Q2

Rheinmetall AG

Semiannual financial report
H1/2009

2009

Rheinmetall in figures

Rheinmetall indicators *€ million*

	H1/2008	H1/2009	Change
Sales	1,885	1,506	–379
Order intake	1,980	1,769	–211
Order backlog (June 30)	3,789	3,826	+37
Headcount (June 30)	19,398	19,942	+544
EBITDA	181	27	–154
EBIT	102	(63)	–165
EBIT margin (%)	5.4	(4.2)	--
EBT	76	(90)	–166
Group net income/(loss)	54	(71)	–125
Earnings per share (€)	1.50	(2.06)	–3.56
Capital expenditures	97	71	–26
Amortization/depreciation/write-down	79	90	+11
Cash flow	147	36	–111
Net financial debt (June 30)	561	537	–24
Total equity (June 30)	1,060	1,037	–23
Total assets (June 30)	3,595	3,571	–24

Defence with a clear rise in earnings
Automotive with improved operating result and heavy restructuring burdens

Another solid performance by the Defence sector in H1/2009 failed to quite offset the heavy sales and earnings losses at Automotive in the wake of the global auto industry crisis. Nonetheless improved earnings at Defence and a much better Q2 operating result at Automotive did bring about a positive H1 operating EBIT for Rheinmetall. Hence, the Group is reaffirming its annual forecast of a positive EBIT even after allowing for the restructuring expenses.

- Defence’s order intake up 23 percent
- Defence’s EBIT up 30 percent to €70 million
- Restructuring programs at Automotive depress earnings by €68 million
- EBIT at a negative €63 million
- Outlook for 2009 confirmed
- Early refinancing of outstanding bond issue
- €104 million capital increase successful

Contents

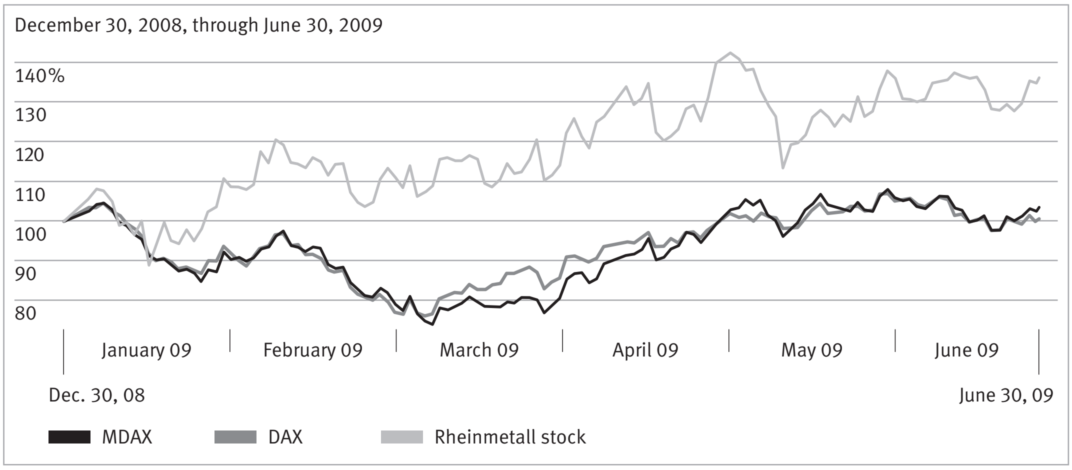
Rheinmetall stock

Glimmers of hope on the stock markets | Encouraged by expectations of a trend reversal in the real economy, the long downhill journey of the German stock market came to a stop in the second quarter of 2009. Despite still prevailing economic uncertainties, the DAX showed a gain of 18 percent in Q2, to reach 4,809 points at midyear. With an advance of 30 percent to 5,754 the MDAX's Q2 recovery was even more significant. For the full six months, this index climbed three percent while the DAX returned to its level at the beginning of 2009.

Strong performance by Rheinmetall stock | Q2 saw Rheinmetall stock resume its good performance of the early months of 2009 and thus continue the past months' upswing. Having closed Q1 at €25.61, it mounted to €32.58 by May 4 (its H1 high). Following a brief dip to around €26 on May 13, it then vacillated between €29 and €31, closing Q2 at €30.85. At July 31, 2009, Rheinmetall stock was quoted at €34.16, a 49-percent gain from the price in early 2009.

Market capitalization and trading volumes | At the end of Q2/2009, Rheinmetall AG's market capitalization amounted to €1.1 billion, rising to position 13 (up from 15) in Deutsche Börse's MDAX capitalization rankings. The daily trading volume (Xetra) during Q2 averaged 252,000 (down from 296,000). In the trading volume statistics, the second criterion for MDAX membership, Rheinmetall AG likewise mounted, from position 19 to 13.

