Q3

Rheinmetall AG

Quarterly financial report Q3/2007

2007

Rheinmetall in figures

Rheinmetall indicators *€ million*

	3Q/2006	3Q/2007
Net sales	2,570	2,841
Order intake	2,496	2,966
Order backlog (Sep. 30)	2,853	3,331
EBITDA	227	277
EBIT	111	157
EBT	74	117
Net income	54	79
Cash flow	182	204
Net financial debt (Sep. 30)	529	507
Net interest expense	(37)	(40)
Capital expenditures	135	136
Depreciation/amortization	116	120
Total equity (Sep. 30)	873	982
Total assets (Sep. 30)	3,278	3,467
EBIT margin (%)	4.3%	5.5%
Earnings per share (€)	1.48	2.18
Market capitalization (Sep. 30)	2,066	2,006
Headcount (Sep. 30)	18,974	19,252

Rheinmetall following a steady growth course

Adding value through profitable growth, this is at the very heart of Rheinmetall’s corporate development policy. With clear rises in sales and order intake plus a definite advance in net income, Rheinmetall continues on a sound course during the first nine months (3Q) of fiscal 2007.

- Sales rise 11 percent to €2,841 million
- Order intake surges 19 percent to €2,966 million
- EBIT leaps €46 million to €157 million
- Net income improves from €54 million to €79 million
- EpS mounts from €1.48 to €2.18

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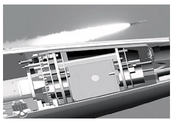


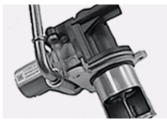
■ With the takeover of Zaugg Elektronik AG, an internationally renowned Swiss manufacturer of safety fuse systems for military use, Rheinmetall Defence adds another element to its spectrum of capabilities as all-in supplier of medium- and large-caliber ammunition.

■ In Nova Odessa, Brazil, on the site of the existing pistons factory, Kolbenschmidt Pierburg commissions a further plant for producing pistons destined for the South American aftermarket.

■ In the form of its 40-mm air burst ammunition for automatic grenade launchers, Rheinmetall Defence is developing a new concept remarkable also for the great modularity of the projectile. This ammunition can also be deployed for targets until now not effectively combatable by conventional ammunition.

■ Added precision and range: in firing tests Rheinmetall Defence successfully demonstrates the functioning and effect of its internally developed Corect guidance module for satellite-supported flight path guidance, with two MLRS test rockets, equipped with Corect, guided to a target 20 km away with compelling precision.

August 2007



■ The Federal Office of Defense Technology and Procurement awards Rheinmetall Defence the contract for another 85 vehicle target kits of the Agdus simulator family. This passive target system is used for lightly armored and unarmored vehicle systems in successful live combat simulation

■ Pierburg's US company receives the award from the North American Die Casting Association in the aluminum die-casting category of less than 1 lb. for its outstanding performance in the design of a die-cast aluminum housing serving as the base for two motorized EGR valves for the International Truck and Engine Corporation.

■ Journalists from all parts of Europe accept the invitation issued by Rheinmetall Defence Electronics to visit the Eckernförde naval base's submarine training facility and inspect the operations center emulated in the simulator for training in every aspect: from basics via the control of submarines to the interaction of command units in realistically simulated missions to emergency situations on board.

■ Engineered and delivered in a record time of just a few months, Rheinmetall Landsysteme develops and builds a new mobile medical unit on the basis of Bv206S for immediate mission requirements in Afghanistan where the four vehicles are already in operation.

September 2007

■ At the 62nd International Motor Show, Frankfurt/Main, Kolbenschmidt Pierburg once again exhibits ultramodern automotive components, highlights from its systems and new products from the divisions. This year's focal points: fuel savings, CO_2 and emission reduction.

■ Around 2,000 visitors take a look behind the scenes at Rheinmetall Landsysteme, Kiel, to get to know the plant, its machinery and equipment, and its production processes.

■ KS Kolbenschmidt agrees with Nippon Piston Ring, Japan, on global cooperation in the areas of development and marketing. The prime objective: concerted efforts to develop piston systems for auto and commercial vehicles in Europe, North America, China, other Asia, and Australia.

■ The Zurich, Switzerland, location of Oerlikon Contraves sees the rollout of the 35-mm Millennium naval gun engineered for C-RAM (rockets, artillery and mortar combat) and all future air defence missions.

Rheinmetall stock

Major indexes marching ahead. In terms of its two most significant indexes, the DAX and MDAX, the German stock market has had a buoyant period so far this year. Following a sharp surge in stock prices in the first half of the year, the third quarter was, however, overshadowed by turmoils.

