



Corporate Presentation | 20 March 2013

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



## BUSINESS YEAR 2012 IN DETAIL



## Highlights 2012

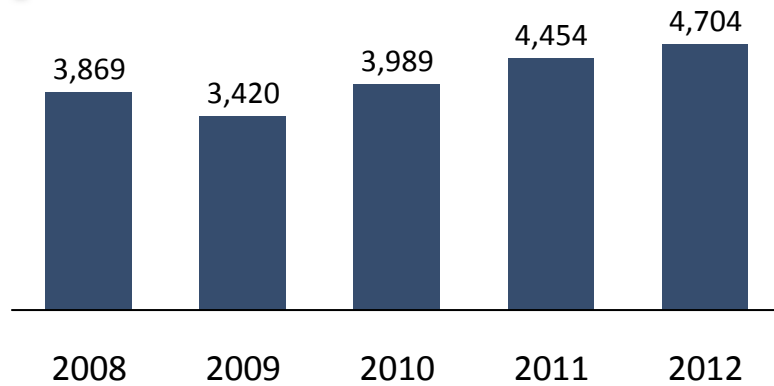
### Steady performance in a difficult market

- ▶ **Sales increased** by 6% to € 4.7 billion
- ▶ **EBIT remains on a high level** with € 301 million
- ▶ **Strong order intake in Defence** as a consequence of the successful internationalization strategy: increase by 60% to € 2.933 billion
- ▶ **Automotive grows** by 2.4% to € 2.4 billion despite a negative trend in Europe
- ▶ **Improved liquidity:** operating free cash flow increases by 34% to € 125 million
- ▶ **Dividend unchanged** at € 1.80

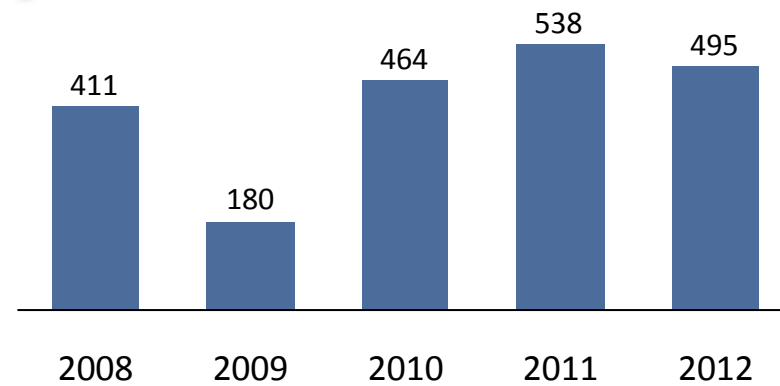


## Sales and earnings Earnings remain high

**Sales** in € million

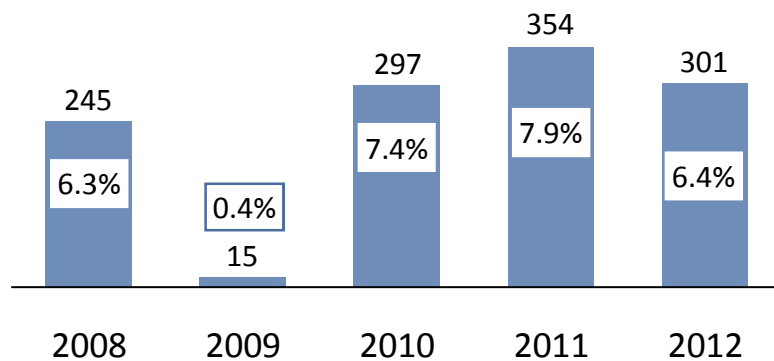


**EBITDA** in € million

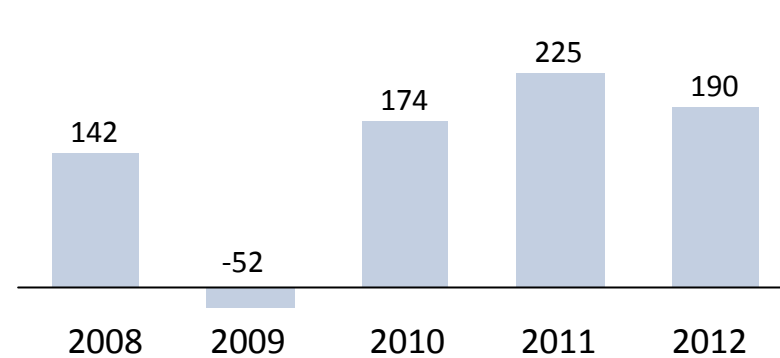


**EBIT** in € million

**EBIT margin** in % of sales



**Net income** in € million

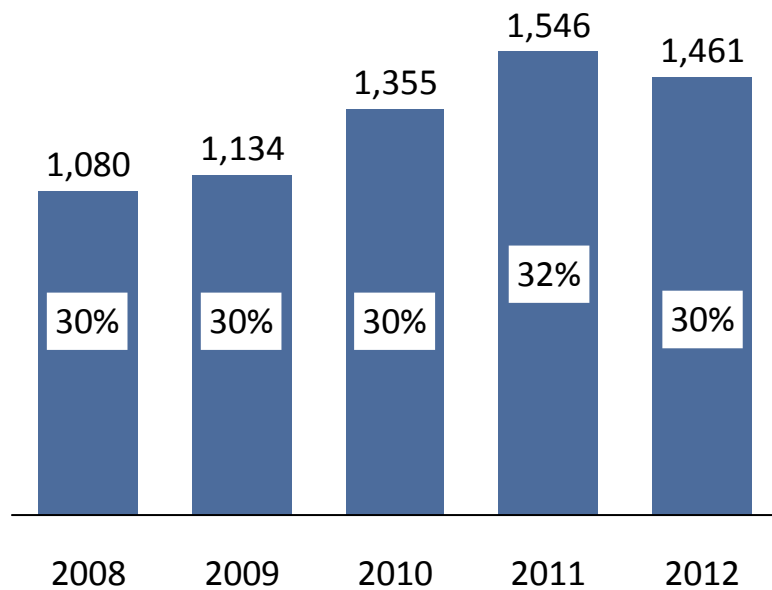




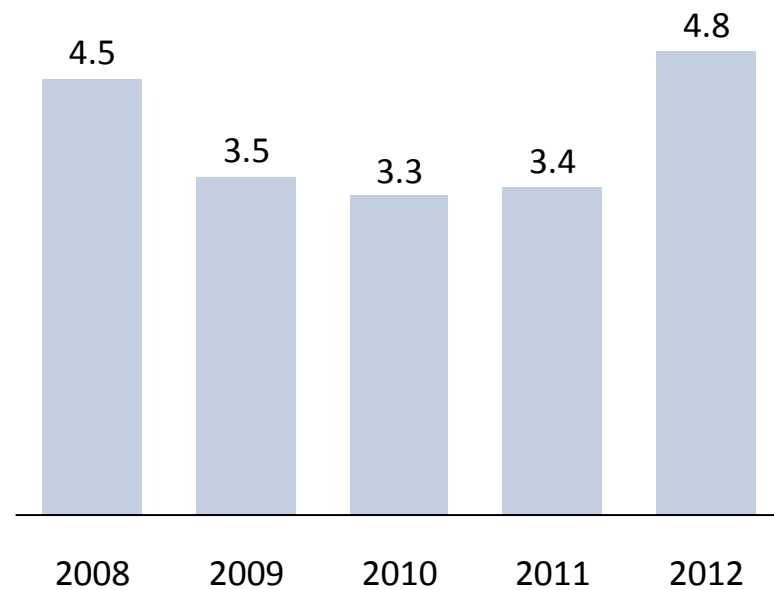
## Finance

### Solid equity ratio

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



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

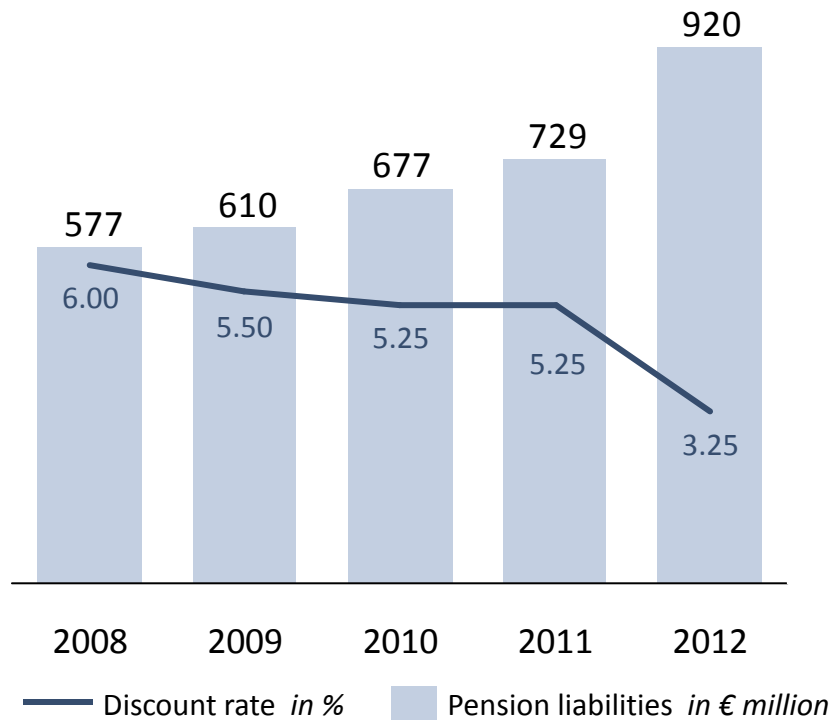




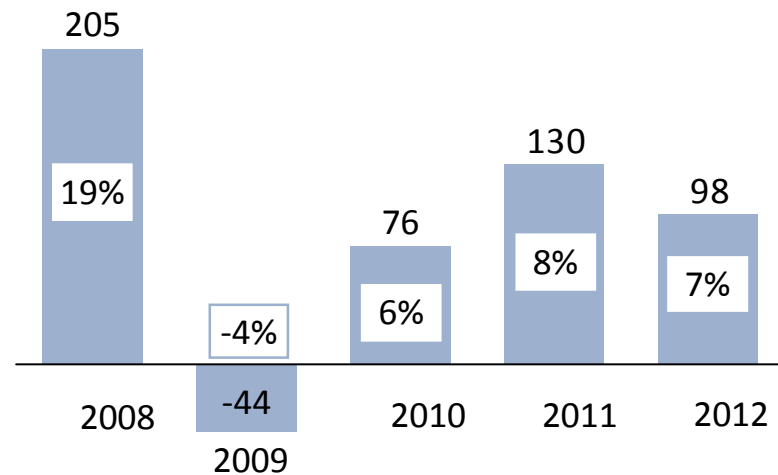
# Rising pension provisions triggered by decreasing interest rates

