Quarterly Financial Report

3Q | 2014

Rheinmetall AG

Rheinmetall in figures

Rheinmetall Group key figures € million

		3Q/2014	3Q/2013	Change
Order situation (continuing operations)				
Order intake [1]	€ million	3,445	4,360	-915
Order backlog (September 30) [1]	€ million	6,583	6,690	-107
Sales/Results (continuing operations)				
Sales [1]	€ million	3,215	2,956	259
of which generated abroad	%	75	75	-
Operating result	€ million	39	58	-19
Operating result margin	%	1.2	2.0	-0.8 Pp.
EBIT	€ million	23	(2)	25
EBIT margin	%	0.7	(0.1)	0.8 Pp.
EBT	€ million	(32)	(56)	24
Balance sheet (September 30) (continuing and discontinued operations)				
Total equity	€ million	1,253	1,300	-47
Total assets [1]	€ million	5,211	4,715	496
Equity ratio	%	24	28	-4 Pp.
Cash and cash equivalents	€ million	187	119	68
Total assets less cash and cash equivalents	€ million	5,024	4,596	428
Net financial debt [1]	€ million	658	523	135
Leverage ratio [2]	%	13.1	11.4	1.7 Pp.
Net Gearing [3]	%	52.5	40.2	12.3 Pp.
Cash Flow (continuing and discontinued operations)				
Cash flow from operating activities	€ million	(345)	(224)	-121
Cash flow from investing activities	€ million	(154)	(119)	-35
Cash flow from financing activities [1]	€ million	240	(33)	273
Cash flow	€ million	(499)	(343)	-156
Employees (September 30) according to capacities (continuing operations)				
Rheinmetall Group [1]		20,237	20,710	-473
Defence		9,229	9,355	-126
Automotive [1]		10,861	11,207	-346
Holding/service companies		147	148	-1
Share				
Stock price (September 30)	€	38.10	42.47	-4.37
Stock price, annual high	€	57.87	42.54	15.33
Stock price, annual low	€	37.72	35.01	2.71
Earnings per share from continuing operations	€	(0.39)	(0.65)	0.26

1) *The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"*

2) *Net financial liabilities/total assets adjusted for cash and cash equivalents*

3) *Net financial liabilities/equity*

Growth in sales at Rheinmetall

Rheinmetall posted sales growth in both sectors in the first nine months of 2014. However, only the Automotive sector recorded an improvement in its operating result. Due to a significant reduction in restructuring costs, reported earnings (EBIT) are positive again following a loss in the previous year.

- Consolidated sales up 9 % to €3,215 million in the first nine months of 2014
- Defence posts sales growth of 10 % to €1,384 million
- Automotive increases sales to €1,831 million and sees strong upturn in operating result to €139 million
- Group EBIT improves by €25 million to €23 million
- €168.5 million in promissory notes successfully placed

The annual Group forecast for the operating result (EBIT before special items) in 2014 has been lowered from between €200 million and €220 million to €150 million. This change in forecast is due to significantly lower earnings expectations for the Defence sector and a higher forecast for the Automotive sector.

Contents

The Rheinmetall share

INDICES CONTINUE TO MOVE SIDEWAYS, WITH GREATER VOLATILITY

In the quarter under review, the DAX and MDAX continued the sideways movement that had been observed since fall 2013, albeit with more marked fluctuation. At the beginning of the third quarter, the two indices reached annual highs of 10,029 (DAX on July 3, 2014) and 16,944 (MDAX on July 4, 2014). However, market sentiment deteriorated within just a few weeks, partly due to the escalation of the crises in Ukraine and Gaza. This caused the indices to drop to their lowest levels so far this year - the DAX to 9,009 points on August 8, 2014 and the MDAX to 15,330 points on August 8, 2014. The subsequent recovery phase lasted until mid-September 2014. Fears then arose that the German economy, the driver of growth in Europe, could cool down. This was reflected in falling share prices. The DAX closed the quarter on September 30, 2014 down 4% compared with June 30, 2014, at 9,474 points. The MDAX lost 5% in the same period, ending the quarter at 15,995 points.

THE RHEINMETALL SHARE COMES UNDER PRESSURE

Following a good first quarter and a volatile sideways movement in the second quarter, the Rheinmetall share came under considerable pressure in the third quarter. One reason for this was the announcement by the Federal Minister of Economics that tougher restrictions would be introduced on export licenses for military equipment. This was aggravated by the ongoing public debate on this subject in Germany. In addition, the Ukraine crisis and the resulting sanctions imposed by Western governments prompted the German government to revoke the export license for a combat training center in Russia. Rheinmetall was thus forced to lower its profit forecast for 2014 when it published its report on the first six months of the year. This development, which became apparent during July, caused Rheinmetall's share price to fall to just under €40 following the publication of the half-yearly report on August 6, 2014. The Rheinmetall share then recovered in line with the indices in the period up to September, but had fallen again by the end of the third quarter of 2014. The annual low on September 29, 2014 was €37.72 and the share price on September 30, 2014, the last trading day of the quarter, was €38.10.

MARKET CAPITALIZATION AND TRADING VOLUME

The market capitalization of Rheinmetall AG, calculated based on the free float of shares, fell from €1.7 billion in December 2013 to €1.6 billion in September 2014. At the same time, Rheinmetall slipped from 25th place in Deutsche Börse's MDAX rankings at the end of 2013 to 29th place at the end of September. In terms of stock exchange turnover, which is calculated based on the past 12 months, it rose from 23rd to 20th in the rankings during the same period. By contrast, stock exchange turnover calculated on the basis of average daily trading volume on all German stock exchanges, including Xetra, fell to 206,000 shares in the first nine months of 2014, compared to 234,000 shares in the same period of the previous year.

INVESTOR RELATIONS ACTIVITIES

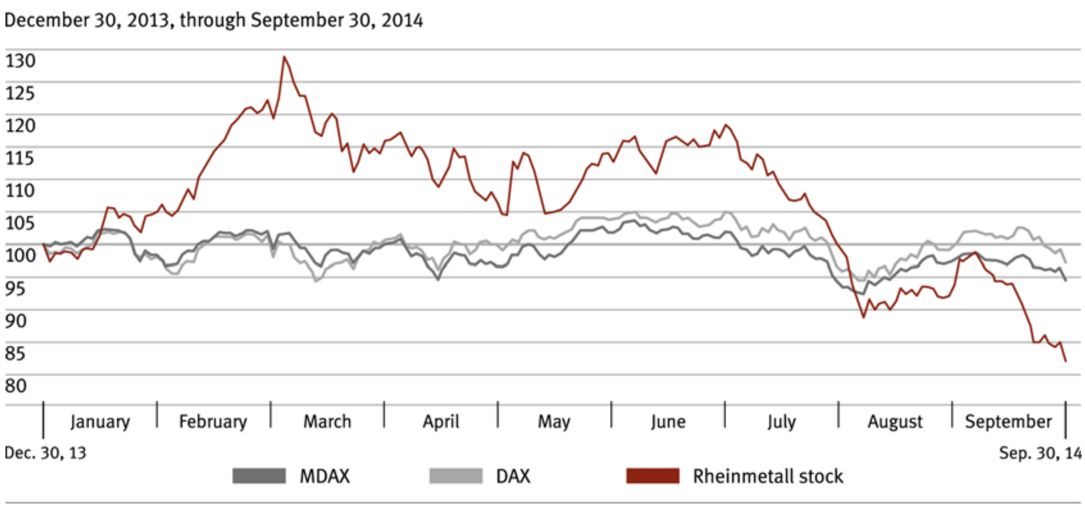
Rheinmetall once again held a number of meetings with analysts and investors in the first nine months of the year. Executive Board members and/or the Investor Relations department attended conferences in Frankfurt, Munich, Berlin, London and New York, while roadshows took them to Frankfurt, Brussels, Stockholm, Helsinki, London, Paris, Zurich and the USA.

