



QUARTERLY FINANCIAL REPORT

3Q | 2015
RHEINMETALL AG



RHEINMETALL IN FIGURES

Rheinmetall Group key figures € million

		3Q/2015	3Q/2014	Change
Order situation (continuing operations)				
Order intake	€ million	3,756	3,445	311
Order backlog (September 30)	€ million	6,988	6,583	405
Sales/Results (continuing operations)				
Sales	€ million	3,582	3,215	367
of which generated abroad	%	74	75	-1.0 Pp.
Operating result	€ million	140	39	101
Operating result margin	%	3.9	1.2	2.7 Pp.
EBIT	€ million	140	23	117
EBIT margin	%	3.9	0.7	3.2 Pp.
EBT	€ million	96	(32)	128
Balance sheet (September 30) (continuing and discontinued operations)				
Total equity	€ million	1,256	1,253	3
Total assets	€ million	5,230	5,211	19
Equity ratio	%	24	24	-
Cash and cash equivalents	€ million	198	187	11
Total assets less cash and cash equivalents	€ million	5,032	5,024	8
Net financial debt	€ million	619	658	-39
Leverage ratio ¹⁾	%	12.3	13.1	-0.8 Pp.
Net Gearing ²⁾	%	49.3	52.5	-3.2 Pp.
Cash Flow (continuing and discontinued operations)				
Cash flow from operating activities	€ million	(81)	(333)	252
Cash flow from investing activities	€ million	(189)	(166)	-23
Cash flow from financing activities	€ million	(15)	240	-255
Free cash flow	€ million	(270)	(499)	229
Employees (September 30) according to capacities (continuing operations)				
Rheinmetall Group		20,665	20,237	428
Defence		9,540	9,229	311
Automotive		10,971	10,861	110
Holding/service companies		154	147	7
Share				
Stock price (September 30)	€	54.78	38.10	16.68
Stock price, annual high	€	57.70	57.87	-0.17
Stock price, annual low	€	44.74	37.72	7.02
Earnings per share from continuing operations	€	1.89	(0.39)	2.28

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

2) Net financial liabilities/equity

CONSIDERABLE INCREASE IN SALES AND EARNINGS AT RHEINMETALL

The Rheinmetall Group grew strongly in the first nine months of 2015 in terms of sales and earnings. Both the Defence and Automotive sectors posted rising sales and disproportionate improvements in operating earnings.

- Consolidated sales grow 11% to €3,582 million after three quarters
- Defence increases sales by 17% to €1,625 million; operating earnings improved by €73 million to €-11 million
- Automotive generates sales growth of 7% to €1,957 million; operating earnings increased by €25 million to €164 million
- Group EBIT climbs by €117 million to €140 million
- Earnings per share improve from €-0.39 to €1.89

The positive business performance during the first nine months of 2015 prompted an increase to Group forecasts for sales performance and operating margin in 2015 as a whole.

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THE RHEINMETALL SHARE

DAX AND MDAX CONTINUE TO SHED THE HIGH PRICE GAINS OF THE FIRST QUARTER

The high price gains of the two largest German stock market segments, DAX and MDAX, at the start of the year had already been revised downwards considerably in the second quarter, and the indices' performance in the third quarter also to some extent reflected investor skepticism.

Over the course of July and August 2015, the index values increased significantly at first. On July 20, the DAX reached its quarterly high of 11,736 points. It then lost approximately 2,000 points within around four weeks, due among other things to uncertainty over economic development in China. After a brief stabilization, prices came under pressure again at the end of September because of the reports about software manipulation by Volkswagen. The DAX reached its quarterly low on September 24 at 9,428 points. Having already lost 9% in the second quarter, the index dropped 12% in the third and fell 1% compared to the end of 2014.

The stocks in the MDAX, which tracks 50 stock corporations, broke away from these developments. The index posted its high in the third quarter on August 6 at 21,402 points and its low of 18,619 points on August 24. In the course of the third quarter, there was a slight decline of -2% after -5% in the second quarter. Over the first three quarters of 2015 as a whole, however, the MDAX was well above the end of 2014 with growth of 14%.

RHEINMETALL SHARE WITH CLEAR OUTPERFORMANCE

The Rheinmetall share's price performance varied significantly from the developments of the indices in the period under review. The share had a dynamic start to the third quarter and reached its annual high of €57.70 on September 17. The discussion of the emissions scandal at Volkswagen had a negative impact on the share prices of other automotive suppliers as well as Rheinmetall, so the price at the end of the quarter on September 30 was €54.78. Starting from the beginning of 2015, the price rose by 24% in the first quarter, followed by stagnation in the second quarter with growth of just 1%. In the third quarter, the share sprang back up by 20%, so the price had risen by a total of 51% by the end of the third quarter.

MARKET CAPITALIZATION AND TRADING VOLUME

The positive price development was a great help in improving Rheinmetall AG's position in Deutsche Börse's rankings. In terms of the index criterion market capitalization, the share moved up from 29th in June 2015 to 22nd in September 2015. At the same time, the stock market value calculated based on the free float of shares was €2.1 billion after €1.9 billion at the end of the second quarter. Stock exchange turnover based on turnover for the previous twelve months, which was €2.6 billion in September, resulted in 24th place in the ranking, which was a slight improvement compared to 26th in June 2015.

