Q3

Rheinmetall AG

Quarterly financial report
3Q/2008

2008

Rheinmetall in figures

Rheinmetall indicators *€ million*

	3Q/2007	3Q/2008	Change in %[1]
Net sales	2,838	2,827	−0.4
Order intake	2,963	2,777	−6.3
Order backlog (Sep. 30)	3,331	3,725	+11.8
Headcount (Sep. 30)	19,252	21,271	+10.5
EBITDA	277	283	+1.9
EBIT	157	163	+3.1
EBIT margin	5.5%	5.7%	+3.6
EBT	117	121	+3.0
Net income	79	85	+6.9
Earnings per share (€)	2.18	2.39	+9.6
Capital expenditures	136	148	+7.7
Depreciation/amortization	120	120	+0.3
Cash flow	226	230	+1.8
Net financial debt (Sep. 30)	507	628	+23.8
Total equity (Sep. 30)	982	1,092	+11.2
Total assets (Sep. 30)	3,467	3,720	+7.3

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

Three-quarter performance slightly up year-on-year

For the first nine months (3Q) of 2008 and despite a world economy that is wilting at an ever faster pace, the Rheinmetall Group is able to report results slightly up from the year-earlier level. Whereas the Automotive sector failed to escape the industry crisis reverberations, especially in the US auto market, the Defence sector, largely impervious to economic swings, again made solid progress.

- At €2,827 million, group sales matching year-earlier volume
- EBIT climbing to €163 million
- Net income improving from €79 million to €85 million
- Earnings per share (EpS) rising from €2.18 to €2.39

In the face of the dramatic reduction in Q4 call orders by its auto industry customers, Rheinmetall forecasts for all of fiscal 2008 a group EBIT of between €250 million and €260 million (down from €270 million in 2007).

Contents

News flashes Q3/2008

July 2008

■ The United States Marine Corps orders 40-mm training cartridges worth some $61 million from Rheinmetall Waffe Munition for its training establishment.

■ Caterpillar Inc., a world-leading manufacturer of construction and mining equipment, confers its Bronze Quality Award on the Large-Bore Pistons unit of KS Kolbenschmidt following successful completion of the certification process.

■ Rheinmetall Defence appoints South African Shaun Liebenberg to its Management Board with responsibility for International Business Development, thus underlining the importance of international markets to its growth plans.

■ The US Department of Energy once again awards a contract to Rheinmetall Waffe Munition for the supply of training ammunition for the around 20,000 security staff entrusted with protecting this nation's nuclear power plants.

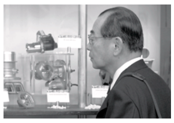
August 2008

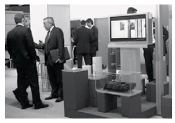
■ KS Kolbenschmidt marks 40 years in Brazil: the plant at the Nova Odessa site is one of the Kolbenschmidt Pierburg Group's largest piston plants worldwide. It produces for international OEMs annually some 15 million pistons with diameters ranging from 35 to 140 mm for gasoline and diesel engines.

■ UK Interpress, Great Britain's biggest automotive publishing house, confers the International Engine of the Year Award in eleven categories in the world's most important engine competition. Nine of the winners are equipped with components supplied by Kolbenschmidt Pierburg companies.

■ Cluster de Automoción de Euskadi, the umbrella organization of Basque companies in the automotive and automotive vendor industry, awards the title of Best Company to the Spanish company of Automotive's Pierburg division for its efforts in promoting this industry in the Basque Country.

September 2008





■ The acquisition announced in February 2008 of a majority stake in the South African company Denel Munitions by Rheinmetall Defence becomes legally effective following antitrust approval and fulfillment of the conditions precedent.

■ The Pistons, Plain Bearings, Pierburg, and Pierburg Pump Technology divisions showcase their goods and services for the first time at the International Commercial Vehicles Motor Show in Hannover, including products which help reduce fuel consumption and CO_2 emissions.

■ At MSPO 2008 in Kielce, Poland, Rheinmetall Defence presents a wide array of products and services as well as capability-oriented system solutions aimed at meeting the current and future needs of international armed forces.

■ Motor Service International highlights its new concepts, technical know-how and product innovations at Automechanika in Frankfurt/Main.

