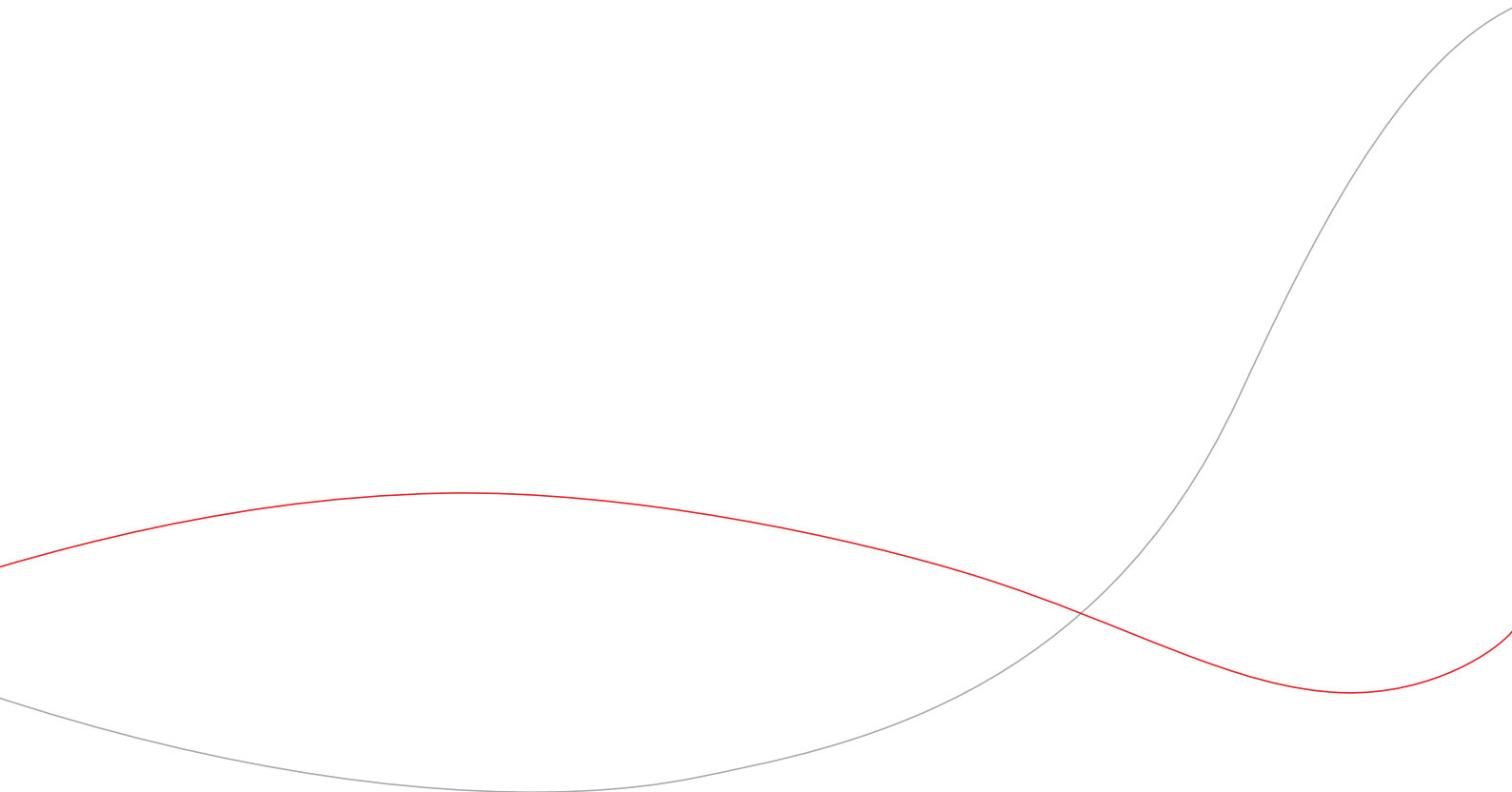


Q3

**RHEINMETALL AG**  
QUARTERLY FINANCIAL REPORT  
3Q/2009



2009



## Rheinmetall in figures

Rheinmetall indicators € million

	<b>3Q/2008</b>	<b>3Q/2009</b>	<b>Change</b>
Sales	2,827	2,307	-520
Order intake	2,777	3,692	+915
Order backlog (Sep.30)	3,725	4,957	+1,232
Headcount (Sep. 30)	21,271	19,823	-1,448
EBITDA	283	95	-188
EBIT	163	(33)	-196
EBIT margin in %	5.7	(1.4)	--
Operating EBIT	155	35	-120
Operating EBIT margin in %	5.5	1.5	--
EBT	121	(75)	-196
Net income/(loss)	85	(64)	-149
Earnings per share (EpS) in €	2.39	(1.79)	-4.18
Capital expenditures	148	102	-46
Depreciation/amortization/write-down	120	128	+8
Cash flow	230	91	-139
Net financial debt (Sep. 30)	628	432	-196
Total equity (Sep. 30)	1,094	1,166	+72
Total assets (Sep. 30)	3,722	3,575	-147

## Defence again with high earnings and record orders Automotive's Q3 operating EBIT close to breakeven

Another strong performance by the Defence sector still failed to offset in the period January through September (3Q) the slump in Automotive sales and earnings in the wake of the global auto industry crisis. Nonetheless, the much improved Q3 performance by this corporate sector did for the first time this year lead to a black EBIT for the Rheinmetall Group. Hence, Rheinmetall is reaffirming its annual target of generating a positive EBIT for all of 2009 even after deducting the restructuring expenses.

