Q3

Quarterly Financial Report
3Q/2010
Rheinmetall AG

2010

Rheinmetall in figures

Rheinmetall Group key figures € million

	3Q/2009	3Q/2010	Change
Sales	2,307	2,720	413
Order intake	3,692	2,930	-762
Order backlog (Sep. 30)	4,957	5,240	283
Employees according to capacity (Sep. 30)	19,823	20,213	390
EBITDA	96	287	191
EBIT	(32)	173	205
EBIT margin in %	(1.4)	6.4	7.8
EBT	(74)	133	207
Net income/loss	(63)	100	163
Earnings per Share (EpS) in €	(1.77)	2.48	4.25
Capital expenditures	102	120	18
Amortization/depreciation	128	114	-14
Cash flow	72	212	140
Net financial debt (Sep. 30)	432	483	51
Total equity (Sep. 30)	1,130	1,244	114
Total assets (Sep. 30)	3,594	4,130	536

Defence still on course for success, Automotive undergoes sharp turnaround, Benchmark bond issued for first time

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

- Consolidated sales up 18 % to €2,720 million
- Consolidated result before interest and tax (EBIT) improves by €205 million to €173 million
- EBIT margin reaches 6.4 % after -1.4 % in the same period of the previous year
- Earnings per share increase by €4.25 to €2.48
- Earnings outlook for 2010 specified and slightly improved.

Contents

The Rheinmetall share

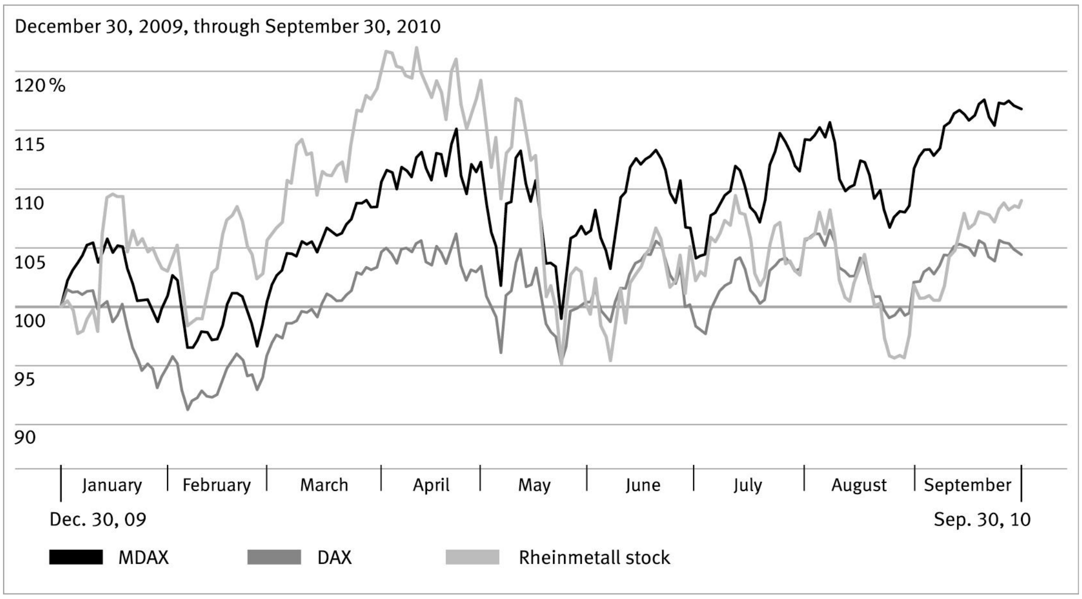
Upward trend on the stock market | In the first half of the year, the performance of the DAX and MDAX had been volatile and a sideways movement had been seen. The benchmark indices then initially recorded a significant increase at the beginning of the third quarter, which was curbed at the beginning of August by weaker than expected US economic data. The MDAX benchmark index, which is of relevance to Rheinmetall, rose by around 9 % from 8,009 points at the end of the second quarter to 8,689 points at the beginning of August. By the end of August, however, it had dropped back to the same level as at the beginning of the quarter and stood at 8,006 points. A positive sentiment again prevailed in the last third of the quarter, which compensated for this sharp decline. The MDAX closed the quarter at 8,768 points, which resulted in a net gain of around 10 % in the months from July to September. The development of the DAX was virtually parallel to that of the MDAX up to the end of August; this index also recovered later in the third quarter, although the recovery was much weaker than that of the MDAX. It stood at 6,229 points on September 30, 2010, compared with 5,966 points at the end of the second quarter, which represented a gain of 4 %. Overall, the DAX gained around 5 % in the first three quarters compared with the end of the previous year (5,957 points), while the MDAX rose by around 17 % in the same period compared with the end of the previous year (7,507 points).

Sideways movement for the Rheinmetall share | Following a strong increase in the share price at the beginning of the year, the sideways trend that began in the second quarter continued.

After hovering at around €47 early in the third quarter, the share price saw the beginning of a downward trend during August, which was more marked than that of the MDAX. The ongoing discussions about cuts to national and international defence budgets had a detrimental impact on the share price. Even the decision to raise the profit forecast when the Q2 reports were presented, owing to improved prospects in the Automotive business, did not boost the share price on a sustainable basis. The price of the shares had dropped to €42.79 by the end of August. After this it recovered quickly, however, and stood at €48.50 at the end of the quarter, which represented a quarterly gain of 3 %. Compared with the end of the previous year (€44.74), the Rheinmetall share gained around 8 % in the first nine months of this year.

Market capitalization and trading volume | The market capitalization rose to €1,921 million at the end of the quarter, representing growth of 20 % compared with the end of the third quarter of the previous year. Rheinmetall was thus in 13th place in the MDAX rankings (previous year: 12th place). The average daily trading volume dropped from 245,000 to 188,000 shares. This put Rheinmetall in 16th place in the rankings of Deutsche Börse (previous year: 14th place).

