

QUARTERLY FINANCIAL REPORT

Q1 | 2015
RHEINMETALL AG



RHEINMETALL IN FIGURES

Rheinmetall Group key figures € million

		Q1/2015	Q1/2014	Change
Order situation (continuing operations)				
Order intake	€ million	1,231	1,308	-77
Order backlog (March 31)	€ million	7,070	6,634	436
Sales/Results (continuing operations)				
Sales	€ million	1,173	1,031	142
of which generated abroad	%	74	77	-
Operating result	€ million	22	0	22
Operating result margin	%	1.9	0.0	1.9 Pp.
EBIT	€ million	22	(1)	23
EBIT margin	%	1.9	(0.1)	2.0 Pp.
EBT	€ million	6	(17)	23
Balance sheet (March 31) (continuing and discontinued operations)				
Total equity	€ million	1,165	1,289	-124
Total assets	€ million	5,337	4,849	488
Equity ratio	%	22	27	-5 Pp.
Cash and cash equivalents	€ million	278	95	183
Total assets less cash and cash equivalents	€ million	5,059	4,754	305
Net financial debt	€ million	531	620	-89
Leverage ratio ¹⁾	%	10.5	13.0	-2.5 Pp.
Net Gearing ²⁾	%	45.6	48.1	-2.5 Pp.
Cash Flow (continuing and discontinued operations)				
Cash flow from operating activities	€ million	(148)	(403)	255
Cash flow from investing activities	€ million	(58)	(71)	13
Cash flow from financing activities	€ million	(12)	124	-136
Free cash flow	€ million	(206)	(474)	268
Employees (March 31) according to capacities (continuing operations)				
Rheinmetall Group		20,442	20,374	68
Defence		9,359	9,242	117
Automotive		10,932	10,990	-58
Holding/service companies		151	142	9
Share				
Stock price (March 31)	€	45.01	51.05	-6.04
Stock price, annual high	€	47.75	57.87	-10.12
Stock price, annual low	€		43.62	-43.62
Earnings per share from continuing operations	€	0.20	(0.21)	0.41

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

2) Net financial liabilities/equity

GROWTH IN SALES AND EARNINGS AT RHEINMETALL

Rheinmetall posted substantial sales growth in both sectors in the first quarter of 2015. Operating earnings were also improved in both sectors.

- Consolidated sales grow 14% to €1,173 million in first quarter
- Defence posts sales growth of 23% to €509 million, operating earnings improved by €14 million to €-28 million
- Automotive moves up sales to €664 million and increases operating earnings at an even faster rate to €55 million
- Group EBIT improved by €23 million to €22 million
- Order backlog over €7 billion for the first time

The annual Group forecast for 2015 has been confirmed with consolidated sales between €4.8 billion and €5.0 billion and an operating margin of around 5%.

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Q1 2015 THE RHEINMETALL SHARE

DAX AND MDAX UPSWING

The first quarter was extremely successful for the German stock markets. The two leading indices DAX and MDAX produced one new record after the other and each posted a performance of 22% in total. The DAX closed the quarter at 11,966 points and was therefore only slightly below its all-time high of 12,168 points from March 16, 2015. In a parallel movement, the MDAX ended March with 20,685 points after likewise reaching its high of 21,114 on March 16, 2015.

THE RHEINMETALL SHARE SURGES UPWARD

The Rheinmetall share continued the upturn that it began at the end of 2014. The announcement of provisional figures on February 19, 2015, and the presentation of the 2014 Annual Report together with the outlook for the current fiscal year on March 19, 2015, generated a positive response on the capital market. The share reached its high for the first three months of €47.75 on March 13, 2015. It closed the quarter on March 31, 2015, at €45.01. With growth of 24%, its price development was somewhat better than that of the MDAX.

