

# Capital Markets Day 2013

## International Partner for Security and Mobility

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 Rheinmetall Group

## Content

**New slogan**

**Transition year 2013: Why we had to adjust the guidance**

**Rheinmetall 2015: Internationalization**

**Rheinmetall 2015: Growth, products and innovations**

**Objectives 2015**

# NEW SLOGAN

FOR THE RHEINMETALL GROUP

## INTERNATIONAL PARTNER FOR SECURITY AND MOBILITY



Rheinmetall Group



### SECURITY

- Basic need of mankind
- Basis for economic development and wealth
- Technologies for security in areas of conflicts
- Protection for soldiers in action



**RHEINMETALL DEFENCE**

### MOBILITY

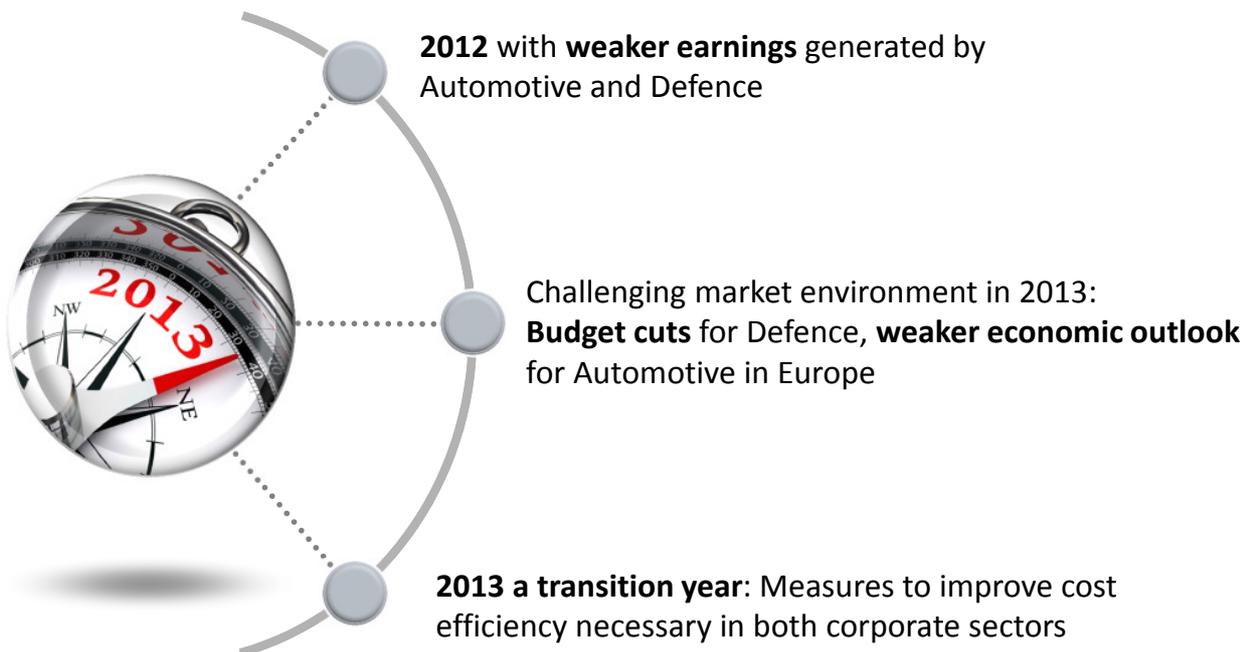
- Megatrend in a connected world
- Precondition for personal freedom and trade over distances
- Fast and flexible response to demand
- Connection between mobility and climate protection: green technology



