Quarterly Financial Report

Q1 2013

Rheinmetall AG

Rheinmetall in figures

Rheinmetall Group key figures *€ million*

	Q1/2012	Q1/2013	Change
Sales	1,109	962	-147
Order intake	1,073	1,013	-60
Order backlog (March 31)	4,939	5,417	478
EBITDA	91	29	-62
EBIT	43	(19)	-62
EBT	26	(37)	-63
Earnings after taxes	20	(29)	-49
Gross cash flows	62	13	-49
Capital expenditures	42	37	-5
Amortization/depreciation	48	48	0
Net financial debt (March 31)	404	325	-79
Total equity (March 31)	1,559	1,445	-114
Total assets (March 31)	4,764	4,728	-36
EBIT margin	3.9%	(2.0)%	-
Earnings per Share (EpS) in €	0.56	(0.61)	-1.17
Employees according to capacity (March 31)	21,661	21,560	-101

The previous year's figures are adjusted.

Modest start to fiscal 2013

Rheinmetall started fiscal 2013 with relatively modest development in both corporate sectors. The year is one of transition to improved profitability for the company. Sales were lower than in the previous year as expected, and it was primarily this, but also initial expenses for the planned restructuring measures and effects of an altered product mix, that led to significant losses of earnings in the first quarter of 2013.

- Consolidated sales decline by 13% to €962 million in the first quarter of 2013.
- Group EBIT is €62 million lower than the previous year and shows a loss of €19 million.
- Defence sees significant decline in sales, order intake remains high.
- Automotive negatively affected by weaker economy and initial restructuring measures.
- “Rheinmetall 2015” strategy program launched.
- Forecast for fiscal 2013 remains unchanged.

For fiscal 2013, Rheinmetall still expects sales of between €4.8 billion and €4.9 billion and an operating result (earnings before interest and taxes and before restructuring costs) of between €240 million and €260 million. For the measures planned for the “Rheinmetall 2015” strategy program to increase cost efficiency, a non-recurring sum of €60 million to €80 million will be incurred this year. From 2015, these measures are expected to result in annual savings of between €55 million and €70 million. Assuming that business volume will continue to grow, Rheinmetall is targeting returns on sales of 8% for Automotive and 10% for Defence from 2015.

Contents

The Rheinmetall share

»Optimism on the stock markets at start of year«

Continuing the positive stock-market trend from mid-2012, the two most important German share indices, DAX and MDAX, increased at the start of the year, although signs of a downturn appeared at the end of the quarter. From the end of 2012 to March 28, 2013, the DAX increased its index value by 2% to 7,795 points. In the same period, the MDAX grew by 12% and closed the quarter at 13,322 points. In the first three months of the year, the MDAX displayed steady growth and reached its maximum of 13,515 on March 18. In contrast, the DAX went through a trough in February, which brought it below the 7,600-point threshold several times, followed by a rise to the quarterly high of 8,058 on March 14.

»Slight weakening of Rheinmetall share«

At the start of the year, the Rheinmetall share benefited from news of a high order intake in the Defence business and from the positive reaction to the publication of the preliminary figures for fiscal 2012, with the result that the share reached its quarterly high of €43.51 on February 19. However, the publication of the 2012 Annual Report on March 20 and the accompanying outlook for 2013, which forecast a decline in earnings, weakened interest in the share. On March 27, the share price reached €35.92, its lowest point of the quarter, which it closed a day later at €36.09.

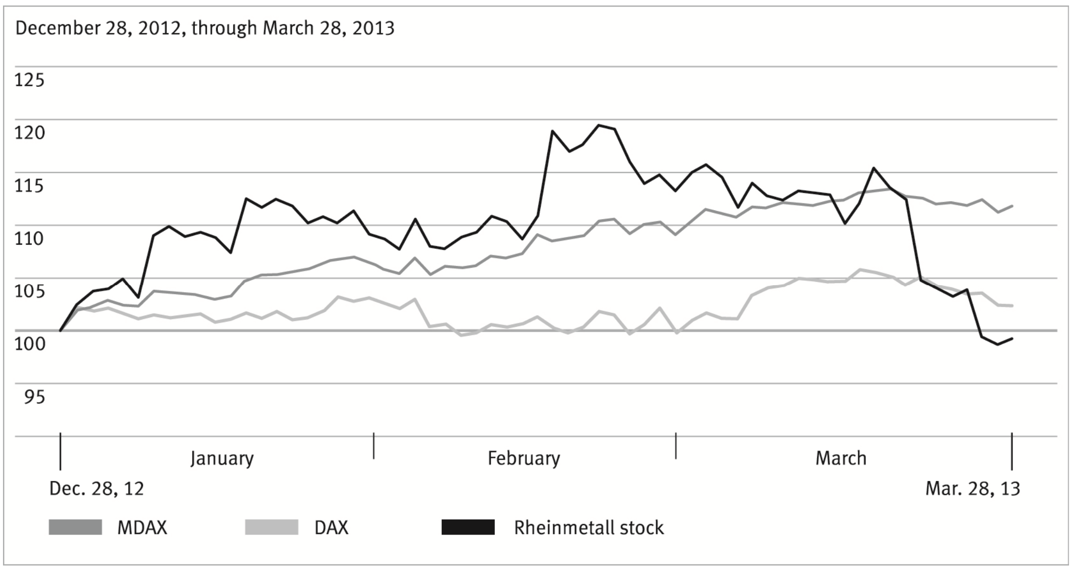
»Market capitalization and trading volume«

