Semiannual Financial Report

H1 2011

Rheinmetall AG

Rheinmetall in figures

Rheinmetall Group key figures *€ million*

	H1/2010	H1/2011	Changes
Sales	1,728	2,075	347
Order intake	1,993	2,013	20
Order backlog (June 30)	5,247	5,094	-153
Employees according to capacity (June 30)	20,181	20,450	269
EBITDA	178	216	38
EBIT	104	127	23
EBIT margin	6.0%	6.1%	-
EBT	78	98	20
Net income	57	75	18
Earnings per Share (EpS)	€ 1.43	€ 1.91	0.48
Capital expenditure	80	85	5
Amortization/depreciation/impairment	74	89	15
Cash flow	134	160	26
Net financial debt (June 30)	338	563	225
Total equity (June 30)	1,210	1,397	187
Total assets (June 30)	3,869	4,363	494

Rheinmetall on course for growth

With significant growth in sales and a positive improvement in earnings, the Rheinmetall Group remains on course for success and is raising its profit forecast.

- Consolidated sales up 20% to €2,075 million
- Consolidated result before interest and tax (EBIT) up €23 million to €127 million
- Defence: Stable growth at a high level
- Automotive: Substantial growth in sales and earnings
- Earnings guidance for 2011 revised upwards

Contents

The Rheinmetall share

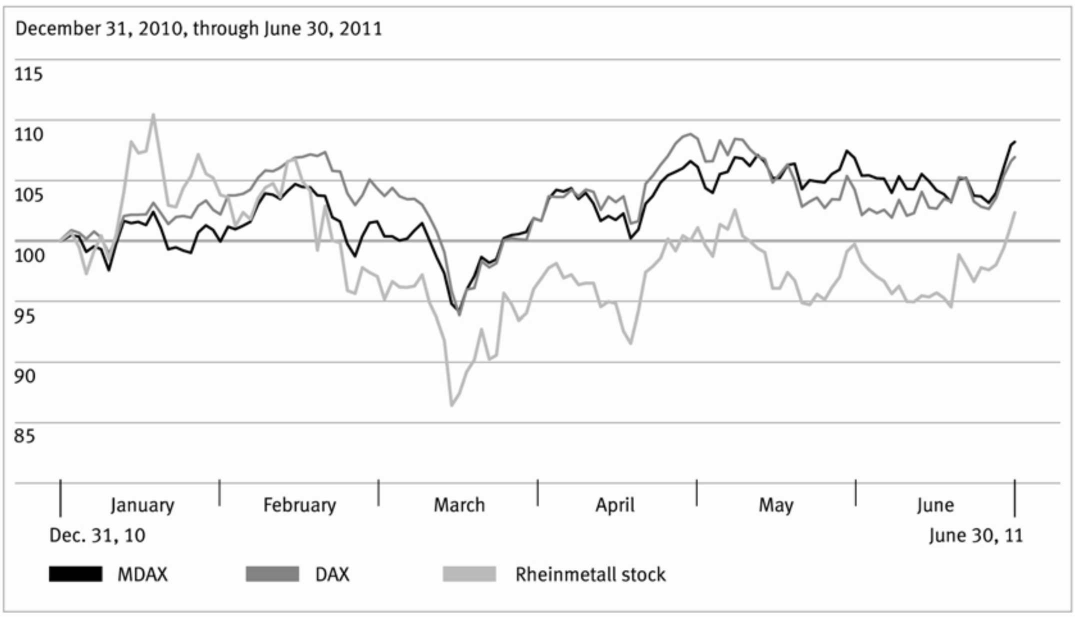
Declines in the wake of the natural disaster in Japan largely offset by stock indices | In the first half of 2011, events on the stock markets were marked by the repercussions of the earthquake and catastrophic floods in Japan, but also by the ongoing debt crisis in the euro zone, skepticism regarding the sustainability of the economic upturn and the level of public debt in the USA.

The stock markets started with a positive trend in 2011, resulting in rising share prices until mid-February. The tragic events in Japan in March 2011 subsequently led to a rapid decline in share prices, followed by a period of rapid recovery. This was interrupted in mid-April by a brief setback, but resumed its course, continuing until early May. The DAX reached a half-year peak on May 2, 2011 with 7,528 points. Whereas the DAX continued to lose ground over the course of the second quarter, the MDAX recorded a sideways movement. Under pressure from the ongoing positive economic situation in Germany and the approval of government austerity measures by the Greek parliament, both benchmark indices registered an upward trend toward the end of the second quarter of 2011. The MDAX achieved a quarterly high on June 30, 2011 with 10,932 points, an improvement of 6% on March 31, 2011, and the DAX closed the second quarter with 7,376 points, an increase of 5% against the closing figure for March 2011.

The Rheinmetall share makes up ground against the indices | At the beginning of the year, the Rheinmetall AG share price was affected by the situation of unrest in parts of North Africa and the Middle East and by the Japanese disaster. It staged a rapid recovery, however, and went on to achieve a Q2 high of €61.82 on May 10, 2011, the day of the Annual General Meeting. The share going ex-dividend, but also uncertainty surrounding the further consolidation of national budgets and the possible negative impact this may have on defence budgets, once again sent the share price plummeting. Positive reports from the automotive industry led to a swift recovery in the share price in June, which lasted until July 2011 and saw above-average share price performance compared with the MDAX. The share ended the quarter on June 30, 2011 with a closing price of €61.05, a gain of 4% on the closing figure for the previous quarter, making up for the below-average performance against the MDAX exhibited for the first half of 2011.

Market capitalization and trading volume | As a result of the rise in the Rheinmetall AG share price toward the end of the quarter, market capitalization increased to €2,418 million as at June 30, 2011, increasing the stock market value of the company by around €100 million against March 31, 2011. Rheinmetall moved up 4 places in the MDAX market capitalization rakings of Deutsche Börse to 10th place. In the second quarter of 2011, the average daily trading volume stood at 215,000 shares, compared with 291,000 shares in the previous quarter.

Performance of the Rheinmetall share in relation to theDAX and MDAX



General economic conditions

Upturn continues – although slightly dampened | The upturn in the global economy slowed slightly over the course of the first half of the year, but global economic output is still demonstrating a positive growth momentum. In its "World Economic Outlook" from June 2011, the International Monetary Fund (IMF) forecasts global growth of 4.3% for 2011 as a whole, thereby revising its forecast from April 2011 downwards by 0.1 percentage points. At the same time, economic experts at the IMF are pointing to the fact that the global economy may be at increased risk. These risks stem, above all, from the debt crises in the euro zone and in the USA, as well as from an unexpected and substantial downturn in the US economy. The IMF signaled persistent unequal growth in the global economy, with relatively low growth rates in some of the mature industrialized nations and a more dynamic growth momentum in emerging countries, as a further risk factor. Experts at the IMF also warn of the first signs of "economic overheating" in developing and emerging countries. However, on the whole the IMF remains confident about further development, their most recent forecast remaining unchanged and indicating 4.5% growth in global economic output for 2012.

