Quarterly Financial Report

Q1 2011

Rheinmetall AG

Rheinmetall in figures

Rheinmetall Group key figures *€ million*

	Q1/2010	Q1/2011	Changes
Sales	800	1,027	227
Order intake	888	927	39
Order backlog (March 31)	5,061	5,085	24
Employees according to capacity (March 31)	19,900	20,315	415
EBITDA	76	121	45
EBIT	39	77	38
EBIT margin in %	4.9%	7.5%	-
EBT	27	63	36
Net income	19	50	31
Earnings per Share (EpS) in €	0.51	1.26	0.75
Capital expenditures	36	39	3
Amortization/depreciation	37	44	7
Cash flow	57	87	30
Net financial debt (March 31)	233	431	198
Total equity (March 31)	1,157	1,417	260
Total assets (March 31)	3,821	4,353	532

Rheinmetall on course for growth

With a significant growth in sales and a considerable improvement in earnings, the Rheinmetall Group has got off to an excellent start in fiscal 2011.

- Consolidated sales up 28% to €1,027 million
- Consolidated result before interest and tax (EBIT) almost doubled at €77 million
- Group EBIT margin rises from 4.9% to 7.5%
- Both corporate sectors with record EBIT in Q1:
  Automotive €40 million, Defence €38 million
- Growth forecast confirmed

Contents

The Rheinmetall share

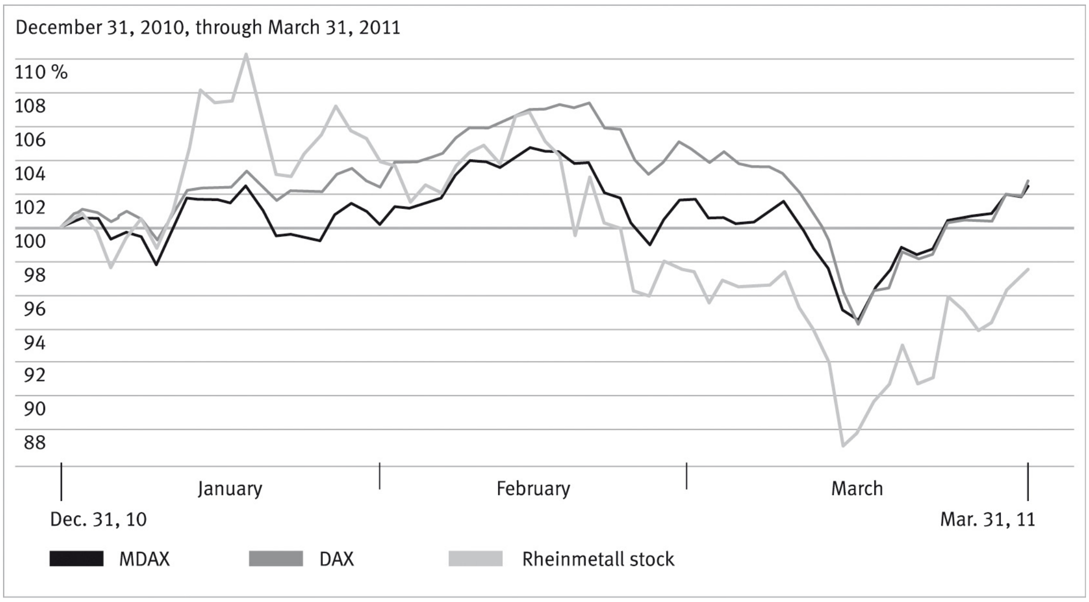
Stock indices curbed by Japan | Shortly after the start of the year, sentiment on the stock exchanges was one of positive expectation, raising share prices to new highs following 2010, in itself a very successful year for the markets. On February 18, 2011, the DAX reached its peak in Q1 2011 with 7,426 points, while the MDAX moved up to 10,610 points on February 14, 2011. However, the dreadful natural disaster that occurred in Japan on March 11, 2011 and the subsequent damage to the Fukushima nuclear power plant put something of a damper on this trend, prompting investors to exercise caution due to the initially inestimable effect this would have on the world economy. Industrials were impacted very strongly due to their reliance on deliveries from Japan. Just a few days after these events, both indices fell, reaching their lowest values for the quarter of 6,513 (DAX) and 9,565 (MDAX) on March 16, 2011. Following the initial estimation of the consequences, investor confidence in the stock markets began to take hold once more and the indices increased again. With 7,041 points for the DAX and 10,310 for the MDAX, the final prices for Q1 2011 represented a quarterly gain of 1.8% in each case.

Positive trend of the Rheinmetall share following volatile performance | Rheinmetall AG initially set itself clearly apart from the MDAX, on which it is listed, reaching the highest stock price of €66.46 on January 18, 2011. The share price dropped, at first due to the unrest in North Africa and later also based on the disasters in Japan, and on March 15, 2011, reached its lowest point in the first three months of the year at €52.30. In the subsequent recovery up to March 31, 2011, the share regained some of its value, ending Q1 2011 with a closing price of €58.47, down 2.8% on the previous quarter.

