

QUARTERLY FINANCIAL REPORT

Q1 | 2014
RHEINMETALL AG



RHEINMETALL IN FIGURES

Rheinmetall Group key figures € million

		Q1/2014	Q1/2013	Change
Order situation				
Order intake ¹⁾	€ million	1.361	1.018	343
Order backlog (March 31) ¹⁾	€ million	6.669	5.420	1.249
Sales/Results				
Sales ¹⁾	€ million	1.080	965	115
of which generated abroad	%	76	75	1 Pp.
Operating result	€ million	1	(14)	15
Operating result margin	%	0,1	(1,5)	1.6 Pp.
EBIT	€ million	0	(19)	19
EBIT margin	%	0,0	(2,0)	2.0 Pp.
EBT	€ million	(16)	(37)	21
Balance sheet (March 31)				
Total equity	€ million	1.289	1.445	-156
Total assets ¹⁾	€ million	4.849	4.739	110
Equity ratio	%	27	30	-3 Pp.
Cash and cash equivalents ¹⁾	€ million	95	255	-160
Total assets less cash and cash equivalents	€ million	4.754	4.484	270
Net financial debt ¹⁾	€ million	620	334	286
Leverage ratio ²⁾	%	13,0	7,4	5.6 Pp.
Net Gearing ³⁾	%	48,1	23,1	25.0 Pp.
Cash flow				
Cash flow from operating activities	€ million	(407)	(193)	-214
Cash flow from investing activities	€ million	(67)	(36)	-31
Cash flow from financing activities	€ million	124	(19)	143
Cash flow	€ million	(474)	(229)	-245
Employees (March 31) according to capacities				
Rheinmetall Group ¹⁾		21.257	21.620	-363
Defence		9.242	9.437	-195
Automotive ¹⁾		11.873	12.039	-166
Holding/service companies		142	144	-2
Share				
Stock price (March 31)	€	51,05	36,09	14,96
Stock price, annual high	€	57,87	43,51	14,36
Stock price, annual low	€	43,62	35,92	7,70
Earnings per share	€	(0,19)	(0,61)	0,42

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

RHEINMETALL STARTS NEW FISCAL YEAR WITH SALES GROWTH AND HIGH ORDER INTAKE

Rheinmetall started the 2014 fiscal year with sales growth and improved earnings. Both sectors contributed to the growth. The operating improvements, which were recorded by the Group's Automotive sector in particular, allowed Rheinmetall to break even (EBIT) again in the first quarter after a loss in the previous year.

- Consolidated sales climb 12 % to €1,080 million in the first quarter
- Defence sees a 62 % increase in orders to €675 million
- Automotive achieves record sales of €666 million in the first quarter
- Operating improvement of €19 million results in break-even (EBIT)
- Forecast for 2014 as a whole confirmed

CONTENTS

GROUP INTERIM MANAGEMENT REPORT ON Q1/2014

The Rheinmetall share	3
General economic conditions	4
Rheinmetall Group business trend	7
Defence sector	10
Automotive sector	11
Opportunities and risks	12
Prospects	12
Report on post-balance sheet date events	13

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR Q1/2014

Consolidated balance sheet	15
Consolidated income statement	17
Comprehensive income	18
Consolidated cash flow statement	19
Statement of changes in equity	20
Notes to the consolidated financial statements	21
Legal information and contact/Financial diary 2014	27

THE RHEINMETALL SHARE

DAX AND MDAX MOVE SIDEWAYS

The positive stock exchange trend that had been ongoing since mid-2013 entered a much more volatile phase at the start of fiscal 2014. The assessment of the crisis in Ukraine and fears of a weakening Chinese economy contributed to this volatility, but so did positive signals such as the lifting of the debt limit in the USA which proceeded largely smoothly and ongoing indications of stabilization in the euro zone. On January 17, 2014, the German DAX and MDAX share indexes reached their highest levels for the quarter, at 9,743 and 16,947 points respectively, setting new records. At 9,556 points, the index value of the DAX on March 31, 2014 remained virtually unchanged compared to the 9,552 points recorded at the end of 2013, and reached its quarterly low of 9,018 points on March 13, 2014. The MDAX also moved sideways during the same period at -1 % and closed the quarter at 16,947 points. The MDAX reached its low on March 14, 2014 at 16,010 points.

