Quarterly Financial Report

3Q/2013

Rheinmetall AG

2013

Rheinmetall in figures

Rheinmetall Group key figures *€ million*

	3Q/2012	3Q/2013	Changes
Sales	3,275	3,092	-183
Order intake	3,394	4,498	1,104
Order backlog (September 30)	4,947	6,727	1,780
EBITDA	314	149	-165
EBIT	170	0	-170
EBT	116	(55)	-171
Earnings after taxes	93	(47)	-140
Gross cash flows	227	97	-130
Cash flow	(382)	(359)	23
Capital expenditures	163	135	-28
Amortization/depreciation	144	149	5
Net financial debt (September 30)	594	514	-80
Total equity (September 30)	1,489	1,300	-189
Total assets (September 30)	4,707	4,706	-1
EBIT margin	5.2%	0.0%	-
Earnings per Share (EpS) in €	2.66	(0.63)	-3.29
Employees according to capacity (September 30)	21,731	21,525	-206

The previous year's figures are adjusted.

Divergent Performance at Automotive and Defence

The divergent development of the Rheinmetall Group's two corporate sectors continued in the third quarter of 2013: While the Automotive sector continued to develop positively despite a persistently weak automotive industry in Europe, Defence business remains far behind the previous year's figures for sales and earnings. Nonetheless, the Defence sector also showed a trend toward improvement in the third quarter of 2013, growing considerably in terms of new order acquisition.

- Consolidated sales after three quarters reach €3,092 million, €183 million less than in previous year
- Operating Group earnings fall considerably at €60 million due to weak development in the Defence sector
- Automotive exceeds the previous year's figures for sales and operating earnings
- Defence increases order backlog to a new high of €6.3 billion
- Group forecast for 2013 as a whole confirmed

The measures to increase cost efficiency that were partially introduced in the previous year were also continued consistently in both corporate sectors during the third quarter of 2013. When they take full effect, they are expected to result in savings between €60 million and €75 million and thus in a significant improvement of earnings.

Contents

The Rheinmetall share

»Price rises in the trading year«

So far, the trading year has seen positive development, leading to all-time highs for Germany's two most important indices, the DAX and MDAX, in the third quarter. After a restrained start, the DAX closed the first half of the year at 7,959 points and gained 5% overall. Following a brief phase of weakness that resulted in the third-quarter low of 7,806 points on July 5, the leading index soared rapidly and exceeded its all-time high several times over the summer. Standing at 8,594 points at the end of the quarter, it had gained 13% on the quotation at the end of the previous year.

In contrast to the DAX, the upward trend of the MDAX was mostly steady. After an increase of 15% in the first half of the year and a damper at the end of June/start of July with a quarterly low of 13,608 points on July 3, the index of German mid-cap companies closed the third quarter at 15,034 points, improving by 26% on the end of the previous year. The index reached its highest level of the quarter and thus its historic high on September 27 at 15,078 points.

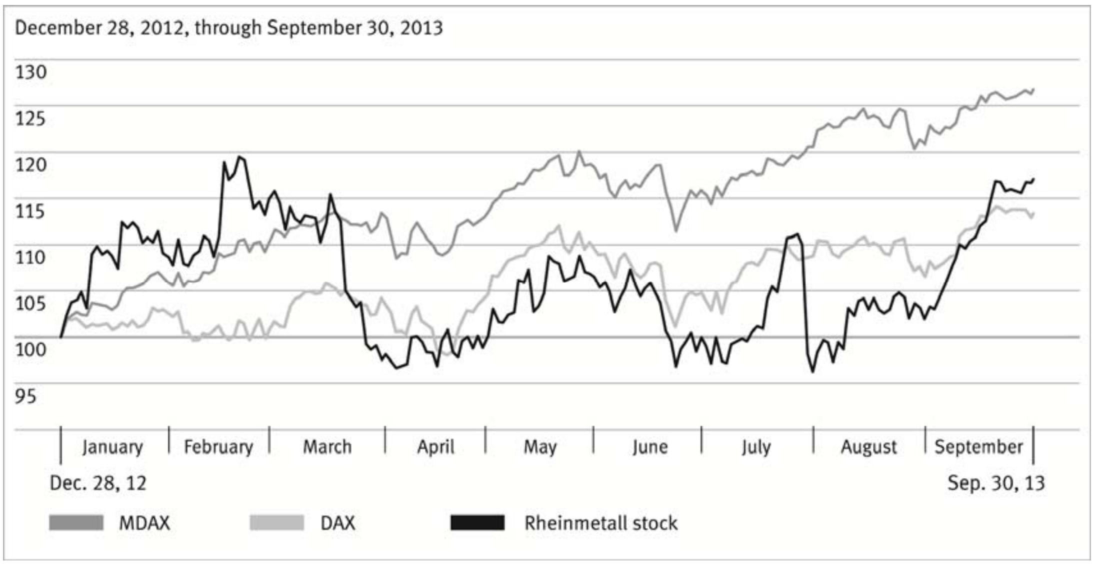
»Slight upward trend for the Rheinmetall share«

