

SEMIANNUAL FINANCIAL REPORT

H1 | 2015
RHEINMETALL AG



RHEINMETALL IN FIGURES

Rheinmetall Group key figures € million

		H1/2015	H1/2014	Change
Order situation (continuing operations)				
Order intake	€ million	2,555	2,289	266
Order backlog (June 30)	€ million	7,125	6,548	577
Sales/Results (continuing operations)				
Sales	€ million	2,394	2,131	263
of which generated abroad	%	75	76	-
Operating result	€ million	79	32	47
Operating result margin	%	3.3	1.5	1.8 Pp.
EBIT	€ million	79	30	49
EBIT margin	%	3.3	1.4	1.9 Pp.
EBT	€ million	48	(9)	57
Balance sheet (June 30) (continuing and discontinued operations)				
Total equity	€ million	1,294	1,257	37
Total assets	€ million	5,282	5,114	168
Equity ratio	%	24	25	-1 Pp.
Cash and cash equivalents	€ million	196	217	-21
Total assets less cash and cash equivalents	€ million	5,086	4,897	189
Net financial debt	€ million	621	710	-89
Leverage ratio ¹⁾	%	12.2	14.5	-2.3 Pp.
Net Gearing ²⁾	%	48.0	56.5	-8.5 Pp.
Cash Flow (continuing and discontinued operations)				
Cash flow from operating activities	€ million	(168)	(436)	268
Cash flow from investing activities	€ million	(112)	(118)	6
Cash flow from financing activities	€ million	(16)	325	-341
Free cash flow	€ million	(280)	(554)	274
Employees (June 30) according to capacities (continuing operations)				
Rheinmetall Group		20,642	20,338	304
Defence		9,422	9,228	194
Automotive		11,066	10,967	99
Holding/service companies		154	143	11
Share				
Stock price (June30)	€	45.49	51.70	-6.21
Stock price, annual high	€	50.51	57.87	-7.36
Stock price, annual low	€	45.27	43.62	1.65
Earnings per share from continuing operations	€	1.03	0.01	1.02

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 half of 2015. Operating earnings were also improved in both sectors.

- Consolidated sales up 12% to €2,394 million in the first six months of 2015
- Defence posts sales growth of 18% to €1,054 million, operating earnings improved by €25 million to €-27 million
- Automotive increases sales to €1,340 million and improves operating earnings at an even faster rate to €114 million
- Group EBIT improved by €49 million to €79 million
- Order backlog over €7 billion again.

The Group has released more specific details of its annual forecast for 2015, with consolidated sales now expected to total €5.0 billion, having previously been expected to be between €4.8 billion and €5.0 billion. The operating margin is still expected to be around 5%.

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THE RHEINMETALL SHARE

DAX AND MDAX WITH DECLINING MOMENTUM

Following a strong start to the year, German share prices initially continued their upward trend in the second quarter. The DAX reached its highest level to date of 12,375 points on April 10, 2015, with the MDAX then achieving its own record of 21,623 points on April 13, 2015. However, this trend was then broken immediately afterwards, so that the two indices closed the second quarter down -9% (DAX) and -5% (MDAX). Nevertheless, the 30 companies listed in the DAX gained 12% over the first six months of the year, while the 50 companies in the MDAX increased in value by 16%.

The muted growth in the second quarter is likely to have been largely due to discussions about whether Greece would remain in the euro zone, as well as increasing concerns about a deterioration in economic development in China. The MDAX reached its lowest level in the second quarter of 19,520 points on June 17, 2015 and closed the quarter only slightly above this at 19,622 points on June 30, 2015. The DAX fell to its lowest level of 10,945 points at the end of the quarter.

RHEINMETALL SHARE CONTINUES ABOVE-AVERAGE PERFORMANCE

Shares in Rheinmetall AG had slightly surpassed the growth in the MDAX during the first quarter. This positive trend continued at the beginning of the second quarter, although the share price then significantly outperformed the indices following a positive response to the interim report on the first quarter, published on May 7, 2015. Rheinmetall shares reached their highest price since July 2014 on May 19, 2015, when they climbed to €50.51. After that, Rheinmetall's share price developed in line with the DAX and MDAX. The lowest level it reached in the second quarter was €45.27 on April 29, 2015; at the end of the quarter, Rheinmetall shares were trading at €45.49, up 1% compared with the end of the first quarter of the current fiscal year.

MARKET CAPITALIZATION AND TRADING VOLUME

Rheinmetall AG maintained a stable position in Deutsche Börse's rankings. With a market capitalization of €1.8 billion calculated on the basis of the free float, Rheinmetall was in 29th place in June 2015 and was thus unchanged against the end of the first quarter.

Stock exchange turnover, stated by Deutsche Börse as €2.4 billion in June – based on turnover for the previous twelve months – put the Group in 25th place, down from 18th place in March 2015.

