

THE RHEINMETALL GROUP IN FIGURES

Rheinmetall Group indicators € million			
	3Q/2003	3Q/2004	3Q/2005
Net sales	3,102	2,403	2,420
Order intake	3,289	2,195	2,707
Order backlog (Sep. 30)	3,750	2,803	3,028
EBITDA	264	259	239
EBIT	79	136	119
EBT	24	87	81
Net income/(loss), total	(2)	59	55
Net income/(loss) excl. minority interests	(6)	55	52
Cash flow	178	174	183
Net financial debt	662	366	433
Net interest expense	(55)	(49)	(38)
Capital expenditures	137	106	133
Depreciation/amortization	185	123	120
Total equity	679	758	819
Total assets	3,620	3,104	3,246
EBIT margin	2.6%	5.7%	4.9%
Earnings per common share	0.36	1.50	1.47
Market capitalization (Sep. 30)	821	1,236	1,980
Headcount (Sep. 30)	24,085	18,569	18,544

RHEINMETALL CONTINUING ON THE SUCCESS TRACK WITH REDEFINED DESTINATIONS

By concentrating on the two corporate sectors of Automotive and Defence, Rheinmetall has laid the foundation for the Group's successful strategic development. Value enhancement through profitable growth will continue to be Rheinmetall's guiding principle.

In the first three quarters of 2005, Rheinmetall made further successful progress:

- Organic sales growth of 4 percent
- Order intake up 23 percent
- Results of operations improved by 7 percent to €129 million
- Forecast for all of 2005 reaffirmed

Prompted by the earnings and profitability performance of recent years, Rheinmetall is setting itself more ambitious medium-term targets:

- The targeted EBIT margin is raised from 7 to 9 percent.
- The targeted ROCE is stepped up from 15 to 20 percent

These new targets are set to be achieved within a time span of three to five years.

Q3 NEWS FLASHES

July 2005

Rheinmetall Defence

The Puma taking shape: Rheinmetall Land-systeme's Prototyping department is applying every effort in building the total systems demonstrator for the new Puma Infantry Fighting Vehicle destined for the German armed forces.



Rheinmetall Defence

Rheinmetall Waffe Munition is contracted by the German armed forces to supply the newly developed tungsten-based DM 63 tank ammunition. The order is worth around €30 million.

Kolbenschmidt Pierburg

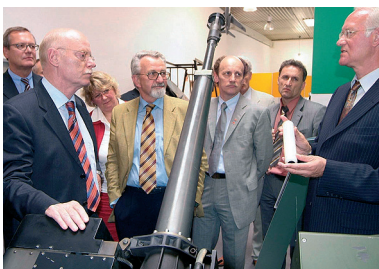
Together with the US company Miba Bearings, KS Bearings sets up a joint venture to produce the input materials for downstream treatment at the venturers' German, Austrian and US plants that manufacture plain bearings in cast bronze and brass composites. Other options open to the venturers are the concerted development of production materials and the reciprocal use of available assaying and testing facilities.

Rheinmetall Defence

Airbus awards Rheinmetall Defence Electronics a megacontract worth €72 million for cargo hold electronics. This Bremen-based electronics specialist will supply the complete Loadmaster Control System of the new A400M military transport aircraft for the entire production series.

Rheinmetall Defence

Rolling out the red carpet at Rheinmetall's Oberndorf location: Germany's Defence Minister Dr. Peter Struck in the course of a four-week fact-finding tour being briefed by Rheinmetall Waffe Munition on the latest developments and the production of medium-caliber munition.



August 2005

Rheinmetall Defence

Rheinmetall Defence Electronics will equip the Tornado flight simulator at the Holloman Air Force Base in New Mexico, USA, with a newly developed visual system. The Avior laser projection system permits maximum focus depth, wide color variety and uniquely realistic night vision projection. Jet pilots may now simulate complicated and dangerous maneuvers more realistically than ever before.

