



RHEINMETALL AG

# THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

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Horst Binnig, CEO Automotive



What we achieved since the CMD 2014

2016 - 2020, a strategic outlook

The challenge Mobility 2020<sup>PLUS</sup>

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# Key messages

## Last CMD November 2014

Markets will not limit our growth, we will outperform the market.

Global LCV-production growth: + 1,3%  
Our growth: 7% (4% w/o FxR), 11% incl. JV.

Sales for TecParts increased up to > 60 %.

New and innovative products are in the pipeline.

Good balanced product portfolio for PC, Truck and MIR applications.

Sales for non LCV-business grew by + 5%.

Growth in China (incl. 100% JV) + 10%, outperforming the market.

Substantial growth in the emerging markets with own and JV companies.

Target 8% EBIT margin under stable market conditions is achievable in 2015.

EBIT margin 9M 2015 = 8.4%.

LCV = Light Commercial Vehicles



## Performance Highlights 9M 2015

### Robust sales growth, enhanced profitability, positive free cash flow

**Sales**

**+ 7%\***

**Sales increased** by EUR 126 million, outperforming global markets (+ 1%)

**EBIT**

**+ 18%**

**Strong increase of EBIT** to EUR 164 million

**Margin**

**+ 0.8pp**

**EBIT margin above target** at 8.4% (Q3: 8.1%)

**FCF**

**+ 91mn**

**Free cash flow from operations positive** at EUR 70 million

**China**

**+ 31%**

**Sales growth of Chinese entities** (FX-adjusted + 10%) with rather stable earnings contribution, but **weak third quarter**

\* FX-adjusted + 4%



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OW

慢  
速

SLOW

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SL

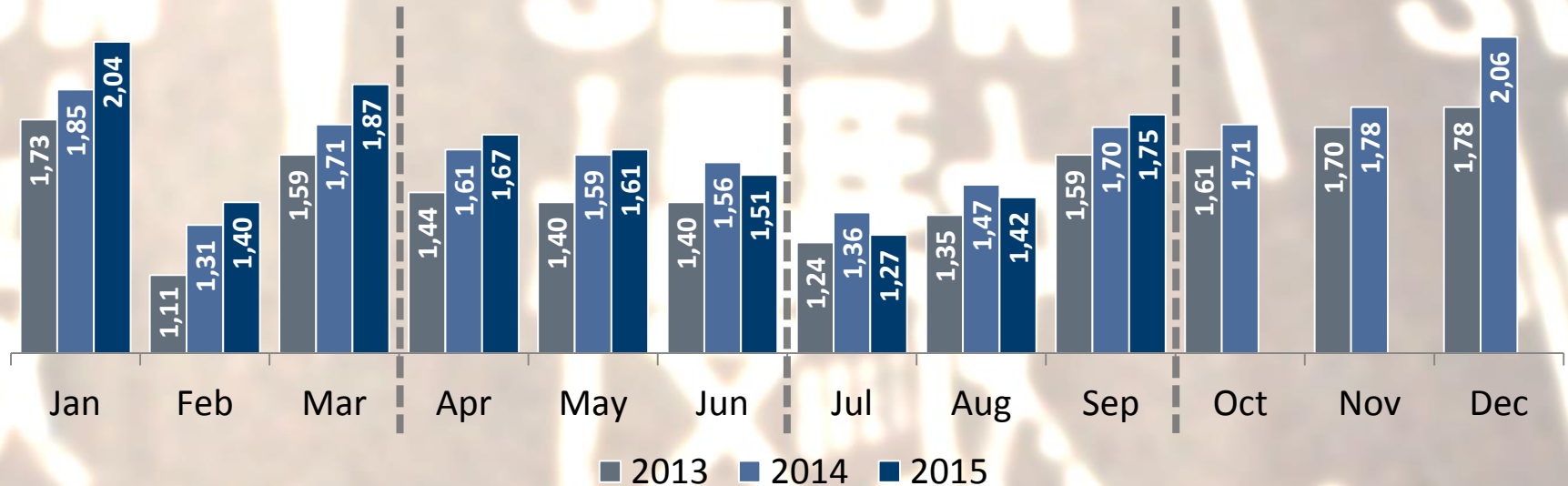
慢  
速

» Chinas economy  
slows down, but...