MARKET CAPITALIZATION AND TRADING VOLUME

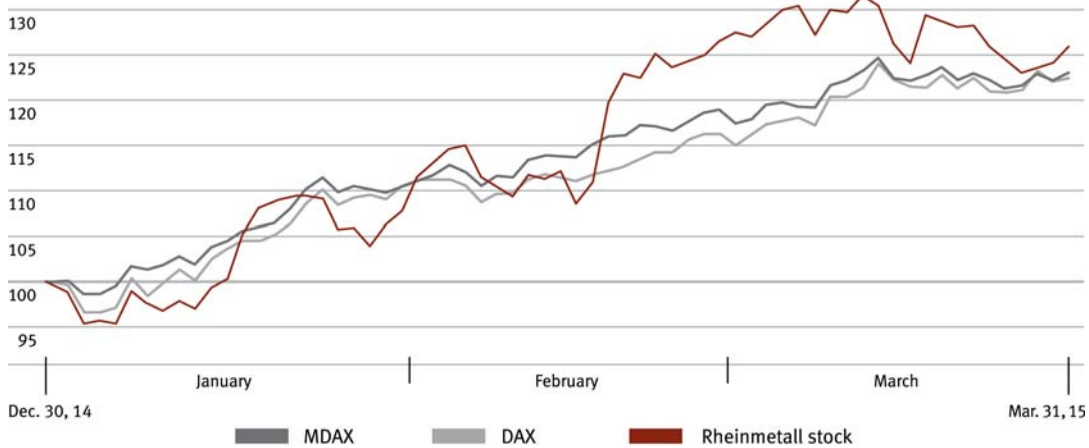
The market capitalization of Rheinmetall AG, calculated based on the free float of shares, rose from €1.3 billion in December 2014 to €1.8 billion in March 2015. In the same period, Rheinmetall's position in Deutsche Börse's MDAX rankings improved from 33rd to 29th. In terms of stock exchange turnover, which is calculated based on the past 12 months, it rose from 20th to 18th in the index rankings during the same period. Stock exchange turnover calculated on the basis of average daily trading volume increased to 287,000 shares in the first quarter of 2015, compared to 218,000 shares in the first three months of the previous year.

SHAREHOLDER STRUCTURE

Rheinmetall performed another shareholder analysis at the end of 2014/beginning of 2015. The proportion of institutional investors from abroad stood at 66%, compared to the 61% ascertained in the shareholder survey conducted in January 2014. The proportion of North American investors fell from 41% to 33% in this period. Institutional investors in Europe increased their holdings from 28% in the previous year to 32%. The proportion of private shareholders was unchanged at 17%. Rheinmetall AG itself holds 3% of shares (4% in the previous year). There were also significant changes in the group of shareholders due to reporting obligations enshrined in the German Securities Trading Act. The investor Wellington, Wilmington, USA, reported in January that it had exceeded the 3% threshold. The investment company Harris Associates, Chicago, USA, announced at the end of the quarter that it had fallen below the 5% reporting threshold. In addition, the UBS Group, Zurich, Switzerland, reported that it exceeded or fell below the reporting thresholds of 3% and 5% on several occasions, most recently in the first quarter with a 4.06% share on March 13, 2015.

Rheinmetall stock price trend in comparison to the DAX and MDAX

December 30, 2014, through March 31, 2015



GENERAL ECONOMIC CONDITIONS

GLOBAL ECONOMIC GROWTH MODERATE AND IMBALANCED

Despite numerous negative influences, such as the ongoing conflict between Russia and Ukraine and the persistence of the debt crisis in the euro zone, the global economy continued to recover overall in spring 2015. However, the growth was only moderate and regionally imbalanced, as the International Monetary Fund (IMF) noted critically in its World Economic Outlook of April 2015. Worldwide, the IMF expects global economic output to rise by 3.5% this year. Growth of 3.8% is expected in 2016. In the past two years, the figure was 3.4%. Growth stimuli are coming in particular from the major industrialized nations, above all the USA, while the economic trend in developing and emerging nations has slackened somewhat according to the IMF. The IMF has also raised its short-term forecast for the euro zone, but currently sees little prospect of further improvement in the future.

The IMF's experts forecast growth of 2.4% in both 2015 and 2016 for the mature industrialized nations as a group. The USA remains the driver of the global economy, even though forecasts of gross domestic product (GDP) were cut slightly from 3.6% to 3.1%. In comparison, the forecast for the euro zone is more cautious in the longer term. The IMF bases this on the ongoing debt crisis in Greece in particular, investor restraint, falling but still high unemployment and a lending shortfall. In the short term, however, economic output is expected to increase slightly. The IMF expects growth in the euro zone of 1.5% this year and 1.6% next year. The euro zone is benefiting greatly from low oil prices and the European Central Bank's low interest rate policy. The weak euro, which has increased sales opportunities for export-oriented companies in important markets such as the USA, is also instrumental to this development. In Germany, strong domestic demand is also supporting the uptrend, so the IMF has raised its growth forecast for the Federal Republic to 1.6% in 2015. For 2016, it lifted the figure to 1.7%. The leading German economic research institutes are much more optimistic than the IMF in their spring reports of April 2015. In an unusually bold move, they pushed their forecasts for this year up from 1.2% to 2.1%. In 2016, growth is expected to prove similarly strong at 1.8%.

