

Capital Markets Day 2013

Combat Systems – The largest one of three divisions

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 Combat Systems

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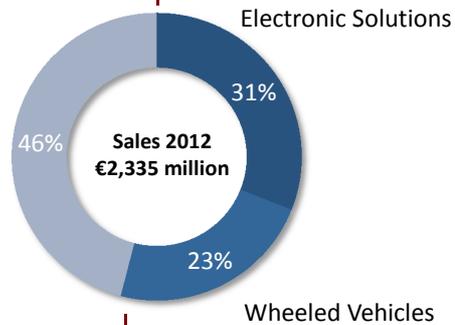
Market trends, products and innovations



The largest division of Rheinmetall Defence



Combat Systems

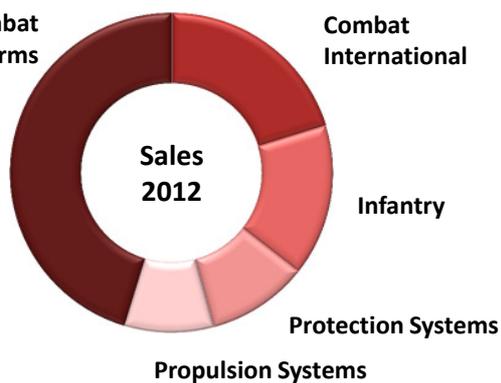


Key figures of the division



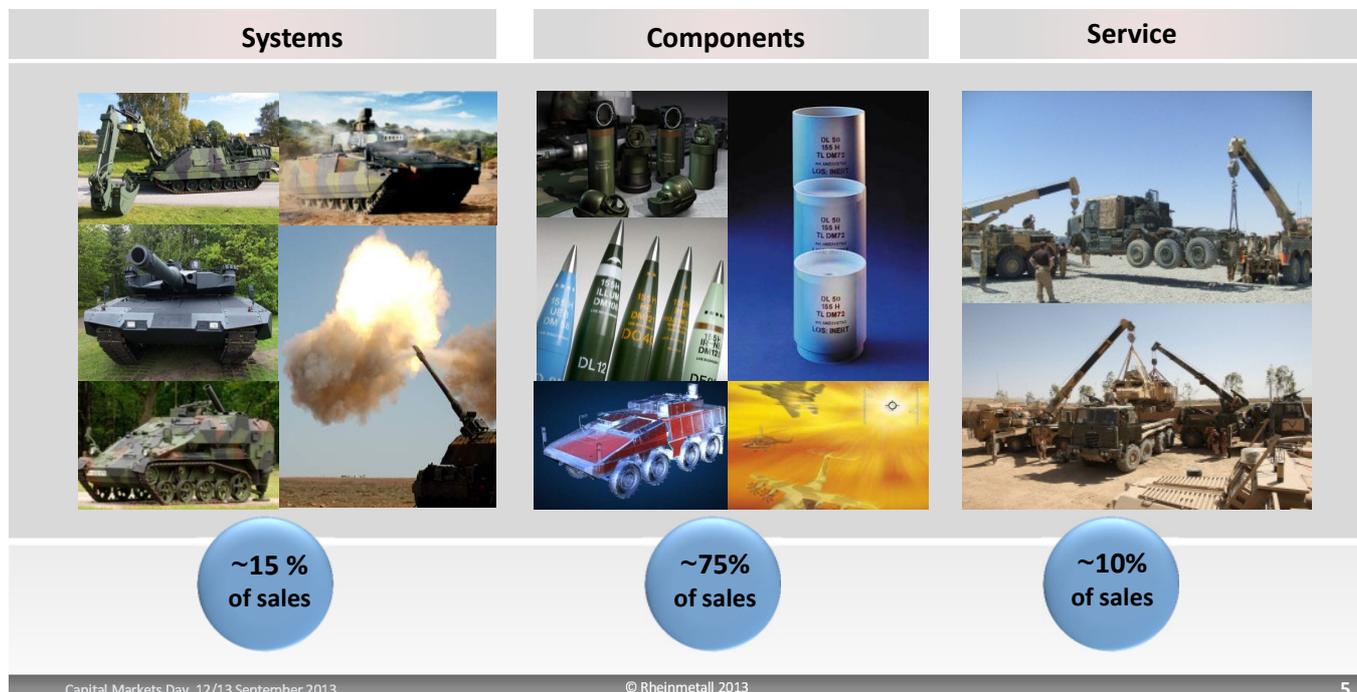
<i>in € million</i>	2011	2012	Δ
Sales	1,197	1,136	- 5 %
Order intake	936	1,560	+ 66 %
EBIT	144	102	- 29 %
Employees	5,502	5,380	- 2 %