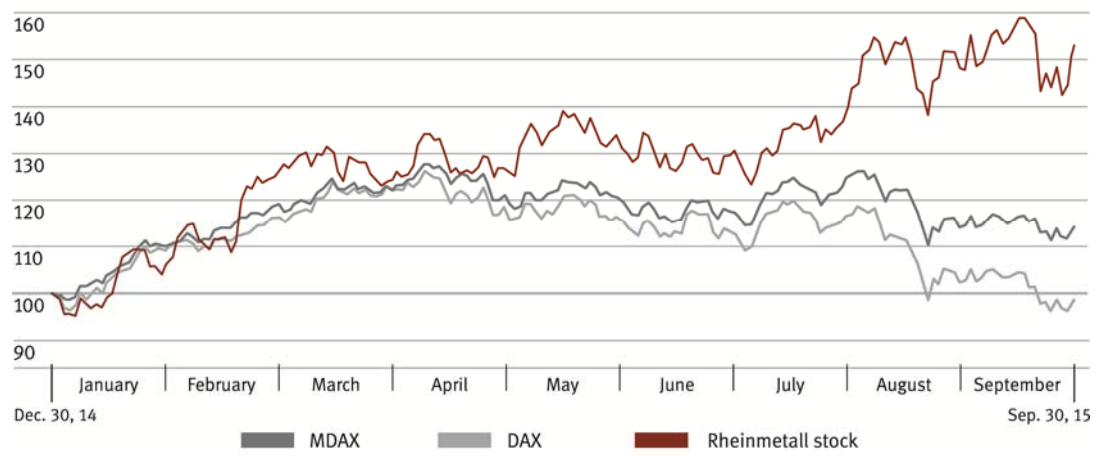
An average of 223,000 shares in Rheinmetall AG were traded each day on all German stock exchanges in the third quarter. The volume was thus higher than the figure of 200,000 for the second quarter of 2015.

INVESTOR RELATIONS ACTIVITIES

Rheinmetall AG again held intensive talks with analysts and investors in the summer quarter of 2015. These appointments were observed in the form of numerous telephone conferences, meetings in Düsseldorf and investors' conferences in Frankfurt, Munich and New York.

Rheinmetall stock price trend in comparison to the DAX and MDAX

December 30, 2014, through September 30, 2015



GENERAL ECONOMIC CONDITIONS

WEAKER STIMULI FROM MAJOR EMERGING NATIONS CURB GLOBAL ECONOMY

The world economy's growth momentum has continued to decline over the course of 2015. In its latest World Economic Outlook (WEO) from October, the International Monetary Fund (IMF) forecasts an increase of only 3.1% in global economic output for this year. This is another 0.2 percentage points less than in the forecast from July 2015, which had already been revised downwards slightly. For 2016, the IMF now forecasts growth of 3.6%, which is likewise a 0.2% reduction of the summer forecast. According to the IMF, the weakening global economy is due in particular to weaker growth stimuli from the major emerging nations, which are now also reflected in a slight decline in growth momentum in the mature industrialized nations.

Taken together, the industrialized nations will accordingly achieve growth of 2.0% in 2015 and 2.2% next year. The Monetary Fund has thus lowered its forecast from July 2015 by 0.1 and 0.2 percentage points respectively. After a temporary weak period, the US economy has restabilized and is expected to achieve an increase in gross domestic product (GDP) of 2.6% in 2015 (0.1 percentage point higher than the July forecast). For 2016, however, the growth forecast for the USA was reduced from 3.0% to 2.8%.

Despite persisting uncertainty about the course of reform in Greece and new challenges posed by the current refugee crisis, the IMF experts seem cautiously optimistic about economic development in the euro zone. Overall, the economic output of the 19 euro zone countries is expected to grow by 1.5% this year and 1.6% in 2016. The IMF forecast for Germany was lowered by 0.1 percentage points to growth of 1.5% (2015) and 1.6% (2016). The leading German economic research institutes also reduced the growth forecast for gross domestic product slightly in their fall report, but still expect growth of 1.8% both for this year and for 2016. Overall, the institutes see the German economy in a "modest upturn," which is primarily driven by domestic demand. Government spending for refugees acted like an economic stimulus package in the short term, but the long-term effects cannot yet be predicted.

According to IMF figures, the Japanese economy remains in a relatively weak condition. The already muted economic outlook was lowered by 0.2 percentage points to 0.6% for 2015 and 1.0% for next year. The IMF economists have stuck to their July estimate for China, but with a forecast increase in gross domestic product of 6.8% in 2015 and 6.3% in 2016, Chinese growth will fall short of the momentum of previous years. For India, the forecast for 2015 was reduced by 0.2 percentage points to 7.3%, while growth still expected to amount to 7.5% next year.

Russia is still feeling the effects of the EU sanctions imposed as a result of the conflict in Ukraine and of low oil prices. The IMF has therefore revised downward its forecast for Russian gross domestic product in 2014 by 0.4 percentage points and now expects economic output in Russia to shrink by -3.8%. For 2016, the forecast was reduced by as much as 0.8 percentage points to -0.6%. The IMF has also not given the all-clear for the Brazilian economy, which remains in recession. For this year, the experts at the IMF now expect a decline in economic output of -3.0%. The forecast from July was therefore lowered by 1.5 percentage points. The IMF makes a similarly critical assessment of next year's development: for 2016, the outlook for Brazilian economic output has been cut by 1.7 percentage points to -1.0%.

There are also uncertainties with regard to the further economic development of oil-exporting nations, for example in the Middle East, which is important for demand in the Defence sector.