Rheinmetall stock price trend compared to DAX and MDAX



General economic conditions

First signs of economic recovery | Following the dramatic slump in the global economy during the fall of 2008, the deep recession had maintained its momentum in Q1/2009. By midyear, however, there were many signs that the worst economic crisis for 80 years had bottomed out. Analysts pointed to rallying commodity prices and that the rate of decline in industrial production had decelerated appreciably since February. But recovery is likely to be “weak and frail,” says the OECD.

In its most recent World Economic Outlook Update, the International Monetary Fund (IMF) is predicting a shrinkage in the global economy of 1.4 percent for this year. As to 2010, its outlook is much brighter: for the first time since the start of the crisis, the economists are upwardly revising their forecasts to 2.5 percent. This contrasts with a mere 1.9 percent predicted by the IMF for 2010 back in April of this year. In its updated study, the IMF sees the emerging nations such as China as being on the road to recovery. It predicts the US economy to contract this year by 2.6 percent; for 2010, it forecasts a growth of 0.8 percent. As to the eurozone, expectations are much more modest: down 4.8 percent this year and down 0.3 percent in 2010.

Germany’s economy, says the OECD at midyear 2009, will slump by 6.1 percent this year (in March, the prediction had been a decrease of 5.1 percent). Also for Germany, the organization is looking 2010 to a gradual recovery of a mere 0.2 percent. Nonetheless, even for the German economy, the prospects of a turnaround are picking up. Experts from leading research institutes and banks suspect that Q2 output this year has slowed down in all only modestly. And in May for the third time in succession, orders booked by German industry have risen and, according to the federal Economics Ministry, the 4.4-percent order intake gain is the highest for almost two years.

Despite such upbeat reports, experts are wary of any excessive optimism. Nearly two-thirds of German exports remain within the European Union and in some of its member states such as the UK and Spain, the German Institute for Economic Research (DWI) says the situation is so strained that German companies “cannot expect the order intake from there to increase to the extent they need.”

Defence sector unaffected by economic cycles | The overriding security challenges facing the countries of the West—combating international terrorism and the accompanying challenge posed by international military missions—are factors that again call for expenditures on the operational capability and protection of the soldiers, despite the economic crisis. Accordingly, the defence industry was again fueled by the modernization of the armed forces.

Although the USA plans to carry out major shifts in its defence budget, President Barack Obama's bottom line for 2010 is still a 4-percent increase to almost $534 billion. The USA, whose defence budget is the world's highest, is moving its priorities in the direction of systems and products that protect soldiers from existing threats encountered during missions abroad.

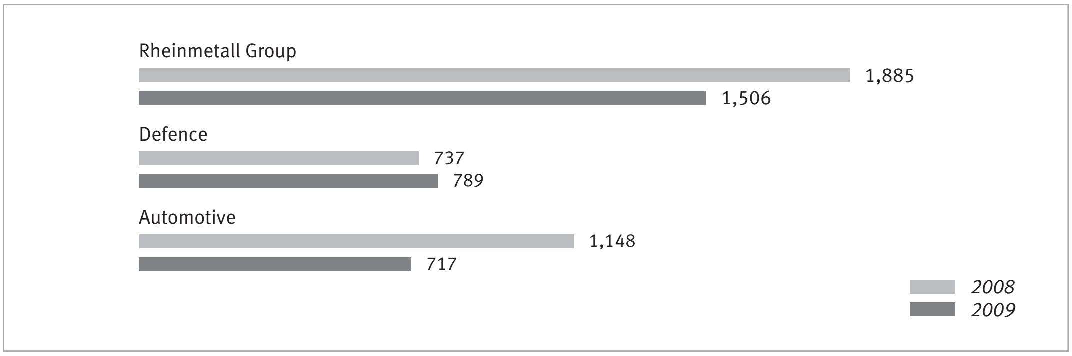
Particularly with regard to the situation in Afghanistan, the modernization of the armed forces enjoys absolute priority in Germany. The aim is to further improve soldier protection and field capabilities. For this year, the German parliament has approved defence expenditures of €31.2 billion, an extra €1.5 billion over 2008. This means definitely more money for new ordnance programs. In the area of military procurements alone, a rise of over €680 million to €5.4 billion is earmarked. Additionally, the defence equipment industry benefits from incremental funds of €226 million derived from the German government's economic stimulus package. For 2010, the government has drafted a total budget of around €31 billion, equal to the preceding year's and largely in line with the financial budget so far.

