Quarterly Financial Report

3Q/2011

Rheinmetall AG

Rheinmetall in figures

Rheinmetall Group key figures *€ million*

	3Q/2010	3Q/2011	Change
Sales	2,720	3,105	385
Order intake	2,930	3,090	160
Order backlog (September 30)	5,240	5,163	(77)
Employees according to capacity (September 30)	20,213	20,299	86
EBITDA	287	336	49
EBIT	173	203	30
EBIT margin	6.4%	6.5%	-
EBT	133	161	28
Net income	100	119	19
Earnings per Share (EpS)	€ 2.48	€ 3.04	0.56
Capital expenditure	120	131	11
Amortization/depreciation/impairment	114	133	19
Cash flow	212	243	31
Net financial debt (September 30)	483	631	148
Total equity (September 30)	1,244	1,384	140
Total assets (September 30)	4,130	4,535	405

Rheinmetall on course for growth

With significant growth in sales and a record result, the Rheinmetall Group is still on track for success after three quarters.

- Consolidated sales up 14% to €3,105 million
- Consolidated result before interest and taxes (EBIT) up €30 million to €203 million
- Defence: Stable performance at high level
- Automotive: Substantial increase in sales and earnings
- Sales and earnings forecasts for 2011 updated

Contents

The Rheinmetall share

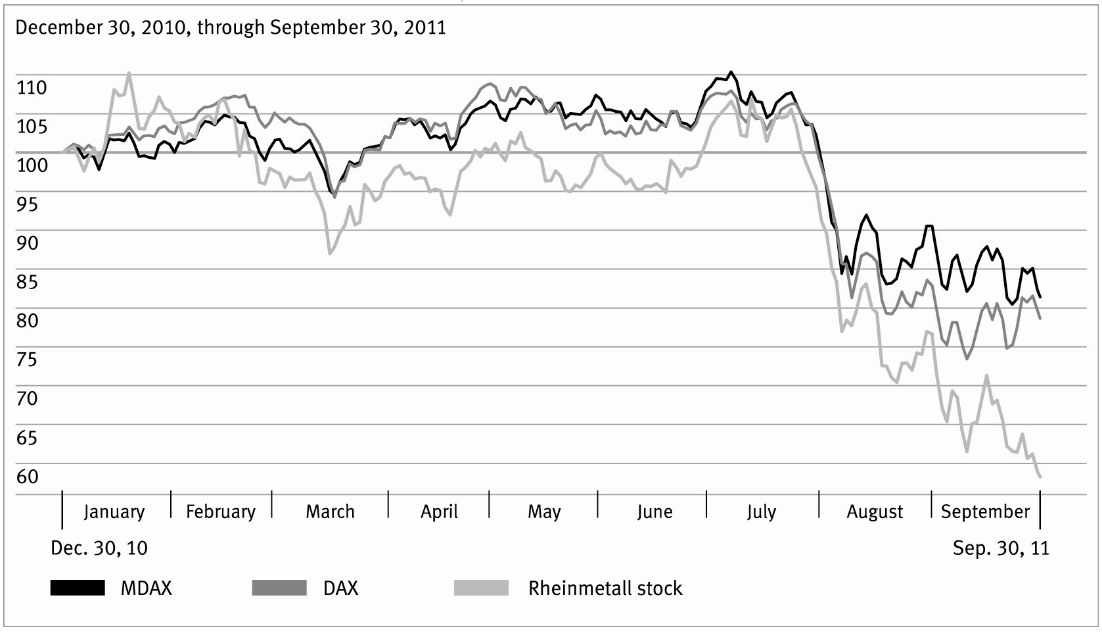
Stock indices marked by euro crisis | Following widespread stability in market sentiment in the first half of 2011, which was dampened by the earthquake in Japan and the ensuing nuclear disaster in Fukushima in March, the financial crisis in the euro zone in the third quarter led to a rapid fall in stock market prices.

In the third quarter, the DAX dropped by 32% within a few weeks, from its high of 7,471 points on July 7 to its lowest value of 5,072 points on September 12, 2011. The MDAX, which reached its annual peak at 11,187 points on July 7, 2011, fell by 27% up to September 23, 2011 to the low of 8,146 points. For the third quarter as a whole, the index decrease was somewhat lower: The DAX dropped by 25% from 7,376 to 5,502 points, while the MDAX declined by 24% from 10,932 to 8,341 points.

Rheinmetall share comes under particularly high pressure | The Rheinmetall share made a very positive start to the third quarter and rose from €61.05 at the end of the previous quarter to €64.43 on July 13, 2011. However, in the second half of July it was unable to avoid the market downturn and fell to €35.46 by the end of the quarter. This resulted in a minus of 42% over the third quarter. Over the course of September, the DAX and MDAX indices posted a slight stabilization, although this was also accompanied by higher volatility. The Rheinmetall AG share price saw a significant upturn only after the quarter under review. This below-average growth is because investors in both corporate sectors perceived negative factors. On the one hand, there was uncertainty surrounding the sustainability of the economic upturn following the crisis in the automotive industry in 2008 and 2009. On the other, discussions about the finances of euro zone countries gave rise to fears of future government austerity measures in EU countries' national budgets that could also have an impact on defence spending. Adding to this was the announcement of radical austerity measures in the US, the country with the highest budget for military spending worldwide.

Market capitalization and trading volume | The fall in the Rheinmetall share price led to a market capitalization of €1,404 million at the end of the quarter on September 30, 2011. This meant that Rheinmetall AG moved down in the MDAX market capitalization rankings of Deutsche Börse from 9th to 14th place. The average daily trading volume rose to 342,000 shares compared to 291,000 in the previous quarter. As a result, the index-relevant ranking according to stock exchange turnover remained unchanged in 10th place.

Performance of the Rheinmetall share in comparison to DAX and MDAX



General economic conditions

Debt crisis and increased risks curb economic growth | Global economic growth declined in the third quarter of 2011, while economic risks increased further. Uncertainties resulted primarily from the debt crises in the euro zone and in the USA, as well as from the accompanying uncertainty on financial markets.

In its "World Economic Outlook" from September 2011, the International Monetary Fund (IMF) forecasted that 2011 growth in the global economy as a whole would weaken to 4.0%, after the June 2011 forecast had still been predicting 4.3%. For 2012, experts at the IMF have reduced their outlook by 0.5 percentage points, also to 4.0%.