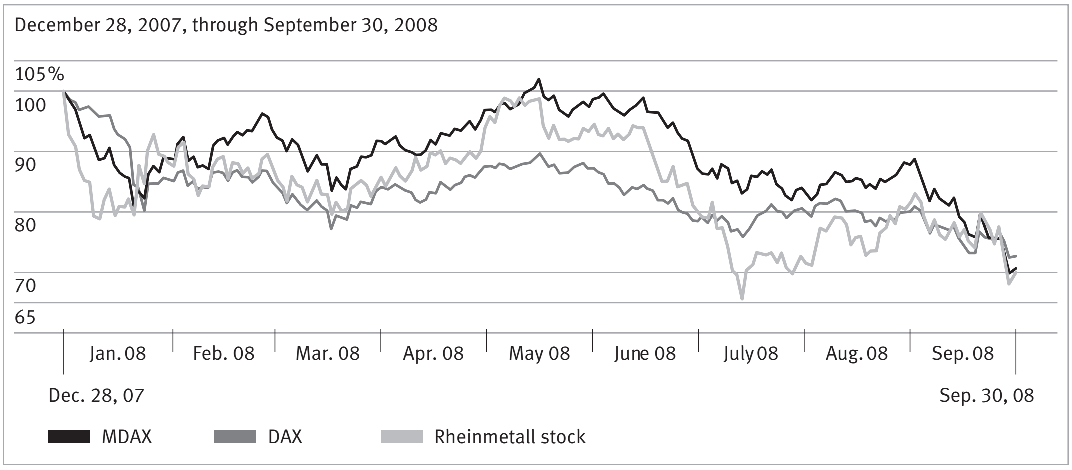
Rheinmetall stock

Stock markets battered worldwide. The further aggravation of the global financial crisis combined with ever gloomier economic prospects resulted in massive losses on the German stock market in Q3. On September 30, the DAX at 5,831 was around 9 percent short of the Q2 closing level whereas the MDAX, which includes Rheinmetall stock, slumped by as much as 23 percent to 6,957. For the period January through September, 2008, the DAX shed 28, the MDAX around 29 percent.

Rheinmetall stock price. The market turbulence is also reflected in Rheinmetall's stock price which had closed H1 at €45.91. At the start of Q3 and up to July 15, the price then plunged to €35.52, then rallying to €45.10 on September 2, its quarterly high. In view of the announced and still expected production cutbacks by numerous auto manufacturers, Rheinmetall stock then tumbled and closed Q3 at €37.94.

MDAX rankings. At the end of 3Q/2008 Rheinmetall AG's market capitalization amounted to around €1.4 billion, still position 17 in Deutsche Börse's MDAX capitalization rankings. The daily trading volume during Q3 rose sharply from 331,000 (Q3/2007) to 441,000, a surge from position 23 to 18.

Rheinmetall stock price trend compared to DAX and MDAX



General economic conditions

The real economy suffering more and more severely from the financial crisis. The turbulences in the financial markets are impacting to an ever increasing degree on the real economy. All the renowned economic research institutes have much lowered their forecasts for 2008 and, especially, 2009. Although the International Monetary Fund (IMF) experts still expect for 2008 a global growth of 3.9 percent, for the final quarter of this year they are predicting at best zero and for a number of industrial nations, even negative growth rates. Having started the year strongly, the US economy experienced in the latter half a slight decline in output which, on balance, will depress 2008 growth to 1.6 percent. Euroland's growth rate is even lower at 1.3 percent, and some members such as Italy, Spain and Ireland have already toppled into recession. Thanks to its buoyant start in 2008, Germany is reporting a rise in GDP of 1.8 percent, a robust figure so far.

The IMF is foreseeing an economic decline at least up to mid-2009. For all of 2009, output of the developed economies would thus only advance by 0.5 percent. The still strong, albeit weaker, dynamism of the emerging nations will have little impact on the overall situation. In Q3/2008, China's economic growth fell to 9 percent (down from 11+ percent in 2007). India, C&E Europe (above all Russia), and the Middle East are predicted to again report better-than-average growth rates, however definitely short of the forecasts made in the first half of 2008.

The economic researchers all agree that forecasts are highly uncertain worldwide regarding the actual aftermath of the financial market crisis, especially because of the credit constraints for capital expenditure projects.

