Semiannual Financial Report

H1 2012

Rheinmetall AG

Rheinmetall in figures

Rheinmetall Group key figures *€ million*

	H1/2011	H1/2012	Changes
Sales	2,075	2,253	178
Order intake	2,013	2,351	338
Order backlog (June 30)	5,094	4,969	-125
Employees according to capacity (June30)	20,450	21,690	1,240
EBITDA	216	223	7
EBIT	127	127	0
EBIT margin	6.1%	5.6%	-
EBT	98	100	2
Net income	75	82	7
Earnings per Share (EpS) in €	1.91	2.20	0.29
Capital expenditures	85	97	12
Amortization/depreciation	89	96	7
Cash flow	160	172	12
Net financial debt (June 30)	563	506	-57
Total equity (June 30)	1,397	1,485	88
Total assets (June 30)	4,363	4,727	364

Rheinmetall on course for growth

With significant sales growth and stable earnings, the Group remains on course for growth and is reiterating its forecasts for the year as a whole.

- Consolidated sales up 9% to €2,253 million
- Automotive generates increases in sales and earnings
- Defence enjoys strong growth in orders
- Consolidated EBIT of €127 million, but with a still weak earnings contribution from Defence
- Forecasts for fiscal 2012 confirmed

Contents

The Rheinmetall share

»First half-year characterized by rising share indices«

After share prices climbed dynamically at the beginning of the year – the DAX by 18% in the first quarter and the MDAX by 20% – the second quarter saw significant price declines. The troubled attempts to form a government in Greece with two parliamentary elections within six weeks, the presidential election in France and the rating downgrades of several Euro countries contributed substantially to uncertainty over economic stability in the Euro zone. This was also reflected in sinking share prices. The DAX reached its high for the first half of the year on March 16, 2012 at 7,194 points; the MDAX on May 2, 2012 at 10,977 points. Both stock market indicators fell drastically within a few weeks and hit their second-quarter lows almost simultaneously on June 5, 2012 at 5,914 points (DAX) and June 4, 2012 at 9,630 points (MDAX). However, a rapid recovery began over the rest of June pushing the MDAX back up to 10,344 on June 29, 2012 and the DAX to 6,416. In the end, both indices ended the half-year with growth: the MDAX with 16% and the DAX with 9%.

»Positive but volatile trend for the Rheinmetall share «

In parallel with the performance of the indices, in the second quarter of the reporting year the Rheinmetall share also relinquished a part of its price gains, which totaled 30% in the first quarter. The highest price was reached on April 3, 2012 at €46.34. This was followed by a decline to €31.42 to June 4, 2012. However, the recovery of stock market sentiment in June 2012 caused the price to increase to €38.70, at which the share closed the second quarter on June 29, 2012. Rheinmetall shareholders saw a price increase of 13% in the first half of 2012.

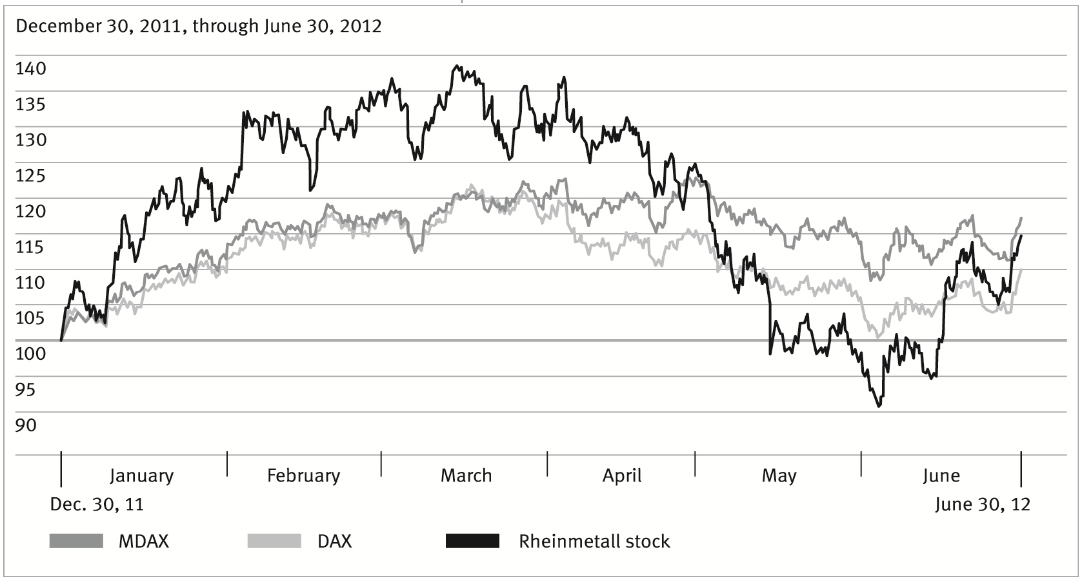
»Market capitalization and trading volume«

The market capitalization of Rheinmetall AG, measured to the end of the month, fell from €1.758 billion in the first quarter of 2012 to €1.532 billion in the second quarter. In June 2012, the company therefore took 17th place in the Deutsche Börse ranking of the 50 MDAX companies in comparison with 12th in the previous quarter. In terms of trading volume, the ranking remained at 12, as in the previous quarter. The daily trading volume in the second quarter of 2012 was 288,000 shares, discernibly higher than the 215,000 in the same period of last year.

»Investor Relations«

On June 13/14, 2012, Rheinmetall held an analysts' day in Düsseldorf, which was well attended with around 25 participants. The day focused on the products and prospects of Defence; it was rounded off by a visit to the Rheinmetall stand at the biennial Eurosatory, the most important European defence trade fair in Paris.