An average of 200,000 shares in Rheinmetall AG were traded each day on all German stock exchanges in the second quarter. The volume was thus higher than the figure of 183,000 for the second quarter of 2014, but was much lower than the figure of 287,000 shares reported for the first quarter of 2015.

INVESTOR RELATIONS ACTIVITIES

The Executive Board and Investor Relations department of Rheinmetall AG continued intensive talks with analysts and investors in the first six months of 2015. These took place at investors' conferences in New York, London, Frankfurt and Berlin, as well as roadshows in London and Paris, Canada and the USA.

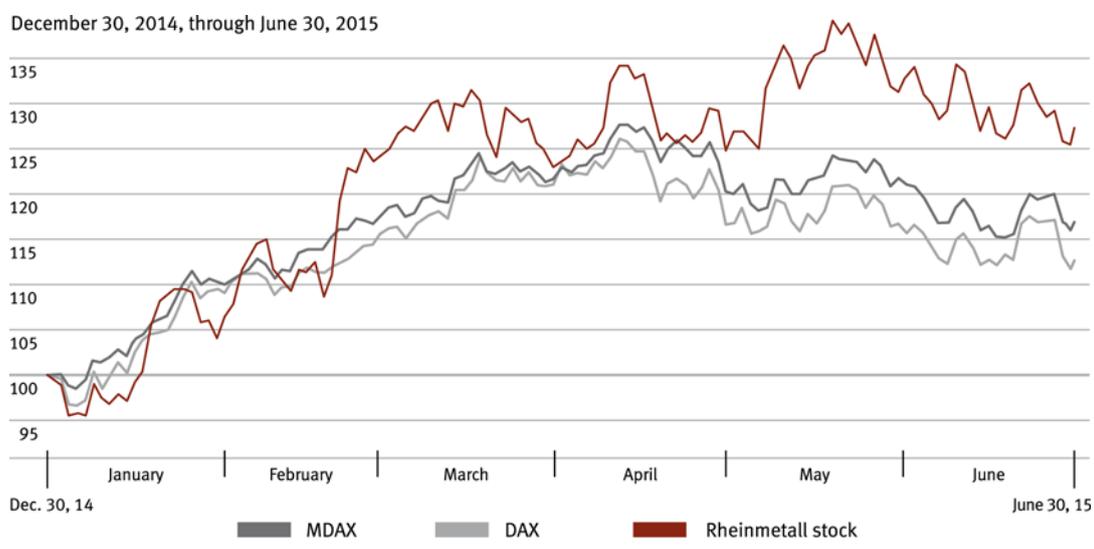
MAJOR SHAREHOLDERS

In accordance with Section 21 of the German Securities Trading Act (WpHG), the following three investors held more than 3% of shares in Rheinmetall as at June 30, 2015: M&G/Prudential, London, Dimensional, Austin/Texas, and LSV Asset Management, Wilmington/Delaware. The issuing of shares to employees under the share purchase program caused Rheinmetall's holdings of treasury shares to drop below 3%.

The investment company M&G/Prudential, London, reported in May that it had exceeded the threshold of 3%, while Harris Associates, Chicago, announced in April that its holding had dropped below the 3% threshold. The investor J.P. Morgan Chase & Co., New York, exceeded the 5% threshold in May, although it then dropped back below the 3% threshold in June.

UBS Group AG, Zurich, announced several times, sometimes at very short intervals, that it had fallen below or exceeded the reporting threshold of 3%, and sometimes reported in conjunction with paragraphs 25 and 25a WpHG (derivatives or rights to acquire shares) that it had fallen below or exceeded the reporting threshold of 5%.

Rheinmetall stock price trend in comparison to the DAX and MDAX



GENERAL ECONOMIC CONDITIONS

GLOBAL ECONOMY EXPERIENCES SLIGHT SLOWDOWN IN GROWTH

Growth in the global economy slowed slightly in the first six months of 2015. This development was due in particular to unexpectedly weak economic data from the USA, while positive and negative trends outside North America had no significant impact on the overall picture. Against this background, the International Monetary Fund (IMF) revised its forecast for 2015 as a whole downwards slightly in its latest World Economic Outlook (WEO) from July 2015. The IMF now predicts growth in global economic output of 3.3% for this year, 0.2 percentage points less than in its forecast from April 2015. For 2016, the IMF has maintained its growth forecast of 3.8%.

The gross domestic product (GDP) of mature industrialized nations will grow by 2.1% this year and 2.4% in 2016 according to experts at the IMF. The lowering of this year's forecast by 0.3 percentage points is essentially due to the USA. The IMF's adjusted forecast now predicts growth of only 2.5% in US GDP for 2015. Growth of 3.1% was anticipated in April. One-off factors such as the unusually harsh winter and a long-running strike by dock workers on the west coast of the USA had an adverse effect on performance. However, the IMF has maintained its forecast of 3% growth for the USA in 2016.

