Q2

Interim report as of June 30, 2003
Rheinmetall AG

Earnings continue on course

- H1/2003 performance well up over previous year
- Order situation again improved
- Organic growth sustained

RHEINMETALL

Interim report as of June 30, 2003
Rheinmetall's earnings continuing on course

Despite harsh markets worldwide, the Rheinmetall Group stayed on track in the course of H1/2003 and continued to show robust earnings.

Compared to the year-earlier period, H1/2003 EBIT rose by around 20 percent to €59 million, a sizable share of this increase being attributable to the two big corporate sectors Automotive and Defence. Thus the end-November divestment of the profitable Heimann Systems division was already outcompensated by the higher results of operations while the much lower debts slashed interest expenses considerably.

Versus H1/2002, EBT advanced by €18 million to €20 million.

Even though the consolidation group has undergone a substantial shake-up (specifically through the sale of Heimann Systems and several Jagenberg companies in 2002), the Rheinmetall Group's sales for H1/2003 reached €2,124 million, only slightly short of the year-earlier €2,138 million.

The order situation likewise again improved during H1/2003, with order intake mounting by around 9 percent to €2,208 million and order backlog rising 10 percent to €4,418 million.

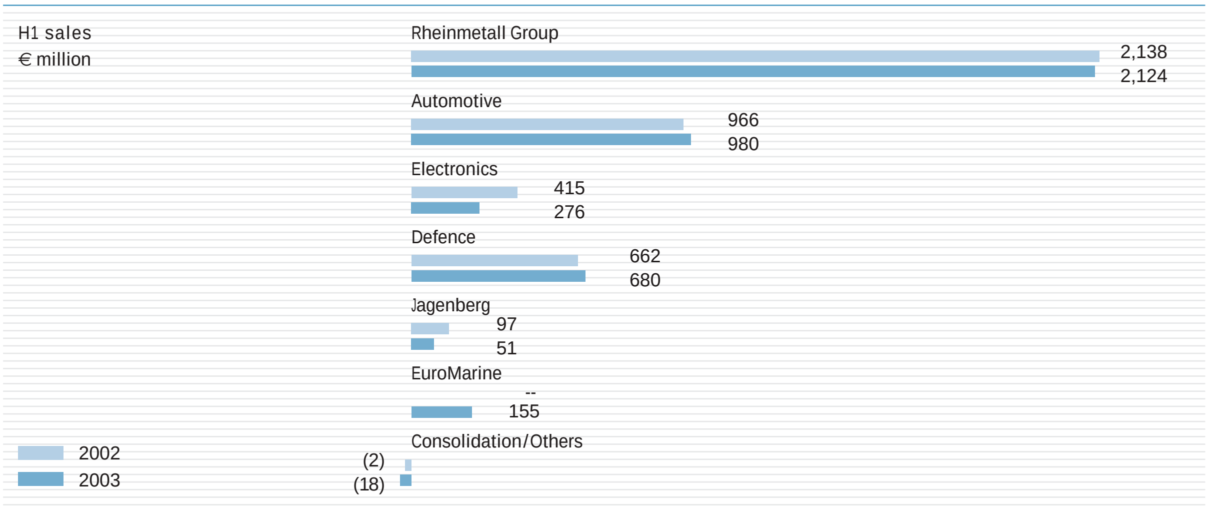
Assuming that the economy does not deteriorate further, Rheinmetall expects to close 2003 with a result of operations up over the year-earlier figure and thus make further progress in the direction of enhanced profitability and financial strength.

Consolidation group

As reported, the stake in EuroMarine was topped up in Q1/2003 from 50 to 100 percent. Hence, this group is being fully consolidated as a financial investee as of January 1, 2003. The remaining stake in Oerlikon Contraves AG was acquired in January 2003 and February saw the takeover from Mazda of the pistons business of Microtechno Corporation, Japan.