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



General economic conditions

»German economy asserts itself in declining global economy – high risks due to the European debt crisis«

In the second quarter of 2012, the recovery showed “signs of weakness”. The International Monetary Fund (IMF) came to this conclusion in an update to its “World Economic Outlook” of July 2012. The IMF lowered its original growth forecast for 2012 as a whole by 0.1 percentage points to 3.5%. For 2013, IMF experts expect a 3.9% increase in global economic output. In April, they had predicted growth of 4.1% in the coming year. “In recent months, the outlook has unfortunately becoming worrying,” explained head of the IMF Christine Lagarde at the beginning of July 2012. She said many business and economic indicators had deteriorated. In the eyes of the IMF, major risks are the still unsolved debt crisis in Europe as well as the deadlock in the budget debate in the USA. This is aggravated by the fact that growth momentum in the emerging countries China, India and Brazil has slowed down.

The IMF cut its forecast for Chinese gross domestic product in 2012 from 8.2% to 8.0%. In 2013, Chinese economic output is expected to increase only by 8.5% instead of 8.8%. So although the Chinese economy is still providing strong stimuli for the global economy, China remains below the growth rates of previous years, some of which were in double figures. The economic cooldown in India is proving even more pronounced. According to the latest IMF figure, Indian gross domestic product will grow by 6.1% in 2012 and 6.5% in 2013, which is a reduction of the forecast of -0.7 percentage points in both cases. For Brazil, IMF experts are predicting growth of 2.5% in 2012 (down 0.6 percentage points on the April forecast). However, the Brazilian economy is expected to grow more strongly again in 2013, namely by 4.6%. In this case, the estimate from April has actually been raised by 0.5 percentage points.

The International Monetary Fund is skeptical of the latest development in the USA. In particular, the political impasse in Congress over the budget dispute caused the IMF to lower its forecast again after raising it as recently as April. In 2012, US gross domestic product is expected to increase by 2.0%, while growth of 2.3% is predicted for 2013. Both of these figures are 0.1 percentage points lower than forecast in April 2012. The IMF has a more optimistic view of economic performance in Japan for the current year. The Japanese economy is expected to grow 2.4% in 2012 – up by a significant 0.4 percentage points on the April forecast. However, the IMF expects growth momentum in Japan to weaken again as early as 2013. In the year to come, Japanese gross domestic product is expected to increase by only 1.5% instead of the 1.7% originally predicted.

The still unresolved Euro zone debt crisis is giving the IMF increasing cause for concern. Although the IMF says the decisions of the EU summit in Brussels at the end of June 2012 are a step in the right direction, they are not enough on their own. For the current year, the IMF is maintaining its forecast for the Euro zone economy at -0.3%, but the outlook for 2013 has been reduced by 0.2 percentage points to weak growth of 0.7%.

In contrast, the German economy is in a comparatively robust condition. Despite a weakened global economy and declining development in the euro zone, the IMF has upped its forecast for German gross domestic product in 2012 by 0.4 percentage points to 1.0%. A 1.4% increase in economic output is currently forecast for 2013. The IMF thus assesses Germany's economic performance similarly to the Bundesbank, for example, which already raised its growth forecast to 1.0% in June. For 2013, the Bundesbank predicts a 1.6% increase in German gross domestic product.

»Global defence sector stable at a high level – opportunities for growth through ongoing trend for modernization«

The global defence sector will remain largely stable at a high level in 2012 despite budget cuts in many Western nations. According to the most recent calculations by defence analysts at IHS Jane's, global defence expenditure at approximately USD 1,562 billion in 2012 is only slightly below the previous year's figure of USD 1,575 billion. For 2013, IHS Jane's is forecasting a decline to approximately USD 1,537 billion. Despite the slightly declining overall development in 2012 and 2013, budgets in the major emerging countries in particular are continuing to increase. IHS Jane's is also reporting significant rises in expenditure in some nations in the Middle East and North Africa (MENA) region, particularly Saudi Arabia, the United Arab Emirates, Algeria and Kuwait.

There is no discernible long-term decline in the defence sector globally either. On the contrary, according to IHS Jane's, global defence expenditure is set to return to a level above that of 2012 in 2015, and climb to USD 1,607 billion in 2016.

In the USA, which still spends the most on defence, the long-discussed austerity measures are having an impact on the current year. In accordance with the plans of the Department of Defense, the budget is set to sink from roughly USD 711 billion to approximately USD 656 billion in 2012. For 2013, a further reduction to around USD 614 billion is planned. Most notable among these cuts is the withdrawal of troops from Iraq and Afghanistan. While the so-called deployment budget is sinking drastically, basic spending in the US defence budget is remaining largely constant at USD 530 billion.

For Europe, IHS Jane's is forecasting largely stagnating or slightly declining defence spending in 2012 and 2013. In 2012, the German defence budget of approximately €31.8 billion will be just above the level of the previous year and will rise – somewhat more steeply than originally planned – to approximately €33.3 billion in 2013. Although the defence budget will fall back to approximately €32.5 billion by 2016, this will still be above the expenditure of the current year.

Both the development of the German budget and the defence budgets of allied and friendly nations continue to offer solid growth potential for Rheinmetall Defence. A critical factor in this is the ongoing high need for modernization in many armies, particularly for the protection of their own soldiers. Rheinmetall Defence has a strong market position in this area, especially as the leading European systems supplier for armed forces technology. If nothing else, the high proportion of sales made abroad, which is currently 70%, shows that this core capability of Rheinmetall is also recognized far beyond Europe's borders.