Kolbenschmidt Pierburg

Publishing house Moderne Technik adds to its Library of Technology series a volume dealing with aluminum engine blocks, their design and materials, casting techniques, and cylinder-facing technologies as used on lightweight auto engines. Concise, hands-on, and highly illustrative, the book details the specific technology of aluminum engine blocks and their use in auto engines. Authors: a KS Aluminium-Technologie team.

Rheinmetall Defence

In their battle against terrorism, special units at the Kuwait Ministry of the Interior opt for another eight of the ultramodern, armored multi-role tactical vehicles Condor 2. Developed by Rheinmetall Landsysteme, the Condor is remarkable for its outstanding off-road capabilities, all-round protection, and air transportability.



Kolbenschmidt Pierburg

At the VDI conference on casting technology for engine construction, Kolbenschmidt presents its own multi-scale simulation technique that illustrates the complex processes that occur during the course of casting and the factors influencing the microstructure of the metal—a technique to help optimize casting processes and their robustness.

September 2005

Kolbenschmidt Pierburg

presents at the 61st International Motor Show in Frankfurt/Main once again leading-edge automotive components, engineering system highlights, and other new products from its



divisions. A diesel engine exhibit illustrates the components, systems, and modules engineered and built by Kolbenschmidt Pierburg.

Rheinmetall Defence

Added protection for soldiers in action. The German armed forces order 181 armored command and transport vehicles worth €151 million from Rheinmetall Landsysteme. With their flexibility, air transportability and readiness to roll as soon as they hit the ground these light armored vehicles are the ideal support for air-mobile intervention forces.

Kolbenschmidt Pierburg

Kolbenschmidt celebrates in style the 70th anniversary of its Hamburg location. Around 1,000 visitors take a look behind the scenes and get to know the plant, its machinery and production processes.

Rheinmetall Defence

exhibits at DSEI 2005 in London a broad range of products, services and skills-oriented system solutions for the present and future needs of the international armed forces.



