

QUARTERLY FINANCIAL REPORT

Q1 2012

RHEINMETALL AG

A large, stylized graphic of the year '2012' is centered on the page. The '2' is white with a blue gradient, while the '012' are blue with a white gradient. The graphic is composed of multiple overlapping, semi-transparent layers of the same number, creating a sense of depth and motion. The background features a series of concentric, overlapping circles in various shades of blue, and a series of horizontal bars of varying lengths and shades of blue extending from the right side of the page.

2012

RHEINMETALL IN FIGURES

Rheinmetall Group key figures € million

	Q1/2011	Q1/2012	Change
Sales	1,027	1,109	82
Order intake	927	1,073	146
Order backlog (March 31)	5,085	4,939	-146
Employees according to capacity (March 31)	20,315	21,661	1,346
EBITDA	121	93	-28
EBIT	77	45	-32
EBIT margin	7.5%	4.1%	-
EBT	63	33	-30
Net income	50	25	-25
Earnings per Share (EpS) in €	1.26	0.70	-0.56
Capital expenditures	39	42	3
Amortization/depreciation	44	48	4
Cash flow	87	67	-20
Net financial debt (March 31)	431	404	-27
Total equity (March 31)	1,417	1,550	133
Total assets (March 31)	4,353	4,764	411

RHEINMETALL ON COURSE FOR GROWTH

Rheinmetall has started the new fiscal year with excellent performance in the Automotive sector and a muted first three months in the Defence sector. The Group remains on course for growth and is reiterating its forecasts for the year as a whole.

- Consolidated sales up 8% to €1,109 million
- Automotive generates record sales and earnings
- Defence enjoys strong growth in orders
- Consolidated EBIT of €45 million,
but with a weak earnings contribution of Defence
- Forecasts for 2012 as a whole confirmed

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THE RHEINMETALL SHARE

»FIRST QUARTER CHARACTERIZED BY RISING INDICES«

The start to the trading year was characterized by a sharp rise in the leading DAX and MDAX indices. Building on the low level at which the 2011 trading year ended, prices recovered rapidly. The DAX rose by 18% to 6,947 points as of March 30, 2012, while the MDAX by 20% increased to 10,703. Although both indices fell again in early April, the DAX weakened by more than the MDAX, coming in at 6,625 points as of April 16 compared with 10,545 on the same date.

»POSITIVE TREND FOR THE RHEINMETALL SHARE AFTER VOLATILE COURSE OF EVENTS«

The Rheinmetall share considerably outperformed the DAX and MDAX in the first quarter of the year under review, but was subject to greater volatility than the indices. On March 30, 2012, the closing price was €44.40, equating to an increase of 30% as against the closing price of €34.24 at year-end 2011. The high for the first quarter of 2012 was reached on March 15 at a price of €47.23.

In addition to intensive communication with numerous investors, positive contributions were attributable in particular to several detailed studies by analysts in January and February 2012, whose target prices on initial coverage provided new momentum to buy.

