Q1

Quarterly Financial Report
Q1 2010
Rheinmetall AG

2010

Rheinmetall in figures

Rheinmetall Group key figures *€ million*

	3/31/2009	3/31/2010	Change
Sales	710	800	90
Order intake	853	888	35
Order backlog (March 31)	3,817	5,061	1,244
Employees according to capacity (March 31)	20,269	19,900	(369)
EBITDA	19	76	57
EBIT	(22)	39	61
EBIT margin in %	(3.2)	4.9	-
EBT	(36)	27	63
Net loss/income	(29)	19	48
Earnings per Share (EpS) in €	(0.85)	0.51	1.36
Capital expenditures	39	36	(3)
Amortization/depreciation	41	37	(4)
Cash flow	13	57	44
Net financial debt (March 31)	458	233	(225)
Total equity (March 31)	1,059	1,157	98
Total assets (March 31)	3,524	3,821	297

Defence still on course for success, Automotive undergoes sharp turnaround

The continued positive development of the Defence corporate sector combined with recovery in the Automotive corporate sector led to a considerable improvement in earnings in the Rheinmetall Group.

- Consolidated sales up 13% to €800 million
- Consolidated EBIT up €61 million year-on-year at €39 million
- Defence: Stable development at high level
- Automotive: Significant increase in sales and earnings

Contents

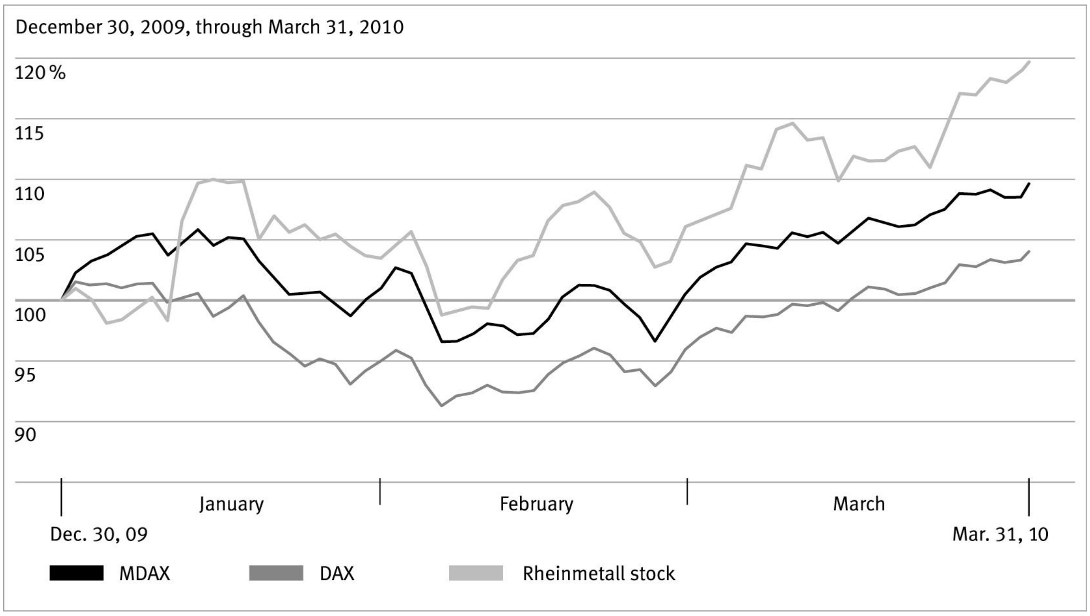
The Rheinmetall share

Upturn on the stock exchanges | At the start of 2010, the stock exchanges were still dominated by the emerging recovery of the global economy. For instance, the leading index MDAX, which is of relevance to the Rheinmetall share, rose from 7,507 (December 30, 2009) to 8,143 points (March 31, 2010), thus achieving an increase of 8%. However, as the quarter went on, the MDAX initially fell to 7,243 points by the start of February, before giving way to a significant and ongoing increase. The DAX also exhibited an increasing, albeit weaker, trend, closing the quarter at 6,154 points which is equivalent to growth of a little over 3%.

Rheinmetall outperforms the MDAX | After ending the previous year at a share price of €44.74, the Rheinmetall share pursued its long-term upwards trend ongoing since November 2008 in the first quarter of 2010. The announcement of the planned joint venture between Rheinmetall Landsysteme and MAN Military Vehicles on January 12, 2010 and the positive estimates of the capital market as regards the recovery of the global automotive industry acted as catalysts for this trend. The publication of the preliminary business figures on February 17, 2010 and the definitive figures on March 23, 2010 provided further support to the development of the share price, which reached a new high of €53.03 as at the end of the quarter. As such, the Rheinmetall share posted a quarterly gain of 19%, clearly outpacing the MDAX.