STABLE TO SLIGHTLY RISING TREND IN GLOBAL DEFENSE SPENDING

The trend in global defense spending that has been ongoing for some years – increases in many emerging and developing countries while budgets in western industrialized countries stagnate or decline – continued in 2015. Overall this is currently resulting in stable development of global military spending. According to the defense analysts at IHS Jane's, the global defense sector in 2015 is at the previous year's level with total spending of USD 1,632 billion. For 2016 and 2017, however, IHS Jane's expects another slight growth in the defense sector to USD 1,656 billion and USD 1,666 billion respectively.

Emerging nations such as India and Indonesia are significantly increasing their arms spending. The Indian budget rose to USD 50.0 billion in 2015 (2014: USD 47.0 billion) and is expected to be nearly USD 55 billion in 2016. In Indonesia, USD 8.2 billion is available to the armed forces this year after USD 7.3 billion in 2014; for 2016, IHS Jane's expects a further increase to USD 8.9 billion.

It is true that in the USA, the country with the largest defense budget worldwide, military spending of USD 569 billion in 2015 is lower than the previous year's figure of USD 601 billion. However, after four years of decline, the US budget is expected to grow again for the first time in 2016 to USD 577 billion.

Despite the budgetary constraints in many western countries, some European states are also again investing more in modernizing their armed forces. In Poland, for example, IHS Jane's says military spending grew to USD 12.2 billion in 2015 (2014: USD 10.1 billion), influenced by the Ukraine crisis. Another slight increase to USD 12.4 billion is planned next year. Another example is the NATO partner Norway, which has now increased its defense spending from USD 6.8 billion in 2014 to USD 7.0 billion and plans another increase to over USD 7.2 billion for 2016.

As the largest individual market, Germany remains particularly important for Rheinmetall Defence. In 2015, German defense spending rose by €0.5 billion to €33.0 billion. In the government's draft of the 2016 budget, the spending earmarked for the German armed forces amounts to €34.4 billion, €1.9 billion more than in the previous financial plan. The growth is primarily due to the effects of the 2014 collective bargaining and salary negotiations, the expenses relating to the armed forces structural reform recognized in the defense budget for the first time, and the strengthening of defense investment.

With its expertise in protecting soldiers on deployment, Rheinmetall will actively support the modernization projects of the German armed forces and the armies of other NATO states. In addition, the company's international position also allows it to use new market potential in friendly nations in the context of security policy requirements.

WESTERN EUROPE'S AUTOMOTIVE MARKET GROWING AGAIN AFTER LONG LEAN PERIOD

After the first nine months of 2015, the global automotive market's production figures are slightly higher than in the same period of the previous year, but markedly different regional trends are emerging. According to the latest figures from the analysts at IHS Automotive, 63.8 million passenger cars and light commercial vehicles up to 3.5 t rolled off the production lines in the first three quarters, which equates to growth of 1.3%.

In the triad markets of Western Europe, NAFTA, and Japan, the growth was 2.2%, whereby the weak performance of Japanese production figures proved to be an obstacle. While production in Japan posted a 6.3% decline, the NAFTA region grew by 2.9%. The growth in the crisis-hit Western European market was even more significant. Here, the recovery driven by catch-up effects consolidated and resulted in production growth of 6.9%. In contrast, the German market managed growth of 2.6% even though it is building on comparatively strong previous years.

It is still too early to estimate what impact the Volkswagen emissions scandal will have on automotive production in Germany and other markets.

As the largest automotive market in the world, China remains a major industry driving force, but it lost growth momentum in 2015. Although growth is still very high in terms of absolute figures, the 2.9% growth in Chinese production fell short of that of previous years. On the other hand, India can boast greater momentum. Here, IHS Automotive says that 6.1% more passenger cars and light commercial vehicles were produced in the first nine months compared with the same period of the previous year.

The development of the global automotive market is being held back in particular by the economic downturn in Russia and Brazil, which is now tangibly disrupting the automotive industry in both countries. Accordingly, production figures in Brazil fell by 18.4%; the decline in Russia was as much as 26.5% after the first three quarters.

Despite the negative growth rates in Brazil, Russia, and Japan, IHS Automotive calculates that global automotive production in 2015 as a whole is to rise by 0.9% to around 85.4 million vehicles. The expected growth in Western Europe (6.1%), India (6.0%), North America (2.5%), and China (2.2%) is expected to contribute to this in particular.

With its focused internationalization strategy, Rheinmetall Automotive has laid the foundation for benefiting from the growth stimuli of the major automotive markets. In addition, the sector has above-average growth prospects in the relevant markets thanks to its expertise in reducing consumption and environmentally-friendly mobility.

RHEINMETALL GROUP BUSINESS TREND

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

Sales € million (continuing operations)

	3Q/2015	3Q/2014
Rheinmetall Group	3,582	3,215
Defence	1,625	1,384
Automotive	1,957	1,831

EBIT € million (continuing operations)

	3Q/2015	3Q/2014
Rheinmetall Group	140	23
Defence	(11)	(100)
Automotive	164	139
Others/Consolidation	(13)	(16)

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

	3Q/2015	3Q/2014
Rheinmetall Group	140	39
Defence	(11)	(84)
Automotive	164	139
Others/Consolidation	(13)	(16)

SALES AND EARNINGS GROWTH IN THE FIRST NINE MONTHS OF 2015

In the first nine months of 2015, Rheinmetall generated consolidated sales of €3,582 million. Compared to the previous year, this is an increase of €367 million or 11%. Adjusted for currency effects, growth came to 9%.

