Q2

Rheinmetall AG

Semiannual financial report
H1/2008

2008

Rheinmetall in figures

Rheinmetall indicators *€ million*

	H1/2007	H1/2008	Change in %[1]
Net sales	1,881	1,885	+0.2
Order intake	2,037	1,980	−2.8
Order backlog (June 30)	3,367	3,789	+12.5
Headcount (June 30)	19,272	19,398	+0.7
EBITDA	173	181	+4.6
EBIT	96	102	+6.3
EBIT margin	5.1%	5.4%	--
EBT	69	76	+11.4
Net income	46	54	+18.8
Earnings per share (€)	1.26	1.50	+19.0
Capital expenditures	89	97	+9.0
Depreciation/amortization	77	79	+2.6
Cash flow	142	147	+3.6
Net financial debt (June 30)	528	561	+6.1
Total equity (June 30)	961	1,058	+10.1
Total assets (June 30)	3,414	3,593	+5.3

[1] *Changes based on actual figures before rounding.*

Performance uptrend in H1/2008

In the course of the first six months (H1) of 2008, the Rheinmetall Group once again improved its performance and upgraded profitability. The solid operating performance on the part of both sectors, Defence and Automotive, has prompted a reaffirmation of the positive forecast for all of fiscal 2008 despite a weakening global economy.

- At €1,885 million, group sales matching year-earlier volume
- EBIT climbing €6 million to €102 million
- Net income improving 19 percent to €54 million
- Earnings per share (EpS) rising from €1.26 to €1.50
- Rheinmetall reaffirms positive forecast for all of 2008

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News flashes Q2/2008

April 2008

■ At the trade fairs Fidae held in Santiago de Chile, DSA in Kuala Lumpur, Sofex in Amman and CanSec in Ottawa, Rheinmetall Defence presents a broad array of products and services as well as capability-oriented system solutions for the current and future needs of international armed forces.

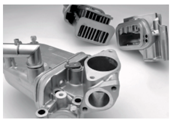
■ High production performance at Pierburg Pump Technology's Hartha plant: in eleven years ten million water-circulating pumps have been produced which are used by such renowned car manufacturers at home and abroad as VW, Audi, BMW, Porsche and Peugeot Citroën, as well as by well-known car component suppliers.

■ Understanding technology and trying it out for themselves: on the 8th nationwide Girls' Day, intended to get young women interested in technical, scientific and craft trades and occupations, schoolgirls have an opportunity to take a look behind the scenes at Automotive and Defence companies.

■ At its US Auburn Hills location, Kolbenschmidt Pierburg opens the North American Technical Center following rebuilding work of only six months.

■ At a ceremony in Kassel Rheinmetall Landsysteme hands over the first of 21 latest-generation Fox armoured transport vehicles to the German Armed Forces. The armouring against improvised explosive devices (IED) coupled with more extensive protection against heavy anti-tank mines make this vehicle, which has been realized in less than three years, the safest in its class.

May 2008



■ In view of the German Armed Forces' ongoing procurement plans with regard to armoured command and multipurpose vehicles Rheinmetall Defence and Krauss-Maffei Wegmann give the go-ahead for the joint internally funded development of a new range of vehicles offering a high level of protection in the 5- to 9-t class.

■ With an innovative aluminum die-cast cooler concept featuring high thermal conductivity and very good corrosion resistance, Pierburg wins first prize for an exhaust gas cooler module at the 2008 International Aluminum Die-casting Competition. This is a new product designed to cool exhaust gases in the diesel engine so that emissions—especially of nitrogen—are reduced and CO_2 discharges effectively lowered.

■ At ILA 2008 in Berlin, Rheinmetall Defence and Israel Aerospace Industries conclude a cooperation agreement on the marketing of the unmanned Heron TP reconnaissance system for long-range operations.

■ KS Plain Bearings marks the 120th anniversary of the Papenburg site with a family open day. Some 3,000 visitors are invited to take a closer look at the plant, its machinery and production processes.

■ Through the acquisition from Jenoptik of a 51 percent stake in Jena-based LDT Laser Display Technology GmbH, Rheinmetall Defence not only strengthens its position as a leading supplier of simulators for aircraft crew instruction and training but also adds internationally cutting-edge high-performance visualization systems to its product range.

June 2008

■ The Royal Dutch Armed Forces award a contract worth €51 million to Rheinmetall Defence for the delivery of 81-mm mortar ammunition, thus strengthening Rheinmetall Waffe Munition's position as Europe's foremost supplier of large- and medium-caliber weapons and related ammunition.