The IMF is cautiously optimistic regarding economic development in the euro zone. Its economists have explicitly referred to the risks for other euro zone countries associated with the crisis in Greece, in view of the Greek referendum and the much-discussed possibility of a Grexit. Overall, the economy of the 19 euro zone countries is expected to grow by 1.5% this year and 1.7% in 2016. While Italy and in particular Spain are set to grow according to the IMF's outlook, the forecasts for France and Germany have not been adjusted compared with April. German GDP will grow by 1.6% in 2015 and 1.7% in 2016 according to the IMF. The Ifo Institute in Munich has published more optimistic figures. Its economic forecast from June 2015 predicts 1.9% growth in German GDP this year and 1.8% growth next year. Researchers believe that this positive development will be driven by private consumption in particular.

The BRIC nations of Brazil, Russia, India and China are experiencing different trends. The Brazilian economy is contracting and is currently in a recession. Experts at the IMF have forecast a drop of 1.5% for 2015. In 2016, Brazil's GDP is expected to grow again slightly by 0.7%. Russia has been hit hard by the sanctions imposed by the EU as a result of the conflict in Ukraine and by low oil prices. Although the IMF has moderated its 2015 forecast slightly, Russia's economic output is expected to fall by 3.4% in 2015. The forecast for 2016 has been raised significantly from -1.1% to an increase of 0.2%. The IMF economists have maintained their April forecast for China. They are anticipating economic growth of 6.8% for 2015 and 6.3% for 2016. At the same time, the IMF points out that risks may arise in connection with the reform of China's growth model, such as the recent turbulence on the Chinese stock markets. With growth of 7.5% forecast for both 2015 and 2016, India is currently achieving higher growth rates than China according to the IMF.

SIDEWAYS MOVEMENT IN GLOBAL ARMS SPENDING

Arms spending is declining or stagnating in many Western European countries and in the USA and Canada, while the ongoing conflict in Ukraine has led to a rise in defense budgets in Eastern Europe and Scandinavia. Budgets have also increased in many emerging and developing countries. According to estimates by defense analysts at IHS Jane's from June 2015, global military spending will remain stable overall this year compared with 2014, at USD 1,625 billion. A similar figure of USD 1,636 billion is expected for 2016.

Even after cuts, the USA still has by far the biggest defense budget. Following a budget of almost USD 598 billion last year, USD 567 billion has been set aside for the US armed forces this year. According to IHS Jane's, USD 561 billion will be available in 2016. China, the country with the second-largest defense budget in the world, has increased its budget further. Following a budget of USD 177 billion in 2014, USD 191 billion is planned for 2015, while around USD 204 billion is expected to be spent in 2016. Defense spending is also on the increase in Russia: after USD 45 billion was spent last year, this is expected to grow to around USD 53 billion in 2015 and to be slightly above USD 50 billion again in 2016.

Germany is of special importance as it is Rheinmetall Defence's largest individual market. At around 1.2% of gross domestic product for 2014, however, Europe's biggest economy is still well below NATO's 2% target, which is to be achieved in the next ten years. Jens Stoltenberg, the Secretary General of NATO, used this as an opportunity on the 60th anniversary of Germany's joining NATO in June to remind the German government of its economic role and the "fair distribution of the burden" within the alliance that this entails. Budgeted defense spending in the federal budget for 2015 is up around €0.5 billion year-on-year, at €33.0 billion. However, this increase is merely enough to maintain the current ratio to gross domestic product. Germany's defense budget is expected to increase to €34.4 billion in 2016. The budget is then expected to be increased gradually to around €35.0 billion by 2019.

Knowledge gained from the Ukraine crisis is leading to a reassessment of the requirements of national defense in terms of security policy. The focus is shifting back to armored land combat troops. In Germany and in other European countries, this development is reflected in new procurement plans. The German armed forces, which are to supply a large proportion of the personnel for NATO's planned "spearhead" rapid reaction force, want to modernize around 100 additional Leopard battle tanks and recommission them and to purchase about 130 highly protected vehicles of the Boxer type. Rheinmetall's Defence sector is involved in both programs.

LIMITED GROWTH IN GLOBAL AUTOMOTIVE PRODUCTION

The Association of the German Automotive Industry (VDA) presented positive overall interim results for the automotive industry in 2015 at its semi-annual press conference at the beginning of July 2015. It reported that the global market was still growing, even if growth was currently slowing somewhat. The VDA was pleased with developments in Western Europe, saying that it had fallen into step again following years of crisis.