Market capitalization and trading volume | As a result of the slight decline in the share price, Rheinmetall AG's market capitalization decreased to €2,315 million at the end of the quarter. Rheinmetall was thus in 14th place in the MDAX rankings of Deutsche Börse, having occupied 10th place on December 31, 2010. The average daily trading volume increased from 234,000 to 291,000 shares. Having been in 10th place at the end of the previous year, the share now took 11th place in the rankings.

Shareholding structure | According to the shareholding structure analysis from January 2011, the proportion of European institutional investors was 52 %, following the 46 % recorded during the last analysis from December 2009. The proportion of North American shareholders declined from 31 % to 27 %. Rheinmetall AG holds treasury shares of 3%. Members of the Supervisory Board and Executive Board as well as employees owned 2% of the company's equity. The analysis was unable to trace 16% of shares.

Performance of the Rheinmetall share compared with DAX and MDAX



General economic conditions

Economic upturn vigorous and robust | In Q1 2011, the upturn in the global economy demonstrated how robust it is. Irrespective of the natural disaster in Japan, leading economic experts continue to view the economy's prospects as positive. In its "World Economic Outlook" from April 2011, the International Monetary Fund (IMF) forecasts 4.4 % growth in global economic output for 2011 as a whole and further growth of 4.5 % for 2012. At the same time, the IMF warns of "tensions" caused by a "two-speed recovery", with the extremely dynamic growth in the emerging countries contrasting with comparatively moderate growth in the mature industrialized nations. In addition, the IMF was forced to revise slightly downward its original forecast from January 2011 for both Japan and the USA. Although the final consequences of the earthquake and tsunami in Japan are still difficult to assess, the experts at the IMF reduced their outlook for the Japanese economy by 0.2 percentage points to 1.4 %. The outlook for the USA was also decreased by 0.2 percentage points, with growth in the country now expected to reach 2.8 % in 2011. For 2012, the IMF predicts growth rates of 2.1 % and 2.9 % for Japan and the USA.

According to the IMF, the economic output of the 17 euro zone states will rise by 1.6 % in 2011 and 1.8 % in the coming year. In Europe, Germany proved to be the main engine of growth: In its April outlook for the Federal Republic of Germany, the IMF increased forecast growth of 0.3 percentage points on the original prediction to 2.5 % in 2011. The upturn is set to be somewhat stronger in 2012 as well, which is why the outlook was raised by 0.1 percentage point to 2.1 %. The expectations of the leading German economic research institutions are even more optimistic, having forecast growth of 2.8 % in GDP in their spring report for 2011. In 2012, the institutions expect the German economy to grow by 2 %.

In its growth forecast, also published in April 2011, the German government concluded that the upturn in Germany is based on a broad foundation. Domestic demand is gaining strength, making the economy more robust. The main factors considered risks to the recovery are high commodity prices, the consequences of the natural disaster in Japan and the ongoing debt crisis in the euro zone.

The strongest impetus for growth in the global economy continues to come from Asia. According to the IMF's outlook, China remains the main driver of the economy with constantly high growth of 9.6 % this year and 9.5 % next year. The development of the Indian economy – which is set to grow by 8.2 % in 2011 and 7.8 % in 2012 – is also proving very dynamic. With 4.5 % (2011) and 4.1 % (2012), Brazil will also be one of the main growth drivers.

The IMF considers the global economy to be most at risk from rising oil and food prices, as well as economic overheating in some emerging countries and the high level of unemployment throughout the world. Despite some progress, global financial stability is also not yet ensured. Furthermore, the IWF points to ongoing uncertainties due to the political turmoil in North Africa and the Middle East.

Ongoing need for modernization, particularly in armed forces technology | The development of global defence spending revealed an uneven picture in the first few months of 2011 as well. As many emerging countries demonstrate high economic growth momentum, their budgets continue to increase, while pressure to cut costs in the mature industrialized nations has caused armaments expenditure to stagnate or decrease in most cases. However, there is one decisive similarity between upcoming and mature industrialized nations: The constant need to modernize military equipment to protect their soldiers. This applies in particular to armed forces technology, as ground troops continue to bear the brunt in the vast majority of international deployments.

According to current plans, it is expected that Germany's defence budget (approximately €31.5 billion for 2011), combined with the reduction in the armed forces, will be gradually reduced to around €29.5 billion by 2015. Due to pressure to consolidate, experts predict that Great Britain's defence budget will also be reduced in the coming years. In contrast, a slight rise in expenditure is expected in Scandinavia, for example.

In the USA, the country with the world's largest defence expenditure, the 2011 defence budget of around USD 708 billion exceeds the level of 2010. However, this also includes the cost of ongoing foreign deployments such as those currently underway in Afghanistan and Libya. Without this expenditure for ongoing deployments, the US defence budget amounts to €526 billion (base budget). The US Ministry of Defence plans moderate growth in the base budget in the coming years as well.

