

Rheinmetall AG

Interim report as of March 31, 2002

Earnings much higher

Vigorous organic sales growth of 7.2 percent

Order backlog up 6.5 percent to €4.1 billion



Rheinmetall AG

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Rheinmetall: earnings much higher

As part of its Clear Directions Strategy, which has been piloting Rheinmetall Group business policies since the start of 2000, the Executive Board adopted a shareholder value program in early 2002 according to which the various restructuring programs will by and large be completed by the end of 2002, market leadership extended in the core fields of Automotive, Electronics, and Defence, and the portfolio pruned through the disposal of marginal activities. Despite the general recession, Rheinmetall is sticking to its course and by early May 2002, media and analysts shared the view that the workout program was getting the Group back into good shape.

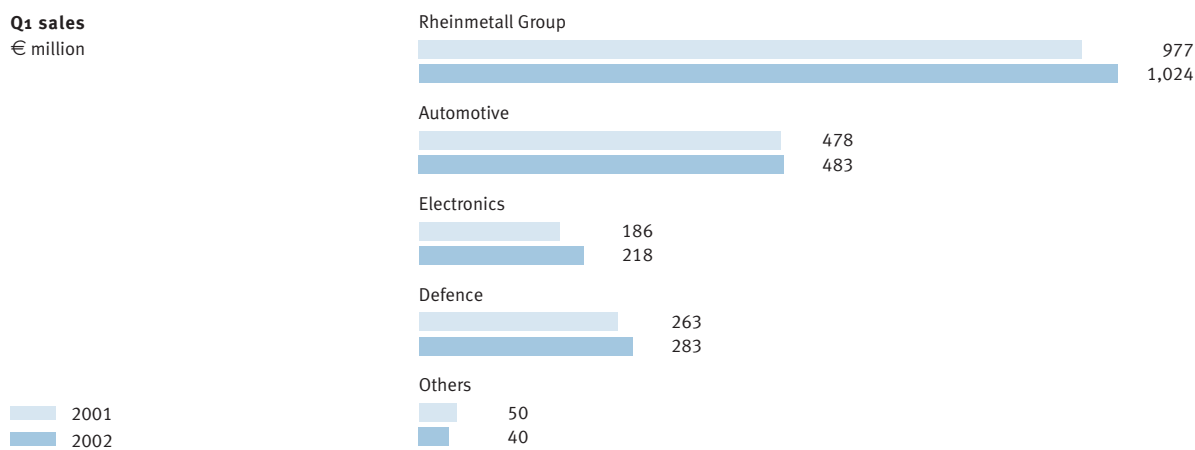
The progress made so far continued into fiscal 2002, with Group sales showing 7.2 percent organic growth, and a very comfortable order backlog assuring further such gains.

For the first quarter of 2002, EBIT likewise advanced from €10 million to €27 million, compared with a like-for-like IAS-based Q1/2001.

This year, Rheinmetall will again improve on the good prior-period performance, provided that the global automotive industry rallies and the megaprojects budgeted for the land forces are approved by the German parliament before its summer recess. An encouraging start in this respect has been undertaken in the form of Mine Protection for the Marder Infantry Tank, a project that has already been given the go-ahead by the budget appropriation committee of the German parliament on May 15, 2002.

