ANNUAL REPORT

2022

RHEINMETALL

KEY FIGURES 2022 | RHEINMETALL GROUP

KEY FIGURES 2022

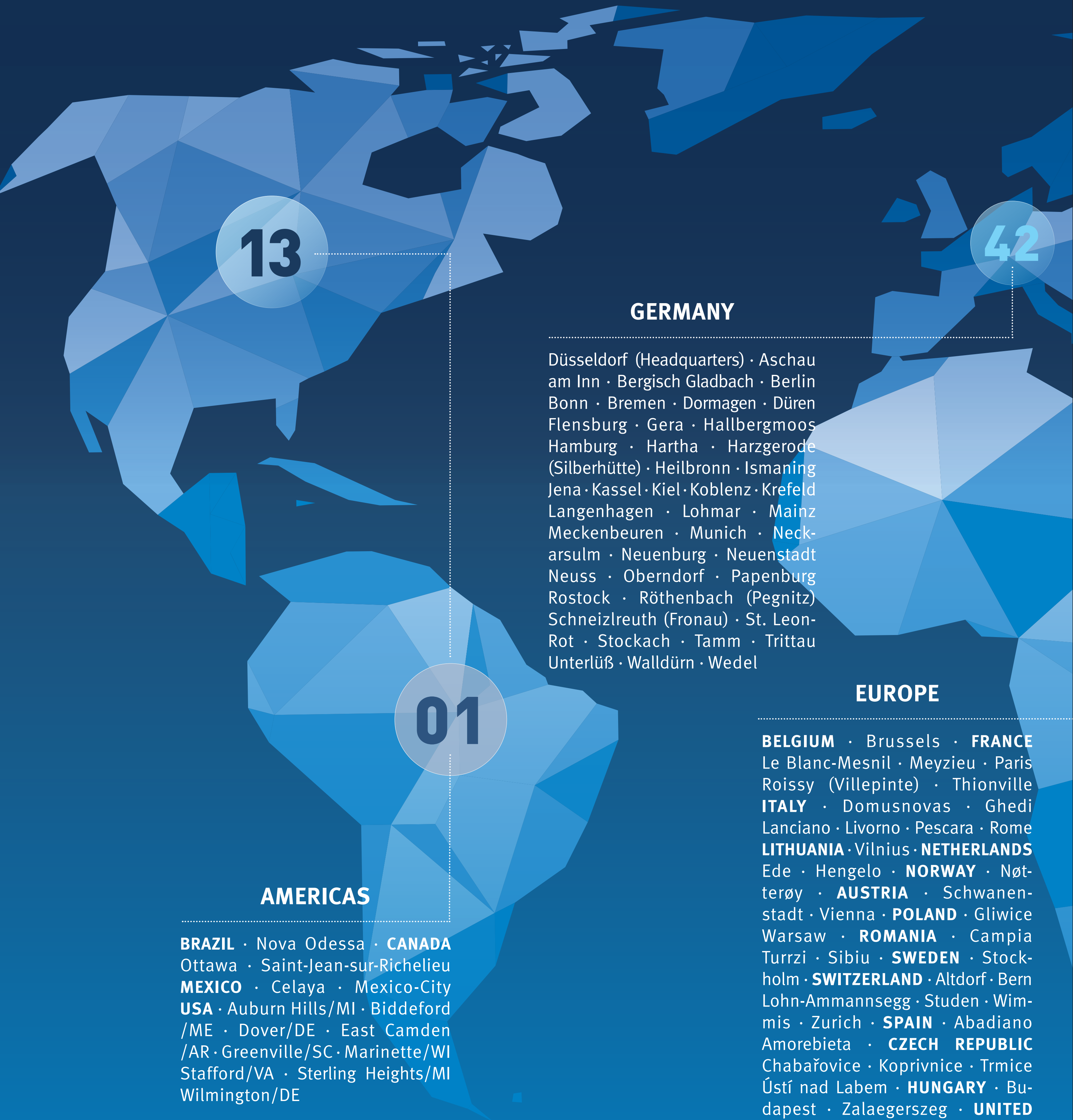
		2022	2021	2020[1]	2019	2018[2]	2017	2016
SALES/EARNINGS								
Sales	€ million	6,410	5,658	5,405	6,255	6,148	5,896	5,602
Of which generated abroad	*%*	*70.5*	*65.9*	*64.4*	*68.9*	*72.3*	*75.9*	*76.5*
Operating result	€ million	754	594	446	505	491	400	353
Operating margin	%	11.8	10.5	8.3	8.1	8.0	6.8	6.3
EBIT	€ million	731	608	398	512	518	385	353
EBIT margin	%	11.4	10.8	7.4	8.2	8.4	6.5	6.3
EBT	€ million	711	582	367	477	485	346	299
Earnings from continuing operations	€ million	528	432	284	-	-	-	-
Earnings from discontinued operations	€ million	8	(100)	(283)	-	-	-	-
Earnings after taxes	€ million	535	332	1	354	354	252	215
Return on capital employed (ROCE) [3]	%	21.3	19.5	11.8	15.4	17.1	13.8	12.3
CASH FLOW								
Cash flow from operating activities	€ million	174	690	453	602	242	546	444
Cash flow from investments	€ million	(349)	(271)	(237)	(288)	(277)	(270)	(283)
Operating free cash flow	€ million	(175)	419	217	314	(35)	276	161
Of which continuing operations	*€ million*	*(152)*	*458*	*230*	-	-	-	-
Of which discontinued operations	*€ million*	*(23)*	*(38)*	*(13)*	-	-	-	-
STATEMENT OF FINANCIAL POSITION (12/31)								
Equity	€ million	3,083	2,620	2,053	2,272	2,173	1,870	1,781
Total assets	€ million	8,089	7,734	7,267	7,415	6,759	6,101	6,150
Equity ratio	%	38.1	33.9	28.2	30.6	32.1	30.7	29.0
Cash and cash equivalents	€ million	545	1,039	1,027	920	724	757	616
Total assets less cash and cash equivalents	€ million	7,544	6,695	6,240	6,496	6,035	5,344	5,534
Net financial debt (-)/Net liquidity (+) [4]	€ million	(426)	118	4	(52)	(30)	230	19
HUMAN RESOURCES (FTE 12/31)								
Germany	FTE	12,768	11,979	11,592	11,587	11,077	10,394	10,181
Foreign	FTE	12,718	11,966	11,675	12,193	11,822	11,216	10,812
Rheinmetall Group	FTE	25,486	23,945	23,268	23,780	22,899	21,610	20,993
Of which continuing operations	*FTE*	*21,788*	*20,185*	*19,500*	-	-	-	-
Of which discontinued operations	*FTE*	*3,697*	*3,760*	*3,768*	-	-	-	-
SHARE								
Stock price (12/31)	€	186.05	83.06	86.58	102.40	77.16	105.85	63.90
Earnings per share from continuing operations	€	10.64	9.04	5.93	-	-	-	-
Earnings per share from discontinued operations	€	0.18	(2.32)	(6.55)	-	-	-	-
Earnings per share	€	10.82	6.72	(0.62)	7.77	7.10	5.24	4.69
Dividend per share	€	4.30	3.30	2.00	2.40	2.10	1.70	1.45

[1] The previous year's figures for the comparative period 2020 have been restated accordingly, applying IFRS 5
[2] Carrying amounts adjusted due to the change in measurement of operating land
[3] EBIT/average capital employed. The prior-year figure for 2021 has been adjusted to reflect the new calculation methodology.
[4] Financial liabilities less cash and cash equivalents

RHEINMETALL in FIGURES

1 RHEINMETALL	**138** CUSTOMER COUNTRIES
5 DIVISIONS	**132** LOCATIONS WORLDWIDE
6.4 SALES € BIL	**25,486** EMPLOYEES

OUR LOCATIONS ARE



GERMANY

Düsseldorf (Headquarters) · Aschau am Inn · Bergisch Gladbach · Berlin Bonn · Bremen · Dormagen · Düren Flensburg · Gera · Hallbergmoos Hamburg · Hartha · Harzgerode (Silberhütte) · Heilbronn · Ismaning Jena · Kassel · Kiel · Koblenz · Krefeld Langenhagen · Lohmar · Mainz Meckenbeuren · Munich · Neckarsulm · Neuenburg · Neuenstadt Neuss · Oberndorf · Papenburg Rostock · Röthenbach (Pegnitz) Schneizlreuth (Fronau) · St. Leon-Rot · Stockach · Tamm · Trittau Unterlüß · Walldürn · Wedel

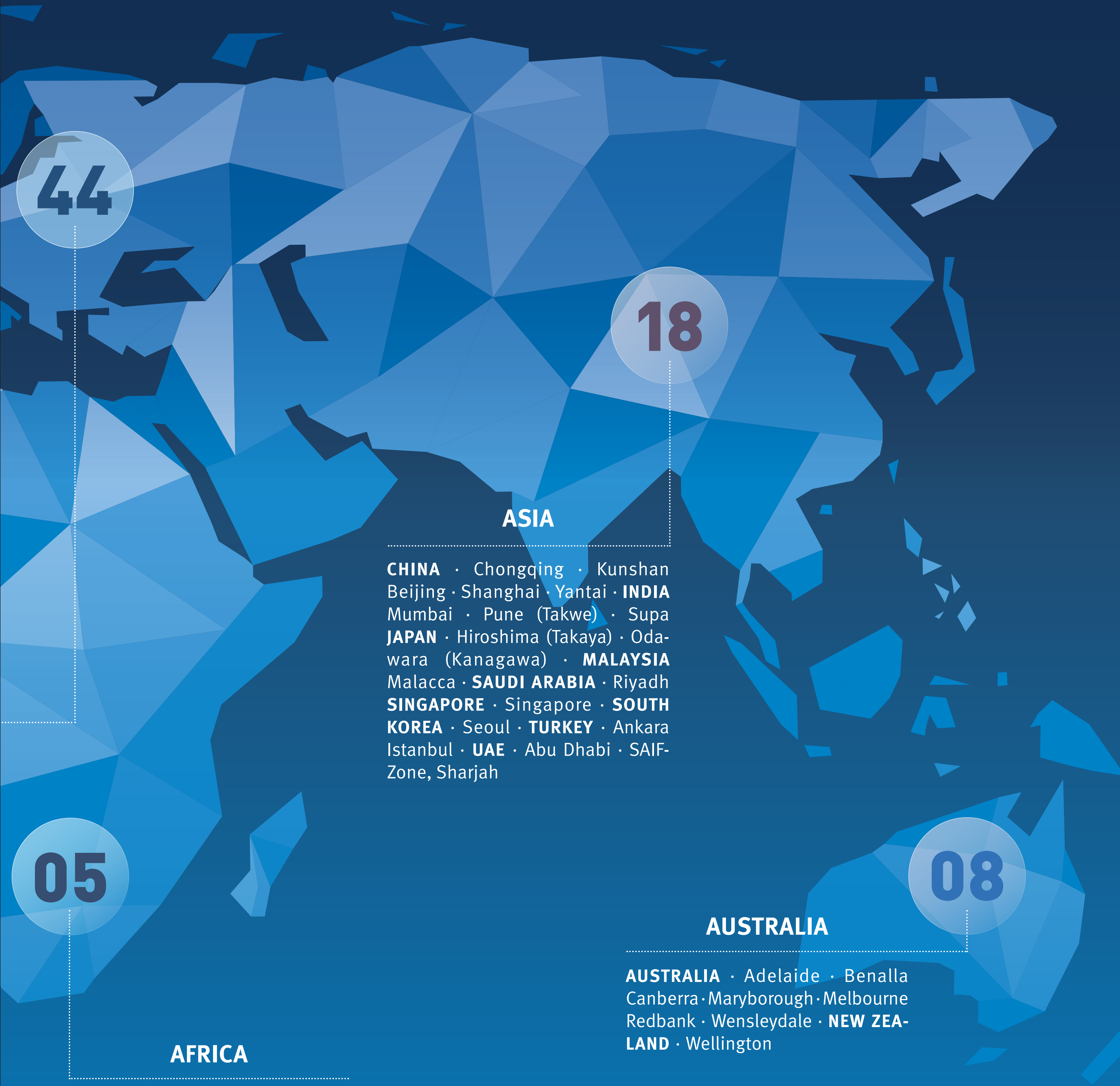
EUROPE

BELGIUM · Brussels · **FRANCE** Le Blanc-Mesnil · Meyzieu · Paris Roissy (Villepinte) · Thionville **ITALY** · Domusnovas · Ghedi Lanciano · Livorno · Pescara · Rome **LITHUANIA** · Vilnius · **NETHERLANDS** Ede · Hengelo · **NORWAY** · Nøtterøy · **AUSTRIA** · Schwanenstadt · Vienna · **POLAND** · Gliwice Warsaw · **ROMANIA** · Campia Turrzi · Sibiu · **SWEDEN** · Stockholm · **SWITZERLAND** · Altdorf · Bern Lohn-Ammannsegg · Studen · Wimmis · Zurich · **SPAIN** · Abadiano Amorebieta · **CZECH REPUBLIC** Chabařovice · Koprivnice · Trmice Ústí nad Labem · **HUNGARY** · Budapest · Zalaegerszeg · **UNITED KINGDOM** · Bovington · Bristol Isle of Wight · London · Swindon Telford · Washington

AMERICAS

BRAZIL · Nova Odessa · **CANADA** Ottawa · Saint-Jean-sur-Richelieu **MEXICO** · Celaya · Mexico-City **USA** · Auburn Hills/MI · Biddeford /ME · Dover/DE · East Camden /AR · Greenville/SC · Marinette/WI Stafford/VA · Sterling Heights/MI Wilmington/DE

ALL OVER THE WORLD



ASIA

CHINA · Chongqing · Kunshan Beijing · Shanghai · Yantai · **INDIA** Mumbai · Pune (Takwe) · Supa **JAPAN** · Hiroshima (Takaya) · Odawara (Kanagawa) · **MALAYSIA** Malacca · **SAUDI ARABIA** · Riyadh **SINGAPORE** · Singapore · **SOUTH KOREA** · Seoul · **TURKEY** · Ankara Istanbul · **UAE** · Abu Dhabi · SAIF-Zone, Sharjah

AUSTRALIA

AUSTRALIA · Adelaide · Benalla Canberra · Maryborough · Melbourne Redbank · Wensleydale · **NEW ZEALAND** · Wellington

AFRICA

SOUTH AFRICA · Boskop · Maitland Potchefstroom (Boksburg) · Somerset West · Wellington

CONTENTS

About this annual report

This report contains the key financial and non-financial information to provide our stakeholders with a comprehensive overview of our performance in fiscal 2022.

Reporting structure

Since February 2021, the Group structure has comprised the five divisions – Vehicle Systems, Weapon and Ammunition, Electronic Solutions, Sensors and Actuators, and Materials and Trade – which are managed directly by the Executive Board of Rheinmetall AG. The Pistons unit has been managed as a discontinued operation since the start of May 2021. All segment disclosures and information in this annual report follow this structure.

Accounting and data

Rheinmetall AG is the parent company and the management holding company of the Rheinmetall Group and has its registered office at Rheinmetall Platz 1, Düsseldorf (Germany, Düsseldorf Commercial Register, HRB 39401). The consolidated financial statements of Rheinmetall AG have been prepared in accordance with the regulations of section 315e(1) German Commercial Code ("HGB") and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Group management report is combined with the management report of Rheinmetall AG. Unless stated otherwise, the presentation of business development, the situation and the outlook regarding indicators relevant to management relate to the Rheinmetall Group. Information that applies to Rheinmetall AG only is indicated as such. In the economic report, information in accordance with the German Commercial Code (HGB) that relates to Rheinmetall AG is presented in a separate chapter. Furthermore, the nonfinancial statement of the Group pursuant to section 315 of the German Commercial Code is integrated in the group management report. There is no requirement at present for Rheinmetall AG to issue a separate non-financial statement. In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), the key financial figures are stated for continuing operations, unless indicated otherwise.

The fiscal year of Rheinmetall AG and the financial statements of subsidiaries included in the consolidated financial statements is the calendar year. This report was published on March 16, 2023. The consolidated financial statements are presented in euro (€). Unless indicated otherwise, all amounts – including those for the previous year – are reported in millions of euro (€ million). All figures have been rounded on a standalone basis. This can result in minor deviations when adding figures together or stating them as percentages. To make it easier to read, we may sometimes use the generic masculine in this annual report. However, this always refers to people of any gender identity, i.e. male, female and any other gender identity.

The annual report of Rheinmetall AG is available in German (original version) and English (non-binding translation). Both versions are available to download at www.rheinmetall.com.

Statements on the future business development and forecasts

This report contains statements and forecasts referring to the future development of the Rheinmetall Group which are based on assumptions made by the management. Many factors are beyond Rheinmetall's control and influence the business strategy, success and results of the company. Statements regarding the future are based on current plans, targets and forecasts and only take into account findings made before the preparation date this report. If the underlying assumptions do not materialize, the actual figures may differ from the forecasts. Uncertain factors include changes in the political and economic environment, changes to national and international laws, market fluctuations, the development of global market prices for commodities, exchange rate and interest rate fluctuations, the impact of rival products and competitive prices, the acceptance of and demand for new products, and the effect of changes to customer structures and to the business strategy. Rheinmetall does not intend, nor does it undertake a particular commitment, to update statements referring to the future or to adjust these to events or developments after this report goes to press.

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Letter to shareholders
Report of the Supervisory Board

Cooperation between the Supervisory Board and the Executive Board

Before the activities of the Supervisory Board (in accordance with section 171(2) of the German Stock Corporation Act (AktG)) of the Rheinmetall Group in fiscal 2022 are presented in detail, I would like to take a brief look back at the year, which was characterized not only by the ongoing coronavirus pandemic but also to a significant extent by the war in Ukraine. The economic conditions in markets relevant to the company stabilized over the course of the year, but the war in Ukraine made recovery from the effects of the coronavirus pandemic considerably more difficult. Energy price increases in particular pose major challenges for the Rheinmetall Executive Board and the company's management. The Executive Board kept to its decisive and prudent course of action, at the same time systematically taking the steps required to protect the health of all employees, secure supply chains and protect liquidity. Rheinmetall was therefore successful in maintaining the impressive resilience and operational strength already demonstrated in the previous year. The turning point in security policy caused by Russia's war of aggression created a new awareness of the requirements for safeguarding democratic freedom and security on a national and international basis. This led to a completely new perception of the company's importance in fiscal 2022, which meant that the effects of the global pandemic could be more than compensated for. In view of this new security situation, Rheinmetall decided at the end of the fiscal year to make a strategic acquisition of Expal Systems in order to tap further growth opportunities in view of the need for increased capacity.

The Supervisory Board monitored and supported the Executive Board's work conscientiously and continuously in fiscal 2022. This was done in accordance with the legal regulations, the Articles of Association and the Rules of Procedure on the basis of differentiated written and verbal reports by the Executive Board and other managers at the company. The documents to help us prepare for our meetings were received in good time, meaning that we always had enough opportunity to critically assess the reports, presentations and proposed resolutions, to question them specifically and to check them for plausibility in the plenary assembly and in the committees. Based on this detailed information, we intensively discussed the operational, economic and organizational performance of the company and its strategic further development. At the Supervisory Board and committee meetings, the Executive Board discussed all relevant matters and provided comprehensive answers to our questions. The Executive Board explained in detail all deviations from the projected figures and thoroughly discussed the reasons for this and the steps taken with the Supervisory Board. The Executive Board comprehensively took account of the requirements of good corporate governance and the Supervisory Board's expectations for the content, scope and depth of reporting. Our own analyses and our own suggestions were taken into account in depth before, following thorough examination and discussion, passing resolutions on transactions or measures submitted by the Executive Board, where our approval was required in accordance with the law, Articles of Association or Rules of Procedure.

Where required, preparation for Supervisory Board meetings takes place in separate discussions between employee and employer representatives and the members of the Executive Board. These preliminary discussions can also take place without the Executive Board in attendance. In the past fiscal year, I engaged in regular close dialog with the CEO again. At numerous face-to-face meetings and during telephone conversations, we addressed subjects including the planned business strategy, the context regarding decisions to be made and significant transactions of importance to the assessment of the situation and the company's development. I also maintained close contact with the members of the Supervisory Board outside the Supervisory Board meetings. In the past fiscal year, these discussions again focused on the activities and measures the company was taking to protect the health of employees, to contain the economic impact of the COVID-19 pandemic and, to a large extent, to deal with the war in Ukraine.

Cooperation between the Supervisory Board and Executive Board was characterized by trust, openness and constructive dialog again in fiscal 2022. The Supervisory Board was involved directly and at an early stage in all decisions of key importance to the Rheinmetall Group. Based on our intensive work and reviews, we are convinced of the legality, appropriateness and propriety of the Executive Board's work and of the organization's performance.

RHEINMETALL
SUPERVISORY BOARD

From left to right: Ulrich Grillo | Dr. Daniel Hay | Dagmar Muth
Dr. Michael Mielke | Murat Küplemez | Prof. Dr. Susanne Hannemann
Reinhard Müller | Prof. em. Dr. Andreas Georgi | Dr. Britta Giesen
Klaus-Günter Vennemann | Sven Schmidt | Louise Öfverström
Dr.-Ing. Dr. Ing. E. h. Klaus Draeger | Barbara Resch | Ralf Bolm
Prof. Dr. Dr. h.c. Sahin Albayrak

Composition of the Supervisory Board

As a result of the departure of one member of the Supervisory Board on the shareholder side and one member on the employee side, successors needed to be found, taking account of the skills profile resolved in 2020 and the targets for the board's composition. Louise Öfverström took over the mandate on the employer side from Dr. Franz Josef Jung, who retired from the Supervisory Board on May 10, 2022. On the employee side, Murat Küplemez, Chair of the Works Committee of Pierburg GmbH, Neuss site, succeeded Markus Schaubel, who also left the Supervisory Board effective May 10, 2022. Following extensive discussions in the Nomination Committee regarding the process for seeking candidates and the resumes and skills of the candidates found, and based on the committee's explicit recommendation, I made the proposal for these two changes on the Supervisory Board at the Supervisory Board meeting on March 16, 2022 and they were then implemented following the corresponding resolutions of the Annual General Meeting on May 10, 2022.

Louise Öfverström and Murat Küplemez introduced themselves to the participating shareholders of our company at the Annual General Meeting, which was held virtually. On behalf of the Supervisory Board, I would like to take this opportunity to thank Dr. Franz Josef Jung and Markus Schaubel once again for their excellent teamwork on the Supervisory Board and their professional, dedicated and solution-focused work on our board and its committees on behalf of the company.

For codetermined supervisory boards with equal numbers of shareholder and employee representatives at listed companies, the German Stock Corporation Act prescribes a binding quota for the representation of women of at least 30%. In terms of the proportion of men and women, the Supervisory Board complies with the legally prescribed minimum quotas in accordance with section 96(2) sentences 1, 3 and 4 of the German Stock Corporation Act. The shareholder and employee representatives alike resolved that, under consideration of regulations as per section 96(2) sentence 3 of the German Stock Corporation Act, the minimum quota of 30% for women and the minimum quota of 30% for men for members of the Supervisory Board shall be fulfilled separately.

At the constituent meeting of the Supervisory Board, the Deputy Chair of the Supervisory Board Dr. Daniel Hay was unanimously re-elected on May 10, 2022 after the Annual General Meeting, which had approved the proposed re-election.

In the Mediation Committee, Dagmar Muth succeeded Reinhard Müller with a unanimous resolution after his departure from the committee. The committee also unanimously elected Professor Susanne Hannemann as the new Chair of the Audit Committee to succeed Professor Andreas Georgi, who left the committee. Louise Öfverström was subsequently unanimously elected as a new member of the Audit Committee. In the Nomination Committee, Professor Andreas Georgi succeeded Dr. Franz Josef Jung, who left the Supervisory Board, after a unanimous vote.

The tasks and responsibilities of the Strategy Committee were expanded to include Environment, Social, Governance (ESG). As a result, the Rules of Procedure of the renamed Strategy and ESG Committee have been adapted and Dr. Britta Giesen has been elected as the person responsible for this specialist area. Reinhard Müller succeeded Markus Schaubel, who stepped down from the Supervisory Board with effect from May 10, 2022.

Where new elections to the committees were necessary, these did not result in any further personnel changes; rather, the existing representatives were confirmed in their functions.

The following overview provides information on the composition of the Supervisory Board and its committees as of the end of the reporting period.

Members of the Supervisory Board

Representatives	Practised Profession	First appointed appointed until[1]	Membership of Committees **Chairman**[1]	Membership in Supervisory Boards
Dipl.-Kfm. Ulrich Grillo **Chairman of the Supervisory Board** Mülheim an der Ruhr Year of birth 1959 Nationality German	- Chairman of the Board of Grillo-Werke AG	10.5.2016 » 2025	Audit committee **Personnel committee** **Strategy and ESG committee** **Nomination committee** **Mediation committee**	E.ON SE Grillo Zinkoxid GmbH [2] Zinacor S.A. [2] RHEINZINK GmbH & Co. KG [2]
Prof. Dr. Dr. h.c. Sahin Albayrak Berlin Year of birth 1958 Nationality German/Turkish	- Professor at the Technical University of Berlin, Germany - Head of the Department of Agent Technologies in Business Applications and Telecommunications at the Technical University of Berlin	11.5.2021 » 2024	Strategy and ESG committee	No mandates in other Supervisory Boards
Dr.-Ing. Dr. Ing. E. h. Klaus Draeger Munich Year of birth 1956 Nationality German	- Executive Advisor	9.5.2017 » 2026	Strategy and ESG committee	No mandates in other Supervisory Boards
Prof. Dr. Andreas Georgi Starnberg Year of birth 1957 Nationality German	- Executive Advisor	10.6.2002 » 2025	Nomination committee Personnel committee Mediation committee	Felix Schoeller Holding GmbH & Co. KG
Dr. Britta Giesen Essen Year of birth 1966 Nationality German	- Chairwoman of the Board of Pfeiffer Vacuum Technology AG	11.5.2021 » 2024	Strategy and ESG committee	No mandates in other Supervisory Boards
Prof. Dr. Susanne Hannemann Bochum Year of birth 1964 Nationality German	- Professor of General Business Management, specializing in business tax law and auditing, Bochum University of Applied Sciences	15.5.2012 » 2025	**Audit committee**	No mandates in other Supervisory Boards
Louise Öfverström Starnberg Year of birth 1975 Nationality Swedish	- CFO der Nemetschek SE [3]	10.5.2022 » 2026	Audit committee	Bluebeam Holding Inc., USA [4] Bluebeam Inc., USA [4] Nemetschek Inc., USA [4]
Klaus-Günter Vennemann Waidring, Austria Year of birth 1954 Nationality German	- Consulting Engineer	10.5.2016 » 2025	Nomination committee	No mandates in other Supervisory Boards

[1] Term of office ends at the close of the respective Annual General Meeting
[2] Internal mandates of Grillo-Werke AG on facultative supervisory boards
[3] since January 1, 2023
[4] Internal mandates of Nemetschek SE

Members of the Supervisory Board

Representatives	Practised Profession	First appointed appointed until [1]	Membership of Committees	Membership in Supervisory Boards
Dr. Daniel Hay **Deputy Chairman of the Supervisory Board** Essen Year of birth 1979 Nationality German	- Scientific Director of the Institute for Codetermination and Corporate Governance (I.M.U.) of the Hans-Böckler-Stiftung	May 7, 2014 » 2027	Audit committee Personnel committee Strategy and ESG committee Mediation committee	No mandates in other Supervisory Boards
Ralf Bolm Reinbek Year of birth1964 Nationality German	- Chairman of the Works Council of Rheinmetall Waffe Munition GmbH, Nico Trittau branch - Chairman of the General Works Council of Rheinmetall Waffe Munition GmbH - Deputy chairman of the Group Works Council of Rheinmetall AG	1.7.2020 » 2027	Audit committee	No mandates in other Supervisory Boards
Murat Küplemez Kaarst Year of birth 1970 Nationality Turkish	- Chairman of the Works Council of Pierburg GmbH, Neuss plant - Chairman of the Works Council of Pierburg Pump Technology, Neuss plant	10.5.2022 » 2027		No mandates in other Supervisory Boards
Dr. Michael Mielke Berlin Year of birth1964 Nationality German	- Head of the Actuators Division Pierburg GmbH, Berlin plant	1.9.2010 » 2027		No mandates in other Supervisory Boards
Reinhard Müller Wabern Year of birth 1960 Nationality German	- Exempted member of the Works Council of Rheinmetall Landsysteme GmbH, Kassel - Member of the General Works Council of Rheinmetall Landsysteme GmbH - Member of the Group's Works Council of Rheinmetall AG - Chairman of the European Works Council	9.5.2017 » 2027	Personnel committee Strategy and ESG committee	No mandates in other Supervisory Boards
Dagmar Muth Bremen Year of birth 1961 Nationality German	- Chairwoman of the Works Council of Rheinmetall Electronics GmbH - Vice Chairwoman of the Group‘s Works Council Rheinmetall AG	1.7.2015 » 2027	Strategy and ESG committee Mediation committee	Rheinmetall Electronics GmbH Vice Chairwoman
Barbara Resch Stuttgart Year of birth1975 Nationality German	- Secretary for Collective Bargaining at IG Metall Baden-Württemberg	1.7.2020 » 2027		ElringKlinger AG Schaeffler AG
Sven Schmidt Wiesloch Year of birth 1975 Nationality German	-Chairman of the Works Council of KS Gleitlager GmbH, St. Leon-Rot - Chairman of the General Works Council of KS Gleitlager GmbH - Chairman of the Group Works Council of Rheinmetall AG	1.7.2014 » 2027	Audit committee Strategy and ESG committee	No mandates in other Supervisory Boards

[1] Term of office ends at the close of the respective Annual General Meeting

Principal topics discussed by the Supervisory Board

During the period under review, the plenary assembly of the Supervisory Board held five scheduled and four extraordinary Supervisory Board meetings in which it examined the company's political and economic environment in detail. In addition to the development of the Rheinmetall Group as a whole, our attention was particularly focused on development in the five divisions Vehicle Systems, Weapon and Ammunition, Electronic Solutions, Sensors and Actuators, and Materials and Trade. In this context, we addressed topics including upcoming projects and major orders, the ongoing business development of the divisions and the current earnings and financial position in depth. We included political, economic and regulatory conditions, forecasts and challenges in the international competitive environment as well as the trends, opportunities and risks in regional growth markets in our discussions. In our discussions, the Supervisory Board also addressed strategic, operational and technological priorities and targets, along with their economic significance and expected influences on Rheinmetall's financial situation. In particular, we analyzed in depth the Group's corporate orientation and the further development of the Group structure. We also provided intensive advice on opportunities and methods to safeguard the competitiveness and future viability of the company, especially with a view to the impact of the Ukraine war and the continuing global COVID-19 pandemic. Furthermore, we dealt with potential acquisition projects and with actual and potential risks to the company, as required.

The Supervisory Board was supported reliably and effectively by the different committees again in 2022. At each of the subsequent plenary assembly meetings, the chairs of the committees reported on their preparations for the relevant agenda items, their general deliberations and the decisions they had taken, and provided comprehensive answers to all questions asked by the Supervisory Board members.

Session type

	Presence	Video/ telephone conference	Hybrid event	Circulation resolution	Total
Plenary assembly	5	4	-	1	10
Strategy und ESG Committee	1	-	1	-	2
Audit Committee	4	-	1	-	5
Personnel Committee	1	1	2	-	4
Nomination Committee	-	1	-	-	1
Mediation Commmittee	-	-	-	-	-

Information about the individual meetings and what was discussed, in chronological order:

The main topic of the extraordinary Supervisory Board meeting held as a video conference on **February 21, 2022** was the remuneration of the Executive Board. The target achievement of the short-term incentives (STI), both in the area of non-financial and financial targets, and the long-term incentives (LTI) for 2021, in each case taking into account the effects of the realignment of the Automotive division and the change to IFRS 5 accounting, were explained and discussed in detail. The proposed resolutions were adopted unanimously in each case. The discussion then focused on the STI and LTI for 2022, particularly regarding the ESG targets. The resolutions adopted in this context were also passed unanimously. The proposed resolutions discussed relating to the secondary activities of Mr. Merch as a member of the Supervisory Board of 4iG Nyrt. from February 24, 2022, and Mr. Grotendorst's activities on the Advisory Board of DBAG's Co-Investment Program, under whose cancellation agreement any activity until the end of the original term of office requires approval, were adopted unanimously. The proposed resolution concerning the finalized 2021 remuneration report was approved without any opposing votes or abstentions.

One agenda item at the annual accounts meeting that took place on **March 16, 2022**, which was held as a face-to-face meeting taking into account the pandemic-related rules, was discussion of the single-entity and consolidated financial statements of Rheinmetall AG as of December 31, 2021, issued with an unqualified auditor's opinion by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf branch, together with the combined management report including the non-financial statement and the Executive Board's proposal for the appropriation of net income for the year. The Executive Board presented the company's performance and results for fiscal 2021 in detail and also looked more closely at important individual issues in the divisions in this context. The auditors described the scope of their assignment, their audit methods and the main areas of the audit, and reported in detail on the material findings and results of their audits. Both the Executive Board and the auditor provided comprehensive answers to our questions.

Taking into account the company's financial situation and the expectations of shareholders and the capital market, we approved the Executive Board's proposal for appropriation of net income to distribute a dividend for 2021 of €3.30 per participating share.

We also discussed the Supervisory Board's report to the Annual General Meeting and deliberated in detail on the proposed resolutions to be presented to the 2022 Annual General Meeting, which we approved. The proposals to appoint Louise Öfverström as successor to Dr. Franz Josef Jung and to extend the mandates of Professor Susanne Hannemann and Professor Andreas Georgi for three years each and the mandate of Dr. Klaus Draeger until the Annual General Meeting in 2026 were unanimously adopted.

Later in the meeting, the Executive Board presented its report on the current business situation and gave its outlook on the anticipated economic development in fiscal 2022.

The meeting on **May 9, 2022** began by discussing the current situation in Ukraine and the related period of great uncertainty, but also the increased importance of security as the basis of freedom and the defence capability required for this. Reports were then given from the previous meetings of the Audit Committee and the Personnel Committee. The proposal to adjust the target for the quota of women on the Executive Board of Rheinmetall AG from a percentage to an absolute figure was unanimously approved. The proposed correction to the target values for ROCE resulting from an adjustment to the planning for the years 2022 to 2024 was unanimously approved.

Later in the meeting, the Executive Board looked at the current business situation and the prospects, particularly against the background of the changed framework conditions caused by the war in Ukraine. The security of the order backlog in the area of security technology has increased due to a further increase in the share of sales from NATO states and equivalent countries. Significant leaps in order and sales growth were expected with Germany as the main driver. The company also had very good prospects in international markets. The automotive market continued to suffer from the pandemic-related restrictions in China, but good returns were expected in the second half of the year thanks to cost discipline. The business development in the divisions was then explained in more detail. To sum up, the Group succeeded in more than doubling its order intake in the first quarter of 2022, which now represents a new record value. Despite the different business developments in the divisions, an operating result above the previous year was achieved at Group level. The issue of energy security was also discussed in view of the threat of supply stoppages. Overall, the achievement of the lower end of the guidance was confirmed with relative certainty. Reaching a higher figure would depend on further developments, such as special funds as well as effects at the expense of the civil divisions. Rheinmetall is well prepared for further challenges, such as recruiting new personnel.

The Executive Board then provided information on the preparations for the Annual General Meeting to be held on the following day and on the use of intellectual property rights in the Rheinmetall Group. Mr. Grotendorst's activities for InterCora spol.s.r.o. were unanimously approved.

At the constituent meeting of the Supervisory Board on **May 10, 2022**, held as a video conference, the members were called upon to make various voting decisions. The Vice Chair of the Supervisory Board, Dr. Hay, was re-elected unanimously. Likewise, Dagmar Muth and Professor Andreas Georgi were elected as further members of the Mediation Committee. Professor Andreas Georgi and Reinhard Müller were also unanimously elected as further members of the Personnel Committee. In the Audit Committee, Professor Susanne Hannemann was unanimously elected as Chair, Ulrich Grillo and Louise Öfverström as further representatives on the shareholders' side, and Dr. Daniel Hay, Ralf Bolm and Sven Schmidt on the employees' side. Klaus-Günther Vennemann and Professor Andreas Georgi were then unanimously elected as further members of the Nomination Committee.

In addition, with the formal expansion of the Strategy Committee to include ESG topics, a renaming of the committee to Strategy and ESG Committee was put to vote. The Rules of Procedure of this committee were revised with immediate effect after the renaming was unanimously approved. Dr. Britta Giesen was designated as ESG officer at the first meeting. On the employers' side, Professor Sahin Albayrak, Dr. Klaus Draeger and Dr. Britta Giesen were elected as further members of the committee. On the employee side, Dr. Daniel Hay, Dagmar Muth, Reinhard Müller and Sven Schmidt were elected unanimously.

On **June 14, 2022**, three proposed resolutions were sent to the members on behalf of the Chair of the Supervisory Board with reference to the submitted draft resolutions for the purpose of adopting resolutions in writing by circular resolution in accordance with section V(3) of the Rules of Procedure of the Supervisory Board. The proposed resolution on the approval of Jörg Grotendorst's activities for Nordic Capital Investment Advisory AS in Oslo was approved unanimously by proxy vote, as was the acquisition of the property in Rome, Via Affile 102. After Dagmar Steinert began work as of December 1, 2022, the third proposed resolution concerned the required approval of her Supervisory Board mandate at ZF Friedrichshafen AG until March 31, 2023, which was approved unanimously by proxy vote.

August 18, 2022 began with a report from the Audit and Strategy Committees. The Audit Committee decided to postpone the annual risk report to the November meeting, as the results of the ongoing audit of the risk management system would be available at that time. It was also explained that the consideration of cash flow at risk would be changed to a one-year risk horizon in the future. The non-audit services and the amendments to the German Corporate Governance Code were also discussed, as was the debriefing on the 2021 audit. The Strategy Committee discussed the opportunities and challenges for Rheinmetall and the individual divisions arising from the government package. Other topics included the automotive sector, artificial intelligence, and ESG activities. In this context, the importance of the Environment, Social, Governance area was underlined, as was the need to consider the resulting changes across departments business processes within the company.

At the beginning of the presentation of the current business situation, the Chair of the Executive Board provided information on an early stage of a bidding process that could result in significant growth opportunities. The sale of the large-bore pistons business also featured as a topic. The aim was to sign the agreement with the approval of the Supervisory Board and close the deal by the end of the year. The Chair then reported on the current business situation. In security technology, a significant increase in the share of sales to NATO states and related countries from 65% in 2015 to around 88% in 2022 led to a parallel reduction in the share of sales to third countries and, at the same time, any potential reputational risks associated with deliveries to individual countries. However, Rheinmetall is also benefiting from the changes in the defence budgets of the EU member states in the years 2021 to 2030, the increase in the share of the defence budget in gross domestic product, the investment share in the defence budget and the increasing importance of land forces in national defence. However, the focus of the programs is backend loaded in favor of the later planning years. Rheinmetall's targeted shares of special funds continued to be outlined, such as potential orders for battle tanks and infantry fighting vehicles or various ring exchange programs. Delayed processing by customers led to a postponement of order expectations and thus to corresponding disappointment on the capital market. In the civil sector, the divisions withstood the difficult market situation. Regarding production development, Rheinmetall remained able to deliver and had no backlog. As a side note, the CEO provided an overview of capacity planning for the various programs and locations and the relevant influencing factors. In this context, the acquisition of new employees and employee turnover were addressed, as well as energy management and energy security issues and IT transformation.

The Vehicle Systems division lagged behind the previous year in terms of order intake due to the in part historically high level of incoming orders in fiscal 2021. On the other hand, the Weapon and Ammunition division reported the best half-year return of all divisions and, with an ammunition order from Hungary, received the largest single order in the history of the division. In the Electronic Solutions division, the order situation was good and sales grew at a double-digit rate, although earnings were burdened by the integration of the EMT acquisition. In the Sensors and Actuators division, the company hoped to catch up by the end of the year after a weak first half worldwide. Sales were on par with the previous year's level. The Materials and Trade division suffered from negative influences, particularly in the Castings business. Regarding the Group's business development, the CFO stated that the return on investment is currently higher, while the OFCF is worse as a result of pre-financing. Although the reduction in order expectations led to disappointment on the capital market, good discussions were held with investors. The analysts' recommendations and share price targets in any case remained virtually unchanged, which spoke in favor of the equity story.

Furthermore, the present draft resolution on the Declaration of Conformity in accordance with section 161 of the German Stock Corporation Act (AktG), adjusted in line with the amendments to the German Corporate Governance Code, was unanimously adopted. The auditor's certificate on the audit of the system for compliance with the requirement resulting from section 20 of the German Securities Trading Act (WpHG) (EMIR) was presented. The Chair of the Executive Board also provided information on expansions of logistics capacities in the highly profitable aftermarket sector. The status of the law on the introduction of virtual annual general meetings was then explained.

The sale of the large-bore pistons business was discussed at the extraordinary meeting on **September 30, 2022**, which was held as a video conference. Following in-depth discussions and taking into account a good solution for the future of the employees, an investor was found for this part of the pistons business. Despite all efforts, the planned sale of the pistons business as a whole in the interests of the employees unfortunately proved to be unfeasible. Following an overview of the bidding process, the selected bidder was introduced: Koncentra, a fund of the Encrantz family asset management company, presented not only the best price but also the best concept for long-term continuation in the interests of the employees. The corresponding target structure, the purchase price formula and the main contractual conditions, including a long-term lease at the Neckarsulm site and a transfer of all employees, were also presented. Following an in-depth discussion that included the options for the large and small-bore businesses, which will now not be sold as a whole as announced in May 2021, the Supervisory Board unanimously approved the proposed resolution to sell the large-bore business based on the presentation.

The extraordinary meeting convened for **November 3, 2022**, which was held in the form of a video conference, served as a preparatory discussion of the planned strategic acquisition of Expal Systems. Various models for validating the purchase price, financing the purchase price, due diligence and risk scaling were presented and discussed in detail. Depending on the further auction process and the status of negotiations, a further meeting was announced for decision-making.

On **November 13, 2022**, the Supervisory Board met again in an extraordinary meeting in the form of a video conference. After Professor Susanne Hannemann reported in detail on the intensive examination of the transaction by the Audit Committee and further questions were answered by the Executive Board, the Supervisory Board unanimously approved the acquisition of all shares in the Spanish company Expal Systems.

The last ordinary meeting of the year on **December 7, 2022** began with an overview of the issues facing each committee. In addition, subject to the Group's planning still to be adopted and the calibration to be carried out in the February 2023 meeting with regard to the non-financial targets, the short-term incentives for 2023 and the draft resolution on them were discussed in detail and subsequently adopted unanimously. The proposed resolution on the 2023 LTI tranche was also discussed in depth and was also adopted unanimously.

The Executive Board then explained the current business situation and specific issues. Due to the fact that 89% of the order backlog as of September 2022 related to business with NATO member states and related countries, there was a significant reduction in export risk. Given the Russian war against Ukraine, the order intake situation has become more dynamic. Nevertheless, the original order intake targets for fiscal 2022 could no longer be achieved, primarily due to the fact that a decision by an Australian customer on a major order was postponed until the coming fiscal year.

The Executive Board then provided an outlook on the business development expected up to the end of the fiscal year, particularly with regard to the individual Group divisions.

In addition, the business planning for 2023 to 2025 and the associated medium-term targets as well as the strategic positioning were presented by the Executive Board. In this connection, the Executive Board explained the key milestones related to the "Defence Super Cycle," which is experiencing a certain acceleration effect due to current turning point and will have a considerable impact on the development of Rheinmetall's business in particular. In the security technology environment, it can be assumed that NATO countries in particular will generally increase their spending on defence equipment. In the civilian environment, slight growth is expected for the coming fiscal year.

The strategic goal of operating on a carbon-neutral basis by 2035 remains valid, and the measures to be taken are being developed in close consultation with the Supervisory Board. After subsequent discussion and review of the plausibility of the assumptions and expectations and the opportunities and risks, we acknowledged the corporate planning and approved the proposed investment plan for fiscal 2023.

We then unanimously approved the proposed resolution on the renewal of the overall financing framework for promissory note loans and bonds, which was explained in detail, including an update on the acquisition financing of Expal Systems. Finally, the agenda and implementation modalities of the 2023 Annual General Meeting were discussed.