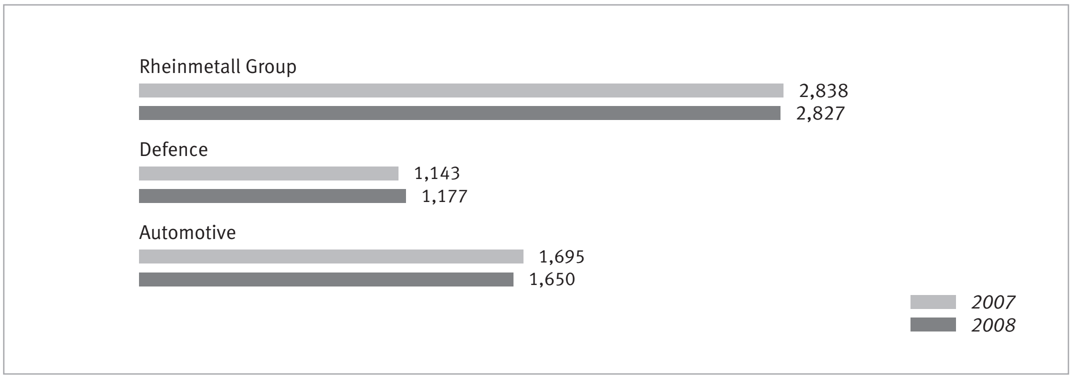
Auto industry under pressure worldwide. Savaged by the financial market crisis, in particular, is the automobile industry, especially in the industrialized countries. Major factors taking their toll are weak purchasing propensity by consumers, credit scarcity and the auto industry players' poor financial shape, especially in the United States. Many carmakers have already jammed down brakes on production. Industry experts at CSM Worldwide have downscaled their forecasts for global motor vehicle production (up to 3.5 t) in 2008 from previously a good 70 million units to 67.8 million. Western European production this year is set to dwindle to just under 20 million units. The countries of C&E Europe will again report strong growth but below the level of previous forecasts. At 12.9 million units, car production in North America will continue very weak, 10+ percent below the previous year. In fact, the CSM pundits predict an 18-year low for 2009. The situation for the Japanese and Korean auto industry is somewhat brighter on account of their high exports to the Asian emerging nations and hence, for 2008, a short rise to 14.8 million vehicles can be expected.

China's insatiable bottled-up demand is again reflected in this year's production gain of just under 10 percent to 7.7 million vehicles. Exceptionally high increases may still be achieved this year by the auto manufacturers in the remaining BRIC nations (Brazil, India, and Russia). Nonetheless, these countries, too, are believed to experience a sharp slackening in their growth next year.

Defence budgets still stable. Given the long-term nature of defence budgets and major procurement projects, such programs so far have proven impervious to the financial market crisis. Instead, defence budgets are still influenced by armed forces modernization requirements in response to the new threat scenarios and the many international conflict management missions. The need for improved protection of soldiers in the field has also triggered ongoing demand for new equipment. This is reflected in the procurement plans of the German Armed Forces whose defence budget is set to climb around 5 percent each in 2008 and 2009, to €29.5 billion and €31 billion, respectively. Most of the increase will go toward new materiél procurements whose slice of Germany's total defence budget will accordingly enlarge from under 25 percent at the start of the decade to 27+ percent in 2009 and 30 percent by 2010.

Rheinmetall Group business trend

Nine-month (3Q) sales *€ million*



Sales at a high level. 3Q group sales at €2,827 million were at the year-earlier level. The Defence sector raised its sales by €34 million or 3 percent to €1,177 million, Automotive generated 3Q sales of €1,650 million, a drop of around 3 percent due to sharp production cutbacks in the USA.

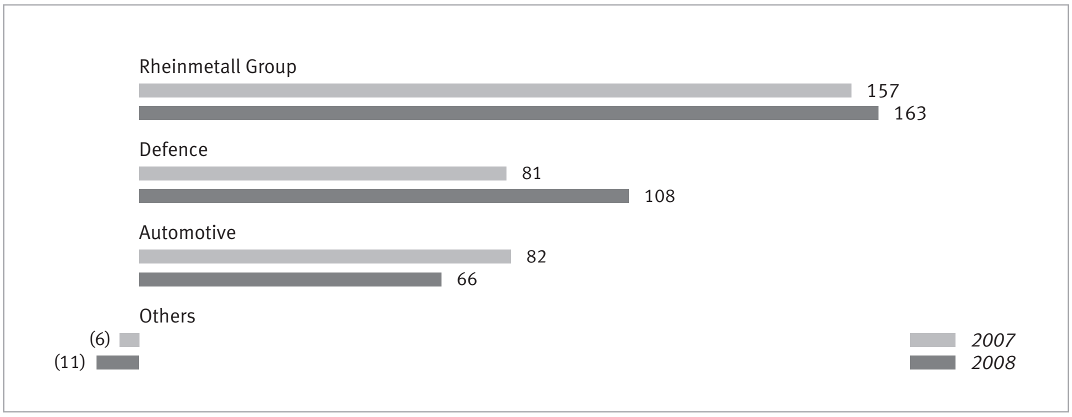
Year-on-year, non-German 9-month sales by the Rheinmetall Group inched up from 67 to 68 percent. Alongside the German market, focal regions were Europe, followed by North America and Asia. Of Defence's total sales, 68 percent was generated abroad while at Automotive, customers outside of Germany accounted for 67 percent.