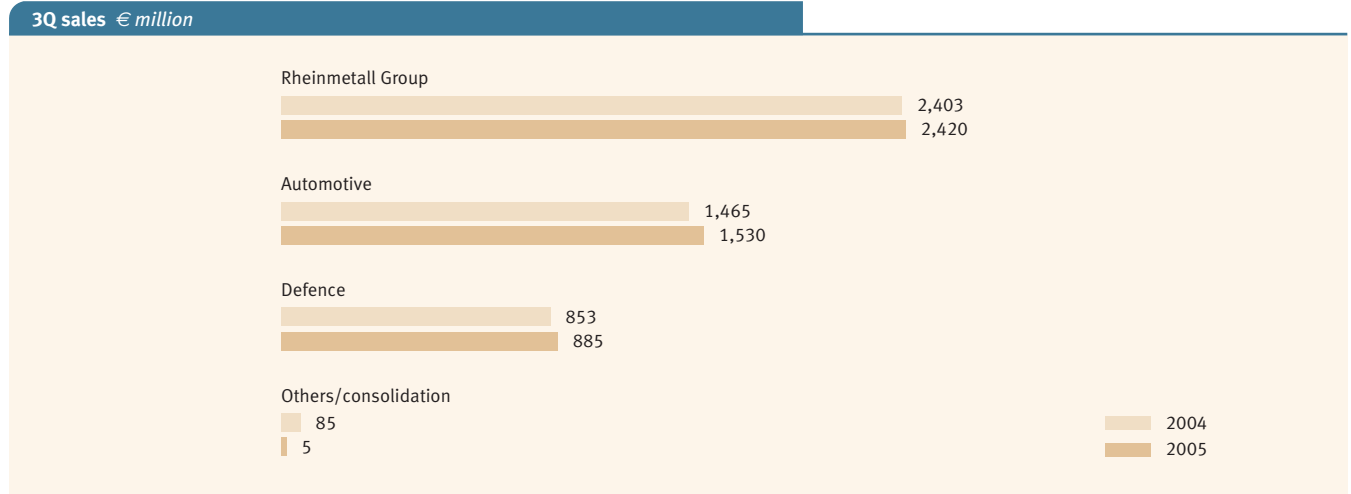
Rheinmetall Defence

demonstrates for the first time live at its own testing terrain in Unterlüss the integrated Protective Shield system to members of the German armed forces, Germany's Federal Bureau of Criminal Investigation, members of the Bundestag plus international delegations who during the three-day event obtain an impression of the capability of this modular protection system designed for deployment against the asymmetrical threats to forces in action.

ORGANIC GROWTH AND SUPERIOR OPERATING PERFORMANCE

Confronted with in some cases difficult environments for its industries, Rheinmetall again upheld its position well during Q3/2005. Despite burgeoning chal-

lenges in their respective markets, the two corporate sectors of Automotive and Defence raised their sales, with Automotive again easily outpacing the market.



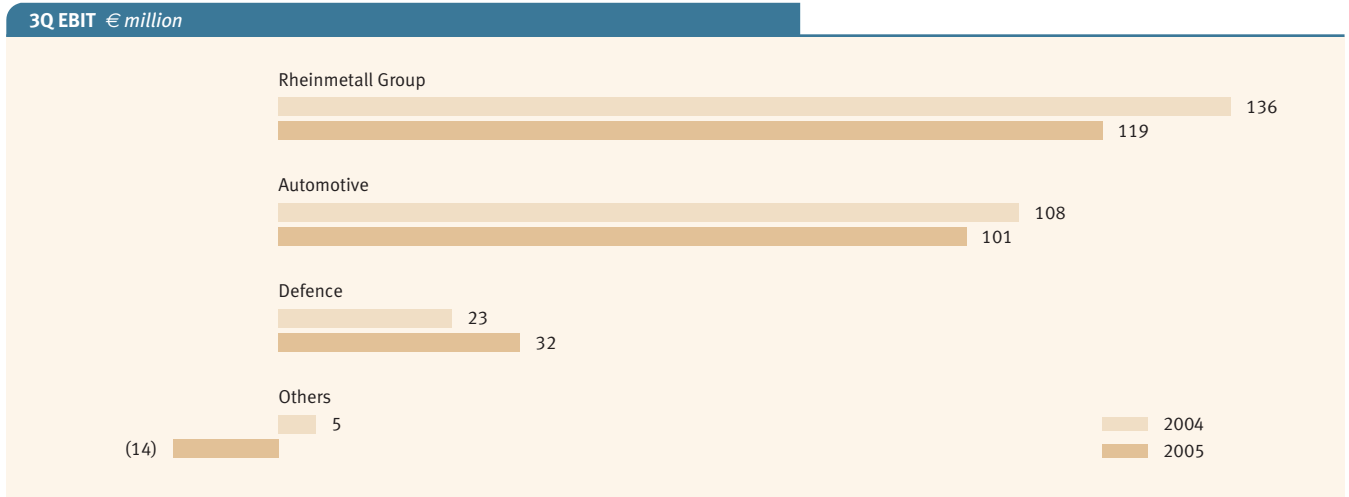
In 3Q/2005, the Rheinmetall Group generated sales of €2,420 million, which—adjusted for the year-earlier

divestments—represent an increase of €101 million, or 4 percent organic growth.

Sharp rise in order intake

Order intake during the period climbed 23 percent from the year-earlier €2,195 million to €2,707 million, the boost being ascribable to major contracts

booked by Defence where order influx surged 81 percent. As a consequence, orders received were well ahead of sales.



Nine-month (3Q) EBIT by the Rheinmetall Group amounted in 2005 to €119 million, with the Defence sector showing improvement. Automotive maintained its sound year-earlier level.