For mature industrialized nations, the IMF is now expecting that economic output will rise by only 1.6% in 2011, although an increase of 2.3% had been assumed in June. In 2012, growth in advanced economies is now expected to reach 1.9%, rather than the 2.6% originally forecasted. The Kiel Institute for the World Economy (IfW) anticipates that overall economic capacity utilization will decrease in the coming quarters as a consequence of increased uncertainty, ongoing consolidation processes in the private sector and the now limited economic policy options available for stimulating the economy. Furthermore, according to scientific opinion, the economy is currently particularly susceptible to further negative shocks, for example a sustained deterioration of the sovereign debt crisis or a considerable rise in oil prices. If the crisis in the euro zone spins out of control and the US economy weakens further, various economic researchers including IMF economists fear that there may even be a new recession in the euro zone and in the USA.

For the United States, the IMF is now expecting GDP to grow by only 1.5% this year, meaning a significant reduction of one percentage point from the original forecast. For 2012 as well, the current forecast was reduced by almost one percentage point to 1.8%.

In Japan, the after-effects of the earthquake and tsunami disaster of March 2011 were offset more quickly than expected. Accordingly, the current IMF forecast for 2011 was raised by 0.2 percentage points on the June prediction to minus 0.5%. Due to the debt-financed reconstruction program, growth of 2.3% is already anticipated for 2012.

For the euro zone, the IMF is forecasting growth in economic output of 1.6% in 2011 and 1.1% in 2012. This represents a reduction in the predictions by 0.4 and 0.6 percentage points respectively. Even Germany, which up to now has been an engine of growth, is running out of steam. According to the IMF forecast, German GDP will increase by only 2.7% in 2011 rather than the 3.2% originally predicted. For 2012, the prediction was cut back from 2.0% to 1.3%. For 2012, the leading German economic research institutes are also expecting overall economic output in the Federal Republic of Germany to be curbed and reduced their growth forecasts in October from 2.0% to 0.8%. Economic researchers are expecting overall economic output in Germany in the current year to increase by 2.9% due to a very strong first quarter.

The fact that the global economy as a whole remains on a growth course, is not least of all due to continued upward development in the emerging countries. For the emerging countries, the IMF World Economic Outlook is anticipating even more dynamic growth of 6.4% for 2011. In 2012, growth in the upcoming economies is expected to be 6.1%. This means a slight reduction in the IMF forecast of June 2011, however growth in the emerging countries continues at a high level.

Asia and primarily China continue to supply the strongest impetus for global economic growth. Despite no longer achieving the double-digit growth figures of previous years, China will retain its role as main growth driver with an increase of 9.5%. For the coming year, Chinese GDP is expected to increase by a further 9.0%. For India as well, the IMF is predicting further strong growth of 7.8% in 2011 and 7.5% in 2012.

Automotive industry in good condition despite financial crisis | In the third quarter of 2011, the global automotive market continued its recovery following the natural disaster in Japan. The Association of the German Automotive Industry (VDA) considers the mood to be positive. The VDA referred to the state of the automotive industry in its economic barometer from September 2011, suggesting that although the overall economic dynamic would evidently lose further momentum, this slow-down was based on a record high.

The still robust condition of the automotive industry is reflected in the production figures for the first three quarters of 2011. According to IHS Automotive (formerly CSM Worldwide), 55 million passenger cars and light commercial vehicles of up to 3.5 tons were produced globally by the end of September. This was 3.9% more than in the same period of the previous year, although production figures in the triad (Western Europe, NAFTA and Japan) declined by 0.9% as a result of the natural disaster in Japan. In Japan, the difference compared to the same period of the previous year was minus 21.8%.

Japanese OEMs have already increased production quantities again for selected markets including Japan, North America and China. However, it is expected that Japan will not re-attain its pre-disaster production volumes until the first quarter of 2012 at the earliest.

VDA analyses from October 2011 confirm the significant production increase in Germany, although the dynamic growth rate is normalizing again in line with expectations. In the first three quarters of 2011, approximately 4.4 million passenger cars and light commercial vehicles were produced – an increase of 7.3% compared to the previous year. Never before in Germany have so many passenger cars been manufactured in the first three quarters of a year as in 2011. The production figures exceed the previous record for the first nine months of a year set in 2007 by roughly 3%. IHS market researchers are expecting total production of approximately 5.7 million passenger cars and light commercial vehicles in 2011. According to VDA information, this record production level is close to its limit. There are also positive signs for the future: According to Polk‘s Global Car Market Report, Germany will benefit still further from increased global demand for premium brands.

According to the VDA, international markets have also “provided good prospects”. While IHS figures show that automotive production in Western Europe rose by 5.6%, the NAFTA region saw growth figures as high as 7.3%. Although the Chinese market has been “taking a breather” following the extremely strong double-digit growth rates of previous years, with a 5.6% production increase it remains at a high level. The Indian automotive market developed particular dynamically in the first nine months of 2011. Production there increased by 15.9%. In contrast, the Brazilian market showed only moderate growth of 2.4% in the first three quarters.

For 2011 as a whole, the experts at IHS Automotive anticipate that global automotive production will rise by 4.1% to approximately 74.8 million vehicles. Production of passenger cars and light commercial vehicles has thus reached a record high despite the massive production downtimes in Japan, the ongoing debt and financial crisis as well as temporary capacity constraints.

Defence sector remains a global growth market | Development in global defence expenditure until 2015 is still varied. While many countries' budgets remain stable or are decreasing, the upward trend in defence expenditure in numerous emerging countries and also in some Western-oriented countries continues.

In Germany, the defence budget for the next few years is shaped by the reorganization of the Federal Armed Forces (Bundeswehr). The main points of this reorganization were established last May by the Ministry of Defence. According to these, German armed forces will in future comprise only up to 185,000 soldiers and 55,000 civilians. A decisive step in the reform was the abandonment of compulsory military service. Since July of this year, the Federal Armed Forces are made up entirely of volunteers.

In the draft paper for 2012, defence expenditure totaling approximately €31.7 billion is planned. This is an increase of around €130 million compared to the previous year, despite reductions in personnel and operating expenditure. The total allocation for mission-related additional expenditure increases to €1.08 billion in the draft. This means a significant increase of 30% compared to 2011 expenditure. For the procurement of military equipment an additional €137 million is planned for 2012.