## Market development China

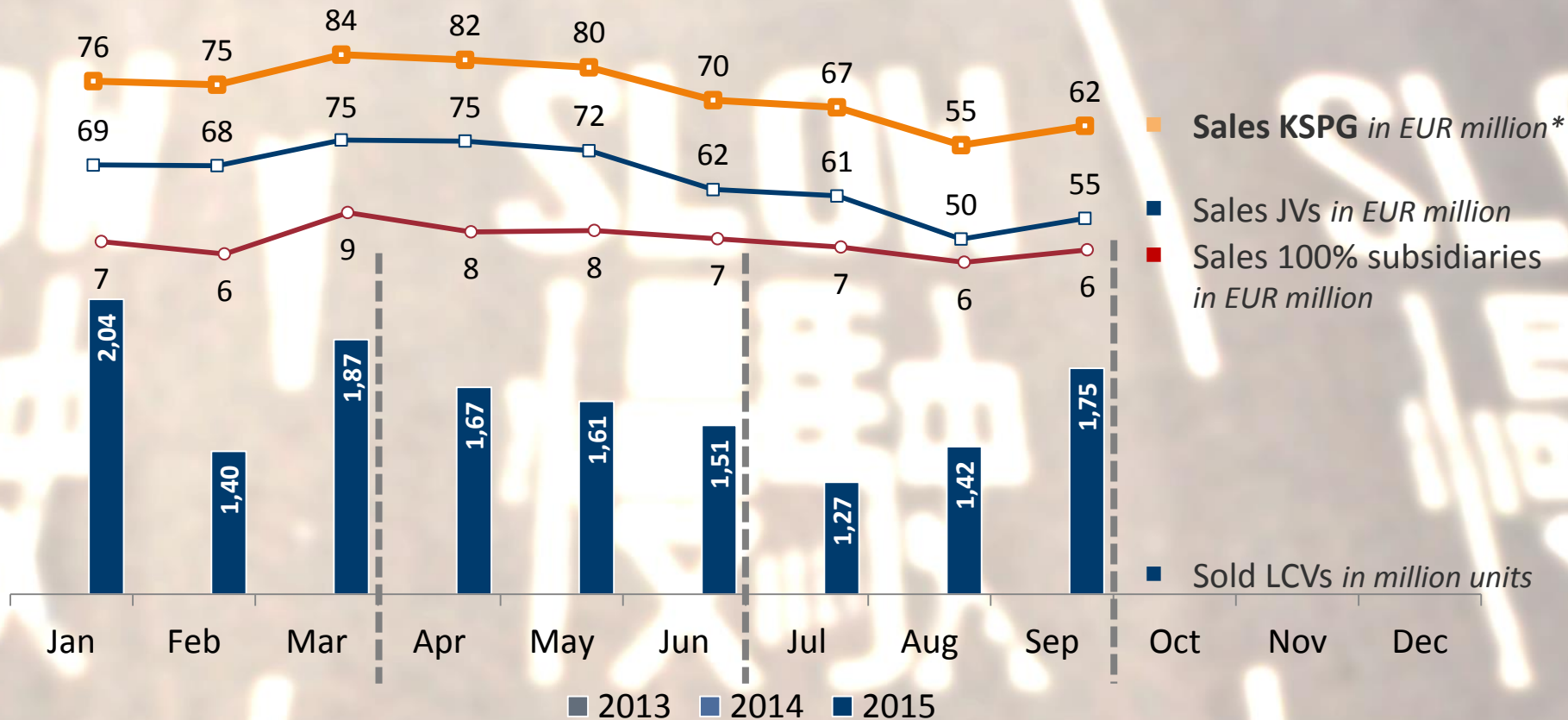
■ Sold LCV in million units



- **2013:** LCV sales China grew up to **17.9 Mio LCVs (+16% to PY)**
- **2014:** LCV sales China grew up to **19.7 Mio LCVs (+1.8 Mio LCVs, +10% to PY)**
- **2015:**
  - Q1/15: LCV sales China grew up to 5.3 Mio LCVs (+ 440 k LCVs, +9.0% to PY)
  - Q2/15: LCV sales China grew up to 4.8 Mio LCVs (+ 30 k LCVs, +0.6% to PY)
  - Q3/15: LCV sales China fell down to 4.4 Mio LCVs (- 90 k LCVs, - 2.0% to PY)

Source: China Association of Automotive Manufacturers





— 2015:

- 9M/15 LCV sales China grew up to **14.5 million LCVs (+380k LCVs +2.7% to PY)**
- 9M/15 (incl. 100% JV sales)
  - **KSPG China sales grew up to EUR 650 million (547 w/o FX effects) = 10% organic growth**
    - **JVs grew up to EUR 587 million (EUR 494 million w/o FX effects) = 7% organic growth**
    - **100% subsidiaries grew up to EUR 63 million (EUR 53 million w/o FX effects) = 47% organic growth**