Order backlog rising to €3.7 billion. For the nine months ended September 30, 2008, the Rheinmetall Group reports new orders worth €2,777 million (down from €2,963 million).

At quarter-end, order backlog totaled €3,725 million, up 12 percent; orders on hand at Defence amounted to €3,349 million (up from €2,960 million) and include high-volume contracts extending over several fiscal years.

Profitability upgraded. The Rheinmetall Group's EBIT for 3Q/2008 rose from €157 million to €163 million; net income for the same period added up to €85 million (up by €6 million). Deducting minority interests in profit of €2 million brings earnings per share (EpS) to €2.39 (up from €2.18).

3Q EBIT *€ million*



Asset and capital structure. In comparison to December 31, 2007, the Rheinmetall Group's total assets amounted to €3,720 million (up €275 million or 8.0 percent). The increase in the consolidated balance sheet is primarily due to Defence's M&A transactions and the seasonal rise in working capital. Noncurrent assets accounted for 48 percent of the total as of September 30, 2008 (down from 49 at December 31, 2007) and climbed €92 million, mainly when intangible assets rose in the wake of the M&As. Total equity as of September 30, 2008, came to €1,092 million, corresponding to an equity ratio of 29 percent (down from 31 at the close of 2007). Total financial debts at quarter-end broke down into €363 million of noncurrent, and €330 million of current, financial liabilities and were hence down from €384 million and up from €15 million, respectively, at year-end 2007.

Asset and capital structure *€ million*

	12/31/2007	%	**9/30/2008**	%
Noncurrent assets	1,685	49	1,777	48
Current assets	1,760	51	1,943	52
Total assets	**3,445**	**100**	**3,720**	**100**
Total equity	1,057	31	1,092	29
Noncurrent liabilities	1,047	30	1,039	28
Current liabilities	1,341	39	1,589	43
Total equity & liabilities	**3,445**	**100**	**3,720**	**100**

Targeted expenditures consolidate competitive advantages. The Rheinmetall Group's capital expenditure program is driven by the implementation of the organic-growth strategy. The use of the funds is largely determined by the strategic and operational goals for expanding positions on international markets and strengthening technological competence. During the first three quarters of 2008, Defence spent €9 million on development projects (up from €4 million). Alongside ongoing developments for passive protection technologies on a new vehicle system, other major capital outlays were made for the development of air defence radar systems and improvements to air defence capabilities for combating very small targets.

Capital expenditures by corporate sector *€ million*

	3Q/2007	3Q/2008
Defence sector	30	37
Automotive sector	106	111
Rheinmetall Group	**136**	**148**

Employees. Worldwide, the Rheinmetall Group employed 21,271 persons at September 30, 2008, up by 2,086 from the year-end 2007 headcount. Whereas the number of employees was relatively stable at Automotive (11,880), Defence's headcount grew (versus year-end 2007) by 2,091 to 9,266 chiefly in the wake of the first-time consolidation of the South African subsidiary Rheinmetall Denel Munition (Pty) Ltd. and additions from the operator enterprise for the Combat Training Center of the German Army which since September 2008 has been run by Rheinmetall. Of the total workforce, 43 percent were employed at Rheinmetall Defence, 56 percent at Automotive, and just under 1 percent at Rheinmetall AG and the service enterprises.

Defence sector

Defence indicators *€ million*

	3Q/2007	3Q/2008
Net sales	1,143	1,177
Order intake	1,267	1,125
Order backlog (Sep. 30)	2,960	3,349
Headcount (Sep. 30)	7,214	9,266
EBITDA	111	139
EBIT	81	108
EBT	66	90
EBIT margin *in %*	7.1	9.2

Further internationalization of Defence operations. Rheinmetall again pushed ahead with the internationalization of its Defence sector's business in 3Q/2008. With the acquisition of all of the shares in Stork PWV B.V., Netherlands, it strengthened its participation in currently the biggest supranational contract for military vehicles in Europe. This was followed at the start of September 2008 by the takeover of a 51-percent stake in South Africa's Denel Munitions (Pty) Ltd., meanwhile operating as Rheinmetall Denel Munition (Pty) Ltd.

Defence keeping to its growth course. At €1,177 million, the Defence sector reported a sales growth of €34 million or 3 percent during 3Q/2008. First consolidated in September 2008, Rheinmetall Denel Munition contributed €12 million. Organic growth at Defence during the period was chiefly helped by added business in the US and in simulation systems. For invoicing reasons, Q4 sales will again largely exceed the figures for each of the preceding quarters.