■ Ford Motor Company confers its 2007 Silver World Excellence Award on the Pierburg plant in Neuss, acknowledging the facility's excellence in terms of quality, delivery and cost performance.

■ At Eurosatory in Paris, Europe's key land defence technology fair, Rheinmetall Defence showcases in particular its new-generation vehicles with optimized protection concepts, C-RAM-capable air defence systems, network-enabled sensors and optronics, state-of-the-art infantry technology, and ultramodern instruction and training concepts.

■ Through the conclusion of a license agreement with Jaya Hind Industries Ltd., based in Pune, India, Rheinmetall Automotive is expanding its activities in the Indian market. Collaboration in the development and production of cylinder heads, engine blocks and bedplates for national and international auto manufacturers as well as other automotive industry suppliers will enable KS Aluminum Technology to gain a foothold in the high-growth Indian market.

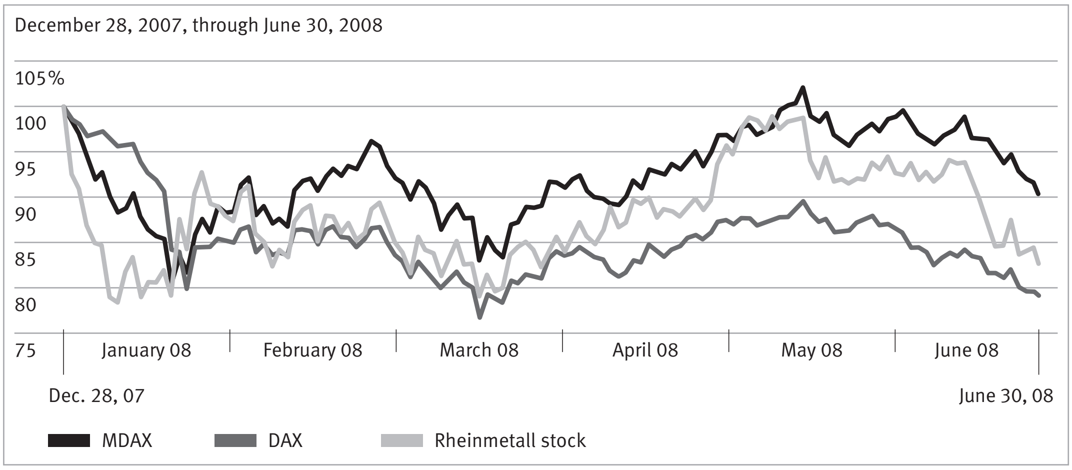
Rheinmetall stock

Burdensome conditions weighing on stock markets. The still detectable effects of the US subprime mortgage market crisis, rising oil, commodity and food prices, and the resulting onset of recession again generated turbulences on the international financial markets in the course of Q2/2008. The German stock market was no exception. Initially and by mid-May, the DAX had made good some of its Q1/loss, the MDAX all, but then these two most important German indexes, again suffered appreciable erosion during the period up to the end of June. At June 30, 2008, the DAX stood at 6,418, around 2 percent short of the Q1/2008 closing level. The MDAX, which also includes Rheinmetall, did manage to post a 3 percent gain for the second quarter and closed at 9,035. Nonetheless, since the start of the year, the MDAX had shed 8 and the DAX as much as 20 percent.

Rheinmetall stock price. Until mid-May, Rheinmetall stock maintained uninterrupted the momentum which had started at the end of Q1/2008 and on May 13, reached its quarterly high of €53.81, partly propelled by the positive echo from the Q1 performance figures. Thereafter and until mid-June, the price vacillated between €50 and €51. Starting from mid-June, however, the clouds looming on the international economic horizon and wilting demand on the North American auto market squeezed Rheinmetall's share price which closed Q2 at €45.91.

MDAX rankings. At the end of H1/2008 Rheinmetall AG's market capitalization amounted to around €1.7 billion, rising to position 15 (up from 17) in Deutsche Börse's MDAX capitalization rankings. The daily trading volume (Xetra) during Q2 averaged 296,338 shares, up by around 34,000 versus Q2/2007 and a climb of 2 positions to 19 as measured by Deutsche Börse's AG trading volume statistics.