RISE IN THE RHEINMETALL SHARE

Following a quarterly low of €43.62 on January 3, 2014, the price of the Rheinmetall share developed strongly in the first quarter. The share benefited from reports of several large incoming orders in the Defence sector and an improvement in the consensus among analysts with regard to future business development. Publication of provisional figures for fiscal 2013 on February 19, 2014 also evoked a positive response. As a result, the share reached a quarterly high of €57.87 on March 5, 2014, which also represented its highest point since July 2011. However, this price performance was then subdued again, especially when the crisis in Ukraine contributed to a more cautious attitude on the capital markets. The share closed the first quarter at €51.05, an increase of 14% compared to the previous quarter.

MARKET CAPITALIZATION AND TRADING VOLUME

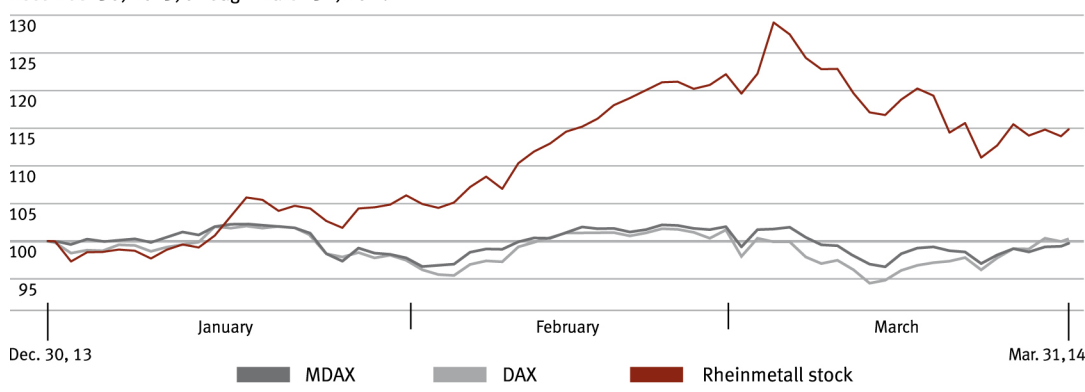
The market capitalization of Rheinmetall AG based on the free float of shares rose from €1.7 billion in December 2013 to €2.0 billion in March 2014 (each based on a monthly average). At the same time, Rheinmetall's position in Deutsche Börse's MDAX rankings improved from 25th to 23rd. In terms of stock exchange turnover, which is calculated based on the past 12 months, it fell from 23rd to 26th in the rankings during the same period. By contrast, stock exchange turnover calculated on the basis of average daily trading volume increased to 218,000 shares in the first quarter of 2014, compared to 157,000 shares in the same period of the previous year.

SHAREHOLDER STRUCTURE

Rheinmetall performed another shareholder analysis at the end of 2013/beginning of 2014. The proportion of institutional investors from abroad stood at 61%, compared to the 56% ascertained in the shareholder survey conducted in February 2013. The proportion of institutional investors from North America rose from 32% to 41% during this period, while the proportion of institutional investors in Europe, primarily in the UK, fell from 35% in the previous year to 28%. Rheinmetall AG itself holds 4% of shares (5% in the previous year).

Rheinmetall stock price trend in comparison to the DAX and MDAX

December 30, 2013, through March 31, 2014



GENERAL ECONOMIC CONDITIONS

GLOBAL ECONOMIC RECOVERY BECOMES MORE STABLE

Following a period of mixed signals, especially those arising from major emerging countries, the recovery of the global economy became more stable in spring 2014. Notwithstanding the tensions between Ukraine and Russia, the International Monetary Fund (IMF) appears optimistic with regard to global economic development. In its World Economic Outlook from April 2014, the IMF forecasts growth in global economic output of 3.6% for the current year. It even expects economic growth of 3.9% in 2015. According to the IMF, the mature industrialized nations will achieve significant growth, with the USA leading the way, yet noticeably positive signals will also emerge from the euro zone again for the first time in a long time.