Sustained high order influx. 3Q order intake reached €1,125 million, down €142 million from the year-earlier magnitude which had been buoyed by a large order at the Air Defence division.

Order backlog in excess of €3 billion. From €2,960 million a year ago, the September 30, 2008 order backlog climbed by 13 percent to €3,349 million. Newly consolidated in Q2, Rheinmetall Nederland B.V. contributed orders worth €502 million, mainly the Boxer Netherlands contract.

Profitability much improved at Defence. Defence's 3Q EBIT of €108 million was a significant €27 million or 33-percent upgrade over 3Q/2007. Contributors to this improvement were the Air Defence, Weapon & Munitions and Simulation & Training divisions. The first-time consolidation of Rheinmetall Denel Munition contributed €10 million to EBIT as the net of a €3 million operating loss and a €13 million badwill. In Q4, however, further operating losses and additional restructuring expenses will whittle down Rheinmetall Denel Munition's contribution to about €2–€3 million. The Q3/2007 EBIT had also been upgraded by a €10 million nonrecurring gain from the disposal of a subsidiary. The sector's 3Q EBIT margin rose year-on-year from 7.1 to 9.2 percent.

Automotive sector

Automotive indicators *€ million*

	3Q/2007	3Q/2008
Net sales	1,695	1,650
Order intake	1,696	1,652
Order backlog (Sep. 30)	371	376
Headcount (Sep. 30)	11,920	11,880
EBITDA	171	155
EBIT	82	66
EBT	64	47
EBIT margin *in %*	4.8	4.0

US market squeezes Automotive sales. 3Q/2008 sales at the Automotive sector added up to €1,650 million, €45 million or 3 percent down from the year-earlier magnitude on account of shrinking sales chiefly in the wake of the slumping auto production in the USA. Adjusted for this effect, sales remained at the year-earlier level.

Due to the global financial crisis and the resultant spending apathy on the part of motorists, German and European carmakers have in some cases severely and especially in the first two October weeks, axed their outputs for the rest of this year. Hence, the Automotive sector expects much weaker Q4 sales than a year ago and is responding to the decline in call orders by such options as flexible and collectively negotiated working hour arrangements, downscaled capital expenditures, and cost cuts.

EBIT hurt by nonrecurring factors. Automotive's EBIT for 3Q/2008 totaled €66 million (down €16 million). Most of the shrinkage resulted from lower sales; other eroding factors were the production start-up for new engine blocks and exhaust-gas recirculation systems.

This year's EBIT was also burdened by a total of €4 million for a restructuring plan concluded in June 2008 for the small-piston facilities at Neckarsulm and Hamburg and entailing the loss of around 250 jobs in this product group.

Risk and reward report

Efficient risk management. Thanks to a systematic and efficient risk management system, risks at Rheinmetall are limited and of manageable proportions. There are no material risks that might jeopardize to a sustained extent the Group's asset and capital structure, financial position or results of operations. The group management report for 2007 details the major risks and rewards possibly affecting the future development of Rheinmetall. Above and beyond the risks and rewards outlined in that report there is for the Automotive sector the risk of the global auto market trend, especially in the USA. There have been no further material changes or new findings.

Prospects

Group forecasts for 2008 shrunk by 10 percent. In response to the Q4 plunge in call orders by auto industry customers worldwide, Rheinmetall AG no longer expects its Automotive sector to achieve its sales and earnings forecasts for this year. From today's vantage point, Rheinmetall is predicting for this sector an EBIT of around €80 million and for Defence at least €180 million, together yielding a revised consolidated EBIT of between €250 million and €260 million (instead of €280 million to €290 million).

On the basis of the estimates so far publicly announced by its auto industry customers Rheinmetall assumes that 2009 will prove to be a tough year for this industry with special challenges. The highly uncertain situation makes it presently impossible for Automotive to submit a reliable forecast for 2009 and hence reaffirm its medium-term goals. Defence, in contrast, is expected to continue to show sustainable solid progress.

