

Q1

RHEINMETALL AG
QUARTERLY FINANCIAL REPORT
Q1/2007



2007

Rheinmetall in figures

Rheinmetall indicators € million

	Q1/2005	Q1/2006	Q1/2007
Net sales	756	852	912
Order intake	1,003	843	1,135
Order backlog (Mar. 31)	2,978	2,904	3,390
EBITDA	72	74	82
EBIT	33	34	44
EBT	21	23	31
Net income	13	17	22
Cash flow	54	60	61
Net financial debt (Mar. 31)	332	293	361
Net interest expense	(12)	(11)	(13)
Capital expenditures	38	40	40
Depreciation/amortization	39	40	38
Total equity (Mar. 31)	796	890	958
Total assets (Mar. 31)	3,079	3,380	3,278
EBIT margin (%)	4.4	4.0	4.8
Earnings per share (€)	0.31	0.45	0.60
Market capitalization (Mar. 31)	1,476	2,304	2,489
Headcount (Mar. 31)	18,270	18,964	18,900

Off to a sound start in fiscal 2007

Adding value through profitable growth, this is at the heart of Rheinmetall's corporate development. With marked rises in sales and order intake plus a higher EBIT, Rheinmetall got off to a sound start in fiscal 2007.

- Sales up 7 percent to €912 million
- Order intake jumps 35 percent to €1,135 million
- EBIT at €44 million appreciably raised
- EpS mounts from €0.45 to €0.60

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News flashes Q1/2007

January 2007



■ The Swiss Army places an order for the supply of twelve Kodiak armored engineer vehicles, which are based on the components of the tried-and-tested Leopard 2 battle tank. In addition to its role as a heavy-duty combat engineer vehicle—whether in military scenarios or disaster relief operations—the new-generation Kodiak can be used to breach lanes through minefields, crucial for ensuring the mobility and safety of forces on difficult missions.

■ Rheinmetall attends the German Corporate Conference organized by Crédit Agricole Chevreux and the investors' conference held by Dresdner Kleinwort in New York.

■ Gert Winkler, former Rheinmetall Defence Executive Board member, is elected as President of the European Land Defense Industry Group (ELDIG). Within the umbrella organization of the European AeroSpace and Defense Industries Association, ELDIG represents the interests of 500 companies with 72,000 employees.

■ Ward's Auto World, one of the most important automobile magazines in the USA, elects its ten best engines of the year. Nine of the award-winners feature state-of-the-art engine technology supplied by the Kolbenschmidt Pierburg Group.

■ With the acquisition of a 51-percent majority holding in the Bonn-based Chempro GmbH and its first stake in ADS Gesellschaft für aktive Schutzsysteme mbH based in Lohmar, Rheinmetall Defence is expanding its position as a supplier of land forces systems.

February 2007



■ Rheinmetall Berlin Verwaltungsgesellschaft directs a request to the Executive Board of Kolbenschmidt Pierburg AG for a decision to be made at the stockholders' meeting on the transfer of shares held by minority stockholders to the controlling stockholder in exchange for appropriate cash compensation. The request includes the execution of a P&L transfer agreement.

■ At IDEX in Abu Dhabi, the Defence sector showcases a wide array of products and services as well as capability-oriented system solutions. The focus is on combat support and air defence products, the networking of sensors and effectors for maritime applications, as well as public security.

■ Pierburg makes its presence felt at the Symposium on International Automotive Technology 2007 held in Pune, one of India's key automotive centers. Supported by Pierburg India, the division displays an extensive product range at the trade exhibition while demonstrating its R&D know-how in workshops held at three of India's top vehicle manufacturers.

March 2007



■ Rheinmetall presents its fiscal 2006 results at its annual accounts and analysts conferences.

■ Based on the Rheinmetall ASRAD short-range air defence system, Rheinmetall Defence Electronics designs, develops and produces missile launchers for the new multi-purpose combat vehicle (MPCV), which is suitable for air defence purposes and for engaging surface targets. The collaborator on this project is the French company MBDA. An initial system, close to the production stage, is to be unveiled in 2009.