The sharp €19 million decline reported under Others (subsuming the activities of the holding and services companies) is substantially the outcome of the year-earlier gain from the disposal of ECI (€9 million) plus this year's one-off expense (€8 million) for debt restructuring. Net interest expense shrank by €11 million, bringing 3Q EBT to €81 million (down by €6 million from €87 million).

Results of operations consolidated

After elimination of extraordinary gains and losses, the Rheinmetall Group reported an adjusted 3Q EBIT that rose in absolute terms by €8 million to €129 million; besides, net interest expense was slashed by €11 million.

Related to the 9-month sales, the adjusted 3Q EBIT margin improved from 5.0 percent a year ago to 5.3 in 2005. This favorable trend does not even account for the fact that Defence generates most of its sales and earnings in the final quarter.

Forecast for 2005 reaffirmed

On the basis of its 3Q performance, Rheinmetall is confident that earnings will continue solid for the rest of the year and thus the Group reaffirms its fore-

cast for all of 2005. Order intake, in particular, will show a marked improvement.

AUTOMOTIVE SECTOR: CONTINUATION OF PROFITABLE GROWTH

Auto industry progressing

In the period January through September 2005, worldwide output of passenger cars and LCV mounted around 3 percent over the year-earlier figure. While production in the Western European and NAFTA mar-

kets again showed a general downtrend, it was the advancing turnout in Southeast Asia, South America, and Eastern Europe that resulted in this moderate growth worldwide.

Sales again outpacing market growth

In the first nine months of 2005 (3Q), the Automotive sector generated sales of €1,530 million or 4 percent above the comparable year-earlier level and slightly above global market growth. As in H1/2005, it was

again mainly Aluminum Technology accompanied by Pistons and Plain Bearings that contributed to the gain.

High earnings stabilized

For 3Q/2005, the Automotive sector reported an EBIT of €101 million, up €2 million over the like-for-like year-earlier figure (i.e., adjusted for the €9 million gain from the disposal of the shares held in Pierburg Instruments GmbH). All of the divisions contributed profits to their sector's 3Q EBIT, which thus maintained its magnitude. Because of the considerably

downscaled net interest expense (down by €6 million), EBT at €87 million was at the prior-year level.

The higher capital outlays were due to incremental product start-ups. For all of 2005, capital expenditures are expected to range around the prior-year 7 percent of sales.

Outlook

Assuming that the market stays steady, the Automotive sector expects for all of 2005 sales in excess of

the market trend and earnings matching the 2004 level.

Automotive indicators € million		
	3Q/2004	3Q/2005
Net sales	1,465	1,530
Order intake	1,463	1,548
Order backlog (Sep. 30)	318	332
Headcount (Sep. 30)	11,512	11,636
EBITDA	196	189
EBIT	108	101
EBT	88	87
EBIT margin	7.4%	6.6%
Capital expenditures	74	111
Depreciation/amortization	89	88

DEFENCE SECTOR: ADDED SALES AND EARNINGS

Updating the armed forces

The changed threat scenarios have triggered new defence and arms policy challenges which, in turn, have meant a worldwide increase in the need to re-vamp the armed forces. Coupled with this is the trend to award contracts for complete systems and to out-

source logistics and training services from industrial operators. Rheinmetall Defence readjusted to the market mutations very early on and hence benefited from this trend during the first nine months of 2005.

Much improved business volume

For the 9 months ended September 30, 2005, sales by the Defence sector totaled €885 million, up 4 percent over the year-earlier figure. In the same period,

order intake amounted to €1,154 million (up 81 percent over the €639 million in 3Q/2004). As a consequence, order influx was well above sales.

Earnings enhanced: EBIT up

At €32 million, 3Q EBIT was €9 million higher than a year ago. The EBIT margin mounted from the year-earlier 2.7 to 3.6 percent. The solid earnings performance is attributable to added sales, improved prod-

uct mix margins and a more competitive cost structure. Q4/2005 will account for the lion's share of this year's capital outlays which for all of 2005 will amount to around 3 percent of sales.