After the Rheinmetall share was quoted at close to its price at the beginning of the year on June 30 after volatile development in the second quarter, it started an upturn in the third quarter that was interrupted on July 29 by the reduction of the profit forecast. As a result, the share was traded at its lowest price for the quarter, €35.01, on July 31. Despite downgrades by several brokerages, the price increase then continued, so that the share reached its quarterly high of €42.54 on September 19. It closed at a price of €42.47 on September 30, 2013, which equates to performance over the year so far of 17 %.

»Higher market capitalization and lower trading volume«

At the end of the third quarter, Rheinmetall AG's index-related market capitalization was €1.5 billion, somewhat higher than the €1.4 billion at the end of the first half of the year. The company thus took 25th place in the MDAX, after 23rd place at the end of the first half of the year. At around 205,000 shares, the average daily trading volume on the German stock exchanges in the last three months was lower than in the previous quarter (around 246,000 shares). This resulted in a drop in the MDAX ranking from 16th in the previous quarter to 18th. In addition, Rheinmetall shares were also traded on alternative platforms such as BOAT, Chi-X, Turquoise and BATS. There, an average of around 100,000 shares changed hands per trading day in the third quarter.

Rheinmetall stock price trend in comparison to DAX and MDAX



General economic conditions

»Waning momentum in emerging countries subdues global economy«

After the first three quarters of 2013, the International Monetary Fund (IMF) again lowered its economic forecast for the global economy. In its latest "World Economic Outlook" from October 2013, the IMF forecasts that the global economy will grow by 2.9% this year and 3.6% in 2014. That is 0.3 and 0.2 percentage points lower than forecast in the middle of the year, respectively. This somewhat weaker outlook is the result of the waning growth momentum in the major emerging markets of China, India, and Russia and a forecast for the USA that has been revised downward slightly.

For the mature industrialized nations as a group, the IMF continues to expect growth of 1.2% in 2013 and 2.0% in 2014. The Japanese economy will contribute to this with a growth rate of 2.0% this year and 1.2% in 2014. The IMF also sees positive signals for the euro zone again for the first time after a lengthy lean period. Europe's crisis-stricken countries are slowly working themselves out of recession. The euro zone is expected to achieve an increase of economic output by 1.0% in 2014 after contracting 0.4% this year. The prospects for France and Spain in particular have improved compared to the forecast from the summer. IMF experts are optimistic for Germany, too: German gross domestic product is set to increase by 0.5% in 2013 and 1.4% in 2014. That is 0.2 and 0.1 percentage points higher than in the previous forecast, respectively. For 2013, the IMF therefore generally agrees with the fall report of the leading German economic research institutes, which forecast that gross domestic product will grow by 0.4% this year. For 2014, however, the German institutes are somewhat more optimistic and forecast growth of 1.8%.

Despite positive signals from Europe, the major emerging countries remain the main drivers of growth for the global economy. Nevertheless, the International Monetary Fund is increasingly concerned about the waning growth momentum in emerging economies. Since the IMF revised its outlook for China downward in summer, the October forecast has been lowered again by 0.2 and 0.4 percentage points respectively, so that Chinese gross domestic product is now expected to grow – at a comparatively high level – by "only" 7.6% in 2013 and 7.3% in 2014. In mid-October 2013, a report from the Chinese Bureau of Statistics, which stated that China's economy had grown by 7.8% again in the third quarter compared to 7.5% in the second quarter, was cause for new optimism.