In contrast to initial fears by some observers, the devastating earthquake and tsunami in Japan in March 2011 did not lead to a long-lasting relapse in global economic performance. However, the full extent of the economic repercussions of the Japanese disaster became abundantly clear in the second quarter of 2011. The IMF lowered its already revised April forecast of Japanese GDP further still in June 2011 by 2.1 percentage points to –0.7%. But IMF experts anticipate that the Japanese economy will recover comparatively swiftly on account of strong catch-up effects and have raised their growth forecast for 2012 by 0.8 percentage points to 2.9%. Disappointing news is emanating from the USA, where GDP growth was worse than expected for the first half of 2011. The fact that inflation in the USA, for one, has reached its highest level on record since October 2008, at 3.6%, is giving cause for concern. Furthermore, Standard & Poor's revised its outlook for the USA's credit rating to "negative" for the first time in 70 years on account of the strained financial situation. In light of this, the IMF revised its forecast for 2011 as a whole in June by 0.3 percentage points, anticipating growth of 2.5%, and its forecast for 2012 by 0.2 percentage points to 2.7%.

In spite of the debt crisis, the IMF assessment of economic development in the 17 euro zone countries remains optimistic. The most recent growth forecast for 2011 was even raised in June by 0.4 percentage points to 2.0%. According to the assessment, growth should ebb slightly in 2012 by 0.1 percentage points and then stabilize at 1.7%. Within the euro zone, Germany once again proved to be the driving force for growth. In its June outlook for the Federal Republic of Germany, the IMF increased forecast growth by 0.7 percentage points on the original prediction to 3.2 % in 2011. Growth is set to be somewhat weaker in 2012, however, which is why the April outlook was decreased by 0.1 percentage points to 2.0%. Leading German economic research institutions also all expect that the biggest economy in the euro zone will continue on a growth course, albeit they see variations. In its June forecast, the Kiel Institute for the World Economy (IfW) predicts that German GDP will grow by 3.6% in 2011 and by 1.6% in 2012. The forecast of the Munich Ifo Institute for 2011 is somewhat more pessimistic than that of the IfW, estimating growth of 3.3%, but is more optimistic for 2012 with forecast growth of 2.3%.

The strongest impetus for growth in the global economy in recent times has come from Asia and primarily China. Owing to inflation of 5.5% at the end of the second quarter, the biggest price hike in 34 months, and a rise in interest rates at the Chinese Central Bank to 6.31%, skepticism is mounting.

In June 2011, the Kiel Institute for the World Economy (IfW) therefore warned of a possible slowdown in economic growth in China. By contrast, the IMF forecast continues to place the Chinese economy on a robust growth course. The IMF forecasts for 2011 and 2012 remain unchanged, anticipating a rise in Chinese GDP of 9.6% and 9.5% respectively. The forecast for GDP growth in India is once again favorable. According to the IMF forecast, the Indian economy is set to grow by 8.2% in 2011 and 7.8% in 2012. IMF forecasts for the Brazilian economy were revised downwards; however the emerging country remains a significant engine for growth in the global economy with estimated growth of 4.1% for 2011 and 3.6% for 2012.

Automotive industry in "good shape" | In mid-2011, the automotive industry is still in "good shape", according to the estimation of the Association of the German Automotive Industry (VDA). They acknowledge that the global economy is now at greater risk, but remain justifiably optimistic. The VDA's economic barometer for June 2011 indicates that, "global demand for passenger cars will continue to grow, albeit at a more moderate pace". In Europe, the German market in particular is exhibiting positive development, according to the VDA. It argues that the bottleneck factor does not come from the demand side, but rather from the issue of production capacity. "In light of this, a slight 'stagnation' in the Chinese economy is not entirely inappropriate", argues the VDA with reference to the slightly weakened boom in the Chinese automotive market.

The overall robust condition of the automotive industry is reflected in the production figures for the first half of 2011. Despite the massive production downtimes in Japan in the aftermath of the earthquake and tsunami in March 2011, global production of passenger cars and light commercial vehicles of up to 3.5 tons increased further in the first half of 2011, against the same period of the previous year. Calculations by the market researchers at IHS Automotive (formerly CSM Worldwide) show that global production output climbed by 2.3% to around 36.5 million vehicles. It must be taken into account here that Japanese production plummeted by 34.1% over the reporting period on account of the natural disaster. Accordingly, production figures in the triad of Western Europe, NAFTA and Japan fell by 5.0% in the first half of 2011. An analysis of the individual markets yields an entirely different picture however, reflecting the fundamentally stable condition of the automotive industry. Production figures in the NAFTA region climbed by 7.6% and declined by 2.5% in the Western-European market. Within Europe, the German market posted above-average growth with a production increase of 5.4%.

As expected, the upward trend in the Chinese automotive industry abated somewhat in the first half of 2011 following the strong double-digit growth rates of previous years. However, with growth of 8.5%, Chinese automotive production remained at a high level and continued to provide stimulus for growth for the entire industry. India exhibited even more dynamic growth with a 19.6% rise in production figures. In Brazil, production was back on a growth course in the second quarter of 2011 following a poor first quarter, resulting in total production growth of 3.1% for the first half of the year.

For 2011 as a whole, the experts at IHS Automotive anticipate that global automotive production will rise by 4.1% to approximately 74.8 million vehicles. Production of passenger cars and light commercial vehicles has thus reached a record high despite the massive production downtimes in Japan and temporary setbacks in other regions.

German defence budget remains stable on the whole, increased defence expenditure in emerging countries | With the defence policy guidelines published on May 18, 2011, the German Minister of Defence signaled a reform process of the German Armed Forces in order to respond to the current security policy context. The strategy document stipulates that Germany must adjust to enable it to contend with a broad range of threats, including failing states, terrorism, criminal networks, climate change and environmental disasters and tensions caused by migration flows.

