

Q2

RHEINMETALL AG
SEMIANNUAL FINANCIAL REPORT
H1/2007



2007

Rheinmetall in figures

Rheinmetall indicators € million

| | H1/2006 | H1/2007 |
|---------------------------------|----------------|----------------|
| Net sales | 1,725 | 1,883 |
| Order intake | 1,676 | 2,039 |
| Order backlog (June 30) | 2,866 | 3,367 |
| EBITDA | 152 | 173 |
| EBIT | 73 | 96 |
| EBT | 49 | 69 |
| Net income | 37 | 46 |
| Cash flow | 123 | 127 |
| Net financial debt (June 30) | 453 | 528 |
| Net interest expense | (24) | (27) |
| Capital expenditures | 81 | 89 |
| Depreciation/amortization | 79 | 77 |
| Total equity (June 30) | 861 | 961 |
| Total assets (June 30) | 3,270 | 3,414 |
| EBIT margin (%) | 4.2 | 5.1 |
| Earnings per share (€) | 1.01 | 1.26 |
| Market capitalization (June 30) | 1,962 | 2,483 |
| Headcount (June 30) | 19,004 | 19,272 |

Rheinmetall resolutely continuing on a growth course

Adding value through profitable growth, this is at the very heart of Rheinmetall's corporate development policy. With marked rises in sales and order intake plus an improved group performance, Rheinmetall remained on a sound course during the first six months (H1) of fiscal 2007.

- Sales up 9 percent to €1,883 million
- Order intake jumps 22 percent to €2,039 million
- EBIT at €96 million appreciably raised
- EpS mounts from €1.01 to €1.26

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News flashes Q2/2007

April 2007



■ At the International Defence Industry Fair in Ankara, the Defence sector presents a broad range of products and services designed to meet international armed forces' current and future needs.

■ Rheinmetall Defence is commissioned by the Koblenz-based Federal Agency for Defence Technology & Procurement to develop a protective system for the German armed forces' forward operating bases. The close-range system provides protection for soldiers against terrorist attack through incoming missile, artillery or mortar rounds using state-of-the-art air defence technology.

■ The renowned Society of Automotive Engineers (SAE) holds one of the key automotive technology conferences in Detroit. The Automotive sector showcases technologies and innovations designed to reduce pollutant emissions and fuel consumption, improve engine performance and efficiency and minimize engine noise and vibrations.

■ Understanding technology and trying it out for themselves: on the 7th nationwide Girls' Day, aimed at getting young women interested in engineering, scientific and craft trades, schoolgirls take a look behind the scenes at companies within the Automotive and Defence sectors.

■ Rollout for one of the Finnish army's key armament projects: Rheinmetall Defence Electronics hands over to the commanders of the Karelian Brigade the symbolic key for the Asrad-R, a state-of-the-art air defence system for intercepting guided missiles.

May 2007



■ Over 400 stockholders attend the Rheinmetall AG annual general meeting on fiscal 2006 in Berlin.

■ Under the motto "Mold-Breaking Technology" KS Aluminum Technology opens the new production shop for the casting and net-machining of engine blocks at its Neckarsulm site at a ceremony attended by some 300 guests from politics, the business community and public authorities.

■ At a new firing range located in the desert some 100 kilometers west of Kuwait City, high-ranking army officers of the Gulf state and representatives from the two companies involved in the project, Rheinmetall Italia and MBDA Italy, observe the initial testing of ultra-modern air defence guns.

■ Rheinmetall Defence secures from the Swedish Defence Matériel Administration an order to supply Birdie 118 infrared aircraft decoys for protecting Swedish air force helicopters on foreign missions against infrared-guided surface-to-air and air-to-air missiles.

June 2007



■ At an official ceremony, Kolbenschmidt Pierburg hands over the Chair of Lightweight Vehicle Component Construction, which was donated to the renowned Tongji University in Shanghai at the end of 2005, to Professor Dr. Wang Hongya.

■ Cooperation between Rheinmetall Defence and the Israeli IAI: in a first project the tactical reconnaissance system KZO is being networked with an IAI loitering attack system and deployed as an integrated system given the German armed forces' desire to procure a weapon system for the standoff-capable engagement of single and pinpoint targets.

■ As part of a US Department of Defense foreign military sales program, Rheinmetall Defence is supplying another three MLG 27 light naval guns to the Kuwaiti Navy.

■ The extraordinary stockholders' meeting of Kolbenschmidt Pierburg AG resolves to transfer the shares held by minority stockholders to the principal stockholder Rheinmetall.

■ The German Defence Ministry commissions Rheinmetall Defence to supply another three Multi Ammunition Softkill Systems (MASS) for German navy frigates. By 2009, the F123-class frigates Brandenburg, Bayern and Mecklenburg-Vorpommern are each to be equipped with a four-launcher configuration of the naval protection system.

