

QUARTERLY FINANCIAL REPORT

3Q/2012

RHEINMETALL AG

A large, stylized graphic of the year '2012' is centered on the page. The number is rendered in a bold, sans-serif font. The '2' and '0' are white with a blue gradient, while the '1' and '2' are solid blue. The graphic is overlaid on a background of several overlapping, semi-transparent blue circles and a horizontal bar at the bottom right, creating a modern, layered effect.

**2012**

## RHEINMETALL IN FIGURES

Rheinmetall Group key figures € million

	<b>3Q/2011</b>	<b>3Q/2012</b>	<b>Change</b>
Sales	3,105	3,275	170
Order intake	3,090	3,394	304
Order backlog (September 30)	5,163	4,947	-216
Employees according to capacity (September 30)	20,299	21,731	1,432
EBITDA	336	321	-15
EBIT	203	177	-26
EBIT margin	6.5%	5.4%	-
EBT	161	136	-25
Net income	119	108	-11
Earnings per Share (EpS) in €	3.04	3.06	0.02
Capital expenditures	131	163	32
Amortization/depreciation	133	144	11
Cash flow	243	241	-2
Net financial debt (September 30)	631	594	-37
Total equity (September 30)	1,384	1,483	99
Total assets (September 30)	4,535	4,707	172

## RHEINMETALL FARES WELL IN DIFFICULT MARKET ENVIRONMENT SALES AND EARNINGS FORECAST ADJUSTED

Rheinmetall again posted a stable level of sales after three quarters in a difficult market environment. The year-on-year decline in earnings in the first three quarters cannot be reversed by the end of the year.

- Consolidated sales up 5% to €3,275 million
- Automotive generates growth in sales and stable earnings
- Defence enjoys strong growth in orders
- Consolidated earnings before interest and taxes (EBIT) of €177 million, after €203 million in the previous year
- Forecasts for 2012 as a whole brought down

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## THE RHEINMETALL SHARE

### »POSITIVE TRADING YEAR SO FAR«

On balance, the German share indices DAX and MDAX have run a very positive course in the first three quarters of the year. On the last trading day of the third quarter, September 28, 2012, the index value of the 30 largest public companies combined in the DAX was 22% higher than at the end of the 2011 trading year. The 50 companies listed in the MDAX gained 23% in the same period. This trend was not yet apparent in the first half of the year: After a sharp rise in prices in the first quarter, the debt crisis in several euro zone countries put a damper on the share market in the second quarter. Following the lows for the year in May, both indices recovered and even climbed above the highs of the first half of the year. The DAX reached its year high on September 21, 2012 at 7,452 points; the MDAX on August 21, 2012 at 11,255 points.

### »PRICE INCREASE FOR THE RHEINMETALL SHARE AFTER VOLATILE COURSE OF EVENTS«

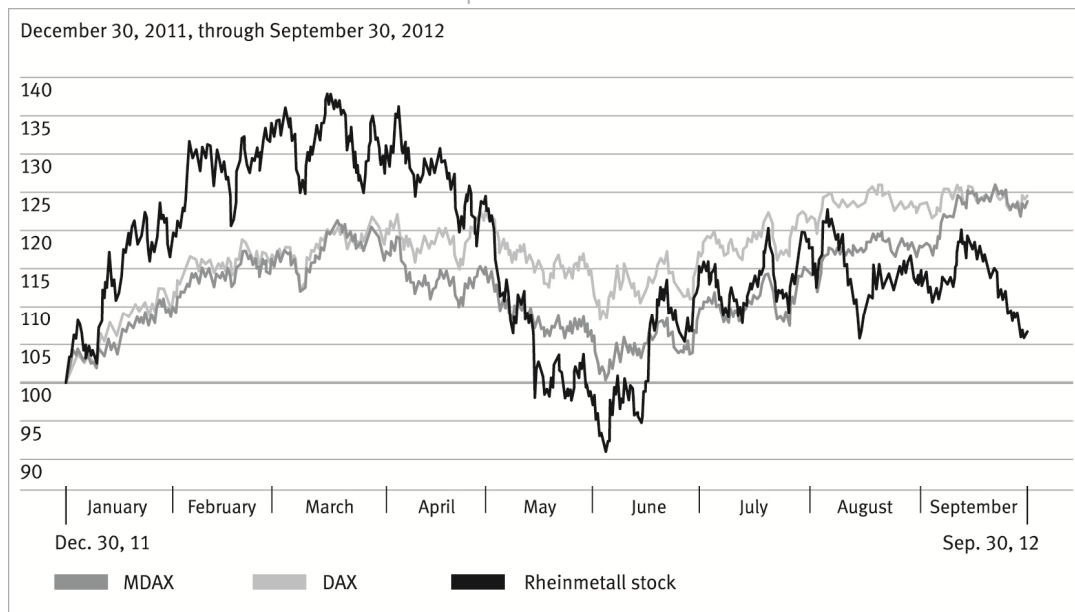
The Rheinmetall share also posted a price increase in the first three quarters, even though at 6% it was much less than the upturn in the DAX and MDAX. After a 13% increase in price in the first half of the year, the share initially continued to rise in the third quarter. From the end of the first half of the year on 29 June, 2012 (Share price: €38.70), the stock moved up to its quarterly high of €41.64 on August 7, 2012. The publication of the half-year figures on August 10, 2012 led to a fall in price, but this was largely offset by mid-September 2012. Reports of an economic slowdown in Europe and of overcapacity at major automobile manufacturers prompted investors to take a more cautious view of the automotive market, which also had a negative impact on the Rheinmetall share's price performance. The third quarter ended at a price of €36.30.

The volatility of the Rheinmetall share fell significantly in the third quarter. The share traded between a minimum of €35.75 and a maximum of €47.23 in the first quarter and a minimum of €31.42 and a maximum of €46.34 in the second quarter; it was therefore much more volatile than the DAX and MDAX indices. The range in the third quarter lay between a minimum of €36.30 and a maximum of €41.64.

### »MARKET CAPITALIZATION AND TRADING VOLUME«

At the end of the quarter on September 28, 2012, the stock market valued Rheinmetall AG at €1.437 billion compared with €1.532 billion at the end of the first half of the year. Rheinmetall's position in the Deutsche Börse MDAX ranking did not change. The share stayed at 18th place for market capitalization and 14th place for stock exchange turnover. The average trading volume per trading day at 269,000 shares was considerably lower than in the same quarter of the previous year at 342,000 shares.