Auto production decline slowed down | After the massive burdens weighing on the auto industry in the course of the global recession, by the close of the second quarter 2009 the numerous programs such as scrappage incentive schemes in Western Europe and government incentives in China are beginning to pay off. Experts identify the first signs of a recovery in auto production. According to estimates by the automotive analysts of CSM Worldwide, world car and light commercial vehicle (up to 3.5 t capacity) production in H1/2009 was again sharply down by 30 percent compared with H1/2008, albeit at the end of Q1, the decline had been as deep as 37 percent. The sharpest reduction was again in NAFTA at 50 percent and Japan at 44 percent. At 34 percent, the C&E European nations' decrease was equal to that of Western Europe's. One remarkable aspect is that Germany's shrinkage following 32 percent in Q1, was only 26 percent for the full H1/2009 period. Other signs of recovery are surfacing in Asia (excluding Japan) where production, lifted by China's 12-percent output gain, slumped a mere 6 percent.

VDA, the German Association of the Automotive Industry, confirms some stabilization in the motor vehicle markets. In June 2009, new-car registrations in Western Europe were almost 5 percent up over the year-earlier level, a year-on-year gain for the first time since the spring of 2008. The USA, too, reports for June a marginal slowdown in the rate of year-on-year downturn. The introduction of a scrappage incentive designed to drive demand for fuel-efficient new cars prompts Germany's auto industry association to "look to a further flattening in the downward trend" in the United States.

Rheinmetall Group business trend

Sales in H1 *€ million*



Sales decline in H1 | H1 group sales at €1,506 million were down by €379 million or 20 percent from the year-earlier figure of €1,885 million. The decline is solely due to the Automotive sector which during the period reported sales of €717 million, a year-on-year plunge of 38 percent. In contrast, the Defence sector raised its H1 sales by €52 million or 7 percent during a period which for invoice timing reasons is normally weaker.

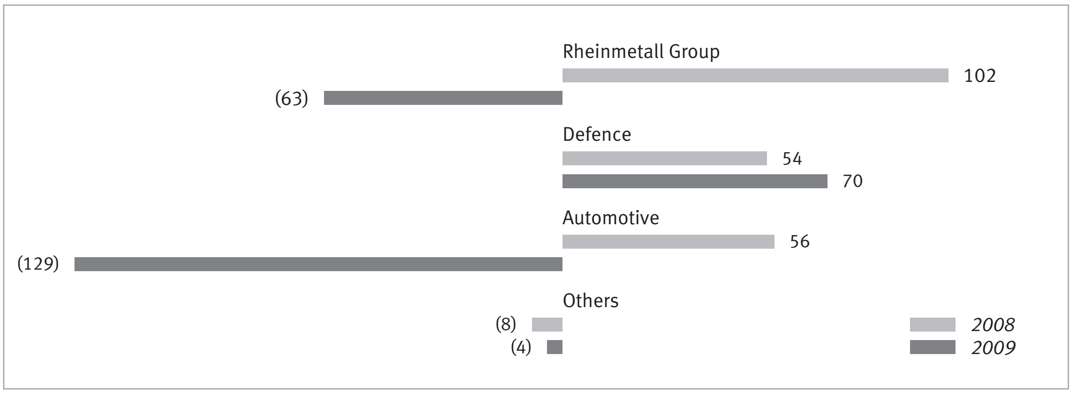
Non-German six-month sales by the Rheinmetall Group accounted for 67 percent of the total. Alongside the German market, focal regions were Europe (39 percent), followed by Asia (11 percent) and North America (9 percent).

Order intake outpacing sales | For the six months ended June 30, 2009, the Rheinmetall Group reported new orders worth €1,769 million, well above sales.

At June 30, 2009, order backlog totaled €3,826 million, at the level of a year ago. Orders on hand at Defence amounted to €3,554 million (up from €3,412 million) and include high-volume contracts extending over several fiscal years.

Profitability encumbered by Automotive | The Rheinmetall Group's EBIT for the first half of 2009 dropped by €165 million to a red €63 million, including the €68 million of restructuring expenses incurred by Automotive. The Group's net loss for the period amounted to €71 million, €125 million short of the year-earlier amount. Earnings per share totaled a red €2.06 (down from a black €1.50).

EBIT in H1 *€ million*



Asset and capital structure | In comparison to December 31, 2008, the Rheinmetall Group's total assets amounted to €3,571 million (down by €17 million). The ratio of noncurrent to current assets has remained unchanged. Within current assets, rising inventories and receivables contrasted with a corresponding decline in cash and cash equivalents.