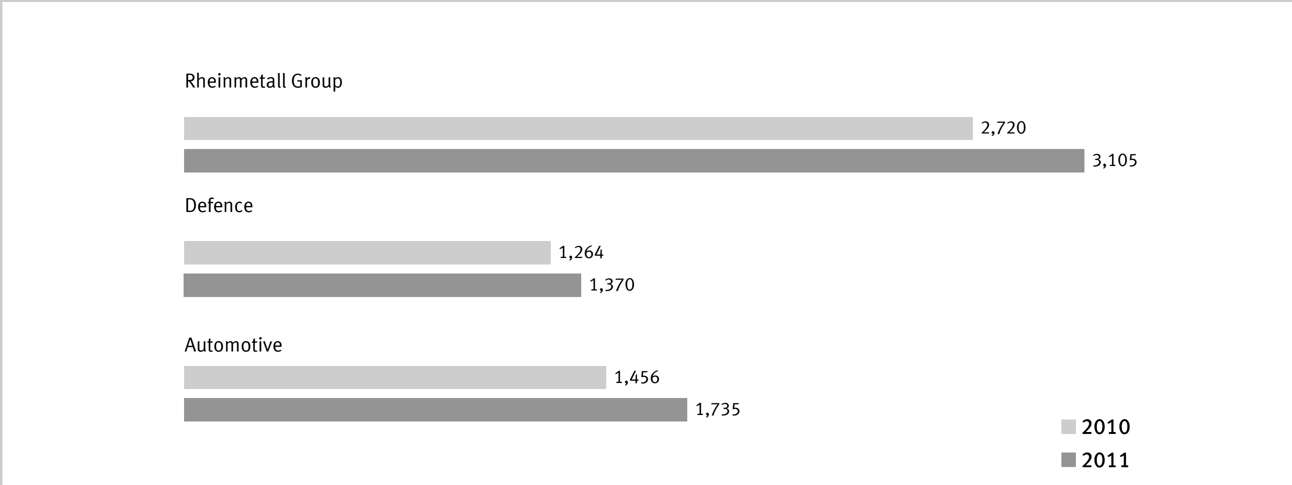
According to market researchers from Jane's, global defence expenditure in the 65 countries with the largest defence budgets will increase by 7.0% in the period 2011-2015. For procurement budgets, this increase is expected to be as high as 12.4%. This development is driven by states with substantial increases in defence expenditure including China, Saudi Arabia, Russia, India and Brazil. But budgets in Canada and Australia have also further increased.

In the US on the other hand, significant reductions to defence expenditure are currently under discussion. According to the forecast from Jane's, the US budget will be reduced by 13.7% by 2015, with a substantial share of the cuts resulting from declining expenditure for overseas missions. Nevertheless, the USA remains number one in terms of defence expenditure. In 2015 its share of global defence expenditure will still be almost 40%.

In Europe, several governments, for example in Great Britain, Italy, Greece and Spain are also planning sometimes drastic cuts to defence expenditure. In contrast, there is considerable growth in countries such as Turkey, Norway and Sweden. Overall in Europe, Jane's is expecting a decline in total defence expenditure of 4.5% to 2015.

Rheinmetall Group business trend

Sales in Q1-Q3 *€ million*



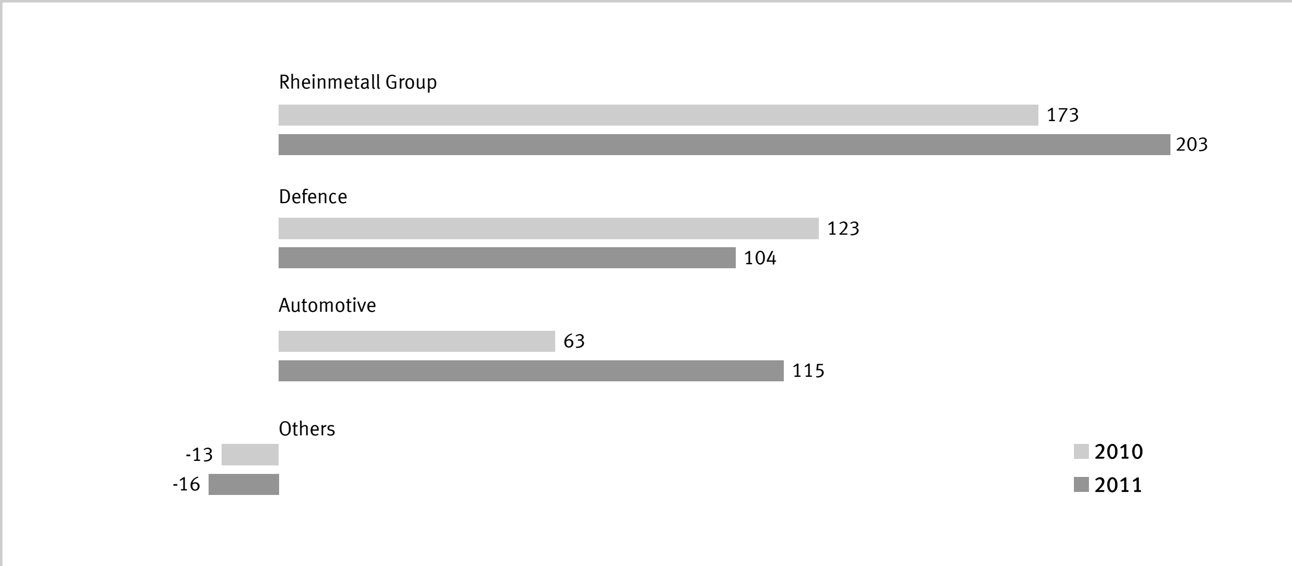
Significant sales growth | In the first nine months of fiscal 2011, the Rheinmetall Group generated sales of €3,105 million, exceeding the previous year's figure by €385 million, or 14%. Growth was posted by both corporate sectors. At €1,370 million, sales in the Defence sector rose by €106 million, or 8%, on the previous year's figure. Adjusted for changes in the scope of consolidation, growth was €29 million, or 2%. With sales of €1,735 million in the first three quarters of 2011, the Automotive corporate sector exceeded the previous year's figure by €279 million, or 19%, which was generated almost entirely organically.

The proportion of consolidated sales achieved abroad in the first three quarters of 2011 was 71%, following 69% in the same period of the previous year. Alongside the German market (29%), the key regions in terms of sales volumes were Europe excluding Germany (42%), followed by Asia (11%) and North America (11%). In the Defence sector, 65% of sales were generated abroad (previous year: 65%). In the Automotive sector, the proportion of sales achieved with customers abroad rose from 71% to 75% in the first nine months of 2011.

Order backlog of €5 billion | The Rheinmetall Group recorded an order intake of €3,090 million in the first nine months of 2011 (previous year: €2,930 million). The order backlog stood at €5,163 million as at September 30, 2011 (previous year: €5,240 million).

Profitability improves further | The earnings before interest and taxes (EBIT) of the Rheinmetall Group rose by €30 million in the first nine months of 2011 to €203 million from €173 million in the previous year. In the first three quarters of 2011, the Defence sector achieved an EBIT of €104 million (previous year: €123 million). Up to September 30, 2011, the Automotive sector generated an EBIT of €115 million (previous year: €63 million). Consolidated net profit amounted to €119 million, up €19 million on the prior-year figure. Earnings per share were €3.04, compared with €2.48 in the same period of the previous year.