## 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

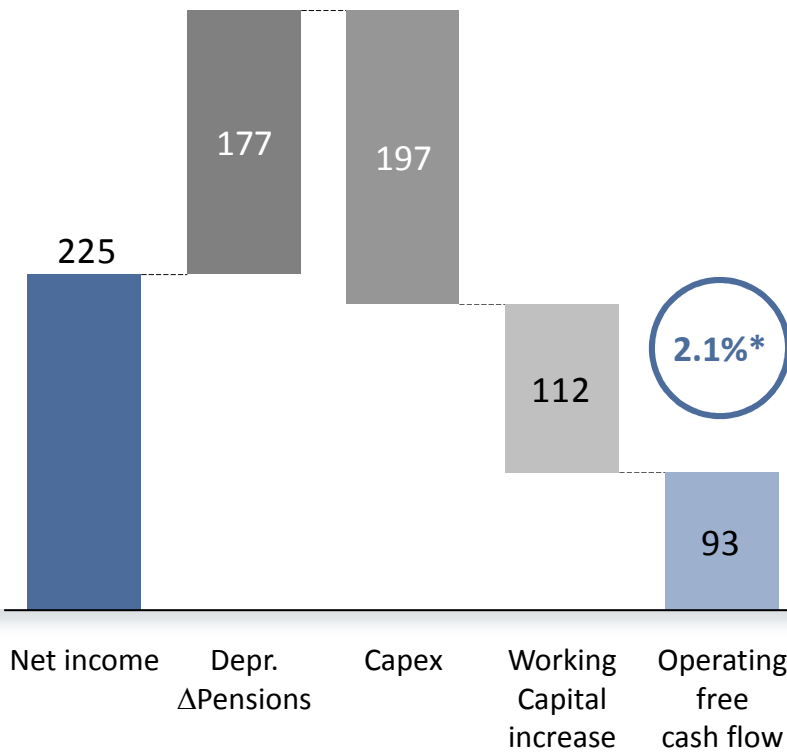
\* Net debt in % of equity



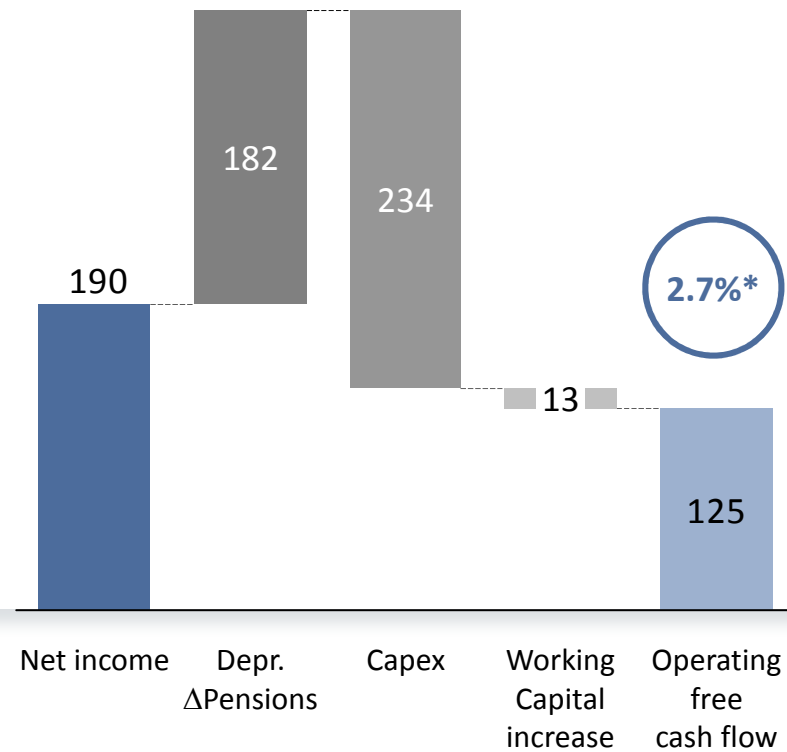
# Cash flow

## Improved operating free cash flow

2011 in € million



2012 in € million



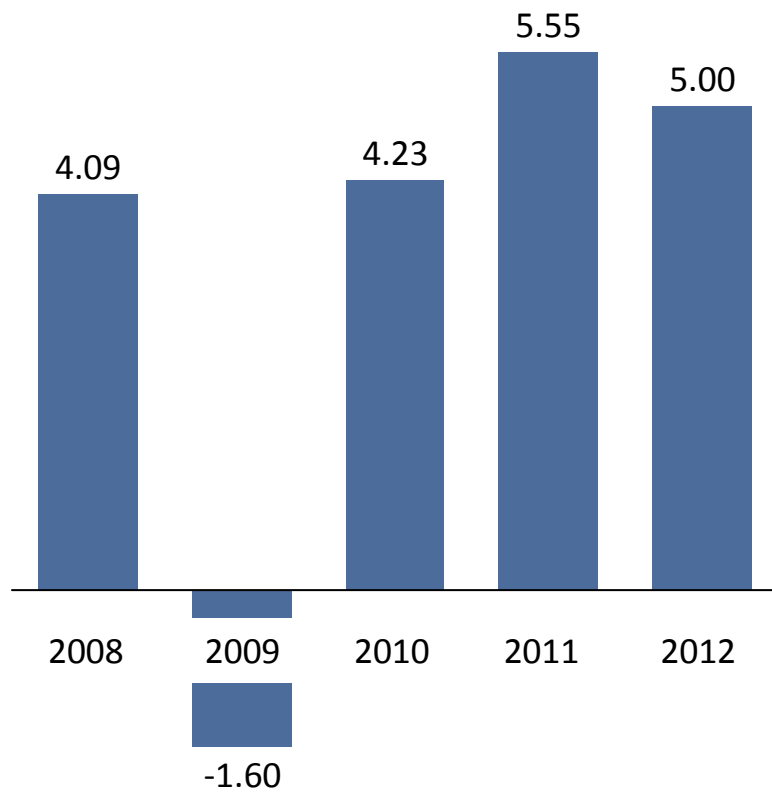
\* In % of sales



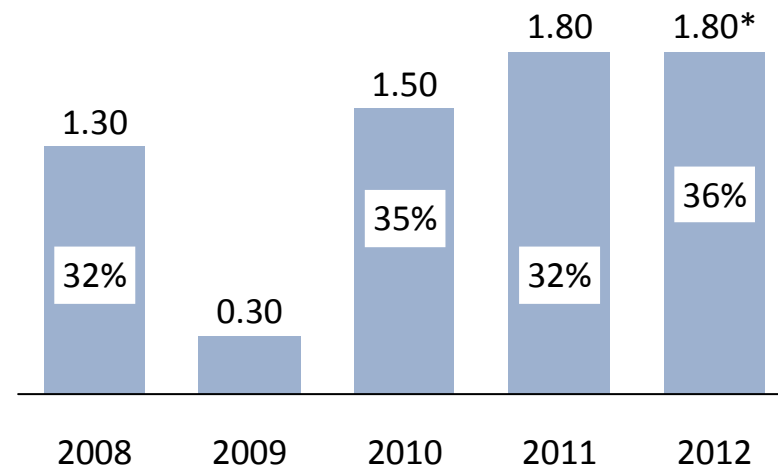
## Earnings per share and dividend

### Dividend stable at € 1.80

Earnings per share *in €*



Dividend per share *in €*  
Payout ratio *in %*



\* Proposal to the annual general meeting

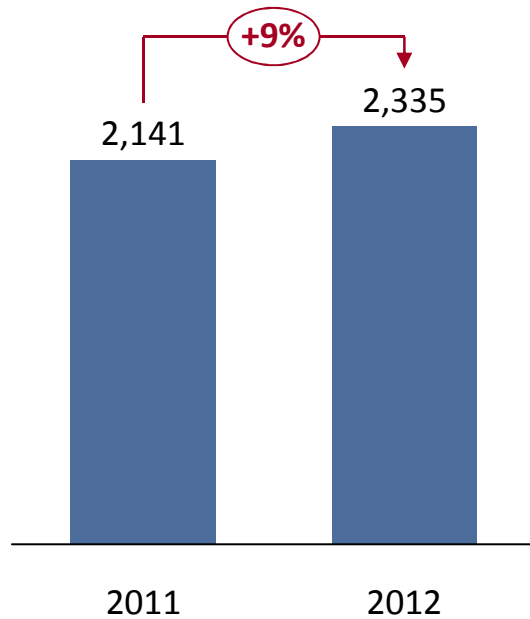




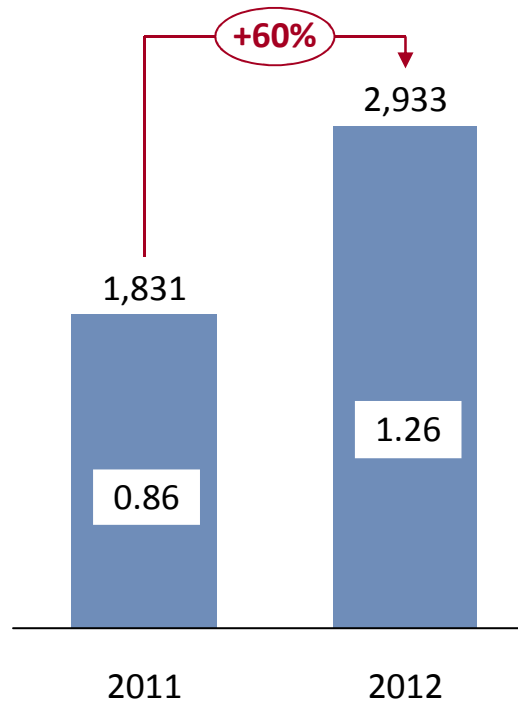
## Defence sales and order situation

**Sales up by 9%, order intake rises strongly by 60% to almost € 3 billion**

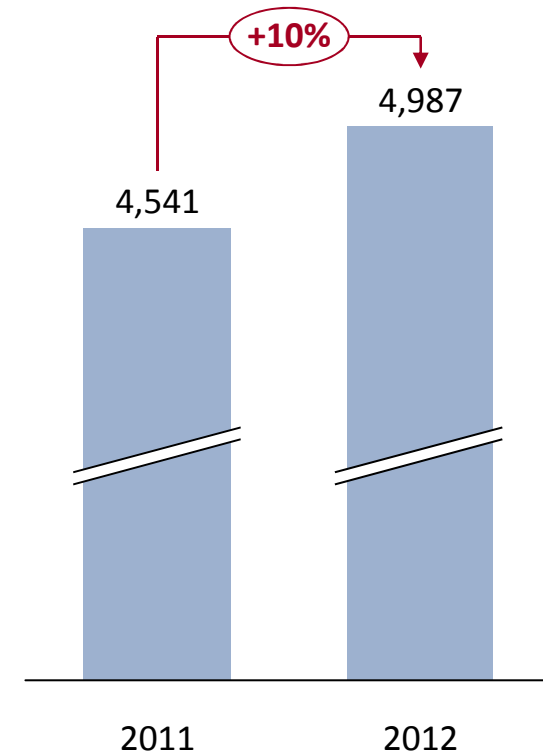
**Sales** in € million



**Order intake** in € million  
**Book-to-bill-ratio**



**Order backlog** in € million

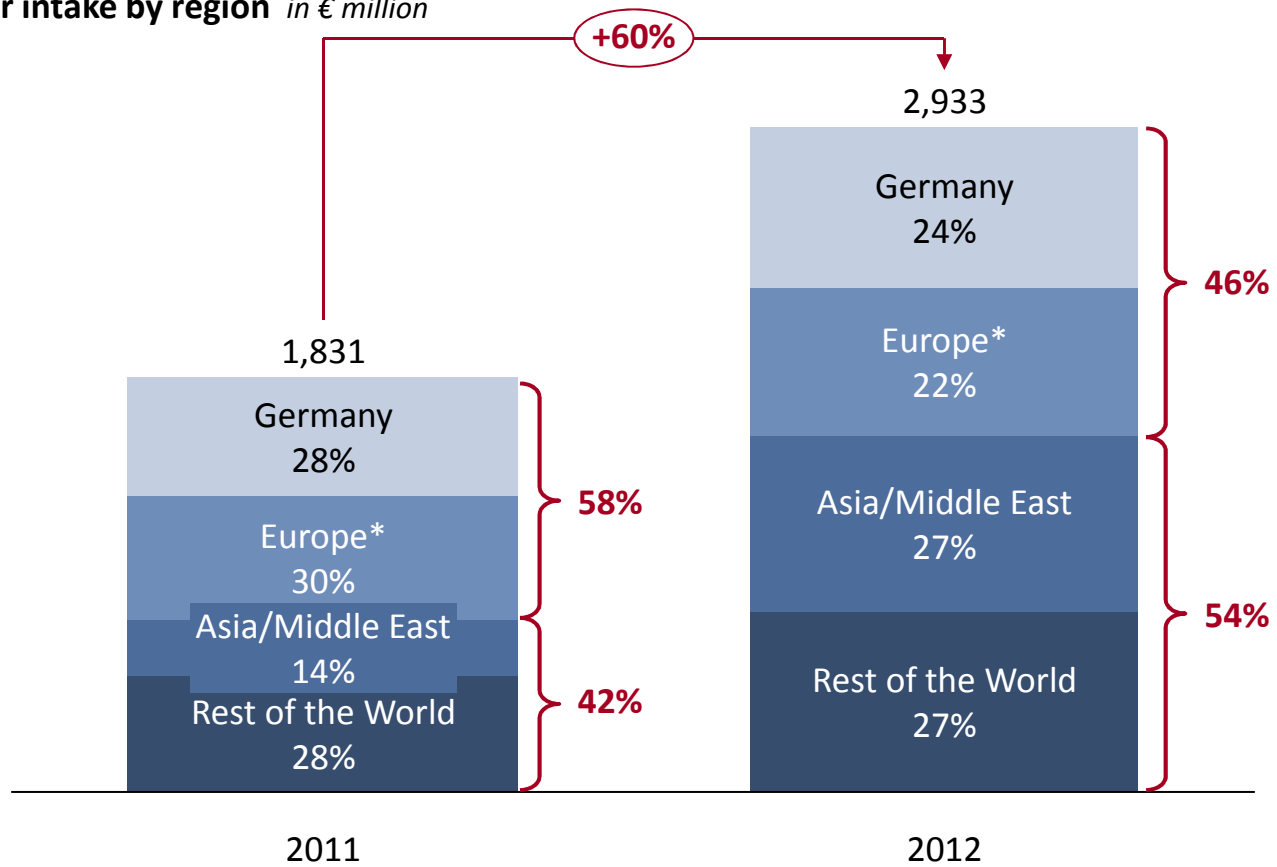




# Order intake

## Increasing share received from growth regions

Order intake by region in € million



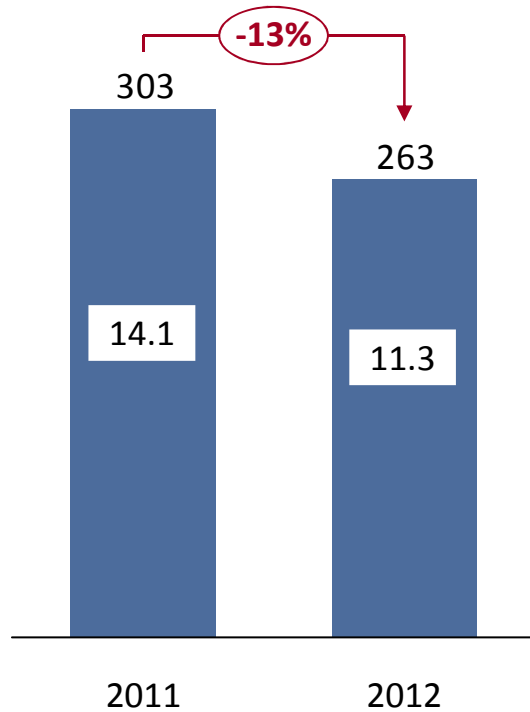
\* Without Germany