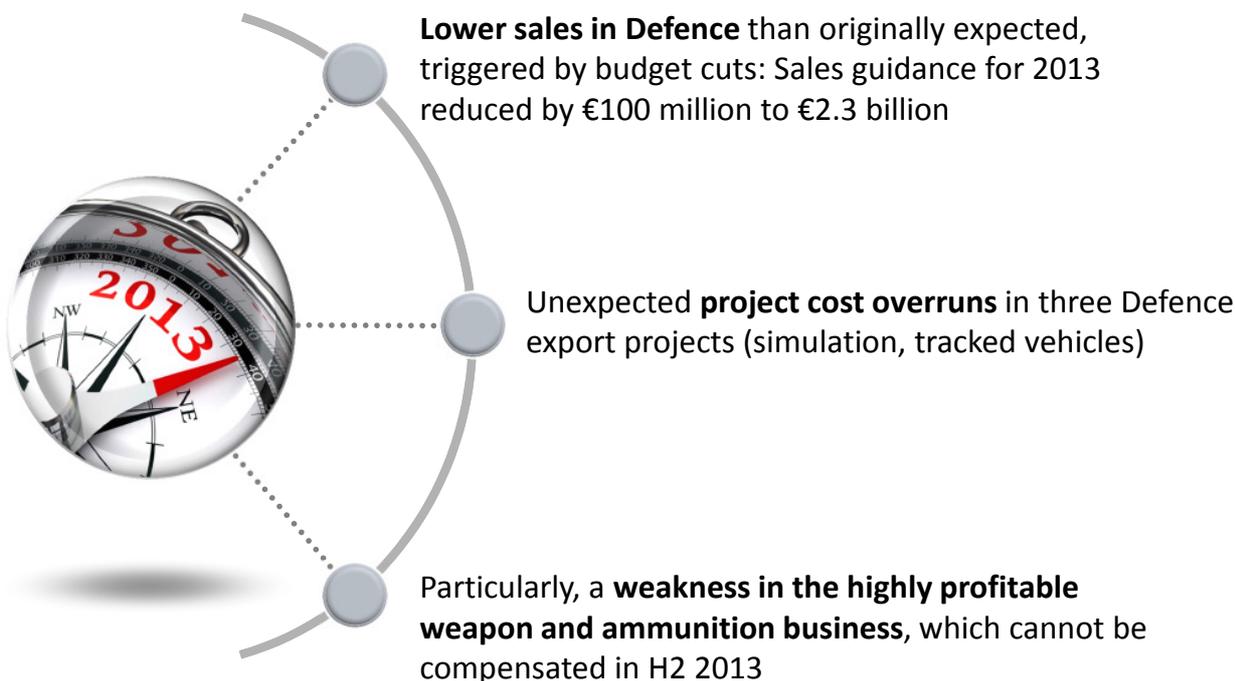
**RHEINMETALL AUTOMOTIVE**



## Transition year 2013 A challenging market environment for both corporate sectors

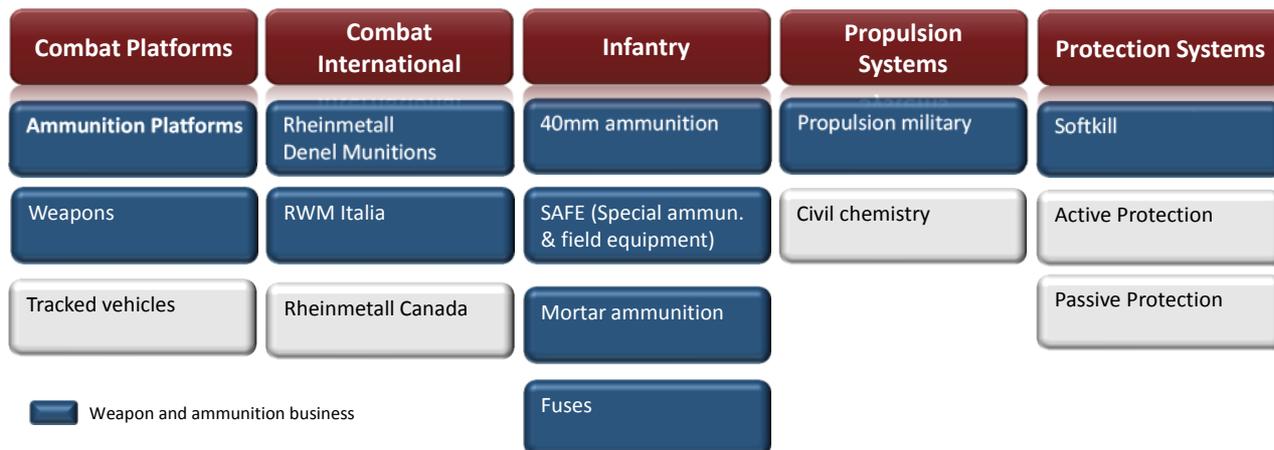


## Transition year 2013 Why we had to adjust the guidance





## Division Combat Systems Share of the weapon and ammunition business

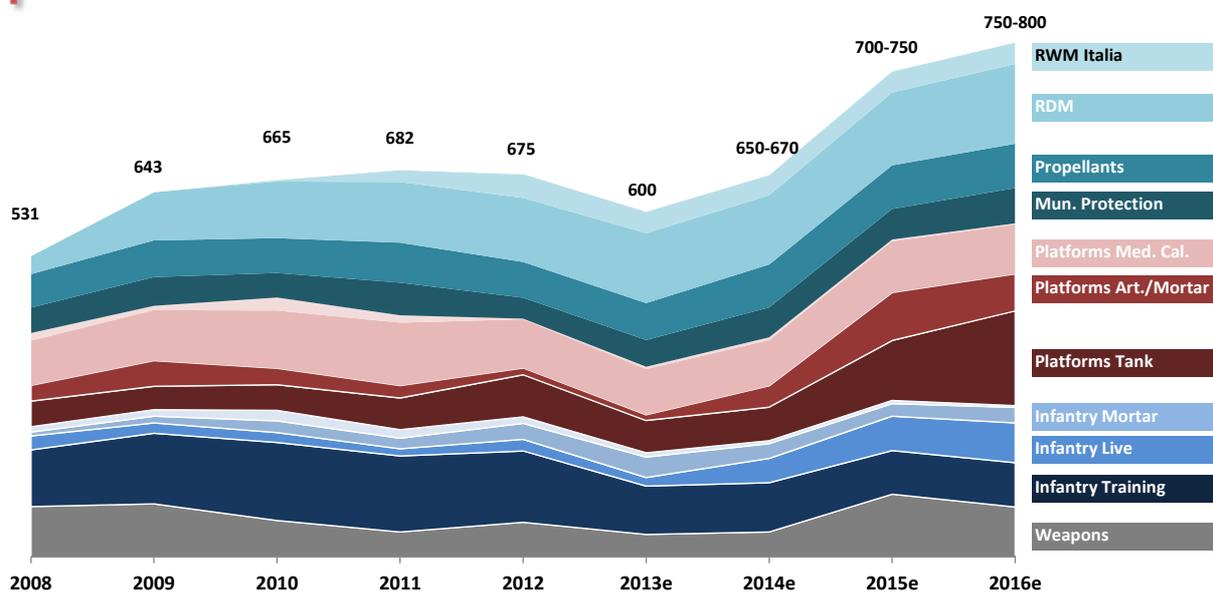


Share of the weapon and ammunition business of total sales of the business unit (2012)