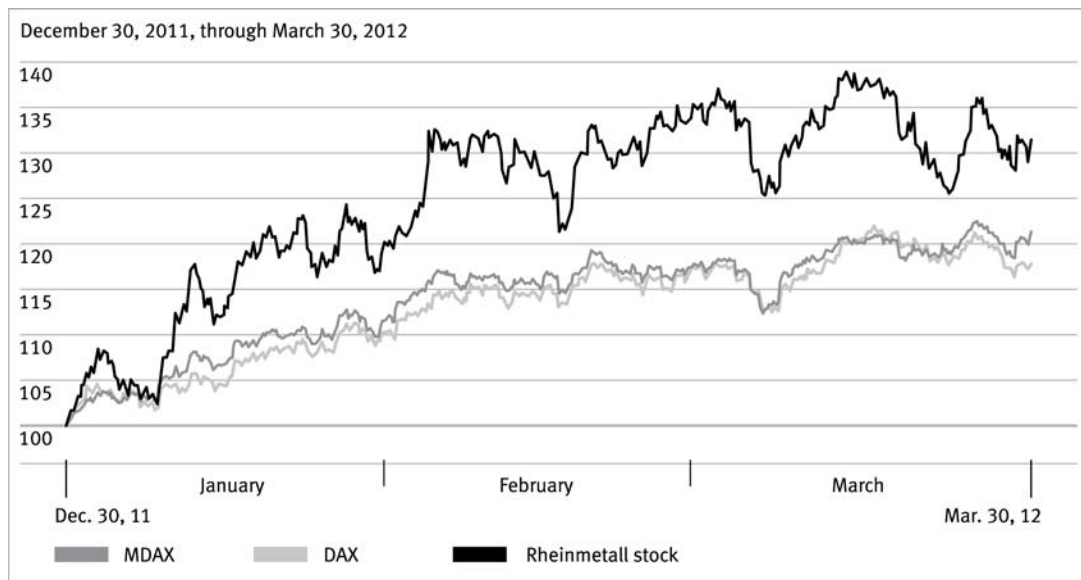
»MARKET CAPITALIZATION AND TRADING VOLUME«

As a result of the rise in the share price, the market capitalization of Rheinmetall AG increased from €1.356 billion at the end of 2011 to €1.758 billion on March 30, 2012. In turn, this led to an improvement in the company's Deutsche Börse MDAX ranking from 17th in December 2011 to 12th in March 2012. In terms of stock exchange turnover, the ranking increased from 12th to 11th over the same period. The average daily trading volume in the first quarter of 2012 was 298,000 shares compared to 291,000 in the same period of the previous year.

»SHAREHOLDER STRUCTURE«

Rheinmetall conducted another shareholder analysis in early 2012 with a reference date of January 31, 2012. The share of foreign institutional investors was 65% compared with 58% in January 2011. The share of North American investors increased from 27% to 30%, while the share of institutional investors in Europe was 34% compared with the 30% determined by the shareholder survey in 2011. Rheinmetall AG itself holds an equity interest of almost 4%.

Performance of the Rheinmetall share in comparison to DAX and MDAX



GENERAL ECONOMIC CONDITIONS

»UPTURN IN THE ECONOMIC OUTLOOK – DEBT CRISIS REMAINS A RISK FOR THE GLOBAL ECONOMY«

Following the deterioration in the economic outlook towards the end of last year, the forecasts by leading economic researchers in the first few months of 2012 have proven more optimistic. In its “World Economic Outlook” in April, the International Monetary Fund (IMF) predicted growth in global economic output of 3.5% for 2012 as a whole and further growth of 4.1% for 2013. In January 2012, the IMF had assumed growth of 3.3% for 2012 and 3.9% for 2013. Although Christine Lagarde, head of the IMF, acknowledged the improvement in the global economic climate, she also warned of a return to the European debt and financial crisis, which she still considers to be the greatest risk factor for the global economy.

Performance in the USA and Japan gives grounds for optimism. According to the IMF forecast for 2012, gross domestic product in the USA will grow by 2.1% on the back of rising employment and increasing consumer confidence. For 2013, the International Monetary Fund is anticipating 2.4% growth in US economic output. The IMF has thus raised its original forecast for the US economy by 0.3 and 0.2 percentage points respectively. For Japan, IMF experts are predicting growth of 2.0% (2012) and 1.7% (2013).

According to the IMF, economic output in euro zone countries will decline slightly in 2012 (-0.3%) and increase by just 0.9% next year. This means that Europe will lag far behind the development in North America and Japan. With growth of 0.6% in 2012 and 1.5% in 2013, even Germany will be unable to build on the stronger growth recorded in 2011 (3.0%). Nevertheless, German economic output is developing better than expected at the start of the year: In its forecast dated January 2012, the IMF predicted growth of just 0.3% for Germany in 2012. The leading German economic research institutes appear somewhat more optimistic in their spring reports released in April 2012, raising their forecasts for the current year from 0.8% to 0.9%. In 2013, gross domestic product is expected to grow by as much as 2.0%.

In the first quarter of 2012, it was confirmed that China has entered a phase of lower growth. Chinese gross domestic product will remain below the strong rates enjoyed in previous years for the foreseeable future, but will continue to provide strong momentum for the global economy with growth of 8.2% in 2012 and 8.8% in 2013. The Indian economy is also developing with slightly slower momentum, but still positively on the whole. It is expected to grow by 6.9% in 2012 and 7.3% in 2013.