In the reporting period of 2015, the proportion of sales achieved abroad in the Group was 74% after 75% in the previous year. In addition to the German market (26%), the key regions in terms of sales volumes were Europe excluding Germany (36%), followed by Asia (21%) and North America (11%).

In the first three quarters of 2015, the operating result (EBIT before special items) improved by €101 million year on year to €140 million. In both sectors, the sales growth and the effects of the program to improve cost efficiency that was launched in 2013 contributed to an increase in the operating result. Earnings before interest and taxes (EBIT) increased by €117 million from €23 million to €140 million. In the previous year, negative non-recurring effects of €16 million were incurred in the Defence sector.

ORDER BACKLOG STILL AT A RECORD LEVEL

The Rheinmetall Group recorded an order intake of €3,756 million in the first nine months of 2015 (previous year: €3,445 million). On September 30, 2015, the order backlog stood at €6,988 million (December 31, 2014: €6,932 million).

ASSET AND CAPITAL STRUCTURE

The Rheinmetall Group's total assets amounted to €5,230 million as at September 30, 2015. This corresponds to a decrease of €41 million as against December 31, 2014. Non-current assets increased by €73 million in the period under review to €2,577 million. Current assets fell by €114 million as against December 31, 2014. Here, the decline in cash and cash equivalents was offset by an increase in inventories. The equity ratio, at 24%, was above the previous year's figure of 23%. Non-current liabilities increased by €3 million to €2,062 million. This is primarily the result of the decline in pension provisions and the opposing increase in other non-current liabilities of around the same amount. Current liabilities decreased by €103 million. The increase in current provisions was offset by declines in trade liabilities and other liabilities.

Asset and capital structure € million

	9/30/2015	%	12/31/2014	%
Non-current assets	2,577	49	2,504	48
Current assets	2,653	51	2,767	52
Total assets	5,230	100	5,271	100
Equity	1,256	24	1,197	23
Non-current liabilities	2,062	39	2,059	39
Current liabilities	1,912	37	2,015	38
Total equity and liabilities	5,230	100	5,271	100

CAPITAL EXPENDITURE UP ON PREVIOUS YEAR

The Rheinmetall Group invested a total of €189 million in the first nine months of the current fiscal year, compared to €149 million in the previous year. The investment ratio (capital expenditure as a percentage of sales) was 5.3% after 4.6% in the previous year.

Capital expenditure € million (continuing operations)

	3Q/2015	3Q/2014
Rheinmetall Group	189	149
Defence	58	48
Automotive	114	93
Others/Consolidation	17	8

SLIGHT INCREASE IN EMPLOYEE NUMBERS

On September 30, 2015, a total of 20,665 people were employed by the Rheinmetall Group around the world (continuing operations), up 428 or 2% on September 30, 2014. The workforce was increased by 311 in the Defence sector and by 110 in the Automotive sector. Of the total workforce, 46% were employed in the Defence sector, 53% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

Employees (capacity)

	9/30/2015	9/30/2014
Defence	9,540	9,229
Automotive ¹⁾	10,971	10,861
Others	154	147
Rheinmetall Group (continuing operations)	20,665	20,237
Rheinmetall Group (discontinued operations)	-	874

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

RHEINMETALL GROUP BUSINESS TREND

DEFENCE SECTOR

Defence key figures € million

	3Q/2015	3Q/2014	Change
Sales	1,625	1,384	241
Operating result	(11)	(84)	73
Operating result margin <i>in %</i>	(0.7)	(6.1)	5.4 Pp.
EBITDA	52	(38)	90
EBIT	(11)	(100)	89
EBT	(29)	(119)	90
Order intake	1,774	1,592	182
Order backlog (September 30)	6,547	6,165	382
Employees according to capacity (September 30)	9,540	9,229	311

SALES GROWTH AND RECOVERY OF OPERATING EARNINGS

At €1,625 million, the Defence sector's sales rose by €241 million or 17% in the first nine months of 2015, compared with €1,384 million in the previous year. Adjusted for currency effects, the growth was 15%.

The operating result (EBIT before special items) improved by €73 million year on year to €-11 million. In particular, the considerable sales increase in the Combat Systems division had a positive effect on earnings development. The Electronic Solutions division also reported a rise in sales and a positive operating result, following a loss in the corresponding period of last year. The Wheeled Vehicles division posted a decline in sales and therefore a fall in earnings compared to the same period of the previous year.

EBIT amounted to €-11 million in the first nine months of 2015 (previous year: €-100 million). In the previous year, there were non-recurring effects from restructuring amounting to €6 million and expenses of €10 million in connection with the implementation of the final step in the sale of the Airborne Systems product unit in 2012.

SOUND ORDER INTAKE IN DIFFICULT MARKET ENVIRONMENT

The Defence sector posted a solid order intake of €1,774 million in the first nine months of 2015, exceeding the prior-year figure. Key orders received in the third quarter of 2015 included protected and unprotected wheeled vehicles and air defense systems for countries in Asia, equipment for infantry in the MENA region and various ammunition orders. The book-to-bill ratio remains higher than 1. The sector's order backlog amounted to €6,547 million, €382 million higher than the previous year.

RHEINMETALL GROUP BUSINESS TREND

AUTOMOTIVE SECTOR

The Aluminium-Technologie business unit with its main site in Neckarsulm, which forms part of the Hardparts division, has been continued since December 2014 in the form of a joint venture with the Chinese company HUAYU Automotive Systems Co. Ltd., with which several joint ventures in China already exist. In the same period of the previous year, the business unit generated an operating result of €6 million and EBIT of €0 million with sales of €162 million. As at September 30, 2014, 874 employees (capacities) were working in this unit. The following key figures relate only to continuing operations.

