Semiannual Financial Report

H1 2013

Rheinmetall AG

Rheinmetall in figures

Rheinmetall Group key figures *€ million*

	H1/2012	H1/2013	Change
Sales	2,253	2,062	-191
Order intake	2,351	2,475	124
Order backlog (June 30)	4,968	5,766	798
EBITDA	219	81	-138
EBIT	123	(18)	-141
EBT	87	(54)	-141
Earnings after taxes	72	(45)	-117
Gross cash flows	162	46	-116
Capital expenditures	97	89	-8
Amortization/depreciation	96	99	3
Net financial debt (June 30)	506	337	-169
Total equity (June 30)	1,492	1,314	-178
Total assets (June 30)	4,727	4,763	36
EBIT margin	5.5%	(0.9)%	-
Earnings per Share (EpS) in €	1.94	(0.66)	-2.6
Employees according to capacity (June 30)	21,690	21,596	-94

The previous year's figures are adjusted.

Mixed picture in first half of 2013

The development of the Rheinmetall Group in the first half of 2013 showed a mixed picture: The Automotive sector continued to develop very stably despite the declining automotive industry in Europe. By contrast, the Defence business, suffering from budget cuts in major client nations, fell far behind the previous years in terms of sales and earnings. However, in the second quarter of 2013, the Defence sector again improved its operating performance compared with the development during the first three months of the fiscal year.

- Consolidated sales in the first half of the year reach €2,062 million, 8% lower than in previous year
- Operating Group earnings are €29 million, but €63 million less than previous year
- Defence with weak sales but substantial growth in order intake
- Automotive counters weakness in European automotive manufacturing and shows earnings stability
- Forecast for 2013 as a whole reduced due to lowered expectations for Defence

As a result of the persistently weak development of the Defence sector, Rheinmetall has adjusted its annual forecast for the Group. Instead of the operating result (before special items) of €240 million to €260 million originally forecast, Rheinmetall now expects an operating result of €180 million to €200 million for 2013 as a whole. For the measures to increase cost efficiency, most of which have already been initiated, non-recurring restructuring expenses of between €75 million and €85 million will be incurred this year. €47 million of this has already been posted in the first half of 2013.

Contents

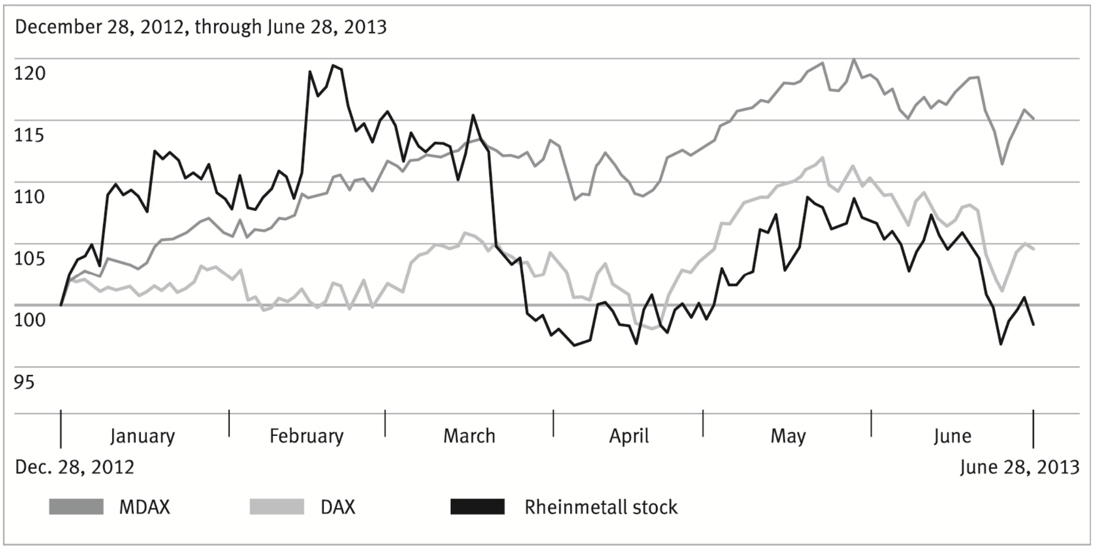
The Rheinmetall share

»All-time high in DAX and MDAX in the second quarter«
The weakening of the German share indices, DAX und MDAX, that emerged at the end of the first quarter of 2013 initially continued in the second quarter. However, at the end of April 2013, good economic data from the USA was one of the factors which ushered in a new positive stock-market trend, which resulted in all-time highs in the DAX and MDAX. Nevertheless, at the end of June 2013, expectations that the USA's expansionary monetary policy would come to an end put a damper on stock-market sentiment. The DAX reached its high on May 22, 2013 at 8,531 points, then experienced a downward trend and closed the quarter at 7,959 points. The MDAX reached an all-time high of 14,304 points on May 28, 2013, but closed the final trading day of the first half of 2013 at 13,706 points. Overall both indices posted an upturn in the second quarter of 2013 – by June 28, 2013, the DAX gained 2.1% and the MDAX 2.9%.