### Rheinmetall Group

- Third-quarter (Q3) EBIT of €30 million, for the first time this year back in the black
- Forecast for 2009 reaffirmed
- Outstanding bonds refinanced early through long-term bank credits and note loans
- Successful capital increase of €102 million
- Net financial debts shrunk by €196 million

### Defence sector

- Order intake more than doubled year-on-year (up 126 percent)
- EBIT at €110 million higher than a year ago

### Automotive sector

- Q3 operating EBIT at a red €4 million close to break-even
- Restructuring programs erode earnings by €71 million

## Contents

<b>Interim management report on 3Q/2009</b> .....	05
Rheinmetall stock .....	05
General economic conditions .....	06
Rheinmetall Group business trend .....	09
Defence sector .....	12
Automotive sector .....	13
Risk and reward report .....	14
Prospects .....	14
Subsequent events .....	14
<b>Condensed interim financial statements for 3Q/2009</b> .....	15
Consolidated balance sheet .....	16
Consolidated income statement .....	17
Statement of comprehensive income .....	17
Consolidated statement of cash flows .....	19
Statement of changes in equity .....	20
Notes .....	21
<b>Additional information</b> .....	25
Financial diary .....	25
Imprint .....	25

## Rheinmetall stock

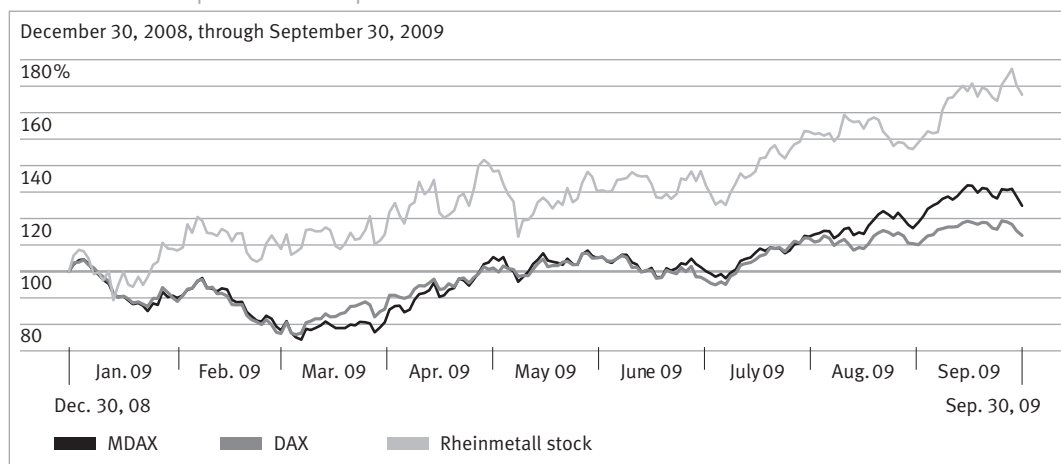
**Stock markets rallying** | Observable since March, the upswing in the German stock market maintained its momentum in the third quarter (Q3) 2009. In the three quarters (3Q) ended September 30 of this year, the lead index DAX advanced 18 percent to close the period at 5,675. Concurrently, the MDAX (which includes Rheinmetall) climbed 31 percent to 7,359. In the first six months of the year the two indexes had presented a largely parallel movement (DAX 0, MDAX up 3 percent), in the third quarter the MDAX clearly outpaced the DAX (gains of 28 and 18 percent, respectively).

**Rheinmetall easily outperforming benchmark** | So far this year Rheinmetall stock has also shown a commendable performance, its price rising by 77 percent to €40.46 as of September 30, 2009, well superior to the 31-percent improvement shown by its MDAX benchmark.

**Successful capital increase** | As part of an ex-rights capital increase by accelerated bookbuild offering on July 7, Rheinmetall AG issued 3,599,000 new shares at a price of €29.00. The stock issue met with very strong demand and was oversubscribed within a few hours. This capital move hiked up the number of shares issued by 10 percent to 39,599,000.

**Market capitalization and trading volume** | At the close of Q3, Rheinmetall AG's market capitalization amounted to €1.6 billion, climbing year-on-year five positions to 12 in Deutsche Börse AG's MDAX ranking. In line with the general trend, average daily trading volume dropped sharply year-on-year from 440,814 to 244,606, Rheinmetall's ranking in the trading volume statistics, however, jumping from position 18 to 14.

Rheinmetall stock price trend compared to DAX and MDAX



## General economic conditions

**Rebounding from recession but risks still abound** | The global economy is recovering faster than expected from the most painful economic crisis since the thirties of the previous century. In the view of leading economic research institutions and international organizations the recession had already bottomed out in the summer of 2009, albeit there are still certain risk factors that might whittle down the rate of recovery.

Accordingly, the International Monetary Fund (IMF) in its newest World Economic Outlook at the start of October revised its forecast for economic output in 2009 slightly upward from a negative 1.4 percent in July to a negative 1.1 percent. For 2010, the IMF is now looking to a global growth of 3.1 percent in contrast to the 2.5 previously assumed. Despite the bright spells on the economic horizon the global market in 2010 will still not regain its pre-recession momentum. The IMF also points to continuing risks for the as yet weak rate of recovery, especially in the form of the vast write-off volume which it suspects still exists at the banks, a possible rise in oil prices, and a resurgence of protectionism.

Another uncertainty factor is the dissimilar growth rates existing between the emerging and the established industrialized nations. Most of the momentum has to date been generated by especially China and India along with other Asian emergents. For China, the IMF predicts 8.5-percent growth for this and 9 percent for next year. Its forecasts for India's GDP are 5.4 and 6.4 percent for 2009 and 2010, respectively. Driving forces in the industrialized countries, in contrast, are presently still relatively weak: This year the USA is believed to deliver a 2.7-percent lower economic performance while in 2010 the IMF predicts a 1.5-percent growth in US GDP. As to the eurozone members, following a 4.2-percent shrinkage this year, the IMF pre-figures no more than a 0.3-percent rise in 2010.

**Germany also seeing chances of a recovery** | Previously, the IMF had calculated an over 6-percent subsidence in the German economy for 2009; the downturn has now been adjusted to 5.3 percent. Regarding 2010, the forecast has been raised from minus 0.6 to plus 0.3 percent. Even more optimistic is the "autumn assessment" by the nation's six leading economic research institutes: for 2009 a GDP shrinkage of 5 percent to be followed by a return to growth of 1.2 percent in 2010. This compares with the 6 and 0.5 percent downswings predicted in the spring assessment. Encouraged by these brighter prospects the Federal Economics Ministry in its "autumn outlook" mid-October 2009 came to the conclusion: "The chances of further recovery outweigh the counteracting risks."