Performance of the Rheinmetall-share in comparison to DAX and MDAX



## GENERAL ECONOMIC CONDITIONS

### »GROWING RISKS FOR THE GLOBAL ECONOMY – GERMAN ECONOMY SLOWED BY EUROPEAN DEBT CRISIS«

Omens of a global economic slowdown have continued to intensify over the course of 2012. The International Monetary Fund (IMF) therefore considers the global economy to be in a critical situation between recession and recovery. In its “World Economic Outlook” of October 2012, the IMF lowered its July growth forecast for 2012 as a whole by 0.2 percentage points to 3.3%. For 2013, IMF experts now only expect a 3.6% increase in global economic output. This is 0.3 percentage points lower than forecast in July 2012. But even the revised forecast is based on two key basic requirements, according to the IMF: Firstly, that European governments gradually get on top of the debt crisis. Secondly, the Monetary Fund has based its forecast on the assumption that the USA will avoid the “fiscal cliff”, the impending expiration of numerous tax breaks at the same time as across-the-board spending cuts at the turn of 2012/13. If Europeans and Americans fail these challenges, the industrialized nations are threatened with recession while growth in emerging and developing countries could be considerably weakened.

In its latest forecast, the IMF predicts growth totaling 1.3% for 2012 and 1.5% for 2013 in the mature industrialized nations. Among industrialized nations, the USA is still in a comparatively robust condition: According to the IMF forecast, the US economy is to grow by 2.2% in 2012 and 2.1% in 2013. For Japan, experts expect an increase of gross domestic product of 2.2% in 2012 and 1.2% next year.

Europe remains an impediment to global economic development: For the current year, the IMF cut its forecast for the euro zone economy from minus 0.3% to minus 0.4%. And for 2013, too, prospects for economic recovery have continued to deteriorate: Instead of the 0.7% originally forecast, growth here is to amount to a mere 0.2%. The European debt crisis is also now having a stronger negative effect on the German economy than expected. For Germany, the IMF is expecting growth of only 0.9% for both this year and next year. While this means the forecast for 2012 has remained stable, the prediction for 2013 was lowered by 0.5 percentage points. The IMF is therefore roughly in line with the fall report of the leading German economic research institutes. In their report published in October 2012, the researchers predict growth of 0.8% for the current year, compared with the 0.9% they forecast in April 2012. The effects of the European debt crisis and weakening global economy are set to become even more noticeable in the year to come: The researchers halved their forecast for 2013, now expecting growth of just 1.0% for the German economy. In spring, the institutes predicted that gross domestic product would grow by 2.0%.

According to the International Monetary Fund, the weakness in the global economy will no longer go unnoticed in emerging countries. For China, the IMF predicts economic output will grow by 7.8% in the current year and 8.2% in 2013 (both figures 0.2 percentage points down on the July forecast). The economic slowdown in India is proving even more pronounced. According to the latest IMF calculation, the Indian economy will grow by 4.9% in 2012 and 6.0% in 2013, which is a reduction of 1.3 and 0.6 percentage points respectively.

### »GLOBAL DEFENCE SPENDING AROUND THE SAME AS LAST YEAR«

Despite budget cuts in Western nations, global defence spending in 2012 will reach about the level of the previous year. In the third quarter, defence analysts at IHS Jane's have again updated their calculations of many budgets, and are now expecting global defence spending of approximately USD 1,579 billion in 2012 as a whole (2011: approximately USD 1,588 billion). More significant saving effects are not expected until 2013 and 2014, when spending in the defence sector is set to amount to approximately USD 1,549 billion and USD 1,539 billion respectively.

Despite the slight decline overall, a more mixed picture is also apparent for the next two years: While budgets are being lowered in countries particularly affected by the European debt crisis, for example, spending in the major emerging countries is to keep on increasing in 2013 and 2014. IHS Jane's is also reporting significant rises in expenditure in some nations in the Middle East and North Africa (MENA) region, particularly Saudi Arabia, the United Arab Emirates, Algeria and Kuwait.

Development in the USA also requires more nuanced consideration. In 2012, the budget is to be cut from approximately USD 687 billion in the previous year to USD 649 billion. Next year, a reduction to around USD 614 billion is expected. Among these cuts, the withdrawal of troops from Iraq and Afghanistan makes the greatest difference. While the so-called deployment budget is sinking, basic spending in the US defence budget is remaining largely constant – according to current planning. However, it is as yet unknown whether further budget cuts in the USA will involve additional savings in the defence budget.

For most European countries, IHS Jane's is forecasting stagnating or slightly declining defence spending in 2012 and 2013. In Germany, the 2012 defence budget of approximately €31.9 billion will be just above the level of the previous year and will rise to approximately €33.3 billion in 2013. For 2016, the budget planning includes a slight reduction to around €32.5 billion.

From 2015, IHS Jane's expects defence budgets to increase globally: At approximately USD 1,574 billion, they will return to around the level of 2012. For 2016, IHS Jane's is even forecasting a sharp increase of global defence expenditure to more than USD 1,620 billion. An important factor in this is many armies' undiminished basic need for modernization, which in the long term limits efforts to cut spending. Investments in the protection and safety of soldiers remain a high priority, especially in Western-oriented states.

As the leading European systems supplier for armed forces technology, technical modernization requirements give rise to growth potential for Rheinmetall Defence on the international markets. However, it cannot be ruled out that cost-cutting measures in certain client countries might lead to delays in the contract award process or to reductions in quantities.

#### **»UNEVEN DEVELOPMENT IN THE AUTOMOTIVE MARKETS – WESTERN EUROPE STAYS IN REVERSE«**

After the first nine months of 2012, development in the global automotive markets was uneven. Strong rates of growth in the NAFTA region, Japan, Russia and China were countered by demand in Western Europe that continued to decline. At the beginning of October, the President of the Association of the German Automotive Industry (VDA), Matthias Wissmann, made the following statement on this topic: "The German car manufacturers are currently adapting their production of new cars to the weaker demand we are feeling in parts of Western Europe in particular. By doing this, they are acting with foresight. The economic headwind is picking up. We are prepared."