## Weapon and Ammunition business Sales development by product category 2008 – 2016e

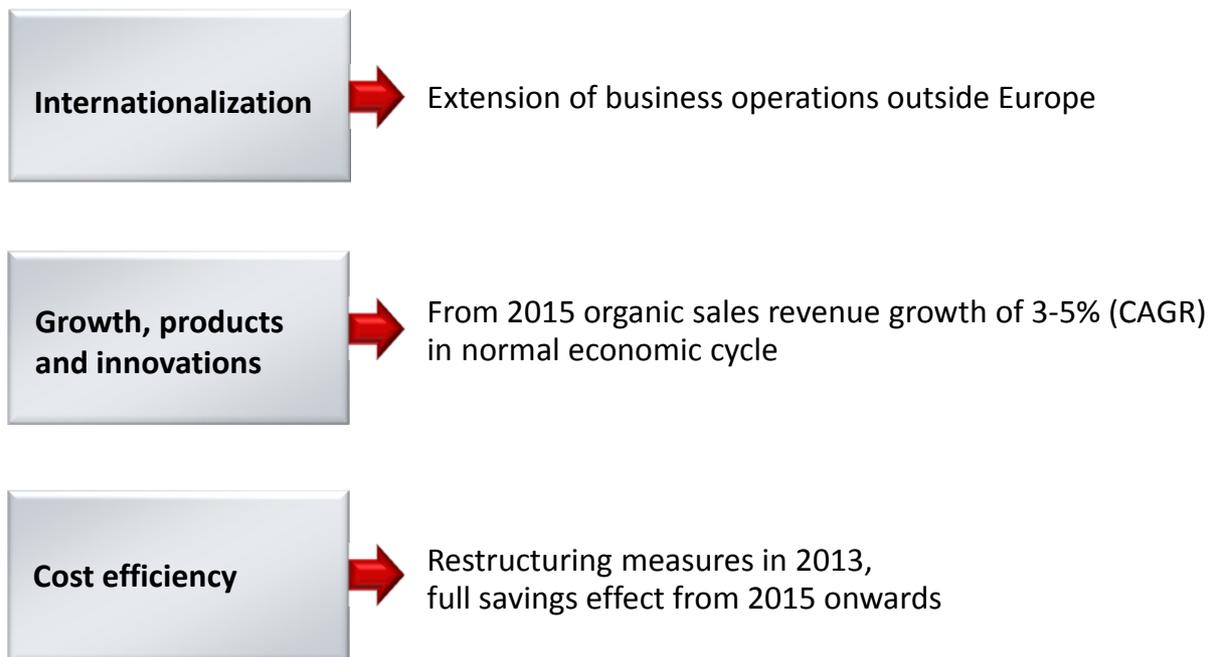
Sales in € million





## “Rheinmetall 2015”

### As a reminder: Cornerstones of the strategy program



## Internationalization

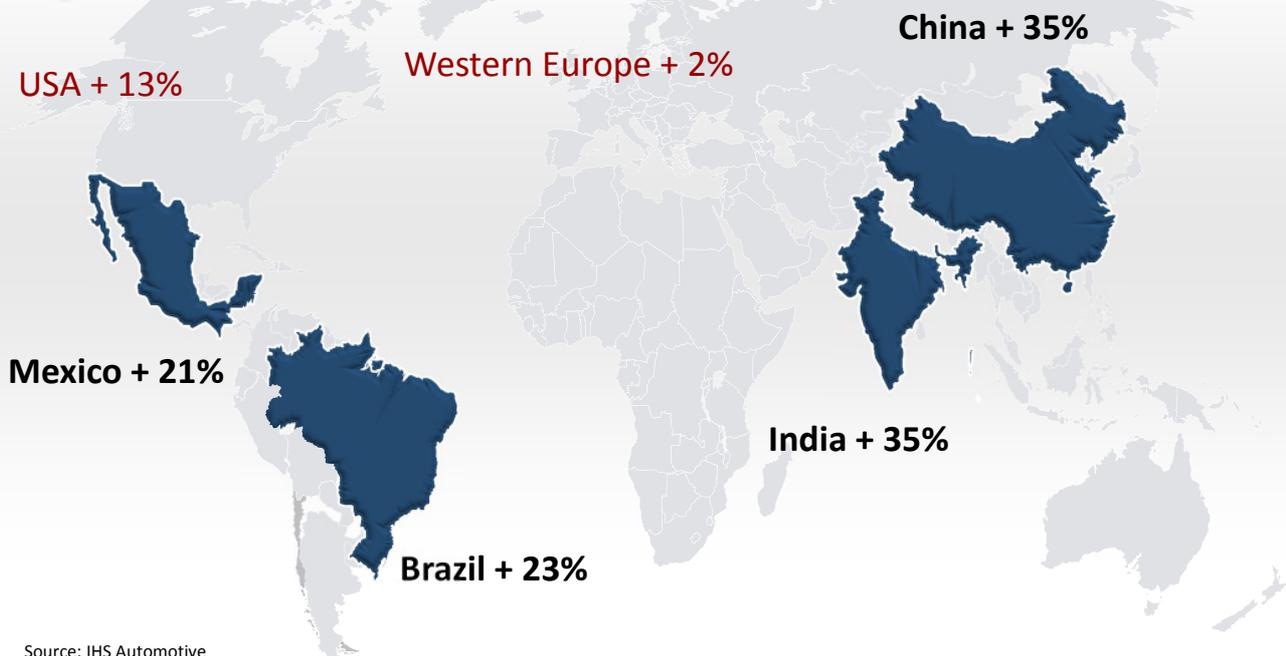
### Increasing the company's presence outside Europe





## Internationalization – Automotive Robust growth in the Emerging Markets

Change in light vehicle production 2015 vs. 2012 in %



Source: IHS Automotive



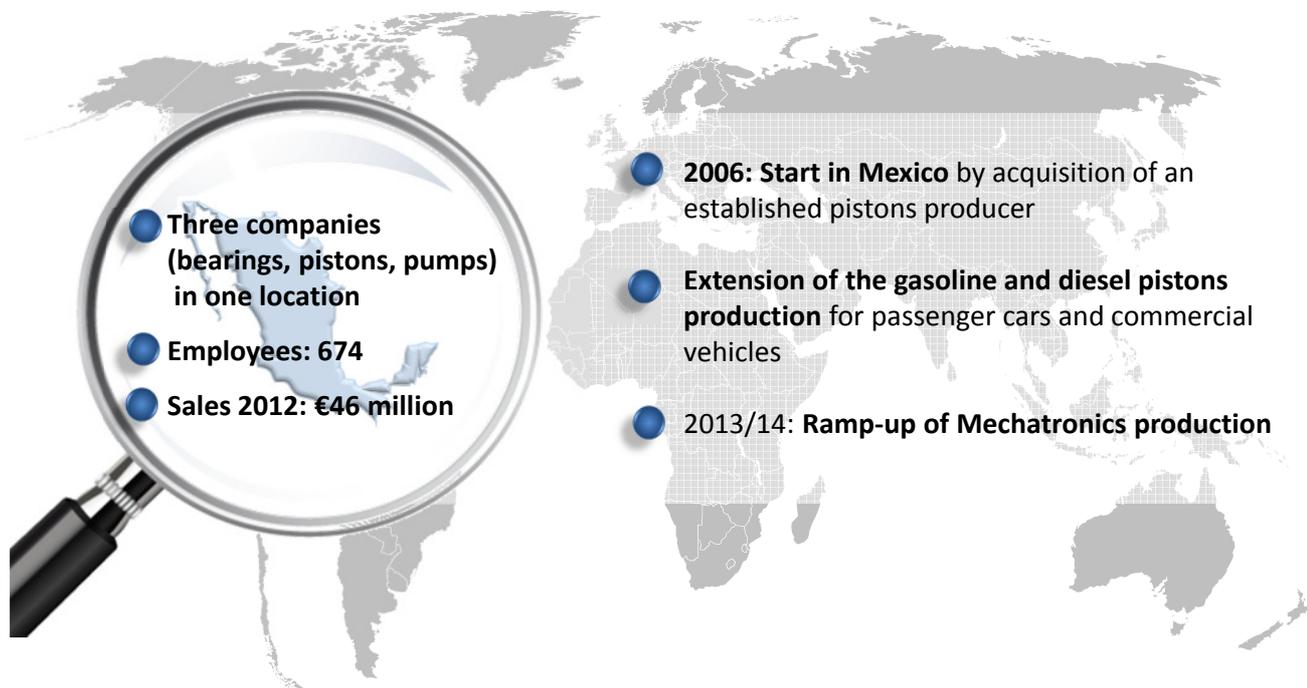
## Internationalization – Automotive Latest activities in China

