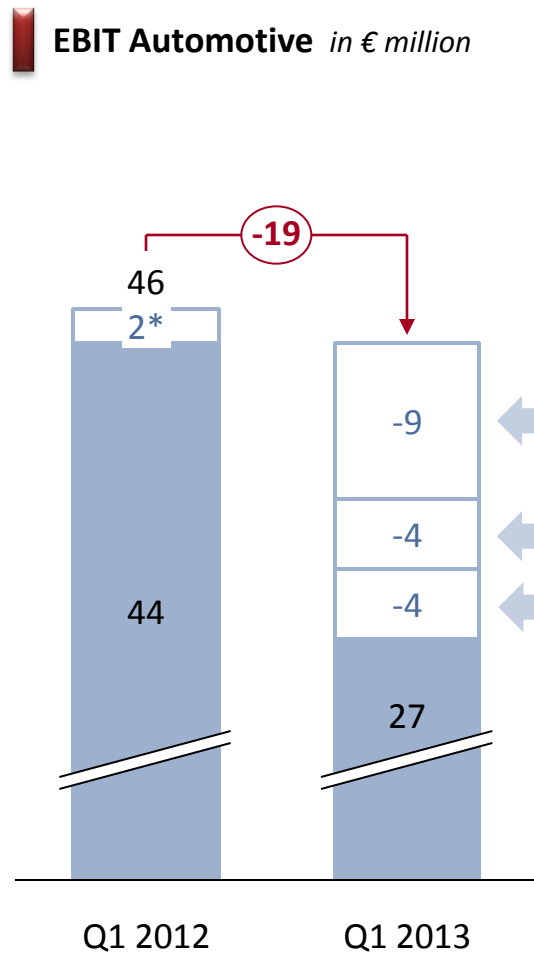
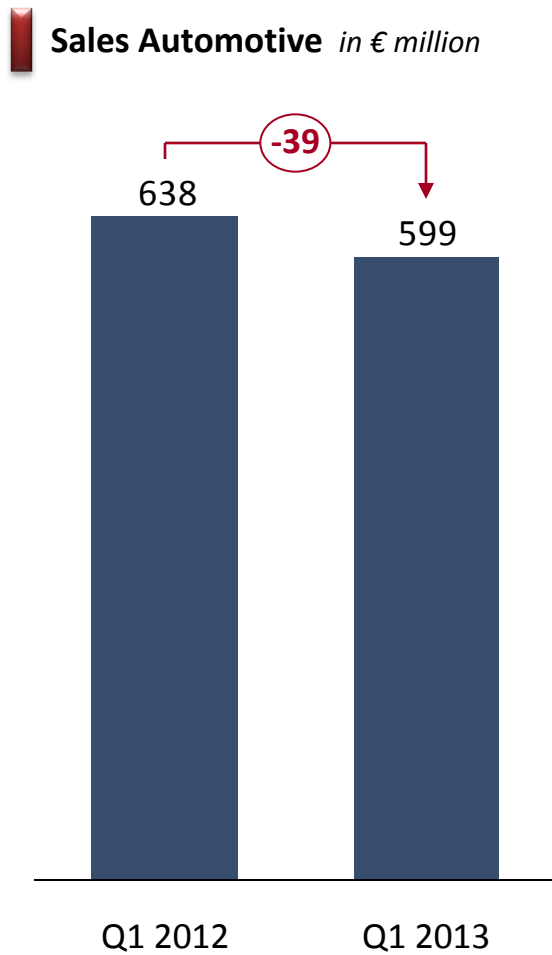
Sales by region in € million resp. %



\* Excluding Germany



# Sales in Hardparts following market slowdown EBIT in Mechatronics reduced by restructuring costs and R&D expenses



**Reasons for weaker EBIT**

- Hardparts: Lower sales of € - 39 million
- Mechatronics: Restructuring
- Mechatronics: Additional R&D

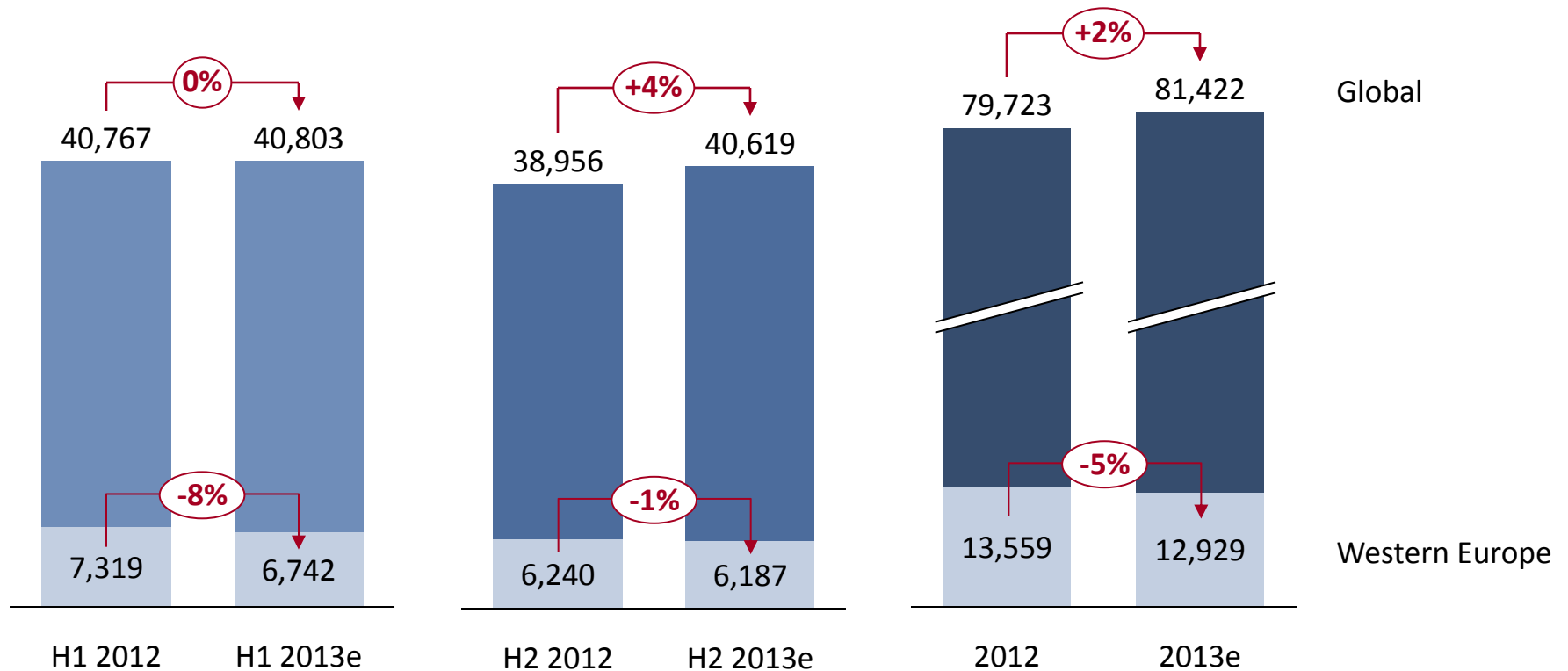
\* 2012 figures restated for retrospective application of IAS 19 Employee Benefits (revised 2011)