The market capitalization of Rheinmetall AG, which is attributable the free float and had a monthly average of €1.4 billion in December 2012, increased to €1.5 billion by March 2013. At the same time, its position in the Deutsche Börse MDAX ranking improved from 25th to 21st. In terms of stock exchange turnover, the ranking fell from 12th to 14th in the same period. The average daily trading volume fell to 252,000 shares in the first quarter of 2013 after 298,000 in the same period of the previous year.

»Shareholder structure«

At the start of 2013, Rheinmetall carried out another shareholder analysis with a reference date of February 28, 2013. The percentage of foreign institutional investors was 57% after the 65% calculated in the shareholder survey of 2012. The proportion of North American institution investors increased from 30% to 32%; institutional investors in Europe, particularly in the UK, reduced their share from 48% in the previous year to 35%.

Performance of the Rheinmetall-share in comparison to DAX and MDAX



General economic conditions

»Uneven development of the global economy – euro zone threatens to fall behind«

The situation in the global economy in the first quarter of 2013 was characterized by varying development trends and speeds. While the emerging countries clearly remain on course for growth and the recovery in the USA and Japan is stabilizing, the euro zone is threatening to fall behind, according to the International Monetary Fund (IMF). In its “World Economic Outlook” of April 2013, the IMF predicts growth in global economic output of 3.3% for the year as a whole. That is 0.1 percentage points lower than forecast at the beginning of the year. In 2014, growth is to amount to 4%, which corresponds exactly to the figure in the January forecast. On this basis, the IMF sees generally improved prospects for the global economy, but the “road to recovery” in the mature industrialized nations remains “bumpy”.

For industrialized nations collectively, IMF experts expect growth of 1.2% for 2013 and 2.2% for 2014. Comparatively favorable is the forecast for the USA, where gross domestic product is expected to grow 1.9% in 2013 and 3.0% in 2014. For Japan, the IMF anticipates growth of 1.6% and 1.4% respectively.

The International Monetary Fund says the greatest danger for the global economy is still the European debt crisis. The euro zone will not be able to free itself from recession in 2013, but will rather shrink by 0.3% again. However, the economic experts expect a gradual recovery from the second half of 2013, which will lead to a 1.1% increase in economic output in 2014. Alongside the ongoing weak state of the economy in Italy and Spain, the IMF is also increasingly concerned about the situation in France. In contrast, the German economy is comparatively robust. The IMF has raised its forecast for 2013 by 0.1 percentage points to growth of 0.6%, while growth of gross domestic product of 1.5% is still expected for 2014. The forecast by the leading German economic research institutes in their spring report was somewhat higher: For the current year, they expect German economic output to grow by 0.8%, in 2014 gross domestic product is even set to increase by 1.9% – provided the euro debt crisis does not escalate.

The emerging countries, especially China and India, have again confirmed their role as the engine of the global economy in the first quarter of 2013. With expected growth of 8.0% for 2013 and 8.2% next year, the strongest growth stimuli will again come from the Chinese economy. At some distance – but still with high growth – follows India, whose gross domestic product is to increase by 5.7% in 2013 and 6.2% in 2014.

»Global military spending falls slightly – trend reversal from 2015«

According to the latest calculations of defence analysts at IHS Jane’s, global spending for the defence sector will total around USD 1,571 billion in 2013, while total spending for 2012 was calculated at approximately USD 1,591 billion. IHS Jane’s predicts a further reduction to approximately USD 1,538 billion in 2014. Nevertheless, there remain major regional differences: While budgets in the USA and many European countries are shrinking, spending is still trending upward in major emerging countries, including for 2013 and 2014. IHS Jane’s is also anticipating increasing budgets in some nations in the Middle East and North Africa (MENA), particularly Saudi Arabia, the United Arab Emirates, Kuwait and Algeria.

In 2013, the USA is still by far the country with the highest defence spending, but the cost-cutting measures introduced two years ago are taking effect. This year, the US defence budget will drop to around USD 574 billion after USD 645 billion in 2012. For 2014, the US Department of Defense has budgeted an increase in spending to USD 615 billion.

In Europe, the development of defence spending in 2013 is still largely characterized by stagnating or falling budgets. In the German market, which remains important for Rheinmetall Defence, the 2013 defence budget will run to approximately €33.3 billion, slightly more than the previous year's figure of €31.9 billion. In 2014, the budget will reach approximately this year's level at €33.0 billion.