■ Motor Service International is to expand its logistics center built in Neuenstadt in 2005 from its current 7,000 m² to 18,500 m² and plans to consolidate its incoming goods, assembly and shipping operations as well as finished goods warehouse at this location. At the same time, construction starts of a new office building, which is due to be moved into during the second half of 2008.

■ Rheinmetall Defence books a mega-contract worth around €200 million for supplying state-of-the-art air defence systems to the Middle East.

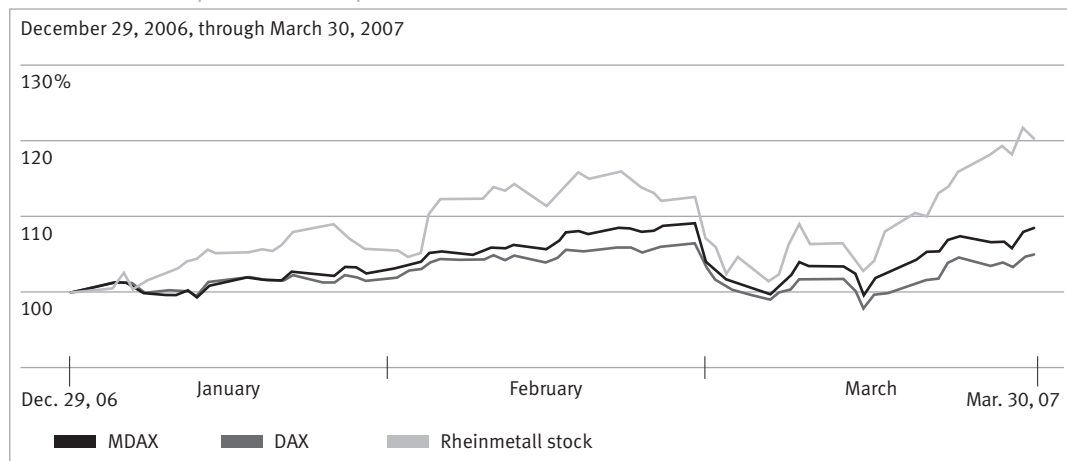
Rheinmetall stock

Good yet turbulent start into the new fiscal year. The congenial economic environment and the resulting hopes for rising corporate profits combined to propel stock market indexes in the early weeks of 2007. In the period up to February 26, Germany's leading index, the DAX, advanced six percent. The MDAX, which includes Rheinmetall, rose by as much as nine percent by this date to an all-time high of 10,270 points. Then, in the final days of February, rumors regarding a tighter regulation of the Chinese capital market, until then booming, sent prices plunging in this region, the fallout spreading to elsewhere in the world. Compounding the bleak mood were rumors that the US property market was in disarray. As a consequence, by mid-March the German indexes had tumbled to their level at the start of the year. Comforting statements on the part of the Chinese government and bright news on the business front then brought about a stock market recovery by the end of Q1, a turbulent period which the DAX closed at 6,917 points, a gain of five percent. During the same period, the MDAX mounted eight percent to reach 10,201 on March 30.

Rheinmetall stock crossing the €70 level for the first time. Rheinmetall stock likewise succumbed to this volatility. Closing 2006 at €57.48, the share, invigorated by analyst recommendations, jumped to €66.80 by mid-February but was then infected until mid-March by the general market malaise to slip for periods of time below €60. With the announcement of the 2006 annual results and prospects for 2007, some of the analysts raised their forecasts. In the period that followed, Rheinmetall stock surged and on March 29, 2007, for the first time ever crossed the €70 level to close the period a day later at €69.40, an advance of 21 percent versus year-end 2006.