Market capitalization and trading volume | Compared with the end of the first quarter of the previous year, market capitalization more than doubled as at the end of the first quarter of 2010, reaching €2,100 million. This led to an improvement in the Company's position in the MDAX rankings, moving up from 14th place in the previous year to 10th place in the current year. The average daily trading volume fell from 311,000 shares to 235,000 shares; as such, the Rheinmetall share took 17th place in the rankings of Deutsche Börse (previous year: 14th place).

Rheinmetall stock price trend compared to DAX and MDAX



General economic conditions

Recovery of the global economy makes progress | The growth of the global economy also established itself in the highly developed national economies in the first quarter of 2010, making much quicker progress than initially assumed.

As such, the International Monetary Fund (IMF) felt compelled in April of this year to revise its growth forecast upwards. In its study "World Economic Outlook" for 2010, the IMF now anticipates growth in global economic output of 4.2%, after still having been expecting growth of 3.9% in January. This upturn is particularly noticeable in the USA. The IMF raised its January estimate of an increase in economic output of 2.7% to its current estimate of growth of 3.1%.

At 1.0%, the forecast for growth in the euro zone in 2010 is low in comparison to this. Although the IMF experts anticipate slightly above-average year-on-year of growth of 1.2% in Germany, this forecast was revised downwards by 0.3 percentage points compared to the original prediction made in January 2010. The observations of the leading German economic research institutes were somewhat more optimistic, outlining their expectations for growth of 1.5% for the German economy in their spring forecast released in April 2010.

Even Japan, which was severely affected by the economic crisis, will return to a growth course in 2010 according to the IMF. After a decline in gross domestic product of 5.3% in 2009, the IMF anticipates a return to positive growth of 1.9% in the current year for the first time since 2007.

While economic recovery in the industrialized nations is making comparatively slow progress, a high level of growth momentum is still becoming apparent in the emerging markets, primarily as a result of increased domestic demand. China, which showed robust growth even in times of economic crisis, will remain a driver behind growth in the Asia region with an expected increase in economic output of 10.0%, as well as India with growth of 8.8%.

Despite this positive outlook, risks such as high unemployment, rising commodities prices, increased government budget deficits and the incomplete stabilization of the financial systems still persist. There are now additional question marks over the economic recovery as a result of the current crisis in Greece, the consequences of which for the economy cannot currently be gauged. In addition, a significant proportion of the increase in domestic demand in the industrialized nations is still attributable to government economic stimulus packages.

Defence: Improved military equipment remains high priority | Despite a huge compulsion to save, the improvement of military equipment for soldiers on deployment is still a high government priority both in Germany and in many allied nations. This is also reflected in German budgetary plans: Germany's defense budget will remain largely stable in the current year at €31.1 billion, with the share represented by military procurement increasing slightly to €5.410 billion. As the situation currently stands, the ad-hoc savings of €450 million decided on by the government will not relate to projects serving to directly protect German soldiers on foreign deployments.

In the USA, the government is planning a defence budget of USD 708 billion for the coming fiscal year, representing an increase of 2%. After cutbacks in previous years, the procurement budget for the US Army will stabilize at a level of USD 44 billion.

Discussions regarding defence policy concentrated on the international deployment of forces in Afghanistan in the first few months of 2010. For example, the London Conference on Afghanistan held at the end of January gave impetus to the de-escalation of the conflict. At the same time, however, the threats posed to the troops involved was increasing further, including for the German armed forces, which have already suffered seven soldiers killed this year. Consequently, public debate in Germany surrounded the issue of protection and the safety of vehicles deployed in crisis regions.

The real threat situation very much confirms Rheinmetall Defence's strategy of concentrating on the area of protection on deployment. As well as the armored tracked vehicles Marder and Bv 206 S, the Yak and Fuchs wheeled vehicles from Rheinmetall are also deployed on the ground. The KZO and Heron unmanned aerial vehicle systems have also proved successful reconnaissance tools.

Further key security policy issues also came to light at the Munich Security Conference held in February. Discussions held here made it clear that not only Israel, but also the Gulf states, feel their existence is threatened. Furthermore, the attendees at the Security Conference also discussed for the first time the issue of the future security of resources, i.e. stable future access to supplies of energy and raw materials.