EBIT in Q1-Q3 *€ million*



Asset and capital structure | The Rheinmetall Group's total assets amounted to €4,535 million as at the reporting date. This is equivalent to an increase of €75 million compared with December 31, 2010. As at September 30, 2011, non-current assets were unchanged, representing 46% of total assets. They increased by €60 million during the reporting period. This was essentially due to the increase in intangible assets owing to the acquisitions. Current assets decreased by €15 million compared with December 31, 2010, whereby an increase in inventories and trade receivables was offset by a significant reduction in cash and cash equivalents. The equity ratio was 31%, following 30% on December 31, 2010. Of the €90 million decrease in non-current liabilities to €1,457 million, €61 million is attributable to the early repayment of the promissory note loan issued in 2009 and €17 million is attributable to the recognition of actuarial pension provision gains directly in equity. The €136 increase in current liabilities was due to short-term fund-raising (+€238 million); trade liabilities and current provisions displayed an opposite trend, posting a €92 million decrease.

Asset and capital structure *€ million*

	12/31/2010	**%**	**09/30/2011**	**%**
Non-current assets	2,037	46	2,097	46
Current assets	2,423	54	2,438	54
Total assets	**4,460**	**100**	**4,535**	**100**
Equity	1,355	30	1,384	31
Non-current liabilities	1,547	35	1,457	32
Current liabilities	1,558	35	1,694	37
Total equity and liabilities	**4,460**	**100**	**4,535**	**100**

Capital expenditure up on previous year | The strategic and operating objectives for expanding market share and securing technological competence are the guiding factors in the capital expenditure of the Rheinmetall Group. €131 million was invested during the first nine months of the current fiscal year. This is equivalent to 4.2% of sales (previous year: 4.4%).

Capital expenditure by corporate sector *€ million*

	3Q/2010	3Q/2011
Defence	52	56
Automotive	67	74
Others	1	1
Rheinmetall Group	**120**	**131**

Employees | As at September 30, 2011, a total of 20,299 people were employed at Rheinmetall worldwide; this is 320 more than at the end of 2010. The workforce – measured against the number of employees as at the end of 2010 – at Rheinmetall Defence increased by 146 to 9,183, mainly due to acquisitions. The Automotive sector employed an extra 169 people. Of the total workforce, 45% were employed in the Defence sector, 54% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

Rheinmetall Group business trend
Defence sector

Defence key figures *€ million*

	3Q/2010	3Q/2011
Sales	1,264	1,370
Order intake	1,468	1,303
Order backlog (September 30)	4,884	4,746
Employees according to capacity (September 30)	9,395	9,183
EBITDA	164	161
EBIT	123	104
EBT	109	94
EBIT margin	9.7%	7.6%

Further expansion of defence operations | In the third quarter of the current fiscal year, the Defence sector has continued to expand its operations through smaller acquisitions and investments. Rheinmetall gained a 49% share in MarineSoft Entwicklungs- und Logistikgesellschaft mbH in Rostock. In the case of Swiss Simtec AG with its registered office in Thun, Switzerland, 100% of shares were acquired. Both companies are active in the growing military simulation and training market, in which Rheinmetall Defence has emerged as one of the leading suppliers worldwide. These operations will be included in the consolidated financial statements from the beginning of October 2011.

In January 2011, Rheinmetall took over 76% of the Laingsdale Engineering division of the South African company Tellumat (Pty) Ltd., Cape Town. The activities acquired encompass the development and production of precision components for fuses and will thus supplement Rheinmetall's technological portfolio in the field of ammunition.

In February 2011, Rheinmetall also increased its share of the capital and voting rights of ADS Gesellschaft für aktive Schutzsysteme mbH, Lohmar, by 49% to 74%. ADS is involved in the development of standoff protection technologies for military vehicles.

Defence continues growth | With sales of €1,370 million, the Defence sector recorded an increase of €106 million, or 8%, in the first nine months of 2011 compared with the previous year's figure of €1,264 million. Organic growth amounted to €29 million, or 2%.

Order intake dominated by small to medium orders | In the third quarter 2011, order intake reached €450 million, exceeding the value for the same quarter of the previous year by €66 million. Total order intake for the first three quarters of 2011 was €1,303 million. With a large number of small and medium-sized orders, it still remained €165 million below the high figure of the previous year, which included three large orders with a total volume of €450 million. For the current fiscal year to date, only one order with a volume of more than €150 million has been recorded.

High order backlog remains unchanged | At €4,746 million, the order backlog as at September 30, 2011 remained at the same high level. This was €4,884 million as at the balance sheet date of the previous year. The order backlog includes orders for large projects with duration over several fiscal years.

Earnings down on previous year | Earnings before interest and taxes (EBIT) after nine months were €104 million, a drop of €19 million from the prior-year figure. Unforeseen high project costs of €11 million had already reduced EBIT in the first half of 2011. It also includes a positive one-off effect of €11 million from ADS Gesellschaft für aktive Schutzsysteme mbH, which was only fully consolidated following the majority acquisition, which resulted from the transition of the equity approach to full consolidation. The EBIT figure for the previous year also included a positive one-off effect from a rate-hedging transaction of an investment, amounting to €5 million. Depreciation of intangible assets identified through purchase price allocations amounted to €13 million in the first three quarters of the current year and was thus significantly higher than the corresponding prior-year figure of €5 million. After adjustment for these effects, EBIT amounted to €117 million, only slightly below the €123 million figure of the previous year.

At €161 million, the Defence sector's EBITDA also deviated only slightly from the previous year, which had reported EBITDA of €164 million.

Rheinmetall Group business trend Automotive sector

Automotive key figures *€ million*

	3Q/2010	3Q/2011
Sales	1,456	1,735
Order intake	1,462	1,787
Order backlog (September 30)	356	417
Employees according to capacity (September 30)	10,692	10,985
EBITDA	135	191
EBIT	63	115
EBT	51	104
EBIT margin	4.3%	6.6%

Expansion of operations in India | The Automotive sector acquired the plain bearing operations of Kirloskar Oil Engines Ltd. (KOEL), Pune, India. As India's largest manufacturer of plain bearings, KOEL sells chiefly to the domestic market. With this acquisition, the Automotive sector is further expanding its current operations in the Indian automotive industry. Closing took place at the beginning of October 2011.

Substantial sales growth in Automotive sector | In the first nine months of 2011, the Automotive sector generated sales of €1,735 million, exceeding the previous year's figure by €279 million, or 19%. In addition to the continued positive development of the global automotive markets, this rise in sales can also be attributed to a range of new product launches. Growth in this sector continued to clearly exceed production growth on the markets of the NAFTA region (+7.3%) and in Western Europe (+5.6%). This can be attributed mainly to high demand for products that address the trend for reducing consumption and exhaust gas. Compared to the triad markets (Western Europe, NAFTA, Japan), which saw a 0.9% decline on account of the slump posted by Japan (-21.8%), growth in the Automotive sector was even stronger.