The IMF is particularly critical of current economic development in India: Compared to the summer forecast, the outlook for 2013 has been cut by 1.8 percentage points to 3.8%. Next year, Indian gross domestic product is expected to increase by 5.1%, which represents a lowering of the outlook by 1.1 percentage points. Russian gross domestic product is also to develop less dynamically than originally expected: In Russia, the IMF expects growth rates of 1.5% for 2013 and 3.0% for 2014 (1.0 and 0.3 percentage points below the July 2013 forecast, respectively). According to the IMF, the Brazilian economy will grow by 2.5% both this year and in 2014. Here, only the forecast for 2014 was lowered by 0.7 percentage points.

»Large regional differences in the development of the defence sector«

The development of global military spending is still characterized by large regional differences. Budgets trending upward, particularly in Russia, Asian emerging markets, and in parts of Africa and the Pacific region, are offset by sinking or stagnating defence spending in North America and Europe. On balance, this will cause the global defence sector to decline in 2013 and 2014. According to updated calculations by defence analysts at IHS Jane's from October 2013, global military spending will amount to USD 1,605 billion this year after USD 1,623 billion in 2012. IHS Jane's predicts a reduction to USD 1,506 billion in 2014. A reversal of this trend will set in from 2015, when IHS Jane's expects global defence budgets to amount to USD 1,533 billion and increase successively in subsequent years.

Despite considerable spending cuts, the USA will remain the country with the highest defence spending for the foreseeable future. According to the latest calculations by IHS Jane's, the budget for the US armed forces will be reduced from USD 680 billion in 2012 to USD 638 billion this year. IHS Jane's expects a further reduction to approximately USD 533 billion in 2014. However, this forecast is based on the assumption that the internal political dispute over the US budget for 2014, which has been settled only temporarily, will not lead to another fiscal-policy crisis.

In European nations, defence budgets in the current year are largely characterized by a tendency to stagnate or fall. The German defence budget, which remains important for Rheinmetall Defence, is comparatively stable because of the persistently high need for technological modernization. In 2013, total spending for the German armed forces will amount to €33.3 billion. It is therefore at the previous year's level. The 2014 budget provides for spending of €32.8 billion, which is a slight reduction compared to this year.

Increasing military spending – and thus potentially better market opportunities for defence technology companies – can be seen in numerous emerging countries such as Russia, Indonesia, and Malaysia in 2013 and 2014. According to IHS Jane's, the countries with increasing defence budgets also include the MENA states and South Africa.

»Automotive production in North America and China still has "high torque"«

Automotive production in North America and China continued to develop positively in the first three quarters of 2013; Western Europe is also showing initial signs of recovery after a lengthy lean period. In early October, the President of the Association of the German Automotive Industry (VDA), Matthias Wissmann, spoke about the market development: "Our companies are currently benefiting from their presence in growth centers and the emerging stabilization in the Western European market. Unfortunately, this stabilization is occurring at a relatively low level."

Overall, according to market researchers at IHS Automotive, the global production of passenger cars and light commercial vehicles up to 3.5t was 2% higher in the first nine months of 2013 than in the same period of the previous year. In absolute terms, 60.9 million vehicles were manufactured after three quarters of this year, compared with 59.7 million in the same period of 2012. In the triad markets of NAFTA, Western Europe, and Japan, vehicle production fell slightly at -1%. Growth of 4.9% in the NAFTA region was offset by a considerable decline in production of -8.5% in Japan, which was primarily due to the expiration of government incentives to buy at the start of 2013. The Western European market showed initial signs of recovery with a decline of 2.4% (the year-on-year decline in the first half of the year was -5.6%). A positive trend also emerged for Germany, although according to IHS Automotive's calculations production figures were still slightly lower year on year at -1.2% in the first nine months of 2013.

General economic conditions

Although general economic development in China has lost momentum, the Chinese automotive market once again performed its role as the engine of the industry's global growth in the first three quarters of 2013. According to IHS Automotive, the production growth amounted to 10.8%. By contrast, signs of a temporary end to the boom have intensified in India. Due to higher financing costs and increasing uncertainty about the macroeconomic situation, Indian automotive production fell by 3.6% in the first nine months of 2013. On the other hand, positive stimuli are coming from Brazil, where production was 11.5% higher than in the same period of the previous year.