The MDAX closed 2006 at 9,405 and by the end of June, 2007, had jumped 17 percent to 11,024 points. Within the same period, the DAX surged 21 percent, from 6,597 to 8,007 points. The third quarter, in contrast, began with a downturn by the two indexes. By mid-August, the MDAX had slipped to 9,508 and the DAX to 7,270 points. September then saw a recovery, the MDAX reaching 10,335 and the DAX 7,862 at September 30. The two indexes continued their rally into the final quarter of 2007.

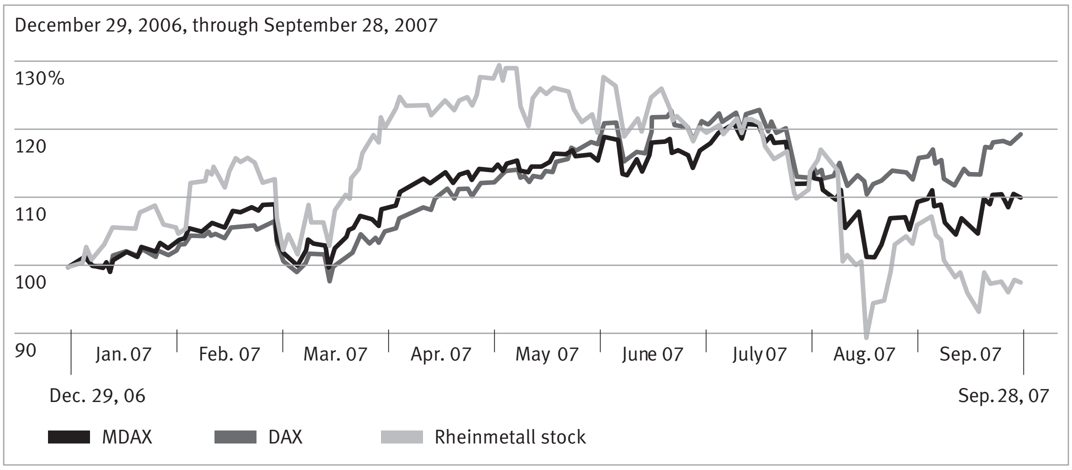
Rheinmetall stock rising with the indexes. This congenial stock market is also reflected in Rheinmetall stock prices. During the first half of the year, Rheinmetall stock mounted 20 percent, from €57.48 (year-end 2006) to €69.98; then, in the period up to mid-August, the price slipped, temporarily, below €53 but recovered to €55.71 by the end of September. In October 2007, the price then rose to a level of €60.

Robust MDAX rankings. Rheinmetall's position in Deutsche Börse AG's MDAX rankings has barely changed. In terms of market capitalization, it ranks 17th, just as at year-end 2006. Regarding trading volume over the past 12 months Rheinmetall moved up slightly from 24th (year-end 2006) to 23rd.

Much higher daily trading volumes. Rheinmetall stock has shown a sharp rise in trading volumes, the daily average on a monthly basis almost doubling versus Q3/2006 from 169,000 to 331,000 shares.

Stock ownership changes. In Q3/2007, one of the stockholders reported that its stake had crossed below the 3-percent threshold. Hence at the end of September, five stockholders each held over three percent of Rheinmetall AG's capital stock and three of these each more than five percent.

Rheinmetall stock price trend compared to DAX and MDAX



General economic conditions

Global momentum retarded by financial market mayhem. According to statements by the key economic research institutes, the latest financial market turmoils will have a stifling impact on global economic growth. In its October 2007 forecast, the International Monetary Fund (IMF) did stick to its 5.2-percent growth figure for 2007 but clearly revised downward its prediction for 2008.

The upturn in 2007 is again being driven by the dynamic markets of the threshold countries. China, advancing 11.5, and India, 8.9 percent, are still the assurance of global growth. The nations of C&E Europe are likewise predicted to show sustained gains of 5.8 percent, with Russia at 7.0 percent taking over the leadership role in this region.

Expectations for 2007 for the major traditional industrial countries have been slightly downscaled. According to the OECD, the eurozone can look to an economic increase of 2.6 percent. This year, Germany, once more, is likely to show solid economic expansion, estimated by the foremost German economic institutes at 2.6 percent in their fall assessment published in October 2007. The OECD expects the USA to suffer much more from the capital market turmoils. Regarding the growth in national product in the USA, and because of the adverse effects of the country's subprime mortgage market crisis, the OECD has downgraded its own forecast from previously 2.1 to 1.9 percent, but expects the Japanese economy to show an annual gain of around 2.4 percent this year.