The IMF's experts forecast growth of 2.2% in 2014 and 2.3% in 2015 for the mature industrialized nations as a group. The USA will achieve particularly strong growth with a rise in gross domestic product of 2.8% in 2014 and 3.0% in 2015. There is positive news for the euro zone as well. The recession has clearly bottomed out, with forecast growth rates of 1.2% in 2014 and 1.5% in the coming year. Nevertheless, the IMF warns that persistently high unemployment, low capital expenditure and a lack of credit supply in the southern euro zone nations harbor risks. The outlook for the Germany economy has brightened further: The IMF has raised its growth forecast for 2014 by 0.2 percentage points to 1.7%. It has also slightly raised its prediction for 2015, up 0.1 percentage points to 1.6%. The leading German economic research institutes are even more optimistic in their spring reports. They expect growth in gross domestic product of 1.9% in the current year, and even stronger growth of 2.0% in 2015. German economic researchers believe that domestic demand will be the driving force behind this. However, they also expect recovery in the euro zone to provide a "tailwind".

After several economic researchers warned at the start of the year that the Chinese economic growth driver could begin to weaken, the IMF believes that the situation has stabilized for the time being. Even though China is no longer able to fully replicate its growth rates of previous years, the Chinese economy is still the strongest driver of global economic growth with increases of 7.5% (2014) and 7.3% (2015). Of the major emerging countries, India is also back to being one of the main drivers of growth again, with growth of 5.4% in 2014 and 6.4% in 2015, following a phase of weakness in 2013. The IMF expects Brazil's economic output to increase by 1.8% in 2014 and 2.7% in 2015, whereas growth rates of just 1.3% (2014) and 2.3% (2015) are forecast for Russia.

DECLINING US MILITARY SPENDING OFFSET BY INCREASING BUDGETS IN EMERGING COUNTRIES

According to the Yearbook of the Stockholm International Peace Research Institute (SIPRI) published in April 2014, global military spending fell by 1.9% in 2013. This was primarily due to savings made in the USA, the country with the largest defense budget in the world. According to the SIPRI, the US budget declined by 7.8% due to the completion of its operations in Iraq, the start of its withdrawal from Afghanistan and general budget cuts. However, savings made in the USA in 2013 were offset by defense spending in many emerging and developing countries, which has risen significantly in some cases, meaning that funds in the defense sector worldwide reached another high.

According to the latest calculations performed by analysts at IHS Jane's, 2014 will in fact be characterized by further slight growth in the global defense sector. According to this, arms spending is expected to grow to approximately USD 1,584 billion in 2014, compared to approximately USD 1,570 billion in 2013. In 2015, IHS Jane's predicts a slight drop back to levels seen in 2013.

Irrespective of this, large regional differences still exist in the development of defense spending. The USA's declining budget and a trend towards stagnating budgets in many European countries will be offset by rising defense spending, particularly in major emerging countries, in 2014 and 2015. Countries such as Australia, Algeria, Saudi Arabia, the United Arab Emirates and Indonesia will also invest more in the defense sector.

Despite considerable budget cuts, the USA will remain the country with by far the highest defense spending in 2014 and 2015. This year, the US defense budget will fall from around USD 582 billion (2013) to around USD 575 billion. A further reduction to USD 535 billion is planned for next year. A turnaround is then expected in 2016.

With budgeted defense spending of €32.84 billion in 2014, the German market, which is still of importance to Rheinmetall Defence, is only slightly down on its budget in the previous year of €33.26 billion. Furthermore, its budget will just about reach its current level in 2015 at approximately €32.17 billion.

With its expertise in protecting soldiers on deployment, Rheinmetall Defence will exploit market opportunities that result from current or upcoming modernization projects of the German armed forces and NATO nations. However, thanks to its consistent internationalization strategy, Rheinmetall Defence also has the necessary prerequisites to leverage market potential in other friendly nations, in due consideration of foreign policy and security policy requirements. For example, it has already received orders from countries including Australia, Algeria and Indonesia.

GLOBAL AUTOMOTIVE MARKET UPTURN GATHERS SPEED

The positive trend in the Automotive business towards the end of 2013 was consolidated further in the first quarter of 2014: The global production of passenger cars and light commercial vehicles up to 3.5t was up year on year, with the exception of Brazil, Russia and India. A particularly positive factor is that Western Europe is in forward gear again too.