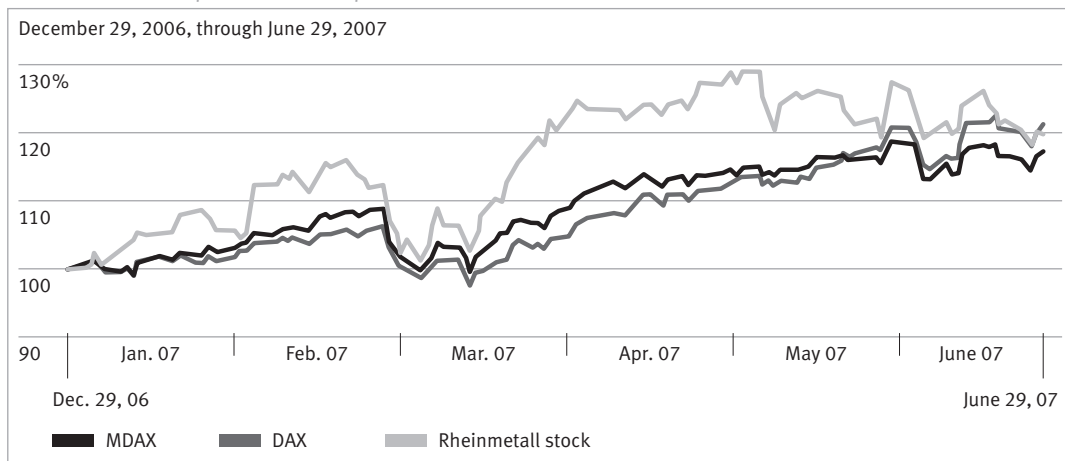
Rheinmetall stock

Upbeat mood on the international stock markets. Following the turbulent opening months of the new fiscal year, the second quarter was marked by a throughout favorable climate on global stock markets. In spite of rising interest rates worldwide, emerging risks in the US mortgage market and the burden of continued high commodity prices, all major indexes recorded significant gains. The DAX, the German market barometer, performed especially strongly, soaring by 21 percent during H1/2007 to 8,007 points, only about 130 points shy of its all-time high. Thus the DAX substantially outperformed the lead indexes in New York, London, Paris, and Tokyo. The MDAX reached a new record by exceeding the 11,000-point mark at the end of May. This midcap index, which includes Rheinmetall, closed at 11,024 by the end of H1, equivalent to a rise of 17 percent since the start of the year. The trend was fueled by both the still robust global economy and mounting corporate earnings.

Rheinmetall stock reaches all-time high. Following the price surge at the end of Q1/2007, Rheinmetall stock continued its upward trend until early May, reaching an all-time high of €74.12 on May 2. At the end of H1/2007 (June 29), Rheinmetall stock was priced in Xetra trading at €68.98, representing a 20-percent hike since the start of the year. Over this period, Rheinmetall stock outperformed the MDAX, advancing by 27 percent versus H1/2006.

Much higher trading volume. As of the end of June 2007, Rheinmetall AG's market capitalization was unchanged on Q1 at €2.5 billion (on a basis of 36 million Rheinmetall shares). At the end of H1/2006, this figure had been €2.0 billion. As a consequence, the stock now occupies according to Deutsche Börse's latest end-of-June rankings, position 17 in terms of this criterion. Regarding the Xetra trading volume, Rheinmetall recorded a daily Q2 average of 262,340 shares, equivalent to a climb of some 13,000 on a year before. In Deutsche Börse AG's trading volume statistics, Rheinmetall's ranking thus inched up by one place to 21.

Rheinmetall stock price trend compared to DAX and MDAX



General economic conditions

Global economy remains on the up. Regardless of the economic slowdown in the USA, the latest figures from the Organization for Economic Cooperation and Development (OECD) show that the world economy remains on a steady growth course. Whereas during the first quarter of 2007 gross domestic product (GDP) of all industrialized countries was 2.3 percent above the prior-year level, a rise of 2.7 percent was recorded during Q2/2007. Most of this momentum is being generated by high expansion rates in the emerging nations of Asia and C&E Europe, foremost China with GDP growth of currently 11 percent. For the eurozone the OECD is predicting GDP growth of 2.7 percent in Q2/2007, the German and Italian economies above all performing much better than expected even a few months ago. According to the OECD figures, the Japanese economy is growing at a relatively constant level, as reflected in a 2.1-percent rise in GDP during the course of H1/2007.

Based on the continuing strong growth signals, the OECD expects that the world economic upswing will be sustained over the coming 18 months. The aggregate GDP of OECD member states should grow by 2.7 percent both in 2007 as a whole and in 2008. For the USA, the OECD is forecasting a rapid economic recovery, to be reflected in GDP growth of 2.1 percent in the current year and 2.5 percent in 2008. The OECD forecasts GDP in the eurozone to grow by 2.7 percent in 2007 and by a further 2.3 percent next year.

Auto production continues to climb. In spite of the global debate about reducing emissions and increasing fuel prices, according to current projections, worldwide production of passenger cars and light commercial vehicles at 34.3 million units for H1/2007 was up by 3.0 percent on the year-earlier level. The trend toward shifting production capacities to low-wage countries as a response to falling selling prices continued, i.e., from the Triad markets of Western Europe, Japan and NAFTA (down 1.3 percent) to other parts of the world (up 11.7 percent).