Market capitalization at €2.5 billion. By the end of March 2007, Rheinmetall AG's market capitalization had climbed to €2.5 billion (on a basis of 36 million Rheinmetall shares). At year-end 2006, the figure had been €2.1 billion. As a consequence, the stock now occupies according to Deutsche Börse's latest end-of-March rankings, position 16 in terms of this criterion. Regarding the Xetra trading volume, Rheinmetall ranked 22nd with a daily Q1 volume averaging 270,933 shares. A year before, the daily turnover had been 158,621.

Rheinmetall stock price trend compared to DAX and MDAX



General economic conditions

Global economic growth unabated. The International Monetary Fund (IMF) expects the global economy to remain buoyant in fiscal 2007, albeit somewhat less so than in 2006. Under these circumstances the IMF is forecasting a 4.9-percent growth in international economic output for the year as a whole. Most of the momentum will once more be generated by the emerging nations of Asia, foremost China with 10 percent and India with 8.4 percent. Despite its considerably softer economy, the USA is still set to advance 2.2 percent. The Russian economy is predicted to continue its strong earlier-year performance and rise by 6.4 percent. The IMF forecast for Euroland is a rise of 2.3 percent, with Germany likely to climb 1.8 percent. The German economic research institutes, in contrast, are more optimistic and predict a growth of 2.3 percent.

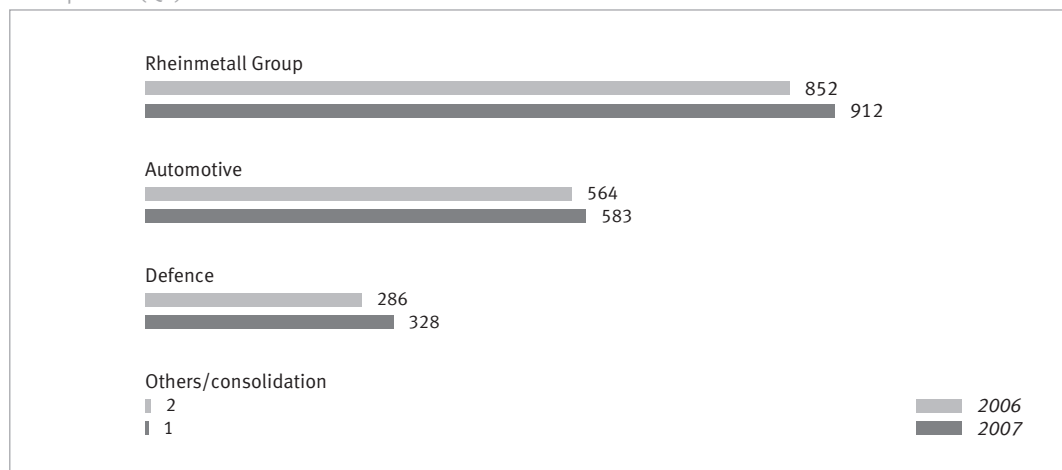
Pent-up demand by the emerging nations fuels auto production. Worldwide production of light vehicles (up to 3.5 t) amounted to 16.7 million units (down by 0.2 percent) for Q1/2007. The trend toward shifting production capacities to low-wage countries continued, i.e., from the Triad markets (down 2.8 percent) to other parts of the world (up 5.2 percent).

Rising gasoline prices again drove up demand for vehicles with low-consumption, low-emission but still high-output engines. Of growing significance are lightweight materials such as aluminum and magnesium as well as mechatronic products. Diesel engines will maintain their popularity this year.

Defence industry trends governed by the need for international missions. Given the multiplicity of foreign missions facing the international armed forces and the associated modernization requirements, experts expect defence budgets to grow by a moderate degree, particularly in the USA and increasingly in Europe. Relatively higher growth rates are being shown by matériel expenditures that address, alongside the mobility of the armed forces, also their protection. According to budget plans and within a slightly mounting overall defence budget, the share of such spending in Germany is likely to rise from around 25 percent in 2006 to about 27 percent this year.