Rheinmetall stock price trend compared to DAX and MDAX



General economic conditions

Recession scares rising in the industrialized nations of the West. Triggered by further bad news in the wake of the mortgage market crisis and the growing fears of inflation, more and more economists are warning of the threat of recession in the industrialized nations. Although the IMF experts do still predict a 4.1 percent global growth for 2008, forecasts for the eurozone and, especially, the USA suggest an economic downturn. In the second half of 2008, the US economy is expected to shrink slightly; the first half of the year had still seen some growth prompted by an economic stimulus package. In all, the IMF is forecasting a growth of 1.3 percent for the United States as the world's biggest industrialized nation; for Euroland and despite a noticeable slowdown, a slightly higher advance of 1.7 percent and for Japan, 1.5 percent. The EU member states are moving in diverging directions: whereas Germany is expected to report a solid growth of 2.0 percent, many experts see Italy and Spain already on the brink of recession while in France and the UK a mood of pessimism is growing.

In all, though, the global economy is still growing thanks to the unabated momentum from the emerging nations of East and Southeast Asia. According to the OECD, China's economy is likely to once again expand by 10.0 percent, India's by 7.8 percent. Russia's GNP rise is predicted at 7.5 percent; South America and the Middle East are likewise regions about which the experts are optimistic for 2008.

In view of the subprime mortgage market write-off risks still difficult to contain and rising prices of commodities and energy, any forecasts are highly uncertain. Moreover, many export-reliant eurozone companies continue to be heavily encumbered by the dollar's weakness versus the euro.

Armed forces transformation determining the defence budgets. Worldwide, defence budgets in 2008 are again influenced by modernization requirements in response to the new threat and mission scenarios facing the international armed forces. Of growing significance are measures and new matériel procurements for the protection of soldiers in the field.

This is also reflected in the procurement plans of the German Armed Forces whose equipment expenditures as a share of the total defence budget are again rising. At the start of the decade, the share had still been below 25 percent; this year it is set to mount to over 27 percent and, by 2010, to around 30 percent. The defence budget as such is also set to climb this and next fiscal year: by around 5 percent to €29.5 billion in 2008 and by another 5 percent to €31 billion in 2009.

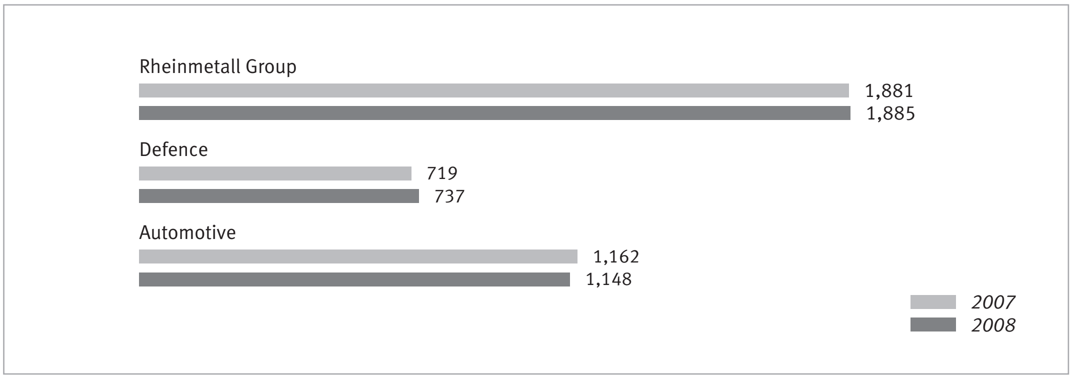
Worldwide, defence expenditures in 2008 are estimated at over one trillion dollars of which the US defence budget accounts for over one-half. According to the Pentagon, spending this year will for the first time cross the $600 billion threshold. Despite planned cutbacks, the UK and France within Europe are the biggest defence spenders at around €50 billion and €44 billion, respectively. As to the rest of the world, Russia, China, India and certain Southeast Asian nations plus the Middle East are expected to show the highest growth rates over the next five years.

Auto production growth slowing down. The situation in global auto production mirrors that of the worldwide economy. Although the CSM Worldwide experts do predict another rise in global motor vehicle production (up to 3.5 t) by around 3 percent to over 70 million units, they forecast a slowdown in the latter half of the year due to faltering economies and mounting fuel costs. Production in Europe this year is expected to climb by just under 4 percent to 22.5 million vehicles, with Western Europe's sales slightly down and C&E Europe still having much to catch up. A worry for the automakers continues to be the North American market whose annual production is likely to contract by around 7 percent to a 10-year low of just over 14 million units. Japan and Korea, in contrast, are still thriving on rising exports to the emerging nations of Asia and expect to show a slight production gain to 14.8 million vehicles in 2008.