\* Rounding differences caused by calculation with exact figures

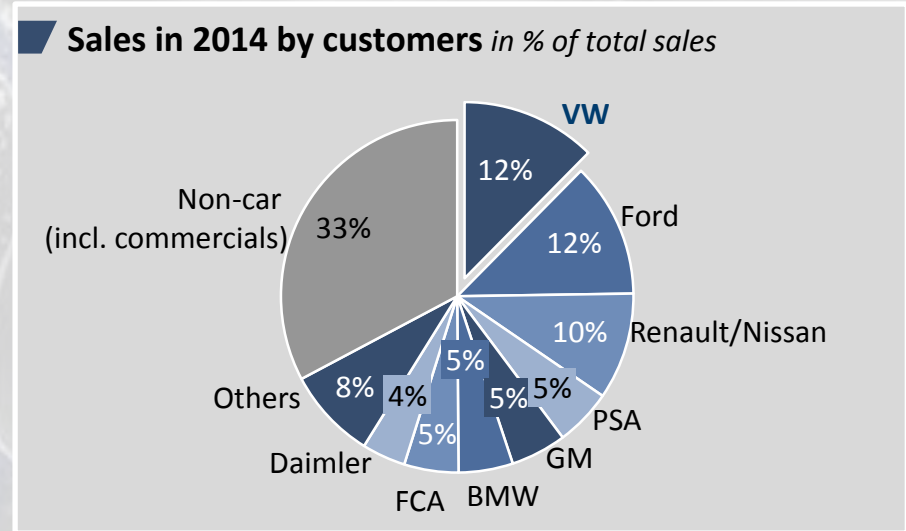
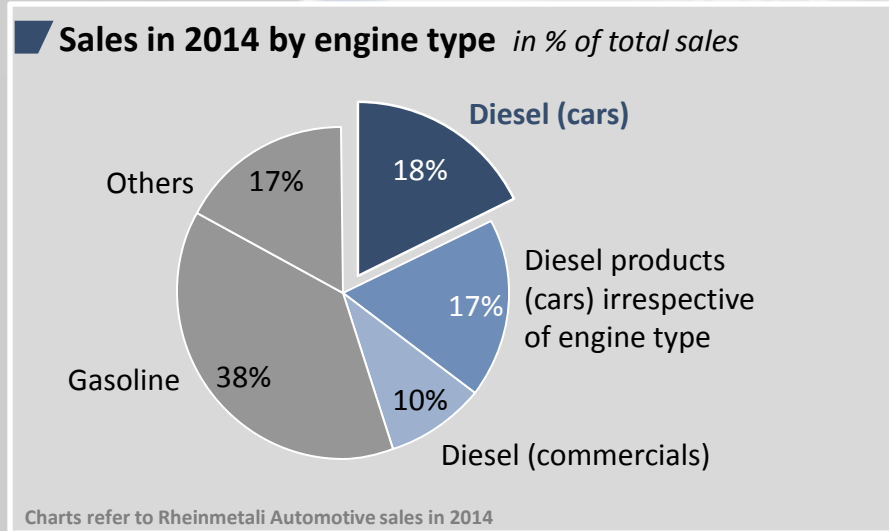
Source: China Association of Automotive Manufacturers



» Diesel might get under pressure

# Market consequences of diesel emission manipulations