Combat Platforms





Components remain core business, but systems and service will grow



Locations as a basis for market access International production and customer network

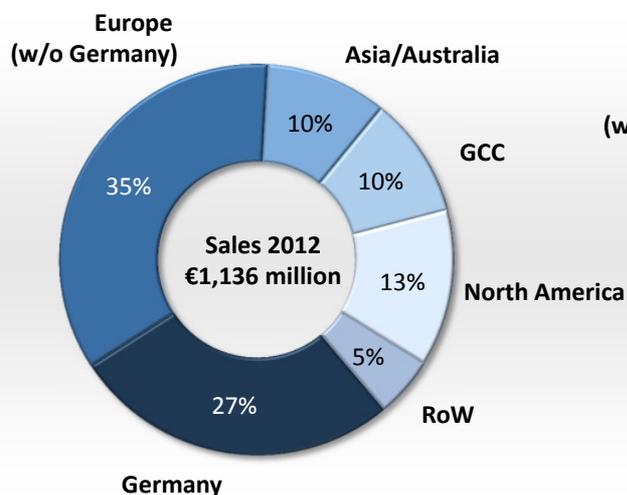


50 customers worldwide

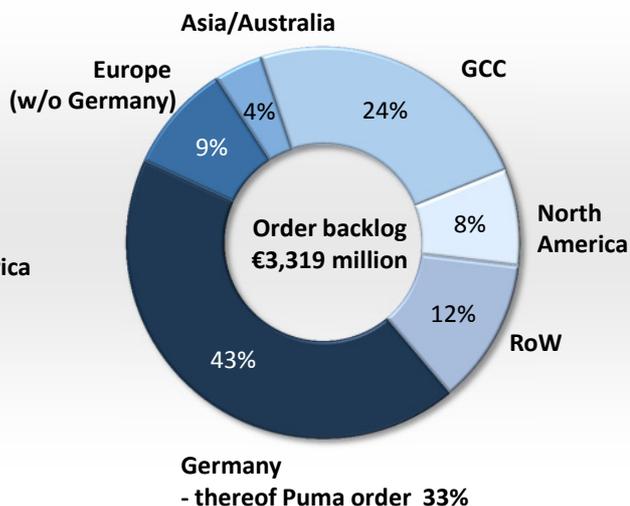


Distribution of sales and orders show the fruits of a focused international approach

Sales 2012 by regions in %



Order backlog as of July 31, 2013 by regions in %



Growth markets in the strategic focus of Combat Systems

- Utilization of international growth opportunities by new concentration of sales force towards strategic growth markets
- Utilization of the international hubs within Combat Systems





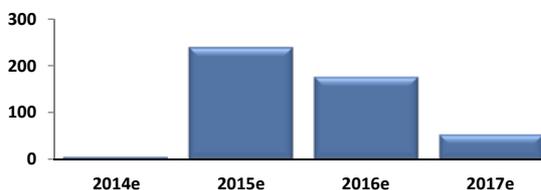
Recent orders illustrate importance of international target markets



Internationalization Qatar: Weapon technology and ammunition

Sales split in € million

- Volume: € 475 million, booked in Q2 2013
- Leopard 2 A7+ tanks: Weapon systems and fire control units for 62 vehicles
- Tank howitzers: Chassis and weapon systems for 24 self-propelled howitzers
- Participation of Combat Systems:
 - First batch of ammunition (about 1/3 of order value)
 - Weapon technology



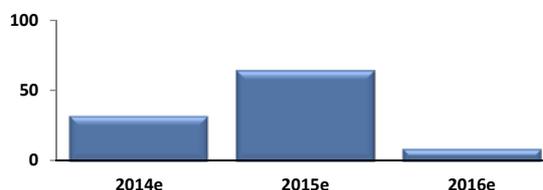


Internationalization

Canada: Tactical armored patrol vehicle TAPV

Sales split in € million

- Volume: € 160 million, booked in Q3 2012
- 500 vehicles to be delivered from 2014-2016
- 4x4 armored wheeled vehicle specifically designed for the Canadian forces
- Importance for Rheinmetall Canada: multiple integration functions and final vehicle assembly
- Important role in the program's long-term system support