The situation in the BRIC nations of Brazil, Russia, India and China is complex. Even though China is no longer able to replicate its growth rates of previous years, the Asian state's economy continues to provide powerful stimuli for global economic growth with expected increases of 6.8% (2015) and 6.3% (2016) despite the adverse decline of real estate prices. For the first time, however, the oil importer India has pulled ahead of China with forecast growth rates of 7.5% in both years and could thus be one of the global economy's drivers of expansion. The Ukraine conflict and low oil prices are having dramatic repercussions for Russia. The IMF is anticipating a much more significant contraction of the Russia economy than initially expected, namely of -3.8% (2015) and -1.1% (2016). For Brazil, the IMF predicts a slide into recession at -1.0% for 2015 after the weak economic performance in the previous year. Slight growth in economic output of 1.0% is not expected until 2016.

SLIGHT GROWTH OF GLOBAL MILITARY SPENDING DESPITE CUTS IN THE US DEFENSE BUDGET

According to the study by the Stockholm International Peace Research Institute (SIPRI) published in April 2015, defense budgets in Eastern Europe increased palpably in 2014 as a result of the Ukraine conflict. Particularly notable is that military spending did not only increase in Ukraine and Russia, but also in neighboring Estonia, Latvia and Lithuania and in Poland. According to SIPRI, defense budgets were also higher in many emerging and developing countries in 2014, sometimes sharply, while budgets in the USA and many NATO states tended to decline or stagnate.

According to the current forecast by the defense analysts at IHS Jane's, these basic trends are also emerging in the current year. Overall, the global defense sector showed stable development in 2015 with spending of approximately USD 1,606 billion. IHS Jane's expects this development to continue and forecasts global arms spending of USD 1,612 billion in 2016.

Despite considerable budget cuts, the USA will remain the country with by far the highest defense spending in 2015 and 2016. This year, the US defense budget will fall from USD 598 billion (2014) to around USD 567 billion (2015). Only a small cut to USD 561 billion is then expected in 2016. In contrast, China in particular is increasing its expenditure in the armaments sector and has now emerged as the country with the second-largest defense budget. While the budget was still around USD 177 billion last year, USD 191 billion is expected to be spent this year and USD 204 billion next year. But emerging nations such as Indonesia are also investing more in modernizing their armed forces. The Indonesian defense budget will increase to USD 8.2 billion in 2015 (2014: USD 7.3 billion) and is expected to rise to USD 8.8 billion in 2016.

Germany remains the biggest individual market for Rheinmetall Defence. In 2014, the Federal Republic departed further from the NATO target of spending 2% of gross domestic product on defense. According to SIPRI, the proportion sank from 1.3% to 1.2%. However, the Ukraine crisis is influencing arms policy in Berlin. For example, the number of operational "Leopard 2" tanks is to be considerably increased. In 2015, budgeted defense spending increased slightly year on year to €32.97 billion (2014: €32.59 billion). A further increase to €34.21 billion is planned for 2016.

Thanks to its consistent internationalization strategy, Rheinmetall Defence has the necessary prerequisites to leverage market potential not only in Germany but also in other friendly nations, in due consideration of foreign policy and security policy requirements. The business performance continues to be based on the expertise in protecting soldiers arising from current or upcoming modernization projects of the German armed forces and NATO nations.

MODEST UPTURN IN THE GLOBAL AUTOMOTIVE MARKET

The development of global production of passenger cars and light commercial vehicles up to 3.5 t is primarily determined by the economic environment of the Rheinmetall Automotive sector. After a strong quarter in the previous year, analysts from IHS Automotive calculated that global production of passenger cars and light commercial vehicles was 1.2% higher in the first three months of 2015. As such, around 21.9 million units were produced in the first three months of the current year. Growth in the triad markets of Western Europe, NAFTA, and Japan stood at just 0.4%. A 6.8% production decline in Japan made a big impact here. But production figures in Germany after the first three months of 2015 were also 1.6% down on the previous year. For the Western European market as a whole, however, IHS Automotive calculates production growth of 2.9%, which is not least explained by the accumulated demand in crisis-hit nations like Italy and Spain. The NAFTA region also continued to develop positively: In North America, production increased by 2.3% on the basis of the strong previous year.