»GROWTH POTENTIAL IN THE DEFENCE INDUSTRY – TREND TOWARDS MODERNIZATION CONTINUES«

According to the calculations by defence analysts at IHS Jane’s, global defence expenditure will increase by 1.4% to approximately USD 1,592 billion in 2012 after USD 1,570 billion in 2011. For 2013, IHS Jane’s is again forecasting slight growth to approximately USD 1,596 billion. In addition to the major emerging countries, some nations in the Middle East and North Africa (MENA) region, particularly Saudi Arabia, the United Arab Emirates, Algeria and Kuwait, are reporting large budget increases in 2012 and 2013.

In the USA, however, the long-discussed austerity measures are showing their first effects: the budget of around USD 711 billion in the previous year is set to decline to USD 666 billion in 2012, with a further moderate reduction to USD 657 billion planned for 2013. In spite of this, the USA will remain the country with the highest defence spending in the world.

For Europe, IHS Jane's is forecasting largely stagnating or slightly declining defence spending in 2012 and 2013. So as not to jeopardize the performance and operational capability of the German armed forces, the German 2012 defence budget of approximately €31.8 billion will be just above the level of the previous year and will rise to €32.4 billion in 2013.

Thanks to its high level of technological expertise and state-of-the-art products, Rheinmetall Defence is expected to continue to enjoy clear growth potential despite the ongoing cost-cutting measures in western industrialized nations. At the same time, with its consistent internationalization strategy, Rheinmetall has laid the foundations for benefiting from the modernization projects of friendly nations' armed forces to a greater extent.

»IMPORTANT AUTOMOTIVE MARKETS ON COURSE FOR GROWTH«

Economic researchers' skepticism about the further development of the global economy and the automotive markets, which was comparatively substantial at the start of the year, has yielded to a somewhat more optimistic assessment following the first three months of 2012. Accordingly, in its report dated April 2012, the Association of the German Automotive Industry (VDA) sees the most important automotive markets – with the exception of Western Europe – as “on course for growth”. The signs in the markets of the USA, China and Japan in particular were again pointing to expansion. Within Western Europe, the VDA estimates that the comparatively good development of the German market is supporting the overall market.

The optimism in the automotive industry, which has again increased on the whole, is reflected in the production figures for the first quarter of 2012: According to calculations by market researchers at IHS Automotive, global production of passenger cars and light commercial vehicles up to 3.5t increased by 4.4% to more than 20 million vehicles in the first three months of 2012 compared to the same period of the previous year; in the triad markets of Western Europe, NAFTA and Japan, production figures rose by as much as 11.3%. The IHS experts identified particularly strong growth of 49.1% in Japan, where catch-up effects following the tsunami disaster in the previous year and government assistance had a corresponding impact in the first quarter of 2012.

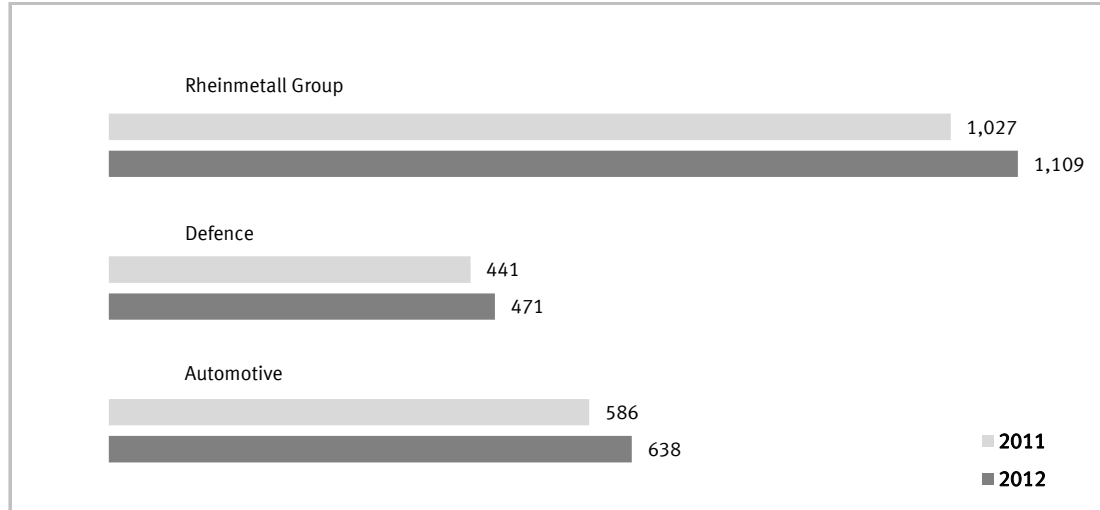
In the NAFTA region, which is still on a path of recovery following the serious sector crisis in 2008/2009, automotive production enjoyed strong momentum in the first three months of 2012 with growth of 15.2%. In addition to the catch-up effects following the crisis, the revival of the economic engine of the USA also had a positive impact. The weak condition of the Western European automotive market is reflected in the production figures for the first quarter of 2012, with production declining by 8.6% compared with the same period of the previous year. Compared with the strong prior-year figure, the German market enjoyed relatively robust development, with a downturn of 4.0%.