**Present missions and potential threats call for further military force modernization** | The escalation of hostilities in Afghanistan plus the many other trouble spots have in the course of 2009 again emphasized the need for ongoing expenditures on enhancing protection and field capabilities of the Western armed forces. The situation in Afghanistan exemplifies the complex threats to which soldiers on missions abroad are nowadays exposed. Added to these are new threats from international terrorism, unresolved regional conflicts and, most recently, the increasing prevalence of piracy on the high seas.

Under these circumstances responsible security and defense policies cannot be tied to prevailing economic cycles but instead must address both present and long-term threat scenarios. Accordingly, the market for defense equipment so far this year has again been driven by the ongoing military modernization trend. Despite the impact the recession is evidently having on the US budget, so far no cutback in the around \$534 billion defense budget for 2101 is expected. Within Europe, certain defense budgets may have become more exposed to pressure yet those in the Western European countries, in particular, are proving to be largely impervious to crises. Asia has generally been less affected by the global economic crisis. Here far-reaching revamp programs are believed to lead to rising defense spending over the coming years.

Given its international commitments, the emphasis in Germany is on the protection of its soldiers and the closing of capability gaps at the armed forces. Because of the still doubtful overall economic recovery it is too early to make any reliable forecasts on the future of the nation's defense budget.

Irrespective of this, it is a fact that Rheinmetall with its systems for field protection and ongoing modernization of the armed forces is in a very strong position. Most recent highlights include besides the order for the Puma infantry fighting vehicle—the Group's biggest ever single contract—the shipments in September 2009 of the first series-production Boxer vehicles.

**Auto markets continuing to steady** | After the first nine months (3Q) of 2009, the situation on the world's auto markets is mixed: whereas new-car registrations in many regions were well above year-earlier levels thanks to state incentive programs, actual production figures were, in some instances, well short of the 3Q/2008 levels. The discrepancy is also due to the inventories accumulated by the carmakers before the crisis.

For the auto industry suppliers these inventories mean that they will benefit from the market recovery only after a time lag. Compounding the problem are the sectorwide surplus production capacities piled up before the recession and now entailing heavy restructuring burdens. Experts assess global auto market surplus capacities at up to 27 million units (some 30 percent). Nonetheless the situation has meanwhile stabilized appreciably, with the result that Q3 has seen a gradual deceleration in production cutbacks.

According to computations by the auto market researchers of CSM Worldwide, 9-month global production of cars and light commercial vehicles (up to 3.5 t) slumped 23.2 percent year-on-year. At midyear 2009, the shortfall had been as high as 30.3 percent. Three-quarter production declined by 34.7 percent in the triad markets (NAFTA, Western Europe, and Japan). Of these the NAFTA region, in particular, is still relatively frail and had to contend with a 3Q/2009 slump of 41.3 percent. Even though the Cash for Clunkers program (the US equivalent to Germany's scrappage incentive plan) has provided some slight relief, the North American market still does not show signs of any thorough recovery. In the same period, the Japanese auto industry suffered a heavy 37.9-percent drop albeit the August and September gains do indicate a turnaround. The

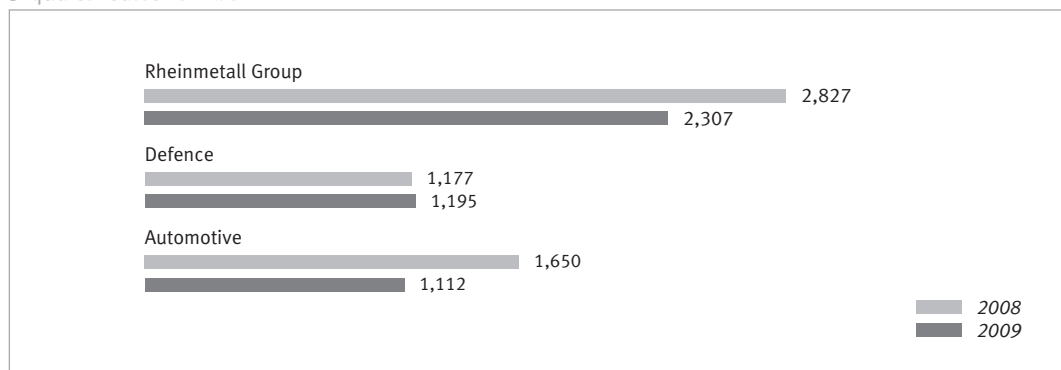
Western European motor vehicle market was mixed after nine months: C&E Europe was hardly able to stop the downtrend and reported a 32.4-percent plunge while Western Europe's decline amounted to 27.3 percent (the H1 figure had been as high as 33.7 percent year-on-year). The situation improved in Germany, too, where the 9-month production downturn came to 20.5 percent. The biggest gain presently is shown by Asia (excluding Japan) where production, mainly propelled by China (up a strong 26.1 percent), rose year-on-year by 4.5 percent.

Despite initial signs of recovery, the German Association of the Automotive Industry (VDA) is not yet announcing an "all-clear." Mid-October 2009 its president Matthias Wissmann stated: "It's too early to announce an end to the crisis yet there are signs of an appreciable stabilization on foreign markets."

Following the phaseout of the generous state incentives (such as the German scrappage program) observers look to further momentum injected through tighter environmental standards in many countries. In Germany, for instance, July 1, 2009, saw the enactment of the nation's motor vehicle tax reform which alongside the traditional engine displacement formula, now also takes into account the nominal CO<sub>2</sub> emissions. Also, starting from September 1, 2009, all models newly launched on the market, must comply with the Euro 5 norm. Accordingly, ideas for fuel and emission reduction were also predominant at the International Motor Show (IAA) in September 2009. With its lightweight construction, engine downsizing, and CO<sub>2</sub> and other emission abatement proposals Rheinmetall's Automotive sector is well equipped to address market trends and thus commands relatively high upward potential, even if the market as such maintains a still only modest growth rate.