IHS Jane's has calculated a general trend reversal to increasing global defence spending for the years after 2015.

»Mixed picture in automotive manufacturing: China remains growth engine, Western Europe stalling«

Similar to the development of the global economy, the automotive industry also presented a mixed picture in the first quarter of 2013. In its economic barometer of March 2013, the Association of the German Automotive Industry (VDA) detected no change in the good prospects for China, and the outlook also remains "moderately positive" for the USA. However, the Western European market is not yet out of its trough. Looking at the situation in Germany in early April 2013, VDA President Matthias Wissmann stated: "We also see that the difficult economic situation in Europe is affecting the German passenger car market." However, the VDA assumes that the market will stabilize in the second quarter.

The uneven development of automotive demand is reflected clearly in the production figures for the first quarter of 2013: Due to the weakness of the European and Japanese markets, the forecaster IHS Automotive has calculated a decline in the global production of passenger cars and light commercial vehicles up to 3.5t of 1.3% compared with the same quarter of the previous year. The number of vehicles produced was thus 20.4 million units after more than 20.6 million vehicles in the first quarter of 2012. In the triad markets of Western Europe, NAFTA and Japan, production figures fell by 8.6%. After government incentives to buy expired in Japan, the decline in production was particularly significant there at 16%. In Western Europe, production figures in the first quarter were 11.7% down on the same period of the previous year.

The North American market, which recovered strongly in 2012, was slightly below the level of the previous year in the first quarter of 2013, with production declining by 0.7%. Among the world's major automotive markets, Western Europe is still trailing the field. In the first three months of 2013, production declined by 11.7%. Like the VDA's analysis, the figures from IHS Automotive also show that the German market has been unable to escape the downward trend in Europe: Production figures in Germany were 11.3% down on the comparatively robust production of the same quarter of the previous year.

In the Chinese automotive market, the signs continue to point to growth. In the first quarter of 2013, the growth in production amounted to 13.6%. By contrast, the momentum of the Indian market has weakened: After strong previous years, production figures fell by 7.1% in the first quarter of 2013.

For 2013 as a whole, IHS Automotive expects global automotive production to grow by 2.1% to approximately 81.4 million vehicles. For 2014, a palpable revival of the automotive industry is expected, with production growing by 5.3% to approximately 85.7 million vehicles.

Rheinmetall Group business trend

Sales *€ million*

	Q1/2012	Q1/2013
Rheinmetall Group	**1,109**	**962**
Defence	471	363
Automotive	638	599

EBIT *€ million*

	Q1/2012	Q1/2013
Rheinmetall Group	**43**	**(19)**
Defence	4	(44)
Automotive	44	27
Others/Consolidation	(5)	(2)

Operating result (EBIT before restructuring costs) *€ million*

	Q1/2012	Q1/2013
Rheinmetall Group	**43**	**(14)**
Defence	4	(43)
Automotive	44	31
Others/Consolidation	(5)	(2)

»Modest start to fiscal 2013«

Rheinmetall started fiscal 2013 with relatively modest development. As expected, business volume in both corporate sectors in the first quarter of 2013 declined against the comparative figures of the previous year. In the first three months, Rheinmetall generated total sales of €962 million, which is a 13% decline on the first quarter of 2012 (€1,109 million).

In the first quarter of 2013, the proportion of sales achieved abroad in the Group was 75%, after 72% in the same period of the previous year. In addition to the German market (25%), the key regions in terms of sales volumes were Europe excluding Germany (43%), followed by Asia (14%) and North America (11%).

Alongside the considerably lower sales, increased development costs in the Automotive sector and uncovered cost structures and an altered product mix in the Defence sector resulted in an operating loss (EBIT before restructuring costs) of €14 million in the first quarter of 2013. Including the expenses reported for restructuring measures (€5 million), Group EBIT was €62 million lower than the figure for the previous year, showing a loss of €19 million.

»Order backlog of €5 billion«

The Rheinmetall Group recorded an order intake of €1,013 million in the first three months of 2013 (previous year: €1,073 million). On March 31, 2013, the order backlog stood at €5,417 million (December 31, 2012: €5,405 million).

»Asset and capital structure«

The Rheinmetall Group's total assets amounted to €4,728 million as at the reporting date. This corresponds to a decrease of €171 million as against December 31, 2012. Non-current assets amounted to 50% of total assets as at March 31, 2013, compared with 49% as at December 31, 2012. They increased by €5 million during the reporting period to €2,384 million. Current assets decreased by €176 million compared with December 31, 2012, with the increase in inventories being offset by a significant reduction in trade receivables and cash and cash equivalents. The equity ratio was unchanged at 30%. Non-current liabilities decreased by €61 million to €1,594 million. €32 million of this is attributable to pension provisions and €33 million to non-current financial debts. The €90 million decline in non-current liabilities is primarily attributable to the reduction in trade liabilities.