These statements are also supported by the latest study by IHS Automotive with regard to the global production of passenger cars and light commercial vehicles up to 3.5 t. According to this study, around 43.9 million vehicles were produced worldwide in the first six months of the current year, 1.1% more than in the same period of last year. The triad markets of Western Europe, NAFTA and Japan produced around 20.8 million units, which meant that there was no increase on 2014 production levels. Japan, which saw a 9.7% drop in production figures in the first half of the year, significantly curbed development. However, 1.7% fewer passenger cars and light commercial vehicles were also produced in Germany in the first half of 2015. According to IHS Automotive, there was nevertheless an increase in production of 3.8% for the Western European light vehicle market as a whole. Particularly strong growth was recorded in Italy (30.3%) and Spain (11.0%) between January and June, due to catch-up effects. The NAFTA region also continued to develop positively, with production in North America growing by 2.0% on the basis of the previous year's strong figures.

According to the latest figures from IHS Automotive, China further increased its importance to the sector as the world's biggest automotive market. Production in China grew by 8.1% in the first six months of 2015. However, experts expect the slowdown in growth in the Chinese economy to have an impact on automotive production. Growth rates in the second half of 2015 will therefore be lower than was forecast a year ago. Nevertheless, growth in production is still expected to be well above that on traditional automotive markets in Europe and the USA, at around 5%. Considerably fewer automobiles were produced in Brazil (-15.9%) and Russia (-26.5%) in the first half of the year, due to the economic slowdown. In contrast, the Indian market experienced an upturn. 6.7% more passenger cars and light commercial vehicles were produced in the first six months compared with the same period of the previous year.

According to calculations by analysts at IHS Automotive, global automotive production is set to grow by 1.7% to 87.1 million vehicles for 2015 as a whole. This forecast is largely driven by anticipated growth in China (6.7%), India (6.5%) and North America (2.9%). A slight increase in production of 0.9% is expected for Germany.

Its strong local presence in the growth markets of China and North America as well as in Western Europe means that Rheinmetall Automotive is in a very good position to take advantage of the predicted upward trends. This applies in particular in view of the ongoing trend towards environmentally friendly mobility. Its significant product expertise in this area and strong market position in practically all major markets give Rheinmetall Automotive an opportunity for above-average growth.

RHEINMETALL GROUP BUSINESS TREND

The Automotive sector's Aluminium-Technologie business unit was spun off into a joint venture at the end of 2014 and is shown in the financial statements as discontinued operations.

Sales € million (continuing operations)

	H1/2015	H1/2014
Rheinmetall Group	2,394	2,131
Defence	1,054	895
Automotive	1,340	1,236

EBIT € million (continuing operations)

	H1/2015	H1/2014
Rheinmetall Group	79	30
Defence	(27)	(54)
Automotive	114	93
Others/Consolidation	(8)	(9)

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

	H1/2015	H1/2014
Rheinmetall Group	79	32
Defence	(27)	(52)
Automotive	114	93
Others/Consolidation	(8)	(9)

SALES AND EARNINGS GROWTH IN THE FIRST HALF OF 2015

In the first six months of 2015, Rheinmetall generated consolidated sales of €2,394 million; compared to the previous year, this is an increase in business volume of €263 million or 12%. Adjusted for currency effects, growth came to 9%.

In the first half of 2015, the proportion of sales achieved abroad in the Group was 75%, after 76% in the same period of the previous year. In addition to the German market (25%), the key regions in terms of sales volumes were Europe excluding Germany (36%), followed by Asia (21%) and North America (11%).

In the first six months of 2015, the operating result (EBIT before special items) improved by €47 million year-on-year to €79 million. In both sectors, the sales growth and the effects of the program to improve cost efficiency that was launched in 2013 contributed to an increase in the operating result. Earnings before interest and taxes (EBIT) increased by €49 million from €30 million to €79 million. In the previous year, nonrecurring effects (restructuring) of €2 million were incurred in the Defence sector.

ORDER BACKLOG STILL AT A RECORD LEVEL

The Rheinmetall Group recorded an order intake of €2,555 million in the first half of 2015 (previous year: €2,289 million). The order backlog as at June 30, 2015 stood at €7,125 million (December 31, 2014: €6,932 million).

ASSET AND CAPITAL STRUCTURE

The Rheinmetall Group's total assets amounted to €5,282 million as at June 30, 2015. This represents an increase of €11 million compared with December 31, 2014. Non-current assets increased by €73 million in the period under review to €2,577 million. Current assets fell by €62 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 24%, was above the previous year's figure of 23%. Non-current liabilities fell by €16 million to €2,043 million. This largely corresponds to the decline in pension provisions. Current liabilities decreased by €70 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

	6/30/2015	%	12/31/2014	%
Non-current assets	2,577	49	2,504	48
Current assets	2,705	51	2,767	52
Total assets	5,282	100	5,271	100
Equity	1,294	24	1,197	23
Non-current liabilities	2,043	39	2,059	39
Current liabilities	1,945	37	2,015	38
Total equity and liabilities	5,282	100	5,271	100

CAPITAL EXPENDITURE UP ON PREVIOUS YEAR

The Rheinmetall Group invested a total of €111 million in the first half of the current fiscal year, compared to €99 million in the previous year. The investment ratio (capital expenditure as a percentage of sales) remained stable at 4.6%.