Trend toward fuel-efficient and emission-reducing technologies. China, the world's third biggest auto nation, is likely to report a production advance of 10 percent to 7.8 million vehicles in 2008. From a much lower starting base, the automakers in the remaining BRIC nations (Brazil, Russia, India) should be able to raise production by double-digit percentages. Given ever higher oil prices and tighter environmental standards, there is presently a clear trend toward fuel-efficient and emission-reducing technologies.

Rheinmetall Group business trend

Six-month (H1) sales *€ million*



Sales at a high level. H1 group sales at €1,885 million were slightly higher than a year earlier. The Defence sector raised its sales in H1, for invoice timing reasons a normally weaker first six months, by €18 million or 3 percent to €737 million; based on like exchange rates, the Automotive sector's H1 sales were substantially a repeat of the year before.

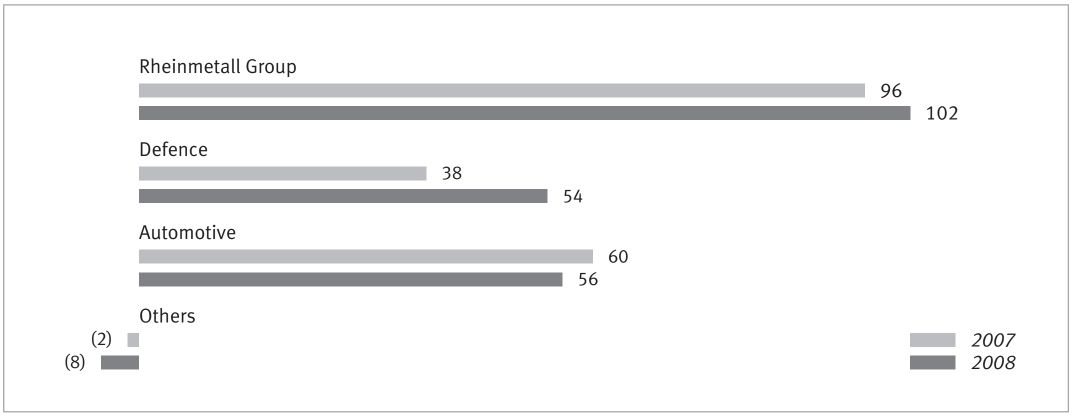
Year-on-year, non-German 6-month sales by the Rheinmetall Group slipped from 69 to 68 percent. Alongside the German market, focal regions were Europe, followed by North America and Asia. Of Defence's total sales, 69 percent was generated abroad while at Automotive, customers outside of Germany accounted for 68 percent.

Order intake in excess of sales. For the six months ended June 30, 2008, the Rheinmetall Group reports new orders worth €1,980 million (down from €2,037 million).

At June 30, 2008, order backlog totaled €3,789 million, up 12.5 percent; orders on hand at Defence amounted to €3,412 million (up from €2,991 million) and include high-volume contracts extending over several fiscal years.

Profitability upgraded. The Rheinmetall Group's EBIT for the first half of 2008 rose from €96 million to €102 million; net income for the same period added up to €54 million (up by €8 million). Deducting minority interests in profit of €2 million brings earnings per share (EpS) to €1.50 (up from €1.26).

H1 EBIT *€ million*



Asset and capital structure. In comparison to December 31, 2007, the Rheinmetall Group's total assets amounted to €3,593 million (up €148 million or 4.3 percent). The increase in the consolidated balance sheet is primarily due to Defence's M&A transactions and the seasonal rise in working capital. Unchanged, noncurrent assets accounted for 49 percent of the total and climbed €67 million, mainly when intangible assets rose in the wake of the M&As. Total equity as of June 30, 2008, came to €1,058 million, corresponding to an equity ratio of 29 percent (down from 31 at the end of 2007). The total financial debts at H1-end broke down into €364 million of noncurrent, and €251 million of current, financial liabilities and were hence down from €384 million and up from €15 million, respectively, at year-end 2007.

Asset and capital structure *€ million*

	12/31/2007	%	6/30/2008	%
Noncurrent assets	1,685	49	1,752	49
Current assets	1,760	51	1,841	51
Total assets	**3,445**	**100**	**3,593**	**100**
Total equity	1,057	31	1,058	29
Noncurrent liabilities	1,047	30	1,028	29
Current liabilities	1,341	39	1,507	42
Total equity & liabilities	**3,445**	**100**	**3,593**	**100**

Targeted expenditures consolidate competitive advantages. The Rheinmetall Group's capital expenditure program is driven by the implementation of the organic-growth strategy. The use of the funds is largely determined by the strategic and operational goals for expanding positions on international markets and strengthening technological competence. The rise in expenditures results from the Defence sector. During the first half of 2008, Defence spent €8 million on development projects (up from €3 million). Alongside ongoing developments for passive protection technologies on a new vehicle system, other major capital outlays were made for the development of air defence radar systems and improvements to air defence capabilities for combating very small targets.