Shed, in contrast, were the electric fuel pump product group as of January 1, 2003, while consolidation group changes also included the disposal of Jagenberg DIANA and WPM Woschnik+Partner Maschinenbau at the end of January 2003. Hirschmann Austria, Rankweil, was sold in June 2003 (see also the consolidation group tabled on page 9).

Sales again steady

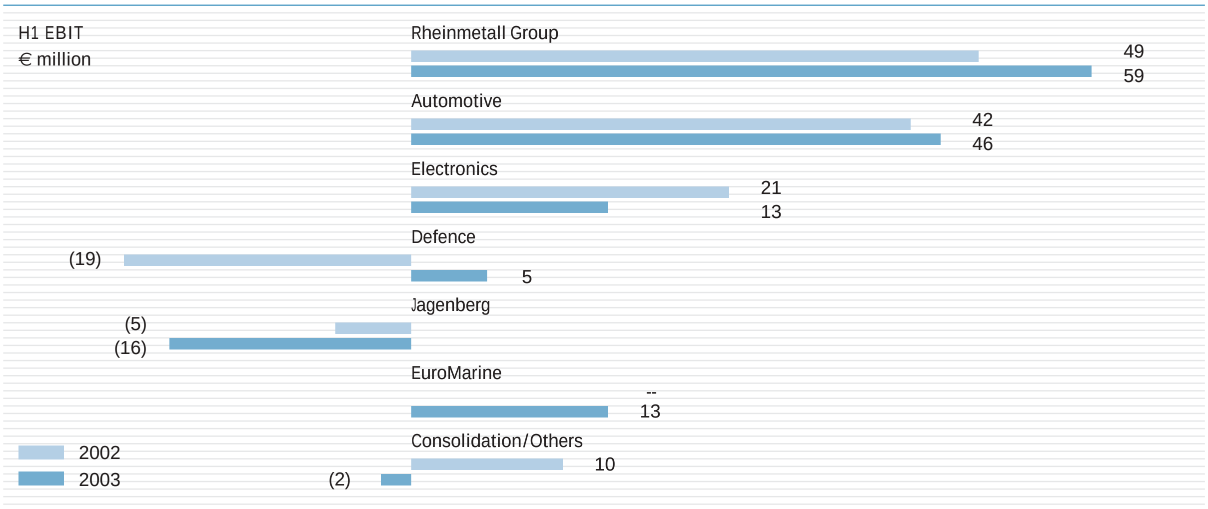


H1 sales

H1/2003 sales by the Rheinmetall Group added up to €2,124 million, just short of the year-earlier €2,138 million. Taking into account consolidation group changes, sales climbed an organic 2 percent, chiefly due to Automotive (up 2 percent, exchange rate adjusted 5 percent) and Defence (up 5 percent).

The financial investees Jagenberg and EuroMarine contributed together over 9 percent to Group sales for H1/2003.

Earnings further improved



H1/2003 results of operations

The Rheinmetall Group's H1/2003 EBIT grew from the year-earlier €49 million to €59 million.

The higher EBIT achieved by Automotive and Defence contrasted (as in Q1/2003) with an EBIT drop reported by Electronics, mainly due to the end-November 2002 divestment of Heimann Systems.

Financial investee EuroMarine contributed a definitely black €13 million, whereas financial investee Jagenberg AG reported a red €16 million.

Significant is that it was the operating activities of Rheinmetall's two key sectors Automotive and Defence that delivered this performance. The €5 million capital gain booked this year by Electronics from the Hirschmann Austria disposal compares with one of €9 million netted last year when the sheeter operations of financial investee Jagenberg were sold. Moreover, H1/2002 saw a higher cash inflow from realty sale. This means that, in the wake of its restructuring programs and portfolio purges in the past years, the Rheinmetall Group upgraded the overall quality of its H1/2003 income statement structure.