Alongside the USA, China in particular remains a major growth driver for the automotive industry. In the largest automotive market in the world, all the signs still pointed towards growth in the first three months of the current year. There was an 8.5% rise in production. The economic uncertainties also seem to have been overcome in India. After the weak development in the previous year, production was up again: The figures for the first quarter of 2015 exceeded the comparative value for 2014 by 4.1%. In Brazil, by contrast, the generally weak economy also put the brakes on automotive production: Production there fell by 18.4% in the first quarter of 2015 compared to the same period of the previous year. The downward trend in Russia was even more dramatic with a decline of 29.1%.

GENERAL ECONOMIC CONDITIONS

For 2015 as a whole, analysts at IHS Automotive predict growth in global production of 2.0% to 87.4 million vehicles. Major stimuli will come from China (7.4%) and India (5.8%), but the uptrend will also continue in North America with growth of 2.4%. For Germany, IHS Automotive expects production output equivalent only to that of the strong previous year.

Thanks to its strong presence in the growth markets of China and North America, Rheinmetall Automotive has a good starting position from which to participate in the positive trend that is emerging here for 2015. Due to the ongoing regulatory trend toward stricter fuel and CO₂ reduction requirements, the strong position in the field of environmentally friendly mobility gives Rheinmetall Automotive opportunities for exceptionally strong growth in key automotive markets.

RHEINMETALL GROUP BUSINESS TREND

The Automotive sector's Aluminium-Technologie business unit was spun off into a joint venture at the end of 2014. The previous period has been adjusted accordingly.

Sales € million (continuing operations)

	Q1/2015	Q1/2014
Rheinmetall Group	1.173	1.031
Defence	509	414
Automotive	664	617

EBIT € million (continuing operations)

	Q1/2015	Q1/2014
Rheinmetall Group	22	(1)
Defence	(28)	(43)
Automotive	55	46
Others/Consolidation	(5)	(4)

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

	Q1/2015	Q1/2014
Rheinmetall Group	22	-
Defence	(28)	(42)
Automotive	55	46
Others/Consolidation	(5)	(4)

SALES AND EARNINGS GROWTH IN Q1/2015

In the first quarter of 2015, Rheinmetall generated consolidated sales of €1,173 million. Compared to the previous year, this means business volume increased by €142 million or 14%. Adjusted for currency effects, the growth was 11%.

In the first quarter of 2015, the proportion of sales achieved abroad in the Group was 74% after 77% in the same period of the previous year. In addition to the German market (26%), the key regions in terms of sales volumes were Europe excluding Germany (37%), followed by Asia (20%) and North America (10%).

In the first quarter of 2015, the operating result (EBIT before special items) improved by €22 million year on year to €22 million. In both sectors, the sales growth and the effects of the program to increase cost efficiency that was launched in 2013 contributed to an improvement in the operating result. Earnings before interest and taxes (EBIT) increased from €-1 million to €22 million. In the previous year, non-recurring effects (restructuring) of €1 million were incurred in the Defence sector.

RHEINMETALL GROUP BUSINESS TREND

ORDER BACKLOG STILL AT A RECORD LEVEL

The Rheinmetall Group recorded an order intake of €1,230 million in the first quarter of 2015 (previous year: €1,308 million). On March 31, 2015, the order backlog stood at €7,070 million (December 31, 2014: €6,932 million).

ASSET AND CAPITAL STRUCTURE

The Rheinmetall Group's total assets amounted to €5,337 million as at March 31, 2015. This corresponds to an increase of €66 million as against December 31, 2014. Non-current assets increased by €137 million in the period under review to €2,641 million. Current assets fell by €71 million as against December 31, 2014. Here, the decline in cash and cash equivalents was offset by an increase in inventories and trade receivables. The equity ratio, at 22%, was below the previous year's figure of 28%. Non-current liabilities increased by €159 million to €2,218 million. This corresponds to the increase in pension provisions. Current liabilities decreased by €61 million. The increase in current provisions and current financial debts was offset by declines in trade liabilities and other liabilities.

Asset and capital structure € million

	3/31/2015	%	12/31/2014	%
Non-current assets	2.641	49	2.504	48
Current assets	2.696	51	2.767	52
Total assets	5.337	100	5.271	100
Equity	1.165	22	1.197	28
Non-current liabilities	2.218	42	2.059	32
Current liabilities	1.954	36	2.015	40
Total equity and liabilities	5.337	100	5.271	100

CAPITAL EXPENDITURE UP ON PREVIOUS YEAR

The Rheinmetall Group invested a total of €56 million in the first quarter of the current fiscal year, compared to €49 million in the previous year. The investment ratio (capital expenditure as a percentage of sales) was 4.8% after 4.5% in the same period of the previous year.

