Q1

Interim report as of March 31, 2003
Rheinmetall AG

Sound start into 2003

- *Organic growth continues*
- *Order situation again healthy*
- *Earnings stable*

RHEINMETALL

Interim report as of March 31, 2003
Rheinmetall: sound start into 2002

The Rheinmetall Group had a confident start into 2003. Despite still difficult market conditions, its Q1/2003 sales again showed satisfactory organic growth while future internal gains will be propelled by a healthy order situation. In the course of Q1/2003, order intake climbed 12 percent, order backlog advancing 9 percent.

Thanks to the successful corporate restructuring efforts undertaken over the past three years, Rheinmetall has continued along its positive and steady productivity course. Q1/2003 EBIT totaled €22 million, albeit a decline of €4 million over the year-earlier figure, it is not directly comparable due to consolidation group changes. As to EBT, an appreciable debt reduction and the related improvement in the financial result has led to a rise from €1 million in Q1/2002 to €3 million for the quarter under review.

In Q1/2003, Rheinmetall initiated the squeeze-out of the minority stockholders of Aditron AG, besides announcing a public offering for free-floating Kolbenschmidt Pierburg stock. The two moves reflect Rheinmetall endeavors to thoroughly simplify the Group's structures.

Another major task for the future is to continue along the road of globalization as exemplified during the first quarter of 2003 by the setting-up of a new production plant for the Electronics sector in the Czech Republic and the takeover of a piston manufacturing facility in Japan.

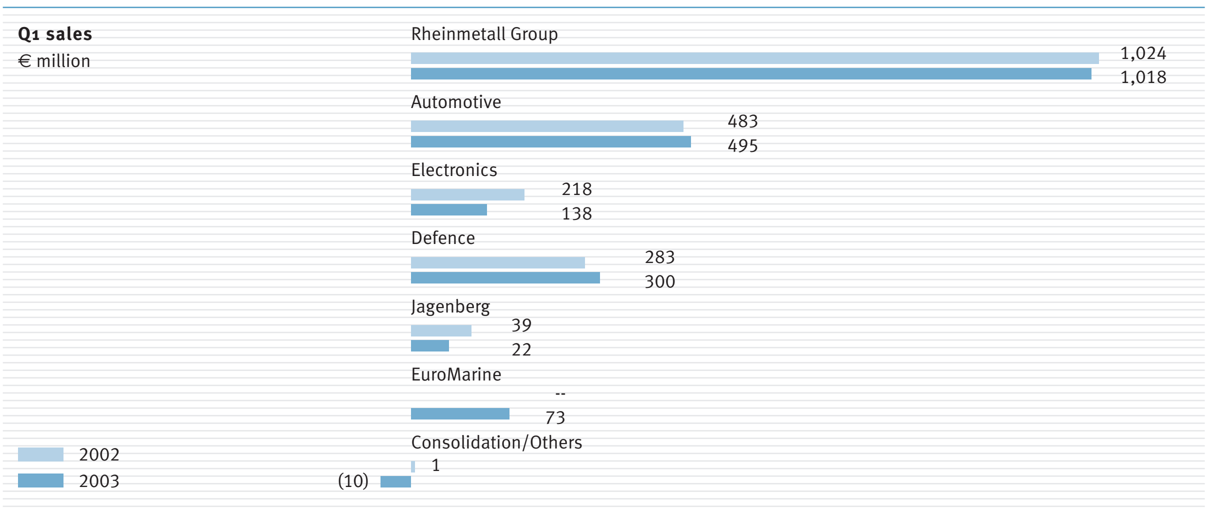
For fiscal 2003 as a whole and assuming stable overall economic conditions, Rheinmetall is planning on continued organic growth plus improved results of operations.

Consolidation group

In the first quarter of 2003, the stake in EuroMarine was topped up from 50 to 100 percent, this group now having the status of a financial investee fully consolidated as from January 1, 2003. The residual stake in Zurich-based Oerlikon Contraves AG was also acquired in January 2003. February saw the takeover of the pistons business of Microtechno Corporation, Japan, from Mazda.

The electronic fuel pump unit was sold as of January 1, 2003. The folding carton companies Jagenberg DIANA and WPM Woschnik+Partner Maschinenbau were shed at the end of January 2003 (see also the consolidation group tabled on page 9).

