

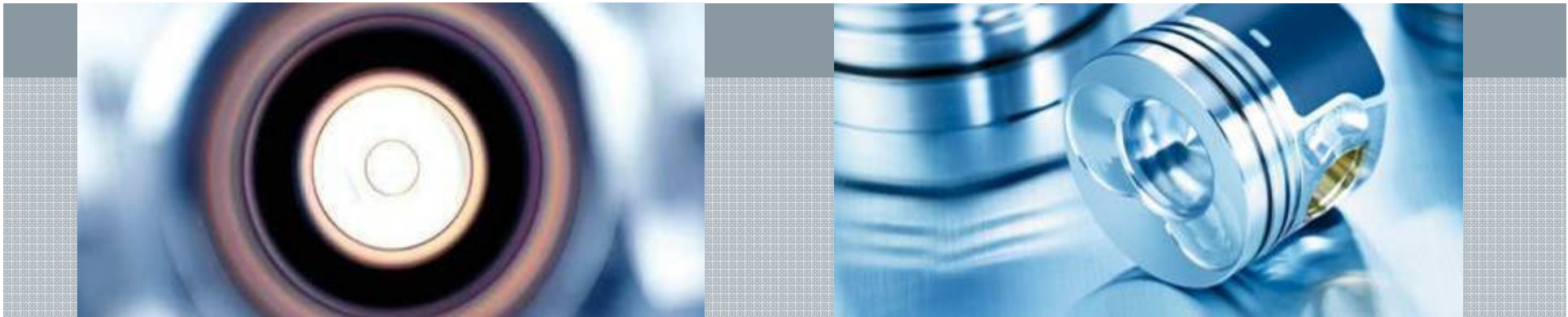


**Corporate Presentation | September 2012**

**International Technology Group  
for Defence and Automotive**



## Rheinmetall Group: Leading positions in Defence and Automotive



**Rheinmetall AG**

Sales: € 4.454 billion  
Employees: 21,516

### Rheinmetall Defence

**Leading European defence company  
for ground forces technology**

Sales: € 2.141 billion  
Employees: 9,833

### Rheinmetall Automotive

**Leading technology supplier  
in powertrain**

Sales: € 2.313 billion  
Employees: 11,548



## Rheinmetall Group Key messages H1 2012

- ▶ **Sales** increased by 9%
- ▶ **Solid earnings:** EBIT on previous year's level, EBT and EPS above
- ▶ Operating **cash flow** € 65 million higher than in H1 2011
- ▶ Confirming **outlook** as of March 2012, given a stable economic environment in the Eurozone and unchanged global economic forecasts



# Rheinmetall Defence

## Leading European defence company for ground forces technology



### Rheinmetall Defence

Sales: € 2,1 billion  
Employees: 9,800

#### Combat Systems

Sales : € 1.1 billion

##### Combat Platforms

Infantry

Protection Systems

Propulsion Systems

Combat  
International

#### Electronic Solutions

Sales: € 0.8 billion

Air Defence Systems

Defence Electronics

Electro-optical Equipment

Simulation and Training

#### Wheeled Vehicles

Sales: € 0.3 billion

Logistic Vehicles

Tactical Vehicles

Sales figures fiscal year 2011, inter-company sales consolidated, consolidation of Logistic Vehicles since 2012, employees per year's end



## Rheinmetall Defence

### Key messages

- ▶ **Order intake** remarkably improved by 33%, mainly caused by four medium-sized orders indicated in the Q1 call
- ▶ **Sales** grew by 12%, as logistic vehicles are consolidated now
- ▶ **EBIT** of € 56 million below previous year's H1 (€ 62 million)
- ▶ **Operating free cash flow** improved by € 121 million due to strong reduction in working capital
- ▶ **Airborne JV with EADS Cassidian** closed by the end of Q2 2012; one-off gain of € 31 million
- ▶ **Operational success** by two important milestones: final approval of project MANTIS passed, agreement with German MoD on Puma concluded



## Defence sales and earnings

### Strong order intake

Defence € million	H1 2011	H1 2012	Δ H1 (2012/2011)	
Order intake	853	1,138	+ 285	+ 33 %
Order backlog	4,740	4,589	- 151	- 3 %
Sales	904	1,010	+ 106	+ 12 %
EBITDA	100	99	- 1	- 1 %
EBIT	62	56	- 6	- 10 %
EBIT margin (%)	6.9	5.5	- 1.4 pp	- 20 %
One-offs (2011: PPA ADS, 2012: Gain JV Cassidian)	- 11	- 31	- 20	> 100 %
Amortization PPA	9	12	+ 3	+ 33 %
EBIT (adjusted)	60	37	- 23	- 38 %
EBT	55	49	- 6	- 11 %

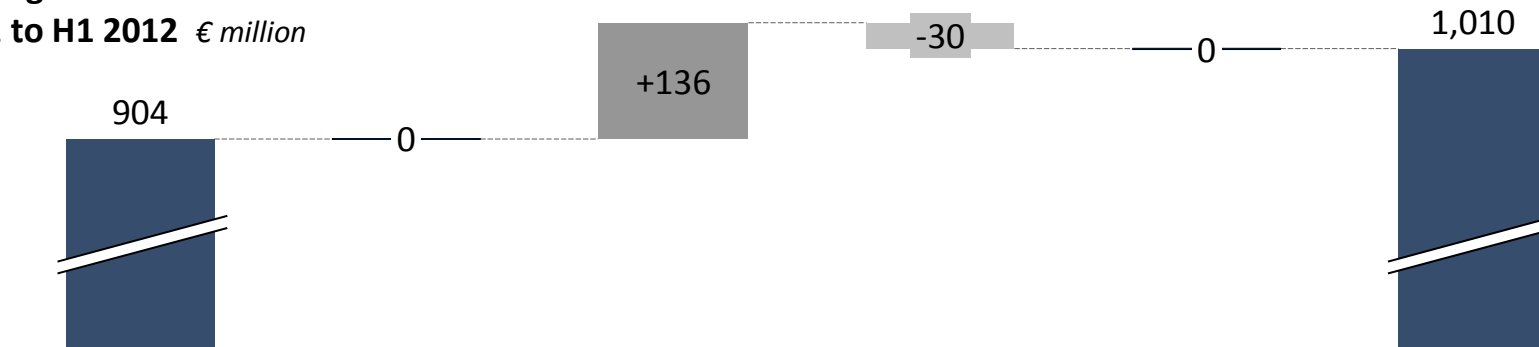


# Rheinmetall Defence

## Explanation for the development of sales and earnings (H1)

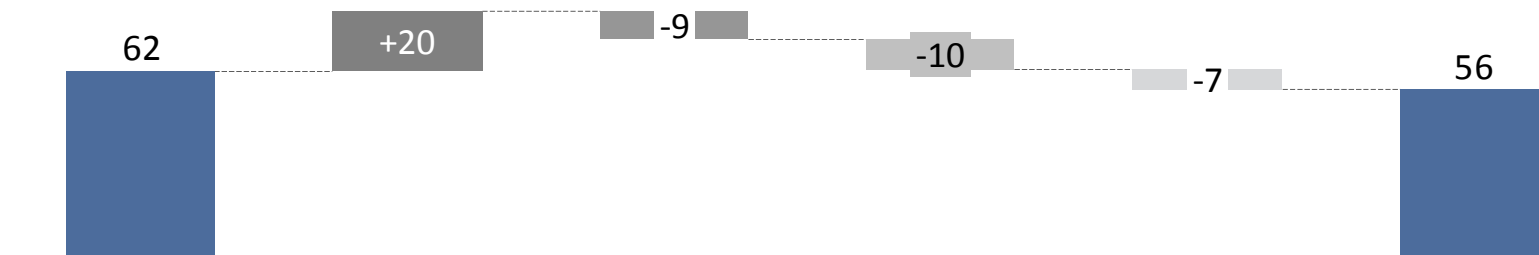
### Sales bridge

H1 2011 to H1 2012 € million



### EBIT bridge

H1 2011 to H1 2012 € million



H1 2011

One-off gains  
(2011/2012)

Logistic vehicles

Volume effect

Product/project  
mix

H1 2012



## Defence cash flow

### Operating cash flow reflects success of working capital program

Defence € million	H1 2011	H1 2012	Δ H1 (2012/2011)
<b>Net income</b>	<b>44</b>	<b>45</b>	<b>+ 1</b>
Amortization / depreciation	38	43	+ 5
Change in pension accruals	- 3	- 5	- 2
<b>Cash flow</b>	<b>79</b>	<b>83</b>	<b>+ 4</b>
Changes in working capital and other items	- 366	- 250	+ 116
<b>Net cash used in operating activities</b>	<b>- 287</b>	<b>- 167</b>	<b>+ 120</b>
Cash outflow for additions to tangible and intangible assets	- 37	- 36	+ 1
<b>Free cash flow from operations*</b>	<b>- 324</b>	<b>- 203</b>	<b>+ 121</b>