For 2013 as a whole, IHS Automotive predicts global production growth of 2.2% to 81.5 million vehicles. Not least because of the forecast recovery of the Western European market, the growth momentum is expected to be much stronger again next year. For 2014, the analysts at IHS Automotive expect growth in global production of 4.0% to 84.7 million vehicles.

Due to its strong local presence in the most important growth markets – particularly in the USA, China, and Brazil – and its leading position in the field of environmentally friendly mobility, the Automotive sector of Rheinmetall (KSPG) is well equipped to make optimum use of the available opportunities for growth around the world.

Rheinmetall Group business trend

Sales *€ million*

	3Q/2012	3Q/2013
Rheinmetall Group	**3,275**	**3,092**
Defence	1,470	1,263
Automotive	1,805	1,829

EBIT *€ million*

	3Q/2012	3Q/2013
Rheinmetall Group	**170**	**0**
Defence	79	(90)
Automotive	108	94
Others/Consolidation	(17)	(4)

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

	3Q/2012	3Q/2013
Rheinmetall Group	**122**	**60**
Defence	31	(52)
Automotive	108	116
Others/Consolidation	(17)	(4)

»Mixed picture in the first nine months of 2013«

In the first nine months, Rheinmetall generated total sales of €3,092 million, a 6% decline on the same period of the previous year (€3,275 million). Business volume decreased only in the Defence sector. By contrast, the Automotive sector increased its sales despite the phase of weakness in the European automotive industry.

In the first nine months of 2013, the proportion of sales achieved abroad in the Group was unchanged at 74%. In addition to the German market (26%), the key regions in terms of sales volumes were Europe excluding Germany (41%), followed by Asia (13%) and North America (11%).

Alongside the considerably lower sales in the first nine months of 2013, increased project and acquisition costs in the Defence sector negatively affected the operating result (EBIT before special items). At €60 million, the operating result in the Group was €62 million lower than in the previous year. Including the expenses reported for restructuring measures (€60 million; Q1-Q3 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 (€48 million), the Group broke even in terms of EBIT after generating €170 million in the same period of the previous year.

»Order backlog of €6.7 billion«

The Rheinmetall Group recorded an order intake of €4,498 million in the first nine months of 2013 (previous year: €3,394 million). On September 30, 2013, the order backlog stood at €6,727 million (December 31, 2012: €5,405 million).

»Asset and capital structure«

The Rheinmetall Group's total assets amounted to €4,706 million as at September 30, 2013. This corresponds to a decrease of €193 million as against December 31, 2012. Non-current assets amounted to 50% of total assets as at September 30, 2013, compared with 49% as at December 31, 2012. They decreased by €14 million during the reporting period to €2,365 million. Current assets decreased by €179 million compared with December 31, 2012, with the increase in inventories being offset by a 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 €64 million to €1,591 million. €33 million of this was attributable to pension provisions and €31 million to non-current financial debts. The €36 million increase in non-current liabilities resulted primarily from the increase in payments received. The increase in current financial debts (€65 million) is offset by the decline in trade liabilities (€62 million).

Asset and capital structure *€ million*

	12/31/2012	%	Q3/2013	%
Noncurrent assets	2,379	49	2,365	50
Current assets	2,520	51	2,341	50
Total assets	**4,899**	**100**	**4,706**	**100**
Equity	1,465	30	**1,300**	28
Noncurrent liabilities	1,655	34	1,591	34
Current liabilities	1,779	36	1,815	38
Total equity and liabilities	**4,899**	**100**	**4,706**	**100**

»Capital expenditure down on previous year«

The Rheinmetall Group invested a total of €135 million in the first nine months of the current fiscal year, which is €28 million less than in the previous year. The investment ratio (capital expenditure as a percentage of sales) was 4.4% after 5.0% in the same period of the previous year.