»Rheinmetall shareholders received dividend of €1.80 per share«
In parallel to the strong upward trend of the indices in the second quarter, the Rheinmetall share also continued to recover. This development was driven by factors including the receipt of additional major orders, which had a positive effect on the share price. The increase was not impaired in the long term either by the consolidated loss in the first quarter, which was reported in the interim report of May 8, 2013, or by the ex-dividend markdown of €1.80 on May 15. On May 20, the share achieved its second-quarter high of €39.62. However, the downturn in stock-market performance resulted in a price of €35.81 at the end of the half-year on June 28, meaning Rheinmetall posted a slight decline of 0.8% in the second quarter.

»Market capitalization and trading volume«
The market capitalization of Rheinmetall AG based on the free float with a monthly average of €1.5 billion in March 2013 fell slightly to €1.4 billion by June 2013 due to the price decline. At the same time, its position in the Deutsche Börse MDAX ranking declined from 21st to 23rd. In terms of stock exchange turnover, the ranking fell from 14th to 16th in the same period. The average daily trading volume of the Rheinmetall share on the German stock exchanges fell to 246,000 shares in the second quarter of 2013 after 252,000 in the same period of the previous year. This does not include turnover on alternative trading platforms, such as Chi-X, Turquoise and BOAT, which have steadily increased in importance in recent quarters. However, the daily turnover for Rheinmetall shares on these platforms fluctuates greatly from less than 50,000 shares to more than 300,000.

Rheinmetall stock price trend in comparison to DAX and MDAX



General economic conditions

»Increasing risks for the global economy: waning momentum in emerging countries – further deterioration of prospects for the euro zone«

Due to increasing risks for the global economy in the first half of 2013, the International Monetary Fund (IMF) revised its economic forecast for 2013 and 2014 downward in July. Instead of the 3.3% predicted in April, it says the global economy will grow by only 3.1% in 2013. The IMF forecast was also lowered by 0.2 percentage points to 3.8% for 2014. “While old risks remain, new risks have emerged,” says the latest “World Economic Outlook”. According to the IMF, growth has slowed down in many emerging countries, in the USA the economic recovery is being curbed by cost-cutting measures and Europe is stuck in a deeper recession than originally anticipated.

For the mature industrialized nations, IMF experts expect growth of 1.2% for 2013 and 2.1% for 2014. With growth of 1.7% in 2013 and 2.7% the year after, gross domestic product in the USA is developing comparatively well. The Japanese economy is now expected to perform better in 2013 than was predicted in April. Growth of 2.0% is expected there, 0.5 percentage points more than predicted three months ago. However, this growth spurt will not last long, as the IMF is already forecasting a slowdown of momentum in Japan for next year. In 2014, gross domestic product is expected to grow by only 1.2% (0.3 percentage points less than the April forecast).

The IMF’s latest World Economic Outlook contains disappointing news for Europe. It says the euro zone’s economic output will shrink by 0.6% this year. In April, the experts of the Monetary Fund still expected a smaller decline of 0.4%. Not least the weaker growth in Germany is responsible for this negative trend. In 2013, the German economy is set to grow by just 0.3% – half of what was forecast in April.

Expectations for 2014 are much more positive, even though the IMF has brought them down slightly. Growth in the euro zone will amount to only 0.9% instead of 1.0%, according to the IMF. Germany is also expected to stay slightly below the expectations of spring 2013 with growth of gross domestic product of 1.3%.

The development of some emerging countries, which have recently been the crucial engine of the global economy, is now also a cause for concern for the IMF. For example, the growth forecast for China was lowered from 8.1% to 7.8% for this year and from 8.3% to 7.7% for next year. Compared to the growth rates in mature industrialized nations, this is still high growth, but the lower speed of the Chinese growth engine is increasingly evaluated as a risk for the exports of western industrial countries. In addition, the vigor of growth has also declined in other boom countries. The Indian economy is expected to grow by 5.6% in 2013 and 6.3% in 2014, 0.2 and 0.1 percentage points less than forecast in April respectively. For Brazil, the IMF has lowered its forecast by 0.5 and 0.8 percentage points respectively to a growth rate of 2.5% in 2013 and 3.2% the year after.