\* Thereof free cash flow from operations Q1

- 264

- 166

+ 98

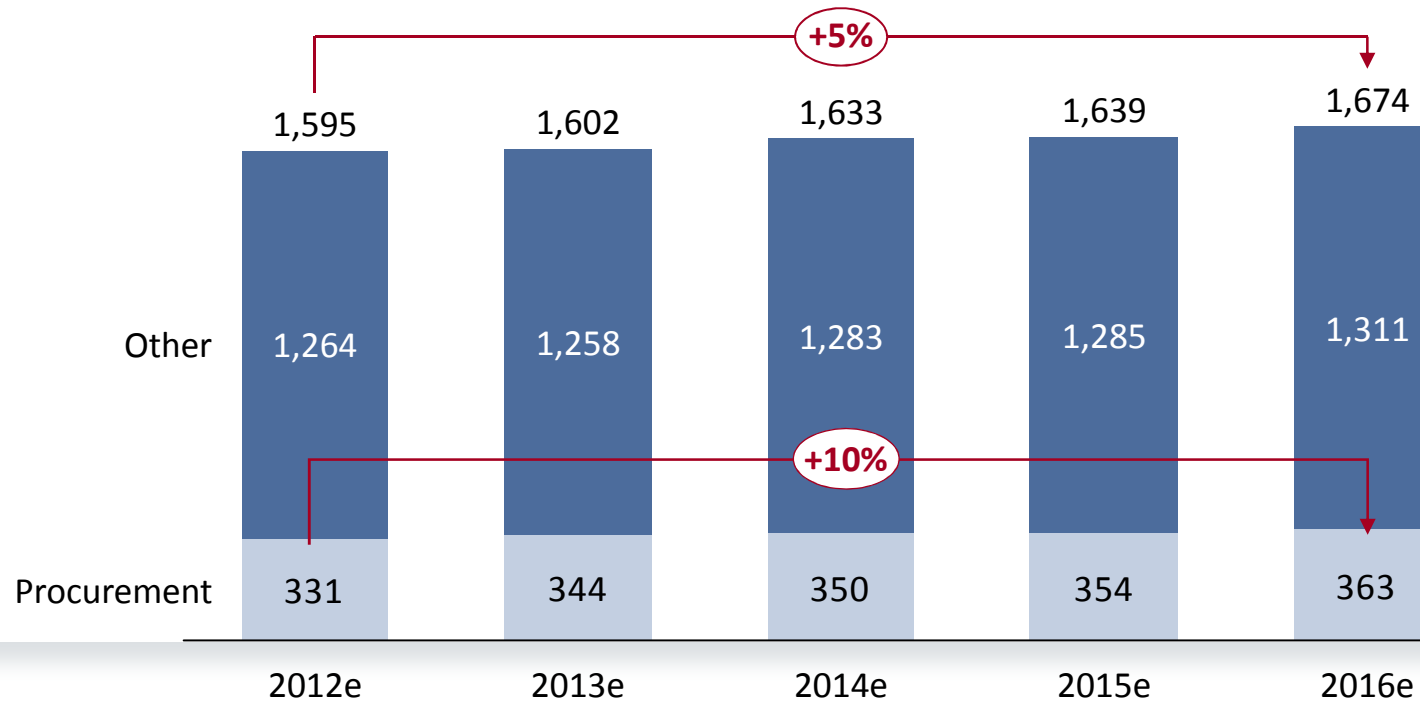




# Defence industry in a challenging environment

## Global defence budgets will continue to grow, but differently by regions

Expected global defence spending and procurement *US\$ billion*

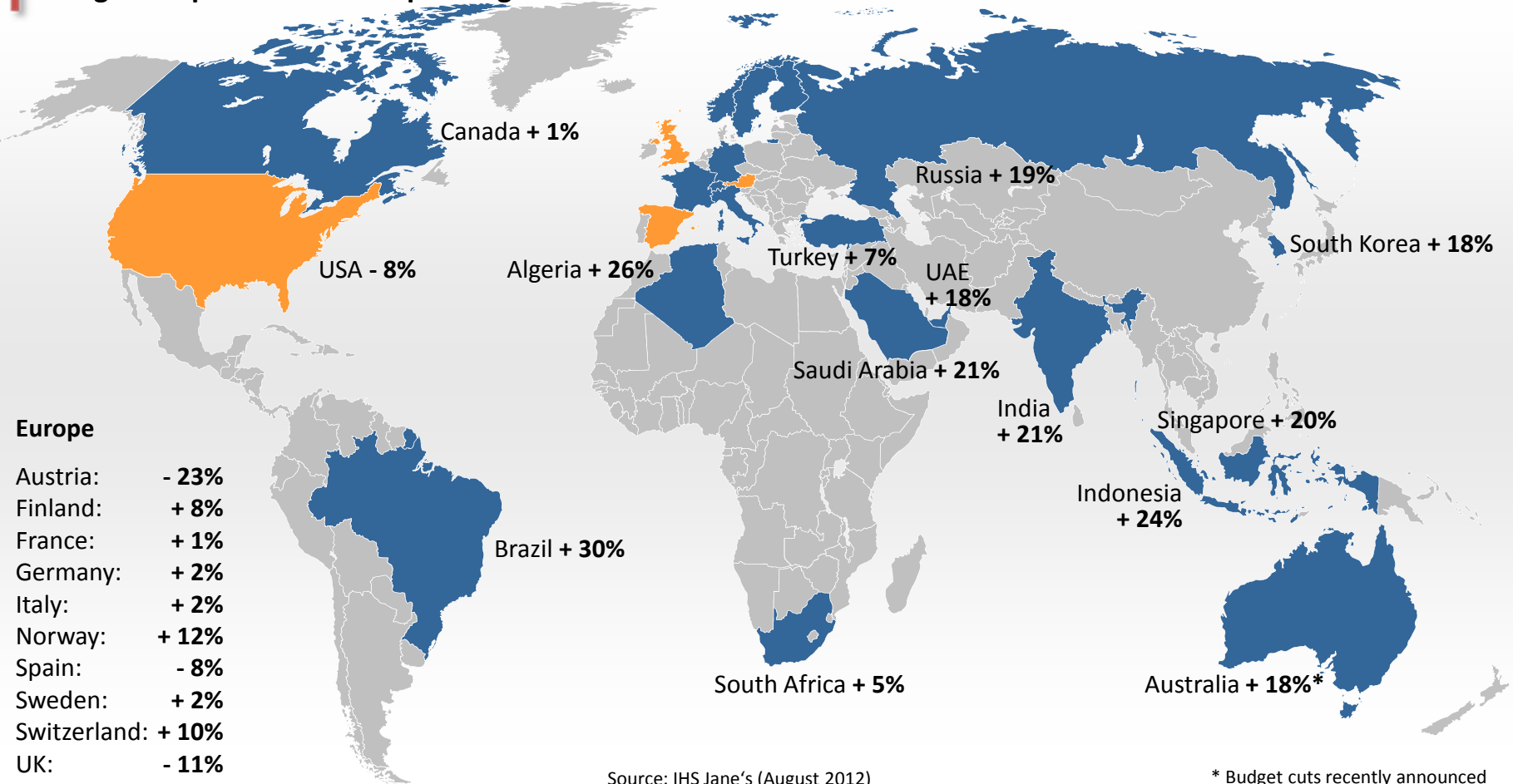


Source: IHS Jane's (August 2012)



# 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



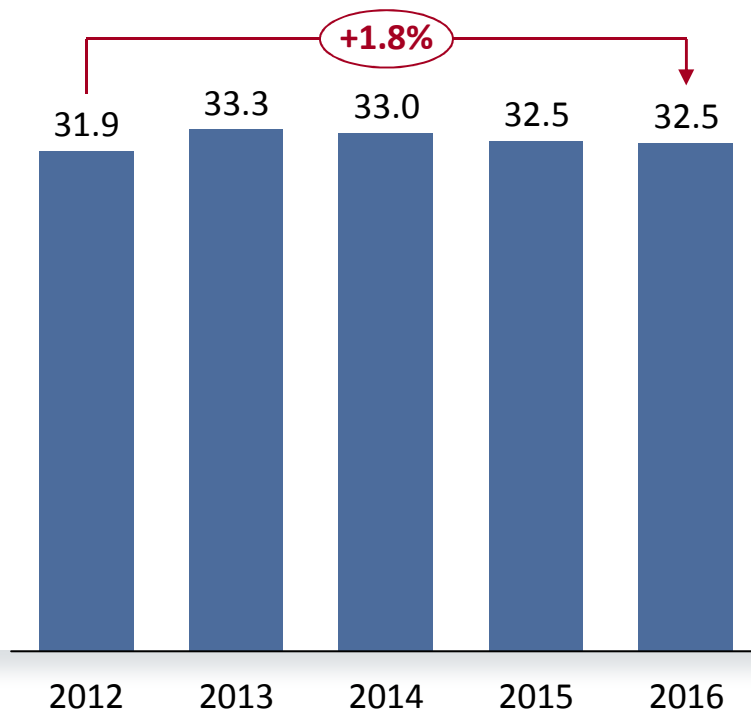
Source: IHS Jane's (August 2012)