Economic engine on automotive markets gets going again | The international automotive markets continued on their upward trend of past months in the first quarter of 2010. For example, the global production of passenger cars and light commercial vehicles (up to 3.5 t) rose to approximately 16.2 million units in the first three months of 2010 according to calculations by the market researchers at CSM Worldwide, an increase of 39% compared with the same period of the previous year which had been hit hard by the crisis. As such, global automotive production is showing a significant recovery trend, yet is still lagging behind the level of production seen prior to the financial and economic crisis.

The worldwide upturn in the automotive economy is driven by all key markets. In the triad of NAFTA, Western Europe and Japan, automotive production increased by 48% year-on-year. The NAFTA region, which was forced to post the most severe falls in production in the course of the economic and financial crisis, was a particularly significant driver behind this growth. In the period under review, production increased by 70% to 2.9 million units. The European automotive market also showed significant recovery, with Eastern Europe improving by 22% and the Western European market by 31%.

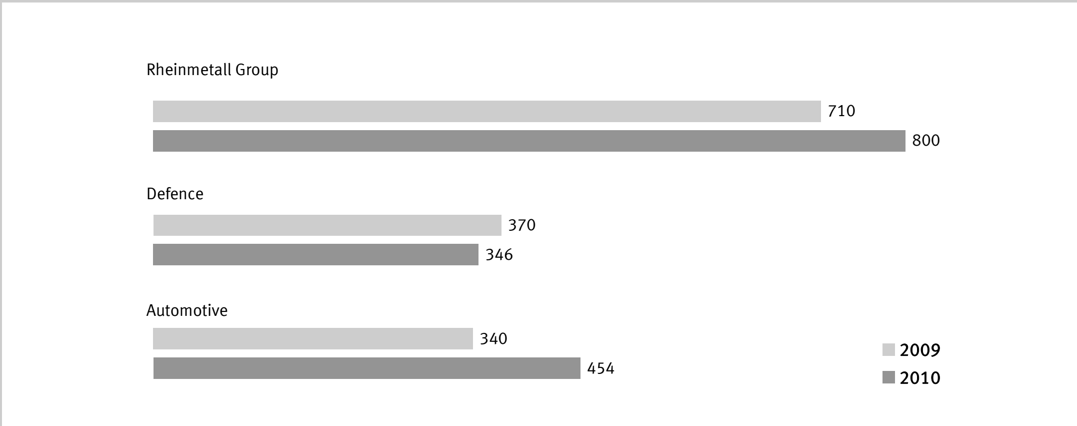
Asia (excluding Japan) is still seen to be the driver behind the international automotive economy, where production figures were up 35% year-on-year at 5.5 million units. Positive development in China, which has since become the largest automotive market in the world, continued unabated, with equally strong growth of 35%.

Production in Germany also increased by 21% to 1.2 million units. The Association of the German Automotive Industry (VDA) appeared confident, and its President Matthias Wissmann stated: "The mood is quite clearly brightening in the automotive industry. Although we still aren't going to return to pre-crisis levels in 2010, we are expecting a good year for exports, as the German automotive industry will play a strong part in the dynamic development on the growth markets."

CSM Worldwide is forecasting an increase in global automotive production of passenger cars and light commercial vehicles (up to 3.5 t) of 13% to 64.4 million units over 2010 as a whole. In the triad nations, the market researchers anticipate an increase of 14% to 32.6 million units.

Rheinmetall Group business trend

Q1 sales *€ million*



Good start to 2010 | In the first quarter of 2010, the Rheinmetall Group generated sales of €800 million, thus exceeding the previous year's figure by €90 million or 13%. This growth in sales is due exclusively to the Automotive corporate sector, where the sales proceeds of €454 million exceeded the weak figure of the previous year by 34% in the first three months of the current financial year. However, sales in Defence were down by €24 million or 6% in the first quarter