Capital expenditure € million (continuing operations)

	H1/2015	H1/2014
Rheinmetall Group	111	99
Defence	32	28
Automotive	68	64
Others/Consolidation	11	7

EMPLOYEE NUMBERS LARGELY CONSTANT

On June 30, 2015, a total of 20,642 people were employed by the Rheinmetall Group around the world (continuing operations), up 304 or 1% on June 30, 2014. The workforce was increased by 194 at Rheinmetall Defence and by 99 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)

	6/30/2015	6/30/2014
Defence	9,422	9,228
Automotive ¹⁾	11,066	10,967
Others	154	143
Rheinmetall Group (continuing operations)	20,642	20,338
Rheinmetall Group (discontinued operations)	-	875

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

RHEINMETALL GROUP BUSINESS TREND

DEFENCE SECTOR

Defence key figures € million

	H1/2015	H1/2014	Change
Sales	1,054	895	159
Operating result	(27)	(52)	25
Operating result margin <i>in %</i>	(2.6)	(5.8)	3.2 Pp
EBITDA	15	(13)	28
EBIT	(27)	(54)	27
EBT	(39)	(67)	28
Order intake	1,235	1,074	161
Order backlog (June 30)	6,728	6,174	554
Employees according to capacity (June 30)	9,422	9,228	194

SALES GROWTH AND RECOVERY OF OPERATING EARNINGS

At €1,054 million, the Defence sector's sales rose by €159 million or 18% in the first six months of 2015 compared to €895 million in the previous year. Adjusted for currency effects, the growth was 15%.

The operating result (EBIT before special items) improved by €25 million year on year to €-27 million. In particular, the considerable sales increase in the Combat Systems division had a positive effect on earnings development. The Electronic Solutions division reported generally stable sales and a positive operating result, following a loss in the corresponding period of last year. Sales growth in the Wheeled Vehicles division led to a slight improvement in earnings.

EBIT in the first half of 2015 totaled €-27 million (previous year €-54 million). The figure for the previous year includes non-recurring effects from restructuring of €2 million.

SOUND ORDER INTAKE IN DIFFICULT MARKET ENVIRONMENT

The Defence sector posted a solid order intake of €1,235 million in the first half of 2015, exceeding the prior-year figure. Key orders received in the second quarter of 2015 included turret structures for the Scout vehicle program in the UK, medium-range radar systems for the Canadian armed forces and powder for ammunition supplied by a French manufacturer to an Asian country. The book-to-bill ratio was still above 1. The sector's order backlog reached a new record value of €6,728 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, has been continued since December 2014 in the form of a joint venture with the Chinese company HUAYU Automotive Systems Co. Ltd., with which several joint ventures in China already exist. In the same period of the previous year, the business unit generated an operating result of €5 million and EBIT of €-2 million with sales of €112 million. As at June 30, 2014, 875 employees (capacities) were working in this unit. The following key figures relate only to continuing operations.

Automotive key figures € million

	H1/2015	H1/2014	Change
Continuing operations			
Sales	1,340	1,236	104
Operating result	114	93	21
Operating result margin <i>in %</i>	8.5	7.5	1.0 Pp.
EBITDA	170	144	26
EBIT	114	93	21
EBT	107	85	22
Order intake	1,320	1,215	105
Order backlog (June 31)	397	374	23
Employees according to capacity (June 31)	11,066	10,967	99

SALES GROWTH AND STRONG UPTURN IN EARNINGS IN THE AUTOMOTIVE SECTOR

Rheinmetall Automotive (KSPG) achieved sales of €1,340 million in the first six months of 2015. With growth of €104 million or 8% compared to the same period of the previous year, the sector again exceeded the global market growth of 1%. When adjusted for currency effects, the growth in sales was 5%.

The growth in earnings was disproportionately high. In the first half of this year, Rheinmetall's Automotive sector generated a €21 million or 23% improvement in the operating result to €114 million. The operating earnings margin thus increased to 8.5%, following 7.5% in the previous year. In addition to the sales growth, this increase is above all attributable to improved operating performance. As in the previous year, no non-recurring effects materialized, so operating earnings (before special items) corresponded to EBIT.

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 40% (calculated on a 100% basis) in the first six months of 2015, with sales amounting to €421 million as against €300 million in the previous year. Adjusted for currency effects, the sales growth was 16%, while Chinese automotive production grew by 8% in the first six 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 2014.