»Global military spending falls slightly in 2013 and 2014 – trend reversal from 2015«

The development of the defence sector is currently characterized by two major trends. Firstly, global military spending is to fall slightly in 2013 and 2014, according to industry experts. For example, the defence analysts at IHS Jane’s expect global spending for the defence sector to decline from USD 1,592 billion in 2012 to approximately USD 1,568 billion this year. IHS Jane’s predicts a further reduction to approximately USD 1,534 billion in 2014. Secondly, budgets in western industrialized nations and in emerging countries are developing in different directions. While defence budgets in the USA and Europe are tending to fall or stagnate, many emerging countries are investing more heavily in modernizing their armed forces. The countries with increasing military spending include Brazil, Indonesia, Saudi Arabia, the United Arab Emirates, Kuwait and Algeria.

Despite considerable spending cuts, the USA remains the country with the highest defence spending in 2013. According to the latest calculations by IHS Jane’s, the budget for the US armed forces will sink to around USD 606 billion in 2013 after around USD 656 billion in the previous year. In 2014, further savings are to take effect and drive US defence spending down to USD 557 billion. However, it should be noted here that there is currently relatively high forecasting uncertainty for development in the USA due to political disputes over the US budget.

In Europe, defence spending in the current year is largely tending to stagnate or fall. The German defence budget is comparatively stable because of the persistently high need for modernization, particularly for the protection of soldiers. In 2013, total spending for the German armed forces will amount to approximately €33.3 billion. It is therefore actually slightly higher than the previous year's figure of around €31.9 billion. The planned budget of approximately €32.8 billion for 2014 is slightly lower compared to this year.

The experts at IHS Jane's expect to see a general reversal of the trend from 2015. From then on, total global defence spending is expected to rise again.

»Automotive markets grow in the USA and China – weaker in Western Europe«

Despite the economic headwind from Western Europe, global automotive production after the first six months of 2013 was slightly higher than in the same period of the previous year. However, this "generally positive development" conceals "dynamics in key markets that are increasingly drifting apart", according to the Association of the German Automotive Industry (VDA). While markets in the USA and China in particular have continued to grow, a recovery in Western Europe is not yet in sight. According to the VDA, Italy, Spain and France in particular are showing "pronounced market weakness". In a study published in July 2013, the CAR Center Automotive Research at the University of Duisburg-Essen even spoke about the "worst automotive year in Western Europe for the last thirty years".

The analysts at IHS Automotive have calculated growth of 1.1% in the global production of passenger cars and light commercial vehicles up to 3.5t after the first half of 2013. This means around 41.2 million vehicles rolled off production lines from January to June; in the first half of 2012 it was around 40.8 million. In the triad markets of Western Europe, NAFTA and Japan, the number of vehicles manufactured fell by 4.1%. After government incentives to buy expired in Japan at the start of 2013, the decline in production was particularly significant there at minus 13.6%. Due to the ongoing economic and financial crisis, production figures in Western Europe fell by 5.6% in the first half of the year. Despite the high demand from overseas, even German automotive production did not escape the negative European trend: After the first six months of 2013, production figures in Germany were 3.8% below the same period of the previous year, according to IHS Automotive. In early July 2013, the VDA explained the development in Western Europe: "The recovery of the Western European passenger car market will take much longer than the incredibly quick ramp-up of the US market in recent years."

The figures from IHS Automotive confirm that the USA has indeed left the crisis years of 2008/2009 far behind. Despite the strong previous year, automotive production in the NAFTA zone was 3.1% higher in the first six months of 2013 than in the same period of 2012.

Although signs of a general economic slowdown in China have increased, the Chinese automotive market has once again performed its role as the engine of the industry's global growth. According to the latest assessment by IHS Automotive, the growth in production from January to June 2013 amounted to 12.5%. By contrast, at least a temporary end to the boom has been reached in India. Due to higher financing costs and increasing uncertainty about the macroeconomic situation, Indian automotive production fell by 2.8% in the first half of 2013. The IHS Automotive analysts also detected significant signs of recovery in Brazil, where 16.0% more vehicles were manufactured than in the same period of the previous year.

For 2013 as a whole, IHS Automotive forecasts growth in global automotive production of 2.2% to approximately 81.5 million vehicles. Stronger growth momentum is again expected for 2014: Next year, global automotive production is to increase by 4.9% to approximately 85.4 million vehicles.