Rheinmetall Group business trend

First-quarter (Q1) sales € million



Sales again up. Q1/2007 sales at €912 million climbed seven percent versus Q1/2006. Both corporate sectors, Automotive and Defence, contributed to this rise. Automotive topped its year-earlier volume by three percent, Defence rose in a normally weak Q1 (for invoice-timing reasons) by 15 percent or €42 million.

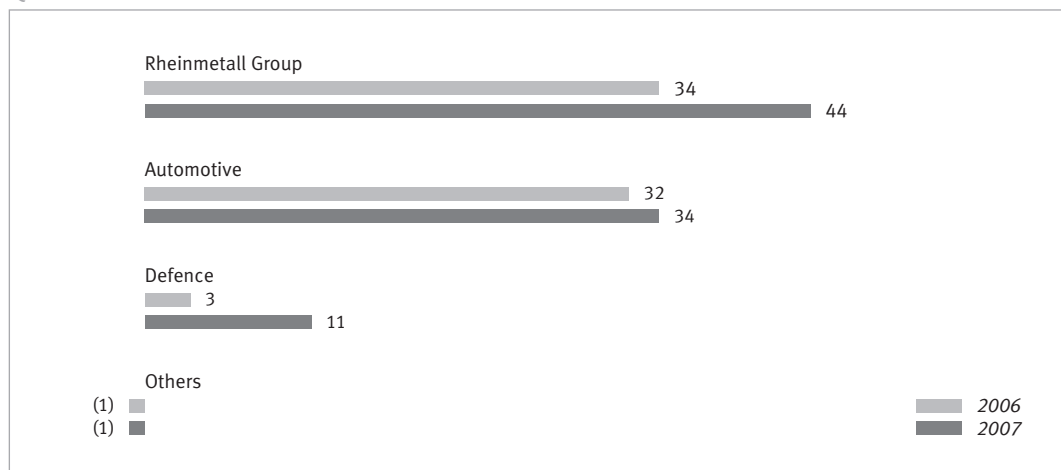
Q1/2007 exports by the Rheinmetall Group accounted for 69 percent of the total (up from 63 percent). Alongside other European countries, the chief sales markets were North America and Asia. Automotive generated 68 percent of its sales abroad. At Defence, 70 percent of business was generated with customers abroad.

Sharp rise in order intake. Q1/2007 order intake by the Rheinmetall Group added up to €1,135 million (up from €843 million). Orders booked by Automotive climbed four percent to €584 million; at €550 million, Defence booked almost twice the volume of orders recorded in Q1/2006.

At March 31, 2007, orders on hand totaled €3,390 million (up 17 percent). At this date, Defence had an order backlog of €3,025 million (up from €2,567 million); included are a number of megacontracts taking several years to complete.

Profitability strengthened. The Rheinmetall Group's EBIT in Q1/2007 mounted from €34 million to €44 million. Net income totaled €22 million (up by €5 million). Earnings per share (EpS) after minority interests of €1 million climbed from €0.45 to €0.60.

Q1 EBIT € million



Asset and capital structure. In comparison to December 31, 2006, the Rheinmetall Group's total assets inched down by €59 million. The €152 million outflow of cash contrasted with a €50 million increase in inventories and a €28 million rise in PoC receivables. Total equity edged up €21 million to €958 million. The equity ratio improved accordingly and came to 29 percent at quarter-end (up from 28 percent as of December 31, 2006).

The Rheinmetall Group's noncurrent liabilities of €1,037 million were substantially at the year-end 2006 level. Current liabilities shrank by €85 million or 6 percent. Deducting the €45 million cash and cash equivalents results in net financial debt of €361 million (up from €205 million as of December 31, 2006).