Automotive key figures € million

	3Q/2015	3Q/2014	Change
Continuing operations			
Sales	1,957	1,831	126
Operating result	164	139	25
Operating result margin <i>in %</i>	8.4	7.6	0.8 Pp.
EBITDA	248	215	33
EBIT	164	139	25
EBT	154	127	27
Order intake	1,982	1,853	129
Order backlog (September 30)	441	418	23
Employees according to capacity (September 30)	10,971	10,861	110

SALES GROWTH AND STRONG UPTURN IN EARNINGS IN THE AUTOMOTIVE SECTOR

Rheinmetall Automotive (KSPG) achieved sales of €1,957 million in the first nine months of 2015. With growth of €126 million or 7% compared to the same period of the previous year, the sector again exceeded the global market growth of 1.3%. When adjusted for currency effects, the growth in sales was 4%.

The growth in earnings was disproportionately high. In the first nine months of this year, Rheinmetall's Automotive sector generated a €25 million or 18% improvement in the operating result to €164 million. The operating earnings margin thus increased to 8.4%, following 7.6% for the same period of the previous year. In addition to the sales growth, this increase is above all attributable to improved operating performance. As in the previous year, no non-recurring effects materialized, so operating earnings (before special items) corresponded to EBIT.

JOINT VENTURES IN CHINA GROW

The Chinese joint ventures, which are not included in the sales figures for the Automotive sector, enjoyed growth of 27% (calculated on a 100% basis) in the first nine months of 2015, with sales amounting to €587 million as against €461 million in the previous year. Adjusted for currency effects, the sales growth was 7%, while Chinese automotive production grew by just 3% in the first nine months.

OPPORTUNITIES AND RISKS

EFFICIENT RISK MANAGEMENT

In the context of a systematic and efficient risk management system, risks at the Rheinmetall Group are limited and of manageable proportions. There are no discernible material risks that could permanently endanger the Group's net assets, financial position or results of operations.

The material opportunities and risks of the expected development of the Rheinmetall Group are described in detail in the Group Management Report for 2014.

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

PROSPECTS

GROUP FORECAST FOR SALES AND EARNINGS INCREASED SLIGHTLY

Sales – For 2015 as a whole, Rheinmetall now expects consolidated sales of approximately €5.1 billion and is therefore slightly increasing its forecast, which was already adjusted upward to €5.0 billion in August, again. The improvement is due to higher forecast sales in the Defence sector at present, which are now expected to amount to approximately €2.5 billion compared to the €2.4 billion previously estimated. For the Automotive sector, the forecast raised to €2.6 billion in August 2015 is confirmed.

Operating earnings and EBIT – For the Defence sector, Rheinmetall now expects a margin of slightly more than 3% based on operating earnings. Previously, a margin of 3% was forecast. For the Automotive sector, the margin target of 8% is still expected to be achieved. After taking account of holding costs of approximately €20 million, this results in a margin expectation for the Group of slightly above 5% for the current fiscal year. The Group forecast for the margin was previously around 5%.

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

Return on capital employed (ROCE) – A return on capital employed of approximately 8% is expected for the current fiscal year 2015.

REPORT ON POST-BALANCE SHEET DATE EVENTS

On October 18, there was an explosion on the business premises of the Nitrochemie Aschau GmbH, which belongs to the Rheinmetall Group. It affected the production plant for the Civil Chemistry business unit. The investigations into the cause of the accident and the property damage incurred have begun. The expected total damages cannot yet be estimated, but property damage and losses as a result of business interruption are both covered by appropriate insurance.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF RHEINMETALL AG FOR Q1-Q3 2015

RHEINMETALL GROUP

BALANCE SHEET AS AT SEPTEMBER 30, 2015

Assets € million

	9/30/2015	12/31/2014
Goodwill	553	552
Intangible assets	274	295
Property, plant and equipment	1,242	1,175
Investment property	39	37
Investments accounted for using the equity method	194	177
Other non-current financial assets	8	8
Other non-current assets	19	21
Deferred taxes	248	239
Non-current assets	2,577	2,504
Inventories	1,164	1,017
./. Prepayments received	(62)	(60)
	1,102	957
Trade receivables	1,134	1,144
Other current financial assets	56	35
Other current receivables and assets	138	106
Income tax receivables	25	39
Cash and cash equivalents	198	486
Current assets	2,653	2,767
Total assets	5,230	5,271

Equity and liabilities € million

	9/30/2015	12/31/2014
Share capital	101	101
Additional paid-in capital	311	310
Retained earnings	824	756
Treasury shares	(40)	(48)
Rheinmetall AG shareholders' equity	1,196	1,119
Minority interests	60	78
Equity	1,256	1,197
Provisions for pensions and similar obligations	1,106	1,121
Other non-current provisions	103	101
Non-current financial debts	759	759
Other non-current liabilities	61	47
Deferred taxes	33	31
Non-current liabilities	2,062	2,059
Other current provisions	452	404
Current financial debts	58	57
Trade liabilities	647	714
Other current liabilities	713	800
Income tax liabilities	42	40
Current liabilities	1,912	2,015
Total liabilities	5,230	5,271