Capital expenditure *€ million*

	3Q/2012	3Q/2013
Rheinmetall Group	**163**	**135**
Defence	57	34
Automotive	105	99
Others/Consolidation	1	2

»Employee numbers fall slightly«

On September 30, 2013, a total of 21,525 people were employed by the Rheinmetall Group around the world, down 206 on September 30, 2012. The workforce was reduced by 345 at Rheinmetall Defence and the number of employees in the Automotive sector increased by 130. Of the total workforce, 43% were employed in the Defence sector, 56% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

Employees (capacity)

	Q3/2012	Q3/2013
Rheinmetall Group	**21,731**	**21,525**
Defence	9,700	9,355
Automotive	11,892	12,022
Others	139	148

Rheinmetall Group business trend
Defence sector

Defence key figures *€ million*

	3Q/2012	3Q/2013	Change
Sales	1,470	1,263	-207
Operating result	31	(52)	-83
Operating result margin	2.1%	(4.1)%	
EBITDA	144	(23)	-167
EBIT	79	(90)	-169
EBT	57	(110)	-167
Order intake	1,578	2,644	1,066
Order backlog (September 30)	4,528	6,285	1,757
Employees according to capacity (September 30)	9,700	9,355	-345

»Sales well below previous year«

At €1,263 million in the first nine months of 2013, sales in the Defence sector fell below the previous year's figure of €1,470 million by €207 million or 14%. The decline in sales related in particular to the Wheeled Vehicles and Combat Systems divisions. Sales development in the Defence division also suffered from budget cuts in key customer nations, which especially affected munitions business. The Unmanned Aerial Systems product unit, the majority of which was sold to Cassidian in mid-2012, contributed €22 million to the previous year's sales.

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 €31 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 €52 million was reported for the first nine months of 2013.

»Joint venture founded with Ferrostaal«

Rheinmetall and Ferrostaal GmbH concluded a contract to found a 50:50 joint venture in September of the current fiscal year. The joint venture is to plan and implement turnkey industrial facilities as general contractor or subcontractor. By cooperating with Ferrostaal, Rheinmetall is laying the foundations for further internationalization. Subject to the approval of the competition authorities, the new company is set to start work at the beginning of 2014. The new joint venture will be carried at equity.

»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 nine months of 2013 was on measures in the Wheeled Vehicles division, for which an expense of €25 million was posted.

»International presence strengthened by major orders«

The Defence sector posted a high order intake in the first nine months of 2013. At €2,644 million, the previous year's figure of €1,578 million was exceeded by 68%.

In the third quarter of 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 1.6 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. In the first half of the year, the sector received a large order worth €475 million in connection with the supply of Leopard 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 €6,285 million, the Defence sector's order backlog on September 30, 2013 was €1,757 million higher than the previous year's figure.

Rheinmetall Group business trend
Automotive sector

Automotive key figures *€ million*

	3Q/2012	3Q/2013	Change
Sales	1,805	1,829	24
Operating result	108	116	8
Operating result margin	6.0%	6.3%	
EBITDA	188	176	-12
EBIT	108	94	-14
EBT	96	82	-14
Order intake	1,816	1,854	38
Order backlog (September 30)	419	442	23
Employees according to capacity (September 30)	11,892	12,022	130

»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. The Automotive sector more than compensated for the negative influence of the declining automotive industry in Europe by sharpening its focus on non-European markets, e.g. in Asia. In the first nine months of 2013, sales increased by €24 million from €1,805 million to €1,829 million.

The operating result (EBIT before special items) was €116 million, exceeding the previous year's figure of €108 million. In the Hardparts division, the operating result suffered from lower sales. By contrast, the Mechatronics division – supported by higher sales – increased the operating result despite higher R&D expenses.

»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 nine months of 2013, the Automotive corporate sector initiated restructuring measures in order to adapt to the changed market environment. Expenses of €22 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 26% (calculated on a 100% basis) in the first nine months of 2013, with sales amounting to €374 million as against €298 million in the previous year. With an increase of €8 million or 36%, EBIT climbed at a disproportionately high rate to €30 million.

Opportunities and risks

»Efficient risk management«
In the context of a systematic and efficient risk management system, risks at the Rheinmetall Group are limited and of manageable proportions. There are no discernible material risks that could permanently endanger the Group's net assets, financial position or results of operations.

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

Prospects

»forecast for the Group confirmed«
For the Group, Rheinmetall still 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 forecast has been specified on the basis of the Defence sector's business development in the third quarter. With annual sales of €2.3 billion, the operating result is expected to be €60 million, the lower end of the previous forecast.