## Diesel sales share of total Rheinmetall Automotive sales 2014



### THE EFFECTS ON RHEINMETALL ARE MANAGEABLE

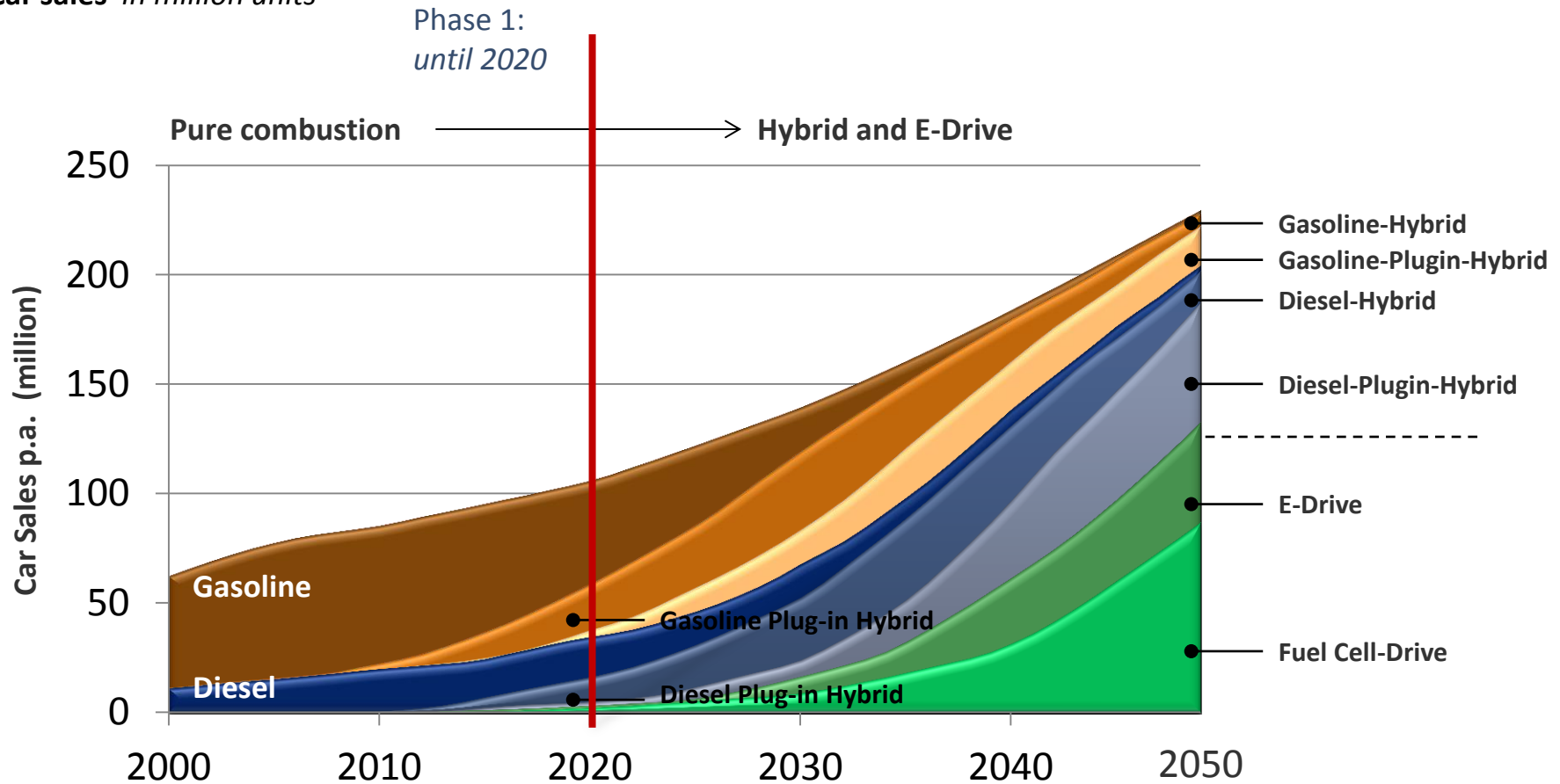
- 45% general share of products in diesel engines (of which 10% commercials)
- 18% direct share of products for diesel technology