However, global production of passenger cars and light commercial vehicles up to 3.5t again posted significant growth in the first nine months of 2012: According to calculations by industry analysts at IHS Automotive, global production grew by 7.8% to around 59.6 million vehicles on top of the strong same period of the previous year. In the Triad markets of Western Europe, NAFTA and Japan, production figures rose by 11.1%. However, the fact that the high growth of 35.9% in Japan remained driven by catch-up effects resulting from the tsunami disaster of the previous year must be taken into consideration here.

In the first nine months of 2012, the upward trend in the NAFTA region was in robust condition, with production figures up 19.0% year-on-year. However, there is a different picture in Western Europe: Slowed by the euro and debt crisis in many countries, automotive production in Western Europe fell 7.7% below the figures for the same period of the previous year. Even Germany did not fully escape the downward trend. In the first three quarters of 2012, German production figures declined by 3.3% on the same period of the previous year.

Significant stimuli for the global automotive industry continue to emanate from the major emerging countries. According to IHS Automotive, China grew by 8.5%, while the Indian market posted growth of 5.2%. Only Brazil is currently falling short of the economic momentum of the other emerging countries and had to accept a slight decline of 1.1%.

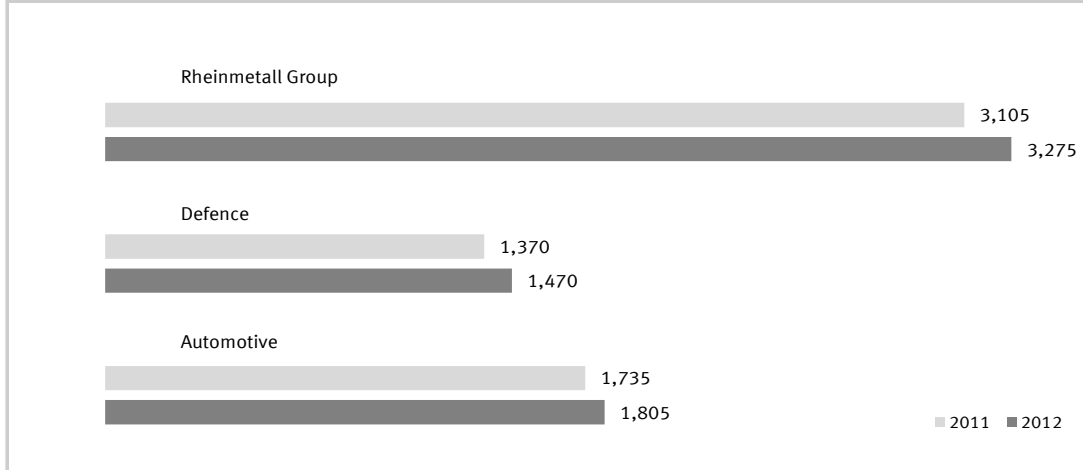
For 2012 as a whole, the experts at IHS Automotive predict that global production will grow by 5.9% to approximately 79.2 million vehicles. IHS experts are expecting low growth of 1.4% for 2013, yet for the first time more than 80 million cars and light commercial vehicles are set to come off production lines around the world.

Despite the ongoing difficult market situation in Western Europe, the Rheinmetall sector Automotive (KSPG) is in a good starting position to benefit from the stimuli coming from the non-European markets due to its consistent internationalization strategy. Moreover, KSPG, with its competence for products for lowering fuel consumption and emissions, is present in promising growth areas whose worldwide development is more dynamic than the market as a whole.



## RHEINMETALL GROUP BUSINESS TREND

Sales Q1-Q3 € million



### »SALES GROWTH IN THE FIRST NINE MONTHS OF 2012«

In the first nine months of fiscal 2012, the Rheinmetall Group generated sales of €3,275 million, exceeding the previous year's figure by €170 million or 5%. Growth was posted in both corporate sectors. At €1,470 million, sales in the Defence sector rose by €100 million or 7% as against the previous year. With sales of €1,805 million in the first three quarters of 2012, the Automotive corporate sector exceeded the prior-year figure by €70 million or 4%.

The share of consolidated sales generated outside Germany in the first nine months of 2012 was 74% after 71% in the same period of the previous year. In addition to the German market (26%), the key regions in terms of sales volumes were Europe excluding Germany (43%), followed by Asia (13%) and North America (10%). The Defence sector generated 70% of sales abroad (previous year: 65%). In the Automotive sector, the proportion of sales generated with customers outside Germany increased from 75% to 77%.

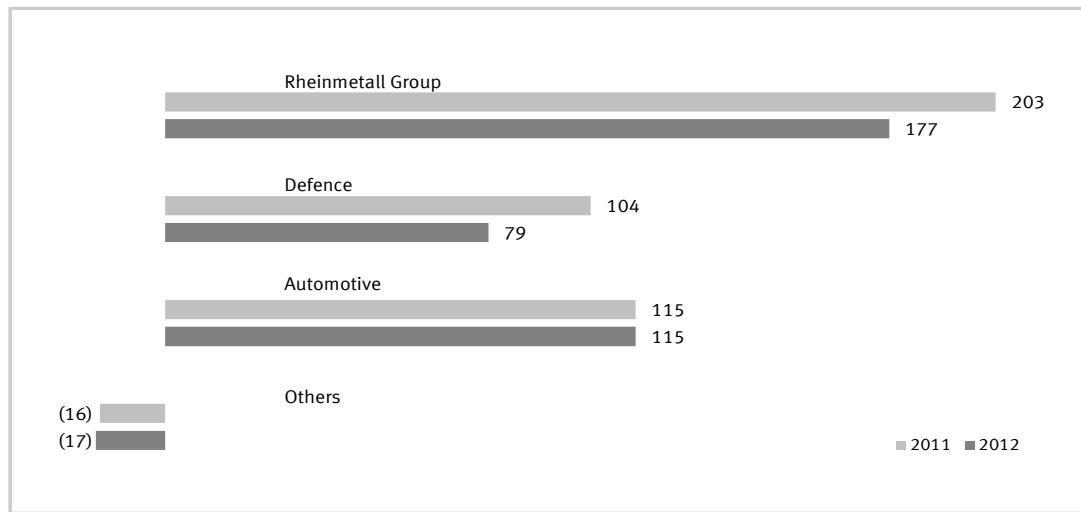
### »ORDER BACKLOG OF €5 BILLION«

The Rheinmetall Group recorded an order intake of €3,394 million in the first nine months of 2012 (previous year: €3,090 million). On September 30, 2012, the order backlog stood at €4,947 million (September 30, 2011: €5,163 million). At the end of the quarter, the order backlog in the Defence sector amounted to €4,528 million (September 30, 2011: €4,746 million). This included large-volume products spanning several fiscal years.