The midyear equity ratio came to 29 percent (down from 31 at year-end 2008). Noncurrent liabilities shrank by €175 million to €871 million while current liabilities soared by €239 million to €1,663 million. The €325 million bond issue maturing in June 2010 was refinanced early in June 2009 and reclassified as of June 30, 2009, into current liabilities. Agreements on additional 5-year finance facilities for a total €350 million were executed, including bilateral global credit facilities of two banks for €200 million and several German private placement bonds ("Schuldscheine") issued to various investors for an aggregate €150 million.

Asset and capital structure *€ million*

	12/31/2008	%	6/30/2009	%
Noncurrent assets	1,790	50	1,794	50
Current assets	1,798	50	1,777	50
Total assets	**3,588**	**100**	**3,571**	**100**
Total equity	1,118	31	1,037	29
Noncurrent liabilities	1,046	29	871	24
Current liabilities	1,424	40	1,663	47
Total equity & liabilities	**3,588**	**100**	**3,571**	**100**

Capital expenditures significantly down | During the first half of 2009, a total of €71 million was spent. In terms of sales, this is 4.7 percent (down from 5.1). At Automotive, H1 expenditures at €40 million were down by €30 million or 43 percent. The Defence sector's capital expenditure program is driven by the strategic and operational targets aimed at expanding positions in sales markets and the consolidation of technological competence.

Capital expenditures by corporate sector *€ million*

	H1/2008	H1/2009
Defence	26	30
Automotive	70	40
Others	1	1
Rheinmetall Group	**97**	**71**

Employees | Worldwide 19,942 persons worked at June 30, 2009, for the Rheinmetall Group, down by 1,078 from year-end 2008 but up 544 year-on-year. The headcount of 9,241 at Defence grew by 1,848 employees in the wake of acquisition transactions; in contrast, the number of people employed by Automotive, measured against the year-earlier total of from 11,883, declined by another 1,307. Of the total workforce, 46 percent were employed at Defence, 53 percent at Automotive, and just under 1 percent at Rheinmetall AG and the service enterprises.

Defence sector

Defence indicators *€ million*

	H1/2008	H1/2009
Net sales	737	789
Order intake	829	1,018
Order backlog (June 30)	3,412	3,554
Headcount (June 30)	7,393	9,241
EBITDA	74	92
EBIT	54	70
EBT	44	59
EBIT margin *in %*	7.4	8.9

Defence continuing along its growth path | At €789 million, the Defence sector reported a sales growth of €52 million or 7 percent during H1/2009. Of this increase, €42 million is attributable to Rheinmetall Denel Munition (Pty) Ltd. (€30 million) and Rheinmetall Nederland B.V. (€12 million), both not included in the full H1/2008 figures.

Surge in order intake | H1 order intake jumped 23 percent or €189 million to €1,018 million. Three contracts booked from Germany worth a total of over €200 million underscore the sector's competence regarding protection and field impact. During the period Rheinmetall Denel Munition received orders for €139 million. June saw the approval by the German parliament for the start-up of series production of the Puma infantry fighting vehicle. This is a project covering 405 vehicles for a gross value of €3.1 billion, to be performed together with an industrial partner. Because booked in July it is not included among the H1 orders.

Order backlog of over €3 billion | Order backlog at June 30, 2009, added up to €3,554 million, up €142 million or 4 percent over the year-earlier €3,412 million.

Profitability improved | With higher sales, Defence's EBIT of €70 million was a significant €16 million improvement over H1/2008. A contributor to this increase in profitability was Rheinmetall Waffe Munition with an EBIT up by €8 million. The sector's EBIT margin rose to 8.9 percent (up from 7.4).

Automotive sector

Automotive indicators *€ million*

	H1/2008	H1/2009
Net sales	1,148	717
Order intake	1,151	751
Order backlog (June 30)	376	273
Headcount (June 30)	11,883	10,576
EBITDA	114	(61)
EBIT	56	(129)
EBT	43	(140)
EBIT margin *in %*	4.8	(18.0)

Sales severely eroded | The downturn of the global automotive market resultet in a strong sales decline at Automotive. In the triad markets, which are of particular importance to this sector, H1 motor vehicle production tumbled by 42 percent in 2009. During the period, Kolbenschmidt Pierburg generated sales of €717 million, down by €431 million or 38 percent. Of this decrease, €236 million (41 percent) was incurred during Q1 and €195 million (34 percent) in Q2. The dramatic H1 decline is due to fewer vehicles sold worldwide as well as to a downsizing of the tall vehicle inventories piled up by the manufacturers in 2008.

Earnings suffering from automobile crisis and restructuring | Automotive's EBIT for H1/2009 amounted to a red €129 million, a year-on-year decline of €185 million, including €68 million for restructuring expenses. The H1 loss from operations adds up to €61 million. In Q1, the loss had been €40 million which was then halved to €21 million in Q2. This reduction was due to slightly rising sales and the increasing impact of the cost-cutting measures already introduced in fiscal 2008.