## Rheinmetall Group business trend

3-quarter sales € million



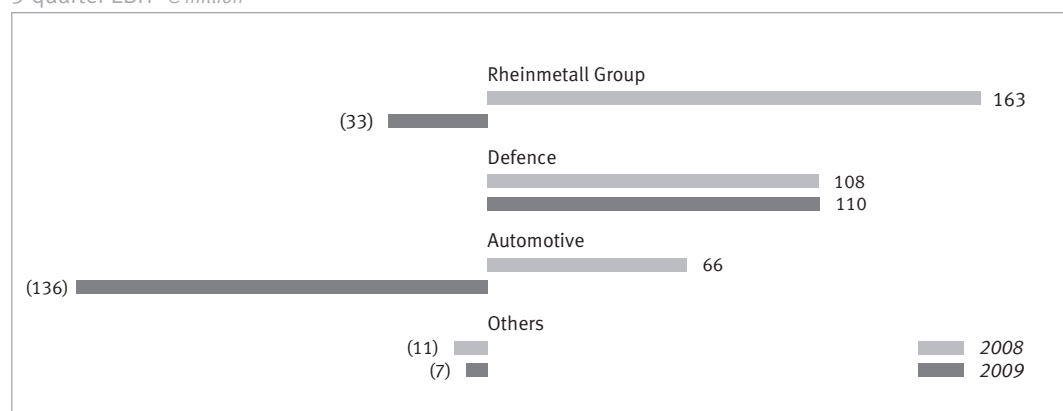
**Nine-month sales down** | Group sales during the period January through September (3Q) 2009 added up to €2,307 million, down €520 million or 18 percent from the year-earlier €2,827 million. The shortfall is solely attributable to the Automotive sector where 3Q sales at €1,112 million nosedived by 33 percent. Defence's sales rose from €1,177 million to €1,195 million.

Non-German sales during the period accounted for 68 percent. The main regional markets were, besides Germany, other European countries (39 percent), followed by Asia and North America (each 11 percent).

**Order intake well above sales** | During 3Q/2009, the Rheinmetall Group booked orders worth €3,692 million, easily above the sales figure for the period. At September 30, 2009, order backlog totaled €4,957 million, up 33 percent from a year ago. Order backlog at Defence reached €4,685 million (up from €3,349 million) and included a number of high-volume multiyear projects.

**Automotive weighing on profitability** | The Rheinmetall Group's EBIT for 3Q/2009 shrank by €196 million to a red €33 million, including €71 million for the restructuring expenses at Automotive. Defence's EBIT climbed €2 million to €110 million. The year-earlier figure had benefited from the €13 million badwill from the acquisition of Denel Munition. The corporate HQ segment shown within Others includes for 2009 a €3 million capital gain from a land sale. The net loss of €64 million was €149 million below the year-earlier figure. 3-quarter EpS amounted to a red €1.79 (down from a black €2.39).

3-quarter EBIT € million



**Asset and capital structure** | In comparison to December 31, 2008, the Rheinmetall Group's total assets amounted to €3,575 million (down by €13 million). The ratio of noncurrent to current assets remained unchanged. Within current assets, rising inventories and receivables contrasted with a corresponding decline in cash and cash equivalents.

The equity ratio came to 33 percent (up from 31 at year-end 2008). In July 2009, Rheinmetall AG increased its capital stock by 10 percent, placing altogether 3,599,000 shares with institutional investors. After deducting placement costs, this move meant a €102 million capital inflow. Noncurrent liabilities shrank by €148 million to €898 million while current liabilities climbed €87 million to €1,511 million. The €325 million bond issue maturing in June 2010 was refinanced early in June 2009 and reclassified as of September 30, 2009, into current financial liabilities. Agreements on new 5-year finance facilities for a total €350 million were executed, including certain bilateral outline credit facilities granted by two banks for €200 million and note loans from various investors for an aggregate €150 million.

At quarter-end, net financial debt totaled €432 million, having been slashed year-on-year by €196 million, including €102 million from the capital increase.

## Asset and capital structure € million

	12/31/2008	%	9/30/2009	%
Noncurrent assets	1,790	50	1,803	50
Current assets	1,798	50	1,772	50
<b>Total assets</b>	<b>3,588</b>	<b>100</b>	<b>3,575</b>	<b>100</b>
Total equity	1,118	31	1,166	33
Noncurrent liabilities	1,046	29	898	25
Current liabilities	1,424	40	1,511	42
<b>Total equity &amp; liabilities</b>	<b>3,588</b>	<b>100</b>	<b>3,575</b>	<b>100</b>

**Capital expenditures much lower** | During the period January through September 2009, the Group's capital expenditures added up to €102 million, equivalent to 4.4 percent of sales (down from 5.2). The cost-reduction programs at Automotive produced a 51-percent drop, 3-quarter (3Q) capital outlays by this sector totaling €54 million (down by €56 million). The increase at Defence is primarily attributable to development costs capitalized in connection with ongoing major projects.

## Capital expenditures by corporate sector € million

	3Q/2008	3Q/2009
Defence	37	47
Automotive	110	54
Others	1	1
<b>Rheinmetall Group</b>	<b>148</b>	<b>102</b>

**Employees** | Worldwide the Rheinmetall Group employed 19,823 persons at September 30, 2009, down by 1,197 compared with year-end 2008, and by 1,448 compared with a year ago. The headcount at Automotive (versus a year ago) fell by 1,439 from 11,880. Of the total workforce, 47 percent were employed at Defence, 52 percent at Automotive. Just under one percent worked at Rheinmetall AG and the service enterprises.

