Q3

Rheinmetall AG

Interim report as of September 30, 2006

RHEINMETALL

The Rheinmetall Group in figures

Rheinmetall Group indicators *€ million*

	3Q/2005	3Q/2006
Net sales	2,420	2,570
Order intake	2,707	2,496
Order backlog (Sep. 30)	3,028	2,853
EBITDA	239	227
EBIT	119	111
EBT	81	74
Net income	55	54
Cash flow	183	182
Net financial debt (Sep. 30)	433	529
Net interest expense	(38)	(37)
Capital expenditures	133	135
Depreciation/amortization	120	116
Total equity (Sep. 30)	819	873
Total assets (Sep. 30)	3,246	3,278
EBIT margin	4.9%	4.3%
Earnings per common share (€)	1.47	1.48
Market capitalization (Sep. 30)	1,980	2,066
Headcount (Sep. 30)	18,544	18,974

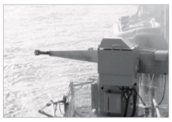
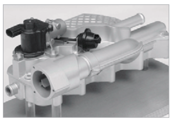
Rheinmetall continuing along the path of stable growth

Value enhancement through profitable growth is the focal point of Rheinmetall's corporate development. With a clear advance in sales and altogether stable net income, Rheinmetall after nine months of 2006 is continuing to make good progress.

- Group sales up 6 percent to €2,570 million
- EBIT at €111 million (down by €8 million)
- Net income at €54 million and EpS at €1.48 equal year-earlier level

News flashes Q3/2006

July 2006

■ Rheinmetall Weapon Munition achieves a breakthrough onto the international market with the first delivery of 12 MLG 27-type light naval guns to the Kuwait navy. This follows the decision in favor of the MLG 27 by the German armed forces as the new standard gun for the German navy.

■ The British armed forces award Rheinmetall Weapon Munition a contract worth €24 million for the supply of 244,000 rounds of FAP-type 27-mm caliber ammunition for use in the Tornado combat aircraft. Great importance is being attached to the contract because of the prospect of further procurement projects from countries operating the Tornado, Eurofighter and Gripen combat systems.

■ Pierburg unveils a new exhaust gas recirculation cooler module for diesel engines through which the emission of harmful nitrogen oxides will be further reduced with the selective control of the recirculated exhaust gas volume and temperature. The new product will go into series production in 2007.

■ Hahn Helicopter Flugdienste is putting the first FNPT II (Flight Navigation and Procedure Trainer) helicopter simulator into operation. The simulator system supplied by the partners Rheinmetall Defence Electronics and AVIA STS has been approved by the Federal Aviation Office and is thus licensed for training in navigation and operating procedures at civilian flying schools.

■ The relocation of the corporate headquarters from Düsseldorf to Neckarsulm, as approved by Kolbenschmidt Pierburg AG's annual stockholders' meeting and now entered in the commercial register, underlines the importance of this location to Kolbenschmidt Pierburg, at which three of the division's management companies are already based.

August 2006


■ Rheinmetall Defence Electronics secures major orders from three countries for simulation systems worth some €50 million. In Germany, the central land forces combat simulator, in use since 1997, is to be completely modernized. Switzerland opts for an electronic firing training system as well as artillery system upgrades. Thailand is to upgrade the existing TACOS I tank gunnery and combat simulator and will receive in addition five ultramodern driving simulators for TACOS II.

■ KS Plain Bearings is one of the Volkswagen Group's best component suppliers. The company has received the VW Group Award in the Product Quality category for the exceptionally high quality of its standard-production components.

■ Through Hamburg Port without an accident—with the navigation simulators provided by Rheinmetall Defence Electronics and tailored to the special requirements of the Buxtehude-based Niederelbe Schifffahrtsgesellschaft, the company's navigating personnel can efficiently practice many often complicated or hazardous maneuvers in the controlled environment of the simulator.

■ Following a mere seven-month construction period, KS Aluminum Technology holds the topping-out ceremony in a new factory for finish-machining its engine blocks. The complex, which will include two production levels and a customer center on a space under roof of 10,000 square meters, will be ready to move into in March 2007.

■ US Marine Corp. orders from Rheinmetall Weapon Munition 3,000 Maske 66 smoke grenades for approval testing purposes. The 66-mm smoke grenades will be used to protect tanks and heavy vehicles.

