



Q1-3 2012 | Düsseldorf, 9 November 2012

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



## Rheinmetall Group Key messages Q1-3 2012

- ▶ **Sales** increased by € 170 million
- ▶ **Earnings** declined: EBIT lowered by € 26 million to € 177 million, EPS on previous year's level at € 3.06
- ▶ Operating **free cash flow** € 36 million better than in Q1-3 2011
- ▶ **Outlook FY 2012 adjusted:**
  - Sales expected at approximately € 4.8 billion
  - EBIT lower than last year's € 354 million at approximately € 300 million



**RHEINMETALL DEFENCE**



## Rheinmetall Defence

### Key messages

- ▶ Strong **order intake** of € 1,578 million, 21% more than € 1,303 million in Q1-3 2011
- ▶ Well-filled **order pipeline** confirms success of internationalization strategy
- ▶ **Sales** grew by 7% to € 1,470 million, with RMMV fully consolidated
- ▶ **EBIT** of € 79 million below previous year's € 104 million, earnings impacted by positive one-offs
- ▶ **Operating free cash flow** improved by € 56 million due to strong reduction in working capital



## Defence sales and earnings

### Order intake remains strong, earnings squeezed

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 %



## Defence cash flow

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

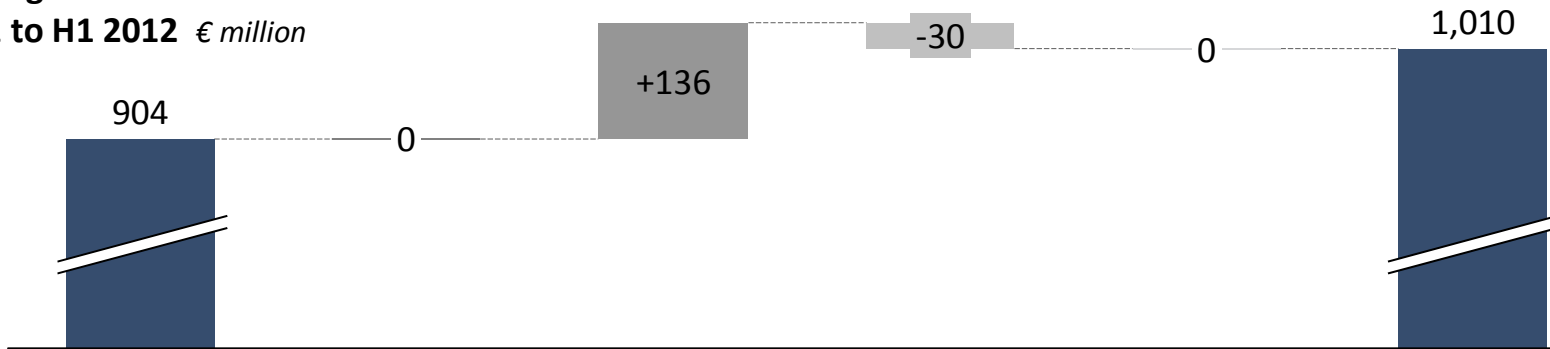
Defence € million	Q1-3 2011	Q1-3 2012	Δ Q1-3 (2012/2011)
Net income	69	55	- 14
Amortization / depreciation	57	65	+ 8
Change in pension accruals	- 3	- 8	- 5
<b>Cash flow</b>	<b>123</b>	<b>112</b>	<b>- 11</b>
Changes in working capital and other items	- 384	- 317	+ 67
<b>Net cash used in operating activities</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>