ANALYSIS OF SHAREHOLDERS

In the first nine months of 2014, three investment companies reported a reduction in their stake in Rheinmetall AG in accordance with the German Securities Trading Act. Harris, an investor based in Chicago, USA, fell below the 10% mark in March and reported a shareholding of 9.82%. BlackRock, based in New York, USA, fell below the 3% mark in August and reported a shareholding of 2.99%. Wellington, a company based in Boston, USA, also dropped below the 3% threshold in September, reporting a shareholding of 2.82%.

The investment company LSV, Wilmington, USA, reported in January 2014 that it had exceeded the 3% threshold with a stake of 3.03%. In July 2014, the investor M & G / Prudential, London, UK, reported that it had exceeded the same threshold, also with a stake of 3.03%. The investor Dimensional, Austin, USA, increased its stake to 3.01 % at the end of August, also reaching the 3% threshold.

Rheinmetall stock price trend in comparison to the DAX and MDAX



General economic conditions

ECONOMIC GROWTH RUNS OUT OF STEAM – SIGNIFICANT INCREASE IN RISKS TO THE GLOBAL ECONOMY

Growth in the global economy continued to lose momentum in the third quarter of 2014, while risks to further economic development increased. Accordingly, the International Monetary Fund (IMF) revised its growth forecast for the current year downwards again in October 2014. In its latest World Economic Outlook, the IMF forecasts an increase of only 3.3% in global economic output for 2014. Although this is only 0.1 percentage point less than the forecast from July 2014, the current outlook is 0.4 percentage points lower than the April 2014 forecast. The International Monetary Fund has also lowered its expectations for next year. Growth of only 3.8% is anticipated for 2015, after the IMF's experts raised their spring forecast from 3.9% to 4.0% in July 2014. The bleaker outlook was mainly due to the fact that development in the euro zone and Japan failed to live up to expectations, along with the geopolitical crises in Ukraine and the Middle East.

The IMF forecasts growth of 1.8% in 2014 and 2.3% in 2015 for the mature industrialized nations as a group. Strongly positive economic development is expected in the USA, for which the current 2014 forecast has been raised by 0.5 percentage points to 2.2%. US gross domestic product is once again expected to record above-average growth in 2015, with an increase of 3.1% compared with other mature industrialized nations. The situation is completely different in Japan. The IMF has lowered its 2014 forecast for the Japanese economy by 0.7 percentage points to just 0.9 %. Growth of 0.8% is anticipated for 2015. The current forecast here has been lowered by 0.2 percentage points compared with the July 2014 forecast.

Development in the euro zone was also well below expectations. Instead of the upturn they had hoped for, IMF experts are now warning about a risk of stagnation in Europe. Economic output in the common currency area of the European Union is expected to grow by only 0.8% in 2014 and by 1.3% next year. This represents a reduction of 0.3 and 0.2 percentage points respectively compared with the July forecast. The German economy is also noticeably losing momentum. The IMF anticipates growth in German gross domestic product of 1.4% this year and 1.5% in 2015, which represents a reduction in the forecast from the summer of 0.5 and 0.2 percentage points respectively. The IMF is advising Germany to counteract weak growth through public investment in infrastructure in particular. It says that Germany has restructured its budget and can afford this kind of economic stimulation without infringing the deficit criteria of the EU stability pact.

The more pessimistic assessment of economic development in Germany is largely consistent with the assessment in the fall report by leading German economic research institutes. In their report, German economic experts anticipate growth of only 1.3 % in the current year and of 1.2% in 2015. In the spring, the institutes had forecast rates of 1.9% and 2.0% for 2014 and 2015 respectively. The experts also share the IMF's view on public investment. They have called on the German government to abandon the target of "zero debt" for 2015 in favor of more investment and relief for citizens.

As well as Germany, the International Monetary Fund is also critical of the economic situation in France and Italy. Economic forecasts have been lowered for both countries. In the case of Italy, the IMF even indicates that economic output will contract by 0.2% this year. In contrast, the Spanish economy is said to be on a stable path towards recovery.

The picture for emerging countries is mixed: the Chinese economy, which has been the driving force behind growth in recent years, is in comparatively robust condition. China's gross domestic product is expected to grow by 7.4% in 2014 and by 7.1% in 2015. Although these are much lower growth rates than those previously achieved in Chinese gross domestic product, the IMF has not had to revise its forecast for China downwards. India has also returned to growth following a temporary phase of weakness. According to the IMF's calculations, Indian gross domestic product is set to grow by 5.6% in 2014 and by 6.4% next year. In contrast, Brazil has remained well below expectations. Here, the IMF has lowered its 2014 forecast by one percentage point to only very slight growth of 0.3%. Growth in 2015 is expected to total 1.4%.

The IMF has noticed clear signs of an economic slowdown in Russia, where the conflict with Ukraine and the associated Western sanctions are having an impact. The fund has forecast growth of only 0.2% for this year; in 2015, the Russian economy is expected to recover only slightly, with growth of 0.5%.

TREND TOWARDS INCREASED SPENDING IN THE GLOBAL DEFENSE SECTOR

Following a temporary decline in 2012 and 2013, global defense spending is on the rise again in both 2014 and 2015. According to the latest calculations by defense analysts at IHS Jane's, the defense sector will reach a total volume of around USD 1,607 billion this year, compared with approximately USD 1,582 billion in 2013. IHS Jane's indicates a further increase to USD 1,621 billion next year.

In particular, the growth in the global defense sector is fueled by increased spending in many emerging and developing countries, some of which are investing heavily in the modernization of their armed forces. India is one example of this. The world's largest democracy by population has set aside around USD 47.8 billion for its defense budget in 2014, compared with around USD 46.0 billion in the previous year. In 2015, India's defense spending is set to rise to USD 50.5 billion, according to IHS Jane's.