Committee meetings

The Supervisory Board prepares its work in five committees. There is a Strategy and ESG Committee, Audit Committee, Personnel Committee, Nomination Committee and Mediation Committee, the composition of which corresponds to the overview shown above. The primary task of these committees is to prepare a structure for complex and time-consuming topics prior to plenary assembly meetings and to examine proposed resolutions submitted by the Executive Board in advance. If certain decision-making powers have been delegated to them by the Supervisory Board, they may also decide in place of the Supervisory Board in individual cases to the extent permitted by law.

The Chairman of the Supervisory Board presides over all committees with the exception of the Audit Committee. Further information on the duties and responsibilities of the committees can be found in the corporate governance statement in the section on corporate governance. The chairs of the committees report to the Supervisory Board on a regular and extensive basis on the work of the committees and topics discussed.

The **Strategy and ESG Committee** met in March and July in the year under review. The general external conditions presented by the Executive Board and the associated challenges and potential disruptions were discussed at length. Topics that were addressed in depth included relevant market-related and technological trends that hold potential for further profitable growth, the expansion of strategic core areas of expertise and technological positions, potential new areas of business, initiatives for expansion into emerging markets and regions, and the future positioning of the divisions and the resulting targets and measures.

In particular, the current events in Ukraine and their effects were also discussed in depth. Of interest were the possibilities for support from the industry for the German government. Other topics include the potential for Rheinmetall arising from requirements communicated by the German armed forces and whether sufficient production capacities are available or can be further expanded. In addition, the fundamental planning and procurement process of the German armed forces was addressed, as well as the impact on the company's civil divisions with regard to raw material imports, international supply chains and rising raw material and energy prices.

The members of the committee dealt intensively with developments in the ESG area. As well as the change in society's perception of sustainability, the committee dealt with the rising expectations of stakeholder groups, the relevant drivers and their impact on the company, and the consideration of sustainability aspects in business processes and decisions. Another focus was on non-financial reporting. The approach presented by the Executive Board for implementing the requirements of the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz), which comes into effect on January 1, 2023, was discussed, as was the content of the ESG reporting required from fiscal 2024 in accordance with the Corporate Sustainability Reporting Directive (CSRD).

In addition, the Executive Board looked at the findings of internal strategy meetings with the individual divisions. The strategic and business alignment of the divisions and the courses of action to be derived from this were presented in detail. The strategic highlights were also presented, as well as the resulting growth plans and financial targets at division level.

In the past fiscal year, the **Audit Committee** met in March, May, August, November and December. In addition to a preparatory examination of the single-entity and consolidated financial statements, on which it issued a recommendation to the plenary assembly of the Supervisory Board on the passing of a resolution in accordance with section 171 of the German Stock Corporation Act, it dealt in particular with the monitoring of the accounting process, the effectiveness and further development of the internal control system, the risk management system, the internal auditing system and the compliance management system, including data protection management. Prior to their publication, the quarterly and semi-annual results were discussed in detail with the Executive Board. In the November meeting, the acquisition of Expal Systems in Spain in particular was discussed in detail regarding the validation of the purchase price, purchase price financing, due diligence and risk scaling. The auditors of the financial statements participated in the Audit Committee meetings in March and December 2022.

Other topics discussed at the meetings included the dividend proposal, the results of the shareholder structure analysis, reports on major projects, an update on the IT transformation and the IT security concept, in addition to dealing with specific individual issues in the divisions. Suitable procedures for reviewing the quality of the audit of the financial statements were discussed in detail.

The key audit areas in 2021 were characterized as largely stable compared with the previous year. The audit of the risk early warning system confirmed implementation of the new requirements of the Financial Market Integrity Strengthening Act (FISG). Other topics discussed in this context were Rheinmetall's control system, the status of IT controls and hedge accounting and the new EU taxonomy requirements for the non-financial statement.

Regarding non-financial reporting, the Executive Board provided information not only on the current status of the EU Taxonomy Regulation, but also on the scope, content and level of detail of the new European Sustainability Reporting Standards (ESRS), which were published by EFRAG in mid-November 2022 as part of the Corporate Sustainability Reporting Directive (CSRD) that will apply from fiscal year 2024. Furthermore, the Executive Board provided an overview of the technical support for recording ESG data for the non-financial statement in the Group management report and the upcoming audit procedures of the auditor relating to environment. The activities carried out in the year under review to record and analyze data and values for determining Scope 3 were presented. The committee also handled the questionnaire published by the German Federal Office for Economic Affairs and Export Control (BAFA), which affected companies must complete and upload to BAFA's platform for the first time for the fiscal year running from 2023 to April 2024 in fulfillment of the German Supply Chain Due Diligence Act. In addition, the topic of energy management and the status of the roadmap to achieve carbon neutrality by 2035 were explained in detail.

Furthermore, the members of the Audit Committee looked at the material organizational and oversight duties required of companies with respect to related party transactions under ARUG II. We also had the Executive Board inform us of the situation regarding major projects that are in the bidding and performance phase. Furthermore, the members of the Audit Committee discussed the status of preparations for the Annual General Meeting to be held on May 10, 2022 and the dividend proposal.

The Audit Committee also made a decision concerning agreements with the auditor, specifically the audit engagement, setting focal points of the audit and arranging fees. The Executive Board provided information regularly on the scope of non-auditing services.

The members of the Audit Committee also discussed the working capital, liquidity and financing situation of the Rheinmetall Group and the implications arising from the coronavirus pandemic and the war in Ukraine, and supply bottlenecks in certain sectors.

At meetings during the year, the members of the Audit Committee were also informed by managers at the company about the Group function Legal, compliance and tax compliance, risk management, internal auditing and insurance coverage in the Rheinmetall Group. Along with the standard processes put in place, individual topics within these areas were also discussed. The members of the Audit Committee gained a more in-depth picture of existing structures and organizations, workflows and rules and had the opportunity to ask questions about and comment on developments that were presented and the planned improvement measures in these areas. They concluded that Rheinmetall AG has appropriate, adequate and effective systems and control mechanisms in these areas and that it reviews these on an ongoing basis and is systematically and consistently expanding them.

Four members of the Audit Committee have particular knowledge and experience in the application of accounting principles and internal control processes (financial experts). Professor Susanne Hannemann, Professor Andreas Georgi, Louise Öfverström and Ulrich Grillo are independent and are not former members of the Executive Board of the company.

The **Personnel Committee** met four times in February, May, September and December 2022 and prepared topics for the Supervisory Board plenary assembly, including the content and structure of the target agreements, the extent to which targets were achieved for fiscal 2022, and the setting of targets, ranges and the calculation basis for Executive Board variable remuneration in 2022. Another topic was the revision of the ROCE targets for the years 2022 to 2024.

It was unanimously agreed that one position on the Executive Board of Rheinmetall AG should be occupied by a woman during the period from July 1, 2022 to June 30, 2025. This quota was met with the appointment of Dagmar Steinert as a new member of Rheinmetall's Executive Board with effect from December 1, 2022.

The committee discussed commissioning a review of the company pension scheme for new members of the Executive Board to ensure that it is in line with market practice and structured accordingly. We subsequently unanimously approved the review and advice on a possible need for adjustment.

Finally, the Supervisory Board discussed the impact of the disposal of the Pistons division.

The **Nomination Committee** met in January 2022 to discuss the agenda item regarding the nomination of Supervisory Board members on the shareholder side, as presented to the Annual General Meeting in 2022. The process for seeking candidates was also reported on in this context. In addition, the resume and skills profile of the candidate found were discussed in detail. The members of the committee met the new candidate – Louise Öfverström – during the meeting in a lengthy video conference, during which the candidate explained in detail her career and her motivation for taking on a Supervisory Board role at Rheinmetall. The meeting also discussed the proposal to reappoint Professor Susanne Hannemann and Professor Andreas Georgi, whose mandates ended on May 10, 2022, for four and three further years respectively. The re-election of Dr. Klaus Draeger for a further four years was also a topic of conversation. Dr. Franz Josef Jung's retirement was unavoidable due to external requirements, particularly regarding his age. Professor Andreas Georgi is to take over his position on the Nomination Committee, while Professor Susanne Hannemann is to succeed to his chairmanship of the Audit Committee. The individual proposals were adopted unanimously.

The **committee pursuant to section 27(3) of the German Codetermination Act**, which is required under statutory law, did not convene in the past fiscal year.

Composition of the Executive Board

In fiscal year 2022, the Executive Board consisted of three members from January to November: Armin Papperger, as Chair of the Executive Board of Rheinmetall AG, and Executive Board members Helmut P. Merch (CFO) and Peter Sebastian Krause (HR). As of December 1, 2022, Dagmar Steinert became a member of the Executive Board, succeeding Helmut P. Merch as CFO as of January 1, 2023.

Corporate governance

The further development of the fundamental principles and regulations concerning corporate governance at the company – in particular, the application of the recommendations of the German Corporate Governance Code (GCGC) – are regularly monitored by the Supervisory Board. In June 2022, the Executive Board and Supervisory Board issued and published their declaration of conformity with the GCGC. We are following the recommendations contained in the latest version of the code dated June 27, 2022, with just one exception (age limit for Executive Board members). The complete wording of the current and previous declarations of conformity with the code can be viewed on the company's website under the heading "Corporate Governance."

No indications of any actual conflicts of interest involving members of the Executive Board or Supervisory Board within the meaning of principle 19, items E.1 and E.2 of the GCGC were identified in the past fiscal year. No former members of the Executive Board of the company are members of the Supervisory Board.

The members of the Supervisory Board take their own initiative to undertake any training that may be required. Where required, they are supported in their efforts by the company.

The Supervisory Board regularly carries out an assessment of its activities, evaluating aspects such as Supervisory Board process flows, the allocation of responsibilities, the flow of information between the Supervisory Board and its committees, the routing of information from the Executive Board and the interaction of the two boards. The results of past efficiency reviews, which were performed either as self-assessments or with external input, were consistently positive. The workflows and processes of the Supervisory Board were classed as target-oriented and efficient, and any knowledge obtained is incorporated into the Supervisory Board’s work. After the Supervisory Board targets were updated and a skills profile for the entire Supervisory Board was adopted at the meeting in August 2020, a separate evaluation was not undertaken in fiscal 2022.

The corporate governance statement in accordance with section 315d of the German Commercial Code in conjunction with section 289f of the German Commercial Code in the section “Corporate governance – corporate governance statement” contains the wording of the aforementioned declaration of conformity. The working methods of the Executive Board, Supervisory Board and the committees are also described. In addition, information is provided about the gender quota and diversity concept for the Executive Board and Supervisory Board. The corporate governance statement is published on the company’s website.

The participation quota of members in discussions on the plenary assembly and on the committees remained at a high level at 98%. Members that were prevented from attending meetings were involved in decision-making through submission of a proxy vote.

Corporate governance roadshow

In February 2022, the Supervisory Board Chair Ulrich Grillo supported a corporate governance roadshow at nine events. The discussions held on these dates focused primarily on the current composition of the Supervisory Board, the skills profiles of its members, and the independence of the body, in particular the Audit Committee. Diversity in view of aspects such as gender and internationality, as well as sustainability with regard to the environment and social issues, were further topics.

Furthermore, successor planning regarding the upcoming Supervisory Board elections was also discussed as well as the desired skills profile of possible candidates. The changes to the Executive Board remuneration system were also discussed.

Individual attendance of the members of the Supervisory Board at meetings in fiscal 2022

	Chair | Member		Participation | Meetings	Attendance in%
Plenary assembly	**Ulrich Grillo**		10 | 10	100%
	Prof. Dr. Dr. h.c. Sahin Albayrak		10 | 10	100%
	Dr.-Ing. Dr.-Ing. E. h. Klaus Draeger		10 | 10	100%
	Prof. Dr. Andreas Georgi		10 | 10	100%
	Dr. Britta Giesen		10 | 10	100%
	Prof. Dr. Susanne Hannemann		10 | 10	100%
	Dr. Franz Josef Jung	(up to May 10, 2022)	3 | 3	100%
	Louise Öfverström	(from May 10, 2022)	7 | 7	100%
	Klaus-Günter Vennemann		10 | 10	100%
	Rolf Bolm		9 | 10	90%
	Dr. Daniel Hay		9 | 10	90%
	Murat Küplemez	(from May 10, 2022)	7 | 7	100%
	Dr. Michael Mielke		10 | 10	100%
	Reinhard Müller		10 | 10	100%
	Dagmar Muth		10 | 10	100%
	Barbara Resch		10 | 10	100%
	Markus Schaubel	(up to May 10, 2022)	3 | 3	100%
	Sven Schmidt		10 | 10	100%
Strategy and ESG Committee	**Ulrich Grillo**		2 | 2	100%
	Prof. Dr. Sahin Albayrak		2 | 2	100%
	Dr.-Ing. Dr.-Ing. E. h. Klaus Draeger		1 | 2	50%
	Dr. Britta Giesen		2 | 2	100%
	Dr. Daniel Hay		2 | 2	100%
	Reinhard Müller	(from May 10, 2022)	1 | 1	100%
	Dagmar Muth		1 | 2	50%
	Markus Schaubel	(up to May 10, 2022)	1 | 1	100%
	Sven Schmidt		2 | 2	100%
Audit Committee	**Prof. Dr. Andreas Georgi**	(up to May 10, 2022)	2 | 2	100%
	Prof. Dr. Susanne Hannemann	(from May 10, 2022)[1]	5 | 5	100%
	Ulrich Grillo		5 | 5	100%
	Louise Öfverström	(from May 10, 2022)	3 | 3	100%
	Rolf Bolm		5 | 5	100%
	Dr. Daniel Hay		4 | 5	80%
	Sven Schmidt		5 | 5	100%
Personnel Committee	**Ulrich Grillo**		4 | 4	100%
	Prof. Dr. Andreas Georgi		4 | 4	100%
	Dr. Daniel Hay		4 | 4	100%
	Reinhard Müller		4 | 4	100%
Nomination Committee	**Ulrich Grillo**		1 | 1	100%
	Dr. Franz Josef Jung	(up to May 10, 2022)	1 | 1	100%
	Prof. Dr. Andreas Georgi	(from May 10, 2022)	0 | 0	0%
	Klaus-Günter Vennemann		1 | 1	100%
Mediation Committee	**Ulrich Grillo**		0 | 0	0%
	Prof. Dr. Andreas Georgi		0 | 0	0%
	Dr. Daniel Hay		0 | 0	0%
	Dagmar Muth		0 | 0	0%

[1] Chair from this date, member until this date

Audit of the annual financial statements

Following our proposal, on May 10, 2022, the Annual General Meeting elected Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Düsseldorf branch, as the auditor of the financial statements for fiscal 2022.

The single-entity financial statements prepared by the Executive Board in accordance with German GAAP as of December 31, 2022, and the consolidated financial statements prepared on the basis of section 315e of the German Commercial Code in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, together with the combined management report, including the non-financial statement, including the accounts, were audited by Deloitte, in accordance with statutory regulations and were issued with an unqualified auditor's opinion. The auditor conducted the audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW).

The members of the Supervisory Board received the single-entity and consolidated financial statements documentation, the proposed resolution on the appropriation of net income and the audit reports prepared by the auditors in good time in order to ensure an in-depth, thorough review. This financial statement documentation was discussed in detail during the Audit Committee's meeting on March 14, 2023, and at the annual accounts meeting of the Supervisory Board on March 15, 2023, in the presence of the auditors and following the presentation of the auditors' report. They provided information on the scope, focal points and key results of their audit, answered all questions without reservations and also offered additional information.

We examined the single-entity and consolidated financial statements, the remuneration report, the combined management report and the proposal for the appropriation of net income for the year. There were no objections. We concurred with the results of the audit performed by the auditors. We approved the single-entity and consolidated financial statements presented by the Executive Board for fiscal 2022 at today's Supervisory Board meeting. The financial statements are thus adopted under the terms of section 172 of the German Stock Corporation Act. We concurred with the Executive Board's proposal for the appropriation of net income, which provides for the distribution of a dividend of €4.30 per entitled share for the year under review, taking into account the company's results of operations and financial position, investment planning and the interests of stakeholders.

As a result of the war in Ukraine and the ongoing coronavirus pandemic, there were extraordinary challenges to be faced again in the year under review, which placed huge demands on all those involved. Tackling all of the associated tasks and additional difficulties requires motivation, flexibility, resilience, courage and tenacity. Also on behalf of my colleagues on the Supervisory Board, I would like to thank the members of the Executive Board, the managers and all employees. In these tumultuous times, you again made Rheinmetall's success possible in 2022, against all odds, with your hard work and your considerable personal dedication. To our customers, shareholders and business partners, I would like to thank you for the trust that you have often placed in Rheinmetall over many years, and particularly during these challenging times.

I would like to thank Helmut P. Merch, who has been a member of the Executive Board of Rheinmetall AG as Chief Financial Officer since the beginning of 2013, having held a wide variety of management positions since 1982, and who will be taking his well-deserved retirement from December 31, 2022. Our work together was characterized by mutual respect, trust, reliability and constructive dialog – values that are essential to the success of a company at all times. Thank you for your decades of commitment to Rheinmetall.

Düsseldorf, March 15, 2023

On behalf of the Supervisory Board
Ulrich Grillo
Chair

Peter Sebastian Krause, Human Resources | *Armin Papperger, Chairman of the Executive Board* | *Dagmar Steinert, Finances*

EXECUTIVE BOARD OF RHEINMETALL AG

Dear Shareholders,

Fiscal 2022 was marked by the recovery from the effects of the pandemic, inflation and the impact of Russia's war of aggression against Ukraine. The latter heralded an epochal shift in Germany's and Europe's security policy. For the first time in its history, the Federal Republic of Germany is set to formulate a national security strategy. And through a € 100 billion special fund, the German government and Bundestag have resolved to provide the German armed forces with better equipment in order to create a powerful, state-of-the-art and advanced military force.

Peace must never be taken for granted. While it can be nurtured through dialog, it requires deterrence and decisiveness wherever necessary too. At the swearing-in ceremony for the new German Federal Minister of Defence in January 2023, Federal President Frank-Walter Steinmeier stressed once again the critical importance of ensuring that the German armed forces are equipped to defend and deter in the face of new threats and geopolitical upheavals. He stated that a rigorous alignment toward the core tasks involved in the defence of nations and the alliance with comprehensive, state-of-the-art equipment was essential in order to be, as a strong nation in the heart of Europe, a dependable partner within the alliance. Behind all this is the realization that security – including military security – forms the very foundation of our ability to lead our lives in peace and freedom.

With this in mind, Rheinmetall believes that it has a responsibility to contribute to the future-proof equipping of our armed forces and, in turn, to keep the peace. Against this backdrop, in fiscal 2022 we – as a leading equipment provider to the German armed forces and reliable supplier to Germany's NATO allies – saw a rise in orders for state-of-the-art defence technology.

In our civilian business, too, we managed to increase sales in a challenging market environment. Here we received an increasing number of orders involving components and systems for the electrification of drive systems, among them orders for fuel cell drives too. This proves that we are well on course to successfully weather the transformation of the industry toward future-oriented, eco-friendly transportation. Rheinmetall is also driving forward the development of innovative technologies throughout the value chain of the hydrogen economy, which is expected to make a decisive contribution to the energy transition.

Record-breaking operating result – Operating margin significantly higher than last year – Forecast increased

Regardless of all the macroeconomic uncertainties, the financial performance of Rheinmetall in the year under review once again proved to be robust and profitable. Not least by means of strict cost control, active provisioning and the mitigation of risks on the energy and procurement markets, Rheinmetall implemented appropriate measures to counter inflation rises and the fraught situation on the markets for raw materials and primary products. This approach once again proved successful and contributed to the positive conclusion of business. Following the increase in our operating result by €27 to a record €754 million, we are performing significantly better than we were pre-pandemic. And our operating margin of 11.8% exceeds last year's 10.5%.

Our medium-term targets, which we raised in November 2022 with a view to 2025, do not take full account of these developments. By the middle of the decade, our dynamic sales growth is expected to be accompanied by an operating margin of 13%. The operating cash flow target is 4–6% of sales. We have already increased the dividend payout ratio. In the future, it will range between 35% and 40%.

Flexible working models – Preventive measures expanded

We still of course strive to act in a suitable and responsible manner, in particular toward our employees too. In the year under review, for example, we expanded the opportunities for mobile working and continue to increasingly use online meetings for engaging in dialog with one other. We also continue to offer vaccinations and free rapid tests for our employees. In addition, employees suffering from long COVID receive long-term support from the company. In 2022, as a way of further enhancing our health measures, we implemented the position of health coordinator in each company worldwide and created a standardized budget for supporting voluntary health measures.

Attractive employer for young people – Successful in the competition for skilled workers

Receiving more than 160,000 job applications worldwide in 2022, our company once again proved itself to be a highly sought-after employer. In the ranking of young professionals in engineering, we moved up again to 22nd place, following an already very good 25th place in the previous year.

In addition, 2022 saw us train 412 young people at our German sites alone; the total number of young trainees at all our sites combined was 872. This enabled us to successfully combat the shortage of skilled workers. Another approach we took to combating this imminent shortage was to increase investment in training and university marketing measures and raise our profile at personnel, recruitment and trade fairs, especially those aimed at engineers, IT specialists and soldiers.

We encourage the entrepreneurial mindset and actions of our employees by allowing them to buy shares in the company. The "My piece of Rheinmetall" share purchase program gives employees in Germany, Austria and Switzerland the opportunity to buy Rheinmetall shares at attractive conditions. These shares carry voting and dividend rights, thereby supporting long-term asset generation and helping to enhance our employees' sense of identification with Rheinmetall.

Thanks to some crucial realignments, timely decision-making and the measures already implemented, we have confidence in our ability to build on the financial success of our company and enhance our leading position as an integrated technology group in pioneering key markets.

Inclusion in Germany's benchmark DAX 40 index

A few days ago, Deutsche Börse announced that Rheinmetall AG would be moving up into the top league of the German capital market and would be included in the DAX 40 benchmark index from March 20, 2023. As a result of the share price performance in recent months, as of the end of February 2023 we have reached the 33rd position in the ranking list of listed companies with the highest market capitalization in Germany, which entitles us to be promoted in accordance with the rules of Deutsche Börse.

The Executive Board

Rheinmetall on the capital markets

Fears about the economy and the economic downturn shaped the stock market year 2022

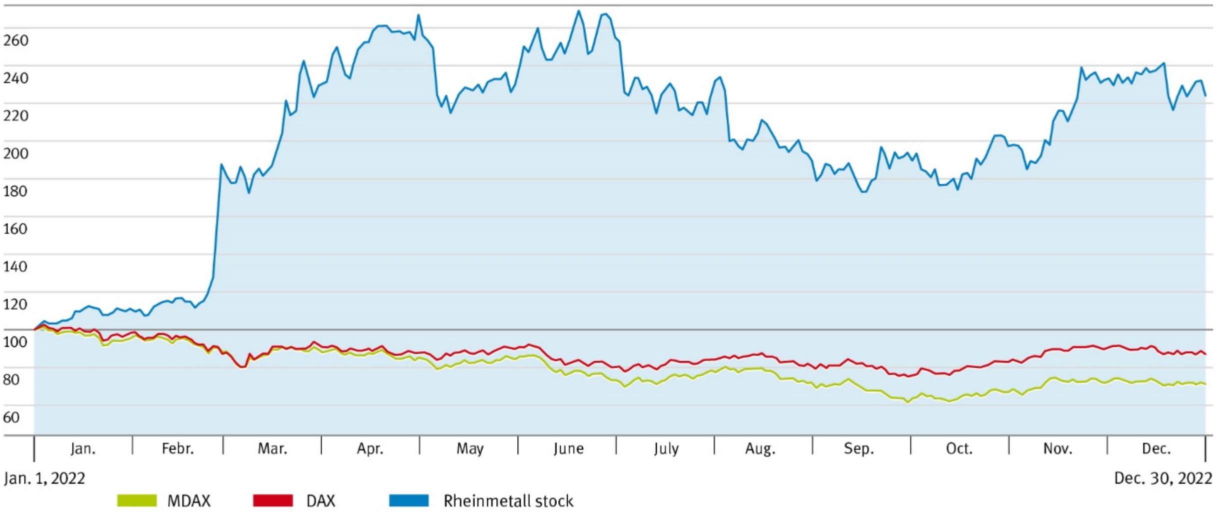
The recovery on the financial markets after the 2020 coronavirus pandemic characterized the 2021 stock market year. However, the positive sentiment on the markets was significantly curbed in February 2022 by Russia's war of aggression on Ukraine. When Russian President Vladimir Putin declared the invasion of his troops in Ukraine in a speech on February 24, 2022, the capital market reacted negatively. After Russia annexed Crimea in 2014 in violation of international law, no other event disturbed the European balance as much as the invasion of Ukraine by Russian troops. As a result, the defence industry's importance and necessity rapidly increased, with shares of companies in the defence industry recording high price gains. This trend was supported by German Chancellor Olaf Scholz's "Zeitenwende speech" on February 27, 2022, where he announced an investment of €100 billion in the German armed forces as a result of the Russian invasion. German defence stocks in particular experienced an enormous upswing.

The European Union announced sanctions against Russia and called on President Putin to withdraw his troops. Russia responded to the EU sanctions by interrupting gas supplies to Europe. Germany in particular quickly found itself at the center of the energy crisis due to its high dependence on Russian gas. Energy costs as well as consumer prices rose rapidly. To counter inflation, central banks around the world responded with interest rate hikes. As a result, general demand fell and the downturn on the financial market was significantly intensified.

The negative events were also reflected in the German DAX and MDAX indices over the course of the year. Both the DAX and the MDAX lost value in the 2022 stock market year. The German share index lost a total of 12.3% over the past year. The DAX reached its low for the year at 11,975 points at the end of September 2022, but subsequently recovered to 13,923 points by the end of the year. By contrast, the MDAX lost significantly more value in the past stock market year 2022. The mid-cap index fell to 21,791 points by the end of September. In contrast to the DAX, the MDAX recovered only moderately from the previous price losses. By the end of the stock market year, the MDAX recorded a decline of 28.5% and closed at 25,117 points.

Rheinmetall share price trend in comparison to development of the DAX and MDAX

December 30, 2021 (100%) through December 30, 2022



The Rheinmetall share price significantly outperformed the market as a whole in 2022. As a result, Rheinmetall shares clearly bucked the general stock market trend. In June 2022, Rheinmetall AG reached its highest share price in the Group's history at €224, corresponding to an increase of 170% on the closing price in 2021. The decisive factor for the strong upward movement of Rheinmetall AG's share price was Putin's announcement at the end of February 2022 that he would launch a military offensive in Ukraine and the associated €100 billion package for the German armed forces initiated by Chancellor Olaf Scholz. During the year, fears of recession arose on the market as a whole due to the energy crisis and high inflation, with the result that Rheinmetall shares also corrected. With the acquisition of Expal Systems SA and the associated securing of production capacities for ammunition, which is in high demand, Rheinmetall began a significant upward trend on the capital market from November 2022. In December 2022, Rheinmetall shares ended the year at a closing price of €186.05. This corresponds to an increase of +124% compared with the closing price of the previous year.

In terms of market capitalization, Rheinmetall AG ranked 36 among all companies listed in Germany at year-end 2022 according to Deutsche Börse AG.

Annual General Meeting

This year, the Annual General Meeting of Rheinmetall AG was held on May 10, 2022. As in the previous year, the event was held virtually due to the COVID-19 pandemic and to protect all attendees. 58.19% of the total share capital was represented. As in the previous year, participants at the Annual General Meeting were offered the opportunity to submit their questions via an online portal to enable discussion. A total of around 165 questions were answered by CEO Armin Papperger and Supervisory Board Chair Ulrich Grillo.

The proposal of the Executive Board and Supervisory Board to distribute a dividend of €3.30 for fiscal 2021 was accepted by the shareholders present. The payout ratio, which represents the dividend to be distributed in relation to earnings per share, was 37%. Compared with the previous year's ratio (34%), this represents an increase of 9%. Based on the closing price on the day of the Annual General Meeting, the dividend yield was 1.81%.

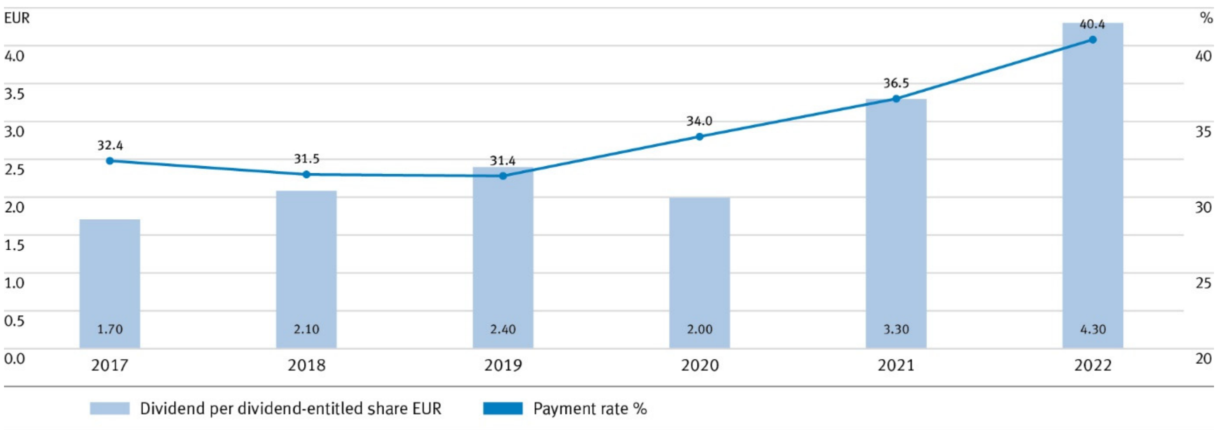
Dividend proposal for fiscal 2022

Our dividend policy is earnings-oriented and designed to ensure that our shareholders receive an adequate share in the Group's profit on an ongoing basis. The dividend amount is based on business performance and a payout ratio geared towards Rheinmetall AG's business results. We take care to ensure that the dividend is widely accepted by shareholders and that it represents an attractive investment criterion, especially for investors geared towards long-term investment. In fiscal 2021, we raised our target for the payout ratio to be achieved from the previous range of 30% to 35% to an annual dividend of 35% to 40% of the earnings attributable to shareholders after taxes on income and revenue.

At the Annual General Meeting on May 9, 2023, the Executive Board and Supervisory Board will propose a dividend payment of €4.30 per dividend-entitled share. The payout ratio thus corresponds to 40.4% and the total amount paid out will therefore be around €187 million.

Subject to approval by shareholders, the payment of the dividend is due on the third business day following the Annual General Meeting resolution in accordance with section 58(4) sentence 2 of the German Stock Corporation Act.

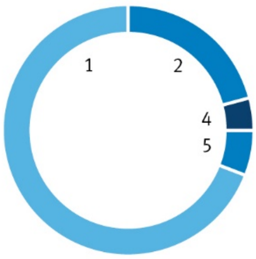
Dividend per dividend-entitled share €



Shareholder structure

Rheinmetall AG's shareholder structure reflects the strong international interest of investors from Europe and North America. Our shareholder base consists mainly of a high proportion of institutional investors. The majority of the invested institutions are located in North America. An external institute commissioned by us analyzed our shareholder structure as of the balance sheet date of December 31, 2022.

Shareholder structure as of December 31, 2022



%	2022	2021
1 Institutional investors	69	68
Europe	22	23
North America	40	42
Rest of world	7	3
2 Private shareholders	21	17
3 Rheinmetall Treasury Stocks	–	1
4 Other	4	3
5 Not identified	6	11

Voting rights notifications

In accordance with section 21 of the German Securities Trading Act (WpHG), the Federal Financial Supervisory Authority (BaFin) monitors the reporting limits for share ownership. Rheinmetall AG therefore regularly informs the capital markets about voting rights notifications. Rheinmetall AG reports not only when the reporting limits for the ownership of shares are exceeded or not met, but also when financial and other instruments are acquired that entitle the holder to purchase shares (sections 25 and 25a of the German Securities Trading Act (WpHG)). Rheinmetall AG also informs the public about voting rights notifications on its website in the Investor Relations section.

As of December 31, 2022, the following voting rights notifications in accordance with section 33 of the German Securities Trading Act had been submitted by shareholders with a voting rights share greater than or equal to 3%:

Voting rights notifications in accordance with section 33 of the German Securities Trading Act

Shareholders	Reason for the notification	Total voing rights	Total voting rights in %	Date of threshold touch	Publication Rheinmetall
BlackRock, Inc., Wilmington, DE, USA	Acquisition/disposal of shares with voting rights	2,448,087	5.62	08/11/2022	11/11/2022
Wellington Management Group LLP, Boston, USA	Acquisition/disposal of shares with voting rights	2,215,275	5.09	19/08/2022	26/08/2022
The Capital Group Companies, Inc., Los Angeles, USA	Acquisition/disposal of shares with voting rights	2,200,706	5.05	30/06/2022	06/07/2022
FMR LLC, Wilmington, DE, USA	Acquisition/disposal of shares with voting rights	2,173,586	4.99	30/06/2021	06/07/2021
UBS Group AG, Zurich, Switzerland	Acquisition/disposal of shares with voting rights	1,667,430	3.83	26/05/2022	31/05/2022
EuroPacific Growth Fund, Irvine, USA	Acquisition/disposal of shares with voting rights	1,311,076	3.01	29/06/2022	01/07/2022
Fidelity Investment Trust, Boston, Massachusetts, USA	Acquisition/disposal of shares with voting rights	1,308,552	3.00	28/07/2022	03/08/2022

December 31, 2022

Research coverage

Rheinmetall shares continue to be assessed by a high number of analysts. The high coverage confirms the capital market's continued great interest in our company. A total of 17 analysts published regular studies with ratings and recommendations on the share in the past stock market year. The analysts' reports at year-end 2022 produced positive results. 15 analysts recommended buying Rheinmetall shares. Two analysts recommended the share as "Hold." None of the analysts advised selling the share. In the course of the year, most analysts raised their price targets for Rheinmetall shares. This was partly triggered by the successful Capital Markets Day in Vienna, where management presented a positive outlook for the business. The acquisition of Expal Systems SA was also very well received by the markets. The average price target over 12 months was €228 at the end of the year. The highest price target was €290 and the lowest estimate was €195. A more precise and regularly updated overview of investment recommendations can be found on our website in the Investor Relations section.

Investment recommendations for Rheinmetall shares

Institution	Headquarters
Agency Partners	London
Alpha Value	Paris
Bank of America	London
Berenberg Bank	London
Deutsche Bank	Frankfurt am Main
DZ Bank	Frankfurt am Main
Exane BNP Paribas	Paris
Goldman Sachs	London
HSBC	Düsseldorf

Institution	Headquarters
JP Morgan	London
KeplerCheuvreux	Frankfurt am Main
Metzler Research	Frankfurt am Main
Morgan Stanley	London
Oddo BHF	Frankfurt am Main
Stifel (MainFirst)	Frankfurt am Main
UBS	Frankfurt am Main
Warburg	Hamburg

December 31, 2022

Exchange with the capital market

Rheinmetall AG maintained its external communications and close contact with analysts and investors as intensively this year as in previous years. The main aim continues to be creating the conditions for a fair assessment of the share and informing the capital market transparently about business developments. This strengthens investors' confidence in our company and ensures a fair valuation of our shares over the long term.

Despite continued caution due to the pandemic the Executive Board and the Investor Relations team continued to manage capital market communications at a high level. Looking at 2022 as a whole, we had around 1,455 investor contacts. A large proportion of these occurred in person as part of our 27 investor conferences and roadshows. Furthermore, the Capital Markets Day was held in Vienna in mid-November last year. After a two-year break due to the pandemic, investors and analysts were once again invited to a face-to-face exchange to gain a deep insight into our business developments at our Rheinmetall MAN Military Vehicles site in Austria. In addition to presentations by the Executive Board and a tour through the production facilities, the military vehicles were also presented up close and tested by the invited guests. In fiscal 2023, too, we will be showcasing our company at a host of roadshows and capital market events. The dates of these events can be found in our financial calendar on the Rheinmetall website under "Investor Relations."

Detailed and up-to-date information about the Group and our shares can be found at *https://ir.rheinmetall.com* under "Investor Relations."

Rheinmetall share basic information

	2022
Share class	Bearer shares
ISIS | WKN	DE 0007030009 | 703000
Stock exchange	Xetra and all German stock exchanges
Deutsche Börse admission segment	Prime Standard | Regulated Market
Sector	Industrial products
Indices	MDAX, EURO STOXX 600
Bloomberg ticker symbols | Reuters	RHM | RHMG.DE

Rheinmetall share key figures

		2022	2021	2020	2019	2018
Equity as of year-end						
Share capital	€ million	111.51	111.51	111.51	111.51	111.51
Issued shares	Thousands of units	43,559	43,559	43,559	43,559	43,559
Free float (incl. treasury stocks)	%	100	100	100	100	100
Treasury stock	%	0.4	0.6	0.8	1.1	1.3
Shares						
Share price at end of fiscal year (Xetra)	€	186.05	83.06	86.58	102.40	77.16
Performance over the year	%	+124	-4	-15	+33	-27
Market capitalization at year-end	€ billion	8.1	3.5	3.8	4.5	3.4
Average sales per trading day (Xetra)	**Thousands of units**	**251**	**140**	**198**	**146**	**179**

Money and capital market financing

2022 posed a challenge for Rheinmetall in terms of ongoing financing. The foreseeable increased demand for security technology in connection with the military escalation in Ukraine met with a difficult supply chain situation. As a result, an early start was made on building up working capital to ensure delivery capacity at all times. The resulting financing requirements were well covered at all times by Rheinmetall AG’s existing financing programs.

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COMBINED MANAGEMENT REPORT

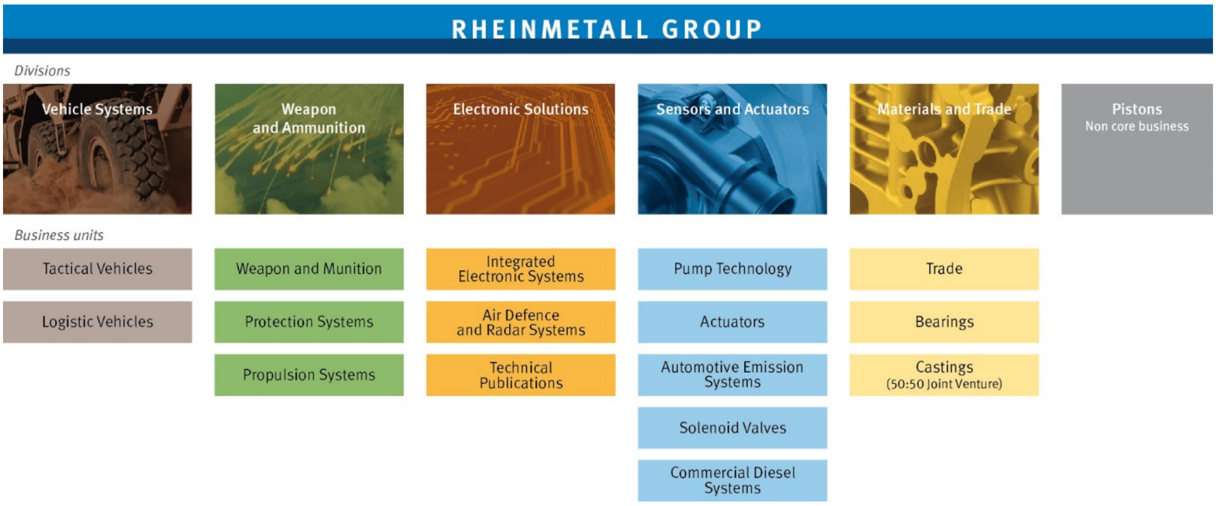
Basic information on the Rheinmetall Group
Structure of the Rheinmetall Group

The Rheinmetall Group comprises Rheinmetall Aktiengesellschaft, a listed stock corporation established under the laws of Germany and entered in the commercial register of the District Court of Düsseldorf under the number HRB 39401, and its subsidiaries. The Articles of Association of the company were last amended on May 11, 2021.

Rheinmetall AG is the parent company of the Rheinmetall Group and has its registered office in Düsseldorf, Germany, at the Group headquarters. As the management holding company, it defines long-term strategic orientation and corporate policy of the Rheinmetall Group. It also performs control and governance functions and provides services to the Group companies. Its most important tasks include specifying targets and guidelines, optimizing the investment portfolio, central financing, risk management and filling management positions in the Group. Support and service functions, such as finances, HR, corporate communications, law, taxation, information technology, internal auditing, compliance, corporate social responsibility and mergers & acquisitions, are performed at Group level. Rheinmetall AG ensures that there is a Group-wide, standardized planning, control and management process in place, and within the context of the compliance management system it monitors the Group-wide implementation of laws, guidelines and regulations in accordance with a set of uniform criteria.

The Group structure comprises the five divisions of Vehicle Systems, Weapon and Ammunition, Electronic Solutions, Sensors and Actuators, and Materials and Trade. The transfer of technology between the individual parts of the Group and a focus on future-driven technologies and business areas with large potential for sustained growth and value enhancement are the cornerstones of the structure.

The Rheinmetalls Group’s corporate structure



December 31, 2022

Our market and customer-oriented approach is an important factor in Rheinmetall’s success. Lasting relationships with customers have formed the basis of Rheinmetall’s business activities in the environmentally friendly mobility and threat-appropriate security sectors for more than a century. The activities are consistently aligned towards the economic regions of Europe, America, Asia and Australia. In the year under review, sales were generated with customers in 138 countries. The business activities of the companies in the Rheinmetall Group have a strong international focus. Rheinmetall is represented at 42 locations in Germany, a further 45 in Europe (excluding Germany), 14 on the American continent, 18 in Asia, 5 in Africa and 8 in Australia. In 2022, the international share of sales was71% (previous year: 66%). Rheinmetall employs 13,525 employees abroad (previous year: 12,787 employees), which represents 48.8% of our total workforce (previous year: 48.9%).

Rheinmetall AG has direct or indirect holdings in 206 companies in Germany and abroad (previous year: 200), that are part of the Rheinmetall Group. The scope of consolidation includes 166 subsidiaries (previous year: 165). A total of 35 companies are carried at equity, in the previous year, these were 32 companies. The Group also holds 5 joint operations (previous year: 3). For further information, please refer to section (6) "Scope of consolidation" and in section (42) "List of shareholdings" in the notes to the consolidated financial statements.

Business activities and markets

Rheinmetall is an international group in various markets with technologically leading products and services. The sales focus is on the security technology and mobility segments. Globalization, protectionism, digitalization as well as disruption and transformation in various sectors and industries – particularly in the automotive sector – as well as the increasing frequency and intensity of conflicts and military disputes, such as those in Russia's war against Ukraine, are leading to a growing need for mobility and security. With the five divisions, whose portfolios of products and services are essentially active in the areas of security and mobility, Rheinmetall fulfills these basic key needs of modern society.

Division	Areas of activity
Vehicle Systems	Armored tracked vehicles
	CBRN protection systems
	Artillery
	Turret systems
	Wheeled logistics vehicles
	Wheeled tactical vehicles
Weapon and Ammunition	Weapons and munitions
	Propellants
	Protection systems
	International projects and services
Electronic Solutions	Air defence systems
	Soldier systems
	Command, control and reconnaissance systems
	Fire control systems
	Sensors
	Simulation for the army, air force, navy and civilian applications
Sensors and Actuators	Emissions reduction
	Actuators
	Solenoid valves
	Water, oil and vacuum pumps
Materials and Trade	Engine blocks, structural components and cylinder heads
	Plain bearings and bushes
	Global replacement parts business

Business activities of the Rheinmetall Group's divisions

The Vehicle Systems, Weapon and Ammunition and Electronic Solutions divisions are among the defence and security industry's leading suppliers of innovative products for the German and international armed and security forces. They provide system and subsystem solutions as well as a broad portfolio of services for capabilities in the areas of mobility, reconnaissance, command and control, C4I and protection. They also develop customized training and simulation solutions and provide services in the field of mission logistics.

As a European systems supplier for armed forces technology, Rheinmetall has many years of experience and innovation in armored vehicles, weapon systems and ammunition, as well as in the areas of air defence and electronics. Rheinmetall also serves the requirements of the navy and air force and for internal security. Whether for requirements specific to different branches of the armed forces or overall requirements, whether for external or internal security, the divisions have a wide product portfolio of platforms and components, which are offered as individual and connected system solutions. This makes Rheinmetall an important partner in this field to the German armed forces, their allies and friendly armies, along with civil national security forces.

All development, production and service activities are geared towards ensuring the best possible protection for soldiers. The activities continuously set new technological standards here: from vehicle, protection and weapon systems, through infantry equipment and air defence, to the networking of function sequences, as well as in the fields of digitalization, automation, electro-optics and simulation.