## Defence sector

Defence indicators € million

	3Q/2008	3Q/2009
Sales	1,177	1,195
Order intake	1,125	2,546
Order backlog (Sep. 30)	3,349	4,685
Headcount (Sep. 30)	9,266	9,259
EBITDA	139	144
EBIT	108	110
Operating EBIT	95	110
EBT	90	92
EBIT margin (%)	9.2	9.2
Operating EBIT margin (%)	8.1	9.2

**Defence maintaining growth** | At €1,195 million, the Defence sector reported a sales increase of €18 million or 2 percent for the 9-month period. Rheinmetall Denel Munition, the South African company consolidated since September 2008, contributed 3Q sales of €45 million.

**Surge in order intake** | 3Q order intake vaulted to €2,546 million, more than double the year-earlier figure. Included is the €1.3 billion contract for the series production of altogether 405 Puma infantry fighting vehicles. Another three domestic orders worth a total of over €200 million emphasize the sector's capability in terms of field protection and impact. Rheinmetall Denel Munition booked 3Q orders valued at €156 million.

**Order backlog worth almost €5 billion** | Orders on hand at the close of Q3 reached €4,685 million, up year-on-year by €1,336 million or 40 percent from €3,349 million.

**Earnings improved** | The Defence sector generated a 9-month (3Q) EBIT of €110 million, up €2 million. The year-earlier figure had included income from €13 million badwill from the first-time consolidation of Rheinmetall Denel Munition. The operating EBIT increase of €15 million or 16 percent was largely attributable to Rheinmetall Waffe Munition whose earnings climbed €8 million. The 3-quarter operating EBIT margin mounted from 8.1 to 9.2 percent.

## Automotive sector

Automotive indicators € million

	3Q/2008	3Q/2009
Sales	1,650	1,112
Order intake	1,652	1,146
Order backlog (Sep. 30)	376	273
Headcount (Sep. 30)	11,880	10,441
EBITDA	155	(42)
EBIT	66	(136)
Operating EBIT	71	(65)
EBT	47	(152)
EBIT margin (%)	4.0	(12.2)
Operating EBIT margin (%)	4.3	(5.8)

**Sales slashed** | The severe auto industry recession led to dwindling demand for the Automotive sector. In the triad markets of NAFTA, Western Europe, and Japan (all very important for the sector), motor vehicle production in 3Q/2009 tumbled 35 percent according to the CSM institute. Three-quarter sales by Kolbenschmidt Pierburg totaled €1,112 million (down by €538 million or 33 percent). As the period progressed, however, the year-on-year quarterly reduction narrowed: Q1 by €236 million or 41 percent, Q2 by €195 million or 34 percent, and Q3 by €107 million or 21 percent.

**Auto crisis and restructuring erode earnings** | Automotive's 3Q EBIT plummeted by €202 million to a red €136 million. The figure includes a €71 million restructuring burden. The operating loss amounted to €65 million. Losses by quarter were: Q1 €40 million, Q2 21 million, and Q3 4 million. Sharing in the improvement were a slight rise in revenue and the cost reduction measures launched back in 2008.

Automotive has addressed these adverse conditions by rigorously downscaling its production capacities to meet muter demand in individual markets. By September 30, 2009, €57 million had already been recognized in expense for plant closeds and other capacity shrinkages. Moreover, write-down was charged at €14 million, including €9 million to fixed assets and €5 million to inventories and receivables.

**Workforce slimmed down markedly** | At September 30, 2009, Automotive employed worldwide 10,441 employees (down 12 percent from a year ago). Of the 1,439 jobs shed worldwide, the German companies accounted for 321 (22 percent), the non-German for 1,118 (78 percent).

## Risk and reward report

**Efficient risk management** | Within the context of a systematic and efficient risk management system, risks at Rheinmetall are limited and of manageable proportions. There are no material risks that might jeopardize to a sustained extent the Group's asset and capital structure, financial position or results of operations. The group management report for 2008 details the major risks and rewards possibly affecting the future development of Rheinmetall. Since then there have been no essential changes or new conclusions.

## Prospects

In line with the forecasts for their respective global markets, the business and EBIT trends predicted for the Defence and Automotive sectors differ accordingly. How well Rheinmetall develops in 2009 will mainly depend on the strong performance of its Defence sector.

For Defence, Rheinmetall is looking to a continuation of growth and sales of €1.9 billion accompanied by an EBIT margin of at least 10 percent.

Based on the 27-percent decline predicted in a current estimate by CSM Worldwide for the triad market output of cars and light commercial vehicles, the Automotive sector foresees for all of 2009 a sales contraction of €500 million from the 2008 level. As a consequence of the additional measures for streamlining corporate structures, the Automotive sector is expected to bear €20 million higher one-off costs for restructuring and write-downs, restructuring expenses then totaling €120 million; this increase will, however, be completely offset by improved operating results by both corporate sectors. Defence is expecting an EBIT of over €190 million while Automotive's operating loss will stay below the €80 million so far predicted.

As a consequence, the previous forecasts for Rheinmetall are reaffirmed. Even after accounting for the restructuring expenses, the Group's EBIT for 2009 will remain in the black.

## Subsequent events

No events subsequent to the balance sheet date are reportable.

Düsseldorf, November 10, 2009

Rheinmetall AG  
The Executive Board

Klaus Eberhardt

Dr. Gerd Kleinert

Dr. Herbert Müller

Condensed interim financial statements of Rheinmetall AG  
for 3Q/2009

## Consolidated balance sheet as of September 30, 2009

Assets € million

	12/31/2008	9/30/2009
Intangible assets	530	553
Tangible assets	1,092	1,057
Investment properties	15	14
Investees	93	98
Other noncurrent financial assets	9	24
Sundry noncurrent assets	8	8
Deferred tax assets	43	49
<b>Total noncurrent assets</b>	<b>1,790</b>	<b>1,803</b>
Inventories	782	814
less prepayments received	(26)	(44)
	<b>756</b>	<b>770</b>
Trade receivables	710	773
Other current financial assets	25	35
Other current receivables and assets	81	95
Income tax assets	22	14
Cash and cash equivalents	203	85
Noncurrent assets held for sale	1	0
<b>Total current assets</b>	<b>1,798</b>	<b>1,772</b>
<b>Total assets</b>	<b>3,588</b>	<b>3,575</b>