# Looking at the markets

## Recovery of global markets expected for H2 2013

Expected global and Western European production of light vehicles *in thousand units*



Source: IHS Automotive (April 2013)



“RHEINMETALL 2015”



# “Rheinmetall 2015”

## Key points of strategy

### Two pillars

- Defence and Automotive with good growth potential
- Risk diversification for the group

### Internationalization

- Higher proportion of business outside of Europe in both segments

### Growth, products and innovations

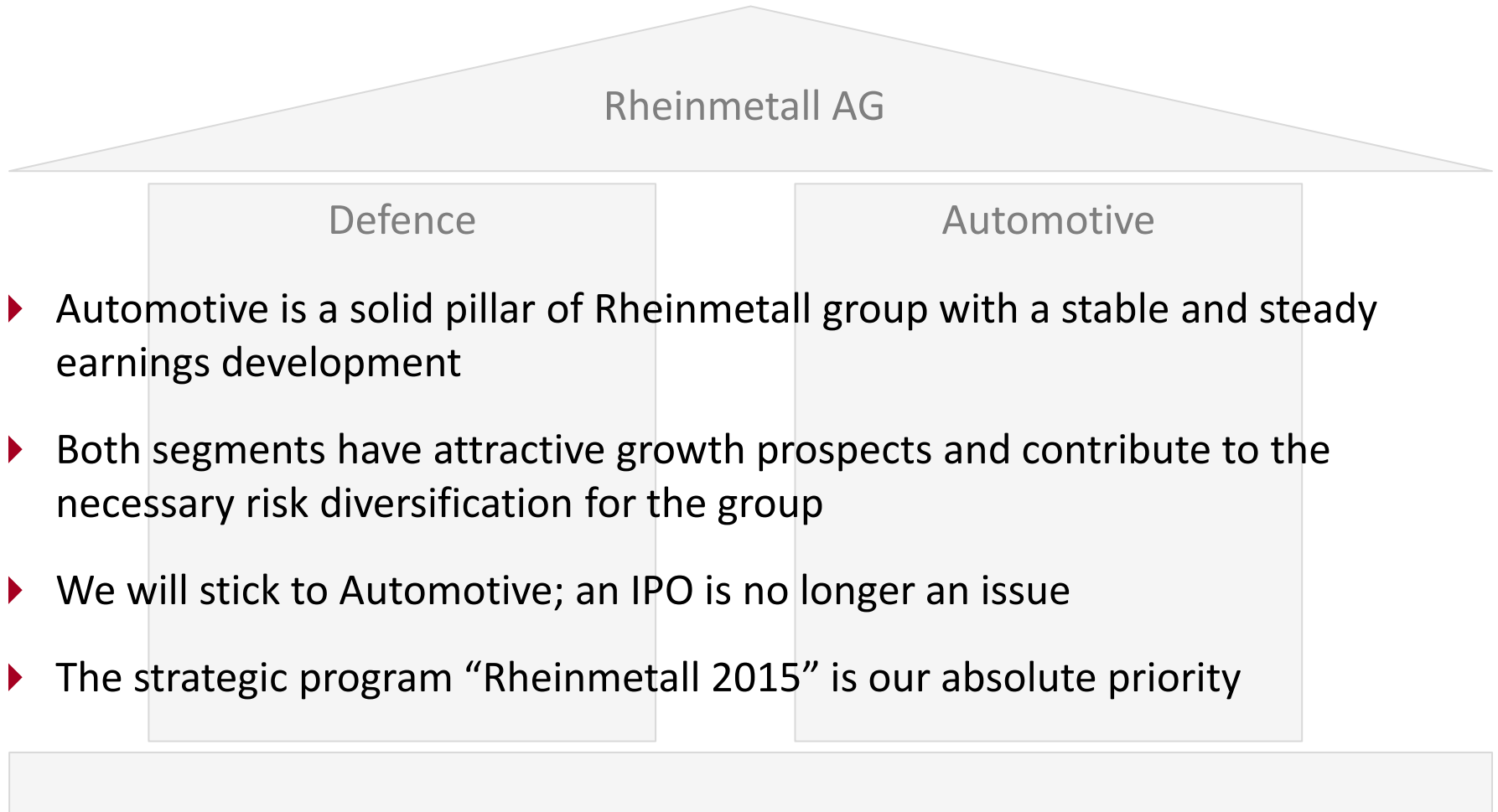
- From 2015 organic growth of 3-5% (CAGR) normal business cycle provided

### Cost efficiency

- Restructuring measures in 2013, full savings effect from 2015

# “Rheinmetall 2015”

## Two pillars: Defence and Automotive





## “RHEINMETALL 2015” – Defence

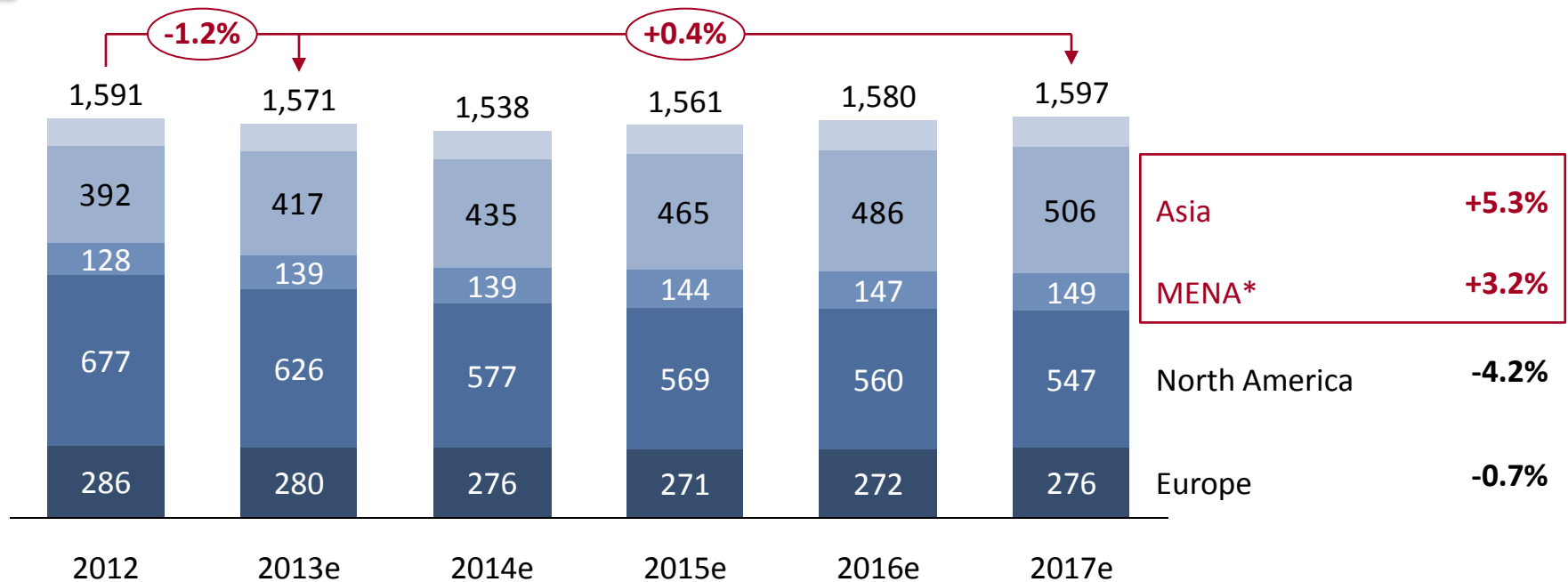


# “Rheinmetall 2015”

## Global defence budgets develop differently by region

Expected global defence spending and procurement 2012-2017 in US\$ billion

Ø Growth p.a. (CAGR):