RHEINMETALL GROUP

INCOME STATEMENT FOR Q1-Q3 2015

€ million

	3Q/2015	3Q/2014
Sales	3,582	3,215
Changes in inventories and work performed by the enterprise and capitalised	106	238
Total operating performance	3,688	3,453
Other operating income	94	94
Cost of materials	2,006	1,945
Personnel expenses	1,030	971
Amortization, depreciation and impairment	148	139
Other operating expenses	472	485
Net operating income	126	7
Net interest ¹⁾	(44)	(55)
Income from investments carried at equity	23	17
Other net financial income	(9)	(1)
Net financial income	(30)	(39)
Earnings before taxes (EBT)	96	(32)
Income taxes	(32)	9
Earnings from continuing operations	64	(23)
Earnings from discontinued operations	-	3
Earnings after taxes	64	(20)
Of which:		
<i>Minority interests</i>	(9)	(8)
<i>Rheinmetall AG shareholders</i>	73	(12)
Earnings per share from continuing operations (€)	1.89	(0.39)
Earnings per share from discontinued operations (€)	-	0.08
EBITDA	288	162
EBIT	140	23

1) Of which interest expenses: €45 million (previous year: €56 million)

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

RHEINMETALL GROUP

COMPREHENSIVE INCOME FOR Q1-Q3 2015

€ million

	3Q/2015	3Q/2014
Earnings after taxes	64	(20)
Remeasurement of net defined liability from pensions	5	(103)
Revaluation of properties	(1)	-
Amounts not reclassified in the income statement	4	(103)
Change in value of derivative financial instruments (cash flow hedge)	(14)	8
Currency conversion difference	12	37
Income/expenses from investments accounted for using the equity method	3	5
Amounts reclassified in the income statement	1	50
Other comprehensive income (after taxes)	5	(53)
Comprehensive income	69	(73)
Of which:		
<i>Minority interests</i>	(12)	(5)
<i>Rheinmetall AG shareholders</i>	81	(68)

RHEINMETALL GROUP

INCOME STATEMENT FOR Q3 2015

€ million

	Q3/2015	Q3/2014
Sales	1,188	1,084
Changes in inventories and work performed by the enterprise and capitalised	31	59
Total operating performance	1,219	1,143
Other operating income	29	34
Cost of materials	681	648
Personnel expenses	324	313
Amortization, depreciation and impairment	49	47
Other operating expenses	136	181
Net operating income	58	(12)
Net interest ¹⁾	(13)	(16)
Income from investments carried at equity	7	6
Other net financial income	(4)	(1)
Net financial income	(10)	(11)
Earnings before taxes (EBT)	48	(23)
Income taxes	(18)	7
Earnings from continuing operations	30	(16)
Earnings from discontinued operations	-	2
Earnings after taxes	30	(14)
Of which:		
<i>Minority interests</i>	(3)	0
<i>Rheinmetall AG shareholders</i>	33	(14)
Earnings per share from continuing operations (€)	0.86	(0.40)
Earnings per share from discontinued operations (€)	-	0.04
EBITDA	110	40
EBIT	61	(7)

1) Of which interest expenses: €13 million (previous year: €16 million)

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

RHEINMETALL GROUP

COMPREHENSIVE INCOME FOR Q3 2015

€ million

	Q3/2015	Q3/2014
Earnings after taxes	30	(14)
Remeasurement of net defined liability from pensions	4	(18)
Revaluation of properties	(2)	-
Amounts not reclassified in the income statement	2	(18)
Change in value of derivative financial instruments (cash flow hedge)	(13)	(1)
Currency conversion difference	(54)	24
Income/expenses from investments accounted for using the equity method	(2)	4
Amounts reclassified in the income statement	(69)	27
Other comprehensive income (after taxes)	(67)	9
Comprehensive income	(37)	(5)
Of which:		
<i>Minority interests</i>	(13)	(1)
<i>Rheinmetall AG shareholders</i>	(24)	(4)

RHEINMETALL GROUP

STATEMENT OF CHANGES IN EQUITY

€ million

	Share capital	Additional paid-in capital	Difference of currency conversion	Re-measurement of net defined benefit liability from pensions	Land revaluation reserve	Hedge reserve
Balance as at January 1, 2014	101	307	(34)	(263)	84	(22)
Earnings after taxes	-	-	-	-	-	-
Other comprehensive income	-	-	36	(102)	-	5
Comprehensive income	-	-	36	(102)	-	5
Dividend	-	-	-	-	-	-
Other changes not recognized	-	3	-	-	-	-
Balance as at September 30, 2014	101	310	2	(365)	84	(17)
Balance as at January 1, 2015	101	310	1	(448)	83	(19)
Earnings after taxes	-	-	-	-	-	-
Other comprehensive income	-	-	12	6	(1)	(13)
Comprehensive income	-	-	12	6	(1)	(13)
Dividends payout	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-
Other changes	-	1	-	-3	-	-
Balance as at September 30, 2015	101	311	13	(445)	82	(32)

<i>Other income from investments carried at equity</i>	<i>Other reserves</i>	Retained earnings	Treasury shares	Rheinmetall AG shareholders equity	Minority interests	Equity
(7)	1,147	905	(58)	1,255	84	1,339
-	(12)	(12)	-	(12)	(8)	(20)
5	-	(56)	-	(56)	3	(53)
5	(12)	(68)	-	(68)	(5)	(73)
-	(15)	(15)	-	(15)	(8)	(23)
-	-	-	6	9	1	10
(2)	1,120	822	(52)	1,181	72	1,253
-	1,139	756	(48)	1,119	78	1,197
-	73	73	-	73	(9)	64
4	-	8	-	8	(3)	5
4	73	81	-	81	(12)	69
-	(12)	(12)	-	(12)	(6)	(18)
-	-	-	8	8	-	8
-	2	(1)	-	-	-	-
4	1,202	824	(40)	1,196	60	1,256