The activities of the Sensors and Actuators and Materials and Trade divisions comprise development services, manufacturing and replacement parts supply. The divisions' core areas of expertise lie in the reduction of emissions, pollutants and fuel consumption, as well as cooling and thermal management and reduction of weight and friction in relation to internal combustion engines. This applies to not only passenger cars, but also light- and heavy-duty commercial vehicles.

In addition, there are an increasing number of alternative drive system products in hybrid, electric and fuel cell vehicles. This includes electric drive units comprising a motor and power electronics as well as complete and efficient thermal management modules. Furthermore, these divisions are intensively engaged in applications of their product and service range in non-automotive market segments, such as the hydrogen economy, renewable energies or the house-warming segment.

Defence and security technology markets

In the field of defence technology, the world in the 21st century occasionally faces very tense security situations as well as complex and new threats. This is currently most clearly expressed in the war that Russia is waging against Ukraine. But blurred boundaries between peace and war, military interventions, latent trouble spots, uncontrolled refugee and migrant flows and the collapse of state structures in individual countries elsewhere are also shaping world events and demanding new answers in the fields of external and internal security.

Rheinmetall's range of products and capabilities in the area of security technology is tailored to central defence technology requirements that result nationally and internationally from many armed forces' substantial ongoing need for technical modernization and replacements and from new military deployment scenarios requiring armies to have an increased ability to react and to take action as well as increased readiness for duty and deployability, both in national and alliance defence, which has once again become a much stronger focus, and in connection with international peacekeeping and stabilization missions.

The market potential for the Vehicle Systems, Weapon and Ammunition and Electronic Solutions divisions is essentially derived from the defence budgets of customer countries. Rheinmetall is still in an international growth market in the medium term, even though national defence budgets fluctuate to varying degrees, depending on the security situation and political circumstances. In light of the war in Ukraine, it can be assumed that the general trend toward increased spending will solidify and continue to accelerate in European countries in particular. This is due in part to complex existing and new geostrategic challenges in terms of security and defence policy, as well as to the continuing significant need for modernization in the armed forces of many countries and the demand for new military applications. It is also the result of calls to increase governments' resilience to internal and external threats, ability to take military action and the need to guarantee stable and secure supplies in periods of peace and war.

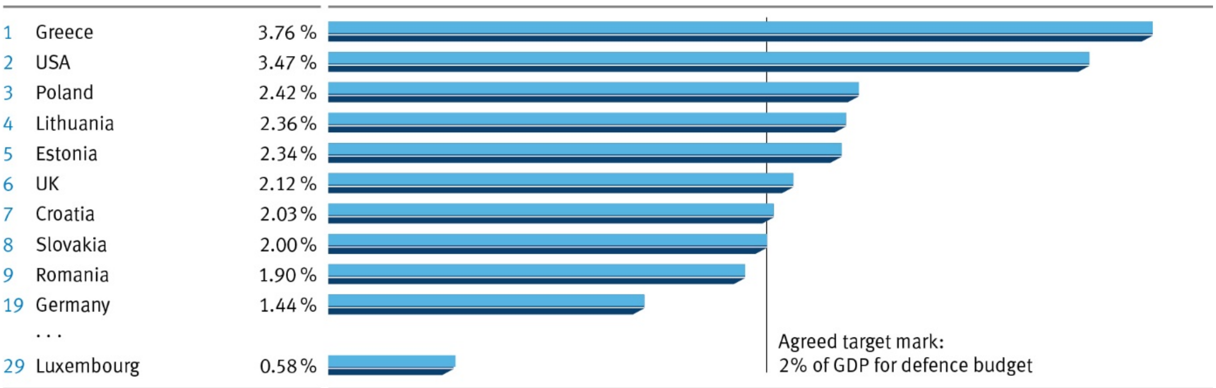
Global defence spending continues to increase

This has already led to a trend reversal in defence spending in recent years, which has now reached record levels on a global scale. This trend is set to continue in the future. In particular, the great powers such as the US and China, but also most NATO countries, are prepared to invest more in their own security and are continuing to modernize their armed forces. The current conflict in Ukraine has added momentum to this development. Even the higher level of public debt in a number of countries as a result of the pandemic will not alter this general direction. On the contrary, many nations are reasserting their plans to keep their defence budgets static or increase them. International defence markets find themselves in a long-term cycle that is characterized by comparatively high budgets and new procurement. For those Rheinmetall divisions, whose product ranges are primarily geared towards security and defence technology, this will continue to give rise over the coming years to excellent growth prospects, which are to be leveraged as part of their strategic further development.

According to the target set at the NATO summit in Wales in 2014, each NATO member state is to spend at least 2% of its gross domestic product (GDP) on defence by 2024. As stated by NATO Secretary General Jens Stoltenberg, some of the allies want to tighten the common defence spending targets. Of this spending, 20% is to be invested in new defence and research projects. This second target will create additional order opportunities for Rheinmetall, particularly with respect to procurement projects in the European and German markets. According to NATO, 24 out of 29 NATO countries met or exceeded this investment target in 2022.

While in 2014 just three out of 29 NATO member states achieved the 2% target according to the study “The Role of NATO for Europe’s Security” published by the German Institute for International and Security Affairs in November 2019, by 2018 this figure had risen to seven countries. For 2022, NATO says this group of countries expanded to 10. NATO allies including Poland, Latvia, Lithuania and Romania already have laws and agreements specifying this target. While European NATO countries and Canada were spending 1.47% of their GDP on defence in 2013, NATO estimates put this figure at 1.64% of GDP in 2022.

Defence spending of selected NATO member states as a proportion of gross domestic product in 2022



Source: NATO press release, June 2022

Focus on defence of nations and alliances

After many years of spending cuts in the defence sector, since 2014 there has been a significant increase in the defence budgets of EU member states. The German defence budget has also been rising continuously for years, from €33.1 billion in 2014 to €45.2 billion in 2020 and €50.3 billion in 2022. The regular defence budget for fiscal 2023 was planned to stabilize at the prior-year level. With the €100 billion and the German government’s intention to spend at least 2% of GDP on defence each year, it can currently be assumed that defence spending will be significantly higher in the current year and in subsequent years. This additional spending is intended in particular to clear the existing investment backlog and provide the German armed forces with significantly better equipment on the whole over the coming decade, with a stronger focus on the defence of nations and alliances. The German armed forces, guided by its capability profile must be able to meet its sworn international commitments as a reliable partner. This trend is also being driven by Germany’s role as a Framework Nation Concept for the military capabilities and structures of smaller allies, which requires the German armed forces to have a broad mix of military capacities. This is in addition to the German armed forces’ responsibility as the lead nation in NATO’s Very High Readiness Joint Task Force for protection of the eastern border within the alliance. The two combined, and the German armed forces’ role as a troop supplier for international crisis management, will lead to significantly increased demand over the next few years for new and additional equipment for land forces in particular.

Strategically important markets in Eastern Europe, Great Britain and Australia

In the export business in the area of security and defence technology, the markets in Great Britain, Australia, Hungary, the US and various Eastern European NATO member states remain of particular strategic importance.

In Eastern Europe, a number of NATO states will over the coming year be modernizing their still largely Russian-made equipment and gradually adapting to the standards required in the western defence alliance. As a result of the military conflict between Russia and Ukraine, this development is likely to increase in scope and speed up considerably. This will offer new opportunities for Rheinmetall to establish itself over the coming years as a long-term partner, especially for equipping armies.

In Hungary, a decisive step was taken in this context in 2020 with the order for the new Lynx infantry fighting vehicle. Integration of the Lynx will take place in a local joint venture led by Rheinmetall and is linked to the leveraging of local value added. In addition, Rheinmetall will supply Hungary with radar systems from its Canadian subsidiary as well as munitions. Corresponding production sites and facilities for this are currently being built in Hungary.

Our strategic approach to develop new home markets for Rheinmetall (home market strategy) by creating local value added and becoming a preferred partner for national armed forces has already proven successful in Australia, where long-term customer relations have been established through the acquisition of major orders for military trucks, wheeled armored vehicles and munitions. Rheinmetall's Military Vehicle Center of Excellence in the state of Queensland has become operational. It will include not only development capacity but also production and maintenance capacity. In the medium to long term, the Military Vehicle Center of Excellence will also be able to handle export orders.

In Great Britain, the joint venture with BAE Systems, in which Rheinmetall holds a majority stake of 55%, was awarded a large order in 2020 to equip the British armed forces with Boxer wheeled armored vehicles and the corresponding follow-up orders to increase the number of units of this vehicle type, as well as an order in 2021 to modernize the British Challenger main battle tank fleet. Rheinmetall has thus established itself as a key equipment partner to the British armed forces. At the same time, the joint venture represents another step toward consolidation of the European land systems industry.

In general, Rheinmetall will continue to press ahead with the expansion of its systems business. The aim of this strategy is to increase the number of Rheinmetall platforms and systems employed by international armed forces in order to generate from this follow-up business with maintenance, modernization and service. Furthermore, this will help to improve prospects for successfully marketing Rheinmetall's system-independent key components such as electronics, weapon systems, munitions and protection packages.

As an important provider of military land systems, Rheinmetall remains committed to playing an active and formative role as part of further industry consolidation. In this context, Rheinmetall announced the acquisition of Expal Systems' defence activities in the past fiscal year, which is to take effect in the current year. In the future, Rheinmetall will continue to examine and, if necessary, implement opportunities for strategically and economically viable partnerships or acquisitions.

Markets for civilian products and mobility applications

The business performance of the divisions operating with civilian products primarily in the area of mobility is largely determined by the production trends of international customers in the automotive industry. This applies to not only existing customer contracts, but also future projects relating to customers' technological requirements. The technologies of tomorrow are largely determined by the ongoing strong trends toward the more efficient use of fuels, the reduction of emissions and alternative drive technologies.

The Sensors and Actuators divisions hold a Tier 1 position in the value-added chain of automotive production because they generally supply automotive manufacturers directly rather than via other suppliers/system integrators. This also applies to large parts of the Materials and Trade division's product range. Despite a relatively small number of international automotive manufacturers, the customer portfolio of both divisions is highly diversified; this also applies at regional level. With production sites in the key economic areas of Western Europe, USMCA and Asia, the divisions can meet customer requirements for local or international production. The customer portfolio is increasingly being expanded to include industrial customers.

The global replacement parts business serves, among others, the automotive manufacturers directly – in this case, the manufacturers' service units. The core business, however, involves supplying a strongly diversified customer base in the segment covering independent service providers. A number of different sales channels such as websites, apps, call centers and online catalogs are used for this. In addition to its own products under the Pierburg and Kolbenschmidt brands, the division sells products from third-party providers with a view to acting as a one-stop shop for customers and, in turn, strengthening customer loyalty and the cross-selling of its own products.

Technological upheavals in automotive manufacturing

As demand for mobility continues to rise, the automotive industry is set to experience significant technological upheavals in the coming years. New mobility concepts will gain in importance. Combined with increasing digitalization and a gradual transition to partially and fully autonomous driving, tighter industrial policy targets and measures are accelerating the transition to alternative drive technologies.

The discussion about the global future of combustion and in particular diesel technology in the passenger car segment is not yet completely over. In recent years, it has been overshadowed to some extent by the pandemic-related production cutbacks and the subsequent crises regarding the supply of semiconductors and raw materials, which led to a decline in global automotive production. Electrified vehicles noticeably gained market shares worldwide as the automotive industry gradually recovered after the first phase of the pandemic. The shift away from the combustion engine as a drive system toward partly or fully electric drives has accelerated considerably, and this trend is expected to continue in the coming years. All major automotive manufacturers have launched further offensives in electric vehicle models and in some cases have scheduled a complete phase-out of combustion technology. According to a resolution passed by the EU Parliament on February 14, 2023, only vehicles that no longer emit CO_2 will be registered in the European Union from 2035. Rheinmetall has strategically prepared for these developments – developments that will lead to a significant structural decline in the number of conventional combustion engines.

To this end, the product portfolio has been tailored to the strict emission regulations in recent years and the product range has been successively expanded in terms of hybrid technology, all-electric drive systems and fuel cell technology for heavy commercial vehicles. In addition, efforts to make the product range less dependent on the passenger-car-only engine business were further intensified.

In the automotive sector, the combustion of fossil raw materials is no longer seen as a promising solution for powering engines. In fiscal 2022, Rheinmetall nevertheless managed to gain orders in the internal combustion engine sector from various automotive manufacturers. In 2022, projects totaling more than €1 billion were acquired.

At the same time, the transformation toward projects in the areas of electrification, fuel cells and autonomous driving is underway. While on the one hand this development is a step toward a more sustainable and greener future, on the other hand it poses new challenges for automotive suppliers specializing in the field of combustion engines. Rheinmetall is meeting these challenges with a diversification strategy that has already been largely secured, by opening up new markets outside the automotive sector. As a result, projects with a volume of around €1 billion or 29.5% were gained outside the automotive and truck segments in 2022. Rheinmetall's overarching strategic objective is to concentrate technological development on high-growth products and future markets and in the medium term to significantly reduce the share of sales from products for combustion engines.

In addition, Rheinmetall wants to direct its expertise in areas such as thermal management, media control and hydrogen technology towards non-automotive applications and leverage sales potential in new markets. In addition, we will apply our breadth of expertise in the areas of sensor technology and artificial intelligence that Rheinmetall has gained from military applications to new mobility concepts with semi-autonomous control units.

Regulatory environment

Legal regulations on exports of military equipment – The Federal Republic of Germany has one of the strictest export control systems in the world. German military equipment exports are governed by the Grundgesetz (GG – German Basic Law), the Gesetz über die Kontrolle von Kriegswaffen (KrWaffKontrG – German War Weapons Control Act) and the Außenwirtschaftsgesetz (AWG – Foreign German Trade and Payments Act) in conjunction with the Außenwirtschaftsverordnung (AWV – German Foreign Trade and Payments Regulation). The "Political Principles Adopted by the Government of the Federal Republic of Germany for the Export of War Weapons and Other Military Equipment" of June 26, 2019, provide the licensing authorities with guidelines.

European and German exports of military equipment are being restricted by numerous bans, licensing and reporting requirements at EU and national level. These restrictions allow the authorities to check critical exports and other foreign trade dealings with respect to arms control objectives. EU law takes precedence over national law, including German law. Nonetheless, according to Article 346 TEU (Treaty on the Functioning of the European Union), all member states can take measures they consider necessary for the protection of their essential national security interests. Decisions on the production of or trade in arms, munitions and war materials are therefore up to the respective national lawmakers.

War weapons – Article 26(2) of German Basic Law states that the manufacture, transportation and marketing of war weapons requires a license from the German government. The details are specified in a federal law, the German War Weapons Control Act (KrWaffKontrG). An annex to the KrWaffKontrG, the War Weapons List, lists all items that are definitively regarded as war weapons. War weapons include not only devices such as battle tanks, armored combat support vehicles and machine guns, but also certain types of ammunition such as tank or artillery ammunition. As well as complete devices and ammunition systems, certain assemblies and components such as the turret and chassis of a battle tank or the projectile, warhead or fuse for certain types of ammunition are additionally defined as war weapons.

The KrWaffKontrG includes an extensive licensing system for war weapons. Almost every activity relating to these goods requires a license. A license is required for the production of war weapons, both during development and in series production. Transfer of the actual control over war weapons also requires a license, as does the purchasing of these weapons. The transportation of war weapons within a country is also subject to licensing. Moreover, the transportation of war weapons using German ships or aircraft outside German territory requires a license. Trading and brokerage transactions involving war weapons that are not intended to affect German territory are also subject to licensing. Above all, the importing, exporting and transit of war weapons requires a license. Exporting a war weapon requires not only the applicable licenses in accordance with the KrWaffKontrG, but also an additional license for export purposes, specifically an export license in accordance with the Foreign Trade and Payments Act (AWG) or the Foreign Trade and Payments Regulation (AWV).

Regulations on other military equipment – Other types of military equipment are listed in Part I Section A of the Export List, an annex to the German Foreign Trade and Payments Regulation. In particular, the export of these goods requires a license. The term "goods" and therefore the export controls apply not just to goods, but to technology and software as well. Licenses are also needed for some types of technical support (i.e. the transfer of intangible knowledge and capabilities) and for some trading and brokerage transactions. It is generally possible to import other types of military equipment without a license.

National regulations on trade and exports of military equipment – The Federal Republic of Germany is entitled to restrict the foreign trade and – in particular – the export of military equipment (including war weapons) by imposing licensing requirements or bans, for example to safeguard the material security interests of the Federal Republic of Germany, to prevent a disturbance to the peaceful co-existence of nations or a major disruption to the foreign relations of the Federal Republic of Germany, to safeguard the public order or security of the Federal Republic of Germany or another member state of the European Union or in the interests of the European Union; and in addition to implement the decisions of the European Council on economic sanctions within the sphere of Common Foreign and Security Policy, to carry out the obligations of the member states of the European Union that are stipulated in directly applicable binding acts of the European Union on the imposition of economic sanctions in the sphere of Common Foreign and Security Policy, and to implement resolutions of the United Nations Security Council or intergovernmental agreements.

Regulations on trade of military equipment at EU level – The adoption of the “Council Common Position 2008/944/CFSP defining common rules governing control of exports of military technology and equipment” of December 8, 2008, created a legally binding regime for all EU member states. The Council Common Position of December 8, 2008, sets out a total of eight criteria for assessing export license applications. It gives mention to an EU Common Military List, which largely matches the corresponding lists of controlled military equipment of the EU member states. Controlled goods that come under these lists are largely defined and amended by the international export control regime. The Wassenaar Arrangement (WA), in particular, governs the export controls of conventional military equipment and dual-use goods and related technology. The Australia Group (AG) is active in the area of chemical and biological agents and dual-use goods and technologies. Furthermore, the aim of preventing proliferation is pursued by the Missile Technology Control Regime (MTCR) in the area of ballistic missiles and by the Nuclear Suppliers Group (NSG) in the area of nuclear weapons. The goods in the respective item lists in the Annex to the EC Dual-Use Regulation and German export lists are reflected in German law.

International regulations on trade of military equipment – There has been a set of internationally applicable standards for the trade of conventional military equipment since the Arms Trade Treaty (ATT) came into force in December 2014. On April 2, 2013, the United Nations General Assembly approved a resolution, by a large majority, to adopt the text of the Arms Trade Treaty. The treaty came into force on December 24, 2014. A total of 135 countries have signed the treaty to date, including Germany.

Decision of the German government on exports of military equipment – The German government makes decisions on exports of military equipment based on its “Political Principles for the Export of War Weapons and Other Military Equipment.” These political principles take into account the German War Weapons Control Act and the Foreign Trade and Payments Act in conjunction with the “European Council Common Position of December 8, 2008, defining common rules governing control of exports of military technology and equipment,” the Arms Trade Treaty that came into force on December 24, 2014, and any respective subsequent regulations. The criteria laid down in the “Common Position” and any subsequent regulations form an integral part of these political principles. The new principles on the export of military equipment from June 26, 2019, expressly prohibit the export of small arms and light weapons to third countries. Licenses for these weapons and the associated ammunition are now issued by the federal government only in exceptional cases. If the political principles set out more restrictive measures than the “Common Position,” they take precedence.

Licenses for the export of war weapons and other military equipment are granted only on the basis of reliable prior knowledge of end use by the intended end-user. This generally requires appropriate written assurance by the end-user in the official end-user certificate. The granting of licenses can additionally be made contingent upon the recipient country giving its consent to on-site post-shipment controls in line with the federal government’s adopted key points for the introduction of post-shipment controls for German military equipment exports and any subsequent regulations.

Shipments of war weapons and other military goods of a quantity or type that could be relevant to war weapons are approved only upon presentation of official end-user certificates that include a reexport ban subject to authority approval. This applies mutatis mutandis to any other military equipment related to war weapons exported in connection with a manufacturing license. Effective end use regulations must be made a pre-condition for these manufactured war weapons.

War weapons and other military equipment related to war weapons may be reexported to third countries or brought into the EU single market only if the federal government has consented to this in writing. A recipient country that flouts an issued end-user certificate to approve the reexport of war weapons or other military equipment related to war weapons or that has knowingly failed to prevent or has not sanctioned an unapproved export of such weapons or equipment will be generally excluded from receiving any further deliveries of war weapons or other military equipment related to war weapons until the situation is resolved. The same applies if post-shipment controls identify violations of the end-user certificate or a country refuses to conduct on-site controls despite making a commitment to this effect in its end-user certificate.

Other goods – Other goods besides war weapons and other military equipment are controlled, namely dual-use goods (i.e. goods that can be used for civilian and military purposes). In other words, they are not purely civilian goods. Purely civilian goods are not generally subject to any export restrictions. With a few exceptions, they can be exported without requiring a license.

Export of dual-use goods – The export of dual-use goods has been harmonized at European Union level since 1995. The European Parliament and Council Regulation (EC) 2021/821 of May 20, 2021, “setting up a regime for the control of exports, brokering, technical assistance, transit, and transfer of dual-use items” (EC Dual-Use Regulation) applies here. A common list of items lists all dual-use items that are subject to uniform control regulations in all EU countries. These are based on the aforementioned international export control regime. The transfer of these goods within the EU is free, apart from a few exceptions. In addition to the EC Dual-Use Regulation, there are further listed dual-use goods in Part I Section B of the Export List to the Foreign Trade and Payments Regulation (AWV) that also require a license to be exported. These are nationally listed dual-use goods.

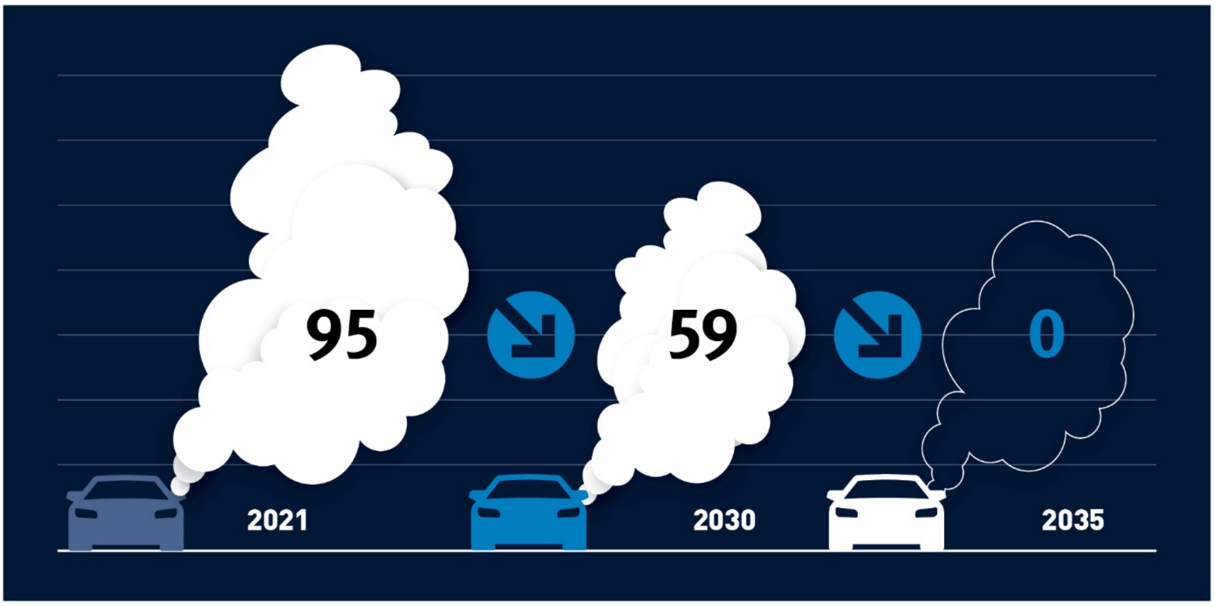
Export of non-listed goods – To ensure seamless export controls, there are also licensing requirements for goods that are not technically described in any of the aforementioned export lists and are known as “non-listed goods.” These licensing requirements involve open-ended lists that prevent low-tech goods from being used for armaments projects. These are referred to as “catch-all clauses.” Factors that play a role in licensing approval include the intended purpose of the goods and the respective purchasing country or country of destination. A licensing requirement may exist if the goods are intended to be used or may be used in connection with the development, manufacture, handling, operation, maintenance, storage, tracking, identification or dissemination of chemical, biological or nuclear weapons or other nuclear explosives, or for the development, manufacture, maintenance or storage of missiles for such weapons or are intended to be used for a military end purpose in an arms embargo country, or for use as components of military goods exported without requiring a license or, where the goods are for digital surveillance, the goods are or may be intended, in whole or in part, for use in connection with internal repression and/or the commission of serious violations of human rights and international humanitarian law.

Vehicle emissions – Mobility in its current dominant form relies on burning fossil fuels, which is inextricably linked to the emission of substances that are harmful to health and the environment. In metropolitan areas in particular, traffic is repeatedly leading to severe impairment of air quality. To reduce the negative impact on citizens’ health from traffic-related exhaust gases and cut greenhouse gas emissions, legislators in many countries are issuing limits for passenger cars and for light- and heavy-duty commercial vehicles. The focus here is on both CO_2 emissions that are harmful to the climate and on emissions of nitrous gases (NOX), hydrocarbons (HC), carbon monoxide (CO) and particulate matter (PM) that are caused by road traffic and are harmful to health.

Starting from the reference year 2021, CO_2 emissions in the EU are to be reduced by 15% by 2025 and by 37.5% by 2030. Similarly, a reduction of 15% by 2025 and 31% by 2030 applies to light-duty commercial vehicles. For heavy-duty commercial vehicles, a reduction of 15% from 2025 and 30% from 2030 applies in relation to the reference value of the average CO_2 emissions of all trucks registered in the EU for the period from July 1, 2019 to June 30, 2020.

For the long-term, on July 14, 2021 the European Commission adopted the Green Deal, a set of legislative proposals outlining how to it intends to achieve climate neutrality in the EU by 2050. This includes the interim target of a net reduction in greenhouse gas emissions of at least 55% by 2030. Subsequently, on October 27, 2022, the Council and the European Parliament reached a preliminary political agreement that, from 2035, only new cars that emit no greenhouse gases during operation will be sold in the EU. Although at the time of going to press the Council of Ministers and Parliament still have to formally agree, this is considered certain.

Development of CO_2 limits in the EU



In international terms, a few major countries are pursuing similarly strict limits to the EU on CO_2 emissions from passenger cars. They include the US with 100 g CO_2/km from 2026, and China, with a limit of 94 g CO_2/km from 2026.

In addition to the targets mentioned above for reducing CO2 emissions, there are additional regulatory measures and subsidies in almost all relevant markets to stimulate demand for vehicles with electric drives. Programs to ramp up the charging infrastructure are also being implemented to support the market activation of electric vehicles. For example, the Charging Infrastructure Master Plan II was adopted in Germany in October 2022.

Hydrogen industry – Hydrogen has a central role to play in the further development and completion of the energy turnaround. Germany's National Hydrogen Strategy was published on June 10, 2021. With the National Hydrogen Strategy, the German government is creating a coherent framework for action for the future production, transport and use of hydrogen and thus for corresponding innovations and investments. It defines the steps needed to help achieve climate targets, create new value chains for the German economy and further develop international energy policy cooperation. To this end, funding of over €10 billion has been made available at national level to accelerate the market ramp-up of the hydrogen industry in Germany. Germany's National Hydrogen Strategy was updated in November 2022. The Ukraine war and its effects on the European energy market have made the disadvantages of excessive dependence on energy imports from individual or a few countries abundantly clear. Germany's declared goal is to become an international lead market for hydrogen technologies by 2030, as envisaged in the coalition agreement. German suppliers are to offer large parts of the hydrogen production value chain, particularly electrolyzers. In the coalition agreement, the governing parties agreed to increase the national expansion target for electrolysis capacity from 5 GW to at least 10 GW. The four fields of action of the Germans National Hydrogen Strategy update are to ensure the availability of sufficient (green) hydrogen, to expand the transport and storage infrastructure, to establish hydrogen applications and to create good framework conditions.

Vehicle safety – In recent decades, developments in vehicle safety have significantly contributed to an overall decrease in the number of people killed and seriously injured in road accidents. However, around 20,000 people die on the roads in the European Union every year. In addition, around 1.2 million people are injured in road traffic collisions every year. Regulation 2019/2144 of the European Parliament defined a set of vehicle requirements to further improve the safety characteristics of vehicles as part of an integrated approach to road safety and to better protect vulnerable road users.

In particular, this regulation provides for advanced driver assistance systems for all classes of motor vehicles. For example, from July 2024, only vehicles that have installed a warning system in the event of driver fatigue or declining driver attention and a system for monitoring driver availability can be registered. From July 2026, only vehicles that have installed an advanced warning system for declining driver concentration can be registered.

Autonomous driving – According to the German Federal Ministry for Digital and Transport (BMVI), Germany is to take a leading role in the field of autonomous driving. To make the most of the great potential of autonomous and connected driving, the German government wants to drive forward research and development to make the mobility of the future more versatile, safer, environmentally friendly and user-oriented.

On July 28, 2021, the Autonomous Driving Act came into force in Germany. This new law creates the legal framework for autonomous vehicles (level 4) to be able to drive in regular operation in defined areas on public roads. According to the BMVI, this will make Germany the first country in the world to bring driverless vehicles out of research and into everyday use.

Corporate management and control

The Executive Board of Rheinmetall Aktiengesellschaft, which consisted of four members at the end of 2022, is the governing body of the Rheinmetall Group. It is responsible for the Group's strategic orientation and development and for setting and monitoring corporate targets. The five corporate divisions, each with their own management and responsibility for their global business operations, are directly managed by the Executive Board. Moreover, the Executive Board is responsible for the introduction and further development of adequate management, control and monitoring processes, including the risk management system, internal control system, internal auditing and compliance management system and the allocation of resources.

The divisions are equipped with all the necessary functions and report to the members of the Executive Board on current business developments in regular target-setting, review and strategy meetings as part of the strategies, targets and guidelines determined by the Executive Board of the Group, and discuss with them not only strategies and targets but also operational and economic measures. The respective management bodies of the subsidiaries are responsible for operational management of their units. They are supported in their tasks by the service and support functions that have been set up within the management holding company.

The Supervisory Board, which consists of 16 members and is based on joint representation in accordance with the provisions of the 1976 German Codetermination Act, appoints, advises and monitors the Executive Board. The Executive and Supervisory Boards work together closely, constructively and in an atmosphere of trust, with the aim of ensuring the continued existence of the company and creating sustainable value added.

Rules of procedure are in place for both boards, containing regulations on the composition, tasks, responsibilities and areas subject to approval. For further information on corporate governance, please refer to the section of the same name in the corporate governance statement.

Most important financial management indicators

As derived from the strategic objectives, in the Rheinmetall Group, the divisions are managed and the economic success of the operational entities is assessed using the three most important financial indicators – i.e. three core performance indicators as defined by the German Accounting Standard No. 20. Earnings before taxes (EBT) and return on capital employed (ROCE) are no longer the most important financial indicators, as the main success drivers are almost identical to those for the operating result.

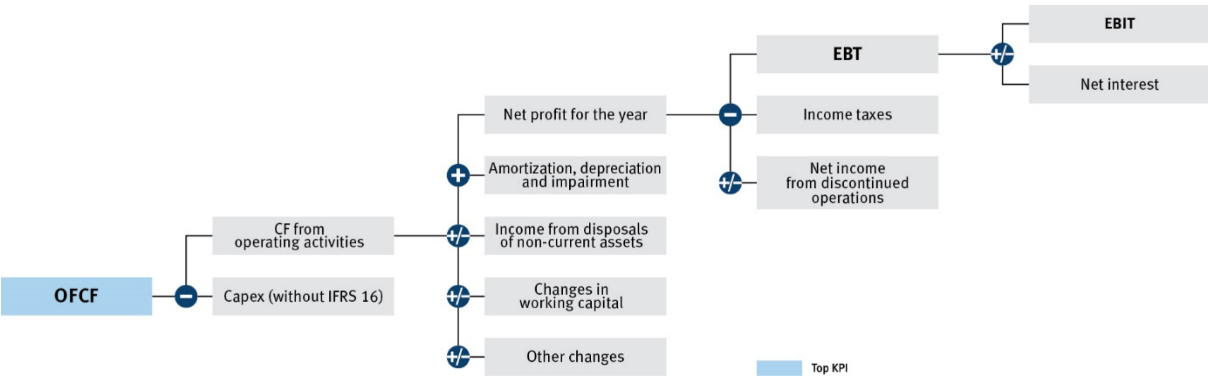
Key financial management indicators for the Rheinmetall Group

		2022	2021
Sales	€ million	6,410	5,658
Operating result	€ million	754	594
Operating free cash flow (OFCF) - continuing operations	€ million	-152	458

The operating result represents earnings before interest and taxes (EBIT) adjusted for special items resulting from corporate transactions, restructuring and other significant items unrelated to operations or the accounting period. The reconciliation can be found in the 'Rheinmetall Group business performance – results of operations' section of the economic report.

Operating free cash flow is defined as net cash provided by operating activities less cash used in investing activities, for investments in intangible assets, property, plant and equipment and investment property.

Operating free cash flow (OCF)



Further key figures

Other relevant financial indicators include earnings before interest and taxes (EBIT), earnings before taxes (EBT) and return on capital employed (ROCE), i.e. the ratio of EBIT to average capital employed (average of values as of the balance sheet dates January 1 and December 31 of the year under review). Capital employed as of the reporting date is derived from the sum of non-current assets, working capital and other assets and liabilities. The definition of capital employed was further developed in fiscal 2022. Fund assets (strategic liquidity reserve) are now treated as "cash and cash equivalents" and are therefore no longer part of capital employed. The previous year's figures have been restated accordingly.

Furthermore, the order backlog, order intake, booked business, the level of capital expenditure and research and development expenses are relevant financial indicators for the Rheinmetall Group. The key figure of booked business shows – similarly to order intake – the future sales potential from customer projects based on written agreements and framework contracts with customers. However, as an indicator for civil business, it does not yet represent binding customer orders, unlike order intake. Final released quantities and sales may vary.

Non-financial indicators for the Rheinmetall Group include the headcount by full-time equivalent (FTE), the accident frequency rate (LTIR) and – in addition to energy efficiency, energy intensity and CO_2 intensity – the volume of water used. Further details are provided in the non-financial statement in the section under "Environmental Protection and Conservation."

Financial management indicator for Rheinmetall Aktiengesellschaft

The most important financial management indicator for Rheinmetall Aktiengesellschaft is net income, from which the divided is paid to shareholders.

Strategy

Rheinmetall at a glance

In 1889, Hoerder Bergwerks- und Hüttenverein founded "Rheinische Metallwaaren- und Maschinenfabrik Aktiengesellschaft" to supply munitions to the German Reich. In 1919, due to the provisions of the Treaty of Versailles, it switched to civilian products (locomotives, steam plows, office machines). Military production resumed in 1921. Now in 2022, Rheinmetall is a leading, globally active, integrated technology group that develops and sells components, systems and services for the security and civil industries.

As part of continuous analyses and assessments of the product portfolio the transformation of the Group from a provider of security and mobility applications to a fully integrated technology group was initiated in 2020. In fiscal 2021, this transformation was also supported by the discontinuation of the organizational separation into the previous Automotive and Defence sectors. The tasks and functions performed in the intermediate holding company Rheinmetall Automotive AG, based in Neckarsulm, and the divisions affiliated there were restructured and integrated into the existing Group organization.

The Group structure now comprises five divisions that, as the drivers of the Group's operating business, are being managed in a direct reporting line by the Executive Board of Rheinmetall AG. The five divisions are Vehicle Systems, Weapon and Ammunition, Electronic Solutions, Sensors and Actuators, and Materials and Trade.

Since the beginning of 2021, the Pistons division, which combines the small- and large-bore piston business, has been continued as a non-core business and has been recognized as a discontinued operation since the beginning of May 2021. In light of the imminent transformation of the international automotive industry, Rheinmetall is pursuing the goal of handing over the small- and large-bore pistons business to new owners that will be able to continue the business appropriately. Since the beginning of fiscal 2022, Rheinmetall has also been examining offers for individual parts of the Pistons division and equity investments, in addition to the original objective of transferring the entire small- and large-bore pistons business to new owners. An initial success was recorded in October 2022. A share purchase agreement was signed with the Swedish group Koncentra Verkstads AB. The agreement covers the large-bore piston business with three production plants in Germany, the US and China, as well as the steel pistons line from the small-bore pistons plant in Marinette, US. The sale was completed at the beginning of 2023. Rheinmetall is in contact with potential investors for the small-bore pistons business. The small-bore pistons disposal group, which Rheinmetall is still aiming to sell as an entire business to an investor, comprises small-bore piston production with locations in Europe as well as North and South America. In addition, the Group is aiming to separately sell the investments accounted for using the equity method in the joint venture Kolbenschmidt Huayu Piston Co., Ltd., China, in the associated company Riken Automobile Parts (Wuhan) Co., Ltd., China, and in the associated company Shriram Pistons & Rings Ltd., India.

As a result of the change in the sales strategy, a declaration of intent for the acquisition of all shares held by Rheinmetall in Riken Automobile Parts (Wuhan) Co., Ltd. was concluded in December 2022 with the Japanese company Riken Corporation, Tokyo, which already holds 60% of the shares in Riken Automobile Parts.

Market drivers for Rheinmetall

Leap in growth in the defence sector – The Russian war of aggression on Ukraine has led to a leap in growth in the defence industry. Almost all European countries will increase their defence budgets to at least 2% of gross domestic product in the coming years. There has also been a shift in favor of the investment share of the defence budget. As a result, significant growth rates are to be expected in the coming years. The leap in growth also extends to other regions with conflict potential in Asia.

Acceleration of technology penetration – In addition to market growth, the war of aggression has also resulted in an acceleration of technology penetration. Thus, as well as the need for conventional land-based weapon systems, demand in the areas of autonomy, digitalization, electrification, networked reconnaissance and communications is also rising sharply.

Acceleration of the energy transition – As an indirect consequence of the war, the planned energy transition has also been accelerated in order to reduce dependence on Russia in the energy sector. In this context, the Green

Deal's industrial policy instrument aimed at reducing net greenhouse gas emissions was expanded to include the REPowerEU program adopted in May 2022. This includes both a tightening of targets and expanded measures and subsidies for the expansion of the hydrogen economy.

Transformation of the automotive industry – As part of the energy transition, the shift in the vehicle drive mix toward electromobility has also advanced. For example, a mix of around 50% electric vehicles is currently assumed worldwide by 2030.

Destabilization of value chains – Global supply chains have already come under severe pressure as a result of the coronavirus pandemic, and this has led to a variety of supply bottlenecks. The war in Ukraine has further exacerbated this situation. In addition to physical supply constraints, high inflation – most recently 28% in Germany in Q4 2022 compared to Q4 2021 – in the producer price index has led to high uncertainty and huge cost increases.

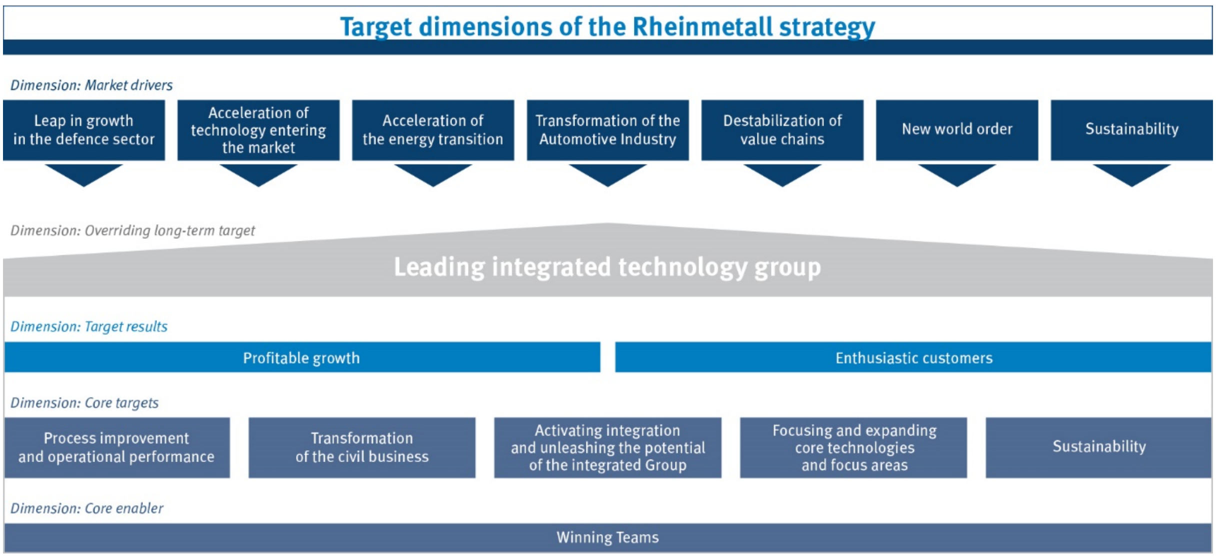
New world order – The geopolitical shifts have led to an increased polarization of the world order. It is not yet clear whether this trend will continue in the long term or whether the global community will find a different regulatory structure. In combination with the above-mentioned drivers, it may well be that the structure of procurement and sales markets will also be reorganized as a result.

Sustainability – Sustainability has become a guiding principle for both countries and economic areas, and thus an important driving force for society, business and politics.

The year 2015 was of crucial importance. In September of that year, the 2030 Agenda with its 17 goals and 169 sub-goals for sustainable development was adopted by the global community. Behind it is a global plan for peace and prosperity for people and for protecting our planet, now and in the future. Dealing with the consequences of climate change also requires international cooperation and coordinated solutions at all levels. In December, world leaders achieved a historic breakthrough with the Paris Climate Agreement at the UN Climate Change Conference. It marked the beginning of a shift toward a world with net zero emissions.

National, European and international legal requirements to mitigate the consequences of climate change, sustainable finance and human rights due diligence, as well as sustainability scores from customers and suppliers and major (ESG) rating agencies, have since accelerated the impact of sustainability on business.

Target dimensions of the Rheinmetall growth strategy



The transformation to a fully integrated technology group initiated in 2020 has been continued in 2022, and the strategy was comprehensively adjusted in light of the opportunities and challenges arising from market influences.

Rheinmetall's overarching goal is to be a leading integrated technology group that develops solutions for a secure and livable future. The company is pursuing an ambitious growth strategy that involves both a systematic focus on growth areas and a high level of competitiveness in these fields. In conjunction with this, Rheinmetall claims technological leadership in key technologies.

Rheinmetall's strategy focuses on current and future customers and aims to impress them with the quality of Rheinmetall products. The company also aims for long-term profitable growth. By 2025, sales are to be increased to between €10 billion and €11 billion with an average operating margin of 13% in 2025 across all divisions. To successfully realize these ambitions, Rheinmetall is pursuing the following core targets across the divisions:

Process improvement and operational performance

- Improving our delivery reliability and quality to remain and become the preferred choice for existing and future customers
- Expanding plant capacities and making them more flexible
- Increasing productivity by making optimum use of available resources, such as by exploiting the potential of digitalization, by sharing best practices and through automation.
- Optimizing the supply chain to ensure the necessary supply in disruptive supply chains
- Bringing operational excellence to life in all areas of the business, in value-adding processes (e.g., development, production, after-sales service) and in all supporting processes

Transformation of the civil business

- Transforming the automotive portfolio into a long-term profitable and resilient civil portfolio with a focus on future mobility, decarbonization and sustainable industrial solutions
- Transferring key automotive expertise to alternative high-growth markets and sectors
- Sharpening the civil portfolio to secure long-term, sustainable and profitable growth
- Continuous portfolio monitoring and divestment of activities with high dependence on the internal combustion engine and low growth opportunities

Activating integration and unleashing the potential of the integrated Group

- Leveraging maximum synergies and unleashing Rheinmetall's full potential through silo-free interaction between the five divisions in order to offer civil and security customers the best and most innovative solutions. In particular, technology transfer is to be strengthened across divisions. The five technology and focus areas form the backbone of the integrated approach across the divisions
- Introduction of functional structures
- Bundling and strengthening of international activities

Focusing and expanding core technologies and core fields

- Systematic technology management for medium-to long-term realization of additional growth potential in order to increase resilience and competitiveness
- Focus on core technologies and dedicated focus areas:
  - Autonomy and robotics
  - Digitalization and connectivity
  - Electrification
  - Hydrogen and decarbonization
  - Service and trade as part of the Rheinmetall portfolio
- Strategic acquisitions, joint ventures and strategic cooperations
- Technological leadership: among the Top 3 in defined core business areas
- Expansion of the security business to become the leading systems supplier for digitalized land forces

Sustainability

- Developing and promoting sustainable technologies and products
- Commitment to respecting and safeguarding human rights
- Improving sustainability performance and supply chain transparency
- Aligning sites, business processes and incentive models with sustainability
- Targeted CO_2 neutrality of the company by 2035

Core enabler: Winning Teams

In order to support the transformation to a leading integrated technology group and fulfil its growth ambition, Rheinmetall has defined the Winning Teams core enabler dimension. In 2022, the HR strategy was revised and now consists of four pillars of initiatives:

- Best People
- Best Leaders
- Empowering Environment
- Competitive Cost Structure

The HR strategy aims to ensure that Rheinmetall is seen as a highly attractive employer by potential and existing employees and managers. This is a crucial success factor for being able to implement the workforce expansion planned as part of the capacity build-up in the coming years. It also ensures that Rheinmetall's managers are best equipped to challenge and develop their teams. Rheinmetall also aims to provide its employees with a working environment and models that promote employee engagement and satisfaction and link them to Rheinmetall. The "Your Voice" employee survey, conducted twice a year, has been established to measure progress. The results are presented throughout the Group and the initiatives developed as a result are actively discussed and further developed with the Group's employees. Another pillar within the HR strategy is the Competitive Cost Structure. An overhead analysis was carried out in 2022 with the aim of bringing HR costs to a globally competitive level by 2025. HR analytics are to be implemented and the remuneration system revised, among other things.