# Rheinmetall Defence Development of sales and earnings (H1)

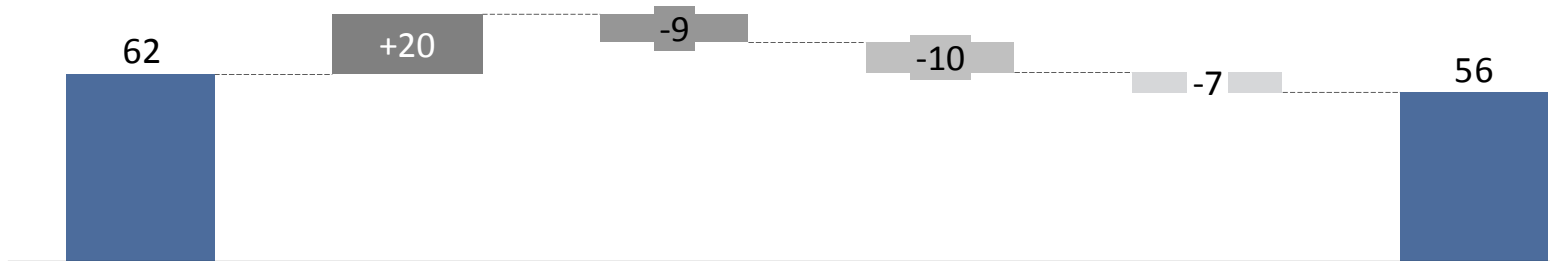
## Sales bridge

H1 2011 to H1 2012 € million



## EBIT bridge

H1 2011 to H1 2012 € million



H1 2011

One-offs

Logistic vehicles

Volume effect

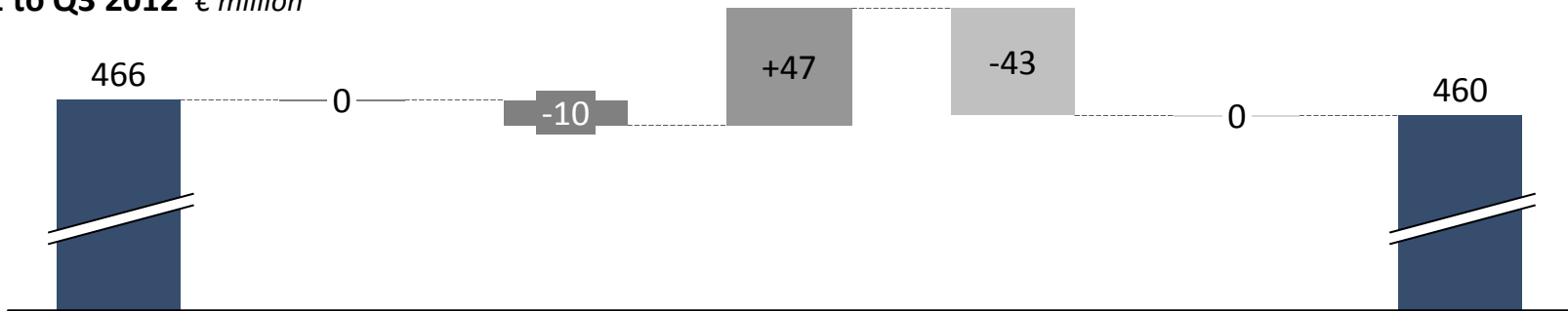
Product/project mix

H1 2012

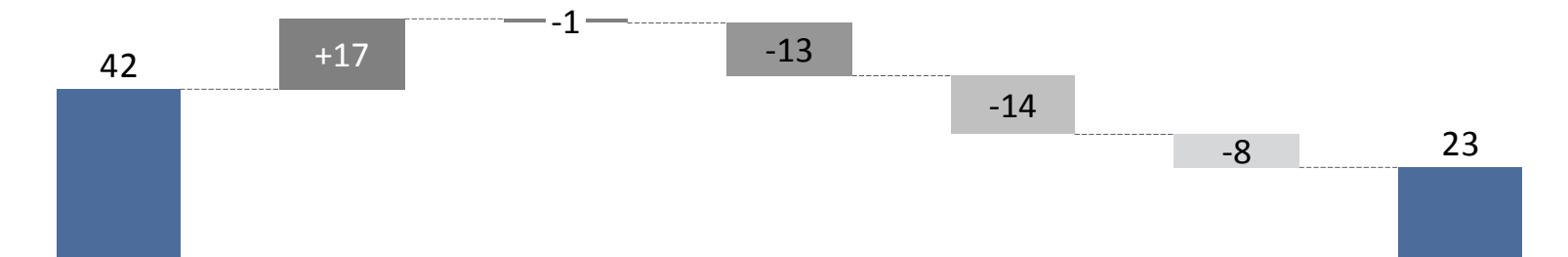


# Rheinmetall Defence Development of sales and earnings (Q3)

**Sales bridge**  
Q3 2011 to Q3 2012 € million



**EBIT bridge**  
Q3 2011 to Q3 2012 € million



Q3 2011

One-offs

Deconsolidation  
airborne

Logistic  
vehicles

Volume effect

Product/project  
mix

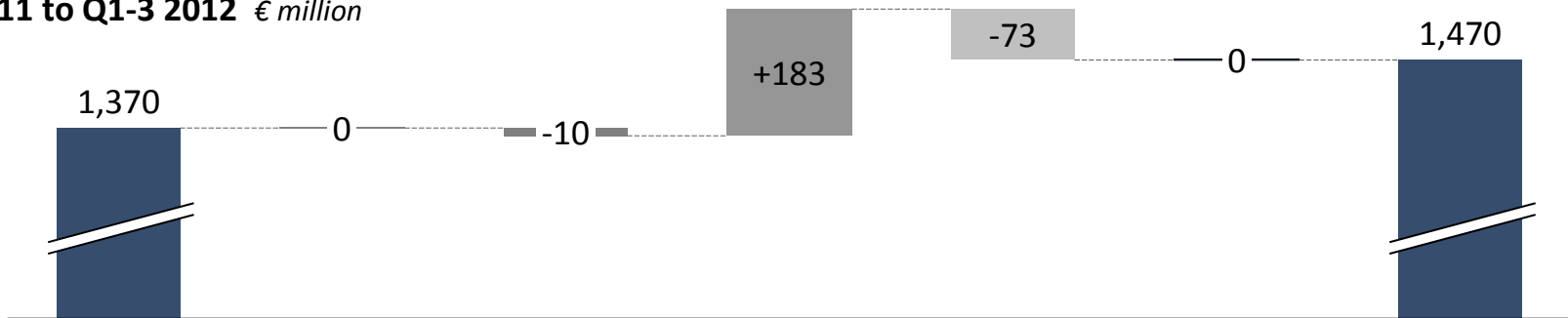
Q3 2012



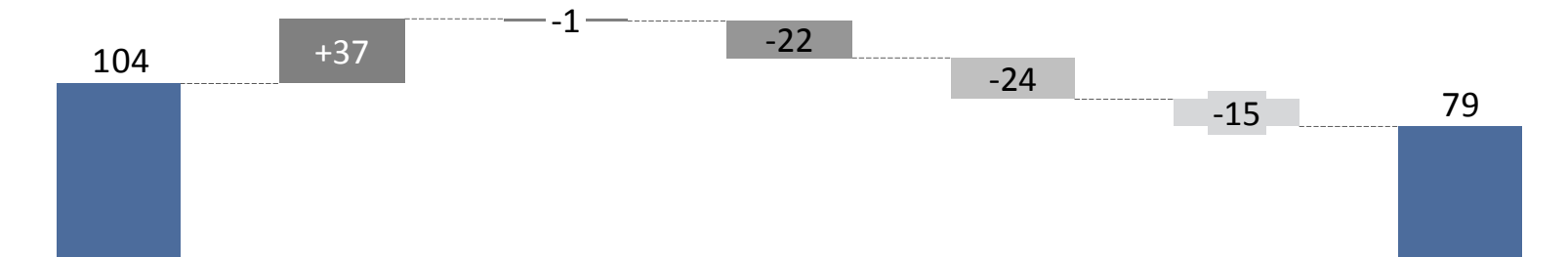


# Rheinmetall Defence Development of sales and earnings (Q1-3)

**Sales bridge**  
Q1-3 2011 to Q1-3 2012 € million



**EBIT bridge**  
Q1-3 2011 to Q1-3 2012 € million



Q1-3 2011

One-offs

Deconsolidation  
airborne

Logistic  
vehicles

Volume Effect

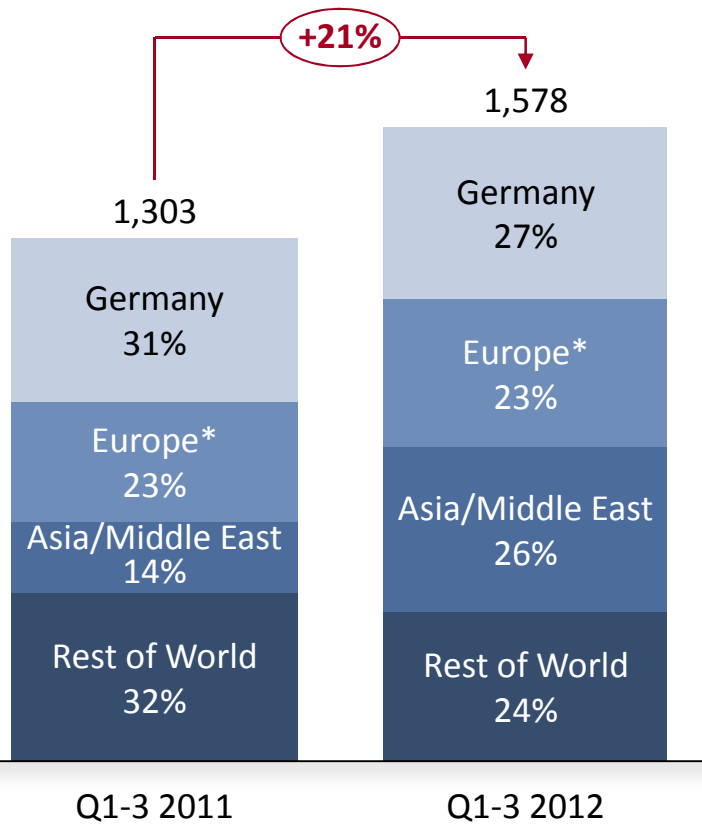
Product/project  
mix

Q1-3 2012



## Split of order intake by regions Order intake improved by 21 percent

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



- ▶ Domestic orders still stable regarding absolute numbers, but relatively losing significance
- ▶ Asia and Middle East becoming more and more important
- ▶ Rest of World mainly driven in Q1-3 2011 by Algerian order, in Q1-3 2012 by Canadian order

\* Excluding Germany



## New orders

### Competitive products strengthen the order backlog



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

- ▶ As indicated in Q2: Two orders received in 2012, a third one expected for Q4
- ▶ Total volume: € 285 million



#### Participation in Canadian wheeled vehicle program

- ▶ Assembly and services for Tactical Armored Patrol Vehicle (TAPV) program