Interim financial statements of Rheinmetall AG for 3Q/2008

Consolidated balance sheet as of September 30, 2008

Assets *€ million*

	12/31/2007	9/30/2008
Intangible assets	484	537
Tangible assets	1,046	1,086
Investment properties	14	13
Investees	84	93
Other noncurrent financial assets	10	10
Sundry noncurrent assets	3	3
Deferred tax assets	44	35
Total noncurrent assets	**1,685**	**1,777**
Inventories	726	908
less prepayments received	(24)	(30)
	702	**878**
Trade receivables	779	875
Other current financial assets	38	24
Other current receivables and assets	70	88
Income tax assets	8	12
Cash & cash equivalents	163	65
Noncurrent assets held for sale	--	1
Total current assets	**1,760**	**1,943**
Total assets	**3,445**	**3,720**

Equity & liabilities *€ million*

	12/31/2007	9/30/2008
Capital stock	92	92
Additional paid-in capital	208	208
Other reserves	615	714
Group earnings (after minority interests)	145	83
Treasury stock	(46)	(65)
Stockholders' equity	**1,014**	**1,032**
Minority interests	43	60
Total equity	**1,057**	**1,092**
Accruals for pensions and similar obligations	522	526
Other noncurrent accruals	106	104
Noncurrent financial liabilities	384	363
Other noncurrent liabilities	12	21
Deferred tax liabilities	23	25
Total noncurrent liabilities and accruals	**1,047**	**1,039**
Current accruals	316	320
Current financial liabilities	15	330
Trade payables	554	454
Other current liabilities	412	439
Income tax liabilities	44	46
Total current liabilities and accruals	**1,341**	**1,589**
Total equity & liabilities	**3,445**	**3,720**

Consolidated income statement

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

	3Q/2007	3Q/2008
Net sales	**2,838**	**2,827**
Net inventory changes, other work and material capitalized	74	140
Total operating performance	**2,912**	**2,967**
Other operating income	76	68
Cost of materials	(1,535)	(1,534)
Personnel expenses	(789)	(817)
Amortization/depreciation	(120)	(120)
Other operating expenses	(391)	(403)
Operating result	**153**	**161**
Net interest expense[1]	(40)	(42)
Net investment income and other financial results[2]	4	2
Net financial result	**(36)**	**(40)**
Earnings before taxes (EBT)	**117**	**121**
Income taxes	(38)	(36)
Net income	**79**	**85**
thereof		
minority interests	*3*	*2*
group earnings (after minority interests)	*76*	*83*
Earnings per share (basic/diluted)	€2.18	€2.39

[1] *incl. interest expense of €49 million (up from €46 million)*
[2] *incl. net P/L of investees carried at equity of €4 million (virtually unchanged)*

Consolidated income statement for the 3 months (Q3) ended September 30 *€ million*

	Q3/2007	Q3/2008
Net sales	**957**	**942**
Net inventory changes, other work and material capitalized	43	31
Total operating performance	**1,000**	**973**
Other operating income	35	31
Cost of materials	(542)	(499)
Personnel expenses	(258)	(268)
Amortization/depreciation	(43)	(41)
Other operating expenses	(131)	(136)
Operating result	**61**	**60**
Net interest expense[1]	(13)	(16)
Net investment income and other financial results[2]	0	1
Net financial result	**(13)**	**(15)**
Earnings before taxes (EBT)	**48**	**45**
Income taxes	(15)	(14)
Net income	**33**	**31**
thereof		
minority interests	*1*	*0*
group earnings (after minority interests)	*32*	*31*
Earnings per share (basic/diluted)	€0.92	€0.88

[1] *incl. interest expense of €18 million (up from €17 million)*
[2] *incl. net P/L of investees carried at equity of €1 million (virtually unchanged)*

Consolidated statement of cash flows for 3Q/2008

€ million

	3Q/2007	3Q/2008
Opening cash & cash equivalents	**197**	**163**
Net income	79	85
Net interest result from financing activities	22	22
Amortization/depreciation of intangibles, tangibles and investment properties	120	120
Change in pension accruals	5	3
Cash flow	**226**	**230**
Changes in working capital and other items	(348)	(353)
Net cash used in operating activities[1)]	**(122)**	**(123)**
Cash outflow for additions to tangibles, intangibles and investment properties	(149)	(148)
Cash inflow from the disposal of tangibles, intangibles and investment properties	45	4
Cash outflow for additions to consolidated subsidiaries and financial assets	(38)	(35)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	32	2
Net cash used in investing activities	**(110)**	**(177)**
Capital contributions by third parties	--	8
Rheinmetall AG dividend payout	(35)	(45)
Other profit distribution	(4)	(6)
Repurchase of treasury stock	(6)	(30)
Sale of treasury stock	--	5
Cash outflow for interest	(30)	(31)
Cash inflow from interest	6	7
Financial liabilities incurred	181	304
Financial liabilities repaid	(3)	(11)
Net cash provided by financing activities	**109**	**201**
Net change in cash & cash equivalents	**(123)**	**(99)**
Parity-related change in cash & cash equivalents	1	1
Total change in cash & cash equivalents	**(122)**	**(98)**
Closing cash & cash equivalents	**75**	**65**