## Focus on domestic market

# Domestic market not hit by severe austerity measures

Top down defence budget planning  
of Department of Treasury *€ billion*



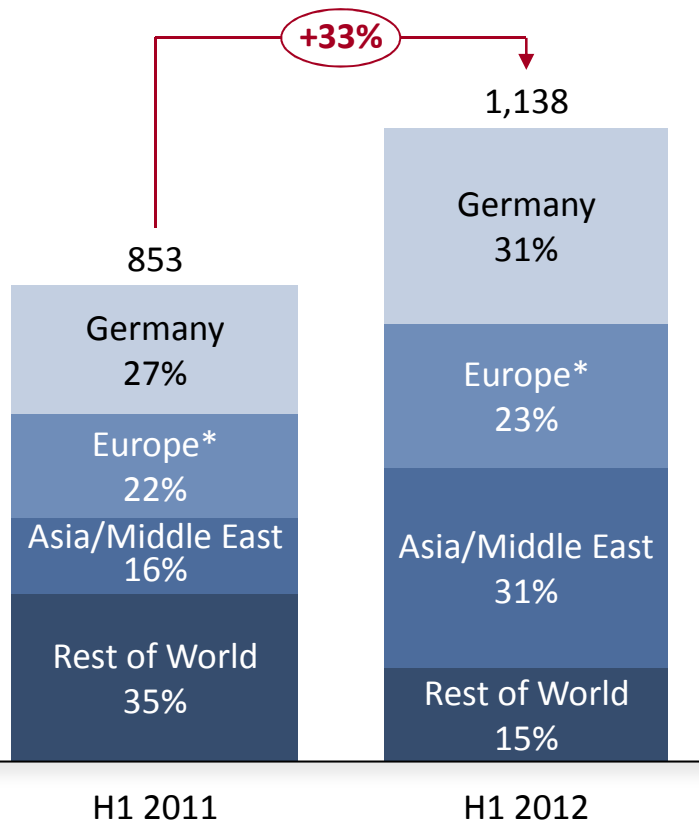
- ▶ German defence budget will remain almost stable until 2016
- ▶ Defence budget cuts of € 8 billion and above – as previously concerned – are not part of the budget plannings any longer



# Increasing order intake

## Considerable improvement compared to previous year

Order intake H1 2011 vs. H1 2012 € million



Significant orders Q2 2012

- ▶ Two Air Defence orders from an Asian and from a Middle East country (total volume: € 133 million)
- ▶ Prolongation of the Heron service provider contract with German forces (volume: € 63 million)
- ▶ Future soldier system (“Gladius”) contract with German forces (volume: € 44 million)

Furthermore, large orders to be expected in the near future, each of it worth more than € 100 million, e.g.:

- ▶ Wheeled armored vehicle program of Canadian forces (TAPV)
- ▶ Air Defence order from another Asian customer
- ▶ Next step of the cooperation with Algeria

\* Excluding Germany



## Innovative products with excellent market positions

### Basis of future organic growth



**Infantry fighting vehicle (IFV)  
Puma**

- ▶ Latest technology in IFV segment worldwide
- ▶ Reduction of ordered number in Germany will not seriously affect P&L
- ▶ Considerable export market potential when being on duty



**Multi-role armoured vehicle  
Boxer**

- ▶ First vehicles delivered to German forces
- ▶ In H2 2012 start of serial production in the Netherlands
- ▶ Excellent market opportunities since being combat-proven in Afghanistan



**Multi-role armoured vehicle  
Fox**

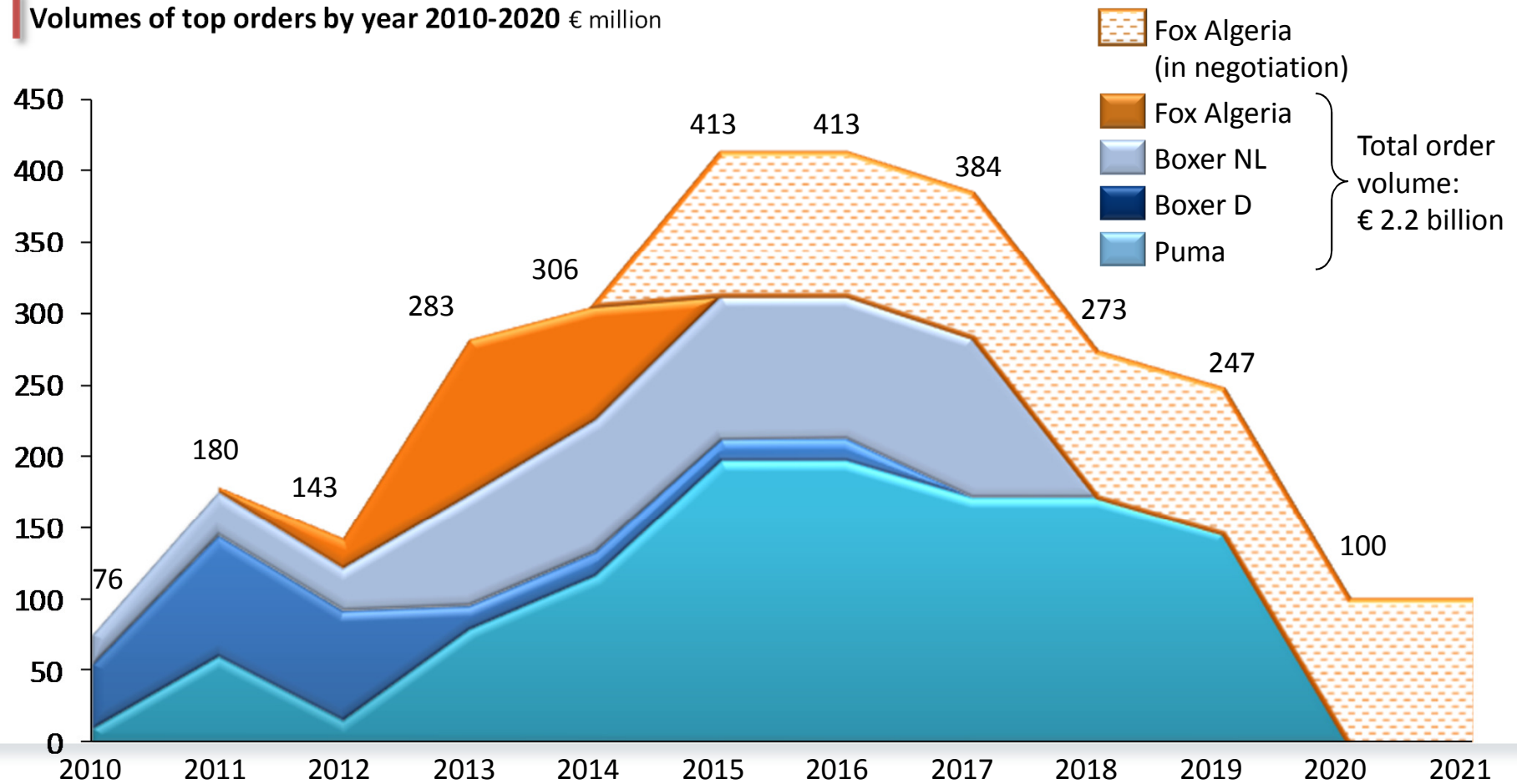
- ▶ “Experiencing its second life”
- ▶ Upgrade program in Germany and the US
- ▶ Latest generation Fox 2 for UAE and Algeria