Asset and capital structure € million

	12/31/2006	%	3/31/2007	%
Noncurrent assets	1,651	49	1,652	50
Current assets	1,686	51	1,626	50
Total assets	3,337	100	3,278	100
Total equity	937	28	958	29
Noncurrent liabilities	1,032	31	1,037	32
Current liabilities	1,368	41	1,283	39
Total equity & liabilities	3,337	100	3,278	100

Automotive sector

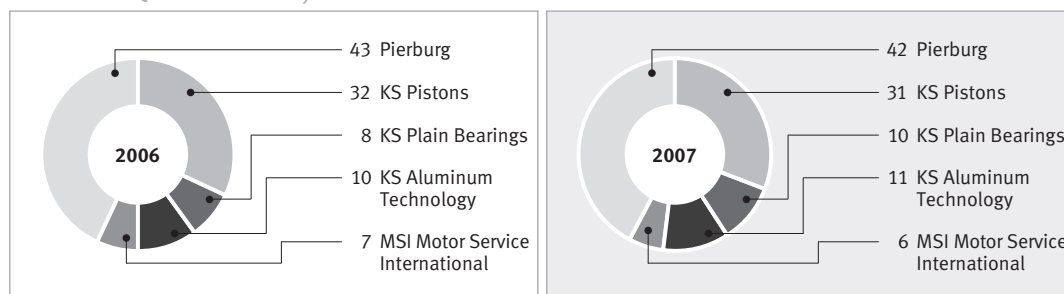
Automotive indicators € million

	Q1/2006	Q1/2007
Net sales	564	583
Order intake	560	584
Order backlog (Mar. 31)	337	365
Headcount (Mar. 31)	12,022	11,918
EBITDA	63	62
EBIT	32	34
EBT	27	28
EBIT margin in %	5.7	5.8

Automotive continuing on the path of growth. Q1/2007 was a period in which the Automotive sector maintained its growth. Both order intake and sales advanced, despite ongoing price pressure and unfavorable exchange rates. Versus Q1/2006, sales climbed three percent to €583 million. Rising demand in the Plain Bearings and Aluminum Technology divisions boosted business.

A plan for the Pierburg locations was agreed upon in Q1/2007 according to schedule. When fully effective, this will lead to annual savings of €14 million. The consequence will be a significant improvement in the competitiveness of this corporate sector company with the highest sales.

Automotive Q1 sales share by division in %



EBIT raised to €34 million. Automotive's EBIT for Q1/2007 amounted to €34 million (up €2 million or 6 percent). The chief reasons for this growth were the profit contributions from added sales.

Defence sector

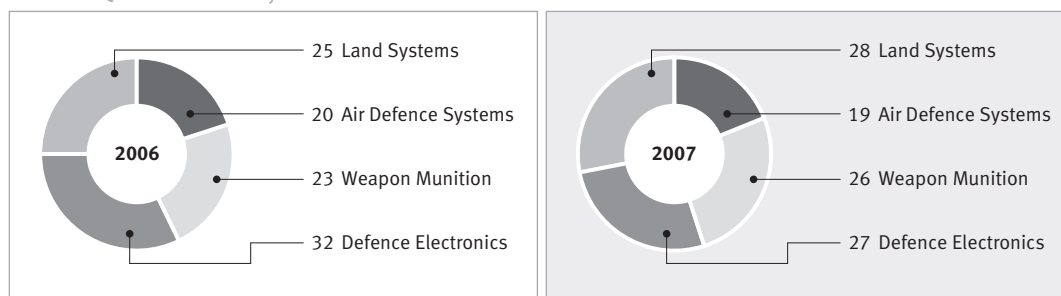
Defence indicators € million

	Q1/2006	Q1/2007
Net sales	286	328
Order intake	282	550
Order backlog (Mar. 31)	2,567	3,025
Headcount (Mar. 31)	6,815	6,863
EBITDA	12	20
EBIT	3	11
EBT	0	6
EBIT margin in %	1.0	3.4

Defence at a new sales high. At €328 million, the Defence sector reported its highest-ever Q1 sales. The year-earlier volume was exceeded by 15 percent. Sharp gains were recorded above all by Land Systems and Weapon Munition. Determining factors at Land Systems were products and services invoiced from government-to-government contracts concerning Leopard tanks and milestone invoices under long-term manufacturing contracts for NBC reconnaissance vehicles. Sales mainstays at Weapon Munition were both large-caliber ammunition and the passive MASS protection system.