Capital expenditures by corporate sector *€ million*

	H1/2007	H1/2008
Defence sector	18	26
Automotive sector	71	70
Others	0	1
Rheinmetall Group	**89**	**97**

Employees. Worldwide the Rheinmetall Group employed 19,398 persons at June 30, 2008, up by 213 from the year-end 2007 headcount. The addition is mainly related to the expanding capacities at Defence. Of the total workforce, 38 percent were employed at Rheinmetall Defence, 61 percent at Automotive, and just under 1 percent at Rheinmetall AG and the service enterprises.

Defence sector

Defence indicators *€ million*

	H1/2007	H1/2008
Net sales	719	737
Order intake	874	829
Order backlog (June 30)	2,991	3,412
Headcount (June 30)	7,110	7,393
EBITDA	58	74
EBIT	38	54
EBT	28	44
EBIT margin *in %*	5.3	7.4

Further internationalization of Defence operations. Rheinmetall Defence broadened its share of currently the biggest supranational contract for military vehicles in Europe with the acquisition of all of the shares in Stork PWV B.V., a Dutch tank builder. The deal was closed in May and the acquiree meanwhile operates as Rheinmetall Nederland B.V.

In February 2008, an agreement was signed with South Africa's Denel (Pty) Ltd., Irene, Pretoria, regarding the intended acquisition of a majority stake in Denel Munitions (Pty) Ltd. The planned takeover of 51 percent is still subject to the satisfaction of several conditions precedent and will reinforce the Defence sector's market presence plus the role of Rheinmetall Defence as leading systems supplier for land forces equipment. The deal is expected to be closed some time in the current quarter.

Defence keeping its growth course. At €737 million, the Defence sector reported a sales growth of €18 million or 3 percent during H1/2008.

Sustained high order influx. H1 order intake reached €829 million, just €45 million short of the year-earlier value which had been buoyed by a large order at the Air Defence division.

From €2,991 million a year ago, the June 30 order backlog climbed by 14 percent to €3,412 million. Newly consolidated in Q2, Rheinmetall Nederland B.V. contributed orders worth €502 million, mainly the Boxer Netherlands contract.

Profitability improved. Defence's EBIT of €54 million was a significant €16 million improvement over H1/2007. A key contributor to this improvement was Oerlikon Contraves AG with an EBIT up by €11 million. The sector's EBIT margin rose from 5.3 to 7.4 percent.

Automotive sector

Automotive indicators *€ million*

	H1/2007	H1/2008
Net sales	1,162	1,148
Order intake	1,163	1,151
Order backlog (June 30)	376	376
Headcount (June 30)	12,033	11,883
EBITDA	117	114
EBIT	60	56
EBT	47	43
EBIT margin *in %*	5.2	4.8

Sales slightly short of year-earlier level. H1/2008 sales at the Automotive sector added up to €1,148 million, slightly down from the year-earlier magnitude due to shrinking sales chiefly on account of the nosediving US market trend and compounded by currency translation losses caused by the soft US dollar. In all, the US production plants reported a €32 million sales decline. Adjusted for the currency-related effects, sales remained at the year-earlier level.

EBIT hurt by nonrecurring factors. Automotive's EBIT for H1/2008 totaled €56 million (down €4 million). The 6-month EBIT was burdened by a total of €4 million for a restructuring plan concluded in June 2008 for the small-piston facilities at Neckarsulm and Hamburg and entailing the loss of around 250 jobs in this product group.

New-product start-up costs and delayed series production start-ups in the NAFTA region took their toll on EBIT, especially at Pierburg. These effects and further selling price reductions were partly offset by higher profit contributions from business especially in China, Japan, France, and the Czech Republic as well as another improvement in commodity price management.

Risk and reward report

Efficient risk management. Thanks to 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 2007 details the major risks and rewards possibly affecting the future development of Rheinmetall. Above and beyond the risks and rewards outlined in that report there is for the Automotive sector the risk of the global auto market trend, especially in the USA. There have been no further material changes or new findings.