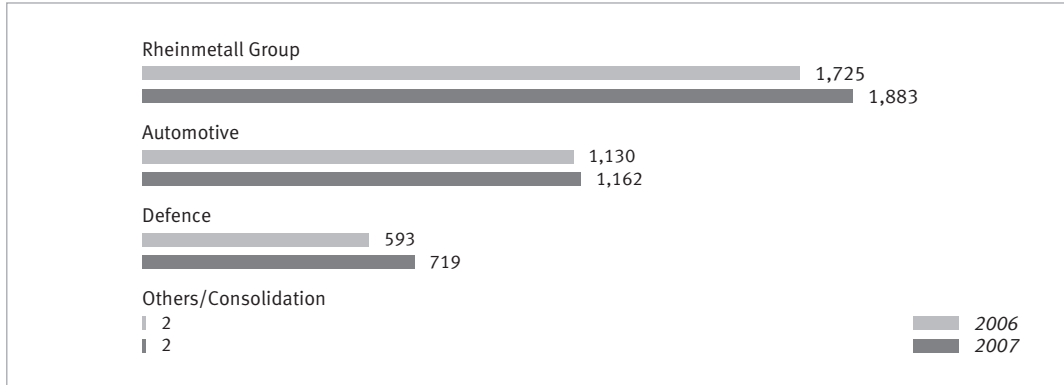
In Western Europe, auto production edged up by 1.4 percent to 8.9 million units, with above all Germany (up 6.9 percent), Spain (up 6.7 percent) and Italy (up 5.1 percent) recording gains, whereas output in France (down 7.3 percent) and the UK (down 3.4 percent) dropped during H1/2007. In C&E Europe, production increased from 1.9 million to 2.3 million units, equivalent to a rise of 21.1 percent. In the NAFTA region, above all the continuing structural crisis in the US automobile industry caused production to contract by 5.2 percent to 7.8 million units. In Japan, auto production inched up by a marginal 0.2 percent on the year-earlier level. In the rest of Asia, car manufacturing grew by 10.2 percent to 7.9 million. Alongside China, where auto production leapt by over 19 percent on a year ago, India also registered strong growth with output up around 9.5 percent.

Global defence spending continues to rise. According to the annual report of the Stockholm International Peace Research Institute (SIPRI), published in mid-June 2007, defence spending increased by 3.5 percent worldwide in 2006 to \$1.2 trillion. This represents a plus of 37 percent over the past ten years. In view of the conflicts that remain unresolved—especially in Iraq, Afghanistan, and the Middle East—it may be assumed that this trend will persist in the foreseeable future. In addition to the rising mission-related costs, this growth in expenditures also reflects the continued high modernization requirements facing international armed forces.

Against this background, a decision was also made in Germany to raise the defence budget by €2 billion in all over the coming four years, thus safeguarding significant arms projects aimed at transforming the German forces in readiness for foreign missions. In addition to the major projects already planned, such as the new Puma infantry fighting vehicle, future procurements are likely to concentrate increasingly on improving the protection of the soldiers in battlefield scenarios. Investments in armored vehicles, in ultramodern equipment for the infantrymen of the future and in combating new threats from extremely small air targets will figure especially.

Rheinmetall Group business trend

Six-month (H1) sales € million



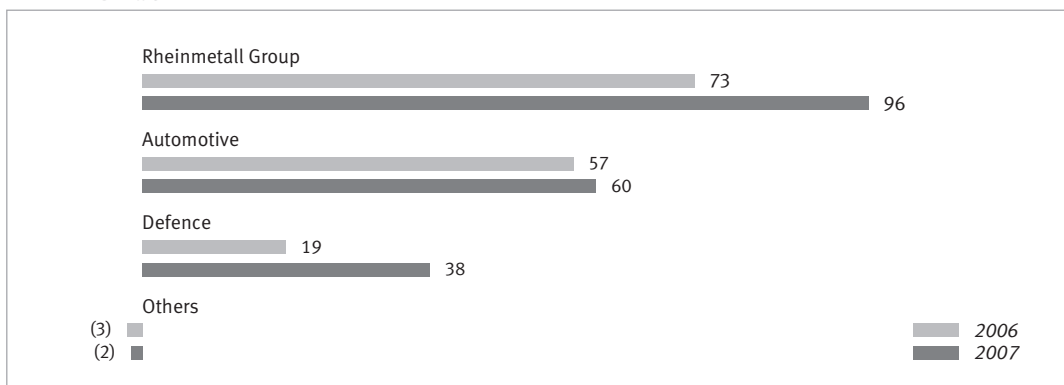
Sales well up. In the second quarter of 2007, Rheinmetall continued to build on the favorable performance in Q1, holding its own very satisfactorily in international markets. H1 sales at €1,883 million climbed nine percent from 2006. The Defence sector made a major contribution to this growth, exceeding its year-earlier sales by 21 percent, whereas Automotive's sales increased by 3 percent.

Non-German H1/2007 sales by the Rheinmetall Group accounted for 69 percent of the total (up from 65). Alongside Germany and other European countries, the chief sales markets were North America and Asia. Automotive generated 68 percent of its sales abroad. At Defence, 72 percent of business was generated with customers abroad.