Hence car diesel sales account for a maximum of **9% of Rheinmetall AG sales.**



# Drive systems: Market trends for future drive systems

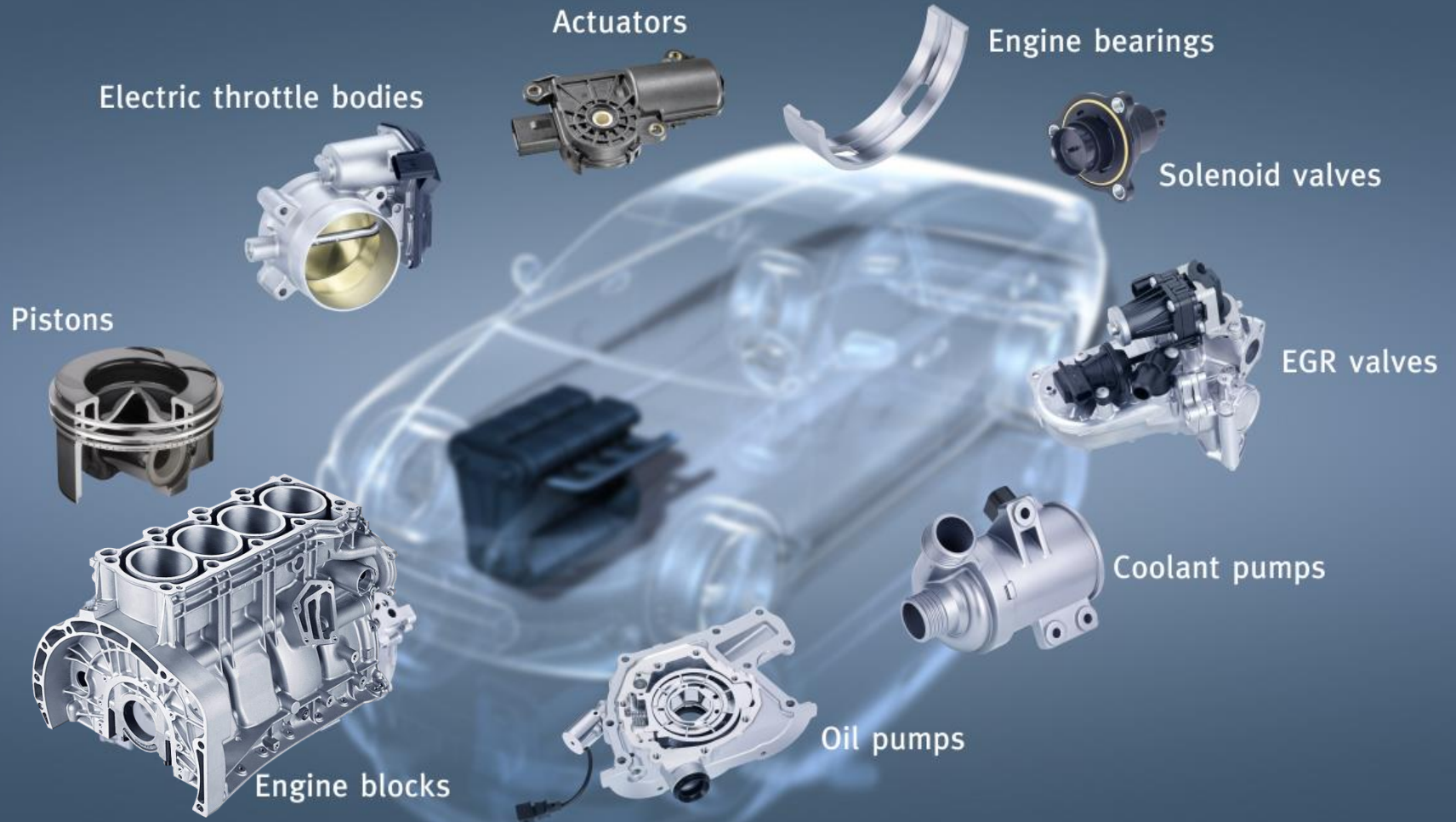
Car sales in million units



Source: Honda