The picture in the USA, the country with the largest defense budget worldwide, is mixed. The USA will spend around USD 581 billion on its armed forces this year, slightly less than last year's figure of USD 586 billion. However, the USA has abandoned its original savings targets. The plans for 2015 illustrate this particularly clearly. While a reduction in US defense spending to USD 535 billion was initially planned, the budget next year will be reduced only to around USD 566 billion. With these lower savings, the USA is reacting to growing challenges in terms of security policy and corresponding deployment and modernization requirements for its armed forces.

In Germany, which is still Rheinmetall Defence's most important individual market, a study by a consortium of advisors to the Ministry of Defense into the situation regarding central armaments projects was presented at the beginning of October 2014. The report concludes that the planning and decision-making processes used until now in procurement will need to be redefined, to ensure more transparency and economic efficiency. The relevant industrial associations – including the Federation of German Security & Defence Industries (Bundesverband der Deutschen Sicherheits- und Verteidigungsindustrie – BDSV) – have promised their support, as this objective is in line with their own requirements. In particular, the industry has welcomed the call for quick decisions on upcoming armaments projects. The study also confirms the need for provision of adequate funds, which the industry has been warning about for a long time.

The study by the consortium of advisors does not have any direct impact on the current defense budget. Defense spending in 2014 will amount to around €32.4 billion, down slightly on the previous year's figure of around €33.3 billion. A budget of approximately €32.3 billion is planned for 2015, which roughly corresponds to the level for the current budget year.

Irrespective of stagnating or declining budgets in many Western nations, Rheinmetall Defence will use its expertise in protecting soldiers on deployment for targeted exploitation of market opportunities arising from current or upcoming modernization projects of the German armed forces and NATO nations. However, general conditions in terms of foreign policy and security policy as set out by the German government will also result in new market potential for Rheinmetall Defence in other friendly nations. Examples of this are Australia and the Scandinavian countries of Norway and Sweden, where Rheinmetall Defence has achieved important sales successes in recent years. Budgets in these countries are displaying a stable to slightly upward trend.

GLOBAL AUTOMOTIVE MARKET IN ROBUST CONDITION

The global automotive market remained robust in the first nine months of 2014, despite the increasingly difficult overall economic environment. Production increased in the major automotive markets of China, NAFTA, Western Europe and Japan in particular. In contrast, a decline in production figures was recorded in India, Brazil and Russia.

According to calculations by analysts at IHS Automotive, global production of passenger cars and light commercial vehicles weighing up to 3.5t rose by 4.2% in the first nine months of 2014, to approximately 63.9 million units. In the triad markets of Western Europe, NAFTA and Japan, production increased by 5.2%. While the North American market and Japan recorded similar growth of 5.4% and 5.5% respectively, production figures in Western Europe were up 4.8% year-on-year. Germany, which, unlike most European countries, can look back on a robust automotive industry in recent years, recorded growth of 3.6% in the first nine months of 2014.

In China, the world's largest automotive market, growth picked up again following a slight slowdown recently. An increase of 11.1% in production was recorded in the first nine months of 2014. However, IHS Automotive has calculated disappointing figures for other major emerging countries. In Brazil, the comparatively weak economy is reflected in a decline of 15.9% in production. A decline was also recorded in Russia (-8.7%) and India (-2.5%).

Analysts at IHS Automotive remain confident for 2014 as a whole, particularly in view of positive developments in China and North America and the backlog in Western Europe. They are anticipating growth of 3.5% in worldwide automotive production to around 85.6 million vehicles. A similarly large increase in production of 3.3% to 88.4 million vehicles is expected for next year.

Currently foreseeable developments in the automotive industry continue to offer good growth opportunities for Rheinmetall Automotive, based on the global market presence of KSPG. Moreover, its strong position in the field of environmentally friendly mobility opens up new opportunities for strong growth. Rheinmetall Automotive is benefiting here in particular from further acceleration of the regulatory trend towards an increased reduction in fuel consumption and CO_2 emissions worldwide.

Rheinmetall Group business trend

The Automotive sector's Aluminium-Technologie business unit is set to continue in the form of a joint venture in the future. Due to this planned transaction, this business unit has been assigned to discontinued operations. The previous period has been adjusted accordingly.

Sales € million (continuing operations)

	3Q/2014	3Q/2013
Rheinmetall Group [1) 2)]	3,215	2,956
Defence	1,384	1,263
Automotive [1) 2)]	1,831	1,693

EBIT € million (continuing operations)

	3Q/2014	3Q/2013
Rheinmetall Group [2)]	23	(2)
Defence	(100)	(90)
Automotive [2)]	139	92
Others/Consolidation	(16)	(4)

Operating result € million (EBIT before special items, continuing operations)

	3Q/2014	3Q/2013
Rheinmetall Group [2)]	39	58
Defence	(84)	(52)
Automotive [2)]	139	114
Others/Consolidation	(16)	(4)

1) *The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"*

2) *The previous year's figures are adjusted for discontinued operations*

SALES GROWTH IN THE FIRST NINE MONTHS OF 2014

In the first nine months of 2014, Rheinmetall generated consolidated sales of €3,215 million; compared to the previous year. This is an increase in business volume of €259 million or 9 %. Growth stood at 11 % after adjusting for currency effects.

In the first nine months of 2014, the proportion of sales achieved abroad in the Group was 75%, as in the previous year. In addition to the German market (25%), the key regions in terms of sales volumes were Europe excluding Germany (39%), followed by Asia (17%) and North America (11%).

In the first nine months of 2014, the operating result (EBIT before special items) dropped by €19 million year on year to €39 million. In the Automotive sector, the sales growth and the first effects of the program to increase cost efficiency that was launched last year contributed to an improvement in the operating result. In contrast, the result for the Defence sector deteriorated due to internal and external effects. Earnings before interest and taxes (EBIT) rose from a loss of €-2 million in the first nine months of 2013 to €23 million in the first nine months of the current year, due to a significant reduction in special items (restructuring).

Rheinmetall Group business trend

ORDER BACKLOG STILL AT A RECORD LEVEL

The Rheinmetall Group recorded an order intake of €3,445 million in the first nine months of 2014 (previous year: €4,360 million). On September 30, 2014, the order backlog stood at €6,583 million (December 31, 2013: €6,442 million).

ASSET AND CAPITAL STRUCTURE

The Rheinmetall Group's total assets amounted to €5,211 million as at September 30, 2014. This corresponds to an increase of €345 million as against December 31, 2013. Non-current assets increased by €44 million in the period under review to €2,389 million. Current assets increased by €301 million as against December 31, 2013. Here, a decline in cash and cash equivalents was offset by an increase in inventories, trade receivables and assets held for sale. The equity ratio, at 24%, was below the previous year's figure of 28%. Non-current liabilities increased by €142 million to €1,720 million. This increase was mainly attributable to a rise in pension provisions of €100 million and in non-current financial debts of €46 million. In the case of the €289 million rise in current liabilities, increases in current financial debts, other current liabilities and liabilities in connection with assets held for sale were offset by a decline in trade payables.