Sharp rise in order intake. H1/2007 order intake by the Rheinmetall Group added up to €2,039 million (up from €1,676 million). Orders booked by Automotive climbed 3 percent to €1,163 million; at €874 million, Defence's incoming business exceeded the volume recorded in H1/2006 by 60 percent.

At June 30, 2007, orders on hand totaled €3,367 million, which was up 6 percent on the figure of €3,183 million at December 31, 2006, and up 17 percent on June 30, 2006. The Defence sector's order backlog includes a number of megacontracts taking several years to complete.

H1 EBIT € million



Profitability further strengthened. The Rheinmetall Group's EBIT in H1/2007 mounted from €73 million to €96 million. Net income totaled €46 million (up by €9 million). H1 earnings per share (Eps) after total minority interests of €2 million climbed from €1.01 to €1.26.

Asset and capital structure. In comparison to December 31, 2006, the Rheinmetall Group's total assets climbed €77 million, primarily after the vehicle protection system operations were newly included in Q2. The €161 million outflow of cash contrasted with a €71 million increase in inventories and a €68 million rise in trade receivables. After the €35 million dividend payout (€1.00 per share), total equity edged up €24 million to €961 million. The equity ratio remained at an unchanged 28 percent.

The Rheinmetall Group's noncurrent liabilities of €1,043 million were substantially at the year-end 2006 level. Current liabilities mounted €42 million or 3 percent.

Asset and capital structure € million

| | 12/31/2006 | % | 6/30/2007 | % |
|---------------------------------------|--------------|------------|--------------|------------|
| Noncurrent assets | 1,651 | 49 | 1,662 | 49 |
| Current assets | 1,686 | 51 | 1,752 | 51 |
| Total assets | 3,337 | 100 | 3,414 | 100 |
| Total equity | 937 | 28 | 961 | 28 |
| Noncurrent liabilities | 1,032 | 31 | 1,043 | 31 |
| Current liabilities | 1,368 | 41 | 1,410 | 41 |
| Total equity & liabilities | 3,337 | 100 | 3,414 | 100 |

Capital expenditures marked by growth strategy. The Rheinmetall Group's capital spending program is dominated by efforts to implement the internal growth strategy. The use of investment resources is chiefly driven by the strategic and operational objectives of expanding positions in international markets and strengthening technological expertise.

Capital expenditures by corporate sector € million

| | H1/2006 | H1/2007 |
|--------------------------|-----------|-----------|
| Automotive sector | 63 | 71 |
| Defence sector | 18 | 18 |
| Rheinmetall Group | 81 | 89 |

Extensive infrastructural measures were taken at Automotive aimed at providing for the sector's future, such as expansion of the plants in the Czech Republic, investment in the net-machining of engine blocks and the building of a new customer center in Neckarsulm.

Workforce. At June 30, 2007, Rheinmetall employed 19,272 people worldwide, representing a rise of 473 on the end of 2006. Of the total headcount, Automotive accounted for 62 percent, Rheinmetall Defence for 37 percent and Rheinmetall AG and the service companies for just under 1 percent.

Automotive sector

Automotive indicators € million

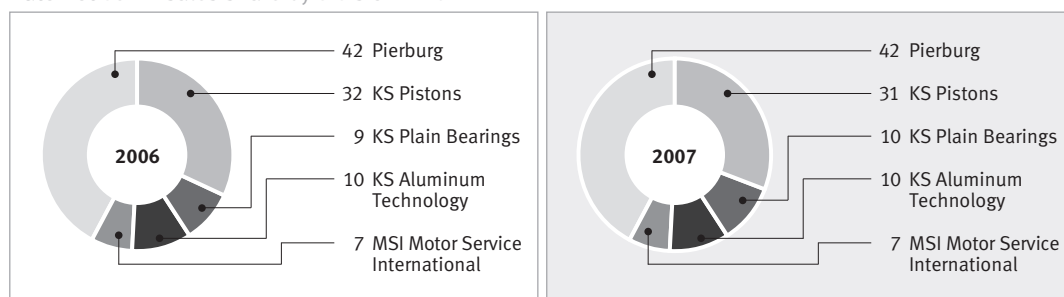
| | H1/2006 | H1/2007 |
|-------------------------|---------|---------|
| Net sales | 1,130 | 1,162 |
| Order intake | 1,126 | 1,163 |
| Order backlog (June 30) | 348 | 376 |
| Headcount (June 30) | 12,098 | 12,033 |
| EBITDA | 118 | 117 |
| EBIT | 57 | 60 |
| EBT | 47 | 47 |
| EBIT margin in % | 5.0 | 5.2 |

Significant events. In order to safeguard the global competitiveness of the Pierburg locations in Germany, a location concept was agreed on in March 2007. When fully effective, this will lead to annual savings of €14 million.