- ▶ 500 vehicles to be delivered from 2014-2016, support contract until 2021
- ▶ Volume: € 160 million, booked in Q3



#### 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



## Expected order intake Promising order pipeline for the near-term future



### Next step of the industrial cooperation with Algeria

- ▶ Contract for 54 Fox vehicles signed in 2011 (€ 175 million)
- ▶ Order for training of Algerian workers booked in Q2 2012 (€ 35 million)
- ▶ Further deliveries in negotiations: First order of kits expected for H1 2013



### Orders for weapon and ammunition

- ▶ Naval ammunition for a MENA customer: Expected order volume of roughly € 300 million
- ▶ Weapon stations for Germany: Order volume € 55 million



### Progress in Australian wheeled vehicles tender

- ▶ Negotiations started in August 2012
- ▶ Contract expected to be signed in H2 2013

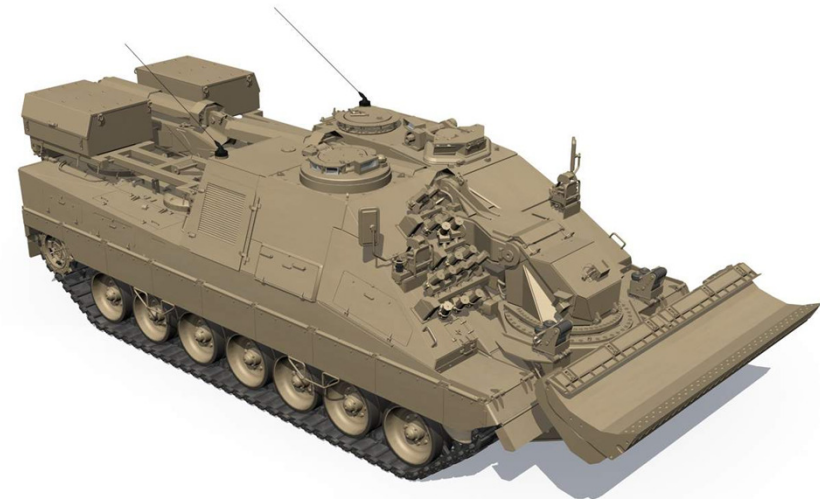


## Cost efficiency and structural optimization Focusing forces in the Tracked Vehicles business

### Tracked Vehicles

- ▶ Reduction of 60 workers in Kassel in 2013 and up to 90 in Kiel in 2014
- ▶ Shift of employees from Kiel and Kassel to Unterlüß
- ▶ Significant reduction of leased workers
- ▶ Commonly agreed cost savings (e.g. extending working hours) with immediate effect
- ▶ Relocation of the headquarters to Unterlüß
- ▶ Reduction of production sites: closure of Gersthofen site in 2014
- ▶ Restructuring costs: approximately € 15 million (to be booked in Q4)

**Target: Reducing annual personnel costs by € 20-30 million, full cost savings impact from 2015 onwards**





# Cost efficiency

## Adjusting headcount of the Air Defence business unit

### Air Defence

- ▶ Currently in negotiations with employees' representatives
- ▶ Staff reduction by 80 employees to 700
- ▶ Restructuring costs: around € 3 million