Asset and capital structure € million

	9/30/2014	%	12/31/2013	%
Non-current assets [1)]	2,389	46	2,345	48
Current assets [1)]	2,822	54	2,521	52
Total assets	**5,211**	**100**	**4,866**	**100**
Equity	1,253	24	1,339	28
Non-current liabilities	1,720	33	1,578	32
Current liabilities [1)]	2,238	43	1,949	40
Total equity and liabilities	**5,211**	**100**	**4,866**	**100**

1) The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"

CAPITAL EXPENDITURE UP ON PREVIOUS YEAR

The Rheinmetall Group invested a total of €149 million in the first nine months of the current fiscal year, compared to €135 million in the previous year. The main investment in the Automotive sector was the construction of the new Pierburg plant in the Lower Rhine for the Mechatronic division in Neuss, which involved a total sum of around €50 million. €18 million of this related to the first nine months of the current fiscal year. The Defence sector implemented a number of projects to optimize its production and site structures. The investment ratio (capital expenditure as a percentage of sales) was 4.6%, as in the same period of the previous year.

Capital expenditure € million

	3Q/2014	3Q/2013
Rheinmetall Group	149	135
Defence	48	34
Automotive	93	99
Others/Consolidation	8	2

EMPLOYEE NUMBERS DOWN

On September 30, 2014, a total of 20,237 people were employed by the Rheinmetall Group around the world (continuing operations), down 473 or 2% compared with September 30, 2013. The workforce was reduced by 126 at Rheinmetall Defence and by 345 in the Automotive sector. Of the total workforce, 45% were employed in the Defence sector, 54% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

Employees (capacity)

	9/30/2014	9/30/2013
Defence	9,229	9,355
Automotive 1) 2)	10,861	11,207
Others	147	148
Rheinmetall Group (continuing operations)	20,237	20,710
Rheinmetall Group (discontinued operations)	874	878

1) The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"

2) The previous year's figures are adjusted for discontinued operations

Rheinmetall Group business trend
Defence sector

Defence key figures € million

	3Q/2014	3Q/2013	Change
Sales	1,384	1,263	121
Operating result	(84)	(52)	-32
Operating result margin *in %*	(6.1)	(4.1)	-2.0 Pp.
EBITDA	(38)	(23)	-15
EBIT	(100)	(90)	-10
EBT	(119)	(110)	-9
Order intake	1,592	2,644	-1,052
Order backlog (September 30)	6,165	6,285	-120
Employees according to capacity (September 30)	9,229	9,355	-126

DEFENCE SALES UP ON PREVIOUS YEAR

At €1,384 million, the Defence sector's sales rose by €121 million or 10% in the first nine months of 2014, compared with €1,263 million in the previous year. Growth stood at 11% after adjusting for currency effects.

INTERNAL AND EXTERNAL EFFECTS HAVE NEGATIVE IMPACT ON RESULTS

The operating result (EBIT before special items) declined year-on-year, falling by €32 million to €-84 million. The improvement in earnings in the Wheeled Vehicles division did not offset the fall in earnings in the Electronic Solutions and Combat Systems divisions. In the Electronic Solutions division, the withdrawal of the export license for the combat training center to be delivered to Russia, together with a decline in sales due to market forces and unexpected cost overruns for development projects at a Scandinavian subsidiary, had a negative impact on the operating result. In the Combat Systems division, the general weakness of the market, combined with delays in the issuing of export licenses, particularly for ammunition and protective systems, led to unexpectedly large profit losses. Furthermore, provisions had to be made in the third quarter of 2014 for possible warranty claims arising from a deal involving naval gun systems.

EBIT amounted to €-100 million in the first nine months (previous year: €-90 million). Special items due to restructuring fell substantially from €38 million to €6 million, as expected. As well as restructuring costs, there was an expense of €10 million in connection with the implementation of the final step in the sale of the Airborne Systems product unit in 2012.

SOUND ORDER INTAKE IN DIFFICULT MARKET ENVIRONMENT

The Defence sector recorded a solid order intake in the first nine months of 2014, achieving a positive book-to-bill ratio once again. At €1,592 million, the order intake fell significantly short of the previous year's figure of €2,644 million. However, it must be borne in mind that the large orders in Qatar (€475 million) and for the Land 121 project (around €1,100 million) were recorded in the previous year. At a value of €6,165 million as at September 30, 2014, the Defence sector's order backlog was only slightly lower than the previous year's record level of €6,285 million.

Rheinmetall Group business trend
Automotive sector

The Aluminium-Technologie business unit with its main site in Neckarsulm, which forms part of the Hardparts division, is set to continue in the form of a joint venture with the Chinese company HUAYU Automotive Systems Co. Ltd. in future, with which several joint ventures in China already exist. In July 2014, KSPG and HUAYU Automotive Systems Co. Ltd. concluded agreements regarding the formation of a joint venture. The approval of the Chinese antitrust authorities is still pending. The Aluminium-Technologie business unit has been assigned to the Automotive sector's discontinued operations. The previous period has been adjusted accordingly.

Automotive key figures € million

	3Q/2014	3Q/2013	Change
Continuing operations			
Sales [1]	1,831	1,693	138
Operating result	139	114	25
Operating result margin *in %* [1]	7.6	6.7	0,9 Pp.
EBITDA [1]	215	168	47
EBIT	139	92	47
EBT	127	81	46
Order intake [1]	1,853	1,716	137
Order backlog (September 30) [1]	418	405	13
Employees according to capacity (September 30) [1]	10,861	11,207	-346
Discontinued operations			
Sales [1]	162	144	18
Operating result	6	2	4
EBIT	0	2	-2
Employees according to capacity (September 30) [1]	874	878	-4

1) The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"

SALES GROWTH AND STRONG UPTURN IN EARNINGS IN THE AUTOMOTIVE SECTOR

In the first nine months of 2014, the Automotive sector benefited from the positive situation in the automotive industry with global production growth of 4.2% for passenger cars. Production figures rose 5.2% year on year in the triad markets of NAFTA, Japan and Western Europe. Rheinmetall Automotive (KSPG) achieved sales of €1,831 million in the first six months of 2014. With growth of €138 million or 8% compared to the same period of the previous year, the sector again exceeded the growth of the market. After adjustment for currency effects, sales grew by 11%. In particular, the sector has benefited from the high demand for products to reduce fuel consumption and emissions on all key automotive markets, driven by legal requirements.

The growth in the operating result (EBIT before special items) was disproportionately high. In the first nine months of this year, Rheinmetall's Automotive sector generated a €25 million or 22 % improvement in the operating result to €139 million. The operating result margin therefore increased to 7.6%, compared with 6.7% in the previous year. In addition to the sales growth and an improved operating performance, the increase in earnings is above all attributable to savings made as a result of the implementation of the restructuring program that has been commenced. In addition, the fact that the previous year's restructuring costs of €22 million no longer applied led to an increase of €47 million in EBIT to €139 million.

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 23% (calculated on a 100% basis) in the first nine months of 2014, with sales amounting to €461 million as against €374 million in the previous year. Chinese automotive production grew by 11% in the first nine months compared with the same period of 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 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 2013.