Auto production again accelerating. After nine months of 2007, the upturn in global auto and LCV (Light Commercial Vehicles) production has continued. According to provisional figures, 3Q/2007 has resulted in 50.4 million units (up 4.4 percent) being built. Production in the Triad regions of Western Europe, Japan and NAFTA stalled at the year-earlier level whereas elsewhere the dynamism continued at 13.0 percent. This latter trend is particularly due to the relocation of production capacities to low-wage countries plus increased demand for vehicles in these regions themselves.

Western Europe continued its steady uptrend, producing 12.5 million units (up 1.7 percent). Higher-than-average gains were shown by Germany (up 5.4 percent), Spain (up 8.4 percent), and Italy (up 7.3 percent). France, in contrast, again slipped appreciably in terms of production figures (down 7.1 percent). With 3.4 million units (up 17.2 percent), C&E Europe once more showed vigorous growth.

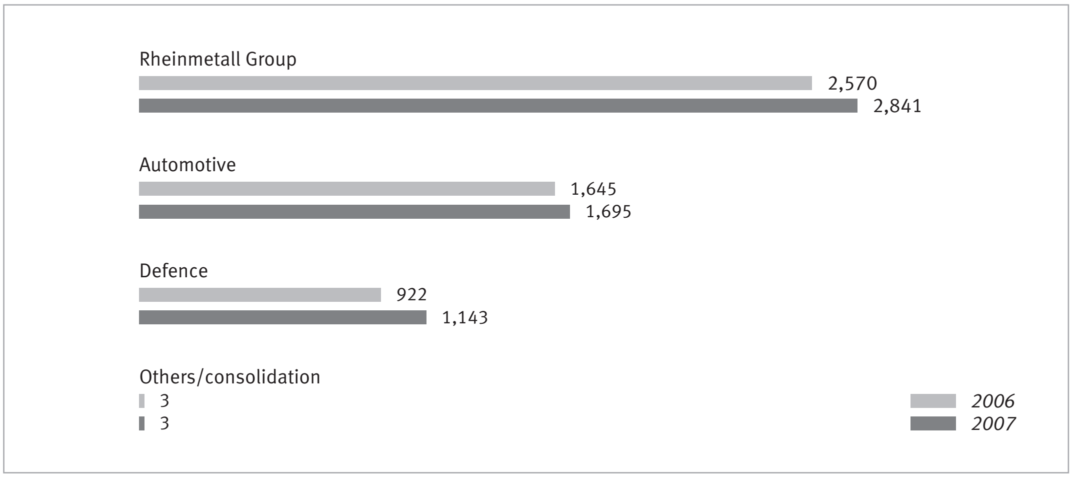
At 11.5 million units (down 2.0 percent), auto production in the NAFTA region was short of the year-earlier level. By the end of September 2007, altogether 8.3 million vehicles were built in the United States. As a consequence, the world’s biggest motor vehicle market is 3.3 percent below the year-earlier figure. Production in Japan inched up to 7.9 million units. The remaining countries of Asia achieved a growth of 12.4 percent to 7.9 million vehicles. Alongside China (up by over 21 percent), India, too, reported a double-digit growth rate of 13.7 percent.

The transformation of the armed forces again the momentum motor. Adapting the equipment of the international armed forces to new threats and real-mission scenarios remains the essential growth factor in the market for defence industry products and services. The UK, for instance, made important preliminary decisions regarding its FRES program (Future Rapid Effective System) budgeted at altogether £14 billion. In Germany, important programs for updating the capabilities of the armed forces are now at the planning stage. The defence equipment expenditures budgeted for 2008 have been raised by €500 million to €6.9 billion (rising to 23.7 percent of the total budget). And, for the years ahead, finance plans envisage an ongoing hike in national defence equipment spending.

The focal point of future projects is, above all, the protection of the soldiers in the course of their missions. In addition to the already planned procurement of the new infantry fighting vehicle, Puma, and the Boxer, a transport vehicle for the federal armed forces, protected vehicles and passive and active protection systems will play a key role both nationally and internationally. Added to this are the rearming of the infantry and the reconfiguration and modernization of air defence systems with regard to current threats posed by very small airborne targets. Also, additional business opportunities emerge for industry as a result of the sale of defence equipment on the part of the government, since, prior to shipment, such matériel must be repaired and, partly, revamped.

Rheinmetall Group business trend

Nine-month (3Q) sales *€ million*



Sharp increase in sales. Q3/2007 was a period in which Rheinmetall pushed ahead with the solid progress shown in H1 and upheld its position very successfully on the international markets. 3Q/2007 sales at €2,841 million, were up by 11 percent. A major contribution came from the Defence sector, which outgrew year-earlier sales by 24 percent. The Automotive sector advanced by 3 percent.