Rheinmetall Group indicators € million	H1/2002	H1/2003
Net sales	2,138	2,124
EBITDA	186	182
EBIT	49	59
EBT	2	20
EBIT margin (%)	2.3	2.8
Earnings per common share bef. goodwill amortization (€)	(0.09)	0.39
Earnings per preferred share bef. goodwill amortization (€)	(0.03)	0.45
Cash flow	128	136
Capital expenditures	130	87
Depreciation/amortization	137	123
Order intake	2,030	2,208
Order backlog (6/30)	4,018	4,418
Headcount (6/30)	27,885	26,087

Interim report as of June 30, 2003
The corporate sectors

Kolbenschmidt Pierburg AG
Automotive

Automotive indicators € million	H1/2002	H1/2003
Net sales	966	980
EBITDA	119	115
EBIT	42	46
EBT	24	32
EBIT margin (%)	4.3	4.7
Capital expenditures	81	47
Depreciation/amortization	77	69
Order intake	919	945
Order backlog (6/30)	279	276
Headcount (6/30)	11,712	11,565

Even though automobile production was still in a state of stall and with production declining in Western Europe, the Automotive sector (Kolbenschmidt Pierburg AG) again upheld its position in the market. H1/2003 sales by this sector rose 2 percent to €980 million, exchange rate adjusted a growth of 5 percent.

At €46 million, EBIT climbed €4 million or 10 percent over the comparable prior-year figure. The lower EBITDA is due to the changed accounting for tooling grants/allowances. With another improvement in net interest result, H1/2003 EBT surged by €8 million to €32 million.

The earnings improvement is primarily attributable to the solid progress shown by the Pistons division—the turnaround in North American business and even higher earnings posted by the Brazilian subsidiary. Air Supply & Pumps and Plain Bearings also turned in healthy profits while Aluminum Technology successfully reworked its production processes, thus lowering its losses.

The two Chinese joint ventures carried at equity contributed much higher profits than in H1/2002.

H1/2003 capital outlay by Automotive reached €47 million, a sharp decrease over H1/2002. For the latter half of 2003, expenditures will pick up although for the year as a whole, spending will still fall short of the 2002 volume.

Aditron AG
Electronics

Electronics indicators € million	H1/2002	H1/2003
Net sales	415	276
EBITDA	36	25
EBIT	21	13
EBT	16	15
EBIT margin (%)	5.1	4.7
Capital expenditures	15	10
Depreciation/amortization	15	12
Order intake	438	291
Order backlog (6/30)	310	153
Headcount (6/30)	5,120	3,498

Hirschmann and Preh, the operating companies of the Electronics sector (Aditron AG), successfully defended their shares in the markets for automobile and industrial electronics. Year-earlier comparability is limited since the H1/2002 Electronics figures still fully include the Security Systems division (Heimann Systems), deconsolidated as of Nov. 30, 2002. Sales by Hirschmann and Preh remained at the year-earlier level.

Further improved earnings by Hirschmann combined with the capital gain from the sale of the Austrian subsidiary to yield an H1/2003 EBIT of €13 million. The cash inflow from the disposal of Heimann Systems much enhanced the sector's net interest result. Therefore, Electronics posted an EBT of €15 million, just below the year earlier's.

With a view to streamlining group management structures, Rheinmetall successfully sparked a squeeze-out at Aditron AG in the course of Q2/2003, to be followed by phase 2, the merger of the company into Rheinmetall AG. PAT GmbH has already been integrated into the Hirschmann Group.

Rheinmetall DeTec AG
Defence

Defence indicators € million	H1/2002	H1/2003
Net sales	662	680
EBITDA *	14	38
EBIT *	(19)	5
EBT	(28)	(7)
EBIT margin (%)	(2.9)	0.7
Capital expenditures	22	24
Depreciation/amortization	33	33
Order intake	544	731
Order backlog (6/30)	3,353	3,694
Headcount (6/30)	9,176	8,907

* prior-year amount adjusted, guaranty commissions reclassified

Even though still beset by difficulties due to arms spending restrictions on the part of the German government, the Defence sector (Rheinmetall DeTec AG) had a successful first six months.