Defence expenditure in the emerging countries of India and Brazil, as well as Australia and various Middle Eastern countries, displays an unbroken upward trend. The armed forces in these countries still have a long way to go in terms of modernization, a fact that is having a noticeable impact. In light of this, the increased international orientation of Rheinmetall Defence will continue to open up potential for growth.

Automotive markets still going forward | The automotive industry began 2011 in a positive fashion, with the positive trend of the boom year of 2010 continuing unchecked. However, according to the estimation of the Association of the German Automotive Industry (VDA), the natural disaster in Japan and the consequences of the catastrophe at the Fukushima nuclear power plant will dampen current sentiment. Although it need not be assumed that these events will significantly impact the global economy, the VDA has no doubt that they will affect specific sectors and regions.

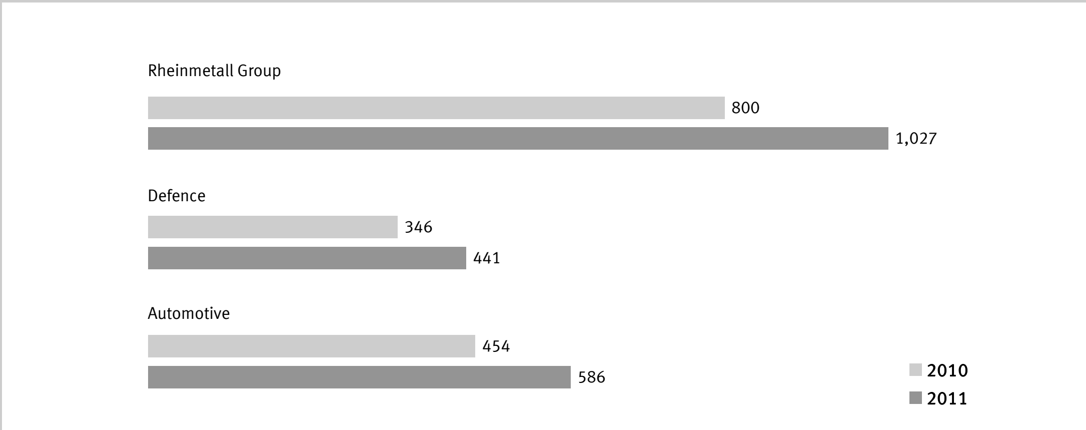
The fundamentally good condition of the automotive industry is reflected in the production figures for the first quarter of 2011: Despite the serious setback in Japan caused by the earthquake of March 11, 2011, calculations by the market researchers at IHS Automotive (formerly CSM Worldwide) show that global production of passenger cars and light commercial vehicles of up to 3.5 tons climbed in the first three months of 2011 to more than 19 million vehicles. This equates to an increase of 7.5 % compared with the same period of the previous year. In the triad of Western Europe, NAFTA and Japan, production figures were up 4.1 % in Q1 2011. However, it must be taken into account that Japanese automotive production came to a standstill in many plants from mid-March onward and, for Q1 2011 as a whole, fell by 6.7 % compared to the same period of the previous year. With an increase of 14.3 %, the NAFTA region, which was hit particularly hard by the 2008/2009 sector crisis, continued to recover in the first quarter of 2011, while the Western European market generated growth of 3.1 % year-on-year. Following an already strong quarter in the previous year, German production figures climbed 6.3% in the first three months of 2011.

As expected, growth momentum in China abated somewhat following the strong double-digit growth rates of previous years. However, with growth of 10.2 %, Chinese automotive production remained at a high level in Q1 2011. Particularly strong momentum in the first three months of the year came from India, where production figures surged by 21.9 %. In contrast, production in Brazil declined by 3.7 % in the first quarter of 2011 following strong double-digit growth in the same period of the previous year.

For 2011 as a whole, the experts at IHS Automotive anticipate that global automotive production will rise by 6.1 % to more than 76 million vehicles. Although continuing uncertainties regarding further developments in Japan impacted the forecasts, it is to be expected that, due to the generally stable nature of the sector, factors hindering demand and production will lead to corresponding catch-up effects.