- Opening of **KSPG House** in Shanghai
- Pierburg China opens a **new plant** in Kunshan
- **New pump joint venture** Pierburg Huayu Pump Technology
- New **plant for large-bore pistons** in Kunshan (start of production Q3 2013)

- 
- **12 locations**
  - **3,500 employees**
  - **Sales 2012: €400 million**

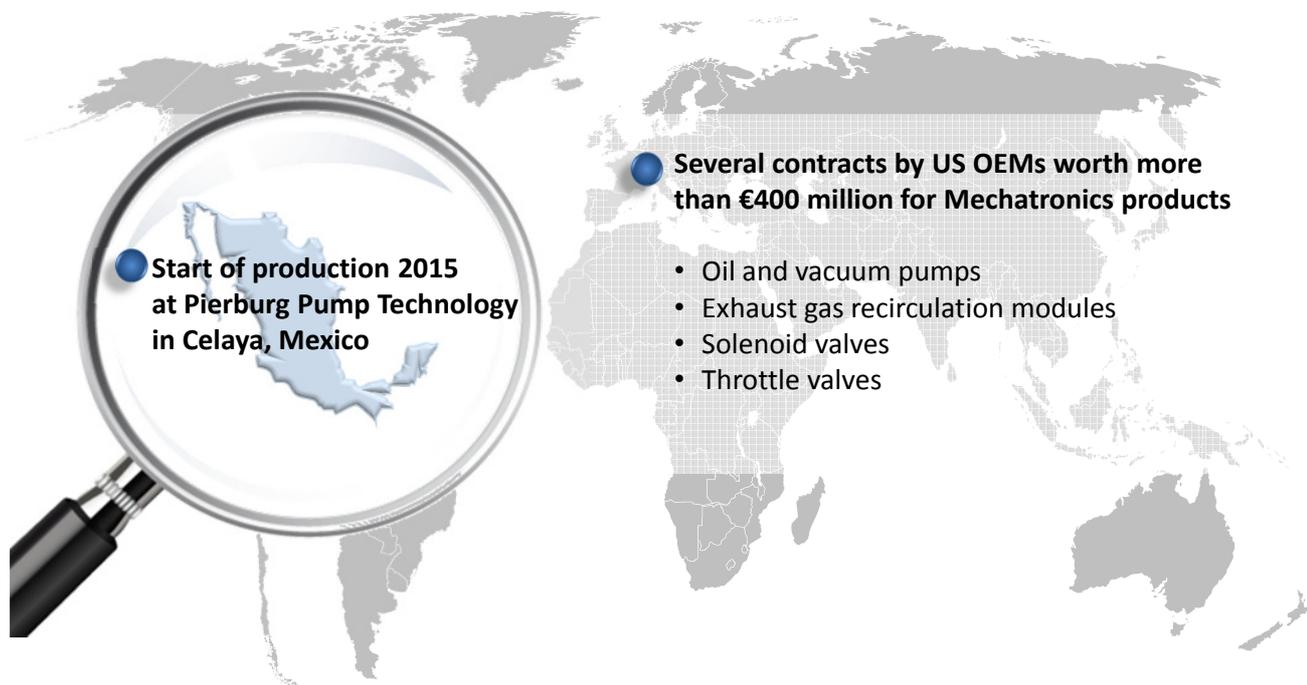
## Internationalization – Automotive

### Extension of the production facility in Mexico



## Internationalization – Automotive

### Large mechatronics orders from America

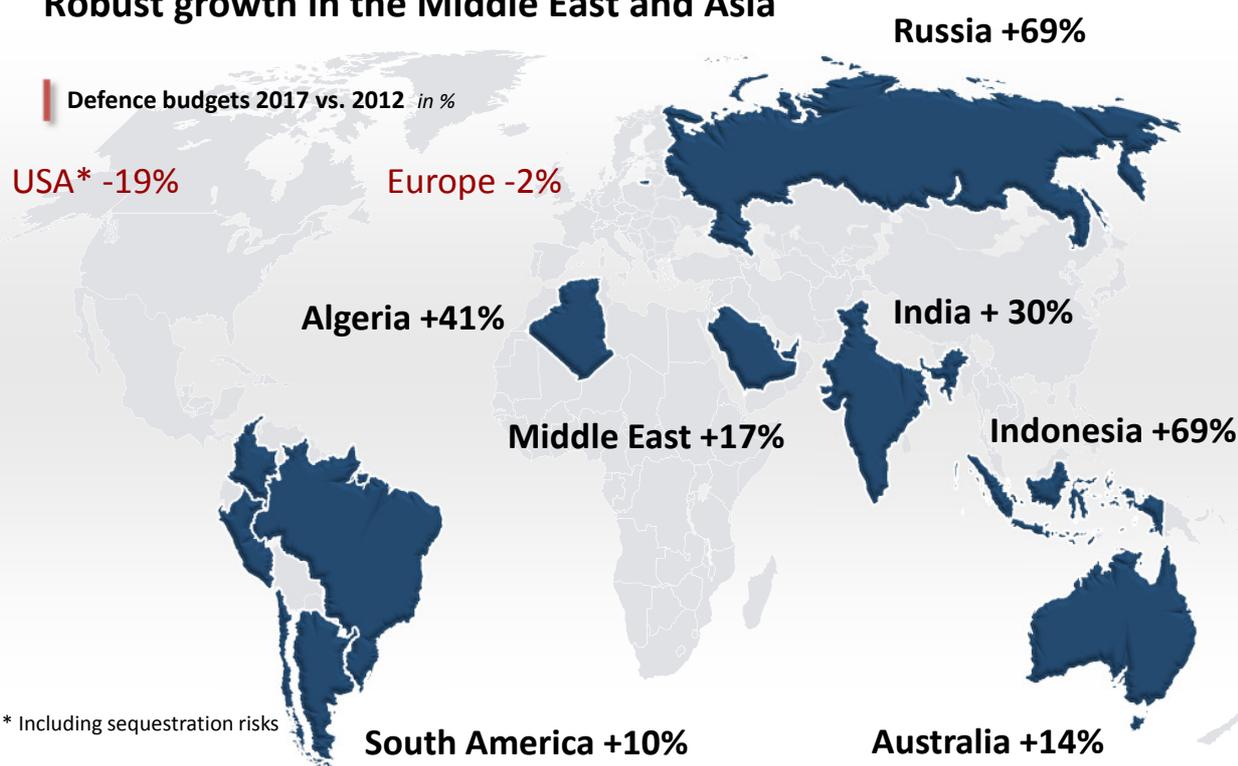




## Internationalization – Automotive Next steps Automotive



## Internationalization – Defence Robust growth in the Middle East and Asia



Source: IHS Jane's Defence

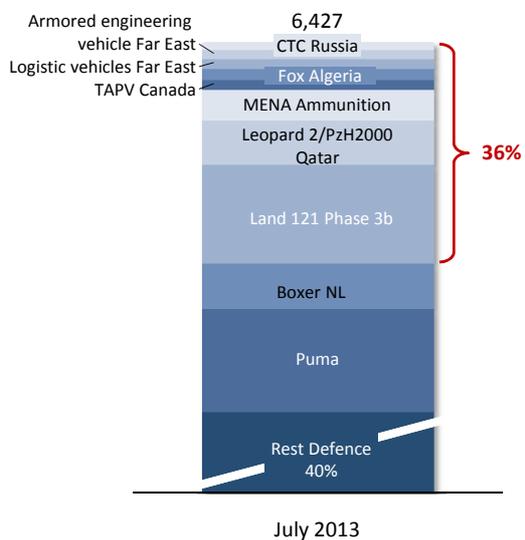


## Internationalization – Defence Developing new markets: Continuation of successful hub strategy

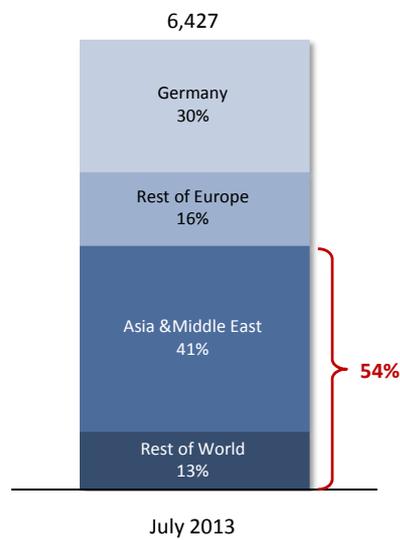


## Internationalization – Defence More than 50% of order backlog is non-European

Order backlog, top 10 orders highlighted in € million

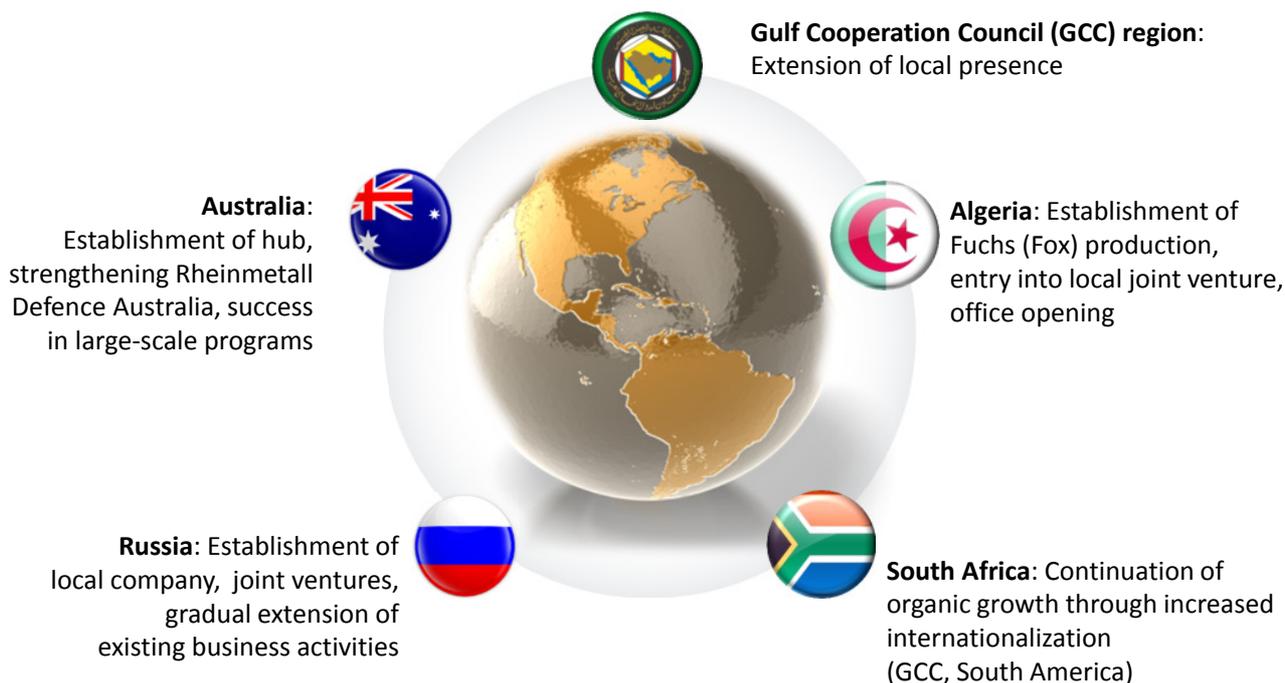