Sustainability to form an integral part of the Group's strategy

The Group's increasing focus on sustainability, visible not only in the product portfolio but also with regard to important social and political issues ranging from social responsibility and the fulfillment of human rights to due diligence obligations and climate and environmental protection, is a key component of the Group strategy. With our innovative strength, our product portfolio, the international reach of our business and our own activities in the area of sustainability, we make our contribution to ensuring that the global community achieves the 17 UN Sustainable Development Goals by 2030.

Sustainable management in harmony with the environment is a core element of business and production processes and helps to secure the long-term future of the company. In addition to continuity, economic growth and compliance with the principles of good corporate governance, the careful use of natural resources is part of our self-image. We are committed to progressively reducing our environmental footprint, avoiding negative impacts of our business activities on the environment as far as possible and to implementing transformative changes that help protect our planet for the current society and future generations as well as enabling a more sustainable business for the benefit of our stakeholders.

As a long-standing company, we support the 2015 Paris Climate Agreement's goal of limiting global warming to below 2°C, or even better to 1.5°C, by 2100 compared with the pre-industrial era (1850). Carbon neutrality by 2035 refers to emissions within our company in a first step (Scope 1) as well as emissions from the generation of our purchased energy (Scope 2). We also plan to further reduce Scope 3 emissions, e.g. from the procurement of goods and services and to a certain extent from the use phase, in the medium to long term.

A key building block of the EU Green Deal and the EU Action Plan on Financing Sustainable Growth is the European Union's Taxonomy Regulation, which came into effect in July 2020. It aims to increasingly channel capital flows and investments into environmentally sustainable economic activities and projects in order to achieve the European Union's environmental and decarbonization targets for 2030 and become the first climate-neutral economic area by 2050. Rheinmetall supports the general objectives of the EU agenda for financing the transition to a sustainable economy and reports on its business activities classified as taxonomy-eligible or taxonomy-compliant in the categories of sales, CapEx and OpEx.

In addition to our principles on social responsibility (Fair2All international framework agreement), we highlight our commitment to business ethics issues with the joint position paper of the Executive Board and the European Works Council on the transformation and internationalization of the Rheinmetall Group. Furthermore, we are a member of the United Nations Global Compact, a globally established sustainability initiative. As a signatory, we pledge to comply with the ten principles on respect for human rights, fair working conditions, environmental protection and anti-corruption. For us, these form an important guide in responsible corporate governance.

Within our sphere of influence, we see it as our responsibility to promote respect for human rights, prevent human rights violations, and prevent or mitigate potential adverse impacts of risks we have identified and prioritized through various measures. Our commitment relates both to our own business activities and to our suppliers, initially mainly in Tier 1.

Remuneration components, which include sustainability targets, serve to further strengthen sustainable positive corporate development. The implementation of measures relating to environment and society will be taken into account for members of the Executive Board and managers in both the long-term and short-term incentives at 20% from fiscal 2022 and 2023 respectively. Consideration is also being given to including ESG targets at 20% in the short-term incentive program for employees not covered by collective wage agreements.

Growth drivers: defence markets, electrification, diversification

Along with this changed organizational and management structure, the technology transfer between the individual divisions is to be continuously enhanced and the focus on technologies and business areas bolstered with sustainable value enhancement potential.

Defence markets – A significant growth driver in the defence markets served by Rheinmetall results from the “leap in growth in the defence sector” and “new world order” market drivers (see section on market drivers). Spending by NATO alliances increased by 23.3% from 2018 to 2022. Germany has committed to achieving the 2% of GDP target set by NATO over a period of several years for the first time and is increasing its defence spending. In Rheinmetall’s existing markets including Germany, Australia, the UK, Hungary, Italy and Greece, rising defence budgets and modernization ambitions are allowing for further growth potential.

Rheinmetall also achieved significantly growing business successes in the world’s largest defence market, the US. Between 2019 and 2022, Rheinmetall achieved a growth rate of 45% in sales in the security technology sector in the US, particularly thanks to participation in the pioneering OMFV and CTT projects. OMFV (Optionally Manned Fighting Vehicle) is a US Army program to replace the M2 Bradley infantry fighting vehicle. The CTT (Common Tactical Truck) solution will replace the fleet of heavy and medium wheeled tactical vehicles.

Rheinmetall’s new developments from the “Next Generation Vehicle Platforms” security technology sector (Americanized Lynx (manned combat vehicle), Americanized HX3 (tactical truck)), “Next Generation Ammunition” (indirect fire, next gen ammunition) and “Mission Systems of the Future” (mission systems, digitalized battlefield and air defence) will open up additional potential markets, with a tender value of €50 billion.

Electrification – Another growth driver for Rheinmetall is electrification within and outside the mobility sector, whose shares are expected to increase in the overall rise in Group sales. On the other hand, the share of combustion engine business is being adjusted to reflect the market conditions anticipated in the medium term.

For electrification within and outside the mobility sector, Rheinmetall is focusing on developing complex systems for heating and cooling electric drive components, all-electric auxiliary units, DC link capacitors, die-cast components for battery carriers, covers and motor housings as well as plain bearings for electric vehicles.

Another innovation in Rheinmetall’s electrification portfolio is the Rheinmetall curb charger presented in November 2022 – a charging solution concept to promote electric mobility in city centers and metropolitan areas. The system is currently undergoing extensive long-term testing before it is used for the first time in a pilot project in public spaces. Rheinmetall sees great opportunities for growth in the global electrification market in the further expanding portfolio for electrification.

Diversification – With the transformation of Rheinmetall's civil sector, new business areas are being analyzed and evaluated with regard to sustainable, profitable growth potential and their strategic fit with Rheinmetall.

Under the umbrella term of decarbonization, Rheinmetall has begun to address a diversified business area with high growth potential for the civil sector. The transfer for the Defence sector is being assessed at the same time and opens up further growth potential. The strategic fit with the focus area of decarbonization has particularly arisen due to the outstanding expertise in the development of components that are processed in the numerous fields within decarbonization. Two focus areas for Rheinmetall within decarbonization are warm home and hydrogen technologies.

The warm home focus area is currently exploring cooperation with leading manufacturers and suppliers of heating systems for the real estate sector. Rheinmetall's focus here is on the development and supply of components such as circulation pumps, heating pumps and compressors for the sector, in which Rheinmetall has extensive technological and development expertise.

Further orders were booked in the hydrogen business area in 2022. The value of the booked business in the hydrogen growth market amounted to €306 million by the end of fiscal 2022 from various manufacturers of fuel cell systems. In addition to this, the first further hydrogen business totaling €83 million was acquired in Q1 2023. Since September 2021, Rheinmetall has also been part of the national hydrogen and fuel cell initiative, which is financially supported by the German government and the state of North Rhine-Westphalia. Rheinmetall is an industrial partner in the research and development consortium of the Center for Fuel Cell Technology (ZBT) in Duisburg, which is renowned in terms of hydrogen and has been selected as one of four Innovation and Technology Centers for Hydrogen Technology (ITZ) funded in Germany. The project to develop an innovative hydrogen pressure tank system by a consortium comprising Rheinmetall and the RWTH Aachen Institute of Textile Technology is being supported by the state of North Rhine-Westphalia with funding of €4.7 million.

Acquisitions, joint ventures and strategic alliances

As part of its growth strategy, Rheinmetall continuously screens potential targets. The focus of acquisitions and strategic cooperations is on strengthening digitalization expertise, expanding capacities and core portfolio additions, and supplementing the portfolio to support the transformation of the civil sector.

Digitalization – As a central element of Rheinmetall's digitization strategy, a far-reaching strategic cooperation with the Hungarian digitization service provider and IT supplier 4iG was initiated at the beginning of 2022. This cooperation will be gradually intensified.

At the beginning of 2022, a contract for the acquisition of 25.1% of the shares in 4iG Nyrt. was signed with the majority shareholder. This strategic partnership is intended to make a decisive contribution to further strengthening Rheinmetall's position as a leading systems supplier for security technologies in Central and Eastern Europe and to unlocking digital potential in civil markets.

In a further step, Rheinmetall and 4iG established the "Rheinmetall 4iG Nyrt. Digital Services LLC" IT joint venture in Budapest. 4iG Nyrt. holds a 51% stake in "Rheinmetall 4iG Digital Services LLC," with Rheinmetall holding the remaining 49%. The company will provide IT services for Rheinmetall's local and global subsidiaries and potentially also for third parties from 2023. The new joint venture is mutually beneficial. It strengthens Rheinmetall's IT expertise and gives 4iG Nyrt. better access to the global market for IT services.

In addition, Rheinmetall (51%), 4iG Nyrt. (39%) and the Hungarian state-owned company HM Electronics (10%) have signed a preliminary agreement on the establishment of a further joint venture. The company's goal is to drive the digitalization of the Hungarian armed forces and selected NATO member states in Central and Eastern Europe. Specifically, the company intends to be involved as a driver of digitalization in the areas of soldier systems, flight and land simulation. A further focus will be the key area of C4ISTAR (command, information, communications, computer systems, intelligence, surveillance and reconnaissance), where substantial and innovative contributions will also be made.

Another important building block within Rheinmetall's digitalization strategy is the strategic partnership with Helsing, the leading European provider of software and AI for defence systems, which was entered into in Q3 2022. The aim of the strategic partnership is to transform land forces. By jointly developing the latest generation of software-based weapon systems and upgrading existing platforms, this partnership will provide armed forces with advanced and future-proof capabilities to meet current and future challenges. Lessons from the Ukraine conflict show that digitalization and AI-powered mission systems can help armed forces achieve significant success on the battlefield. They will play a key role for defence in the future.

Capacity expansion and additions to the portfolio – As part of its capacity expansion and additions to the portfolio, Rheinmetall concluded a purchase agreement in November 2022 for the acquisition of all shares in the globally renowned munitions manufacturer Expal Systems S.A., Madrid. The closing of the transaction, which is expected to take place by summer 2023, is subject to antitrust and other regulatory reviews. With this acquisition, Rheinmetall aims to sustainably secure its core business in the field of weapons, ammunition and propulsion systems, focusing on expanding available production capacities and broadening its product portfolio.

Transformation of the civil sector – In December 2022, Rheinmetall signed a minority investment agreement with Dutch deep-tech start-up Incooling. With a mission to cool the planet one server at a time, Incooling has adapted the unique properties of phase change cooling to develop next-generation cooling systems designed to unlock the full potential of the data center industry. For Rheinmetall's civil sector, this move is an important, forward-looking partnership and investment as part of its strategic transformation. Incooling's cutting-edge technology is a perfect complement to Rheinmetall's expertise. Rheinmetall will contribute its skills in thermal management, as a technology partner and its industrialization expertise, and is achieving expansion in the data center sector.

Rheinmetall has made further progress in its transformation and diversification strategy by establishing a joint venture for innovation in the biometric sector together with Dermalog, Germany's largest biometrics company. In the partnership, Rheinmetall represents 65% and the partner company DERMALOG 35% of the shares of the new "Rheinmetall Dermalog SensorTec GmbH" joint venture. The strategic objective of the cooperation is the integration of biometric technology, AI software and digitalization solutions in three different areas: automotive vehicle interiors (driver monitoring), security and industrial environments.

As part of the joint venture, Rheinmetall is increasing its future-oriented diversification through biometrics applications in the civil industry environment, but also in the security sector. This will also enable the company to build up further digitalization and software expertise.

Strategic key figures

	Key figure		Result 2022	Target 2025
Growth	Group-wide sales	€billion	6.4	10-11
Profitability	Operating margin	%	11.8	rd. 13
	Operating free cashflow	%	(2.4)	4-6

Research and development

Expenditure on research and development at the Rheinmetall Group was €351 million in fiscal 2022 (previous year: €337 million). Of this amount, €60 million was passed on to customers (previous year: €55 million). Of the total expenditure on research and development, €82 million was capitalized as development costs in the year under review (previous year: €77 million). Amortization of capitalized development costs recognized in the year under review amounted to €23 million (previous year: €24 million). The research and development ratio in relation to the Group's total sales was 5.5% (previous year: 6.0%).

The number of employees entrusted with research and development tasks has increased by 213 people or 4.9% year-on-year to 4,593 people at the end of 2022 (previous year: 4,380 people). In relation to the total workforce, this corresponds to a share of 21.1% (previous year: 21.7%).

Research and development

	2022	2021
Employees in research and development (FTE)	4,593	4,380
Employees in research and development as % of total workforce	21	22
R&D: Expenses (€ million)	351	337
of which capitalized	*82*	*77*
R&D ratio (research and development expenses in relation to sales)	5.5	6.0

With regard to the individual divisions of the Rheinmetall Group, research and development expenses will again show a mixed distribution in fiscal 2022. As in previous years, the Sensors and Actuators division recorded by far the highest expenses at €158 million (previous year: €151 million). Research and development expenses in the Weapon and Ammunition division were on par with the previous year at €70 million. Vehicle Systems reduced the corresponding funds by 6.6 % to €57 million. For Electronic Solutions, research and development expenditure in fiscal year 2022 was above the previous year at a total of €40 million. In the Materials and Trade division, research and development expenses in the year under review were €16 million, up 23.1% from the previous year.

Research and development expenses by division

€ million	2022	2021
Rheinmetall Group	**351**	**337**
Vehicle Systems	57	61
Weapon and Ammunition	70	69
Electronic Solutions	40	38
Sensors and Actuators	158	151
Materials and Trade	16	13
Consolidation/Others	9	5

The distribution of the total of 4,593 employees working in research and development in the Rheinmetall Group at the end of 2022 across the individual divisions is shown in the table below. In this context, the Vehicle Systems Division recorded the highest growth in R&D employees, with an increase of 162 people, while the number of employees in the corresponding areas in the remaining divisions remained roughly at the previous year's level.

Employees in research and development by division

FTE, 12/31	2022	2021
Rheinmetall Group	**4,593**	**4,380**
Vehicle Systems	1,438	1,276
Weapon and Ammunition	673	667
Electronic Solutions	1,326	1,328
Sensors and Actuators	987	970
Materials and Trade	126	110
Others	43	29

Research and development in security technology

The Vehicle Systems, Weapon and Ammunition and Electronic Solutions divisions are continuously setting new technological standards with their products: from vehicle, protection and weapon systems through infantry equipment and air defence to the networking of function sequences as well as in the area of simulation and training. They systematically gear their research and development activities to the main areas of national capability stipulated by the German armed forces and to mission requirements profiles of international armed and security forces facing the growing challenges and complex threats of the 21st century. In addition to multinational deployments for stabilization and crisis management, the focus is particularly on the tasks of the German armed forces and other NATO forces in the area of national and alliance defence. Modern equipment that uses cutting-edge technology and is adequate to the task can lead to vital improvements in ability to lead, stamina, mobility, effectiveness and ability to survive in the deployment scenarios faced by soldiers.

Vehicle Systems division

As the digitalization of military vehicles continues, the variety of support and automation functions in the systems is also increasing. These functions have been a focus of the Vehicle Systems division's R&D activities for years. Research and development activities are also focused on how tasks can be simplified and combined for the operator in order to ultimately optimize the manning of modern combat vehicles. The focus here is not only on reducing crew size, but also on relieving them of monotonous tasks and reducing the risk to the crew in dangerous situations. In this context, a high degree of automation in the execution of functions can be achieved via appropriate sensor systems and algorithms.

This year, the division was represented by vehicles from the JODAA family at the Military Vetronics Association (MilVA) conference in Koblenz, among other events. The JODAA vehicles are research and technology demonstrators based on the Boxer armored fighting vehicle. The international meeting was attended by more than 100 guests from industry, universities, government agencies and defence ministries. After two days with more than 20 technical presentations, the last day saw a live demonstration of the versatile capabilities of JODAA vehicles in the field of vetronics (**ve**hicle and elec**tronics**), on the premises of WTD41 in Koblenz.

Another highlight was the participation – together with the German customer – at the European Land-Robot Trial (ELRob) in Austria with the InterRoC vehicles. These are two HX2 logistics trucks from the German armed forces, which are equipped for fully and partial automated driving with the help of actuators and various sensors. In this performance show and live testing in various vehicle classes and test scenarios, the two InterRoC vehicles took second place in the Convoy category. In the fall, the two InterRoC trucks were at the US military training area in Grafenwoehr to form a binational convoy together with three US army Oskosh trucks. In the tests, the vehicles each followed the lead vehicle controlled by a driver. Numerous scenarios (such as change of lead vehicle, remote control of individual convoy members) were successfully carried out.

An essential part of the R&D activities is also the development of the latest generation of HX3 military utility vehicles. This future-proof military truck has been redesigned from scratch. Users can expect improved protection, further enhanced mobility, greater ride comfort and a digital interface architecture for an even more flexible range of applications and future performance enhancements. At the same time, the core strengths of the HX2 and the family concept are retained. Thanks to the various assistance systems, it ensures greater safety in everyday use. A completely redesigned electronic and electrical (EE) architecture and assistance systems such as emergency brake assist (EBA), adaptive cruise control (ACC) and lane departure warning (LDW) ensure the vehicle's future viability – especially with regard to autonomous driving. Standardized interfaces allow technologies available in the future, such as truck platooning or other automated applications, to be integrated.

Weapon and Ammunition division

The observations made during Russia's war of aggression on Ukraine were and continue to be analyzed. This showed that the R&D activities initiated by the Weapon and Ammunition division prior to the war are targeted and will result in upcoming innovations that promise great added value on the battlefield of the future.

These include improving the performance of the tank weapon in terms of precision and range by exploiting new concepts for effectors. The subject of development here is the 130 mm L52 with auto-loader. In addition, the feasibility of a new 120 mm ammunition for the newly introduced 120 mm L55 A1 weapons is being tested. Until the introduction of the 130 mm L52, this ammunition will bridge – the capability gap in the duel situation against enemy main battle tanks, albeit at a shorter range than the 130 mm system.

The war in Ukraine clearly demonstrates the range advantages of Western artillery. This confirms the work on a new generation of 155 mm weapon systems, which in a final stage of development will be able to guarantee firing ranges of at least over 80 km. At the same time, this system will ensure sufficient growth potential for new technologies in the years to come, such as in the areas of precision, automation as well as weight reduction of an overall system. However, the large firing ranges are only useful if the hit probability can be achieved with low numbers of shots. There are therefore concepts in the pipeline that significantly increase the precision of artillery systems. Investigations into the technical feasibility of these concepts have begun.

Work continued on concepts to protect vehicles from threats targeting roof structures, and new defences have been outlined. The approaches were presented to users and initial system requirements were defined. The next step will be to investigate the feasibility of the respective concepts.

The integrated protection concept for main battle tanks developed in recent years was transferred to the KF51 Panther, among other vehicles, and presented at Eurosatory and in demonstrations for potential users. The integrated protection concept combines active and passive protection technologies in a completely new form. In particular, newly developed active countermeasures have further improved the performance of active hard-kill protection, enabling protection against the strongest threats on the battlefield to be realized at the lowest possible weight. This concept continues to form the basis for Rheinmetall's contributions to protection for the Franco-German Main Ground Combat System (MGCS).

The Unmanned Ground Vehicle (UGV) Mission Master SP demonstrated its capabilities in a version equipped with 70 mm rockets. The Mission Master owes its autonomous functions, such as navigating and driving, to the PATH Autonomy Kit (A-Kit). Tried-and-tested, flexible, reliable and highly autonomous, PATH is designed to deploy military vehicles unmanned, keeping soldiers out of harm's way. PATH is an example of the successful combination of sensors and actuators using artificial intelligence.

Another research and development topic across multiple divisions was in the area of electromagnetic immunity of autonomous systems. The research activities – which were subcontracted to the Helmut Schmidt University in Hamburg – were dedicated to the electromagnetic compatibility (EMC) of electrified drives for fully and partially autonomous driving. Partially autonomous driving relieves the driver of the particularly safety-critical functions of accelerating, braking and steering. Malfunctions and external interference – including intentional interference (intended electromagnetic interference – IEMI) – can therefore result in serious damage events. The increased damage potential requires electromagnetic compatibility to be ensured, especially in the area of IEMI. This area, which has so far been considered only in defence technology and now increasingly also for critical infrastructures, will in future also play a role in the work on EMC in the motor vehicle industry. In addition to investigating the interference potential of power electronics components, a measurement and testing strategy for vehicle components under the changed conditions of fully and partially autonomous driving was developed.

Electronic Solutions division

In the future deployment scenario of the armed forces, commanders and decision-makers, regardless of their own position, need immediate access to all necessary information from the battlefield. This is also underlined by analyses from the current war in Ukraine. A key enabler is the comprehensive networking of players, (robotic) platforms, sensors and also effectors to form a seamless communication and information network.

To further consolidate the role of the Electronic Solutions (ES) division as a leading systems supplier for networked land forces, a digital ecosystem is being established as part of R&D activities. The core element of this ecosystem is a networking element (middleware) that can be incorporated into all land force platforms. In 2022, the conceptualization of a fully networked, digitalized brigade with all relevant platforms or players was further advanced. An essential core component here is the generation of user added value or HEMS (high-end military services), which result from the use of forward-looking networking architectures and communication solutions.

An initial version of the HEMS described above is a decision-support tool using artificial intelligence to reduce the workload of the main battle tank crew. Objects detected using electro-optical sensor technology (e.g. T72 main battle tanks) are thus detected and can be tracked. The underlying metrics determine the threat level and prioritize the detected objects. At the same time, the system generates recommendations for the effector to be deployed. In subsequent development stages, both the detection sensor technology will be extended to other spectrums as well as the intelligence of the reconnaissance-effector chain and partial automation, taking into account a human-in-the-loop approach.

In addition, the integration of small drones based on the rotorcraft principle into tactical combat vehicles as well as a corresponding algorithm for the execution of automated reconnaissance missions in small-scale networks was implemented with external partners. To enable technical implementation on various vehicles and platforms, a modular launch aid container (also known as a mission pod) served as the basis for further developments. This ensures simple conversion of (combat) vehicles that have already been introduced or are available on the market, such as the Lynx infantry fighting vehicle. An extension of the operator terminal (crew terminal or human machine interface) already introduced now enables the operation and command of the drones from the protected battle space. In a standard variant, three reconnaissance drones could thus operate with each other in primarily exploration and reconnaissance missions; even if GNSS or GPS are unavailable.

In the context of air defence, the Electronic Solutions division relies on the Skyranger 30 – mobile high-end sensor and effector solution – to protect convoys and stationary infrastructure. This unique hybrid solution with an automated 30 - mm weapon, guided missile and a high-energy laser (HEL variant) was upgraded in 2022 to counter current and emerging threats. Combined with the appropriate sensor systems, the Skyranger 30 can now autonomously monitor the airspace while selecting and deploying the optimal effector in response to the threat. The automated Skyranger 30 turret can be integrated with a full range of modern wheeled and tracked vehicles, such as the Boxer or Lynx KF41.

Improvements in efficiency were also brought about by digitalizing internal development processes. This took place at two closely linked levels: on the one hand with the implementation of digital data continuity within the engineering area through to production, and on the other hand with the broadening of model-based development. This approach enables problems to be identified and solved at an earlier stage of development with the help of a digital twin of the real system, thus reducing project risks and development lead times.

Research and development for civilian applications

Increasingly stringent climate protection policies worldwide with ever stricter emissions regulations, the challenging global economic environment and the resulting immediate supply chain problems, as well as higher energy and raw material prices were the main factors influencing technological developments in the mobility sector in 2022.

The automotive industry in particular was impacted by these bottlenecks and suffered due to market disruptions. For example, towards the end of the year, the European Union Commission launched a proposal for a new Euro 7 standard to apply to new registrations of passenger cars and small vans from July 1, 2025, and to new registrations of heavy-duty vehicles such as trucks and buses from July 1, 2027. However, the EU Council of Ministers and the European Parliament still have to negotiate on the proposal and agree on a common policy with the Commission in trilogue negotiations. The EU's Euro 7 emissions standard represents a further tightening, bringing emission limits for all motor vehicles, including cars, vans, buses and trucks, under a single set of regulations. The new rules are fuel- and technology-neutral and set the same limits regardless of whether the vehicle uses gasoline, diesel, electric, or alternative fuels. In addition, the European Commission has decided to ban the registration of new vehicles with internal combustion engines from 2035, which currently only needs to be confirmed by the European member states. These potentially new Euro 7 standard rules and the almost resolved ban on internal combustion engines from 2035 will have a major impact on R&D activities in the area of internal combustion engines in the Sensors and Actuators and Materials and Trade divisions in the automotive business in the coming years.

The transformation of the automotive industry regarding alternative drive systems is also leading to new challenges. For example, in recent months many automotive manufacturers have announced their departure from the established internal combustion engine in anticipation of the expected legislative regulations. Almost all manufacturers now offer corresponding purely battery-electric and plug-in hybrid vehicles. In November 2022 new registrations in Germany of purely battery-electric vehicles (BEV) increased by 44% year-on-year, while those of plug-in hybrids (PHEV) were up by as much as 60% year-on-year, taking into account an effect from purchases brought forward due to the expiry of subsidies at the end of 2022. A total of around 659,200 electric vehicles have thus been registered in Germany since the beginning of the year, making sales were thus 10% higher than in the same period of the previous year.

In addition to battery-electric drive systems, regeneratively produced hydrogen is also becoming increasingly popular as an energy carrier in many countries and is often supported by funding programs. Hydrogen will play a key role in industry, shipping and synthetic aviation fuels. As far as passenger and freight transportation on land is concerned, the focus is on the use of hydrogen in fuel cell systems for commercial vehicles to achieve the ranges possible with fossil fuels. However, at present there is still a lack of sufficient refueling stations and of series-production vehicles that are affordable for a broad range of buyers.

As a result of this pressure for transformation, Rheinmetall is increasingly strengthening its R&D focus on technology fields that are independent of the drive system and has continued to successfully promote development activities in the area of interior/driver monitoring systems. This ultimately led to the establishment of the joint venture Rheinmetall Dermalog SensorTech GmbH in fiscal 2022. In this joint venture, the technology group Rheinmetall and the biometrics company DERMALOG pool their expertise in the fields of biometrics, artificial intelligence and radar technology with the aim of jointly developing high-performance solutions both in automotive vehicle interiors – driver monitoring, occupant monitoring and vehicle access – and in the security and industrial environment.

At the same time, further studies on urban charging infrastructure were pursued, as a result of which an innovative charging concept for electric vehicles was developed. The Rheinmetall curb chargers blend almost invisibly into the urban landscape and offer solutions to the challenges of existing charging systems – such as high space requirements, low point density, deterioration of the urban landscape and high costs. In contrast to other charging solutions on the market, Rheinmetall's development focuses on upgrading and making intelligent use of existing urban infrastructure. By integrating charging electronics into a curb, the curb effectively becomes a charging station without causing the restrictions for other road users associated with a charging station. The Rheinmetall system provides a solution to the major challenge of bringing sufficient opportunities for charging electric vehicles, particularly in inner cities and metropolitan areas. As safety is an integral part of Rheinmetall's DNA, the systems are currently undergoing extensive long-term testing before being used for the first time in a pilot project in public spaces. With this solution, Rheinmetall is providing an important building block for making the target of one million public charging points in Germany achievable by 2030.

As part of the mobility transformation, the company is also turning its attention to new, promising technologies and systems. One key point of development is teleoperated driving, which has been systematically implemented at Rheinmetall Technology Center GmbH using the Group's own technologies and new developments. In mid-2022, a roll-out in Düsseldorf's industrial port demonstrated the development status in public traffic and in unregulated standard road traffic. The specially equipped vehicle, which was based on a standard passenger car, was driven and controlled by a remote driver. A special license and the presence of a safety driver at all times was essential for operating the vehicle.

Along with the roll-out in Düsseldorf, which forms only the basis for a steady trial operation, there was also a comprehensive presentation at the DIGITAL X trade show in Cologne, where the technology was demonstrated to a wide audience in a real traffic environment.

Rheinmetall or the parts of the company involved in this development are thus contributing to new mobility concepts and mobility service elements.

Sensors and Actuators division

In the Sensors and Actuators division, the fuel cell components business was consistently developed in 2022, following the trend of a globally growing hydrogen and fuel cell market. This is demonstrated not only by the contact with now around 30 international customers, but also by the orders for fuel cell cathode valves already booked with several customers. The high level of seal tightness achieved for the shut-off valves, as well as the possibility to offer an integrated electronic position control in all regions such as Europe, America and Asia, contribute significantly to this success. In general, the application areas for the various fuel cell products now range from all mobile sectors through to off-road and stationary as well as industrial applications. To put the booked business into effect, industrialization is already underway with corresponding production concepts that follow the volume development in a modular fashion. Customer contacts in the rail vehicle and maritime applications segments have been expanded in particular. In line with the strategy, variants of existing products are being used for both segments, with a high proportion of common parts. The first samples in these new segments have been delivered to customers, and the first series business has been booked with a customer from the maritime sector.

Rheinmetall AG invested €3.5 million in the Dutch company Incooling B.V., based in Eindhoven, in 2022. The investment and partnership is not only another important step for digitalization in the strategic transformation of Rheinmetall's Sensors and Actuators division, but also aims to support Incooling in marketing its next generation server solutions. Incooling develops next generation 2-phase cooled servers that offer outstanding performance while significantly reducing energy consumption. This is particularly advantageous for the most demanding applications such as artificial intelligence (AI), high performance computing (HPC), extensive R&D simulations and high frequency trading for banking solutions. In addition to the financial investment, Rheinmetall will also support Incooling with its expertise in high-quality manufacturing and assembly processes. The investment strengthens Rheinmetall's skills in five strategic technology clusters: automation, sensors, digitalization, alternative mobility and artificial intelligence.

In 2022, the Sensors and Actuators division further developed its product portfolio for high-voltage safety switches. The switches are used to switch the high-voltage vehicle electrical system on and off safely. In particular, they must also be able to quickly and safely switch off the vehicle without voltage in the event of a short circuit or crash. The high-voltage safety switches now available include high-voltage contactors, pyro fuses and pyro closers for 400 to 900 volt direct current (VDC) applications, with priority given to the promising 850 V level. The innovative high-voltage contactors feature a very compact design with a low weight. They do not require the usual extinguishing gas filling, which eliminates the danger of bursting and guarantees a longer service life. This also makes the components highly competitive in terms of cost, as demonstrated by the business successfully booked with a leading German manufacturer of electric vehicles in 2022. Further components are under development to strategically expand the portfolio of high-voltage safety switches.

The development toward less dependence on the combustion engine in general, and the diesel engine in particular, continued consistently and successfully. In addition to the first completed automotive series business of the modular refrigerant compressor with variable communication interface, a major deal has now been concluded with an industrial customer. This application uses the refrigerant compressor outside the automotive environment for the first time and can also achieve exceptional performance characteristics through the use of the very environmentally friendly refrigerant propane (R290). The further reduction of dependence on diesel engines was effectively implemented by concluding a major deal with a German premium - OEM in the field of secondary air technology for gasoline engines. Here, the OEM is drawing on the unique experience of the Sensors and Actuators division in being able to offer entire systems as ready-to-install modules. Contrary to the general downward trend in internal combustion engines, many projects for internal combustion engine components were booked in such a way that this year's booked volume is significantly above the average of recent years. This was mainly achieved by using products that could be derived quickly and cost-efficiently from the modular structure of the individual components.

Finally, as part of the electrification strategy, a joint venture was established with the American start-up company PolyCharge America, Inc. for the production, development and marketing of DC link capacitors. The aim behind this is to be increasingly represented with innovative products in the fast-growing markets of electromobility and industrial applications in the future. Rheinmetall is thus positioning itself to respond to the growing demand for e-mobility and green energy components, particularly in the automotive supply sector and also with its military customers. Advanced DC link capacitors from PolyCharge play an important role in the Rheinmetall PowerPack system for battery electric vehicles currently under development. Rheinmetall expects the new PowerPack solution to deliver improved efficiency and increased range and thus market opportunities with major growth potential. In the close operational partnership with PolyCharge, the Rheinmetall joint venture secures the exclusive right to produce and market DC link capacitors with the special NanoLam technology in Europe.

Materials and Trade division

In 2022, the research and development activities of the Bearings business unit related mainly to diversification. In the product range for internal combustion engine drives, the focus was on consolidating the steel-bronze and steel-brass starting material portfolios and preparing volume production ramp-ups for polymer-coated bearing shells and thrust washers. In the area of non-motor, automotive applications, work was carried out on expanding the starting material and product portfolio for highly stressed, grease-lubricated applications (e.g. for commercial vehicle braking systems), plain bearing solutions and electromechanical components for BEV drivetrains, and a new metal-polymer product family for the interior, exterior and chassis areas. In industrial applications, developments for the classic application areas of hydraulics, compressors and transmissions were driven forward, as well as technology projects initiated in the area of wind energy and hydrogen infrastructure.

In 2022, the Castings business unit worked on expanding its project portfolio in the automotive, truck and electric mobility application areas. In automotive applications, a new order for the development and series production of a high-performanceV8 engine block for a sports car manufacturer resulted from the use of existing expertise in the casting design of components and the coating and finishing of components. For truck applications, the main focus was on expanding the scope of production for truck components. Of particular note in this context is the development and preparation for the start of production of a transmission housing for a European truck manufacturer in 2022. This is a very complex component that expands the Rheinmetall portfolio. In the Electric Mobility business area, the focus of development in 2022 was on the industrialization of a carrier plate for a leading German automotive manufacturer, which includes the casting and finishing of the component.

In the Invent business unit, developments in 2022 continued to target opening up new business areas and markets for the Materials and Trade division in the future markets of energy and mobility. The Energy Recovery Systems business unit booked further customer orders and pressed ahead with series development. Basic development projects were launched for new applications (cabin air conditioning and heat pumps). A new development project for hydrogen refueling systems was launched during the year as part of a publicly funded project, and initial test samples were tested. The business area is also working on the basic development of glass fiber reinforced springs. Prototypes were successfully tested on test rigs and in vehicles. Rheinmetall received the Society of Plastics Engineers “Grand Innovation” Award for this work.

Economic report
General economic conditions

Major stress test for the global economy – Ukraine war, supply chain bottlenecks and inflation dampen economic recovery

The global economy faced major challenges in 2022. The Russian invasion of Ukraine, inflation that was higher than it had been in decades, supply chain bottlenecks and the consequences of the ongoing coronavirus pandemic significantly dampened the economic recovery. For 2022, the International Monetary Fund (IMF) calculated global economic growth of 3.4% in its World Economic Outlook. In 2021, growth was 6.2%. According to the IMF, gross domestic product (GDP) in the eurozone grew by 3.5% in the year under review. For the German economy, the IMF has calculated growth of 1.9% for 2022. In its annual report, the German Council of Economic Experts was slightly more pessimistic than the IMF in its assessment of the economic situation. The economic experts forecast economic growth of 1.7% for Germany.

The IMF attested to a subdued recovery in the US, where gross domestic product growth was 2.0% in 2022. In China, the frequent lockdowns under the zero-Covid strategy weighed heavily on the economy. Momentum in the real estate sector, which accounts for around one fifth of economic activity in China, also weakened significantly. Overall, the IMF calculated growth of just 3.0% for the Chinese economy. Given China's importance to global supply chains, its struggle in 2022 severely impacted global trade and economic activity overall.

Energy crisis increases cost of living and slows economy

In its study, the IMF projected an average global inflation rate of 8.8% for 2022, up from 4.7% in the previous year. The consequences of the war in Ukraine have led to a severe energy crisis in Europe, which drastically increased the cost of living and dampened economic activity. For industrialized countries, the IMF calculated an inflation rate of 7.3% for 2022, 0.7 percentage points higher than predicted in the summer. For emerging and developing countries, inflation averaged 9.9% in 2022.

For Germany, the German Council of Economic Experts expects inflation to remain high due to the energy crisis. The experts calculated an inflation rate of 7.9% for 2022.

Increase in global defence spending – "turning point" in Germany

According to the Stockholm-based peace research institute Sipri, global arms sales have been steadily increasing since 2015. However, Russia's invasion of Ukraine in February 2022 has increased supply chain challenges for defence companies, particularly because Russia is a major supplier of raw materials for weapons production. This may also ultimately complicate efforts in the US and Europe to strengthen the military and replenish stockpiles after sending billions of dollars worth of munitions and other equipment to Ukraine. According to Sipri, if supply chain disruptions continue, it could take several years for some of the major arms producers to meet the new demand created by the Ukraine war.

As stated by the German chancellor, the approval of the special fund of €100 billion for the German armed forces was "the right response to the change of times." The background to this is also Russia's attack on Ukraine, which represents a turning point in security policies in Europe. The special fund is intended to help provide the German armed forces with the equipment it needs more quickly than is possible in the usual annual budget cycle. A significant portion of the money is to be used to purchase of major equipment. According to the economic plan, the "Land" defence sector alone will receive €16.6 billion. Defence spending in Germany increased by 3.3% to a total of $56.9 billion in 2022 (Jane's Defence Budgets).

Germany is not the only country to have responded to the changed threat situation by increasing its defence spending. Overall, global defence spending in 2022 increased by $2.1 billion to $2,084.3 billion (previous year: $2,082.4 billion).

In the US, the country with the biggest defence budget, the budget was 0.6% lower than the previous year's figure at $810.3 billion. The United Kingdom increased its defence budget by 7.0%. In France, spending increased by 2.8%. Hungary, an increasingly important NATO partner for Rheinmetall, again recorded a significant increase of 17.4%. The experts at Jane's Defence Budgets (JDB) also recorded an increase for the People's Republic of China. In the world's second-largest defence budget, spending rose by 5.0% to $260.8 billion. Russia's defence budget was around 8.2% lower than in the previous year at $51.5 billion. In India, defence spending decreased by 2.4% to $67.3 billion.

Defence budgets of selected countries in $ billion

	2022	2021
World	2,084.3	2,082.4
USA	810.3	814.9
China	260.8	248.3
UK	74.5	69.6
India	67.3	69.0
France	59.8	58.1
Germany	56.9	55.1
Russian Federation	51.5	56.1
Saudi Arabia	45.6	53.0
Australia	37.3	36.3
United Arab Emirates (UAE)	25.2	24.1
Canada	20.2	20.8
Netherlands	14.6	14.3
Poland	13.3	14.4
Algeria	8.9	9.5
Norway	7.6	9.5
Hungary	2.7	2.3

Source: Jane's Defence Budgets (JDB), November 28, 2022

Ukraine crisis highlights importance of defence capability – Rheinmetall expertise in greater demand than ever before

In the crisis year 2022, Rheinmetall has impressively demonstrated its capabilities as a leading supplier of equipment to the German armed forces and a reliable supplier of state-of-the-art defence technology to Germany and its allies. This is evidenced by both major procurement projects in Germany and significant large orders from friendly nations. The three Rheinmetall divisions operating in the field of security and defence technology thus once again proved to represent important sales drivers. They also made a significant contribution to improving the Group's operating result.

Rheinmetall has been contracted by the German armed forces to supply further new types of 120mm training ammunition for main battle tanks in 2022. The booked order has a gross value of around €42 million.

Rheinmetall also strengthened its position in the market for special military vehicles. The German armed forces placed an order for the supply of a total of 48 airfield tankers (FTW), which will be used at army and air force airfields. There is also an option for the supply of a further five vehicles of the same type. The order amounts to a medium double-digit million euro sum. Rheinmetall is one of the world's leading manufacturers of various military trucks types and a wide range of special superstructures. The new order for the German armed forces is hugely important strategically, as Rheinmetall has now achieved substantial success in the market for military airfield tankers for the first time.

The key sales successes in 2022 also include a major order from an international customer for the supply of Skyguard-3 air defence systems with a contract value of around €65 million. The order underscores Rheinmetall's leading international expertise in ground-based cannon air defence.

In 2022, Rheinmetall also supplied Leopard 2A4 main battle tanks and Büffel armored recovery vehicles to the Czech Republic as part of the ring exchange program commissioned by the German government. For their part, the Czech armed forces are supplying military equipment to aid Ukraine.

In Hungary, Rheinmetall delivered the first of a total of 209 Lynx infantry fighting vehicles to the Hungarian armed forces in the past fiscal year. Lynx is one of the most advanced combat systems of its kind. In September 2020, the Hungarian Ministry of Defence awarded Rheinmetall a contract for the supply of combat vehicles and associated services with a value of over €2 billion. For Rheinmetall, this major Hungarian order represents a market breakthrough for the newly developed Lynx infantry fighting vehicle.

Rheinmetall also further consolidated its market positioning in the field of artificial intelligence (AI) in 2022. As a driver of innovation driver in the digitalization of armed forces, Rheinmetall has entered into a strategic partnership with Helsing, a leading European supplier of software and AI for defence systems. By jointly developing the latest generation of software-based weapon systems and upgrading existing platforms, this partnership will set new technological standards for defending against current and future threats.

Rheinmetall also underscored its high-tech expertise in the naval sector in the year under review. For the first time in its history, the German armed forces successfully deployed a laser weapon from a German warship in August 2022. As part of trials, the Sachsen-class frigate successfully engaged drones at close and near range at sea. The Arbeitsgemeinschaft (ARGE) Hochenergielaser Marinedemonstrator, comprising MBDA Deutschland GmbH and Rheinmetall Waffe Munition GmbH is responsible for the development of the laser weapon demonstrator. A future high-energy laser (HEL) weapon system for the navy is particularly suitable for defending against drones, drone swarms or attacking fast boats at close and near range. However, it can also be equipped to be more powerful and used to destroy guided missiles or mortar shells. The test has created fundamental prerequisites for new laser weapon systems and capabilities to be introduced to the German armed forces.

Automotive industry braces itself for difficult conditions – electric passenger cars continue to gain momentum

The automotive sector faced major challenges in 2022 due to the fundamental market transformation, persistent supply chain bottlenecks and inflation issues. Accordingly, the international automotive markets were characterized by very different dynamics in 2022.

Despite the challenges, according to analysts at IHS Markit, the number of passenger cars and light commercial vehicles up to 6.0 tons produced in 2022 increased globally by a total of 6.0% year-on-year. This means that a total of 81.8 million units were produced worldwide in 2022, compared with 77.2 million vehicles in the previous year. However, despite this recovery, production volumes still fell significantly short of the level before the coronavirus crisis, when around 89.0 million vehicles rolled off the production lines worldwide in 2019.

The main contributors to the upward trend in 2022 were the markets in the US, China and, above all, India. For India, IHS Markit calculated an increase in production of 22.2% for 2022. In absolute terms, production increased from around 4.2 million vehicles in 2021 to 5.1 million units in the year under review. For China, IHS Markit calculated an increase in production of 6.1% for 2022. For Asian countries as a whole, the increase was 5.3%.

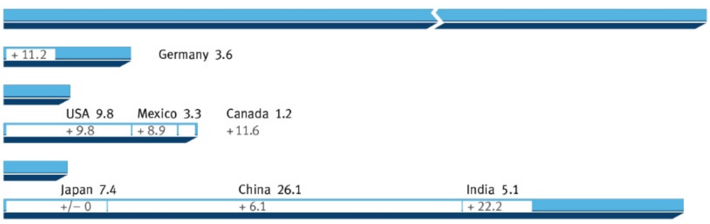
In the USMCA region (US, Mexico, Canada), vehicle production in the past fiscal year was 9.8% higher than in the previous year, particularly due to the 9.8% increase in production in the US. Production in Canada also increased significantly by 11.6%. In Mexico, production figures were 8.9% higher than a year earlier.