**»EARNINGS DOWN ON PREVIOUS YEAR«**

Earnings before interest and taxes (EBIT) at the Rheinmetall Group decreased by €26 million in the first nine months of 2012 to €177 million after €203 million in the previous year. Stable earnings in the Automotive sector were offset by considerably weaker earnings in the Defence sector. Consolidated net profit fell to €108 million after €119 million in the previous year. Earnings per share totaled €3.06 compared with €3.04 in the same period of the previous year.

EBIT Q1-Q3 € million

**»ASSET AND CAPITAL STRUCTURE«**

The Rheinmetall Group's total assets amounted to €4,707 million as at the reporting date. This corresponds to a decrease of €125 million as against December 31, 2011. Non-current assets amounted to 50% of total assets as at September 30, 2012, compared with 47% as at December 31, 2011. They increased by €89 million during the reporting period to €2,360 million. Investments increased by €34 million. In addition to increased deferred taxes due to the recognition of actuarial losses in pension provisions directly in equity, this increase is mainly attributable to the first-time recognition of the 49% share in Rheinmetall Airborne Systems GmbH carried at equity. In June of this fiscal year, 51% of the shares in Rheinmetall Airborne Systems were sold to Cassidian, a division of the EADS Group. Current assets decreased by €214 million compared with December 31, 2011, with the increase in inventories and trade receivables being offset by a significant reduction in cash and cash equivalents. The equity ratio was 31% after 32% as of December 31, 2011. Non-current liabilities increased by €73 million to €1,630 million. €129 million of this is attributable to the recognition of actuarial losses in pension provisions directly in equity. The €135 million decline in non-current liabilities is primarily attributable to the reduction in trade liabilities.

## Asset and capital structure € million

	12/31/2011	%	09/30/2012	%
Noncurrent assets	2,271	47	2,360	50
Current assets	2,561	53	2,347	50
<b>Total assets</b>	<b>4,832</b>	<b>100</b>	<b>4,707</b>	<b>100</b>
Equity	1,546	32	1,483	31
Noncurrent liabilities	1,557	32	1,630	35
Current liabilities	1,729	36	1,594	34
<b>Total equity and liabilities</b>	<b>4,832</b>	<b>100</b>	<b>4,707</b>	<b>100</b>

## »CAPITAL EXPENDITURE UP YEAR-ON-YEAR«

The strategic and operating targets for expanding market share and securing technological expertise are the guiding factors in the Rheinmetall Group's capital expenditure program. The Rheinmetall Group invested a total of €163 million in the first nine months of the current fiscal year. This is equivalent to 5.0% of sales compared with 4.2% in the previous year.

## Capital expenditure by corporate sector € million

	3Q/2011	3Q/2012
Defence	56	57
Automotive	74	105
Others	1	1
<b>Rheinmetall Group</b>	<b>131</b>	<b>163</b>

## »EMPLOYEES«

As at September 30, 2012, a total of 21,731 people were employed by Rheinmetall around the world, up 215 on year-end 2011. While the workforce at Rheinmetall Defence fell by 133, a 344 person increase was posted in the Automotive sector. Of the total workforce, 45% were employed in the Defence sector, 54% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

## Employees (capacity)

	12/31/2011	09/30/2012
Defence	9,833	9,700
Automotive	11,548	11,892
Others	135	139
<b>Rheinmetall Group</b>	<b>21,516</b>	<b>21,731</b>

## RHEINMETALL GROUP BUSINESS TREND

### DEFENCE SECTOR

Defence key figures € million

	3Q/2011	3Q/2012	Change
Sales	1,370	1,470	100
Order intake	1,303	1,578	275
Order backlog (September 30)	4,746	4,528	-218
Employees according to capacity (September 30)	9,183	9,700	517
EBITDA	161	144	-17
EBIT	104	79	-25
EBT	94	69	-25
EBIT margin	7.6%	5.4%	

#### »SALES GROWTH FROM ACQUISITIONS«

With sales of €1,470 million, the Defence sector recorded an increase of €100 million or 7% in the first nine months of 2012 compared with the prior-year figure of €1,370 million. This growth resulted exclusively from companies included in consolidation for the first time, which increased sales by €183 million in the first three quarters of 2012 compared with the previous year. This primarily related to the first-time consolidation of the logistical vehicle systems from the Rheinmetall MAN Military Vehicles GmbH (RMMV) joint venture. Excluding the companies included in consolidation for the first time, and taking the sale of Rheinmetall Airborne Systems' drone business in June 2012 into account, the Defence sector recorded a fall in sales of €73 million or 5%.

#### »INCOMING ORDERS INCREASE SIGNIFICANTLY – ORDER BACKLOG REMAINS HIGH«

The Defence sector saw significant growth in new orders in the first nine months of 2012. Compared with the prior-year figure of €1,303 million, incoming orders increased by €275 million or 21% to €1,578 million in the first three quarters of 2012. Major single orders were the beginning of the series production contract for "Gladius" modern infantry equipment (€44 million), an order for subassembly and service in a Canadian vehicle program (€160 million) and two air defence orders from the Middle East and Asia with a value of €133 million. At €4,528 million, the order backlog as at September 30, 2012 remained at a high level compared with the figure of €4,746 million at the prior-year reporting date. The slight decline of 5% is primarily due to the reduction in production figures for the new Puma infantry fighting vehicle, which already resulted in a revision of the order backlog as of December 31, 2011. With a current volume of approximately €1.1 billion, however, the Puma series contract remains the largest individual item in the order backlog.

**»EARNINGS FALL CONSIDERABLY SHORT«**

Earnings in the Defence sector fell short of the prior-year figure in the first nine months of 2012. Reported earnings before interest and taxes (EBIT) amounted to €79 million, down on the prior-year figure of €104 million. The year-on-year decline in earnings was attributable to the following effects:

- Earnings for this fiscal year include the €48 million income from the sale of 51% of the shares in Rheinmetall Airborne Systems GmbH to Cassidian, a division of the EADS Group. Rheinmetall Airborne Systems operates in Bremen in the area of unmanned aerial systems.
- EBIT for the previous year included a positive non-recurring effect of €11 million from ADS Gesellschaft für aktive Schutzsysteme mbH, which was included in consolidation for the first time following the majority acquisition and hence was fully consolidated instead of being recognized at equity as previously.
- The newly consolidated RMMV logistical vehicles, which contributed €182 million to sales in the first three quarters of 2012, recorded a loss of €22 million (of which €5 million resulted from write-downs in connection with purchase price allocation).