September 2006


■ At Automechanica in Frankfurt/Main, the internationally renowned ReMaTec News trade magazine confers its coveted Engine Repairer of the Year award on Motor Service International, whose above-average performance and quality are thus acknowledged by the global association of engine repairers.

■ With the international symposium entitled, "40 Years of Support Systems", Rheinmetall Land Systems lauds the success story of the recovery, engineering and bridge-laying tanks, which began back in 1966 with the delivery of the first "Standard" recovery vehicle to the German armed forces. Some 1,400 vehicles have been built for 17 different armies to date.

■ High-ranking visitors at Rheinmetall Land Systems in Kassel: Federal Defence Minister Dr. Franz Josef Jung, accompanied by three Bundestag members, find out about the company's range of products and services.

■ R&D specialists from KS Plain Bearings inform some 130 guests from the automotive industry, its vendors and universities about the company's systems expertise in the development of innovative sliding elements at a two-day conference.

■ "Future Soldier" is the name of one of the key modernization projects being undertaken by the German armed forces for which Rheinmetall is developing and designing the "expanded system". The aim of this technology program is through state-of-the-art equipment to enhance materially the efficiency of infantry forces across the operational spectrum while reducing the risk for individual soldiers.

■ A major order from the Greek army comprises the supply of command systems for battalion command posts and electronic testing equipment and systems and of electronic testing aids and systems for the Leopard 2 main battle tank.

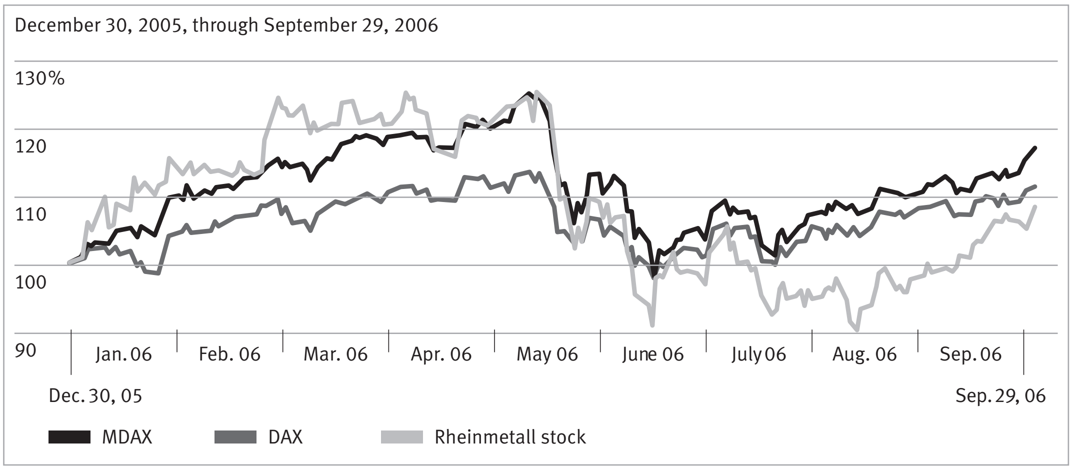
Rheinmetall stock

Recovery on the world's stock markets. The pronounced decline in oil prices during Q3/2006 as a result of an easing of tension in the Middle East impacted favorably on the world's most important stock markets. For the period July through September, the German DAX climbed 5.6 percent to 6,004 points at September 30. The mid-cap index MDAX, which includes Rheinmetall, rose 8.4 percent to 8,546 points during the third quarter.

The Rheinmetall stock price also benefited from this congenial climate and advanced 5.3 percent to close the quarter at €57.40 on the Xetra trading system. Since the start of the year and including the dividend of €0.90 per share paid out on May 10, Rheinmetall stock has returned 9.5 percent.

The market capitalization of Rheinmetall, based on 36 million shares of common stock, amounted to around €2.1 billion as of September 30, 2006 (up from around €1.9 billion at the start of the year), Rheinmetall stock thus ranking 16th and 22nd in terms of capitalization and trading volume, respectively, as published in the most recent MDAX statistics of Deutsche Börse AG at the end of September 2006. The average Q3/2006 daily trading volume was around 169,000 (up from 136,000 a year ago).