Outlook: higher profit contribution

As is typical of its industry, the Defence sector will generate a major share of sales and earnings in the final quarter of the year. On the basis of the robust

3Q sales and earnings, the sector expects to close the year with an EBIT above the prior-year €77 million.

Defence indicators € million		
	3Q/2004	3Q/2005
Net sales	853	885
Order intake	639	1,154
Order backlog (Sep. 30)	2,485	2,695
Headcount (Sep. 30)	6,932	6,805
EBITDA	53	61
EBIT	23	32
EBT	9	19
EBIT margin	2.7%	3.6%
Capital expenditures	38	22
Depreciation/amortization	30	29

CONSOLIDATED BALANCE SHEET

ASSETS € million	12/31/2004	9/30/2004	9/30/2005
Intangible assets	411	402	413
Tangible assets	991	993	1,034
Investment properties	31	23	24
Associated affiliates	32	31	53
Noncurrent financial assets	8	10	15
Sundry noncurrent assets	8	12	4
Deferred tax assets	48	67	66
Total noncurrent assets	1,529	1,538	1,609
Inventories	653	734	706
less prepayments received	(28)	(44)	(30)
	625	690	676
Trade receivables	387	406	449
Current financial assets	26	28	25
Sundry current receivables and assets	270	292	335
Income tax assets	5	12	23
Cash and cash equivalents	258	138	129
Total current assets	1,571	1,566	1,637
Total assets	3,100	3,104	3,246

EQUITY & LIABILITIES € million	12/31/2004	9/30/2004	9/30/2005
Capital stock	92	92	92
Additional paid-in capital	208	208	208
Other reserves	355	353	445
Net income after minority interests	96	55	52
Treasury stock	(22)	0	(24)
Rheinmetall AG stockholders' equity	729	708	773
Minority interests	50	50	46
Total equity	779	758	819
Pension accruals	487	485	496
Other noncurrent accruals	134	124	112
Noncurrent financial debts	391	456	401
Sundry noncurrent liabilities	8	11	6
Deferred tax liabilities	12	33	14
Total noncurrent liabilities and accruals	1,032	1,109	1,029
Current accruals	283	272	313
Current financial debts	21	48	161
Trade payables	385	362	334
Sundry current liabilities	550	509	532
Income tax liabilities	50	46	58
Total current liabilities and accruals	1,289	1,237	1,398
Total equity & liabilities	3,100	3,104	3,246

CONSOLIDATED INCOME STATEMENT

Consolidated income statement for the 9 months ended September 30 (3Q)	3Q/2004	3Q/2005
<i>€ million</i>		
Net sales	2,403	2,420
Net inventory changes, other work and material capitalized	75	45
Total operating performance	2,478	2,465
Other operating income	81	71
Cost of materials	(1,175)	(1,169)
Personnel expenses	(757)	(745)
Amortization/depreciation	(123)	(120)
Other operating expenses	(386)	(376)
Operating result	118	126
Net interest expense	(49)	(38)
Net investment income and other financial results	18	(7)
Net financial result	(31)	(45)
Earnings before taxes (EBT)	87	81
Income taxes	(28)	(26)
Net income	59	55
thereof		
– minority interests	4	3
– Rheinmetall AG stockholders	55	52

Consolidated income statement for the 3 months ended September 30 (Q3)	Q3/2004	Q3/2005
<i>€ million</i>		
Net sales	782	803
Net inventory changes, other work and material capitalized	9	2
Total operating performance	791	805
Other operating income	23	28
Cost of materials	(381)	(379)
Personnel expenses	(234)	(244)
Amortization/depreciation	(38)	(42)
Other operating expenses	(116)	(120)
Operating result	45	48
Net interest expense	(15)	(13)
Net investment income and other financial results	2	(1)
Net financial result	(13)	(14)
Earnings before taxes (EBT)	32	34
Income taxes	(14)	(13)
Net income	18	21
thereof		
– minority interests	1	0
– Rheinmetall AG stockholders	17	21