Organic growth of 4 percent

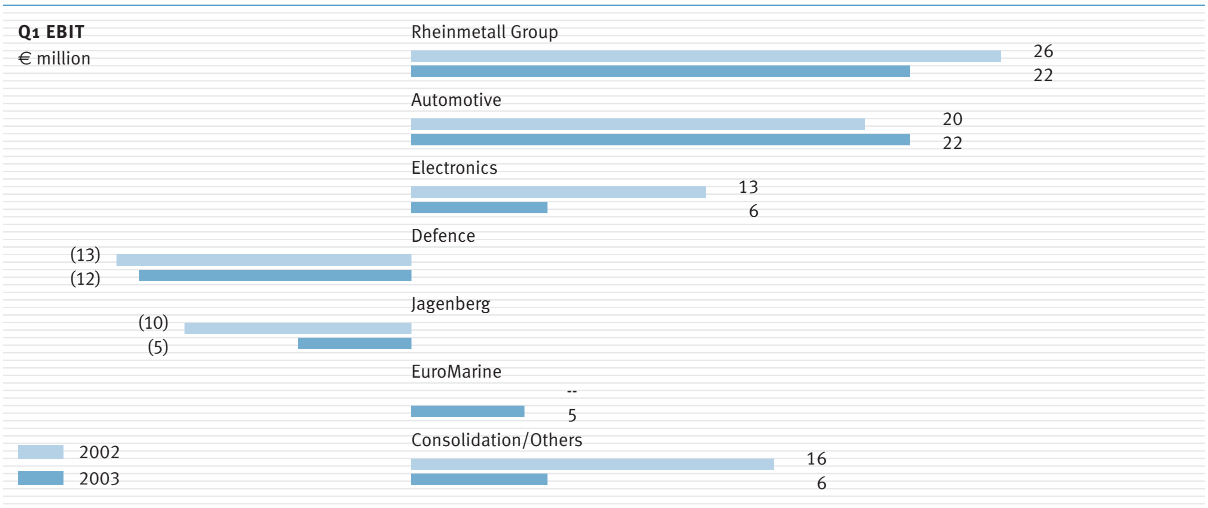


Q1 sales

The Rheinmetall Group's sales in Q1/2003 added up to €1,018 million, around the year-earlier level of €1,024 million. Adjusted for changes in the consolidation group, this is equivalent to a 4-percent increase, to which Automotive (up 3 percent) and Defence (up 6 percent) were the biggest contributors.

The financial investees Jagenberg and EuroMarine inputted sales of 2 and 7 percent, respectively, to the Group's total.

Q1/2003 earnings stable



Q1/2003 earnings

Q1/2003 EBIT by the Rheinmetall Group totaled €22 million (down from €26 million).

It was the Automotive sector that chiefly boosted its earnings while Electronics also improved its results of operations. The decline is largely the outcome of the sale of Heimann Systems GmbH consummated in late 2002. As in prior years, Defence showed a negative EBIT (yet slightly better than in Q1/2002) due to the seasonal sales cycles typical of the public sector.

The Jagenberg financial investee showed a Q1 improvement of €5 million, albeit still deep in the red, while the other financial investee EuroMarine contributed a profit of 5 million.

The sharp €10 million EBIT reduction by the holding and service companies subsumed under "Others" is primarily due to a decreased cash inflow from property sales which a year ago had generated gains of €9 million.

Both EBIT and EBITDA were down from the year-earlier level, chiefly due to the sale and transfer of Heimann Systems. In contrast, debts have been scaled back to a considerable degree, which has pruned the net interest expense, thus pushing up EBT.

Rheinmetall Group indicators
€ million

	Q1/2002	Q1/2003
Net sales	1,024	1,018
EBITDA *	94	82
EBIT *	26	22
EBT	1	3
EBIT margin	2.5%	2.2%
Earnings per share bef. goodwill amortization ** (€)	(0.11)	0.17
Cash flow	65	62
Capital expenditures	66	42
Depreciation/amortization	68	60
Order intake	976	1,095
Order backlog (3/31)	4,090	4,471
Headcount (3/31)	27,995	26,983