Rheinmetall Group business trend

Sales *€ million*

	H1/2012	H1/2013
Rheinmetall Group	**2,253**	**2,062**
Defence	1,010	834
Automotive	1,243	1,228

EBIT *€ million*

	H1/2012	H1/2013
Rheinmetall Group	**123**	**(18)**
Defence	56	(74)
Automotive	81	56
Others/Consolidation	(14)	0

Operating result (EBIT before special items) *€ million*

	H1/2012	H1/2013
Rheinmetall Group	**92**	**29**
Defence	25	(48)
Automotive	81	77
Others/Consolidation	(14)	0

»Mixed picture in first half of 2013«

In the first six months, Rheinmetall generated total sales of €2,062 million, which is an 8% decline on the first half of 2012 (€2,253 million). Business volume decreased in the Defence sector in particular. By contrast, the Automotive sector developed stably despite the phase of weakness in the European automotive industry.

In the first half of 2013, the proportion of sales achieved abroad in the Group was 75%, after 74% 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 (42%), followed by Asia (14%) and North America (11%).

Alongside the considerably lower sales in the first half of 2013, increased project and acquisition costs in the Defence sector negatively affected the operating result (EBIT before special items). At €29 million, the operating result was €63 million lower than in the previous year. Including the expenses reported for restructuring measures (€47 million; H1 2012: €0 million) and the profit from the sale of 51% of the shares in Rheinmetall Airborne Systems GmbH generated in the same period of the previous year (€31 million), Group EBIT was therefore €141 million less than in the previous year and showed a loss of €18 million.

»Order backlog of €5 billion«

The Rheinmetall Group recorded an order intake of €2,475 million in the first six months of 2013 (previous year: €2,351 million). On June 30, 2013, the order backlog stood at €5,766 million (December 31, 2012: €5,405 million).

»Asset and capital structure«

The Rheinmetall Group's total assets amounted to €4,763 million as at June 30, 2013. This corresponds to a decrease of €136 million as against December 31, 2012. Non-current assets amounted to 50% of total assets as at June 30, 2013, compared with 49% as at December 31, 2012. They decreased by €5 million during the reporting period to €2,374 million. Current assets decreased by €131 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, at 28%, was below the previous year's figure of 30%. Non-current liabilities decreased by €51 million to €1,604 million. €36 million of this was attributable to pension provisions and €26 million to non-current financial debts. The €66 million increase in non-current liabilities resulted primarily from the increase in payments received.

Asset and capital structure *€ million*

	12/31/2012	**%**	**06/30/2013**	**%**
Noncurrent assets	2,379	49	2,374	50
Current assets	2,520	51	2,389	50
Total assets	**4,899**	**100**	**4,763**	**100**
Equity	1,465	30	1,314	28
Noncurrent liabilities	1,655	34	1,604	33
Current liabilities	1,779	36	1,845	39
Total equity and liabilities	**4,899**	**100**	**4,763**	**100**

»Capital expenditure down on previous year«

The Rheinmetall Group invested a total of €89 million in the first six months of the current fiscal year, which is €8 million less than in the previous year. The investment ratio (capital expenditure as a percentage of sales) was unchanged on the same period of the previous year at 4.3%.

Capital expenditure *€ million*

	H1/2012	**H1/2013**
Rheinmetall Group	**97**	**89**
Defence	36	22
Automotive	60	67
Others/Consolidation	1	0

»Employee numbers fall slightly«

On June 30, 2013, a total of 21,596 people were employed by the Rheinmetall Group around the world, down 94 on June 30, 2012. The workforce was reduced by 279 at Rheinmetall Defence and the number of employees in the Automotive sector increased by 181. 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)

	06/30/2012	06/30/2013
Rheinmetall Group	**21,690**	**21,596**
Defence	9,690	9,411
Automotive	11,861	12,042
Others	139	143

Rheinmetall Group business trend Defence sector

Defence key figures *€ million*

	H1/2012	H1/2013	Change
Sales	1,010	834	-176
Operating result	25	(48)	-73
Operating result margin	2.5%	(5.8)%	
EBITDA	99	(30)	-129
EBIT	56	(74)	-130
EBT	41	(86)	-127
Order intake	1,138	1,282	144
Order backlog (June 30)	4,589	5,383	794
Employees according to capacity (June 30)	9,690	9,411	-279

»Sales well below previous year«

At €834 million in the first six months of 2013, sales in the Defence sector fell below the previous year's figure of €1,010 million by €176 million or 17%. The decline in sales related to the Wheeled Vehicles and Combat Systems divisions. Sales in the Combat Systems division suffered from budget cuts in key customer nations, which especially affected munitions business. The Unmanned Aerial Systems product unit contributed €22 million to the previous year's sales in the Electronic Solutions division. In mid-2012, 51% of the shares in Rheinmetall Airborne Systems GmbH were sold to Cassidian.