- ▶ Strong demand for **modernization of armed forces**
- ▶ **Growth impulses** especially from Asia and the MENA\* region

\* MENA = Middle East and North Africa

Source: IHS Jane's (March 2013)





## “Rheinmetall 2015” Strategic development Defence

### Internationalization

- Focused continuation of the hub strategy
- Strengthening of local presence in growth markets outside of Europe

### Growth, products and innovations

- Safeguarding technological leadership by comprehensive innovation pipeline
- Extension of the systems- and service business

### Cost efficiency

- Adjustment of capacities and processes in order to improve profitability and long-term competitiveness
- Optimization of location structures

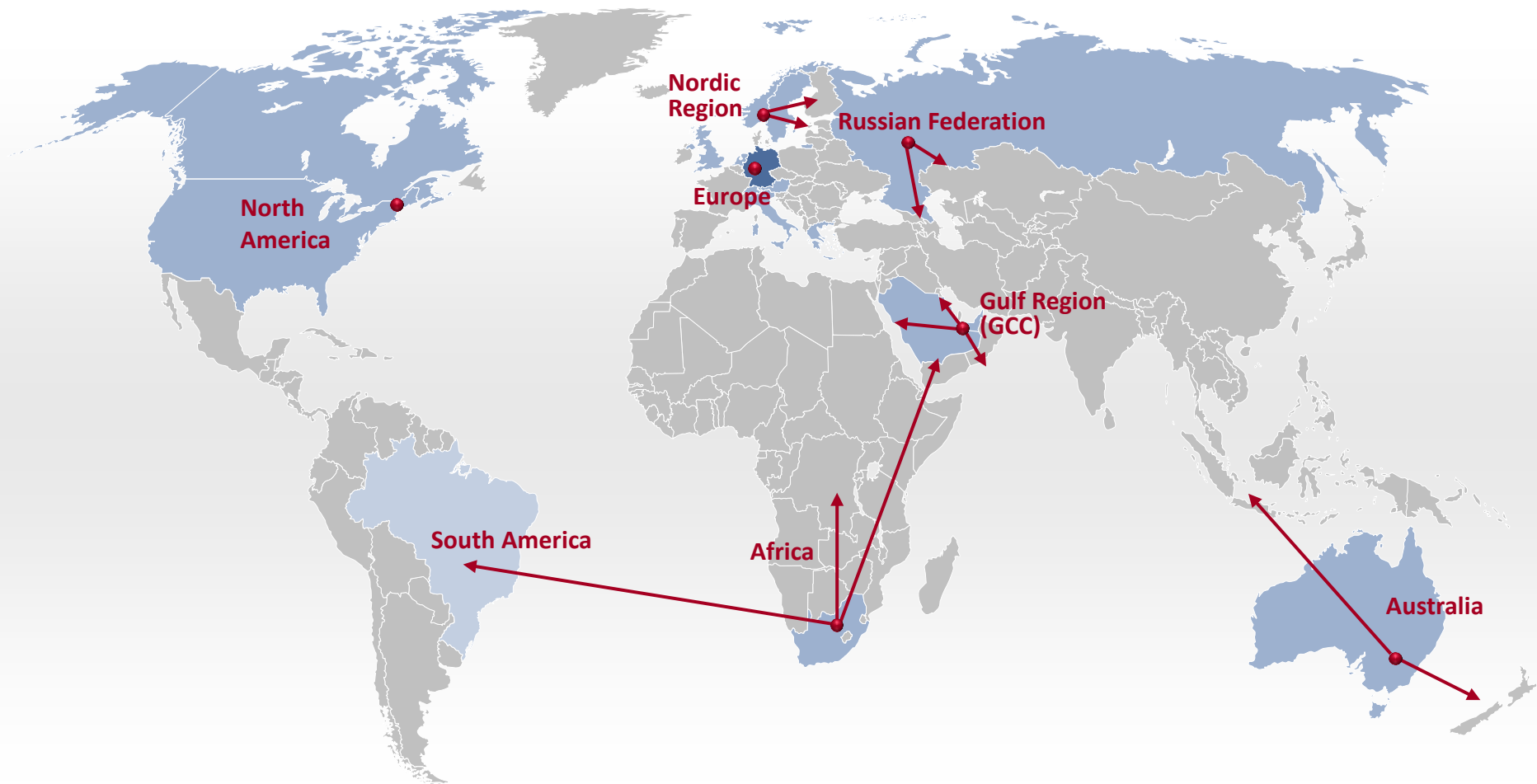


# “Rheinmetall 2015” Internationalization – “Blue print” South Africa





# “Rheinmetall 2015” Acquisition of new markets by hub strategy





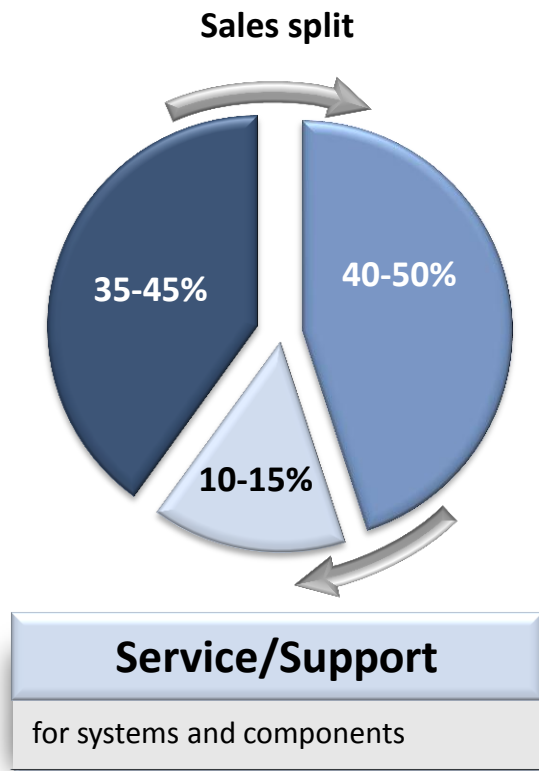
# “Rheinmetall 2015”

## Extension of systems- and service business

### Components

- ▶ Turrets and weapon stations
- ▶ Weapon and ammunition
- ▶ Active and passive protection
- ▶ Propellants
- ▶ Electro-optical components

- ▶ Sustainable business with small and medium-sized orders
- ▶ Low technological risk, but high margins
- ▶ Mainly not affected by budget cuts



### Systems

- ▶ Tracked vehicles
- ▶ Wheeled vehicles
- ▶ Simulation and training
- ▶ Air defence