**Target: Cost savings of € 7 million per year from 2014 onwards**





## Cost efficiency Considering the changing markets in the Wheeled Vehicles division

### Wheeled Vehicles

- ▶ Significant change of the market environment:
  - Decision in the South African military vehicle program postponed by five years
  - Finalization of the Australian tender expected for 2013: two years delayed
- ▶ Cost savings program initiated

**Target: Preparing a further action plan in order to adjust cost structure to current market environment**





**RHEINMETALL AUTOMOTIVE**





## Rheinmetall Automotive

### Key messages

- ▶ Again **strong performance** in Q1-3 2012:
  - **Sales** raised by 4% to € 1,805 million
  - **EBIT** unchanged with € 115 million
- ▶ Increased **investment** in Clean & Lean products as well as in further globalization (esp. China, India, Mexico): + € 31 million compared to Q1-3 2011
- ▶ Automotive grows despite of a weak and declining European LV home market
- ▶ Automotive continues to outperform the market development in China and India



## Automotive sales and earnings

### Sales and earnings still at a remarkable level

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 %



## Automotive cash flow

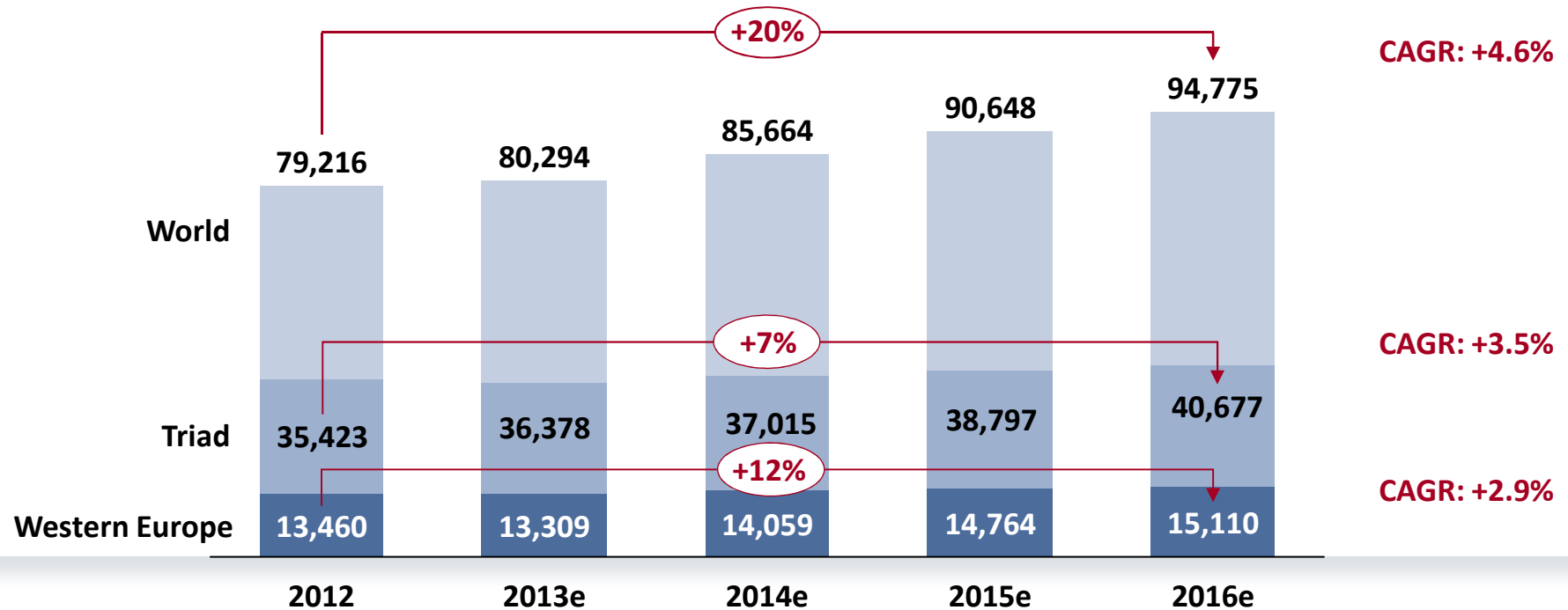
### Slight increase of working capital due to growth