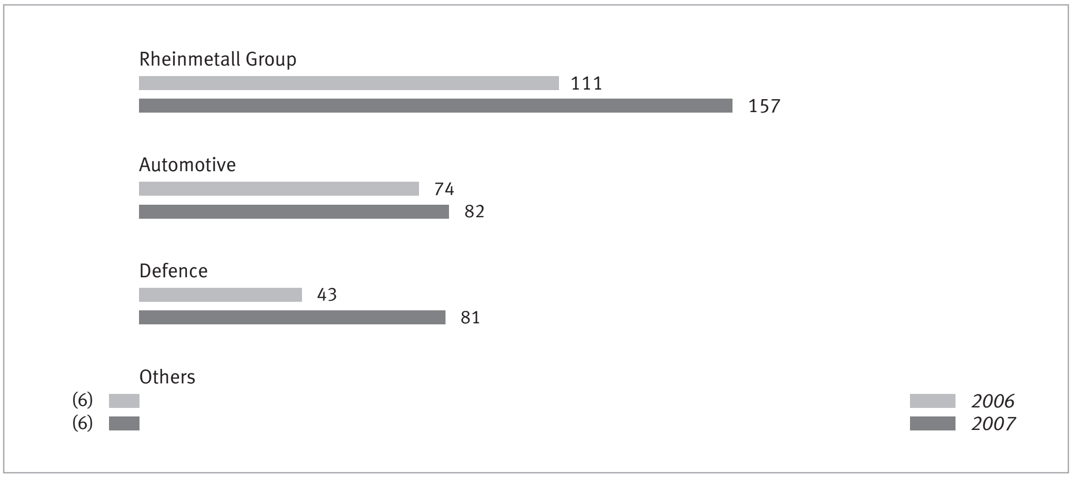
As a share of the total, non-German sales by the Rheinmetall Group during the first nine months of 2007 edged up from 65 to 67 percent. Alongside the German market, regional areas of emphasis were other European countries, followed by North America and Asia. Automotive generated 68 percent of sales abroad, Defence 66 percent.

Surge in order intake. For 3Q/2007, the Rheinmetall Group reported an order intake of €2,966 million (up from €2,496 million). Automotive's order inflow rose 3 percent to €1,696 million; at €1,267 million, orders booked by Defence were up by 49 percent.

At September 30, 2007, orders on hand amounted to €3,331 million, a 17-percent year-on-year improvement. The order backlog at Defence includes megaprojects extending over several fiscal years.

Profitability further strengthened. The Rheinmetall Group's EBIT in 3Q/2007 mounted from €111 million to €157 million. With net interest expense up by €3 million and after a tax load ratio of 32.5 percent, net income totaled €79 million (up by €25 million). 3Q earnings per share (EpS) after minority interests of €3 million climbed from €1.48 to €2.18.

3Q EBIT *€ million*



Asset and capital structure. In comparison to December 31, 2006, the Rheinmetall Group's total assets swelled by €130 million, primarily due to the first-time inclusion in Q2 of the vehicle protection system operations and to higher working capital, while cash and cash equivalents shrank. After the €35 million dividend payout (€1.00 per share), total equity grew by €45 million to €982 million. The equity ratio remained at an unchanged 28 percent.

The Rheinmetall Group's noncurrent liabilities of €1,059 million were substantially at the year-end 2006 level. Current liabilities increased €58 million or 4 percent.

Asset and capital structure *€ million*

	12/31/2006	%	**12/31/2007**	%
Noncurrent assets	1,651	49	1,685	49
Current assets	1,686	51	1,782	51
Total assets	**3,337**	**100**	**3,467**	**100**
Total equity	937	28	982	28
Noncurrent liabilities	1,032	31	1,059	31
Current liabilities	1,368	41	1,426	41
Total equity & liabilities	**3,337**	**100**	**3,467**	**100**

Capital expenditures marked by growth strategy. The Rheinmetall Group's capital spending program is dominated by efforts to implement the internal growth strategy. The use of investment resources is chiefly driven by the strategic and operational objectives of expanding positions in international markets and strengthening technological expertise.

Capital expenditures by corporate sector *€ million*

	3Q/2006	3Q/2007
Automotive sector	104	106
Defence sector	31	30
Rheinmetall Group	**135**	**136**

The Automotive sector incurred extensive infrastructural expenditures for future growth such as the expansion of the plants in the Czech Republic, for the net-machining of engine blocks, and a new Customer Center in Neckarsulm.