»Global automotive market grows – Western Europe slows«

In the second quarter of 2012, the global automotive industry was once again on the up. However, the European debt crisis and declining market development especially in Italy, France, Spain, Portugal and Greece have put the brakes on this growth momentum. "Uncertainty is growing," said the President of the Association of the German Automotive Industry (VDA), Matthias Wissmann, at the presentation of the VDA half-yearly report at the start of July 2012. In view of the challenges presented by the sovereign debt crisis, the sector is bracing itself for stormier times.

Nonetheless, global production of passenger cars and light commercial vehicles up to 3.5t was again in good condition overall in the first six months of 2012. According to calculations by industry analysts at IHS Automotive, global production increased 8.9% to more than 40 million vehicles from January to June 2012. In the Triad markets of Western Europe, NAFTA and Japan, production figures rose by 14.2%, despite the weakness of the European market. The IHS experts identified a boom driven by special effects in Japan: due to catch-up effects following the tsunami disaster of the previous year, production there shot up by 56.6%.

In the NAFTA region, too, production was running at full speed in the first half of 2012. In North America, production figures were 20.9% above the same period of the previous year. In contrast, the figures for Western Europe, which has been negatively affected by the debt crisis, proved as bad as expected: production fell by 8.3%. Germany was a positive exception. In view of the strong performance in the same period of the previous year, the comparatively low drop of 2.0% is for many observers an indication of the robust condition of the German market.

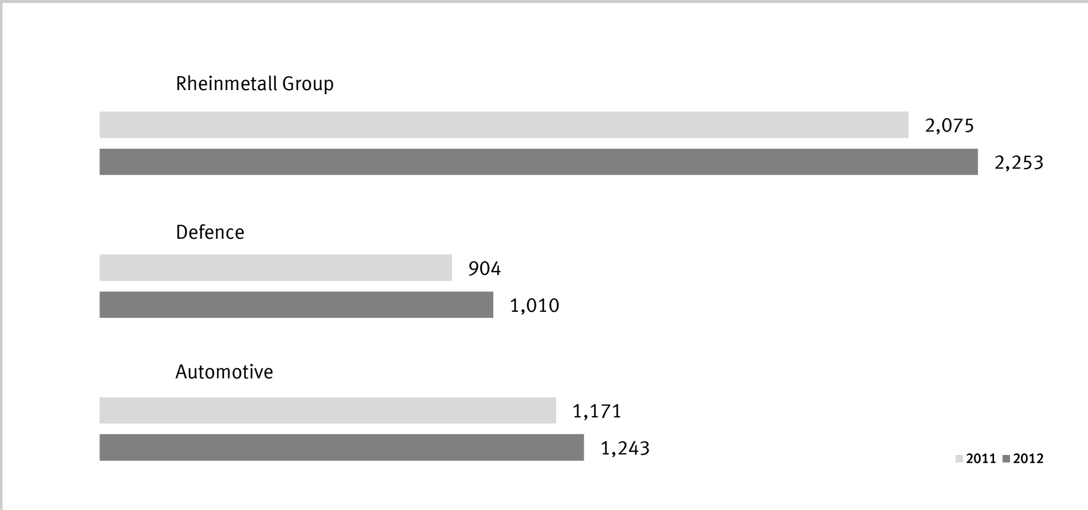
In China, automotive production picked up again in the second quarter of 2012 after a restrained start. Overall, Chinese production figures in the first six months were 7.9% higher than the same period of the previous year. IHS analysts established a similar picture for India, where growth of 8.1% was posted after the first two quarters of 2012.

For 2012 as a whole, the experts at IHS Automotive predict that global automotive production will rise by 4.8% to approximately 78.5 million vehicles. After the first quarter of 2012, they had still anticipated global production growth of 5.7% vehicles. According to the IHS forecast, growth in 2013 will be 3%, resulting in 80.8 million cars and light commercial vehicles coming off production lines around the world. After the first three months of the current year, IHS experts had expected growth of 5.9%.

On the basis of its core capabilities for the hot topic of reducing fuel consumption and emissions, the Rheinmetall sector Automotive (KSPG) is best qualified to benefit strongly from the overall positive market development.

Rheinmetall Group business trend

Sales for H1 *€ million*



»Sales growth in the first half of 2012«

In the first six months of fiscal 2012, the Rheinmetall Group generated sales of €2,253 million, exceeding the previous year's figure by €178 million or 9%. Growth was posted in both corporate sectors. At €1,010 million, sales in the Defence sector rose by €106 million or 12% as against the previous year. With sales of €1,243 million in the first half of 2012, the Automotive corporate sector exceeded the prior-year figure by €72 million or 6%.

The share of consolidated sales generated outside Germany in the first half of 2012 was 74% after 71% in the same period of the previous year. In addition to the German market (26%), the key regions in terms of sales volumes were Europe excluding Germany (44%), followed by Asia (13%) and North America (10%). In the Defence sector, 70% of sales were generated abroad (previous year: 67%). In the Automotive sector, the proportion of sales generated with customers outside Germany increased from 75% to 77% in the first half of 2012.