# Rheinmetall Defence

## Combining the future growth potential of Fox, Boxer and Puma

Volumes of top orders by year 2010-2020 € million

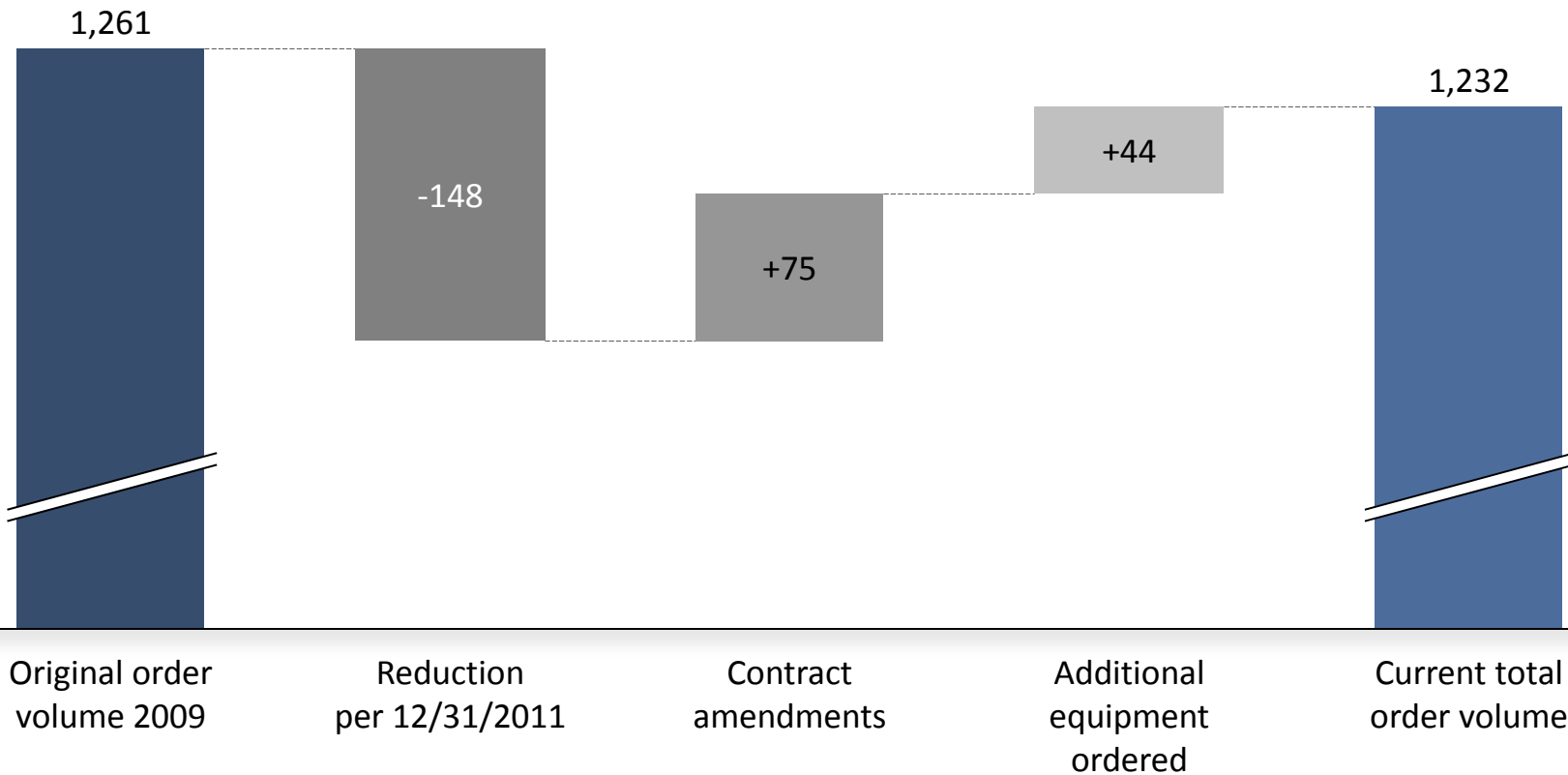




# Rheinmetall Defence

## Changes of the Puma order volume

Order volume\* € million

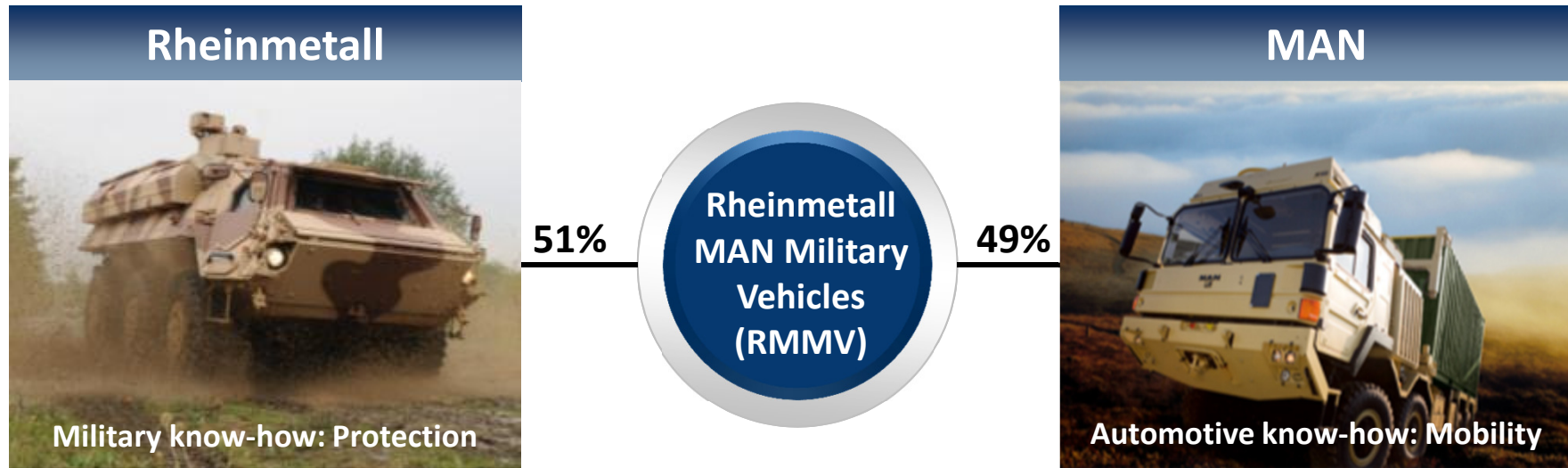


\* Rheinmetall share of total order volume



# Combining two coherent know-hows

## Full consolidation of RMMV by Rheinmetall from 2012 on



► May 2010: Combination of development and marketing activities (400 employees)

► December 2011/ January 2012: Integration of production plants Vienna and Kassel (additional 930 employees)





## Logistic vehicles

### **New and different business model**

#### **Fundamental structure:**

- Business model characterized by assembly production with low working capital and low capex requirements; value-added lower than in the tactical vehicle business
- ROCE satisfactory; focus lies on raising the earnings level
- Earnings-leverage for other Rheinmetall business units by supplying high margin components to RMMV (protected cabins, weapon stations and others)
- The acquisition of at least one or two large orders every two or three years is a must for the profitability of the logistic vehicles segment

#### **Improving profitability:**

- Establishing a competence center for specialized civil vehicles in the Vienna plant (mid-term production of up to 1,500 units p.a. with a sales volume of € 100-130 million) agreed with MAN
- Exploiting the potential for service business, based on the life cycles of military vehicles (20-30 years)
- Intensifying cost management and creating synergies by combining Rheinmetall- and MAN- sales forces



## New markets penetration Securing future growth by large-scale orders in new markets



### Industrial cooperation with Algeria

- ▶ Contract for 54 vehicles signed in 2011 (€ 175 million)
- ▶ Order for education of Algerian workers booked in Q2
- ▶ Further deliveries as well as license contracts in negotiation
- ▶ Expected term: about 10 years



### Market entry in Russia

- ▶ Contract for one combat training center signed (> € 100 million)
- ▶ Further training centers planned
- ▶ Market entry for mobile joint operation centers achieved

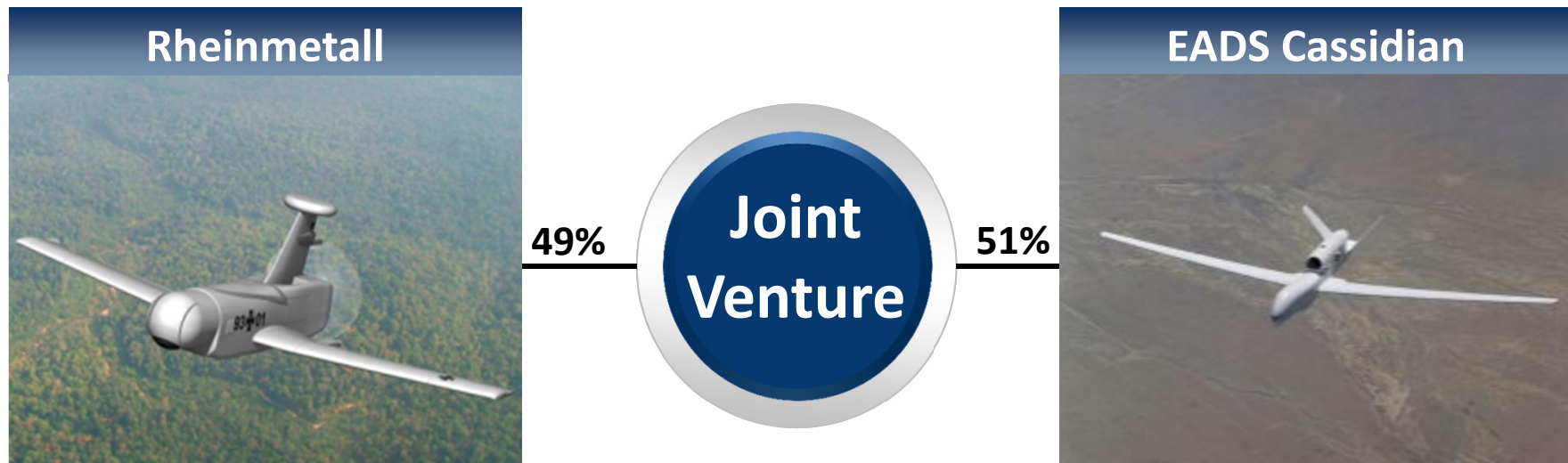


### Military logistic vehicles for Australia

- ▶ Down-selected as preferred bidder for military logistic vehicles (more than 2,000 units)
- ▶ Negotiations recently started, order expected in 2013