At their extraordinary meeting in June 2007, the stockholders of Kolbenschmidt Pierburg AG resolved to transfer to majority stockholder Rheinmetall the shares held by minority stockholders (squeeze-out). The cash compensation payable by Rheinmetall amounts to €36.76 per share and thus to a total of around €25 million for the remaining 2.4-percent free float of Kolbenschmidt Pierburg AG. Further, the profit & loss transfer agreement (on the agenda for the stockholders' approval) between Kolbenschmidt Pierburg AG and Rheinmetall Verwaltungsgesellschaft mbH, an indirect Rheinmetall AG subsidiary, was resolved. The resolutions have not yet been entered into the Commercial Register.

Automotive continuing on growth path. H1/2007 sales by the Automotive sector exceeded the year-earlier level by €32 million or 3 percent. Rising demand chiefly in the Plain Bearings, Aluminum Technology and Motor Service divisions boosted business.

Automotive H1 sales share by division in %



EBIT improved to €60 million. Automotive's EBIT for H1/2007 amounted to €60 million (up €3 million or 5 percent). The chief reasons for this growth were the extra profit contributions from added sales. In contrast, a weaker US market and discounts to customers had an erosive effect.

Defence sector

Defence indicators € million

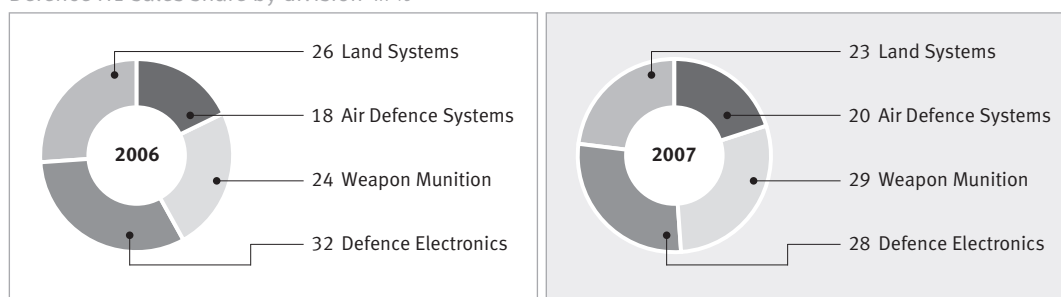
| | H1/2006 | H1/2007 |
|-------------------------|---------|---------|
| Net sales | 593 | 719 |
| Order intake | 547 | 874 |
| Order backlog (June 30) | 2,518 | 2,991 |
| Headcount (June 30) | 6,782 | 7,110 |
| EBITDA | 37 | 58 |
| EBIT | 19 | 38 |
| EBT | 12 | 28 |
| EBIT margin in % | 3.2 | 5.3 |

Significant events. In April 2007, a 51-percent stake was acquired in Bonn-based Chempro GmbH as well as a 25-percent holding in Lohmar-based ADS GmbH. Both companies are technology leaders in the development and manufacture of highly complex protective systems for military vehicles. Rheinmetall Defence is thus further consolidating its position as a systems supplier for land forces.

Considerable sales gains at Defence. At €719 million, the Defence sector's sales grew by €126 million or 21 percent in H1/2007, of which the newly acquired Chempro GmbH accounted for €13 million. Substantial rises were recorded above all by Weapon Munition and Air Defence.

High order intake safeguards growth. H1/2007 order intake reached €874 million, representing a €327 million or 60-percent increase on a year before. The largest contributor was Air Defence, which in the first six months of 2007 booked orders for €361 million (up by €243 million).

Defence H1 sales share by division in %



Improved profitability. With sales up, H1/2007 EBIT by Defence doubled to €38 million. The EBIT margin was thus raised to 5.3 percent in the first six months of 2007 (up from 3.2).

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. A global market presence promotes resistance to economy-related price and profit volatility in individual regions of the world. Moreover, the diversified product and customer structures help absorb any reverberations should business with certain products, customers or sectors falter.

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. An appeal has been lodged against this judgment. There were no further significant subsequent events.

Prospects

Profit forecast for 2007 confirmed. For the rest of the fiscal period, Rheinmetall is predicting a continuation of the encouraging performance to date. The profit forecast for the entire 2007 is thus confirmed. 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 above the 2006 level.

Management representation

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Düsseldorf, August 8, 2007

Klaus Eberhardt

Dr. Gerd Kleinert

Dr. Herbert Müller

Interim financial statements for H1/2007
Rheinmetall AG

Consolidated balance sheet as of June 30, 2007

Assets € million

| | 12/31/2006 | 6/30/2007 |
|---------------------------------------|--------------|--------------|
| Intangible assets | 439 | 465 |
| Tangible assets | 1,057 | 1,036 |
| Investment properties | 15 | 12 |
| Investees | 68 | 81 |
| Noncurrent financial assets | 9 | 8 |
| Sundry noncurrent assets | 3 | 3 |
| Deferred tax assets | 60 | 57 |
| Total noncurrent assets | 1,651 | 1,662 |
| Inventories | 681 | 729 |
| less prepayments received | (54) | (31) |
| | 627 | 698 |
| Trade receivables | 499 | 567 |
| Current financial assets | 29 | 11 |
| Sundry current receivables and assets | 322 | 377 |
| Income tax assets | 12 | 21 |
| Cash and cash equivalents | 197 | 36 |
| Noncurrent assets held for sale | -- | 42 |
| Total current assets | 1,686 | 1,752 |
| Total assets | 3,337 | 3,414 |