Sales gains by all the sectors

Q1 sales
€ million

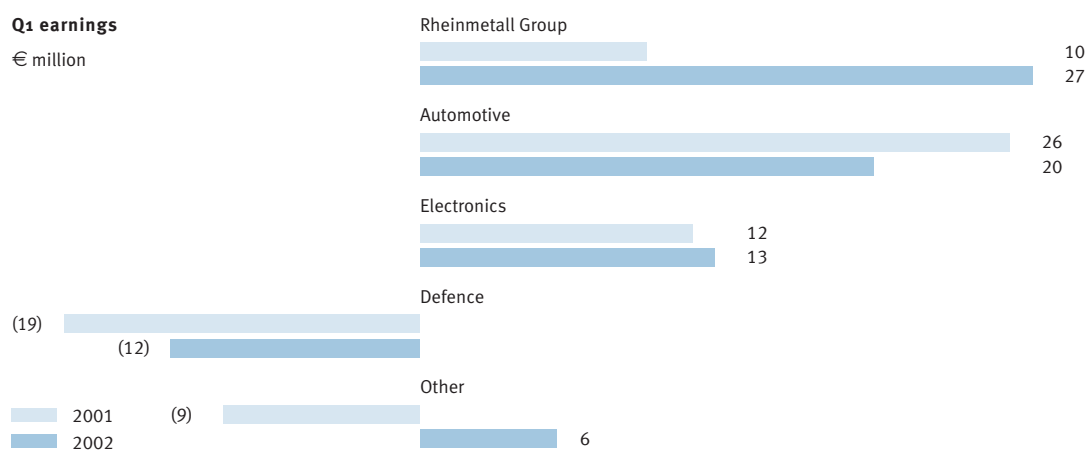


Q1/2002 sales

In the first quarter of 2002 the Rheinmetall Group generated sales of €1,024 million, equivalent to an increase of 4.8 percent over the year-earlier €977 million. Adjusted for

consolidation group changes, the rise was as high as 7.2 percent. All the sectors shared, albeit it to mixed degrees, in this growth.

Earnings improved even further



Q1/2002 earnings

In the first quarter of 2002, the Rheinmetall Group's EBIT climbed to €27 million (from the year-earlier €10 million), with Electronics and Defence showing gains while Automotive as expected failed to match the high year-earlier level due to the global recession within the automotive market. As in preceding years, the Defence sector closed the quarter with a negative EBIT due to the typical public-sector sales pattern. Moreover, the

percentage-of-completion (PoC) method required by IAS for longer-term manufacturing contracts, does not apply to ammunition and development contracts, the consequence being that the prorated shares of earnings can only materialize in the further course of the fiscal year as and when invoiced. The sharp EBIT improvement of €15 million by the activities subsumed under Others (the holding company, financial investees, and service companies) is mainly due to the Jagenberg Group which in Q1/2002 improved its

EBIT by €7 million, though nonetheless still deep in the red. Other sources of earnings were higher gains from the conveyance of real estate and a better improved performance by EuroMarine and Rheinmetall Informationssysteme.

Rheinmetall Group indicators € million	Q1/2001	Q1/2002
Net sales	977	1,024
EBITDA	79	95
EBIT	10	27
EBT	(13)	1
EBIT margin	1.0%	2.6%
EpS (before goodwill amortization)*	€(0.33)	€(0.11)
Cash flow	53	65
Capital expenditures	60	66
Amortization/depreciation	69	68
Order intake	1,040	976
Order backlog (03-31)	3,839	4,090
Headcount (03-31)	29,771	27,995

* weighted average of common and preferred stock

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The corporate sectors

Kolbenschmidt Pierburg AG Automotive



The variable intake manifold on the Audi W12

Within a difficult market climate clouded by receding unit sales of over 4 percent in Western Europe and the United States, the Automotive sector (Kolbenschmidt Pierburg AG) managed to slightly raise its revenues in the first quarter of 2002 to €483 million. Whereas Air Supply & Pumps and Aluminum Technology generated steep growth rates of over 6 percent, Motor Service was slightly short of the year-earlier level. Product start-up postponements led to small sales reductions at Pistons and Plain Bearings.

Automotive indicators € million	Q1/2001	Q1/2002
Net sales	478	483
EBITDA	65	60
EBIT	26	20
EBT	16	10
EBIT margin	5.4%	4.2%
Capital expenditures	41	47
Amortization/depreciation	39	40
Order intake	473	479
Order backlog (03-31)	312	320
Headcount (03-31)	12,161	11,693

Expectedly, EBIT at €20 million failed to match the €26 million of a good Q1/2001.

Air Supply & Pumps made good earnings progress, specially through raised sales and the successful restructuring at the Berlin plant whereas at Pistons and Plain Bearings a number of postponed customer projects and certain call-off reductions meant a temporary earnings erosion. Aluminum Technology's EBIT was appreciably lower than in Q1/2001 as a consequence of product start-up burdens.