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

PROSPECTS

GROUP FORECAST BECOMES MORE SPECIFIC

Sales – Rheinmetall is now anticipating consolidated sales of around €5.0 billion for the current fiscal year, at the upper end of the range of €4.8 billion to €5.0 billion that was previously forecast. Rheinmetall also expects sales for the two sectors to be at the upper end of the previously forecast ranges: €2.4 billion for the Defence sector, compared with the previous forecast of €2.3 billion to €2.4 billion, and around €2.6 billion for Automotive, following the earlier forecast of €2.5 billion to €2.6 billion.

Operating earnings and EBIT – In the Defence sector, Rheinmetall still 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 Group 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 in 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 THE FIRST SIX MONTHS OF 2015

RHEINMETALL GROUP

BALANCE SHEET AS AT JUNE 30, 2015

Assets € million

	6/30/2015	12/31/2014
Goodwill	555	552
Intangible assets	285	295
Property, plant and equipment	1,231	1,175
Investment property	37	37
Investments accounted for using the equity method	196	177
Other non-current financial assets	5	8
Other non-current assets	19	21
Deferred taxes	249	239
Non-current assets	2,577	2,504
Inventories	1,130	1,017
./. Prepayments received	(68)	(60)
	1,062	957
Trade receivables	1,193	1,144
Other current financial assets	56	35
Other current receivables and assets	159	106
Income tax receivables	39	39
Cash and cash equivalents	196	486
Current assets	2,705	2,767
Total assets	5,282	5,271

Equity and liabilities € million

	6/30/2015	12/31/2014
Share capital	101	101
Additional paid-in capital	311	310
Retained earnings	849	756
Treasury shares	(40)	(48)
Rheinmetall AG shareholders' equity	1,221	1,119
Minority interests	73	78
Equity	1,294	1,197
Provisions for pensions and similar obligations	1,108	1,121
Other non-current provisions	102	101
Non-current financial debts	753	759
Other non-current liabilities	50	47
Deferred taxes	30	31
Non-current liabilities	2,043	2,059
Other current provisions	457	404
Current financial debts	64	57
Trade liabilities	653	714
Other current liabilities	720	800
Income tax liabilities	51	40
Current liabilities	1,945	2,015
Total liabilities	5,282	5,271

RHEINMETALL GROUP

INCOME STATEMENT FOR THE FIRST SIX MONTHS OF 2015

€ million

	H1/2015	H1/2014
Sales	2,394	2,131
Changes in inventories and work performed by the enterprise and capitalised	75	179
Total operating performance	2,469	2,310
Other operating income	65	60
Cost of materials	1,325	1,297
Personnel expenses	706	658
Amortization, depreciation and impairment	99	92
Other operating expenses	336	304
Net operating income	68	19
Net interest ¹⁾	(31)	(39)
Income from investments carried at equity	16	11
Other net financial income	(5)	0
Net financial income	(20)	(28)
Earnings before taxes (EBT)	48	(9)
Income taxes	(14)	2
Earnings from continuing operations	34	(7)
Earnings from discontinued operations	-	1
Earnings after taxes	34	(6)
Of which:		
<i>Minority interests</i>	(6)	(8)
<i>Rheinmetall AG shareholders</i>	40	2
Earnings per share from continuing operations (€)	1.03	0.01
Earnings per share from discontinued operations (€)	-	0.04
EBITDA	178	122
EBIT	79	30

1) Of which interest expenses: €32 million (previous year: €40 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 THE FIRST SIX MONTHS OF 2015

€ million

	H1/2015	H1/2014
Earnings after taxes	34	(6)
Remeasurement of net defined liability from pensions	1	(85)
Revaluation of properties	1	-
Amounts not reclassified in the income statement	2	(85)
Change in value of derivative financial instruments (cash flow hedge)	(1)	9
Currency conversion difference	66	13
Income/expenses from investments accounted for using the equity method	5	1
Amounts reclassified in the income statement	70	23
Other comprehensive income (after taxes)	72	(62)
Comprehensive income	106	(68)
Of which:		
<i>Minority interests</i>	1	(4)
<i>Rheinmetall AG shareholders</i>	105	(64)

RHEINMETALL GROUP

INCOME STATEMENT FOR Q2 2015

€ million

	Q2/2015	Q2/2014
Sales	1,221	1,100
Changes in inventories and work performed by the enterprise and capitalised	50	88
Total operating performance	1,271	1,188
Other operating income	40	36
Cost of materials	678	668
Personnel expenses	359	327
Amortization, depreciation and impairment	50	47
Other operating expenses	174	161
Net operating income	50	21
Net interest ¹⁾	(15)	(23)
Income from investments carried at equity	10	8
Other net financial income	(3)	2
Net financial income	(8)	(13)
Earnings before taxes (EBT)	42	8
Income taxes	(13)	(1)
Earnings from continuing operations	29	7
Earnings from discontinued operations	-	-
Earnings after taxes	29	7
Of which:		
<i>Minority interests</i>	(3)	(2)
<i>Rheinmetall AG shareholders</i>	32	9
Earnings per share from continuing operations (€)	0.83	0.22
Earnings per share from discontinued operations (€)	-	0.02
EBITDA	107	78
EBIT	57	31