Capital expenditure € million (continuing operations)

	Q1/2015	Q1/2014
Rheinmetall Group	56	49
Defence	17	11
Automotive	34	37
Others/Consolidation	5	1

EMPLOYEE NUMBERS LARGELY CONSTANT

On March 31, 2015, a total of 20,442 people were employed by the Rheinmetall Group around the world (continuing operations), up 68 on March 31, 2014. The workforce was increased by 117 at Rheinmetall Defence and reduced by 58 in the Automotive sector. Of the total workforce, 46% were employed in the Defence sector, 53% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

Employees (capacity)

	3/31/2015	3/31/2014
Defence	9.359	9.242
Automotive ¹⁾	10.932	10.990
Others	151	142
Rheinmetall Group (continuing operations)	20.442	20.374
Rheinmetall Group (discontinued operations)	-	883

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

RHEINMETALL GROUP BUSINESS TREND

DEFENCE SECTOR

Defence key figures € million

	Q1/2015	Q1/2014	Change
Sales	509	414	95
Operating result	(28)	(42)	14
Operating result margin <i>in %</i>	(5,5)	(10,1)	4.6 Pp
EBITDA	(7)	(23)	16
EBIT	(28)	(43)	15
EBT	(34)	(49)	15
Order intake	542	675	-133
Order backlog (March 31)	6.629	6.224	405
Employees according to capacity (March 31)	9.359	9.242	117

SALES GROWTH AND RECOVERY OF OPERATING EARNINGS

At €509 million, the Defence sector's sales rose by €95 million or 23% in the first quarter of 2015 compared to €414 million in the previous year. Adjusted for currency effects, the growth was 20%.

The operating result (EBIT before special items) improved by €14 million year on year to €-28 million. The considerable sales increase in the Combat Systems division had a positive effect on earnings development. The sales performance in the two other divisions (increase in Wheeled Vehicles division, decline in Electronic Solutions division) resulted in corresponding slight changes in earnings.

EBIT in the first quarter of 2015 totaled €-28 million (previous year €-43 million). The figure for the previous year includes non-recurring effects from restructuring of €1 million.

SOUND ORDER INTAKE IN DIFFICULT MARKET ENVIRONMENT

The Defence sector posted a solid order intake of €542 million in the first quarter of 2015, but this was less than the comparatively high prior-year figure. The book-to-bill ratio remains higher than 1. The sector's order backlog reached a new record value of €6,629 million.

RHEINMETALL GROUP BUSINESS TREND

AUTOMOTIVE SECTOR

The Aluminium-Technologie business unit with its main site in Neckarsulm, which formed part of the Hardparts division, has been continued since December 2014 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 the same period of the previous year, the business unit generated an operating result or EBIT of €1 million with sales of €49 million. As of March 31, 2014, 883 employees (capacities) were working in this unit. As the following key figures only relate to continuing operations, the figures for the previous period were adjusted accordingly.

Automotive key figures € million

	Q1/2015	Q1/2014	Change
Continuing operations			
Sales	664	617	47
Operating result	55	46	9
Operating result margin <i>in %</i>	8,3	7,5	0.8 Pp.
EBITDA	83	71	12
EBIT	55	46	9
EBT	52	42	10
Order intake	689	633	56
Order backlog (March 31)	441	410	31
Employees according to capacity (March 31)	10.932	10.990	-58

SALES GROWTH AND STRONG UPTURN IN EARNINGS IN THE AUTOMOTIVE SECTOR

Rheinmetall Automotive (KSPG) achieved sales of €664 million in the first quarter of 2015. With growth of €47 million or 8% compared to the same period of the previous year, the sector again exceeded the global market growth of 1.2%. When adjusted for currency effects, the growth in sales was 5%.

The growth in the operating result (EBIT before special items) was disproportionately high. In the first quarter of this year, Rheinmetall's Automotive sector generated a €9 million or 20% improvement in the operating result to €55 million. The operating earnings margin thus increased to 8.3%, following 7.5% in the previous year. In addition to the sales growth, the increase in earnings is above all attributable to improved operating performance. As in the previous year, no non-recurring effects materialized, so EBIT also improved by €9 million to €55 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 41% (calculated on a 100% basis) in the first quarter of 2015, with sales amounting to €212 million as against €150 million in the previous year. Adjusted for currency effects, the sales growth was 23%, while Chinese automotive production grew by 9% in the first quarter 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 2014.