Prospects

Group forecasts for 2008 reconfirmed. Given the unchanged strong operational capability of its Defence and Automotive sectors, Rheinmetall is still forecasting Defence business-driven organic growth within the Group. The stiffer market challenges faced by the Automotive sector contrast with improved prospects in Defence business on the basis of H1 results. As a consequence, the Group's EBIT of between €280 million and €290 million budgeted for all of 2008 can be reconfirmed. In view of the general economic climate, the Automotive sector is expected to show an EBIT margin at the prior-year level; Defence is looking to another gain in profitability.

The medium-term goals for the Rheinmetall Group of a 9 percent EBIT margin and a 20 percent ROCE by at least 2010 are reconfirmed.

Condensed interim financial statements of Rheinmetall AG for H1/2008

Consolidated balance sheet as of June 30, 2008

Assets *€ million*

	12/31/2007	6/30/2008
Intangible assets	484	532
Tangible assets	1,046	1,062
Investment properties	14	13
Investees	84	93
Other noncurrent financial assets	10	12
Sundry noncurrent assets	3	4
Deferred tax assets	44	36
Total noncurrent assets	**1,685**	**1,752**
Inventories	726	863
less prepayments received	(24)	(44)
	702	**819**
Trade receivables	779	826
Other current financial assets	38	30
Other current receivables and assets	70	99
Income tax assets	8	12
Cash & cash equivalents	163	54
Noncurrent assets held for sale	--	1
Total current assets	**1,760**	**1,841**
Total assets	**3,445**	**3,593**

Equity & liabilities *€ million*

	12/31/2007	6/30/2008
Capital stock	92	92
Additional paid-in capital	208	208
Other reserves	615	725
Group earnings (after minority interests)	145	52
Treasury stock	(46)	(61)
Stockholders' equity	**1,014**	**1,016**
Minority interests	43	42
Total equity	**1,057**	**1,058**
Accruals for pensions and similar obligations	522	523
Other noncurrent accruals	106	105
Noncurrent financial liabilities	384	364
Other noncurrent liabilities	12	12
Deferred tax liabilities	23	24
Total noncurrent liabilities and accruals	**1,047**	**1,028**
Current accruals	316	305
Current financial liabilities	15	251
Trade payables	554	496
Other current liabilities	412	399
Income tax liabilities	44	56
Total current liabilities and accruals	**1,341**	**1,507**
Total equity & liabilities	**3,445**	**3,593**

Consolidated income statement

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

	H1/2007	H1/2008
Net sales	**1.881**	**1.885**
Net inventory changes, other work and material capitalized	31	109
Total operating performance	**1.912**	**1.994**
Other operating income	41	37
Cost of materials	(993)	(1.035)
Personnel expenses	(531)	(549)
Amortization/depreciation	(77)	(79)
Other operating expenses	(260)	(267)
Operating result	**92**	**101**
Net interest expense[1]	(27)	(26)
Net investment income and other financial results[2]	4	1
Net financial result	**(23)**	**(25)**
Earnings before taxes (EBT)	**69**	**76**
Income taxes	(23)	(22)
Net income	**46**	**54**
thereof		
minority interests	*2*	*2*
group earnings (after minority interests)	*44*	*52*
Earnings per share (basic/diluted)	€1,26	€1,50

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

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

	Q2/2007	Q2/2008
Net sales	**970**	**963**
Net inventory changes, other work and material capitalized	19	55
Total operating performance	**989**	**1.018**
Other operating income	16	23
Cost of materials	(518)	(526)
Personnel expenses	(272)	(281)
Amortization/depreciation	(39)	(40)
Other operating expenses	(128)	(143)
Operating result	**48**	**51**
Net interest expense[1]	(14)	(13)
Net investment income and other financial results[2]	4	2
Net financial result	**(10)**	**(11)**
Earnings before taxes (EBT)	**38**	**40**
Income taxes	(14)	(12)
Net income	**24**	**28**
thereof		
minority interests	*1*	*1*
group earnings (after minority interests)	*23*	*27*
Earnings per share (basic/diluted)	€0,66	€0,80

[1] *incl. interest expense of €16 million (up from €15 million)*
[2] *incl. net P/L of investees carried at equity of €1 million (down from €2 million)*