Performance of the Rheinmetall share compared with the DAX and MDAX



General economic conditions

Economic upturn continues | The upturn in the global economy continued in the first nine months of 2010. Accordingly, the International Monetary Fund (IMF) revised its growth forecast for 2010 upwards once again in October: in its latest “World Economic Outlook” in October 2010, the IMF forecasts global growth of 4.8 %, having anticipated growth of 4.6 % and 4.2 % respectively in its analyses in July and April 2010. According to the IMF, the key factors driving growth are still the emerging economies of China (+10.5 %), India (+9.7 %) and Brazil (+7.5 %). The fact that the German economy is growing considerably faster than anticipated during the summer has also had a positive impact – experts at the IMF have raised their growth forecast for Germany from 1.4 % to 3.3 %. This is still lower than the outlook of the leading German economic research institutions, which had forecast growth of 3.7 % in GDP in their fall report for Germany. The fact that the economic traffic light for the German economy is at green for the current fiscal year is demonstrated not least by the Ifo business climate index, which rose for the fifth consecutive month in October 2010 and reached a level last seen in May 2007. Thanks to its growth momentum, Germany is becoming the engine for the entire euro zone, for which the IMF estimates that economic output will grow by 1.7 % in 2010. In the summer, the IMF had predicted considerably weaker growth of 1.0 % for the European economy.

Japan is also seeing an upward trend in 2010. The IMF has raised its forecast for growth in Japan’s GDP by 0.4 percentage points to 2.8 %. In contrast, the outlook for the USA has dampened slightly. Having forecast growth of 3.3 % for the US economy in the summer, the IMF has since lowered its forecast to 2.6 %. At the same time, the IMF has warned of risks to the recovery in the global economy, particularly as a result of the continued susceptibility of the financial sector and the extremely high debts of some euro countries.

With regard to the sustainability of the upturn in 2011, the IMF has maintained its fundamentally positive assessment of global economic development and has forecast growth of 4.2 %. This means a reduction of only 0.1 percentage points compared with its outlook in July 2010. Experts at the IMF are anticipating growth of 1.5 % for the euro zone, while the German economy is expected to grow by 2.0 % in 2011. Germany’s leading economic research institutions also expect the positive economic development to ease the pressure on the national budget noticeably. According to their estimates, the deficit ratio will stand at 2.7 % of GDP next year (as opposed to 3.8 % in 2010) and will thus fulfill the deficit targets of the EU's Maastricht Treaty once again.

Need for modernization and pressure to cut costs – contrasting developments in defence budgets | The development of defence spending continues to be characterized by pressure to consolidate budgets on the one hand and ongoing high demand for modernization of military equipment in practically all armed forces on the other. Although it has not been possible to implement the budget increases that were originally planned in many Western industrialized nations, defence spending has remained high. In the USA, the country with the highest expenditure on defence worldwide, programs have been canceled since the 2009 fiscal year; nevertheless, the planned US defence budget for 2011 is slightly higher than the previous year, at USD 733 billion. Moreover, defence spending in the newly industrialized nations of India and Brazil, as well as in Australia and various Middle Eastern countries, is continuing to rise, as the armed forces there still have a long way to go in terms of modernization. Owing to the threats in the Middle East, the Gulf States alone are planning massive investments in modern defence technology in the next few years. In this respect, the increased international orientation of Rheinmetall Defence will continue to open up potential for growth.

In Germany, the defence budget for 2011 has been drawn up in accordance with the structure of the armed forces up to now. For next year, it provides for spending of around €31.5 billion, with a force of 251,000 soldiers. This represents a nominal increase compared with the current year of almost €400 million. Following a cabinet decision on June 7, 2010, a structural reform of the German armed forces has since officially got underway. A total of €8.3 billion is to be saved over the period from 2011 to 2014. The precise development of the defence budget from 2012 onwards will be determined to a large extent by the results of the structural committee and the tax receipts of the German government. The first concrete findings on this matter are not expected to be known until March 2011, when the federal budget is drawn up. Irrespective of this, the modernization of military equipment for soldiers in action remains a high priority for the German government.

Global automotive production booming – Asia still the strongest growth driver | The upturn on the international automotive markets continued and was consolidated in the first nine months of 2010. According to the calculations of experts at CSM Worldwide, global production of passenger cars and light commercial vehicles (up to 3.5 t) grew year-on-year by 29.4 % to 52.2 million units in the first nine months of 2010. The slowdown in the growth momentum compared with the figures for the first half (+37.6 %) can be explained by the fact that a turnaround had already begun in the summer months of 2009, following the severe market slump in the winter of 2008/2009. Consequently, the basis for comparison for the third quarter of 2010 was once again at a stabilized level. A particularly strong stimulus for growth continues to be provided by China (+31.3 %) and India (+33.2 %) – despite the fact that both these markets had already defied the global crisis in the sector in the previous year by showing strong double-digit growth rates. In the triad of the NAFTA region, Western Europe and Japan, production figures increased by 30.3 % year-on-year. Following a particularly severe decline in the previous year, the recovery in the NAFTA region was, at 53.4 %, stronger than in Japan (+32.1 %) and Western Europe (+14.5 %).