There have been changes and new findings in terms of regulatory risks, mainly as a result of political discussion in Germany regarding the future direction of its arms export policy which may impair the Rheinmetall Group's operating business.

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

Prospects

RHEINMETALL ADJUSTS GROUP FORECASTS: AUTOMOTIVE STRONGER, DEFENCE WEAKER

Sales – Rheinmetall is now anticipating consolidated sales of around €4.6 billion for the current fiscal year (previously between €4.6 billion and €4.7 billion). In the Automotive sector, Rheinmetall expects to generate annual sales of approximately €2.4 billion, at the upper end of the range of €2.3 billion to €2.4 billion that was previously forecast. Rheinmetall has lowered its 2014 sales forecast for the Defence sector from €2.3 billion to around €2.2 billion, largely due to delays in export business and the general weakness of the market.

Operating result – The Automotive sector is now expected to achieve an operating result of €180 million for continuing operations in 2014, i.e. not including the Aluminium-Technologie business unit, which is to be incorporated into a joint venture. The previous forecast was between €155 million and €165 million. With regard to the operating result in the Defence sector, Rheinmetall is now anticipating a slight loss of €-10 million before special items. The Group had previously forecast a positive operating result of €65 million to €75 million for the Defence sector. About half of the adjustment to the earnings forecast is due to a drop in sales, caused by export licenses that were not granted or were granted only after a delay, and to a general slowdown in the markets. Unexpected cost overruns in development projects at a Scandinavian subsidiary, the provision for potential warranty claims from a deal with naval gun systems and a deterioration in the product mix were also factors in the adjustment of the operating earnings forecast for fiscal 2014.

Consequently, Rheinmetall expects the Group to achieve an operating result (EBIT before special items) of €150 million in fiscal 2014 (previously: €200 million to €220 million).

Group EBIT – Subsequent expenses arising from non-operational non-recurring effects of up to €20 million are expected. As well as delayed costs from the previous year's restructuring program, these non-recurring effects include an unexpected expense in connection with the final contractual step in the sale of the product unit airborne systems in 2012. Group EBIT of €130 million is thus forecast. The potential negative financial effects expected as a result of administrative offense proceedings against a Rheinmetall subsidiary in Bremen in connection with corruption inquiries in Greece are not yet included in this figure.

Group EBT – From today's perspective, we expect net interest of approximately €75 million, meaning that we anticipate Group EBT of €55 million.

Return on capital employed (ROCE) – We do not expect a significant rise in capital employed in the current fiscal year. Based on expected Group EBIT, we anticipate that the return on capital employed will be between 4.0% and 5.0%.

Report on post-balance sheet date events

On October 15, 2014, Rheinmetall AG successfully issued promissory note loans of €168.5 million with a medium to long-term maturity at extremely favorable interest terms. This further strengthened the financing profile of the Rheinmetall Group.

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

Condensed consolidated interim financial statements of Rheinmetall AG for the first nine months of 2014

Rheinmetall Group
Balance sheet as at September 30, 2014

Assets € million

	9/30/2014	12/31/2013
Goodwill	554	555
Intangible assets	308	319
Property, plant and equipment[1)]	1,133	1,167
Investment property	13	14
Investments accounted for using the equity method[1)]	165	150
Other non-current financial assets[1)]	8	5
Other non-current assets	6	6
Deferred taxes	202	129
Non-current assets	**2,389**	**2,345**
Inventories[1)]	1,145	940
./. Prepayments received	(70)	(31)
	1,075	909
Trade receivables[1)]	1,196	984
Other current financial assets	32	34
Other current receivables and assets [1)]	155	119
Income tax receivables	49	26
Cash and cash equivalents	187	445
Disposal group held for sale	128	4
Current assets	**2,822**	**2,521**
Total assets	**5,211**	**4,866**

1) *The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"*

Equity and liabilities € million

	9/30/2014	12/31/2013
Share capital	101	101
Additional paid-in capital	310	307
Retained earnings	822	905
Treasury shares	(52)	(58)
Rheinmetall AG shareholders' equity	**1,181**	**1,255**
Minority interests	72	84
Equity	**1,253**	**1,339**
Provisions for pensions and similar obligations	991	891
Other non-current provisions	84	88
Non-current financial debts	578	532
Other non-current liabilities	24	31
Deferred taxes	43	36
Non-current liabilities	**1,720**	**1,578**
Other current provisions	409	388
Current financial debts [1]	267	60
Trade liabilities	626	721
Other current liabilities	780	739
Income tax liabilities	45	41
Liabilities in connection with assets held for sale	111	-
Current liabilities	**2,238**	**1,949**
Total liabilities	**5,211**	**4,866**

1) *The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"*

Rheinmetall Group
Income statement for Q1-Q3 2014

€ million

	3Q/2014	3Q/2013
Sales 1)	**3,215**	**2,956**
Changes in inventories and work performed by the enterprise and capitalised 1)	238	215
Total operating performance	**3,453**	**3,171**
Other operating income	94	68
Cost of materials 1)	1,945	1,705
Personnel expenses 1)	971	956
Amortization, depreciation and impairment 1)	139	143
Other operating expenses 1)	485	460
Net operating income	**7**	**(25)**
Net interest 2)	(55)	(54)
Net investment income and other net financial income 3)	16	23
Net financial income	**(39)**	**(31)**
Earnings before taxes from continuing operations (EBT)	**(32)**	**(56)**
Income taxes	9	8
Earnings from continuing operations	**(23)**	**(48)**
Earnings from discontinued operations	3	1
Earnings after taxes	**(20)**	**(47)**
Of which:		
Minority interests	*(8)*	*(23)*
Rheinmetall AG shareholders	*(12)*	*(24)*
Earnings per share after taxes of Rheinmetall AG shareholders from continuing operations (€)	(0.39)	(0.65)
Earnings per share after taxes of Rheinmetall AG shareholders from discontinued operations (€)	0.08	0.02
EBITDA	162	141
EBIT	23	(2)

1) The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"

2) Of which interest expenses: €56 million (previous year: €55 million)

3) Of which income from investments carried at equity: €17 million (previous year: €18 million)

Rheinmetall Group
Comprehensive income for Q1-Q3 2014

€ million

	3Q/2014	3Q/2013
Earnings after taxes	**(20)**	**(47)**
Remeasurement of net defined liability from pensions	(103)	19
Amounts not reclassified in the income statement	**(103)**	**19**
Change in value of derivative financial instruments (cash flow hedge)	8	(22)
Currency conversion difference	37	(53)
Income/expenses from investments accounted for using the equity method	5	(3)
Amounts reclassified in the income statement	**50**	**(78)**
Other comprehensive income (after taxes)	**(53)**	**(59)**
Comprehensive income	**(73)**	**(106)**
Of which:		
Minority interests	*(5)*	*(36)*
Rheinmetall AG shareholders	*(68)*	*(70)*