Employees. At September 30, 2007, Rheinmetall employed a worldwide workforce of 19,252, up 453 from year-end 2006. Of the total employees, 62 percent worked for Automotive, 37 percent for Rheinmetall Defence, and just under 1 percent at Rheinmetall AG and the service companies.

Automotive sector

Automotive indicators *€ million*

	3Q/2006	3Q/2007
Net sales	1,645	1,695
Order intake	1,641	1,696
Order backlog (Sep. 30)	353	371
Headcount (Sep. 30)	12,054	11,920
EBITDA	162	171
EBIT	74	82
EBT	58	64
EBIT margin *in %*	4.5	4.8

Significant events. In order to safeguard the global competitiveness of the Pierburg locations in Germany, a location concept was agreed on in March 2007. On the basis of a supplementary collectively negotiated agreement, this concept will lead to sustainable annual cost savings.

At their extraordinary meeting in June 2007, the stockholders of Kolbenschmidt Pierburg AG resolved to transfer to majority stockholder Rheinmetall the shares (2.4 percent) held by minority stockholders (squeeze-out). The cash compensation payable by Rheinmetall amounts to €36.76 per share. Further, the profit & loss transfer agreement (on the agenda for the stockholders' approval) between Kolbenschmidt Pierburg AG and Rheinmetall Verwaltungsgesellschaft mbH, an indirect Rheinmetall AG subsidiary, was resolved. The resolutions were entered into the Commercial Register on September 28, 2007. The cash compensation of around €25 million was paid out to the minority stockholders in October 2007.

In the third quarter, the conveyances reflecting the sale and transfer of Pierburg GmbH's Neuss properties took effect. Essential operating space will be leased back under a medium-term lease.

Automotive continuing on the growth track. A cornerstone in Automotive's future growth was laid in the form of a contract concluded with a major European carmaker with which Kolbenschmidt Pierburg is demonstrating its comprehensive engine expertise in the areas of emission and CO_2 reduction as well as lightweight manufacture. Besides an exhaust gas recirculation system including cooler and bypass from Pierburg, the contract includes aluminum engine blocks from KS Aluminium-Technologie, aluminum pistons, the newest plain bearing technology and oil and water pumps from a single source. Starting from 2010 and at full series production, the sales volume corresponds to around €170 million annually.

Likewise promising is business with Japanese auto manufacturers. In addition to six ongoing development projects being undertaken for three manufacturers (mainly in the area of diesel engines), this year is for the first time approaching sales in excess of €100 million with Japanese carmakers.

3Q/2007 sales by Automotive rose €50 million or 3 percent versus the year-earlier period. Business expanded, chiefly due to rising demand especially at Plain Bearings and Motor Service.

Earnings improved to €82 million. EBIT at Automotive for 3Q/2007 amounted to €82 million, up €8 million or 11 percent. The sale of land in Neuss led to gains of €8 million; in contrast, costs and expenses for capacity adjustments in the USA (Fort Wayne) amounted to €6 million. Moreover, a €4 million accrual, already recognized in the Q2 EBIT, provides for tax risks.

Defence sector

Defence indicators *€ million*

	3Q/2006	3Q/2007
Net sales	922	1,143
Order intake	853	1,267
Order backlog (Sep. 30)	2,500	2,960
Headcount (Sep. 30)	6,797	7,214
EBITDA	70	111
EBIT	43	81
EBT	31	66
EBIT margin *in %*	4.7	7.1

Significant events. In April 2007, a 51-percent stake was acquired in Bonn-based Chempro GmbH and a 25-percent in ADS GmbH, Lohmar. Both these companies rank among the technology leaders in the development and manufacture of highly complex protection systems for military vehicles. As a consequence, Rheinmetall Defence is further entrenching its position as a systems supplier to the land forces.

In July 2007, all the shares were acquired in Zaugg Elektronik AG, a renowned manufacturer of safety fuse systems. This carefully calculated expansion of the product portfolio dilutes dependence on external suppliers and opens up new marketing options.

September 2007 saw the closing of the sale of Telerob Gesellschaft für Fernhantierungstechnik mbH, Ostfildern.

Defence business again growing. At €1,267 million order intake, the Defence sector reported a 49-percent gain in 3Q/2007. Added orders versus the year before were received in particular by Air Defence and Land Systems; at Weapon Munition rising orders from the USA also boosted order intake.

At €1,143 million, the Defence sector showed a 24-percent sales rise equivalent to €221 million in 3Q/2007. Chempro GmbH accounted for €29 million of this. Incremental sales at Defence were primarily reported by Weapon Munition, Land Systems, and Air Defence.