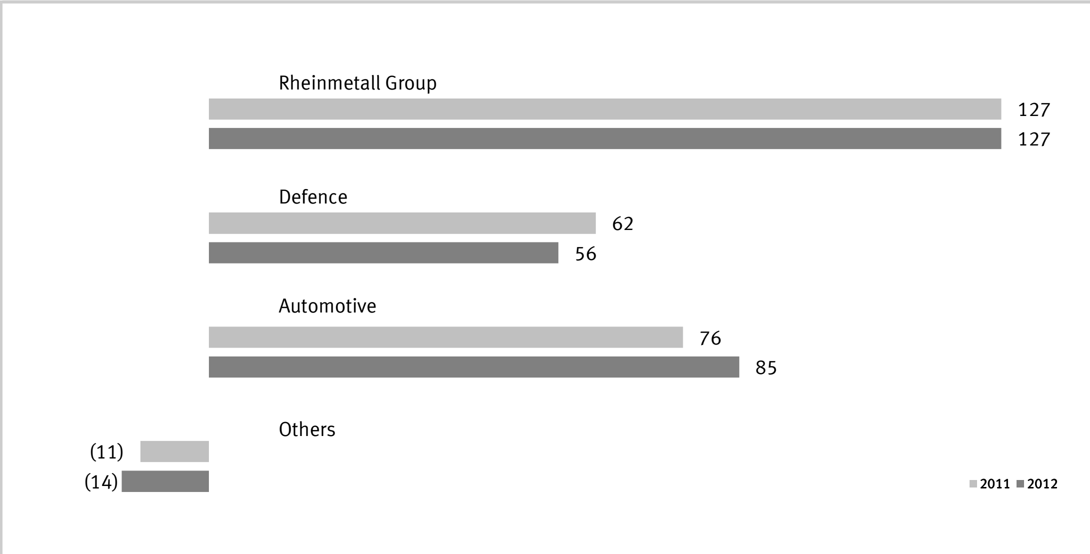
»Order backlog of €5 billion«

The Rheinmetall Group recorded an order intake of €2,351 million in the first half of 2012 (previous year: €2,013 million). On June 30, 2012, the order backlog stood at €4,969 million (previous year: €5,094 million). At the end of the half-year, the order backlog in the Defence sector amounted to €4,589 million (previous year: €4,740 million). This included large-volume products spanning several fiscal years.

»Earnings slightly improved«

Earnings before interest and taxes (EBIT) at the Rheinmetall Group remain at €127 million as in the previous year. The improvement in earnings in the Automotive sector was offset by weaker earnings in the Defence sector. Improvements in net interest and tax expense that fell year on year resulted in an increase of consolidated net profit to €82 million after €75 million in the previous year. Earnings per share totaled €2.20, compared with €1.91 in the first half of the previous year.

EBIT for H1 *€ million*



»Asset and capital structure«

The Rheinmetall Group's total assets amounted to €4,727 million as at the reporting date. This corresponds to a decrease of €105 million as against December 31, 2011. Non-current assets amounted to 49% of total assets as at June 30, 2012, compared with 47% as at December 31, 2011. They increased by €45 million during the reporting period to €2,316 million. Investments increased by €33 million. This increase is mainly attributable to the first-time recognition of the 49% share in Rheinmetall Airborne Systems GmbH, now carried at equity. In June of this fiscal year, 51% of the shares in Airborne Systems were sold to Cassidian, a division of the EADS Group. Current assets decreased by €150 million compared with December 31, 2011, with the increase in inventories and trade receivables being offset by a significant reduction in cash and cash equivalents. The equity ratio was 31% after 32% as of December 31, 2011. Non-current liabilities increased by €47 million to €1,604 million. €92 million of this is attributable to the recognition of actuarial losses in pension provisions directly in equity. The €91 million decline in non-current liabilities is primarily attributable to the reduction in trade liabilities.

Asset and capital structure *€ million*

	12/31/2011	%	06/30/2012	%
Noncurrent assets	2,271	47	2,316	49
Current assets	2,561	53	2,411	51
Total assets	**4,832**	**100**	**4,727**	**100**
Equity	1,546	32	1,485	31
Noncurrent liabilities	1,557	32	1,604	34
Current liabilities	1,729	36	1,638	35
Total equity and liabilities	**4,832**	**100**	**4,727**	**100**

»Capital expenditure up slightly year-on-year«

The strategic and operating targets for expanding market share and securing technological expertise are the guiding factors in the Rheinmetall Group’s capital expenditure program. A total of €97 million was invested in the first six months of the current fiscal year. This is equivalent to 4.3% of sales compared with 4.1% in the previous year.

Capital expenditure by corporate sector *€ million*

	H1/2011	H1/2012
Defence	37	36
Automotive	47	60
Others	1	1
Rheinmetall Group	**85**	**97**

»Employees«

As at June 30, 2012, a total of 21,690 people were employed by Rheinmetall around the world, up 174 on year-end 2011. While the workforce at Rheinmetall Defence fell by 143, a 313 person increase was posted in the Automotive sector. Of the total workforce, 45% were employed in the Defence sector, 54% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

Employees (capacity)

	12/31/2011	06/30/2012
Defence	9,833	9,690
Automotive	11,548	11,861
Others	135	139
Rheinmetall Group	**21,516**	**21,690**

Rheinmetall Group business trend
Defence sector

Defence key figures *€ million*

	H1/2011	H1/2012	Changes
Sales	904	1,010	106
Order intake	853	1,138	285
Order backlog (June 30)	4,740	4,589	-151
Employees according to capacity (June 30)	9,256	9,690	434
EBITDA	100	99	-1
EBIT	62	56	-6
EBT	55	49	-6
EBIT margin	6.9%	5.5%	

»Sales growth from acquisitions«

With sales of €1,010 million, the Defence sector recorded an increase of €106 million or 12% in the first six months of 2012 compared with the prior-year figure of €904 million. This growth resulted exclusively from companies included in consolidation for the first time, which increased sales by €137 million in the first half of 2012 compared with the previous year. This primarily related to the first-time consolidation of the logistical vehicle systems from the Rheinmetall MAN Military Vehicles GmbH (RMMV) joint venture. Without the companies included in consolidation for the first time, the Defence sector recorded a fall in sales of €31 million.