Equity & liabilities € million

| | 12/31/2006 | 6/30/2007 |
|--------------------------------------------------|--------------|--------------|
| Capital stock | 92 | 92 |
| Additional paid-in capital | 208 | 208 |
| Other reserves | 516 | 603 |
| Net earnings | 120 | 44 |
| Treasury stock | (42) | (41) |
| Stockholders' equity | 894 | 906 |
| Minority interests | 43 | 55 |
| Total equity | 937 | 961 |
| Pension accruals | 519 | 523 |
| Other noncurrent accruals | 97 | 94 |
| Noncurrent financial debts | 388 | 390 |
| Sundry noncurrent liabilities | 9 | 13 |
| Deferred tax liabilities | 19 | 23 |
| Total noncurrent liabilities and accruals | 1,032 | 1,043 |
| Current accruals | 305 | 292 |
| Current financial debts | 14 | 174 |
| Trade payables | 465 | 414 |
| Sundry current liabilities | 534 | 468 |
| Income tax liabilities | 50 | 59 |
| Liabilities of disposal groups held for sale | -- | 3 |
| Total current liabilities and accruals | 1,368 | 1,410 |
| Total equity & liabilities | 3,337 | 3,414 |

Consolidated income statement

Consolidated income statement for the 6 months (H1) ended June 30 € million

| | H1/2006 | H1/2007 |
|-----------------------------------------------------------------|--------------|--------------|
| Net sales | 1,725 | 1,883 |
| Net inventory changes, other work and material capitalized | 89 | 31 |
| Total operating performance | 1,814 | 1,914 |
| Other operating income | 47 | 39 |
| Cost of materials | (939) | (993) |
| Personnel expenses | (528) | (531) |
| Amortization/depreciation | (79) | (77) |
| Other operating expenses | (242) | (260) |
| Operating result | 73 | 92 |
| Net interest expense ¹⁾ | (24) | (27) |
| Net investment income and other financial results ²⁾ | 0 | 4 |
| Net financial result | (24) | (23) |
| Earnings before taxes (EBT) | 49 | 69 |
| Income taxes | (12) | (23) |
| Net income | 37 | 46 |
| Minority interests | 2 | 2 |
| Group earnings | 35 | 44 |
| Earnings per share in € (basic/diluted) | 1.01 | 1.26 |

¹⁾ incl. interest expense of €32 million (up from €29 million)

²⁾ incl. net P/L of investees carried at equity of €3 million (up from €2 million)

Consolidated income statement for the 3 months (Q2) ended June 30 € million

| | Q2/2006 | Q2/2007 |
|-----------------------------------------------------------------|-------------|-------------|
| Net sales | 873 | 971 |
| Net inventory changes, other work and material capitalized | 41 | 19 |
| Total operating performance | 914 | 990 |
| Other operating income | 29 | 15 |
| Cost of materials | (474) | (518) |
| Personnel expenses | (268) | (272) |
| Amortization/depreciation | (39) | (39) |
| Other operating expenses | (123) | (128) |
| Operating result | 39 | 48 |
| Net interest expense ¹⁾ | (13) | (14) |
| Net investment income and other financial results ²⁾ | 0 | 4 |
| Net financial result | (13) | (10) |
| Earnings before taxes (EBT) | 26 | 38 |
| Income taxes | (6) | (14) |
| Net income | 20 | 24 |
| Minority interests | 0 | 1 |
| Group earnings | 20 | 23 |
| Earnings per share in € (basic/diluted) | 0.56 | 0.66 |

¹⁾ incl. interest expense of €17 million (up from €15 million)

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

Consolidated statement of cash flows for the six months ended June 30

€ million

| | H1/2006 | H1/2007 |
|-----------------------------------------------------------------------------------|--------------|--------------|
| Opening cash and cash equivalents | 408 | 197 |
| Net income | 37 | 46 |
| Amortization/depreciation of intangibles, tangibles and investment properties | 79 | 77 |
| Change in pension accruals | 7 | 4 |
| Cash flow | 123 | 127 |
| Changes in working capital and other items | (293) | (309) |
| Net cash used in operating activities¹⁾ | (170) | (182) |
| Cash outflow for additions to tangibles, intangibles and investment properties | (81) | (102) |
| Cash inflow from the disposal of tangibles, intangibles and investment properties | 1 | 9 |
| Cash outflow for additions to consolidated subsidiaries and financial assets | (18) | (29) |
| Cash inflow from the disposal of consolidated subsidiaries and financial assets | 9 | 19 |
| Net cash used in investing activities | (89) | (103) |
| Rheinmetall AG dividend payout | (32) | (35) |
| Other profit distributions | (2) | (2) |
| Treasury stock | (7) | (1) |
| Change in financial debts | (22) | 161 |
| Net cash (used in)/provided by financing activities | (63) | 123 |
| Net change in cash and cash equivalents | (322) | (162) |
| Parity-related change in cash and cash equivalents | (1) | 1 |
| Total change in cash and cash equivalents | (323) | (161) |
| Closing cash and cash equivalents | 85 | 36 |