## Airborne systems Joint venture with Cassidian closed



▶ Closing of the joint venture per 30 June 2012

▶ Expected figures for H2 2012 that will be deconsolidated: sales € 34 million, EBIT € 4 million



## Outlook 2012: “Slightly below previous year” Although under pressure, guidance is achievable

Defence € million		2011 (actually)		2012
Sales		2,141	Guidance:	2,500e
Logistic vehicles		-		- 400e
Sales net		2,141		2,100e
Sales H1 net		904	(1,010 – 136 =)	874
<b>Sales H2 net</b>		<b>1,237</b>		<b>1,226e</b>
EBIT H1 (before one-offs and logistic vehicles)	(62 – 11 =)	51	(56 – 31 + 9 =)	34
EBIT H2 (before one-offs and logistic vehicles)		161	Assumption →	161
<b>EBIT</b>	(223 – 11 =)	<b>212</b>		<b>195</b>

### Additional assumptions:

- ▶ Logistic vehicles show an EBIT of € 0 million in FY 2012
- ▶ Guidance has to be lowered by € 4 million due to the sale of airborne systems



# Rheinmetall Automotive

## Leading technology supplier in powertrain



### Rheinmetall Automotive

Sales: € 2.3 billion  
Employees: 11,500

#### Hardparts

Sales: € 1.1 billion

Pistons

Aluminum technology

Plain bearings

Large bore pistons

#### Mechatronics

Sales: € 1.0 billion

Pierburg

Pierburg Pump Technology

#### Motor Service

Sales: € 0.3 billion

International

Domestic

Sales figures fiscal year 2011, inter-company sales consolidated, employees per year's end



## Rheinmetall Automotive Key messages H1 2012

- ▶ Again **increasing results** in H1 2012:
  - **Sales** raised by 6%
  - **EBIT** grew by 12%
- ▶ Counting on the **right trends**: sales continued to grow even though European markets are shrinking
- ▶ Continuing growth in **China and India**



## Automotive sales and earnings

### Sales, earnings and profitability at another record level

Automotive € million	H1 2011	H1 2012	Δ H1 (2012/2011)	
Sales	1,171	1,243	+ 72	+ 6 %
EBITDA	127	138	+ 11	+ 9 %
EBIT	76	85	+ 9	+ 12 %
EBIT margin (%)	6.5	6.8	+ 0.3 pp	+ 5 %
EBT	68	77	+ 9	+ 13 %
Capex	47	60	+ 13	+ 28 %
Amortization / depreciation	51	53	+ 2	+ 4 %



## Automotive cash flow

### Slightly increasing working capital due to growth

Automotive € million	H1 2011	H1 2012	Δ H1 (2012/2011)
<b>Net income</b>	<b>50</b>	<b>57</b>	<b>+ 7</b>
Amortization / depreciation	51	53	+ 2
Change in pension accruals	- 2	- 2	± 0
<b>Cash flow</b>	<b>99</b>	<b>108</b>	<b>+ 9</b>
Changes in working capital and other items	- 82	- 117	- 35
<b>Net cash used in operating activities</b>	<b>+ 17</b>	<b>- 9</b>	<b>- 26</b>
Cash outflow for additions to tangible and intangible assets	- 48	- 60	- 12
<b>Free cash flow from operations*</b>	<b>- 31</b>	<b>- 69</b>	<b>- 38</b>