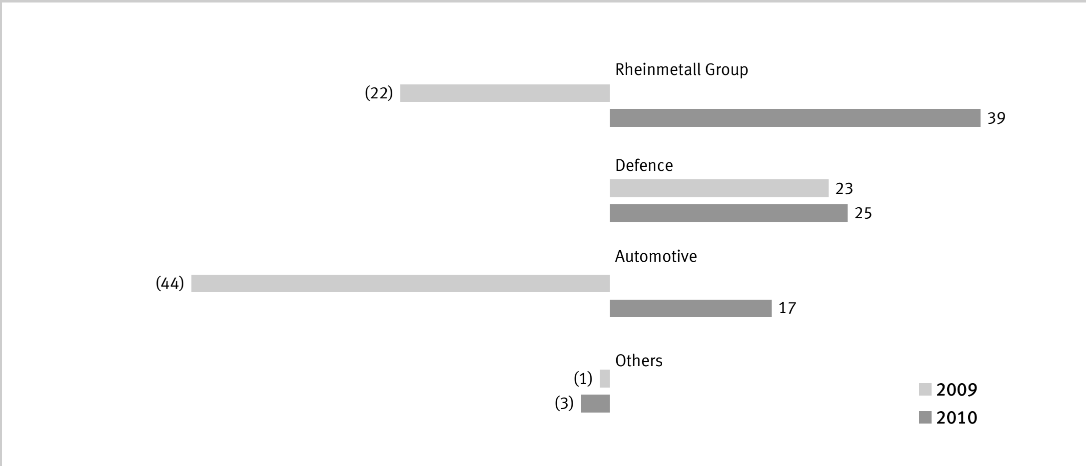
The international share of consolidated sales totaled 69% in the first quarter of 2010, after 70% in the same quarter of the previous year. Alongside the German market (31%), the key regions in terms of sales volumes were Europe excluding Germany (41%), followed by Asia (11%) and North America (10%). In the Defence corporate sector, 68% of sales were generated abroad (previous year: 73%). In Automotive, the share of sales generated with international customers increased from 67% to 70% in the first quarter of 2010.

Order intake exceeds sales | In the first quarter of 2010, the Rheinmetall Group reports an order intake of €888 million (previous year: €853 million).

On March 31, 2010, the order backlog amounts to €5,061 million and is thus up significantly on the previous year. The order backlog in the Defence corporate sector amounted to €4,743 million at the end of the quarter (previous year: €3,441 million); it has received orders for high-volume projects with a duration over several financial years.

Profitability improved significantly by Automotive | The Rheinmetall Group's EBIT increased by €61 million to €39 million in the first quarter of 2010, following a negative €22 million in the previous year. Consolidated net profit amounted to €19 million and is thus €48 million up on the previous year's value. Earnings per share were €0.51, as compared to a negative €0.85 in the same quarter of the previous year.

Q1 EBIT *€ million*



Asset and capital structure | The Rheinmetall Group's total assets totaled €3,821 million as at the reporting date. This is equivalent to a decline of €14 million compared with December 31, 2009. Increased working capital is offset by a decrease in cash and cash equivalents. The equity ratio was unchanged at 30%. €34 million of the €53 million increase in non-current liabilities to €1,015 million is attributable to the recognition of actuarial pension provision losses directly in equity. Current liabilities fell by €90 million.

Asset and capital structure *€ million*

	12/31/2009	%	3/31/2010	%
Noncurrent assets	1,817	47	1,870	49
Current assets	2,018	53	1,951	51
Total assets	**3,835**	**100**	**3,821**	**100**
Equity	1,134	30	1,157	30
Noncurrent liabilities	962	25	1,015	27
Current liabilities	1,739	45	1,649	43
Total equity and liabilities	**3,835**	**100**	**3,821**	**100**

Capital expenditure down slightly on previous year | The strategic and operating objectives for expanding market shares and securing technological competence are the guiding factors in the capital expenditure program of the Rheinmetall Group. €36 million was invested during the first three months of the current financial year. This is equivalent to 4.5% of sales (previous year: 5.5%).

Capital expenditure by corporate sector *€ million*

	Q1/2009	Q1/2010
Defence	11	14
Automotive	28	22
Rheinmetall Group	**39**	**36**

Employees | As at March 31, 2010, 19,900 persons were employed at Rheinmetall worldwide; this is 134 more than at the end of 2009. While the workforce at Rheinmetall Defence remained fairly stable at 9,330 persons, the number of employees in the Automotive corporate sector – measured against the number of employees as at the end of 2009 – increased by 108 persons. Of the total workforce, 47% were employed in the Defence corporate sector, 52% in the Automotive corporate sector and roughly 1% at Rheinmetall AG / the service companies.

Rheinmetall Group business trend
Corporate sector Defence

Defence key figures *€ million*

	Q1/2009	Q1/2010
Sales	370	346
Order intake	479	467
Order backlog (March 31)	3,441	4,743
Employees according to capacity (March 31)	9,180	9,330
EBITDA	34	37
EBIT	23	25
EBT	17	22
EBIT margin in%	6.2	7.2

Further internationalization of defence operations | In March 2010, a contract was signed regarding the takeover of SEI SpA in Italy, which is still subject to approval by the Italian authorities. With this investment, Rheinmetall Defence will strengthen its position as a supplier of military equipment on the Italian market and in Europe. The company is involved in the area of ammunition development and production.