Asset and capital structure *€ million*

	12/31/2012	%	3/31/2013	%
Noncurrent assets	2,379	49	2,384	50
Current assets	2,520	51	2,344	50
Total assets	**4,899**	**100**	**4,728**	**100**
Equity	1,465	30	1,445	30
Noncurrent liabilities	1,655	34	1,594	34
Current liabilities	1,779	36	1,689	36
Total equity and liabilities	**4,899**	**100**	**4,728**	**100**

»Capital expenditure down on previous year«

The Rheinmetall Group invested a total of €37 million in the first three months of the current fiscal year, which is €5 million less than in the previous year. Nevertheless, this is equivalent to a slightly higher investment ratio of 3.9% of sales (previous year: 3.8%).

Capital expenditure *€ million*

	Q1/2012	Q1/2013
Rheinmetall Group	**42**	**37**
Defence	14	9
Automotive	28	28
Others/Consolidation	0	0

»Employee numbers fall slightly«

On March 31, 2013, a total of 21,560 people were employed by the Rheinmetall Group around the world, down 101 on March 31, 2012. The workforce fell by 385 at Rheinmetall Defence and increased by 280 in the Automotive sector. Of the total workforce, 44% were employed in the Defence sector, 55% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

Employees (capacity)

	3/31/2012	3/31/2013
Rheinmetall Group	**21,661**	**21,560**
Defence	9,822	9,437
Automotive	11,699	11,979
Others	140	144

Rheinmetall Group business trend
Defence sector

Defence key figures *€ million*

	Q1/2012	Q1/2013	Change
Sales	471	363	-108
Operating result	4	(43)	-47
Operating result margin	0.8%	(11.8)%	
EBITDA	25	(22)	-47
EBIT	4	(44)	-48
EBT	(3)	(50)	-47
Order intake	432	416	-16
Order backlog (March 31)	4,527	5,002	475
Employees according to capacity (March 31)	9,822	9,437	-385

»Sales well below previous year«

At €363 million in the first three months of 2013, sales in the Defence sector fell below the previous year's figure of €471 million by €108 million or 23%. The Unmanned Aerial Systems product unit contributed €12 million to the previous year's sales. In mid-2012, 51% of the shares in Rheinmetall Airborne Systems GmbH were sold to Cassidian.

As well as declining sales compared with the previous year, which are reflected in all three divisions, shifts in the product range also had a significantly negative effect on earnings performance. While a just positive operating result (EBIT before restructuring) of €4 million was generated in the traditionally weak first quarter in the previous year, which still included an earnings contribution of €2 million from the Unmanned Aerial Systems product unit, which was sold in mid-2012, an operating loss of €43 million was reported for the first quarter of 2013.

»Restructuring continued«

The restructuring process initiated in the previous year in order to improve future earnings was continued. The focus in the first quarter of 2013 was on the implementation of measures already reported as expense in 2012. €1 million was posted as expense for new measures.

»Order backlog exceeds €5 billion«

The Defence sector again posted a high order intake in the first three months of 2013. At €416 million, the figure of the previous year of €432 million was nearly reached. The order intake was characterized by medium-sized orders. At a value of €5,002 million, the order backlog reached a new record level on March 31, 2013.

Rheinmetall Group business trend
Automotive sector

Automotive key figures *€ million*

	Q1/2012	Q1/2013	Change
Sales	638	599	-39
Operating result	44	31	-13
Operating result margin	6.9%	5.2%	
EBITDA	70	53	-17
EBIT	44	27	-17
EBT	39	23	-16
Order intake	641	597	-44
Order backlog (March 31)	412	415	3
Employees according to capacity (March 31)	11,699	11,979	280

»Weakness in European automotive market negatively affects Automotive«

In view of the currently rather weak development of international automotive production, the Automotive sector has performed well. Although sales declined slightly, the sector partially offset the negative influence of the declining automotive industry in Western Europe by sharpening its focus on non-European markets of high growth, such as Asia. With sales of €599 million in the first quarter of 2013, the Automotive sector therefore fell below the prior-year figure by only 6% or €39 million while automotive production fell 12% in Western Europe, a particularly important market, in the same period.

The operating result (EBIT before restructuring costs) was €31 million, €13 million lower than in the previous year. This decrease in earnings resulted almost exclusively from the declining sales. In addition, higher development expenses in the Mechatronics division than in the previous year also negatively affected the result.

»New Mechatronics plant in China«

The Mechatronics division has opened a new production site in Kunshan in the Shanghai metropolitan area. To begin with, 30 employees are producing pneumatic exhaust gas recirculation valves and electric driven throttle bodies at this new production location. The production of solenoid valves is also planned soon.

»Restructuring measures initiated«

In the first quarter of 2013, the Automotive corporate sector initiated restructuring measures in order to adapt to the changed market environment. Expenses of €4 million were posted for adjustments of the headcount.