Profitability improved | The Automotive sector generated an EBIT of €115 million in the first three quarters of 2011, against €63 million in the same period of the previous year. The EBIT margin was 6.6%, compared with 4.3% in the previous year.

Joint ventures in China continue to grow | Both Chinese joint ventures, the prorated profit (50%) of which is carried at equity in Rheinmetall's consolidated financial statements (net investment income Q1-3 2011: €6 million; Q1-3 2010: €4 million), generated a continued positive development: their sales (100%) rose by 11% in the first three quarters of 2011 from €197 million to €219 million and were thus twice as strong as production growth on the Chinese market, which amounted to €5.6%. EBIT (100%) was €15 million, against €11 million for the same period of the previous year.

Growth leads to expansion of the workforce | Due to the significant growth in sales, the number of employees in the Automotive sector increased by almost 3% to 10,985 when measured against the previous year. This growth primarily took place at the low-wage locations abroad.

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 which could permanently jeopardize the Group's assets, financial situation or earnings. The material opportunities and risks of the expected development of the Rheinmetall Group are described in detail in the Group Management Report for 2010. The after-effects of the natural disaster in Japan were not as severe as previously expected and no longer present a material risk to the Automotive sector. There have been no further significant changes or new findings.

Prospects

Annual forecasts updated | Based on its sales and earnings performance in the first three quarters of 2011, Rheinmetall is specifying the guidance for the year as a whole. Rheinmetall is forecasting consolidated sales for the current fiscal year of approximately €4.4 billion. This would mean an increase in sales of around €400 million or 10% compared to the previous year. The Automotive corporate sector will contribute €2.3 billion to consolidated sales. For the Defence corporate sector, sales of approximately €2.1 billion are expected, slightly lower than the €2.2 billion originally forecasted.

Based on the adjusted sales forecast for the Defence sector, Rheinmetall is now predicting consolidated EBIT for the 2011 fiscal year to be between €340 million and €360 million. EBIT for the Automotive sector, is expected to achieve a range between €140 million and €150 million. For the Defence sector, Rheinmetall expects a sales margin of over 10% and an EBIT between €220 million and €230 million for the current fiscal year.

Düsseldorf, November 2, 2011

Klaus Eberhardt Dr. Gerd Kleinert Dr. Herbert Müller

Condensed consolidated interim financial statements of Rheinmetall AG for 3Q/2011

Consolidated balance sheet

Assets *€ million*

	12/31/2010	09/30/2011
Intangible assets	694	773
Property, plant and equipment	1,104	1,098
Investment property	21	20
Investments accounted for using the equity method	106	106
Other non-current financial assets	33	17
Other non-current assets	8	8
Deferred taxes	71	75
Non-current assets	**2,037**	**2,097**
Inventories	739	918
./. Prepayments received	(31)	(29)
	708	889
Trade receivables	909	1,095
Other current financial assets	58	54
Other current receivables and assets	94	123
Income tax receivables	25	25
Cash and cash equivalents	629	252
Current assets	**2,423**	**2,438**
Total assets	**4,460**	**4,535**

Equity and Liabilities *€ million*

	12/31/2010	09/30/2011
Share capital	101	101
Additional paid-in capital	304	307
Other reserves	751	827
Net income of Rheinmetall AG shareholders	162	117
Treasury shares	(52)	(53)
Rheinmetall AG shareholders' equity	**1,266**	**1,299**
Minority interests	89	85
Equity	**1,355**	**1,384**
Provisions for pensions and similar obligations	677	644
Other non-current provisions	112	102
Non-current financial liabilities	671	611
Other non-current liabilities	37	40
Deferred taxes	50	60
Non-current liabilities	**1,547**	**1,457**
Current provisions	395	363
Current financial liabilities	34	272
Trade liabilities	593	533
Other current liabilities	472	464
Income tax liabilities	64	62
Current liabilities	**1,558**	**1,694**
Total liabilities	**4,460**	**4,535**

Consolidated income statement

3Q *€ million*

	3Q/2010	3Q/2011
Sales	**2,720**	**3,105**
Changes in inventories and work performed by the enterprise and capitalized	171	139
Total operating performance	**2,891**	**3,244**
Other operating income	68	86
Cost of materials	1,410	1,621
Staff costs	875	944
Amortization, depreciation and impairment	114	133
Other operating expenses	395	437
Net operating income	**165**	**195**
Net interest 1)	(40)	(42)
Net investment income and other net financial income 2)	8	8
Net financial income	**(32)**	**(34)**
Earnings before taxes (EBT)	**133**	**161**
Income taxes	(33)	(42)
Net income	**100**	**119**
Of which:		
Minority interests	*5*	*2*
Rheinmetall AG shareholders	*95*	*117*
Earnings per Share (EpS)	€ 2.48	€ 3.04
EBITDA	287	336
EBIT	173	203

1) Of which interest expense: €46 million (previous year: €44 million)

2) Of which income from investments carried at equity: €11 million (previous year: €13 million)

Comprehensive income

3Q *€ million*

	3Q/2010	3Q/2011
Net income	**100**	**119**
Actuarial gains and losses from pension provisions	(45)	12
Currency conversion difference	56	(29)
Change in value of derivative financial instruments (cash flow hedge)	10	(23)
Income/expenses from investments accounted for using the equity method	(6)	-
Other comprehensive income (after taxes)	**15**	**(40)**
Comprehensive income	**115**	**79**
Of which:		
Minority interests	*12*	*(11)*
Rheinmetall AG shareholders	*103*	*90*

Consolidated income statement

Q3 *€ million*

	Q3/2010	Q3/2011
Sales	**992**	**1,030**
Changes in inventories and work performed by the enterprise and capitalized	37	33
Total operating performance	**1,029**	**1,063**
Other operating income	21	32
Cost of materials	515	526
Staff costs	289	301
Amortization, depreciation and impairment	40	44
Other operating expenses	139	151
Net operating income	**67**	**73**
Net interest 1)	(14)	(13)
Net investment income and other net financial income 2)	2	3
Net financial income	**(12)**	**(10)**
Earnings before taxes (EBT)	**55**	**63**
Income taxes	(12)	(19)
Net income	**43**	**44**
Of which:		
Minority interests	*3*	*0*
Rheinmetall AG shareholders	*40*	*44*
Earnings per Share (EpS)	€ 1.04	€ 1.13
EBITDA	109	120
EBIT	69	76

1) Of which interest expense: €15 million (previous year: €16 million)