Slight fall in sales at Defence | The Defence corporate sector achieved sales proceeds of €346 million in the first three months of 2010. The same figure for the previous year, which included partial invoicing for several high-volume projects, stood at €370 million.

Order intake at previous year level | The order intake for the first three months of the current financial year reached €467 million and is down €12 million or 3% on the same quarter of the previous year. Rheinmetall Defence secured strategically important international orders. An excellent individual contract was the order placed by an Asian customer to supply 14 support vehicles with a volume of €112 million.

Order backlog of almost €5 billion | As at March 31, 2010, the order backlog amounted to €4,743 million, exceeding the previous year's level of €3,441 million by 38%. This significant increase was mainly the result of the series contract commissioned in July 2009 for the Puma infantry fighting vehicle with a volume of approximately €1.3 billion.

Earnings improved | With EBIT of €25 million, the Defence corporate sector achieved an increase in earnings of €2 million year-on-year in the first quarter of 2010 at the same time as a decline in sales. Earnings include income from a rate-hedging transaction implemented by a company carried at equity of €5 million. The EBIT margin rose to 7.2% in the first three months of the year. This stood at 6.2% in the same period of the previous year.

Rheinmetall Group business trend
Corporate sector Automotive

Automotive key figures *€ million*

	Q1/2009	Q1/2010
Sales	340	454
Order intake	374	421
Order backlog (March 31)	376	318
Employees according to capacity (March 31)	10,965	10,447
EBITDA	(14)	41
EBIT	(44)	17
EBT	(50)	13
EBIT margin in %	(13.0)	3.7

Sales increase at Automotive | The Automotive corporate sector generated sales of €454 million in the first three months of 2010, thus exceeding the previous year's level by €114 million or 34%. As well as global economic recovery, Pierburg and Pierburg Pump Technology particularly benefited from project rollouts and the trend towards the reduction of exhaust emissions.

Increased profitability | The success of the crisis management measures and the higher sales volume improved the profitability of the Automotive corporate sector. Automotive generated EBIT of €17 million in the first quarter of 2010, compared with a loss of €44 million in the same period of the previous year. The previous year's figure included €4 million in non-recurring expenditure for capacity adjustments. With the exception of the Aluminium Technology division, all divisions reported positive results.

Adjustment of capacity | As at March 31, 2010, 10,447 persons were employed in the Automotive corporate sector, which is 518 fewer than the same quarter of the previous year and 108 more than at the end of 2009. At the site in Neckarsulm, employees were acquired from a personnel services company in the first quarter of 2010, which reported a headcount of 332 employees on March 31, 2010. Excluding these employees, the headcount in the Automotive corporate sector fell by 224 persons to 10,115 persons in the first quarter of 2010, measured against the number of employees at the end of 2009.

Opportunities and risks

Efficient risk management | In the context of a systematic and efficient risk management system, risks at the Rheinmetall Group are limited and of manageable proportions. There are no discernible material risks which could permanently jeopardize the Group's assets, financial situation or earnings. The material opportunities and risks of the expected development of the Rheinmetall Group are described in detail in the Group management report for 2009. There have been no significant changes or new findings.

Prospects

Outlook confirmed | For Defence, Rheinmetall is expecting continued growth in 2010 as well as organic sales growth of more than 5% combined with a further improvement in EBIT.

An ongoing positive trend is expected in the Automotive corporate sector based on expert forecasts from CSM Worldwide. This development will also be supported by orders for products, which are of significance with regards to current emissions standards and those to be expected in the medium term. For this reason, sales growth above 10% is expected in the Automotive corporate sector in the current 2010 financial year. EBIT will be positive thanks to the lowered break-even point.

On the basis of the forecasts of the two corporate sectors, Defence and Automotive, Rheinmetall sees good prospects in 2010 for a return to organic growth and expects an increase in sales to approximately €3.7 billion in the current financial year. Moreover, Rheinmetall forecasts a considerable improvement in consolidated EBIT to between €220 million and €250 million. From today's perspective, Rheinmetall is expecting EBIT at the upper end of this range, provided that the stable recovery of the automotive economy continues, as predicted by the latest forecasts from CSM Worldwide.