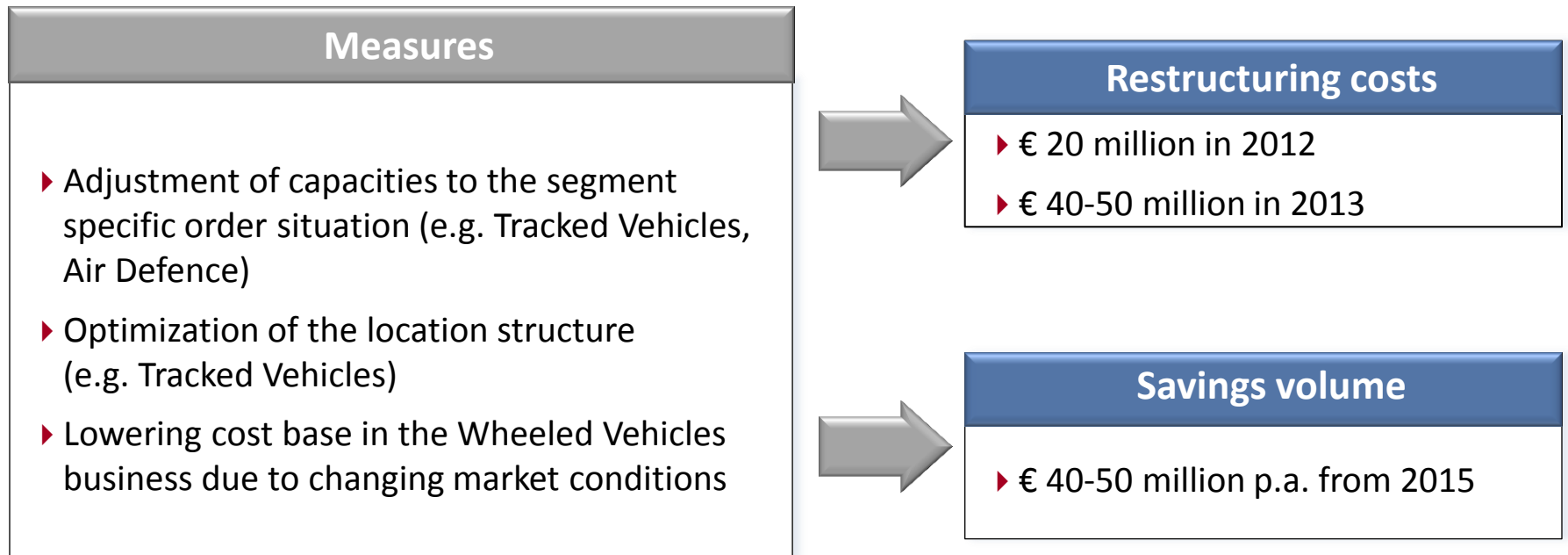
- ▶ Large-scale project business
- ▶ Long-running contracts
- ▶ Project risk management
- ▶ Order volume and timing often affected by budget situation

- ▶ Profitable follow-up business
- ▶ Independent of budget restraints



# “Rheinmetall 2015”

## Measures to improve cost efficiency





## “Rheinmetall 2015” Growth and earnings targets

- ▶ From 2014 onwards we want to **grow organically** and gain market share
- ▶ From 2015 onwards about 50% of our sales should be generated with **customers from outside Europe**
- ▶ We see **growth potential** especially in Asia and Australia
- ▶ The Defence segment should reach an **EBIT margin of 10% starting 2015**



## “RHEINMETALL 2015” – Automotvie

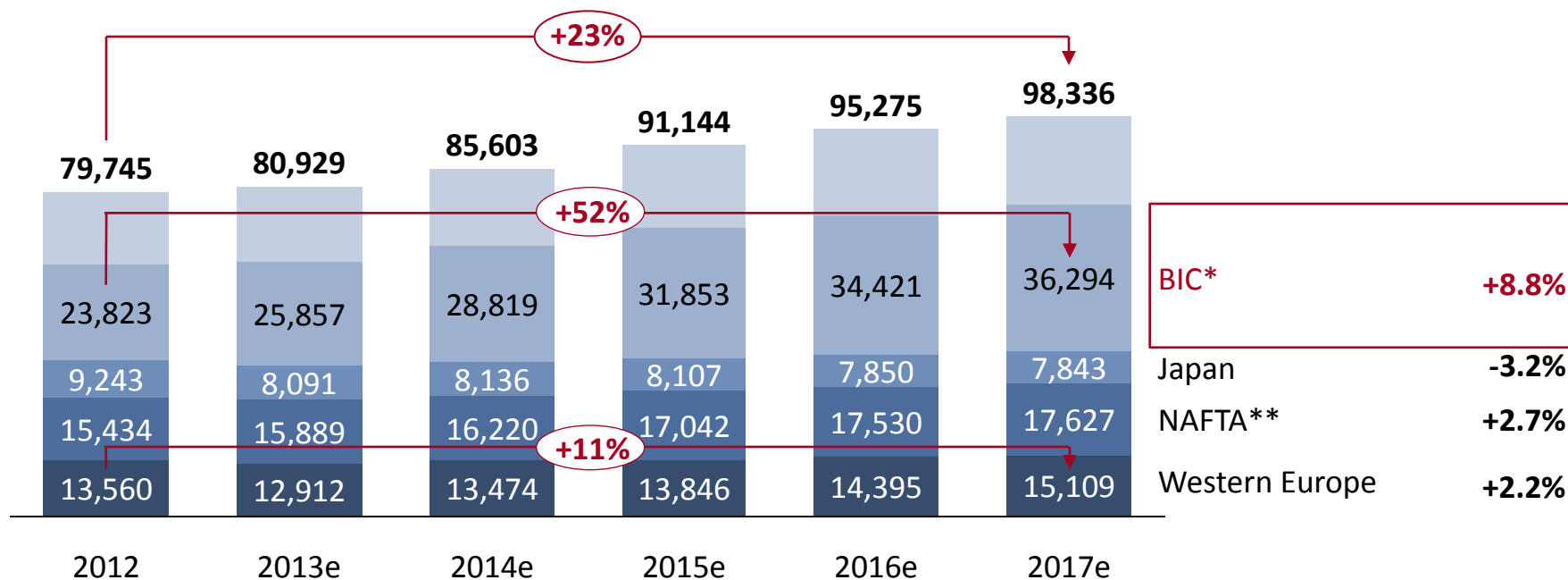


# “Rheinmetall 2015”

## Global growth driven by emerging markets

Expected production of light vehicles by region 2012-2017 in thousand units

Ø Growth p.a. (CAGR):



- ▶ **High dynamics** in Brazil, India and China, but also growth in Western Europe
- ▶ German OEMs benefit from **global demand for premium cars**

\* BIC = Brazil + India + China

\*\* NAFTA = USA + Canada + Mexico

Triad = Western Europe + NAFTA + Japan: + 1.2% p.a.