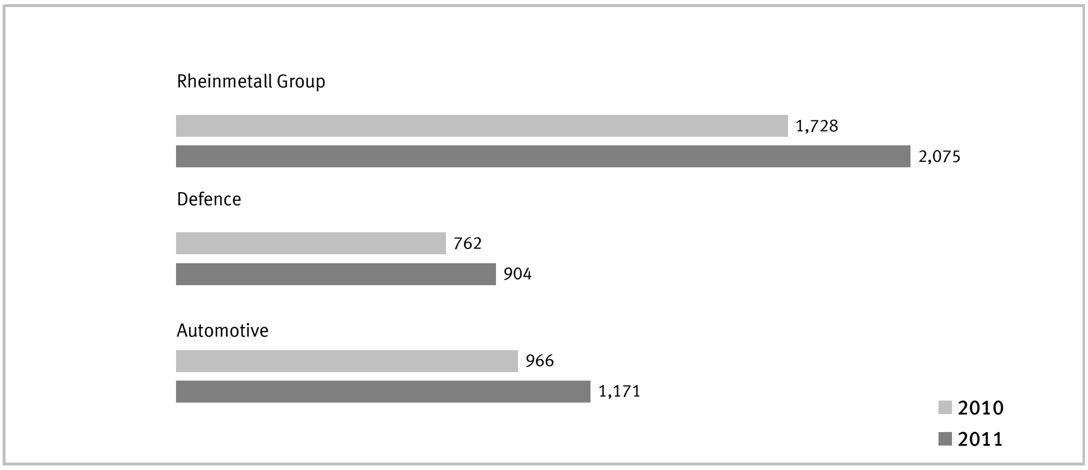
The reform of the German Armed Forces aims to prepare the Ministry and troops to respond to these challenges and create a more efficient organizational structure. Duplicated structures are to be eliminated and the number of conscripts and career soldiers reduced to 170,000. The number of soldiers who are also eligible for deployment will also see an increase to 10,000. The equipment and procurement processes are also set to be optimized in this regard and lengthy procedures shortened. The Ministry is thereby responding to a long-standing demand by industry, which will make a “substantial contribution” in future to meeting the operational requirements of the German Armed Forces.

The reform of the armed forces will reduce the number of ongoing operations and thereby result in a slight decline in the German defence budget by 2015. According to the draft paper published by the government in July 2011, the defence budget will amount to approximately €31.5 billion in 2011 and rise to around €31.7 billion in 2012. Following this, the budget will then be reduced incrementally by a total of €30.4 billion by 2015, which will derive primarily from a reduction in operating expenses. Investment funds of €6.2 billion have been made available for 2011 for the procurement of military equipment as well as for research, development and testing, the same amount of funding as was available in the previous year. In 2012, this funding is set to rise slightly by around €140 million. The trend of trimmed budgets in some key industrialized nations is not taking place in Germany.

The development of global defence spending reveals an uneven picture overall. According to the specialized information service, IHS Jane’s, defence budgets for 2010-2015 remain relatively stable in Germany, France and Italy, but have been curtailed in England, the Netherlands and – on account of reduced expenditure for foreign deployments – in the USA. Defence expenditure should see a further rise by 2015 in many of the emerging countries, such as India and Brazil, as well as in Australia, Canada, Scandinavia and key Middle Eastern countries.

Rheinmetall Group business trend

Sales for H1 *€ million*



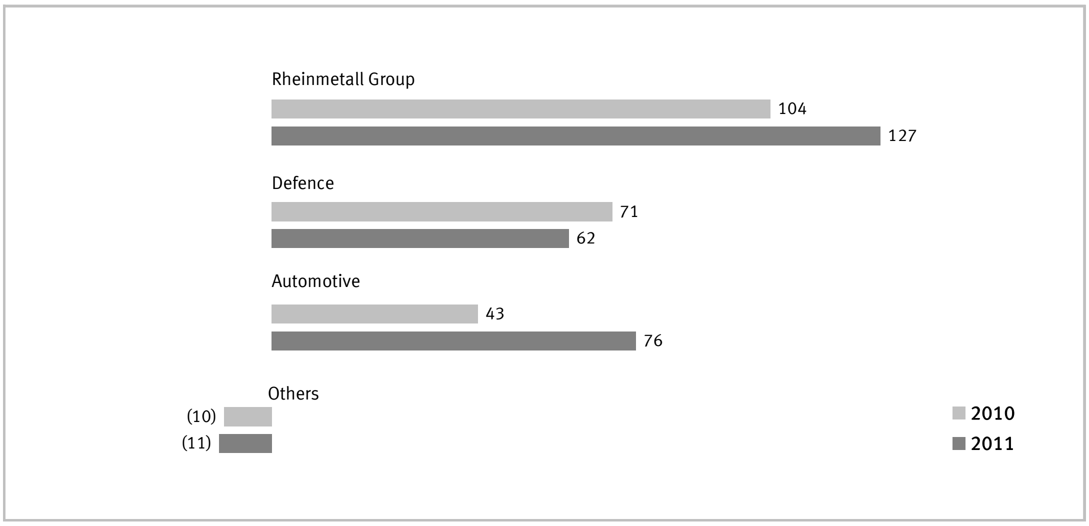
Increase in sales in H1/2011 | In the first six months of fiscal 2011, the Rheinmetall Group generated sales of €2,075 million, exceeding the previous year's figure by €347 million, or 20%. Significant growth was posted by both corporate sectors. At €904 million, sales in the Defence sector rose by €142 million, or 19%, on the previous year's figure. Adjusted for changes in the scope of consolidation, growth was €75 million, or 10%. With sales totaling €1,171 million in the first half of 2011, the Automotive sector exceeded the previous year's figure by €205 million, or 21%.

The proportion of consolidated sales achieved abroad in H1/2011 was 71%, following 69% in the same period of the previous year. Alongside the German market (29%), the key regions in terms of sales volumes were Europe excluding Germany (42%), followed by Asia (12%) and North America (10%). In the Defence sector, 67% of sales were generated abroad (previous year: 66%). In the Automotive sector, the proportion of sales achieved with customers abroad rose from 71% to 75% in the first half of 2011.

Order backlog of €5 billion | The Rheinmetall Group recorded an order intake of €2,013 million in the first half of 2011 (previous year: €1,993 million). The order backlog stood at €5,094 million as at June 30, 2011 (previous year: €5,247 million). The order backlog in the Defence sector amounted to €4,740 million at the end of H1 (previous year: €4,954 million); it includes orders for large projects with a duration over several fiscal years.

Profitability improves further | The earnings before interest and tax (EBIT) of the Rheinmetall Group rose by €23 million in the first half of 2011 from €104 million in the previous year to €127 million. In the first six months of 2011, the Defence sector achieved an EBIT of €62 million (H1/2010: €71 million) and the Automotive sector generated an EBIT of €76 million (previous year: €43 million). Consolidated net profit amounted to €75 million, up €18 million on the previous year's value. Earnings per share were €1.91, compared with €1.43 in the same period of the previous year.

EBIT for H1 *€ million*



Asset and capital structure | The Rheinmetall Group's total assets amounted to €4,363 million as at the reporting date. This is equivalent to a decline of €97 million compared with December 31, 2010. Non-current assets represented 48% of total assets as at June 30, 2011, compared with 46% as at December 31, 2010. They increased by €60 million during the reporting period. This was essentially due to the increase in intangible assets owing to the acquisitions. Current assets decreased by €157 million compared with December 31, 2010, whereby an increase in inventories and trade receivables was offset by a significant reduction in cash and cash equivalents. The equity ratio was 32%, following 30% on December 31, 2010. Of the €108 million decrease in non-current liabilities to €1,439 million, €61 million is attributable to the early repayment of the promissory note loan issued in 2009 and €35 million is attributable to the recognition of actuarial pension provision gains directly in equity. Current liabilities fell by €31 million.