1) *Including net income taxes paid at €28 million (virtually unchanged)*

Statement of changes in equity

€ million

	Capital stock	Additional paid-in capital	Reserves retained from earnings	OCI from currency translation differences	OCI from statement at FV and other valuation	Total OCI	Group earnings after minority interests	Treasury stock	**Stock-holders' equity**	Minority interests	**Total equity**
Balance at January 1, 2007	**92**	**208**	**488**	**(37)**	**65**	**28**	**120**	**(42)**	**894**	**43**	**937**
Dividend payout	--	--	(35)	--	--	--	--	--	(35)	(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)	--	--	--	--
Group net income	--	--	--	--	--	--	76	--	76	3	79
Balance at Sep. 30, 2007	**92**	**208**	**575**	**(41)**	**77**	**36**	**76**	**(46)**	**941**	**41**	**982**
Balance at January 1, 2008	**92**	**208**	**579**	**(43)**	**79**	**36**	**145**	**(46)**	**1,014**	**43**	**1,057**
Dividend payout	--	--	(45)	--	--	--	--	--	(45)	(6)	(51)
Currency translation differences	--	--	--	7	--	7	--	--	7	1	8
Consolidation group changes	--	--	--	--	--	--	--	--	--	19	19
Accumulated OCI	--	--	3	--	(11)	(11)	--	(19)	(27)	1	(26)
Transfer to/from reserves	--	--	145	--	--	--	(145)	--	--	--	--
Group net income	--	--	--	--	--	--	83	--	83	2	85
Balance at Sep. 30, 2008	**92**	**208**	**682**	**(36)**	**68**	**32**	**83**	**(65)**	**1,032**	**60**	**1,092**

Notes

(1) General bases. Rheinmetall AG's condensed interim consolidated financial statements as of September 30, 2008, were prepared in conformity with the International Financial Reporting Standards (IFRS) and related Interpretations of the International Accounting Standards Board (IASB) whose application to interim reports is mandatory in the European Union (EU). Consequently, these interim financial statements do not comprise all the information and disclosures in the notes which the IFRS require for consolidated financial statements as of year-end. From the Executive Board's vantage point, the present interim financial statements reflect all due adjustments required for a true and fair view of the business trend in the period under review. The performance data and results shown for 3Q/2008 do not necessarily allow a forecast to be made of the future business development. The interim financial statements have been prepared in accordance with IAS 34 *Interim Reporting* but should be read in the context of Rheinmetall AG's published IFRS consolidated financial statements for fiscal 2007. The accounting and valuation methods applied to these interim financial statements are identical with those adopted for the consolidated financial statements as of December 31, 2007, and to which reference is made for full details. The Group's reporting currency is the euro (€), amounts being indicated in € million unless otherwise stated.

The following new or amended IASB Standards have been approved and released in 3Q/2008. However, since their application is either not yet obligatory or their adoption by the EU still pending, they have not been applied in these interim financial statements:
IFRS 3 *Business Combinations* (revised)
IAS 27 *Consolidated and Separate Financial Statements* (revised)
IFRS 2 *Share-Based Payment* (amended)
IAS 1 *Presentation of Financial Statements* (amended)
IAS 32 *Financial Instruments: Presentation* (amended)
IAS 39 *Financial Instruments: Recognition and Measurement* (amended)
IFRIC 15 *Agreements for the Construction of Real Estate*
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

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

(2) Estimates. Preparing the interim financial statements has required Rheinmetall to make certain assumptions and estimates which affect the application of intragroup accounting principles, the disclosure of assets and liabilities, as well as the recognition of income and expenses. Actual values may differ from those estimates.

(3) Consolidation group. Besides Rheinmetall AG, the consolidated financial statements include all German and foreign subsidiaries in which Rheinmetall AG directly or indirectly owns the voting majority or whose financial and business policies are otherwise controlled by the Rheinmetall Group. In the first nine months of 2008, nine subsidiaries were newly consolidated, including six (five thereof outside Germany) newly formed subsidiaries.

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

In September 2008, the deal for the takeover of a 51-percent stake in Denel Munitions (Pty) Ltd., a South African munition manufacturer, was closed at a price of €0 million. The preliminary purchase price allocation has produced a €13 million badwill. Since October 2008, the subsidiary has operated as Rheinmetall Denel Munition (Pty) Ltd.