»Incoming orders increase significantly – order backlog remains high«

The Defence sector saw significant growth in new orders in the first half of 2012. Compared with the prior-year figure of €853 million, incoming orders increased by €285 million or 33% to €1,138 million in the first half of 2012. Major single orders were the beginning of the series production contract for “Gladius” modern infantry equipment (€44 million) and two air defence orders from the Middle East and Asia with a value of €133 million. At €4,589 million, the order backlog as at June 30, 2012 remained at a high level compared with the figure of €4,740 million at the prior-year reporting date. The slight decline of 3% is primarily due to the reduction in production figures for the new Puma infantry fighting vehicle, which already resulted in a revision of the order backlog as of December 31, 2011. With a current volume of approximately €1.1 billion, however, the Puma series contract remains the largest individual item in the order backlog.

»Earnings fall short«

As expected, earnings in the Defence sector fell short of the prior-year figure in the first half of 2012. Reported earnings before interest and taxes (EBIT) amounted to €56 million, down on the prior-year figure of €62 million. The year-on-year decline in earnings was attributable to the following effects:

- Earnings for this fiscal year include the €31 million income from the sale of 51% of the shares in Rheinmetall Airborne Systems GmbH to Cassidian, a division of the EADS Group. Rheinmetall Airborne Systems operates in Bremen in the area of unmanned aerial systems.
- The newly consolidated RMMV logistical vehicles, which contributed €136 million to sales in the first half of 2012, recorded a loss of €9 million in line with expectations (of which €3 million resulted from write-downs in connection with purchase price allocation).
- EBIT for the first half of the previous year included a positive non-recurring effect of €11 million from ADS Gesellschaft für aktive Schutzsysteme mbH, which was included in consolidation for the first time following the majority acquisition and hence was fully consolidated instead of being recognized at equity as previously.

After these corrections, earnings before one-off effects were €34 million in the first half of 2012 compared with €51 million in the first half of the previous year. The decline is attributable to lower sales from product groups with high earnings contributions as well as changes in the product mix.

»Employee growth due to integration of the Vienna site«

The number of employees rose by 434 as against the corresponding point in the previous year, thereby increasing the workforce to 9,690. This development resulted from the full integration of the RMMV production site in Vienna. This was countered by a reduction of 154 employees as a result of the disposal of Rheinmetall Airborne Systems recognized at the end of June 2012.

Rheinmetall Group business trend
Automotive sector

Automotive key figures *€ million*

	H1/2011	H1/2012	Changes
Sales	1,171	1,243	72
Order intake	1,160	1,213	53
Order backlog (June 30)	354	379	25
Employees according to capacity (June 30)	11,065	11,861	796
EBITDA	127	138	11
EBIT	76	85	9
EBT	68	77	9
EBIT margin	6.5%	6.8%	

»Significant sales growth«

In the first six months of 2012, the Automotive sector generated sales of €1,243 million, exceeding the previous year's figure by €72 million or 6%. The sector achieved significant sales growth, even though automotive production was down 8.3% in the Western European home market. This is primarily attributable to the high level of demand for products addressing the trend for reducing consumption and exhaust gases.

»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 37% in the first half of 2012, with sales amounting to €196 million as against €143 million in the previous year (data on the basis of 100%). This means that they have continued to outperform automotive production in China, which posted growth of 7.9% on the first half of the previous year.

»Earnings and profitability improved«

With EBIT of €85 million in the first half of 2012, the Automotive sector has succeeded in improving on the prior-year earnings figure of €76 million by 12%. This improvement, which is stronger than the corresponding sales growth, is attributable to an increase in margins of 6.8% after 6.5% in the first half of the previous year.

»Growth leads to capacity adjustments«

Due to the growth in sales and, above all, as a result of the increased presence in India from October 2011 following the acquisition of the plain bearing operations of Kirloskar Oil Engines Ltd., the number of employees in the Automotive sector increased by 7% to 11,861 as against the previous year.

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 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 2011. There have been no significant changes or new findings in the meantime.

Prospects

»Expectations for the year as a whole confirmed«
On the condition that overall economic development is not distorted significantly in the coming months as a result of the European debt crisis, and that the growth forecast for the global economy continues, Rheinmetall is expecting consolidated sales of around €4.9 billion for the current fiscal year, which represents growth of 8%. This development will be driven by both the Automotive and Defence sectors.

Based on current expert forecasts, which expect the global automotive industry to continue developing stably in the second half of the year, Rheinmetall is forecasting sales growth of around 5% for the Automotive sector in 2012. The sector is expected to generate sales of just over €2.4 billion in the current fiscal year.

With defence expenditure set to decline overall in Europe and the USA, Rheinmetall is forecasting sales of around €2.5 billion in the Defence sector. This figure includes the sales contributions from Rheinmetall MAN Military Vehicles GmbH, which consists of the logistical vehicles of MAN and is included in consolidation for the first time from the start of fiscal 2012.

Rheinmetall expects consolidated earnings before interest and taxes (EBIT) to remain unchanged year-on-year in fiscal 2012. Somewhat weaker earnings development in the Defence sector forms the basis of this expectation. However, a slight improvement in earnings is anticipated for the Automotive sector.

In addition to this unchanged guidance, it must be stated that the sales and operating earnings forecast for the Defence sector has come under pressure from the economic development of the two vehicle sectors (tracked and wheeled vehicles) in the first half of the year. While postponement of logistical vehicle orders to next year has resulted in a temporary underutilization of capacity in the joint venture with MAN, a program for adjusting cost structures for armored tracked vehicles is required. The necessary expenditure, which is covered by the non-recurring profit from the sale of the shares in Rheinmetall Airborne Systems, will be recognized in the second half of 2012.