Equity &amp; liabilities € million

	12/31/2008	9/30/2009
Capital stock	92	101
Additional paid-in capital	208	301
Other reserves	691	826
Group earnings after minority interests	134	(64)
Treasury stock	(66)	(57)
<b>Stockholders' equity</b>	<b>1,059</b>	<b>1,107</b>
Minority interests	59	59
<b>Total equity</b>	<b>1,118</b>	<b>1,166</b>
Accruals for pensions and similar obligations	523	530
Other noncurrent accruals	98	116
Noncurrent financial liabilities	360	181
Other noncurrent liabilities	21	26
Deferred tax liabilities	44	45
<b>Total noncurrent liabilities and accruals</b>	<b>1,046</b>	<b>898</b>
Current accruals	312	340
Current financial liabilities	48	336
Trade payables	511	370
Other current liabilities	507	414
Income tax liabilities	46	51
<b>Total current liabilities and accruals</b>	<b>1,424</b>	<b>1,511</b>
<b>Total equity &amp; liabilities</b>	<b>3,588</b>	<b>3,575</b>

## Consolidated income statement for the 9 months (3Q) ended September 30, 2009

€ million

	3Q/2008	3Q/2009
<b>Net sales</b>	<b>2,827</b>	<b>2,307</b>
Net inventory changes, other work and material capitalized	140	75
<b>Total operating performance</b>	<b>2,967</b>	<b>2,382</b>
Other operating income	68	59
Cost of materials	(1,534)	(1,142)
Personnel expenses	(817)	(797)
Amortization/depreciation/write-down	(120)	(128)
Other operating expenses	(403)	(407)
<b>Operating result</b>	<b>161</b>	<b>(33)</b>
Net interest expense <sup>1)</sup>	(42)	(42)
Net investment income and other financial results <sup>2)</sup>	2	0
<b>Net financial result</b>	<b>(40)</b>	<b>(42)</b>
<b>Earnings before taxes (EBT)</b>	<b>121</b>	<b>(75)</b>
Income taxes	(36)	11
<b>Net income/(loss)</b>	<b>85</b>	<b>(64)</b>
thereof		
<i>minority interests</i>	2	0
<i>group earnings (after minority interests)</i>	83	(64)
Earnings per share (basic/diluted) in €	2.39	(1.79)

<sup>1)</sup> incl. interest expense of €46 million (down from €49 million)

<sup>2)</sup> incl. net P/L of investees carried at equity of €5 million (up from €4 million)

## Statement of comprehensive income

€ million

	3Q/2008	3Q/2009
<b>Net income/(loss) of the Group</b>	<b>85</b>	<b>(64)</b>
Currency translation differences	8	28
Change in fair value of financial derivatives (cash flow hedges)	(11)	31
OCI changes from treasury stock	3	(4)
Prorated OCI changes of associated affiliates	5	(1)
<b>Accumulated other comprehensive income (after taxes)</b>	<b>5</b>	<b>54</b>
<b>Comprehensive income</b>	<b>90</b>	<b>(10)</b>
thereof		
<i>minority interests</i>	4	4
<i>Rheinmetall stockholders</i>	86	(14)

## Consolidated income statement for the 3 months (Q3) ended September 30, 2009

€ million

	Q3/2008	Q3/2009
<b>Net sales</b>	<b>942</b>	<b>801</b>
Net inventory changes, other work and material capitalized	31	15
<b>Total operating performance</b>	<b>973</b>	<b>816</b>
Other operating income	31	19
Cost of materials	(499)	(389)
Personnel expenses	(268)	(260)
Amortization/depreciation/write-down	(41)	(38)
Other operating expenses	(136)	(117)
<b>Operating result</b>	<b>60</b>	<b>31</b>
Net interest expense <sup>1)</sup>	(16)	(15)
Net investment income and other financial results <sup>2)</sup>	1	(1)
<b>Net financial result</b>	<b>(15)</b>	<b>(16)</b>
<b>Earnings before taxes (EBT)</b>	<b>45</b>	<b>15</b>
Income taxes	(14)	(8)
<b>Net income</b>	<b>31</b>	<b>7</b>
thereof		
<i>minority interests</i>	0	0
<i>group earnings (after minority interests)</i>	31	7
Earnings per share (basic/diluted) in €	0.88	0.19

<sup>1)</sup> incl. interest expense of €17 million (down from €18 million)<sup>2)</sup> incl. net P/L of investees carried at equity of €1 million (virtually unchanged)

## Statement of comprehensive income

€ million

	Q3/2008	Q3/2009
<b>Net income of the Group</b>	<b>31</b>	<b>7</b>
Currency translation differences	2	10
Change in fair value of financial derivatives (cash flow hedges)	(15)	10
OCI changes from treasury stock	1	--
Prorated OCI changes of associated affiliates	--	2
<b>Accumulated other comprehensive income (after taxes)</b>	<b>(12)</b>	<b>22</b>
<b>Comprehensive income</b>	<b>19</b>	<b>29</b>
thereof		
<i>minority interests</i>	(1)	1
<i>Rheinmetall stockholders</i>	20	28