Rheinmetall Group
Income statement for Q3 2014

€ million

	Q3/2014	Q3/2013
Sales [1]	**1,084**	**981**
Changes in inventories and work performed by the enterprise and capitalised	59	92
Total operating performance	**1,143**	**1,073**
Other operating income	34	19
Cost of materials [1]	648	584
Personnel expenses [1]	313	306
Amortization, depreciation and impairment	47	48
Other operating expenses [1]	181	142
Net operating income	**(12)**	**12**
Net interest [2]	(16)	(19)
Net investment income and other net financial income [3]	5	5
Net financial income	**(11)**	**(14)**
Earnings before taxes from continuing operations (EBT)	**(23)**	**(2)**
Income taxes	7	(1)
Earnings from continuing operations	**(16)**	**(3)**
Earnings from discontinued operations	2	1
Earnings after taxes	**(14)**	**(2)**
Of which:		
Minority interests	*0*	*(3)*
Rheinmetall AG shareholders	*(14)*	*1*
Earnings per share after taxes of Rheinmetall AG shareholders from continuing operations (€)	(0.40)	0.01
Earnings per share after taxes of Rheinmetall AG shareholders from discontinued operations (€)	0.04	0.02
EBITDA	40	65
EBIT	(7)	17

1) *The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"*

2) *Of which interest expenses: €16 million (previous year: €19 million)*

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

Rheinmetall Group
Comprehensive income for Q3 2014

€ million

	Q3/2014	Q3/2013
Earnings after taxes	**(14)**	**(2)**
Remeasurement of net defined liability from pensions	(18)	-
Amounts not reclassified in the income statement	**(18)**	**-**
Change in value of derivative financial instruments (cash flow hedge)	(1)	5
Currency conversion difference	24	(15)
Income/expenses from investments accounted for using the equity method	4	(3)
Amounts reclassified in the income statement	**27**	**(13)**
Other comprehensive income (after taxes)	**9**	**(13)**
Comprehensive income	**(5)**	**(15)**
Of which:		
Minority interests	*(1)*	*(3)*
Rheinmetall AG shareholders	*(4)*	*(12)*

Rheinmetall Group
Cash flow statement for Q1-Q3 2014

€ million

	3Q/2014	3Q/2013
Opening cash and cash equivalents January 1 [1]	**445**	**502**
Earnings after taxes	(20)	(47)
Amortization, depreciation and impairments [1]	149	150
Changes in pension provisions	(4)	(5)
Gross cash flows [1]	**125**	**98**
Changes in working capital and others [1]	(470)	(322)
Cash flows from operating activities [2]	**(345)**	**(224)**
Investments in property, plant and equipment, intangible assets and investment property	(164)	(135)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	3	2
Investments in consolidated companies and financial assets	(5)	(2)
Divestments of consolidated companies and financial assets	12	16
Cash flows from investing activities	**(154)**	**(119)**
Dividends paid out by Rheinmetall AG	(15)	(68)
Other profit distributions	(8)	(7)
Sale of treasury shares	6	2
Cash receipt from partial sales of consolidated companies	0	4
Borrowing of financial debts	458	69
Repayment of financial debts [1]	(201)	(33)
Cash flows from financing activities [1]	**240**	**(33)**
Changes in financial resources [1]	**(259)**	**(376)**
Changes in cash and cash equivalents due to exchange rates	1	(7)
Total change in financial resources [1]	**(258)**	**(383)**
Closing cash and cash equivalents September 30	**187**	**119**

1) *The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"*

2) *Including:*

Net income taxes of €-40 million (previous year: €-37 million)

Net interest of €-35 million (previous year: €-33 million)

Rheinmetall Group
Statement of changes in equity

€ million

	Share capital	Additional paid-in capital	*Difference of currency conversion*	*Statement of fair value and other valuations*	*Other reserves*	**Retained earnings**	Treasury shares	**Rheinmetall AG shareholders equity**	Minority interests	**Equity**
Balance as at January 1, 2013	**101**	**307**	***41***	***76***	***901***	**1,018**	**(72)**	**1,354**	**111**	**1,465**
Earnings after taxes	-	-	*-*	*-*	*(24)*	(24)	-	(24)	(23)	(47)
Other comprehensive income	-	-	*(47)*	*(18)*	*19*	(46)	-	(46)	(13)	(59)
Comprehensive income	**-**	**-**	***(47)***	***(18)***	***(5)***	**(70)**	**-**	**(70)**	**(36)**	**(106)**
Dividends payout	-	-	*-*	*-*	*(68)*	(68)	-	(68)	(7)	(75)
Other changes	-	-	*-*	*-*	*2*	2	12	14	2	16
Balance as at Sept. 30, 2013	**101**	**307**	***(6)***	***58***	***830***	**882**	**(60)**	**1,230**	**70**	**1,300**
Balance as at January 1, 2014	**101**	**307**	***(34)***	***55***	***884***	**905**	**(58)**	**1,255**	**84**	**1,339**
Earnings after taxes	-	-	*-*	*-*	*(12)*	(12)	-	(12)	(8)	(20)
Other comprehensive income	-	-	*36*	*11*	*(103)*	(56)	-	(56)	3	(53)
Comprehensive income	**-**	**-**	***36***	**11**	***(115)***	**(68)**	**-**	**(68)**	**(5)**	**(73)**
Dividends payout	-	-	*-*	*-*	*(15)*	(15)	-	(15)	(8)	(23)
Other changes	-	3	*-*	*-*	*-*	-	6	9	1	10
Balance as at Sept. 30, 2014	**101**	**310**	***2***	***66***	***754***	**822**	**(52)**	**1,181**	**72**	**1,253**

Notes to the consolidated financial statements

GENERAL PRINCIPLES

The condensed consolidated interim financial statements of Rheinmetall AG as at September 30, 2014 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 2014 do not necessarily allow conclusions to be drawn as to future development.

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 fiscal 2013, with the exception of the accounting treatment of arrangements regarding joint operations.

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, 2014.

IFRS 10	“Consolidated Financial Statements”
IFRS 11	“Joint Arrangements”
IFRS 12	“Disclosure of Interests in Other Entities”
Amendment to IAS 28	“Investments in Associates and Joint Ventures”
Amendment to IAS 32	“Financial Instruments: Presentation”
Amendment to IAS 39	“Financial Instruments: Recognition and Measurement”

IFRS 11 affected the assets, earnings and Notes to Rheinmetall’s consolidated financial statements. The amendments to IFRS 11 and IFRS 12 have also resulted in new or modified Notes that will need to be introduced for the first time at the end of the fiscal year. All other amended or new standards did not result in significant changes to assets, earnings or the Notes.

IFRS 10 “Consolidated Financial Statements” contains principles for presenting and preparing consolidated financial statements. The new standard contains a different definition of control, on the basis of which the group of subsidiaries which must be consolidated is defined. In addition to the voting rights, other contractual agreements or constructive patterns can lead to control if the parent company can determine the financial and business activities of another company, achieve variable returns from this and influence the level of the returns.