Report on post-balance sheet date events

»Events after the balance sheet date«

There have been no significant events after the balance sheet date.

Condensed consolidated interim financial statements of Rheinmetall AG For H1/2012

Consolidated balance sheet as at June 30, 2012

Assets *€ million*

	12/31/2011	06/30/2012
Intangible assets	902	887
Property, plant and equipment	1,135	1,138
Investment property	20	18
Investments accounted for using the equity method	111	144
Other non-current financial assets	11	8
Other non-current assets	7	6
Deferred taxes	85	115
Non-current assets	**2,271**	**2,316**
Inventories	813	938
./. Prepayments received	(28)	(28)
	785	910
Trade receivables	1,027	1,130
Other current financial assets	38	30
Other current receivables and assets	131	165
Income tax receivables	16	19
Cash and cash equivalents	535	157
Disposal group held for sale	29	-
Current assets	**2,561**	**2,411**
Total assets	**4,832**	**4,727**

Equity and Liabilities *€ million*

	12/31/2011	06/30/2012
Share capital	101	101
Additional paid-in capital	307	307
Other reserves	843	922
Net income of Rheinmetall AG shareholders	213	84
Treasury shares	(55)	(57)
Rheinmetall AG shareholders' equity	**1,409**	**1,357**
Minority interests	137	128
Equity	**1,546**	**1,485**
Provisions for pensions and similar obligations	729	809
Other non-current provisions	93	83
Non-current financial liabilities	620	609
Other non-current liabilities	34	29
Deferred taxes	81	74
Non-current liabilities	**1,557**	**1,604**
Current provisions	371	378
Current financial liabilities	45	54
Trade liabilities	667	591
Other current liabilities	578	569
Income tax liabilities	46	46
Liabilities in connection with disposal groups	22	-
Current liabilities	**1,729**	**1,638**
Total liabilities	**4,832**	**4,727**

Consolidated income statement

H1 *€ million*

	H1/2011	H1/2012
Sales	**2,075**	**2,253**
Changes in inventories and work performed by the enterprise and capitalised	106	100
Total operating performance	**2,181**	**2,353**
Other operating income	54	100
Cost of materials	1,095	1,230
Staff costs	643	687
Amortization, depreciation and impairment	89	96
Other operating expenses	286	317
Net operating income	**122**	**123**
Net interest [1]	(29)	(27)
Net investment income and other net financial income [2]	5	4
Net financial loss	**(24)**	**(23)**
Earnings before taxes (EBT)	**98**	**100**
Income taxes	(23)	(18)
Net income	**75**	**82**
Of which:		
Minority interests	*2*	*(2)*
Rheinmetall AG shareholders	*73*	*84*
Earnings per share (€)	1.91	2.20
EBITDA	216	223
EBIT	127	127

1) Of which interest expense: €29 million (previous year: €31 million)

2) Of which income from investments carried at equity: €8 million (previous year: €8 million)

Comprehensive income

H1 *€ million*

	H1/2011	H1/2012
Net income	**75**	**82**
Actuarial gains and losses from pension provisions	24	(65)
Currency conversion difference	(11)	6
Change in value of derivative financial instruments (cash flow hedge)	0	(6)
Other comprehensive income (after taxes)	**13**	**(65)**
Comprehensive income	**88**	**17**
Of which:		
Minority interests	(3)	(2)
Rheinmetall AG shareholders	*91*	*19*

Consolidated income statement

Q2 *€ million*

	Q2/2011	Q2/2012
Sales	**1,048**	**1,144**
Changes in inventories and work performed by the enterprise and capitalised	26	38
Total operating performance	**1,074**	**1,182**
Other operating income	26	77
Cost of materials	543	621
Staff costs	321	338
Amortization, depreciation and impairment	45	48
Other operating expenses	140	173
Net operating income	**51**	**79**
Net interest [1)]	(15)	(15)
Net investment income and other net financial income [2)]	(1)	3
Net financial loss	**(16)**	**(12)**
Earnings before taxes (EBT)	**35**	**67**
Income taxes	(10)	(10)
Net income	**25**	**57**
Of which:		
Minority interests	*0*	*0*
Rheinmetall AG shareholders	*25*	*57*
Earnings per share (€)	0.65	1.50
EBITDA	95	130
EBIT	50	82

1) Of which interest expense: €15 million (previous year: €16 million)

2) Of which income from investments carried at equity: €5 million (previous year: €6 million)

Comprehensive income

Q2 *€ million*

	Q2/2011	Q2/2012
Net income	**25**	**57**
Actuarial gains and losses from pension provisions	-	(39)
Currency conversion difference	18	2
Change in value of derivative financial instruments (cash flow hedge)	(3)	(15)
Other comprehensive income (after taxes)	**15**	**(52)**
Comprehensive income	**40**	**5**
Of which:		
Minority interests	*1*	*(4)*
Rheinmetall AG shareholders	*39*	*9*

Consolidated cash flow statement

€ million

	H1/2011	H1/2012
Opening cash and cash equivalents (January 1)	**629**	**535**
Net income	75	82
Amortization, depreciation and impairment	89	96
Changes in pension provisions	(4)	(6)
Gross cash flows	**160**	**172**
Changes in working capital and other items	(437)	(372)
Cash flows from operating activities [1)]	**(277)**	**(200)**
Investments in property, plant and equipment, intangible assets and investment property	(85)	(97)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	1	6
Investments in consolidated companies and financial assets	(60)	(40)
Divestments of consolidated companies and financial assets	1	41
Cash flows from investing activities	**(143)**	**(90)**
Capital contributions by third parties	2	-
Dividends paid out by Rheinmetall AG	(58)	(69)
Other profit contributions	(4)	(7)
Purchase of treasury shares	(5)	(12)
Sale of treasury shares	3	2
Borrowing of financial liabilities	119	18
Repayment of financial liabilities	(84)	(20)
Cash flows from financing activities	**(27)**	**(88)**
Changes in cash and cash equivalents	**(447)**	**(378)**
Changes in cash and cash equivalents due to exchange rates	(2)	0
Total change in cash and cash equivalents	**(449)**	**(378)**
Closing cash and cash equivalents (June 30)	**180**	**157**