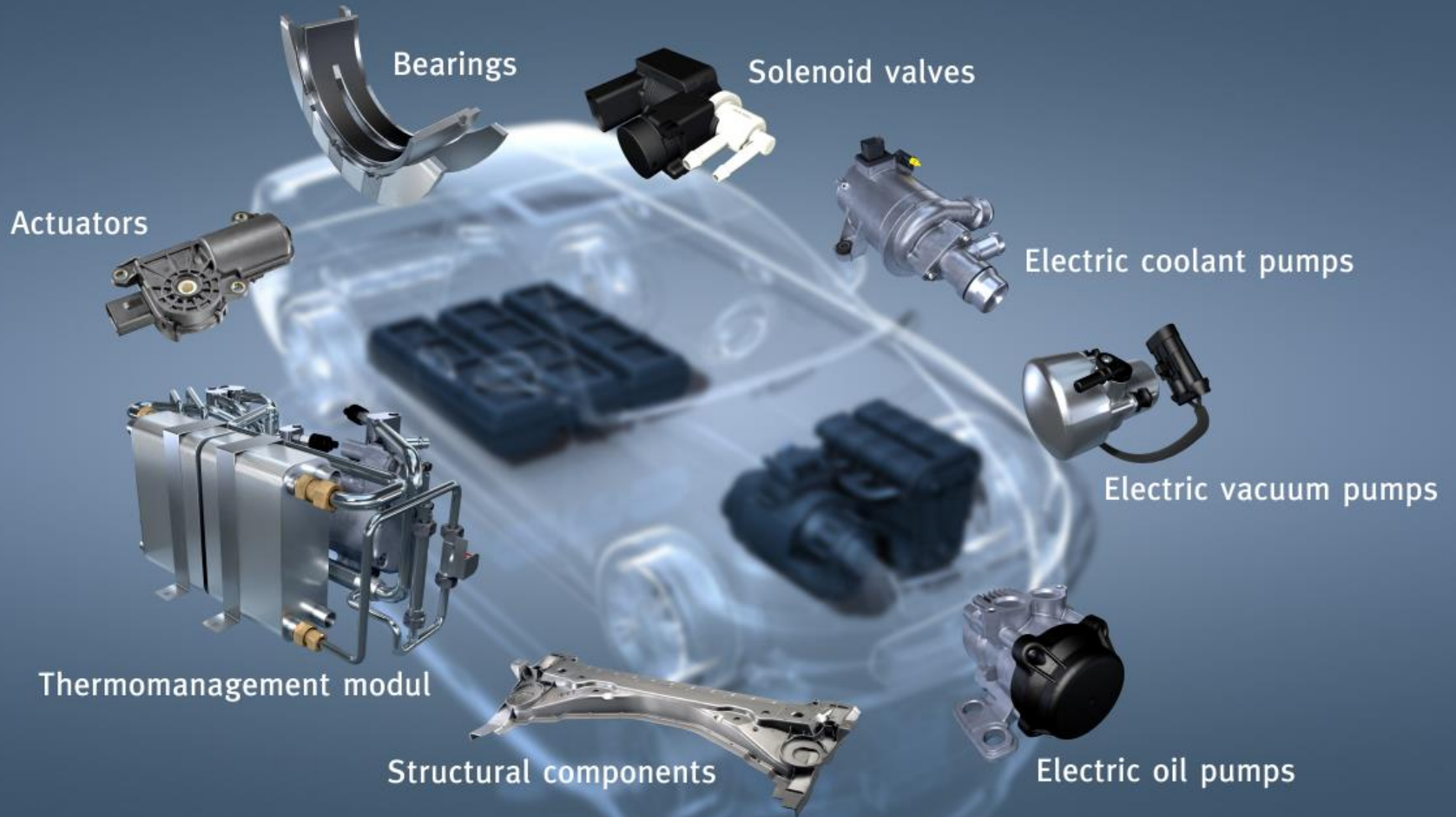


# Hybridization at KSPG Combustion products



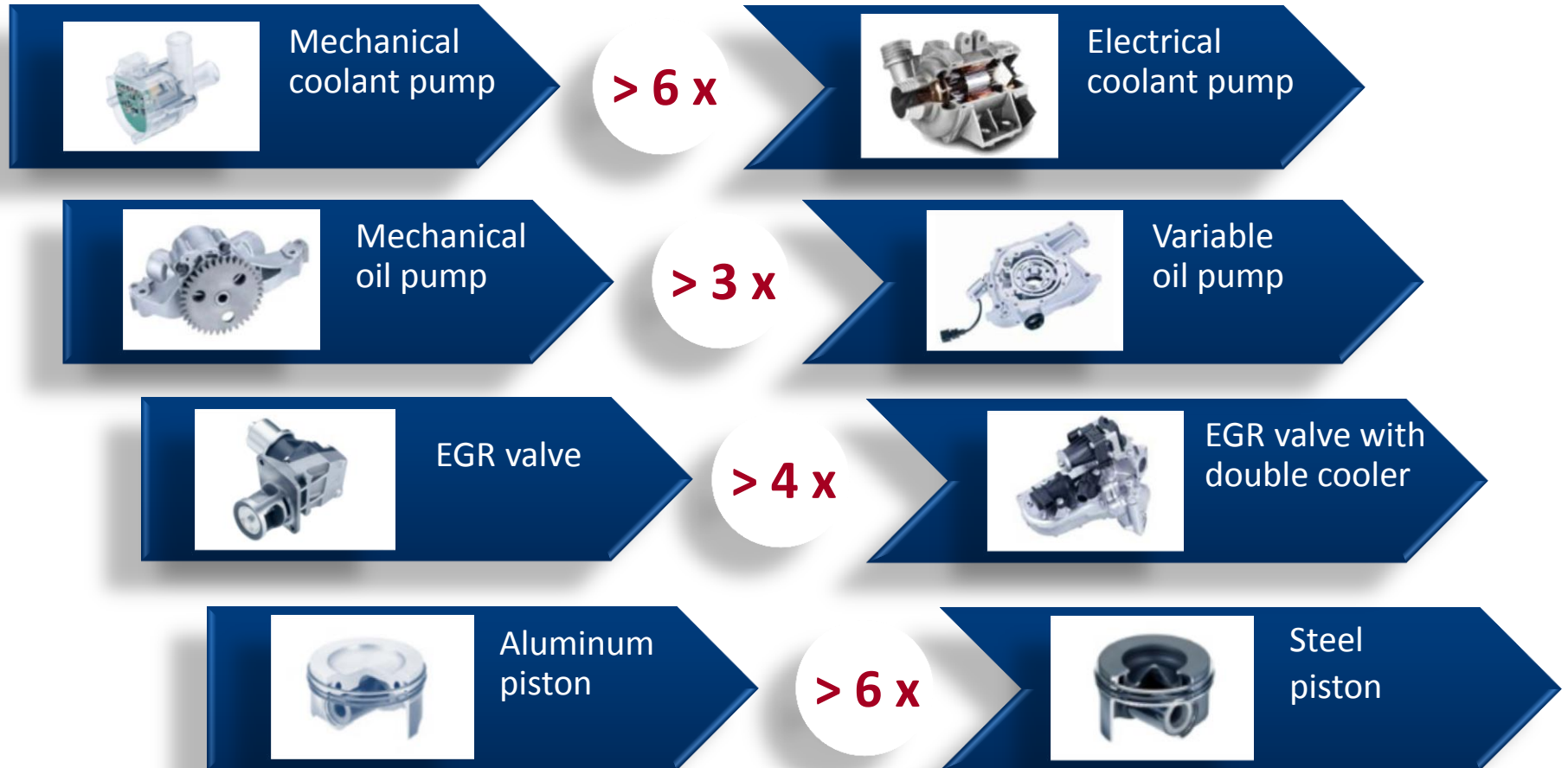
# Hybridization at KSPG

## Hybrid products





# Additional potential for KSPG From standard