For the Western European market, IHS Markit calculated an overall increase of 3.6%. In Germany, vehicle production increased by 11.2% in 2022, although shortages of intermediate and intermediate products, high energy and raw material prices, and general uncertainty due to the war in Ukraine continued to dampen the market and production. The market for electrically powered vehicles in Germany continued to boom in 2022, with around 2.7 million new vehicles registered , of which around 833,500 were electric cars. Sales were thus up 22% on the previous year. As subsidies expire at the end of 2022, some of this development may also be a case of purchases being brought forward.

In the UK, production fell by 7.3% and in Italy by 3.5%. On the other hand France posted a slight up turn at 1.7%, while production is Spain increased by 3.4%.

Production of passenger cars and light-duty commercial vehicles up to 6.0 t in million units.

	Change %	2022	2021
World	+ 6.0	81.8	77.2
Western Europe	+ 3.6	9.8	9.4
Central and Eastern Europe	+ 4.9	3.6	3.5
USMCA	+ 9.8	14.3	13.1
Brazil	+ 4.7	2.2	2.1
Asia	+ 5.3	50.2	47.7



Source: IHS Markit, January 9, 2023

Commercial vehicle market impacted by supply chain problems and pandemic

Ongoing supply chain problems and the consequences of the pandemic had a negative impact on the commercial vehicle market in 2022. In the EU commercial vehicle market, the decline over the first ten months of the year was 16.8% at 1.65 million commercial vehicles produced.

Germany recorded a drop of 15.4% in new commercial vehicle registrations in the first ten months of the year under review. However, registrations of trucks weighing more than 16 t fell by only 0.6%. Commercial vehicles weighing up to 3.5 t (-18.7%) and commercial vehicles between 3.5 t and 16 t (-11.2%) as well as buses (-23.0%) accounted for the bulk of the decline.

Rheinmetall achieves sales success in the electromobility market

For 2022, the Association of the German Automotive Industry (VDA) again reported an increase in registrations of electric passenger cars in Germany. The electric share of registrations reached 31.4% for 2022 as a whole. This means that almost one in three new registrations in Germany was an electric passenger car.

As part of its strategic realignment, Rheinmetall has defined the electrification of drive systems as a growth driver for future business and is developing innovative products for this market. The Sensors and Actuators division in particular is driving forward the electrification strategy. The division, which is active in components and control systems for emissions reduction and thermal management, saw a year-on-year increase in sales of 5% in fiscal 2022. The sales growth resulted primarily from currency effects and increased call-offs in Europe and Asia. Booked business also developed positively. A major order for electrification components of €255 million made a particular contribution to Rheinmetall's success in the third quarter.

The Group's Materials and Trade division also performed well in the year under review. Sales of the division, which supplies structural components and plain bearings and operates the global aftermarket business increased by 14%. This growth was particularly attributable to strong growth in aftermarket activities.

With the sale of the production of large-bore pistons, which was managed as a non-core business of the Group's Materials and Trade division, Rheinmetall completed another important step in its strategic realignment. The sale of the large-bore pistons unit with three production plants in Germany, the US and China as well as the steel pistons line from the small-bore pistons plant in Marinette, US, to the Swedish group Koncentra Verkstads AB (KVAB), which was agreed in 2022, was carried out as part of the realignment launched in 2021 with the aim of reducing the business with products related to the internal combustion engine.

Rheinmetall pushes ahead with hydrogen strategy – new orders underpin success

In connection with research into new drive systems, Rheinmetall is pressing ahead with its hydrogen strategy. Significant orders from 2022 underpin the success of Rheinmetall's hydrogen strategy. The company received a major order in the mid double-digit million euro range to supply fuel cell components. The order is for flap systems to be used as bypass and shut-off valves for fuel cells. The first parts were delivered in 2022, and series production will start in 2025/2026. A total of 1.5 million components are to be manufactured at the Rheinmetall production site in Berlin by 2030.

In addition, a further order for fuel cell components from a European customer in the industrial sector was received in 2022. The total order volume for cathode and shut-off valves is in the low two-figure million euro range. Including the aforementioned order, Rheinmetall achieved a total order value for cathode valves that is close to the three-figure million euro range. Rheinmetall thus further expanded its position as a leading global supplier of flap systems.

In addition, Rheinmetall subsidiary Denel Munition presented an innovative turnkey mobile module solution for the production, storage and transport of CO_2-free hydrogen in South Africa. With this technology, Rheinmetall is not only expanding its civilian business as part of its hydrogen strategy, but is also embarking on the path to becoming an energy producer with this solution.

Successful transformation in civilian business – Rheinmetall succeeds in further diversification

In fiscal 2022, Rheinmetall also successfully continued to implement its diversification strategy in the industrial sector. At the end of the year, the technology group won a major contract for over €670 million in the highly competitive global business of stationary refrigerant compressors. This is the biggest single order ever won by Rheinmetall's non-military business outside the traditional automotive sector. The main reasons for this sales success were the outstanding performance figures, the long service life of the refrigerant compressor and the use of an environmentally friendly refrigerant.

Rheinmetall's high level of development expertise enables it to make technologies available specifically and precisely for a wide range of applications. Added to this are the global production network and worldwide proximity to customers, which make Rheinmetall a competent and sought-after partner for industrial customers – far beyond the automotive industry.

This sales success once again underscores Rheinmetall's strategic goal of further successfully diversifying its global business and contributing to the worldwide reduction of CO_2 emissions.

Metal and energy markets in 2022

Due to the high volumes of metal alloys from aluminum, copper, nickel and tin purchased and the large energy requirements (electricity and gas) for the manufacture of Rheinmetall products, developments on the metal and energy markets are of great importance to us.

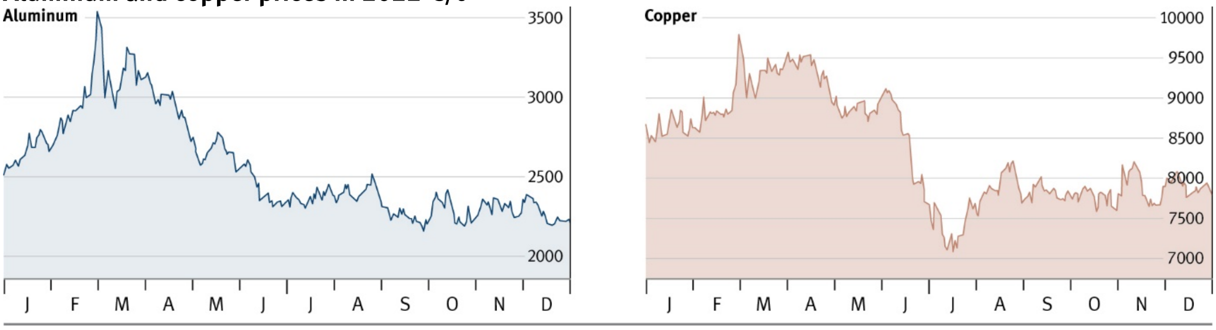
The year 2022 was a particularly turbulent one for the commodity markets. Many special factors influenced developments on the metals and energy markets and led to massive upheavals. In particular, the Russian war against Ukraine in conjunction with Western sanctions against Russia changed the economic environment last year. Import bans and price caps for Russian raw materials directly impacted the supply chains of Western companies and meant that it was necessary to make adjustments. As a result, energy prices in Europe rose to levels that forced many companies to cut production or even shut down operations. Inflation also reached levels not seen for decades, at least in the Western industrialized countries. Central banks responded by raising interest rates, and many economists anticipated a recession. In this environment, the prices of the most important industrial metals rose rapidly in the first quarter of 2022. During this period, aluminum, copper and tin prices on the London Metal Exchange reached record levels. Nickel prices rose to just below previous record levels.

In the following months, however, metal prices dropped sharply again before recovering at the end of the year. The recovery was primarily triggered by China, by far the most important sales market for the industrial metals markets. Protests against the government's strict coronavirus policy led to significant easing of the restrictions which had been holding back the economy in recent years. However, the opening process is likely to remain bumpy and rising infection figures could easily lead to further setbacks.

Looking at the US and Europe, concerns have eased somewhat during the year. On the one hand, the US economy proved to be much more robust than expected, and on the other, well-filled gas storage facilities in Europe provided grounds for optimism. The major fear of a gas shortage and the associated gas rationing for industry was thus significantly diminished. This was also reflected in falling energy prices at the end of the year. Nevertheless, energy prices remain well above the averages of recent years. In addition, inflation in both economic areas weakened in the fourth quarter, which is why the pace of interest rate increases is now expected to be slower.

The metal market in 2022 was mainly characterized by shortage concerns due to voluntary boycotts of Russian metals. Well-known companies from the US and Norway also announced that they would no longer import aluminum from Russia Energy-intensive aluminum production particularly suffered in 2022 from rising energy costs and electricity rationing due to a heat wave in China. However, the shortfalls were offset by significant capacity expansions in China, with the result that the aluminum market remained well supplied. At the same time, there are fears that production capacities have been permanently lost, particularly in Europe, after numerous smelters had to cease operations due to high energy costs.

Aluminum and copper prices in 2022 €/t



Source: REFINITIV

Russia's attack on Ukraine at the end of February 2022 marked a turning point in Europe. In addition to the tragedies on the ground, the ongoing war is causing geopolitical and economic upheavals worldwide. The war resulted in rising food prices and expensive energy commodities. The sabotage and partial destruction of the Nord Stream 1 and 2 gas pipelines in September 2022 also made the security and protection of physical energy infrastructures an issue.

2022 was thus also primarily dominated by the Russian war against Ukraine. The resulting geopolitical changes created a state of emergency on the energy markets.

Energy prices in the EU rose to unprecedented record levels, bringing energy security, diversification, and efficiency and conservation measures into focus. As a result of these measures, natural gas consumption in Germany has already been reduced year-on-year. However, it will remain important to keep an eye on gas import volumes and storage levels in the coming months.

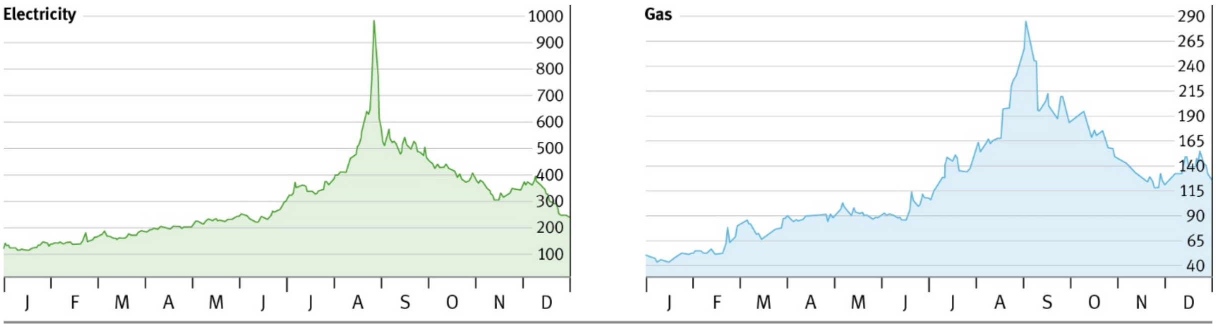
The framework conditions for the energy industry will not be the same in the future: European countries, which before the war bought about 50% of their gas imports from Gazprom in Russia, are now switching – partly due to the decision of the importing countries, partly due to the Russian gas company's supply stop.

Prices for electricity and gas in Europe had already been rising since the end of 2021. This was partly due to Gazprom's relatively low supplies and the low levels of storage facilities managed by Gazprom. With Russia's invasion of Ukraine, gas prices in Europe went through the roof. Over the summer, Russia successively halted its gas supplies via the Nord Stream 1 gas pipeline. As a result, prices rose more than tenfold compared to pre-war levels.

Drivers for the falling and stable prices towards the end of the year included the high storage levels for natural gas in Germany and Europe, with gas savings particularly by industry and high external factors almost being contributory factors.

In addition to dealing directly with the effects of the Ukraine war, other important decisions were taken in 2022 to mitigate the sharp rise in prices. These included the abolition of the EEG levy, the Energy Security and Energy Saving Act with regulations to avert a gas shortage, the start of construction of LNG import terminals to secure gas supplies, the return of coal-fired reserve power plants to the electricity market (supply reserve) and the extension of electricity generation from nuclear power plants in Germany until mid-April 2023. The partial nationalization of or the entry of the state into gas storage operators (SEFE) and gas importers (Uniper), the extensive relief packages for end consumers (electricity and gas price brakes) and the skimming of "excess profits" from electricity producers to finance the rise in prices were further measures taken by the German government to curb energy price increases. Within the context of our electricity and gas price hedging strategies in the Rheinmetall Group, we take action several years in advance based on our medium-term planning, meaning that our energy purchases did not suffer the full impact of the increase in prices in 2022.

Electricity and gas prices in 2022 €/MWh



Source: www.eex.com

Executive Board statement on the general economic situation

Rheinmetall Group – forecast vs. actual business performance in 2022

						Forecast	
		2022	**2022**	**2022**	**2022**	**2022**	**2021**
		Actual	Q3 | November	Q2 | August	Q1 | May	February	
			figures compared with previous year	figures compared with previous year	figures compared with previous year	figures compared with previous year	
Sales							
Group	€ million	**6,410**	sales growth of around 15%	sales growth of around 15%	sales growth between 15% and 20%	sales growth between 15% and 20%	**5,658**
Division Vehicle Systems	€ million	**2,270**		-	-	clear sales growth	**1,883**
Division Weapon and Amunition	€ million	**1,470**		-	-	slight sales growth	**1,233**
Division Electronic Solutions	€ million	**1,063**		-	-	sales growth on level of previous year	**932**
Division Sensors and Actuators	€ million	**1,382**		-	-	slight sales growth	**1,315**
Division Materials and Trade	€ million	**743**		-	-	slight sales growth	**651**
Operating result margin							
Group	%	**11.8**	above 11%	above 11%	above 11%	above 11%	**10.5**
Division Vehicle Systems	%	**11.4**		-	-	operating margin on level of previous year	**9.2**
Division Weapon and Amunition	%	**20.8**		-	-	operating margin on level of previous year	**17.6**
Division Electronic Solutions	%	**11.1**		-	-	operating margin on level of previous year	**10.6**
Division Sensors and Actuators	%	**6.9**		-	-	slightly increased operating margin	**7.8**
Division Materials and Trade	%	**9.1**		-	-	slightly increased operating margin	**7.8**
EBT							
Group	€ million	**711**		-	-	above level of previous year	**582**
ROCE[1]							
Group	%	**21.3**		-	-	18%-20%	**19.5**
OFCF (in relation to sales)[2]							
Group	%	**(2.4)**	-	-		between 3% and 5%	**8.1**

[1]The prior-year figure has been adjusted to reflect the new calculation methodology.
[2] Continued activities

Following consolidated sales of around €5,658 million in fiscal 2021, on publication of the 2021 annual report we forecast sales growth of between 15% and 20% for the Rheinmetall Group in the year under review. Given the changed security policy situation, the Group sees itself in a promising position to play a key role in the upcoming increase in defence capability with military products in Germany and partner countries. In the divisions primarily focused primarily on security technology, we expected the growth trend to increase significantly in fiscal 2022 in the Vehicle Systems division and slight sales growth in the Weapon and Ammunition and Electronic Solutions divisions. In the civilian segment, we expected slight sales growth for the Sensors and Actuators and the Materials and Trade divisions based on the forecast development of international light vehicle production in fiscal 2022 and expected growth in the truck business.

For the Group as a whole, we planned to generate an operating margin above 11%. For the divisions, we expected an operating margin on par with the previous year for Vehicle Systems, Weapon and Ammunition and Electronic Solutions, and a slightly higher operating margin for Sensors and Actuators and Materials and Trade.

Q1 | 2022 — Assuming that the German government's plans regarding possible procurement from the defence budget for 2022 and from the special armed forces fund to be created will be implemented as announced, we retained the full-year forecast for sales growth and operating profit margin published in mid-March 2022.

For fiscal 2022 we expected operating sales growth of between 10% and 15% (sales 2021: €5,658 million) and an operating margin of more than 11% (operating margin 2021: 10.5%).

Q2 | 2022 — In view of the available market forecasts and against the backdrop of continuing high risks regarding the development of global automotive production, we updated our annual forecast from March 2022 and now assume organic sales growth of around 15% (sales 2021: €5,658 million) and an unchanged operating margin of more than 11% (operating margin 2021: 10.5%).

Q3 | 2022 — Despite the macroeconomic uncertainty with regard to economic development in Germany and in the international market environment, we confirmed our annual forecasts after nine months of fiscal 2022. Particularly due to timely decisions and measures already implemented with regard to strict cost control and mitigation of risks on the energy and procurement markets in the preceding months, we continue to expect sales growth of around 15% (sales 2021: €5,658 million) and an increase in the operating margin of more than 11% (operating margin 2021: 10.5%).

In an ad hoc announcement on **January 6, 2023**, Rheinmetall published consolidated sales of €6.4 billion for fiscal year 2022 based on preliminary and unaudited figures. This represented an increase of 13% compared with the previous year (€5,658 million [adjusted for discontinued operations in accordance with IFRS 5]). Taking into account exchange rate and M&A effects, organic sales growth was around 10%, which was below the communicated expectations of around 15%. In particular, these deviations resulted from advance services agreed with customers in the area of defence technology, the call-offs for which have been postponed until 2023. The slower recovery in global automotive production also contributed to weaker sales growth in the civil sector. According to initial estimates, Rheinmetall expected a record year for the operating result with growth of more than 20%. Accordingly, Rheinmetall raised its previous operating margin outlook from >11% to at least 11.5%.

Further information on developments in the year under review can be found in the following chapters: "Rheinmetall Group business performance" and "Notes on Rheinmetall AG".

Significant events in fiscal 2022

Announcement of a turning point in German security and defence policy

Influenced by the military conflict between Russia and Ukraine, the German Chancellor Olaf Scholz announced a turning point in German security and defence policy in the German Bundestag on February 27, 2022. The government then created a “special armed forces fund” – enshrined in Germany’s Basic Law – with a one-off investment of €100 billion in order to implement the German armed forces’ most urgent procurement projects. In addition, the German government is committed to the NATO spending target and henceforth intends to invest at least 2% of its gross domestic product in defence every year. Defence spending, which most recently amounted to around €53 billion (2022), will therefore increase to between €70 billion and €80 billion per year. For Rheinmetall as one of the major suppliers of main weapons systems to the German armed forces, these decisions are associated with considerable additional business potential. Because external management processes were slower than expected, there were delays in the order intake in the past fiscal year.

Sale of the Pistons business unit

On October 24, 2022, Rheinmetall and the Swedish group Koncentra Verkstads AB (KVAB), Gothenburg, signed a share purchase agreement regarding the sale of the production activities for large-bore pistons. The purchase agreement covers Rheinmetall’s large-bore piston business with three production plants in Germany, the US and China as well as the steel pistons line from the small-bore pistons plant in Marinette, US. The transaction was successfully closed at the beginning of 2023. Rheinmetall is in contact with potential investors for the small-bore pistons business. The small-bore pistons disposal group, which Rheinmetall is still aiming to sell as an entire business to an investor, comprises small-bore piston production with locations in Europe as well as North and South America. In addition, the Group is aiming to separately sell the investments accounted for using the equity method in the joint venture Kolbenschmidt Huayu Piston Co., Ltd., China, in the associated company Riken Automobile Parts (Wuhan) Co., Ltd., China, and in the associated company Shriram Pistons & Rings Ltd., India. In December 2022, a declaration of intent was concluded with the Japanese company Riken Corporation, Tokyo, for the investment in the associate Riken Automobile Parts (Wuhan).

Acquisition of munitions manufacturer Expal Systems

On November 14, 2022, Rheinmetall announced the acquisition of all shares in the munitions manufacturer Expal Systems S.A., Madrid. Closing is targeted by summer 2023. In a dynamic market situation driven by the continuing rise in demand for military equipment in many countries, Rheinmetall is securing the fastest possible access to significant capacities with this acquisition. In view of the foreseeable high demand in many countries, Rheinmetall intends to position itself in the best possible way for expected new tenders for ammunition procurement. Of strategic importance in this context is Rheinmetall’s access to production capacities for ammunition powder, for which bottlenecks have arisen in Europe. The acquisition rounds off Rheinmetall’s broad portfolio with fuzes and rocket propulsion systems as well as medium-caliber ammunition and aircraft armament. Rheinmetall is also increasing its independence from suppliers in some primary products and ammunition components. To finance a significant portion of the intended transaction and to ensure strategic flexibility in connection with the financing of internal and external growth initiatives and general corporate purposes, Rheinmetall issued a convertible bond with a total nominal value of €1 billion in two tranches of €500 million on January 31, 2023.

Major new orders and innovations

In March 2022, Rheinmetall announced a major order from Hungary to deliver an extensive munitions package worth several hundred million euros. The order requires the delivery of munitions for infantry fighting vehicles, battle tanks, artillery and decoy systems. Deliveries are scheduled to begin in 2023, with the order being fulfilled by 2031. The package comprises 30 mm x 173 munitions in three product variants, 120 mm tank munitions, 155 mm artillery shells including propellants and detonators. There are also 40 mm and 76 mm decoys for the Rosy and Maske smoke systems as well as cartridges in calibers 12.7 mm and 7.62 mm. This order positions Rheinmetall as a linchpin for the Hungarian armed forces’ supply of munitions. The company will deliver the munitions for the Hungarian army’s three main combat systems, the Leopard 2A7+ battle tank, armored howitzer Panzerhaubitze 2000 and the Lynx infantry fighting vehicle. In the future, Rheinmetall wants to serve the customer’s country as a home market with domestic production. One of Europe’s most cutting-edge military vehicle production sites is being built in Zalaegerszeg in western Hungary, where Rheinmetall wants to manufacture the first Hungarian-made Lynx in 2023.

In May 2022, the Group received further major orders from a NATO customer for deliveries of protective equipment worth a total of around a quarter of a billion euros. The delivery of the components is expected to begin in 2023 and to be completed by 2025.

In September 2022, Rheinmetall received a major order for cathode and shut-off valves in connection with the hydrogen strategy. This is already the fifth order for the delivery of fuel cell components, which this time came from a European customer in the industrial sector. Including this order, the total order value so far obtained for cathode valves was close to the three-figure million euro range. The new order package once again underscores the success of the Group's hydrogen strategy to continue to build on its position in the alternative drive sector. With its technology, Rheinmetall is contributing to the optimization of hydrogen use and is thus acting in the interests of the desired energy transition – both for vehicles of various categories and for off-road rail and marine applications, as well as stationary applications.

In December 2022, the German armed forces awarded the company a framework contract worth €576 million for the delivery of 30mm munitions for the Puma infantry fighting vehicle. The procurement of the autocannon ammunition for the Puma also secures the operating inventory for NATO's Very High Readiness Joint Task Force (VJTF). In addition, the cartridges will be used for training and exercises of the German armed forces' mechanized infantry.

In the course of fiscal 2022, Rheinmetall also participated in various ring exchange programs, delivering swap bodies to Slovenia, Marder infantry fighting vehicles to Greece, the Leopard 2A4 main battle tank to Slovakia, and the Leopard 2 and the Büffel armored recovery vehicle to the Czech Republic.

Rheinmetall's major innovations in 2022 included the new product for lightweight automotive engineering unveiled in April – a glass fiber suspension spring. The development is another sign of the desired transformation beyond the conventional combustion engine and another step into a future market with high growth potential, making a valuable contribution to weight optimization, helping in turn to reduce fuel consumption and promote electric mobility.

In early summer, Rheinmetall presented the KF51 Panther as the newest member of its family of tracked vehicles at the Eurosatory exhibition in Paris. The main battle tank concept sets new standards in all areas – lethality, protection, reconnaissance, networking and mobility. The Panther is based on one of the most state-of-the-art technological approaches and was designed from the ground up to combine the greatest effectiveness on the battlefield with a survivability concept and to be networked via a fully digitalized NGVA data backbone. This allows for a smaller crew and paves the way for unmanned turret options and human/machine teams.

In November 2022, the company unveiled an innovative charging solution concept to promote electric mobility in city centers and metropolitan areas – Rheinmetall curb chargers. The Rheinmetall system provides a solution to the major challenge of bringing sufficient opportunities for charging electric vehicles, particularly in inner cities and metropolitan areas.

New member of the Executive Board

Dagmar Steinert was appointed to the Executive Board of Rheinmetall AG with effect from December 1, 2022. At Rheinmetall, Dagmar Steinert succeeds Chief Financial Officer (CFO) Helmut P. Merch (66), who retired at the end of 2022. Dagmar Steinert, who was previously CFO for another MDAX group, is an expert in all areas of finance and also has profound experience of capital market communications. In addition, she is familiar with Rheinmetall's business, processes and culture thanks to her earlier work for the company.

Virtual Annual General Meeting and dividend distribution

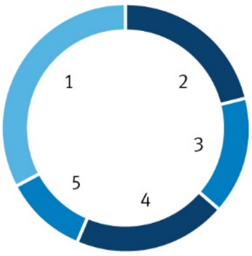
On May 10, 2022, Rheinmetall AG's Annual General Meeting was again held as a purely virtual event. 58.2% of the share capital was represented. All resolutions proposed by the Executive Board and the Supervisory Board were approved, including the dividend proposal of €3.30 per share for fiscal 2021. Based on the closing price on the day of the Annual General Meeting, the dividend yield was 1.81%. The dividend of €143.2 million was distributed on May 13, 2022.

Rheinmetall Group business performance – results of operations

Consolidated sales of over €6.4 billion

In fiscal 2022, the Rheinmetall Group generated consolidated sales of €6,410 million. This meant that sales were up by €752 million or 13.3% on the previous year's figure. Adjusted for exchange rate and M&A effects of €169 million, sales growth was 10.5%.

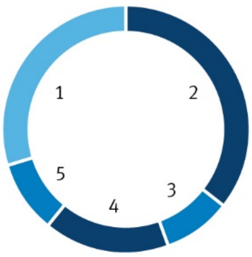
Sales by divisions



€ million	2022	2021
Rheinmetall Group	**6,410**	**5,658**
1 Division Vehicle Systems	2,270	1,883
2 Division Weapon and Ammunition	1,470	1,233
3 Division Electronic Solutions	1,063	932
4 Division Sensors and Actuators	1,382	1,315
5 Division Materials and Trade	743	651
Others/consolidation	(519)	(356)

All divisions contributed to the sales increase in fiscal 2022. The growth was particularly apparent in the Vehicle Systems (€386 million, 21%) and Weapon and Ammunition (€238 million, 19%) divisions, which benefited from rising demand as a result of the turning point in security policy ushered in by the Ukraine war. The other divisions also significantly increased the sales level year-on-year. At 70.5%, the international share of consolidated sales in the year under review was higher than the previous year's figure of 65.9%.

Sales by region



€ million	2022	2021
Rheinmetall Group	**6,410**	**5,658**
1 Germany	1,890	1,931
2 Other Europe	2,280	1,745
3 North, Middle and South America	580	462
4 Asia and the Near East	1,048	1,040
5 Other regions	612	480

€1,890 million or 29% (previous year: 34%) of consolidated sales was attributable to sales generated in Germany. The proportion of sales generated with customers in the rest of Europe was €2,280 million or 36% (previous year: 31%). The Americas region has a sales share of 9% (previous year: 8%) and the Asia region (including the Near East) a share of 16% (previous year: 18%). In the other regions – above all Australia – sales of €612 million were generated, accounting for 10% of total sales (previous year: 8%).

Consolidated operating result sets new record

In fiscal 2022, the Rheinmetall Group achieved a consolidated operating result (EBIT before special items) of €754 million, which significantly exceeded the previous year's figure of €594 million by €160 million or 27%. This is a new record. The Group's operating margin was 11.8%, which was higher than the previous year's figure of 10.5%.

The Weapon and Ammunition division increased its operating result to €306 million (+€88 million, +40%) and thus made the biggest earnings contribution once again (previous year: €218 million). In addition the Vehicle Systems division saw a considerable earnings increase of 49% to €258 million (previous year: €174 million). Besides Sensors and Actuators, the other divisions also improved their operating result year-on-year.

Operating result

€ million	2022	2021
Rheinmetall Group	**754**	**594**
Division Vehicle Systems	258	174
Division Weapon and Ammunition	306	218
Division Electronic Solutions	118	99
Division Sensors and Actuators	95	103
Division Materials and Trade	68	51
Others/consolidation	(90)	(49)

The operating result in fiscal 2022 was adjusted for negative special items totaling €-23 million. These primarily related to the market valuation of securities held for trade as a result of the volatile capital market situation in 2022. Taking into account the negative special items, EBIT in the Rheinmetall Group was €731 million and thus €122 million above the previous year's figure of €608 million.

Special items of €14 million were recognized in the previous year. These special items primarily related to subsequent income from the sale of land to a joint venture in 2018.

Special items in 2022

€ million	Operating result	Corporate transactions	Restructuring	Others	Special items	EBIT
Rheinmetall Group	**754**	**(3)**	**-**	**(20)**	**(23)**	**731**
Division Vehicle Systems	258	-	-	-	-	258
Division Weapon and Ammunition	306	-	-	-	-	306
Division Electronic Solutions	118	-	-	-	-	118
Division Sensors and Actuators	95	(2)	-	-	(2)	93
Division Materials and Trade	68	-	-	-	-	68
Others/consolidation	(90)	(1)	-	(20)	(22)	(112)

Special items in 2021

€ million	Operating result	Corporate transactions	Restructuring	Others	Special items	EBIT
Rheinmetall Group	**594**	**(2)**	**1**	**15**	**14**	**608**
Division Vehicle Systems	174	-	-	-	-	174
Division Weapon and Ammunition	218	-	-	-	-	218
Division Electronic Solutions	99	-	-	-	-	99
Division Sensors and Actuators	103	-	-	-	-	103
Division Materials and Trade	51	-	1	-	1	52
Others/consolidation	(49)	(2)	-	15	13	(37)

Significant income and expenses

Due to increased reversals of warranty provisions, other operating income amounted to €221 million after €134 million in the same period of the previous year.

The cost of materials increased to €3,183 million (+15.9%; previous year: €2,745 million) in fiscal 2022 as a result of the expansion of the business volume and price increases. The cost of materials ratio increased slightly from 48.5% to 49.6%.

Indicators regarding personnel expenses

		2022	2021
Personnel expenses	€ million	1,836	1,643
Personnel expenses/employees	€ ’000	87	83
Sales/employees	€ ’000	304	285
Personnel expenses ratio (relating to revenues)	%	28.6	29.0

The rise in personnel expenses resulted primarily from the increase in personnel in continuing operations. Personnel particularly increased in the Vehicle Systems and Electronic Solutions divisions, where average headcount rose by 12% and 10%, respectively.

The average number of employees in the Rheinmetall Group breaks down by division as follows:

Annual average headcount

Capacity - Full Time Equivalents (FTE) (annual average)	2022	2021
Division Vehicle Systems	5,333	4,774
Division Weapon and Ammunition	4,950	4,801
Division Electronic Solutions	3,411	3,095
Division Sensors and Actuators	4,454	4,445
Division Materials and Trade	2,267	2,197
Rheinmetall AG/Others	651	530
Rheinmetall Group (continuing operations)	**21,066**	**19,843**
Discontinued operations (Pistons)	3,772	3,872
Rheinmetall Group (continuing and discontinued operations)	**24,838**	**23,715**

In fiscal 2022, amortization, depreciation and impairment decreased slightly from €251 million to €249 million.

Other operating expenses increased by €113 million to €768 million in fiscal 2022. The rise in IT costs from €119 million to €130 million is in the context of the initiated IT transformation. After the general lifting of restrictions, distribution and advertising costs increased by €17 million to around €109 million in the year under review. Travel expenses also increased from €24 million to €44 million. Effective cost management was implemented to limit the increase, which was also due to inflation.

Net income

€ million	2022	2021
EBIT	**731**	**608**
Net interest	(20)	(27)
Earnings before Taxes (EBT)	**711**	**582**
Income taxes	(183)	(150)
Income from continuing operations	528	432
Income from discontinued operations	8	(100)
Earnings after taxes	**535**	**332**
Of which:		
Minority interests	*66*	*41*
Rheinmetall AG shareholders	*469*	*291*
Earnings per share	**€ 10.82**	**€ 6.72**
Earnings per share from continuing operations	€ 10.64	€ 9.04
Earnings per share from discontinued operations	€ 0.18	€ (2.32)

Net interest income was €-20 million in fiscal 2022, compared with €-27 million in the previous year. With stable interest expenses, the decline is largely the result of interest income from the discounting of anniversary provisions as a result of the higher interest rates. The Rheinmetall Group's earnings before taxes (EBT) therefore amounted to €711 million, after €582 million in the previous year. Earnings after taxes reached €535 million, significantly higher than the previous year's figure of €332 million. After deduction of earnings attributable to non-controlling interests of €66 million (previous year: €41 million), earnings attributable to shareholders of Rheinmetall AG were €469 million, compared with €291 million in the previous year. Taking into account the weighted number of shares (2022: 43.36 million shares; 2021: 43.28 million shares), earnings per share came to €10.82, compared with €6.72 in the previous year. Earnings per share from continuing operations increased from €9.04 to €10.64.

Rheinmetall Group business performance – net assets and financial position

Capital expenditure

In fiscal 2022, the investment decisions of the Rheinmetall Group retained the focus of securing the competitiveness of the operating units on international markets and further expanding technological competence through the expansion of plants and facilities and the optimization of processes. Targeted investments are made in areas offering specific growth opportunities, allowing the Group to maintain and strengthen its profitability on a sustained basis.

In light of the turning point as a result of the Ukraine war, the Group invested more in the expansion of capacity and the construction of new production sites in 2022. This meant that capital expenditure of continuing operations on property, plant and equipment and intangible assets amounted to €352 million in fiscal 2022, after €242 million the year before. This is equivalent to 5.5% of consolidated sales (previous year: 4.3%). €37 million of the capital expenditure volume of continuing operations related to leases as per IFRS 16 (previous year: €16 million) and therefore did not affect cash. Capital expenditure was offset by depreciation and amortization of €249 million (previous year: €251 million).

Capital expenditure[1]

€ million	2022	2021
Division Vehicle Systems	127	112
Division Weapon and Ammunition	57	44
Division Electronic Solutions	30	28
Division Sensors and Actuators	68	45
Division Materials and Trade	17	15
Others/consolidation	54	(2)
Rheinmetall Group (continuing operations)	**352**	**242**
Discontinued operations (Pistons)	23	24
Rheinmetall Group (continuing and discontinued operations)	**375**	**265**

[1] Net capital expenditure less payments received from customers of €13 million (previous year: €23 million).

Statement of cash flows

Cash flows from operating activities of continuing operations decreased by a considerable €-529 million from €705 million in the previous year to €175 million. Compared to the previous year, working capital was significantly increased as a result of the Ukraine war. The shortage of raw materials and finished parts and the instability of global supply chains prompted Rheinmetall to increase its inventories of critical parts. With an eye on the forecast customer demand, Rheinmetall also began to manufacture more in advance, especially with regard to necessary munitions and military trucks. Following a figure of €35 million in the previous year, €62 million was also paid into an external fund (CTA) in the year under review to cover provisions for pensions and partial retirement obligations.

Payments for capital expenditure (continuing operations) increased from €247 million in the previous year to €327 million. This is particularly due to the higher level of capital expenditure, which increased from €242 million to €352 million. The right-of-use assets included in capital expenditure but not cash-effective increased from €16 million to €37 million. In contrast, the payments received from customers, which are included in cash flow from operating activities of continuing operations, decreased from €22 million to €13 million. Operating free cash flow from continuing operations – defined as cash flow from operating activities less capital expenditure on intangible assets, property, plant and equipment and investment property – accordingly deteriorated from €458 million to €-152 million.

Derivation of operating free cash flow – continuing operations

€ million	2022	2021
Earnings from continuing operations (after taxes)	528	432
Amortization, depreciation and impairments	249	251
Payment into external Fund (CTA)	(62)	(35)
Changes in working capital and others	(540)	56
Cash flows from operating activities	**175**	**705**
Investments in property, plant and equipment, intangible assets and investment property	(327)	(247)
Operating free cash flow (continuing operations)	**(152)**	**458**

Taking into account the proceeds from the sale of assets, payments from divestments and acquisitions, and payments for the acquisition of fund units, free cash flow for continuing and discontinued operations amounted to €-360 million, which was €588 million lower than the previous year's figure (previous year: €228 million). In the fiscal year, payments from divestments and acquisitions primarily related to the purchase of the investment in 4iG Nyrt., Budapest, Hungary, (€165 million) and the acquisition of the activities of the drone manufacturer EMT Ingenieurgesellschaft Dipl.-Ing. Hartmut Euer mbH (EMT), including the land and buildings used by EMT, for €32 million.

Derivation of Free Cash Flow – continuing and discontinued operations

€ million	2022	2021
Operating free cash flow (continuing operations)	(152)	458
Operating free cash flow (discontinued operations)	(23)	(38)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	19	3
Net cash outflow from financial investments in/divestments of consolidated subsidiaries and other financial assets	(203)	(34)
Cash in-/outflows from/for securities held for trade	-	(160)
Free Cash Flow	**(360)**	**228**

Asset and capital structure

The Rheinmetall Group's total assets rose by €355 million or 4.6% to €8,089 million in fiscal 2022. Non-current assets increased to €2,884 million as of December 31, 2022. The year-on-year increase of €132 million is essentially due to the acquisition of the investment in 4iG Nyrt. The share of total assets remains the same at 36%. In contrast, current assets increased by €224 million overall year-on-year to €5,206 million. A total of €325 million of this increase was attributable to inventories and €385 million to trade receivables. Cash and cash equivalents, on the other hand, decreased by €-494 million. In addition, assets of €377 million were recognized as assets held for sale in accordance with IFRS 5 (previous year: €334 million).

Asset and capital structure

€ million	Dec. 31 ,2022	%	Dec. 31, 2021	%
Non-current assets	2,884	36	2,752	36
Current assets	5,206	64	4,982	64
Total assets	**8,089**	**100**	**7,734**	**100**
Equity	3,083	38	2,620	34
Non-current liabilities	1,341	17	1,772	23
Current liabilities	3,665	45	3,341	43
Total equity and liabilities	**8,089**	**100**	**7,734**	**100**

The equity of the Rheinmetall Group increased significantly by €463 million or 18% to €3,083 million in fiscal 2022. The equity ratio reached 38%, following 34% at the start of the year. This significant increase resulted primarily from the positive earnings after taxes (€535 million) and the positive other comprehensive income (€78 million). At €65 million, the remeasurement of pensions (after taxes) contributed to the positive other comprehensive income. This was offset by the distribution of the dividend to the shareholders of Rheinmetall AG amounting to €143 million.

The €431 million decrease in non-current liabilities to €1,341 million is essentially due to the reduction in provisions for pensions and similar obligations (€-288 million) and the reclassification of the European Investment Bank loan (€250 million) to current liabilities. The reduction of provisions for pensions and similar obligations resulted in particular from the increase in the interest rates relevant for the measurement.

Current liabilities increased by a considerable €324 million to €3,665 million. This increase is the result of higher trade payables (+€122 million) and current financial liabilities (+€239 million). In addition, liabilities directly related to assets held for sale of €220 million (previous year: €246 million) were recognized in accordance with IFRS 5.

Capital structure

€ million	Dec. 31, 2022	%	Dec. 31, 2021	%
Equity	**3,083**	**41**	**2,620**	**39**
Current financial debts	454	6	215	3
Non-current financial debts	517	7	706	11
Total financial debts	**971**	**13**	**921**	**14**
Cash and cash equivalents	545	7	1,039	16
Net financial debts (-)/Net liquidity (+)	**(426)**	**(6)**	**118**	**2**
Total assets adjusted for cash and cash equivalents	**7,544**	**100**	**6,695**	**100**

In relation to total assets adjusted for cash and cash equivalents, the equity ratio was 41%, after 39% in the previous year. Financial liabilities increased by €50 million or 5.4 % compared with the beginning of the year to €971 million. As of the end of the reporting period, cash and cash equivalents totaled €545 million, after €1,039 million at the end of the previous year. Due to the negative operating free cash flow, net financial debt of €-426 million was reported at the end of the 2022 reporting year, after positive net liquidity of €118 million at the beginning of the year. These figures do not include the securities held for trade (strategic liquidity reserve) of €132 million (previous year: €162 million).

ROCE[1]

€ million	2022	2021
Net financial debts (-)/Net liquidity (+)	(426)	118
Securities held for trade (strategic liquidity reserve)	132	162
Assets from pension valuation	-	102
Pension provisions	484	773
Equity	3,083	2,620
Capital employed	**3,861**	**3,011**
Average capital employed	3,436	3,118
EBIT	731	608
ROCE (in %)	**21.3**	**19.5**

[1] The prior-year figure has been adjusted to reflect the new calculation methodology.

ROCE increased significantly from 19.5% to 21.3% in the fiscal year. The reason for the increase is the significantly improved earnings situation despite higher capital employed. The rise in capital employed results primarily from the significant increase in working capital due to advance performance.

Financing

Principles and aims of financial management

The most important principle for Rheinmetall is to ensure that it remains solvent at all times. Another core task of the Group's centrally organized financial management is to generate a positive contribution to the Group's enterprise value and profitability. The main aim here is to ensure the efficient implementation of financial transactions and to optimize liquidity, capital structure and contractual conditions.

Within the scope of global cash management, excess liquidity at subsidiaries is pooled at the Group headquarters and made available to Group companies based on their liquidity requirements. Its overriding aim – solvency at all times – is secured on the one hand by means of a sufficient liquidity position and on the other hand by contractually agreed bilateral and syndicated credit facilities with banks, which can be drawn on at short notice. In addition, with its investment grade rating and as a listed stock corporation, Rheinmetall has direct access to the money and capital markets at all times. Liquidity requirements are determined on the basis of rolling twelve-month liquidity outlooks and the three-year Group plan and are subjected to a stress test using actuarial model simulations. The knowledge gained from this is used to ensure Rheinmetall's solvency at all times, even in worst-case situations.

Financial risks from changes in currencies, interest rates, raw material or energy prices are recorded, assessed and managed centrally. This also applies to country and counterparty risks. Risk-mitigating effects are implemented through the management measures, with the aim of safeguarding the profitability of ongoing business operations and Rheinmetall's assets. Furthermore, implemented contractual structures and, where required, use of primary and derivative financial instruments serve to mitigate potentially negative effects on earnings or assets.

Another key principle for financial management is the company's financial independence from individual banks and financial service providers. To prevent possible cluster risks, Rheinmetall therefore has a broadly diversified portfolio of national, European and international financial partners for every service involved in processing operational business. Creditworthiness-linked counterparty limits are also used to limit financial default risks.

In addition to the conceptual approaches, financial management also follows strict organizational guidelines, such as strict adherence to the principle of dual control and the separation of implementation, processing and checking in the front, middle and back offices. On the one hand, this ensures compliance with legal requirements and, on the other, that financial transactions are used exclusively in connection with operating business and not for speculative purposes. Other important principles include ensuring that data is secure and that transactions are documented so that they can be traced.

Financing in the Rheinmetall Group

Rheinmetall covers its operating financial requirements using a mix of existing liquidity sources across the Group and external, short- and long-term negotiated financial instruments. Here, the financing elements used are broadly diversified in terms of sources, maturities and instruments, and the associated costs are also optimized. This achieves the goal of ensuring sufficient financing scope at all times, even in difficult times. In addition to the approach described for the operating business, long-term real estate loans are also used for investments or development loans, for example to finance research and development activities.

Rheinmetall's long-term financing is secured by three main instruments: various promissory note loans, development loans from the European Investment Bank (EIB) and a syndicated credit facility.

The volume of promissory note loans amounted to €253 million at the end of the year and covers maturities from 2024 to 2029. The EIB development loan paid in 2017 has a nominal volume of €250 million and matures in August 2023. A second EIB loan of €80 million concluded in December 2021 was disbursed in December 2022 and will mature in December 2028. Twelve national and international banks are participating in the syndicated credit facility of €500 million. In addition to being used for general corporate financing, it also serves as a back-up facility for the commercial paper program in the same volume.

Bilaterally committed cash and guarantee credit facilities from various banks and insurance companies with a total volume of €2.9 billion round off Rheinmetall's financing profile and allow further flexibility in financing. By the end of the year, around €1 billion or 39% of the guarantee credit facilities and €25 million or 6% of the cash credit facilities had been drawn. Real estate and additional development loans financed through the EIB totaling €21 million are also available.