* year-earlier amount adjusted
** weighted average of common and preferred stock

Interim report as of March 31, 2003
The corporate sectors

Kolbenschmidt Pierburg AG
Automotive

Automotive indicators € million	Q1/2002	Q1/2003
Net sales	483	495
EBITDA	60	56
EBIT	20	22
EBT	10	15
EBIT margin (%)	4.2	4.5
Capital expenditures	47	25
Depreciation/amortization	40	34
Order intake	479	503
Order backlog (3/31)	320	356
Headcount (3/31)	11,693	11,652

Amid a generally difficult environment, the Automotive sector (Kolbenschmidt Pierburg AG) managed to uphold its market positions very successfully. Its Q1/2003 sales added up to €495 million (up 3 percent). Strong growth was posted by Aluminum Technology (up over 33 percent), chiefly due to the series production start-ups and added call-offs made by customers for low-pressure castings.

An EBIT of 22 million was an improvement over the year-earlier €20 million. A much reduced net interest expense propelled EBT from €5 million to €15 million.

It was the Air Supply & Pumps and Pistons divisions that most contributed to improve earnings. At the former, alongside the burdensome restructuring programs, a solid performance by the Spanish subsidiary and gains from the disposal of the electronic fuel pump unit were the chief factors impacting on earnings.

Aditron AG
Electronics

Electronics indicators € million	Q1/2002	Q1/2003
Net sales	218	138
EBITDA	21	12
EBIT	13	6
EBT	11	6
EBIT margin (%)	6.0	4.3
Capital expenditures	5	5
Depreciation/amortization	8	6
Order intake	219	150
Order backlog (3/31)	288	156
Headcount (3/31)	5,137	4,311

Despite often adverse economic conditions the Electronics sector (Aditron AG) and its Hirschmann, Preh and PAT brand companies, managed to defend its position in the traditional markets of automobile and industrial electronics. Any year-earlier comparison is of limited validity due to the disposal at the end of November 2002 of the Security Systems division (Heimann Systems).

Adjusted for changes in the consolidation group, sales of €138 million matched the year earlier's.

The €6 million EBIT reflects the improved profitability at Hirschmann, including PAT (meantime integrated into Hirschmann). Preh reachieved the year-earlier EBIT. The cash accruing from the disposal of Heimann Systems considerably downscaled net interest expense.

Restructuring moves at the Hirschmann and Preh divisions have shrunk the workforce by 197 to 4,311 (excluding the sale of Heimann Systems).

Rheinmetall DeTec AG
Defence

Defence indicators € million	Q1/2002	Q1/2003
Net sales	283	300
EBITDA*	2	3
EBIT*	(13)	(12)
EBT	(17)	(18)
EBIT margin (%)	(4.6)	(4.0)
Capital expenditures	9	11
Depreciation/amortization	15	15
Order intake	224	282
Order backlog (3/31)	3,407	3,638
Headcount (3/31)	9,095	8,889

* year-earlier amount adjusted

Despite still tight defence spending budgets, Defence (Rheinmetall DeTec AG) pushed up its market shares and raised its order backlog to €3.6 billion. Order intake at €282 million was 26 percent up.

Rheinmetall DeTec managed to lift sales by 6 percent to €300 million despite a traditionally low-invoicing period.

Q1 EBIT at a negative €12 million was slightly up. As in the previous period, Rheinmetall DeTec expects 2003 to close with a satisfactory bottom line.

Interim report as of March 31, 2003

Consolidated income statement for the 3 months (Q1) ended March 31, 2003

€ million	Q1/ 2002	Q1/ 2003
Net sales	**1,024**	**1,018**
Net inventory changes, other work and material capitalized	47	82
Total operating performance	**1,071**	**1,100**
Other operating income	41	57
Cost of materials	(485)	(536)
Personnel expenses	(365)	(352)
Amortization/depreciation	(68)	(60)
Other operating expenses	(169)	(185)
Operating result	**25**	**24**
Net interest expense	(25)	(19)
Net investment income and other financial results	1	(2)
Net financial result	**(24)**	**(21)**
Earnings before taxes (EBT)	**1**	**3**
Income taxes	(9)	(1)
Group net income/(loss)	**(8)**	**2**
Minority interests	(1)	(2)
Group earnings (after minority interests)	**(9)**	**0**