Automotive spent €47 million on tangible assets in the first quarter of 2002, hence 15 percent up over Q1/2001 although for the year as a whole, expenditures are expected to fall short of 2001.

The workforce reduction by 468 is mainly due to the restructuring programs at the US plants, the impact of the economy, and the transfer of the MotorEngineering division.

Aditron AG Electronics



Heimann Systems inspection units for airport security

The markets of relevance to the Electronics sector (Aditron AG) had a mixed quarter. Whereas the industrial electronics sector suffered from adverse conditions, security system products (Heimann Systems) are in growing demand, also in the wake of September 11, 2001. As a result, this division showed a definite gain in sales and order intake while the others were slightly down although still high.

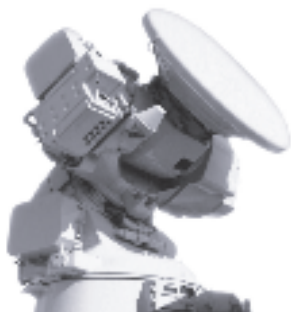
Electronics indicators € million	Q1/2001	Q1/2002
Net sales	186	218
EBITDA	20	21
EBIT	12	13
EBT	10	11
EBIT margin	6.5%	6.0%
Capital expenditures	7	5
Amortization/depreciation	8	8
Order intake	196	219
Order backlog (03-31)	263	288
Headcount (03-31)	5,511	5,137

Electronics raised its sales in Q1/2002 by 17.2 percent to €218 million, up 20.4 percent compared with a like-for-like Q1/2001.

With earnings again improved at Heimann Systems, Aditron's EBIT climbed €1 million to €13 million in Q1/2002. The figure for Q1/2001 had included a gain of €1 million from the disposal of a subsidiary.

Despite an extra 145 employees (for workload reasons) at Heimann Systems, the overall workforce at Electronics dropped by 374, chiefly on account of restructuring at the Hirschmann and Preh divisions and the sale of the multimedia communications network unit.

Rheinmetall DeTec AG Defence



SKYSHIELD air defence fire command radar

Within a generally hostile market environment, the Defence sector (Rheinmetall DeTec AG) pushed up its order backlog to €3.4 billion.

Defence indicators € million	Q1/2001	Q1/2002
Net sales	263	283
EBITDA	(4)	3
EBIT	(19)	(12)
EBT	(23)	(17)
EBIT margin	(7.2%)	(4.2%)
Capital expenditures	10	9
Amortization/depreciation	15	15
Order intake	249	224
Order backlog (03-31)	3,062	3,407
Headcount (03-31)	9,072	9,095

Although the first quarter of a year has traditionally been a sluggish sales revenue period for Rheinmetall DeTec, sales in Q1/2002 did gain, by 7.6 percent to €283 million.

Accordingly, Q1/2002 EBIT showed a sharp improvement from a negative €19 million to a negative €12 million. As a consequence, the sector expects to achieve its goal of a higher EBIT for all of 2002.

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Income statement for Q1/2002

€ million	Q1/2001	Q1/2002
Net sales	977	1,024
Net inventory changes, other work and material capitalized	99	47
Total operating performance	1,076	1,071
Other operating income	40	41
Cost of materials	(495)	(485)
Personnel expenses	(379)	(365)
Amortization/depreciation	(69)	(68)
Other operating expenses	(161)	(169)
Operating result	12	25
Net interest expense	(23)	(26)
Net investment income and other financial results	(2)	2
Net financial result	(25)	(24)
Earnings before taxes (EBT)	(13)	1
Income taxes	(6)	(9)
Group net loss	(19)	(8)
Minority interests	2	(1)
Group earnings (after minority interests)	(17)	(9)