For the Automotive sector, Rheinmetall expects to exceed its original targets after good business performance in the first nine months of 2013. While expected sales in 2013 as a whole remain at €2.4 billion to €2.5 billion, an operating result (EBIT before special items) of €140 million to €150 million is now expected.

»"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

On October 9, 2013, Moody's downgraded Rheinmetall by one grade to Ba1 (stable outlook). The Moody's rating is therefore below the Investment Grade threshold. The main consequence will be that financing costs will increase. After minor effects on the current year 2013, an increase of €4-5 million is expected in 2014.

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

Condensed consolidated interim financial statements of Rheinmetall AG for 3Q/2013

Rheinmetall Group
Balance sheet as at September 30, 2013

Assets *€ million*

	12/31/2012	Q3/2013
Goodwill	560	556
Intangible assets	344	324
Property, plant and equipment	1,177	1,155
Investment property	19	18
Investments accounted for using the equity method	147	151
Other non-current financial assets	8	6
Other non-current assets	7	6
Deferred taxes	117	149
Non-current assets	**2,379**	**2,365**
Inventories	826	1,077
./. Prepayments received	(30)	(52)
	796	1,025
Trade receivables	1,032	998
Other current financial assets	34	22
Other current receivables and assets	124	145
Income tax receivables	33	32
Cash and cash equivalents	501	119
Current assets	**2,520**	**2,341**
Total assets	**4,899**	**4,706**

Equity and liabilities *€ million*

	12/31/2012	Q3/2013
Share capital	101	101
Additional paid-in capital	307	307
Other reserves	848	906
Earnings after taxes of Rheinmetall AG shareholders	170	(24)
Treasury shares	(72)	(60)
Rheinmetall AG shareholders' equity	**1,354**	**1,230**
Minority interests	111	70
Equity	**1,465**	**1,300**
Provisions for pensions and similar obligations	919	886
Other non-current provisions	85	88
Non-current financial debts	572	541
Other non-current liabilities	30	32
Deferred taxes	49	44
Non-current liabilities	**1,655**	**1,591**
Other current provisions	391	391
Current financial debts	27	92
Trade liabilities	648	586
Other current liabilities	663	704
Income tax liabilities	50	42
Current liabilities	**1,779**	**1,815**
Total liabilities	**4,899**	**4,706**

The previous year's figures are adjusted

Rheinmetall Group
Income statement for Q1- Q3 2013

€ million

	3Q/2012	3Q/2013
Sales	**3,275**	**3,092**
Changes in inventories and work performed by the enterprise and capitalised	166	222
Total operating performance	**3,441**	**3,314**
Other operating income	135	61
Cost of materials	1,810	1,776
Personnel expenses	1,008	1,000
Amortization, depreciation and impairment	144	149
Other operating expenses	454	473
Net operating income	**160**	**(23)**
Net interest [1)]	(54)	(55)
Net investment income and other net financial income [2)]	10	23
Net financial income	**(44)**	**(32)**
Earnings before taxes (EBT)	**116**	**(55)**
Income taxes	(23)	8
Earnings after taxes	**93**	**(47)**
Of which:		
Minority interests	*(9)*	*(23)*
Rheinmetall AG shareholders	*102*	*(24)*
Earnings per share (€)	2.66	(0.63)
EBITDA	314	149
EBIT	170	0

The previous year's figures are adjusted

1) Of which interest expenses: €56 million (previous year: €58 million)

2) Of which income from investments carried at equity: €18 million (previous year: €13 million)

Rheinmetall Group
Comprehensive income for Q1-Q3 2013

€ million

	3Q/2012	3Q/2013
Earnings after taxes	**93**	**(47)**
Actuarial gains and losses from pension provisions	(79)	19
Amounts not reclassified in the income statement	**(79)**	**19**
Change in value of derivative financial instruments (cash flow hedge)	(1)	(22)
Currency conversion difference	5	(53)
Income/expenses from investments accounted for using the equity method	-	(3)
Amounts reclassified in the income statement	**4**	**(78)**
Other comprehensive income (after taxes)	**(75)**	**(59)**
Comprehensive income	**18**	**(106)**
Of which:		
Minority interests	*(9)*	*(36)*
Rheinmetall AG shareholders	*27*	*(70)*