to high-tech



Factors refer to sales price per unit



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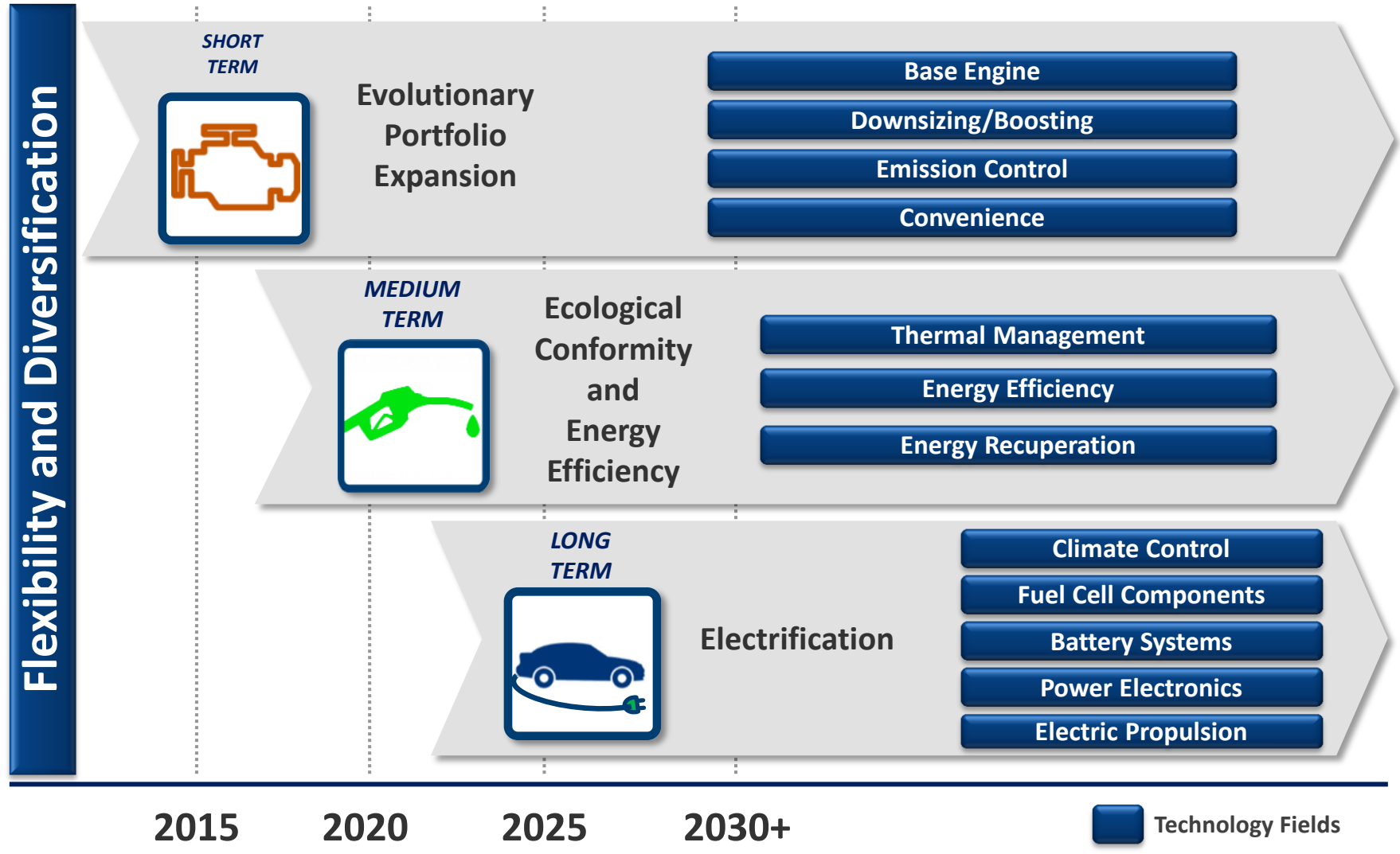
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# Technologies