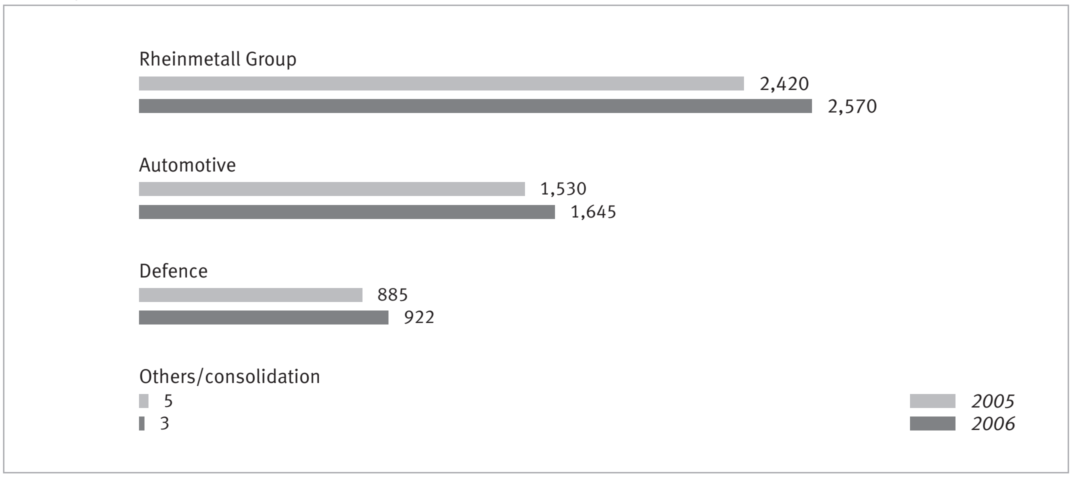
Rheinmetall stock price trend compared to DAX and MDAX



Rheinmetall Group
Rheinmetall growth continues

Rheinmetall confirms growth trend. Rheinmetall again upheld its position well in Q3/2006 and showed a clear increase in business volume. Both sectors—Automotive and Defence—raised their sales; despite sluggish demand in important European and North American segments, Automotive succeeded in boosting its business volume especially on international markets.

Three-quarter (3Q) sales *€ million*

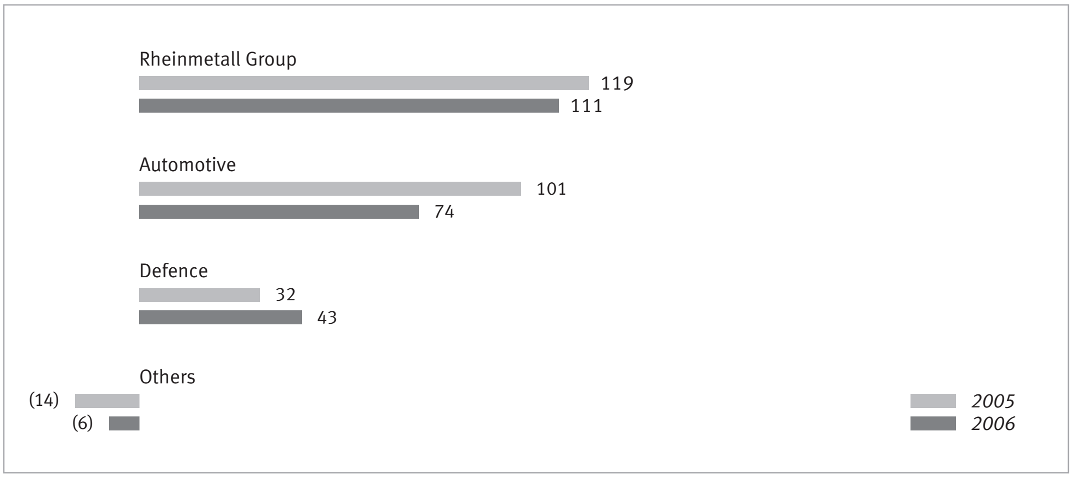


In 2006 the Rheinmetall Group generated 3Q sales of €2,570 million, up from €2,420 million and equivalent to a growth of 6 percent.