After these corrections, earnings were a comparable €53 million in the first nine months of 2012 compared with €93 million in the same period of the previous year. The decrease is attributable to declines in sales and to operational problems and weaker margins in the former consolidated group. In the case of vehicle systems, structural measures have been introduced both to adjust capacity and boost efficiency.

**»EMPLOYEE GROWTH DUE TO INTEGRATION OF THE VIENNA SITE«**

The number of employees rose by 517 as against the corresponding point in the previous year, thereby increasing the workforce to 9,700. This development resulted from the full integration of the RMMV production site in Vienna with 722 employees on December 31, 2011. This was countered by a reduction of 154 employees as a result of the disposal of Rheinmetall Airborne Systems recognized at the end of June 2012.

## RHEINMETALL GROUP BUSINESS TREND AUTOMOTIVE SECTOR

Automotive key figures € million

	3Q/2011	3Q/2012	Change
Sales	1,735	1,805	70
Order intake	1,787	1,816	29
Order backlog (September 30)	417	419	2
Employees according to capacity (September 30)	10,985	11,892	907
EBITDA	191	194	3
EBIT	115	115	0
EBT	104	104	0
EBIT margin	6.6%	6.4%	

### »AUTOMOTIVE GENERATES GROWTH IN SALES«

In the first nine months of 2012, the Automotive sector generated sales of €1,805 million, exceeding the previous year's figure by €70 million or 4%. The sector achieved significant sales growth, even though automotive production was down 7.7% in the Western European home market. This is primarily attributable to the high level of demand for products addressing the trend for reducing consumption and exhaust gases.

### »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 36% in the first nine months of 2012, with sales amounting to €298 million as against €219 million in the previous year (data on the basis of 100%). This means that they have continued to outperform automotive production in China, which posted growth of 8.5% on the same period of the previous year.

### »EARNINGS AND PROFITABILITY AT THE PREVIOUS YEAR'S LEVEL«

In the first nine months of 2012, the Automotive sector was at the level of the previous year with EBIT of €115 million. The margin was 6.4% after 6.6% in the same period of the previous year.

### »STRONG PRESENCE IN INDIA«

Due to the growth in sales and, above all, as a result of the increased presence in India from October 2011 following the acquisition of the plain bearing operations of Kirloskar Oil Engines Ltd., the number of employees in the Automotive sector increased by 8% to 11,892 as against 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 which 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 2011. There have been no significant changes or new findings in the meantime.

## PROSPECTS

### »RHEINMETALL ADJUSTS SALES AND EARNINGS FORECAST«

In view of the generally difficult market environment in automotive and defence business, Rheinmetall is adjusting its previous sales and earnings forecasts.

Based on current expert estimates, which assume continued weak development for European automotive production in the fourth quarter of 2012, Rheinmetall is forecasting sales growth of around 3% to almost €2.4 billion and earnings before interest and taxes (EBIT) at the same level as the previous year (EBIT 2011: €151 million) for the Automotive sector in 2012. Previously, forecasts for the Automotive sector expected sales of just over €2.4 billion and slightly improved earnings year-on-year.

In fiscal 2012, Rheinmetall is forecasting sales of €2.4 billion in the Defence sector. The previous forecast predicted sales of €2.5 billion. The lowering of the sales forecast by around €100 million is primarily attributable to the market development in short-term business with logistical vehicles. The Defence sector's earnings performance in the first three quarters of 2012, which was weak compared with the previous year despite non-recurring income, will not be reversed even given a strong fourth quarter. For 2012 as a whole, therefore, earnings before interest and taxes (EBIT) between €170 million and €180 million are expected for the Defence sector. This earnings forecast considers all expenses for structural measures to adjust capacity and increase efficiency to be posted in the fourth quarter of 2012.

For the Rheinmetall Group, a new sales forecast of €4.8 billion and – including all expenses to be posted in the holding company – an earnings forecast (EBIT) of approximately €300 million for both sectors can be derived from these forecasts. Previous expectations anticipated consolidated sales of approximately €4.9 billion and EBIT around the same as the previous year, when record earnings of €354 were generated.

## REPORT ON POST-BALANCE SHEET DATE EVENTS

### »EVENTS AFTER THE BALANCE SHEET DATE«

There have been no significant events after the balance sheet date.



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF RHEINMETALL AG FOR 3Q/2012

## CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2012

Assets € million

	12/31/2011	09/30/2012
Intangible assets	902	906
Property, plant and equipment	1,135	1,153
Investment property	20	18
Investments accounted for using the equity method	111	145
Other non-current financial assets	11	12
Other non-current assets	7	7
Deferred taxes	85	119
<b>Non-current assets</b>	<b>2,271</b>	<b>2,360</b>
Inventories	813	995
./. Prepayments received	(28)	(32)
	785	963
Trade receivables	1,027	1,080
Other current financial assets	38	32
Other current receivables and assets	131	148
Income tax receivables	16	25
Cash and cash equivalents	535	99
Disposal group held for sale	29	-
<b>Current assets</b>	<b>2,561</b>	<b>2,347</b>
<b>Total assets</b>	<b>4,832</b>	<b>4,707</b>

Equity and Liabilities € million

	12/31/2011	09/30/2012
Share capital	101	101
Additional paid-in capital	307	307
Other reserves	843	901
Net income of Rheinmetall AG shareholders	213	117
Treasury shares	(55)	(65)
<b>Rheinmetall AG shareholders' equity</b>	<b>1,409</b>	<b>1,361</b>
Minority interests	137	122
<b>Equity</b>	<b>1,546</b>	<b>1,483</b>
Provisions for pensions and similar obligations	729	842
Other non-current provisions	93	73
Non-current financial liabilities	620	613
Other non-current liabilities	34	31
Deferred taxes	81	71
<b>Non-current liabilities</b>	<b>1,557</b>	<b>1,630</b>
Current provisions	371	373
Current financial liabilities	45	80
Trade liabilities	667	550
Other current liabilities	578	544
Income tax liabilities	46	47
Liabilities in connection with disposal groups	22	-
<b>Current liabilities</b>	<b>1,729</b>	<b>1,594</b>
<b>Total liabilities</b>	<b>4,832</b>	<b>4,707</b>