»Joint ventures in China continue to grow«

The Chinese joint ventures, which are not included in the sales figures for the Automotive sector, enjoyed growth of 28% (calculated on a 100% basis) in the first three months of 2013, with sales amounting to €121 million as against €94 million in the previous year. With an increase of €4 million or 57%, EBIT climbed at a disproportionately high rate to €11 million.

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 that could permanently endanger the Group's net assets, financial position or results of operations.

The material opportunities and risks of the expected development of the Rheinmetall Group are described in detail in the Group Management Report for 2012. There have been no significant changes or new findings in the meantime.

Prospects

»Forecast for 2013 as a whole remains unchanged«
For fiscal 2013, Rheinmetall still expects Group sales of between €4.8 billion and €4.9 billion and an operating result of between €240 million and €260 million.

The Defence sector is still expected to generate sales of approximately €2.4 billion and an operating result of around €130 million. Sales of €2.4 billion to €2.5 billion and an operating result of around €140 million are expected for the Automotive sector.

»"Rheinmetall 2015" strategy program is being put into action«
Fiscal 2013 represents a year of transition to greater profitability for Rheinmetall.

Through the implementation of the "Rheinmetall 2015" strategy program, with a primary focus on internationalization, product innovations and costs, the company aims to sustainably extend its lead in a range of markets and strengthen its profitability. The required restructuring measures are being implemented systematically. For the current fiscal year, Rheinmetall continues to expect restructuring costs to total €60 million to €80 million. From 2015, these measures are expected to result in annual savings of between €55 million and €70 million.

Report on post-balance sheet date events

»Restructuring in Vienna«

At the start of April 2013, Rheinmetall announced extensive restructuring measures for the Vienna location of the Wheeled Vehicles division and began negotiations with employee representatives. These measures, which will involve a reduction of the workforce by 250 to 300 people, are to return the Vienna plant to a workable size for continuing to meet demand from the target markets. The change to the cost structure shall secure the location for the long term. It is expected that the anticipated costs will be reported in the second quarter.

»Restructuring in Thionville«

In order to improve the competitiveness of its piston location in Thionville, France, the Automotive sector has launched a restructuring program. As part of this program, the 260 employees currently employed there will be reduced by 80 in 2013 and 2014. The anticipated costs will probably be reported in the second quarter.

There were no other significant events after the balance sheet date.

Condensed consolidated interim financial statements of Rheinmetall AG for Q1/2013

Rheinmetall Group
Balance sheet as at March 31, 2013

Assets *€ million*

	12/31/2012	3/31/2013
Goodwill	560	559
Intangible assets	344	340
Property, plant and equipment	1,177	1,173
Investment property	19	18
Investments accounted for using the equity method	147	153
Other non-current financial assets	8	7
Other non-current assets	7	6
Deferred taxes	117	128
Non-current assets	**2,379**	**2,384**
Inventories	826	936
./. Prepayments received	(30)	(37)
	796	899
Trade receivables	1,032	980
Other current financial assets	34	29
Other current receivables and assets	124	158
Income tax receivables	33	24
Cash and cash equivalents	501	254
Current assets	**2,520**	**2,344**
Total assets	**4,899**	**4,728**

Equity and liabilities *€ million*

	12/31/2012	3/31/2013
Share capital	101	101
Additional paid-in capital	307	307
Other reserves	848	1,033
Earnings after taxes of Rheinmetall AG shareholders	170	(23)
Treasury shares	(72)	(72)
Rheinmetall AG shareholders' equity	**1,354**	**1,346**
Minority interests	111	99
Equity	**1,465**	**1,445**
Provisions for pensions and similar obligations	919	887
Other non-current provisions	85	85
Non-current financial debts	572	539
Other non-current liabilities	30	37
Deferred taxes	49	46
Non-current liabilities	**1,655**	**1,594**
Other current provisions	391	421
Current financial debts	27	40
Trade liabilities	648	543
Other current liabilities	663	640
Income tax liabilities	50	45
Current liabilities	**1,779**	**1,689**
Total liabilities	**4,899**	**4,728**

The previous year's figures are adjusted

Rheinmetall Group
Income statement for Q1/2013

€ million

	Q1/2012	Q1/2013
Sales	**1,109**	**962**
Changes in inventories and work performed by the enterprise and capitalised	62	82
Total operating performance	**1,171**	**1,044**
Other operating income	23	20
Cost of materials	609	552
Personnel expenses	351	347
Amortization, depreciation and impairment	48	48
Other operating expenses	144	142
Net operating income	**42**	**(25)**
Net interest [1)]	(17)	(18)
Net investment income and other net financial income [2)]	1	6
Net financial income	**(16)**	**(12)**
Earnings before taxes (EBT)	**26**	**(37)**
Income taxes	(6)	8
Earnings after taxes	**20**	**(29)**
Of which:		
Minority interests	*(2)*	*(6)*
Rheinmetall AG shareholders	*22*	*(23)*
Earnings per share (€)	0.56	(0.61)
EBITDA	91	29
EBIT	43	(19)