Report on post-balance sheet date events

Events after the balance sheet date | On April 23, 2010, Rheinmetall announced it had taken an equity interest in Verseidag Ballistic Protection GmbH, Krefeld/Germany. By acquiring a 51% stake, Rheinmetall will assume the corporate management of the specialist in civil and military protection technology. As such, Rheinmetall's expertise in the area of ballistic protection will be expanded further. As well as vehicle armor, in future its expertise will also cover the areas of aircraft (helicopters) and ship bridges. This acquisition is subject to approval by the antitrust authorities.

The first stage of the joint venture between Rheinmetall AG and MAN Nutzfahrzeuge AG went into effect at the start of May. Development and distribution in the area of wheeled military vehicles is bundled in the new company Rheinmetall MAN Military Vehicles GmbH, in which Rheinmetall holds a 51% interest and MAN a 49% interest.

On May 6, 2010, Rheinmetall announced that it had submitted a purchase bid to the shareholders of Simrad Optronics ASA, which is listed on the Oslo Stock Exchange, of NOK 8.25 per bearer share. The takeover bid is subject to a minimum acceptance rate of 90% plus one share and the approval of the appropriate cartel authorities. In the 2009 financial year, Simrad Optronics ASA generated sales of approximately NOK 624 million with around 200 employees. The company operates production facilities in Nøtterøy and Oslo (both in Norway) and in Biddefort, Maine/USA. The product portfolio of Simrad Optronics ASA primarily includes components for remote control weapon stations for combat vehicles and electro-optical sensors for monitoring, reconnaissance and target-tracking purposes.

Condensed consolidated interim financial statements of Rheinmetall AG for Q1 2010

Consolidated balance sheet as at March 31, 2010

Assets € million

	12/31/2009	3/31/2010
Intangible assets	555	562
Property, plant and equipment	1,044	1,057
Investment property	23	23
Investments accounted for using the equity method	97	97
Other non-current financial assets	28	31
Other non-current assets	4	8
Deferred taxes	66	92
Non-current assets	**1,817**	**1,870**
Inventories	643	736
./. Prepayments received	(40)	(41)
	603	695
Trade receivables	701	822
Other current financial assets	52	30
Other current receivables and assets	88	109
Income tax receivables	16	16
Cash and cash equivalents	557	279
Non-current assets held for sale	1	-
Current assets	**2,018**	**1,951**
Total assets	**3,835**	**3,821**

Equity and liabilities € million

	12/31/2009	3/31/2010
Share capital	101	101
Additional paid-in capital	303	303
Other reserves	781	723
Net loss/income of Rheinmetall AG shareholders	(58)	19
Treasury shares	(57)	(57)
Rheinmetall AG shareholders' equity	**1,070**	**1,089**
Minority interests	64	68
Equity	**1,134**	**1,157**
Provisions for pensions and similar obligations	610	650
Other non-current provisions	112	108
Non-current financial liabilities	180	179
Other non-current liabilities	28	34
Deferred taxes	32	44
Non-current liabilities	**962**	**1,015**
Current provisions	390	410
Current financial liabilities	353	333
Trade liabilities	521	429
Other current liabilities	416	423
Income tax liabilities	59	54
Current liabilities	**1,739**	**1,649**
Total liabilities	**3,835**	**3,821**

Consolidated income statement

€ million

	Q1/2009	Q1/2010
Sales	**710**	**800**
Changes in inventories and work performed by the enterprise and capitalised	44	71
Total operating performance	**754**	**871**
Other operating income	17	23
Cost of materials	361	411
Staff costs	257	283
Amortization, depreciation and impairment	41	37
Other operating expenses	131	127
Net operating loss/income	**(19)**	**36**
Net interest [1)]	(14)	(12)
Net investment income and other net financial income [2)]	(3)	3
Net financial loss	**(17)**	**(9)**
Earnings before taxes (EBT)	**(36)**	**27**
Income taxes	7	(8)
Net loss/income	**(29)**	**19**
Of which:		
Minority interests	*0*	*0*
Rheinmetall AG shareholders	(29)	*19*
Earnings per share	(€ 0.85)	€ 0.51
EBITDA	19	76
EBIT	(22)	39

1) including interest expense of €14 million (previous year: €14 million)

2) including net income from investments carried at equity of €7 million (previous year: €0 million)

Comprehensive income

€ million

	Q1/2009	Q1/2010
Net loss/income	**(29)**	**19**
Actuarial gains and losses from pension provisions	0	(24)
Currency conversion difference	4	32
Change in value of derivative financial instruments (cash flow hedge)	5	2
Income/expenses from investments accounted for using the equtiy method	(1)	(6)
Other comprehensive income (after taxes)	**8**	**4**
Comprehensive income	**(21)**	**23**
Of which:		
Minority interests	*0*	*4*
Rheinmetall AG shareholders	*(21)*	*19*