## Consolidated statement of cash flows for 3Q/2009

€ million

	3Q/2008	3Q/2009
<b>Opening cash and cash equivalents</b>	<b>163</b>	<b>203</b>
Net income/(loss)	85	(64)
Net interest result from financing activities	22	20
Amortization/depreciation/write-down of intangibles, tangibles and investment properties	120	128
Change in pension accruals	3	7
<b>Gross cash flow</b>	<b>230</b>	<b>91</b>
Changes in working capital and other items	(353)	(242)
<b>Net cash used in operating activities<sup>1)</sup></b>	<b>(123)</b>	<b>(151)</b>
Cash outflow for additions to tangibles, intangibles and investment properties	(148)	(102)
Cash inflow from the disposal of tangibles, intangibles and investment properties	4	4
Cash outflow for additions to consolidated subsidiaries and financial assets	(35)	(12)
Cash inflow from the disposal of consolidated subsidiaries and financial assets	2	0
<b>Net cash used in investing activities</b>	<b>(177)</b>	<b>(110)</b>
Capital paid in by third parties	8	--
Capital increase by Rheinmetall AG	--	102
Dividend payout by Rheinmetall AG	(45)	(45)
Other profit distribution	(6)	(4)
Repurchase of treasury stock	(30)	--
Sale of treasury stock	5	1
Cash outflow for interest	(31)	(27)
Cash inflow from interest	7	5
Financial liabilities raised	304	149
Financial liabilities redeemed	(11)	(40)
<b>Net cash provided by financing activities</b>	<b>201</b>	<b>141</b>
<b>Net change in cash and cash equivalents</b>	<b>(99)</b>	<b>(120)</b>
Parity-related change in cash and cash equivalents	1	2
<b>Total change in cash and cash equivalents</b>	<b>(98)</b>	<b>(118)</b>
<b>Closing cash and cash equivalents</b>	<b>65</b>	<b>85</b>

<sup>1)</sup> Including net income taxes paid at €5 million (down from €28 million)

## Statement of changes in equity

€ million

	Capital stock	Additional paid-in capital	Reserves retained from earnings	Accumulated OCI	Group earnings after minority interests	Treasury stock	Stockholders' equity	Minority interests	Total equity
<b>Balance at January 1, 2008</b>	<b>92</b>	<b>208</b>	<b>581</b>	<b>36</b>	<b>145</b>	<b>(46)</b>	<b>1,016</b>	<b>43</b>	<b>1,059</b>
Comprehensive income	--	--	--	3	83	--	86	4	90
Change in treasury stock	--	--	--	--	--	(19)	(19)	--	(19)
Dividend payout	--	--	(45)	--	--	--	(45)	(6)	(51)
Consolidation group change	--	--	--	--	--	--	--	19	19
Transfer to reserves	--	--	141	--	(145)	--	(4)	--	(4)
<b>Balance at September 30, 2008</b>	<b>92</b>	<b>208</b>	<b>677</b>	<b>39</b>	<b>83</b>	<b>(65)</b>	<b>1,034</b>	<b>60</b>	<b>1,094</b>
<b>Balance at January 1, 2009</b>	<b>92</b>	<b>208</b>	<b>687</b>	<b>4</b>	<b>134</b>	<b>(66)</b>	<b>1,059</b>	<b>59</b>	<b>1,118</b>
Comprehensive income	--	--	--	50	(64)	--	(14)	4	(10)
Capital increase of Rheinmetall AG	9	93	--	--	--	--	102	--	102
Change in treasury stock	--	--	--	--	--	9	9	--	9
Dividend payout	--	--	(45)	--	--	--	(45)	(4)	(49)
Transfer to reserves	--	--	130	--	(134)	--	(4)	--	(4)
<b>Balance at September 30, 2009</b>	<b>101</b>	<b>301</b>	<b>772</b>	<b>54</b>	<b>(64)</b>	<b>(57)</b>	<b>1,107</b>	<b>59</b>	<b>1,166</b>

## Notes

**General bases** | Rheinmetall AG's condensed interim consolidated financial statements as of September 30, 2009, 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 the first 3 quarters (3Q/2009) do not necessarily allow a forecast to be made of the future business development. Though prepared in accordance with IAS 34 *Interim Reporting*, the interim financial statements should be read in the context of Rheinmetall AG's published IFRS consolidated financial statements for fiscal 2008. 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, 2008, 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 amended IASB Standards were newly applied in fiscal 2009:

IAS 1, *Presentation of Financial Statements*

IAS 23, *Borrowing Costs*

IAS 32, *Financial Instruments: Presentation*

The amended IAS 1 has changed the presentation of changes in other comprehensive income which do not originate from transactions with stockholders. The amended IAS 23 requires borrowing costs to be capitalized for assets that are manufactured over an extended period of time. Previously, borrowing costs were expensed throughout. The effects of such changes are insignificant. The IAS 32 amendment refers to an extended definition of equity regarding certain puttable financial instruments and financial instruments obligating debtors to deliver a prorated net-asset share upon liquidation, and has no material impact on the Rheinmetall Group.

The following new or amended IASB Standards and IFRIC Interpretations were approved and released in the first 3 quarters (3Q) 2009:

IFRS 1, *First-Time Adoption of International Financial Reporting Standards* (amended)

IFRS 2, *Share-Based Payment* (amended)

IFRS 7, *Financial Instruments: Disclosures* (amended)

IAS 39, *Financial Instruments: Recognition and Measurement* (amended)

IFRIC 8, *Scope of IFRS 2* (withdrawn)

IFRIC 9, *Reassessment of Embedded Derivatives* (amended)

IFRIC 11, *IFRS 2—Group and Treasury Share Transactions* (withdrawn)

IFRIC 18, *Transfers of Assets from Customers*

Annual improvements to various IFRS/IAS in 2009

*IFRS for Small and Medium-Sized Entities (SMEs)*

However, since their application is either not yet obligatory or their adoption or endorsement by the EU still pending, they have not been applied in these condensed interim financial statements as of September 30, 2009. 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.

## Notes

**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.

**Consolidation group** | Besides Rheinmetall AG, the condensed interim 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.