1) Including: Net income taxes of €-29 million (previous year: €-28 million)

Including: Net interest of €-8 million (previous year: €-13 million)

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	Net income of Rheinmetall AG shareholders	Treasury shares	**Rheinmetall AG shareholders equity**	Minority interests	**Equity**
Balance as at December 31, 2010/ as at January 1, 2011	**101**	**304**	**592**	*60*	*99*	**159**	**162**	**(52)**	**1,266**	**89**	**1,355**
Net income	-	-	-	-	-	-	73	-	73	2	75
Other comprehensive income	-	-	24	*(7)*	*1*	(6)	-	-	18	(5)	13
Comprehensive income	**-**	**-**	**24**	*(7)*	*1*	**(6)**	**73**	**-**	**91**	**(3)**	**88**
Dividends payout	-	-	(58)	-	-	-	-	-	(58)	(4)	(62)
Changes in scope of consolidation	-	-	(1)	-	-	-	-	-	(1)	11	10
Transfer to/from reserves	-	-	162	-	-	-	(162)	-	-	-	-
Other changes	-	3	-	-	-	-	-	3	6	-	6
Balance as at June 30, 2011	**101**	**307**	**719**	*53*	*100*	**153**	**73**	**(49)**	**1,304**	**93**	**1,397**
Balance as at December 31, 2011/ as at January 1, 2012	**101**	**307**	**710**	*56*	*77*	**133**	**213**	**(55)**	**1,409**	**137**	**1,546**
Net income	-	-	-	-	-	-	84	-	84	(2)	82
Other comprehensive income	-	-	(65)	*6*	*(6)*	-	-	-	(65)	-	(65)
Comprehensive income	**-**	**-**	**(65)**	*6*	*(6)*	**-**	**84**	**-**	**19**	**(2)**	**17**
Dividends payout	-	-	(69)	-	-	-	-	-	(69)	(7)	(76)
Transfer to/from reserves	-	-	213	-	-	-	(213)	-	-	-	-
Other changes	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Balance as at June 30, 2012	**101**	**307**	**789**	*62*	*71*	**133**	**84**	**(57)**	**1,357**	**128**	**1,485**

Notes to the consolidated financial statements

»General principles«

The condensed consolidated interim financial statements of Rheinmetall AG as at June 30, 2012 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 six months of 2012 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 2011. The accounting policies applied in the interim financial statements are the same as those applied in the consolidated financial statements for the past fiscal year.

Application of the amended IAS 12 “Income Taxes” is mandatory from fiscal 2012 onwards. As the adoption of this change into EU law is still outstanding, the amended standard is not applied in the consolidated interim financial statements. The future application of these standards and interpretations will not have an impact on the Rheinmetall Group’s net assets, financial position and results of operations. The amendment to IAS 12 relates to the measurement of deferred taxes for investment properties, which are measured at fair value, and for intangible assets and property, plant and equipment, which are measured in accordance with the revaluation model. Until now, the measurement of deferred taxes for these assets has depended on whether the company intends to realize the carrying amount through use or through a sale. The new regulation implies a refutable assumption of realization through the sale of the asset.

For further information on the accounting policies applied, please refer to the consolidated financial statements of Rheinmetall AG for the year ended December 31, 2011. The Group’s reporting currency is the Euro; all amounts are stated in € million unless otherwise indicated.

In the first half of 2012, the following new and amended standards have been published by the IASB:

IFRS improvements	Annual Improvements to IFRSs 2009-2011 Cycle
IFRS 10 - Amendment	“Consolidated Financial Statements”
IFRS 11 - Amendment	“Joint Arrangements”
IFRS 12 - Amendment	“Disclosure of Interests in Other Entities”

The small amendments to five existing standards published in the form of a collective standard relate mainly to the first-time application of IFRS, clarifications to property, plant and equipment and financial instruments and interim reporting. Application of the amendments is mandatory from the 2012 fiscal year. No significant changes to the Rheinmetall consolidated financial statements will result from these amendments.

The amendments to the IFRS 10, IFRS 11 and IFRS 12 standards involve specifying and clarifying the transitional provisions for application and simplifying the comparative figures that must be disclosed in the first-time application of the standard. The amendments, like the IFRS 10, IFRS 11 and IFRS 12 standards published in 2011, are to be first applied from the 2013 fiscal year, but neither the standards nor the amendments have yet been endorsed in EU law. The amendments to the standards will have no impact on the assets, financial position and earnings of the Rheinmetall Group.

»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 4.00% (December 31, 2011: 5.25%) was applied for pension provisions in Germany and an unchanged rate of 2.25% - 2.30% was applied for significant foreign pension provisions in Switzerland. The decline in the interest rate led to an increase in 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 six months of 2012, five companies were added to the scope of consolidation as a result of company foundations outside Germany.