Analysts from IHS Automotive calculated that global production of passenger cars and light commercial vehicles grew by 4.7% year on year in the first quarter of 2014. As such, around 21.6 million units were produced in the first three months of the current year (Q1/2013: around 20.6 million vehicles). Growth in the triad markets of Western Europe, NAFTA, and Japan stood at 8.1%. Production in Japan saw particularly strong growth (14.8%), yet this was due not least to a weak first quarter in the previous year which was dominated by the expiration of government incentives to buy. Production in North America also remained on its upward trend, with production growth of 5.7% in the first quarter. In Western Europe, cautious optimism with regard to the general economy is now also being reflected in automotive production. With growth of 6.5%, a significant recovery trend is noticeable in the Western European market again for the first time. Germany performed extremely strongly in this process, where production figures were up 7.2% year on year in the first quarter of 2014.

In China, the largest automotive market in the world, all the signs still pointed towards growth in the first three months of the current year. With production growth of 9.8%, the Chinese market once again proved to be a driver of the economy. However, the economic uncertainty of the previous year had an impact in India, leading to a decline in production of 10.4% in the first quarter of 2014. Production also fell by 10.4% in Russia, while a decline of 1.9% was calculated for Brazil.

GENERAL ECONOMIC CONDITIONS

For 2014 as a whole, current estimates from the analysts at IHS Automotive forecast growth in global automotive production of 2.8 % to around 85.1 million vehicles. Production is expected to rise by 4.5% in 2015, which would be equivalent to a production output of approximately 89.0 million vehicles.

Rheinmetall Automotive has expanded its presence consistently, especially in the growth markets of China and North America, and therefore has – in addition to its traditionally strong roots in Europe – a good starting position from which to benefit from the upward trend that is emerging in 2014. Rheinmetall Automotive's strong position in the field of environmentally friendly mobility will also provide the opportunity for exceptionally strong growth in virtually all key automotive markets, as the regulatory trend towards stricter fuel and CO₂ reduction requirements is picking up pace around the world.

RHEINMETALL GROUP BUSINESS TREND

Sales € million

	Q1/2014	Q1/2013
Rheinmetall Group ¹⁾	1.080	965
Defence	414	363
Automotive ¹⁾	666	602

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

EBIT € million

	Q1/2014	Q1/2013
Rheinmetall Group	0	(19)
Defence	(43)	(44)
Automotive	47	27
Others/Consolidation	(4)	(2)

Operating result (EBIT before special items) € million

	Q1/2014	Q1/2013
Rheinmetall Group	1	(14)
Defence	(42)	(43)
Automotive	47	31
Others/Consolidation	(4)	(2)

SALES GROWTH IN THE FIRST THREE MONTHS OF 2014

In the first quarter of 2014, Rheinmetall generated consolidated sales of €1,080 million; compared to the previous year, this is an increase in business volume of €115 million or 12 %.

In the first three months of 2014, the proportion of sales achieved abroad in the Group was 76 %, compared to 75 % in the previous year. In addition to the German market (24 %), the key regions in terms of sales volumes were Europe excluding Germany (41 %), followed by Asia (17 %) and North America (9 %).

The sales growth and the first effects of the program to increase cost efficiency that was launched last year resulted in an improvement in the operating result. In the first quarter of 2014, the operating result (EBIT before special items) improved by €15 million year on year to a just positive €1 million. In the previous year, an operating loss of €14 million was generated after the first three months. Earnings before interest and taxes (EBIT) were balanced in the first quarter of 2014, compared to a loss of €-19 million reported in the same quarter of the previous year.

SIGNIFICANT GROWTH IN ORDER INTAKE

The Rheinmetall Group recorded an order intake of €1,361 million in the first three months of 2014 (previous year: €1,018 million). On March 31, 2014, the order backlog stood at €6,669 million (December 31, 2013: €6,478 million).

RHEINMETALL GROUP BUSINESS TREND

ASSET AND CAPITAL STRUCTURE

The Rheinmetall Group's total assets amounted to €4,849 million as at March 31, 2014. This corresponds to a decrease of €17 million as against December 31, 2013. Non-current assets increased by €45 million in the period under review to €2,390 million. Current assets decreased by €62 million compared with December 31, 2013, with the increase in inventories and trade receivables being offset by a reduction in cash and cash equivalents. The equity ratio, at 27 %, was below the previous year's figure of 28 %. Non-current liabilities increased by €113 million to €1,691 million. This increase was mainly attributable to a rise in pension provisions of €49 million and in non-current financial debts of €52 million. The €80 million decline in non-current liabilities resulted primarily from the decrease in payments received. The increase in current financial debts (€71 million) is largely offset by the decline in trade liabilities (€89 million).