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 9 MONTHS ENDED SEPTEMBER 30 (3Q)

<i>€ million</i>	3Q/2004	3Q/2005
Cash and cash equivalents at Jan. 1	336	258
Net income	59	55
Amortization/depreciation of intangibles/tangibles	123	120
Change in pension accruals	(8)	8
Cash flow	174	183
Changes in working capital and other items	(306)	(261)
Net cash used in operating activities	(132)	(78)
Cash outflow for additions to tangibles and intangibles	(106)	(133)
Cash inflow from the disposal of tangibles and intangibles	12	14
Cash outflow for additions to consolidated subsidiaries and noncurrent financial assets	(22)	(44)
Cash inflow from the disposal of consolidated subsidiaries and noncurrent financial assets	103	2
Net cash used in investing activities	(13)	(161)
Capital paid in	--	--
Dividend paid out by Rheinmetall AG	(24)	(27)
Other profit distribution	(2)	(3)
Treasury stock	--	(2)
Change in financial debts	(27)	135
Net cash (used in)/provided by financing activities	(53)	103
Net change in cash and cash equivalents	(198)	(136)
Parity-related change in cash and cash equivalents	0	7
Total change in cash and cash equivalents	(198)	(129)
Cash and cash equivalents at Sep. 30	138	129

STATEMENT OF CHANGES IN EQUITY

€ million								
	Capital stock	Additional paid-in capital	Other reserves	Group earnings after minority interests	Treasury stock	Stockholders' equity	Minority interests	Total equity
Balance at 1/1/2004	92	208	312	63	--	675	56	731
Dividend payments	--	--	(24)	--	--	(24)	(2)	(26)
Currency translation differences	--	--	(1)	--	--	(1)	--	(1)
Consolidation group changes	--	--	--	--	--	--	(8)	(8)
Accumulated OCI	--	--	66	(63)	--	3	--	3
Group net income	--	--	--	55	--	55	4	59
Balance at 9/30/2004	92	208	353	55	--	708	50	758
Balance at 1/1/2005	92	208	355	96	(22)	729	50	779
Dividend payments	--	--	(27)	--	--	(27)	(3)	(30)
Currency translation differences	--	--	27	--	--	27	2	29
Consolidation group changes	--	--	--	--	--	--	(6)	(6)
Accumulated OCI	--	--	90	(96)	(2)	(8)	--	(8)
Group net income	--	--	--	52	--	52	3	55
Balance at 9/30/2005	92	208	445	52	(24)	773	46	819

FURTHER DISCLOSURES

Consolidation group				
	12/31/2004	Additions	Disposals	9/30/2005
Fully consolidated companies	93	3	(6)	90
thereof in Germany	53	--	(6)	47
thereof abroad	40	3	--	43
Associated affiliates	8	4	--	12
thereof in Germany	3	4	--	7
thereof abroad	5	--	--	5

Primary accounting bases

The present interim report has been prepared in accordance with those International Financial Reporting Standards (IFRS) and Interpretations approved and released by the International Accounting Standards Board (IASB) whose application is mandatory as of the balance sheet date.

Since January 1, 2005, the following revised IAS have been applied: IAS 1, *Presentation of Financial Statements*; IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; IAS 16, *Property, Plant and Equipment*; IAS 17, *Leases*; IAS 24, *Related Party Disclosures*; IAS 27, *Consolidated and Separate Financial Statements*; IAS 32, *Financial Instruments: Disclosure and Presentation*; IAS 33, *Earnings per Share*; IAS 39, *Financial Instruments: Recognition and Measurement*; as well as the new Standards, IFRS 2, *Share-Based Payment*, and IFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*.

The revised IAS 1 entails the reclassification of the balance sheet according to maturity, i.e., into noncurrent and current assets/liabilities. Assets and liabilities are deemed current if they mature or fall due in less than one year. Pension accruals and deferred taxes are throughout disclosed as noncurrent items. The prior-year data has been adjusted accordingly. The remaining changes in the revised or new Standards have not resulted in any material changes in comparison to the year before.