Asset and capital structure *€ million*

	12/31/2010	**%**	**06/30/2011**	**%**
Non-current assets	2,037	46	2,097	48
Current assets	2,423	54	2,266	52
Total assets	**4,460**	**100**	**4,363**	**100**
Equity	1,355	30	1,397	32
Non-current liabilities	1,547	35	1,439	33
Current liabilities	1,558	35	1,527	35
Total equity and liabilities	**4,460**	**100**	**4,363**	**100**

Capital expenditure up on previous year | The strategic and operating objectives for expanding market share and securing technological competence are the guiding factors in the capital expenditure of the Rheinmetall Group. €85 million was invested during the first six months of the current fiscal year. This is equivalent to 4.1% of sales (previous year: 4.6%).

Capital expenditure by corporate sector *€ million*

	H1/2010	H1/2011
Defence	32	37
Automotive	47	47
Others	1	1
Rheinmetall Group	**80**	**85**

Employees | As at June 30, 2011, a total of 20,450 people were employed at Rheinmetall worldwide; this is 471 more than at the end of 2010. The workforce – measured against the number of employees as at the end of 2010 – at Rheinmetall Defence increased by 219 to 9,256, mainly due to acquisitions, while the Automotive sector employed an extra 249 people. Of the total workforce, 45% were employed in the Defence sector, 54% in the Automotive sector and roughly 1% at Rheinmetall AG and the service companies.

Rheinmetall Group business trend
Defence sector

Defence key figures *€ million*

	H1/2010	H1/2011
Sales	762	904
Order intake	1,084	853
Order backlog (June 30)	4,954	4,740
Employees according to capacity (June 30)	9,376	9,256
EBITDA	96	100
EBIT	71	62
EBT	63	55
EBIT margin	9.3%	6.9%

Further expansion of defence operations | In January 2011, Rheinmetall took over 76% of shares in the Laingsdale Engineering division of the South African company Tellumat (Pty) Ltd., Cape Town. The activities acquired encompass the development and production of precision components for fuses and will thus supplement Rheinmetall's technological portfolio in the field of ammunition. Moreover, the acquisition serves to further expand distribution activities in South Africa and other customer nations.

In February 2011, Rheinmetall also increased its share of the capital and voting rights of ADS Gesellschaft für aktive Schutzsysteme mbH, Lohmar, from 49% to 74%. ADS is involved in the development of standoff protection technologies for military vehicles. With the acquisition of the majority of voting rights in the company, Rheinmetall has further expanded its expertise and its position on the market for protection technologies.

Defence remains on course for growth | With sales of €904 million, the Defence sector recorded an increase of €142 million, or 19%, in the first six months of 2011 compared with the previous year's figure of €762 million; organic growth amounted to €75 million, or 10%.

Significant increase in order intake in Q2 | At €537 million, the order intake recorded in the second quarter of the current fiscal year significantly exceeded the Q1 figure of €316 million; the overall order intake for H1/2011 thereby amounted to €853 million. With a number of smaller and medium-sized orders, it remained €231 million below the high figure of the previous year, which included three large orders with a total volume of €450 million. For the current fiscal year to date, only one order with a volume of more than €150 million has been recorded.

High order backlog remains unchanged | At €4,740 million, the order backlog as at June 30, 2011 remained at the same high level. This was €4,954 million as at the balance sheet date of the previous year. With a volume of around €1.3 billion, the Bundeswehr series contract for the new Puma infantry fighting vehicle is the largest individual item in the order backlog.

Earnings decline | Although earnings before interest, taxes, depreciation and amortization (EBITDA) posted by the Defence sector in H1/2011 were higher than in the previous year, EBIT, at €62 million, was down €9 million on the previous year's figure of €71 million.

EBIT for the current fiscal year was negatively impacted by unforeseen project costs for an order to the tune of €11 million. It also includes a positive one-off effect of €11 million from ADS Gesellschaft für aktive Schutzsysteme mbH, which was only fully consolidated following the majority acquisition, which resulted from the transition of the equity approach to full consolidation. The EBIT figure for the previous year also included a positive one-off effect from a rate-hedging transaction of an investment, amounting to €5 million. Depreciation of intangible assets identified through purchase price allocations amounted to €9 million in the first six months of the current year (previous year: €2 million). Adjusted for these effects, EBIT has inched up from €68 million in H1/2010 to €71 million in the first half of the current fiscal year.

Rheinmetall Group business trend
Automotive sector

Automotive key figures *€ million*

	H1/2010	H1/2011
Sales	966	1,171
Order intake	909	1,160
Order backlog (June 30)	293	354
Employees according to capacity (June 30)	10,679	11,065
EBITDA	92	127
EBIT	43	76
EBT	34	68
EBIT margin	4.5%	6.5%

Substantial sales growth in Automotive sector | In the first six months of 2011, the Automotive sector generated sales of €1,171 million, exceeding the previous year's figure by €205 million, or 21%. In addition to the continued positive development of the global automotive markets, this rise in sales can also be attributed to a range of new product launches. The growth in this sector once again clearly exceeded production growth on the markets of the NAFTA region (+7.6%) and in Western Europe (+2.5%). This can be attributed mainly to high demand for products that address the trend for reducing consumption and exhaust gas. Compared to the triad markets (Western Europe, NAFTA, Japan), which saw a 5% decline on account of the slump posted by Japan (–34.1%), growth in the Automotive sector was even stronger.

Profitability improved | The Automotive sector generated an EBIT of €76 million in H1/2011, against €43 million in the same period of the previous year. The EBIT margin was 6.5%, compared with 4.5% in the previous year.

Joint ventures in China continue to grow | Both Chinese joint ventures, the prorated profit of which is carried at equity in Rheinmetall's consolidated financial statements (net investment income H1/2011: €4 million; H1/2010: €3 million), generated a rise in prorated sales (50%) in the first half of 2011 of 7% from €67 million to €72 million. Prorated EBIT (50%) was €5 million, against €4 million for the same period of the previous year. The Chinese joint ventures received two major orders in the reporting period from international clients for engine blocks and pistons with a total order volume of around €180 million.

Growth leads to expansion of the workforce | Due to the significant growth in sales, the number of employees in the Automotive sector increased by almost 4% to 11,065 when measured against the previous year. This growth primarily took place at the low-wage locations abroad.

Opportunities and risks

Efficient risk management | In the context of a systematic and efficient risk management system, risks at the Rheinmetall Group are limited and of manageable proportions. There are no discernible material risks which could permanently jeopardize the Group's assets, financial situation or earnings. The material opportunities and risks of the expected development of the Rheinmetall Group are described in detail in the Group Management Report for 2010. The after effects of the natural disaster in Japan were not as severe as previously expected and no longer present a material risk to the Automotive sector. There have been no further significant changes or new findings.