Order intake almost doubled. Q1/2007 order intake reached €550 million, almost double that of the previous year. The largest contributor was the Air Defence division which in the first quarter booked orders for just under €300 million.

Defence Q1 sales share by division in %



Much improved earnings. With sales up, Q1/2007 EBIT by Defence amounted to €11 million, a sharp improvement over the year-earlier €3 million.

Risk and reward report

Efficient risk management. Within the context of a systematic and efficient risk management system, risks at Rheinmetall are limited and of manageable proportions. There are no material risks that might jeopardize to a sustained extent the Group's asset and capital structure, financial position or results of operations. The significant risks and rewards regarding the future development of the Rheinmetall Group are detailed in the Group Management Report for 2006. Since the start of the current fiscal year, risks resulting from the volatility and surge in commodity prices at Automotive, have been minimized by significantly strengthened commodity price management. On April 12, 2007, in the judicial review proceedings instituted in 1998 in the wake of the Kolbenschmidt and Pierburg merger, the Heilbronn Regional Court found against, and dismissed, the petitions for upgrading the share exchange ratios, thus endorsing the originally determined value proportions. The time limit for appealing this decision will expire in early May 2007. There were no further significant subsequent events.

Prospects. For the rest of the fiscal period, Rheinmetall is again predicting organic sales growth. Assuming a stable global automotive climate and a constant development in defence expenditures, Rheinmetall is sticking to its target of an average annual growth rate of five percent. Based on sustained solid operating performance by the Automotive and Defence sectors and in view of the economic and industry prospects outlined, Rheinmetall expects to close fiscal 2007 with rising earnings.

Interim financial statements for Q1/2007
Rheinmetall AG

Consolidated balance sheet as of March 31, 2007

Assets € million

	12/31/2006	3/31/2006	3/31/2007
Intangible assets	439	418	439
Tangible assets	1,057	1,053	1,056
Investment properties	15	13	15
Investees	68	65	69
Noncurrent financial assets	9	7	3
Sundry noncurrent assets	3	5	5
Deferred tax assets	60	66	65
Total noncurrent assets	1,651	1,627	1,652
Inventories	681	683	707
less prepayments received	(54)	(40)	(30)
	627	643	677
Trade receivables	499	490	510
Current financial assets	29	21	14
Sundry current receivables and assets	322	324	362
Income tax assets	12	8	18
Cash and cash equivalents	197	267	45
Total current assets	1,686	1,753	1,626
Total assets	3,337	3,380	3,278

Equity & liabilities € million

	12/31/2006	3/31/2006	3/31/2007
Capital stock	92	92	92
Additional paid-in capital	208	208	208
Other reserves	516	562	636
Net earnings	120	16	21
Treasury stock	(42)	(34)	(43)
Stockholders' equity	894	844	914
Minority interests	43	46	44
Total equity	937	890	958
Pension accruals	519	517	520
Other noncurrent accruals	97	88	94
Noncurrent financial debts	388	394	390
Sundry noncurrent liabilities	9	6	10
Deferred tax liabilities	19	19	23
Total noncurrent liabilities and accruals	1,032	1,024	1,037
Current accruals	305	326	325
Current financial debts	14	166	16
Trade payables	465	382	392
Sundry current liabilities	534	527	495
Income tax liabilities	50	65	55
Total current liabilities and accruals	1,368	1,466	1,283
Total equity & liabilities	3,337	3,380	3,278