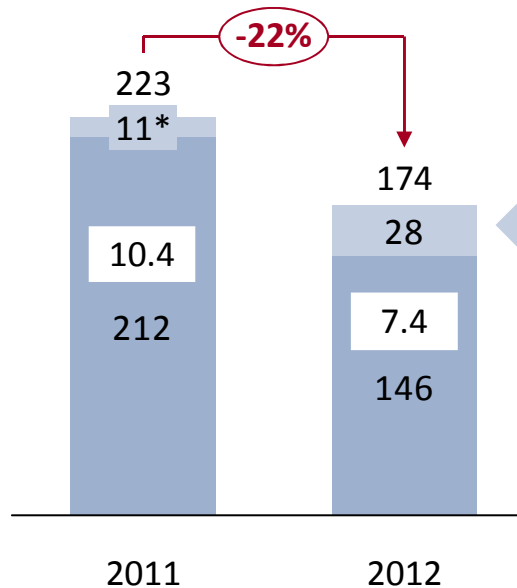
# Earnings development

## Lower operational performance

**EBITDA** in € million  
**EBITDA margin** in % of sales



**EBIT** in € million  
**EBIT margin** in % of sales



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



# Earnings development

## Reasons for lower operational performance compared to FY 2011

Δ FY 2012 vs. FY 2011

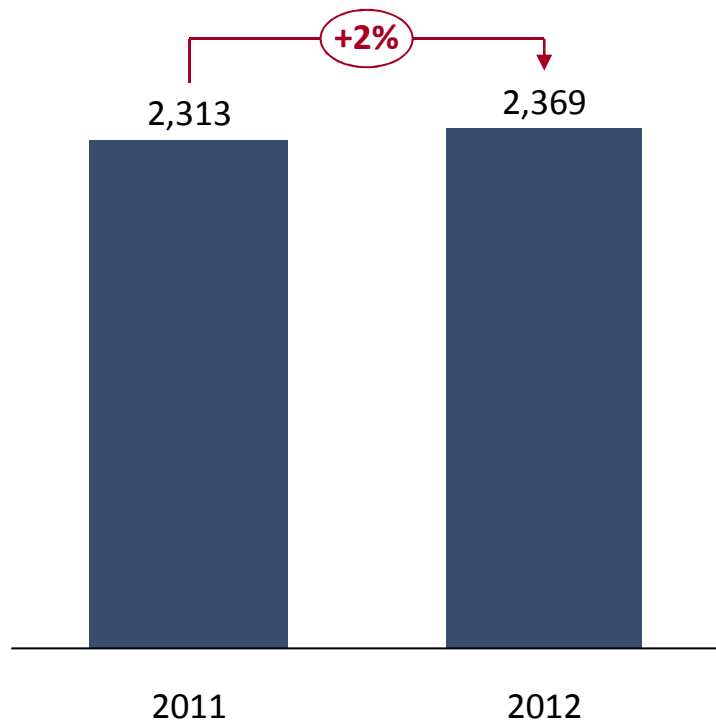
Combat Systems		EBIT - € 19 million	
▶ Lower sales of Tracked Vehicles	Sales - € 74 million EBIT - € 19 million	▶	Restructuring started in 2012
Electronic Solutions		EBIT - € 35 million	
▶ Air Defence and Electro-Optics: volume effect due to low order intake 2011	Sales - € 57 million EBIT - € 20 million	▶	Restructuring of Air Defence started in 2012
▶ Partial divestment of drone business	Sales - € 34 million EBIT - € 7 million	▶	Divestment
▶ Cost over-runs, e.g. final acceptance of MANTIS	EBIT - € 8 million	▶	Non-recurring
Wheeled Vehicles		EBIT - € 15 million	
▶ Logistic Vehicles: lower sales contribution than expected	Sales + € 280 million EBIT - € 15 million	▶	Restructuring to be started in H1 2013