Consolidated statement of cash flows for H1/2008

€ million

	H1/2007	H1/2008
Opening cash & cash equivalents	**197**	**163**
Net income	46	54
Net interest result from financing activities	15	13
Amortization/depreciation of intangibles, tangibles and investment properties	77	79
Change in pension accruals	4	1
Cash flow	**142**	**147**
Changes in working capital and other items	(303)	(254)
Net cash used in operating activities[1]	**(161)**	**(107)**
Cash outflow for additions to tangibles, intangibles and investment properties	(102)	(97)
Cash inflow from the disposal of tangibles, intangibles and investment properties	9	2
Cash outflow for additions to consolidated subsidiaries and financial assets	(29)	(33)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	19	0
Net cash used in investing activities	**(103)**	**(128)**
Rheinmetall AG dividend payout	(35)	(45)
Other profit distribution	(2)	(6)
Repurchase of treasury stock	(1)	(25)
Sale of treasury stock	--	4
Net cash outflow for interest	(21)	(19)
Financial liabilities incurred	165	227
Financial liabilities repaid	(4)	(10)
Net cash provided by financing activities	**102**	**126**
Net change in cash & cash equivalents	**(162)**	**(109)**
Parity-related change in cash & cash equivalents	1	0
Total change in cash & cash equivalents	**(161)**	**(109)**
Closing cash & cash equivalents	**36**	**54**

[1] *Including net income taxes paid at €14 million (down from €19 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 after minority interests	Treasury stock	**Stock-holders' equity**	Minority interests	**Total equity**
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)	--	--	--	--
Group net income	--	--	--	--	--	--	44	--	44	2	46
Balance at June 30, 2007	**92**	**208**	**574**	**(37)**	**66**	**29**	**44**	**(41)**	**906**	**55**	**961**
Balance at January 1, 2008	**92**	**208**	**579**	**(43)**	**79**	**36**	**145**	**(46)**	**1,014**	**43**	**1,057**
Dividend payout	--	--	(45)	--	--	--	--	--	(45)	(6)	(51)
Currency translation differences	--	--	--	4	--	4	--	--	4	1	5
Accumulated OCI	--	--	3	--	3	3	--	(15)	(9)	2	(7)
Transfer to/from reserves	--	--	145	--	--	--	(145)	--	--	--	--
Group net income	--	--	--	--	--	--	52	--	52	2	54
Balance at June 30, 2008	**92**	**208**	**682**	**(39)**	**82**	**43**	**52**	**(61)**	**1,016**	**42**	**1,058**

Notes

(1) General bases. Rheinmetall AG's condensed interim consolidated financial statements as of June 30, 2008, 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 H1/2008 do not necessarily allow a forecast to be made of the future business development. The 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 2007. 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, 2007, 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 new or amended IASB Standards have been approved and released in H1/2008. However, since their application is either not yet obligatory or their adoption by the EU still pending, they have not been applied in these interim financial statements:
IFRS 3 *Business Combinations* (revised)
IAS 27 *Consolidated and Separate Financial Statements* (revised)
IFRS 2 *Share-Based Payment* (amended)
IAS 1 *Presentation of Financial Statements* (amended)
IAS 32 *Financial Instruments: Presentation* (amended)
The effects of the Standards 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.

(2) 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.

(3) 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 six months of 2008, five fully consolidated subsidiaries (including four outside of Germany) were newly formed.

In May 2008, a 51 percent stake in the voting capital of LDT Laser Display Technology GmbH was acquired at a price of €2 million. This company is worldwide market leader for laser projection systems. Given the current call and put option held for the remaining shares at a favorable purchase price, this company was consolidated at 100 percent. Moreover, in May 2008, all of the shares in Stork PWV B.V., a Dutch tank builder, were acquired for a purchase price of €40 million whose allocation produced goodwill at €28 million. Since June 2008, the company has operated under the name of Rheinmetall Nederland B.V.

In the balance sheet, the acquired assets and liabilities of LDT Laser Display Technology GmbH and Stork PWV B.V. are stated at fair value as follows:

€ million

	Pre-acquisition book values	Adjustments	Fair values
Goodwill	--	28	28
Other intangible assets	--	15	15
Tangible assets	1	0	1
Inventories	1	0	1
Cash & cash equivalents	10	--	10
Other current assets	5	--	5
Current financial liabilities	--	--	--
Other current liabilities	13	--	13
Other noncurrent liabilities	--	4	4

The fair values of intangible assets had the greatest impact on purchase price allocation and cover mainly the acquirees' order backlog and know-how. The H1/2008 EBIT of both subsidiaries was negative and is included in the Group's at €0.2 million (LDT Laser Display Technology GmbH) and €0.4 million (Rheinmetall Nederland B.V.). A positive EBIT is expected for H2/2008 from both subsidiaries.

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

(5) 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 €92,160,000. At their AGM on May 6, 2008, the stockholders withdrew this authority and granted a new one effective up to October 31, 2009.