Rheinmetall DeTec gained further ground on the international market. Despite rising sales, order backlog has now mounted by around €340 million to €3.7 billion.

Orders received by the Defence sector surged 34 percent versus H1/2002, including in particular contracts for delivering Leopard 2 battle tanks to Greece.

Despite the normally weaker H1 sales due to invoicing technicalities, sales for the first six months grew by around 3 percent to €680 million, an organic rise of 5 percent. At €5 million, EBIT was up €24 million over the H1/2002 negative €19 million.

This sharp H1 earnings improvement is due to greater profitability on major contracts, a leaner cost structure and the successful enactment of past restructuring programs.

Given this situation, Rheinmetall DeTec expects to show a solid performance for 2003 as a whole.

Interim report as of June 30, 2003
Consolidated income statement

Consolidated income statement for the 6 months (H1) ended June 30, 2003

€ million	H1/2002	H1/2003
Net sales	2,138	2,124
Net inventory changes, other work and material capitalized	29	66
Total operating performance	2,167	2,190
Other operating income*	82	83
Cost of materials	(982)	(1,032)
Personnel expenses	(733)	(716)
Amortization/depreciation	(137)	(123)
Other operating expenses*	(344)	(343)
Operating result	53	59
Net interest expense**	(47)	(39)
Net investment income and other financial results**	(4)	0
Net financial result	(51)	(39)
Earnings before taxes (EBT)	2	20
Income taxes	(10)	(12)
Group net income/(loss)	(8)	8
Minority interests	(5)	(6)
Group earnings (after minority interests)	(13)	2

Consolidated income statement for the 3 months (Q2) ended June 30, 2003

€ million	Q2/2002	Q2/2003
Net sales	1,114	1,106
Net inventory changes, other work and material capitalized	(18)	(16)
Total operating performance	1,096	1,090
Other operating income*	47	26
Cost of materials	(497)	(496)
Personnel expenses	(368)	(364)
Amortization/depreciation	(69)	(63)
Other operating expenses*	(181)	(158)
Operating result	28	35
Net interest expense**	(22)	(20)
Net investment income and other financial results**	(5)	2
Net financial result	(27)	(18)
Earnings before taxes (EBT)	1	17
Income taxes	(1)	(11)
Group net income/(loss)	0	6
Minority interests	(4)	(4)
Group earnings (after minority interests)	(4)	2

* prior-year amount adjusted, income from the utilization of accruals offset against other operating expenses
** prior-year amount adjusted, guaranty commissions reclassifed

Consolidated balance sheet

ASSETS

€ million	12/31/2002	6/30/2002	6/30/2003
Fixed assets			
Intangible assets	345	402	391
thereof goodwill	*[304]*	*[365]*	*[341]*
Tangible assets	1,332	1,469	1,250
Financial assets	55	50	45
	1,732	1,921	1,686
Current assets			
Inventories	902	1,097	981
less prepayments received	(40)	(69)	(41)
Trade receivables	662	704	628
All other receivables and sundry assets	383	421	511
Cash & cash equivalents	367	100	149
	2,274	2,253	2,228
Income tax assets	73	59	109
Prepaid expenses & deferred charges	8	15	13
	4,087	4,248	4,036

EQUITY & LIABILITIES

€ million	12/31/2002	6/30/2002	6/30/2003
Total equity			
Stockholders' equity (Rheinmetall AG)			
Capital stock	92	92	92
Additional paid-in capital	208	208	208
Other reserves	113	118	327
Group earnings (after minority interests)	246	(13)	2
	659	405	629
Minority interests	210	225	152
	869	630	781
Accruals			
Pension accruals	660	671	695
Other	581	540	555
	1,241	1,211	1,250
Liabilities			
Financial debts	668	1.000	719
Trade payables	411	414	395
All other liabilities	808	850	786
	1,887	2,264	1,900
Income tax liabilities	59	71	73
Deferred income	31	72	32
	4,087	4,248	4,036