In China, the revival in demand was not initially reflected in production figures. At -2.3%, production was below the high level recorded in the previous year. Although the momentum of the Indian market weakened after growth well within the double-digit range in the same period of the previous year, India remains on a stable growth path, with an increase of 5.5% in the first quarter of 2012.

For 2012 as a whole, the experts at IHS Automotive anticipate that global automotive production will rise by 5.7% to approximately 79.5 million vehicles. In 2013, growth is expected to increase slightly again at 5.9%, corresponding to global production of around 84.2 million vehicles.

RHEINMETALL GROUP BUSINESS TREND

Sales Q1 € million



»SALES GROWTH IN THE FIRST QUARTER OF 2012«

In the first quarter of fiscal 2012, the Rheinmetall Group generated sales of €1,109 million, exceeding the previous year's figure by €82 million or 8%. Both corporate sectors contributed to this development. At €471 million, sales in the Defence sector rose by €30 million or 7% as against the previous year. With sales of €638 million in the first quarter of 2012, the Automotive corporate sector exceeded the prior-year figure by €52 million or 9%.

The share of consolidated sales generated outside Germany in the first quarter of 2012 was unchanged at 72%. In addition to the German market (28%), the key regions in terms of sales volumes were Europe excluding Germany (45%), followed by Asia (11%) and North America (10%). In the Defence sector, 67% of sales were generated abroad (previous year: 69%). In the Automotive sector, the proportion of sales generated with customers outside Germany increased from 74% to 77% in the first quarter of 2012.