Source: IHS Automotive (March 2013)





## “Rheinmetall 2015” Strategic development Automotive

### Internationalization

- Strengthening of presence in the growth markets China and India
- Expanding Mechatronics business activities outside of Europe

### Growth, products and innovations

- Realization of growth potential of Mechatronics products, especially in the field of turbo-charged gasoline engines
- Expansion of the aftermarket business

### Cost efficiency

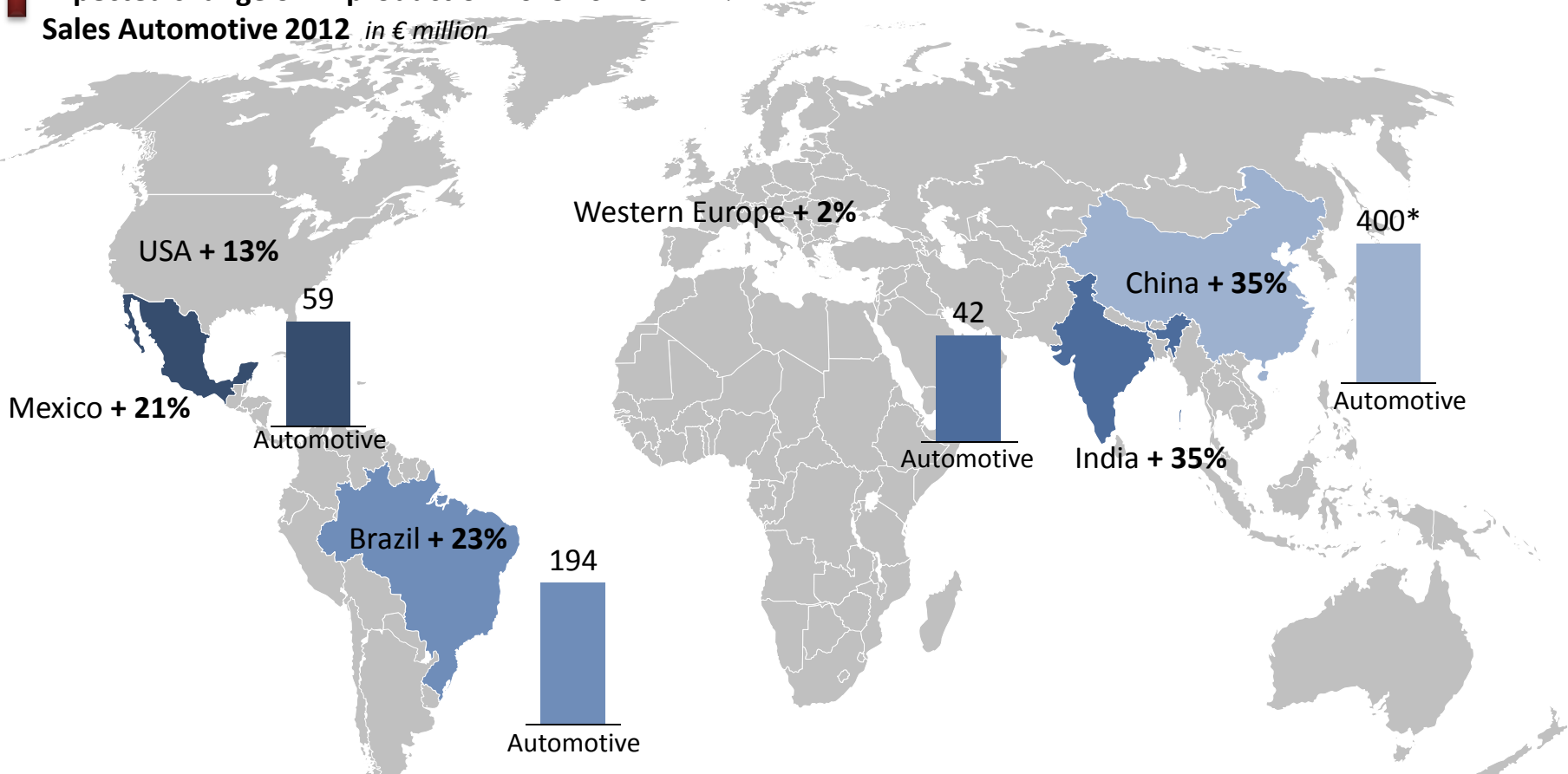
- Optimization of the national and international location structure
- Safeguarding the long-term competitiveness of the Hardparts division by improved cost structures



# “Rheinmetall 2015”

## Disproportionately high growth in emerging markets with local production

Expected change of LV production 2015 vs. 2012 in %  
 Sales Automotive 2012 in € million



\* Including 100% of sales of Joint Ventures

Source: IHS Automotive (March 2013)



# “Rheinmetall 2015”

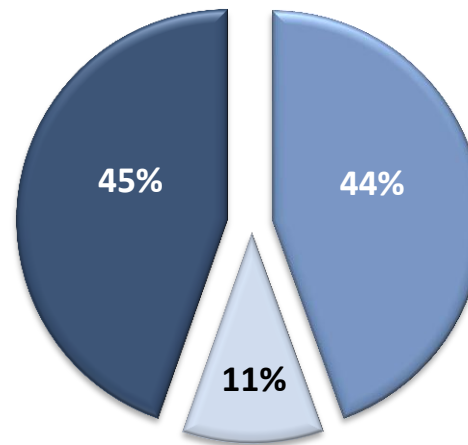
## Automotive well-positioned with large product portfolio

### Mechatronics

- ▶ Exhaust gas recirculation
- ▶ Solenoid valves
- ▶ Actuators
- ▶ Water-, oil- and vacuum pumps

- ▶ Strict regulations as growth driver
- ▶ Strong position in Europe, especially in Diesel markets
- ▶ High degree of innovation and well filled order pipeline

Sales split 2012\*



### Motor Service

Engine parts for own products and third parties

- ▶ Global presence in 130 countries
- ▶ Large product portfolio with spare parts and services

### Hardparts

- ▶ LV- and truck pistons
- ▶ Large bore pistons
- ▶ Bearings
- ▶ Continuous casting
- ▶ Engine blocks

- ▶ High degree of internationalization with strong position in growth markets
- ▶ Good position in prospective markets for gasoline engines
- ▶ Capital intensive business model in mature product markets

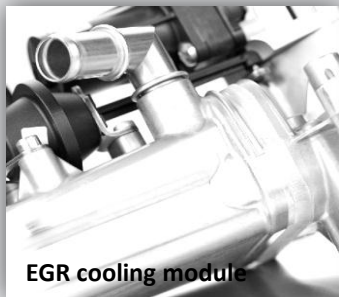
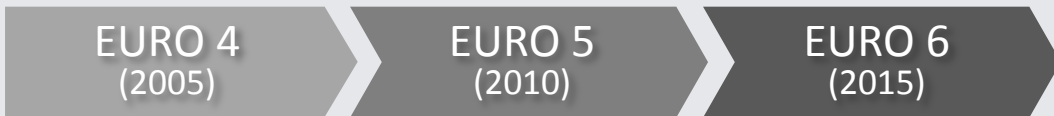
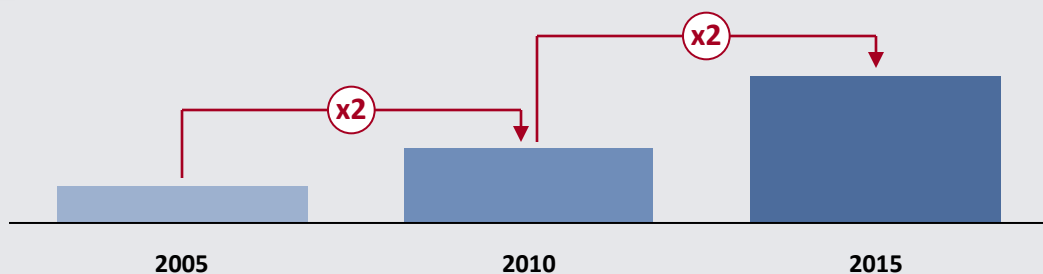
\* Before consolidation



# “Rheinmetall 2015”

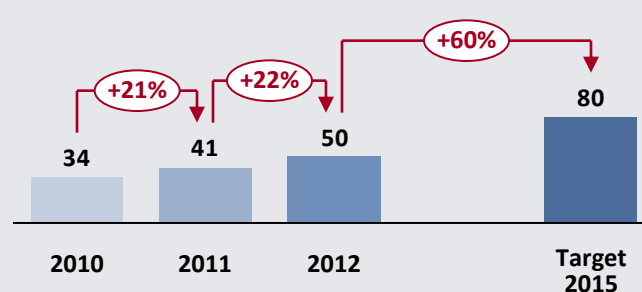
## Stricter emission regulations drive the Mechatronics business

Estimated value-added of KSPG per vehicle for EGR-products



EGR = Exhaust Gas Recirculation

KSPG-share per truck in € (est.)