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>



# LV production expected to grow further in the long term Globally increasing, but regionwise with different dynamics

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

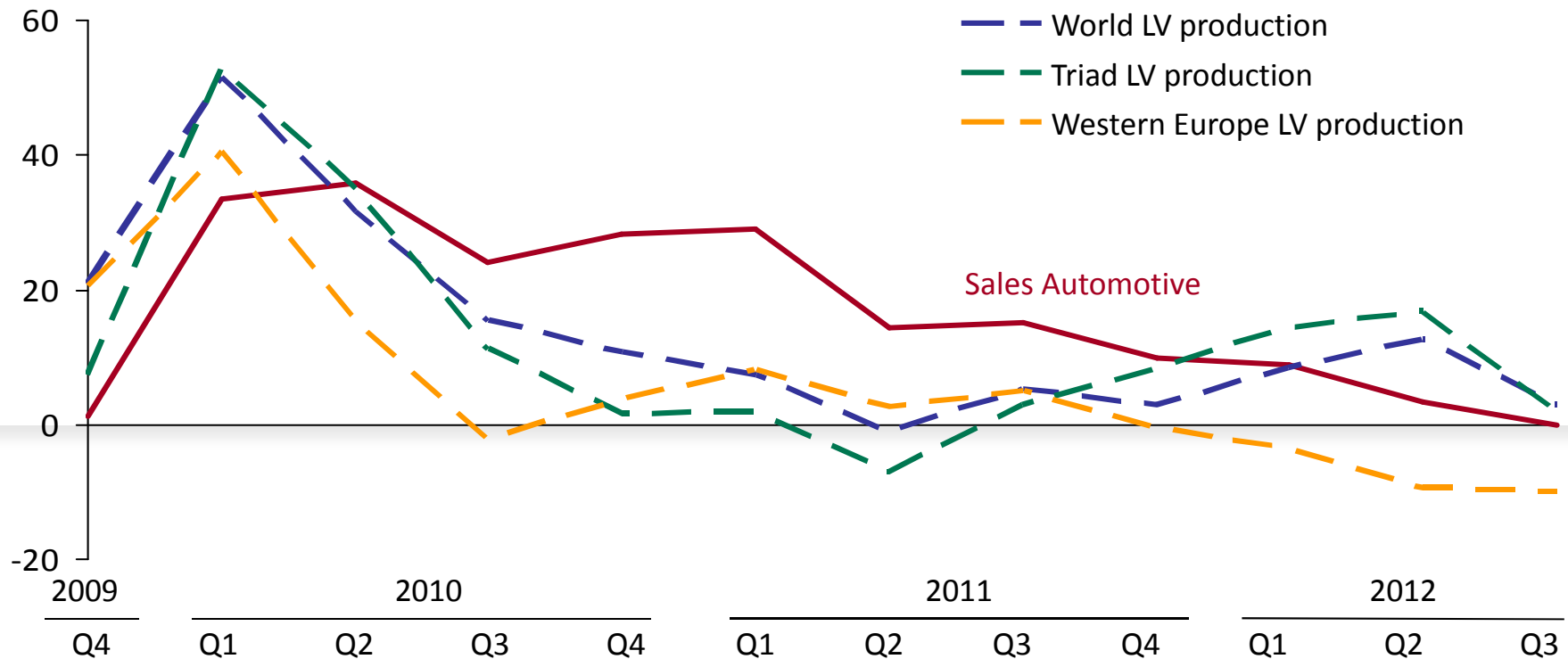


Source: IHS Automotive (October 2012)



## Product portfolio corresponding to global market trends Main reason for outperforming the Western European market

Growth rate (quarter compared to previous year's quarter) in %

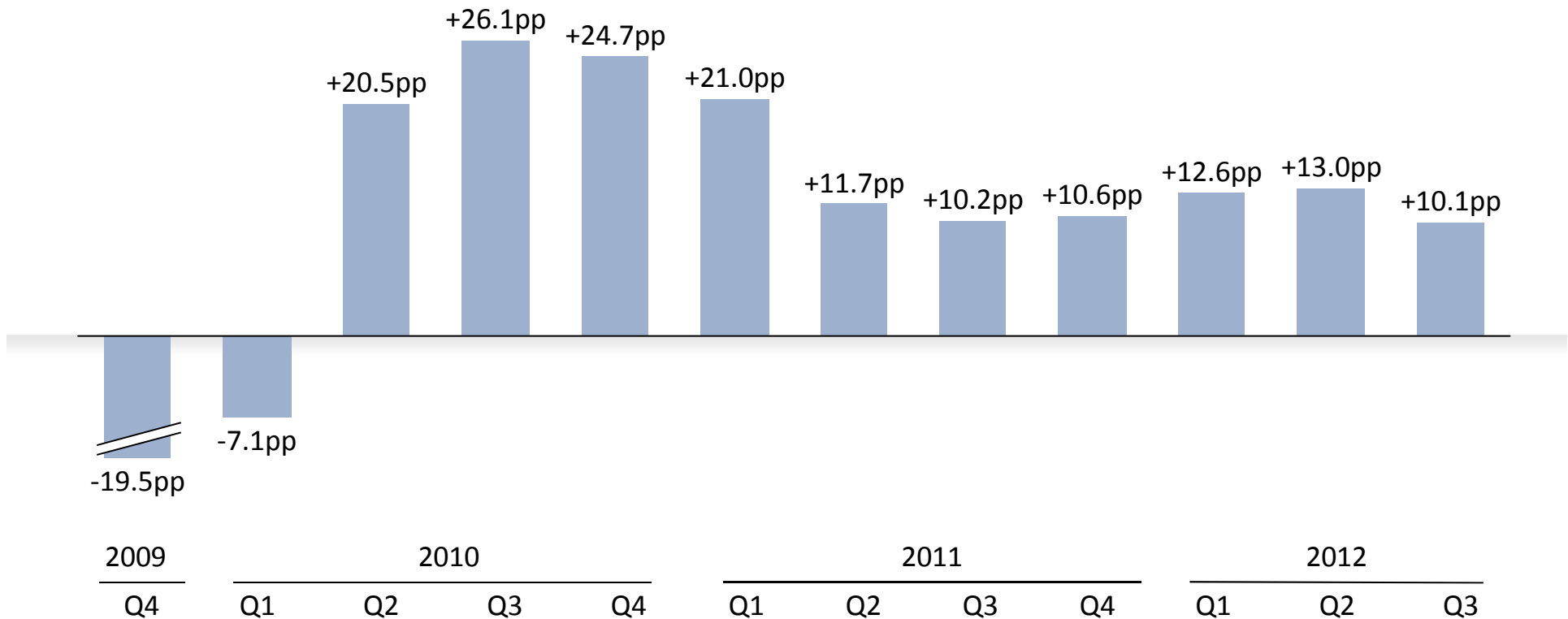


Basis for the calculation are quarterly sales figures for Automotive and LV production figures for World, Triad and Western Europe  
Source: IHS Automotive (October 2012); Triad = Western Europe, NAFTA, Japan



## Outperformance of the European market since the mid of 2010 **Confirming the strategic focus of the product portfolio**

Difference in quarterly growth rate of LV production Western Europe and Sales Automotive



Basis for the calculation are quarterly sales figures for Automotive and LV production figures for Western Europe