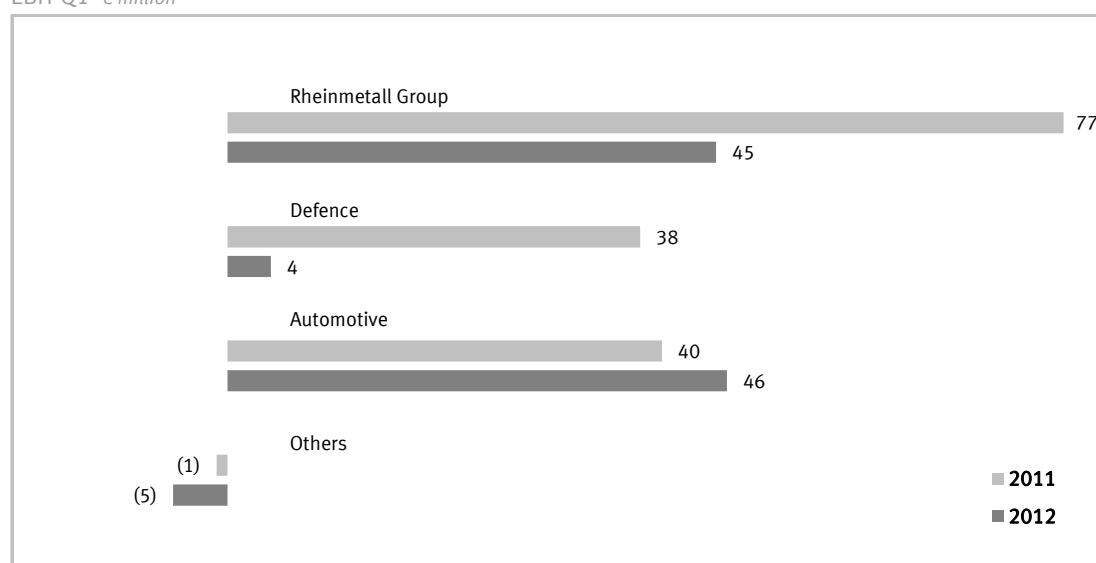
»ORDER BACKLOG OF ALMOST €5 BILLION«

The Rheinmetall Group recorded an order intake of €1,073 million in the first quarter of 2012 (previous year: €927 million). On March 31, 2012, the order backlog was €4,939 million, slightly lower than the prior-year figure. At the end of the quarter, the order backlog in the Defence sector amounted to €4,527 million (previous year: €4,695 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 €32 million to €45 million compared with the same quarter of the previous year. The improvement in earnings in the Automotive sector was offset by considerably weaker earnings in the Defence sector. Consolidated net profit amounted to €25 million after €50 million in the previous year. Earnings per share totaled €0.70 compared with €1.26 in the same quarter of the previous year.

EBIT Q1 € million



»ASSET AND CAPITAL STRUCTURE«

The Rheinmetall Group's total assets amounted to €4,764 million as at the reporting date. This corresponds to a decrease of €68 million as against December 31, 2011. Non-current assets amounted to 48% of total assets as at March 31, 2012, compared with 47% as at December 31, 2011. They increased by €6 million during the reporting period to €2,277 million. Current assets decreased by €74 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 33% after 32% as of December 31, 2011. Non-current liabilities decreased by €8 million to €1,549 million. The €64 million decline in non-current liabilities is primarily attributable to the reduction in trade liabilities.

Asset and capital structure € million

	12/31/2011	%	3/31/2012	%
Noncurrent assets	2,271	47	2,277	48
Current assets	2,561	53	2,487	52
Total assets	4,832	100	4,764	100
Equity	1,546	32	1,550	33
Noncurrent liabilities	1,557	32	1,549	32
Current liabilities	1,729	36	1,665	35
Total equity and liabilities	4,832	100	4,764	100

»CAPITAL EXPENDITURE UP SLIGHTLY 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. A total of €42 million was invested in the first three months of the current fiscal year. As in the previous year, this is equivalent to 3.8% of sales.

Capital expenditure by corporate sector *€ million*

	Q1/2011	Q1/2012
Defence	15	14
Automotive	24	28
Rheinmetall Group	39	42

»EMPLOYEES«

As at March 31, 2012, a total of 21,661 people were employed by Rheinmetall around the world, up 145 on year-end 2011. The workforce at Rheinmetall Defence measured on the basis of the number of employees as at the end of 2011 fell by 11 to 9,822. In the Automotive sector, the workforce increased by 151. 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	3/31/2012
Defence	9,833	9,822
Automotive	11,548	11,699
Others	135	140
Rheinmetall Group	21,516	21,661

RHEINMETALL GROUP BUSINESS PERFORMANCE

DEFENCE SECTOR

Defence key figures € million

	Q1/2011	Q1/2012	Changes
Sales	441	471	30
Order intake	316	432	116
Order backlog (March 31)	4,695	4,527	-168
Employees according to capacity (March 31)	9,254	9,822	568
EBITDA	57	25	-32
EBIT	38	4	-34
EBT	36	1	-35
EBIT margin	8.7%	0.8%	

»SALES GROWTH FROM ACQUISITIONS«

With sales of €471 million, the Defence sector recorded an increase of €30 million or 7% in the first three months of 2012 compared with the prior-year figure of €441 million. This growth resulted exclusively from companies included in consolidation for the first time, which increased sales by €70 million in the first quarter 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, the Defence sector recorded a fall in sales of €40 million, which primarily results from contract milestones in various projects.

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

The Defence sector saw significant growth in new orders in the first quarter of 2012. Compared with the prior-year figure of €316 million, incoming orders increased by €116 million or 37% to €432 million in the first quarter of 2012. The largest single order was for a software update for the German armed forces with a volume of €24 million. At €4,527 million, the order backlog as at March 31, 2012 remained at a high level compared with the figure of €4,695 million at the prior-year reporting date. The slight decline of 4% is primarily due to the expected reduction in production figures for the new Puma infantry fighting vehicle, which resulted in a revision of the order backlog as of December 31, 2011. With a current volume of approximately €1.2 billion, however, the Puma series contract remains the largest individual item in the order backlog.