Rheinmetall's Automotive sector is coping with the difficult conditions by selectively adjusting production capacities to the demand situation in individual markets. By midyear, €55 million had already been expensed for plant shutdowns and closedowns, as well as for further capacity adjustments. Another €13 million refers to write-down, €8 million of which was charged to fixed assets and €5 million to inventories and receivables.

Sharp reduction in workforce | At June 30, 2009, Automotive employed 10,576 persons worldwide, down 11 percent versus a year ago. Of the 1,307 jobs shed worldwide, 254 (19 percent) were at the German and 1,053 (81 percent) at the foreign companies. Moreover, 570 temporary employees (not included in the headcount) were retrenched.

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 group management report for 2008 details the major risks and rewards possibly affecting the future development of Rheinmetall. The global economic uncertainties remain. In all, Rheinmetall's risk situation as detailed in the 2008 annual report is unchanged.

Prospects

In line with the forecasts for their respective global markets, the business and EBIT trends predicted for the Defence and Automotive sectors differ accordingly. How well Rheinmetall develops in 2009 will mainly depend on the strong performance of its Defence sector.

For Defence, Rheinmetall is expecting a continuation of growth and sales of €1.9 billion accompanied by an EBIT margin of at least 10 percent. Automotive market trend forecasts are still subject to high uncertainties. Rheinmetall is, nonetheless, confident that, over the quarters ahead, year-on-year production losses versus 2008 will gradually recede.

Based on the 29-percent decline predicted in a recent estimate by CSM Worldwide for the triad market output of cars and light commercial vehicles, the Automotive sector foresees for all of 2009 a sales decline of €500 million from the 2008 level, which would produce an operating loss of €80 million, in addition to nonrecurring expenses for restructuring programs and write-downs of an aggregate maximum of €100 million of which less than one-half will be a drain on cash this year.

Assuming this scenario for the future trend of vehicle production, the conditions still exist for the Rheinmetall Group to close fiscal 2009 with a respectable operating profit of about €100 million. Even when allowing for the restructuring expenses, the Group's EBIT for 2009 will remain in the black.

Subsequent events

In July 2009, Rheinmetall AG raised its capital stock by 10 percent by placing an aggregate 3,599,000 shares at €29.00 (= €104 million) with institutional investors. The capital increase's purposes include to downscale debt and to finance growth within Defence.

A contract for the series production of the Puma infantry fighting vehicle was booked, also in July. Rheinmetall's share is around €1.3 billion net; order backlog at this sector has now been boosted to almost €5 billion.

Interim financial statements of Rheinmetall AG for H1/2009

Consolidated balance sheet as of June 30, 2009

Assets *€ million*

	12/31/2008	6/30/2009
Intangible assets	530	540
Tangible assets	1,092	1,069
Investment properties	15	14
Investees	93	93
Other noncurrent financial assets	9	19
Sundry noncurrent assets	8	5
Deferred tax assets	43	54
Total noncurrent assets	**1,790**	**1,794**
Inventories	782	827
less prepayments received	(26)	(37)
	756	**790**
Trade receivables	710	774
Other current financial assets	25	19
Other current receivables and assets	81	116
Income tax assets	22	15
Cash and cash equivalents	203	62
Noncurrent assets held for sale	1	1
Total current assets	**1,798**	**1,777**
Total assets	**3,588**	**3,571**

Equity & liabilities *€ million*

	12/31/2008	6/30/2009
Capital stock	92	92
Additional paid-in capital	208	208
Other reserves	691	805
Group earnings after minority interests	134	(71)
Treasury stock	(66)	(57)
Stockholders' equity	**1,059**	**977**
Minority interests	59	60
Total equity	**1,118**	**1,037**
Accruals for pensions and similar obligations	523	528
Other noncurrent accruals	98	93
Noncurrent financial liabilities	360	183
Other noncurrent liabilities	21	24
Deferred tax liabilities	44	43
Total noncurrent liabilities and accruals	**1,046**	**871**
Current accruals	312	363
Current financial liabilities	48	416
Trade payables	511	401
Other current liabilities	507	440
Income tax liabilities	46	43
Total current liabilities and accruals	**1,424**	**1,663**
Total equity & liabilities	**3,588**	**3,571**