€62 million was added to the plan assets of German Group companies under the contractual trust arrangement in fiscal 2022. At the end of the year, trust assets amounted to €241 million and serve both to finance future pension payments and as insolvency protection for claims arising from obligations under semi-retirement models or working time accounts. For the newly introduced “Rheinmetall Plus 2.0” company pension scheme, monthly contributions have been paid into the trust assets on an ongoing basis since January 2022. The investment of the funds is based on a lifecycle model and takes place in various portfolios that ensure risk diversification.

Financing activities in fiscal 2022

In fiscal 2022, Rheinmetall AG exercised the first extension option for the syndicated credit facility of €500 million. The original 5-year term until September 2026 has been extended by one year to September 2027, thus increasing Rheinmetall's financing security for the next five years. The extension was made with the approval of all twelve syndicate banks.

The second loan from the European Investment Bank (EIB), concluded in December 2021, was disbursed in December 2022 in the amount of €80 million and has a term of six years to 2028. The EIB is using these funds to support research and development activities focusing on sustainable and intelligent mobility solutions in the civil divisions.

As part of financial risk management, sales of receivables have been carried out on a situational basis as part of supplier finance solutions, forfeiting or comparable instruments. At the same time, sale without recourse passes any potential customer default risk to the acquirer. The volume of receivables sold amounted to €66 million (previous year: €72 million) as of December 31, 2022.

The syndicated credit facility of €500 million was not drawn down at the end of 2022. €128 million was used under the commercial paper program, which also amounted to €500 million.

Financing instruments € million

	Term	Nominal	Financing source
Promissory note loans	2024 - 2029	253	International financial institutions
Development loans Research and development I	2023	250	European Investment Bank (EIB)
Development loans Research and development II	2028	80	European Investment Bank (EIB)
Commercial paper (CP)	unlimited	500	Money market investors
Syndicated loan	2027	500	12 banks
Real-estate financing and development loans	2023 - 2025	21	banks
Bilateral line of credit (cash advances and bank guarantees)	2023	2,900	Banks and insurances

Rheinmetall's rating

The external assessment of Rheinmetall's creditworthiness has been carried out by the rating agency Moody's since 2000. On April 26, 2022, Moody's raised the rating from "Baa3 stable outlook" to "Baa2 stable outlook." The rating agency is thus rewarding the continuously improved operating performance and the steady improvement in balance sheet ratios as a result of the conservative financial policy pursued in recent years. Furthermore, the business outlook and the increasing focus on the defence technology business are highlighted as positive.

Following publication of the planned acquisition of Expal Systems S.A. in Spain in November 2022, Moody's confirmed that full debt financing for the transaction can be provided without breaching the Baa2 rating framework. In addition, Moody's positively noted the strong strategic direction of the transaction.

BUSINESS PERFORMANCE IN THE DIVISIONS

VEHICLE SYSTEMS

WEAPON AND AMMUNITION

ELECTRONIC SOLUTIONS

SENSORS AND ACTUATORS

MATERIALS AND TRADE

Business performance in the divisions

Vehicle Systems division

Key figures Vehicle Systems

		2022	2021
Sales	€ million	2,270	1,883
Order intake	€ million	1,564	2,851
Of which with external third parties	*€ million*	*1,545*	*2,840*
Of which within Group	*€ million*	*19*	*11*
Order backlog (December 31)	€ million	9,650	10,445
Of which with external third parties	*€ million*	*9,638*	*10,438*
Of which within Group	*€ million*	*12*	*7*
Operating results	€ million	258	174
Operating result margin	%	11.4	9.2
Capital expenditure	€ million	127	112
Operating free cash flow	€ million	81	321
Employees (December 31)	FTE	5,736	4,975

Sales – The Vehicle Systems division generated sales of €2,270 million in fiscal 2022, exceeding the previous year's figure of €1,883 million by 20.5%. Adjusted for currency effects, growth amounted to 19.5%. The Tactical Vehicles business unit made considerable sales contributions in the reporting period, in part due to providing the first of a total of 209 Lynx infantry fighting vehicles for the Hungarian armed forces. As well as supplying the 3,000th unprotected transport vehicle, the Logistic Vehicles business unit realized its first sales from the delivery of load-handling systems to the German armed forces in fiscal 2022. As in the previous year, a considerable share of sales was generated in connection with the major Land 400 Phase 2 Australian order, which includes a delivery of 211 8x8 Boxer wheeled armored vehicles.

Order intake – At €1,564 million, order intake in the Vehicle Systems division was €1,287 million lower than the previous year's figure of €2,851 million, which had been particularly high due to two large orders, the modernization of the British Challenger main battle tank fleet and the upgrade programs for the German armed forces' Puma infantry fighting vehicle. The contract for the existing €256 million order with the British government was extended in the reporting year to supply an additional 100 Boxer wheeled vehicles. Other major new orders included the "ring exchange" tank-swap program commissioned by the German government with the NATO member states of Greece, the Slovakian Republic and the Czech Republic. In the area of military logistics vehicles, the German customer placed additional call-offs under the existing framework agreement to supply up to 4,000 trucks with load-handling systems by 2027, with a contract value of €485 million.

Order backlog – The Vehicle Systems division recorded an order backlog of €9,650 million in fiscal 2022, compared with €10,445 million in the previous year. Of this order backlog, €1,465 million is attributable to Germany, €2,361 million to the United Kingdom, €3,651 million to Central Europe and €1,838 million to Australia.

Operating result – In 2022, the operating result of the Vehicle Systems division improved by around €84 million to a total of €258 million. As a result of sales picking up for the orders described and strict cost management, the operating margin came to 11.4% and significantly exceeded the previous year's figure of 9.2%.

Capital expenditure – The Vehicle Systems division invested a total of €127 million in 2022, compared with €112 million in the previous year. The approximately €14 million upturn was essentially due to investments in plants and facilities for capacity expansion. In particular, it invested in plant modernization in the United Kingdom, the major "Mechanised Infantry Vehicle" (MIV) and Challenger 3 projects, the Hungarian company's machinery and the Military Vehicle Center of Excellence (MILVEHCOE) in Australia. Investment also focused on expanding and updating information technology to address the growing product portfolio and internationality, including in the IT system landscape.

As in the previous year, there was also extensive capital expenditure in development work to expand the existing and future product portfolio.

Operating free cash flow – Operating free cash flow in the Vehicle Systems division decreased by around €240 million year on year to €81 million. The decline was essentially due to non-recurring effects from advance payments and payment milestones in the previous year from the major project in Hungary. Furthermore, operating free cash flow in 2022 was negatively impacted by advance services relating to framework agreements.

Employees – The Vehicle Systems division employed 5,736 people as of the end of the fiscal year (previous year: 4,975). This increase in employees reflects the financial success of the division and is the result in particular of the recruitment of staff to process major orders in Germany, Great Britain, Australia and Hungary.

Weapon and Ammunition division

Key figures Weapon and Ammunition

		2022	2021
Sales	€ million	1,470	1,233
Order intake	€ million	2,980	1,403
Of which with external third parties	*€ million*	*2,686*	*1,114*
Of which within Group	*€ million*	*294*	*289*
Order backlog (December 31)	€ million	4,299	2,862
Of which with external third parties	*€ million*	*3,522*	*2,132*
Of which within Group	*€ million*	*776*	*731*
Operating results	€ million	306	218
Operating result margin	%	20.8	17.6
Capital expenditure	€ million	57	44
Operating free cash flow	€ million	(207)	132
Employees (December 31)	FTE	5,053	4,852

Sales – The Weapon and Ammunition division generated sales of €1,470 million in fiscal 2022. Measured against the previous year, this represents an increase in sales of €238 million or 19.3%. Adjusted for currency effects, sales growth was 17.8%. The Weapon and Ammunition business unit increased sales in the division's core business by €170 million. 67% of this growth can be attributed to Rheinmetall Denel Munition thanks to additional sales in Australia and the MENA region. The Protection Systems business unit also played a role here by increasing its sales by €83 million year-on-year, mainly due to internal deliveries for protected vehicle cabins.

Order intake – Order intake for the Weapon and Ammunition division was €2,980 million, a new record and thus up €1,577 million on the previous year's figure of €1,403 million. Particularly worthy of note are a €848 million multi-year contract to supply various types of ammunition and a €192 million RDX explosive production facility for the Hungarian armed forces. Another major order worth €119 million went to RWM Italia, destined for Australia. Reflecting the new European security situation, order intake also increased to €380 million as a result of business with the German armed forces. Internal orders came to €294 million in 2022, after €289 million in the previous year.

Order backlog – As a result of still high order intake from countries such as Germany, Hungary, Australia and the Netherlands, the book-to-bill ratio is positive at 2.0 and the order backlog climbed €1,436 million to a record €4,299 million by the end of the year.

Operating result – The operating result in the Weapon and Ammunition division rose by €88 million to around €306 million in fiscal 2022 (previous year: €218 million), mainly due to the higher sales volume. The operating margin improved from 17.6%in the previous year to 20.8%in the year under review due to intensified cost optimization measures and a more profitable product mix in the traditional ammunition business.

Capital expenditure – A total of €57 million was invested in the Weapon and Ammunition division in fiscal 2022 (previous year: €44 million). As well as general modernization work, fire prevention systems at the Somerset West site in South Africa were also updated. Investments were made in environmental protection, including in Unterlüß where a woodchip-powered cogeneration unit was built that will provide electricity and heat from renewable resources in the long term. An exhaust air incinerator was also installed at the Aschau site to improve emissions from production. Several years of expansion investments in Maryborough, Australia were completed with the construction of the forge for producing artillery shells, which took place in the production buildings built in the previous year.

Operating free cash flow – Operating free cash flow in the Weapon and Ammunition division fell by a significant €340 million year-on-year to €-207 million. The improved earnings are overshadowed by a considerable increase in working capital due to extensive pre-financing for future call offs and strategic purchases in connection with the new European security situation. In addition, a significant sales spike in December led to a greater build-up of receivables.

Employees – The Weapon and Ammunition division employed a total of 5,053 people as of the end of the fiscal year. This equates to an increase in the workforce of 202 Personen employees compared with the previous year and reflects sales growth and the production ramp-up in Maryborough, Australia.

Electronic Solutions division

Key figures Electronic Solutions

		2022	2021
Sales	€ million	1,063	932
Order intake	€ million	1,649	1,021
Of which with external third parties	*€ million*	*1,381*	*705*
Of which within Group	*€ million*	*268*	*316*
Order backlog (December 31)	€ million	2,988	2,420
Of which with external third parties	*€ million*	*1,922*	*1,380*
Of which within Group	*€ million*	*1,066*	*1,040*
Operating results	€ million	118	99
Operating result margin	%	11.1	10.6
Capital expenditure	€ million	30	28
Operating free cash flow	€ million	52	(52)
Employees (December 31)	FTE	3,483	3,181

Sales – In fiscal 2022, the Electronic Solutions division generated sales of €1,063 million, exceeding the previous year's figure of €932 million by 14%. Adjusted for currency effects, sales growth was 11%. The Integrated Electronic Systems business unit contributed to this sales upturn by generating sales from a major order issued in fiscal 2022 for the special procurement of combat helmets for the German armed forces and growth from its share in the major Lynx infantry fighting vehicle project for Hungary. Other relevant sales came from the share in the major Land 400 Phase 2 project for Australia. In fiscal 2022, the Air Defence & Radar Systems business unit generated a considerable share of sales by expanding and modernizing Skyguard air defence systems and delivering the Skynex air defence system for international customers. The acquisition of the activities of the drone manufacturer EMT also had a further positive impact on sales.

Order intake – Order intake for the Electronic Solutions division climbed to a record €1,649 million in fiscal 2022 (previous year: €1,021 million). The largest single order in the division with an amount of €219 million was a major order for special procurement of combat helmets as part of the special fund for the German armed forces. Other major orders were secured for the delivery of two Skynex air defence systems and the follow-up delivery of components for existing Skyguard air defence systems to international customers. This good order intake was also thanks to the order of a drone system (unmanned medium-range reconnaissance system) by the German armed forces.

Order backlog – The order backlog of the Electronic Solutions division amounted to €2,988 million at the end of fiscal 2022, compared with €2,420 million in the previous year. The order backlog thus increased by €568 million or around 23.5% year-on-year. Significant order backlogs are attributable to the Electronic Solutions division's share of the major Hungarian order for the new Lynx infantry fighting vehicle and the order of combat helmets by the German armed forces as part of a special procurement. Other significant order backlogs were the result of contracts to supply two Skynex air defence systems and the follow-up delivery of components for existing Skyguard air defence systems to international customers.

Operating result – The operating result in the Electronic Solutions division improved by 19.5% to €118 million, essentially in connection with higher sales volumes. The operating margin increased to 11.1% thanks to successfully completing major orders (previous year: 10.6%).

Capital expenditure – The total capital expenditure of the Electronic Solutions division amounted to €30 million in fiscal 2022, after €28 million in the previous year. At the Bremen site, the work started in the previous year on the cross-divisional artillery demonstrator development project was continued. Other capital expenditure related to the modernization of IT equipment and rental of additional external office space. At Zurich site, the main investments were made in connection with the modernization and expansion of machinery in parts and electronics production and in the modernization of laboratory equipment in development. As in previous years, the focus of investment at the Rome site was on the further development of airspace radar technology to expand the product range.

Operating free cash flow – Operating free cash flow in the Electronic Solutions division improved by around €104 million year-on-year to €52 million (previous year: €-52 million). The year-on-year change is essentially the result of improved earnings and a positive development in working capital.

Employees – The Electronic Solutions division employed 3,483 people as of the end of the fiscal year (previous year: 3,181). This corresponds to an increase of around 303 persons compared with the previous year, which is mainly due to the necessary increase in personnel for the future handling of the major projects acquired, as well as the new employees from the EMT acquisition.

Sensors and Actuators division

Key figures Sensors and Actuators

		2022	2021
Sales	€ million	1,382	1,315
Booked Business	€ million	2,770	2,472
Operating results	€ million	95	103
Operating result margin	%	6.9	7.8
Capital expenditure	€ million	68	45
Operating free cash flow	€ million	48	29
Employees (December 31)	FTE	4,535	4,364

Sales – Sales in the Sensors and Actuators division rose by 5.1% or €67 million to €1,382 million in the 2022 reporting year. Year-on-year growth was significant, especially in the second half of 2022. Adjusted for currency effects, the increase in sales was 1.9% (+€24 million) and thus lower than global growth in light vehicle production, which is estimated at 6% (IHS Markit). This difference can be explained in part by weaker market growth in the Sensors and Actuators division's truck market. Nearly all product areas of the Sensors and Actuators division increased their sales compared to the previous year. In Automotive Emission Systems, sales of exhaust gas recirculation modules, secondary air systems and exhaust flaps picked up. Sales in the Pumps business unit rose as a result of increases in both variable mechanical and electric oil pumps, again underscoring the trend towards particularly efficient technologies. Sales of the Electrical Vapor Pump (EVAP) enjoyed a particular upturn on the Korean and North American markets.

In regional terms, the North American market showed particularly strong growth in fiscal 2022. The division's growth there was around 29%, driven by innovative products for reducing pollutants and increasing engine efficiency. Europe saw slight growth, while Asia only just about kept pace with the previous year.

Booked business – Booked business in the Sensors and Actuators division in fiscal 2022 came to €2,770 million, 12% higher than a year earlier (previous year: €2,472 million). In fiscal 2022, 30% (previous year 45%) of this was attributable to the Internal Combustion Engine (ICE – internal combustion engines) category, 31% (previous year

3%) to Industrial Technology, 21% (previous year 21%) to Truck and 18% (previous year 31%) to Electrification. As part of this, the first series order for the supply of high-voltage contactors for use in electric vehicles was also acquired in 2022. Industrial Technology was awarded a major order for a stationary refrigerant compressor to the tune of more than €670 million, further driving the transformation.

Operating result – The Sensors and Actuators division achieved an operating result of €95 million in fiscal 2022. This puts the operating result €-8 million down on the previous year. The division's operating margin declined by 1.0-percentage points in 2022 to 6.9%.

High inflation caused by increased commodities and energy prices resulted in significant procurement price hikes for materials. These cost increases were largely, but not entirely, offset by higher sales prices at customers. Previous years' cost reduction measures were maintained and continued to have a positive impact. For example, depreciation and amortization also declined year-on-year.

Capital expenditure – The companies of the Sensors and Actuators division spent a total of €68 million in 2022 (previous year: €45 million). The reasons for this increase include the capitalization of higher development costs in connection with the technological shift away from combustion engines and towards alternative drive systems and non-automotive applications in the Sensors and Actuators division.

One focus of investment in 2022 was at the Abadiano site in Spain, where a production facility for electronic components was established. Investments were also made in assembling electric climate compressors, including an order in the non-automotive sector.

Operating free cash flow – Operating free cash flow in the Sensors and Actuators division was up year-on-year at €48 million (previous year: €29 million). Cash flow thus improved despite the difficult situation on markets. Cash flow in the previous year was squeezed by the dramatic upturn in business activities after the coronavirus crisis. While the increase in working capital in 2022 was lower than in the previous year, it again reflected higher sales and increased inventories to safeguard production against supplier insolvencies and supply chain problems.

Employees – The division employed a total of 4,535 people as of the end of 2022, about 170 FTEs more than in the previous year. While the figures for indirect personnel picked up only slightly, the rise was seen almost entirely in the number of direct employees in connection with increased production. Staff levels at the European locations were largely unchanged, whereas sites in Asia and North America saw increased headcounts.

Materials and Trade division

Key figures Materials and Trade

		2022	2021
Sales	€ million	743	651
Booked Business	€ million	751	720
Operating results	€ million	68	51
Operating result margin	%	9.1	7.8
Capital expenditure	€ million	17	15
Operating free cash flow	€ million	39	24
Employees (December 31)	FTE	2,273	2,223

Sales – The Materials and Trade division had a successful 2022 despite limited value and logistics chains within the international automotive industry. Sales rose by 14% or €92 million year-on-year to €743 million in 2022. Adjusted for currency effects, the increase in sales also amounted to 14%. The Bearings and Trade business units again showed a very good year-on-year sales performance. The Bearings business unit increased sales by 14% year-on-year. In the plain bearings business, sales rose thanks to passing on costs. In the Continuous Castings unit, higher sales were also the result of successfully passing on material price increases to customers, combined with a change in the sales mix. The Trade business unit achieved 14% higher sales than a year earlier, driven by higher sales volumes and price increases. Here, the Independent Aftermarket unit also achieved higher sales in almost all sales regions.

Booked business – Booked business in the Materials and Trade division came to €751 million in fiscal, a significant year-on-year increase of 4%. In fiscal 2022, 73% (previous year 63%) of this was attributable to the Internal Combustion Engine (ICE) category, 25% (previous year 23%) to Industrial Technology, 0% (previous year 7%) to Truck and 1% (previous year 7%) to Electrification.

Operating result – The Materials and Trade division achieved an operating result of €68 million in fiscal 2022, up €17 million on the previous year. As a result, the division’s operating margin increased by 1.3 percentage points year on year to 9.1%.

The Trade business unit improved earnings significantly, mainly thanks to the additional contribution margins from the additional sales generated and the sale of assets from Amprio GmbH, as well as early price increases for a number of products. Earnings from the Castings business unit, which are largely determined by the at-equity contributions of the joint venture HASCO KSPG Nonferrous Components (Shanghai) Co. Ltd were significantly higher than a year earlier. Sales losses in the first half of the year due to ongoing lockdowns in China were more than offset by year-on-year sales growth in the second half of the year. At the same time, successful customer negotiations helped counter material price increases.

Capital expenditure – Capital expenditure in the Materials and Trade division rose to €17 million in 2022 compared to the previous year (previous year: €15 million). The Bearings business unit invested in plants and facilities to produce polymer-coated thrust washers and plain bearing systems, powder atomization and capacity expansion for polymer bearing shells. In the Trade business unit, investment included right-of-use assets for a new warehouse in China and the purchase of land in Neuenstadt.

Operating free cash flow – Operating free cash flow in the Materials and Trade division rose year-on-year to €39 million (previous year: €24 million). This upturn is essentially due to improved earnings after taxes, the change in the cash flow correction for investments accounted for using the equity method and a lower increase in working capital.

Employees – At the end of 2022, a total of 2,273 people were employed in the division, 51 more than at the end of the previous year. The percentage increase in employees of 2.3% was significantly lower than the sales growth of 14%. Employee numbers particularly rose at the sites in Germany, the Czech Republic and Brazil. The site in India saw a considerable decline.

Explanatory notes on Rheinmetall AG

Rheinmetall AG as the Group holding company

The single-entity financial statements of Rheinmetall AG for fiscal 2022 have been prepared in accordance with the accounting regulations of the German Commercial Code (HGB) and the additional provisions of the German Stock Corporation Act (Aktiengesetz).

Rheinmetall AG's role as a holding company for the Rheinmetall Group shapes its financial statements. In this role, Rheinmetall AG performs control and governance functions and provides services to the Group companies. Key tasks relating to the financial statements include central financing as well as support and service functions in finances, HR, corporate communications, law and taxation.

Results of operations

Rheinmetall AG's results of operations reflect its function as a holding company. The results of the subsidiaries and the expenses and income from central Group financing determine the financial result. In addition, earnings before taxes are influenced by income from the provision of support and service functions and profit and loss from central currency management. Tax costs are defined by Rheinmetall AG's role as the fiscal entity for income tax purposes in Germany.

Income statement of Rheinmetall AG in accordance with German Commercial Code (HGB)

€ million	2022	2021
Investment income	303	248
Net interest	3	20
Net financial income	**306**	**269**
Sales	126	86
Other operating income	166	164
Personnel expenses	66	56
Amortization, depreciation and write-downs	33	5
Other operating expenses	246	226
EBT	**252**	**232**
Taxes on income and revenue	(59)	(52)
Net profit for the year	**193**	**180**
Appropriations to retained earnings	3	35
Net earnings	**190**	**145**

Net investment income of €303 million was generated in fiscal 2022, after €248 million in the previous year. The rise in net investment income results primarily from the business performance of the Rheinmetall Group companies operating in the security technology sector.

Net interest income deteriorated from €20 million to €3 million. The decrease was mainly due to losses in the value of the plan assets set up to secure pension obligations. Rheinmetall AG's financial result improved from €269 million to €306 million as a result of the influences outlined.

Higher allocations saw sales increase from €86 million in fiscal 2021 to €126 million in the year under review. Due to business as a holding company, personnel costs amounted to €66 million (previous year: €56 million). The main factor here was the higher expenses for pension commitments as a result of the increased assumptions for pension development. Other operating income increased by €2 million to €166 million. Other operating expenses rose significantly at €246 million (previous year €226 million). This was driven by extended services provided by Group companies for the Rheinmetall Group compared with the previous year. The amortization, depreciation and write-downs in 2022 include write-downs on securities held in circulation amounting to €27 million. Amortization of intangible assets and depreciation of property, plant and equipment are unchanged at €5 million.

Earnings before taxes amounted to €252 million (previous year: €232 million). Following deduction of €59 million in taxes (previous year: €52 million), net income of €193 million remained for fiscal 2022 (previous year: €180 million). Net income therefore slightly exceeded the expected range of €160 million to €190 million. €3 million (previous year: €35 million) of the net income was transferred to retained earnings, resulting in net earnings of €190 million (previous year: €145 million).

Proposed dividend

At the Annual General Meeting on May 9, 2023, the Executive Board and the Supervisory Board of Rheinmetall AG will propose that the net earnings be used to pay a dividend of €4.30 per share (previous year: €3.30 per share), whereby the treasury shares held by Rheinmetall AG (December 31, 2022: 177,184; previous year: 255,201) are not entitled to a dividend.

Net assets and financial position

The asset situation of Rheinmetall AG is largely defined by its holding function, i.e. by the management of investments and the financing of Group activities. This is reflected above all in the amount of the investments held and in the receivables due from and liabilities owed to Group companies.

Balance sheet of Rheinmetall AG in accordance with the German Commercial Code (HGB) – Assets

€ million	2022	2021
Intangible assets	6	9
Property, plant and equipment	43	34
Financial assets	1,660	1,499
Fixed assets	**1,709**	**1,542**
Inventories	-	-
Receivables and other current assets	1,673	1,245
Bonds	132	160
Cash and cash equivalents	428	853
Current assets	**2,233**	**2,258**
Deferred income	**8**	**7**
Active difference from asset offsetting	**-**	**-**
Total assets	**3,950**	**3,807**

Financial assets include shares in affiliated companies in the amount of €1,494 million (previous year: €1,492 million) and the investment in 4iG Nyrt. acquired in 2022 (€160 million). The share of financial assets in total assets subsequently increased from 39% to 42%.

Receivables and other assets mainly comprise receivables from affiliated companies of €1,662 million (previous year: €1,242 million). These originate almost exclusively from intra-Group financing and central liquidity management. The increase is mainly related to the negative development of the Group's operating free cash flow in fiscal 2022. The share of these receivables in total assets amounted to 42% (previous year: 33%).

The securities portfolio relates to the shares in a special fund acquired at the end of 2021 as a strategic liquidity reserve. The decline from €160 million to €132 million is a consequence of the turbulence on the capital markets following the outbreak of the Ukraine war. Cash and cash equivalents declined from €853 million in the previous year to €428 million.

Balance sheet of Rheinmetall AG in accordance with the German Commercial Code (HGB) – Equity and liabilities

€ million	2022	2021
Share capital	112	112
Treasury stock (notional value relating to the share capital)	-	(1)
	111	**111**
Capital reserves	574	563
Retained earnings	297	290
Net earnings	190	145
Equity	**1,172**	**1,109**
Provisions	**88**	**113**
Liabilities due to banks	711	625
Other liabilities	1,978	1,959
Liabilities	**2,688**	**2,583**
Deferred income	**1**	**2**
Total Equity and liabilities	**3,950**	**3,807**

Equity amounted to €1,172 million as of December 31, 2022, after €1,109 million at the end of the previous year. Part of this change involved the fact that the dividend payment for 2022 of €143 million was offset by the net income generated for the year of €193 million. In addition, equity increased by €11 million as a result of the reduction in treasury shares (78,017 shares). The equity ratio rose to 30% (previous year: 29%).

Provisions include pension provisions of €34 million (previous year €24 million). Measured pension obligations of €128 million (previous year: €118 million) are covered by plan assets of €95 million (previous year: €94 million).

Other liabilities include liabilities to affiliated companies of €1,946 million (previous year: €1,932 million). These originate almost exclusively from intra-Group financing and central liquidity management. The share of these liabilities in total assets declined from 51% to 49%.

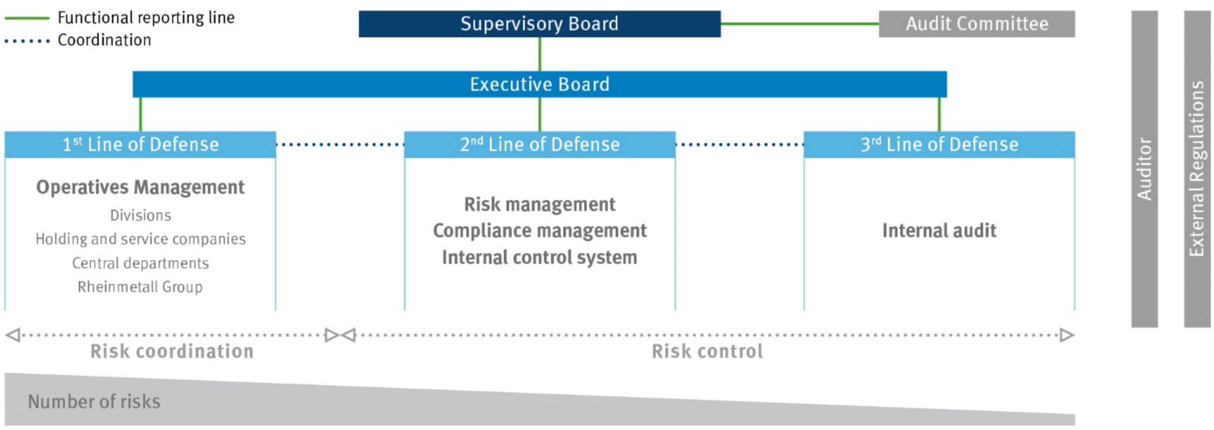
Risks and opportunities
Risk management system

Entrepreneurial behavior – leverage opportunities, reduce risks
In light of rapid market changes, increasing uncertainty, the greater complexity of framework conditions that vary significantly from one country to the next and major technological progress, business decisions are increasingly dependent on the ability to reliably evaluate potential risks. As an internationally active technology group with a heterogeneous product portfolio, Rheinmetall is exposed to risks that vary depending on the business unit, industry and region. The corporate policy is aimed at generating fair returns over the long term, looking at any opportunities that come our way, leveraging and expanding success potential, and avoiding, minimizing or compensating for the associated risks. The aim is to maintain our corporate flexibility and financial security, enhance the company's value and, in turn, safeguard the continued, long-term existence of the Rheinmetall Group.

The Rheinmetall Group's risk management system
As part of its principles of corporate governance, Rheinmetall is committed to a responsible, fair, reliable and transparent corporate policy that is geared toward expanding and leveraging entrepreneurial potential, achieving medium-term financial targets and increasing the company value systematically and over the long term.

The standardized risk management system that was introduced throughout the Group is based on principles stipulated by the Executive Board of Rheinmetall AG, which are geared toward financial resources and strategic and operational planning. At the Rheinmetall Group, identified opportunities are considered in terms of their impact on the planned earnings indicators within the framework of existing planning, controlling and strategy processes and assessed and documented in processes that run separately from the risk management system. The Rheinmetall Group's risk management system is designed to systematically identify developments early on that could jeopardize the continued existence of the Group and to control risks that could endanger the company's success. It comprises the ad hoc, operational and strategic risk management pillars and pursues the "three lines of defence" approach.

Three lines of defence model



The first line of defence lies with the management of the operating activities, which is responsible for recording, assessing and managing the risks that arise there. The second line of defence comprises the risk management, the compliance management and the internal control system. Internal Audit is the third line of defence and acts as the independent control organ of the Executive Board of Rheinmetall AG.

The guideline for the Rheinmetall Group's risk management system covers the regulatory framework conditions including the 16 risk fields, the roles and responsibilities, the handling and documentation of identified risk issues, and specific thresholds for risk assessment with regard to the extent of damage and probability of occurrence.

The risk management system helps to ensure that the corporate targets can be met. It provides high-quality information for Group management, clearly defines responsibilities for identifying and controlling risks, ensures effective risk analysis, control and monitoring thanks to clearly defined risk fields and types and closer dovetailing with other corporate governance systems.

The Rheinmetall Group's risk management process is based on auditing standard 981 of the Institute of Public Auditors, Germany, which sets out the generally accepted standards for the auditing of risk management systems and takes into account the legal requirements regarding the monitoring duty of the Supervisory Board in accordance with section 107(3) of the German Stock Corporation Act as well as the diligence and organizational duties of the Executive Board. The risk management process comprises the following elements:

Risk identification – The regular and systematic analysis of internal and external risk-containing developments with respect to defined targets

Risk assessment – Systematic risk assessment by means of standardized assessment procedures, taking into account probability of occurrence and the extent of loss in the dimensions of Performance (EBIT/cash flow impact in € million), Market | Customer | Reputation and Legal

Risk control – Risk control measures designed to prevent, reduce, transfer and/or accept risks

Risk reporting – Timely risk reports prepared so that they are suitable for the respective target group

Identified risks are evaluated in terms of their net value with regard to their extent of loss and probability of occurrence by means of empirical values, expert knowhow and function-specific risk analysis, on the basis of a scenario that is as realistic as possible. This means that established countermeasures and checks are taken into account in the evaluation of the potential extent of loss. This results in an aggregated assessment of the risk types and risk fields as well as an evaluated risk portfolio of the Rheinmetall Group. All information used in the assessment and aggregation of risk types and fields is documented as part of strategic risk management in special risk management software.

Ad hoc risks that are assessed as having a "medium" loss extent and a "probable" probability of occurrence can generally be identified by any employee during the year between the operational and strategic risk management reporting cycles and communicated as part of a defined process. If it is not possible to immediately control the ad hoc risk, it can be taken into account as part of operational and, if necessary, strategic risk management.

In the analysis and assessment of individual risks in terms of the extent of loss, which must be performed quarterly, operational risk management focuses exclusively on the "performance" risk dimension. The thresholds for reporting these individual risks are a potential extent of loss of more than a €5 million impact on EBIT and a probability of occurrence of more than 30%. The period under review relates to the ongoing fiscal year and the two following years.

The divisions prepare operational risk reports for the central Corporate Controlling and Risk Management department every quarter, while the operational risk situation is reported every month within the divisions. Any relevant individual issues and important, higher-level incidents/issues must be discussed in the committee meetings at the level of the divisions and Rheinmetall Group as a whole.

If necessary, individual risks from operational risk management can be outlined in the strategic risk management reports as examples and/or for illustrative purposes. To identify, analyze and assess potential risks – including the addition of new risks – the previous year's risk inventory is updated once a year as part of strategic risk management. This contains all the most important risk types potentially impacting the corporate targets and sub-targets, probabilities of occurrence, the potential level of loss, responsibilities and suitable countermeasures. The extent of loss, which is considered over a period of three years, is evaluated according to a range of quantitative and qualitative parameters. The risk dimensions Performance, Market | Customer | Reputation and Legal are used as a basis here, although not every risk can necessarily be assigned to all three dimensions. If multiple risk dimensions are considered in the evaluation of the extent of loss and different risk impacts are determined, the dimension that was evaluated more highly shall apply. Measures aimed at controlling the risks that were identified and evaluated over a three-year period must be formulated and their implementation systematically monitored.

On this basis, formal reporting takes place to the Executive Board and the heads of the divisions (including in their capacities as heads of the relevant legal entities). This form of risk reporting is based on bundled information on risk types, risk fields and the corresponding countermeasures and, in contrast to ad hoc and operational risk management, not explicitly on individual risks. Reporting from the various entities is concluded with the review of the risk portfolio by management and the subsequent release by the relevant CFO. Suitable preventive, validation and corrective actions lower the probability of risks occurring or limit the extent of loss. The risk management measures introduced are monitored on an ongoing basis and, where necessary, adjusted in line with a new risk assessment.

The Governance Risk and Compliance Committee set up by Rheinmetall AG's Executive Board and comprising the heads of Controlling and Risk Management, Legal, Compliance, Accounting and Internal Auditing serves as an interface between those functions within the company that are particularly committed to protecting the Rheinmetall Group against risks. In particular, it combines the sub-functions of corporate governance, the internal control system (ICS), the risk management system (RMS), the compliance management system (CMS) and internal auditing. The Committee meets at least once a quarter, discusses and reviews the current risk portfolio and the status of risk management measures.

This ensures that the Executive Board and the managers of the Rheinmetall Group are regularly kept up to date by the central Controlling and Risk Management department about the development of the overall risk situation, the status of and significant changes to important ventures that must be reported as well as the status of countermeasures that have already been introduced. If necessary, additional measures are taken in order to further limit and reduce identified potential risks. Sudden or unexpected risks with significant consequences are reported to the Executive Board on an ad hoc basis. The Supervisory Board is advised of individual operational risks in the quarterly reports that entail a net loss exceeding €5 million of EBIT and also have a probability of occurrence of 30% or more. The thresholds for reporting risks to the Supervisory Board on an ad hoc basis are a net loss of more than €20 million of EBIT combined with a more than €20 million cash flow impact and a probability of occurrence of more than 50%. By contrast, risks below €2 million and/or that have a probability of occurrence of less than 2% are not reported.

In the past fiscal year, Rheinmetall had the strategic risk management system audited by an auditing firm with regard to its appropriateness, implementation and effectiveness based on auditing standard 981 of the Institute of Public Auditors, Germany. During the audit period, the risk management system was reviewed as both appropriate and effective, as well as suitable for identifying, assessing, managing and monitoring in good time, with reasonable assurance, the main risks to the achievement of the defined strategic corporate targets.

The determination of the risk-bearing capacity contained within IDW PS 340 (as amended) 2022 was carried out by means of a Monte Carlo simulation. IDW PS 340 (as amended) defines risk-bearing capacity as the maximum risk that the Rheinmetall Group can bear over time without seriously jeopardizing its existence. This requires both the determination and measurement of an overall risk position and the comparison of overall risk with the business resources available to cover the risk at Rheinmetall with regard to net assets, financial position and results of operations, which can be used to mitigate the effects of the risk. To ensure that we identify at an early stage risks that combined could potentially jeopardize the continued existence of the Rheinmetall Group, the potential aggregate impact of our main risks was estimated using the methodology of a Monte Carlo simulation based on the aggregated results from the annual strategic risk management assessment process. We compare the resulting aggregated risk situation with our risk-bearing capacity approved by the Executive Board.

Significant corporate risks

On the basis of the risk reporting to the Rheinmetall AG Executive Board, as of the end of the reporting period there was the following risk situation which summarizes the significant corporate risks from a Group perspective in the defined risk fields with their risk classification:

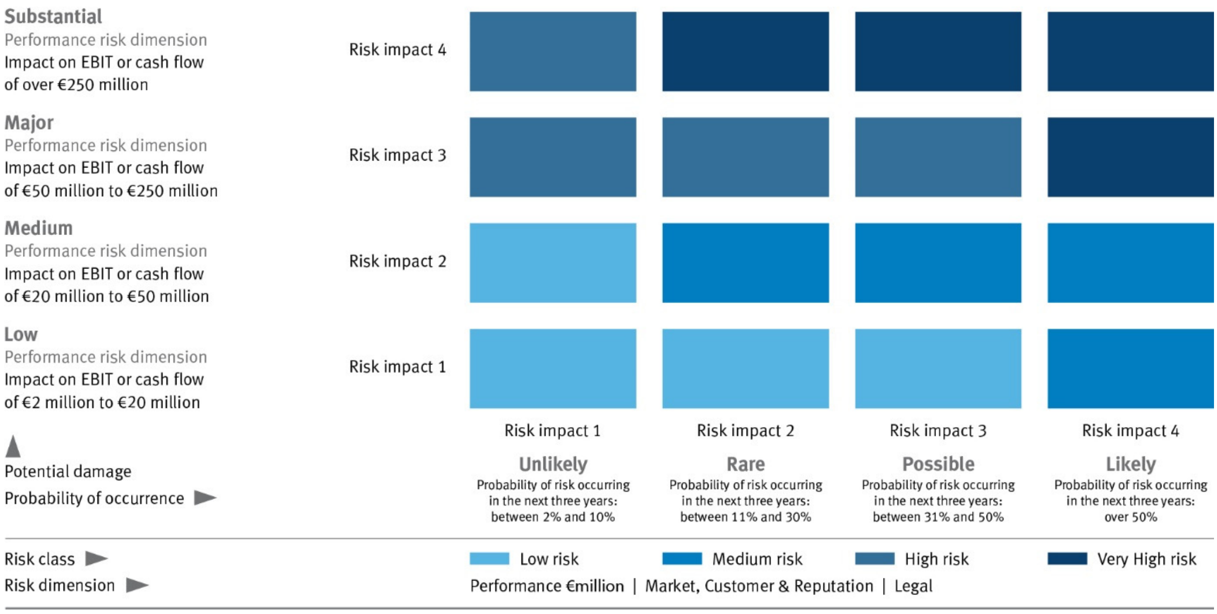
Risk fields

Risk field	Risk class
Customer and market	Medium risk
Competition	Low risk
Technology and development	Low risk
Production and project implementation	Medium risk
Suppliers and procurement	Medium risk
Human resources	Medium risk
Finances	Low risk
Taxes	Low risk
Legal	High risk
Compliance	Medium risk
Public perception	Low risk
Environmental Social Governance	Medium risk
Corporate security	Medium risk
Information technology and information security	Medium risk
Mergers and acquisitions	Medium risk
Joint ventures and shareholdings	Medium risk

Categorization of risk classes in line with the description on the previous page

As of December 31, 2022, no material individual risks were identified within the risk fields. Risks are classified as material individual risks when they have at least a medium extent of loss and at least a possible probability of occurrence.

Risk classification matrix



Customer and market

The risk classification has been downgraded from high to medium compared with the previous year, as the dependency of the civilian business on the combustion engine and the automotive market is declining overall in the Rheinmetall Group. This results from both the transformation of the civilian business initiated in 2020 and from the much stronger growth in defence and security technology.

Customer satisfaction is the decisive criterion for our performance. We maintain close customer relations and, even as early as the offer phase, endeavor to address the needs and requirements of our customers to the greatest possible extent. Thanks to technical innovation and the ever-expanding breadth of our product portfolio, we can use our various sales channels to position further products with customers. Opportunities also arise through our generally long-term business relations and our global presence. At irregular intervals, we conduct customer satisfaction analyses so that we can identify and implement improvement potential.

Customer risks arise from the dependency on key buyers with whom a not-insignificant share of sales is generated, who use their negotiating power and increase pressure on margins. This applies particularly to OEMs in the Sensors and Actuators and Materials and Trade divisions. The transformation of the automotive industry also poses a risk. As part of the energy transition, the shift in the vehicle drive mix toward electromobility has also advanced. Declines in demand or the loss of these customers can negatively impact the Rheinmetall Group's business and performance. When competition is particularly intense, it might also be the case that we can no longer assert our target margins in order negotiations.

The key customers in the Vehicle Systems, Weapon and Ammunition, and Electronic Solutions divisions are national and international authorities. Risks lie in the dependence on spending patterns for public budgets in Germany and foreign customer nations. In general, this can lead to shifts and cuts in state budgets, which can also affect defence. Political, economic, commercial, regulatory and export control influences and changes in the armaments technology requirements of customer nations, along with budget restrictions resulting from strained budgetary situations, or general financing problems on the part of customers, can result in risks in the form of delays in the awarding of contracts, time extensions or even the cancellation of orders. Risks also arise from increasing transatlantic competition. Moreover, there is tough international competition on export markets to which the Group has access.

In addition, it might not be possible to make sufficiently speedy investments in anticipation of major changes in customer demand or in the originally expected market premises, or such changes could lead to poor investments. Delayed investment, for example, entails the risk of non-compliance with delivery agreements concluded with customers.

With reference to the €100 billion special fund made available by the German government for the German armed forces to strengthen national and alliance defence and the shift triggered by the Ukraine war, there are opportunities to realize previously unfunded major projects. The Federal Armed Forces Procurement Acceleration Act (Bundeswehrbeschaffungsbeschleunigungsgesetz) also provides opportunities to conclude contracts more quickly through simplified award procedures. The increased order intake to be expected as a result may be offset by temporary capacity or staff bottlenecks.

When new business areas are opened up, misjudgments regarding customer requirements, resource deployment, price/margin targets as well as demand, market and competition developments are also possible. Through structured analyses and processes with defined milestones from the idea to the commercialization of new business fields, Rheinmetall strives to minimize any associated risks.

The development of the Rheinmetall Group is closely linked with macroeconomic trends and drivers as well as economic cycles on a global level but also in the individual regions and countries in which we operate. It is not possible to completely avoid risks that arise due to economic cycles. A deterioration in statutory, regulatory and/or general economic conditions in the sales regions can adversely impact the sales and earnings situation of the Rheinmetall Group. Geopolitical or economic crises can affect overall global demand, regional markets or individual industries. The consistent alignment of business towards the major economic areas in Europe, the US and Asia reduces dependence on individual customer countries, thereby distributing the risk. The diversified product portfolio of the divisions and consistent internationalization of the Rheinmetall Group help to ensure that temporary economic fluctuations can be offset in part by more favorable developments in other regions and markets. Rheinmetall counteracts global economic fluctuations with its different divisions, which are subject to different demand and procurement cycles.

In times of advancing globalization and growing competition and market transparency, market risks are becoming more prevalent. Trends such as digitalization, artificial intelligence and the electrification of vehicles require disruptive technologies and business models and lead to new customer requirements that were not anticipated or to which the response was inadequate. Global challenges relating to climate change, pandemic events, interstate conflicts, migration and resource scarcity can trigger changes in customer behavior. This can lead to changes in the portfolio and to fluctuations in prices, quantities and margins.

Focusing on technologically demanding market segments, product innovations, process improvements, production and capacity adjustments and strict cost management all contribute to strengthening competitiveness in each of the company’s industries and securing and building on the profitability of the Rheinmetall Group. In view of the technological progress in our industries as well as the transformation of our former automotive business into a long-term resilient and innovative civilian business, we continue to strive to develop new markets and customer groups in the civilian industries and security segments. Thanks to our broad international presence, we can respond to market and demand fluctuations and balance out developments in individual regions and industries.