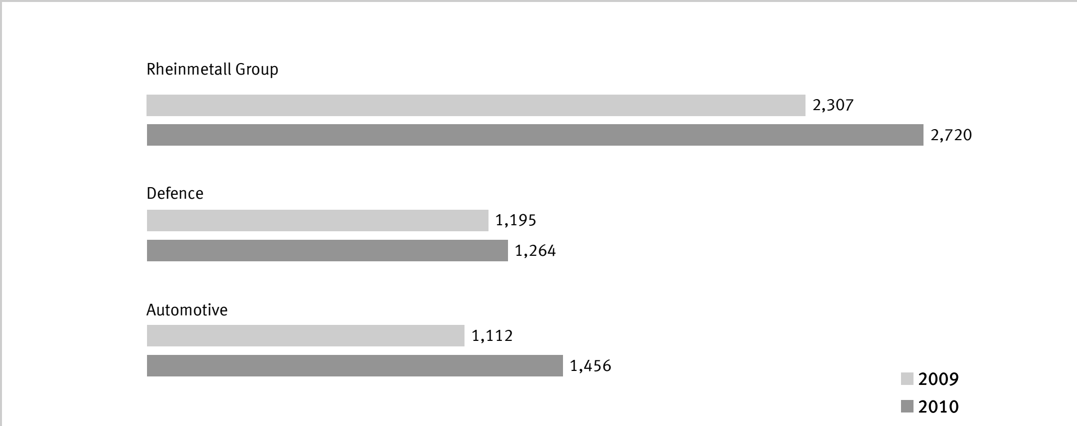
In the first three quarters of 2010, automotive manufacturers in Germany recorded growth in production of 12.7 %, according to CSM Worldwide. According to the assessment of the Association of the German Automotive Industry (VDA), the main growth engine is still exports: "Our robust position on the global markets has proved once again to be a strategic advantage", explained VDA President Matthias Wissmann in September 2010. However, the growth rates seen so far are not expected to continue at the same level. "Instead, we expect to see stabilization at a satisfactorily high level", Wissmann concludes.

CSM Worldwide is forecasting an increase in global automotive production (passenger cars and light commercial vehicles up to 3.5 t) of 20.5 % to 69.2 million units over 2010 as a whole. The sector would thus exceed its previous record of approximately 68.8 million vehicles from the "pre-crisis year" of 2007 earlier than originally expected. Owing to the quick recovery on the automotive markets in 2010, analysts at CSM expect growth rates to return to normal overall in 2011 and forecast growth in global production of 3 % to 71.8 million units.

Thanks to its international orientation and technological expertise in solutions for reducing consumption and CO_2 and for controlling emissions, Rheinmetall's Automotive corporate sector is in the best position to benefit from both market trends in mature industrialized nations, which are driven by environmental policy, and the growth momentum in emerging countries.

Rheinmetall Group business trend

Sales for Q1 – Q3 (€ million)



Significant sales growth | The Rheinmetall Group continued the positive development seen in the first half of the year in the third quarter of 2010 and held its ground well on international markets. The volume of business in the Group was up 18 % year-on-year in the first nine months of the 2010 fiscal year, at €2,720 million. The Automotive corporate sector made a significant contribution to this positive development, exceeding the previous year's level, which was negatively affected by the crisis, by 31 %. The Defence corporate sector grew by 6 %.

The proportion of international sales at the Rheinmetall Group reached 69 % for the period to the end of September 2010, surpassing the previous year's figure of 68 %. Alongside the German market (31 %), the key regions in terms of sales volumes were Europe excluding Germany (39 %), followed by Asia (11 %) and North America (11 %). In the Defence corporate sector, 65 % of sales were generated abroad (previous year: 68 %). In Automotive, the share of sales generated with international customers increased from 67 % to 71 % in the first nine months of 2010.

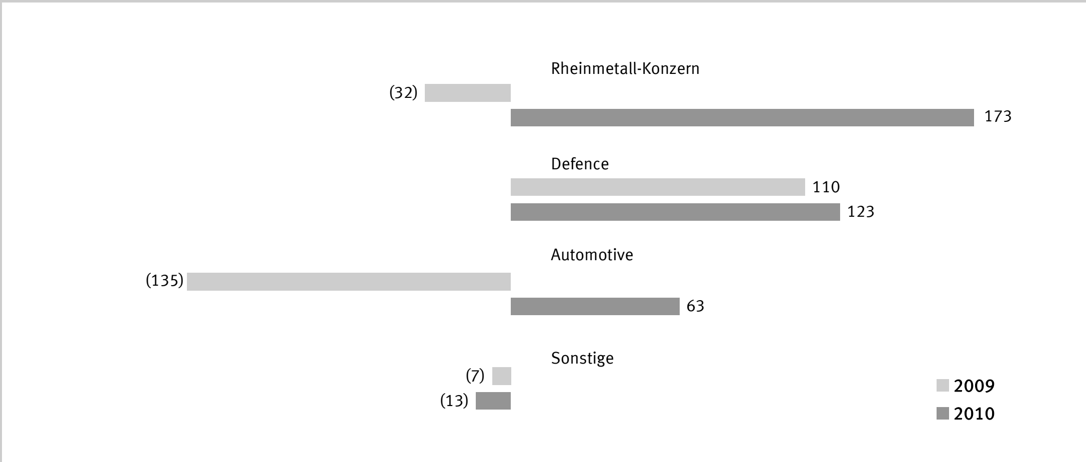
The development and distribution activities of Rheinmetall MAN Military Vehicles GmbH, which were included for the first time at the beginning of May 2010, and the activities of Rheinmetall Verseidag Ballistic Protection GmbH and Simrad Optronics AS, which were included for the first time at the beginning of July 2010, accounted in total for €40 million of sales in the first three quarters. Contraves Advanced Devices Sdn Bhd, Malacca/Malaysia, was deconsolidated as of June 30, 2010 and accounts for €5 million sales in the first half of the year.

Order intake exceeds sales | The Rheinmetall Group recorded an order intake of €2,930 million in the first three quarters of 2010 (previous year: €3,692 million).

On September 30, 2010, the order backlog amounted to €5,240 million and was thus up significantly on the previous year. The order backlog in the Defence corporate sector amounted to €4,884 million at the end of the quarter (previous year: €4,685 million); it includes orders for large projects with a duration over several fiscal years.

Profitability improved significantly by Automotive | The Rheinmetall Group's earnings before interest and tax (EBIT) rose by €205 million to €173 million in the first nine months of 2010, following a loss of €32 million in the same period of the previous year. Consolidated net profit amounted to €100 million and was thus up €163 million on the previous year's value. Earnings per share were €2.48, compared with a negative €1.77 in the same period of the previous year.