IFRS 11 “Joint Arrangements” contains the regulations for recognition in the balance sheet of joint arrangements with one or more companies, and thus replaces IAS 31 “Interests in Joint Ventures”. The main amendments relate to the abolition of the voting right of the proportionate consolidation of joint ventures, the terminology used and the categorization of joint arrangements. A review of activities in the Rheinmetall Group that are performed jointly with other companies found that two joint ventures qualify as joint operations. These two companies have been carried at equity in the consolidated financial statements to date. The investment book value in the consolidated financial statements was €7 million as at December 31, 2013.

From fiscal 2014, these companies will be included in the consolidated financial statements together with pro-ratable assets, liabilities, income and expenses. The previous year's figures have been adjusted as follows:

€ million

	Jan. 1, 2013		
Balance sheet	**reported**	**Change**	**adjusted**
Property, plant and equipment	1,177	12	1,189
Investments accounted for using the equity method	147	-7	140
Other non-current financial assets	8	-1	7
Inventories	796	2	798
Trade receivables	1,032	2	1,034
Other current receivables and assets	124	2	126
Other assets	1,615	0	1,615
Total assets	**4,899**	**10**	**4,909**
Equity	1,465	0	1,465
Current financial debts	27	10	37
Other liabilities	3,407	0	3,407
Total liabilities	**4,899**	**10**	**4,909**

	Dec. 31, 2013		
Balance sheet	**reported**	**Change**	**adjusted**
Property, plant and equipment	1,156	11	1,167
Investments accounted for using the equity method	157	-7	150
Other non-current financial assets	6	-1	5
Inventories	906	3	909
Trade receivables	982	2	984
Other current receivables and assets	118	1	119
Other assets	1,532	0	1,532
Total assets	**4,857**	**9**	**4,866**
Equity	1,339	0	1,339
Current financial debts	51	9	60
Other liabilities	3,467	0	3,467
Total liabilities	**4,857**	**9**	**4,866**

€ million

	3Q/2013		
Statement of comprehensive income	**reported**	**Change**	**adjusted**
Net income	(47)	0	(47)
of which sales	*3,092*	*8*	*3,100*
of which personnel expenses	*1,000*	*3*	*1,003*
of which cost of materials	*1,776*	*3*	*1,779*
of which other operating expenses	*473*	*2*	*475*
Other comprehensive income	(59)	-	(59)
Comprehensive Income	**(106)**	**0**	**(106)**

	Q3/2013		
Statement of comprehensive income	**reported**	**Change**	**adjusted**
Net income	(2)	0	(2)
of which sales	*1,030*	*3*	*1,033*
of which personnel expenses	*319*	*2*	*321*
of which cost of materials	*611*	*1*	*612*
of which other operating expenses	*146*	*0*	*146*
Other comprehensive income	(13)	-	(13)
Comprehensive Income	**(15)**	**0**	**(15)**

In IFRS 12 “Disclosure of Interests in Other Entities”, all Notes about companies which are under the control, joint management or controlling influence of the reporting company are combined together in a standard (included in IAS 27, IAS 28 and IAS 31 to date).

The amendments to IAS 32 “Financial Instruments: Presentation” clarify the offsetting of financial receivables and financial liabilities.

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.

The following new or amended standards and interpretations were published in the period up to September 30, 2014. Endorsement in EU law is still pending.

IFRS 9	“Financial instruments”
Amendment to IFRS 10	“Consolidated Financial Statements”
Amendment to IFRS 11	“Joint Arrangements”
IFRS 14	„Regulatory Deferral Accounts”
IFRS 15	„Revenue from Contracts with Customers“
Amendment to IAS 16	“Property, Plant and Equipment”
Amendment to IAS 28	“Investments in Associates and Joint Ventures”
Amendment to IAS 38	“Intangible Assets”
IFRS improvements	“2012-2014 cycle”

The amendments to IAS 16 and IAS 38 primarily relate to the clarification that a sales-based method is not an appropriate depreciation method for property, plant and equipment and intangible assets as this method does not reflect the consumption of an asset's future economic benefits. This amendment is to be applied prospectively for fiscal years from 2016 onwards. These amendments will not impact the net assets and results of operations of the Rheinmetall Group.

With the amendments to IAS 28 and IFRS 10, conflicts between the two standards with respect to transactions with affliates and joint venture companies were eliminated. It was established that proceeds from the sale or the contribution of assets which do not relate to business operations would be only partially carried, while proceeds from the sale or contribution of business operations would be carried in full. These rules will apply in financial years from January 1, 2016 onwards. The changes will not affect the net assets and results of operations of the Rheinmetall Group.

IFRS 9 was published as a complete standard in 2014, bringing together all previously published regulations and the new regulations on the recognition of impairment and limited amendments to the classification and measurement of financial assets. At the same time, the date for first application of this standard was delayed until fiscal years beginning on or after January 1, 2018. The effects of the application of IFRS 9 are still being examined and are not currently considered to be material.

The amendments to IFRS 11 "Joint Arrangements" contain guidance on accounting for acquisitions of interests in joint operations. This clarifies that the acquirer must apply the regulations given in IFRS 3 "Business Combinations" and other relevant standards on accounting and disclosures and that interests already held shall not be remeasured upon acquisition. This amendment is to be applied prospectively for fiscal years from 2016 onwards. These clarifications will not impact the net assets and results of operations or the Notes of the Rheinmetall Group.

The new standard IFRS 14 "Regulatory Deferral Accounts" provides for simplifications in connection with regulatory deferral accounts arising from price regulation when applying IFRS for the first time. This standard will be applied for the first time on January 1, 2016. This standard will not affect Rheinmetall's consolidated financial statements.

The new standard IFRS 15 "Revenue from Contracts with Customers" specifies when or during what period sales are to be recognized from contracts with customers and in what amount. This replaces all previous standards and interpretations on the recognition of sales. The new standard is to be applied for fiscal years from 2017 onwards. The extent to which this will impact the net assets and results of operations of the Rheinmetall Group is currently being examined.

"Annual Improvements to IFRSs 2012-2014 Cycle" were also published in September 2014, which must be applied from fiscal years 2016 and 2017 onwards. These amendments include clarifications and specifications regarding the calculation of the discount rate for post-retirement benefits, interim reporting and Notes on financial instruments. Separate guidelines have also been incorporated for cases in which a company reclassifies an asset from the "held for sale" category to the "held for distribution" category and vice versa and for cases in which recognition as "held for distribution" is discontinued. The effects of the annual improvements for 2012-2014 are currently still being examined. No material impact is expected on the net assets and results of operations of the Rheinmetall Group.

ESTIMATES

The preparation of the interim financial statements requires 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 2.50% (December 31, 2013: 3.25%) was applied for pension provisions in Germany and a rate of 1.70% (December 31, 2013: 2.30%) for Switzerland. These constitute countries with significant pension obligations. The reduction in the interest rate led to an increase of actuarial losses from pension obligations recognized in equity. All other parameters relevant to the measurement of pension obligations remained unchanged compared with December 31, 2013.