Earnings much higher. During the period and with surging sales, Defence almost doubled its EBIT to €81 million. As a consequence, the EBIT margin rose to 7.1 percent in the first nine months alone. The corresponding year-earlier figure was 4.7 percent. The Q3 amount includes a €10 million gain from the sale of Telerob GmbH.

Risk and reward report

Efficient risk management. Within the context of a systematic and efficient risk management system, risks at Rheinmetall are limited and of manageable proportions. There are no material risks that might jeopardize to a sustained extent the Group's asset and capital structure, financial position or results of operations. A global market presence promotes resistance to economy-related price and profit volatility in individual regions of the world. Moreover, the diversified product and customer structures help absorb any reverberations should business with certain products, customers or sectors falter.

The significant risks and rewards regarding the future development of the Rheinmetall Group are detailed in the Group Management Report for 2006. Since the start of the current fiscal year, risks resulting from the volatility and surge in commodity prices at Automotive, have been minimized by significantly strengthened commodity price management. On April 12, 2007, in the judicial review proceedings instituted in 1998 in the wake of the Kolbenschmidt and Pierburg merger, the Heilbronn Regional Court found against, and dismissed, the petitions for upgrading the share exchange ratios, thus endorsing the originally determined value proportions. An appeal has been lodged against this judgment. There were no further significant subsequent events.

Prospects. For all of 2007, the Rheinmetall Group predicts a sales advance of 10 percent to around €4 billion and hence well in excess of the 5-percent annual organic growth benchmark. Automotive is budgeted to raise its sales by 3, Defence its by around 20 percent.

As to the 2006 EBIT of €215 million, Rheinmetall is looking to a strong improvement in the region of €250–€260 million. Automotive's EBIT is predicted to inch up to at least €115 million (from €113 million), Defence's should surge to a minimum of €145 million (up from €111 million). The holding company is forecasted to generate a negative EBIT of €10 million (up from an equally red €9 million).

Due to rising business volumes and higher interest rates, the net interest expense will climb by around €5 million. For all of 2007, the tax load ratio will be just over 30 percent; in contrast the cash-tax ratio slightly below 30 percent.

For fiscal 2008, both sectors are expected to once again report rising results, assuming that the global economy continues robust and commodity prices and exchange rates remain stable.

Interim financial statements for 3Q/2007
Rheinmetall AG

Consolidated balance sheet as of September 30, 2007

Assets *€ million*

	12/31/2006	9/30/2007
Intangible assets	439	483
Tangible assets	1,057	1,035
Investment properties	15	12
Investees	68	80
Noncurrent financial assets	9	9
Sundry noncurrent assets	3	4
Deferred tax assets	60	62
Total noncurrent assets	**1,651**	**1,685**
Inventories	681	762
less prepayments received	(54)	(34)
	627	**728**
Trade receivables	499	552
Current financial assets	29	8
Sundry current receivables and assets	322	392
Income tax assets	12	27
Cash and cash equivalents	197	75
Total current assets	**1,686**	**1,782**
Total assets	**3,337**	**3,467**

Equity & liabilities *€ million*

	12/31/2006	9/30/2007
Capital stock	92	92
Additional paid-in capital	208	208
Other reserves	516	611
Net earnings	120	76
Treasury stock	(42)	(46)
Stockholders' equity	**894**	**941**
Minority interests	43	41
Total equity	**937**	**982**
Pension accruals	519	524
Other noncurrent accruals	97	99
Noncurrent financial debts	388	391
Sundry noncurrent liabilities	9	13
Deferred tax liabilities	19	32
Total noncurrent liabilities and accruals	**1,032**	**1,059**
Current accruals	305	300
Current financial debts	14	191
Trade payables	465	425
Sundry current liabilities	534	451
Income tax liabilities	50	59
Total current liabilities and accruals	**1,368**	**1,426**
Total equity & liabilities	**3,337**	**3,467**

Consolidated income statement

Consolidated income statement for the three quarters (3Q) ended September 30 *€ million*

	3Q/2006	3Q/2007
Net sales	**2,570**	**2,841**
Net inventory changes, other work and material capitalized	123	74
Total operating performance	**2,693**	**2,915**
Other operating income	73	79
Cost of materials	(1,395)	(1,535)
Personnel expenses	(780)	(789)
Amortization/depreciation	(116)	(120)
Other operating expenses	(364)	(397)
Operating result	**111**	**153**
Net interest expense[1]	(37)	(40)
Net investment income and other financial results[2]	0	4
Net financial result	**(37)**	**(36)**
Earnings before taxes (EBT)	**74**	**117**
Income taxes	(20)	(38)
Net income	**54**	**79**
Minority interests	*2*	*3*
Net earnings	*52*	*76*
Earnings per share in € (basic/diluted)	1.48	2.18