## CONSOLIDATED INCOME STATEMENT

Q1-Q3 2012 € million

	3Q/2011	3Q/2012
<b>Sales</b>	<b>3,105</b>	<b>3,275</b>
Changes in inventories and work performed by the enterprise and capitalised	139	166
<b>Total operating performance</b>	<b>3,244</b>	<b>3,441</b>
Other operating income	86	135
Cost of materials	1,621	1,810
Staff costs	944	1,008
Amortization, depreciation and impairment	133	144
Other operating expenses	437	447
<b>Net operating income</b>	<b>195</b>	<b>167</b>
Net interest <sup>1)</sup>	(42)	(41)
Net investment income and other net financial income <sup>2)</sup>	8	10
<b>Net financial loss</b>	<b>(34)</b>	<b>(31)</b>
<b>Earnings before taxes (EBT)</b>	<b>161</b>	<b>136</b>
Income taxes	(42)	(28)
<b>Net income</b>	<b>119</b>	<b>108</b>
Of which:		
<i>Minority interests</i>	2	(9)
<i>Rheinmetall AG shareholders</i>	117	117
Earnings per share (€)	3.04	3.06
EBITDA	336	321
EBIT	203	177

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

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

## COMPREHENSIVE INCOME

Q1-Q3 2012 € million

	3Q/2011	3Q/2012
<b>Net income</b>	<b>119</b>	<b>108</b>
Actuarial gains and losses from pension provisions	12	(90)
Currency conversion difference	(29)	5
Change in value of derivative financial instruments (cash flow hedge)	(23)	(1)
<b>Other comprehensive income (after taxes)</b>	<b>(40)</b>	<b>(86)</b>
<b>Comprehensive income</b>	<b>79</b>	<b>22</b>
Of which:		
<i>Minority interests</i>	(11)	(9)
<i>Rheinmetall AG shareholders</i>	90	31

## CONSOLIDATED INCOME STATEMENT

Q3 € million

	Q3/2011	Q3/2012
<b>Sales</b>	<b>1,030</b>	<b>1,022</b>
Changes in inventories and work performed by the enterprise and capitalised	33	66
<b>Total operating performance</b>	<b>1,063</b>	<b>1,088</b>
Other operating income	32	35
Cost of materials	526	580
Staff costs	301	321
Amortization, depreciation and impairment	44	48
Other operating expenses	151	130
<b>Net operating income</b>	<b>73</b>	<b>44</b>
Net interest <sup>1)</sup>	(13)	(14)
Net investment income and other net financial income <sup>2)</sup>	3	6
<b>Net financial loss</b>	<b>(10)</b>	<b>(8)</b>
<b>Earnings before taxes (EBT)</b>	<b>63</b>	<b>36</b>
Income taxes	(19)	(10)
<b>Net income</b>	<b>44</b>	<b>26</b>
Of which:		
<i>Minority interests</i>	0	(7)
<i>Rheinmetall AG shareholders</i>	44	33
Earnings per share (€)	1.13	0.86
EBITDA	120	98
EBIT	76	50

<sup>1)</sup> Of which interest expense: €15 million (previous year: €15 million)

<sup>2)</sup> Of which income from investments carried at equity: €5 million (previous year: €3 million)

## COMPREHENSIVE INCOME

Q3 € million

	Q3/2011	Q3/2012
<b>Net income</b>	<b>44</b>	<b>26</b>
Actuarial gains and losses from pension provisions	(12)	(25)
Currency conversion difference	(18)	(1)
Change in value of derivative financial instruments (cash flow hedge)	(23)	5
<b>Other comprehensive income (after taxes)</b>	<b>(53)</b>	<b>(21)</b>
<b>Comprehensive income</b>	<b>(9)</b>	<b>5</b>
Of which:		
<i>Minority interests</i>	(8)	(7)
<i>Rheinmetall AG shareholders</i>	(1)	12

## CONSOLIDATED CASH FLOW STATEMENT

€ million

	3Q/2011	3Q/2012
<b>Opening cash and cash equivalents (January 1)</b>	<b>629</b>	<b>535</b>
Net income	119	108
Amortization, depreciation and impairment	133	144
Changes in pension provisions	(9)	(11)
<b>Gross cash flows</b>	<b>243</b>	<b>241</b>
Changes in working capital and other items	(530)	(460)
<b>Cash flows from operating activities <sup>1)</sup></b>	<b>(287)</b>	<b>(219)</b>
Investments in property, plant and equipment, intangible assets and investment property	(131)	(163)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	7	7
Investments in consolidated companies and financial assets	(73)	(41)
Divestments of consolidated companies and financial assets	2	44
<b>Cash flows from investing activities</b>	<b>(195)</b>	<b>(153)</b>
Capital contributions by third parties	2	-
Dividends paid out by Rheinmetall AG	(58)	(69)
Other profit contributions	(4)	(7)
Purchase of treasury shares	(9)	(20)
Sale of treasury shares	3	2
Borrowing of financial liabilities	256	46
Repayment of financial liabilities	(81)	(18)
<b>Cash flows from financing activities</b>	<b>109</b>	<b>(66)</b>
<b>Changes in cash and cash equivalents</b>	<b>(373)</b>	<b>(438)</b>
Changes in cash and cash equivalents due to exchange rates	(4)	2
<b>Total change in cash and cash equivalents</b>	<b>(377)</b>	<b>(436)</b>
<b>Closing cash and cash equivalents (June 30)</b>	<b>252</b>	<b>99</b>

<sup>1)</sup> Including: Net income taxes of €-47 million (previous year: €-43 million)