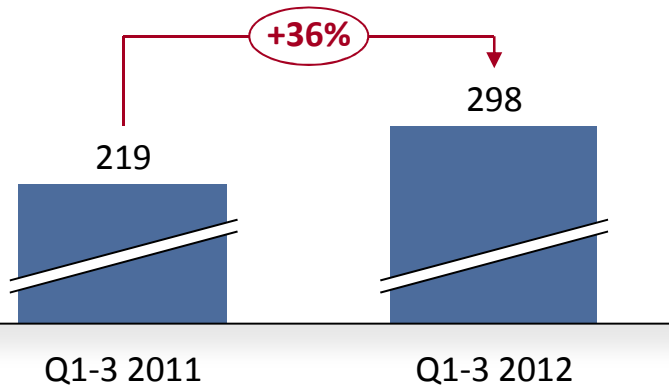
Source: IHS Automotive (October 2012)



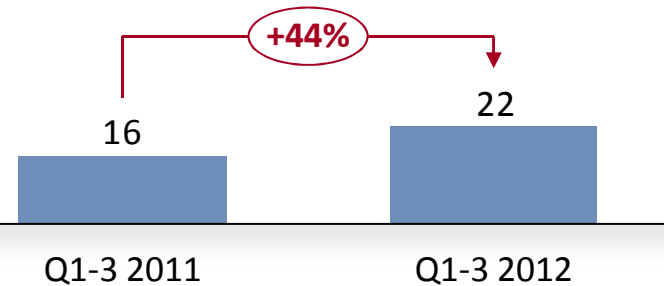
# Dynamic markets: China

## Sales and earnings still growing

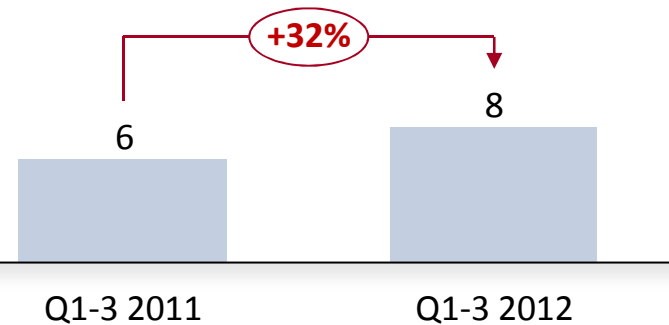
Sales Joint Ventures\* € million



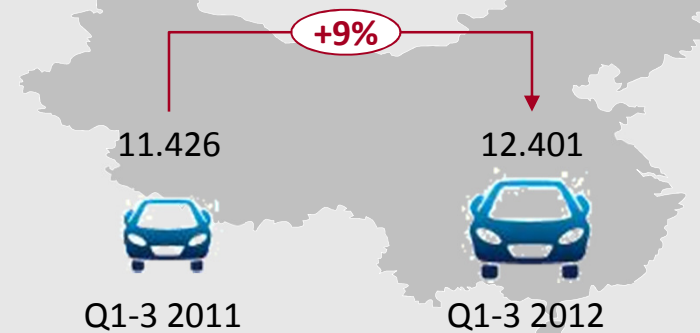
EBIT Joint Ventures\* € million



Sales WFOEs\*\* € million



LV production China million units



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

\*\* Wholly foreign-owned enterprises

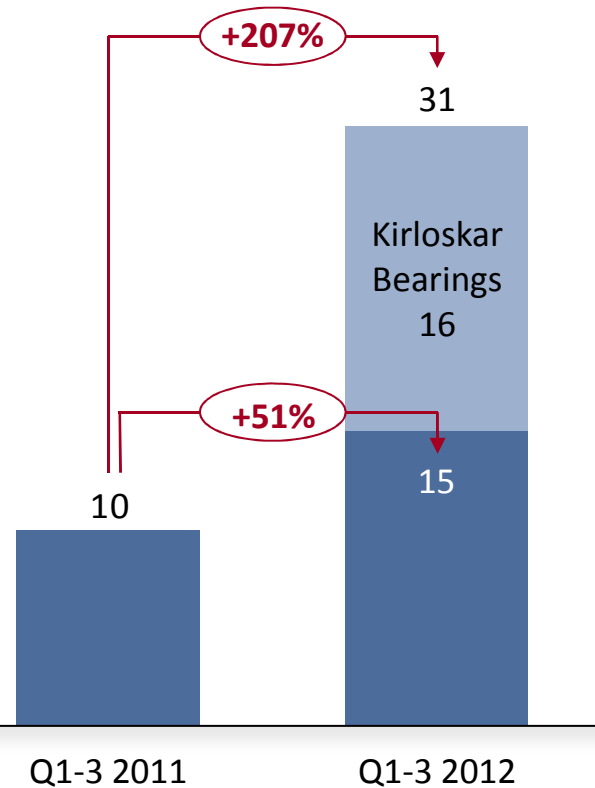
Source: IHS Automotive (October 2012)



# Dynamic markets: India

## Strong revenues caused by both organic growth and strategic acquisition

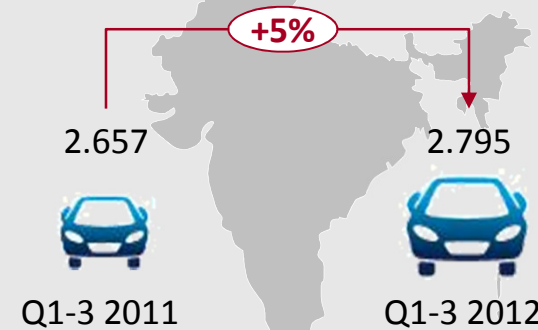
Sales KSPG India € million



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 million units



Source: IHS Automotive (October 2012)





GROUP



## Group sales and earnings (1)

### 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 %
EBITDA margin (%)	10.8	9.8	- 1.0pp	
Amortization / depreciation	133	144	+ 11	+ 8 %
EBIT	203	177	- 26	- 13 %
EBIT margin (%)	6.5	5.4	- 1.1pp	
Interest	- 42	- 41	+ 1	+ 3 %
EBT	161	136	- 25	- 15 %