EBIT for Q1 – Q3 (€ million)



Asset and capital structure | In September 2010, Rheinmetall successfully placed a seven-year bond with a volume of €500 million and a coupon of 4.0 % with institutional investors in Germany and abroad. This bond will strengthen the liquidity cushion on a sustainable basis and will secure favorable interest rates in the long term.

The Rheinmetall Group's total assets amounted to €4,130 million as at the reporting date. This is equivalent to an increase of €295 million or 8 % compared with December 31, 2009. The changes in the consolidated balance sheet are essentially due to the acquisitions in the Defence corporate sector and the build-up of working capital owing to seasonal effects. Non-current assets represented 48 % of total assets as at September 30, 2010, compared with 47 % as at December 31, 2009. They increased by €174 million during the reporting period. This increase was primarily due to the increase in intangible assets owing to the acquisitions. Current assets grew by a total of €121 million compared with December 31, 2009, whereby an increase in inventories and trade receivables was offset by a significant reduction in cash and cash equivalents. The equity ratio was 30 %. Of the €586 million increase in non-current liabilities to €1,548 million, €493 million is attributable to the new bond issued in September 2010 and €71 million is primarily attributable to the recognition of actuarial pension provision losses directly in equity. Of the decline of €401 million in current liabilities, €325 million related to current financial liabilities, owing to the scheduled repayment of the old bond, and €55 million to trade payables.

Asset and capital structure € million

	12/31/2009	%	Q3/2010	%
Noncurrent assets	1,817	47	1,991	48
Current assets	2,018	53	2,139	52
Total assets	**3,835**	**100**	**4,130**	**100**
Equity	1,134	30	1,244	30
Noncurrent liabilities	962	25	1,548	38
Current liabilities	1,739	45	1,338	32
Total equity and liabilities	**3,835**	**100**	**4,130**	**100**

Capital expenditure up on previous year | The strategic and operating objectives for expanding market share and securing technological competence are the guiding factors in the capital expenditure of the Rheinmetall Group. €120 million was invested during the first nine months of the current fiscal year. This is equivalent to 4.4 % of sales (previous year: 4.4 %).

Capital expenditure by corporate sector € million

	3Q/2009	3Q/2009
Defence	47	52
Automotive	54	67
Others	1	1
Rheinmetall Group	**102**	**120**

Employees | As at September 30, 2010, 20,213 persons were employed at Rheinmetall worldwide; this is 447 more than at the end of 2009 (+2 %). While the workforce at Rheinmetall Defence remained fairly stable at 9,395 persons, the number of employees in the Automotive corporate sector – measured against the number of employees as at the end of 2009 – increased by 353 persons. This increase was the result of a higher output in connection with the recovery in the market. Of the total workforce, 46 % were employed in the Defence corporate sector, 53 % in the Automotive corporate sector and roughly 1 % at Rheinmetall AG and the service companies.

Rheinmetall Group business trend
Corporate sector Defence

Defence key figures € million

	3Q/2009	3Q/2010
Sales	1,195	1,264
Order intake	2,546	1,468
Order backlog (Sep. 30)	4,685	4,884
Employees according to capacity (Sept. 30)	9,259	9,395
EBITDA	144	164
EBIT	110	123
EBT	92	109
EBIT margin in%	9.2%	9.7%

Further consolidation of defence operations | The first step in bringing together the joint activities of Rheinmetall AG and MAN Nutzfahrzeuge AG in the field of wheeled military vehicles came into effect at the beginning of May 2010. The integration of Verseidag Ballistic Protection GmbH, Krefeld, a specialist in the development and production of civil and military protection technology, has been taking place since July 2010. This will allow Rheinmetall to expand its expertise further in the area of ballistic protection, strengthen its sales expertise and open up further markets in Europe. Simrad Optronics AS, Nøtterøy/Norway, has also been integrated into the Rheinmetall Group since July 2010. The company operates production facilities in Nøtterøy and Oslo (both in Norway) and in Biddeford, Maine/USA. The product portfolio of Simrad Optronics AS primarily includes components for remote control weapon stations, for combat vehicles and electro-optical sensors for monitoring, reconnaissance and target-tracking. With the acquisition, Rheinmetall's range of services will be expanded significantly, particularly in the rapidly growing market for weapon stations and in the Scandinavian countries.

The companies that were included for the first time in 2010 generated sales of €52 million and earnings before interest and tax (EBIT) of €8 million during the period that they belonged to the Group before consolidation. After elimination of internal transactions, these companies accounted for €40 million of consolidated sales.

The takeover of the activities of SEI SpA/Italy, which was agreed in March 2010, is expected to be concluded in the next few weeks. With this investment, Rheinmetall Defence will strengthen its position as a supplier of military equipment on the Italian market and in Europe. The company is involved in the area of ammunition development and production.

An agreement was reached with South African company Tellumat (Pty) Ltd. in September 2010 regarding the takeover of Laingsdale Engineering (Pty) Ltd. Laingsdale Engineering specializes in the development and production of precision components in the field of igniters. The acquisition will complement the technological portfolio in the field of ammunition. The deal is expected to be closed in January 2011.

Defence still on course for growth | The Defence corporate sector achieved sales of €1,264 million in the first nine months of 2010, which represented growth of €69 million or 6 %. In addition to the acquisitions, growth was influenced in particular by additional sales in the field of defence electronics in the period up to September 2010. In the current fiscal year, the fourth quarter will once again be the quarter with the highest sales, due to invoicing.