\* Thereof free cash flow from operations Q1

- 22

- 44

- 22

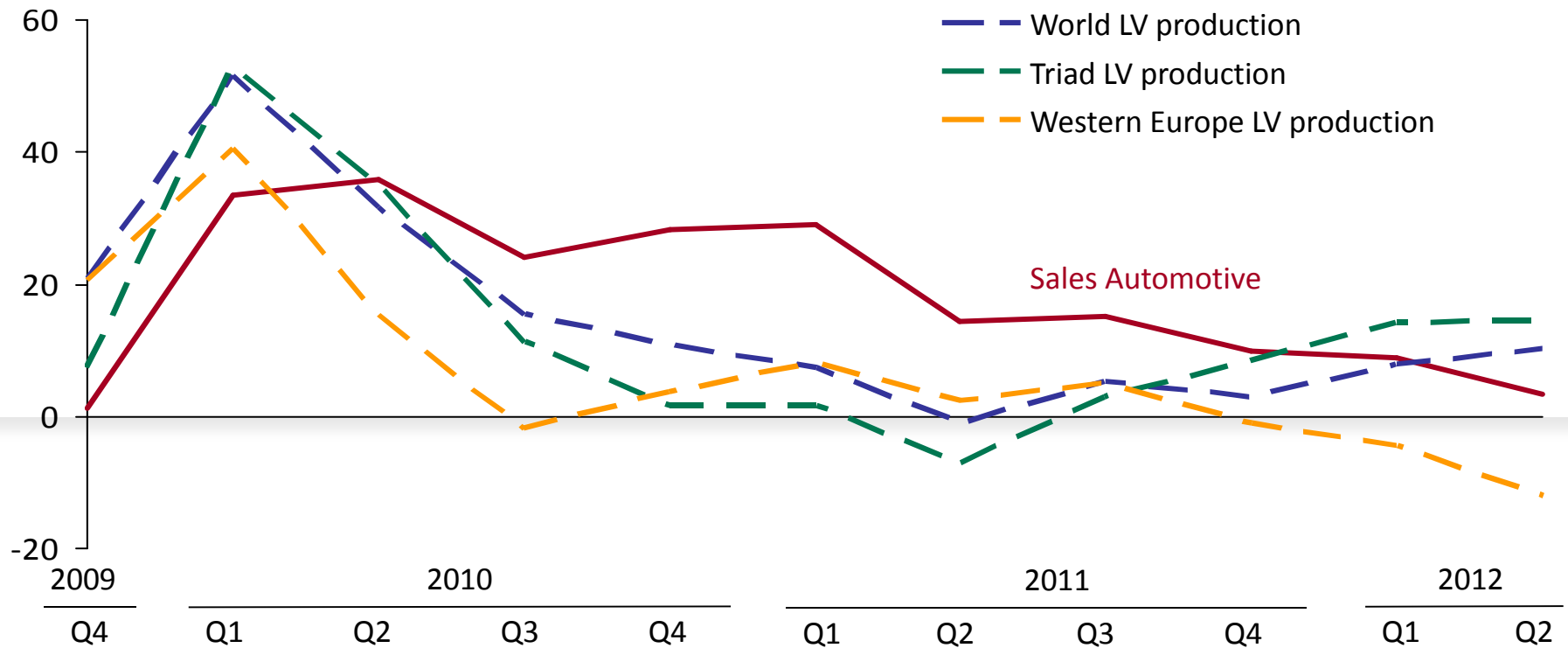




# Product portfolio corresponding to global market trends

## Main reason for outperforming the Western European market

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

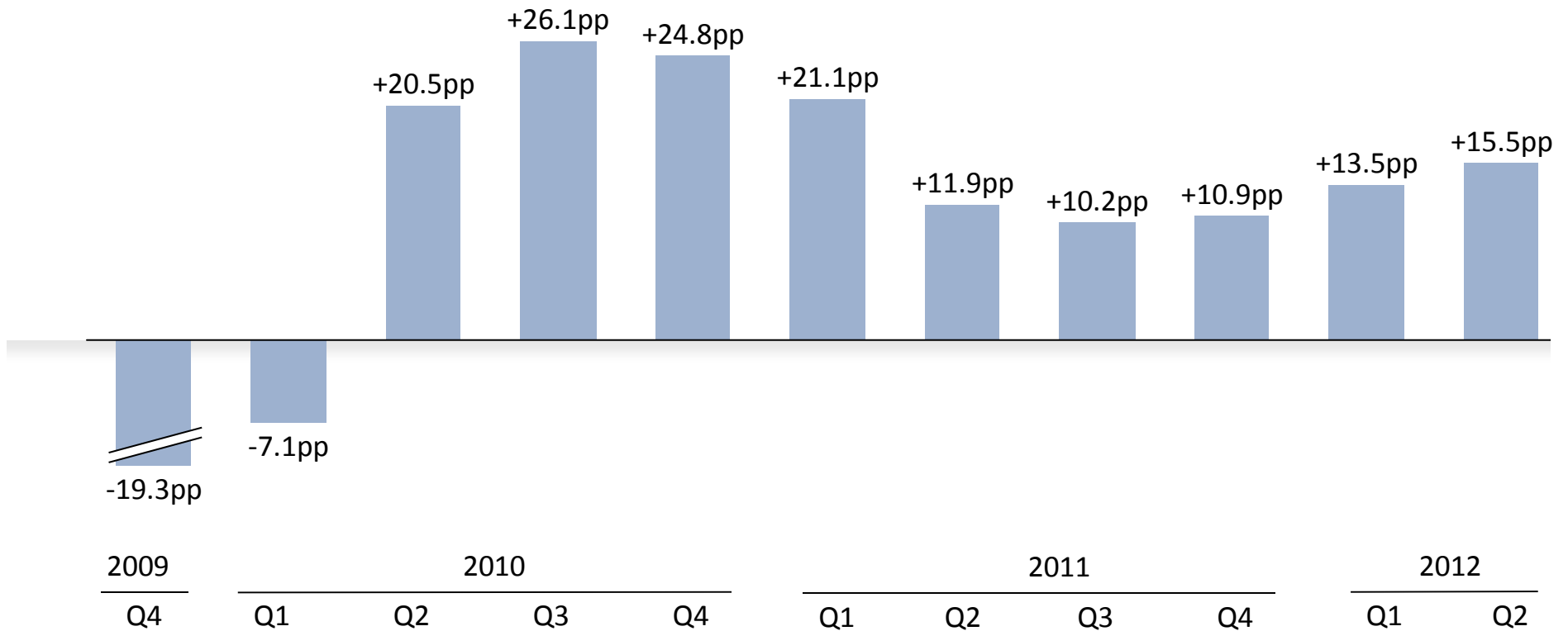


Basis for the calculation are quarterly sales figures for Automotive and LV production figures for World, Triad and Western Europe  
 Source: IHS Automotive (July 2012); Triad = Western Europe, NAFTA, Japan



# 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



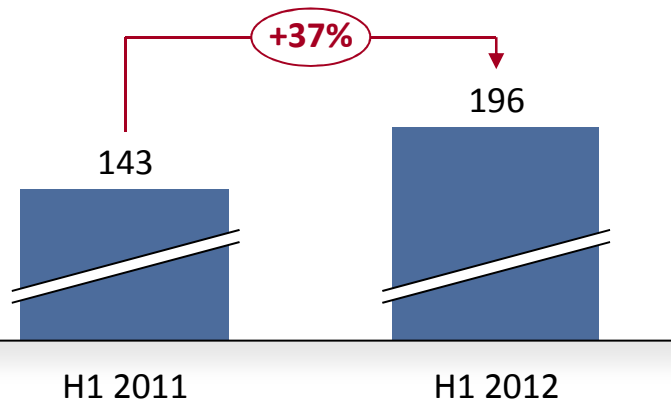
Basis for the calculation are quarterly sales figures for Automotive and light vehicle production figures for Western Europe

Source: IHS Automotive (July 2012)

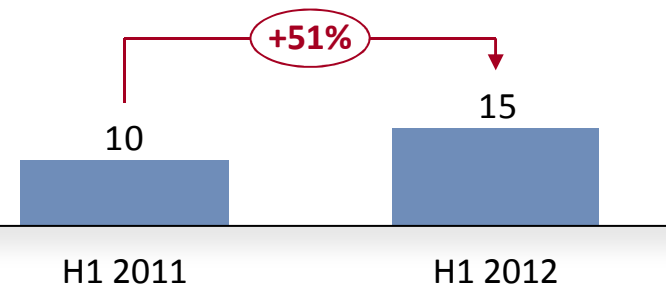


## Dynamic markets: China Continuing growth in sales and earnings

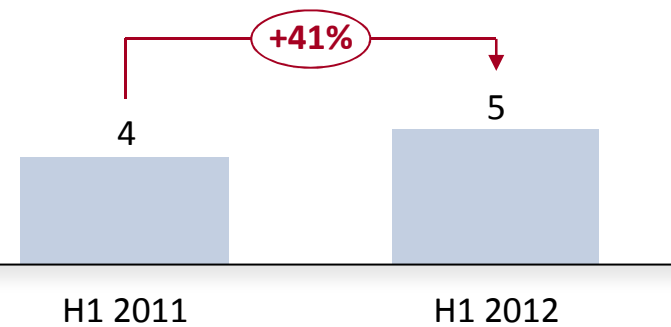
Sales Joint Ventures\* € million



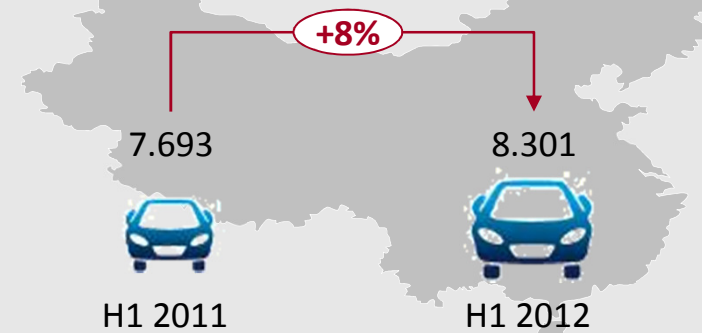
EBIT Joint Ventures\* € million



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

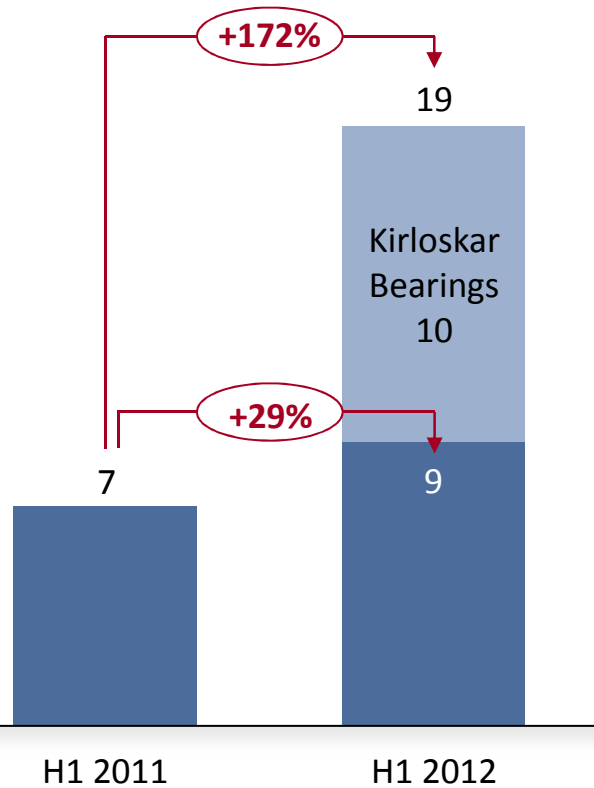
Source: IHS Automotive (July 2012)



# Dynamic markets: India

## Increasing business by strong organic growth and strategic acquisition

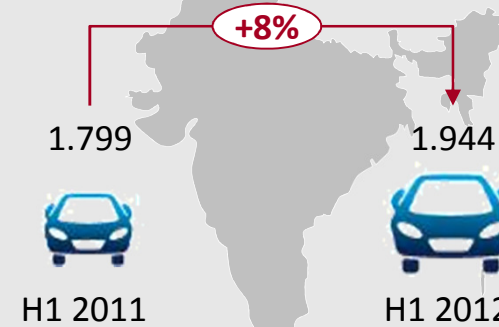
Sales KSPG India € million



Key facts KSPG India

- ▶ Integration of Kirloskar Bearings – included in the figures since Q4 2011 – completed
- ▶ Employees: 615 (as of 06/30/2012)