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

PROSPECTS

GROUP FORECAST CONFIRMED

Sales – For the current fiscal year, Rheinmetall continues to expect consolidated sales of between €4.8 billion and €5.0 billion. €2.3 to 2.4 billion is expected for the Defence sector and €2.5 to 2.6 billion for Automotive.

Operating earnings and EBIT – In the Defence sector, Rheinmetall expects a margin of 3% based on operating earnings. For the Automotive sector, the margin target of 8% is expected to be achieved. After taking account of holding costs, which are forecast at approximately €20 million, this results in a margin expectation for the current fiscal year of around 5%.

Group EBT – On the basis of the expected improvement of Group EBIT and taking account of the markedly improved net interest result against the previous year, Rheinmetall anticipates a corresponding rise of the EBT margin across the Group.

Return on capital employed (ROCE) – A return on capital employed of approximately 8% is still expected for the current fiscal year.

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 2015

RHEINMETALL GROUP

BALANCE SHEET AS AT MARCH 31, 2015

Assets € million

	3/31/2015	12/31/2014
Goodwill	555	552
Intangible assets	295	295
Property, plant and equipment	1.227	1.175
Investment property	37	37
Investments accounted for using the equity method	194	177
Other non-current financial assets	13	8
Other non-current assets	21	21
Deferred taxes	299	239
Non-current assets	2.641	2.504
Inventories	1.073	1.017
./. Prepayments received	(63)	(60)
	1.010	957
Trade receivables	1.183	1.144
Other current financial assets	44	35
Other current receivables and assets	146	106
Income tax receivables	35	39
Cash and cash equivalents	278	486
Current assets	2.696	2.767
Total assets	5.337	5.271

Equity and liabilities € million

	3/31/2015	12/31/2014
Share capital	101	101
Additional paid-in capital	310	310
Retained earnings	722	756
Treasury shares	(48)	(48)
Rheinmetall AG shareholders' equity	1.085	1.119
Minority interests	80	78
Equity	1.165	1.197
Provisions for pensions and similar obligations	1.280	1.121
Other non-current provisions	102	101
Non-current financial debts	753	759
Other non-current liabilities	53	47
Deferred taxes	30	31
Non-current liabilities	2.218	2.059
Other current provisions	461	404
Current financial debts	56	57
Trade liabilities	673	714
Other current liabilities	717	800
Income tax liabilities	47	40
Current liabilities	1.954	2.015
Total liabilities	5.337	5.271

RHEINMETALL GROUP

INCOME STATEMENT FOR Q1 2015

€ million

	Q1/2015	Q1/2014
Sales	1.173	1.031
Changes in inventories and work performed by the enterprise and capitalised	25	91
Total operating performance	1.198	1.122
Other operating income	25	24
Cost of materials	647	629
Personnel expenses	347	331
Amortization, depreciation and impairment	49	45
Other operating expenses	162	143
Net operating income	18	(2)
Net interest ¹⁾	(16)	(16)
Income from investments carried at equity	6	4
Other net financial income	(2)	(3)
Net financial income	(12)	(15)
Earnings before taxes from continuing operations (EBT)	6	(17)
Income taxes	(1)	3
Earnings from continuing operations	5	(14)
Earnings from discontinued operations	-	1
Earnings after taxes	5	(13)
Of which:		
<i>Minority interests</i>	(3)	(6)
<i>Rheinmetall AG shareholders</i>	8	(7)
Earnings per share from continuing operations (€)	0,20	(0,21)
Earnings per share from discontinued operations (€)	-	0,02
EBITDA	71	44
EBIT	22	(1)

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

The amounts of the comparative period that belonged to the Aluminium-Technologie business unit sold at the end of 2014 were allocated to earnings from discontinued operations.