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

€ million

	Pre-acquisition book values	Adjustments	Fair values
Goodwill	--	28	28
Other intangible assets	0	20	20
Tangible assets	9	1	10
Other noncurrent assets	2	--	2
Inventories	27	6	33
Cash & cash equivalents	11	--	11
Other current assets	19	--	19
Other noncurrent liabilities	6	6	12
Current financial liabilities	--	--	--
Other current liabilities	38	5	43

The fair values of intangible assets had the greatest impact on purchase price allocation and cover mainly the acquirees' order backlog and know-how. The 3Q/2008 EBIT of all three acquirees was negative and is included in the Group's at €0.2 million (LDT Laser Display Technology), €0.9 million (Rheinmetall Nederland), and €3 million (Rheinmetall Denel Munition). For Q4/2008, the EBIT contributed by both LDT Laser Display Technology and Rheinmetall Nederland is expected to break even, whereas Rheinmetall Denel Munition will in Q4 incur an additional loss of around €7 million, caused by the pending restructuring program. After offsetting the €13 million badwill, Rheinmetall Denel Munition will for 2008 contribute a net EBIT of €2–€3 million to the Group's.

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

(5) Treasury stock. The annual general meeting authorized Rheinmetall AG on May 8, 2007, to repurchase shares of treasury stock on or before October 31, 2008, for a maximum equivalent to 10 percent of the current capital stock of €92,160,000. At their AGM on May 6, 2008, the stockholders withdrew this authority and granted a new one effective up to October 31, 2009.

	Shares	% of capital stock
As of January 1, 2008	**1,051,417**	**2.921**
Repurchased in 3Q/2008	678,913	1.886
Incentive/employee stocks	(252,915)	(0.703)
As of September 30, 2008	**1,477,415**	**4.104**
Repurchased in October 2008	257,519	0.715
November 1, 2008	**1,734,934**	**4.819**

Notes

In 3Q/2008, Rheinmetall AG purchased 678,913 treasury shares at a total cost of €30 million. As of September 30, 2008, after the issuance of shares to executive staff under the long-term incentive plan and the employee stock purchase program, the portfolio comprised 1,477,415 treasury shares, acquired at a total cost of €65 million and offset against equity.

(6) Stock-based compensation. A long-term incentive program exists within the Rheinmetall Group under which eligible executive staff will share in the value added to the Group's beneficiaries by receiving Rheinmetall shares in addition to cash. Participants cannot freely dispose of the shares granted until the 3-year qualifying period has expired. Under this incentive program, participants received on April 1, 2008, a total 79,940 shares for fiscal 2007.

(7) Employee stock purchase program. The Rheinmetall Group offers eligible employees in Germany Rheinmetall shares on preferential terms and conditions. Such shares are subject to a 2-year waiting period. The initial subscription period ran from April 3 to 16, 2008, and altogether 153,429 shares were sold to employees. The second subscription period was the fortnight ended July 15, 2008, during which 19,546 shares were acquired by employees. The third subscription period runs from October 28 to November 11, 2008.

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

	Q3/2007	Q3/2008	3Q/2007	3Q/2008
Group earnings after minority interests (€ mill.)	32	31	76	83
Weighted number of shares (million)	35.0	34.5	35.0	34.6
Earnings per share (€)	**0.92**	**0.88**	**2.18**	**2.39**

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

(10) Related-party transactions. For the Rheinmetall Group, corporate related parties are joint ventures and associated affiliates carried at equity. The joint ventures, in particular, benefit the expansion of Defence and Automotive operations. The volume of services provided by or to material related companies, as well as the volume of unpaid items, mainly originate within the Defence sector from project work and, for the first time, a PPP model for M&R services on behalf of the German army. The year-earlier comparatives were restated accordingly. Moreover, the volume of unpaid items includes minor loans to joint ventures. The scope of related-party transactions is broken down in the table below:

€ million

	Volume of services rendered		Volume of services utilized		Volume of unpaid items	
	3Q/2007	3Q/2008	3Q/2007	3Q/2008	12/31/2007	9/30/2008
Associated affiliates	9	2	11	7	(1)	0
Joint ventures	41	64	17	8	15	21
	50	**66**	**28**	**15**	**14**	**21**

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

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

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

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

€ million

Corporate sectors	Defence		Automotive		Others/ consolidation		Group	
	3Q/2007	3Q/2008	3Q/2007	3Q/2008	3Q/2007	3Q/2008	3Q/2007	3Q/2008
Sales	1,143	1,177	1,695	1,650	0	0	2,838	2,827
EBIT	81	108	82	66	(6)	(11)	157	163

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

Additional information

Financial diary

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

Rheinmetall's homepage at **www.rheinmetall.com** contains detailed business information about the Rheinmetall Group and its subsidiaries, present trends, 15-minute stock price updates, press releases, and ad hoc notifications. In fact, investor information is a regular fixture of this website from where all the relevant details may be downloaded.

This quarterly 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

RHEINMETALL