LV production India million units



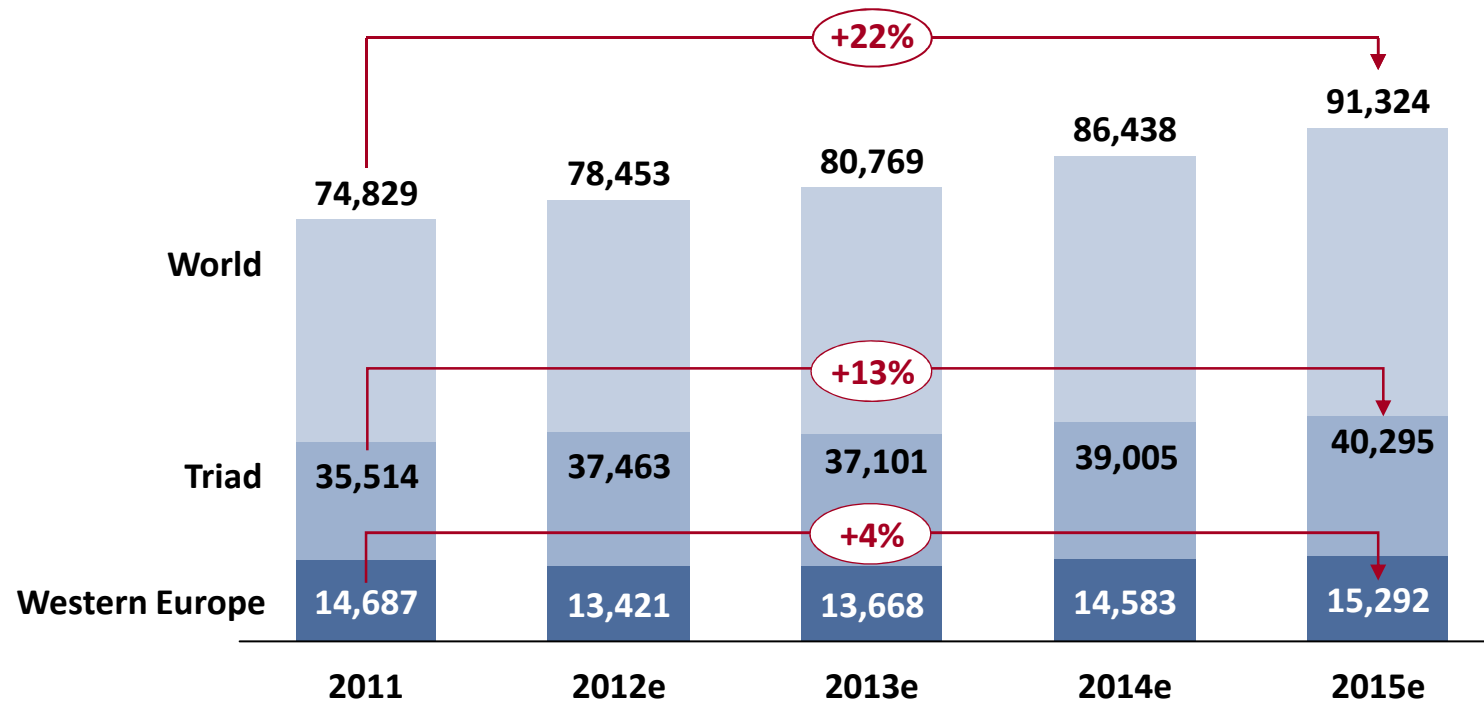
Source: IHS Automotive (July 2012)



# LV production expected to grow further in the long term

## Globally increasing, but regionwise with different dynamics

Expected LV production by region *thousand units*

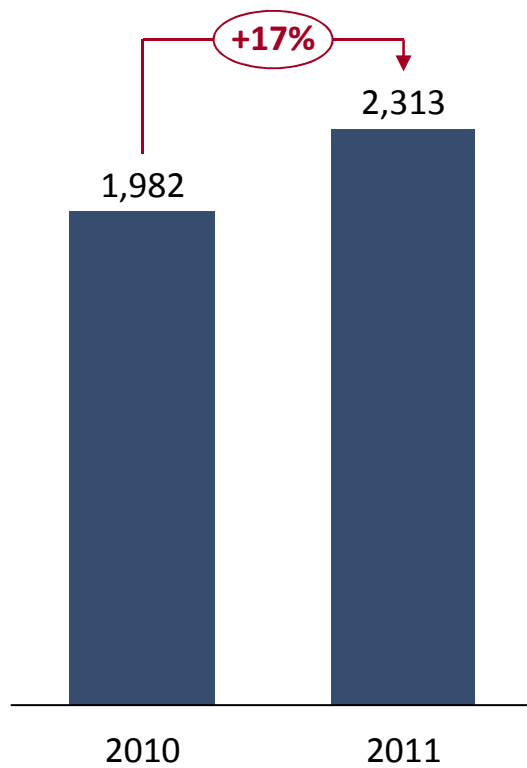


Source: IHS Automotive (July 2012)

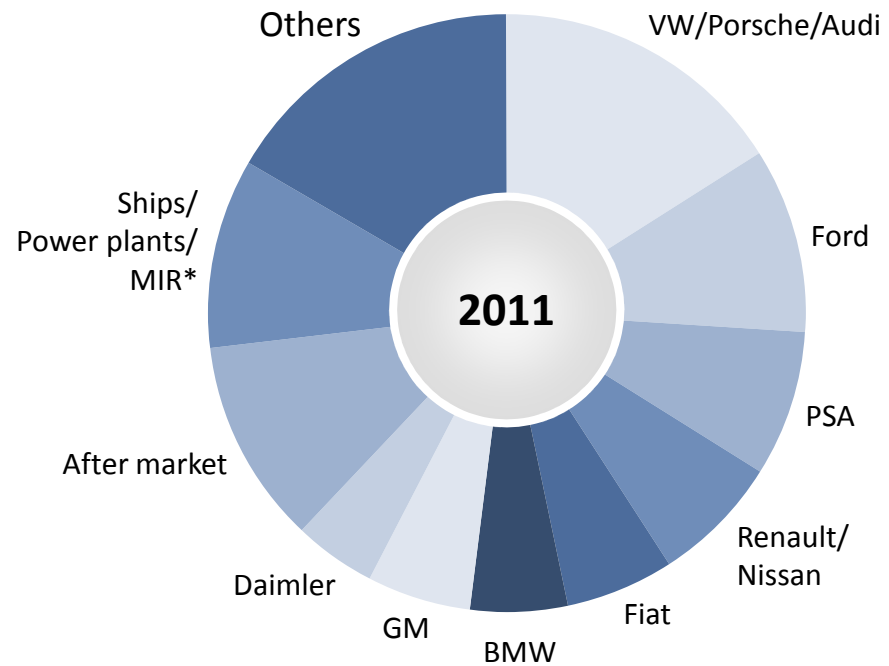


## Sales at a new peak based on a well-balanced customer structure

Sales 2011 € million



Sales by customer

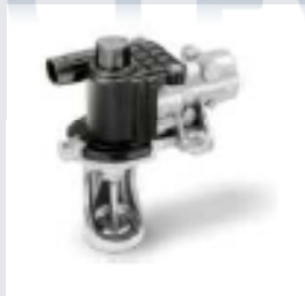


\* Marine, Industry, Recreation



# Growth drivers: Tightened emission regulations

# CLEAN



EGR valve



EGR cooler



Double EGR cooler  
high/low pressure

EURO 4

EURO 4  
2005

EURO 5

EURO 5  
2010

EURO 6

EURO 6  
2015

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



Truck business expected to follow

- EGR valve
- EGR cooler modules
- Back pressure valve
- Exhaust gas sensors



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

## LEAN

### Downsizing/Turbocharging



- ▶ Ring carrier pistons
- ▶ High-performance bearings
- ▶ Solenoid valves
- ▶ Wastegate actuators

### Hybridization



- ▶ Electric water pumps
- ▶ Electric vacuum pumps

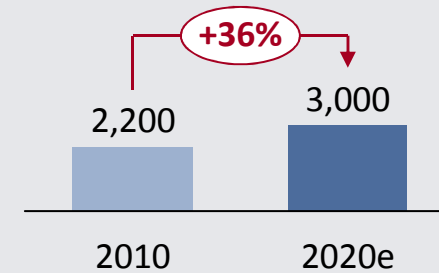
- Legal framework for CO<sub>2</sub> fleet emissions
- CO<sub>2</sub> penalties

CO<sub>2</sub> benefits

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

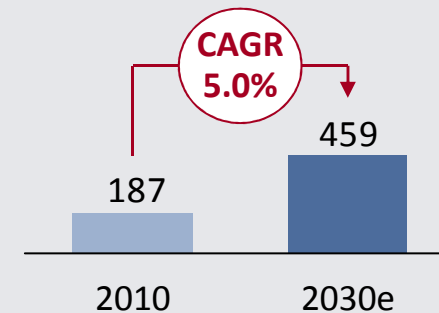
## CLEAN & LEAN

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



Source: Roland Berger (2010/2011)

### Global powertrain revenues *€ billion*



Source: McKinsey (2011)





## Important issues on the agenda 2012

- ▶ **Sales growing stronger** than production in international markets
- ▶ **Benefitting from the dynamic growth** of emerging countries: expansion of existing business in China and India
- ▶ Strengthening the earnings power by **extending the Non-LV and truck business**
- ▶ Continuing the **strict cost management and the flexible employment policy** in order to react quickly in case of declining demand



## Outlook Group



## Rheinmetall Group Outlook 2012

	Sales € billion		EBIT € million	
	2012e	2011	2012e	2011
<b>Group</b>	<b>approximately 4.9</b>	<b>4.5</b>	<b>on previous year's level</b>	<b>354</b>
Defence	approximately 2.5	2.1	slightly below previous year	223
Automotive	slightly above 2.4	2.3	slightly above previous year	151

We confirm our outlook as of March 2012, but there is higher pressure on achieving the profit targets in Defence.