## Group sales and earnings (2)

### EPS on previous year's level

Group € million	Q1-3 2011	Q1-3 2012	Δ Q1-3 (2012/2011)	
EBT	161	136	- 25	- 15 %
Taxes	- 42	- 28	+ 14	+ 34 %
Tax rate (%)	26	21	- 5pp	
Group net income	119	108	- 11	- 9 %
Minority interests	2	- 9	- 11	
Group earnings (after minorities)	117	117	± 0	± 0 %
Number of shares (weighted average in million)	38.3	38.1	- 0.2	- 1 %
Earnings per share (€)	3.04	3.06	+0.02	+ 1 %



## 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>



## Rheinmetall Group Outlook 2012 adjusted

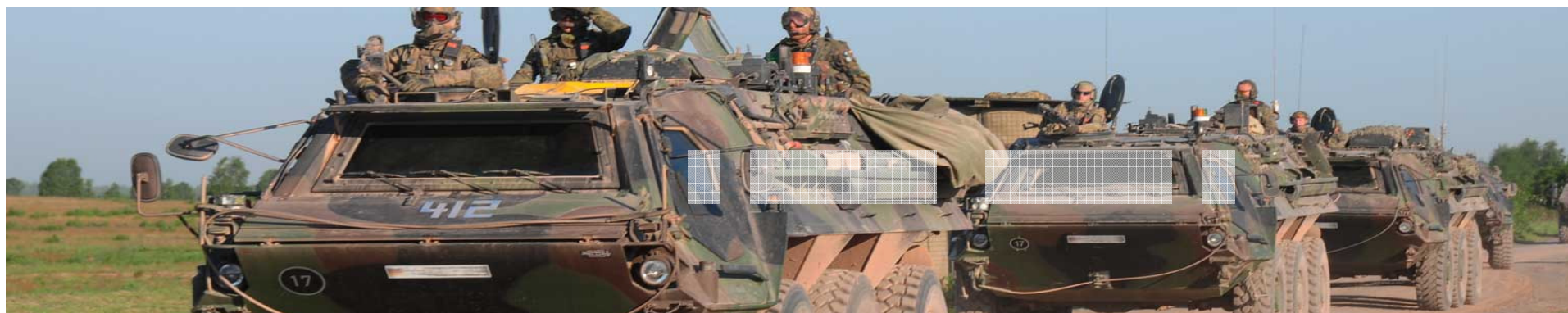
	Sales € billion			EBIT € million		
	2011	Original Outlook	Updated Outlook	2011	Original Outlook	Updated Outlook
<b>Group</b>	<b>4.5</b>	<b>approx. 4.9</b>	<b>approx. 4.8</b>	<b>354</b>	<b>on previous year's level</b>	<b>approx. 300</b>
Defence	2.1	approx. 2.5	approx. 2.4	223	slightly below previous year	170 - 180
Automotive	2.3	slightly above 2.4	slightly below 2.4	151	slightly above previous year	on previous year's level



## APPENDIX



## New divisional structure in Defence



Sales (FY 2011)\*: € 2.2 billion

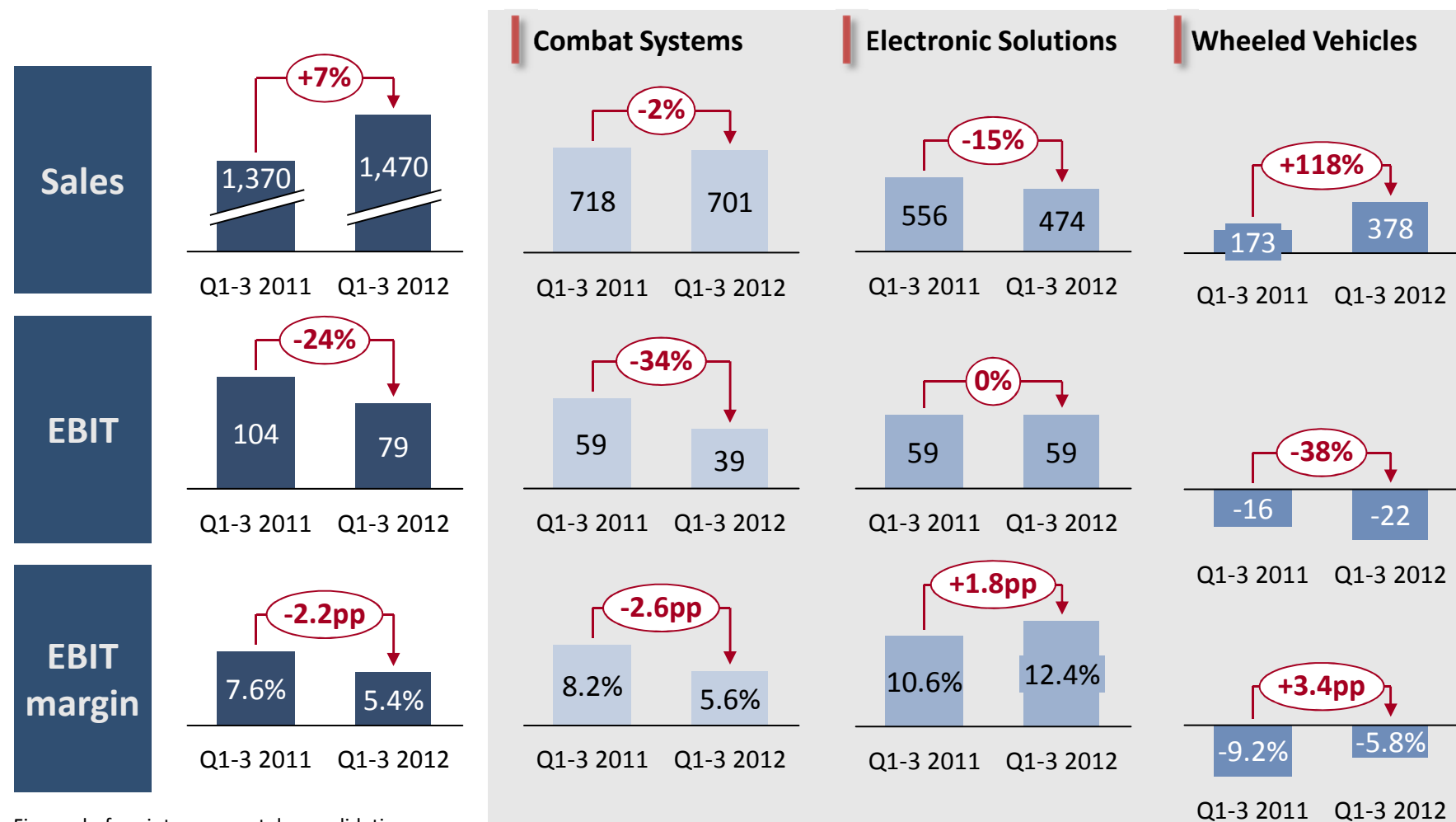
Combat Systems € 1.1 billion*	Electronic Solutions € 0.8 billion*	Wheeled Vehicles € 0.3 billion*
Combat Platforms	Air Defence Systems	Logistic Vehicles**
Infantry	Defence Electronics	Tactical Vehicles
Protection Systems	Electro-optics	
Propulsion Systems	Simulation and Training	
Combat International		