Including: Net interest of €-33 million (previous year: €-36 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 of Rheinmetall AG shareholders	Treasury shares	Rheinmetall AG shareholders equity	Minority interests	Equity
<b>Balance as at December 31, 2010/ as at January 1, 2011</b>	<b>101</b>	<b>304</b>	<b>592</b>	<b>60</b>	<b>99</b>	<b>159</b>	<b>162</b>	<b>(52)</b>	<b>1,266</b>	<b>89</b>	<b>1,355</b>
Net income	-	-	-	-	-	-	117	-	117	2	119
Other comprehensive income	-	-	11	(20)	(18)	(38)	-	-	(27)	(13)	(40)
<b>Comprehensive income</b>	-	-	11	(20)	(18)	<b>(38)</b>	117	-	90	<b>(11)</b>	79
Dividends payout	-	-	(58)	-	-	-	-	-	(58)	(4)	(62)
Changes in scope of consolidation	-	-	(1)	-	-	-	-	-	(1)	11	10
Transfer to/from reserves	-	-	162	-	-	-	(162)	-	-	-	-
Other changes	-	3	-	-	-	-	-	(1)	2	-	2
<b>Balance as at September 30, 2011</b>	<b>101</b>	<b>307</b>	<b>706</b>	<b>40</b>	<b>81</b>	<b>121</b>	<b>117</b>	<b>(53)</b>	<b>1,299</b>	<b>85</b>	<b>1,384</b>
<b>Balance as at December 31, 2011/ as at January 1, 2012</b>	<b>101</b>	<b>307</b>	<b>710</b>	<b>56</b>	<b>77</b>	<b>133</b>	<b>213</b>	<b>(55)</b>	<b>1,409</b>	<b>137</b>	<b>1,546</b>
Net income	-	-	-	-	-	-	117	-	117	(9)	108
Other comprehensive income	-	-	(90)	5	(1)	4	-	-	(86)	-	(86)
<b>Comprehensive income</b>	-	-	<b>(90)</b>	5	<b>(1)</b>	<b>4</b>	<b>117</b>	-	<b>31</b>	<b>(9)</b>	<b>22</b>
Dividends payout	-	-	(69)	-	-	-	-	-	(69)	(7)	(76)
Transfer to/from reserves	-	-	213	-	-	-	(213)	-	-	-	-
Other changes	-	-	-	-	-	-	-	(10)	(10)	1	(9)
<b>Balance as at September 30, 2012</b>	<b>101</b>	<b>307</b>	<b>764</b>	<b>61</b>	<b>76</b>	<b>137</b>	<b>117</b>	<b>(65)</b>	<b>1,361</b>	<b>122</b>	<b>1,483</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### »GENERAL PRINCIPLES«

The condensed consolidated interim financial statements of Rheinmetall AG as at September 30, 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the corresponding interpretations of the International Accounting Standards Board (IASB) for interim reporting as required to be applied in the European Union. Accordingly, the notes to these interim financial statements do not include all of the information and disclosures that are required in accordance with IFRS for consolidated financial statements at the end of the fiscal year. In the view of the Executive Board, the interim financial statements contain all of the adjustments required to present a true and fair view of business development in the reporting period. The results achieved in the first nine months of 2012 do not necessarily allow for conclusions to be drawn as to 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 fiscal 2011. The accounting policies applied in the interim financial statements are the same as those applied in the consolidated financial statements for the past fiscal year.

Application of the amended IAS 12 “Income Taxes” is mandatory from fiscal 2012 onwards. As the adoption of this change into EU law is still outstanding, the amended standard is not applied in the consolidated interim financial statements. The future application of these standards and interpretations will not have an impact on the Rheinmetall Group’s net assets, financial position and results of operations. The amendment to IAS 12 relates to the measurement of deferred taxes for investment properties, which are measured at fair value, and for intangible assets and property, plant and equipment, which are measured in accordance with the revaluation model. Until now, the measurement of deferred taxes for these assets has depended on whether the company intends to realize the carrying amount through use or through a sale. The new regulation implies a refutable assumption of realization through the sale of the asset.

For further information on the accounting policies applied, please refer to the consolidated financial statements of Rheinmetall AG for the year ended December 31, 2011. The Group’s reporting currency is the euro; all amounts are stated in € million unless otherwise indicated.

In the first nine months of 2012, the following new and amended standards have been published by the IASB:

IFRS improvements	Annual Improvements to IFRSs 2009-2011 Cycle
IFRS 10 - Amendment	“Consolidated Financial Statements”
IFRS 11 - Amendment	“Joint Arrangements”
IFRS 12 - Amendment	“Disclosure of Interests in Other Entities”

The small amendments to five existing standards published in the form of a collective standard relate mainly to the first-time application of IFRS, clarifications to property, plant and equipment and financial instruments and interim reporting. Application of the amendments is mandatory from the 2013 fiscal year. No significant changes to the Rheinmetall consolidated financial statements will result from these amendments.

The amendments to the IFRS 10, IFRS 11 and IFRS 12 standards involve specifying and clarifying the transitional provisions for application and simplifying the comparative figures that must be disclosed in the first-time application of the standard. The amendments, like the IFRS 10, IFRS 11 and IFRS 12 standards published in 2011, are to be first applied from the 2013 fiscal year, but neither the standards nor the amendments have yet been endorsed in EU law. The amendments to the standards will have no impact on the assets, financial position and earnings of the Rheinmetall Group.

#### »ESTIMATES«

The preparation of the interim financial statements requires certain assumptions and estimates affecting the application of accounting principles within the Group and the disclosure of assets and liabilities, income and expenses. The actual amounts may differ from these estimates.

A qualified estimate of pension obligations is given in the quarterly financial reports based on the development of actuarial parameters. In the present interim financial statements, a discount rate of 3.5% (December 31, 2011: 5.25%) was applied for pension provisions in Germany and an unchanged rate of 2.25% – 2.30% was applied for significant foreign pension provisions in Switzerland. The decline in the interest rate led to an increase in actuarial losses from pension provisions recognized in equity.

#### »SCOPE OF CONSOLIDATION«

In addition to Rheinmetall AG, the condensed consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG holds the majority of the voting rights (whether directly or indirectly) or whose financial and business policies are otherwise controlled by the Group. In the first nine months of 2012, eight companies were added to the scope of consolidation as a result of company foundations, of which seven outside Germany and one in Germany. A further addition resulted from a company acquisition outside Germany. Disposals from the scope of consolidation resulted from the sale of a majority interest and from an intragroup merger.

Among the companies included at equity in the consolidated financial statements, the addition of three companies by two foundations and the retention of the minority interest in the wake of a company sale is countered by disposals of the same amount through sale and a termination of business.