Order backlog by regions in € million

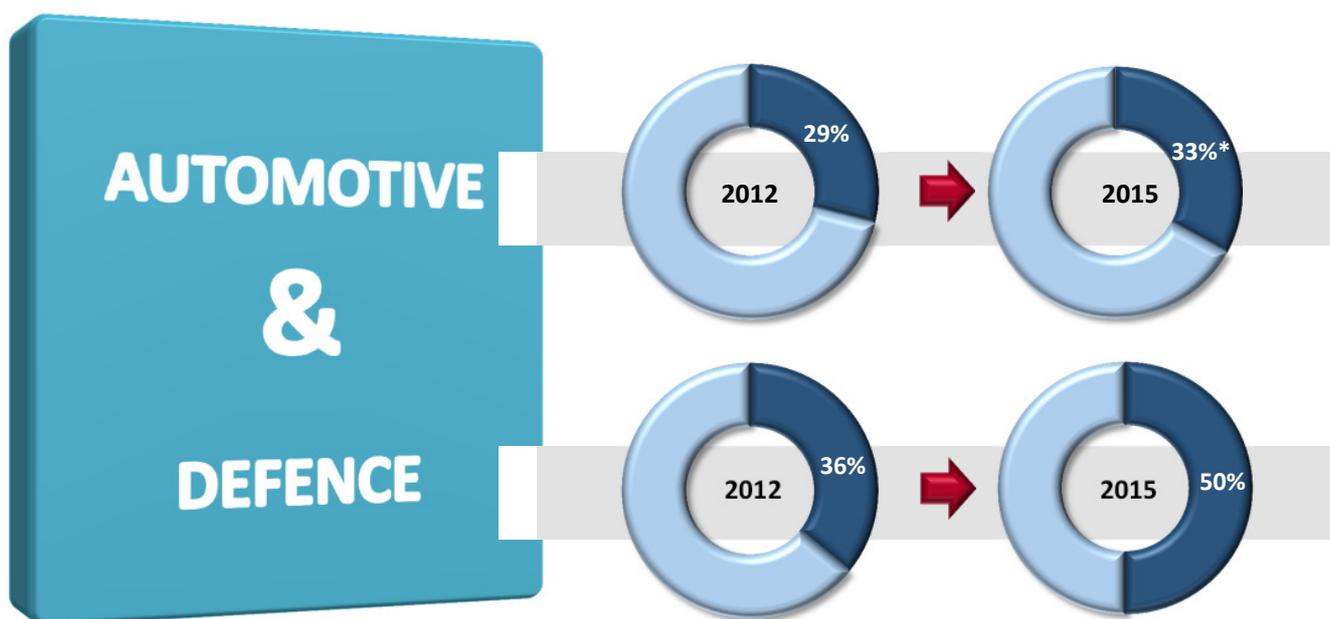




## Internationalization – Defence Next steps Defence



## “Rheinmetall 2015” – Internationalization Continental Shift – boosting sales revenues outside Europe



\* Driven by local production

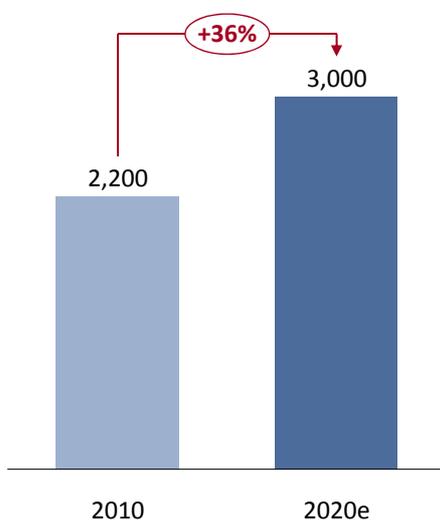
## Growth, products and innovations – Automotive Market trends in powertrain technology



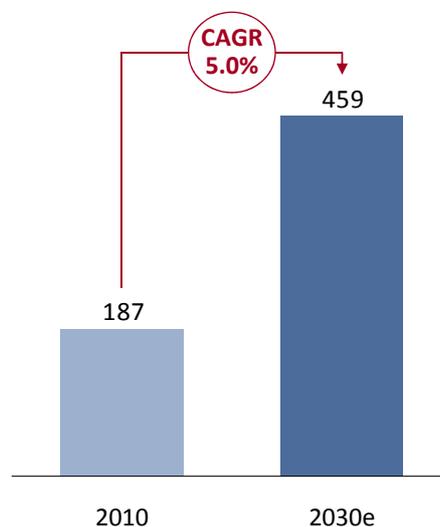
- **Growing importance of the powertrain technology** and rising market volume expected ...
- ... driven by globally **enhanced emission standards** (NO<sub>x</sub>) and **legal regulations** (CO<sub>2</sub>) connected with penalties
- **Downsizing/turbocharging** will gain further importance, likewise **hybridization**
- Last but not least, ongoing **global growth** of LV-production

## Growth, products and innovations – Automotive Growing importance of powertrain technology

Share of powertrain technology per middle-class petrol-/gasoline-powered passenger car in €



Powertrain revenues worldwide in € billion