Truck business expected to follow





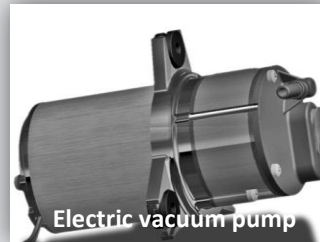
# “Rheinmetall 2015”

## Stricter standards for improved energy efficient fuel consumption

### Downsizing/Turbocharging



### Hybridization



### Savings effect of CO<sub>2</sub>-penalties in €



UniValve



Low friction piston



Variable oil pump



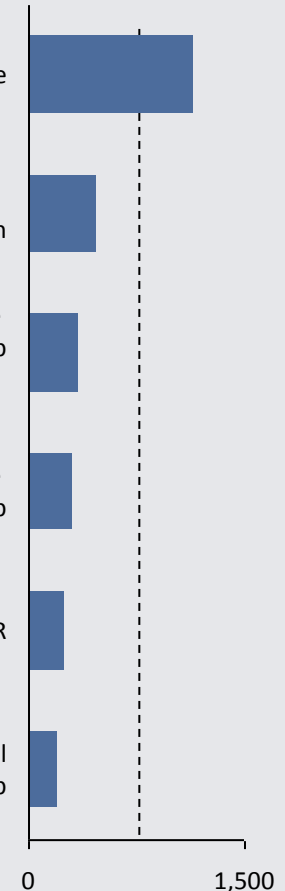
Variable water pump



EGR



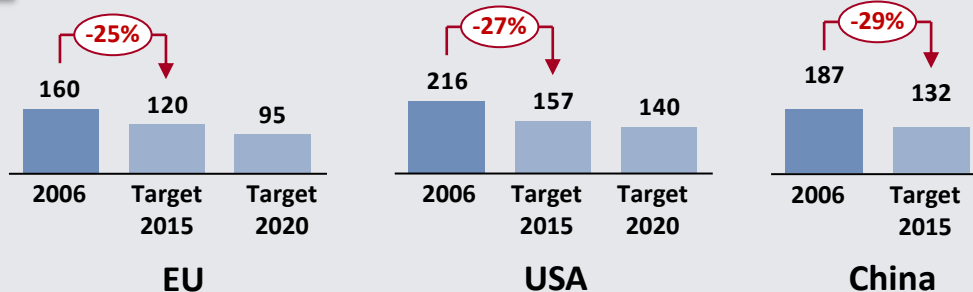
Electrical water pump



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

CO<sub>2</sub> penalties

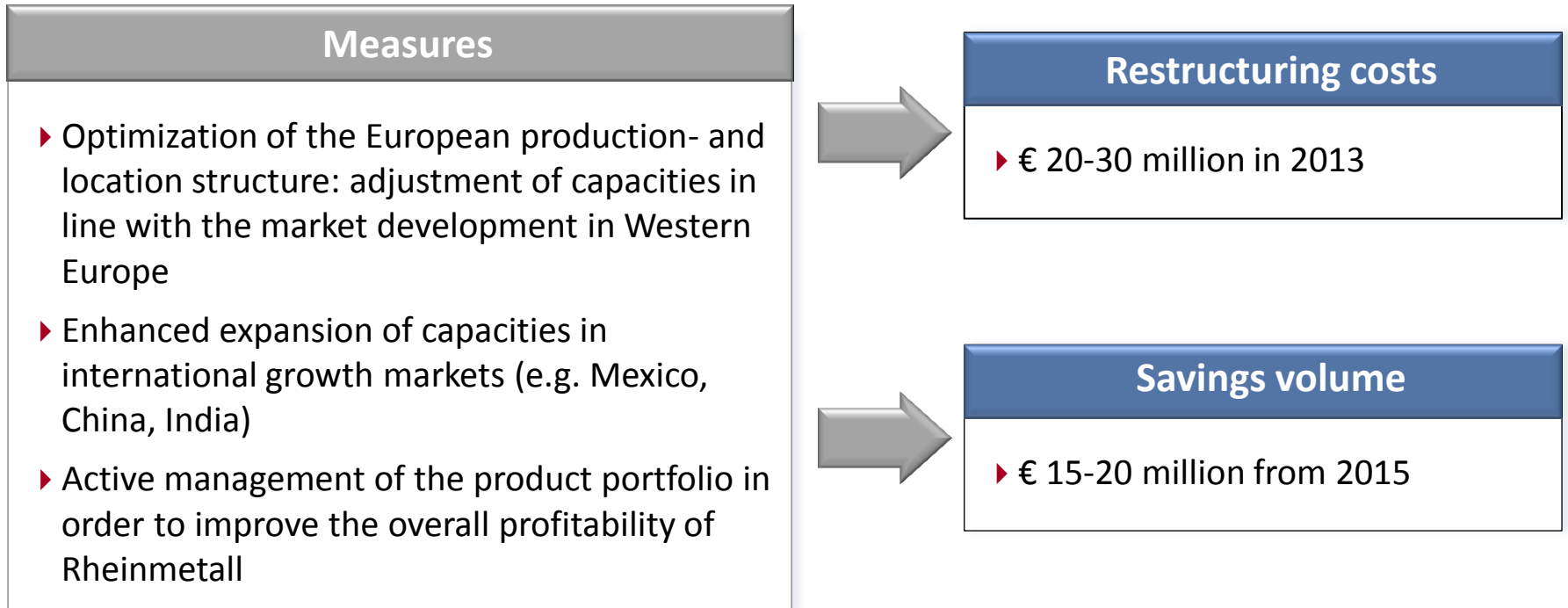
### CO<sub>2</sub>-emission targets in g/km





# “Rheinmetall 2015”

## Measures to improve cost efficiency





## “Rheinmetall 2015”

### Growth and earnings targets

- ▶ In a continuously growing Automotive market, Automotive wants to **exceed sector growth slightly** and, together with the Chinese JVs, exceed sector growth clearly
- ▶ From 2015 on, **more than one third of sales** should be generated **in regions outside of Europe**. Special emphasis lies on markets in India and China
- ▶ Assuming a stable market environment, Rheinmetall Automotive envisages **an EBIT margin of 8% from 2015**