RHEINMETALL GROUP

COMPREHENSIVE INCOME FOR Q1 2015

€ million

	Q1/2015	Q1/2014
Earnings after taxes	5	(13)
Remeasurement of net defined liability from pensions	(125)	(38)
Amounts not reclassified in the income statement	(125)	(38)
Change in value of derivative financial instruments (cash flow hedge)	(4)	(1)
Currency conversion difference	83	3
Income/expenses from investments accounted for using the equity method	11	(1)
Amounts reclassified in the income statement	90	1
Other comprehensive income (after taxes)	(35)	(37)
Comprehensive income	(30)	(50)
Of which:		
<i>Minority interests</i>	4	(7)
<i>Rheinmetall AG shareholders</i>	(34)	(43)

RHEINMETALL GROUP

STATEMENT OF CHANGES IN EQUITY

€ million

	Share capital	Additional paid-in capital	Difference of currency conversion	Re-measurement of net defined benefit liability from pensions	Land revaluation reserve	Hedge reserve
Balance as at January 1, 2014	101	307	(34)	(263)	84	(22)
Earnings after taxes	-	-	-	-	-	-
Other comprehensive income	-	-	3	(38)	-	-
Comprehensive income	-	-	3	(38)	-	-
Balance as at March 31, 2014	101	307	(31)	(301)	84	(22)
Balance as at January 1, 2015	101	310	1	(448)	83	(19)
Earnings after taxes	-	-	-	-	-	-
Other comprehensive income	-	-	76	(124)	1	(6)
Comprehensive income	-	-	76	(124)	1	(6)
Dividends payout	-	-	-	-	-	-
Balance as at March 31, 2015	101	310	77	(572)	84	(25)

RHEINMETALL GROUP

STATEMENT OF CHANGES IN EQUITY

	<i>Other income from investments carried at equity</i>	<i>Other reserves</i>	Retained earnings	Treasury shares	Rheinmetall AG shareholders equity	Minority interests	Equity
	(7)	1.147	905	(58)	1.255	84	1.339
	-	(7)	(7)	-	(7)	(6)	(13)
	(1)	-	(36)	-	(36)	(1)	(37)
	(1)	(7)	(43)	-	(43)	(7)	(50)
	(8)	1.140	862	(58)	1.212	77	1.289
	-	1.139	756	(48)	1.119	78	1.197
	-	8	8	-	8	(3)	5
	11	-	(42)	-	(42)	7	(35)
	11	8	(34)	-	(34)	4	(30)
	-	-	-	-	-	(2)	(2)
	11	1.147	722	(48)	1.085	80	1.165

RHEINMETALL GROUP

CASH FLOW STATEMENT FOR Q1 2015

€ million

	Q1/2015	Q1/2014
Earnings after taxes	5	(13)
Amortization, depreciation and impairments	49	48
Changes in pension provisions	-	(2)
Pro rata income from investments carried at equity	(6)	(4)
Dividends received from investments carried at equity	1	4
Changes in working capital and others	(197)	(436)
Cash flows from operating activities¹⁾	(148)	(403)
Investments in property, plant and equipment, intangible assets and investment property	(56)	(65)
Investments in consolidated companies and financial assets	(2)	(6)
Cash flows from investing activities	(58)	(71)
Other profit distributions	(2)	-
Borrowing of financial debts	11	158
Repayment of financial debts	(21)	(34)
Cash flows from financing activities	(12)	124
Changes in financial resources	(218)	(350)
Changes in cash and cash equivalents due to exchange rates	10	-
Total change in financial resources	(208)	(350)
Cash and cash equivalents January 1	486	445
Cash and cash equivalents March 31	278	95

1) Including:

Net income taxes of €-5 million (previous year: €-4 million)

Net interest of €-11 million (previous year: €-9 million)

RHEINMETALL GROUP

SEGMENT REPORTING

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	Q1/2015	Q1/2014	Q1/2015	Q1/2014	Q1/2015	Q1/2014	Q1/2015	Q1/2014
External sales	509	414	664	617	-	-	1.173	1.031
At Equity-Ergebnis	(1)	(1)	7	5	-	-	6	4
Amortization and depreciation	21	20	28	25	-	-	49	45
EBIT	(28)	(43)	55	46	(5)	(4)	22	(1)
Interest income	1	1	1	-	(1)	-	1	1
Interest expenses	(7)	(7)	(4)	(4)	(6)	(6)	(17)	(17)
Net interest	(6)	(6)	(3)	(4)	(7)	(6)	(16)	(16)
EBT	(34)	(49)	52	42	(12)	(10)	6	(17)
Operating result	(28)	(42)	55	46	(5)	(4)	22	-
Restructuring expenditure	-	(1)	-	-	-	-	-	(1)
Other data								
Operating free cash flow	(168)	(367)	(26)	(76)	(10)	(25)	(204)	(468)
Order intake	542	675	689	633	-	-	1.231	1.308
Order backlog March 31	6.629	6.224	441	410	-	-	7.070	6.634
Employees as at March 31 (capacities)	9.359	9.242	10.932	10.990	151	142	20.442	20.374
Net financial debts	5	138	(20)	(24)	546	506	531	620

The segment reporting disclosures regarding the comparative year relate to continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL PRINCIPLES

The condensed consolidated interim financial statements of Rheinmetall AG as at March 31, 2015 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 2015 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 2014.