Asset and capital structure € million

	3/31/2014	%	12/31/2013	%
Non-current assets ¹⁾	2.390	49	2.345	48
Current assets ¹⁾	2.459	51	2.521	52
Total assets	4.849	100	4.866	100
Equity	1.289	27	1.339	28
Non-current liabilities	1.691	35	1.578	32
Current liabilities ¹⁾	1.869	38	1.949	40
Total equity and liabilities	4.849	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 €50 million in the first three months of the current fiscal year, which is €13 million more than in the previous year. Almost all of this increase was the result of further investment in the Automotive sector's new harbor site in Neuss. The investment ratio (capital expenditure as a percentage of sales) was 4.6% after 3.8% in the same period of the previous year.

Capital expenditure € million

	Q1/2014	Q1/2013
Rheinmetall Group	50	37
Defence	11	9
Automotive	38	28
Others/Consolidation	1	0

EMPLOYEE NUMBERS FALL SLIGHTLY

On March 31, 2014, a total of 21,257 people were employed by the Rheinmetall Group around the world, down 363 on March 31, 2013. The workforce was reduced by 195 at Rheinmetall Defence and by 166 in the Automotive sector. 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)

	3/31/2014	3/31/2013
Rheinmetall Group ¹⁾	21.257	21.620
Defence	9.242	9.437
Automotive ¹⁾	11.873	12.039
Others	142	144

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

RHEINMETALL GROUP BUSINESS TREND

DEFENCE SECTOR

Defense key figures € million

	Q1/2014	Q1/2013	Change
Sales	414	363	51
Operating result	(42)	(43)	1
Operating result margin <i>in %</i>	(10,1)	(11,8)	1.7 Pp.
EBITDA	(23)	(22)	-1
EBIT	(43)	(44)	1
EBT	(49)	(50)	1
Order intake	675	416	259
Order backlog (March 31)	6.224	5.002	1.222
Employees according to capacity (March 31)	9.242	9.437	-195

DEFENCE SALES WELL UP ON PREVIOUS YEAR

At €414 million, the Defence sector's sales rose by €51 million or 14 % on the €363 million of the previous year. However, they did not reach the figures of years prior to 2013 in the traditionally weak opening quarter for Defence business.

The operating result (EBIT before special items) and EBIT improved only slightly by €1 million year on year. The operating result showed a loss of €-42 million after €-43 million in the previous year. EBIT in the first quarter totaled €-43 million (previous year €-44 million). Improvements in earnings in the Defence divisions Electronic Solutions and Wheeled Vehicles were nearly offset by a fall in earnings in the Combat Systems division, mainly because of the continuing weakness of the munitions business.

HIGH ORDER INTAKE IN DIFFICULT MARKET ENVIRONMENT

The Defence sector posted a high order intake in the first three months of 2014. At €675 million, the previous year's figure of €416 million was exceeded by 62 %.

At a value of €6,224 million, the Defence sector's order backlog on March 31, 2013 was €1,222 million higher than the previous year's figure.

RHEINMETALL GROUP BUSINESS TREND

AUTOMOTIVE SECTOR

Automotive key figures € million

	Q1/2014	Q1/2013	Change
Sales ¹⁾	666	602	64
Operating result	47	31	16
Operating result margin in % ¹⁾	7,1	5,1	2.0 Pp.
EBITDA	75	53	22
EBIT	47	27	20
EBT	43	23	20
Order intake ¹⁾	686	602	84
Order backlog (March 31) ¹⁾	445	418	27
Employees according to capacity (March 31) ¹⁾	11.873	12.039	-166

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

SALES GROWTH AND STRONG UPTURN IN EARNINGS AT AUTOMOTIVE

In the first quarter of 2014, the Automotive sector benefited from a generally robust automotive industry with global production growth of almost 5 % for passenger cars. Production figures also rose 7 % year on year in Western Europe. Rheinmetall Automotive (KSPG) achieved sales of €666 million in the first quarter of 2014. With growth of €64 million or 11 % 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 14 %.