¹⁾ Including:

Net cash inflow from interest: €21 million (down from €27 million)

Net cash inflow from income taxes: €19 million (down from €27 million)

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 | Group earnings | Treasury stock | Stockholders' equity | Minority interests | Total equity |
|-----------------------------------|---------------|----------------------------|---------------------------------|-------------------------------------------|----------------------------------------------|-----------|----------------|----------------|----------------------|--------------------|--------------|
| Balance at January 1, 2006 | 92 | 208 | 401 | (18) | 66 | 48 | 113 | (34) | 828 | 47 | 875 |
| Dividend payout | -- | -- | (32) | -- | -- | -- | -- | -- | (32) | (2) | (34) |
| Currency translation differences | -- | -- | -- | (6) | -- | (6) | -- | -- | (6) | (1) | (7) |
| Consolidation group changes | -- | -- | -- | -- | -- | -- | -- | -- | -- | (4) | (4) |
| Accumulated OCI | -- | -- | 1 | -- | -- | -- | -- | (7) | (6) | -- | (6) |
| Transfer to/from reserves | -- | -- | 113 | -- | -- | -- | (113) | -- | -- | -- | -- |
| Net earnings | -- | -- | -- | -- | -- | -- | 35 | -- | 35 | 2 | 37 |
| Balance at June 30, 2006 | 92 | 208 | 483 | (24) | 66 | 42 | 35 | (41) | 819 | 42 | 861 |
| Balance at January 1, 2007 | 92 | 208 | 488 | (37) | 65 | 28 | 120 | (42) | 894 | 43 | 937 |
| Dividend payout | -- | -- | (35) | -- | -- | -- | -- | -- | (35) | (2) | (37) |
| Currency translation differences | -- | -- | -- | 0 | -- | 0 | -- | -- | 0 | -- | 0 |
| Consolidation group changes | -- | -- | -- | -- | -- | -- | -- | -- | -- | 12 | 12 |
| Accumulated OCI | -- | -- | 1 | -- | 1 | 1 | -- | 1 | 3 | -- | 3 |
| Transfer to/from reserves | -- | -- | 120 | -- | -- | -- | (120) | -- | -- | -- | -- |
| Net earnings | -- | -- | -- | -- | -- | -- | 44 | -- | 44 | 2 | 46 |
| Balance at June 30, 2007 | 92 | 208 | 574 | (37) | 66 | 29 | 44 | (41) | 906 | 55 | 961 |

Notes

Segment report € million

| Corporate sectors | Automotive | | Defence | | Others/ Consolidation | | Group | |
|-------------------|------------|---------|---------|---------|--------------------------|---------|---------|---------|
| | H1/2006 | H1/2007 | H1/2006 | H1/2007 | H1/2006 | H1/2007 | H1/2006 | H1/2007 |
| Sales | 1,130 | 1,162 | 593 | 719 | 2 | 2 | 1,725 | 1,883 |
| EBIT | 57 | 60 | 19 | 38 | (3) | (2) | 73 | 96 |

General bases. Rheinmetall AG's interim financial statements 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 interim 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 interim financial statements reflect all due adjustments required for a true and fair view of the business trend in the period under review. The performance data and results shown for H1/2007 do not necessarily allow a forecast to be made 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 interim 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, the 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.

| | 12/31/2006 | Additions | Disposals | 6/30/2007 |
|------------------------------|------------|-----------|-----------|-----------|
| Fully consolidated companies | 92 | 2 | (3) | 91 |
| thereof in Germany | 45 | 1 | (1) | 45 |
| thereof abroad | 47 | 1 | (2) | 46 |
| Investees carried at equity | 16 | 3 | -- | 19 |
| thereof in Germany | 7 | 3 | -- | 10 |
| thereof abroad | 9 | -- | -- | 9 |

In April 2007, a 51-percent voting stake in Chempro, Bonn, Germany, was acquired at a price of €25 million. With this majority interest, a 25-percent stake was also acquired as initial investment in ADS Gesellschaft für active Schutzsysteme mbH, Lohmar, Germany. Under an asset deal in April 2007, Pierburg México S.A. de C.V. and Pierburg Ltd. took over the pump operations from DANA at a price of €1 million.

The assets and liabilities acquired from Chempro GmbH are restated at fair value in the balance sheet and break down as follows:

€ million

| | Pre-acquisition book values | Adjustments | Fair values |
|-------------------------------|--------------------------------|-------------|-------------|
| Goodwill | -- | 11 | 11 |
| Other intangible assets | 0 | 15 | 15 |
| Tangible assets | 2 | 0 | 2 |
| Inventories | 8 | 0 | 8 |
| Cash and cash equivalents | 7 | -- | 7 |
| Other current assets | 21 | -- | 21 |
| Current financial liabilities | 0 | -- | 0 |
| Other current liabilities | 20 | -- | 20 |
| Other noncurrent liabilities | 1 | 6 | 7 |

The fair values of intangible assets had the greatest impact on purchase price allocation and cover mainly technology and know-how, besides customer relations. Chempro GmbH generated an H1/2007 EBIT of €1 million and is expected to deliver a similar one in H2.