The application of IFRIC 21 “Levies” is mandatory from January 1, 2015. This standard regulates the recognition of levies imposed by government institutions and specifies accounting for obligations in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets.” In Rheinmetall’s consolidated financial statements, it had no effect on the earnings, assets or financial situation.

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 1.38% (December 31, 2013: 2.04%) was applied for pension provisions in Germany and a rate of 0.80% (December 31, 2013: 1.20%) 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, 2014.

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. Two additions to the scope of consolidation were posted in the first three months of 2015 as a result of acquisition and the formation of a company abroad. As of January 1, 2015, all shares in Logistic Solutions Australasia Pty. Ltd. Melbourne/Australia were acquired at a purchase price of €2 million (cash funds). The company strengthens Rheinmetall’s presence on the Australian market for the preparation of documentation for military products.

DISCONTINUED OPERATIONS

The items recognized for the comparative period in the income statement relate to the sale of 50% of the shares in the Aluminium-Technologie business unit, which took effect on December 1, 2014. This business unit has since been continued as a joint venture with the Chinese investor HUAYU Automotive Systems (Shanghai) Co. Ltd.

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

€ million

	Q1/2014
Sales	53
Expenses	52
Earnings before/after taxes from discontinued operations	1
<i>of which Rheinmetall AG shareholders</i>	<i>1</i>

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

€ million

	Q1/2014
Cash flows from operating activities	(8)
Cash flows from investing activities	(1)
Cash flows from financing activities	-

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 three months of the current fiscal year, this right was not exercised. As at March 31, 2015, the portfolio of treasury shares amounted to 1,225,511 (previous year: 1,524,233; December 31, 2014: 1,225,511) with acquisition costs totaling €48 million (previous year: €58 million, December 31, 2014: €48 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 2, 2015, the beneficiaries of the incentive program for fiscal 2014 received a total of 96,453 shares (previous year: a total of 123,337 shares on April 1, 2014, for fiscal 2013).

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

	Q1/2015	Q1/2014
Weighted number of shares <i>in million</i>	38,37	38,07
Earnings after taxes of Rheinmetall AG shareholders from continuing operations	8	(8)
Earnings per share from continuing operations (€)	0,20	(0,21)
Earnings after taxes of Rheinmetall AG shareholders from discontinued operations	-	1
Earnings per share from discontinued operations (€)	-	0,02

RELATED PARTIES

For the Rheinmetall Group, corporate related parties are the joint ventures and associated companies carried at equity. As well as customer receivables and trade payables, the volume of unpaid items also includes prepayments received and made and loans to corporate related parties of €1 million (€1 million on December 31, 2014).

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	
	Q1/2015	Q1/2014	Q1/2015	Q1/2014	3/31/2015	12/31/2014
Joint Ventures	52	44	3	-	21	20
Associated companies	-	1	3	5	(2)	(3)
	52	45	6	5	19	17

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, 2014. The fair values of financial instruments included on the balance sheet are comprised as follows:

€ million

	3/31/2015	12/31/2014
Derivatives without hedge accounting	18	13
Derivatives with hedge accounting	15	9
Financial assets	33	22
Derivatives without hedge accounting	29	15
Derivatives with hedge accounting	49	41
Financial liabilities	78	56

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, 2014. The definition of segments and the accounting methods are applied unchanged from December 31, 2014.

Reconciliation of segment EBIT to Rheinmetall Group EBT € million

	Q1/2015	Q1/2014
Segment EBIT	27	3
Others	(5)	(4)
Consolidation	-	-
Group EBIT	22	(1)
Group net interest	(16)	(16)
Group EBT	6	(17)

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Düsseldorf, May 7, 2015

Armin Papperger

Horst Binnig

Helmut P. Merch

LEGAL INFORMATION AND CONTACT

FINANCIAL CALENDAR

MAY 12, 2015

Annual General Meeting

AUGUST 6, 2015

Report on Q2/2015

NOVEMBER 5, 2015

Report on Q3/2015

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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.

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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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