## “Rheinmetall 2015” Cash flow and finance

- ▶ We concentrate on the successful organic development of both segments and on the improvement of **operating free cash flow**
- ▶ We want to maintain our **investment grade rating**
- ▶ We will seize opportunities for **focused acquisitions** in both segments
- ▶ We confirm our **dividend policy** with a payout ratio of at least 30% of earnings per share





## OUTLOOK



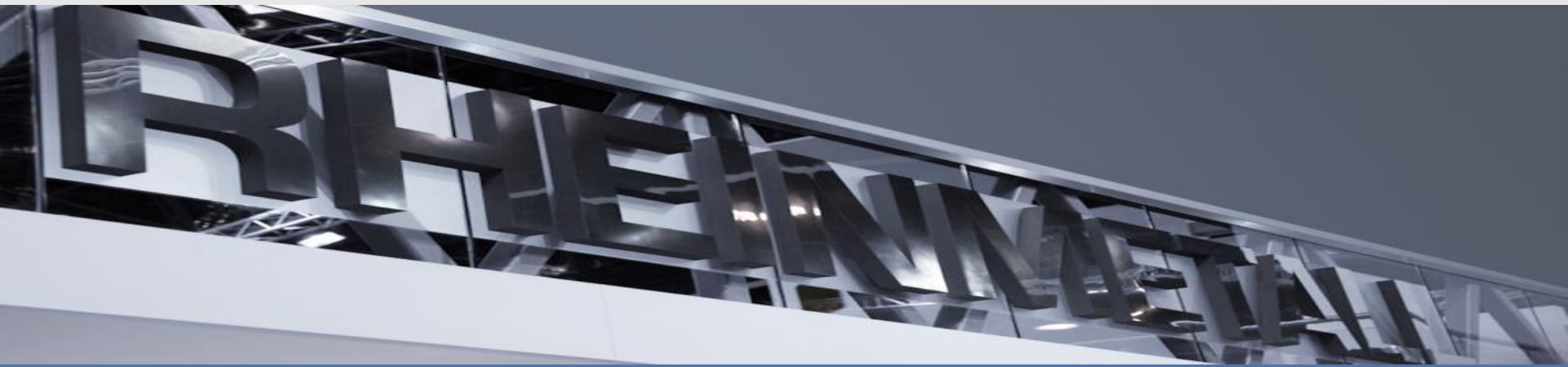
# Outlook 2013 unchanged

## A year of transition to improved profitability

	Sales <i>in € billion</i>		EBIT <i>in € million</i>	
	2012	2013e	2012	2013e
Group	4.7	4.8 - 4.9	301	240 - 260*
			<b>Restructuring costs</b>	<b>60 - 80</b>
Defence	2.3	around 2.4	174	130**
			<b>Restructuring costs</b>	<b>40 - 50</b>
Automotive	2.4	2.4 - 2.5	143	140**
			<b>Restructuring costs</b>	<b>20 - 30</b>

\* Including holding costs, before restructuring costs

\*\* Before restructuring costs



## APPENDIX



## Income statement

### Sales decreased, EBIT dropped

Rheinmetall Group <i>in € million</i>	Q1 2012*	Q1 2013	Δ Q1 2013/ Q1 2012
Sales	1,109	962	- 147
EBITDA	91	29	- 62
EBITDA margin <i>in %</i>	8.2	3.0	- 5.2 pp
EBIT (reported)	43	- 19	- 62
EBIT margin (reported) <i>in %</i>	3.9	- 2.0	- 5.9 pp
Restructuring costs	0	- 5	- 5
Operational earnings (EBIT pre-restructuring)	43	- 14	- 57
Employees	21,661	21,560	- 101

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



## Income statement

### Net income and EPS declined

Rheinmetall Group <i>in € million</i>	Q1 2012*	Q1 2013	Δ Q1 2013/ Q1 2012
EBIT (reported)	43	- 19	- 62
Interest	- 17	- 18	- 1
EBT	26	- 37	- 63
Taxes	- 6	+ 8	+ 14
Group net income	20	- 29	- 49
Minority interests	- 2	- 6	- 4
Group earnings (after minorities)	22	- 23	- 45
Number of shares (weighted average) <i>in million</i>	38.1	37.7	- 0.4
Earnings per share <i>in €</i>	0.56	- 0.61	- 1.17

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



## Cash flow statement

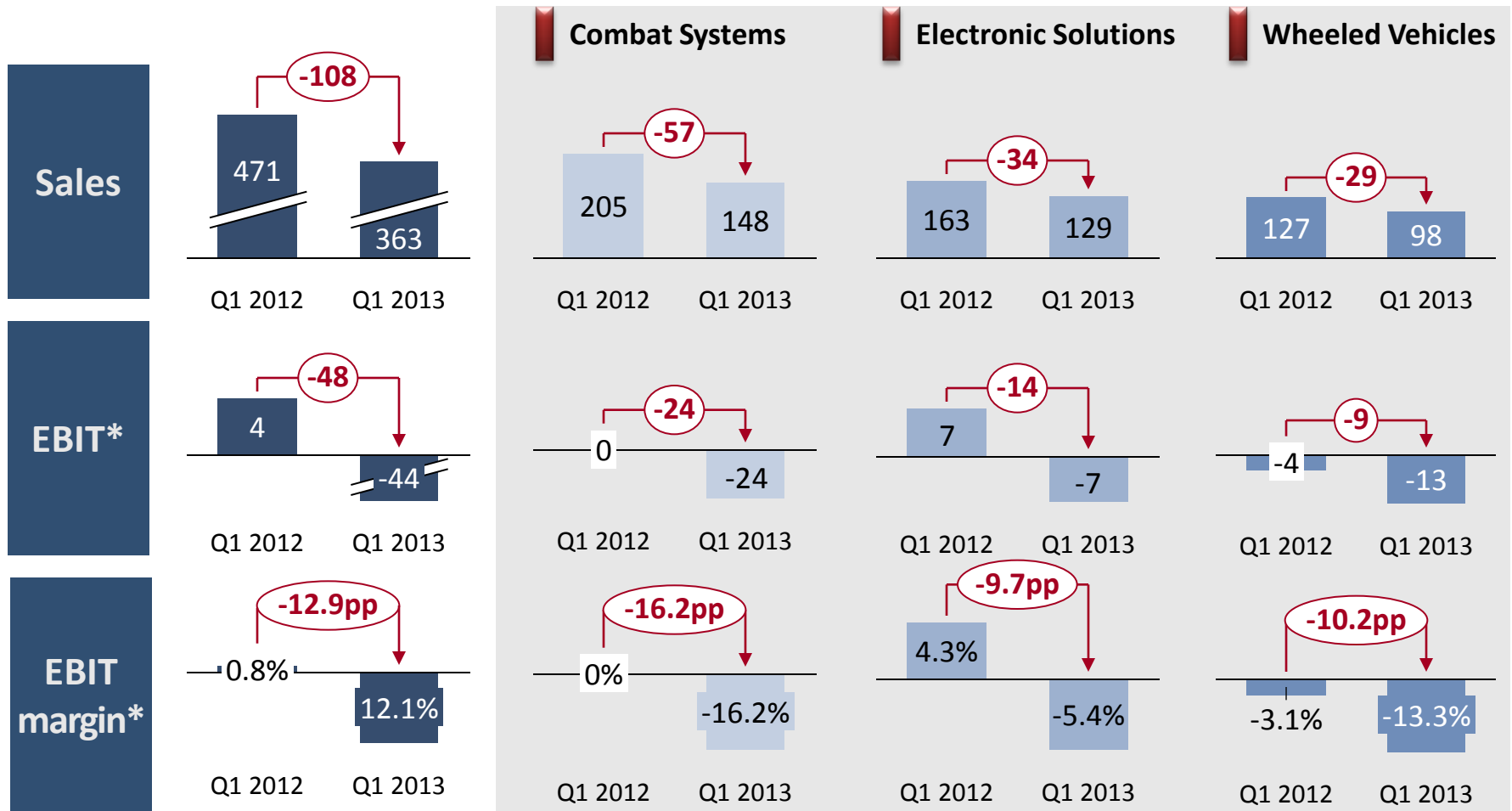
### Cash flow impacted by lower earnings and improved working capital