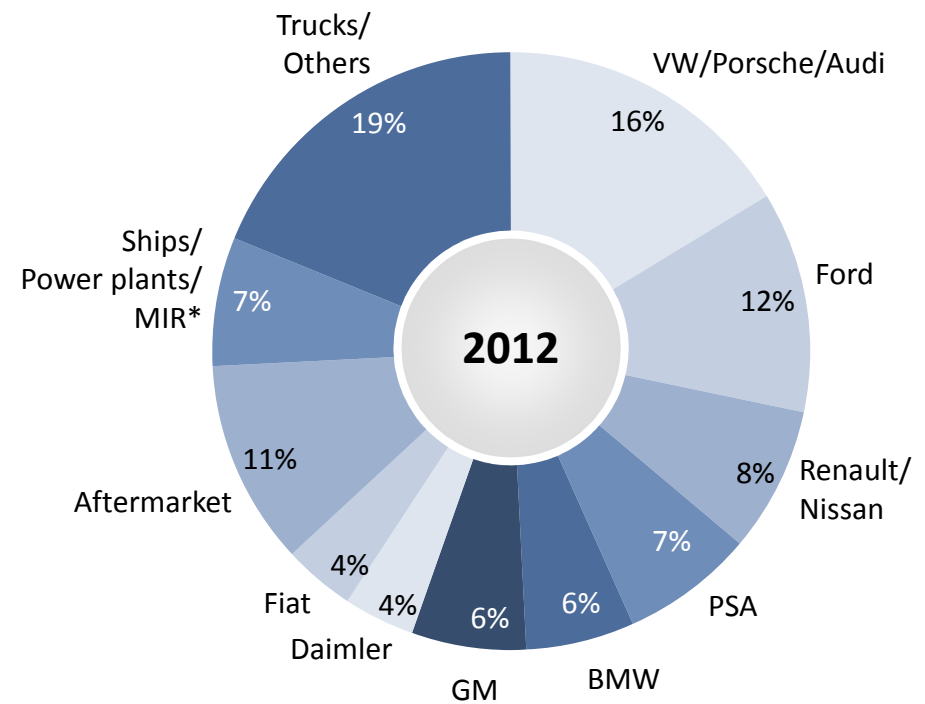
# Automotive sales

## Automotive benefits from balanced customer base

Sales Automotive in € million



Sales by customer in %



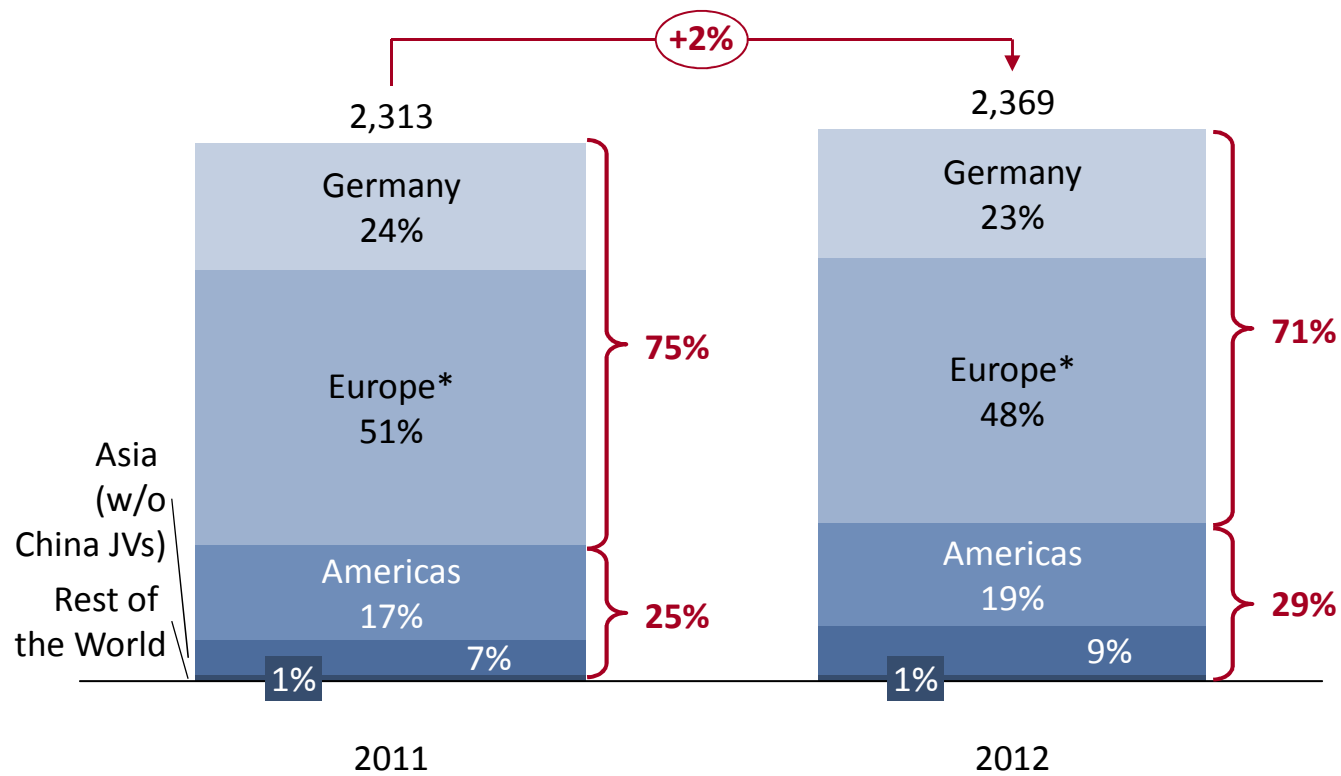
\* Marine, Industry, Recreation



# Automotive sales by region

## Growth particularly encouraging in North America and Asia

Sales by region in € million resp. %

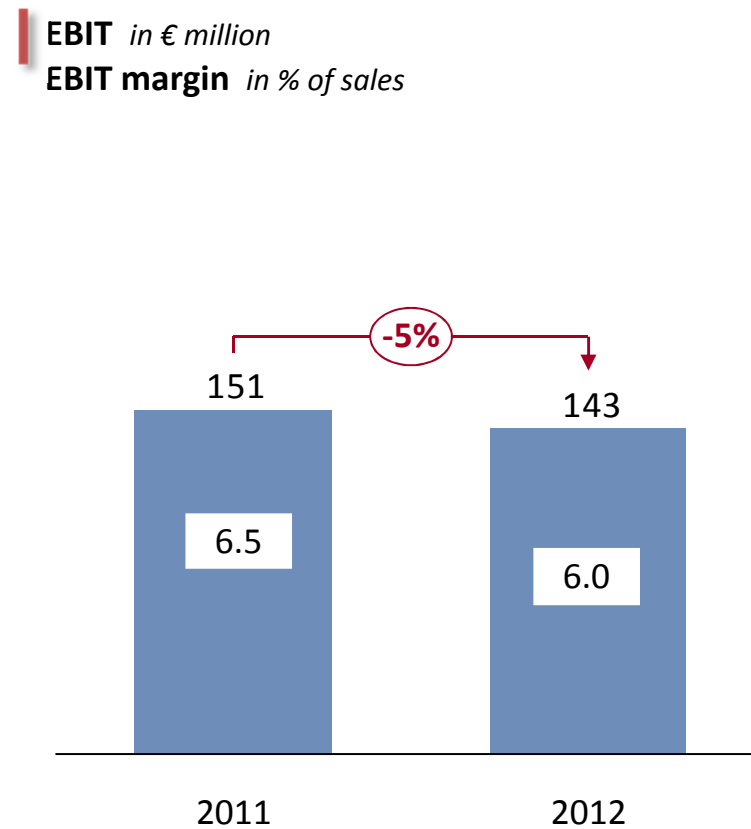
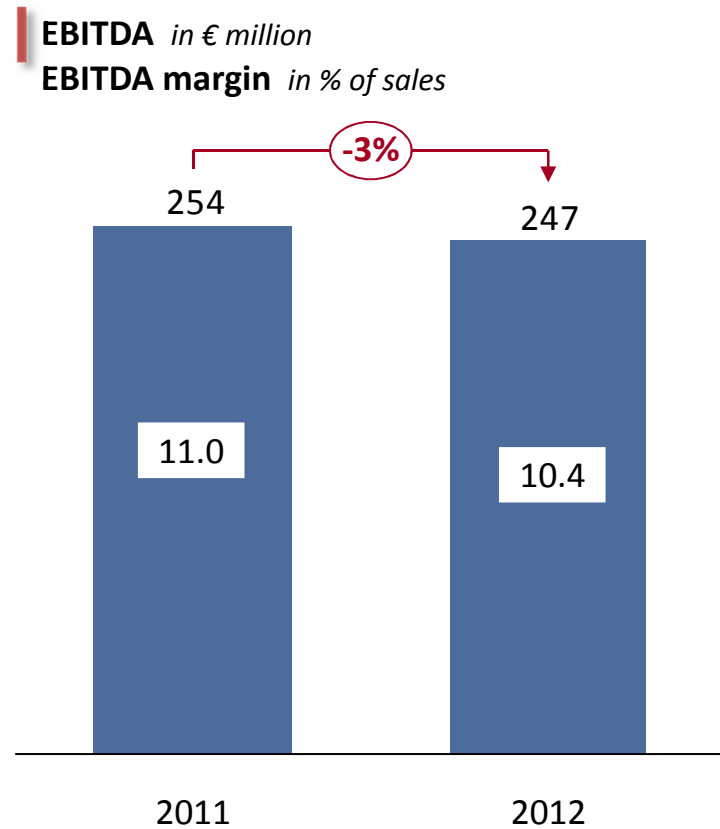