	Shares	% of capital stock
As of January 1, 2008	**1,051,417**	**2.921**
Repurchased in H1/2008	554,673	1.540
Incentive/employee stocks	(233,369)	(0.648)
As of June 30, 2008	**1,372,721**	**3.813**
Repurchased in July 2008	124,240	0.345
Employee stocks	(19,596)	(0.054)
August 1, 2008	**1,477,365**	**4.104**

In H1/2008, Rheinmetall AG purchased 554,673 treasury shares at a total cost of €25 million. As of June 30, 2008, after the issuance of shares to executive staff under the long-term incentive plan and the employee stock purchase program, the portfolio comprised 1,372,721 treasury shares, acquired at a total cost of €61 million and offset against equity.

Notes

(6) Stock-based compensation. A long-term incentive program exists within the Rheinmetall Group under which eligible executive staff will share in the value added to the Group's by receiving Rheinmetall shares in addition to cash. Participants cannot freely dispose of the shares granted until the 3-year qualifying period has expired. Under this incentive program, participants received on April 1, 2008, a total 79,940 shares.

(7) 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 waiting period. The initial subscription period ran from April 3 to 16, 2008, and altogether 153,429 shares were sold to employees. The second subscription period was the fortnight ended July 15, 2008, during which 19,596 shares were acquired by employees.

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

	Q2/2007	Q2/2008	H1/2007	H1/2008
Group earnings after minority interests (€ mill.)	23	27	44	52
Weighted number of shares (million)	35.0	34.7	35.0	34.7
Earnings per share (€)	**0.66**	**0.80**	**1.26**	**1.50**

(9) Dividend. May 2008 saw the distribution of a cash dividend for fiscal 2007 of €45 million, equivalent to €1.30 per share.

(10) Related-party transactions. For the Rheinmetall Group, corporate related parties are joint ventures and associated affiliates carried at equity. The joint ventures, in particular, benefit the expansion of Automotive and Defence operations. The volume of services provided by or to material related companies, as well as the volume of unpaid items, mainly originate from project work within the Defence sector. Moreover, the volume of unpaid items includes minor loans to joint ventures. The scope of related-party transactions is broken down in the table below:

€ million

	Volume of services rendered		Volume of services utilized		Volume of unpaid items	
	H1/2007	H1/2008	H1/2007	H1/2008	12/31/2007	6/30/2008
Associated affiliates	5	1	9	5	(1)	(1)
Joint ventures	20	24	7	6	17	16
	25	**25**	**16**	**11**	**16**	**15**

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

(11) Segment report. In line with the Rheinmetall Group's internal controlling system, the Group breaks down into two corporate sectors, Defence and Automotive.

Rheinmetall's Defence sector with its Vehicle Systems, Weapon & Munitions, Propellants, Air Defence, C4ISTAR and Simulation & Training divisions is among the renowned big suppliers to the international defence and security industries.

The Automotive sector, parented by Kolbenschmidt Pierburg AG, comprises the Pistons, Pierburg, Pumps, Aluminum Technology, Plain Bearings and Motor Service divisions and specializes in components and modules for every aspect of the engine.

€ million

Corporate sectors	Defence		Automotive		Others/ consolidation		Group	
	H1/2007	H1/2008	H1/2007	H1/2008	H1/2007	H1/2008	H1/2007	H1/2008
Sales	719	737	1,162	1,148	0	0	1,881	1,885
EBIT	38	54	60	56	(2)	(8)	96	102

(12) Contingent liabilities. The contingent liabilities existing as of June 30, 2008, shrank in comparison to December 31, 2007, after Stork PWV B.V. (a former joint venturer) had been acquired. A performance bond was furnished for a joint project venture. In the relationship to third parties, Rheinmetall may also be held liable for the performance of the other joint venturer while in the relationship of the parties inter se, by virtue of certain agreements on liability upon recourse, Rheinmetall is only liable for its own share of products and services. No cash outflows are presently expected from such contingent liabilities.

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, 2008 (consisting of balance sheet, income statement, 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, 2008, 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 12, 2008

Klaus Eberhardt   Dr. Gerd Kleinert   Dr. Herbert Müller

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.

Additional information

Financial diary 2008/2009

August 12, 2008	Report on H1/2008
November 5, 2008	Report on 3Q/2008
March 25, 2009	Annual report 2008, annual accounts press conference, analysts conference
May 11, 2009	Report on Q1/2009
May 12, 2009	Annual general meeting

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.

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

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