The previous year's figures are adjusted

Rheinmetall Group
Income statement for Q3 2013

€ million

	Q3/2012	Q3/2013
Sales	**1,022**	**1,030**
Changes in inventories and work performed by the enterprise and capitalised	66	92
Total operating performance	**1,088**	**1,122**
Other operating income	35	17
Cost of materials	580	611
Personnel expenses	321	319
Amortization, depreciation and impairment	48	50
Other operating expenses	133	146
Net operating income	**41**	**13**
Net interest [1)]	(18)	(19)
Net investment income and other net financial income [2)]	6	5
Net financial income	**(12)**	**(14)**
Earnings before taxes (EBT)	**29**	**(1)**
Income taxes	(8)	(1)
Earnings after taxes	**21**	**(2)**
Of which:		
Minority interests	*(7)*	*(3)*
Rheinmetall AG shareholders	*28*	*1*
Earnings per share (€)	0.73	0.03
EBITDA	95	68
EBIT	47	18

The previous year's figures are adjusted

1) *Of which interest expenses: €19 million (previous year: €20 million)*

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

Rheinmetall Group
Comprehensive income for Q3 2013

€ million

	Q3/2012	Q3/2013
Earnings after taxes	**21**	**(2)**
Actuarial gains and losses from pension provisions	(21)	-
Amounts not reclassified in the income statement	**(21)**	**-**
Change in value of derivative financial instruments (cash flow hedge)	5	5
Currency conversion difference	(1)	(15)
Income/expenses from investments accounted for using the equity method	-	(3)
Amounts reclassified in the income statement	**4**	**(13)**
Other comprehensive income (after taxes)	**(17)**	**(13)**
Comprehensive income	**4**	**(15)**
Of which:		
Minority interests	*(7)*	*(3)*
Rheinmetall AG shareholders	*11*	*(12)*

The previous year's figures are adjusted

Rheinmetall Group
Cash flow statement for Q1-Q3 2013

€ million

	3Q/2012	3Q/2013
Opening cash and cash equivalents January 1	**535**	**501**
Earnings after taxes	93	(47)
Amortization, depreciation and impairments	144	149
Changes in pension provisions	(10)	(5)
Gross cash flows	**227**	**97**
Changes in working capital and others	(446)	(321)
Cash flows from operating activities [1)]	**(219)**	**(224)**
Investments in property, plant and equipment, intangible assets and investment property	(163)	(135)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	7	2
Investments in consolidated companies and financial assets	(41)	(2)
Divestments of consolidated companies and financial assets	44	16
Cash flows from investing activities	**(153)**	**(119)**
Dividends paid out by Rheinmetall AG	(69)	(68)
Other profit distributions	(7)	(7)
Purchase of treasury shares	(20)	-
Sale of treasury shares	2	2
Cash receipts from partial sales of consolidated companies	-	4
Borrowing of financial debts	46	69
Repayment of financial debts	(18)	(32)
Cash flows from financing activities	**(66)**	**(32)**
Changes in financial resources	**(438)**	**(375)**
Changes in cash and cash equivalents due to exchange rates	2	(7)
Total change in financial resources	**(436)**	**(382)**
Closing cash and cash equivalents September 30	**99**	**119**

The previous year's figures are adjusted

1) Including:

Net income taxes of €-37 million (previous year: €-47 million)