Megaorders expected in the final quarter. 3Q/2006 order intake by the Rheinmetall Group added up to €2,496 million, as yet short of 3Q/2005 mainly because the year-earlier volume had been largely boosted by two megaorders booked in H1 for over €300 million by the Defence sector.

This year this sector has budgeted high order intake from Germany and abroad in the final quarter: from Germany for the armored transport vehicle Boxer and the land forces command information system, internationally, in particular, for modern air defence systems.

3Q EBIT *€ million*



Earnings generally stable. The Rheinmetall Group's 3Q EBIT for 2006 amounted to €111 million (down from €119 million). Whereas Defence's EBIT of €43 million showed a clear gain versus the previous year, Automotive's at €74 million was well short of the year-earlier €101 million on account of repeatedly high commodity and energy prices.

The clearly improved EBIT shown by Others (holding and service companies) is mainly ascribable to the year-earlier disclosure of €8 million for one-time financial restructuring expenses.

Since net interest expense inched down and the tax load ratio declined, too, net income (€54 million) and EpS (€1.48) remained at the year-earlier level.

At September 30, 2006, the treasury stock portfolio included 986,364 shares, equivalent to 2.7 percent of the capital stock.

Earnings per share

	Q3/2005	Q3/2006	3Q/2005	3Q/2005
Net income after minority interests *(€ million)*	21	17	52	52
Weighted average number of shares outstanding *(million)*	35.4	35.0	35.4	35.1
EpS *(€)*	0.59	0.47	1.47	1.48

Prospects: commodity prices weigh on 2006 earnings. Rheinmetall expects to continue along the path of stable growth in the current fiscal period and reconfirms its goal of an average annual organic growth rate of at least 5 percent also for 2006.

The forecasts so far for 2006 earnings assumed that the commodity markets will settle down quickly and lastingly. Following a burden of €13 million in H1/2006 and contrary to expectations the start of Q4/2006 saw another surge in commodity prices. From todays vantage point we therefore reckon with a total burden from rising commodity prices of around €20 million in fiscal 2006.

This burden, to be shouldered by Automotive, cannot be offset by the ongoing EBIT uptrend at Defence and a sustained sound operating performance in all divisions of the Group.

Automotive sector
Commodity prices depress earnings

Auto market mixed. 3Q/2006 was a period of very mixed demand for autos on the individual geographical submarkets. Production of cars and light commercial vehicles did climb by around 4.6 percent to 48.5 million units by the end of September 2006 yet those markets of especial importance to the Automotive sector (Western Europe and NAFTA) were well short of this growth rate and, compared with 3Q/2005, even posted a production decline of almost 1 percent. Most of the auto industry growth momentum was again generated in Asia and Central & Eastern Europe.

Added sales for Automotive. 3Q sales by Automotive added up to €1,645 million (up €115 million or around 8 percent). However, almost one-half of these incremental revenues is due to the downloading onto customers of higher materials prices. After allowing for this inflating factor, Automotive's growth matched that of the international auto industry.

Earnings depressed by higher commodity prices. Automotive's 3Q/2006 EBIT totaled €74 million (down from €101 million). The decline was attributable to rising commodity prices that squeezed 3Q EBIT by around €17 million, as well as to this year's €8 million of higher energy costs and restructuring burdens.

Prospects for all of 2006. For all of 2006 Automotive will again show a clear growth in sales while earnings will fall short of the high year-earlier figure due to the resurging commodity market prices and the programs initiated for the purpose of fine-turning production structures. Nonetheless, operating profits contributed in the final quarter of the year are expected to outperform Q3.

Automotive indicators *€ million*

	3Q/2005	3Q/2006
Net sales	1,530	1,645
Order intake	1,548	1,641
Order backlog (Sep. 30)	332	353
Headcount (Sep. 30)	11,636	12,054
EBITDA	189	162
EBIT	101	74
EBT	87	58
EBIT margin	6.6%	4.5%
Capital expenditures	111	103
Depreciation/amortization	88	88

Defence sector
Sales and earnings again up

Growth engine: armed forces transformation. The modernization of the armed forces to meet changing threat and deployment scenarios within the framework of international crisis operations is proceeding in full swing in almost all the industrial nations. Despite the strained situation in many public-sector budgets, this transformation of the armed forces, partly coupled with massive mutations in matériel concepts, continues to be the current growth generator on the market for defence industry products and services. Added to this are extra business opportunities resulting from the government's sale of defence equipment, which needs to be repaired and in some cases revamped prior to final shipment.