\* Without Germany



# Earnings development

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





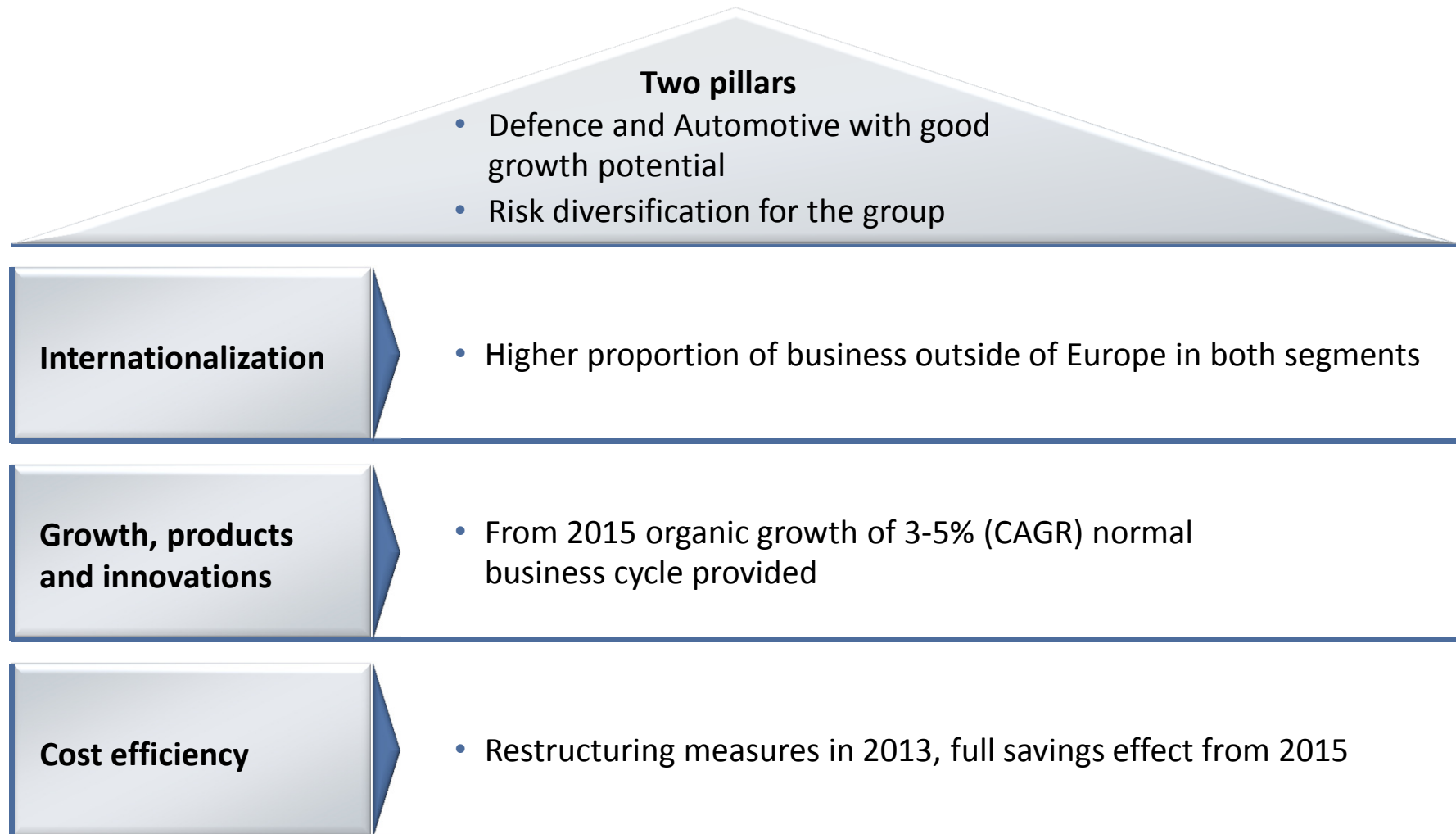
**RHEINMETALL 2015**





# Rheinmetall 2015

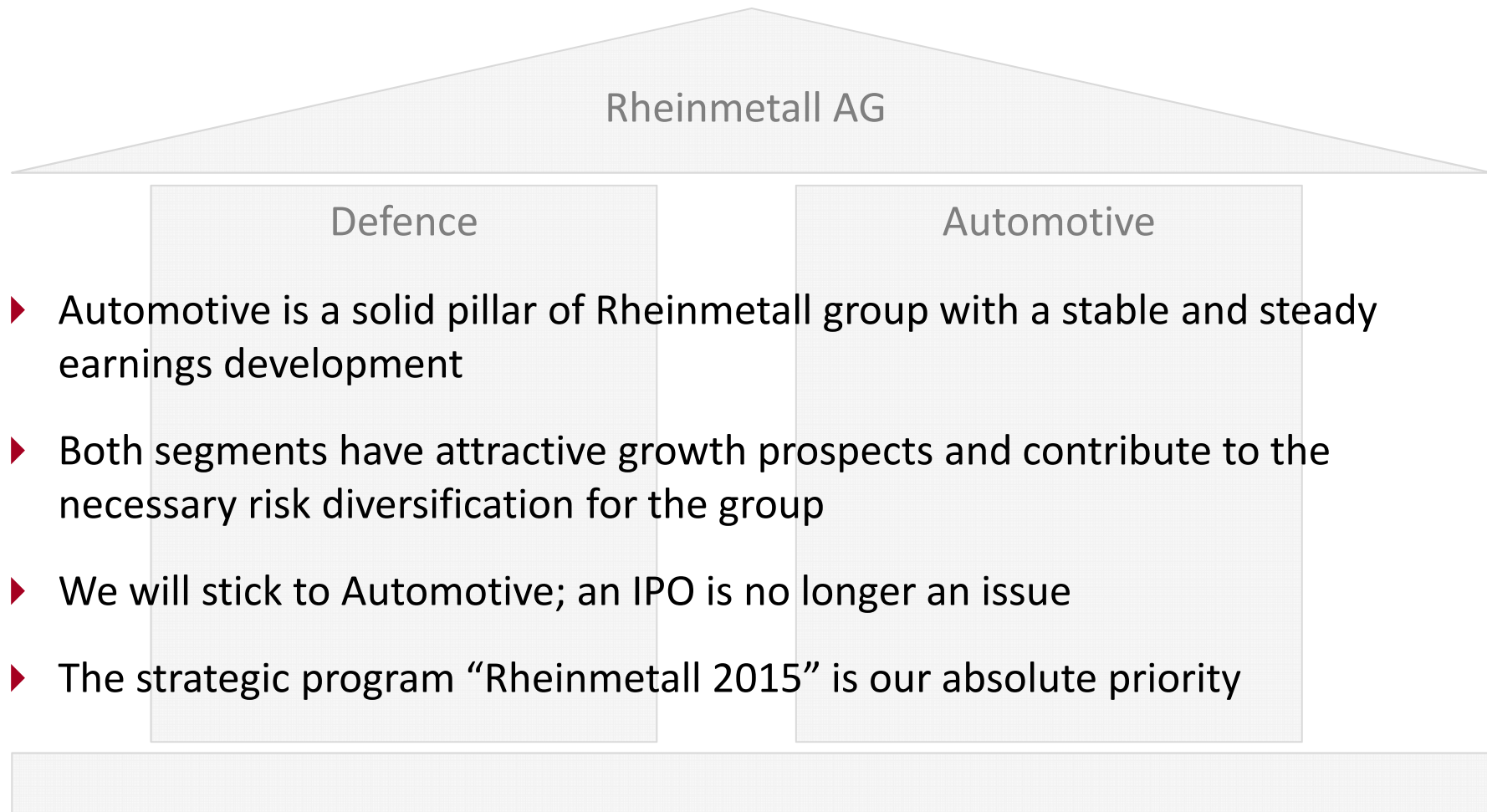
## Key points of strategy





## Rheinmetall 2015

### Two pillars: Defence and Automotive



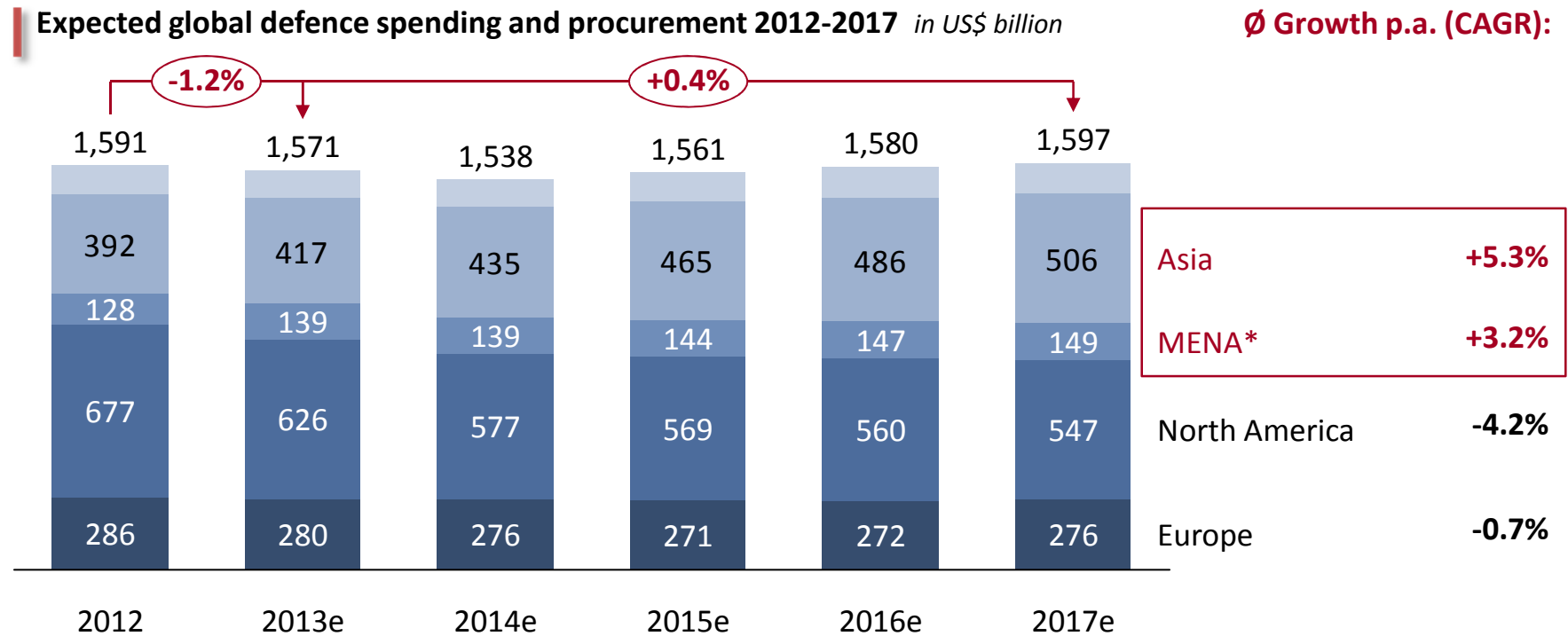


## RHEINMETALL 2015 – Defence



# Rheinmetall 2015

## Global defence budgets develop differently by region



- ▶ 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