Prospects

Forecasts for the year revised upwards | Rheinmetall is raising its sales and earnings forecasts for the fiscal year 2011. Rheinmetall anticipates Group sales for the current fiscal year to amount to roughly €4.4 billion to €4.5 billion; the previous forecast was €4.3 billion. The revised forecast would mean an increase of between €400 million and €500 million compared to the previous year.

Rheinmetall still expects the Defence sector to achieve sales of approximately €2.2 billion for the fiscal year 2011. This forecast does not yet include the figures for Rheinmetall MAN Military Vehicles GmbH, the logistics vehicles business of MAN. The related sales figures will depend on the setting up of the second stage of the joint venture, which is to take place by the end of fiscal year 2011 at the latest. This second stage of the joint venture, in which Rheinmetall holds a 51% stake, is also scheduled to include the full integration of MAN's production site in Vienna.

On the basis of development in sales in the first six months of 2011, Rheinmetall now anticipates to record sales between €2.2 billion and €2.3 billion for the Automotive sector in fiscal year 2011; the previous forecast was €2.1 billion.

Rheinmetall expects to record earnings before interest and taxes (EBIT) between €350 million and €370 million for the Group in fiscal year 2011. The earnings range previously estimated amounted to €330 million to €360 million.

For the Defence sector, Rheinmetall still expects to achieve a sales margin of over 10% and an EBIT between €230 million and €250 million for the current fiscal year.

For the Automotive sector, Rheinmetall now anticipates to record an EBIT between €130 million and €150 million. The previous forecast amounted to €110 million to €130 million.

Report on post-balance sheet date events

Events after the balance sheet date | In an ad hoc announcement of June 28, 2011 Rheinmetall reported that it is analysing the continuation of its two pillar-strategy which comprises the Automotive and Defence divisions. Both businesses should be given the opportunity to further develop their market positions with more flexibility. In this context Rheinmetall is, in particular, exploring the possibility of an IPO of Kolbenschmidt Pierburg AG, which represents the Automotive division of the Rheinmetall Group. The Executive Board, however, will keep the option open to maintain its current two-pillar strategy.

Condensed consolidated interim financial statements of Rheinmetall AG for H1/2011

Consolidated balance sheet

Assets *€ million*

	12/31/2010	06/30/2011
Intangible assets	694	780
Property, plant and equipment	1,104	1,095
Investment property	21	20
Investments accounted for using the equity method	106	105
Other non-current financial assets	33	27
Other non-current assets	8	8
Deferred taxes	71	62
Non-current assets	**2,037**	**2,097**
Inventories	739	876
./. Prepayments received	(31)	(32)
	708	844
Trade receivables	909	1,041
Other current financial assets	58	57
Other current receivables and assets	94	122
Income tax receivables	25	21
Cash and cash equivalents	629	180
Non-current assets held for sale	-	1
Current assets	**2,423**	**2,266**
Total assets	**4,460**	**4,363**

Equity and Liabilities *€ million*

	12/31/2010	06/30/2011
Share capital	101	101
Additional paid-in capital	304	307
Other reserves	751	872
Net income of Rheinmetall AG shareholders	162	73
Treasury shares	(52)	(49)
Rheinmetall AG shareholders' equity	**1,266**	**1,304**
Minority interests	89	93
Equity	**1,355**	**1,397**
Provisions for pensions and similar obligations	677	632
Other non-current provisions	112	105
Non-current financial liabilities	671	609
Other non-current liabilities	37	29
Deferred taxes	50	64
Non-current liabilities	**1,547**	**1,439**
Current provisions	395	363
Current financial liabilities	34	134
Trade liabilities	593	522
Other current liabilities	472	452
Income tax liabilities	64	56
Current liabilities	**1,558**	**1,527**
Total liabilities	**4,460**	**4,363**

Consolidated income statement

H1 *€ million*

	H1/2010	H1/2011
Sales	**1,728**	**2,075**
Changes in inventories and work performed by the enterprise and capitalized	134	106
Total operating performance	**1,862**	**2,181**
Other operating income	47	54
Cost of materials	895	1,095
Staff costs	586	643
Amortization, depreciation and impairment	74	89
Other operating expenses	256	286
Net operating income	**98**	**122**
Net interest [1)]	(26)	(29)
Net investment income and other net financial income [2)]	6	5
Net financial income/loss	**(20)**	**(24)**
Earnings before taxes (EBT)	**78**	**98**
Income taxes	(21)	(23)
Net income	**57**	**75**
Of which:		
Minority interests	*2*	*2*
Rheinmetall AG shareholders	*55*	*73*
Earnings per share (EpS)	€ 1.43	€ 1.91
EBITDA	178	216
EBIT	104	127

1) Of which interest expense: €31 million (previous year: €28 million)

2) Of which income from investments carried at equity: €8 million (previous year: €10 million)

Comprehensive income

H1 *€ million*

	H1/2010	H1/2011
Net income	**57**	**75**
Actuarial gains and losses from pension provisions	(36)	24
Currency conversion difference	76	(11)
Change in value of derivative financial instruments (cash flow hedge)	(7)	0
Income/expenses from investments accounted for using the equity method	(6)	0
Other comprehensive income (after taxes)	**27**	**13**
Comprehensive income	**84**	**88**
Of which:		
Minority interests	*9*	*(3)*
Rheinmetall AG shareholders	*75*	*91*

Consolidated income statement

Q2 *€ million*

	Q2/2010	Q2/2011
Sales	**928**	**1,048**
Changes in inventories and work performed by the enterprise and capitalized	63	26
Total operating performance	**991**	**1,074**
Other operating income	24	26
Cost of materials	484	543
Staff costs	303	321
Amortization, depreciation and impairment	37	45
Other operating expenses	129	140
Net operating income	**62**	**51**
Net interest [1)]	(14)	(15)
Net investment income and other net financial income [2)]	3	(1)
Net financial income/loss	**(11)**	**(16)**
Earnings before taxes (EBT)	**51**	**35**
Income taxes	(13)	(10)
Net income	**38**	**25**
Of which:		
Minority interests	*2*	*0*
Rheinmetall AG shareholders	*36*	*25*
Earnings per share (EpS)	€ 0.93	€ 0.65
EBITDA	102	95
EBIT	65	50

1) Of which interest expense: €16 million (previous year: €14 million)

2) Of which income from investments carried at equity: €6 million (previous year: €3 million)

Comprehensive income

Q2 *€ million*

	Q2/2010	Q2/2011
Net income	**38**	**25**
Actuarial gains and losses from pension provisions	(12)	-
Currency conversion difference	44	18
Change in value of derivative financial instruments (cash flow hedge)	(9)	(3)
Income/expenses from investments accounted for using the equity method	0	0
Other comprehensive income (after taxes)	**23**	**15**
Comprehensive income	**61**	**40**
Of which:		
Minority interests	*5*	*1*
Rheinmetall AG shareholders	*56*	*39*