The previous year's figures are adjusted

1) *Of which interest expenses: €19 million (previous year: €19 million)*

2) *Of which income from investments carried at equity: €5 million (previous year: €3 million)*

Rheinmetall Group
Comprehensive income for Q1/2013

€ million

	Q1/2012	Q1/2013
Earnings after taxes	**20**	**(29)**
Actuarial gains and losses from pension provisions	(22)	19
Amounts not reclassified in the income statement	**(22)**	**19**
Change in value of derivative financial instruments (cash flow hedge)	9	(13)
Currency conversion difference	4	0
Income/expenses from investments accounted for using the equity method	-	3
Amounts reclassified in the income statement	**13**	**(10)**
Other comprehensive income (after taxes)	**(9)**	**9**
Comprehensive income	**11**	**(20)**
Of which:		
Minority interests	*2*	*(12)*
Rheinmetall AG shareholders	*9*	*(8)*

The previous year's figures are adjusted

Rheinmetall Group
Cash flow statement for Q1/2013

€ million

	Q1/2012	Q1/2013
Opening cash and cash equivalents January 1	**535**	**501**
Earnings after taxes	20	(29)
Amortization, depreciation and impairments	48	48
Changes in pension provisions	(6)	(6)
Gross cash flows	**62**	**13**
Changes in working capital and others	(246)	(206)
Cash flows from operating activities 1)	**(184)**	**(193)**
Investments in property, plant and equipment, intangible assets and investment property	(42)	(37)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	0	1
Investments in consolidated companies and financial assets	(40)	(2)
Divestments of consolidated companies and financial assets	0	2
Cash flows from investing activities	**(82)**	**(36)**
Purchase of treasury shares	(8)	0
Borrowing of financial debts	5	7
Repayment of financial debts	(16)	(26)
Cash flows from financing activities	**(19)**	**(19)**
Changes in financial resources	**(285)**	**(248)**
Changes in cash and cash equivalents due to exchange rates	0	1
Total change in financial resources	**(285)**	**(247)**
Closing cash and cash equivalents March 31	**250**	**254**

The previous year's figures are adjusted

1) Including:

Net income taxes of €-2 million (previous year: €-13 million)

Net interest of €-11 million (previous year: €1 million)

Rheinmetall Group
Statement of changes in equity

€ million

	Share capital	Additional paid-in capital	Retained earnings	*Difference of currency conversion*	*Statement of fair value and other valuations*	Total of fair value changes	Group net income/loss allocated to shareholders of Rheinmetall AG	Treasury shares	**Rheinmetall AG shareholders equity**	Minority interests	**Equity**
Balance as at December 31, 2011	**101**	**307**	**710**	*56*	*77*	**133**	**213**	**(55)**	**1,409**	**137**	**1,546**
Adjustment IAS 19	-	-	10	-	-	-		-	10	-	10
Balance as at January 1, 2012	**101**	**307**	**720**	**56**	**77**	**133**	**213**	**(55)**	**1,419**	**137**	**1,556**
Earnings after taxes	-	-	-	-	-	-	22	-	22	(2)	20
Other comprehensive income	-	-	(22)	*3*	*6*	9	-	-	(13)	4	(9)
Comprehensive income	**-**	**-**	**(22)**	*3*	*6*	**9**	22	**-**	**9**	**2**	**11**
Transfer to/from reserves	-	-	213	-	-	-	(213)	-	-	-	-
Other changes	-	-	-	-	-	-	-	(8)	(8)	-	(8)
Balance as at March 31, 2012	**101**	**307**	**911**	*59*	*83*	**142**	**22**	**(63)**	**1,420**	**139**	**1,559**
Balance as at December 31, 2012	**101**	**307**	**707**	*41*	*76*	**117**	**190**	**(72)**	**1,350**	**111**	**1,461**
Adjustment IAS 19	-	-	24	-	-	-	(20)	-	4	-	4
Balance as at January 1, 2013	**101**	**307**	**731**	**41**	**76**	**117**	**170**	**(72)**	**1,354**	**111**	**1,465**
Earnings after taxes	-	-	-	-	-	-	(23)	-	(23)	(6)	(29)
Other comprehensive income	-	-	22	*2*	*(9)*	(7)	-	-	15	(6)	9
Comprehensive income	**-**	**-**	**22**	*2*	*(9)*	**(7)**	**(23)**	**-**	**(8)**	**(12)**	**(20)**
Transfer to/from reserves	-	-	170	-	-	-	(170)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2013	**101**	**307**	**923**	*43*	*67*	**110**	**(23)**	**(72)**	**1,346**	**99**	**1,445**

Notes to the consolidated financial statements

»General principles«

The condensed consolidated interim financial statements of Rheinmetall AG as at March 31, 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the corresponding interpretations of the International Accounting Standards Board (IASB) for interim reporting as required to be applied in the European Union. Accordingly, the notes to these interim financial statements do not include all of the information and disclosures that are required in accordance with IFRS for consolidated financial statements at the end of the fiscal year. In the view of the Executive Board, the interim financial statements contain all of the 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 2013 do not necessarily allow for conclusions to be drawn as to 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 fiscal 2012. The accounting policies applied to the assets and liabilities in the interim financial statements are the same as those applied in the consolidated financial statements for the past fiscal year with the exception of obligations for pension commitments and partial retirement.