Order intake higher than sales | The order intake for the first nine months of 2010 reached €1,468 million and was down €1,078 million on the previous year's figure, which included the series contract commissioned in July 2009 for the Puma infantry fighting vehicle with a volume of approximately €1.3 billion. Rheinmetall Defence secured strategically important international orders. Some notable individual contracts in the first quarter of 2010 were for armored support vehicles for an Asian customer (€112 million) and the partnering agreement for munitions with the UK Ministry of Defence (€119 million). In particular, a large order from the Middle East for air defence systems (€219 million) and an order for the supply of weapon systems for the North American market (€64 million) contributed to this high order intake in the second quarter of 2010. In the third quarter, orders worth mentioning included a follow-up order from the German armed forces to operate the Heron reconnaissance drone (€52 million) and an order to modernize 65 Fuchs tanks (€33 million).

Order backlog of almost €5 billion | The order backlog as at September 30, 2010 stood at €4,884 million, exceeding the previous year's figure of €4,685 million by €199 million or 4 %. At the time they were included in the consolidated financial statements for the first time, Simrad and Verseidag had an order backlog of €58 million in total.

Defence result well above previous year | The Defence corporate sector achieved EBIT of €123 million in the period under review, a significant increase of €13 million or 12 % on the figure for the corresponding period of the previous year, while sales also increased. Earnings include income from a rate-hedging transaction implemented by a company carried at equity of €5 million, which was recognized in the first quarter of 2010. The EBIT margin rose to 9.7 % in the first nine months of the year. This stood at 9.2 % in the same period of the previous year. The EBIT margin in the third quarter of 2010 amounted to 10.4 %.

Rheinmetall Group business trend
Corporate sector Automotive

Automotive key figures € million

	3Q/2009	3Q/2010
Sales	1,112	1,456
Order intake	1,146	1,462
Order backlog (Sep. 30)	273	356
Employees according to capacity (Sep. 30)	10,441	10,692
EBITDA	(41)	135
EBIT	(135)	63
EBT	(151)	51
EBIT margin in %	(12.1)	4.3

Significant growth in sales for Automotive | The Automotive corporate sector generated sales of €1,456 million in the first nine months of 2010, thus exceeding the previous year's level by €344 million or 31 %. All areas of business benefited from the global economic recovery and recorded significant growth in sales.

Strong turnaround | Automotive generated EBIT of €63 million in the first three quarters of 2010, following a loss of €135 million in the corresponding period of the previous year. The previous year's figure included €71 million in non-recurring expenditure for capacity adjustments. With the exception of the Aluminum Technology division, all divisions reported positive results in the first nine months of 2010. The EBIT margin was 4.3 %, compared with a negative 12.1 % in the previous year. A margin of 4.1 % was recorded in the third quarter. The measures taken to lower the break-even point in 2009 have therefore led to a lasting improvement in profitability.

Adjustment of capacity | As at September 30, 2010, 10,692 persons were employed in the Automotive corporate sector, which is 251 more than a year previously and 353 more than at the end of 2009. The increase in the number of staff, which was linked to output, mainly involved the sites in Brazil, India, Mexico and the Czech Republic. The personnel services company at the Neckarsulm site had a headcount of 322 employees on September 30, 2010, which was included in the employee figures.

Strong growth in China | For many years, we have been expanding our Automotive business in China with our partner Shanghai Automotive Industry Corporation (Group), which has bundled its supply activities in Huayu Automotive Systems Co. Ltd. (HASCO). Two joint ventures, in which each of the partners owns a 50 % stake, manufacture mainly pistons and cylinder heads. The companies are carried at equity in the consolidated financial statements with a proportionate share of their results. The net investment income doubled in the first nine months of 2010 to €4 million, compared with €2 million in the same period of the previous year. For information only, the sales and profit figures (50 % in each case) of the two Chinese joint ventures that are attributable to Rheinmetall but that are not included in the consolidated financial statements are stated below. The companies recorded growth of 72 %. The proportionate share of sales rose by €42 million to €99 million in the first three quarters of 2010. The proportionate share of EBIT amounted to €6 million, compared with €3 million in the corresponding period of the previous year, which includes advance payments for further growth. The EBIT margin increased to 5.7 %, compared with 5.5 % in 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 jeopardize the Group's assets, financial situation or earnings. The material opportunities and risks of the expected development of the Rheinmetall Group are described in detail in the Group management report for 2009. There have been no significant changes or new findings.

Prospects

Rheinmetall gives more precise outlook for 2010 | For the current fiscal year, Rheinmetall still expects sales of around €3.9 billion for the Group, compared with about €3.4 billion in the previous year.

Sales growth to over €2.0 billion is now forecast for the Defence corporate sector, including acquisitions, following sales of €1.9 billion in the previous year. The moderate reduction in the forecast, which was previously €2.1 billion, is due to delays in deliveries and the fact that the acquisition of SEI SpA has not yet been concluded, as approval is still outstanding.

Rheinmetall expects the development of worldwide automotive production to remain positive in the fourth quarter of 2010, although this will be weaker than in the previous quarters, partly owing to seasonal effects. Against this background, Rheinmetall now expects annual sales for the Automotive sector to increase to around €1.9 billion, following €1.5 billion in the previous year. Until now, sales of €1.8 billion had been forecast.

For the 2010 fiscal year, Rheinmetall anticipates that EBIT will be within a range of €270 million to €280 million. This range was raised in August 2010 from €220 million – €250 million to €260 million – €280 million. Rheinmetall is thereby placing the earnings guidance more precisely in the upper half of the previous range and is thus improving the earnings outlook. Rheinmetall's Defence sector will further improve EBIT compared with the previous year (€215 million). Rheinmetall Automotive expects to achieve positive EBIT again in the fourth quarter of 2010 and anticipates EBIT of between €70 million and €80 million for the year as a whole.