Consolidated income statement for the 6 months ended June 30

€ million

	H1/2008	H1/2009
Net sales	**1,885**	**1,506**
Net inventory changes, other work and material capitalized	109	60
Total operating performance	**1,994**	**1,566**
Other operating income	37	40
Cost of materials	(1,035)	(753)
Personnel expenses	(549)	(537)
Amortization/depreciation/write-down	(79)	(90)
Other operating expenses	(267)	(290)
Operating result	**101**	**(64)**
Net interest expense[1]	(26)	(27)
Net investment income and other financial results[2]	1	1
Net financial result	**(25)**	**(26)**
Earnings before taxes (EBT)	**76**	**(90)**
Income taxes	(22)	19
Net income/(loss)	**54**	**(71)**
thereof		
minority interests	*2*	*0*
group earnings (after minority interests)	*52*	*(71)*
Earnings per share (basic/diluted) in €	1.50	(2.06)

[1] *incl. interest expense of €29 million (down from €31 million)*
[2] *incl. net P/L of investees carried at equity of €4 million (up from €3 million)*

Statement of comprehensive income

€ million

	H1/2008	H1/2009
Net income/(loss) of the Group	**54**	**(71)**
Currency translation differences	6	18
Change in fair value of financial derivatives (cash flow hedges)	4	21
OCI changes from treasury stock	2	(4)
Prorated OCI changes of associated affiliates	5	(3)
Accumulated other comprehensive income (after taxes)	**17**	**32**
Comprehensive income	**71**	**(39)**
thereof		
minority interests	*5*	*3*
Rheinmetall stockholders	*66*	*(42)*

Consolidated income statement for the 3 months ended June 30

€ million

	Q2/2008	Q2/2009
Net sales	**963**	**796**
Net inventory changes, other work and material capitalized	55	16
Total operating performance	**1,018**	**812**
Other operating income	23	23
Cost of materials	(526)	(392)
Personnel expenses	(281)	(279)
Amortization/depreciation/write-down	(40)	(49)
Other operating expenses	(143)	(159)
Operating result	**51**	**(44)**
Net interest expense[1]	(13)	(13)
Net investment income and other financial results[2]	2	4
Net financial result	**(11)**	**(9)**
Earnings before taxes (EBT)	**40**	**(53)**
Income taxes	(12)	12
Net income/(loss)	**28**	**(41)**
thereof		
minority interests	*1*	*0*
group earnings (after minority interests)	*27*	*(41)*
Earnings per share (basic/diluted) in €	0.80	(1.19)

[1] *incl. interest expense of €15 million (virtually unchanged)*
[2] *incl. net P/L of investees carried at equity of €4 million (up from €1 million)*

Statement of comprehensive income

€ million

	Q2/2008	Q2/2009
Net income/(loss) of the Group	**28**	**(41)**
Currency translation differences	9	13
Change in fair value of financial derivatives (cash flow hedges)	3	16
OCI changes from treasury stock	2	(4)
Prorated OCI changes of associated affiliates	4	(2)
Accumulated other comprehensive income (after taxes)	**18**	**23**
Comprehensive income	**46**	**(18)**
thereof		
minority interests	*3*	*3*
Rheinmetall stockholders	*43*	*(21)*

Consolidated statement of cash flows for H1/2009

€ million

	H1/2008	H1/2009
Opening cash and cash equivalents (1/1/2009)	**163**	**203**
Net income/(loss)	54	(71)
Net interest result from financing activities	13	12
Amortization/depreciation/write-down of intangibles, tangibles and investment properties	79	90
Change in pension accruals	1	5
Gross cash flow	**147**	**36**
Changes in working capital and other items	(254)	(237)
Net cash used in operating activities[1]	**(107)**	**(201)**
Cash outflow for additions to tangibles, intangibles and investment properties	(97)	(71)
Cash inflow from the disposal of tangibles, intangibles and investment properties	2	3
Cash outflow for additions to consolidated subsidiaries and financial assets	(33)	(1)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	0	0
Net cash used in investing activities	**(128)**	**(69)**
Dividend payout by Rheinmetall AG	(45)	(45)
Other profit distribution	(6)	(2)
Repurchase of treasury stock	(25)	--
Sale of treasury stock	4	1
Cash outflow for interest	(25)	(22)
Cash inflow from interest	6	4
Financial liabilities raised	227	222
Financial liabilities redeemed	(10)	(31)
Net cash provided by financing activities	**126**	**127**
Net change in cash and cash equivalents	**(109)**	**(143)**
Parity-related change in cash and cash equivalents	0	2
Total change in cash and cash equivalents	**(109)**	**(141)**
Closing cash and cash equivalents (6/30/2009)	**54**	**62**