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

Comprehensive income

Q3 *€ million*

	Q3/2010	Q3/2011
Net income	**43**	**44**
Actuarial gains and losses from pension provisions	(9)	(12)
Currency conversion difference	(20)	(18)
Change in value of derivative financial instruments (cash flow hedge)	17	(23)
Income/expenses from investments accounted for using the equity method	-	-
Other comprehensive income (after taxes)	**(12)**	**(53)**
Comprehensive income	**31**	**(9)**
Of which:		
Minority interests	*3*	*(8)*
Rheinmetall AG shareholders	*28*	*(1)*

Consolidated cash flow statement

€ million

	3Q/2010	3Q/2011
Financial resources January 1	**577**	**629**
Net income	100	119
Amortization, depreciation and impairment	114	133
Changes in pension provisions	(2)	(9)
Gross cash flows	**212**	**243**
Changes in working capital and other items	(547)	(530)
Cash flows from operating activities [1]	**(335)**	**(287)**
Investments in property, plant and equipment, intangible assets and investment property	(117)	(131)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	3	7
Investments in consolidated companies and financial assets	(71)	(73)
Divestments of consolidated companies and financial assets	8	2
Cash flows from investing activities	**(177)**	**(195)**
Capital contributions by third parties	3	2
Dividends paid out by Rheinmetall AG	(11)	(58)
Other profit distributions	(4)	(4)
Purchase of treasury shares	-	(9)
Sale of treasury shares	1	3
Borrowing of financial liabilities	506	256
Repayment of financial liabilities	(351)	(81)
Cash flows from financing activities	**144**	**109**
Changes in financial resources	**(368)**	**(373)**
Changes in cash and cash equivalents due to exchange rates	5	(4)
Total change in financial resources	**(363)**	**(377)**
Financial resources September 30	**214**	**252**

1) Including: Net income taxes of € -43 million (previous year: € -24 million)
Including: Net interest of € -36 million (previous year: € -29 million)

Statement of changes in equity

€ million

	Share capital	Additional paid-in capital	Retained earnings	*Difference of currency conversion*	*Statement of fair value and other valuations*	Total of fair value changes	Net income/loss of Rheinmetall AG shareholders	Treasury shares	**Rheinmetall AG shareholders' equity**	Minority interests	**Equity**
Balance as at December 31, 2009/ as at January 1, 2010	**101**	**303**	**711**	*(20)*	*90*	**70**	**(58)**	**(57)**	**1,070**	**64**	**1,134**
Dividends payout	-	-	(11)	-	-	-	-	-	(11)	(4)	(15)
Adjustment scope of consolidation	-	-	1	-	-	-	-	-	1	7	8
Transfers to/from reserves	-	-	(58)	-	-	-	58	-	-	-	-
Other comprehensive income	-	-	(51)	*51*	*8*	59	-	-	8	7	15
Net income	-	-	-	-	-	-	95	-	95	5	100
Other changes	-	-	-	-	-	-	-	2	2	-	2
Balance as at Sept. 30, 2010	**101**	**303**	**592**	*31*	*98*	**129**	**95**	**(55)**	**1,165**	**79**	**1,244**
Balance as at December 31, 2010/ as at January 1, 2011	**101**	**304**	**592**	*60*	*99*	**159**	**162**	**(52)**	**1,266**	**89**	**1,355**
Dividends payout	-	-	(58)	-	-	-	-	-	(58)	(4)	(62)
Adjustment scope of consolidation	-	-	(1)	-	-	-	-	-	(1)	11	10
Transfers to/from reserves	-	-	162	-	-	-	(162)	-	-	-	-
Other comprehensive income	-	-	11	*(20)*	*(18)*	(38)	-	-	(27)	(13)	(40)
Net income	-	-	-	-	-	-	117	-	117	2	119
Other changes	-	3	-	-	-	-	-	(1)	2	-	2
Balance as at Sept. 30, 2011	**101**	**307**	**706**	*40*	*81*	**121**	**117**	**(53)**	**1,299**	**85**	**1,384**

Notes to the consolidated financial statements
Notes to condensed consolidated interim financial statements

General principles | The condensed consolidated interim financial statements of Rheinmetall AG as at September 30, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB) for interim reporting as required in the European Union. Accordingly, these interim financial statements do not include all information and disclosures in the notes which are required in line with IFRS for consolidated financial statements at the end of the fiscal year. In the view of the Executive Board, the interim financial statements include all adjustments required to present a true and fair view of business development in the reporting period. The results achieved in the first nine months of 2011 do not necessarily allow for conclusions to be drawn regarding their future development.

The interim financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in context with the consolidated financial statements published by Rheinmetall AG for the 2010 fiscal year. The accounting policies applied in the interim financial statements are identical to those applied in the consolidated financial statements for the past fiscal year.

In addition, the following amended or new standards and interpretations were used in the Consolidated Interim Financial Statements as their use is compulsory for fiscal years from 2011 onwards.

IFRS improvements	Collective standard, published 2010
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments"

Use of these standards and interpretations did not have a material impact on Rheinmetall Group's assets, financial situation and earnings.

For further information on the accounting policies applied, please refer to the Consolidated Financial Statements of Rheinmetall AG as at December 31, 2010. The Group's reporting currency is the euro; all amounts are given in € million unless otherwise indicated.

IASB published the following new and amended standards in the first nine months of 2011:

Amendment to IAS 1	"Presentation of Financial Statements"
Amendment to IAS 19	"Employee Benefits"
Amendment to IAS 27	"Consolidated and Separate Financial Statements"
Amendment to IAS 28	"Investments in Associates"
IFRS 10	"Consolidated Financial Statements"
IFRS 11	"Joint Arrangements"
IFRS 12	"Disclosure of Interests in Other Entities"
IFRS 13	"Fair Value Measurement"

The amendments to IAS 19 "Employee Benefits" mainly involve the abolition of the postponed recognition of actuarial gains and losses as part of the corridor method, the re-structuring of the pension expense and expanded Notes for defined benefit plans. When the pension expense is being calculated, the new regulations specify that a past service cost is to be recognized in full immediately, and that the interest rate which is decisive for discounting the fund assets is also to be used as the expected return on the plan assets. The discontinuation of the corridor method has no effect on the Rheinmetall Group as actuarial gains and losses are already fully recognized directly in equity in the year in which they arise.

The other amendments will influence the Group's assets and earnings, although the evaluation of the effects has not yet been carried out. Application of the revised standard is mandatory for fiscal years from January 1, 2013 onwards.