Condensed consolidated interim financial statements of Rheinmetall AG for Q1 – Q3 2010

Consolidated balance sheet as at September 30, 2010

Assets € million

	12/31/2009	9/30/2010
Intangible assets	555	661
Property, plant and equipment	1,044	1,070
Investment property	23	23
Investments accounted for using the equity method	97	106
Other non-current financial assets	28	45
Other non-current assets	4	8
Deferred taxes	66	78
Non-current assets	**1,817**	**1,991**
Inventories	643	858
./. Prepayments received	(40)	(40)
	603	818
Trade receivables	701	940
Other current financial assets	52	37
Other current receivables and assets	88	107
Income tax receivables	16	23
Cash and cash equivalents	557	214
Non-current assets held for sale	1	-
Current assets	**2,018**	**2,139**
Total assets	**3,835**	**4,130**

Equity and liabilities € million

	12/31/2009	9/30/2010
Share capital	101	101
Additional paid-in capital	303	303
Other reserves	781	721
Net income/loss of Rheinmetall AG shareholders	(58)	95
Treasury shares	(57)	(55)
Rheinmetall AG shareholders' equity	**1,070**	**1,165**
Minority interests	64	79
Equity	**1,134**	**1,244**
Provisions for pensions and similar obligations	610	681
Other non-current provisions	112	104
Non-current financial liabilities	180	671
Other non-current liabilities	28	43
Deferred taxes	32	49
Non-current liabilities	**962**	**1,548**
Current provisions	390	373
Current financial liabilities	353	26
Trade liabilities	521	466
Other current liabilities	416	408
Income tax liabilities	59	65
Current liabilities	**1,739**	**1,338**
Total liabilities	**3,835**	**4,130**

Consolidated income statement

Q1 - Q3 € *million*

	3Q/2009	3Q/2010
Sales	**2,307**	**2,720**
Changes in inventories and work performed by the enterprise and capitalised	75	171
Total operating performance	**2,382**	**2,891**
Other operating income	59	68
Cost of materials	1,142	1,410
Staff costs	796	875
Amortization, depreciation and impairment	128	114
Other operating expenses	407	395
Net operating loss/income	**(32)**	**165**
Net interest [1]	(42)	(40)
Net investment income and other net financial income [2]	0	8
Net financial loss	**(42)**	**(32)**
Earnings before taxes (EBT)	**(74)**	**133**
Income taxes	11	(33)
Net income/loss	**(63)**	**100**
Of which:		
Minority interests	*0*	*5*
Rheinmetall AG shareholders	*(63)*	*95*
Earnings per share (€)	(1.77)	2.48
EBITDA	96	287
EBIT	(32)	173

1) including interest expense of €44 million (previous year: €46 million)

2) including net income from investments carried at equity of €13 million (previous year: €5 million)

Comprehensive income

Q1 - Q3 € *million*

	3Q/2009	3Q/2010
Net income/loss	**(63)**	**100**
Actuarial gains and losses from pension provisions	-	(45)
Currency conversion difference	29	56
Change in value of derivative financial instruments (cash flow hedge)	31	10
Income/expenses from investments accounted for using the equtiy method	(1)	(6)
Other comprehensive income (after taxes)	**59**	**15**
Comprehensive income	**(4)**	**115**
Of which:		
Minority interests	*4*	*12*
Rheinmetall AG shareholders	*(8)*	*103*

Consolidated income statement

Q3 *€ million*

	Q3/2009	Q3/2010
Sales	**801**	**992**
Changes in inventories and work performed by the enterprise and capitalised	15	37
Total operating performance	**816**	**1,029**
Other operating income	19	21
Cost of materials	389	515
Staff costs	260	289
Amortization, depreciation and impairment	38	40
Other operating expenses	117	139
Net operating loss/income	**31**	**67**
Net interest [1)]	(15)	(14)
Net investment income and other net financial income [2)]	(1)	2
Net financial loss	**(16)**	**(12)**
Earnings before taxes (EBT)	**15**	**55**
Income taxes	(8)	(12)
Net income/loss	**7**	**43**
Of which:		
Minority interests	*0*	*3*
Rheinmetall AG shareholders	*7*	*40*
Earnings per share (€)	0.19	1.04
EBITDA	68	109
EBIT	30	69

1) including interest expense of €16 million (previous year: €17 million)

2) including net income from investments carried at equity of €3 million (previous year: €1 million)

Comprehensive income

Q3 *€ million*

	Q3/2009	Q3/2010
Net income/loss	**7**	**43**
Actuarial gains and losses from pension provisions	-	(9)
Currency conversion difference	11	(20)
Change in value of derivative financial instruments (cash flow hedge)	10	17
Income/expenses from investments accounted for using the equtiy method	2	-
Other comprehensive income (after taxes)	**23**	**(12)**
Comprehensive income	**30**	**31**
Of which:		
Minority interests	*1*	*3*
Rheinmetall AG shareholders	*29*	*28*

Consolidated cash flow statement

€ million

	3Q/2009	3Q/2010
Financial resources January 1	**203**	**577**
Net income/loss	(63)	100
Amortization, depreciation and impairments	128	114
Changes in pension provisions	7	-2
Gross cash flows	**72**	**212**
Changes in working capital and other items	(245)	(547)
Cash flows from operating activities [1)]	**(173)**	**(335)**
Investments in property, plant and equipment, intangible assets and investment property	(102)	(117)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	4	3
Investments in consolidated companies and financial assets	(12)	(71)
Divestments of consolidated companies and financial assets	0	8
Cash flows from investing activities	**(110)**	**(177)**
Capital contributions by third parties	-	3
Rheinmetall AG capital increase	102	-
Dividends paid out by Rheinmetall AG	(45)	(11)
Other profit distributions	(4)	(4)
Sale of treasury shares	1	1
Borrowing of financial liabilities	149	506
Repayment of financial liabilities	(40)	(351)
Cash flows from financing activities	**163**	**144**
Changes in financial resources	**(120)**	**(368)**
Changes in cash and cash equivalents due to exchange rates	2	5
Total change in financial resources	**(118)**	**(363)**
Financial resources September 30	**85**	**214**

1) including net income taxes (expense) of €24 million (previous year/income: €5 million)
including: net interest (expense) of €29 million (previous year: €22 million)