Rheinmetall Group business trend

Sales for Q1 *€ million*



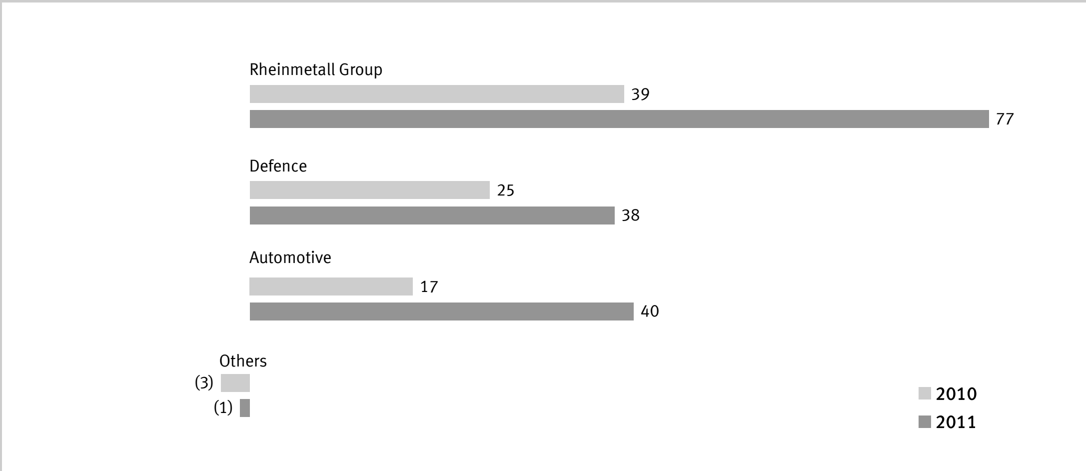
Excellent start to 2011 | In the first quarter of fiscal 2011, the Rheinmetall Group generated sales of €1,027 million, exceeding the previous year's figure by €227 million or 28%. Significant growth was achieved in both corporate sectors. At €441 million, sales in the Defence sector rose by €95 million, or 27%, on the previous year's figure. Adjusted for changes in the scope of consolidation, growth was €61 million, or 18%. With sales of €586 million, the Automotive corporate sector exceeded the previous year's figure by €132 million, or 29%, in the first quarter of 2011.

The proportion of consolidated sales achieved abroad in Q1 2011 was 72%, following 69% in the same quarter of the previous year. Alongside the German market (28%), the key regions in terms of sales volumes were Europe excluding Germany (42%), followed by Asia (11%) and North America (11%). In the Defence sector, 69% of sales were generated abroad (previous year: 68%). In the Automotive sector, the proportion of sales achieved with customers abroad rose from 70% to 74% in the first quarter of 2011.

Order backlog of €5 billion | The Rheinmetall Group recorded an order intake of €927 million in the first quarter of 2011 (previous year: €888 million). On March 31, 2011, the order backlog amounted to €5,085 million and was thus slightly higher than the corresponding figure from the previous year. The order backlog in the Defence corporate sector amounted to €4,695 million at the end of the quarter (previous year: €4,743 million); it includes orders for large projects with a duration over several fiscal years.

Profitability improved significantly | The earnings before interest and tax (EBIT) of the Rheinmetall Group rose by €38 million in the first quarter of 2011 from €39 million in the previous year to €77 million. Consolidated net profit amounted to €50 million and is thus up €31 million on the previous year's value. Earnings per share were €1.26, compared with €0.51 in the same period of the previous year.

EBIT for Q1 *€ million*



Asset and capital structure | The Rheinmetall Group's total assets amounted to €4,353 million as at the reporting date. This is equivalent to a decline of €107 million compared with December 31, 2010. Non-current assets represented 48 % of total assets as at March 31, 2011, compared with 46 % as at December 31, 2010. They increased by €59 million during the reporting period. This was due to the increase in intangible assets owing to the acquisitions. Current assets decreased by €166 million compared with December 31, 2010, whereby an increase in inventories and trade receivables was offset by a significant reduction in cash and cash equivalents. The equity ratio was 33 %, following 30 % on December 31, 2010. Of the €88 million decrease in non-current liabilities to €1,459 million, €61 million is attributable to the early repayment of the promissory note loan issued in 2009 and €35 million is attributable to the recognition of actuarial pension provision gains directly in equity. Current liabilities climbed by €81 million.

Asset and capital structure *€ million*

	12/31/2010	**%**	**3/31/2011**	**%**
Noncurrent assets	2,037	46	2,096	48
Current assets	2,423	54	2,257	52
Total assets	**4,460**	**100**	**4,353**	**100**
Equity	1,355	30	1,417	33
Noncurrent liabilities	1,547	35	1,459	33
Current liabilities	1,558	35	1,477	34
Total equity and liabilities	**4,460**	**100**	**4,353**	**100**

Capital expenditure up slightly on previous year | The strategic and operating objectives for expanding market share and securing technological competence are the guiding factors in the capital expenditure program of the Rheinmetall Group. €39 million was invested during the first three months of the current fiscal year. This is equivalent to 3.8% of sales (previous year: 4.5%).

Capital expenditure by corporate sector *€ million*

	Q1/2010	Q1/2011
Defence	14	15
Automotive	22	24
Rheinmetall Group	**36**	**39**

Employees | As at March 31, 2010, 20,315 persons were employed at Rheinmetall worldwide; this is 336 more than at the end of 2010. The workforce – measured against the number of employees as at the end of 2010 – at Rheinmetall Defence increased by 217 to 9,254, while the Automotive corporate sector employed an extra 120 persons. Of the total workforce, 45 % were employed in the Defence corporate sector, 54 % in the Automotive corporate sector and roughly 1% at Rheinmetall AG and the service companies.