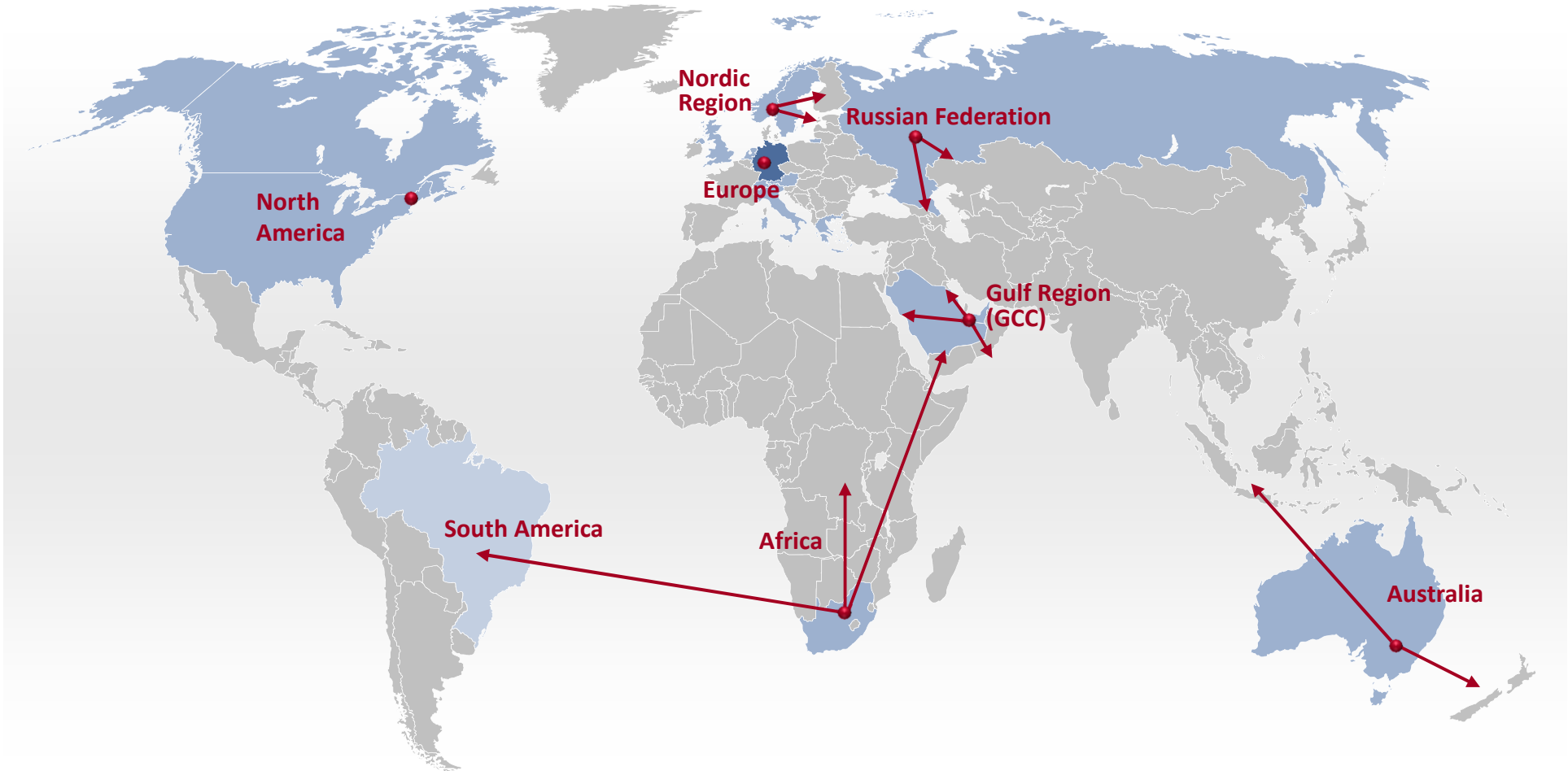
## Internationalization – “Blue print” South Africa





# Rheinmetall 2015

## Acquisition of new markets by hub strategy





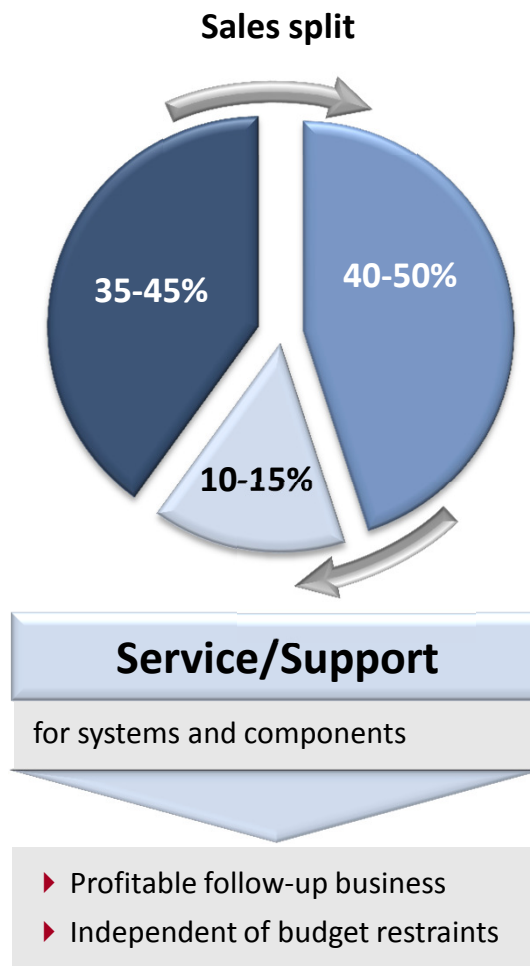
# Rheinmetall 2015

## 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

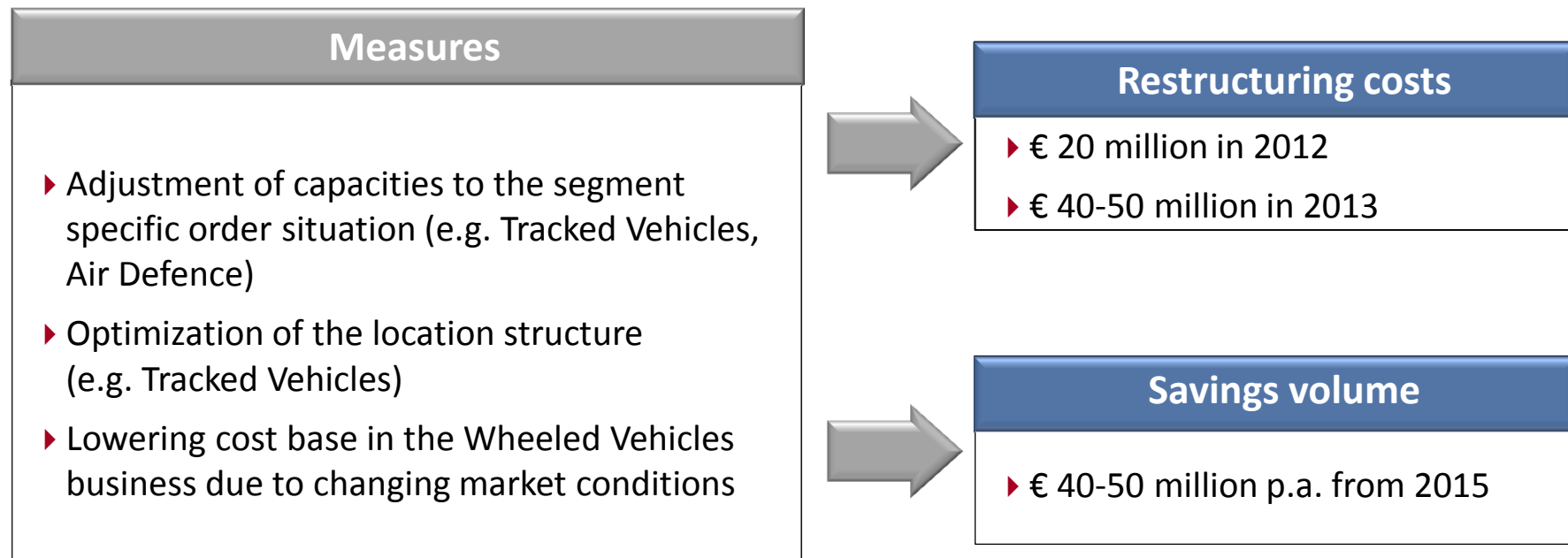
- ▶ Tracked vehicles
- ▶ Wheeled vehicles
- ▶ Simulation and training
- ▶ Air defence