Consolidated cash flow statement

€ million

	H1/2010	H1/2011
Financial resources January 1	**577**	**629**
Net income	57	75
Amortization, depreciation and impairment	74	89
Changes in pension provisions	3	(4)
Gross cash flows	**134**	**160**
Changes in working capital and other items	(429)	(437)
Cash flows from operating activities [1)]	**(295)**	**(277)**
Investments in property, plant and equipment, intangible assets and investment property	(77)	(85)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	6	1
Investments in consolidated companies and financial assets	(11)	(60)
Divestments of consolidated companies and financial assets	(1)	1
Cash flows from investing activities	**(83)**	**(143)**
Capital contributions by third parties	3	2
Dividends paid out by Rheinmetall AG	(11)	(58)
Other profit distributions	(4)	(4)
Purchase of treasury shares	0	(5)
Sale of treasury shares	1	3
Borrowing of financial liabilities	279	119
Repayment of financial liabilities	(349)	(84)
Cash flows from financing activities	**(81)**	**(27)**
Changes in financial resources	**(459)**	**(447)**
Changes in cash and cash equivalents due to exchange rates	7	(2)
Total change in financial resources	**(452)**	**(449)**
Financial resources June 30	**125**	**180**

1) Including: Net income taxes of € –28 million (previous year: € –16 million)
Including: Net interest of € –13 million (previous year: € –22 million)

Statement of changes in equity

€ million

	Share capital	Additional paid-in capital	Retained earnings	*Difference of currency conversion*	*Statement of fair value and other valuations*	Total of fair value changes	Net income/loss of Rheinmetall AG shareholders	Treasury shares	**Rheinmetall AG shareholders' equity**	Minority interests	**Equity**
Balance as at December 31, 2009/ as at January 1, 2010	**101**	**303**	**711**	*(20)*	*90*	**70**	**(58)**	**(57)**	**1,070**	**64**	**1,134**
Dividends payout	-	-	(11)	-	-	-	-	-	(11)	(4)	(15)
Adjustment scope of consolidation	-	-	1	-	-	-	-	-	1	4	5
Transfers to/from reserves	-	-	(58)	-	-	-	58	-	-	-	-
Other comprehensive income	-	-	(42)	*69*	*(7)*	62	-	-	20	7	27
Net income	-	-	-	-	-	-	55	-	55	2	57
Other changes	-	-	-	-	-	-	-	2	2	-	2
Balance as at June 30, 2010	**101**	**303**	**601**	*49*	*83*	**132**	**55**	**(55)**	**1,137**	**73**	**1,210**
Balance as at December 31, 2010/ as at January 1, 2011	**101**	**304**	**592**	*60*	*99*	**159**	**162**	**(52)**	**1,266**	**89**	**1,355**
Dividends payout	-	-	(58)	-	-	-	-	-	(58)	(4)	(62)
Adjustment scope of consolidation	-	-	(1)	-	-	-	-	-	(1)	11	10
Transfers to/from reserves	-	-	162	-	-	-	(162)	-	-	-	-
Other comprehensive income		-	24	*(7)*	*1*	(6)		-	18	(5)	13
Net income	-	-	-	-	-	-	73	-	73	2	75
Other changes	-	3	-	-	-	-	-	3	6	-	6
Balance as at June 30, 2011	**101**	**307**	**719**	*53*	*100*	**153**	**73**	**(49)**	**1,304**	**93**	**1,397**

Notes to the consolidated financial statements

General principles | The condensed consolidated interim financial statements of Rheinmetall AG as at June 30, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB) for interim reporting as required in the European Union. Accordingly, these interim financial statements do not include all information and disclosures in the notes which are required in line with IFRS for consolidated financial statements at the end of the fiscal year. In the view of the Executive Board, the interim financial statements include all adjustments required to present a true and fair view of business development in the reporting period. The results achieved in the first six months of 2011 do not necessarily allow for conclusions to be drawn regarding their future development.

The interim financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in context with the consolidated financial statements published by Rheinmetall AG for the 2010 fiscal year. The accounting policies applied in the interim financial statements are identical to those applied in the consolidated financial statements for the past fiscal year.

In addition, the following amended or new standards and interpretations were used in the Consolidated Interim Financial Statements as their use is compulsory for fiscal years from 2011 onwards.

IFRS improvements	Collective standard, published 2010
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments"

Use of these standards and interpretations did not have a material impact on Rheinmetall Group's assets, financial situation and earnings.

For further information on the accounting policies applied, please refer to the Consolidated Financial Statements of Rheinmetall AG as at December 31, 2010. The Group's reporting currency is the euro; all amounts are given in € million unless otherwise indicated.

IASB published the following new and amended standards in the first half of 2011:

Amendment to IAS 1	"Presentation of Financial Statements"
Amendment to IAS 19	"Employee Benefits"
Amendment to IAS 27	"Consolidated and Separate Financial Statements"
Amendment to IAS 28	"Investments in Associates"
IFRS 10	"Consolidated Financial Statements"
IFRS 11	"Joint Arrangements"
IFRS 12	"Disclosure of Interests in Other Entities"
IFRS 13	"Fair Value Measurement"

The amendments to IAS 1 "Presentation of Financial Statements" refer to the presentation of the comprehensive income amounts which are directly recognized in equity. In future, the items are to be allocated depending on whether they must subsequently be recognized in the income statement or not. Application of the amendment is mandatory for fiscal years from January 1, 2012 onwards.

The amendments to IAS 19 "Employee Benefits" mainly involve the abolition of the postponed recognition of actuarial gains and losses as part of the corridor method, the re-structuring of the pension expense and expanded Notes for defined benefit plans. When the pension expense is being calculated, the new regulations specify that a past service cost is to be recognized in full immediately, and that the interest rate which is decisive for discounting the fund assets is also to be used as the expected return on the plan assets. The discontinuation of the corridor method has no effect on the Rheinmetall Group as actuarial gains and losses are already fully recognized directly in equity in the year in which they arise. The other amendments will influence the Group's assets and earnings, although the evaluation of the effects has not yet been carried out. Application of the revised standard is mandatory for fiscal years from January 1, 2013 onwards.

A new concept for determining subsidiaries subject to consolidation has been introduced into IFRS 10 “Consolidated Financial Statements” in the form of an amended definition of the concept of control. In addition to the voting rights, other contractual agreements or constructive patterns can lead to control if the parent companies can determine the financial and business activities of another company, achieve variable returns from this and influence the level of the returns. The new control concept may lead to changes in the manner in which the entities to be included in the scope of consolidation are determined. In addition, the consolidation guidelines which were formerly contained in IAS 27 have been integrated into the new standard. No amendments have been made to their content. This means that IAS 27 is only relevant for separate financial statements and contains the designation “Separate Financial Statements”. Application of the new IFRS 10 and the amended IAS 27 is mandatory for fiscal years from January 1, 2013 onwards.