In the interim financial statements, the following new or amended standards were applied for the first time, because their application is mandatory from January 1, 2013.

Amendment to IAS 12	“Income Taxes”
Amendment to IAS 19	“Employee Benefits”
Amendment to IFRS 7	“Financial Instruments: Disclosures”
IFRS 13	“Fair Value Measurement”
IFRS improvements	2009-2011 cycle

The amendments to IAS 19 “Employee Benefits” affect the recognition and measurement of pension obligations, as the past service cost is to be recognized in full immediately in the period of the planned amendment and the interest rate that is decisive for discounting pension obligations is also to be used to calculate interest income from plan assets. There are also amendments to the recognition of obligations from preretirement part-time work contracts reported under other provisions, as step-up amounts granted are regarded as other long-term employee benefits and therefore accumulated on a pro rata basis. The retrospective application of the standard from fiscal 2013 means that the balance sheet values as at December 31, 2012, have been amended in comparison with the values reported in the 2012 Annual Report. Equity as of December 31, 2012, has increased by €4 million, while other provisions were reduced by €5 million and pension provisions by €1 million, and deferred tax liabilities rose by €2 million at the same time. Of the actual income from plan assets, the expected income will no longer be reported in the income statement, but rather only the portion from the interest with the discount rate of the corresponding obligation, and the rest will be reported directly in equity (other comprehensive income). The comparative period for the interim financial statements was adjusted accordingly: Net interest in the first quarter of 2012 was reduced by €5 million and other comprehensive income including deferred taxes was increased by €4 million.

IFRS 13 “Fair Value Measurement” regulates the method for measuring fair value when this measurement approach is prescribed or permitted in another standard. The new standard extends the disclosures on fair value in the Notes.

The other new or amended standards that are to be applied from fiscal 2013 have not had any impact on assets, earnings or the Notes to the consolidated financial statements of the Rheinmetall Group.

The amendment to IAS 12 “Income Taxes” relates to the measurement of deferred taxes for properties held for investment, which are measured at fair value, and for intangible assets and property, plant and equipment, which are measured in accordance with the revaluation model. The new regulation implies a refutable assumption of realization through the sale of the asset.

The amendments to IFRS 7 “Financial Instruments: Disclosures” involve expanded Notes regarding the offsetting of financial receivables and financial liabilities.

The improvements to IFRS standards in the 2009-2011 cycle relate mainly to clarifications and corrections regarding the first-time application of IFRS, property, plant and equipment, financial instruments and the presentation of financial statements and interim reporting.

»Estimates«

The preparation of the interim financial statements requires certain assumptions and estimates affecting the application of accounting principles within the Group and the disclosure of assets and liabilities, income and expenses. The actual amounts may differ from these estimates.

A qualified estimate of pension obligations is given in the quarterly financial reports based on the development of actuarial parameters. In the present interim financial statements, a discount rate of 3.50% (December 31, 2012: 3.25%) was applied for pension provisions in Germany and an unchanged rate of 2.00% was applied for significant foreign pension provisions in Switzerland. The increase in the interest rate in Germany led to a reduction of actuarial losses from pension provisions recognized in equity.

»Scope of consolidation«

In addition to Rheinmetall AG, the condensed consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG holds the majority of the voting rights (whether directly or indirectly) or whose financial and business policies are otherwise controlled by the Group. In the first three months of 2013, one German company was removed from the scope of consolidation via liquidation.

»Treasury shares«

The Annual General Meeting on May 11, 2010, authorized the Executive Board to acquire treasury shares equivalent to a maximum of 10% of the share capital of €101,373,440 up until May 10, 2015. In the first three months of the current fiscal year, this right was not exercised. As at March 31, 2013, the portfolio of treasury shares amounted to an unchanged 1,881,647 (4.8% of the share capital). The acquisition cost totaling €72 million was deducted from equity.

»Share-based remuneration«

A long-term incentive program exists within the Rheinmetall Group, under which beneficiaries receive Rheinmetall shares with a four-year lock-up period in addition to a cash payment. On April 4, 2013, the beneficiaries of the incentive program for fiscal 2012 received a total of 214,557 shares (previous year: a total of 162,716 shares on April 2, 2012, for fiscal 2011).

»Earnings per share«

Since there are no outstanding shares, options or similar instruments that could dilute earnings per share, basic and diluted earnings per share are identical. Treasury shares are included in the weighted number of shares.