Competition

Rheinmetall’s risk profile can also be negatively impacted by changes in the competition structure. Consolidation trends force competitors to merge, and new competitors can emerge through technological innovations. In their industry and security policies, some countries strive to create highly skilled workforces and a high degree of autonomy from imports. For us, this means building up our own capacities by increasing the percentage of local value added. Furthermore, where competition is fierce, we cannot rule out the possibility of being unable to achieve our margin targets. By systematically monitoring the competitive environment, Rheinmetall is in a position to respond to these changes early on. International partnerships and systematic localization concepts are part of the Group’s strategy and, together with technological market entry barriers, serve to safeguard business.

Technology and development

Our innovative strength is a key success factor, which we consider to be a driver of profitable growth. The future market position, economic development and earnings situation of the Rheinmetall Group also depend on the ability to identify technological trends in good time, correctly assess their impact on operational business, to continually develop marketable new applications, products and systems and to bring them to market maturity within a short period of time. The sometimes long development lead times, continuously changing regulatory and technological framework conditions and intense competition are key factors contributing to the uncertainty regarding the economic success of current or future products.

The transformation of the automotive industry regarding alternative drive systems is leading to new challenges. Global climate change in particular is encouraging a change in vehicle drives. The consequence of the corollary decline in vehicles with a combustion engine drive system is the declining market for classical products in the drive area for combustion engines, such as pistons, engine blocks, coolant pumps and also for components such as exhaust gas cleaning and aftertreatment. This transformation also generates potential as hybrid-electric, battery-electric or fuel-cell driven vehicles require electrically driven components and aggregates which can be integrated as needed. As a result of the generally increased share of electronics in these aggregates, this trend brings with it the opportunity of increasing the share of value added. Parallel to this transformation for drives, it is particularly digitalization in vehicles which offers an opportunity to bring new products and product functionalities to the market. On the other hand, this trend also harbors the risk that moving into digital technology and product segments requires high expenditure in establishing expertise for development and production. Furthermore, it should also be taken into account that products with a high share of digitalization generally have shorter product life cycles, which ultimately can result in high expenditure for adjustments, and thus amortization risks.

Misjudgments regarding future market developments or the development of products, systems or services that are not taken up by the market as expected as well as missed development deadlines, fundamental changes in customer demand that were not foreseen or responded to adequately, increased startup costs for new products or delays in launching innovations on the market can lead to a deterioration in our competitive and economic situation. However, intensive market and competitor monitoring and analyses, the market presence and customer proximity associated with international distribution structures as well as regular discussions with customers and suppliers make it possible for us to identify trends on the sales markets in good time and to align product strategies consistently towards new requirements.

Feasibility studies, profitability analyses, modern project management aimed at reviewing the criteria for technical and economic success, bringing the sales and development units closer together, the involvement of customers in the definition, design, development and testing of new products and safeguarding our technological position through property rights, especially patents, reduces possible R&D-specific risks such as misdevelopments and budget overruns.

Thanks to a balanced mix of short-, medium- and long-term projects in a well-filled research and development pipeline, we are making advances in new markets and technological fields and, in doing so, further safeguarding our technology positions. Further information on research and development activities can be found under “Basic information on the Rheinmetall Group – research and development.”

Rheinmetall’s focus on developing new technologies and innovations outside the existing core business and bringing them to market maturity quickly is particularly on the technology segments of automation, new sensor technology, artificial intelligence (AI) and new mobility. The latter is particularly supported by targeted activities in the area of electromobility and hydrogen technologies. Further details are presented in the “Research and development” chapter.

Despite compliance with the processes and the use of state-of-the-art project management, monitoring and controlling measures, developing new products and launching new technologies and products entail risks in addition to changes to existing product portfolios. These exist not only in the actual design and development phase, but also during market launch, where startup costs may be higher than expected or unscheduled delays may arise. Risks can also arise following market launch due to the potential need for technical improvements, which come to light only following use in real-life situations or through continuous operation.

Production and project implementation
We counter potential production risks by applying high technical and safety standards. We ensure compliance with regulatory requirements for the product areas, for example, through internal policies and procedural instructions as well as our quality management systems. Our quality management systems have been certified in accordance with the internationally recognized ISO 9001, IATF 16949 and AQAP or EN 9100 standards for many years now. In addition, methods including Six Sigma, lean management and failure mode and effects analysis (FMEA) are used to prevent quality risks. Appropriate insurance cover is in place for warranty, product liability and recall risks, which is reviewed periodically and adjusted where necessary.

Risks also arise from capacity bottlenecks or overcapacity, production downtime, excessive scrap levels, lack of demand availability as a result of failures or partial failures in the supply chains, a high level of working capital commitment and excessive reliance on individual production sites. These risks can be mitigated, however, through careful planning and continuous monitoring of the production processes in conjunction with flexible working hour models. Continuous improvement in production – for example, by simplifying processes or increasing the level of automation – can help to further increase production efficiency.

The availability of production plants is ensured through preventive maintenance with accompanying checks and modernizations as well as through investments. Production can, however, be impacted by natural disasters, disruptions in the infrastructure, delivery stops or technical failure. As a countermeasure, we operate appropriate business continuity management (BCM). For potential damage and associated interruptions to operations or production downtime and for other conceivable loss occurrences and liability risks, insurance cover has been taken out as financially reasonable to ensure that the financial consequences of potential risks are contained or completely ruled out. Although the existing insurance cover is regularly reviewed in terms of covered risks and insured sums and adjusted if necessary, it may prove insufficient in individual cases.

We review investment decisions carefully over several stages. Investments that exceed a defined limit are presented to the Executive Board for approval after undergoing a review. Nevertheless, unforeseen changes in general conditions can lead to higher investment costs or cause delays to facilities being commissioned.

Especially in the Vehicle Systems, Weapon and Ammunition and Electronic Solutions divisions, large complex projects can last several years resulting in risks for planning, calculation, execution and processing. These include not only uncertainty in calculations, but also unexpected technical and/or logistical problems, difficulties surrounding the fulfillment of product specifications, underestimations of the level of complexity (e.g. in technical implementation), project-specific additions and related cost increases, capacity and supply bottlenecks as well as quality problems with business partners or suppliers, unforeseeable developments during assembly and deferred dates of acceptance and settlement. These risks can be minimized, though not ruled out, through the technical expertise and longstanding project experience of the employees, professional project management, verification levels for each project stage, comprehensive quality management measures and the appropriate formulation of contracts. An example of this is the situation that arose with the Puma infantry fighting vehicle shortly before the end of 2022. As far as Rheinmetall is currently aware, a project risk was generated here mainly through improper handling of the system, which could not be ruled out by all the above preventive measures and must now be assessed and eliminated.

Suppliers and procurement

The purchasing organization is controlled by the Purchasing Council. All divisions are represented on the Purchasing Council in order to improve Rheinmetall's market position with respect to suppliers and achieve better purchasing conditions. This ranges from optimized prices to improved payment and delivery conditions. Another objective of the Purchasing Council is to transfer expertise and information and to ensure networking within the purchasing organization. Furthermore, regular exchanges in the Purchasing Council ensure that the purchasing organization is adapted to changing requirements and that both organization and processes are described in sufficient detail.

Risks can arise in connection with the purchasing of raw materials, parts and components in the form of unexpected supply shortages, delays or bottlenecks in delivery, quality problems or rising purchase prices for intermediate products, raw materials and energy. This is countered through ongoing monitoring of the procurement markets, structured procurement concepts and the avoidance of dependence on individual suppliers. The careful selection of efficient suppliers, ongoing supplier reviews, precise specifications and quality requirements, reliability checks, medium- and long-term supply contracts, bundling of volumes to be procured within the Group, and appropriate safety stock levels also reduce the risk potential. Cost escalation clauses are also agreed in contracts where possible, to minimize negative effects from increases in purchase prices to a large degree. Ongoing optimization of our supplier circle can leader to more favorable purchasing conditions. If new suppliers possessing, for example, specialized product knowledge are identified, our competitive situation may improve. Legal bans on substances and/or materials are taken into account through appropriate measures and cooperation with other specialist areas.

Bottlenecks in supply and sharp fluctuations in prices for raw materials involve significant risks. Price risks for raw materials, particularly aluminum, copper and nickel, are countered with cost escalation clauses in contracts on the sales side. When procuring raw materials that are traded on the stock market, the central Commodities Office manages the timing of purchases and the volume purchased in consultation with the operating units, making use of financial hedging instruments.

An inadequate energy supply for the Rheinmetall companies under cost-efficient conditions constitutes a risk for competitive production at the sites. Within the context of our electricity and gas price hedging strategies in the Rheinmetall Group, we take action several years in advance based on our medium-term planning, meaning that our energy purchases did not suffer the full impact of the increase in prices in 2022. For details on the energy markets, refer to the "Metal and energy markets in 2022" section. It is not possible to ensure complete hedging of fluctuations in the price of energy sources or to guarantee that increases in energy prices will be passed on to customers. Rising energy costs are addressed by bundling procurement volumes and through coordinated invitations to tender, long contract durations and optimization of the energy price via the European Energy Exchange in Leipzig. Germany's energy turnaround is expected to lead to the expansion of electricity grids and a significant increase in the share of renewable energies. We believe that constantly rising electricity prices represent a risk – a development that could impact the international competitiveness of industrial companies.

Ensuring supply security in supply chains that were already suffering from the COVID-19 pandemic was made even more difficult by the Ukraine war. The risks from the COVID-19 pandemic are noticeably decreasing, but the effects of the Ukraine war are still ongoing. This could lead to difficulties in the Group's value chain and thus to additional sales and liquidity risks. Screening of suppliers' financial and performance data was further intensified in the year under review. A cross-disciplinary team was also set up to respond quickly to changes in the situation and to prevent potential losses and damages due to disruptions in the supply chain.

In addition to general risks in our international procurement activities, country- and supplier-specific risks may also arise. This includes, for example, child labor, the conscious acceptance of environmental damage, or inadequate safety and working conditions. As part of CSR (Corporate Social Responsibility), such risks are ruled out with business partner reviews. A comprehensive easing of the situation on the global procurement markets is not expected in the short term, as the COVID-19 pandemic has not yet been fully contained and international capacity restrictions and bottlenecks in raw material procurement and energy supply continue to exist. The conflict in Eastern Europe means additional risks in relation to the security of existing supply chains. Furthermore, global supply problems in the semiconductor market are ongoing. These can impact both procurement and sales. This is being counteracted with interdisciplinary teams, the use of alternative and sound requirement forecasts. Rheinmetall is also exposed to logistics risks. These manifest themselves as capacity fluctuations, non-compliance with transport lead times and even interruptions in the transport of goods for all modes of transport. These can have an impact on both transport costs and material availability.

Human resources

In a technology-oriented group such as Rheinmetall, the implementation of the ambitious growth-oriented corporate strategy, the achievement of financial targets and the sustainable economic success hinges on a variety of staff, including employees with an above-average level of qualifications and a number of experienced specialists from a wide variety of fields. Having a high turnover of managers and employees in key positions can lead to a loss of key specialist knowledge and expertise. A shortage of skilled workers, or not finding suitable management, specialist and junior staff for vacant positions, who have the desired commercial, technical or industry-specific skills, or finding them only after a delay, can also have negative repercussions for the company such as an aging workforce, inadequate qualifications, low employee motivation or a low individual employee willingness to perform.

We mitigate potential personnel risks, for example, by positioning Rheinmetall globally as a fair and attractive employer with a value-based corporate culture and by using target group-oriented personnel marketing to communicate our strengths to the outside world, in particular to younger people. Further elements to minimize risks include the continuous development of competitive, performance-based pay with performance-based incentive systems, modern HR practices, and structured training and continuing education in specific disciplines and methods based on our competency model. As an international company, we also pursue a diversity-oriented HR policy. The success of these measures is reflected in the high number of applications from qualified people, the low fluctuation over the past few years and a relatively long average tenure within the company. Furthermore, we offer a variety of flexible working time arrangements at our German sites and the option of working from home on a temporary basis, which are designed to promote a healthy work-life balance.

In view of an aging workforce and the potential resulting skills shortage, age structure analyses – in addition to key function analyses – are conducted at regular intervals as part of Generation Management; the results of the analyses are taken into account in forward-looking staff and department-specific succession planning and training activities. We counteract the demographic change in particular through funding suitable programs for young people, knowledge management and local health promotion programs.

The companies of Rheinmetall AG face intense competition in attracting qualified employees. Our growth driven by innovation and the transformation of civilian business are changing the requirements for the available expertise in research and development as well as production. Our companies are already discovering that it is becoming more difficult to attract engineers with specialist knowledge in the fields of software and electrical engineering throughout the world. Generally, this situation will get worse as the pressure to innovate in the industry as a whole will increase.

Capacity adjustments, potential efficiency enhancement measures and possible restructuring or reorganization that may be necessary to safeguard long-term competitiveness often require a reconciliation of interests at operating level. We endeavor to limit the negative impact of such measures on the workforce wherever possible and to make any job cuts that may become necessary in a socially responsible manner. We traditionally work constructively with employee representatives at our sites.

Our business activities can still be affected by global epidemics. Building on the experience gained from the coronavirus pandemic in 2021 and 2022 in particular, we are trying to adapt to a new pandemic situation as best as possible and ensure that day-to-day operations are as far as possible free of disruptions. However, the duration and extent of individual effects on our business are difficult to predict. Measures by governments to contain an epidemic could be initiated at short notice or take an unpredictably long time. As a result, our business could be impacted in a way that exceeds current expectations and goes beyond mitigation measures already in place. We could be subject to unexpected site, factory or office closures, which would affect our ability to produce or supply our products. In the year under review, as in 2021, coronavirus action teams were again active at all locations, coordinating or arranging the measures required locally in connection with the management of the COVID-19 crisis on an interdisciplinary basis.

Finances

Rheinmetall's business situation, financial position and performance are exposed to financial risks from operating activities. The main financial risks are liquidity risks, counterparty risks and market price risks arising from changes in interest rates, exchange rates or raw material prices.

Liquidity risk is the risk that existing or future payment obligations cannot be met, cannot be met on time or can be met only with excessive costs. To manage this risk, all cash transactions are recorded, assessed and centrally aggregated within the scope of corporate planning and rolling monthly twelve-month liquidity plans. The values calculated are compared with the available financial scope to identify any potential financing gaps early on.

Scenarios such as catastrophe-related sales slumps and payment defaults, unexpected working capital requirements or reductions in credit facilities are simulated, taking into account worst-case scenarios. When determining the necessary financial scope, Rheinmetall takes great care to ensure that adequate reserves are held at all times.

Counterparty risks arise in connection with deposits, financing commitments or financial receivables such as positive fair values from hedging transactions, as a result of the relevant counterparty's inability to pay or insolvency. Rheinmetall manages these risks through limit-based, creditworthiness-linked and widely diversified lending from commercial banks. Financial transactions are conducted exclusively with banking or insurance partners that have an investment grade rating from recognized rating agencies or comparable credit ratings. Moreover, in the allocation of business, emphasis is placed on ensuring that, in addition to sufficient diversification of the counterparties themselves, diversification is pursued at country level as well.

Default risks from the operating business can generally be assessed as low on account of the customer structure. In the case of large-volume or long-term business relations, potential counterparty risks are individually analyzed and managed by means of prepayments, milestone payments, guarantees, letters of credit or credit default swaps and special individual contractual frameworks. There are no customer or country dependencies that could jeopardize the continued existence of the Rheinmetall Group if they were to take a negative turn.

Interest rate risks arise from volatility on the money and capital markets. These can occur in two forms. Whereas fixed-interest financial instruments can result in fluctuations in fair values and thus to valuation effects that are of relevance to earnings, variable-interest financial instruments are subject to a cash flow risk, as future interest payments can fluctuate in terms of their amount. Both these forms tend to be of secondary importance for Rheinmetall, as the interest rates of the longer-term debt instruments used are already fixed in the original contracts themselves, while the cash flow risk from variable interest is offset by corresponding opposite cash positions in the Group.

Currency risks that Rheinmetall is exposed to in its global business operations can also have an adverse effect on the operating result. Here, too, the Group's risk management unit should be involved early on in large-volume projects or long-term contract negotiations to prevent currency risks from occurring at all by formulating contract currencies or introducing cost escalation clauses. Moreover, in currency management, simulation calculations are performed to derive hedging strategies and use suitable derivatives that reflect the different business structures of the divisions. The currency risks are identified and assessed as part of regular reporting.

Similar to hedging against interest rate and currency risks, risks from changes in prices are largely avoided in advance in contract negotiations for the procurement of raw materials or significantly restricted through the agreement of cost escalation clauses. In cases where this is not possible, derivative financial instruments are used. This is the case, for example, for industrial metals and the energy sector. The strategic management of market price risks is carried out at regular financial committee meetings, in which the hedging decisions are made and documented.

Regulatory or political interventions can impact the processing of international payment transactions. This would mean that either Rheinmetall would not be able to fulfill its contractual payment obligations or would fulfill them only to a limited extent, or it itself would receive cash receipts from exports incomplete or late. On the whole, this risk should be classified as insignificant for Rheinmetall and would be managed on a case-by-case basis if it should ever occur.

Taxes

Tax risks can result from changes in the legal or tax structure of the Rheinmetall Group or from assessment periods that are still open. The differing assessment of circumstances during audits can lead to claims on the part of the tax authorities. There is also the risk that the tax burden for the Rheinmetall Group increases as a result of changes to tax legislation for individual countries or court decisions.

To identify and minimize tax risks at an early stage, the Rheinmetall Group has set up a global tax compliance management system and taken organizational measures aimed at ensuring compliance with tax legislation. This system is developed on a regular and systematic basis.

Legal

Legal risks can arise in relation to competitors, business partners or customers and as a result of changes to the legal framework in the relevant markets. Not only is the Group supported by detailed advice from its own specialist legal experts, but it also, depending on the case, consults external experts. Furthermore, potential losses, damage and liability resulting from ordinary operations are, wherever possible, appropriately covered by insurance policies or corresponding accounting provisions.

Our goal is to avoid litigation within the limits of what is economically reasonable. However, it is naturally difficult to predict the outcome of pending legal and administrative proceedings in the majority of cases. Costs can arise on the basis of adverse court or official decisions or the conclusion of settlements that are not covered or not fully covered by provisions or insurance policies and thus exceed the provisions that have been made. However, after a thorough review, we do not believe this will occur.

Regulatory and legislative changes at national or European level may involve risks that could negatively affect our earnings situation. This applies, for example, to new laws and other amended legal frameworks (e.g. relating to export controls) or through export restrictions in practice. Embargoes, economic sanctions or other forms of trade restriction could be imposed on countries in which we operate by the European Union, the US or other countries or organizations.

Legal risks arising from the violation of legal regulations are avoided or reduced as far as possible within the context of the compliance management system.

Compliance

Compliance violations can cause many different types of damage and can have serious consequences such as the discontinuation of business relationships, exclusion from contract awards, negative assessments on capital markets, the imposition of fines, the absorption of profits, claims for damages, and civil or criminal proceedings.

Furthermore, compliance violations that have a high public profile always pose the risk of significant and lasting damage to the company's reputation. Customers, shareholders, employees, non-governmental organizations, rating agencies and also the general public could lose trust in our company. In itself, the examination and clarification of alleged cases can result in considerable internal and external costs.

Compliance risks can occur in every area of the company. The compliance organization therefore aims to ensure proper and compliant modes of conduct and behavior on the part of a company and its employees and to make sure that potential or actual infringements of external or internal regulations are responded to appropriately. Group-wide structures, stringent regulations and standardized processes are put in place as far as possible to prevent any liability risks, risks of a penalty or a fine and reputation risks, in addition to other financial disadvantages, loss or damage that the company may incur as a result of misconduct or violations of the law.

The regular execution of a Group-wide compliance risk assessment (top-down and bottom-up) and additional regular and case-by-case risk analyses help to identify systemic and company-specific compliance risks. Measures to introduce or improve international or local structures, guidelines, processes, IT systems and training content are derived from the results.

However, despite extensive and multi-level inspection and control mechanisms, the possibility of risks arising from unlawful activities of individual parties cannot be ruled out. Alleged cases are investigated actively. In investigative proceedings we cooperate with the relevant authorities. Proven misconduct results in consequences for those involved and – if necessary – to adjustments in the organization. However, the financial impact of compliance cases on the Group's results is very difficult to estimate. Depending on the case and the circumstances, a considerable range is to be assumed.

The introduction in 2018 of the EU General Data Protection Regulation (GDPR) required EU-based companies also to meet a whole range of obligations concerning data protection. Violations of the GDPR are subject to significant sanctions, including the imposition of fines totaling up to 4% of the Group's total global sales. To counter these risks, we established a Group-wide data security management system (DSMS) to ensure a data protection level that is structured, secure and, as far as possible, standardized. It defines a range of functions and responsibilities and undergoes continuous improvement as part of a "plan–do–check–act" cycle. The effectiveness of the DSMS is monitored on an ongoing basis. Where legally prescribed, data protection officers are appointed in Rheinmetall. Our employees receive regular instruction and training in matters relating to data protection. The content of data protection training is adapted for individual departments in line with the specific requirements in their respective spheres of work. For new employees, this training is an important part of the induction process.

Public perception

In a time in which markets are interconnected and the flow of information is becoming increasingly globalized, communication is becoming ever more important to the company's success. Shareholders, customers, lenders, employees, the media and the public at large are informed regularly, transparently and quickly about our social and financial status, our key processes and changes as well as the latest news and developments.

In the course of a highly dynamic sustainability debate, the communicative presentation of a medium- and long-term corporate strategy based on responsible action is crucial for the perception and acceptance of the company by a broad public. Protecting and building a positive reputation as a central task of communications is considered essential in order to continue to be recognized and commissioned as a supplier and equipment provider to the public sector and to be able to survive on the money, credit and capital markets. In particular, the impact of our communications and other image-building measures on the general (media) public determines how we are perceived by politicians, administrators, and business and financial players.

Environmental, social, governance

Sustainability risks differ in part from traditional risk assessments in terms of the timescale considered, the assessment of their impact, but also in perspective. For this reason, the process for sustainability risk reporting builds on the existing risk management modules, but goes beyond them in parts. This avoids both duplication of work and double entries while also ensuring comprehensive analysis.

If we do not comply with the increasing regulatory requirements and fail to meet the expectations and requirements of governments, customers, investors, lenders and other financial institutions in the areas of environmental and social responsibility and governance (ESG) to the required extent or level of detail, this can have a negative impact on the Rheinmetall Group's business and earnings. Customers could potentially refuse to award contracts to us, private and institutional investors might refuse to include us in their portfolio, and financial institutes might refuse to issue loans at all or only at an increased cost. We counter these risks through comprehensive and transparent CSR/ESG reporting based on globally recognized standards such as the Global Reporting Initiative and – where possible – through continuous improvement of our customer and CSR/ESG ratings from internationally renowned agencies and institutions (e.g. MSCI, ISS ESG, Sustainalytics, VigeoEiris, Arabesque, Gaia and CDP).

Furthermore, the passing of legislation or regulations for the finance sector could cause institutional investors to restructure their portfolios and reduce or terminate their exposures in companies that operate in industries classed as critical. Possible sector exclusions (e.g. for the weapons and defence industry) could also limit our options to raise capital. Changes to the qualification criteria for being accepted to or remaining on stock indices could also harbor risks for our company.

Business activities that touch on sensitive ESG topics could result in a negative response among stakeholders or trigger negative media reports, which could damage our reputation and jeopardize the achievement of our business goals. This impact could potentially be exacerbated by insufficient crisis communication.

The protection of human rights is an integral part of our social responsibility and anchored in our Group guidelines such as the Code of Conduct, the Supplier Code of Conduct and the principles of social responsibility. Rheinmetall aims to prevent the negative consequences of its business activities and in the supply chain impacting its ability to uphold human rights. It is a matter of course for us to identify human-rights-related risks associated with our business activities and sphere of influence through, for example, adequate due diligence processes and risk analyses and to mitigate these risks as far as possible through suitable measures.

With 132 locations in 33 countries, we are subject during our everyday business to a wide range of legal and regulatory requirements, any of which can be updated, developed or made stricter at ever shorter notice. This applies in particular to provisions relating to not only the environment, chemicals, hazardous substances and critical raw materials, but also occupational and health protection. Adapting to new requirements could increase operating costs or require unscheduled investments. A whole range of different licenses and approvals are also required for our locations and factories and their provisions have to be met, which are subject to renewal, amendment, suspension and revocation by the issuing authority. Violations of relevant official regulations that apply to how we exercise our business activities or infringement of social, (occupational) safety and environmental standards could harm Rheinmetall's reputation and subsequently result in internal or external investigations, requirements, remediation obligations, claims for damages and, under certain circumstances, substantial fines or penalties. We actively counter these risks in various ways, including through high technical standards, integrated management systems and certification in accordance with international standards such as ISO 14001, ISO 50001 and ISO 45001. We evaluate measures that go above and beyond compliance with legal requirements on a cost–benefit basis. Although we have organizational structures and procedures in place to ensure that we comply with applicable government regulations in the conduct of our business, it cannot be entirely ruled out that violations of applicable government regulations could occur on our part or on the part of third parties with whom we have a contractual relationship and whose actions could be attributed to us.

A large amount of land owned by the Rheinmetall Group has been subject to industrial usage for decades. For this reason, it cannot be ruled out that contamination – for example as a result of production processes or processes to test munitions – has also been generated during this time that Rheinmetall is not yet aware of. Provisions have been recognized for necessary measures to safeguard against or clean up identified pollution. The elimination of leaks or the clean-up of effects resulting from technical failure could give rise to direct costs for the company. It is possible that the relevant authorities may issue regulations that require costly clean-up measures. We counter potential environmental risks by implementing statutory environmental standards, certified environmental management systems, proper and safe storage of hazardous substances, and environmentally friendly disposal of waste and hazardous materials via certified service providers. At our different locations, special organizational units ensure that the relevant legislation and regulations are observed and that further technical options for mitigating environmental risks are identified. The tightening of environmental protection provisions and environmental standards could lead to additional unplanned costs and liability risks over which Rheinmetall would have no influence. For certain environmental risks, we have taken out liability insurance policies with coverage amounts that we consider customary and appropriate for the industry. Losses could be incurred from environmental damage that exceed the insured amounts or are not covered by insurance.

Risks attributable to climate change are currently already beginning to emerge. These can be chronic and acute physical risks such as the rise in average temperature, rising sea levels, extreme weather events, sharply fluctuating water levels, increasing heat waves and droughts affecting property. With regard to production sites, production interruptions, delivery delays or delivery failures represent significant risks. These may be exacerbated by more intense and frequent extreme weather events. Transitory risks from climate change arise from cross-sector structural change due to the transition to a lower-carbon economy. They relate in particular to changes in the legal framework and tighter limits at national or transnational level. These include, for example, increasing efforts by legislators to introduce CO_2 pricing via emissions trading systems, to levy additional taxes and to tighten energy legislation. Furthermore, Rheinmetall's emissions balance and intensity could lead to a negative perception and limited attractiveness among stakeholder groups such as customers and investors. Climate protection measures also entail financial risks, for example due to increased energy and investment costs, emerging levies for CO_2 emissions or extended specifications for products. To identify and better assess risks from climate change more reliably, Rheinmetall carried out a comprehensive site-specific assessment on its production sites in the year under review using database content from a renowned service provider in accordance with the parameters of the Task Force on Climate-related Financial Disclosure. A scenario analysis was also carried out for these production sites using parameters from the IPCC for the historical, 2045, and 2070 periods. We are making a contribution to prevention with some of our products in civil business sectors and by successively reducing our CO_2 emissions as part of energy and carbon management. We have set ourselves the ambitious goal of being carbon neutral by 2035.

Corporate security

As a company that receives orders from the public sector, we sometimes gain access to a range of confidential information and material that are rated as “classified.” The specific requirements regarding the personnel and material security measures vary depending on the degree of confidentiality. Material confidentiality relates to the technical and organizational precautions taken in the company to protect classified information. This involves measures relating to, for example, the creation, labeling, processing, duplication, management, storage, transportation and forwarding of classified information as well as to the security of IT systems. Only persons who have undergone state security screening to prove their dependability and been issued with authorization to handle classified information are permitted access to classified information.

Like any other multinational company, Rheinmetall is at constant risk of cyberattacks and risks resulting from industrial espionage or sabotage. The risks, especially those resulting from cyberattacks, have intensified as a result of the war in Ukraine. We are unable to fully ensure that the personnel, organizational, electronic, structural and technical precautionary/security measures that we implement to protect confidential commercial information, data and material as well as our own intellectual property are sufficient and successful. Incidents can have a negative impact on our reputation, competitiveness or business situation, which is why it is important for us to raise awareness among our employees about the careful handling of all business-related information. Audits and the implementation of corresponding awareness measures are therefore essential.

Potential risks associated with business trips and business stays abroad (e.g. health risks and security risks through criminality or terrorism) are countered primarily through preventive measures. The latest information concerning the security situation in the destination countries is thoroughly evaluated and appraised, potentially resulting in travel warnings or even travel bans being announced by the Group's management. To provide our employees with not only detailed security, safety and medical advice but also all the support they need before, during and after business trips, we work together with the International SOS organization, which runs a global network supporting business travelers and expatriates in the event of illness, accidents, civil unrest or other incidents occurring abroad.

A location-specific combination of personnel and organizational measures involving various structural and mechanical property protection and electronic monitoring systems is designed to prevent unauthorized persons from accessing the company premises and/or buildings/building sections and potentially endangering employees, business partners and visitors or even causing them harm.

Information technology and information security

Information and data are exposed to a range of constantly growing threats with regard to availability, confidentiality and integrity.

Risks arise through not only the organizational and IT networking of locations and complex systems, but also the growing need for remote access for customers and employees. In addition, the use of new forms of technology (e.g. cloud technology, software-defined networks) entails additional risks. The use of licensed or self-created software can also harbor risks if the license agreements, which are subject to constant amendment, are not observed.

Disruptions to or the failure of application-critical IT systems, IT applications and infrastructure components can severely compromise the management of business and production processes and cause serious harm to the business. External influences or incorrect programming and operation or even manipulation can also expose data to the risk of being falsified, destroyed, spied on or stolen. Blackmail attempts through the installation of ransomware can be seen in the press time and again.

Due to the continuously rising dangers, we as a company are confronted with significantly increased regulatory and legislative requirements.

Risks relating to information technology are limited through modern IT infrastructure standards, IT security rules, IT process harmonization, IT security training and adequate precautions to protect against the loss of data, unauthorized access to data or misuse of data. Regular investment and security updates ensure that the software and hardware installed uses state-of-the-art technology. Appropriate back-up and recovery procedures are also implemented, along with virus scanners and firewalls to avert risks.

We are also strengthening our processes and technologies for monitoring our networks and systems so that we can identify anomalies or attacks early on. The technical configuration, functional security structures and efficient operation of the IT architecture are reviewed on a regular basis with competent service providers certified to ISO 27001 and are continuously improved and adapted to the changing regulatory and legislative requirements.

The extensive IT insourcing program launched in fiscal 2021 was continued in 2022. The aim of the program is to once again offer all core IT areas of expertise in full within the company in the medium term. Establishing new structures can temporarily result in additional risks. It is possible that Rheinmetall cannot recruit the necessary level and quantity of IT expertise on the market, which could lead to delays in the project.

Mergers and acquisitions

The risk classification has been upgraded from low to medium compared with the previous year. The key factor here is the acquisition of the globally renowned munitions manufacturer Expal Systems S.A. With a volume of €1.2 billion, this is the largest transaction in Rheinmetall's corporate history.

Acquisitions remain an important element of the Group's ongoing internationalization and growth strategy in order to improve and expand its market positioning, supplement existing business and penetrate new segments. In fiscal 2022, Rheinmetall carried out the following transactions, among others:

In connection with the digitalization strategy being pursued by Rheinmetall, the company acquired a 25.1% stake in the listed Hungarian IT and telecommunications company 4iG Nyrt. With the acquisition of a minority stake of 40% in blackned GmbH, Rheinmetall is further expanding its position as a leading systems supplier for networked land forces.

The acquisition of Expal Systems S.A. in Spain, a globally renowned munitions manufacturer, represents the largest transaction in the company's history. Following the contract signing in November 2022, the transaction is expected to be completed in summer 2023. This is subject to antitrust and other regulatory reviews. The acquisition will significantly expand Rheinmetall's available production capacities and product portfolio.

It also substantially strengthens Rheinmetall's existing product range, especially in the artillery and mortar ammunition and mortar weapons market segments, which are growing in the wake of the Ukraine war. Rheinmetall will also gain direct market access to Spanish customers. Moreover, by expanding its available technologies and production capacities, Rheinmetall is reducing its dependence on suppliers for primary products and ammunition components. Retaining the technologies and jobs available at Expal Systems is essential for Rheinmetall, which is why there are currently no plans to integrate any operations into existing Rheinmetall structures. All production sites in Spain and the US are to be retained.

In the subsequent post-merger integration, the focus will particularly be on realizing further synergies. Examples include the bundling of procurement volumes and the development of new key technologies for future business development. During the implementation of these synergies, there is a risk that the effectiveness and efficiency of existing processes may temporarily not be guaranteed in the usual way. Overall, we classify this risk as low from a Group perspective.

Furthermore, divestments of individual business units in the civilian sector are also being driven forward as part of active portfolio management. In fiscal 2022, Rheinmetall signed an agreement to sell its large-bore piston business to the Swedish group Koncentra Verkstads AB.

In accordance with strategic requirements and guidelines, transactions are subjected to an analysis of opportunities and risks through standardized processes such as extensive due diligence procedures and are assessed on the basis of yield/risk considerations. When necessary, we involve external experts and consultants in the transaction processes. Furthermore, we ensure that contracts are designed in a way that is commensurate with the risk, in particular by obtaining warranties of specific properties or guarantees and by agreeing purchase price mechanisms and liability clauses or taking out appropriate insurance policies. Despite a careful approach, it is always possible that some acquisitions do not ultimately come to fruition – for example, due to regulatory obstacles.

Following approval proceedings carried out over several stages, the Executive Board and/or, depending on whether the transaction volume exceeds defined value thresholds, the Supervisory Board of Rheinmetall AG decide on the implementation of the acquisition or divestment project. Acquisitions always harbor business risks because they inherently entail a range of imponderables arising from the integration of new employees, technologies, products and processes. The integration process could, for example, prove to be more difficult, time-consuming and cost-intensive than originally expected. We have put in place the structures and processes required for ensuring the smooth integration of companies and work, for example, according to a standardized post-merger concept. Our many years of experience with the successful integration of companies also serve us well.

It may also be the case that the acquired company does not fare quite as well following integration as was originally hoped or that the targets, synergy potential and cost-savings that the acquisition was expected to bring about are not, or only partially, achieved. In addition, risks can arise in connection with the activities of newly acquired companies that were either not previously known or not considered significant. Acquisitions can also negatively impact the debt ratio and financing structure and lead to an increase in assets and divestments, including goodwill. Difficulties may result primarily from impairments of goodwill due to unforeseen business developments. Furthermore, such transactions may well result in considerable acquisition, administration and integration expenses.

Joint ventures and shareholdings

The risk classification has been upgraded from low to medium compared with the previous year. The upgrade is primarily due to the 25.1% stake in the listed company 4iG Nyrt. in Hungary, which was acquired in 2022. Risks for the carrying amount of the investment can arise from the business performance of 4iG Nyrt., which can directly influence its share price, and the development of the forint exchange rate.

In addition to improved access to growth markets and new technologies, joint ventures and shareholdings help to leverage synergy effects and improve cost structures so that we can confront the competitive situation more effectively. Financial obligations or additional financing requirements may arise from the acquisition of a shareholding or the establishment of a joint venture or from their business activities. Joint ventures and shareholdings always harbor risks because it is impossible for us to counter any potential negative impact on our business by exerting sufficient influence over corporate governance processes or business decisions. Joint ventures also harbor risks associated with the integration of employees, technologies, products and processes. Likewise, strategic alliances can entail risks because, in certain areas, we might find ourselves in competition with the same companies with which we are also collaborating. Any necessary portfolio or structural measures could result in additional financing requirements.

Risks affecting Group companies can result in reductions in earnings in the single-entity financial statements of Rheinmetall AG as the parent company. If there are profit transfer agreements or loss-sharing arrangements in place, these reductions in earnings can arise directly from the assumption of losses incurred by the Group companies. Furthermore, loss of assets or a deterioration in future prospects at the Group companies can result in impairment losses.

Opportunity management

Opportunity management in the Rheinmetall Group

Under the umbrella of Rheinmetall AG, the structure of the Rheinmetall Group with its five divisions – Vehicle Systems, Weapon and Ammunition, Electronic Solutions, Sensors and Actuators, and Materials and Trade – aims to leverage the existing strengths and synergies within the company and to take advantage of the related opportunities.

The business policy is geared towards maintaining and expanding our current business liberties and financial flexibility. The goal is to ensure the long-term and economically successful existence of Rheinmetall for the benefit of all stakeholders. Opportunities that present themselves must be identified early and systematically and the accompanying potential for success must be exploited in order to be able to continue growing sustainably in dynamic markets. To this end, market, industry and technology trends are continually monitored, including as part of integrated strategy and planning processes, and target markets are analyzed intensively and assessed in terms of their strategic and economic significance for the Rheinmetall Group's areas of business.

To identify and initially assess opportunities and success potential, the operating units are closely linked with functions at Group level, including Corporate Strategy and Development and Research, Technology and Innovation. At a functional level, a structured process has been established to specifically identify new opportunities and technological potential, evaluate them in a structured manner and transfer them to business areas that can be commercialized via program management. The operating units are involved in this process at a very early stage in order to increase the probability of success of the business ideas and to support the projects and programs during implementation.

Potential for current business operations is managed, among other things, in regular review sessions between the Executive Board and the heads of the divisions and central departments. Based on an examination of structured assessments of market, industry and competition data, discussions focus on economic, market, industry and sales developments as well as the competitive situation and technological trends. The next step involves defining strategic initiatives and operational measures that are aimed at realizing the potential opportunities that have been identified. This can entail a reallocation of budgets that are provided for exploiting opportunities. In addition, the opportunities that arise are logged and evaluated as part of the forecast prepared three times a year.

Opportunities and potential success deemed strategically important for the medium and long term are included in the three-year medium-term corporate planning on the one hand and, on the other, discussed at the annual Group-wide global strategy meeting, the semi-annual product planning day and division strategy meetings for periods beyond this horizon, where they are assessed and prioritized in terms of their significance for future business development and assigned a budget if necessary.

As a technology group, we follow and promote continual product and technology innovations and their modifications. This is associated with a diversification of our product and service portfolio and the development of new and dynamic markets with the aim of acquiring new customers as well as supporting existing customers with growing challenges and encouraging their confidence in technology.

Opportunities due to increasing defence spending

Triggered by the military conflict between Russia and Ukraine, NATO nations in particular are expected to increase their defence spending. The conflict not only means that certain countries of Western and Eastern Europe are supporting Ukraine with deliveries of military equipment from their own stocks, but has also increased their willingness to improve the equipment of their own armed forces in terms of both quality and quality and especially with regard to military capabilities for national and alliance defence. In the short and medium term, this will result in a rising number of new, additional armament procurement projects that offer great business potential for Rheinmetall as one of the most important European armed forces suppliers.

Opportunities in increased ammunition demand and stockpiling due to changes in the global security situation

The changes in the global security situation and the war in Ukraine are leading to significantly increased short-term ammunition requirements, as well as a long-term increase in demand. The immediate demand for ammunition and explosives has thus risen substantially. In particular, demand for stockpiling necessary materials for high-intensity conflicts continues to rise, creating sales potential. These increased demands are exceeding current manufacturing capacities, and can thus only be met by expanding local production capacities. In addition, global supply shortages resulting from the coronavirus pandemic necessitate further relocation and insourcing of ammunition supply chains. Rheinmetall has the necessary access to customers and orders to realize its potential. The acquisition of Expal Systems S.A. will allow production capacity to be further expanded, particularly in the fast-growing market segment of artillery and mortar ammunition, thus enabling additional demand to be met. The weapons, ammunition and propulsion systems business has been Rheinmetall's core business since the company was founded and makes a major contribution to the its success.

Internationalization and geographical opportunities

The Australian and US defence markets in particular represent significant market development opportunities for Rheinmetall. Australia intends to invest €175 billion, of which €35 billion is for land forces. Under the Land 400 program, which represents the supply of the next generation of armored fighting vehicles to the Australian Army, more than 670 military vehicles are to be delivered over a period of 15 years. In phase 2 of the program, Australia selected the Boxer CRV wheeled armored reconnaissance vehicle. For phase 3 of the Land 400 program, Rheinmetall has submitted a bid for the Lynx with a potential order volume of around four to five billion Australian dollars. Further potential arises from the Land 125 program for soldier systems as well as naval projects and ammunition.

In the US, the world's largest defence market, Rheinmetall has achieved significantly growing business successes. In the period from 2019 to 2022, Rheinmetall Defence achieved a growth rate of 45% in sales in the us, primarily due to participation in the pioneering OMFV (Optionally Manned Fighting Vehicle) and CTT (Common Tactical Truck) projects. OMFV is a US Army program to replace the M2 Bradley infantry fighting vehicle. The CTT solution will replace the fleet of heavy and medium wheeled tactical vehicles.

Rheinmetall's new developments from the "Next Generation Vehicle Platforms" defence sector (Americanized Lynx (manned combat vehicle), Americanized HX3 (tactical truck), "Next Generation Ammunition" (indirect fire, next gen ammunition) and "Mission Systems of the Future" (mission systems, digitalized battlefield and air defence)) will open up additional potential markets, with a tender value of around US$50 billion.

Rheinmetall intends to continue optimizing its business activities from a geographical viewpoint in the future, according to the needs of the automotive markets. The emerging economies of Asia and China in particular are expected to harbor the biggest growth potential for automotive manufacturers and their suppliers due, on the one hand, to rising demand for passenger vehicles and light- and heavy-duty commercial vehicles and, on the other, to the introduction of increasingly strict requirements to reduce emissions of pollutants and carbon dioxide.

Opportunities due to automation and digitalization of armed forces

Apart from the additional business potential resulting from increasing defence spending, there are significant opportunities for Rheinmetall, in particular from soon-to-be achieved technology leaps in the areas of automation, robotics, artificial intelligence, networking, miniaturization, cybersecurity and digitalization at our customers in the security services area. In this respect Rheinmetall has aligned its strategy as a technology corporation and created structures which identify such technology, market and customer trends at an early stage and have them integrated into in-house research and development projects.

In the portfolio there are already a large number of innovative high-tech solutions for the armed forces of tomorrow. Examples include AI-supported assistance systems for soldiers on deployment, complex simulation solutions, autonomous system solutions for interference-free and fully automated communication or drone defence systems. To supplement its automation portfolio, Rheinmetall is developing autonomous and remote-controlled unmanned ground and air systems which are supplemented for the battlefield on the basis of digitalization solutions. The strategic partnership entered into in 2022 between the Electronic Solutions division and Helsing, the leading European provider of software and AI for defence systems, represents an important step regarding to digitalization and AI-supported mission systems. The aim of the strategic partnership is to transform land forces. With the acquisition at the beginning of 2023 of a 40% share in blackned GmbH, a specialist in mission-critical communication systems in the field of digitalization and networking of land forces, Rheinmetall is further expanding a its leading role as a partner for the digitalization of armed forces. With this strategic partnership, Rheinmetall will be in an even better position in the future to implement the end-to-end nature of the tactical information and communications network as well as the chains of effect within the system network.

Opportunities due to fleet renewal

The Vehicle Systems division is well positioned to participate successfully in the tenders for major European military vehicle programs in the medium to long term. Before the outbreak of the war between Russia and Ukraine, we anticipated demand for around 400 medium-weight and heavy tracked vehicles in Germany and for approximately 1,000 in Europe. For light- and medium-weight wheeled vehicles, as well as medium and heavy protected wheeled and tracked vehicles, we estimated demand in Germany and Europe at over 4,000 units. Oversees, particularly in Australia and the USA, we estimated more than 4,000 additional tracked vehicles and at least the same number of protected wheeled vehicles. There is also strong growth in demand in the artillery sector. In the markets relevant for Rheinmetall, we forecast market potential for military vehicles of well over €100 million over the next few years. Against the backdrop of the war in Eastern Europe, this potential and the underlying vehicle unit figures are likely to increase further.

Opportunities due to consolidation

Other growth opportunities may arise for Rheinmetall as a result of the expected ongoing consolidation process in the European defence market. These may occur as a result of targeted acquisitions of products and/or technology or on the basis of company acquisitions allowing more rapid regional market access.