IFRS 11 “Joint Arrangements” contains the regulations for recognition in the balance sheet of joint arrangements with one or more companies, and thus replaces IAS 31 “Interests in Joint Ventures”. The main amendments relate to the abolition of the voting right of the proportionate consolidation of joint ventures, the terminology used and the categorization of joint arrangements, which distinguishes between joint activities and joint ventures. The discontinuation of proportionate consolidation has no effects on the Rheinmetall Group as joint ventures are already included in the consolidated financial statements in accordance with the equity method. In the future, only this method will be permissible. The investigation as to whether joint arrangements based on the new standard will lead to a different evaluation than at present, and hence to amended accounting, has not yet been carried out. Application of the new standard is mandatory for fiscal years from January 1, 2013 onwards.

In IFRS 12 “Disclosure of Interests in Other Entities”, all Notes about companies which are under joint control, joint management or considerable influence of the reporting company are combined together in a standard. This means that the disclosure requirements formerly contained in standards IAS 27, IAS 28 and IAS 31 are replaced. The scope of the necessary disclosure requirements has been expanded compared to the existing regulations as information about judgments when evaluating whether a controlling influence is being exerted as well as information about non-consolidated structured companies must be disclosed. Application of IFRS 12 is mandatory for fiscal years from January 1, 2013 onwards.

In IFRS 13 “Fair Value Measurement”, all fair value measurement regulations formerly contained in different standards are combined together and standardized. This standard regulates how the fair value measurement is to be performed if this measurement is prescribed or permitted in a different standard. The new standard is not currently expected to have a material impact on Rheinmetall Group’s assets, financial situation and earnings. Application of this standard is mandatory for fiscal years from January 1, 2013 onwards.

Estimates | Preparing the interim financial statements requires certain assumptions and estimates which impact on the application of accounting principles within the Group and the disclosure of assets and liabilities, income and expenses. Actual values may differ from these estimates.

A qualified estimate of the pension obligations is given in the quarterly financial reports, based on the development of actuarial parameters. A discount rate of 5.75% (December 31, 2010: 5.25%) was used for pension provisions in Germany as regards these interim financial statements. This increase in the interest rate led to a reduction in actuarial losses from pension provisions recognized in equity.

Scope of consolidation | Besides Rheinmetall AG, the condensed consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG holds the majority of voting rights (whether directly or indirectly) or whose financial and business policies are otherwise controlled by the Group. In the first half of 2011, abroad two companies were set up and one company was acquired. Within Germany, the increase in shares owned in a previously investment and the foundation of a company meant that these companies were added to the fully consolidated companies. Disposals result from the internal merger of two German companies.

With effect from January 4, 2011, Rheinmetall has taken over the assets and liabilities of the Laingsdale Engineering division of the South African company Tellumat (Pty) Ltd., Cape Town, as part of an asset deal. The shares have been acquired by Rheinmetall Laingsdale (Pty) Ltd., Cape Town/South Africa (which is fully consolidated in the Rheinmetall Group), after Rheinmetall Waffe Munition GmbH, Unterlüß, purchased 51% of the company and Rheinmetall Denel Munition (Pty) Ltd., Somerset West/South Africa, purchased 49% at the beginning of fiscal 2011 and then carried out a capital increase. The activities acquired encompass the development and production of precision components for fuses and will thus supplement Rheinmetall's technological portfolio in the field of ammunition. Moreover, the acquisition serves to further expand distribution activities in South Africa and other customer nations. Since shareholders are involved in Rheinmetall Denel Munition (Pty) Ltd. who do not exercise a controlling influence, Rheinmetall's share in the new South African company totals 76%.

As at February 1, 2011, Rheinmetall also increased its share of the capital and voting rights of ADS Gesellschaft für aktive Schutzsysteme mbH, Lohmar, by 49% to 74%. ADS is involved in the development of standoff protection technologies for military vehicles. With the acquisition of the majority of voting rights in the company, Rheinmetall has further expanded its expertise and its position on the market for protection technologies. The current 25% stake in ADS was carried at equity. The revaluation of this current investment performed as part of the acquisition of additional shares on the basis of the purchase price for the acquisition produced a value of €20 million. When the number of shares was increased, ADS was incorporated into the Rheinmetall Group as a fully consolidated subsidiary. The earnings of €11 million gained from the transition of the equity carrying amount for full consolidation were reported in other operating income. At the time of acquisition, the non-controlling interests in ADS (26%) were measured in terms of the prorated remeasured net assets of the company of €8 million, without taking into account the prorated goodwill. The valuation of the non-controlling interests is based on the assumption that the purchase price is proportional to the investment.

The purchase prices for both of these acquisitions amount to €53 million in total and are to be paid entirely in cash.

The assets and liabilities taken over from the acquisitions in the first quarter of 2011 are entered into the Group's accounts at their fair value at the time of the acquisition. The measurement of net assets acquired at fair value, including the purchase price allocation, has not yet been completed for ADS as not all balance sheet-relevant examinations and calculations have been finalized. Based on the carrying amounts before the acquisition, which had to be adjusted for hidden reserves and charges, taking into account deferred taxes, the following fair values were calculated, which in some cases are provisional.

€ million

	Pre-acquisition book values	Adjustments	Fair values
Other intangible assets	-	50	50
Property, plant and equipment	6	-	6
Other non-current assets	2	-	2
Inventories	3	-	3
Receivables	1	-	1
Cash and cash equivalents/Other current assets	0	-	0
Current liabilities	1	-	1
Non-current liabilities	5	11	16
Net assets acquired	6	39	45
Goodwill	-	36	36
Total	6	75	81

The fair values of the assets and liabilities acquired from the two acquisitions are shown in the list below. The ADS fair values were initially processed on a provisional basis in Q1 and were verified in Q2. The changes primarily relate to the allocation of intangible assets of €21 million after deferred taxes to goodwill (€15 million) and to non-controlling interests (€6 million).

€ million

	ADS previous	ADS change	ADS provisional	Laingsdale	Total
Other intangible assets	75	(32)	43	7	50
Property, plant and equipment	1	-	1	5	6
Other non-current assets	-	2	2	-	2
Inventories	2	-	2	1	3
Receivables	0	-	0	1	1
Cash and cash equivalents/Other current assets	0	-	0	0	0
Current liabilities	1	-	1	0	1
Non-current liabilities	23	(9)	14	2	16
Net assets acquired	54	(21)	33	12	45
Goodwill	20	15	35	1	36
Total	74	(6)	68	13	81
Fair value of non-controlling interests	(14)	6	(8)	-	(8)
Fair value of controlling interests	60	-	60	13	73
Fair value of shares already held	(20)	-	(20)	-	(20)
Purchase prices paid for acquisitions	40	-	40	13	53

During the purchase price allocations, intangible assets were identified totaling €50 million, the majority of which were attributable to existing technologies (licenses) and customer relations. Total goodwill of €36 million resulted from the business combinations. This represents anticipated synergy effects, non-separable workforce expertise and access to future market developments. The fair values of the receivables mainly correspond to the contractually agreed gross amounts.