RHEINMETALL GROUP

CASH FLOW STATEMENT FOR Q1-Q3 2015

€ million

	3Q/2015	3Q/2014
Earnings after taxes	64	(20)
Amortization, depreciation and impairments	148	149
Changes in pension provisions	1	(4)
Pro rata income from investments carried at equity	(23)	(17)
Dividends received from investments carried at equity	10	12
Changes in working capital and others	(281)	(453)
Cash flows from operating activities¹⁾	(81)	(333)
Investments in property, plant and equipment, intangible assets and investment property	(189)	(164)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	2	3
Investments in consolidated companies and financial assets	(2)	(5)
Cash flows from investing activities	(189)	(166)
Dividends paid out by Rheinmetall AG	(12)	(15)
Other profit distributions	(6)	(8)
Sale of treasury shares	3	6
Additional acquisition of shares in consolidated companies	(1)	-
Borrowing of financial debts	43	458
Repayment of financial debts	(42)	(201)
Cash flows from financing activities	(15)	240
Changes in financial resources	(285)	(259)
Changes in cash and cash equivalents due to exchange rates	(3)	1
Total change in financial resources	(288)	(258)
Cash and cash equivalents January 1	486	445
Cash and cash equivalents September 30	198	187

1) Including:

Net income taxes of €-19 million (previous year: €-40 million)

Net interest of €-29 million (previous year: €-35 million)

RHEINMETALL GROUP

SEGMENT REPORTING

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	3Q/2015	3Q/2014	3Q/2015	3Q/2014	3Q/2015	3Q/2014	3Q/2015	3Q/2014
External sales	1,625	1,384	1,957	1,831	-	-	3,582	3,215
At Equity income	5	1	18	16	-	-	23	17
Amortization and depreciation	63	62	84	76	1	1	148	139
EBIT	(11)	(100)	164	139	(13)	(16)	140	23
Interest income	1	1	2	1	(2)	(1)	1	1
Interest expenses	(19)	(20)	(12)	(13)	(14)	(23)	(45)	(56)
Net interest	(18)	(19)	(10)	(12)	(16)	(24)	(44)	(55)
EBT	(29)	(119)	154	127	(29)	(40)	96	(32)
Operating result	(11)	(84)	164	139	(13)	(16)	140	39
Special items	-	(16)	-	-	-	-	-	(16)
Other data								
Operating free cash flow	(304)	(416)	70	(21)	(36)	(60)	(270)	(497)
Order intake	1,774	1,592	1,982	1,853	-	-	3,756	3,445
Order backlog September 30	6,547	6,165	441	418	-	-	6,988	6,583
Employees as at September 30 (capacities)	9,540	9,229	10,971	10,861	154	147	20,665	20,237
Net financial debts	144	193	(113)	(86)	588	551	619	658

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL PRINCIPLES

The condensed consolidated interim financial statements of Rheinmetall AG as at September 30, 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the corresponding interpretations of the International Accounting Standards Board (IASB) for interim reporting as required to be applied in the European Union. Accordingly, the notes to these interim financial statements do not include all of the information and disclosures that are required in accordance with IFRS for consolidated financial statements at the end of the fiscal year. In the view of the Executive Board, the interim financial statements contain all of the adjustments required to present a true and fair view of business development in the reporting period. The results achieved in the first nine months of 2015 do not necessarily allow conclusions to be drawn as to future development.

The accounting policies applied to the assets and liabilities in the interim financial statements are the same as those applied in the consolidated financial statements for fiscal 2014.

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

ESTIMATES

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

A qualified estimate of pension obligations is given in the quarterly financial reports based on the development of actuarial parameters. In the present interim financial statements, a discount rate of 2.23% (December 31, 2014: 2.04%) was applied for pension provisions in Germany and a rate of 1.00% (December 31, 2014: 1.20%) for Switzerland. These constitute countries with significant pension obligations. The increase in the interest rate for Germany led to a reduction in actuarial losses from pension obligations recognized in equity. The reduction in the interest rate in Switzerland had a contrasting effect on equity, so the remeasurement of net defined benefit liability from pensions led to an overall increase of €5 million in equity. All other parameters relevant to the measurement of pension obligations remained unchanged compared with December 31, 2014.

SCOPE OF CONSOLIDATION

Besides Rheinmetall AG, the condensed consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG holds the majority of voting rights (whether directly or indirectly) or other rights which enable it to control significant activities of the investee. In the first nine months of 2015, there were two additions to the scope of consolidation due to an acquisition and the formation of a new company, two disposals due to internal mergers and two disposals due to liquidation. The addition due to an acquisition involved the purchase of all shares in Logistic Solutions Australasia Pty. Ltd., Melbourne/Australia, on January 1, 2015 at a price of €2 million (cash). The company strengthens Rheinmetall's presence on the Australian market for the preparation of documentation for military products.