»EARNINGS FALL CONSIDERABLY SHORT«

As expected, earnings in the Defence sector fell short of the prior-year figure in the first quarter of 2012. Reported earnings before interest and taxes (EBIT) amounted to €4 million, down significantly on the prior-year figure of €38 million. This decline in earnings was attributable to the following effects:

- EBIT for the same quarter of 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.
- In the 2012 quarterly results, the newly consolidated RMMV logistical systems recorded a loss of €4 million in line with expectations (of which €2 million resulted from write-downs in connection with purchase price allocation).
- Lower sales of €40 million from product groups with high earnings contributions led to a reduction in EBIT of €13 million.
- Changes to the product mix impacted earnings to the tune of €6 million.

Catch-up effects in the further earnings development are expected in the second half of 2012.

»EMPLOYEE GROWTH DUE TO INTEGRATION OF THE VIENNA SITE«

The number of employees rose by 568 year-on-year, thereby increasing the workforce to 9,822. This development resulted solely from the full integration of the RMMV production site in Vienna.

RHEINMETALL GROUP BUSINESS TREND AUTOMOTIVE SECTOR

Automotive key figures € million

	Q1/2011	Q1/2012	Changes
Sales	586	638	52
Order intake	611	641	30
Order backlog (March 31)	390	412	22
Employees according to capacity (March 31)	10,936	11,699	763
EBITDA	65	72	7
EBIT	40	46	6
EBT	36	42	6
EBIT margin	6.8%	7.2%	

»SIGNIFICANT SALES GROWTH«

In the first three months of 2012, the Automotive sector achieved a new quarterly record with sales of €638 million. The prior-year figure of €586 million was exceeded by €52 million or 9%. Sales growth in this sector again clearly outstripped the growth in global automotive production, which is estimated at 4.4% as against the same quarter of the previous year. This is primarily attributable to the high level of demand for products addressing the trend for reducing consumption and exhaust gases. With a decline in production of 8.5%, development in the domestic market of Western Europe was exceeded by some distance.

»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 32% in the first quarter of 2012, with sales amounting to €94 million as against €72 million in the previous year. This means that they have continued to outperform automotive production in China, which declined slightly in the first quarter of 2012.

»EARNINGS AND PROFITABILITY IMPROVE CONSIDERABLY«

With EBIT of €46 million in the first quarter of 2012, the Automotive sector has succeeded in improving on the prior-year earnings figure of €40 million by 15%, achieving new record earnings for the first quarter. This improvement, which is stronger than the corresponding sales growth, is attributable to an increase in margins: the EBIT margin increased to 7.2% in the first three months of 2012 after 6.8% in the same quarter of the previous year.

»GROWTH LEADS TO CAPACITY ADJUSTMENTS«

Due to the growth in sales and, above all, 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 7% to 11,699 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.

OUTLOOK

»EXPECTATIONS FOR THE YEAR AS A WHOLE CONFIRMED«

Rheinmetall is expecting consolidated sales of around €4.9 billion for the current fiscal year, which represents growth of 8%. This development will be driven by both the Automotive and Defence sectors.

Based on the performance of the global automotive industry, Rheinmetall is forecasting sales growth of around 5% for the Automotive sector in 2012. The sector is expected to generate sales of just over €2.4 billion in the current fiscal year.

With defence expenditure set to decline slightly in parts of Europe and the USA, Rheinmetall is forecasting sales of around €2.5 billion in the Defence sector. This figure includes the sales contributions from Rheinmetall MAN Military Vehicles GmbH, which consists of the logistical vehicles of MAN and is included in consolidation for the first time from the start of fiscal 2012.

Rheinmetall expects consolidated earnings before interest and taxes (EBIT) to remain unchanged year-on-year in fiscal 2012. This forecast is based on a moderate decline in earnings in the Defence sector and a slight improvement in earnings in the Automotive sector.

REPORT ON POST-BALANCE SHEET DATE EVENTS

»EVENTS AFTER THE BALANCE SHEET DAY«

In April 2012, Rheinmetall Defence and the US company General Dynamics Ordnance and Tactical Systems (GD-OTS) have formed a transatlantic tank ammunition joint venture company named Defense Munitions International (DMI).