Consolidated cash flow statement

€ million

	Q1/2009	Q1/2010
Financial resources January 1	**203**	**577**
Net loss/income	(29)	19
Amortization, depreciation and impairments	41	37
Changes in pension provisions	1	1
Gross cash flows	**13**	**57**
Changes in working capital and other items	(229)	(306)
Cash flows from operating activities [1)]	**(216)**	**(249)**
Investments in property, plant and equipment, intangible assets and investment property	(39)	(36)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	2	5
Investments in consolidated companies and financial assets	0	0
Divestments of consolidated companies and financial assets	0	1
Cash flows from investing activities	**(37)**	**(30)**
Borrowing of financial liabilities	125	3
Repayment of financial liabilities	(21)	(24)
Cash flows from financing activities	**104**	**(21)**
Changes in financial resources	**(149)**	**(300)**
Changes in cash and cash equivalents due to exchange rates	0	2
Total change in financial resources	**(149)**	**(298)**
Financial resources March 31	**54**	**279**

1) including net income taxes (expense) of €11 million (previous year: €10 million)

including: net interest (expense) of €3 million (previous year: €5 million)

Statement of changes in equity

€ million

	Share capital	Addi-tional paid-in capital	Retained earnings	*Differ-ence of currency conver-sion*	*Statement of fair value and other valua-tions*	Total of fair value changes	Net loss/income of Rhein-metall AG shareholders	Trea-sury shares	Rhein-metall AG share-holders equity	Min-ority inter-ests	Equity
Balance as at December 31, 2008/ as at January 1, 2009	**92**	**208**	**644**	*(51)*	*55*	**4**	**141**	**(66)**	**1,023**	**57**	**1,080**
Transfer to/from reserves	-	-	141	-	-	-	(141)	-	-	-	-
Other comprehensive income	-	-	(1)	*4*	*5*	9	-	-	8	-	8
Net loss	-	-	-	-	-	-	(29)	-	(29)	-	(29)
Balance as at March, 31 2009	**92**	**208**	**784**	*(47)*	*60*	**13**	**(29)**	**(66)**	**1,002**	**57**	**1,059**
Balance as at December 31, 2009/ as at January 1, 2010	**101**	**303**	**711**	*(20)*	*90*	**70**	**(58)**	**(57)**	**1,070**	**64**	**1,134**
Transfer to/from reserves	-	-	(58)	-	-	-	58	-	-	-	-
Other comprehensive income	-	-	(30)	*29*	*1*	30	-	-	-	4	4
Net income	-	-	-	-	-	-	19	-	19		19
Balance as at March, 31 2010	**101**	**303**	**623**	*9*	*91*	**100**	**19**	**(57)**	**1,089**	**68**	**1,157**

Notes to the consolidated financial statements

General principles | The condensed consolidated interim financial statements of Rheinmetall AG as at March 31, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB) for interim reporting as required in the European Union. Accordingly, these interim financial statements do not include all information and disclosures in the notes which are required in line with IFRS for consolidated financial statements at the end of the financial year. In the view of the Executive Board, the interim financial statements include all adjustments required to present a true and fair view of business development in the reporting period. The results achieved in the first three months of 2010 do not necessarily allow for conclusions to be drawn regarding their future development.

The interim financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in context with the consolidated financial statements published by Rheinmetall AG for the 2009 financial year. The accounting policies applied in the interim financial statements are identical to those applied in the consolidated financial statements for the past financial year. Since December 31, 2009, actuarial gains and losses have been recognized directly in equity. Prior-year comparatives have been restated in this respect. A qualified estimate of the pension obligation is given in the quarterly financial reports, based on the development of actuarial parameters. A discount rate of 5.0% (December 31, 2009: 5.5%) was used for pension provisions in Germany as regards these interim financial statements. This reduction in the interest rate led to an increase in actuarial losses from pension provisions recognized in equity.

For further information on the accounting policies applied, please refer to the consolidated financial statements of Rheinmetall AG as at December 31, 2009. The Group's reporting currency is the euro; all amounts are given in € million unless otherwise indicated.

Estimates | Preparing the interim financial statements requires certain assumptions and estimates which impact on the application of accounting principles within the Group and the disclosure of assets and liabilities, income and expenses. Actual values may differ from these estimates.