1) Of which interest expenses: €15 million (previous year: €23 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 Q2 2015

€ million

	Q2/2015	Q2/2014
Earnings after taxes	29	7
Remeasurement of net defined liability from pensions	126	(47)
Revaluation of properties	1	-
Amounts not reclassified in the income statement	127	(47)
Change in value of derivative financial instruments (cash flow hedge)	3	10
Currency conversion difference	(17)	10
Income/expenses from investments accounted for using the equity method	(6)	2
Amounts reclassified in the income statement	(20)	22
Other comprehensive income (after taxes)	107	(25)
Comprehensive income	136	(18)
Of which:		
<i>Minority interests</i>	<i>(3)</i>	<i>3</i>
<i>Rheinmetall AG shareholders</i>	<i>139</i>	<i>(21)</i>

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	-	-	13	(85)	-	6
Comprehensive income	-	-	13	(85)	-	6
Dividend	-	-	-	-	-	-
Other changes not recognized	-	3	-	-	-	-
Balance as at June 30, 2014	101	310	(21)	(348)	84	(16)
Balance as at January 1, 2015	101	310	1	(448)	83	(19)
Earnings after taxes	-	-	-	-	-	-
Other comprehensive income	-	-	60	1	1	(2)
Comprehensive income	-	-	60	1	1	(2)
Dividends payout	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-
Other changes	-	1	-	-	-	-
Balance as at June 30, 2015	101	311	61	(447)	84	(21)

<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
-	2	2	-	2	(8)	(6)
-	-	(66)	-	(66)	4	(62)
-	2	(64)	-	(64)	(4)	(68)
-	(15)	(15)	-	(15)	(8)	(23)
-	-	-	6	9	-	9
(7)	1,134	826	(52)	1,185	72	1,257
-	1,139	756	(48)	1,119	78	1,197
-	40	40	-	40	(6)	34
5	-	65	-	65	7	72
5	40	105	-	105	1	106
-	(12)	(12)	-	(12)	(6)	(18)
-	-	-	8	8	-	8
-	-	-	-	1	-	1
5	1,167	849	(40)	1,221	73	1,294

RHEINMETALL GROUP

CASH FLOW STATEMENT FOR THE FIRST SIX MONTHS OF
2015

€ million

	H1/2015	H1/2014
Earnings after taxes	34	(6)
Amortization, depreciation and impairments	99	100
Changes in pension provisions	1	(2)
Pro rata income from investments carried at equity	(16)	(11)
Dividends received from investments carried at equity	3	12
Changes in working capital and others	(289)	(529)
Cash flows from operating activities¹⁾	(168)	(436)
Investments in property, plant and equipment, intangible assets and investment property	(111)	(114)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	1	2
Investments in consolidated companies and financial assets	(2)	(6)
Cash flows from investing activities	(112)	(118)
Dividends paid out by Rheinmetall AG	(12)	(15)
Other profit distributions	(6)	(8)
Sale of treasury shares	3	6
Borrowing of financial debts	27	390
Repayment of financial debts	(28)	(48)
Cash flows from financing activities	(16)	325
Changes in financial resources	(296)	(229)
Changes in cash and cash equivalents due to exchange rates	6	1
Total change in financial resources	(290)	(228)
Cash and cash equivalents January 1	486	445
Cash and cash equivalents June 30	196	217

1) Including:

Net income taxes of €-19 million (previous year: €-22 million)

Net interest of €-20 million (previous year: €-26 million)

RHEINMETALL GROUP

SEGMENT REPORTING

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	H1/2015	H1/2014	H1/2015	H1/2014	H1/2015	H1/2014	H1/2015	H1/2014
External sales	1,054	895	1,340	1,236	-	-	2,394	2,131
At Equity income	2	1	14	10	-	-	16	11
Amortization and depreciation	42	41	56	51	1	-	99	92
EBIT	(27)	(54)	114	93	(8)	(9)	79	30
Interest income	1	1	1	1	(1)	(1)	1	1
Interest expenses	(13)	(14)	(8)	(9)	(11)	(17)	(32)	(40)
Net interest	(12)	(13)	(7)	(8)	(12)	(18)	(31)	(39)
EBT	(39)	(67)	107	85	(20)	(27)	48	(9)
Operating result	(27)	(52)	114	93	(8)	(9)	79	32
Restructuring expenditure	-	(2)	-	-	-	-	-	(2)
Other data								
Operating free cash flow	(279)	(462)	15	(55)	(15)	(33)	(279)	(550)
Order intake	1,235	1,074	1,320	1,215	-	-	2,555	2,289
Order backlog June 30	6,728	6,174	397	374	-	-	7,125	6,548
Employees as at June 30 (capacities)	9,422	9,228	11,066	10,967	154	143	20,642	20,338
Net financial debts	122	237	(59)	(51)	558	524	621	710