[1] *Including net income taxes paid at €2 million (down from €14 million)*

Statement of changes in equity

€ million

	Capital stock	Additional paid-in capital	Reserves retained from earnings	Accu-mulated OCI	Group earnings after minority interests	Treasury stock	**Stock-holders' equity**	Minority interests	**Total equity**
Balance at Jan. 1, 2008	**92**	**208**	**581**	**36**	**145**	**(46)**	**1,016**	**43**	**1,059**
Comprehensive income	--	--	--	14	52	--	66	5	71
Change in treasury stock	--	--	--	--	--	(15)	(15)	--	(15)
Dividend payout	--	--	(45)	--	--	--	(45)	(6)	(51)
Transfer to reserves	--	--	141	--	(145)	--	(4)	--	(4)
Balance at June 30, 2008	**92**	**208**	**677**	**50**	**52**	**(61)**	**1,018**	**42**	**1,060**
Balance at Jan. 1, 2009	**92**	**208**	**687**	**4**	**134**	**(66)**	**1,059**	**59**	**1,118**
Comprehensive income	--	--	--	29	(71)	--	(42)	3	(39)
Change in treasury stock	--	--	--	--	--	9	9	--	9
Dividend payout	--	--	(45)	--	--	--	(45)	(2)	(47)
Transfer to reserves	--	--	130	--	(134)	--	(4)	--	(4)
Balance at June 30, 2009	**92**	**208**	**772**	**33**	**(71)**	**(57)**	**977**	**60**	**1,037**

Notes

General bases | Rheinmetall AG's condensed interim consolidated financial statements as of June 30, 2009, were 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 the first 6 months (H1/2009) do not necessarily allow a forecast to be made of the future business development. Though prepared in accordance with IAS 34 *Interim Reporting*, the interim financial statements should be read in the context of Rheinmetall AG's published IFRS consolidated financial statements for fiscal 2008. 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, 2008, and to which reference is made for full details. The Group's reporting currency is the euro (€), amounts being indicated in € million unless otherwise stated. The following amended IASB Standards were newly applied in this interim report:

IAS 1, *Presentation of Financial Statements*
IAS 23, *Borrowing Costs*
IAS 32, *Financial Instruments: Presentation*

The amended IAS 1 has changed the presentation of changes in other comprehensive income which do not originate from transactions with stockholders. The amended IAS 23 requires borrowing costs to be capitalized for assets that are manufactured over an extended period of time. Previously, borrowing costs were expensed throughout. The effects of such changes are insignificant. The IAS 32 amendment refers to an extended definition of equity regarding certain puttable financial instruments and financial instruments obligating debtors to deliver a prorated net-asset share upon liquidation, and has no material impact on the Rheinmetall Group.

The following new or amended Standards and Interpretations were approved and released in H1/2009. However, since their application is either not yet obligatory or their adoption or endorsement by the EU still pending, they have not been applied in these interim financial statements as of June 30, 2009:

IFRS 2, *Share-Based Payment* (amended)
IFRS 7, *Financial Instruments: Disclosures* (amended)
IAS 39, *Financial Instruments: Recognition and Measurement* (amended)
IFRIC 9, *Reassessment of Embedded Derivatives* (amended)
IFRIC 18, *Transfers of Assets from Customers*
Improvements to 10 IFRS/IAS and 2 IFRIC

The effects of the Standards and Interpretations not yet applied on the presentation of the Rheinmetall Group's asset and capital structure, financial position or results of operations will in the aggregate be insignificant.

Notes

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.

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. In the first 6 months of 2009, outside of Germany, three enterprises were newly formed while two others were merged. In Germany, a joint venture was established.

Noncurrent assets held for sale | The noncurrent assets held for sale represent real estate valued at €1 million.

Treasury stock | The annual general meeting of May 12, 2009, renewed the Executive Board's authority of May 6, 2008, to repurchase shares of treasury stock on or before October 31, 2010, for a maximum equivalent to 10 percent of the current capital stock of €92,160,000. As of June 30, 2009, the portfolio comprised 1,406,054 treasury shares (up from 1,372,721), acquired at a total cost of €57 million (down from €61 million) and offset against equity.

Stock-based compensation | A long-term incentive program exists within the Rheinmetall Group under which eligible staff will share in the value added to the Group by receiving Rheinmetall shares in addition to cash. Participants cannot freely dispose of such shares until the 3-year freeze period has expired. Under this incentive program, participants received on April 2, 2009, a total 159,048 shares for fiscal 2008.

Employee stock purchase program | The Rheinmetall Group offers eligible employees in Germany Rheinmetall shares on preferential terms and conditions. Such shares are subject to a 2-year freeze period. Within predetermined subscription periods, employees are offered a limited number of shares for purchase at a 30-percent discount on the governing stock price. The year's first subscription period ran from April 15 to 28, 2009, and saw the purchase by Rheinmetall employees of altogether 42,426 shares at a total €1 million.