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





## 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 – Automotive

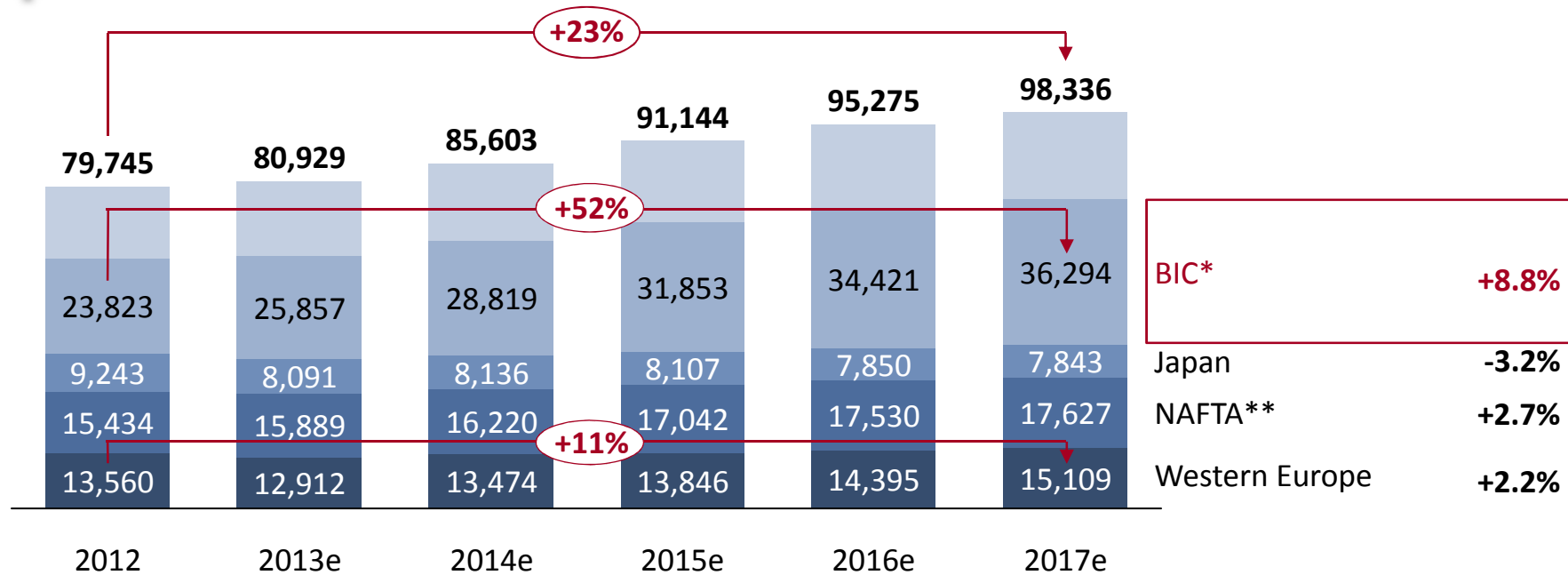


# Rheinmetall 2015

## 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

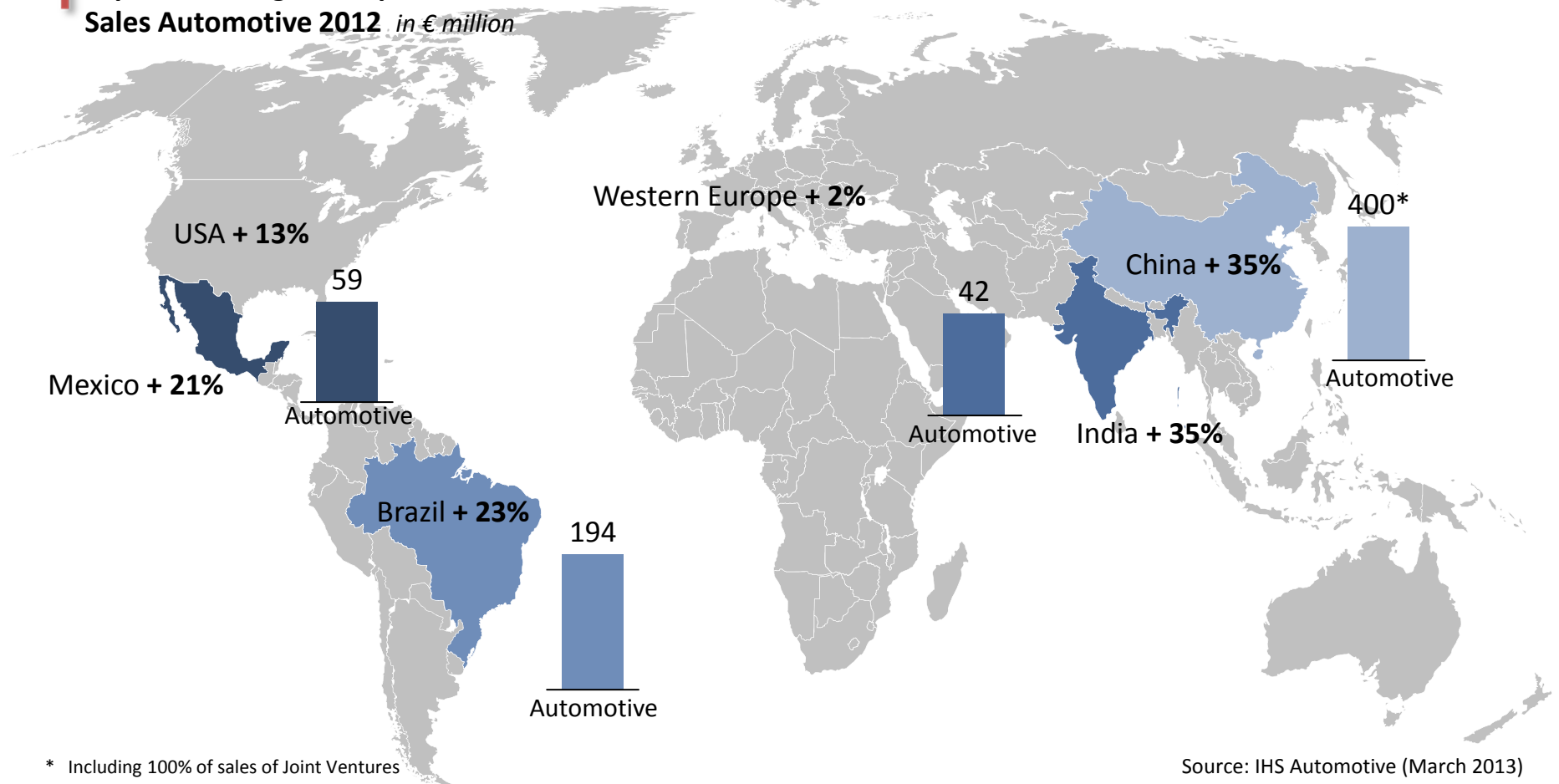
- Optimization of the national and international location structure
- Safeguarding the long-term competitiveness of the Hardparts division by improved cost structures



# 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

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- ▶ 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\*

Segment	Percentage
Dark Blue	45%
Medium Blue	44%
Light Blue	11%

### Motor Service

Engine parts for own products and third parties

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- ▶ 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

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- ▶ 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

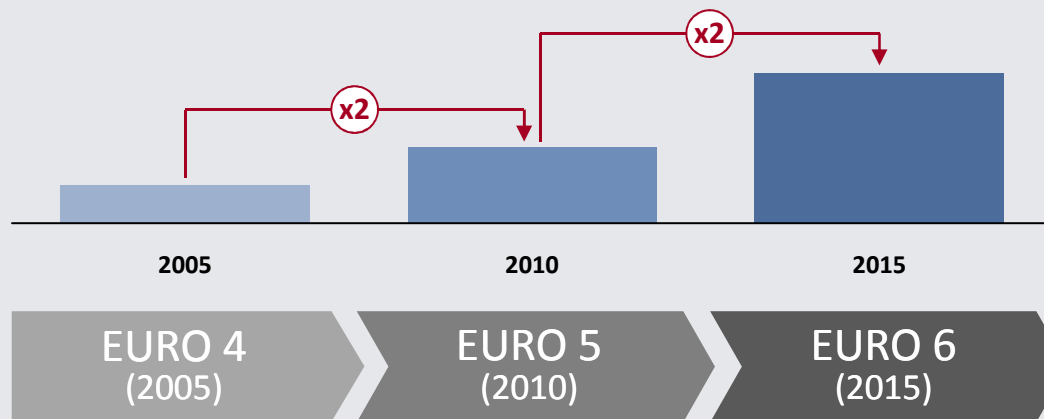
\* Before consolidation



# Rheinmetall 2015

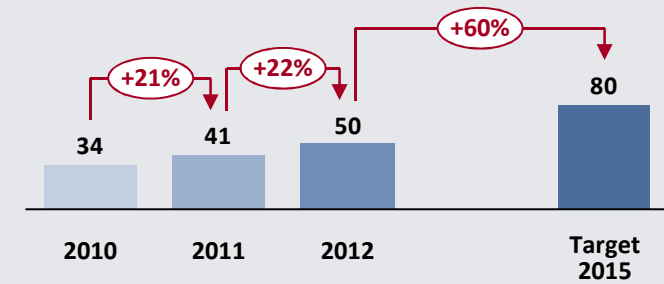
## Stricter emission regulations drive the Mechatronics business

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



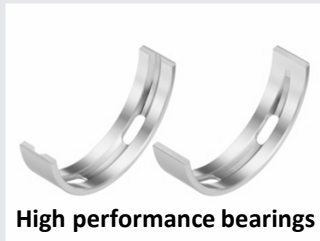




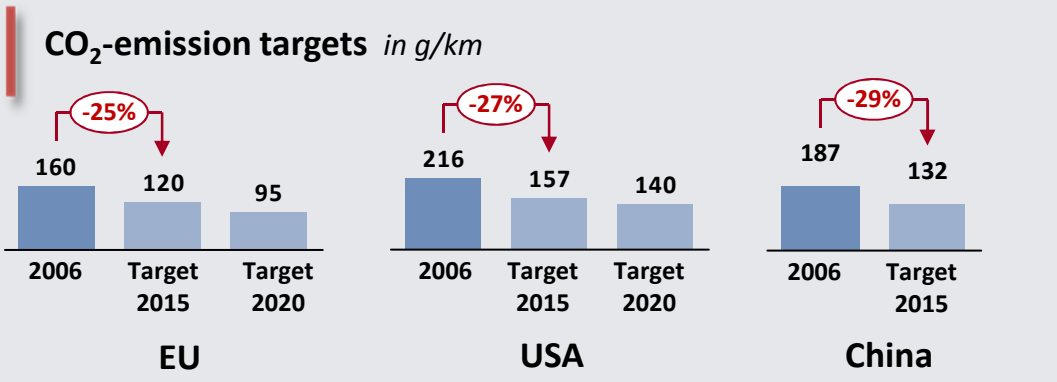
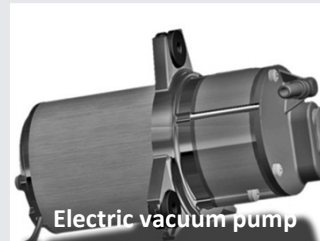
# Rheinmetall 2015