The decline in sales compared with the previous year had a significantly negative effect on earnings performance. After a positive operating result (EBIT before special items) of €25 million was generated 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 €48 million was reported for the first half of 2013.

»Restructuring continued«

The restructuring process initiated in the previous year in order to improve future earnings was continued on schedule. The focus in the first half of 2013 was on measures in the Wheeled Vehicles division, for which an expense of €25 million was posted.

»International presence strengthened by major order«

The Defence sector again posted a high order intake in the first six months of 2013. At €1,282 million, the figure of the previous year of €1,138 million was exceeded.

The order intake is primarily characterized by a large order worth €475 million in connection with the supply of Leopard 2 battle tanks and self-propelled howitzers to a customer in the Arab region. Rheinmetall will supply major subsystems and services in connection with this. The deliveries will extend over the period from 2015 to 2018. In addition, the New Zealand armed forces have commissioned Rheinmetall Defence to supply 200 military vehicles. The delivery of the vehicles with an order volume of NZD 113 million (approximately €70 million) is to begin in 2013 and be complete by the end of 2014.

At a value of €5,383 million, the order backlog on June 30, 2013 was €794 million higher than the previous year's figure.

Rheinmetall Group business trend
Automotive sector

Automotive key figures *€ million*

	H1/2012	H1/2013	Change
Sales	1,243	1,228	-15
Operating result	81	77	-4
Operating result margin	6.5%	6.3%	
EBITDA	134	111	-23
EBIT	81	56	-25
EBT	72	48	-24
Order intake	1,213	1,193	-20
Order backlog (June 30)	379	383	4
Employees according to capacity (June 30)	11,861	12,042	181

»Automotive counters weakness in European automotive manufacturing«

In view of the current weak development of automotive production in Europe, the Automotive sector has performed well. Although sales declined slightly, the sector largely offset the negative influence of the declining automotive industry in Europe by sharpening its focus on non-European markets, e.g. in Asia. With sales of €1,228 million in the first half of 2013, the Automotive sector therefore fell below the prior-year figure by only 1% or €15 million while automotive production fell nearly 6% in the important market of Western Europe in the same period.

The operating result (EBIT before special items) was €77 million, almost reaching the record figure of the previous year (€81 million). This decrease in earnings resulted primarily from the declining sales in the Hardparts division. The Mechatronics division compensated for higher development expenses than in the previous year with earnings contributions from increased sales.

»Successful with innovative technology«

The Mechatronics division has received large orders for innovative mechatronics components aimed at reducing consumption and emissions from renowned American automotive manufacturers. A major stake in this is held by a combined oil and vacuum pump for realizing consumption advantages and reducing CO_2 emissions. This new pump is scheduled to go into production in early 2015. The sales volume of these orders amounts to more than €400 million.

»Restructuring continued«

In the first half of 2013, the Automotive corporate sector initiated restructuring measures in order to adapt to the changed market environment. Expenses of €21 million were posted in particular for adjustments of the headcount – the majority of which in Western Europe.

»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 25% (calculated on a 100% basis) in the first six months of 2013, with sales amounting to €246 million as against €196 million in the previous year. With an increase of €5 million or 33%, EBIT climbed at a disproportionately high rate to €20 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

»Annual forecast for Defence lowered; outlook for Automotive confirmed«

Despite a better operating result in the second quarter of 2013 than in the first quarter, Rheinmetall no longer expects to achieve the operating result (EBIT before special items) of €130 million originally anticipated for the Defence sector. The forecast for the operating result of the Defence sector has been lowered to between €60 million and €70 million. The decisive factor in this is the annual sales forecast for the Defence sector, which has been reduced by approximately €100 million from €2.4 billion to €2.3 billion. The main reason lies in budget cuts in key customer countries, pertaining mainly to the munitions business, in which short-term needs fell short of expectations. Besides, Rheinmetall anticipates additional acquisition costs for high-volume programs and increased processing costs for individual orders.

For the Automotive sector, Rheinmetall still expects to achieve its original targets after good business performance in the second quarter of 2013. With expected sales of €2.4 billion to €2.5 billion in 2013 as a whole, an operating result (EBIT before special items) of €140 million is expected.

For the Group, Rheinmetall now expects an operating result (EBIT before special items) of between €180 million and €200 million with annual sales of between €4.7 billion and €4.8 billion. The original forecast was €240 million to €260 million.

»"Rheinmetall 2015" strategy program is being put into action«

Fiscal 2013 is 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 and on schedule. For the current fiscal year, Rheinmetall expects restructuring costs to total €75 million to €85 million. From 2015, these measures are expected to result in annual savings of between €60 million and €75 million.