In the Automotive sector, KSPG AG acquired all shares in Mechadyne International Limited, Kirtlington/UK on July 27, 2012. The acquisition serves to strengthen activities in the reduction of fuel consumption and CO<sub>2</sub> emissions and rounds off the UniValve technology deployed for variable valve control for small and medium-sized vehicles as well as commercial vehicles. The provisional purchase price of €6 million comprises cash of €4 million and a contingent purchase price payment of €2 million. The contingent purchase price measured at fair value contains additional license fees according to sales and a bonus payment on the conclusion of supply contracts for series production. The first-time inclusion in the Rheinmetall consolidated financial statements occurred on July 31, 2012. The acquired net assets of €5 million are accounted for primarily by €6 million of intangible assets for licenses and brand names and liabilities of €1 million. The acquisition resulted in goodwill of €1 million. The acquired company's contribution to sales and earnings in the third quarter is of minor significance. Supposing the acquisition had been made on January 1, 2012, the Rheinmetall Group's sales would have been higher by €1 million and EBIT would have been unchanged.



The formerly fully consolidated Rheinmetall Airborne Systems GmbH, Bremen, was excluded from the Rheinmetall Group's consolidated group by the sale of the majority interest (51%) to Cassidian, a division of the EADS Group, as of June 30, 2012. Rheinmetall made a profit of €48 million on this disposal. After the carrying amounts of the company disposed of were finalized in the third quarter, allowing the contractually agreed purchase price adjustments to be made, there was a €17 million increase in profit as against the Semiannual Financial Report. €17 million of the total profit is attributable to the recognition of the remaining 49% share in Rheinmetall Airborne Systems GmbH at fair value on the date of loss of control, which is likewise reported in other operating income. The retained interest in Rheinmetall Airborne Systems GmbH will continue as an associated company in the Rheinmetall Group carried at equity.

**»ASSETS AND ASSOCIATED LIABILITIES HELD FOR SALE«**

The disposal group recognized in the consolidated balance sheet as of December 31, 2011 and the associated liabilities relate to the former Defence sub-division of unmanned aerial systems at the Bremen site, which is being continued in collaboration with Cassidian. For this purpose, Rheinmetall's unmanned aerial systems activities were transferred to Rheinmetall Airborne Systems GmbH, Bremen, which was newly formed in December 2011. The assets and associated liabilities were disposed of when the 51% share in Rheinmetall Airborne Systems GmbH was sold on June 30, 2012.

**»TREASURY SHARES«**

The Annual General Meeting on May 11, 2010 authorized the Executive Board to acquire treasury shares equivalent to a maximum of 10% of the share capital of €101,373,440 up until May 10, 2015. As at September 30, 2012, the portfolio amounts to 1,639,002 treasury shares, that is 4.1% of the share capital (September 30, 2011: 1,291,250; December 31, 2011: 1,350,842) acquired at a total cost of €65 million (September 30, 2011: €53 million; December 31, 2011: €55 million); this amount is deducted from equity. In the first nine months of the current fiscal year, 507,000 shares were acquired at a cost of €20 million.

**»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, 2012, the beneficiaries of the incentive program for fiscal 2011 received a total of 162,716 shares (previous year: a total of 105,638 shares on April 1, 2011 for fiscal 2010).

**»EMPLOYEE SHARE PURCHASE PROGRAM«**

Eligible employees of the Rheinmetall Group in Germany and other European countries may purchase Rheinmetall AG shares on preferential terms. These shares are subject to a lock-up period of two years. 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. On June 1, 2012, employees purchased 56,124 shares for €2 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 shares are included in the weighted number of shares.

€ million

	Q3 2011	Q3 2012	3Q/2011	3Q/2012
Net income of shareholders of Rheinmetall AG € million	44	33	117	117
Weighted number of shares million	38.4	38.0	38.3	38.1
<b>Earnings per share (€)</b>	<b>1.13</b>	<b>0.86</b>	<b>3.04</b>	<b>3.06</b>

**»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 proceeds from the sale of finished and unfinished goods to project companies, services performed as part of construction contracts with project companies of the Defence sector and proceeds from army maintenance services under a public-private partnership model in the Defence sector. As well as customer receivables and trade payables, the volume of unpaid items also includes prepayments received and made and loans to joint ventures and associated companies of €4 million (€6 million on December 31, 2011).

The interest income from such loans amounts to an unchanged €0 million. 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/2011	3Q/2012	3Q/2011	3Q/2012	12/31/2011	Q3/2012
Joint ventures	111	119	17	8	(16)	6
Associated companies	7	3	8	10	32	5
	<b>118</b>	<b>122</b>	<b>25</b>	<b>18</b>	<b>16</b>	<b>11</b>

Business relationships exist between a subsidiary of Rheinmetall AG and PL Elektronik GmbH, Lilienthal, whose sole shareholder is Mr. Armin Papperger, member of the Rheinmetall AG Executive Board, and which is managed by a party related to Mr. Armin Papperger. PL Elektronik GmbH provides development services and produces and supplies electric igniters to order. The transactions are carried out at an arm's-length basis. The volume of products/services received in the first nine months of 2012 amounted to €1 million.

## »SEGMENT REPORTING«

Please refer to the consolidated financial statements for the year ended December 31, 2011 for the definition of the reportable segments and the controlling system. There have been no changes in the definition of the segments and the accounting methods since this date.

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	3Q/2011	3Q/2012	3Q/2011	3Q/2012	3Q/2011	3Q/2012	3Q/2011	3Q/2012
External sales	1,370	1,470	1,735	1,805	-	-	3,105	3,275
Amortization and depreciation	57	65	76	79	0	0	133	144
<i>Of which impairment</i>	-	-	-	0	-	-	-	0
EBIT	104	79	115	115	(16)	(17)	203	177

## Reconciliation of segment EBIT to Rheinmetall Group EBT:

€ million

	3Q/2011	3Q/2012
<b>EBIT</b>		
Segment EBIT	<b>219</b>	<b>194</b>
Others	41	60
Consolidation	(57)	(77)
<b>Group EBIT</b>	<b>203</b>	<b>177</b>
Group net interest	(42)	(41)
<b>Group EBT</b>	<b>161</b>	<b>136</b>

Düsseldorf, November 8, 2012

Klaus Eberhardt

Dr. Gerd Kleinert

Dr. Herbert Müller

Armin Papperger

## FINANCIAL CALENDAR

November 9, 2012  
Report on Q3/2012

March 20, 2013  
Annual Financial Report 2012

May 8, 2013  
Report on Q1/2013

May 14, 2013  
Annual General Meeting

## LEGAL INFORMATION AND CONTACT

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](http://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](http://www.rheinmetall.com). In case of doubt, the German version shall apply.

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