Scope of consolidation | Besides Rheinmetall AG, the condensed consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG holds the majority of voting rights (whether directly or indirectly) or whose financial and business policies are otherwise controlled by the Group. One company was established abroad and two companies were merged within Germany in the first quarter of 2010.

Non-current assets held for sale | On December 31, 2009, non-current assets held for sale related to real estate of €1 million which was sold in the first quarter of 2010.

Treasury shares | The Annual General Meeting of May 12, 2009 renewed the Executive Board's authorization, as granted on May 6, 2008, to acquire treasury shares to an extent of up to 10% of the common stock at that time of €92,160,000 by October 31, 2010. As at March 31, 2010, the portfolio amounts to 1,393,536 treasury shares (previous year: 1,607,528), acquired at a total cost of €57 million (previous year: €66 million) which is deducted from equity. This authority was not exercised during the first three months of the current financial year.

Employee share purchase program | The Rheinmetall Group offers Rheinmetall AG shares to eligible employees in Germany on preferential conditions. There is a lock-up period of two years for these shares. Within specified subscription periods, the employees are given the opportunity to acquire a limited number of shares at a discount of 30% on the applicable share price. The current subscription period runs from April 27 to May 10, 2010.

Earnings per share | Since there are no outstanding shares, options or similar instruments which could dilute earnings per share, basic and diluted earnings per share are identical. Treasury stock and the capital increase carried out in July 2009 are included in the weighted number of treasury shares.

	Q1/2009	Q1/2010
Consolidated net profit/loss for shareholders of Rheinmetall AG	(29)	19
Weighted number of shares *million*	34.39	38.21
Earnings per share	**(€0.85)**	**€0.51**

Cash flow statement | As at January 1, 2009, March 31, 2009 and March 31, 2010, financial resources consisted solely of cash and cash equivalents. As of December 31, 2009/January 1, 2010, financial resources also included a Federal Treasury note of €20 million, which is reported under other financial assets.

Related parties | For the Rheinmetall Group, corporate related parties are the joint ventures and associated companies carried at equity. The joint ventures make a particular contribution to the expansion of Defence and Automotive operations. The volume of products / services provided to corporate related parties primarily relates to sales proceeds from the sale of finished and unfinished goods to project companies and sales proceeds from army maintenance services under a public-private partnership model in the Defence corporate sector. In addition, loans to joint ventures - unchanged at €3 million - are also included in the volume of unpaid items. The scope of related-party transactions is shown in the table below.

€ million

	Volume of products/ services provided		Volume of products/ services received		Volume of open items	
	Q1/2009	**Q1/2010**	**Q1/2009**	**Q1/2010**	**12/31/2009**	**3/31/2010**
Joint ventures	10	8	1	1	(5)	3
Associated companies	0	1	2	2	5	7
	10	**9**	**3**	**3**	**0**	**10**

As previously, no transactions were made with individuals who constitute related parties of the Rheinmetall Group.

Segment reporting | Please refer to the consolidated financial statements as at December 31, 2009 for the delimitation of the reportable segments and the control system. There are no changes since this date as regards segment delimitation and valuation methods.

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	Q1/2009	Q1/2010	Q1/2009	Q1/2010	Q1/2009	Q1/2010	Q1/2009	Q1/2010
External sales	370	346	340	454	-	-	710	800
Amortization and depreciation	11	12	30	24	0	1	41	37
Of which impairment	-	-	0	-	-	-	0	-
EBIT	23	25	(44)	17	(1)	(3)	(22)	39

Reconciliation of segment EBIT with Rheinmetall Group EBT:

€ million

	Q1/2009	Q1/2010
EBIT		
Segment EBIT	(21)	42
Others	1	(2)
Consolidation	(2)	(1)
Group net interest	(14)	(12)
Group EBT	**(36)**	**27**

Financial diary

May 7, 2010
Report on Q1 2010

May 11, 2010
Annual General Meeting

August 11, 2010
Report on Q2 2010

November 15, 2010
Report on Q3 2010

Legal information and contact

This financial report contains statements and forecasts referring to the future development of the Rheinmetall Group which are based on assumptions and estimates made by the management. If the underlying assumptions do not materialize, the actual figures may differ from such estimates. Uncertain factors include changes in the political, economic and business environment, exchange and interest rate fluctuations, the introduction of rival products, poor uptake of new products, and changes in business strategy.

Rheinmetall's website at **www.rheinmetall.com** contains detailed business information about the Rheinmetall Group and its subsidiaries, present trends, 15-minute stock price updates, press releases, and ad hoc notifications. Investor Relations information is an integral part of this website where all the relevant details are available to download.

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