\* Inter-company sales not eliminated

\*\* Consolidated from 2012 onwards



## Key figures Defence by divisions



Figures before intersegmental consolidation





## New divisional structure in Automotive



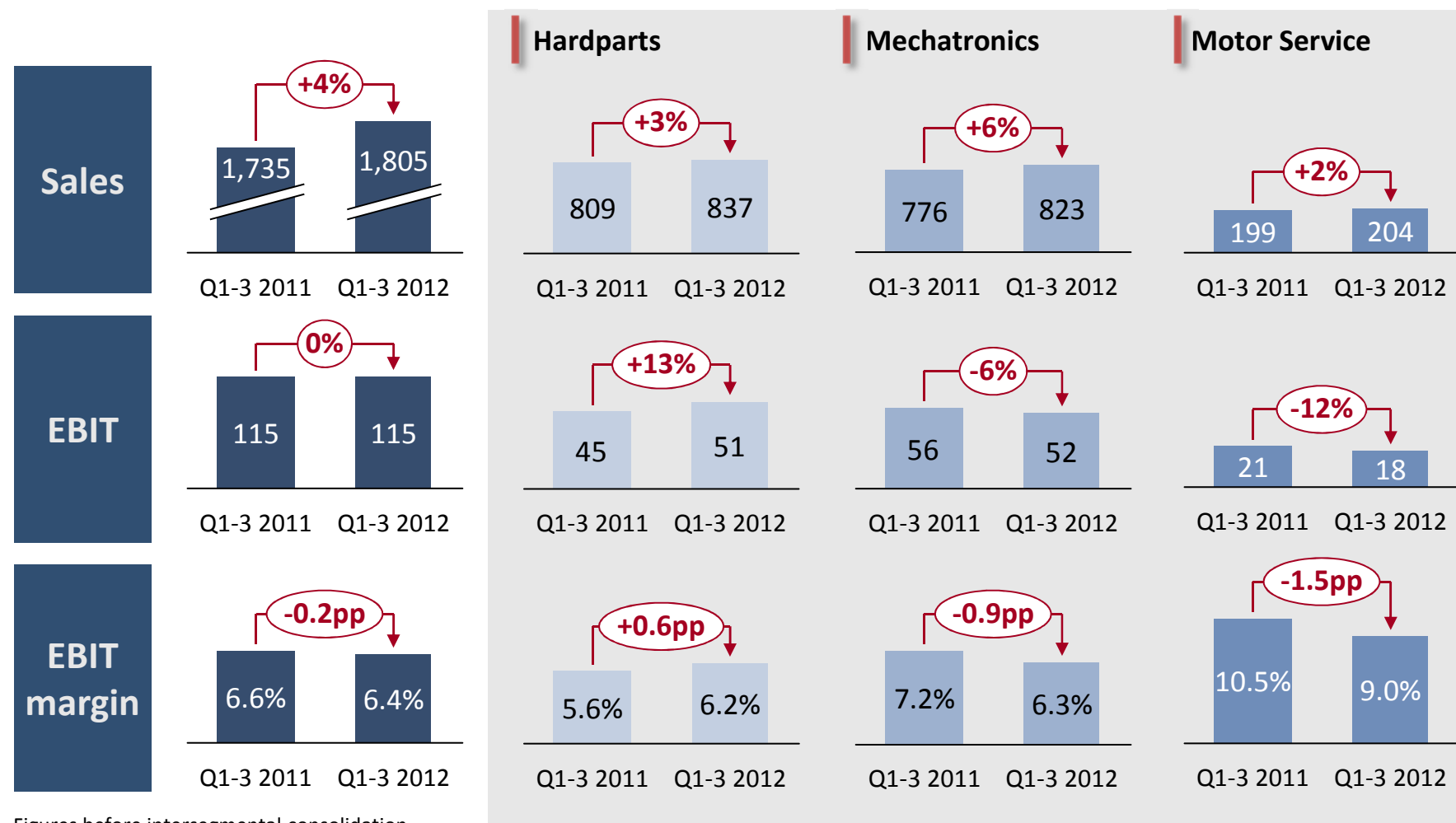
Sales (FY 2011)\*: € 2.4 billion

Hardparts € 1.1 billion*	Mechatronics € 1.0 billion*	Motor Service € 0.3 billion*
Pistons	Pierburg	International
Aluminum Technology	Pierburg Pump Technology	Domestic
Plain Bearings		
Large Bore Pistons		

\* Inter-company sales not eliminated



## Key figures Automotive by divisions



Figures before intersegmental consolidation



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