Düsseldorf, April 26, 2012

Klaus Eberhardt

Dr. Gerd Kleinert

Dr. Herbert Müller

Armin Papperger

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
OF RHEINMETALL AG FOR Q1/2012

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

Assets € million

	12/31/2011	3/31/2012
Intangible assets	902	903
Property, plant and equipment	1,135	1,131
Investment property	20	20
Investments accounted for using the equity method	111	114
Other non-current financial assets	11	11
Other non-current assets	7	7
Deferred taxes	85	91
Non-current assets	2,271	2,277
Inventories	813	897
./. Prepayments received	(28)	(29)
	785	868
Trade receivables	1,027	1,161
Other current financial assets	38	47
Other current receivables and assets	131	118
Income tax receivables	16	20
Cash and cash equivalents	535	250
Disposal group held for sale	29	23
Current assets	2,561	2,487
Total assets	4,832	4,764

Equity and Liabilities € million

	12/31/2011	3/31/2012
Share capital	101	101
Additional paid-in capital	307	307
Other reserves	843	1,039
Net income of Rheinmetall AG shareholders	213	27
Treasury shares	(55)	(63)
Rheinmetall AG shareholders' equity	1,409	1,411
Minority interests	137	139
Equity	1,546	1,550
Provisions for pensions and similar obligations	729	760
Other non-current provisions	93	84
Non-current financial liabilities	620	610
Other non-current liabilities	34	17
Deferred taxes	81	78
Non-current liabilities	1,557	1,549
Current provisions	371	417
Current financial liabilities	45	44
Trade liabilities	667	601
Other current liabilities	578	537
Income tax liabilities	46	49
Liabilities in connection with disposal groups	22	17
Current liabilities	1,729	1,665
Total liabilities	4,832	4,764

CONSOLIDATED INCOME STATEMENT

€ million

	Q1/2011	Q1/2012
Sales	1,027	1,109
Changes in inventories and work performed by the enterprise and capitalised	80	62
Total operating performance	1,107	1,171
Other operating income	28	23
Cost of materials	552	609
Staff costs	322	349
Amortization, depreciation and impairment	44	48
Other operating expenses	146	144
Net operating income	71	44
Net interest ¹⁾	(14)	(12)
Net investment income and other net financial income ²⁾	6	1
Net financial loss	(8)	(11)
Earnings before taxes (EBT)	63	33
Income taxes	(13)	(8)
Net income	50	25
Of which:		
<i>Minority interests</i>	2	(2)
<i>Rheinmetall AG shareholders</i>	48	27
Earnings per share (€)	1.26	0.70
EBITDA	121	93
EBIT	77	45

1) Of which interest expense: €14 million (previous year: €15 million)

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

COMPREHENSIVE INCOME

€ million

	Q1/2011	Q1/2012
Net income	50	25
Actuarial gains and losses from pension provisions	24	(26)
Currency conversion difference	(29)	4
Change in value of derivative financial instruments (cash flow hedge)	3	9
Other comprehensive income (after taxes)	(2)	(13)
Comprehensive income	48	12
Of which:		
<i>Minority interests</i>	(4)	2
<i>Rheinmetall AG shareholders</i>	52	10

CONSOLIDATED CASH FLOW STATEMENT

€ million

	Q1/2011	Q1/2012
Opening cash and cash equivalents	629	535
Net income	50	25
Amortization, depreciation and impairment	44	48
Changes in pension provisions	(7)	(6)
Gross cash flows	87	67
Changes in working capital and other items	(347)	(251)
Cash flows from operating activities ¹⁾	(260)	(184)
Investments in property, plant and equipment, intangible assets and investment property	(39)	(42)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	1	0
Investments in consolidated companies and financial assets	(52)	(40)
Divestments of consolidated companies and financial assets	0	0
Cash flows from investing activities	(90)	(82)
Capital contributions by third parties	2	-
Purchase of treasury shares	(1)	(8)
Borrowing of financial liabilities	2	5
Repayment of financial liabilities	(79)	(16)
Cash flows from financing activities	(76)	(19)
Changes in cash and cash equivalents	(426)	(285)
Changes in cash and cash equivalents due to exchange rates	(3)	0
Total change in cash and cash equivalents	(429)	(285)
Closing cash and cash equivalents	200	250

¹⁾ Including: Net income taxes of €13 million (previous year: €7 million)