The companies included in the consolidated financial statements for the first time contributed sales of €2 million and an EBIT of €–3 million to the consolidated result in the first half of 2011, which also includes the expense from the depreciation of intangible assets identified through the purchase price allocation of €2 million.

Non-current assets held for sale | Real estate of €1 million has been reclassified as non-current assets held for sale.

Treasury shares | The Annual General Meeting on May 11, 2010 granted the Executive Board the authority to extend the authorization granted on May 12, 2009 to acquire treasury shares equivalent to up to 10% of the share capital of €101,373,000 up to May 10, 2015. As at June 30, 2011, the portfolio amounts to 1,190,854 treasury shares (June 30, 2010: 1,355,997), acquired at a total cost of €49 million (previous year: €55 million), which is deducted from equity.

Share-based payments | A long-term incentive program exists within the Rheinmetall Group, under which beneficiaries receive Rheinmetall shares with a four-year lock-up period in addition to cash payment. The number of shares granted is based on the average price on the last five trading days in February of the subsequent fiscal year. On April 1, 2011, the participants in the incentive program for fiscal 2010 received a total of 105,638 shares.

Employee share purchase program | Eligible staff of the Rheinmetall Group in Germany, and in other European countries, may purchase Rheinmetall AG shares on preferential conditions. There is a lock-up period of two years for these shares. Within specified subscription periods, the employees are given the opportunity to acquire a limited number of shares at a discount of 30% on the applicable share price. The first subscription period ran from April 27 to May 10, 2011; a total of 76,731 shares were purchased by employees for €3 million.

Earnings per share | Since there are no outstanding shares, options or similar instruments which could dilute earnings per share, basic and diluted earnings per share are identical. Treasury stock is included in the weighted number of treasury shares.

	Q2/2010	**Q2/2011**	**H1/2010**	**H1/2011**
Consolidated net profit for Rheinmetall AG shareholders *€ million*	36	25	55	73
Weighted number of shares *million*	38.2	38.4	38.2	38.3
Earnings per Share (EpS)	**€ 0.93**	**€ 0.65**	**€ 1.43**	**€ 1.91**

Dividend | On May 11, 2011, a dividend of €58 million, or €1.50 per share, was paid for fiscal 2010.

Cash flow statement | As at June 30, 2010, January 1, 2011 and June 30, 2011, financial resources consisted solely of cash and cash equivalents. As of January 1, 2010, financial resources also included a Federal Treasury note of €20 million, which is reported under other financial assets.

Related parties | For the Rheinmetall Group, corporate related parties are the joint ventures and associated companies carried at equity. The joint ventures especially contribute to the expansion of Defence and Automotive operations. The volume of products/services provided to corporate related parties primarily relates to sales proceeds from the sale of finished and unfinished goods to project companies and sales proceeds from army maintenance services under a public-private partnership model in the Defence sector. In addition, loans to joint ventures and associated companies of €5 million (previous year: €3 million) are also included in the volume of unpaid items. The scope of related-party transactions is shown in the table below.

€ million

	Volume of products/ services provided		Volume of products/ services received		Volume of open items	
	H1/2010	**H1/2011**	**H1/2010**	**H1/2011**	**12/31/2010**	**06/30/2011**
Joint ventures	22	66	3	10	(1)	6
Associated companies	4	3	5	5	22	22
	26	**69**	**8**	**15**	**21**	**28**

As previously, no transactions were made with individuals who constitute related parties of the Rheinmetall Group.

Segment reporting | Please refer to the consolidated financial statements as at December 31, 2010 for the delimitation of the reportable segments and the control system. There are no changes since this date as regards distinguishing segments and valuation methods compared to December 31, 2010.

€ million

Corporate sectors	Defence		Automotive		Others/ Consolidation		Group	
	H1/2010	**H1/2011**	**H1/2010**	**H1/2011**	**H1/2010**	**H1/2011**	**H1/2010**	**H1/2011**
External sales	762	904	966	1,171	-	-	1,728	2,075
Amortization/depreciation/ impairment	25	38	49	51	0	0	74	89
Of which impairment	-	-	-	*1*	-	-	-	*1*
EBIT	71	62	43	76	(10)	(11)	104	127

Reconciliation of segment EBIT with Rheinmetall Group EBT:

€ million

	H1/2010	**H1/2011**
EBIT		
Segment EBIT	**114**	**138**
Others	(9)	44
Consolidation	(1)	(55)
Group EBIT	**104**	**127**
Group net interest	(26)	(29)
Group EBT	**78**	**98**

Information regarding Section 37w, Paragraph 5, Sentence 6 of the German Securities Trading Act (WpHG)

The condensed consolidated interim financial statements as at June 30, 2011 – comprising the balance sheet, income statement, statement of comprehensive income, cash flow statement, equity development, selected explanatory notes and the Group interim management report for the period from January 1 to June 30, 2011 – were neither audited in accordance with Section 317 HGB nor subjected to an audit by an authorized auditor.

Responsibility statement

We represent that, to the best of our knowledge and in accordance with applicable accounting principles for interim financial reporting, the condensed consolidated interim financial statements of Rheinmetall AG present a true and fair view of the Rheinmetall Group's assets, financial situation and earnings, and that the Group interim management report describes fairly, in all material respects, the Group's business trend and performance, the Group's position and the significant risks and opportunities of the Group's expected future development.

Düsseldorf, July 29, 2011

Klaus Eberhardt Dr. Gerd Kleinert Dr. Herbert Müller

Additional Information

Financial diary

July 29, 2011
Report on H1/2011

November 11, 2011
Report on Q3/2011

Legal information and contact

This semiannual financial report does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire or dispose of securities in Rheinmetall AG or any of its direct or indirect subsidiaries. The information contained in this semiannual financial report is not for distribution, directly or indirectly, into the United States or to U.S. Persons.

This semiannual financial report contains statements and forecasts referring to the future development of the Rheinmetall Group which are based on assumptions and estimates made by the management. If the underlying assumptions do not materialize, the actual figures may differ from such estimates. Uncertain factors 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 website 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. Investor Relations information is an integral part of this website, where all the relevant details are available for download.

Subject to technical change without notice. The product designations mentioned in this financial report may constitute trademarks, the use of which by any third party could infringe upon the rights of their owners.

You can request the quarterly financial report, which is also published in English, from the company or download it at **www.rheinmetall.com**. In case of doubt, the German version shall be authoritative.

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