The growth in the operating result (EBIT before special items) was disproportionately high. In the first three months of this year, Rheinmetall's Automotive sector generated a €16 million or 52 % improvement in the operating result to €47 million. The operating result margin was thus 7.1 %, following 5.1 % in the previous year. In addition to the sales growth and an improved operating performance, the increase in earnings is also attributable to initial savings made as a result of last year's restructuring program. EBIT rose by €20 million to €47 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 24 % (calculated on a 100 % basis) in the first three months of 2014, with sales amounting to €150 million as against €121 million in the previous year. Chinese automotive production grew by 10 % in the first quarter of 2014 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 no significant changes or new findings in the meantime.

PROSPECTS

FORECAST FOR THE GROUP CONFIRMED

Sales – In 2014, we still expect the Group to achieve sales of between €4.8 billion and €4.9 billion. Both sectors will contribute to this growth. This will require continued stable development of the global automotive sector and the realization of large projects in the Defence sector according to schedule.

The Defence sector is expected to achieve a volume of around €2.3 billion on the basis of the high order backlog, even in a difficult market environment. Development in the Automotive sector will be determined largely by the global automotive industry. Experts currently anticipate growth of 2.8 % in international automotive production in 2014. On this basis, we believe that sales in the Automotive sector could grow to between €2.5 billion and €2.6 billion.

Operating result – The restructuring measures initiated and carried out in the past few months are expected to lead to initial positive earnings effects in both sectors in fiscal 2014. However, they will not be fully effective until 2015. Sales growth is also expected to contribute to an increase in earnings.

We expect the Group to achieve an operating result of between €230 million and €250 million in fiscal 2014. The Defence sector is expected to achieve an operating result of between €85 million and €95 million and the Automotive sector an operating result of between €165 million and €175 million.

Group EBIT – Subsequent expenses arising from non-recurring effects of up to €10 million are expected, meaning that Group EBIT of between €220 million and €240 million is forecast.

Group EBT – From today's perspective, we expect net interest of approximately €75 million, meaning that we anticipate Group EBT within a range of between €145 million and €165 million.

Return on capital employed (ROCE) – We do not expect a significant rise in capital employed in the current fiscal year. If Group EBIT increases as assumed, we anticipate a significant rise in return on capital employed to between 8 % and 9 %.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no significant events after the balance sheet date.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF
RHEINMETALL AG FOR Q1 2014**

RHEINMETALL GROUP

BALANCE SHEET AS AT MARCH 31, 2014

Assets € million

	3/31/2014	12/31/2014
Goodwill	555	555
Intangible assets	314	319
Property, plant and equipment ¹⁾	1.178	1.167
Investment property	14	14
Investments accounted for using the equity method ¹⁾	154	150
Other non-current financial assets ¹⁾	6	5
Other non-current assets	1	6
Deferred taxes	168	129
Non-current assets	2.390	2.345
Inventories ¹⁾	1.036	940
./. Prepayments received	(45)	(31)
	991	909
Trade receivables ¹⁾	1.149	984
Other current financial assets	34	34
Other current receivables and assets ¹⁾	158	119
Income tax receivables	28	26
Cash and cash equivalents	95	445
Disposal group held for sale	4	4
Current assets	2.459	2.521
Total assets	4.849	4.866

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

Equity and liabilities € million

	3/31/2014	12/31/2013
Share capital	101	101
Additional paid-in capital	307	307
Retained earnings	862	905
Treasury shares	(58)	(58)
Rheinmetall AG shareholders' equity	1.212	1.255
Minority interests	77	84
Equity	1.289	1.339
Provisions for pensions and similar obligations	940	891
Other non-current provisions	86	88
Non-current financial debts	584	532
Other non-current liabilities	34	31
Deferred taxes	47	36
Non-current liabilities	1.691	1.578
Other current provisions	431	388
Current financial debts ¹⁾	131	60
Trade liabilities	632	721
Other current liabilities	623	739
Income tax liabilities	52	41
Current liabilities	1.869	1.949
Total liabilities	4.849	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 2014