Subsequent to the balance sheet date, all of the shares in Zaugg Elektronik AG, a renowned Swiss safety fuse system manufacturer, were acquired at €6 million. The effects of this acquiree on the Group's asset and capital structure, financial position or results of operations are insignificant.

Noncurrent assets held for sale. As part of the portfolio streamlining moves, Rheinmetall decided in April 2007 to dispose of Defence's remote manipulator operations. This transaction does not meet the criteria for disclosure as discontinued operation and therefore, the related income and expenses will be included in net income from continuing operations up to the date of actual divestment. In addition, real estate is carried within the noncurrent assets held for sale. €4 million is included in, and only in, OCI (equity) from the revaluation of land essential for business. The table below lists the related assets and liabilities as of June 30, 2007.

€ million

| | |
|-----------------------------------------------------------|-----------|
| Noncurrent assets | 32 |
| Sundry current assets | 10 |
| Total noncurrent assets held for sale | 42 |
| Noncurrent liabilities | 1 |
| Sundry current liabilities | 2 |
| Total liabilities of disposal groups held for sale | 3 |

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.

Notes

Treasury stock. The annual general meeting authorized Rheinmetall AG on May 8, 2007, to repurchase shares of treasury stock on or before October 31, 2008, for a maximum equivalent to 10 percent of the current capital stock of €92.16 million.

In March 2007, Rheinmetall AG purchased 19,000 treasury shares at a total cost of €1 million. As of June 30, 2007, after the issuance of shares to employees, the portfolio comprised 960,244 treasury shares (down from 986,364 at December 31, 2006), acquired at a total cost of €41 million (down from €42 million) and offset against equity.

Stock-based compensation. An incentive program was launched in fiscal 2006 under which beneficiaries are granted Rheinmetall shares besides receiving cash. Participants can freely dispose of the shares granted once the 3-year qualifying period has expired. Under this incentive program, participants received on April 2, 2007, a total 45,120 shares at a market value of €3 million (purchased at a cost of €2 million), including 6,757 shares granted to Rheinmetall AG's Executive Board:

| | Klaus Eberhardt | Dr. Gerd Kleinert | Dr. Herbert Müller |
|-----------------------------------------|-----------------|-------------------|--------------------|
| Number of Rheinmetall AG shares granted | 3,379 | 1,689 | 1,689 |

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 | |
|---------------------------------------------------------------|-----------------------------|-----------|-----------------------------|-----------|------------------------|-----------|
| | H1/2006 | H1/2007 | H1/2006 | H1/2007 | 6/30/2006 | 6/30/2007 |
| GIWS Gesellschaft für intelligente Wirksysteme mbH | 0 | 1 | -- | -- | 0 | 0 |
| PSM Projekt System & Management GmbH | 7 | 18 | 0 | 0 | 3 | 24 |
| OY Finnish Defence Power Systems AB | 2 | 3 | 4 | 7 | 2 | 1 |
| AIM Infrarot-Module GmbH | 0 | 0 | 1 | 1 | 0 | (1) |
| Kolbenschmidt Pierburg Shanghai Nonferrous Components Co.Ltd. | 0 | 0 | 2 | 5 | 1 | 0 |
| Kolbenschmidt Shanghai Piston Co.Ltd. | 0 | 1 | 0 | 1 | 0 | 1 |
| Advanced Bearing Materials LLC | 0 | 0 | 0 | 1 | 1 | 1 |
| Shriram Pistons & Rings Ltd. | 2 | 2 | 1 | 1 | 0 | 1 |
| | 11 | 25 | 8 | 16 | 7 | 27 |

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

Subsequent events. On July 6, 2007, the German Business Taxation Reform Act 2008 was passed by the Upper House of the German Parliament (Bundesrat). The Act's effect on the measurement of deferred taxes will be reflected in the next interim report on 3Q/2007.

Additional information

Financial diary 2007

| | |
|-------------------|----------------------|
| August 8, 2007 | Teleconference on H1 |
| November 12, 2007 | Teleconference on 3Q |
| | |

Imprint

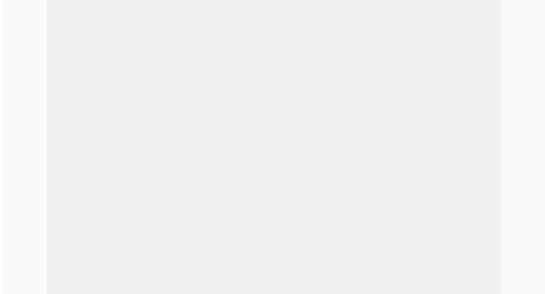
This financial report contains statements and forecasts referring to the Rheinmetall Group's future development which are based on assumptions and estimates by management. If the underlying assumptions do not materialize, the actual figures may differ from such estimates. Elements of uncertainty include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