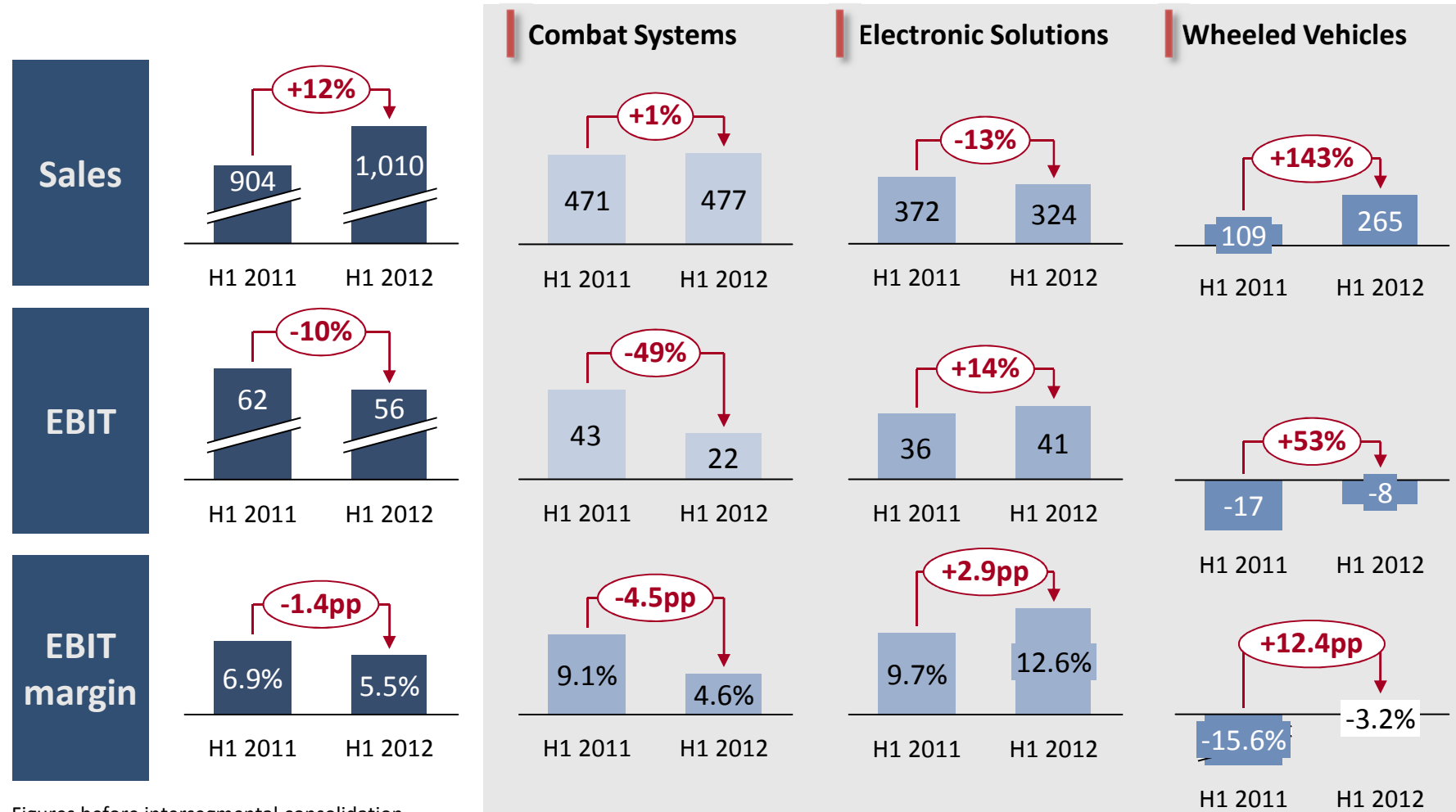
Basic assumption: The economic environment in the Eurozone will remain stable and the global economic forecasts will be unchanged.



## APPENDIX



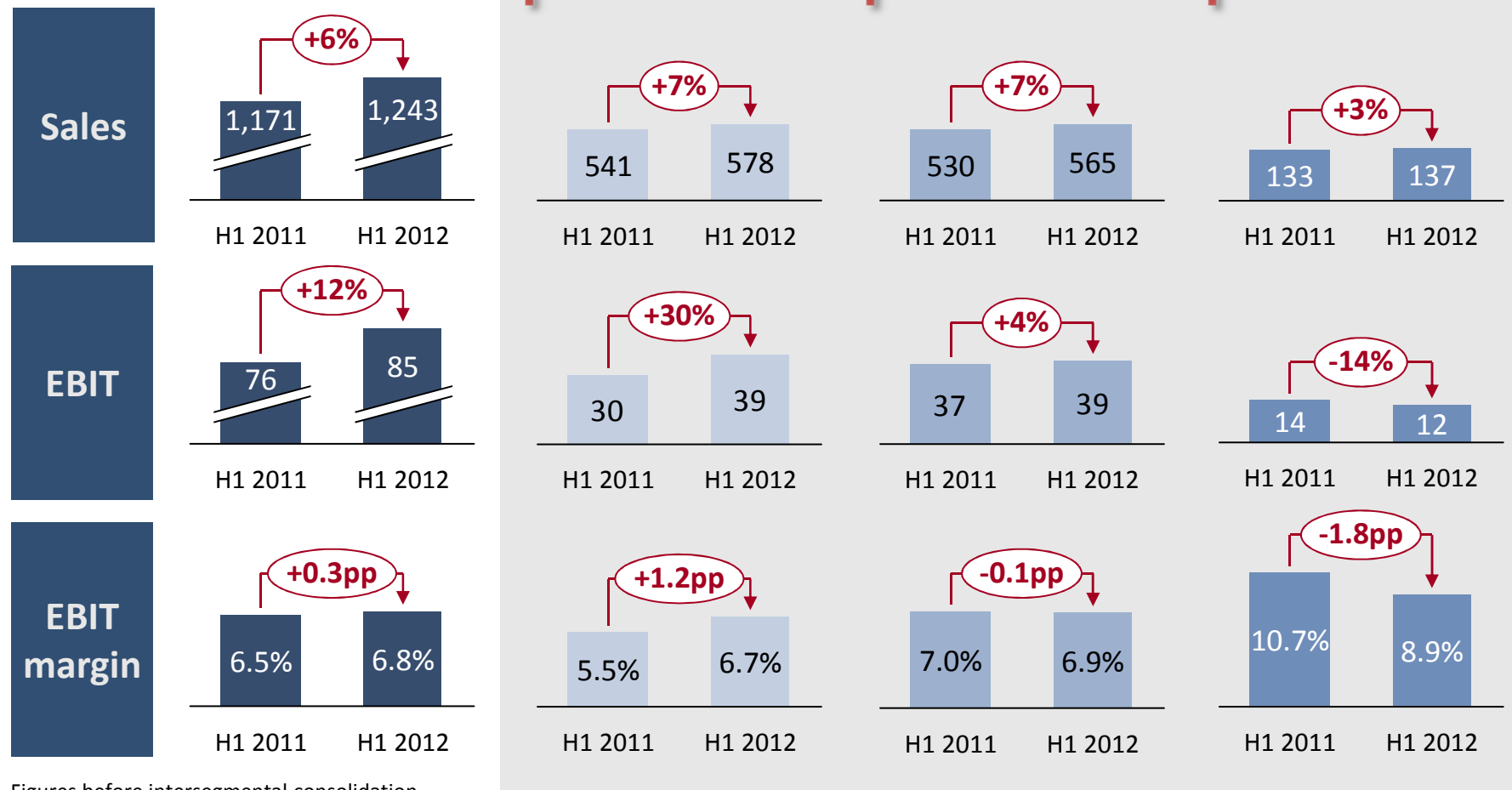
# Key figures Defence by divisions



Figures before intersegmental consolidation



# Key figures Automotive by divisions



Figures before intersegmental consolidation



## 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 2012.

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).

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