### Consolidation group changes

	12/31/2008	Additions	Disposals	9/30/2009
Consolidated subsidiaries	101	7	(2)	106
thereof in Germany	44	2	--	46
thereof abroad	57	5	(2)	60
Investees included at equity	25	1	--	26
thereof in Germany	15	1	--	16
thereof abroad	10	--	--	10

In Germany and abroad, two and four companies, respectively, were newly formed. The disposals refer to two Brazilian subsidiaries now merged. Effective September 1, 2009, the Rheinmetall Group acquired all of the shares in RF Engines Limited (RFEL), Newport, Isle of Wight, at a price of €7 million. This acquiree develops electronic systems and has been assigned to the Defence sector. The RFEL assets and liabilities taken over have been stated at fair value and break down as follows:

€ million

	Pre-acquisition book values	Adjustments	Fair values
Goodwill	--	3	3
Other intangible assets	0	4	4
Cash and cash equivalents	1	--	1
Other current assets	0	--	0
Current liabilities	0	--	0
Noncurrent liabilities	0	1	1

The fair values of intangibles had the biggest impact in this acquisition price allocation (still provisional as of the date hereof) as these assets basically reflect the valuation of the acquiree's know-how. With an EBIT of €0 million, the effect of this acquisition on the Rheinmetall Group's results of operations is insignificant.

**Capital increase** | In July 2009, Rheinmetall AG raised its capital stock by 10 percent. Altogether 3,599,000 shares were placed with institutional investors at €29.00 each (€104 million) and increased the capital stock by €9 million to €101 million. After deducting the placement costs, the net premium of €93 million was transferred to the additional paid-in capital. The purposes of this capital increase were to downscale financial indebtedness and fund Defence's further growth.

**Treasury stock** | The annual general meeting of May 12, 2009, renewed the Executive Board's authority of May 6, 2008, to repurchase shares of treasury stock on or before October 31, 2010, for a maximum equivalent to 10 percent of the then capital stock of €92,160,000. As of September 30, 2009, the portfolio comprised 1,406,054 treasury shares (down from 1,477,415), acquired at a total cost of €57 million (down from €65 million) and offset against equity.

**Stock-based compensation** | A long-term incentive program exists within the Rheinmetall Group under which eligible staff will share in the value added to the Group by receiving Rheinmetall shares in addition to cash. Participants cannot freely dispose of such shares until the 3-year freeze period has expired. Under this incentive program, participants received on April 2, 2009, a total 159,048 shares for fiscal 2008.

**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 freeze period. Within predetermined subscription periods, employees are offered a limited number of shares for purchase at a 30-percent discount on the governing stock price. The year's first subscription period ran from April 15 to 28, 2009, and saw the purchase by Rheinmetall employees of altogether 42,426 shares at a total €1 million.

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

	Q3/2008	Q3/2009	3Q/2008	3Q/2009
Group earnings after minority interests (€ mill.)	31	7	83	(64)
Weighted number of shares (million)	34.5	37.8	34.6	35.6
<b>Earnings per share (€)</b>	<b>0.88</b>	<b>0.19</b>	<b>2.39</b>	<b>(1.79)</b>

## Notes

**Dividend payout** | On May 13, 2009, a total cash dividend of €45 million was distributed for fiscal 2008, equivalent to €1.30 per share.

**Related-party transactions** | For the Rheinmetall Group, corporate related parties are the joint ventures and associated affiliates carried at equity. The volume of products/services provided by or to related companies mainly originates within the Defence sector from sales of finished goods and WIP to project companies and from revenue for M&R services under a public-private partnership (PPP) agreement on behalf of the German army. Moreover, the volume of unpaid items includes minor loans to joint ventures at an unchanged €3 million. The scope of related-party transactions in the three quarters (3Q) is broken down in the table below:

€ million

	Volume of products/ services provided		Volume of products/ services utilized		Volume of unpaid items	
	3Q/2008	3Q/2009	3Q/2008	3Q/2009	12/31/ 2008	9/30/ 2009
Joint ventures	64	46	8	2	(10)	5
Associated affiliates	2	4	7	8	0	1
	<b>66</b>	<b>50</b>	<b>15</b>	<b>10</b>	<b>(10)</b>	<b>6</b>

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

**Segment report** | For the definition of reportable segments, the related controlling details, and the accounting/valuation method applied, reference is made to the consolidated financial statements as of December 31, 2008, as there has been no change since.

€ million

Segment	Defence		Automotive		Others/ consolidation		Group	
	3Q/2008	3Q/2009	3Q/2008	3Q/2009	3Q/2008	3Q/2009	3Q/2008	3Q/2009
Sales	1,177	1,195	1,650	1,112	0	0	2,827	2,307
Amortiz./deprec./write-down	31	34	89	94	0	0	120	128
thereof write-down	--	--	2	9	--	--	2	9
EBIT	108	110	66	(136)	(11)	(7)	163	(33)

Reconciliation of operating segment EBIT to the Rheinmetall Group's EBT:

€ million

	3Q/2008	3Q/2009
Operating segment EBIT	174	(26)
Others	(7)	(3)
Consolidation	(4)	(4)
Group's net interest expense	(42)	(42)
EBT of the Group	121	(75)

## Additional information

### Financial diary

November 10, 2009	Report on Q3/2009
March 23, 2010	Annual report 2009
May 7, 2010	Report on Q1/2010
May 11, 2010	Annual General Meeting
August 11, 2010	Report on Q2/2010
November 15, 2010	Report on Q3/2010

### Imprint

This financial report contains statements and forecasts referring to the Rheinmetall Group's future development which are based on assumptions and estimates by management. If the underlying assumptions do not materialize, the actual figures may differ from such estimates. Elements of uncertainty include changes in the political, economic and business environment, exchange and interest rate fluctuations, the introduction of rival products, poor uptake of new products, and changes in business strategy.

Rheinmetall's homepage at [www.rheinmetall.com](http://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.

All rights reserved. Subject to technical change without notice. The product designations mentioned in this financial report may be trademarks whose use by any third party may infringe the rights of their owners.

This quarterly financial report is downloadable from [www.rheinmetall.com](http://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.

Copyright © 2009

Rheinmetall AG, Rheinmetall Platz 1, 40476 Düsseldorf, Germany

**Supervisory Board** | Klaus Greinert, Chairman

**Executive Board** | Klaus Eberhardt, Chairman  
Dr. Gerd Kleinert | Dr. Herbert Müller

**Corporate Communications** | Peter Rucker  
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](http://www.rheinmetall.com)