Rheinmetall Group business trend
Defence sector

Defence key figures *€ million*

	Q1/2010	Q1/2011	Changes
Sales	346	441	95
Order intake	467	316	-151
Order backlog (March 31)	4,743	4,695	-48
Employees according to capacity (March 31)	9,330	9,254	-76
EBITDA	37	57	20
EBIT	25	38	13
EBT	22	36	14
EBIT margin in%	7.2%	8.7%	

Further expansion of defence operations | In January 2011, Rheinmetall took over 76 % of shares in the Laingsdale Engineering division of the South African company Tellumat (Pty) Ltd., Cape Town. The activities acquired encompass the development and production of precision components for fuzes and will thus supplement Rheinmetall's technological portfolio in the field of ammunition. Moreover, the acquisition serves to further expand distribution activities in South Africa and other customer nations.

In February 2011, Rheinmetall also increased its share of the capital and voting rights of ADS Gesellschaft für aktive Schutzsysteme mbH, Lohmar, from 49 % to 74 %. ADS is involved in the development of standoff protection technologies for military vehicles. With the acquisition of the majority of voting rights in the company, Rheinmetall has expanded its expertise and its position on the market for protection technologies further.

Defence remains on course for growth | With sales of €441 million, the Defence sector recorded an increase of €95 million, or 27%, in the first three months of 2011 compared with the previous year's figure of €346 million; organic growth amounted to €61 million, or 18%.

Order intake below previous year's level | In the first quarter of 2011, the order intake totaled €316 million. With a number of smaller and medium-sized orders, it remained €151 million below the high figure of the previous year, which included two large orders with a total volume of €231 million.

High order backlog remains unchanged | At €4,695 million, the order backlog as at March 31, 2011 remained at almost the same high level. This was €4,743 million as at the balance sheet date of the previous year. With a volume of around €1.3 billion, the Bundeswehr series contract for the new Puma infantry fighting vehicle is the largest individual item in the order backlog.

Earnings improved again | In the first quarter of 2011, the Defence corporate sector generated a further significant growth in earnings: EBIT increased by €13 million from €25 million in the previous year to €38 million. The EBIT margin therefore increased to 8.7%, compared with 7.2% in the previous year.

The EBIT includes a positive one-off effect of €11 million from ADS Gesellschaft für aktive Schutzsysteme mbH, which was only fully consolidated following the majority acquisition, which resulted from the transition of the equity approach to full consolidation. The EBIT of the same quarter of the previous year also included a positive one-off effect from a rate-hedging transaction of an affiliated company amounting to €5 million. Depreciation of intangible assets identified through purchase price allocations amounted to €5 million in the first three months of the current year (previous year: €1 million).

Rheinmetall Group business trend
Automotive sector

Automotive key figures *€ million*

	Q1/2010	Q1/2011	Changes
Sales	454	586	132
Order intake	421	611	190
Order backlog (March 31)	318	390	72
Employees according to capacity (March 31)	10,447	10,936	489
EBITDA	41	65	24
EBIT	17	40	23
EBT	13	36	23
EBIT margin in %	3.7%	6.8%	

Significant sales growth | In the first three months of 2011, the Automotive corporate sector generated sales of €586 million, exceeding the previous year's figure by €132 million, or 29 %. In addition to the continued positive development of the global automotive markets, this rise in sales can also be attributed to a range of new product launches. The growth in the corporate sector has once again clearly exceeded production growth on the markets of the triad (Western Europe, NAFTA, Japan), which amounts to 4.1 % measured against the same quarter of the previous year. This can be attributed mainly to the high demand for products that address the trend for reducing consumption and exhaust gas.

Joint ventures in China continue to grow | The Chinese joint ventures, which are not included in the sales figures for the Automotive corporate sector, achieved growth of 18 % in the first quarter of 2011, rising from €61 million to €72 million. This means that their growth continues to clearly exceed production growth on the Chinese automotive market by around 10 %. The Chinese joint ventures received two major orders in the reporting period from international clients for engine blocks and pistons with a total order volume of around €180 million.

Result more than doubled | With EBIT of €40 million in Q1 2011, the Automotive corporate sector more than doubled the previous year's result of €17 million. This improvement in results is connected with a significant increase in profitability: In the first three months of the year, the EBIT margin rose from 3.7 % in the previous year to 6.8%.

Growth leads to capacity adjustments | Due to the significant growth in sales, the number of employees in the Automotive corporate sector increased by almost 5 % to 10,936 when measured against the previous year. This growth took place primarily at the low-wage locations abroad.

Opportunities and risks

Efficient risk management | In the context of a systematic and efficient risk management system, risks at the Rheinmetall Group are limited and of manageable proportions. There are no discernible material risks which could permanently jeopardize the Group's assets, financial situation or earnings. The material opportunities and risks of the expected development of the Rheinmetall Group are described in detail in the Group management report for 2010. Beyond the risks presented in this report, uncertainties remain in the Automotive sector due to the indirect impact of the natural disaster in Japan. There have been no further significant changes or new findings.

Prospects

Outlook confirmed | Rheinmetall forecasts consolidated sales of around €4.3 billion for the current fiscal year, which represents growth of 8%. Both the Automotive and the Defence sector will contribute to this growth.