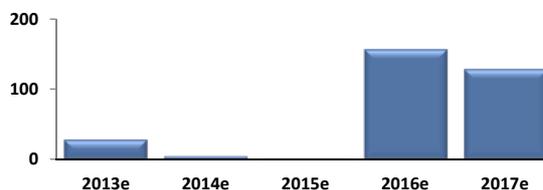


Internationalization

MENA: Prime contractor for ammunition

Sales split in € million

- Volume: € 320 million, booked in Q4 2012
- Naval ammunition contract for a MENA country
- Rheinmetall Defence takes over the role as prime contractor
- Delivery of both Rheinmetall and other ammunition





Internationalization Middle East: Mortar ammunition

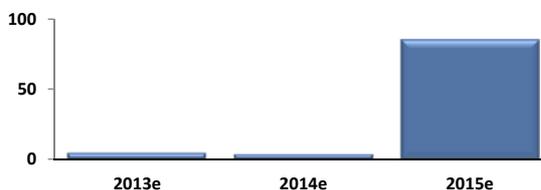
- Volume: € 50 million, booked in Q3 2013
- Rheinmetall Denel Munition will supply ammunition for a mobile 120mm mortar system to a customer in the Middle East
- Package comprises especially illumination and smoke/obscurant rounds
- Completed in partnership with a local company in the customer country
- Delivery of the ammunition starting in 2014



Internationalization Far East: Engineering tanks

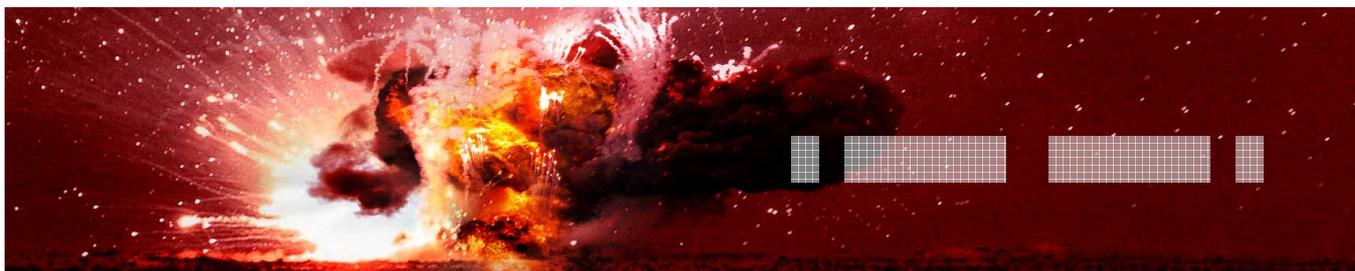
Sales split in € million

- Volume: € 95 million, booked in 2010
- Extension of the existing MTB fleet of the customer
- Extremely versatile and robust support vehicles for pioneer tasks
- Based on Leopard chassis





In detail: The five business units



Combat International	Combat Platforms	Infantry	Propulsion Systems	Protection Systems
American Rheinmetall Munitions	Main battle tanks, artillery systems, support vehicles	40mm systems	Propellant systems	Passive protection
Rheinmetall Canada	Infantry systems	Mortar systems	Civil chemistry	Active protection
RWM Italia	Weapons, turrets and weapon stations	Special ammunition and field equipment		Softkill
Rheinmetall Denel Munition	Ammunition	Fuze systems		
International offices	Directed energy and future platforms			
	Service			



Business unit Combat Platforms

- Safeguarding technology leadership and mid-term growth
 - Rheinmetall belongs globally to the top three suppliers of large and medium caliber ammunition
 - Declining earnings with traditional markets in 2012/2013, but successful acquisition of new orders from MENA, turning into profitable sales mid-term
- Restructuring of product unit Tracked Vehicles
 - € 17 million booked in 2012, another € 11 million expected in 2013
 - Expanding capacities of Unterlüß production site, closing Gersthofen in 2014
- Successful start of Puma serial production
- Accessing and strengthening new markets in the US, Indonesia, Qatar, Russia and Saudi Arabia



Infantry fighting vehicle Puma



120 mm ammunition



Business unit Combat International

- Successful integration of acquired companies
 - Rheinmetall Denel Munition (RDM): Remarkable growth since consolidation (Sept. 2008)
 - RWM Italia: Sales doubled since consolidation (Dec. 2010)
- New products or services, e.g. multi-mode warheads for missiles and SAGE aircraft bomb
- Stabilizing the approach on the North American market