Report on post-balance sheet date events

»Large order for military trucks in Australia«

In July 2013, the Australian armed forces commissioned Rheinmetall to supply an extensive fleet of trucks. Rheinmetall MAN Military Vehicles GmbH (RMMV), a joint venture of Rheinmetall AG and MAN Truck & Bus AG, will supply around 2,500 protected and unprotected medium and heavyweight logistics vehicles. With a volume of AUD 1.58 billion (approximately €1.1 billion), this is one of the largest single orders in the Group's history. The vehicles are to be delivered from 2016.

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

Condensed consolidated interim financial statements of Rheinmetall AG for H1/2013

Rheinmetall Group
Balance sheet as at June 30, 2013

Assets *€ million*

	12/31/2012	06/30/2013
Goodwill	560	557
Intangible assets	344	329
Property, plant and equipment	1,177	1,163
Investment property	19	18
Investments accounted for using the equity method	147	154
Other non-current financial assets	8	6
Other non-current assets	7	6
Deferred taxes	117	141
Non-current assets	**2,379**	**2,374**
Inventories	826	981
./. Prepayments received	(30)	(42)
	796	939
Trade receivables	1,032	1,004
Other current financial assets	34	24
Other current receivables and assets	124	151
Income tax receivables	33	33
Cash and cash equivalents	501	238
Current assets	**2,520**	**2,389**
Total assets	**4,899**	**4,763**

Equity and liabilities *€ million*

	12/31/2012	06/30/2013
Share capital	101	101
Additional paid-in capital	307	307
Other reserves	848	919
Earnings after taxes of Rheinmetall AG shareholders	170	(25)
Treasury shares	(72)	(60)
Rheinmetall AG shareholders' equity	**1,354**	**1,242**
Minority interests	111	72
Equity	**1,465**	**1,314**
Provisions for pensions and similar obligations	919	883
Other non-current provisions	85	87
Non-current financial debts	572	546
Other non-current liabilities	30	44
Deferred taxes	49	44
Non-current liabilities	**1,655**	**1,604**
Other current provisions	391	391
Current financial debts	27	29
Trade liabilities	648	579
Other current liabilities	663	796
Income tax liabilities	50	50
Current liabilities	**1,779**	**1,845**
Total liabilities	**4,899**	**4,763**

The previous year's figures are adjusted

Rheinmetall Group
Income statement for H1/2013

€ million

	H1/2012	H1/2013
Sales	**2,253**	**2,062**
Changes in inventories and work performed by the enterprise and capitalised	100	130
Total operating performance	**2,353**	**2,192**
Other operating income	100	44
Cost of materials	1,230	1,165
Personnel expenses	687	681
Amortization, depreciation and impairment	96	99
Other operating expenses	321	327
Net operating income	**119**	**(36)**
Net interest [1)]	(36)	(36)
Net investment income and other net financial income [2)]	4	18
Net financial income	**(32)**	**(18)**
Earnings before taxes (EBT)	**87**	**(54)**
Income taxes	(15)	9
Earnings after taxes	**72**	**(45)**
Of which:		
Minority interests	*(2)*	*(20)*
Rheinmetall AG shareholders	*74*	*(25)*
Earnings per share (€)	1.94	(0.66)
EBITDA	219	81
EBIT	123	(18)

The previous year's figures are adjusted

1) *Of which interest expenses: €37 million (previous year: €38 million)*

2) *Of which income from investments carried at equity: €13 million (previous year: €8 million)*

Rheinmetall Group
Comprehensive income for H1/2013

€ million

	H1/2012	H1/2013
Earnings after taxes	**72**	**(45)**
Actuarial gains and losses from pension provisions	(58)	19
Amounts not reclassified in the income statement	**(58)**	**19**
Change in value of derivative financial instruments (cash flow hedge)	(6)	(27)
Currency conversion difference	6	(38)
Income/expenses from investments accounted for using the equity method	-	-
Amounts reclassified in the income statement	**-**	**(65)**
Other comprehensive income (after taxes)	**(58)**	**(46)**
Comprehensive income	**14**	**(91)**
Of which:		
Minority interests	*(2)*	*(33)*
Rheinmetall AG shareholders	*16*	*(58)*