Supported by new orders, particularly for products that are of importance with regard to compliance with international standards for emissions limits, Rheinmetall estimates that the Automotive sector will see growth in sales in 2011 that will be slightly above the 5% growth in global automotive production anticipated by IHS Automotive. Sales of around €2.1 billion are expected in the division in the current fiscal year.

Rheinmetall expects the Defence sector to achieve sales of approximately €2.2 billion for the fiscal year. This forecast does not yet include the share in sales for Rheinmetall MAN Military Vehicles GmbH, which relates to the logistics vehicles of MAN. The amount of these sales depends on the setting up of the second stage of the joint venture, which is to take place by the end of fiscal 2011 at the latest. This second stage of the joint venture, in which Rheinmetall holds 51% of shares, also includes the full integration of MAN's production site in Vienna.

On the basis of the growth forecasts for the Group's two corporate sectors, Rheinmetall is anticipating a disproportionately large improvement in the EBIT in relation to the rise in sales, predicting EBIT of between €330 million and €360 million in 2011.

In particular, the Automotive sector, for which – assuming the market growth forecast by IHS Automotive and in connection with further operational improvements – EBIT of between €110 million and €130 million is expected, will contribute to this improvement in results.

For the Defence sector, Rheinmetall still expects to see a sales return of over 10% and EBIT of between €230 million and €250 million for the current fiscal year. One prerequisite for this is that all large ongoing projects can be implemented according to schedule.

Condensed consolidated interim financial statements of Rheinmetall AG for Q1 2011

Consolidated balance sheet as of March 31, 2011

Assets *€ million*

	12/31/2010	3/31/2011
Intangible assets	694	791
Property, plant and equipment	1,104	1,088
Investment property	21	20
Investments accounted for using the equity method	106	100
Other non-current financial assets	33	29
Other non-current assets	8	8
Deferred taxes	71	60
Non-current assets	**2,037**	**2,096**
Inventories	739	834
./. Prepayments received	(31)	(31)
	708	803
Trade receivables	909	1,055
Other current financial assets	58	55
Other current receivables and assets	94	117
Income tax receivables	25	26
Cash and cash equivalents	629	200
Non-current assets held for sale	-	1
Current assets	**2,423**	**2,257**
Total assets	**4,460**	**4,353**

Equity and Liabilities *€ million*

	12/31/2010	3/31/2011
Share capital	101	101
Additional paid-in capital	304	304
Other reserves	751	916
Net income of Rheinmetall AG shareholders	162	48
Treasury shares	(52)	(53)
Rheinmetall AG shareholders' equity	**1,266**	**1,316**
Minority interests	89	101
Equity	**1,355**	**1,417**
Provisions for pensions and similar obligations	677	635
Other non-current provisions	112	107
Non-current financial liabilities	671	611
Other non-current liabilities	37	30
Deferred taxes	50	76
Non-current liabilities	**1,547**	**1,459**
Current provisions	395	427
Current financial liabilities	34	20
Trade liabilities	593	521
Other current liabilities	472	442
Income tax liabilities	64	67
Current liabilities	**1,558**	**1,477**
Total liabilities	**4,460**	**4,353**

Consolidated income statement

€ million

	Q1/2010	Q1/2011
Sales	**800**	**1,027**
Changes in inventories and work performed by the enterprise and capitalised	71	80
Total operating performance	**871**	**1,107**
Other operating income	23	28
Cost of materials	411	552
Staff costs	283	322
Amortization, depreciation and impairment	37	44
Other operating expenses	127	146
Net operating income	**36**	**71**
Net interest [1)]	(12)	(14)
Net investment income and other net financial income [2)]	3	6
Net financial loss	**(9)**	**(8)**
Earnings before taxes (EBT)	**27**	**63**
Income taxes	(8)	(13)
Net income	**19**	**50**
Of which:		
Minority interests	*0*	*2*
Rheinmetall AG shareholders	*19*	*48*
Earnings per share (€)	0.51	1.26
EBITDA	76	121
EBIT	39	77

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

2) Of which income from investments carried at equity: €2 million (previous year: €7 million)

Comprehensive income

€ million

	Q1/2010	Q1/2011
Net income	**19**	**50**
Actuarial gains and losses from pension provisions	(24)	24
Currency conversion difference	32	(29)
Change in value of derivative financial instruments (cash flow hedge)	2	3
Income/expenses from investments accounted for using the equity method	(6)	-
Other comprehensive income (after taxes)	**4**	**(2)**
Comprehensive income	**23**	**48**
Of which:		
Minority interests	*4*	*(4)*
Rheinmetall AG shareholders	*19*	*52*

Consolidated cash flow statement

€ million

	Q1/2010	Q1/2011
Financial resources January 1	**577**	**629**
Net income	19	50
Amortization, depreciation and impairments	37	44
Changes in pension provisions	1	(7)
Gross cash flows	**57**	**87**
Changes in working capital and other items	(306)	(347)
Cash flows from operating activities [1)]	**(249)**	**(260)**
Investments in property, plant and equipment, intangible assets and investment property	(36)	(39)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	5	1
Investments in consolidated companies and financial assets	0	(52)
Divestments of consolidated companies and financial assets	1	0
Cash flows from investing activities	**(30)**	**(90)**
Capital contributions by third parties	-	2
Purchase of treasury shares	-	(1)
Borrowing of financial liabilities	3	2
Repayment of financial liabilities	(24)	(79)
Cash flows from financing activities	**(21)**	**(76)**
Changes in financial resources	**(300)**	**(426)**
Changes in cash and cash equivalents due to exchange rates	2	(3)
Total change in financial resources	**(298)**	**(429)**
Financial resources March 31	**279**	**200**