In addition, the formerly fully consolidated Rheinmetall Airborne Systems GmbH, Bremen, was disposed of by the sale of the majority interest (51%) to Cassidian, a division of the EADS Group, as of June 30, 2012. A profit of €31 million was realized with the exclusion of this company from the Rheinmetall Group's consolidated group. €22 million of this is attributable to the recognition of the remaining 49% share in Rheinmetall Airborne Systems GmbH at fair value on the date of loss of control, which is reported in other operating income. The retained interest in Rheinmetall Airborne Systems GmbH will continue as an associated company in the Rheinmetall Group carried at equity.

»Assets and associated liabilities held for sale«

The disposal group recognized in the consolidated balance sheet as of December 31, 2011 and the associated liabilities relate to the former Defence sub-division of unmanned aerial systems at the Bremen site, which is being continued in collaboration with Cassidian. For this purpose, Rheinmetall's unmanned aerial systems activities were transferred to Rheinmetall Airborne Systems GmbH, Bremen, which was newly formed in December 2011. The assets and associated liabilities were disposed of when the 51% share in Rheinmetall Airborne Systems GmbH was sold on June 30, 2012.

»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. As at June 30, 2012, the portfolio amounts to 1,451,655 treasury shares, that is 3.7% of the share capital (previous year: 1,190,854; December 31, 2011: 1,350,842) acquired at a total cost of €57 million (previous year: €49 million; December 31, 2011: €55 million); this amount is deducted from equity. In the first six months of the current fiscal year, 320,000 shares were acquired at a cost of €12 million.

»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 2, 2012, the beneficiaries of the incentive program for fiscal 2011 received a total of 163,063 shares (previous year: a total of 105,638 shares on April 1, 2011 for fiscal 2010).

»Employee share purchase program«

Eligible employees of the Rheinmetall Group in Germany and other European countries may purchase Rheinmetall AG shares on preferential terms. These shares are subject to a lock-up period of two years. 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. On June 1, 2012, employees purchased 56,124 shares for €2 million.

»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 shares are included in the weighted number of shares.

€ million

	Q2/2011	Q2/2012	H1/2011	H1/2012
Net income of shareholders of Rheinmetall AG *€ million*	25	57	73	84
Weighted number of shares *million*	38.4	38.2	38.3	38.2
Earnings per share (€)	**0.65**	**1.50**	**1.91**	**2.20**

»Related parties«

For the Rheinmetall Group, corporate related parties are the joint ventures and associated companies carried at equity. The joint ventures, in particular, contribute to the expansion of operations in the Defence and Automotive sectors. The volume of products/services provided to corporate related parties primarily relates to proceeds from the sale of finished and unfinished goods to project companies, services performed as part of construction contracts with project companies of the Defence sector and proceeds from army maintenance services under a public-private partnership model in the Defence sector. 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 €5 million (€6 million on December 31, 2011).

The interest income from such loans amounts to an unchanged €0 million. 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	
	H1/2011	**H1/2012**	**H1/2011**	**H1/2012**	**12/31/2011**	**06/30/2012**
Joint ventures	66	75	10	6	(16)	(27)
Associated companies	3	1	5	5	32	4
	69	**76**	**15**	**11**	**16**	**(23)**

Business relationships exist between a subsidiary of Rheinmetall AG and PL Elektronik GmbH, Lilienthal, whose sole shareholder is Mr. Armin Papperger, member of the Rheinmetall AG Executive Board, and which is managed by a party related to Mr. Armin Papperger. PL Elektronik GmbH provides development services and produces and supplies electric igniters to order. The transactions are carried out at on an arm's-length basis. The volume of products/services received in the first half of 2012 amounted to €0 million.

»Segment reporting«

Please refer to the consolidated financial statements for the year ended December 31, 2011 for the definition of the reportable segments and the controlling system. There have been no changes in the definition of the segments and the accounting methods since this date.

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	H1/2011	**H1/2012**	**H1/2011**	**H1/2012**	**H1/2011**	**H1/2012**	**H1/2011**	**H1/2012**
External sales	904	1,010	1,171	1,243	-	-	2,075	2,253
Amortization and depreciation	38	43	51	53	0	0	89	96
Of which impairment	-	-	*1*	0	-	-	*1*	0
EBIT	62	56	76	85	(11)	(14)	127	127

Reconciliation of segment EBIT to Rheinmetall Group EBT:

€ million

	H1/2011	**H1/2012**
EBIT		
Segment EBIT	**138**	**141**
Others	(6)	(11)
Consolidation	(5)	(3)
Group EBIT	**127**	**127**
Group net interest	(29)	(27)
Group EBT	**98**	**100**

Disclosures in accordance with Section 37w (5) Sentence 6 WpHG

The condensed consolidated interim financial statements as at June 30, 2012 – comprising the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes equity and selected explanatory disclosures in the notes – and the Group interim management report for the period from January 1 to June 30, 2012 have not been audited in accordance with Section 317 HGB or subjected to a review by a person qualified to audit financial statements.

Responsibility statement

We represent that, to the best of our knowledge and in accordance with applicable accounting principles for interim reporting, the condensed consolidated interim financial statements of Rheinmetall AG present a true and fair view of the Rheinmetall Group's assets, financial situation and earnings, and that the Group interim management report describes fairly, in all material respects, the Group's business trend and performance, the Group's position and the significant risks and opportunities of the Group's expected development in the remainder of the fiscal year.

Düsseldorf, August 9, 2012

Klaus Eberhardt   Dr. Gerd Kleinert   Dr. Herbert Müller   Armin Papperger

Financial calendar

November 9, 2012
Report on Q3/2012

May 8, 2013
Report on Q1/2013

May 14, 2013
Annual General Meeting

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.

Subject to technical change without notice. The product designations mentioned in this financial report may constitute trademarks, the use of which by any third party could infringe upon the rights of their owners.

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

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