Including: Net interest of €1 million (previous year: €4 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
Balance as at December 31, 2010/ as at January 1, 2011	101	304	592	60	99	159	162	(52)	1,266	89	1,355
Net income	-	-	-	-	-	-	48	-	48	2	50
Other comprehensive income	-	-	24	(24)	4	(20)	-	-	4	(6)	(2)
Comprehensive income	-	-	24	(24)	4	(20)	48	-	52	(4)	48
Changes in scope of consolidation	-	-	(1)	-	-	-	-	-	(1)	16	15
Transfer to/from reserves	-	-	162	-	-	-	(162)	-	-	-	-
Other changes	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Balance as at March 31, 2011	101	304	777	36	103	139	48	(53)	1,316	101	1,417
Balance as at December 31, 2011/ as at January 1, 2012	101	307	710	56	77	133	213	(55)	1,409	137	1,546
Net income	-	-	-	-	-	-	27	-	27	(2)	25
Other comprehensive income	-	-	(26)	3	6	9	-	-	(17)	4	(13)
Comprehensive income	-	-	(26)	3	6	9	27	-	10	2	12
Transfer to/from reserves	-	-	213	-	-	-	(213)	-	-	-	-
Other changes	-	-	-	-	-	-	-	(8)	(8)	-	(8)
Balance as at March 31, 2012	101	307	897	59	83	142	27	(63)	1,411	139	1,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

»GENERAL PRINCIPLES«

The condensed consolidated interim financial statements of Rheinmetall AG as at March 31, 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 three 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. To date, 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 standard 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.

»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 4.75% (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 three months of 2012, two companies were added to the scope of consolidation as a result of company foundations outside Germany.

»ASSETS AND ASSOCIATED LIABILITIES HELD FOR SALE«

The disposal group recognized in the consolidated balance sheet and the associated liabilities relate to the Defence sub-division of unmanned aerial systems at the Bremen site, which is to be continued in future in collaboration with Cassidian, a division of the EADS Group. To this end, Rheinmetall's unmanned aerial systems activities will be transferred to Rheinmetall Airborne Systems GmbH, Bremen, which was founded in December 2011. 51% of the shares in this company will then be sold to Cassidian. The planned transactions are set to take place once all of the necessary authorizations and antitrust approvals have been granted and are scheduled for completion by the middle of the current fiscal year.

»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 March 31, 2012, the portfolio amounts to 1,547,842 treasury shares (previous year: 1,313,223) acquired at a total cost of €63 million (previous year: €53 million; December 31, 2011: €55 million); this amount is deducted from equity. In the first three months of the current fiscal year, 197,000 shares were acquired at a cost of €8 million.

»SHARE-BASED REMUNERATION«

A long-term incentive program exists within the Rheinmetall Group, under which the 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 163,063 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.

»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

	Q1/2011	Q1/2012
Consolidated net profit for shareholders of Rheinmetall AG € million	48	27
Weighted number of shares million	38.31	38.10
Earnings per share (€)	1.26	0.70

»RELATED PARTIES«

For the Rheinmetall Group, related parties are defined as 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. In addition to customer receivables and trade payables, the volume of unpaid items also includes prepayments received and made and loans to joint ventures and associated companies, which remained unchanged at €6 million in the period under review. The interest income from such loans was also unchanged at €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	
	Q1/2011	Q1/2012	Q1/2011	Q1/2012	12/31/2011	3/31/2012
Joint ventures	28	36	5	3	(16)	(22)
Associated companies	2	1	2	2	32	18
	30	37	7	5	16	(4)

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 on an arm's-length basis. The volume of products/services received in the first quarter of 2012 amounted to €0 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	
	Q1/2011	Q1/2012	Q1/2011	Q1/2012	Q1/2011	Q1/2012	Q1/2011	Q1/2012
External sales	441	471	586	638	-	-	1,027	1,109
Amortization and depreciation	19	21	25	26	0	1	44	48
<i>Of which impairment</i>	-	-	-	0	-	-	-	0
EBIT	38	4	40	46	(1)	(5)	77	45

Reconciliation of segment EBIT to Rheinmetall Group EBT:

€ million

	Q1/2011	Q1/2012
EBIT		
Segment EBIT	78	50
Others	0	(2)
Consolidation	(1)	(3)
Group EBIT	77	45
Group net interest	(14)	(12)
Group EBT	63	33

FINANCIAL CALENDAR

April 27, 2012
Report on Q1/2012

May 15, 2012
Annual General Meeting

August 10, 2012
Report on Q2/2012

November 9, 2012
Report on Q3/2012

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 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, which is also published in English, from the company or download it at www.rheinmetall.com. In case of doubt, the German version shall apply.

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