1) including: net income taxes of €7 million (previous year: €11 million)
including: net interest of €4 million (previous year: €3 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 loss/income of Rheinmetall AG shareholders	Treasury shares	**Rheinmetall AG shareholders equity**	Minority interests	**Equity**
Balance as at December 31, 2009/ as at January 1, 2010	**101**	**303**	**711**	*(20)*	*90*	**70**	**(58)**	**(57)**	**1,070**	**64**	**1,134**
Transfer to/from reserves	-	-	(58)	-	-	-	58	-	-	-	-
Other comprehensive income	-	-	(30)	*29*	*1*	30	-	-	-	4	4
Net income	-	-	-	-	-	-	19	-	19	-	19
Balance as at March 31, 2010	**101**	**303**	**623**	*9*	*91*	**100**	**19**	**(57)**	**1,089**	**68**	**1,157**
Balance as at December 31, 2010/ as at January 1, 2011	**101**	**304**	**592**	*60*	*99*	**159**	**162**	**(52)**	**1,266**	**89**	**1,355**
Changes in scope of consolidation	-	-	(1)	-	-	-	-	-	(1)	16	15
Transfer to/from reserves	-	-	162	-	-	-	(162)	-	-	-	-
Other comprehensive income	-	-	24	*(24)*	*4*	(20)	-	-	4	(6)	(2)
Net income	-	-	-	-	-	-	48	-	48	2	50
Other changes	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Balance as at March 31, 2011	**101**	**304**	**777**	*36*	*103*	**139**	**48**	**(53)**	**1,316**	**101**	**1,417**

Notes to the consolidated financial statements

General principles | The condensed consolidated interim financial statements of Rheinmetall AG as at March 31, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB) for interim reporting as required in the European Union. Accordingly, these interim financial statements do not include all information and disclosures in the notes which are required in line with IFRS for consolidated financial statements at the end of the fiscal year. In the view of the Executive Board, the interim financial statements include all adjustments required to present a true and fair view of business development in the reporting period. The results achieved in the first three months of 2011 do not necessarily allow for conclusions to be drawn regarding their future development.

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

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

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

A qualified estimate of the pension obligation is given in the quarterly financial reports, based on the development of actuarial parameters. A discount rate of 5.75 % (December 31, 2010: 5.25 %) was used for pension provisions in Germany as regards these interim financial statements. This increase in the interest rate led to a reduction in actuarial losses from pension provisions recognized in equity.

Scope of consolidation | Besides Rheinmetall AG, the condensed consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG holds the majority of voting rights (whether directly or indirectly) or whose financial and business policies are otherwise controlled by the Group. In the first quarter of 2011, one company was set up abroad and one company was acquired. Within Germany, the increase in shares owned in a previously affiliated company meant that this company was added to the fully consolidated companies.

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

As at February 1, 2011, Rheinmetall also increased its share of the capital and voting rights of ADS Gesellschaft für aktive Schutzsysteme mbH, Lohmar, by 49 % to 74 %. ADS is involved in the development of standoff protection technologies for military vehicles. With the acquisition of the majority of voting rights in the company, Rheinmetall has expanded its expertise and its position on the market for protection technologies further. The current 25 % stake in ADS was carried at equity. The revaluation of this current investment performed as part of the acquisition of additional shares on the basis of the purchase price for the acquisition produced a value of €20 million. When the number of shares were increased, ADS was incorporated into the Rheinmetall Group as a fully consolidated subsidiary. The earnings of €11 million gained from the transition of the equity carrying amount for full consolidation was reported in other operating income. At the time of acquisition, the non-controlling interests in ADS (26 %) were measured in terms of the prorated remeasured net assets of the company of €14 million without taking into account the prorated goodwill. The valuation of the non-controlling interests are based on the assumption that the purchase price is proportional to the investment.

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

The assets and liabilities taken over from the acquisitions in the first quarter of 2011 are entered into the Group's accounts at their fair value at the time of the acquisition. The measurement of net assets acquired at fair value, including the purchase price allocation, has not yet been completed for ADS as not all balance sheet-relevant examinations and calculations have been finalized. Based on the carrying amounts before the acquisition, which had to be adjusted for hidden reserves and charges, taking into account deferred taxes, the following fair values were calculated, which in some cases are provisional.

€ million

	Pre-acquisition book values	Adjustments	Fair values
Other intangible assets	-	82	82
Property, plant and equipment	6	-	6
Inventories	3	-	3
Receivables	1	-	1
Cash and cash equivalents /Other current assets	0	-	0
Current liabilities	1	-	1
Noncurrent liabilities	5	20	25
Net assets acquired	4	62	66
Goodwill	-	21	21
Total			87

The fair values of the assets and liabilities acquired are divided among the two acquisitions as follows.