1) *incl. interest expense of €50 million (up from €43 million)*
2) *incl. net P/L of investees carried at equity of €4 million (virtually unchanged)*

Consolidated income statement for the third quarter (Q3) ended September 30 *€ million*

	Q3/2006	Q3/2007
Net sales	**845**	**958**
Net inventory changes, other work and material capitalized	34	43
Total operating performance	**879**	**1,001**
Other operating income	26	40
Cost of materials	(456)	(542)
Personnel expenses	(252)	(258)
Amortization/depreciation	(37)	(43)
Other operating expenses	(122)	(137)
Operating result	**38**	**61**
Net interest expense[1]	(13)	(13)
Net investment income and other financial results[2]	0	0
Net financial result	**(13)**	**(13)**
Earnings before taxes (EBT)	**25**	**48**
Income taxes	(8)	(15)
Net income	**17**	**33**
Minority interests	*0*	*1*
Net earnings	*17*	*32*
Earnings per share in € (basic/diluted)	0.47	0.92

1) *incl. interest expense of €18 million (up from €14 million)*
2) *incl. net P/L of investees carried at equity of €1 million (down from €2 million)*

Consolidated statement of cash flows for the three quarters ended September 30, 2007

€ million

	3Q/2006	3Q/2007
Opening cash and cash equivalents	**408**	**197**
Net income	54	79
Amortization/depreciation of intangibles, tangibles and investment properties	116	120
Change in pension accruals	12	5
Cash flow	**182**	**204**
Changes in working capital and other items	(381)	(350)
Net cash used in operating activities[1]	**(199)**	**(146)**
Cash outflow for additions to tangibles, intangibles and investment properties	(135)	(149)
Cash inflow from the disposal of tangibles, intangibles and investment properties	9	45
Cash outflow for additions to consolidated subsidiaries and financial assets	(22)	(38)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	13	32
Net cash used in investing activities	**(135)**	**(110)**
Rheinmetall AG dividend payout	(32)	(35)
Other profit distributions	(2)	(4)
Treasury stock	(8)	(6)
Change in financial debts	32	178
Net cash (used in)/provided by financing activities	**(10)**	**133**
Net change in cash and cash equivalents	**(344)**	**(123)**
Parity-related change in cash and cash equivalents	(1)	1
Total change in cash and cash equivalents	**(345)**	**(122)**
Closing cash and cash equivalents	**63**	**75**

[1] *Including:*
Net cash inflow from interest: €24 million (down from €33 million)
Net cash inflow from income taxes: €48 million (down from €55 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	Net earnings	Treasury stock	**Stock-holders' equity**	Minority interests	**Total equity**
Balance at Jan. 1, 2006	**92**	**208**	**401**	**(18)**	**66**	**48**	**113**	**(34)**	**828**	**47**	**875**
Dividend payout	--	--	(32)	--	--	--	--	--	(32)	(2)	(34)
Currency translation differences	--	--	--	(8)	--	(8)	--	--	(8)	(1)	(9)
Consolidation group changes	--	--	--	--	--	--	--	--	--	(4)	(4)
Accumulated OCI	--	--	--	--	(1)	(1)	--	(8)	(9)	--	(9)
Transfer to/from reserves	--	--	113	--	--	--	(113)	--	--	--	--
Net earnings	--	--	--	--	--	--	52	--	52	2	54
Balance at Sep. 30, 2006	**92**	**208**	**482**	**(26)**	**65**	**39**	**52**	**(42)**	**831**	**42**	**873**
Balance at Jan. 1, 2007	**92**	**208**	**488**	**(37)**	**65**	**28**	**120**	**(42)**	**894**	**43**	**937**
Dividend payout	--	--	(35)	--	--	--	--	--	(35)	(4)	(39)
Currency translation differences	--	--	--	(5)	--	(5)	--	--	(5)	(1)	(6)
Consolidation group changes	--	--	--	--	--	--	--	--	--	--	--
Accumulated OCI	--	--	2	1	12	13	--	(4)	11	--	11
Transfer to/from reserves	--	--	120	--	--	--	(120)	--	--	--	--
Net earnings	--	--	--	--	--	--	76	--	76	3	79
Balance at Sep. 30, 2007	**92**	**208**	**575**	**(41)**	**77**	**36**	**76**	**(46)**	**941**	**41**	**982**

Notes

Segment report *€ million*

Corporate sectors	Automotive		Defence		Others/ consolidation		Group	
	3Q/2006	3Q/2007	3Q/2006	3Q/2007	3Q/2006	3Q/2007	3Q/2006	3Q/2007
Sales	1,645	1,695	922	1,143	3	3	2,570	2,841
EBIT	74	82	43	81	(6)	(6)	111	157

General bases. Rheinmetall AG's interim financial statements have been 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 9-month performance data and results shown for 3Q/2007 do not necessarily allow a forecast to be made of the future business development. These 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 2006. 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, 2006, and to which reference is made for full details. These interim financial statements have not been audited or reviewed.