* year-earlier amount adjusted

Consolidated balance sheet as of March 31, 2003

ASSETS

€ million	12/31/2002	3/31/2003
Fixed assets		
Intangible assets	345	391
thereof goodwill	*[304]*	*[345]*
Tangible assets	1,332	1,316
Financial assets	55	47
	1,732	**1,754**
Current assets		
Inventories	902	1,025
less prepayments received	(40)	(42)
Trade receivables	662	623
All other receivables and sundry assets	383	467
Cash & cash equivalents	367	278
	2,274	**2,351**
Income tax assets	**73**	**102**
Prepaid expenses & deferred charges	**8**	**12**
	4,087	**4,219**

EQUITY & LIABILITIES

€ million	12/31/2002	3/31/2003
Total equity		
Stockholders' equity (Rheinmetall AG)		
Capital stock	92	92
Additional paid-in capital	208	208
Other reserves	113	356
Group earnings (after minority interests)	246	0
	659	**656**
Minority interests	210	180
	869	**836**
Accruals		
Pension accruals	660	694
Other	581	612
	1,241	**1,306**
Liabilities		
Financial debts	668	760
Trade payables	411	417
All other liabilities	808	786
	1,887	**1,963**
Income tax liabilities	**59**	**64**
Deferred income	**31**	**51**
	4,087	**4,219**

Interim report as of March 31, 2003

Consolidated statement of cash flows for the 3 months (Q1) ended March 31, 2003

€ million	Q1/ 2002	Q1/ 2003
Cash & cash equivalents at January 1 (BoP)	**223**	**367**
Group net income/(loss)	(8)	2
Amortization/depreciation of fixed assets	68	60
Change in pension accruals	5	--
Cash flow	**65**	**62**
Changes in working capital and other items	(112)	(134)
Net cash used in operating activities	**(47)**	**(72)**
Cash outflow for additions to tangible and intangible assets	(66)	(42)
Cash inflow from the disposal of tangible and intangible assets	2	5
Cash outflow for additions to consolidated subsidiaries and financial assets	(2)	(53)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	--	21
Net cash used in investing activities	**(66)**	**(69)**
Capital paid in	--	--
Dividend paid out by Rheinmetall AG	--	--
Other profit distribution	(2)	(1)
Change in financial debts	1	54
Net cash provided by/(used in) financing activities	**(1)**	**53**
Cash-based change in cash & cash equivalents	**(114)**	**(88)**
Parity-related change in cash & cash equivalents	--	(1)
Total net change in cash & cash equivalents	**(114)**	**(89)**
Cash & cash equivalents at March 31 (EoP)	**109**	**278**

The net cash of €79 million used in the Q1/2003 operating activities is mainly attributable to Defence's low Q1 business volume (quite normal for this sector) combined with the start-up of work on longer-term contracts, which accumulates working capital.

Statement of changes in equity € million	Capital stock	Additional paid-in capital	Other reserves	Group earnings after minority interests	**Stock-holders' equity (Rhein-metall AG)**	Minority interests	**Total equity**
Balance at 1/1/2003	**92**	**208**	**113**	**246**	**659**	**210**	**869**
Capital paid in							
Dividend paid out						(1)	(1)
Exchange differences			(4)		(4)	(1)	(5)
Consolidation group changes						(31)	(31)
Other comprehensive income			247	(246)	1	1	2
Group net income				0	0	2	2
Balance at 3/31/2003	**92**	**208**	**356**	**0**	**656**	**180**	**836**

Consolidation group	12/31/2002	Additions	Disposals	3/31/2003
Fully consolidated companies	157	20	(7)	170
thereof in Germany	87	6	(6)	87
thereof abroad	70	14	(1)	83
Investees carried at equity	16	4	(1)	19
thereof in Germany	8	4	(1)	11
thereof abroad	8	--	--	8

Primary accounting bases

The present consolidated 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 applicable Interpretations of the Standing Interpretations Committee (SIC).

The accounting and valuation principles, as well as the explanations and disclosures in this interim report are based on the same, consistently applied methods that also underlie the consolidated financial statements for the fiscal year ended December 31, 2002, to which we make reference for further details.

Interim report as of March 31, 2003
Financial diary

May 22, 2003	Teleconference with financial analysts
May 27, 2003	Annual stockholders' meeting, Berlin
Mid-August 2003	Q2/2003 report
	Teleconference with financial analysts
Mid-November 2003	Q3/2003 report
	Teleconference with financial analysts

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