€ million

	Q1/2014	Q1/2013
Sales ¹⁾	1.080	965
Changes in inventories and work performed by the enterprise and capitalised	97	82
Total operating performance	1.177	1.047
Other operating income	21	20
Cost of materials ¹⁾	655	553
Personnel expenses ¹⁾	347	348
Amortization, depreciation and impairment	48	48
Other operating expenses ¹⁾	149	143
Net operating income	(1)	(25)
Net interest ²⁾	(16)	(18)
Net investment income and other net financial income ³⁾	1	6
Net financial income	(15)	(12)
Earnings before taxes (EBT)	(16)	(37)
Income taxes	3	8
Earnings after taxes	(13)	(29)
Of which:		
<i>Minority interests</i>	(6)	(6)
<i>Rheinmetall AG shareholders</i>	(7)	(23)
Earnings per share (€)	(0,19)	(0,61)
EBITDA	48	29
EBIT	0	(19)

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

2) Of which interest expenses: €17 million (previous year: €19 million)

3) Of which income from investments carried at equity: €4 million (previous year: €5 million)

RHEINMETALL GROUP

COMPREHENSIVE INCOME FOR Q1 2014

€ million

	Q1/2014	Q1/2013
Earnings after taxes	(13)	(29)
Remeasurement of net defined liability from pensions	(38)	19
Amounts not reclassified in the income statement	(38)	19
Change in value of derivative financial instruments (cash flow hedge)	(1)	(13)
Currency conversion difference	3	0
Income/expenses from investments accounted for using the equity method	(1)	3
Amounts reclassified in the income statement	1	(10)
Other comprehensive income (after taxes)	(37)	9
Comprehensive income	(50)	(20)
Of which:		
<i>Minority interests</i>	(7)	(12)
<i>Rheinmetall AG shareholders</i>	(43)	(8)

RHEINMETALL GROUP

CASH FLOW STATEMENT FOR Q1 2014

€ million

	Q1/2014	Q1/2013
Opening cash and cash equivalents January 1 ¹⁾	445	502
Earnings after taxes	(13)	(29)
Amortization, depreciation and impairments	48	48
Changes in pension provisions	(2)	(6)
Gross cash flows	33	13
Changes in working capital and others	(440)	(206)
Cash flows from operating activities ²⁾	(407)	(193)
Investments in property, plant and equipment, intangible assets and investment property	(65)	(37)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	0	1
Investments in consolidated companies and financial assets	(6)	(2)
Divestments of consolidated companies and financial assets	4	2
Cash flows from investing activities	(67)	(36)
Borrowing of financial debts	158	7
Repayment of financial debts	(34)	(26)
Cash flows from financing activities	124	(19)
Changes in financial resources	(350)	(248)
Changes in cash and cash equivalents due to exchange rates	0	1
Total change in financial resources	(350)	(247)
Closing cash and cash equivalents March 31	95	255

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

2) Including:

Net income taxes of €0 million (previous year: €-2 million)

Net interest of €-9 million (previous year: €-11 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 December 31, 2013	101	307	41	76	901	1.018	(72)	1.354	111	1.465
Earnings after taxes	-	-	-	-	(23)	(23)	-	(23)	(6)	(29)
Other comprehensive income	-	-	2	(9)	22	15	-	15	(6)	9
Comprehensive income	-	-	2	(9)	(1)	(8)	-	(8)	(12)	(20)
Balance as at March 31, 2013	101	307	43	67	900	1.010	(72)	1.346	99	1.445
Balance										
as at January 1, 2014	101	307	(34)	55	884	905	(58)	1.255	84	1.339
Ergebnis nach Steuern	-	-	-	-	(7)	(7)	-	(7)	(6)	(13)
Other comprehensive income	-	-	3	(1)	(38)	(36)	-	(36)	(1)	(37)
Comprehensive income	-	-	3	(1)	(45)	(43)	-	(43)	(7)	(50)
Balance as at March 31, 2014	101	307	(31)	54	839	862	(58)	1.212	77	1.289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL PRINCIPLES

The condensed consolidated interim financial statements of Rheinmetall AG as at March 31, 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 three months of 2014 do not necessarily allow for 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. 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.