DISCONTINUED OPERATIONS

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

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

€ million

	Q3/2014	3Q/2014
Sales	56	168
Expenses	53	161
Loss from the measurement of discontinued operations at fair value less costs of disposal	1	8
Earnings before taxes from discontinued operations	2	(1)
Income taxes	-	4
Earnings after taxes from discontinued operations	2	3
<i>of which Rheinmetall AG shareholders</i>	2	3

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

€ million

	3Q/2014
Cash flows from operating activities	(6)
Cash flows from investing activities	(4)
Cash flows from financing activities	-

FINANCIAL DEBTS

The financing of the Group's business activities is served by a new five-year syndicated loan of €500 million, which Rheinmetall concluded at attractive terms in September 2015. It replaces the former five-year syndicated loan and also offers two options for extension at one year each.

TREASURY SHARES

The Annual General Meeting on May 6, 2014 authorized the Executive Board to acquire treasury shares equivalent to a maximum of 10% of the share capital of €101,373,440 up until May 5, 2019. In the first nine months of the current fiscal year, this right was not exercised. As at September 30, 2015, the portfolio of treasury shares amounted to 1,062,935 (previous year: 1,350,953; December 31, 2014: 1,225,511) with acquisition costs totaling €40 million (previous year: €52 million; December 31, 2014: €48 million), which were deducted from equity. The proportion of treasury shares in subscribed capital is 2.68%.

SHARE-BASED REMUNERATION

A long-term incentive program exists within the Rheinmetall Group, under which beneficiaries receive Rheinmetall shares with a four-year lock-up period in addition to a cash payment. On April 2, 2015, the beneficiaries of the incentive program for fiscal 2014 received a total of 95,481 shares (previous year: a total of 123,337 shares on April 1, 2014, for fiscal 2013).

SHARE PURCHASE PROGRAM FOR EMPLOYEES

Eligible staff of the Rheinmetall Group in Germany, and in other European countries, may purchase Rheinmetall AG shares on preferential terms. There is a lock-up period of two years for these shares. Within specified subscription periods, employees are given the opportunity to acquire a limited number of shares at a discount of 30% on the applicable share price. Employees purchased 67,095 shares for €4 million on June 2, 2015.

EARNINGS PER SHARE

Since there are no outstanding shares, options or similar instruments that could dilute earnings per share, basic and diluted earnings per share are identical. Treasury shares are included in the weighted number of shares.

€ million

	Q3/2015	Q3/2014	3Q/2015	3Q/2014
Weighted number of shares <i>in million</i>	38.54	38.25	38.47	38.18
Earnings after taxes of Rheinmetall AG shareholders from continuing operations	33	(16)	73	(15)
Earnings per share from continuing operations (€)	0.86	(0.40)	1.89	(0.39)
Earnings after taxes of Rheinmetall AG shareholders from discontinued operations	-	2	-	3
Earnings per share from discontinued operations (€)	-	0.04	-	0.08

RELATED PARTIES

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

The interest income from such loans amounts to an unchanged €0 million.

€ million

	Volume of products/ services provided		Volume of products/ services received		Volume of open items	
	3Q/2015	3Q/2014	Q3/2015	Q3/2014	9/30/2015	12/31/2014
Joint Ventures	222	163	6	4	55	19
Associated companies	2	2	11	20	(1)	(2)
	224	165	17	24	54	17

In an arm's length transaction, the Rheinmetall Group purchased supplies and services totaling €1 million from PL Elektronik GmbH, Lilienthal, whose sole shareholder is Mr. Armin Papperger, CEO of Rheinmetall AG.

DISCLOSURES ON FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value include derivatives held to hedge currency, interest rate, commodity price, electricity price and gas price risks. The fair values are determined on the basis of input factors observed directly or indirectly on the market. This corresponds to level 2 of the fair value hierarchy defined by IFRS 13. The input factors used and the measurement methods applied are described in the consolidated financial statements as at December 31, 2014. The fair values of financial instruments included on the balance sheet are comprised as follows:

€ million

	9/30/2015	12/31/2014
Derivatives without hedge accounting	28	13
Derivatives with hedge accounting	14	9
Financial assets	42	22
Derivatives without hedge accounting	29	15
Derivatives with hedge accounting	69	41
Financial liabilities	98	56

SEGMENT REPORTING

The definition of the reportable segments and the controlling system are described in the consolidated financial statements for the year ended December 31, 2014. The definition of segments and the accounting methods are applied unchanged from December 31, 2014.

Reconciliation of segment EBIT to Rheinmetall Group EBT € million

	3Q/2015	3Q/2014
Segment EBIT	153	39
Others	(13)	(16)
Consolidation	-	-
Group EBIT	140	23
Group net interest	(44)	(55)
Group EBT	96	(32)

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On October 18, there was an explosion on the business premises of the Nitrochemie Aschau GmbH, which belongs to the Rheinmetall Group. It affected the production plant for the Civil Chemistry business unit. The investigations into the cause of the accident and the property damage incurred have begun. The expected total damages cannot yet be estimated, but property damage and losses as a result of business interruption are both covered by appropriate insurance.

Düsseldorf, November 4, 2015

Armin Papperger

Horst Binnig

Helmut P. Merch

LEGAL INFORMATION AND CONTACT

FINANCIAL CALENDAR

MARCH 17, 2016

Annual Report 2015

MAY 10, 2016

Annual General Meeting

MAY 12, 2016

Report on Q1/2016

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This financial report contains statements and forecasts referring to the future development of the Rheinmetall Group which are based on assumptions and estimates made by the management. If the underlying assumptions do not materialize, the actual figures may differ from such estimates. Uncertain factors include changes in the political, economic and business environment, exchange and interest rate fluctuations, the introduction of rival products, poor uptake of new products, and changes in business strategy.

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

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

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