Defence raises sales by 4 percent. In the first nine months of 2006 the Defence sector lifted its sales by 4 percent to €922 million; as usual, an extra-large share of sales is expected in the final quarter of the year.

Order intake at €853 million is still €301 million short of the prior year which posted very high order volumes in the first half. For all of 2006, Defence expects an order intake in excess of altogether rising sales.

EBIT hike. Defence's 3Q EBIT of €43 million was up by €11 million, its EBIT margin thus surging from 3.6 to 4.7 percent.

Prospects: growth and another rise in earnings. For all of 2006, Defence expects better-than-average growth in sales and order intake. The sector will once more improve on its prior-year earnings.

Defence indicators *€ million*

	3Q/2005	3Q/2006
Net sales	885	922
Order intake	1,154	853
Order backlog (Sep. 30)	2,695	2,500
Headcount (Sep. 30)	6,805	6,797
EBITDA	61	70
EBIT	32	43
EBT	19	31
EBIT margin	3.6%	4.7%
Capital expenditures	22	31
Depreciation/amortization	29	27

Consolidated balance sheet as of September 30, 2006

Assets *€ million*

	12/31/2005	9/30/2005	9/30/2006
Intangible assets	417	413	434
Tangible assets	1,052	1,034	1,051
Investment properties	13	24	13
Investees carried at equity	64	53	67
Noncurrent financial assets	7	15	7
Sundry noncurrent assets	5	4	5
Deferred tax assets	61	66	64
Total noncurrent assets	**1,619**	**1,609**	**1,641**
Inventories	638	706	745
less prepayments received	(32)	(30)	(54)
	606	**676**	**691**
Trade receivables	481	449	460
Current financial assets	26	25	25
Sundry current receivables and assets	271	335	375
Income tax assets	12	23	23
Cash and cash equivalents	408	129	63
Total current assets	**1,804**	**1,637**	**1,637**
Total assets	**3,423**	**3,246**	**3,278**

Equity & liabilities *€ million*

	12/31/2005	9/30/2005	9/30/2006
Capital stock	92	92	92
Additional paid-in capital	208	208	208
Other reserves	449	445	521
Net income after minority interests	113	52	52
Treasury stock	(34)	(24)	(42)
Stockholders' equity	**828**	**773**	**831**
Minority interests	47	46	42
Total equity	**875**	**819**	**873**
Pension accruals	514	496	526
Other noncurrent accruals	107	112	99
Noncurrent financial debts	397	401	404
Sundry noncurrent liabilities	8	6	2
Deferred tax liabilities	15	14	22
Total noncurrent liabilities and accruals	**1,041**	**1,029**	**1,053**
Current accruals	290	313	283
Current financial debts	162	161	188
Trade payables	399	334	367
Sundry current liabilities	598	532	459
Income tax liabilities	58	58	55
Total current liabilities and accruals	**1,507**	**1,398**	**1,352**
Total equity & liabilities	**3,423**	**3,246**	**3,278**

Consolidated income statement

Consolidated income statement for the 9 months (3Q) ended September 30 *€ million*

	3Q/2005	3Q/2006
Net sales	**2,420**	**2,570**
Net inventory changes, other work and material capitalized	45	123
Total operating performance	**2,465**	**2,693**
Other operating income	71	73
Cost of materials	(1,169)	(1,395)
Personnel expenses	(745)	(780)
Amortization/depreciation	(120)	(116)
Other operating expenses	(376)	(364)
Operating result	**126**	**111**
Net interest expense [1]	(38)	(37)
Net investment income and other financial results [2]	(7)	(0)
Net financial result	**(45)**	**(37)**
Earnings before taxes (EBT)	**81**	**74**
Income taxes	(26)	(20)
Net income	**55**	**54**
thereof		
Minority interests	*3*	*2*
Rheinmetall AG stockholders	*52*	*52*

1) *incl. interest expense of €43 million (down from €44 million)*
2) *incl. net P/L of investees carried at equity of €4 million (up from €1 million)*