The previous year's figures are adjusted

Rheinmetall Group
Income statement for Q2/2013

€ million

	Q2/2012	Q2/2013
Sales	**1,144**	**1,100**
Changes in inventories and work performed by the enterprise and capitalised	38	48
Total operating performance	**1,182**	**1,148**
Other operating income	77	24
Cost of materials	621	613
Personnel expenses	338	334
Amortization, depreciation and impairment	48	51
Other operating expenses	175	185
Net operating income	**77**	**(11)**
Net interest [1)]	(20)	(18)
Net investment income and other net financial income [2)]	3	12
Net financial income	**(17)**	**(6)**
Earnings before taxes (EBT)	**60**	**(17)**
Income taxes	(8)	1
Earnings after taxes	**52**	**(16)**
Of which:		
Minority interests	*0*	*(14)*
Rheinmetall AG shareholders	*52*	*(2)*
Earnings per share (€)	1.37	(0.05)
EBITDA	128	52
EBIT	80	1

The previous year's figures are adjusted

1) Of which interest expenses: €18 million (previous year: €19 million)

2) Of which income from investments carried at equity: €8 million (previous year: €5 million)

Rheinmetall Group
Comprehensive income for Q2/2013

€ million

	Q2/2012	Q2/2013
Earnings after taxes	**52**	**(16)**
Actuarial gains and losses from pension provisions	(36)	-
Amounts not reclassified in the income statement	**(36)**	**-**
Change in value of derivative financial instruments (cash flow hedge)	(15)	(14)
Currency conversion difference	2	(38)
Income/expenses from investments accounted for using the equity method	-	(3)
Amounts reclassified in the income statement	**(13)**	**(55)**
Other comprehensive income (after taxes)	**(49)**	**(55)**
Comprehensive income	**3**	**(71)**
Of which:		
Minority interests	*(4)*	*(21)*
Rheinmetall AG shareholders	*7*	*(50)*

The previous year's figures are adjusted

Rheinmetall Group
Cash flow statement for H1/2013

€ million

	H1/2012	H1/2013
Opening cash and cash equivalents January 1	**535**	**501**
Earnings after taxes	72	(45)
Amortization, depreciation and impairments	96	99
Changes in pension provisions	(6)	(8)
Gross cash flows	**162**	**46**
Changes in working capital and others	(362)	(131)
Cash flows from operating activities [1)]	**(200)**	**(85)**
Investments in property, plant and equipment, intangible assets and investment property	(97)	(89)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	6	1
Investments in consolidated companies and financial assets	(40)	(2)
Divestments of consolidated companies and financial assets	41	8
Cash flows from investing activities	**(90)**	**(82)**
Dividends paid out by Rheinmetall AG	(69)	(68)
Other profit distributions	(7)	(7)
Purchase of treasury shares	(12)	-
Sale of treasury shares	2	2
Cash receipts from partial sales of consolidated companies		4
Borrowing of financial debts	18	9
Repayment of financial debts	(20)	(32)
Cash flows from financing activities	**(88)**	**(92)**
Changes in financial resources	**(378)**	**(259)**
Changes in cash and cash equivalents due to exchange rates	0	(4)
Total change in financial resources	**(378)**	**(263)**
Closing cash and cash equivalents June 30	**157**	**238**

The previous year's figures are adjusted

1) Including:

Net income taxes of €-19 million (previous year: €-29 million)

Net interest of €-21 million (previous year: €-8 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	-	-	-	-	-	-	74	-	74	(2)	72
Other comprehensive income	-	-	(58)	*6*	*(6)*	-	-	-	(58)		(58)
Comprehensive income	**-**	**-**	**(58)**	***6***	***(6)***	**-**	**74**	**-**	**16**	**(2)**	**14**
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**	**806**	*62*	*71*	**133**	**74**	**(57)**	**1,364**	**128**	**1,492**
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	-	-	-	-	-	-	(25)	-	(25)	(20)	(45)
Other comprehensive income	-	-	19	*(32)*	*(20)*	(52)	-	-	(33)	(13)	(46)
Comprehensive income	**-**	**-**	**19**	***(32)***	***(20)***	**(52)**	**(25)**	**-**	**(58)**	**(33)**	**(91)**
Dividends payout	-	-	(68)	-	-	-	-	-	(68)	(7)	(75)
Transfer to/from reserves	-	-	170	-	-	-	(170)	-	-	-	-
Other changes	-	-	2	-	-	-	-	12	14	1	15
Balance as at June 30, 2013	**101**	**307**	**854**	**9**	**56**	**65**	**(25)**	**(60)**	**1,242**	**72**	**1,314**

Notes to the consolidated financial statements

»General principles«
The condensed consolidated interim financial statements of Rheinmetall AG as at June 30, 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 six 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 recognized in earnings 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 half of 2012 was reduced by €9 million and other comprehensive income including deferred taxes was increased by €7 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.