For further information about the accounting methods and policies, reference is made to the consolidated financial statements as of December 31, 2004, which also underlie this interim report.

RHEINMETALL STOCK

In contrast to the two preceding quarters, both the DAX and the MDAX showed sharp gains in the course of Q3/2005, the former advancing 10 and the latter by as much as 12 percent. At the close of the third quarter, the two indexes had risen to their 9-month highs of 5,049 (DAX) and 7,105 (MDAX).

Rheinmetall stock prices during Q3/2005 surged ahead of the DAX and MDAX and on September 7, 2005, for the first time broke the €50 barrier to reach a record €55.00 on September 30, 2005—in all, a 32-percent gain in the third quarter.

Concluded by the end of Q2/2005, the conversion of Rheinmetall's preferred into common stock meant that in Q3 solely the common share prices were quoted. According to plan on September 19, 2005, and as required for Rheinmetall's new weight, Deutsche Börse (the German Stock Exchange Corporation) re-allocated the other stock weight percentages within the MDAX and since then, Rheinmetall common stock has been quoted with a 100-percent free float. In

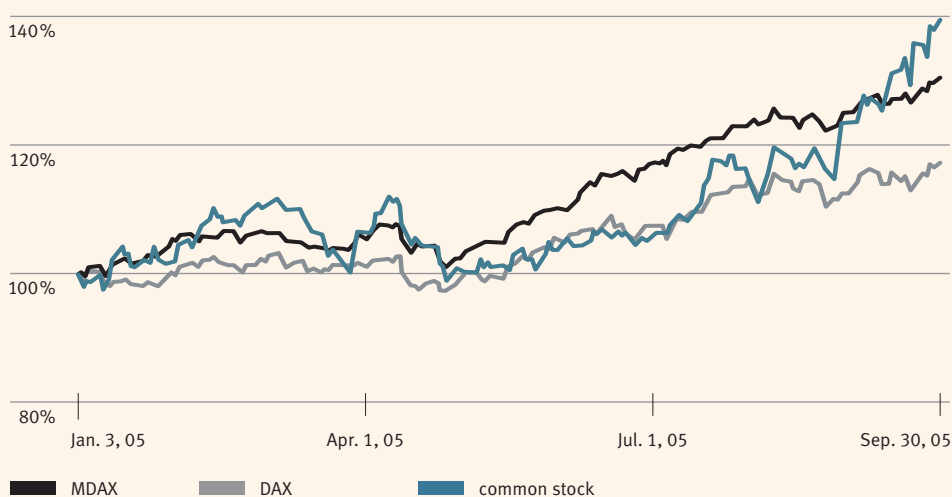
Deutsche Börse's MDAX listing as of September 30, 2005, the stock ranked 12th for market capitalization and 19th for stock exchange turnover over the preceding 12 months.

These two key changes in the capital market's perception of Rheinmetall stock—prompted by the consolidation of the two stock classes and the 100-percent free float—have contributed to significantly higher stock market trading liquidity. Whereas the average daily turnover in the Xetra trading system and in Frankfurt floor trading during Q3/2004 had amounted to 38,400 shares for the preferred and 5,665 for the common variety, 135,839 common shares on a daily average were traded in Q3/2005.

The new stockholder mix has prompted the Group to accelerate its investor relations activities. During the third quarter, numerous investors and analysts again took the opportunity for one-on-one talks mostly during the eight road shows and five investor conferences.

Rheinmetall stock price trend compared to DAX and MDAX

January 3, 2005, through September 30, 2005



Financial diary

March 22, 2006	Press conference on the annual accounts 2005
May 9, 2006	Annual stockholders' meeting in Berlin
May 9, 2006	Interim report on Q1/2006

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This interim 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.

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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.

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RHEINMETALL