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 other rights which enable it to control significant activities of the investee. In the first nine months of 2014, there were two additions to the scope of consolidation due to the formation of new companies abroad and disposals due to an internal merger in Germany and a liquidation abroad.

The sale of 50% of the main share of the Automotive sector's Aluminium-Technologie business unit to the Chinese company HUAYU Automotive Systems Co. Ltd. was concluded when the contract was signed on July 18, 2014. Rheinmetall will surrender the majority of its voting rights in this business unit on the basis of the planned sale and will then continue the business unit as a joint venture together with the investor. As the requirements for reclassification as discontinued operations in accordance with IFRS 5 were met at the end of the second quarter, the disposal business unit has since then been presented separately in the balance sheet and income statement in quarterly financial reports.

The carrying amounts of assets and liabilities to be disposed of from the Aluminium-Technologie business unit break down as follows:

€ million

	9/30/2014
Disposal group held for sale	
Property, plant and equipment	61
Inventories	38
Trade receivables	18
Other assets	11
Total	**128**
Liabilities in connection with assets held for sale	
Provisions for pensions	34
Other provisions	13
Financial debts	6
Trade liabilities	25
Other liabilities	33
Total	**111**

The result from discontinued operations of the Aluminium-Technologie business unit includes the following items:

€ million

	Q3/2014	Q3/2013	3Q/2014	3Q/2013
Sales	56	52	168	147
Expenses	53	51	161	146
Loss from the measurement of discontinued operations at fair value less costs of disposal	1	0	8	0
Earnings before taxes from discontinued operations	**2**	**1**	**(1)**	**1**
Income taxes	0	0	4	0
Earnings after taxes from discontinued operations	**2**	**1**	**3**	**1**
of which Rheinmetall AG shareholders	*2*	*1*	*3*	*1*

Due to its classification as a discontinued operation as at June 30, 2014, the disposal business unit was measured at the lower of carrying amount or fair value less costs of disposal. This resulted in impairment of €6 million of property, plant and equipment and of €2 million of goodwill assigned to this business unit.

Cash flows assigned to the discontinued operations break down as follows:

€ million

	3Q/2014	3Q/2013
Cash flows from operating activities	(6)	(2)
Cash flows from investing activities	(4)	(6)
Cash flows from financing activities	0	0

TREASURY SHARES

The Annual General Meeting on May 6, 2014 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 5, 2019. In the first nine months of the current fiscal year, this right was not exercised. As at September 30, 2014, the portfolio of treasury shares amounted to 1,350,953 (previous year: 1,557,948; December 31, 2013: 1,524,233) with acquisition costs totaling €52 million (previous year: €60 million, December 31, 2013: €58 million), which were deducted from equity. The proportion of treasury shares in subscribed capital is 3.41%.

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 1, 2014, the beneficiaries of the incentive program for fiscal 2013 received a total of 123,337 shares (previous year: a total of 214,557 shares on April 4, 2013, for fiscal 2012).

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. Employees purchased 49,943 shares for €2 million on June 3, 2014.

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

	Q3/2014	Q3 2013	3Q/2014	3Q/2013
Weighted number of shares *in million*	38.25	38.02	38.18	37.90
Earnings after taxes of Rheinmetall AG shareholders from continuing operations	(16)	0	(15)	(25)
Earnings per share from continuing operations (€)	**(0.40)**	**0.01**	**(0.39)**	**(0.65)**
Earnings after taxes of Rheinmetall AG shareholders from discontinued operations	2	1	3	1
Earnings per share from discontinued operations (€)	**0.04**	**0.02**	**0.08**	**0.02**

RELATED PARTIES

Corporate related parties for the Rheinmetall Group are the joint ventures and associated companies carried at equity and the proportion of joint operations not included in the consolidated financial statements. As well as customer receivables and trade payables, the volume of unpaid items also includes prepayments received and made and loans to corporate related parties of €2 million (€2 million on December 31, 2013).

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/2014	**3Q/2013**	**3Q/2014**	**3Q/2013**	**9/30/2014**	**9/30/2013**
Joint Ventures/Joint Operations [1)]	163	96	9	5	(22)	(62)
Associated companies	2	4	20	24	(3)	(6)
	165	**100**	**29**	**29**	(25)	**(68)**

1) *The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"*

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 at December 31, 2013. The fair values of financial instruments included on the balance sheet are comprised as follows:

€ million

	9/30/2014	12/31/2014
Derivatives without hedge accounting	10	7
Derivatives with hedge accounting	9	5
Financial assets	**19**	**12**
Derivatives without hedge accounting	14	16
Derivatives with hedge accounting	32	46
Financial liabilities	**46**	**62**

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, 2013. The definition of segments and the accounting methods are applied unchanged from December 31, 2013.

€ million

Corporate sectors	Defence		Automotive [2]		Others / Consolidation		Group	
	3Q/2014	**3Q/2013**	**3Q/2014**	**3Q/2013**	**3Q/2014**	**3Q/2013**	**3Q/2014**	**3Q/2013**
External sales [1]	1,384	1,263	1,831	1,693	-	-	3,215	2,956
Amortization and depreciation	62	67	76	76	1	0	139	143
Of which impairment	*0*	-	-	*0*	-	-	*0*	*0*
Operating result	(84)	(52)	139	114	(16)	(4)	39	58
Restructuring expenditure	(6)	(38)	-	(22)	-	-	(6)	(60)
Corporate transactions	(10)	-	-	-	-	-	(10)	-
EBIT	(100)	(90)	139	92	(16)	(4)	23	(2)

1) *The previous year's figures are adjusted due to the implementation of IFRS 11 "Joint Arrangements"*

2) *Continuing operations*

Reconciliation of segment EBIT to Rheinmetall Group EBT € million

	3Q/2014	3Q/2013
Segment EBIT	39	2
Others	(16)	(5)
Consolidation	0	1
Group EBIT	**23**	**(2)**
Group net interest	(55)	(54)
Group EBT	**(32)**	**(56)**

CONTINGENT LIABILITIES

Proceedings relating to possible bribery of government officials in Greece are continuing. The final results of an internal investigation into the accusations by an external law firm are also still outstanding. We can no longer rule out the possibility that the applicable compliance regulations may have been breached. The resulting financial risk due to possible absorption of profits or fines for the company, with corresponding consequences for the economic result, is not yet quantifiable.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On October 15, 2014, Rheinmetall AG successfully issued promissory note loans with a medium to long-term maturity worth a total of €168.5 million at favorable interest terms. This further strengthened the financing profile of the Rheinmetall Group.

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

Düsseldorf, November 5, 2014

Armin Papperger   Horst Binnig   Helmut P. Merch

Legal information and contact

FINANCIAL CALENDAR

May 7, 2015
Report on Q1/2015

May 12, 2015
Annual General Meeting

CONTACTS

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Supervisory Board: Klaus Greinert, Chairman
Executive Board: Armin Papperger, Chairman, Horst Binnig, Helmut P. Merch

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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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