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

	Q3/2005	Q3/2006
Net sales	**803**	**845**
Net inventory changes, other work and material capitalized	2	34
Total operating performance	**805**	**879**
Other operating income	28	26
Cost of materials	(379)	(456)
Personnel expenses	(244)	(252)
Amortization/depreciation	(42)	(37)
Other operating expenses	(120)	(122)
Operating result	**48**	**38**
Net interest expense [1]	(13)	(13)
Net investment income and other financial results [2]	(1)	(0)
Net financial result	**(14)**	**(13)**
Earnings before taxes (EBT)	**34**	**25**
Income taxes	(13)	(8)
Net income	**21**	**17**
thereof		
Minority interests	*0*	*0*
Rheinmetall AG stockholders	*21*	*17*

1) *incl. interest expense of €14 million (up from €13 million)*
2) *incl. net P/L of investees carried at equity of €2 million (up from €1 million)*

Consolidated statement of cash flows for 3Q/2006

€ million

	3Q/2005	3Q/2006
Cash and cash equivalents at Jan. 1	**258**	**408**
Net income	55	54
Amortization/depreciation of intangibles/tangibles	120	116
Change in pension accruals	8	12
Cash flow	**183**	**182**
Changes in working capital and other items	(261)	(381)
Net cash used in operating activities	**(78)**	**(199)**
Cash outflow for additions to tangibles and intangibles	(133)	(135)
Cash inflow from the disposal of tangibles and intangibles	14	9
Cash outflow for additions to consolidated subsidiaries and noncurrent financial assets	(44)	(22)
Cash inflow from the disposal of consolidated subsidiaries and noncurrent financial assets	2	13
Net cash used in investing activities	**(161)**	**(135)**
Dividend paid out by Rheinmetall AG	(27)	(32)
Other profit distribution	(3)	(2)
Treasury stock	(2)	(8)
Change in financial debts	135	32
Net cash provided by/(used in) financing activities	**103**	**(10)**
Net change in cash and cash equivalents	**(136)**	**(344)**
Parity-related change in cash and cash equivalents	7	(1)
Total change in cash and cash equivalents	**(129)**	**(345)**
Cash and cash equivalents at Sep. 30	**129**	**63**

Statement of changes in equity

€ million

	Capital stock	Additional paid-in capital	Other reserves	Group earnings after minority interests	Treasury stock	**Stock-holders' equity**	Minority interests	**Total equity**
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 other comprehensive income (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**
Balance at 1/1/2006	**92**	**208**	**449**	**113**	**(34)**	**828**	**47**	**875**
Dividend payments	--	--	(32)	--	--	(32)	(2)	(34)
Currency translation differences	--	--	(8)	--	--	(8)	(1)	(9)
Consolidation group changes	--	--	--	--	--	--	(4)	(4)
Accumulated OCI	--	--	112	(113)	(8)	(9)	--	(9)
Group net income	--	--	--	52	--	52	2	54
Balance at 9/30/2006	**92**	**208**	**521**	**52**	**(42)**	**831**	**42**	**873**

Further disclosures

	12/31/2005	Additions	Disposals	**9/30/2006**
Fully consolidated companies	90	1	4	87
thereof in Germany	48	--	4	44
thereof abroad	42	1	--	43
Investees carried at equity	14	2	--	16
thereof in Germany	7	--	--	7
thereof abroad	7	2	--	9

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

Since January 1, 2006, the application of several revised or new IFRS has been obligatory but has not had any significant impact on the consolidated financial statements.

For further information about the accounting methods and policies, reference is made to the consolidated financial statements as of December 31, 2005, which also underlie this interim report.

Financial diary

November 8, 2006	Interim report on Q3, teleconference with financial analysts
March 21, 2007	Annual accounts press conference / meeting with analysts
May 8, 2007	Annual stockholders' meeting

Imprint

Contacts

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

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, or poor uptake of new products. Moreover, changes in business strategy may affect our future-related statements, too.

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 interim 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.

Rheinmetall AG

Rheinmetall Allee 1
40476 Düsseldorf, Germany

Mail: Postfach 10 42 61
40033 Düsseldorf, Germany

Phone (+49-2 11) 473-01
Fax (+49-2 11) 473-47 46

www.rheinmetall.com

RHEINMETALL