Statement of changes in equity

€ million

	Share capital	Additional paid-in capital	Retained earnings	*Difference of currency conversion*	*Statement of fair value andother valuations*	Total of fair value changes	**Net loss/income of Rheinmetall AG shareholders**	Treasury shares	Rheinmetall AG shareholders equity	Minority interests	Equity
Balance as at December 31, 2008/ as at January 1, 2009	**92**	**208**	**644**	*(51)*	*55*	**4**	**141**	**(66)**	**1,023**	**57**	**1,080**
Capital increase	9	95	(2)	-	-	-	-	-	102	-	102
Dividends payout	-	-	(45)	-	-	-	-	-	(45)	(4)	(49)
Transfer to/from reserves	-	-	137	-	-	-	(141)	-	(4)	-	(4)
Other comprehensive income	-	-	(1)	*25*	*31*	56	-	-	55	4	59
Net loss	-	-	-	-	-	-	(63)	-	(63)	-	(63)
Other changes	-	-	(4)	-	-	-	-	9	5	-	5
Balance as at September 30, 2009	**101**	**303**	**729**	*(26)*	*86*	**60**	**(63)**	**(57)**	**1,073**	**57**	**1,130**
Balance as at December 31, 2009/ as at January 1, 2010	**101**	**303**	**711**	*(20)*	*90*	**70**	**(58)**	**(57)**	**1,070**	**64**	**1,134**
Dividends payout	-	-	(11)	-	-	-	-	-	(11)	(4)	(15)
Changes in scope of consolidation	-	-	1	-	-	-	-	-	1	7	8
Transfer to/from reserves	-	-	(58)	-	-	-	58	-	-	-	-
Other comprehensive income	-	-	(51)	*51*	*8*	59	-	-	8	7	15
Net income	-	-	-	-	-	-	95	-	95	5	100
Other changes	-	-	-	-	-	-	-	2	2	-	2
Balance as at September 30, 2010	**101**	**303**	**592**	*31*	*98*	**129**	**95**	**(55)**	**1,165**	**79**	**1,244**

Notes to the consolidated financial statements

General principles | The condensed consolidated interim financial statements of Rheinmetall AG as at September 30, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB) for interim reporting as required in the European Union. Accordingly, these interim financial statements do not include all information and disclosures in the notes which are required in line with IFRS for consolidated financial statements at the end of the fiscal year. In the view of the Executive Board, the interim financial statements include all adjustments required to present a true and fair view of business development in the reporting period. The results achieved in the first nine months of 2010 do not necessarily allow for conclusions to be drawn regarding their future development.

The interim financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in context with the consolidated financial statements published by Rheinmetall AG for the 2009 fiscal year. The amendments to IAS 27 "Consolidated and Separate Financial Statements" and IFRS 3 "Business Combinations" were applied for the first time in fiscal 2010. The other accounting policies applied in the interim financial statements are identical to those applied in the consolidated financial statements for the past fiscal year. Since December 31, 2009, actuarial gains and losses arising in connection with the measurement of pension obligations and associated plan assets have been recognized directly in equity. Prior-year comparatives have been restated in this respect. A qualified estimate of the pension obligation is given in the quarterly financial reports, based on the development of actuarial parameters. A discount rate of 4.5 % (December 31, 2009: 5.5 %) was used for pension provisions in Germany as regards these interim financial statements. This reduction in the interest rate led to an increase in actuarial losses from pension provisions recognized in equity.

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

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

Scope of consolidation | Besides Rheinmetall AG, the condensed consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG holds the majority of voting rights (whether directly or indirectly) or whose financial and business policies are otherwise controlled by the Group. Two companies were founded abroad in the first nine months of 2010. In Germany, two companies were merged and a division of one company was spun off to an existing subsidiary.

Furthermore, as part of the implementation of a strategic cooperation agreement with Boustead Heavy Industries Corporation Sdh Bhd, Kuala Lumpur/Malaysia, the majority of shares (51 %) in Contraves Advanced Devices Sdn Bhd, Malacca/Malaysia, were transferred to the cooperation partner in August 2010. The price for the sale of the shares is €6 million and is to be paid in cash. This is offset by the disposal of a net asset of €6 million. The cooperation is to offer Rheinmetall improved market access for a broad range of products and technologies for the land, naval and air forces of Malaysia and partner countries in the region. Contraves Advanced Devices Sdn Bhd, Malacca/Malaysia, and its subsidiary are to be carried at equity in Rheinmetall's consolidated financial statements as joint ventures.

The first step in bringing together the joint activities of Rheinmetall AG and MAN Nutzfahrzeuge AG in the field of wheeled military vehicles came into effect at the beginning of May 2010. Rheinmetall firstly sold 49 % of shares in Rheinmetall MAN Military Vehicles GmbH, Munich, which was newly founded the previous year, to MAN, so that Rheinmetall now holds 51 % of shares in the company and MAN 49 %. The development and distribution activities of the two companies in the area of wheeled military vehicles were then merged in Rheinmetall MAN Military Vehicles GmbH by means of a spin-off in exchange for a capital increase and through a purchase. As part of this, four foreign companies were added. The assets and liabilities transferred at this first stage do not constitute operations leading to a business combination as defined by IFRS 3.

The acquisition of 51 % of the voting rights and shares in Verseidag Ballistic Protection GmbH, Krefeld, was concluded on July 1, 2010. The company specializes in the development and production of civil and military protection technology. This will allow Rheinmetall to expand its expertise further in the area of ballistic protection, strengthen its sales expertise and open up further markets in Europe.

On July 5, 2010, the complete takeover of all shares in Simrad Optronics AS, Nøtterøy/Norway, by Rheinmetall AG was successfully completed. After the end of the offer period for the public takeover bid to shareholders in the company, which was made on May 6, 2010, and a squeeze-out in accordance with the provisions of the Norwegian law on stock companies, Rheinmetall holds 100 % of shares in the company. As part of this, seven foreign companies were added. The group operates production facilities in Nøtterøy and Oslo (both in Norway) and in Biddeford, Maine/USA. The product portfolio of Simrad Optronics AS primarily includes components for remote control weapon stations, for combat vehicles and electro-optical sensors for monitoring, reconnaissance and target-tracking. With the acquisition, Rheinmetall's range of services will be expanded significantly, particularly in the rapidly growing market for weapon stations and in the Scandinavian countries.