In the first half of 2013, amendments to the following standards and a new interpretation were published:

Amendment to IAS 36	“Impairment of Assets”
Amendment to IAS 39	“Financial Instruments: Recognition and Measurement”
IFRIC 21	“Levies”

The amendments to IAS 36 “Impairment of Assets” result in changed disclosures in the Notes on the calculation of the recoverable amount of impaired assets if this amount is based on the fair value less costs of disposal.

The amendments to IAS 39 “Financial Instruments: Recognition and Measurement” deal with the transfer of derivatives to central transaction partners when certain size criteria are exceeded and relate primarily to banks. A similar transfer to central regulatory bodies does not result in the discontinuation of hedge accounting.

IFRIC 21 regulates the recognition of levies imposed by government institutions and thus specifies accounting for obligations in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

The amendments to the standards and interpretations become mandatory from fiscal 2014, although endorsement in EU law is still pending. According to the current assessment, the amendments will have no significant effects on the net assets, financial position and results of operations 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 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 half 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 half of the current fiscal year, this right was not exercised. As at June 30, 2013, the portfolio of treasury shares after disposals amounted to 1,557,948, which is 4.0% of the share capital (previous year: 1,451,655; December 31, 2012: 1,881,647) with acquisition costs totaling €60 million (previous year: €57 million, December 31, 2012: €72 million), which were 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 2, 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).

»Share purchase program for employees«

Eligible staff of the Rheinmetall Group in Germany, and in other European countries, may purchase Rheinmetall AG shares on preferential terms. There is a lock-up period of two years for these shares. Within specified subscription periods, employees are given the opportunity to acquire a limited number of shares at a discount of 30% on the applicable share price. On June 4, 2013, employees purchased 89,142 shares for €2 million.

»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

	Q2/2012	Q2/2013	H1/2012	H1/2013
Earnings after taxes of Rheinmetall AG shareholders	52	(2)	74	(25)
Weighted number of shares *million*	38.2	38.0	38.2	37.8
Earnings per share (€)	**1.37**	**(0.05)**	**1.94**	**(0.66)**

»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 €2 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	
	H1/2012	**H1/2013**	**H1/2012**	**H1/2013**	**6/30/2012**	**6/30/2013**
Joint ventures	88	55	6	4	(27)	(77)
Associated companies	1	3	5	12	4	(2)
	89	**58**	**11**	**16**	**(23)**	**(79)**

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	**06/30/2013**
Derivatives without hedge accounting	8	7
Derivatives with hedge accounting	13	7
Financial assets	**21**	**14**
Derivatives without hedge accounting	22	17
Derivatives with hedge accounting	17	47
Financial liabilities	**39**	**64**

»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	
	H1/2012	**H1/2013**	**H1/2012**	**H1/2013**	**H1/2012**	**H1/2013**	**H1/2012**	**H1/2013**
External sales	1,010	834	1,243	1,228	-	-	2,253	2,062
Amortization and depreciation	43	44	53	55	0	0	96	99
Of which impairment	-	-	*0*	*0*	-	-	*0*	*0*
Operating result	25	(48)	81	77	(14)	-	92	29
Special items	31	(26)	-	(21)	-	-	31	(47)
Restructuring	-	*(26)*	-	*(21)*	-	-	-	*(47)*
Corporate transactions	*31*	-	-	-	-	-	*31*	-
EBIT	56	(74)	81	56	(14)	-	123	(18)

Reconciliation of segment EBIT to Rheinmetall Group EBT:

€ million

	H1/2012	**H1/2013**
Segment EBIT	**137**	**(18)**
Others	(11)	3
Consolidation	(3)	(3)
Group EBIT	**123**	**(18)**
Group net interest	(36)	(36)
Group EBT	**87**	**(54)**

»Significant events after the balance sheet date«

In July 2013, the Australian armed forces commissioned Rheinmetall to supply an extensive fleet of trucks. Rheinmetall MAN Military Vehicles GmbH (RMMV), a joint venture of Rheinmetall AG and MAN Truck & Bus AG, will supply around 2,500 protected and unprotected medium and heavyweight logistics vehicles. With a volume of AUD 1.58 billion (approximately €1.1 billion), this is one of the largest single orders in the Group's history. The vehicles are to be delivered from 2016.

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

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

The condensed consolidated interim financial statements as at June 30, 2013 – comprising the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory notes to the consolidated financial statements – and the Group interim management report for the period from January 1 to June 30, 2013, were neither audited in accordance with Section 317 HGB nor 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 financial 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 8, 2013

Armin Papperger Dr. Gerd Kleinert Helmut P. Merch

Financial calendar

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.

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