Source: Roland Berger (2010/2011)



## Growth, products and innovations – Automotive Convert innovation pipeline into profitable growth



- Extension of **product expertise** in the field of powertrain technology
- Realization of growth potential of **mechatronics products**, especially in the field of **turbo-charged petrol engines**
- Extension of **after-market business**



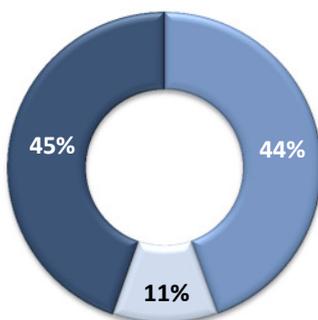
## Growth, products and innovations – Automotive Automotive well-positioned with large product portfolio

### Mechatronics

- ▶ Exhaust gas recirculation
- ▶ Solenoid valves
- ▶ Actuators
- ▶ Water-, oil- and vacuum pumps

- ▶ 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\*



### Motor Service

Engine parts for own products and third parties

- ▶ 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

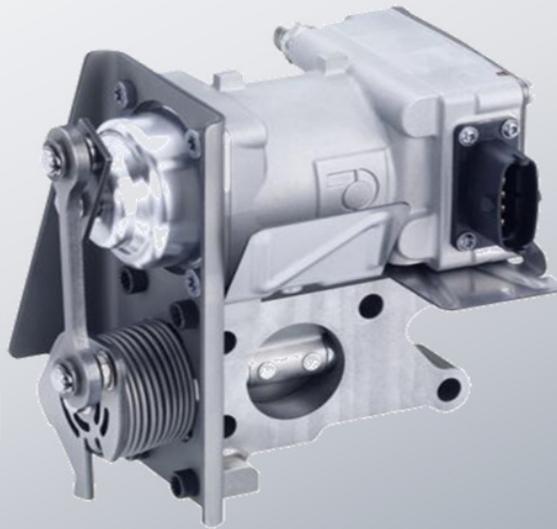
- ▶ High degree of internationalization with strong position in growth markets
- ▶ Good position in prospective markets for gasoline engines
- ▶ Capital intensive business model in mature product markets