The purchase prices for the companies acquired amount to €78 million in total and are to be paid entirely in cash. The incidental costs of €2 million incurred in connection with the purchase of the shares have been recognized as an expense. As part of the purchase price allocation for Verseidag, the share in the company (49 %) attributable to the other shareholders has been taken into account at a fair value of €4 million. This fair value has been calculated based on the purchase price for the shares acquired and the assumption that this price represents an adequate benchmark for the valuation of the shares that have been kept by the seller.

The assets and liabilities acquired from Simrad and Verseidag have been reported in the balance sheet at fair value. Based on the carrying amounts before the acquisition, adjusted for intangible assets including deferred taxes in the amount of €28 million, the following adjustments and fair values have been calculated:

€ million

	Pre-acquisition book values	**Adjustments**	**Fair values**
Goodwill	-	26	26
Other intangible assets	-	62	62
Property, plant and equipment	5	1	6
Inventories	17	0	17
Receivables	15	-	15
Cash and cash equivalents	4	-	4
Other current assets	3	-	3
Current liabilities	25	-	25
Noncurrent liabilities	10	18	28

The fair values of the receivables roughly correspond to the contractually agreed gross amounts. Of the provisional purchase price allocation, the fair values of the intangible assets have the greatest impact, affecting Simrad in the amount of €57 million and Verseidag in the amount of €5 million. These essentially comprise the valuation of customer relationships, technology and the order backlog. Goodwill has been reported in the amount of the share attributable to shareholders in Rheinmetall AG; €24 million relates to Simrad and €2 million to Verseidag. It reflects the expected potential from synergy effects and future market developments.

Simrad contributed sales of €22 million and EBIT of €6 million and Verseidag sales of €3 million and EBIT of €0 million to the ongoing consolidated results. If the acquisitions had taken place on January 1, 2010, the Rheinmetall Group would have achieved additional sales of around €60 million, while the EBIT would have been about €6 million higher.

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

Treasury shares | The Annual General Meeting of May 11, 2010 renewed the Executive Board's authorization, as granted on May 12, 2009, to acquire treasury shares to an extent of up to 10 % of the current common stock of €101,373,440 by May 10, 2015. As at September 30, 2010, the portfolio amounts to 1,355,997 treasury shares (previous year: 1,406,054), acquired at a total cost of €55 million (previous year: €57 million), which is deducted from equity. This authority was not exercised during the first nine months of the current fiscal year.

Employee share purchase program | The Rheinmetall Group offers Rheinmetall AG shares to eligible employees in Germany at preferential conditions. There is a lock-up period of two years for these shares. Within specified subscription periods, the employees are given the opportunity to acquire a limited number of shares at a discount of 30 % on the applicable share price. The first subscription period ran from April 27 to May 10, 2010, with employees acquiring 37,539 shares for €1 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 stock and the capital increase carried out in July 2009 are included in the weighted number of treasury shares.

	Q3/2009	Q3/2010	3Q/2009	3Q/2010
Consolidated net profit/loss for shareholders of Rheinmetall AG *€ million*	7	40	(63)	95
Weighted number of shares *million*	37.8	38.2	35.6	38.2
Earnings per share (€)	**0.19**	**1.04**	**(1.77)**	**2.48**

Cash flow statement | As at January 1, 2009, September 30, 2009 and September 30, 2010, financial resources consisted solely of cash and cash equivalents. As of December 31, 2009/January 1, 2010, financial resources also included a Federal Treasury note of €20 million, which is reported under other financial assets.

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

€ million

	Volume of products/ services provided		Volume of products/ services received		Volume of open items	
	3Q/2009	**3Q/2010**	**3Q/2009**	**3Q/2010**	**12/31/2009**	**Q3/2010**
Joint ventures	46	40	2	6	(5)	6
Associated companies	4	14	8	7	5	14
	50	**54**	**10**	**13**	**0**	**20**

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

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

€ million

Geschäftsfelder	Defence		Automotive		Others / Consolidation		Group	
	3Q/2009	**3Q/2010**	**3Q/2009**	**3Q/2010**	**3Q/2009**	**3Q/2010**	**3Q/2009**	**3Q/2010**
External sales	1,195	1,264	1,112	1,456	0	0	2,307	2,720
Amortization and depreciation	34	41	94	72	0	1	128	114
Of which impairment	-	-	9	-	-	-	9	-
EBIT	110	123	(135)	63	(7)	(13)	(32)	173

Reconciliation of segment EBIT with Rheinmetall Group EBT:

€ million

	3Q/2009	**3Q/2010**
Segment EBIT	**(25)**	**186**
Others	(3)	(12)
Consolidation	(4)	(1)
Group net interest	(42)	(40)
Group EBT	**(74)**	**133**

Disclosures in accordance with Section 37w (5) clause 6 Securities Trading Act (WpHG)

The condensed consolidated interim financial statements as at September 30, 2010 – consisting of the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory disclosures in the notes – and the Group interim management report for the period from January 1 to September 30, 2010 have not been audited in accordance with Section 317 HGB or subjected to a review by a person qualified to audit financial statements.

Düsseldorf, November 12, 2010

Klaus Eberhardt　　Dr. Gerd Kleinert　　Dr. Herbert Müller

Additional information

Financial diary

November 15, 2010
Report on Q3 2010

March 23, 2011
2010 annual report

May 6, 2011
Report on Q1 2011

May 10, 2011
Annual General Meeting

July 29, 2011
Report on Q2 2011

Legal information

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

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

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 be authoritative.

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