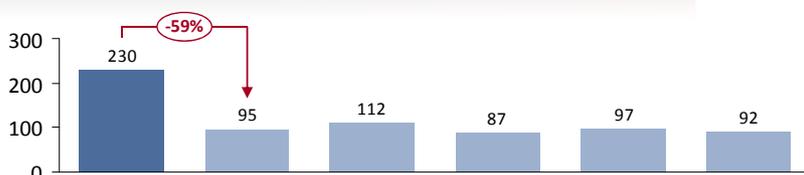


Business unit Infantry Systems

- Traditionally well focused and very profitable business unit
 - Rheinmetall is the leading supplier of 40mm ammunition worldwide
 - Cross-selling opportunities for further products: grenade launchers, fire control systems and fuses
- Affected by reduction of ammunition orders, e.g. UK and US
- Focus on profitable niches: Entering the small caliber market



Procurement of 40mm ammunition (US Presidential Budget) in US\$ million





Business unit Propulsion Systems

- Stable sales and good earnings contribution within target range
- Widening the technological lead in the broad product portfolio with competitive production processes in order to maintain the worldwide leading position
- Unlocking growth potential in new markets (e.g. Eastern Europe, Asia) with conforming technology by cooperations



Business unit Protection Systems

- One of the newest business units of Rheinmetall: based on acquisitions of Chempro (2007), ADS (2007/11) and Verseidag (2010)
- Successful positioning of the hard-kill active protection system ADS in the market
- Commercially successful serial production start-up for protected cabins in Unterlüß
- Strong organic and non-organic growth in soft-kill and passive protection





Substantial market trends

“MOBILITY, PROTECTION AND PRECISION FIRE POWER ARE A WINNING COMBINATION”

The United States Army Maneuver Center of Excellence, 17/03/2013

- **Avoidance of collateral damages** through increased precision and scalability effect of weapons and ammunition
- **Highest level of protection** for soldiers
- **Smaller and lighter weapon systems** with significantly increased penetration power, effect and range
- **Higher reliability and life cycle of weapon systems** under tough environmental conditions (dust, sand, heat, vibration)
- **Flexibility** for sophisticated mission and effect opportunities: close range / long distance, lethal and non lethal, multi mission ability



Innovations Rapid Obscuring System Rosy

- **Smoke screen for self-protection against unexpected attacks, caliber 40mm**
- **Innovative technology: 360° - protection, dynamic screens, interruption of line of sight**
- **Available in configurations for land and naval forces**

Opportunities for business with land and naval forces





Innovations Forward-looking high-energy laser technology



- Highly accurate, silent, effective and scalable impacts against today's threats
- Action chain of detection - tracking - fighting successfully documented
- 50 kW weapons technology with upgrade potential to 100 kW

First tests successful



Innovations Medium caliber turret Lance



- Manned and unmanned version available
- Mountable on a variety of different platforms
- Highly attractive for other vehicle system providers

Rheinmetall competence on systems and components level



Route clearance package



- **Response to an immediate operational requirement of ISAF Forces**
- **Consisting of**
 - Rheinmetall's remote controlled Wiesel
 - Fox (Command and Control)
 - RMMV Multi FSA (Transportation)
 - Mini Mine Wolf manipulator vehicle
- **Task: detecting mines and IEDs concealed on roads and in open terrain**

Delivered to German Armed Forces in Afghanistan



Innovations MBT Revolution



- **Comprehensive upgrade for main battle tanks significantly enhances current capabilities**
- **Completely new digital turret concept; advanced fire power**
- **360° Situational awareness system**
- **Excellent C4I and network-enabled capabilities**

Offering access to most advanced MBT technology

SUMMARY



Summary

- Combat Systems is in its product range presently no. 4 in the world, medium-term target: to become no. 3
- Extensive international customer and locations network
- Technology leadership in weapon and ammunition
- Comprehensive and complete product portfolio
- Large order backlog creates a solid basis for future profitable growth
- Solid earnings situation in Business units Propulsion systems, Infantry and Combat International
- Sales dip in ammunition business has to be overcome
- Earnings weakness refers mainly to the tracked vehicle business
 - ⇒ 2013: Restructuring of tracked vehicle business will be continued
 - ⇒ 2014: Restructuring program finished, first savings
 - ⇒ 2015: Growth by new orders turning into sales

Financial Diary

November 8, 2013	Q3 2013
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