\* Before consolidation



## Truck exhaust recirculation system Optimizing engine emissions of future utility vehicles

- Precise setting for exhaust gas enables a substantial reduction of nitrogen oxide (NO<sub>x</sub>) emissions from engines
- Robust, contactless actuation systems with integrated control electronics (Smart-Drive)



Booked business exceeds €100 million



## Steel pistons for passenger cars Solution for increasing specific engine performance requirements

- Need to deal with constantly rising mechanical and thermal strain on components
- Enables 4% lower consumption
- Patented, weight-reduced design

First market launch 2014 with German customer



## Range extenders Bridging technology towards pure electromobility



- Range extensions for electrically powered vehicles to accustomed distances
- Package-optimized engine and generator concept
- Outstanding acoustics and low in vibration

Since January 2013 in successful test runs

## Growth, products and innovations – Defence Market trends in Land Systems business



- **Land forces** remain of high importance for crisis intervention (“last mile”)
- **Networking** down to the level of individual soldiers will become more common (e.g. Gladius)
- **Protection technologies** will gain a higher significance
- **New weapon technologies** (e.g. laser) and **unmanned technologies** (e.g. route clearance system) will become more accepted
- Increasing importance of **live-training**



## Growth, products and innovations – Defence

### Convert innovation pipeline into profitable growth



- Extension of the **system- and service business**
- Ensuring a comprehensive **innovation pipeline**
- Strengthening competencies in **large-scale project management**



## Growth, products and innovations – Defence

### Extension of the system and service business

**Components**

- Turrets and weapon stations
- Weapon and ammunition
- Active and passive protection
- Drive trains
- 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



## Further development of the HX model range The maximum in protection and mobility

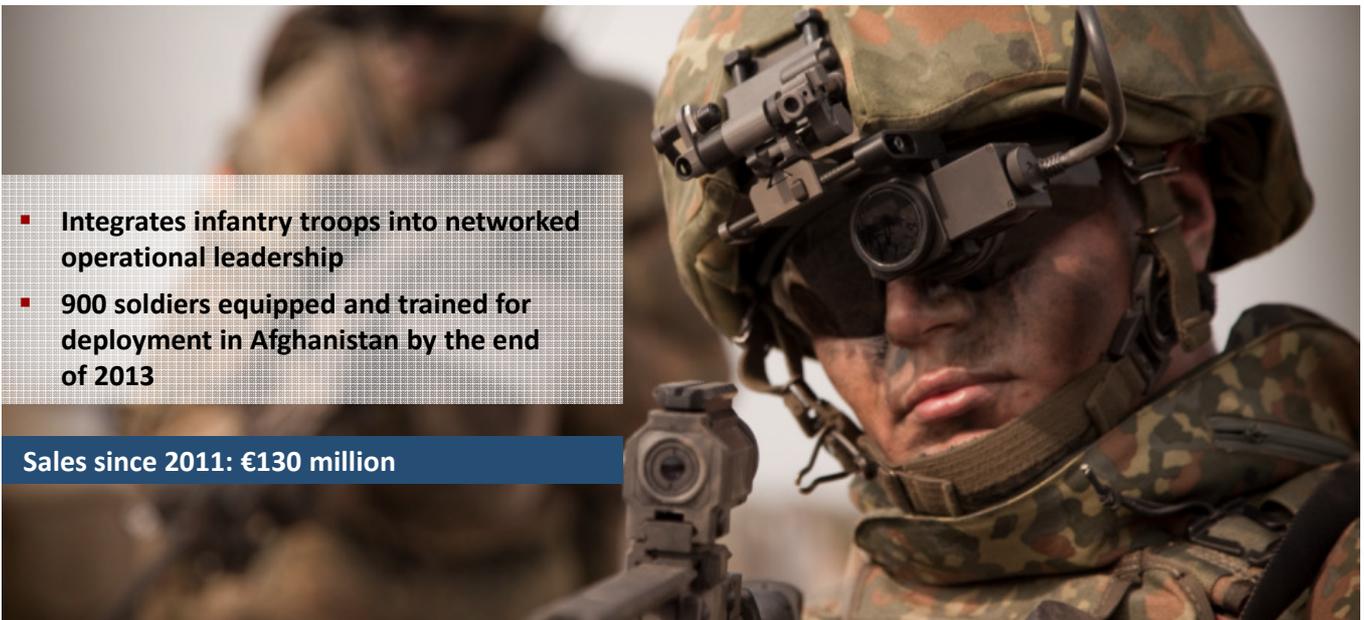


- New front axle for cabin to provide greater level of protection
- In combination with ADS, the first truck protected against RPG attacks

**Roughly 1,000 protected cabins included  
in truck order from Australia**



## Future Soldier System Gladius for the Bundeswehr



- Integrates infantry troops into networked operational leadership
- 900 soldiers equipped and trained for deployment in Afghanistan by the end of 2013

**Sales since 2011: €130 million**



# Rheinmetall machine guns Perfect accuracy and impact, caliber 12.5/7.62

- Large distances due to improved performance ammunition
- Low weight due to high-performance materials
- Ideal arms for remote control weapon stations