€ million

	ADS	Laingsdale	Total
Other intangible assets	75	7	82
Property, plant and equipment	1	5	6
Inventories	2	1	3
Receivables	0	1	1
Cash and cash equivalents /Other current assets	0	0	0
Current liabilities	1	0	1
Noncurrent liabilities	23	2	25
Net assets acquired	54	12	66
Goodwill	20	1	21
Total	74	13	87
Fair value of non-controlling interests	(14)	-	(14)
Fair value of controlling interests	60	13	73
Fair value of shares already held	(20)	-	(20)
Purchase prices paid for acquisitions	40	13	53

During the purchase price allocations, intangible assets were identified totaling €82 million, the majority of which were attributable to existing technologies (licenses) and customer relations. Total goodwill of €21 million resulted from the business combinations. This represents anticipated synergy effects, non-separable workforce expertise and access to future market developments. The fair values of the receivables mainly correspond to the contractually agreed gross amounts.

In the first quarter of 2011, the companies included in the consolidated financial statements for the first time contributed a negative EBIT of €2 million to the consolidated result, which also includes the expense from the depreciation of intangible assets identified through the purchase price allocation of €1 million.

Non-current assets held for sale | As at March 31, 2011, the non-current assets held for sale amount to €1 million.

Treasury shares | The Annual General Meeting of May 11, 2010 renewed the Executive Board's authorization, as granted on May 12, 2009, to acquire treasury shares to an extent of up to 10 % of the current common stock of €101,373,440 by May 10, 2015. As at March 31, 2011, the portfolio amounts to 1,313,223 treasury shares (previous year: 1,393,536; December 21, 2010: 1,293,198), acquired at a total cost of €53 million (previous year: €57 million; December 31, 2010: €52 million), which is deducted from equity. 20,025 shares were acquired in the first three months of the current fiscal year at a cost of €1 million.

Employee share purchase program | Eligible staff of the Rheinmetall Group in Germany, and in other European countries, may purchase Rheinmetall AG shares on preferential conditions. There is a lock-up period of two years for these shares. Within specified subscription periods, the employees are given the opportunity to acquire a limited number of shares at a discount of 30 % on the applicable share price. The current subscription window runs from April 27 to May 10, 2011.

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

	Q1/2010	Q1/2011
Consolidated net profit for shareholders of Rheinmetall AG *€ million*	19	48
Weighted number of shares *million*	38.21	38.31
Earnings per share (€)	**0.51**	**1.26**

Cash flow statement | As at March 31, 2010, January 1, 2011 and March 31, 2011, financial resources consisted solely of cash and cash equivalents. As of December 31, 2010, financial resources also included a Federal Treasury note of €20 million, which is reported under other financial assets.

Related parties | For the Rheinmetall Group, corporate related parties are the joint ventures and associated companies carried at equity. Especially the joint ventures contribute to the expansion of Defence and Automotive operations. The volume of products/services provided to corporate related parties primarily relates to sales proceeds from the sale of finished and unfinished goods to project companies and sales proceeds from army maintenance services under a public-private partnership model in the Defence corporate sector.

In addition, loans to joint ventures – unchanged at €3 million – are also included in the volume of unpaid items. The scope of related-party transactions is shown in the table below.

€ million

	Volume of products/ services provided		Volume of products/ services received		Volume of open items	
	Q1/2010	**Q1/2011**	**Q1/2010**	**Q1/2011**	**12/31/2010**	**3/31/2011**
Joint ventures	8	28	1	5	(1)	(10)
Associated companies	1	2	2	2	22	20
	9	**30**	**3**	**7**	**21**	**10**

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

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

€ million

Corporate sectors	Defence		Automotive		Others / Consolidation		Group	
	Q1/2010	**Q1/2011**	**Q1/2010**	**Q1/2011**	**Q1/2010**	**Q1/2011**	**Q1/2010**	**Q1/2011**
External sales	346	441	454	586	-	-	800	1,027
Amortization and depreciation	12	19	24	25	1	0	37	44
Of which impairment	-	-	-	-	-	-	-	-
EBIT	25	38	17	40	(3)	(1)	39	77

Reconciliation of segment EBIT with Rheinmetall Group EBT:

€ million

	Q1/2010	**Q1/2011**
EBIT		
Segment EBIT	42	78
Others	(2)	0
Consolidation	(1)	(1)
Group EBIT	**39**	**77**
Group net interest	(12)	(14)
Group EBT	**27**	**63**

Financial diary

May 6, 2011
Report on Q1 2011

May 10, 2011
Annual General Meeting

July 29, 2011
Report on Q2 2011

November 11, 2011
Report on Q3 2011

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, present trends, 15-minute stock price updates, press releases, and ad hoc notifications. Investor Relations information is an integral part of this website, where all the relevant details are available to download.

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

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