A new concept for determining subsidiaries subject to consolidation has been introduced into IFRS 10 "Consolidated Financial Statements" in the form of an amended definition of the concept of control. In addition to the voting rights, other contractual agreements or constructive patterns can lead to control if the parent companies can determine the financial and business activities of another company, achieve variable returns from this and influence the level of the returns. The new control concept may lead to changes in the manner in which the entities to be included in the scope of consolidation are determined. In addition, the consolidation guidelines which were formerly contained in IAS 27 have been integrated into the new standard. No amendments have been made to their content. This means that IAS 27 is only relevant for separate financial statements and contains the designation "Separate Financial Statements". Application of the new IFRS 10 and the amended IAS 27 is mandatory for fiscal years from January 1, 2013 onwards.

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, which distinguishes between joint activities and joint ventures. The discontinuation of proportionate consolidation has no effects on the Rheinmetall Group as joint ventures are already included in the consolidated financial statements in accordance with the equity method. In the future, only this method will be permissible. The investigation as to whether joint arrangements based on the new standard will lead to a different evaluation than at present, and hence to amended accounting, has not yet been carried out. Application of the new standard is mandatory for fiscal years from January 1, 2013 onwards.

In IFRS 12 "Disclosure of Interests in Other Entities", all Notes about companies which are under joint control, joint management or considerable influence of the reporting company are combined together in a standard. This means that the disclosure requirements formerly contained in standards IAS 27, IAS 28 and IAS 31 are replaced. The scope of the necessary disclosure requirements has been expanded compared to the existing regulations as information about judgments when evaluating whether a controlling influence is being exerted as well as information about non-consolidated structured companies must be disclosed. Application of IFRS 12 is mandatory for fiscal years from January 1, 2013 onwards.

In IFRS 13 "Fair Value Measurement", all fair value measurement regulations formerly contained in different standards are combined together and standardized. This standard regulates how the fair value measurement is to be performed if this measurement is prescribed or permitted in a different standard. The new standard is not currently expected to have a material impact on Rheinmetall Group's assets, financial situation and earnings. Application of this standard is mandatory for fiscal years from January 1, 2013 onwards.

Estimates | Preparing the interim financial statements requires certain assumptions and estimates which impact on the application of accounting principles within the Group and the disclosure of assets and liabilities, income and expenses. Actual values may differ from these estimates.

A qualified estimate of the pension obligations is given in the quarterly financial reports, based on the development of actuarial parameters. A discount rate of 5.50% (December 31, 2010: 5.25%) was used for pension provisions in Germany as regards these interim financial statements. This increase in the interest rate led to a reduction in actuarial losses from pension provisions recognized in equity.

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 whose financial and business policies are otherwise controlled by the Group. In the first nine months of 2011, ten companies were added abroad, primarily through the foundation of new companies. Within Germany, the increase in shares owned in a previously affiliated company and the foundation of a company meant that these companies were added to the fully consolidated companies. Disposals result from the internal merger of three German companies.

With effect from January 4, 2011, Rheinmetall has taken over the assets and liabilities of the Laingsdale Engineering division of the South African company Tellumat (Pty) Ltd., Cape Town, as part of an asset deal. The shares have been acquired by Rheinmetall Laingsdale (Pty) Ltd., Cape Town/South Africa (which is fully consolidated in the Rheinmetall Group), after Rheinmetall Waffe Munition GmbH, Unterlüß, purchased 51% of the company and Rheinmetall Denel Munition (Pty) Ltd., Somerset West/South Africa, purchased 49% at the beginning of fiscal 2011 and then carried out a capital increase. The activities acquired encompass the development and production of precision components for fuses and will thus supplement Rheinmetall's technological portfolio in the field of ammunition. Moreover, the acquisition serves to further expand distribution activities in South Africa and other customer nations. Since shareholders are involved in Rheinmetall Denel Munition (Pty) Ltd. who do not exercise a controlling influence, Rheinmetall's share in the new South African company totals 76%.

As at February 1, 2011, Rheinmetall also increased its share of the capital and voting rights of ADS Gesellschaft für aktive Schutzsysteme mbH, Lohmar, by 49% to 74%. ADS is involved in the development of standoff protection technologies for military vehicles. With the acquisition of the majority of voting rights in the company, Rheinmetall has further expanded its expertise and its position on the market for protection technologies. The current 25% stake in ADS was carried at equity. The revaluation of this current investment, performed as part of the acquisition of additional shares on the basis of the purchase price for the acquisition, produced a value of €20 million. When the number of shares was increased, ADS was incorporated into the Rheinmetall Group as a fully consolidated subsidiary. The earnings of €11 million gained from the transition of the equity carrying amount for full consolidation were reported in other operating income. At the time of acquisition, the non-controlling interests in ADS (26%) were measured in terms of the prorated remeasured net assets of the company of €8 million, without taking into account the prorated goodwill. The valuation of the non-controlling interests is based on the assumption that the purchase price is proportional to the investment.

The purchase prices for both of these acquisitions amount to €53 million in total and are to be paid entirely in cash.

The assets and liabilities taken over from the acquisitions in the first quarter of 2011 are entered into the Group's accounts at their fair value at the time of the acquisition. The work on the purchase price allocations for both acquisitions was completed by the end of the third quarter 2011.

Based on the carrying amounts before the acquisition, which had to be adjusted for hidden reserves and charges, taking into account deferred taxes, the following fair values were calculated:

€ million

	Pre-acquisition book values	Adjustments	Fair values
Other intangible assets	-	45	45
Property, plant and equipment	6	-	6
Other non-current assets	2	-	2
Inventories	3	-	3
Receivables	1	-	1
Cash and cash equivalents/Other current assets	0	-	0
Current liabilities	1	-	1
Non-current liabilities	5	10	15
Net assets acquired	6	35	41
Goodwill	-	40	40
Total	6	75	81

Following completion of the purchase price allocations, there were decreases of €5 million and €1 million respectively in intangible assets and non-current liabilities as well as a €4 million increase in goodwill. This is on comparison with the provisional adjustment amount stated in the semiannual financial report and the accompanying fair values. The allocation of the fair values of the assets and liabilities acquired from the two acquisitions are shown in the list below.

€ million

	ADS	Laingsdale	Total
Other intangible assets	43	2	45
Property, plant and equipment	1	5	6
Other non-current assets	2	-	2
Inventories	2	1	3
Receivables	0	1	1
Cash and cash equivalents/Other current assets	0	0	0
Current liabilities	1	0	1
Non-current liabilities	14	1	15
Net assets acquired	33	8	41
Goodwill	35	5	40
Total	68	13	81
Fair value of non-controlling interests	(8)	-	(8)
Fair value of controlling interests	60	13	73
Fair value of shares already held	(20)	-	(20)
Purchase prices paid for acquisitions	40	13	53

During the purchase price allocations, intangible assets were identified totaling €45 million, the majority of which were attributable to existing technologies (licenses) and customer relations. Total goodwill of €40 million resulted from the business combinations. This represents anticipated synergy effects, non-separable workforce expertise and access to future market developments. The fair values of the receivables mainly correspond to the contractually agreed gross amounts.