## Stricter standards for improved energy efficient fuel consumption

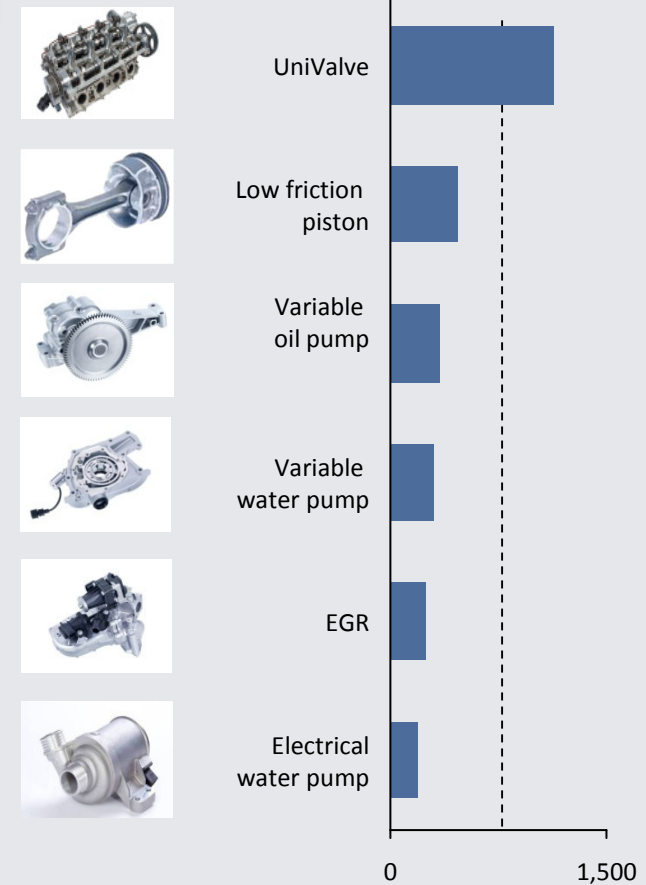
### Downsizing/Turbocharging



### Hybridization



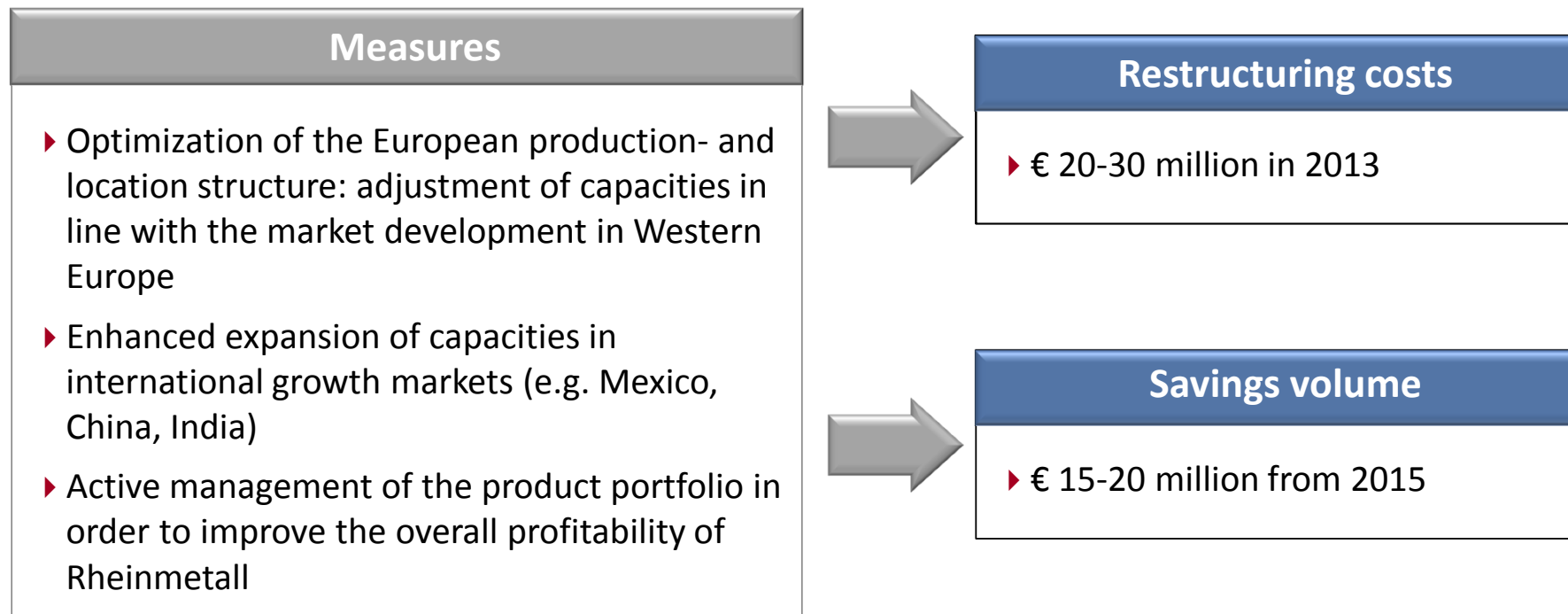
### Savings effect of CO<sub>2</sub>-penalties in €





## 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 2013



## Outlook 2013

### 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*
			Restructuring costs	60 - 80
Defence	2.3	around 2.4	174	130**
			Restructuring costs	40 - 50
Automotive	2.4	2.4 - 2.5	143	140**
			Restructuring costs	20 - 30

\* Including holding costs, before restructuring costs

\*\* Before restructuring costs



## Summary

- ▶ We maintain the two pillars Defence and Automotive
- ▶ By establishing Rheinmetall 2015, we have set ambitious growth and earnings targets
- ▶ We will continue to internationalize our business
- ▶ In 2013, we will invest in measures to improve cost efficiency in order to realize savings effects of € 55-70 million p.a. from 2015
- ▶ 2013 will be a transition year and in 2015, we aim to generate sales of more than € 5 billion and show a considerably improved profitability

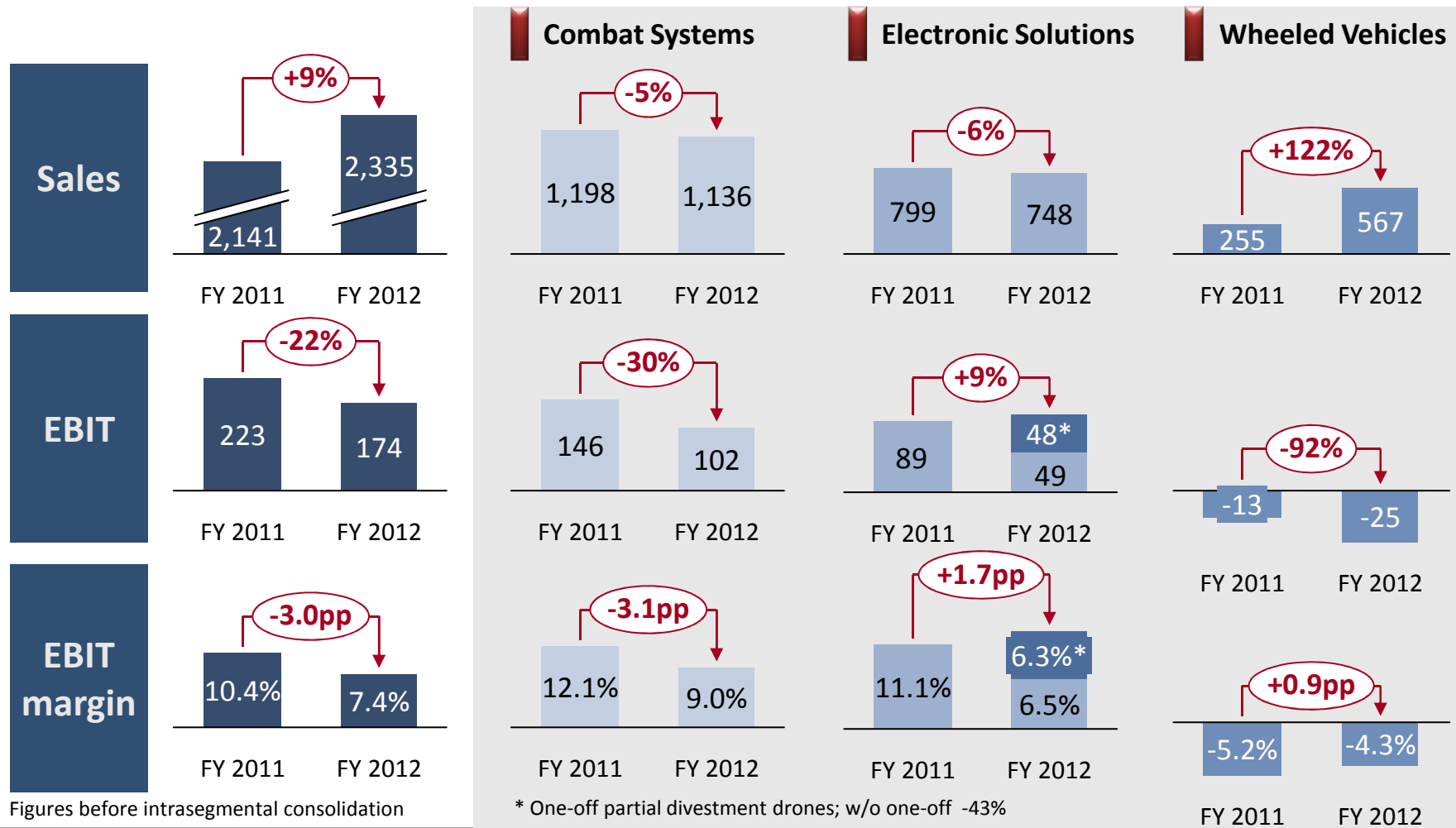


## APPENDIX



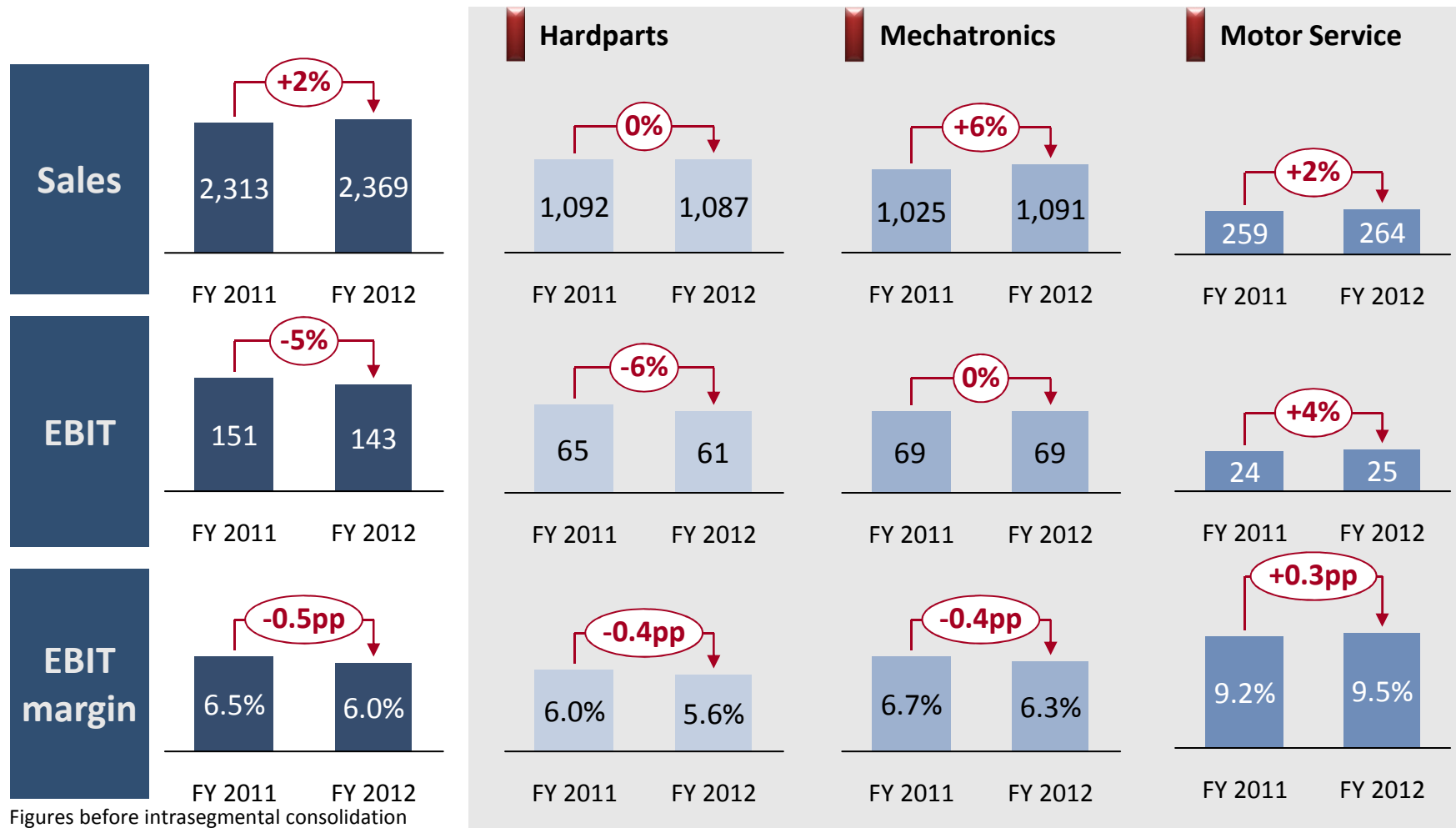


## Key figures Defence by divisions





## Key figures Automotive by divisions





## 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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