Rheinmetall Group <i>in € million</i>	Q1 2012*	Q1 2013	Δ Q1 2013/ Q1 2012
<b>Group net income</b>	<b>20</b>	<b>- 29</b>	<b>- 49</b>
Amortization / depreciation	48	48	± 0
Change in pension accruals	- 6	- 6	± 0
<b>Cash flow</b>	<b>62</b>	<b>13</b>	<b>- 49</b>
Changes in working capital and other items	- 246	- 206	+ 40
<b>Net cash used in operating activities</b>	<b>- 184</b>	<b>- 193</b>	<b>- 9</b>
Cash outflow for additions to tangible and intangible assets	- 42	- 37	+ 5
<b>Free cash flow from operations</b>	<b>- 226</b>	<b>- 230</b>	<b>- 4</b>

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



# Key figures Defence by division



Figures before intersegmental consolidation

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



## Cash flow Defence

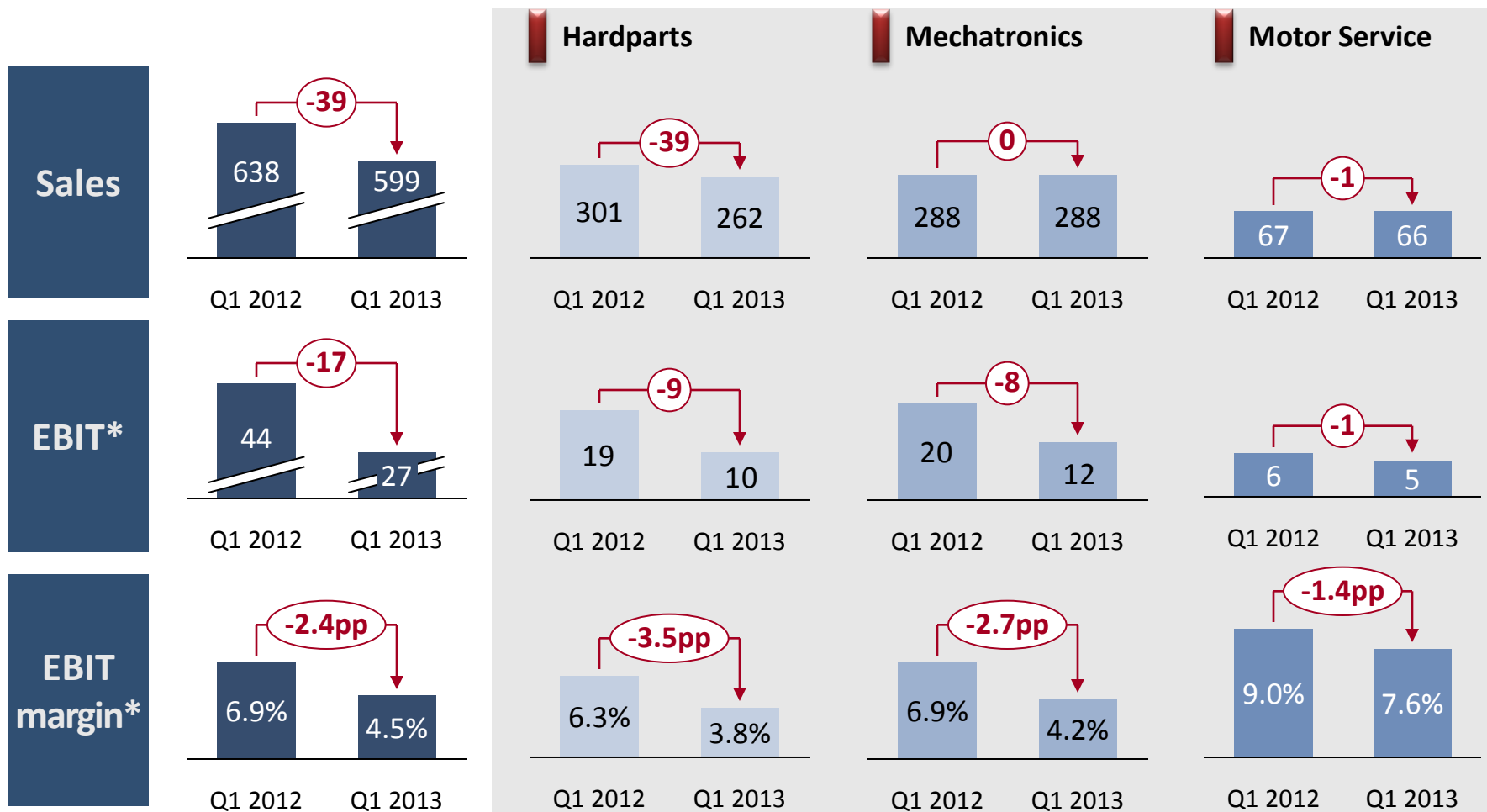
Rheinmetall Defence <i>in € million</i>	Q1 2012*	Q1 2013	Δ Q1 2013/ Q1 2012
<b>Net income</b>	- 1	- 39	- 38
Amortization / depreciation	21	22	+ 1
Change in pension accruals	- 2	- 1	+ 1
<b>Cash flow</b>	<b>18</b>	<b>- 18</b>	<b>- 36</b>
Changes in working capital and other items	- 208	- 155	+ 53
<b>Net cash used in operating activities</b>	<b>- 190</b>	<b>- 173</b>	<b>+ 17</b>
Cash outflow for additions to tangible and intangible assets	- 14	- 9	+ 5
<b>Free cash flow from operations</b>	<b>- 204</b>	<b>- 182</b>	<b>+ 22</b>

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





# Key figures Automotive by division



Figures before intersegmental consolidation

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



## Cash flow Automotive

Rheinmetall Automotive <i>in € million</i>	Q1 2012*	Q1 2013	Δ Q1 2013/ Q1 2012
<b>Net income</b>	<b>29</b>	<b>19</b>	<b>- 10</b>
Amortization / depreciation	26	26	± 0
Change in pension accruals	- 2	- 5	- 3
<b>Cash flow</b>	<b>53</b>	<b>40</b>	<b>- 13</b>
Changes in working capital and other items	- 69	- 22	+ 47
<b>Net cash used in operating activities</b>	<b>- 16</b>	<b>+ 18</b>	<b>+ 34</b>
Cash outflow for additions to tangible and intangible assets	- 28	- 28	± 0
<b>Free cash flow from operations</b>	<b>- 44</b>	<b>- 10</b>	<b>+ 34</b>

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



## 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 2013.

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.