The companies included in the consolidated financial statements for the first time contributed sales of €4 million and an EBIT of €–5 million to the consolidated result in the first nine months of 2011, which also includes the expense from the depreciation of intangible assets identified through the purchase price allocation of €2 million.

The provisional purchase price allocation for the acquisition of the defence operations of SEI S.p.A. Italy through RWM Italia S.p.A. (formerly RWM Italia Munitions S.r.l.) as at December 1, 2010 was finalized in the third quarter of 2011. In comparison to the provisional figures processed in the 2010 annual financial statements and presented in the 2010 Annual Report there were the following changes:

	RWM Italia provisional	RWM Italia change	RWM Italia final
Other intangible assets	13	1	14
Property, plant and equipment	12	0	12
Other non-current assets	-	0	0
Inventories	11	(1)	10
Receivables	0	0	0
Cash and cash equivalents/Other current assets	1	0	1
Current liabilities	6	1	7
Non-current liabilities	6	0	6
Net assets acquired	25	(1)	24
Badwill	(8)	-	(8)
Purchase price paid	17	(1)	16

At the beginning of October 2011, KSPG Automotive India Private Ltd., a member of the Rheinmetall Group, acquired the plain bearing operations of Kirloskar Oil Engines Ltd. (KOEL), Pune, India at a purchase price of approximately €13 million. As India's largest manufacturer of plain bearings, KOEL sells chiefly to the domestic market. With this acquisition, the Rheinmetall Group is further expanding its current operations in the Indian automotive industry.

Equally, at the end of the third quarter, two acquisitions were made in the Defence sector through the subsidiary Rheinmetall Defence Electronics GmbH. The contracts were concluded in August 2011. Within Germany, there was the purchase of 49% of shares in MarineSoft Entwicklungs- und Logistikgesellschaft mbH in Rostock. The company's operations in the field of marine simulation supplement Rheinmetall's expertise in the area of simulation and training. In addition, there was the purchase of 100% of shares in the Switzerland-based Swiss Simtec AG, Thun, which is involved in the manufacture and development of components and concepts for simulation and training. The purchase prices for both of these acquisitions total approximately €2 million.

Treasury shares | The Annual General Meeting on May 11, 2010 renewed the Executive Board's authorization, as granted on May 12, 2009, to acquire treasury shares equivalent to up to 10% of the share capital of €101,373,000 until May 10, 2015. As at September 30, 2011, the portfolio amounts to 1,291,250 treasury shares (September 30, 2011: 1,355,997), acquired at a total cost of €53 million (previous year: €55 million), which is deducted from equity.

Share-based payments | 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. The number of shares granted is based on the average price on the last five trading days in February of the subsequent fiscal year. On April 1, 2011, the participants in the incentive program for fiscal 2010 received a total of 105,638 shares.

Employee share purchase program | 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, the employees are given the opportunity to acquire a limited number of shares at a discount of 30% on the applicable share price. The first subscription period ran from April 27 to May 10, 2011; a total of 76,335 shares were purchased by employees for €3 million.

Earnings per Share | Since there are no outstanding shares, options or similar instruments which could dilute earnings per share, basic and diluted earnings per share are identical. Treasury stock is included in the weighted number of treasury shares.

	Q3/2010	Q3/2011	3Q/2010	3Q/2011
Consolidated net profit for Rheinmetall AG shareholders *€ million*	40	44	95	117
Weighted number of shares *million*	38.2	38.4	38.2	38.3
Earnings per Share (EpS)	**€ 1.04**	**€ 1.13**	**€ 2.48**	**€ 3.04**

Dividends | On May 11, 2011 a dividend of €58 million or €1.50 per share was paid for fiscal 2010.

Cash flow statement | As at September 30, 2010, January 1, 2011 and September 30, 2011, financial resources consisted solely of cash and cash equivalents. As of January 1, 2010, financial resources also included a Federal Treasury note of €20 million, which is reported under other financial assets.

Related parties | For the Rheinmetall Group, corporate related parties are the joint ventures and associated companies carried at equity. The joint ventures, in particular, contribute to the expansion of operations in the Defence and Automotive sectors. The volume of products/services provided to corporate related parties primarily relates to sales proceeds from the sale of finished and unfinished goods to project companies and sales proceeds from army maintenance services under a public-private partnership model in the Defence sector. In addition, loans to joint ventures and associated companies of €4 million (previous year: €3 million) are also included in the volume of unpaid items. The scope of related-party transactions is shown in the table below.

€ million

	Volume of products/ services provided		Volume of products/ services received		Volume of open items	
	3Q/2010	**3Q/2011**	**3Q/2010**	**3Q/2011**	**12/31/2010**	**09/30/2011**
Joint ventures	40	111	6	17	(1)	(4)
Associated companies	14	7	7	8	22	26
	54	**118**	**13**	**25**	**21**	**22**

As previously, no transactions were made with individuals who constitute related parties of the Rheinmetall Group.

Segment reporting | Please refer to the consolidated financial statements as at December 31, 2010 for the delimitation of the reportable segments and the control system. There are no changes since this date as regards distinguishing segments and valuation methods compared to December 31, 2010.

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	3Q/2010	**3Q/2011**	**3Q/2010**	**3Q/2011**	**3Q/2010**	**3Q/2011**	**3Q/2010**	**3Q/2011**
External sales	1,264	1,370	1,456	1,735	-	-	2,720	3,105
Amortization/depreciation/ impairment	41	57	72	76	1	0	114	133
Of which impairment	-	-	-	-	-	-	-	-
EBIT	123	104	63	115	(13)	(16)	173	203

Reconciliation of segment EBIT with Rheinmetall Group EBT:

€ million

	3Q/2010	**3Q/2011**
EBIT		
Segment EBIT	**186**	**219**
Others	(12)	41
Consolidation	(1)	(57)
Group EBIT	**173**	**203**
Group net interest	(40)	(42)
Group EBT	**133**	**161**

Additional Information

Financial diary

November 3, 2011
Report on Q3/2011

March 21, 2012
Annual Report 2011

May 11, 2012
Report on Q1/2012

May 15, 2012
Annual General Meeting

August 10, 2012
Report on Q2/2012

Legal information and contact

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Rheinmetall's website at **www.rheinmetall.com** contains detailed business information about the Rheinmetall Group and its subsidiaries, present trends, 15-minute stock price updates, press releases, and ad hoc notifications. Investor Relations information is an integral part of this website, where all the relevant details are available for download.

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You can request the quarterly financial report, which is also published in English, from the company or download it at **www.rheinmetall.com**. In case of doubt, the German version shall be authoritative.

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