€ million

	Q1/2012	**Q1/2013**
Earnings after taxes of Rheinmetall AG shareholders	22	(23)
Weighted number of shares *million*	38.10	37.72
Earnings per share (€)	**0.56**	**(0.61)**

»Related parties«

Corporate related parties for the Rheinmetall Group are the joint ventures and associated companies carried at equity. As well as customer receivables and trade payables, the volume of unpaid items also includes prepayments received and made and loans to joint ventures and associated companies of €4 million (€4 million on December 31, 2012).

The interest income from such loans amounts to an unchanged €0 million.

€ million

	Volume of products/ services provided		Volume of products/ services received		Volume of open items	
	Q1/2012	**Q1/2013**	**Q1/2012**	**Q1/2013**	**3/31/2012**	**3/31/2013**
Joint ventures	41	25	3	2	(22)	(73)
Associated companies	1	2	2	5	18	3
	42	**27**	**5**	**7**	**(4)**	**(70)**

In an arm’s length transaction, the Rheinmetall Group purchased supplies and services totaling less than €1 million from PL Elektronik GmbH, Lilienthal, whose sole shareholder is Mr. Armin Papperger, CEO of Rheinmetall AG.

»Disclosures on financial instruments«

Financial assets and liabilities measured at fair value include derivatives held to hedge currency, interest rate, commodity price and electricity price risks. The fair values are determined on the basis of input factors observed directly or indirectly on the market. This corresponds to level 2 of the fair value hierarchy defined by IFRS 13. The input factors used and the measurement methods applied are described in the consolidated financial statements as of December 31, 2012. The fair values of financial instruments included on the balance sheet are comprised as follows:

€ million

	12/31/2012	3/31/2013
Derivatives without hedge accounting	8	6
Derivatives with hedge accounting	13	11
Financial assets	**21**	**17**
Derivatives without hedge accounting	22	10
Derivatives with hedge accounting	17	38
Financial liabilities	**39**	**48**

»Segment reporting«

The definition of the reportable segments and the controlling system are described in the consolidated financial statements for the year ended December 31, 2012. The definition of segments and the accounting methods are applied unchanged from December 31, 2012.

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	Q1/2012	**Q1/2013**	**Q1/2012**	**Q1/2013**	**Q1/2012**	**Q1/2013**	**Q1/2012**	**Q1/2013**
External sales	471	363	638	599	-	-	1,109	962
Amortization and depreciation	21	22	26	26	1	0	48	48
Of which impairment	-	-	0	-	-	-	0	-
Operating result	4	(43)	44	31	(5)	(2)	43	(14)
Restructuring expenditure	-	(1)	-	(4)	-	-	-	(5)
EBIT	4	(44)	44	27	(5)	(2)	43	(19)

Reconciliation of segment EBIT to Rheinmetall Group EBT:

€ million

	Q1/2012	Q1/2013
EBIT		
Segment EBIT	**48**	**(17)**
Others	(2)	34
Consolidation	(3)	(36)
Group EBIT	**43**	**(19)**
Group net interest	(17)	(18)
Group EBT	**26**	**(37)**

»Significant events after the balance sheet date«

At the start of April 2013, Rheinmetall announced extensive restructuring measures for the Vienna location of the Wheeled Vehicles division and began negotiations with employee representatives. These measures, which will involve a reduction of the workforce by 250 to 300 people, are to return the Vienna plant to a workable size for continuing to meet demand from the target markets. The change to the cost structure shall secure the location for the long term. The anticipated costs will probably be reported in the second quarter.

In order to improve the competitiveness of its piston location in Thionville, France, the Automotive sector has launched a restructuring program. As part of this program, the 260 employees currently employed there will be reduced by 80 in 2013 and 2014. The anticipated costs will probably be reported in the second quarter.

There were no other significant events after the balance sheet date.

Düsseldorf, May 7, 2013

Armin Papperger Dr. Gerd Kleinert Helmut P. Merch

Financial calendar

May 8, 2013
Report on Q1/2013

May 14, 2013
Annual General Meeting

August 9, 2013
Report on Q2/2013

November 8, 2013
Report on Q3/2013

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, current trends, 15-minute stock price updates, press releases, and ad hoc notifications. Investor Relations information forms an integral part of this website and provides all of the relevant details for download.

You can request the quarterly financial report from the company or download it at **www.rheinmetall.com**. In case of doubt, the German version shall apply.

Corporate Communications | Peter Rücker
Phone +49 211 473-4320 | Fax +49 211 473-4158
peter.ruecker@rheinmetall.com

Investor Relations | Franz-Bernd Reich
Phone +49 211 473-4777 | Fax +49 211 473-4157
franz-bernd.reich@rheinmetall.com

Rheinmetall AG | Rheinmetall Platz 1 | 40476 Düsseldorf, Germany
Phone +49 211 473-01 | Fax +49 211 473-4746 | www.rheinmetall.com

RHEINMETALL