Earnings per share (EpS) | Since no shares, options or similar instruments are outstanding that might dilute earnings per share, basic EpS equals fully diluted EpS. The repurchased treasury stock is taken into account for the weighted number of shares.

	Q2/2008	Q2/2009	H1/2008	H1/2009
Group earnings after minority interests (€ mill.)	27	(41)	52	(71)
Weighted number of shares (million)	34.7	34.6	34.7	34.5
Earnings per share (€)	**0.80**	**(1.19)**	**1.50**	**(2.06)**

Dividend payout | On May 13, 2009, a total cash dividend of €45 million was distributed for fiscal 2008, equivalent to €1.30 per share.

Related-party transactions | For the Rheinmetall Group, corporate related parties are the joint ventures and associated affiliates carried at equity. The volume of products/services provided by or to related companies mainly originates within the Defence sector from sales of finished goods and WIP to project companies work and from revenue for M&R services under a public-private partnership (PPP) agreement on behalf of the German army. Moreover, the volume of unpaid items includes minor loans to joint ventures at an unchanged €3 million. The scope of related-party transactions is broken down in the table below:

€ million

	Volume of products/ services provided		Volume of products/ services utilized		Volume of unpaid items	
	H1/2008	**H1/2009**	**H1/2008**	**H1/2009**	**12/31/ 2008**	**6/30/ 2009**
Joint ventures	42	26	6	1	(10)	5
Associated affiliates	1	2	5	5	0	1
	43	**28**	**11**	**6**	**(10)**	**6**

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

Segment report | For the definition of reportable segments, the related controlling details, and the accounting/valuation method applied, reference is made to the consolidated financial statements as of December 31, 2008, as there has been no change since.

€ million

Corporate sectors	Defence		Automotive		Others/ consolidation		Group	
	H1/2008	H1/2009	H1/2008	H1/2009	H1/2008	H1/2009	H1/2008	H1/2009
Sales	737	789	1,148	717	0	0	1,885	1,506
Amortiz./deprec./write-down	20	22	58	68	1	0	79	90
thereof write-down	0	0	0	8	0	0	0	8
EBIT	54	70	56	(129)	(8)	(4)	102	(63)

Reconciliation of operating segment EBIT to the Rheinmetall Group's EBT:

€ million

	H1/2008	**H1/2009**
Operating segment EBIT	110	(59)
Others	(4)	0
Consolidation	(4)	(4)
Group's net interest expense	(26)	(27)
EBT of the group	76	(90)

Waiver of review by auditors

This statement is made pursuant to Sec. 37w(5) clause 6 German Securities Trading Act ("WpHG"): The condensed interim consolidated financial statements as of June 30, 2009 (consisting of balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, and selected explanatory notes thereto), as well as the group management report for the six months ended June 30, 2009, have neither been audited under the terms of Art. 317 German Commercial Code ("HGB"), nor reviewed by a suitably qualified professional.

Management representation

To the best of our knowledge and in accordance with the applicable interim financial reporting principles, we state that (i) Rheinmetall AG's interim consolidated financial statements present a true and fair view of the Group's asset and capital structure, financial position and results of operations, (ii) the interim group management report presents a fair review of the Group's business trend, performance and position, and (iii) the principal risks and rewards associated with the Group's expected development for the remaining months of the fiscal year have been duly described.

Düsseldorf, August 13, 2009

Klaus Eberhardt   Dr. Gerd Kleinert   Dr. Herbert Müller

Additional information

Financial diary

August 13, 2009	Report on Q2/2009
November 10, 2009	Report on Q3/2009
March 24, 2010	Annual report 2009

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.

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.

This semiannual financial report is downloadable from **www.rheinmetall.com** in both English and German, the latter version prevailing in any case of doubt, or may be obtained directly from the Company.

Rheinmetall AG, Rheinmetall Platz 1, 40476 Düsseldorf, Germany

Supervisory Board | Klaus Greinert, Chairman

Executive Board | Klaus Eberhardt, Chairman
Dr. Gerd Kleinert | Dr. Herbert Müller

Corporate Communications | Peter Rücker
Phone (+49-211) 473-4320 | Fax (+49-211) 473-4158
peter.ruecker@rheinmetall.com

Investor Relations | Franz-Bernd Reich
Phone (+49-211) 473-4777 | Fax (+49-211) 473-4157
franz-bernd.reich@rheinmetall.com

Rheinmetall AG | Rheinmetall Platz 1 | 40476 Düsseldorf, Germany
Phone (+49-211) 473-01 | Fax (+49-211) 473-4746 | www.rheinmetall.com

RHEINMETALL