RMG 7.62

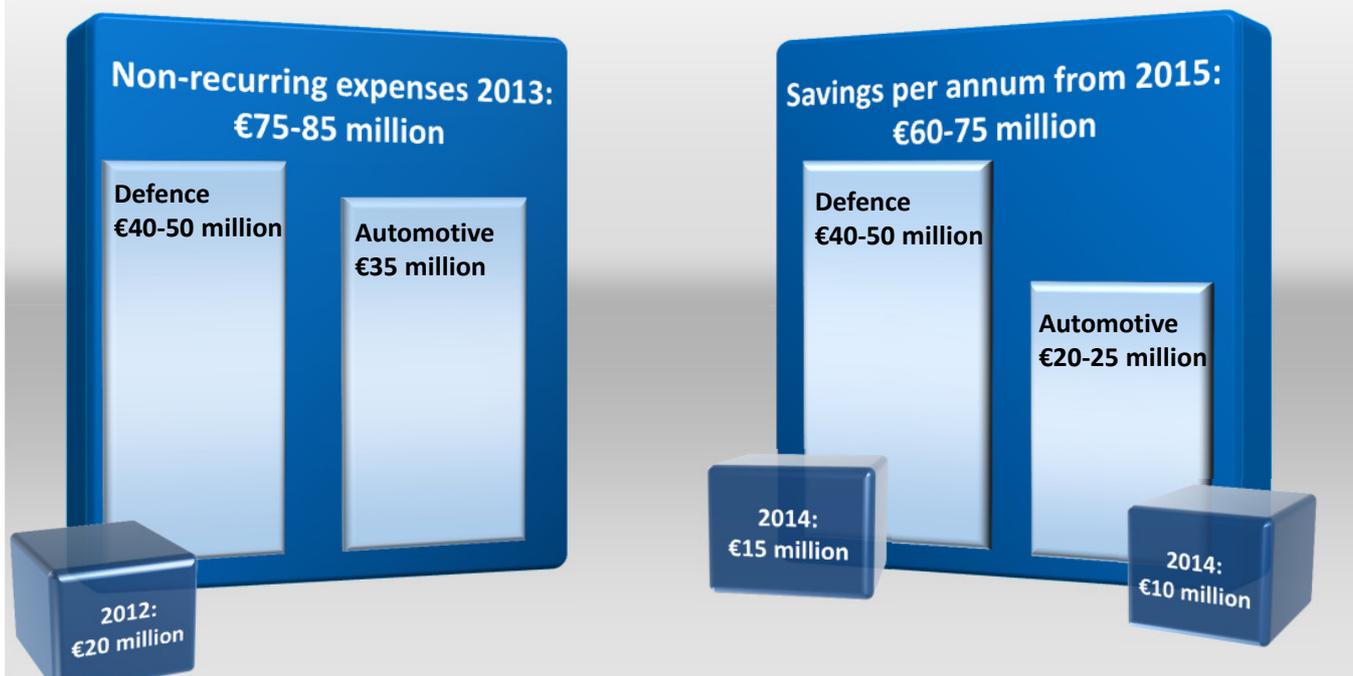


# “Rheinmetall 2015” – Growth by products and innovations Growth contribution by takeovers and investments since 2007





## “Rheinmetall 2015” – Cost efficiency What cost initiatives cost, and what they will accomplish



# Objectives for 2015

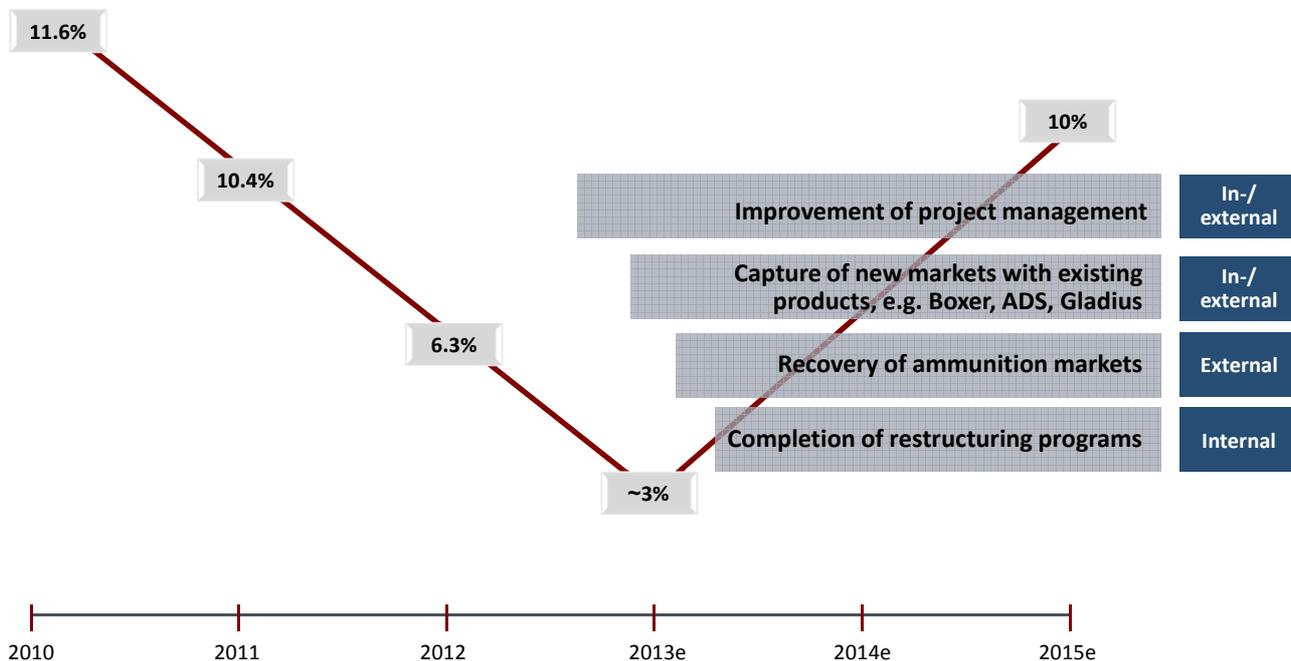


## “Rheinmetall 2015” – Objectives for 2015 Growth and earnings

- **Organic growth of 3-5% p.a.** from 2015 in both segments
- Assuming a stable market environment, Rheinmetall Automotive envisages an **EBIT margin of 8% from 2015**
- After the successful termination of restructuring, Rheinmetall Defence expects an **EBIT margin of 10%**



## “Rheinmetall 2015” – Defence Growth and earning target – achievable and realistic





## “Rheinmetall 2015” – Objectives for 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 aim 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



**SUMMARY**



## Summary

- Great importance of **further internationalization** in both sectors
- **“Rheinmetall 2015”** gives the right answer to the ongoing market changes
- **Technology leadership** and **product innovations** are decisive growth factors
- Rheinmetall is the **international partner for security and mobility**

**INTERNATIONAL PARTNER FOR  
SECURITY AND MOBILITY**

## Financial Diary

November 8, 2013	Q3 2013
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