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.

	12/31/2006	Additions	Disposals	**9/30/2007**
Fully consolidated companies	92	4	(4)	92
thereof in Germany	45	1	(2)	44
thereof abroad	47	3	(2)	48
Investees carried at equity	16	3	0	19
thereof in Germany	7	3	0	10
thereof abroad	9	0	0	9

In April 2007, a 51-percent voting stake in Chempro, Bonn, Germany, was acquired at a price of €25 million. With this majority interest, a 25-percent stake was also acquired as initial investment in ADS Gesellschaft für aktive Schutzsysteme mbH, Lohmar, Germany. Under an asset deal in April 2007, Pierburg México S.A. de C.V. and Pierburg Ltd. took over the pump operations from DANA at a price of €1 million. In July 2007 all of the shares in Switzerland's Zaugg Elektronik AG were acquired at a price of €6 million.

Ostfildern-based Telerob Gesellschaft für Fernhantierungstechnik mbH was sold in September 2007 for €14 million.

The assets and liabilities acquired from Chempro GmbH and Zaugg Elektronik AG are restated at fair value in the balance sheet and break down as follows:

€ million

	Pre-acquisition book values	Adjustments	Fair values
Goodwill	--	13	13
Other intangible assets	0	16	16
Tangible assets	2	1	3
Inventories	9	0	9
Cash and cash equivalents	8	--	8
Other current assets	22	--	22
Current financial liabilities	1	--	1
Other current liabilities	21	--	21
Other noncurrent liabilities	0	7	7

The fair values of intangible assets had the greatest impact on purchase price allocation and cover mainly technology and know-how, besides customer relations. Chempro GmbH and Zaugg Elektronik AG generated a combined 3Q/2007 EBIT of €3 million (included in the Group's) and are expected to contribute around €1 million in Q4.

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.

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 €92.16 million.

In the first nine months of 2007, Rheinmetall AG purchased another 110,173 treasury shares at a total cost of €6 million. As of September 30, 2007, after the issuance of 45,120 shares to employees, the portfolio comprised 1,051,417 treasury shares (up from 986,364 at December 31, 2006), acquired at a total cost of €46 million (up from €42 million) and offset against equity.

Notes

Stock-based compensation. An incentive program was launched in fiscal 2006 under which beneficiaries are granted Rheinmetall shares besides receiving cash. Participants can freely dispose of the shares granted once the 3-year qualifying period has expired. Under this incentive program, participants received on April 2, 2007, a total 45,120 shares at a market value of €3 million (purchased at a cost of €2 million), including 6,757 shares granted to Rheinmetall AG's Executive Board:

	Klaus Eberhardt	Dr. Gerd Kleinert	Dr. Herbert Müller
Number of Rheinmetall AG shares granted	3,379	1,689	1,689

Related-party transactions. The volume of services provided by or to material related companies mainly originates from project work with joint ventures and associated affiliates and breaks down as follows:

€ million

	Volume of services rendered		Volume of services utilized		Volume of unpaid items	
Company	**3Q/2006**	**3Q/2007**	**3Q/2006**	**3Q/2007**	**9/30/2006**	**9/30/2007**
GIWS Gesellschaft für intelligente Wirksysteme mbH	4	2	--	--	0	1
PSM Projekt System & Management GmbH	7	20	0	0	3	24
OY Finnish Defence Power Systems AB	3	7	4	14	2	1
AIM Infrarot-Module GmbH	0	0	2	1	0	0
Kolbenschmidt Pierburg Shanghai Nonferrous Components Co.Ltd.	1	0	4	7	1	(1)
Kolbenschmidt Shanghai Piston Co.Ltd.	0	3	1	2	0	2
Advanced Bearing Materials LLC	0	0	--	2	1	0
Shriram Pistons & Rings Ltd.	2	2	1	2	0	0
HFTS Helicopter Flight Training Services GmbH	2	1	--	0	0	0
	19	**35**	**12**	**28**	**7**	**27**

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

Additional information

Financial diary 2007

November 12, 2007	Teleconference on 3Q

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.

Imprint

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 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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