	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

	Q1/2013		
Statement of comprehensive income	reported	Change	adjusted
Net income	(29)	0	(29)
<i>of which sales</i>	962	3	965
<i>of which personnel expenses</i>	347	1	348
<i>of which cost of materials</i>	552	1	553
<i>of which other operating expenses</i>	142	1	143
Other comprehensive income	9	-	9
Comprehensive Income	(20)	0	(20)

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 new standard IFRS 14 “Regulatory Deferral Accounts” was published in the first quarter of 2014, which provides for simplifications in terms of regulatory deferral accounts arising from price regulation when applying IFRS for the first time. This standard will not affect Rheinmetall’s consolidated financial statements.

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 3.00 % (December 31, 2013: 3.25 %) was applied for pension provisions in Germany and an unchanged rate of 2.05 % (December 31, 2013: 2.30 %) was applied for significant foreign pension provisions in Switzerland. 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 as at 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. There were no changes to the scope of consolidation in the first quarter.

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 three months of the current fiscal year, this right was not exercised. As at March 31, 2014, the portfolio of treasury shares amounted to 1,524,233 (previous year: 1,881,647; December 31, 2013: 1,524,233) with acquisition costs totaling €58 million (previous year: €72 million, December 31, 2013: €58 million), which were deducted from equity. The proportion of treasury shares in subscribed capital is 3.85%

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).

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

	Q1/2014	Q1/2013
Earnings after taxes of Rheinmetall AG shareholders	(7)	(23)
Weighted number of shares <i>in million</i>	38,07	37,72
Earnings per share (€)	(0,19)	(0,61)

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	
	Q1/2014	Q1/2013	Q1/2014	Q1/2013	3/31/2014	3/31/2013
Joint Ventures/ Joint Operations ¹⁾	44	25	2	1	(30)	(72)
Associated companies	1	2	5	5	(2)	3
	45	27	7	6	(32)	(69)

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

€ million

	3/31/2014	12/31/2013
Derivatives without hedge accounting	6	7
Derivatives with hedge accounting	6	5
Financial assets	12	12
Derivatives without hedge accounting	14	16
Derivatives with hedge accounting	43	46
Financial liabilities	57	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		Others / Consolidation		Group	
	Q1/2014	Q1/2013	Q1/2014	Q1/2013	Q1/2014	Q1/2013	Q1/2014	Q1/2013
External sales ¹⁾	414	363	666	602	-	-	1.080	965
Amortization and depreciation	20	22	28	26	0	0	48	48
<i>Of which impairment</i>	0	-	-	-	-	-	0	-
Operating result	(42)	(43)	47	31	(4)	(2)	1	(14)
Restructuring expenditure	(1)	(1)	-	(4)	-	-	(1)	(5)
EBIT	(43)	(44)	47	27	(4)	(2)	0	(19)

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

Reconciliation of segment EBIT to Rheinmetall Group EBT:

€ million

	Q1/2014	Q1/2013
Segment EBIT	4	(17)
Others	0	34
Consolidation	(4)	(36)
Group EBIT	0	(19)
Group net interest	(16)	(18)
Group EBT	(16)	(37)

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Düsseldorf, May 7, 2014

Armin Papperger

Horst Binnig

Helmut P. Merch

LEGAL INFORMATION AND CONTACT

FINANCIAL CALENDAR

AUGUST 7, 2014

Report on Q2/2014

NOVEMBER 6, 2014

Report on Q3/2014

CONTACTS

Corporate Communications

Peter Rucker

Phone: +49 211 473-4320

Fax: +49 211 473-4158

peter.ruecker@rheinmetall.com

Investor Relations

Franz-Bernd Reich

Phone: +49 211 473-4777

Fax: +49 211 473-4157

franz-bernd.reich@rheinmetall.com

Supervisory Board: Klaus Greinert, Chairman

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

Rheinmetall Aktiengesellschaft, Rheinmetall Platz 1, 40476 Düsseldorf/Germany

Phone: + 49 211 473 01, fax: +49 211 473 4746, www.rheinmetall.com

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.

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

You can request the quarterly financial report from the company or download it at www.rheinmetall.com. In case of doubt, the German version shall apply.

Copyright © 2014

Rheinmetall AG

Rheinmetall Platz 1
40476 Düsseldorf/Germany
Phone +49 211 473-01
Fax +49 211 473-4746
www.rheinmetall.com