Balance sheet as of March 31, 2002

Assets

€ million	12-31-2001	3-31-2002
Fixed assets		
Intangible assets	328	327
Tangible assets	1,501	1,508
Financial assets	56	57
	1,885	1,892
Current assets		
Inventories	1,058	1,124
less prepayments received	(39)	(60)
Trade receivables	723	664
All other receivables and sundry assets	308	387
Cash & cash equivalents	223	109
	2,273	2,224
Income tax assets	50	57
Prepaid expenses & deferred charges	10	19
	4,218	4,192

Equity & liabilities

€ million	12-31-2001	3-31-2002
Total equity		
Stockholders' equity (Rheinmetall AG)		
Capital stock	92	92
Additional paid-in capital	208	208
Other reserves	129	154
Group earnings (after minority interests)	21	(9)
	450	445
Minority interests	267	264
	717	709
Accruals		
Pension accruals	673	678
Other	576	569
	1,249	1,247
Liabilities		
Financial debts	908	909
Trade payables	456	432
All other liabilities	775	754
	2,139	2,095
Income tax liabilities	53	71
Deferred income	60	70
	4,218	4,192

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Cash flow statement for Q1/2002

€ million	Q1/2001	Q1/2002
Cash & cash equivalents at Jan. 1 (BoP)	242	223
Group net loss	(19)	(8)
Amortization/depreciation of fixed assets	69	68
Change in pension accruals	3	5
Cash flow	53	65
Changes in working capital and other items	(107)	(112)
Net cash used in operating activities	(54)	(47)
Cash outflow for tangible and intangible assets	(60)	(66)
Cash inflow from the disposal of tangible and intangible assets	1	2
Cash outflow for additions to consolidated subsidiaries and financial assets	(19)	(2)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	3	-
Net cash used in investing activities	(75)	(66)
Capital paid in	-	-
Dividend paid out by Rheinmetall AG	-	-
Other profit distribution	(1)	(2)
Change in financial debts	20	1
Net cash provided by/(used in) financing activities	19	(1)
Cash-based change in cash & cash equivalents	(110)	(114)
Parity-related change in cash & cash equivalents	-	-
Total net change in cash & cash equivalents	(110)	(114)
Cash & cash equivalents at March 31 (EoP)	132	109

In Q1/2002, the Rheinmetall Group slightly reduced the net cash used in operating activities to €47 million. This negative balance is quite normal for any Defence, and thus also Rheinmetall, first quarter of a year due to Defence's low business volume combined with the start-up of work on longer-

term contracts, which accumulates working capital. For all of 2002, Rheinmetall expects operating activities to provide a net cash inflow which fully covers the fiscal year's capital expenditures and exceeds the prior year's level.

Changes in equity € million	Capital stock	Additional paid-in capital	Other reserves	Group earnings after minority interests	Stock- holders' equity (Rheinmetall AG)	Minority interests	Total equity
Balance at Jan. 1, 2002	92	208	129	21	450	267	717
Capital contributions							
Dividend payments						(2)	(2)
Exchange differences			3		3		3
Consolidation group changes						(2)	(2)
Other comprehensive income			22	(21)	1		1
Group earnings				(9)	(9)	1	(8)
Balance at Mar. 31, 2002	92	208	154	(9)	445	264	709

Consolidation group	12-31-2001	Additions	Disposals	3-31-2002
Fully consolidated companies	177	3	1	179
thereof in Germany	93	1	1	93
thereof abroad	84	2		86
Investees carried at equity	16			16
thereof in Germany	7			7
thereof abroad	9			9

Primary accounting bases

The present consolidated quarterly financial statements have been prepared in accordance with such International Accounting Standards (IAS) approved and released by the International Accounting Standards Board (IASB) as were prescribed to be applied as of quarter-end, as well as with the Interpretations of the Standing Interpretations Committee (SIC).

The accounting and valuation principles, as well as the explanations and disclosures in this quarterly report are based on the same, consistently applied methods that also underlie the consolidated financial statements for the fiscal year ended December 31, 2001, to which we make reference for further details.

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Financial diary

June 4, 2002	Teleconference with financial analysts
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June 10, 2002	Annual stockholders' meeting, Berlin
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