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 June 30, 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 six 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 2.31% (December 31, 2014: 2.04%) was applied for pension provisions in Germany and a rate of 1.05% (December 31, 2014: 1.20%) for Switzerland. These constitute countries with significant pension obligations. The increase in the interest rate for Germany led to a reduction in actuarial losses from pension obligations recognized in equity. The reduction in the interest rate in Switzerland had a contrasting effect on equity, so the remeasurement of net defined benefit liability from pensions led to an overall increase of €1 million 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. In the first six months of 2015, there were two additions to the scope of consolidation due to an acquisition and the formation of a new company, two disposals due to internal mergers and one disposal due to liquidation. The addition due to an acquisition involved the purchase of all shares in Logistic Solutions Australasia Pty. Ltd., Melbourne/Australia, on January 1, 2015 at a price of €2 million (cash). 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

	Q2/2014	H1/2014
Sales	59	112
Expenses	56	108
Loss from the measurement of discontinued operations at fair value less costs of disposal	7	7
Earnings before taxes from discontinued operations	(4)	(3)
Income taxes	4	4
Earnings after taxes from discontinued operations	0	1
<i>davon entfallen auf die Aktionäre der Rheinmetall AG</i>	-	1

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

€ million

	H1/2014
Cash flows from operating activities	(2)
Cash flows from investing activities	(3)
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 six months of the current fiscal year, this right was not exercised. As at June 30, 2015, the portfolio of treasury shares amounted to 1,062,935 (previous year: 1,350,953; December 31, 2014: 1,225,511) with acquisition costs totaling €40 million (previous year: €52 million; December 31, 2014: €48 million), which were deducted from equity. The proportion of treasury shares in subscribed capital is 2.68%.

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 95,481 shares (previous year: a total of 123,337 shares on April 1, 2014, for fiscal 2013).

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 67,095 shares for €4 million on June 2, 2015.

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

	Q2 2015	Q2 2014	H1 2015	H1 2014
Weighted number of shares <i>in million</i>	38.49	38.22	38.43	38.15
Earnings after taxes of Rheinmetall AG shareholders from continuing operations	32	9	40	1
Earnings per share from continuing operations (€)	0.83	0.22	1.03	0.01
Earnings after taxes of Rheinmetall AG shareholders from discontinued operations	-	-	-	1
Earnings per share from discontinued operations (€)	-	0.02	-	0.04

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	
	H1/2015	H1/2014	H1/2015	H1/2014	6/30/2015	12/31/2014
Joint Ventures	125	84	5	1	59	19
Associated companies	2	2	8	14	(1)	(2)
	127	86	13	15	58	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

	6/30/2015	12/31/2014
Derivatives without hedge accounting	20	13
Derivatives with hedge accounting	12	9
Financial assets	32	22
Derivatives without hedge accounting	18	15
Derivatives with hedge accounting	39	41
Financial liabilities	57	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

	H1/2015	H1/2014
Segment EBIT	87	39
Others	(8)	(9)
Consolidation	-	-
Group EBIT	79	30
Group net interest	(31)	(39)
Group EBT	48	(9)

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

DISCLOSURE IN ACCORDANCE WITH SECTION 37W (5) SENTENCE 6 OF THE GERMAN SECURITIES TRADING ACT (WPHG)

The condensed consolidated interim financial statements as at June 30, 2015 – consisting of the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selected Notes – and the Group interim management report for the period from January 1 to June 30, 2015 were not audited in accordance with Section 317 of the German Commercial Code (HGB) or subjected to a review by a person qualified to audit financial statements.

RESPONSIBILITY STATEMENT

We represent that, to the best of our knowledge and in accordance with applicable accounting principles for interim reporting, the condensed consolidated interim financial statements of Rheinmetall AG present a true and fair view of the Rheinmetall Group's assets, financial situation and earnings, and that the Group interim management report describes fairly, in all material respects, the Group's business trend and performance, the Group's position and the significant risks and opportunities of the Group's expected future development in the remaining months of the fiscal year.

Düsseldorf, August 5, 2015

Armin Papperger

Horst Binnig

Helmut P. Merch

LEGAL INFORMATION AND CONTACT

FINANCIAL CALENDAR

NOVEMBER 5, 2015

Report on Q3/2015

CONTACTS

Corporate Communications

Peter Rücker

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.

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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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Rheinmetall AG

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