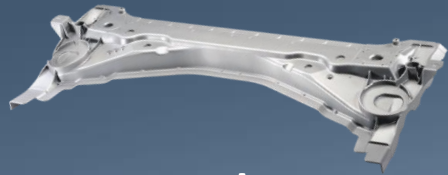
## KSPG's Future Technology Fields



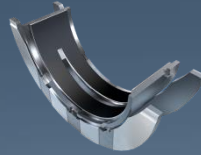


# E-Cars

## Additional potential for KSPG components



Structural components



Bearings



Solenoid valves



Electrical vacuum pumps



Actuators



Electrical oil pumps



Thermal management module

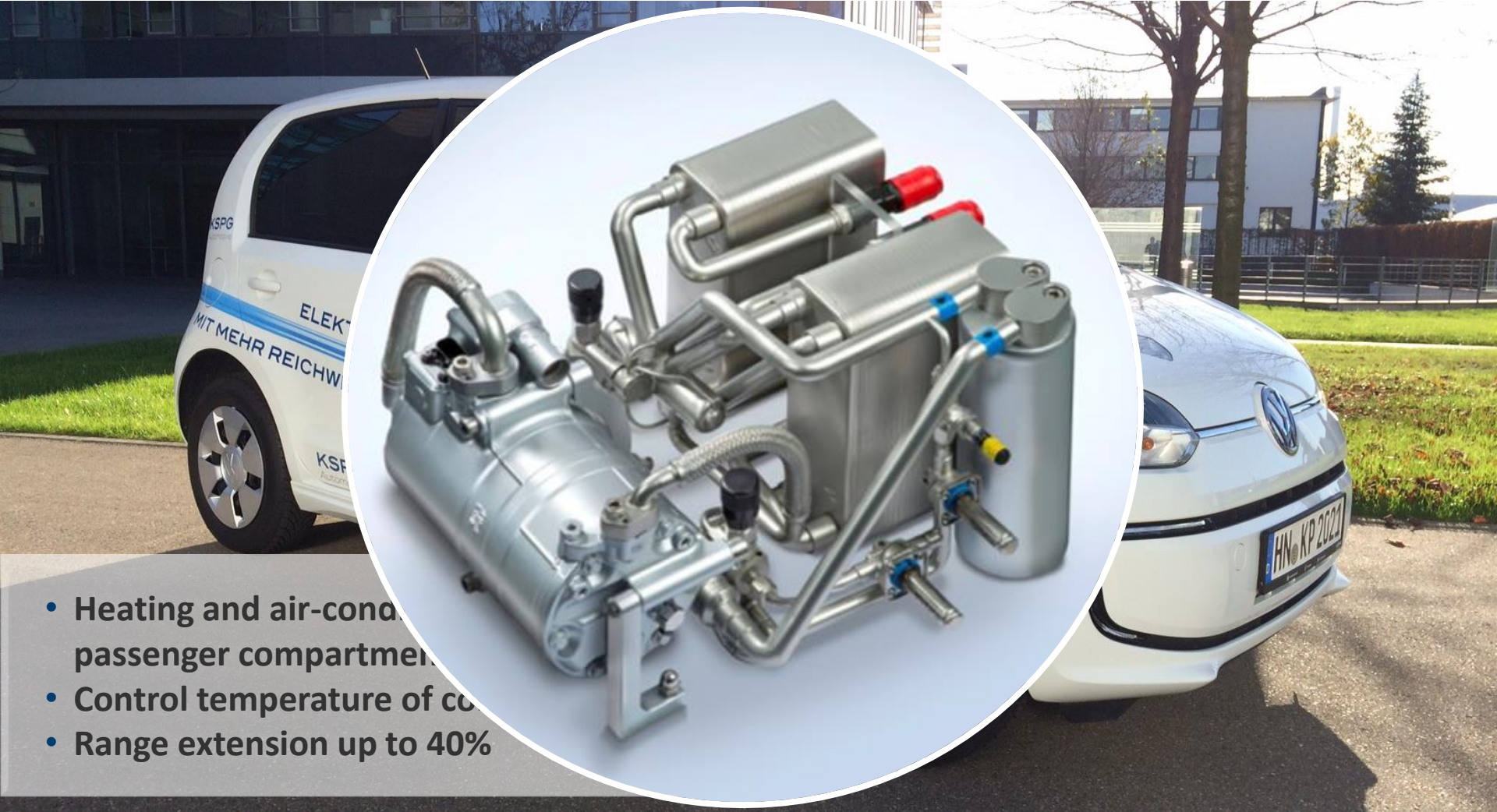


Electrical coolant pumps



## Innovative Products

# VW e-UP with KSPG thermal management module (Prototype)



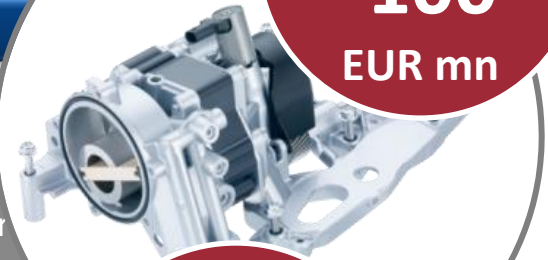
- Heating and air-conditioning for passenger compartment
- Control temperature of coolant
- Range extension up to 40%



# Innovative Products

## Examples for a market introduction driven by us

### Sample 1: Electrical water pump



Sales today:  
**~100**  
EUR mn

### Sample 2: Bearings for fuel injection pumps



Sales today:  
**~20**  
EUR mn





# Automotive

## Key investment highlights

### Markets

- Rising global demand for light vehicles
- High need for efficient engines and lower emissions

### Products

- Focus: Emission & CO<sub>2</sub>-reduction by Mechatronics, CO<sub>2</sub>-reduction by Hardparts
- More complex products leading to higher prices per vehicle

### Order pipeline

- Short and medium-term business covered by frame contracts
- Innovative products available for long-term growth

### Customers

- Well-balanced customer structure in the light vehicle business
- Enlargement of non-LV-business with selective growth

### Cost management

- Continuation of best cost-concept
- Efficiency gains from restructurings in 2013

### China

- Profitable growth with shared risk of joint ventures
- 100%-subsidiaries moving from start-up to growth phase



**2015**

We confirm **8% EBIT margin**

**2016**

Our growth drivers are still valid

- VW-Diesel impact risk is limited to a sales share of 9%
- “China growth story” will continue on a broader product base
- Ramp up to a strong position in “hybridization” of powertrains
- Guidance will be announced in March 2016

**2020<sup>PLUS</sup>**

Mobility will change; there are more opportunities than threats

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