Consolidated income statement for the 3 months (Q1) ended March 31, 2007

€ million

	Q1/2006	Q1/2007
Net sales	852	912
Net inventory changes, other work and material capitalized	48	12
Total operating performance	900	924
Other operating income	18	24
Cost of materials	(465)	(475)
Personnel expenses	(260)	(259)
Amortization/depreciation	(40)	(38)
Other operating expenses	(119)	(132)
Operating result	34	44
Net interest expense ¹⁾	(11)	(13)
Net investment income and other financial results ²⁾	0	0
Net financial result	(11)	(13)
Earnings before taxes (EBT)	23	31
Income taxes	(6)	(9)
Net income	17	22
thereof		
<i>Minority interests</i>	(1)	(1)
<i>Net earnings</i>	16	21
Earnings per share (€)	0.45	0.60

¹⁾ incl. interest expense of €15 million (up from €14 million)

²⁾ incl. net P/L of investees carried at equity of €1 million (virtually unchanged)

Consolidated statement of cash flows for Q1/2007

€ million

	Q1/2006	Q1/2007
Opening cash and cash equivalents	408	197
Net income	17	22
Amortization/depreciation	40	38
Change in pension accruals	3	1
Cash flow	60	61
Changes in working capital and other items	(158)	(187)
Net cash used in operating activities¹⁾	(98)	(126)
Cash outflow for additions to tangibles, intangibles and investment properties	(40)	(53)
Cash inflow from the disposal of tangibles, intangibles and investment properties	1	6
Cash outflow for additions to consolidated subsidiaries and financial assets	(9)	(1)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	3	19
Net cash used in investing activities	(45)	(29)
Treasury stock	--	(1)
Change in financial debts	1	4
Net cash provided by financing activities	1	3
Net change in cash and cash equivalents	(142)	(152)
Parity-related change in cash and cash equivalents	1	0
Total change in cash and cash equivalents	(141)	(152)
Closing cash and cash equivalents	267	45

¹⁾ included are

net cash inflow from interest: €6 million (down from €7 million)

net cash outflow for income taxes: €10 million (down from €2 million net cash inflow)

Statement of changes in equity

€ million

	Capital stock	Additional paid-in capital	Reserves retained from earnings	OCI from currency translation differences	OCI from statement at FV and other valuation	Total OCI	Net earnings	Treasury stock	Stock holders' equity	Minority interests	Total equity
Balance at 1/1/2006	92	208	401	(18)	66	48	113	(34)	828	47	875
Currency translation differences	--	--	--	(1)	--	(1)	--	--	(1)	--	(1)
Consolidation group changes	--	--	--	--	--	--	--	--	--	(2)	(2)
Accumulated OCI	--	--	1	--	--	--	--	--	1	--	1
Transfer to/from reserves	--	--	113	--	--	--	(113)	--	--	--	--
Net earnings	--	--	--	--	--	--	16	--	16	1	17
Balance at 3/31/2006	92	208	515	(19)	66	47	16	(34)	844	46	890
Balance at 1/1/2007	92	208	488	(37)	65	28	120	(42)	894	43	937
Currency translation differences	--	--	--	(1)	--	(1)	--	--	(1)	--	(1)
Accumulated OCI	--	--	1	--	--	--	--	(1)	--	--	--
Transfer to/from reserves	--	--	120	--	--	--	(120)	--	--	--	--
Net earnings	--	--	--	--	--	--	21	--	21	1	22
Balance at 3/31/2007	92	208	609	(38)	65	27	21	(43)	914	44	958

Notes

Segment report € million

Corporate sectors	Automotive		Defence		Others/ consolidation		Group	
	Q1/2006	Q1/2007	Q1/2006	Q1/2007	Q1/2006	Q1/2007	Q1/2006	Q1/2007
Sales	564	583	286	328	2	1	852	912
EBIT	32	34	3	11	(1)	(1)	34	44