Net interest of €-33 million (previous year: €-33 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	-	-	-	-	-	-	102	-	102	(9)	93
Other comprehensive income	-	-	(79)	*5*	*(1)*	4	-	-	(75)		(75)
Comprehensive income	**-**	**-**	**(79)**	***5***	***(1)***	**4**	**102**	**-**	**27**	**(9)**	**18**
Dividends payout	-	-	(69)	-	-	-	-	-	(69)	(7)	(76)
Transfer to/from reserves	-	-	213	-	-	-	(213)	-	-	-	-
Other changes	-	-	-	-	-	-	-	(10)	(10)	1	(9)
Balance as at September 30, 2012	**101**	**307**	**785**	*61*	*76*	**137**	**102**	**(65)**	**1,367**	**122**	**1,489**
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	-	-	-	-	-	-	(24)	-	(24)	(23)	(47)
Other comprehensive income	-	-	19	*(47)*	*(18)*	(65)	-	-	(46)	(13)	(59)
Comprehensive income	**-**	**-**	**19**	***(47)***	***(18)***	**(65)**	**(24)**	**-**	**(70)**	**(36)**	**(106)**
Dividends payout	-	-	(68)	-	-	-	-	-	(68)	(7)	(75)
Transfer to/from reserves	-	-	170	-	-	-	(170)	-	-	-	-
Other changes	-	-	2	-	-	-	-	12	14	2	16
Balance as at September 30, 2013	**101**	**307**	**854**	**(6)**	**58**	**52**	**(24)**	**(60)**	**1,230**	**70**	**1,300**

Notes to the consolidated financial statements

»General principles«

The condensed consolidated interim financial statements of Rheinmetall AG as at September 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 nine 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 nine months of fiscal 2012 was reduced by €13 million and other comprehensive income including deferred taxes was increased by €11 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 nine months 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% (December31,2012: 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 nine months of 2013, there were two additions to the scope of consolidation as a result of company foundations, one in Germany and one abroad. Furthermore, one German company was removed 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 nine months of the current fiscal year, this right was not exercised. As at September 30, 2013, the portfolio of treasury shares after disposals amounted to 1,577,948, which is 4.0% of the share capital (previous year: 1,639,002; December 31, 2012: 1,881,647) with acquisition costs totaling €60 million (previous year: €65 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

	Q3/2012	Q3/2013	3Q/2012	3Q/2013
Earnings after taxes of Rheinmetall AG shareholders	28	1	102	(24)
Weighted number of shares *million*	38.0	38.0	38.1	37.9
Earnings per share (€)	**0.73**	**0.03**	**2.66**	**(0.63)**

»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	
	3Q/2012	**3Q/2013**	**3Q/2012**	**3Q/2013**	**9/30/2012**	**9/30/2013**
Joint ventures	139	96	8	8	6	(63)
Associated companies	3	4	10	24	*5*	(6)
	142	**100**	**18**	**32**	***11***	**(69)**

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	**Q3/2013**
Derivatives without hedge accounting	8	6
Derivatives with hedge accounting	13	5
Financial assets	**21**	**11**
Derivate ohne Hedge Accounting	22	14
Derivate mit Hedge Accounting	17	32
Finanzielle Verbindlichkeiten	**39**	**46**

»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	
	3Q/2012	3Q/2013	3Q/2012	3Q/2013	3Q/2012	3Q/2013	3Q/2012	3Q/2013
External sales	1,470	1,263	1,805	1,829	-	-	3,275	3,092
Amortization and depreciation	65	67	79	82	0	0	144	149
Of which impairment	-	-	*0*	*0*	-	-	*0*	*0*
Operating result	31	(52)	108	116	(17)	(4)	122	60
Special items	48	(38)	-	(22)	-	-	48	(60)
Restructuring	-	*(38)*	-	*(22)*	-	-	-	*(60)*
Corporate transactions	*48*	-	-	-	-	-	*48*	-
EBIT	79	(90)	108	94	(17)	(4)	170	0

Reconciliation of segment EBIT to Rheinmetall Group EBT:

€ million

	3Q/2012	**3Q/2013**
Segment EBIT	**187**	**4**
Others	60	(5)
Consolidation	(77)	1
Group EBIT	**170**	**0**
Group net interest	(54)	(55)
Group EBT	**116**	**(55)**

»Significant events after the balance sheet date«

On October 9, 2013, Moody's downgraded Rheinmetall by one grade to Ba1 (stable outlook). The Moody's rating is therefore below the Investment Grade threshold. The main consequence will be that financing costs will increase. After minor effects on the current year 2013, an increase of €4-5 million is expected in 2014.

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

Düsseldorf, November 7, 2013

Armin Papperger Dr. Gerd Kleinert Helmut P. Merch

Financial calendar

March 19, 2014
2013 Annual Report

May 6, 2014
Annual General Meeting

May 8, 2014
Report on Q1/2014

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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Executive Board | Armin Papperger, Chairman
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