Interim report as of June 30, 2003
Consolidated statement of cash flows

€ million	H1/2002	H1/2003
Cash & cash equivalents at January 1 (BoP)	223	367
Group net income/(loss)	(8)	8
Amortization/depreciation of fixed assets	137	123
Change in pension accruals	(1)	3
Cash flow	128	134
Changes in working capital and other items	(208)	(238)
Net cash used in operating activities	(80)	(104)
Cash outflow for additions to tangible and intangible assets	(130)	(87)
Cash inflow from the disposal of tangible and intangible assets	15	7
Cash outflow for additions to consolidated subsidiaries and financial assets	(6)	(92)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	10	68
Net cash used in investing activities	(111)	(104)
Capital paid in	--	--
Dividend paid out by Rheinmetall AG	(17)	(24)
Other profit distribution	(6)	(5)
Change in financial debts	92	20
Net cash provided by/(used in) financing activities	69	(9)
Cash-based change in cash & cash equivalents	(122)	(217)
Parity-related change in cash & cash equivalents	(1)	(1)
Total net change in cash & cash equivalents	(123)	(218)
Cash & cash equivalents at June 30 (EoP)	100	149

The net cash outflow for operating activities is quite normal for Rheinmetall and is attributable to Defence's low H1 business volume (quite normal for this sector) combined with the start-up of work on longer-term contracts, which accumulates working capital.

For all of 2003, operating activities are expected to provide a net cash inflow that covers capital expenditures.

Statement of changes in equity € million	Capital stock	Additional paid-in capital	Other reserves	Group earnings after minority interests	Stock-holders' equity (Rhein-metall AG)	Minority interests	Total equity
Balance at 1/1/2002	92	208	129	21	450	267	717
Dividend paid out			(17)		(17)	(6)	(23)
Exchange differences			(20)		(20)	(6)	(26)
Consolidation group changes						(32)	(32)
Other comprehensive income			26	(21)	5	(3)	2
Group net income				(13)	(13)	5	(8)
Balance at 6/30/2002	92	208	118	(13)	405	225	630
Balance at 1/1/2003	92	208	113	246	659	210	869
Dividend paid out			(24)		(24)	(5)	(29)
Exchange differences			(4)		(4)	(1)	(5)
Consolidation group changes						(61)	(61)
Other comprehensive income			242	(246)	(4)	3	(1)
Group net income				2	2	6	8
Balance at 6/30/2003	92	208	327	2	629	152	781

Consolidation group	12/31/2002	Additions	Disposals	6/30/2003
Fully consolidated companies	157	21	(10)	168
thereof in Germany	87	7	(6)	88
thereof abroad	70	14	(4)	80
Investees carried at equity	16	5	(1)	20
thereof in Germany	8	4	(1)	11
thereof abroad	8	1	0	9

Primary accounting bases

The present interim report has been prepared on the basis of IAS 34 in accordance with such Standards approved and released by the International Accounting Standards Board (IASB) as were prescribed to be applied as of quarter-end, as well as with the applicable Interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The accounting and valuation principles, as well as the explanations and disclosures in this interim report are based on the same, consistently applied methods that also underlie the consolidated financial statements for the fiscal year ended December 31, 2002, to which we make reference for further details.

Interim report as of June 30, 2003
Financial diary

November 17, 2003	Q3/2003 report
	Teleconference with financial analysts
March 29, 2004	Annual accounts press conference on fiscal 2003
	Conference with financial analysts on fiscal 2003
May 11, 2004	Annual stockholders' meeting, Berlin

Investor Relations: Franz-Bernd Reich

Phone (+49-211) 473-4718
Fax (+49-211) 473-4157

franz-bernd.reich@rheinmetall-ag.com

RHEINMETALL

Rheinmetall AG

Rheinmetall Allee 1
40476 Düsseldorf, Germany

Mail: Postfach 10 42 61
40033 Düsseldorf, Germany

Phone (+49-211) 473-4718
Fax (+49-211) 473-4157

www.rheinmetall.com