General bases. Rheinmetall AG's quarterly financial statements as of March 31, 2007, have been prepared in conformity with the International Financial Reporting Standards (IFRS) and related Interpretations of the International Accounting Standards Board (IASB) whose application to interim reports is mandatory in the European Union (EU). Consequently, these quarterly financial statements do not comprise all the information and disclosures in the notes which the IFRS require for consolidated financial statements as of year-end. From the Executive Board's vantage point, the present quarterly financial statements reflect all due interim adjustments required for a true and fair view of the business trend in the period under review. The performance data and results shown for Q1/2007 do not necessarily allow of a forecast of the future business development. These interim financial statements have been prepared in accordance with IAS 34 Interim Reporting but should be read in the context of Rheinmetall AG's published IFRS consolidated financial statements for fiscal 2006. The accounting and valuation methods applied to these quarterly financial statements are identical with those adopted for the consolidated financial statements as of December 31, 2006, and to which reference is made for full details. These interim financial statements have not been audited or reviewed.

Consolidation group. Besides Rheinmetall AG, these quarterly consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG directly or indirectly owns the voting majority or whose financial and business policies are otherwise controlled by the Rheinmetall Group. As in 2006, the consolidation group remained unchanged in the first quarter.

Estimates. Preparing the interim financial statements has required Rheinmetall to make certain assumptions and estimates which affect the application of intragroup accounting principles, the disclosure of assets and liabilities, as well as the recognition of income and expenses. Actual values may differ from those estimates.

Treasury stock. In Q1/2007, Rheinmetall AG purchased 19,000 treasury shares at an average price of €59.31 each. As of March 31, 2007, the portfolio comprised 1,005,364 treasury shares (up from 844,981), acquired at a total cost of €43 million (up from €34 million) and offset against equity.

Related-party transactions. The volume of services provided by or to material related companies mainly originates from project work with joint ventures and associated affiliates and breaks down as follows:

€ million

Company	Volume of services rendered		Volume of services utilized		Volume of unpaid items	
	Q1/2006	Q1/2007	Q1/2006	Q1/2007	3/31/2006	3/31/2007
GIWS Gesellschaft für intelligente Wirksysteme mbH	0	1	--	--	12	2
PSM Projekt System & Management GmbH	6	1	--	--	(3)	4
OY Finnish Defence Power Systems AB	--	2	0	2	0	2
AIM Infrarot-Module GmbH	0	--	1	0	(1)	0
Kolbenschmidt Pierburg Shanghai Nonferrous Components Co.Ltd.	--	0	1	1	1	0
Kolbenschmidt Shanghai Piston Co.Ltd.	--	0	0	1	1	0
Advanced Bearing Materials LLC	--	--	--	0	1	2
Shriram Pistons & Rings Ltd.	1	1	1	1	0	0
	7	5	3	5	11	10

Once again, no business was transacted with any individuals related to the Rheinmetall Group.

Additional information

Financial diary

May 7, 2007	Teleconference on Q1
May 8, 2007	Annual stockholders' meeting in Berlin

Imprint

This financial report contains statements and forecasts referring to the Rheinmetall Group's future development which are based on assumptions and estimates by management. If the underlying assumptions do not materialize, the actual figures may differ from such estimates. Elements of uncertainty 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.

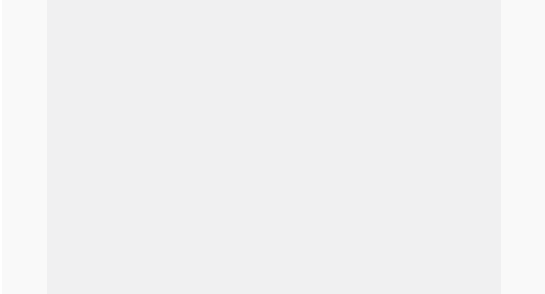
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Rheinmetall's homepage at www.rheinmetall.com contains detailed business information about the Rheinmetall Group and its subsidiaries, present trends, 15-minute stock price updates, press releases, and ad hoc notifications. In fact, investor information is a regular fixture of this website from where all the relevant details may be downloaded.

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