Opportunities due to conventional drives

The combustion engine is subject to increasingly stringent international regulations regarding the emission of pollutants, especially climate-damaging carbon dioxide. This will require ever more complex solutions and, in turn, additional and more sophisticated components. The Sensors and Actuators and Materials and Trade divisions offer a large range of innovative and competitive components and systems which take account of these rising demands. These include divert-air valves, wastegate actuators and pressure control valves for exhaust gas turbochargers as well as specially coated plain bearings and engine blocks, and variable oil, coolant and vacuum pumps.

Opportunities due to expertise in lightweight construction

In parallel with the transition toward electromobility, lightweight construction methods will play an increasingly important role. The strategic investment in Carbon Truck & Trailer GmbH, a startup specializing in the development and production of innovative supporting components made from carbon-fiber-reinforced plastic, opens up the strategic option of developing lightweight applications as well as integrated modules and systems for our customers. In addition, Rheinmetall's Materials and Trade division offers a wide range of lightweight cast components such as aluminum structural and chassis parts. In this way, Rheinmetall is helping global automotive manufacturers to achieve the increasingly stringent CO_2 targets and to shape the path to sustainable electromobility.

Opportunities due to electrification

Demand for electric drives and hybrids as a bridge technology to electromobility will increase. With components as well as complex systems for heating and cooling electric drive components, purely electrically operated auxiliary units or DC link capacitors, such as those developed in the Sensors and Actuators division, as well as lightweight cast components such as battery trays and structural and chassis parts for electric vehicles from the Materials and Trade division, Rheinmetall sees great opportunities of continuing to grow in this transformation toward alternative drive forms.

Another innovation in Rheinmetall's electrification portfolio is the Rheinmetall curb charger presented in November 2022 – a charging solution concept to promote electric mobility in city centers and metropolitan areas. By integrating the charging electronics into a curb, the curb effectively becomes a charging station. Rheinmetall curb chargers blend almost invisibly into the urban landscape and offer solutions to the challenges of existing charging systems – such as high space requirements, low point density, deterioration of the urban landscape and high costs. The system is currently undergoing extensive long-term testing before it is used for the first time in a pilot project in public spaces.

Opportunities in the area of ecological and economic sustainability

New drive systems, driven by synthetic fuels, power or hydrogen will play a great role in the future, also with military vehicles. With its expertise in the civilian business, Rheinmetall can generate extensive synergies here for developing military vehicles. Furthermore, the assessment across the entire life cycle from development, including operations right up to recycling, secures additional opportunities for both ecological and economic sustainability.

Diversification and accessing new markets

As part of the transformation of the civilian sector, new business areas are being analyzed and evaluated with regard to sustainable, profitable growth potential and their strategic fit. Under the umbrella term of decarbonization, Rheinmetall has begun to address a diversified business area with high growth potential for the civil sector. Transferability to the non-civilian sector is also being assessed at the same time and opens up further growth potential. Within decarbonization, warm home and hydrogen technologies are focus areas for Rheinmetall. The warm home focus area is currently exploring cooperation with leading manufacturers and suppliers of heating systems for the real estate sector. The focus here is on the development and supply of components such as circulation pumps, heating pumps and compressors, as Rheinmetall has extensive technological and development expertise.

Opportunities due to hydrogen technology

Hydrogen remains an important element of our strategy. We are dealing with mobile and also stationary hydrogen technology applications. Alongside the secure production and distribution of hydrogen and data security for the hydrogen infrastructure, the focus of our commitment will be on the fuel cell system itself. A broad customer portfolio and current booked business exceeding €389 million in the hydrogen area reflects the leading role Rheinmetall is targeting in this future growth market. Rheinmetall already has technologies and products that will be necessary in the further development of the energy of tomorrow. The spectrum ranges from renewable power generation to the production of hydrogen, its storage, its distribution and its use. The project to develop an innovative hydrogen pressure tank system by a consortium comprising Rheinmetall and the RWTH Aachen Institute of Textile Technology is being supported by the state of North Rhine-Westphalia with funding of €4.7 million.

Control and risk management system accounting-related

Internal control system

Rheinmetall's internal control system aims to ensure the correctness of financial reporting, the security and efficiency of business transactions, and the compliance of all activities with laws and guidelines. An effective and efficient internal control system is crucial to successfully managing risks in our business processes. The internal control system at Rheinmetall goes beyond controls in the accounting process.

Rheinmetall's internal control system (ICS) is based on the internationally recognized ICS framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and auditing standard 982 of the Institute of Public Auditors, Germany (IDW PS 982). The focus of the ICS at Rheinmetall is on appropriate and effective internal controls to ensure proper and reliable financial reporting. In addition to the separation of functions and the application of the principle of dual control, this primarily includes appropriate monitoring measures in the context of period-end closures as well as fixed asset, accounts payable and accounts receivable accounting. However, the ICS at Rheinmetall goes beyond financial reporting in that it also encompasses an effective control environment to ensure compliance with the internal and external legal regulations relevant to the company and the optimization of the effectiveness and efficiency of business activities by increasing the degree of automation and digitalization.

As a central department that is independent in terms of instructions in line with a guideline promulgated by the Executive Board, Internal Audit uses a systematic and targeted approach to examine workflows, structures and policies at Group companies and the Group headquarters for their correctness, effectiveness and economic efficiency on the basis of an audit plan adopted by the Executive Board. The audit plan establishes the focal areas for the risk-oriented audit activities and the scope of the audits to be performed. These are then implemented by Rheinmetall employees or auditing companies as mandated by Rheinmetall AG. If necessary, the Executive Board will also commission Internal Audit to conduct special audits on an ad hoc basis. Risks identified and weaknesses discovered during audits are promptly eliminated by those responsible in each case. The central department Internal Audit monitors implementation of the necessary improvement measures. The Executive Board and Audit Committee of the Supervisory Board are regularly informed of the results of the audit and of the implementation status of improvement measures.

The Governance Risk and Compliance Committee, which comprises the heads of Legal, Compliance, Internal Audit, Accounting, and Controlling and Risk Management, also deals with the implementation, management and compliance of internal processes at its regular meetings. The Executive Board also addresses the company's risk situation at its monthly Executive Board meetings as part of update reports on the business situation. For our assessment of the appropriateness and effectiveness of the risk management system and the internal control system, please refer to the remarks under "Corporate governance statement."

Internal control system in relation to accounting

The Rheinmetall Group's internal control system related to the accounting process includes all principles, procedures and measures which ensure, by both organizational and technical means, that all business processes and transactions are recorded in the accounting system promptly, accurately and consistently. In addition to defined control mechanisms, (e.g. manual coordination processes and technical coordination processes for systems), this includes the separation of administrative, executive, settlement and approval functions together with guidelines and operating instructions. Changes to the economic, legal and regulatory environment of the Rheinmetall Group are analyzed to determine whether adjustments to the accounting-related control system are necessary.

Accounting guidelines – Our IFRS accounting guidelines cover all the regulations of the International Financial Reporting Standards (IFRS) that are of relevance to Rheinmetall AG. They explain the IFRS regulations and specify accounting procedures. The guidelines must be observed by all companies included in the consolidated financial statements, thereby ensuring standardized accounting. The accounting guidelines are reviewed at least once a year and amended where necessary. Companies are informed about specific changes to guidelines. The content of the guidelines is the responsibility of the main Accounting department of Rheinmetall AG.

Accounting processes in companies included in the consolidated financial statements – It is the responsibility of the management of the respective companies to prepare the financial statements of companies included in the consolidated financial statements. The accounts and financial statements are prepared using SAP-based accounting systems (SAP-FI). Procedures, such as document checks for formal and material correctness, the separation of functions and IT-based plausibility checks, are implemented in the accounting process to ensure the correctness of the accounts and financial statements. The management of each Group company monitors compliance with IFRS accounting guidelines and other guidelines and operating instructions in force across the Group. The management must confirm the correctness of the financial statements in a corresponding declaration.

Consolidation and Group accounting process – The main Accounting department of Rheinmetall AG is responsible for central management of the Group accounting process. It stipulates the schedule for the consolidated financial statements and monitors compliance with deadlines.

The consolidated financial statements of Rheinmetall AG are drawn up with the aid of the consolidation software SAP SEM-BCS. A standardized, binding chart of accounts is incorporated into this system, which covers virtually all the information required for the IFRS consolidated financial statements of Rheinmetall AG. The individual companies record the financial statements prepared in accordance with IFRS accounting guidelines in the consolidation software. After this IFRS single-entity financial statement data is recorded, it then undergoes an automatic plausibility check and system-based validation. If error or warning messages are displayed during this process, these are to be analyzed and dealt with by the person responsible for the single-entity financial statements. Employees in the main Accounting department then perform additional automatic and manual checks. The manual and automated consolidation measures undergo system-based checks and automatic plausibility checks.

The consolidated financial statements are also audited on the basis of standardized reports using comparisons of target and actual performance, trend and deviation analyses and detailed evaluations. A check is carried out every quarter to ensure the completeness of the scope of consolidation.

The auditors examine the consolidated financial statements and the combined management report to determine whether they comply with applicable accounting regulations and other relevant provisions. The auditors of these companies check whether the IFRS accounting guidelines have been applied to the financial statements prepared for consolidation purposes and establish the correctness of the annual financial statements prepared in accordance with applicable accounting principles. The audit procedures performed by these auditors also include an assessment of the effectiveness of the accounting-related internal control system based on spot checks in subdivisions.

Assessment of the general risk and opportunity situation

Assessment of the general risk and opportunity situation

Potential risks for companies in the Rheinmetall Group include, on the one hand, factors that cannot be influenced, such as the national and international economy and the general economic situation, and, on the other, risks that can be influenced directly, which are generally operational risks. The aforementioned risks are not necessarily the only risks to which the Rheinmetall Group is exposed. Risks that have not yet been identified or that are still deemed insignificant can materialize under altered circumstances, hinder business activities and adversely impact the assets, financial situation and earnings of the Group. Our business policy is geared towards maintaining and expanding our current business liberties and financial flexibility. The goal is to ensure the long-term and economically successful existence of Rheinmetall for the benefit of all stakeholders. Opportunities that present themselves must be identified early and systematically and the accompanying potential for success must be exploited. Overall, the Rheinmetall Group assumes that the outlook for opportunities is good, particularly thanks to the German government's announcement of a considerable increase in defence spending. In addition – in the light of the war in Ukraine – increasing business opportunities for Rheinmetall are to be anticipated in other European countries.

As part of its audit of the consolidated annual financial statements, the auditor, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Düsseldorf branch, examined the early risk identification system of the

Rheinmetall Group to ensure that it complies with the requirements of Section 91(2) of the German Stock Corporation Act. In accordance with the basis outlined for the assessment of risk factors and taking into account the overall risk situation, major asset, financial and earnings risks jeopardizing the Rheinmetall Group on a long-term basis were not identifiable during the past fiscal year. Compared with the previous year, the overall risk situation of the Rheinmetall Group did not change significantly in fiscal 2022, despite the ongoing coronavirus pandemic at the beginning of 2022, a global supply shortage for primary products such as semiconductors, price increases for various raw materials such as steel, aluminum, silicon or magnesium as a result of a global shortage of raw materials, and increased energy and freight costs. A large part of these cost increases were hedged using price adjustment clauses. The assessment of the overall risk situation is the product of consolidated consideration of all individual material risks. We are confident that the risks presented are limited and manageable. In our opinion, as of the end of the reporting period, no risks exist from today's perspective on an individual basis, in combination with other risks or as a collectivity that may significantly jeopardize the continued existence of Rheinmetall AG and the Rheinmetall Group as a going concern in the foreseeable future.

Report on expected developments
Economic outlook

Fight against inflation crucial for economic recovery – high forecast uncertainty at the same time

In its global forecast for 2023, the International Monetary Fund (IMF) expects growth of 2.9%, which is 0.2 percentage points more than assumed in October 2022. However, growth is below the historical average compared with the past two decades. As stated by the IMF, it is now a matter of using tighter monetary policy to push back inflation without simultaneously triggering the risk of a debt crisis in low-growth countries due to interest rate hikes.

According to the IMF, gross domestic product (GDP) in the eurozone is expected to increase by only 0.7% this year. For Germany, the IMF predicts low economic output growth of 0.1% in 2023. Contrary to earlier forecasts, Germany could therefore avoid a recession this year.

The IMF assumes growth of +1.4% in the US, 0.7% in the eurozone and +5.2% in China. China's shift away from the zero-Covid strategy could even be a driver of the global economy, according to the IMF.

"This time around, the global economic outlook hasn't worsened. That's good news, but not enough," IMF Chief Economist Pierre-Olivier Gourinchas said, describing the situation. The road back to a full recovery is only starting, he said. According to Gourinchas, the forecast could represent a turning point and growth could bottom out while inflation declines.

High inflation in 2023 – no improvement in sight until next year

For 2023, the IMF forecasts global inflation to average 6.6%. In 2021, global inflation was still at 4.7%. For Germany, the German Council of Economic Experts assumes an inflation rate of 7.4% in 2023. For emerging and developing countries, the IMF is forecasting a high inflation rate of 8.1%. By 2024, the IMF experts are expecting global inflation to weaken to 4.3%.

However, the IMF is still warning that several factors could slow down the normalization of inflation. If there are still further increases in energy and food prices, consumer prices could remain high in the long term. In addition, further tightening of monetary policy in industrialized countries would increase pressure on borrowing costs in lower-growth countries, the IMF said. A widening debt crisis in these economies would weigh heavily on global growth and could even trigger a global recession.

Overall, the IMF stressed that forecasts are currently extraordinarily uncertain. The future development of the global economy crucially depends on the monetary policy of central banks, the course of the war in Ukraine and further pandemic-related disruptions – particularly in China.

High political priority for defence capability – trend toward rising defence budgets continues

In view of the Ukraine crisis, the Western world has come to realize that the security challenges require sustained investment in their own defence capabilities. In many nations, the modernization or upgrading of military equipment is therefore continuing to gain in importance. In addition to conventional threats, new challenges have emerged such as the possibilities of hybrid warfare and broad-based cyber attacks.

In view of the threats to peace in Europe, the new German Defence Minister Boris Pistorius is calling for significantly more money for the German armed forces. The €100 billion would not be enough, Pistorius explained, referring to the special fund set up in 2022. The minister also considers the regular defence budget to be too little in the long term.

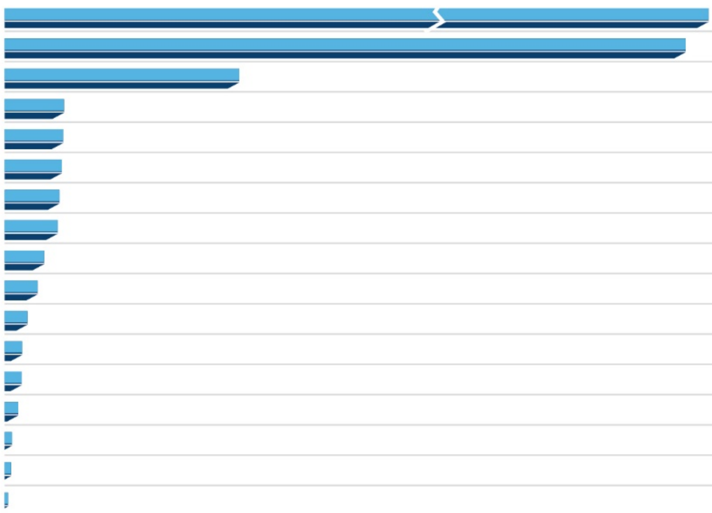
The trend toward rising defence spending is worldwide. It is also reflected in the forecast by Jane's Defence Budgets (JDB) for 2023. It suggests that global defence budgets will increase again slightly overall in 2023 to around $2,156 billion, compared with $2,084 billion in the previous year, representing an increase of 3.4%.

For Germany, the JDB experts forecast an increase in the defence budget to $64.7 billion in 2023, compared with $56.9 billion in the previous year, corresponding to an increase of 13.7%.

According to JDB, defence spending will also increase in Germany's partner countries such as France, Spain and Hungary in 2023. For the US, JDB expects defence spending to stabilize at a high level. In the country with the largest defence budget, the experts expect spending of around $806 billion in 2023; whereas the US defence budget totaled $810 billion in 2022.

In China, defence spending is anticipated to rise to $278 billion in 2023 (2022: $261 billion), according to JDB.

Defence budgets of selected countries in $ billion



	2023	2022
World	2,156.0	2,084.3
USA	805.9	810.3
China	277.5	260.8
India	69.3	67.3
Russian Federation	69.1	51.5
UK	67.5	74.5
Germany	64.7	56.9
France	62.5	59.8
Saudi Arabia	46.6	45.6
Australia	38.8	37.3
United Arab Emirates (UAE)	26.9	25.2
Poland	20.7	13.3
Canada	19.9	20.2
Netherlands	16.0	14.6
Algeria	8.6	8.9
Norway	7.4	7.6
Hungary	4.0	2.7

Source: Jane's Defence Budgets (JDB), November 28, 2022

Modernizing the armed forces – Rheinmetall is ready to meet current and future needs

More than ever, Rheinmetall is a sought-after supplier of cutting-edge defence technology to the German armed forces, as well as the armed forces of many of Germany's partner nations. In its military business, Rheinmetall expects to receive substantial orders in 2023, partly from the increased defence budget for the German armed forces.

This particularly relates to the supply of new protective equipment for soldiers in the three-figure million range. In addition, Rheinmetall is about to conclude framework agreements for the supply of ammunition worth between €500 million and €800 million annually and will also begin delivering the ammunition for the Gepard anti-aircraft gun tank ordered by Germany on behalf of Ukraine in 2023. Moreover, Rheinmetall considers itself well positioned for orders in connection with the procurement of tactical and logistic vehicles and for orders from the Air Defence sector.

As Germany's largest defence technology group, Rheinmetall anticipates an overall significant surge in demand in 2023 from the defined backlog and modernization requirements of the German armed forces and from the international environment due to an increased need for security.

Slowdown in global growth in passenger car production expected – share of electric vehicles still on the rise

The automotive industry is under pressure: During a period of fears of recession, supply chain issues, rising interest rates and political risks in key sales markets, the industry must now make a timely switch to electromobility, reorganize production processes accordingly, diversify sales markets and continue to drive digitalization.

Despite the negative impacts, IHS Markit analysts expect growth in global production of passenger cars and light-duty commercial vehicles up to 6.0 t to grow onto 85.0 million units in 2023. This puts the production volume 4.0% above the comparable figure for 2022, when around 81.8 million vehicles left the assembly lines. However this volume has cooled significantly over the course of the year from the original 9.5% growth assumption. Electric passenger cars account for an increasingly large share of this. The Boston Consulting Group (BCG) expects 59% of all new vehicles sold worldwide to be battery-electric powered by the middle of the next decade. By 2025, the share of electric vehicles is already anticipated to reach 20% of global sales.

In terms of overall automotive production, IHS Markit forecasts growth of 5.2% for the USMCA region in 2023, with growth of 4.9% in the US and 5.5% in Mexico.

According to IHS, growth in Western Europe will again be significantly higher. Experts expect production there to increase by 11.3% in 2023. In Germany, growth is expected to amount to 18.2%. An increase of 9.7% is expected for France, while growth in Spain is expected to be 7.8%. According to IHS Markit's forecast, Great Britain will see an increase of 7.7% and Italy will grow by 14.9%. In Central and Eastern Europe, production volumes are expected to decline by 1.4%.

In Asia, IHS Markit expects an increase in production volume of 1.9% in 2023. The forecast projects growth of 1.0% for China, while production in Japan is expected to increase by 10.1%. For the Indian automotive market, growth of 4.7% is estimated for 2023.

Production of passenger cars and light-duty commercial vehicles up to 6.0 t in selected countries in million units

	Change %	2023	2022
World	+ 4.2	85.3	81.8
Western Europe	+ 11.3	10.9	9.8
Central and Eastern Europe	+ 1.4	3.7	3.6
USMCA	+ 5.2	15.1	14.3
Brazil	+ 6.4	2.3	2.2
Asia	+ 1.9	51.2	50.2

Source: IHS Markit, as of January 9, 2023

Growth opportunities in the truck market – electric drives also on the rise in this segment

IHS Markit forecasts production in the global medium- and heavy-duty commercial vehicle (MHCV) market to increase by 7.4% to just under 3 million vehicles in 2023. According to a study by Motor Intelligence, industrial growth in emerging markets and rising transportation needs as a result of increasing e-commerce trade may lead to an increase in commercial vehicle production in the coming years. The shift toward electric vehicles is also expected to lead to growth opportunities for the commercial vehicle market. In addition, the introduction of strict emissions regulations is prompting automotive manufacturers to switch to alternative drive systems in the commercial vehicle segment as well. Governments worldwide are putting pressure on vehicle manufacturers to reduce pollutant and greenhouse gas emissions caused by burning diesel fuel. As stated in the Motor Intelligence study, this will also lead to increased investment in the development of electric trucks.

Transformation of the automotive industry – Rheinmetall strongly positioned with products for electromobility

The trend toward electromobility will continue in 2023. The regulatory requirements of policymakers regarding stricter CO_2 limits are already prompting automotive manufacturers to expand their share of electric vehicles in production. Despite the macroeconomic uncertainties, Rheinmetall is confident that it will be able to participate in the market opportunities arising from the increasing electrification of drive systems in 2023.

With its innovative systems and components for electromobility, Rheinmetall is extremely well positioned for this. At the same time, Rheinmetall continues to contribute to the optimization of the combustion engine. Rheinmetall also expects orders on a noteworthy scale, especially in the area of fuel cell technology, which will have a role to play in the medium term, particularly for commercial vehicles.

Rheinmetall Group expectations

Sought-after system partner for state-of-the-art defence technology – increasing growth momentum

In the area of security and defence, Rheinmetall is an important system partner in matters of modern defence technology for the German armed forces and for the armed forces of a large number of Germany's partner countries. This is demonstrated by numerous sales successes in recent years, which have moved up Rheinmetall's annual order intake and order backlog to a new quantity level and forms the foundation for sales growth over the new few years. Due to the announcements by many countries to increase their defence budgets in the wake of the war in Eastern Europe and against the backdrop of the German government's declared intention to make substantially more funds available for German armed forces equipment projects in the future, growth momentum will increase noticeably. With its international network of locations for munition and vehicle plants, Rheinmetall has sufficient production capacity to react to additional orders in a flexible fashion.

A trend of previous years continued in fiscal 2022: A rising share of incoming orders in the divisions primarily servicing the markets for defence technology originate from NATO member states or their equivalent partner countries. This group of nations makes up 88% of the order backlog to the end of the 2022. This progressively minimizes business risks for Rheinmetall in respect to the export approval business of the relevant responsible governments.

Alongside the German armed forces, which after the announcement of the German defence spending remains by far the most important individual customer at Rheinmetall even over the next few years, we have established ourselves as preferred partner on the armed forces there on additional "home markets" in the context of our internationalization strategy. This applies to Great Britain, where we manage the majority of a joint venture with BAE Systems and also to Australia and also to Hungary. In fiscal 2021, we began establishing a new, modern production site for our Lynx infantry fighting vehicle in Hungary, where series production will start in summer 2023. We will also supply the Hungarian armed forces with a comprehensive ammunition package from 2023. A new explosives plant will also be built in Hungary, from which will provide European and NATO countries with explosives for artillery and tank ammunition. We are in these "home markets" with large volume system orders, but also have significant component business. Furthermore, with our capacities there we are in the position to service increasing requirements in Europe and Germany or to acquire further export business.

In Germany we received further important orders in the last fiscal year. They underscore our growth opportunities on the area of security and defence technology and are of particular strategic importance to Rheinmetall. For example, Rheinmetall has concluded a framework agreement with the German armed forces for the supply of medium-caliber ammunition for the Puma infantry fighting vehicle with a gross value of around €576 million. The first cartridges were delivered in the year under review. Rheinmetall is thus expanding its position as a major supplier of combat ammunition to the German armed forces.

To secure its core business in the field of weapons, ammunition and propulsion systems in a sustainable manner, Rheinmetall initiated a significant acquisition in 2022: The company has thus signed a purchase agreement to acquire all shares in the Spanish company Expal Systems S.A., a globally renowned munitions manufacturer. Given the dynamic market situation driven by the further increase in demand for military equipment in many countries, Rheinmetall is securing the fastest possible access to significant additional capacity in the ammunition business. Rheinmetall is thus positioning itself in the best possible way for anticipated new tenders for ammunition procurement in view of the foreseeably high demand.

Rheinmetall focuses on growth opportunities outside the traditional combustion market

With its products and innovations, Rheinmetall is well positioned both for the further optimization of the combustion engine and also for alternative drive forms and electromobility and a recognized development partner for the international automobile manufacturers. Rheinmetall is recording a steadily rising share of new business booked for components relating to new vehicle models with hybrid or purely electrical drives. But in the last fiscal year considerable new orders were also posted in the area of fuel cell technology, which will have a role to play in the medium term, particularly for commercial vehicles. In addition, Rheinmetall is increasingly booking more business outside the automotive manufacturers market segment in the industrial business, where the largest single non-military order was recently booked in the market for stationary refrigerant compressors.

As part of its electrification strategy, Rheinmetall established a joint venture with the US start-up PolyCharge America Inc. in fiscal 2022 for the development, production and marketing of DC link capacitors (intermediate circuit capacitors that connect several electrical grids together on a common DC voltage level). Rheinmetall holds a majority (75%) in the new joint venture. With its combined expertise, Rheinmetall is working on the improved efficiency and range of battery-electric powered vehicles and thus on a market segment with considerable growth potential.

In addition, at its Neuss site Rheinmetall is establishing a high-performance technology and industrialization center for mobile, and also for stationary, hydrogen technology applications. Alongside the secure production and distribution of hydrogen and data security for the hydrogen infrastructure, the focus will be on fuel cell systems. In Neuss it is planned to in the future advance in-house product-related research, development and industrialization of hydrogen technology.

Executive Board statement on expected development in fiscal 2023

Of Rheinmetall's total of five operating units, the Vehicle Systems, Electronic Solutions and Weapon and Ammunition divisions operate predominantly in the markets for security and defence products, while the Sensors and Actuators and Materials and Trade divisions supply international automotive manufacturers and increasingly also industrial applications with essential parts from their current product portfolio. Since the beginning of 2021, the Pistons division, which combines small- and large-bore piston business, has been continued as a non-core business and has been recognized as a discontinued operation since the beginning of May 2021. Regarding the large-bore piston business, a share purchase agreement was signed with the Swedish group Koncentra Verkstads AB (KVAB), Gothenburg, in fiscal 2022. The purchase agreement covers Rheinmetall's large-bore piston business with three production plants in Germany, the US and China as well as the steel pistons line from the small-bore pistons plant in Marinette, US. In light of the imminent transformation of the international automotive industry, Rheinmetall continues to pursue the goal of selling the small-bore pistons disposal group in its entirety to an investor. Rheinmetall also hopes to separately dispose of each of the investments from the small-bore business accounted for using the equity method.

Macroeconomic uncertainty continues to shape the development of general economic conditions

At the beginning of fiscal 2023 and against the backdrop of the economic consequences of the war in Ukraine and the associated sanctions, as well as with regard to global inflation and the ongoing global supply chain issues, there are relatively high forecast uncertainties when it comes to economic development in Germany and in the international market environment. Due to this general situation and the resulting potential risks for business performance, Rheinmetall is also facing forecast uncertainty regarding sales and earnings performance in fiscal 2023.

General conditions for security technology are positive, slower recovery of automotive markets expected

We still consider the framework conditions for our defence activities to be highly stable and positive. In the light of actual or potential conflicts, the modernization or replacement of military equipment is still ranked as a priority in many of the countries we supply. In view of the military conflict in the Ukraine, investments in national security are becoming more important in many places. This is reflected particularly in the increased, and in some countries, further increasing defence spending. Our expectations of a continued growth trajectory in business with products for military and civilian security services are based on this and on the historically high order backlog in the defence technology divisions.

In contrast, the automotive markets that Rheinmetall supplies continue to face comparatively high volatility risks. However, in line with expert forecasts, we expect international automotive production to pick up in 2023, without reaching the pre-coronavirus level when approximately 89 million vehicles were produced. In January 2023, the experts from IHS Markit forecast annual production of light vehicles (passenger cars and light-duty commercial vehicles up to 6.0 t) of 85.0 million vehicles for 2023, which corresponds to an increase of around 4.0% compared with the production numbers for 2022.

Rheinmetall Group forecast for 2023: Sales growth with stable high margins

Based on the current market outlooks, in fiscal 2023 we anticipate significant growth in sales and anticipate a stable, high operating margin combined with an improved operating result. This forecast does not include the acquisition of the munitions manufacturer Expal Systems, as the transaction has not yet closed.

The Rheinmetall Group's annual sales are expected to rise to between €7.4 billion and €7.6 billion in fiscal 2023 (sales in fiscal 2022: €6.4 billion). Based on this sales forecast and taking into account holding costs, Rheinmetall is expecting to see an improvement in the Group operating result and the Group operating margin of around 12% for fiscal 2023 (margin fiscal year 2022: 11.8%).

Development of divisions in fiscal 2023

For the Vehicle Systems division, in fiscal 2023 we anticipate a considerable increase in sales of between 25% and 30%, supported in particular by the continued production of the Lynx infantry fighting vehicle for the Hungarian customer and by further deliveries of swap body systems for the German armed forces and ring exchanges (division sales 2022: €2,270 million). The operating margin is expected to range from 11% to 13% (division margin 2022: 11.4%).

In the Weapon and Ammunition division, for fiscal 2023 we anticipate, based on the very good order situation and rising sales in the core business (ammunition), a considerable increase in sales of between 25% and 30% (division sales 2022: €1,470 million). The operating margin is expected to range from 20% to 22% (division margin 2022: 20.8%).

For the Electronic Solutions division, in 2023 we anticipate significant sales growth of 15% to 20%, underpinned by deliveries for the large systems projects in the Vehicle Systems division and on business for our air defence systems and associated follow-up deliveries of components with international customers (division sales 2022: €1,063 million). The operating margin is expected to range from 11% to 13% (division margin 2022: 11.1%).

The Sensors and Actuators division anticipates sales growth of 5% to 8% in the current fiscal year, based on the development in international light vehicle and truck production projected for 2023 (division sales 2022: €1,382 million). The operating margin is expected to range from 7% to 9% (division margin 2022: 6.9%).

For the Materials and Trade division, in fiscal 2023 we are also expecting sales growth of between 4% and 7% due to the continued growth of the aftermarket business (division sales 2022: €743 million). The operating margin is expected to range from 9% to 11% (division margin 2022: 9.1%).

Development of other Group key figures and key performance indicators in fiscal 2023

In terms of operating free cash flow (OFCF) from continuing operations, in fiscal 2023 we expect to achieve a target corridor of between 4% and 6% of consolidated sales (OFCF fiscal 2022: €-152 million or -2.4% of consolidated sales).

Positive net income of €190 million to €240 million is expected for the management holding company Rheinmetall AG in fiscal 2023 (net income 2022: €193 million).

Rheinmetall Group – forecast business performance in 2023

		2023	2022
Sales			
Group	€ million	sales growth to €7.4 bn to €7.6 bn	6,410
Division Vehicle Systems	€ million	sales growth 25% to 30%	2,270
Division Weapon and Amunition	€ million	sales growth 25% to 30%	1,470
Division Electronic Solutions	€ million	sales growth 15% to 20%	1,063
Division Sensors and Actuators	€ million	sales growth 5% to 8%	1,382
Division Materials and Trade	€ million	sales growth 4% to 7%	743
Operating result margin			
Group	%	operating result margin around 12%	11.8
Division Vehicle Systems	%	operating result margin 11% to 13%	11.4
Division Weapon and Amunition	%	operating result margin 20% to 22%	20.8
Division Electronic Solutions	%	operating result margin 11% to 13%	11.1
Division Sensors and Actuators	%	operating result margin 7% to 9%	6.9
Division Materials and Trade	%	operating result margin 9% to 11%	9.1
OFCF (in relation to sales)			
Group	%	4% to 6%	(2.4)

Non-financial statement

We have consistently demonstrated our responsibility toward our employees and products and toward the environment and society for over 130 years. Founded in 1889, our technology company - rooted regionally and globally positioned - with its companies is integrated into the general political, regulatory, economic, ecological and social conditions of various countries and geographical regions. We are committed to fair competition and to lawful business conduct that not only shows integrity but is also social and ethical. Sustainable management has always been an integral component of our business and production processes and helps to secure the long-term future of our company. In addition to continuity, economic growth and compliance with the fundamental principles of good corporate governance, the careful use of natural resources is part of our self-image – to the benefit of our shareholders, our employees, for our locations and for the society in which we have a fixed place as corporate citizen.

Globally, European and German understanding on key areas, topics and aspects in the Environment, Social and Governance (ESG) categories may not be equally assessed, weighted and prioritized. Even so, over the past few years – at the United Nation’s behest and in line with the objectives of the European Union – many countries, including Germany, have expanded their requirements for companies to take responsibility for upholding recognized human rights, labor, social, environmental and anti-corruption standards, both within and outside the bounds of the company. This relates to the impact of business activities on sustainable development in the world encompassing the entire value-added chain. But customers, shareholders, investors, non-governmental organizations and – not least – the company’s own employees are also interested in getting a full picture of the company, its global business activities and their impact on people, the climate, and the environment. Inquiries from all sections of society are thereby increasing, as are expectations for transparency, scope, level of detail, informative value and comparability of company data on the very complex issue of sustainability.

Business model

Our world is changing rapidly in every respect – technologically, economically, politically and culturally. We lead lives that are more global, more connected, more digital than ever before and are constantly faced with new challenges that have to be overcome.

As a supplier to the automobile industry, the civilian area makes a contribution that people the world over reach their destinations in a more environmentally friendly manner. In addition to the ongoing development of products for conventional drives, Rheinmetall is focusing on the development of systems for vehicles powered by hybrids, batteries, and fuel cells. We shape the mobility of the future with solutions for reduced emissions and electric drive systems. Outside the traditional automotive sector, we are continuing to pursue our diversification strategy in the industrial sector.

Hydrogen is considered a key element in the transition to a climate-neutral energy supply of the future. We are addressing mobile and stationary hydrogen technology applications. The spectrum extends from power generation derived from renewable energies across hydrogen production to its storage and distribution right up to its use.

We are a reliable partner for German and international armed and security forces. With its product and capability spectrum, Rheinmetall is a leading European systems supplier offering innovative, state-of-the-art and threat-appropriate security technology for military and civilian applications alike. We protect those who protect us all – against current and future threats.

The Rheinmetall Group’s business model is described in detail under the Basic information on the Rheinmetall Group” section.

Governance

This non-financial statement of the Group, which includes all continuing and discontinued business activities, was prepared in line with the requirements of Sections 315b, 315c in conjunction with Sections 289c to 289e HGB. Pursuant to section 315b(1) sentence 3 HGB, reference is made to the non-financial disclosures included in another part of the Group management report for more detailed information on individual aspects. We use the standards of the Global Reporting Initiative (GRI) as a reporting basis when preparing the non-financial statement. In this way we want to ensure transparency and comparability. The fiscal year is the reporting period for the non-financial statement of the Group, and there is an annual reporting cycle.

Sustainability organization

At Rheinmetall the responsibility for sustainability lies with the Executive Board as a whole. The central area Corporate Social Responsibility reports directly to the Chief Executive Officer (CEO). In consultation with the responsible central department managed by the Head of Corporate Social Responsibility, the Executive Board sets the strategic framework for sustainability activities. In cooperation with the divisional and local sustainability officers and the Executive Board, the Corporate Social Responsibility department bundles and coordinates the respective ESG requirements. From this, it develops the sustainability strategy aligned to the Group strategy and derives the resulting fields of action, measures, targets and indicators.

In addition to the members of the Executive Board, the Corporate Sustainability Board established in October 2021 includes the divisional heads, the Head of Corporate Social Responsibility, the heads of Controlling, Compliance, Strategy, Purchasing, Human Resources, Corporate Communications, the Head of Investor Relations and the two Chief Technology Officers. The Corporate Sustainability Board deals with current regulatory developments and trends in the ESG area, as well as with the challenges they pose for Rheinmetall. The members of the board help to ensure that the interests of our stakeholders are given special consideration. At the annual meeting in December 2022, the heads of the five divisions, among others, presented the progress made in the area of ESG during the year and provided an outlook on the measures planned for 2023.

Sustainability also includes a material strategic component. As an interdisciplinary and cross-division topic, ESG is a fixed element of the activity of the Supervisory Board. For example, the members of the Supervisory Board deal with current ESG developments, with their importance for the corporation and its stakeholders and the resulting future challenges and opportunities. The Audit Committee handles not only risk management, but also the scope and depth of current and future regulatory requirements for sustainability reporting and their implementation, as well as the processes and internal controls implemented in collecting the data required for reporting. The Strategy and ESG Committee deals with the strategic further development of sustainability and its enshrinement in the overall strategy of the company. It obtains information on the associated ESG fields of action, measures and initiatives, as well as on the progress made, and monitors the inclusion of sustainability aspects in the business model. The Supervisory Board’s Personnel Committee deals with the implementation of ESG objectives in internal performance indicators and their consideration in remuneration systems. As part of the Executive Board’s remuneration, it defines the ESG criteria, their target values and target achievement ranges on an annual basis and assesses the respective degree of achievement of the non-financial targets.

Sustainability management

Continuous improvement and ongoing further development aligned to the changing requirements of our time are the basis for sustainability activities at Rheinmetall. Since the Corporate Social Responsibility department was established in 2011, we have been working on an ongoing basis in improving the cooperation with the experts in the divisions, business units and national companies.

Various principles and international guidelines form the basis for our sustainability management:

- Corporate philosophy with vision and mission based on the values of respect, trust and openness;
- Code of Conduct for all employees with binding regulations which include topics such as human rights, anti-corruption, compliance, adherence to competition and anti-trust legislation;

- Principles of social responsibility (international framework agreement with reference to global standards such as those of the International Labor Organization – ILO);
- Position paper on transformation and internationalization in the Rheinmetall Group;
- Supplier Code of Conduct;
- Ten Principles of the United Nations Global Compact on human rights, working standards, environmental protection and anti-corruption;
- The United Nations' Sustainable Development Goals;
- Charta der Vielfalt e.V. – a corporate initiative to promote diversity in companies and institutions;
- Six minimum standards on human rights: no forced labor, no child labor, freedom of assembly, occupational safety, no discrimination and fair remuneration.

Furthermore – alongside key performance indicators – non-financial aspects from the environmental and social areas are also included in target agreements with managers. These define targets for variable remuneration components relevant to ESG, including areas such as energy efficiency, CO_2 reduction or health and safety at work. For senior and middle management, the achievement of ESG targets will be taken into account at 20% in the short term and long term incentive from fiscal 2023.

Reporting

In the context of its reporting on non-financial and sustainability-related performance, Rheinmetall aligns itself to the international standard of the Global Reporting Initiative (GRI).

Since October 2011, we have been reporting on our sustainability activities on our website under the heading "Responsibility."

Since fiscal 2017, we have been submitting a non-financial statement every year.

In addition to the legal requirements, we publish the ESG Factbook reporting annually. On more than 100 pages, we provide information in the Performance, People, Planet and Governance categories on topics defined as material and present our economic, social and ecological performance over a period of three years. In addition, the Factbook includes the GRI Content Index. An additional index refers to the covered reporting requirements of the Sustainability Accounting Standards Board (SASB) in the sectors relevant to our business model.

After signing the UN Global Compact in fiscal 2021 as a visible expression of our commitment to sustainability, we published the annual Communication on Progress (CoP) on the new UNGC platform via the Early Adopter Program in August 2022. With this report we show transparently what progress the company has made in the area of corporate responsibility over a year.

We are continuously developing our indicator system in accordance with internationally recognized standards and on the basis of internal and external requirements so that, in addition to internal management, our external reporting can be aligned even more specifically to the demands of groups such as investors and to make our sustainability performance – as well as the challenges and opportunities of long-term company development – more transparent.

Materiality analysis

In view of the emerging new strong trends in the area of sustainability and the soon-to-be-introduced extensions and new requirements in sustainability reporting, we again carried out a materiality analysis in the past fiscal year, involving both internal and external stakeholders. The list of potentially relevant sustainability aspects has been reviewed for up-to-dateness and adjusted accordingly. For this purpose, the results of secondary analyses have been taken into account, including the evaluation of regulatory requirements and projects, ESG ratings, benchmarks of our peer group and media reporting. The result of the materiality analysis reflects the economic, environmental and social sustainability issues that are significant for our company. The focus of our reporting is on the topics classified as very material and material. For some other aspects, our voluntary reporting in this non-financial statement ensures that the justified interest and information needs of various stakeholders are taken into account by providing information on the Group's approach.

Results of the materiality analysis

Very material	Material	Quite material	Immaterial
Financial stability and profitable growth	Sustainable innovations and products	Sustainability and transparency in the supply chain	Corporate volunteering
Integrity and compliance	Adaptation to climate change	Diversity, inclusion and equal opportunities	Donations and sponsorship
Respect for human rights	Avoiding pollution	Water management	Social commitment
Attractiveness as an employer	Fair employment conditions	Circular economy	Dialog with social partners
Product safety	Employee retention and development	Waste management	Sustainable construction
Corporate safety	Occupational health and safety		Biodiversity
	Stakeholder relations		
	Corporate governance		
	Resource conservation		

Integration of stakeholder groups

We want to live up to our social responsibility, take advantage of growth opportunities and successively anchor ecological and social aspects even more firmly in our business activities. The company's focus on sustainability, which is particularly evident in the further development of our product portfolio, allows us to contribute to managing the transformation of the economy as well as mitigating – where possible – the consequences of climate change within the scope of our abilities. Sustainability management at Rheinmetall also takes account of the precautionary principle. Any possible adverse impact on humans and the environment as a result of the Group's business activities should be considered at an early stage and be excluded or reduced as far as possible. If we know the interests, positions, attitudes, opinions and concerns of our key stakeholders, we can focus our commercial decisions more effectively in line with their expectations. With 206 companies in 33 countries, we have a very prominent presence in our markets and enjoy continual and lively dialogue with various stakeholders, which include customers and business partners, private shareholders and institutional investors, employees, suppliers, representatives of the media, representatives of the worlds of science and research, society, politicians and authorities as well as representatives from associations and organizations. This allows us to establish and develop important relationships as well as to receive inspiration and specific proposals at an early stage, also for our sustainability strategy and activities.

For the exchange with our customers, we use a wide range of formats, such as personal meetings and participation in international trade shows.

For Rheinmetall direct contact with capital market participants is extremely important. The Executive Board and Investor Relations team are engages in continuous dialog with investors and analysts and participate in investor conferences and road shows in Europe and the US. In addition, there were numerous telephone calls with investors, analysts and private investors. Interested shareholders were able to submit their questions to the Executive Board online up to two days before the Annual General Meeting. This right was utilized extensively.

In order to better steer and analyze employment conditions in dialog with our employees, we implement employee surveys with varying participation numbers and at various intervals, generally twice a year. The aim is to determine and analyze employee commitment, employee satisfaction and the possibility to improve working conditions, as well as to gather feedback on issues that are important to the Group. Two Your Voice surveys were conducted throughout the Group in the year under review.

More than ever the world is subject to dynamic change. Today responsible and effective representation of interests means that with their expert knowledge and publication of positions companies are involved on a constructive and transparent basis in discussions in society and in the political and economic arenas. They can use their expertise for developing general conditions and viable solutions which promote sustainable business and secure the good of today's and future generations. Our lobby work is determined by factual information and is characterized by integrity, fairness and transparency. Rheinmetall participates actively in various associations and organizations to represent its interests in a wide range of ways. Political exchange also takes place in the context of the normal industry and sector association activities. In addition, we have representative offices in Berlin and Koblenz. Furthermore, we have a commitment at European level in Brussels.

ESG rating

Many of our customers in the civilian sector assess our sustainable management measures and results. For example, the Sensor and Actuators and Materials and Trade divisions achieved 59 out of a maximum of 100 points in the 2022 EcoVadis rating cycle, resulting in confirmation of "Silver" status and a place in the top 25%.

In addition to the customer ratings, independent ESG research and ESG rating companies regularly evaluate our business practices in the area of environment, social and governance. The results are used as a decision-making tool, for example by institutional investors.

Rating	Score	Ranking	Industry
MSCI	AA		Industrial Conglomerates
ISS ESG	C		Aerospace & Defence
S&P Global	34		Industrial Conglomerates
Sustainalytics	28.3 | Medium risk	10th place out of 94 rated companies	Aerospace and Defense
VigeoEiris	49	10th place out of 40 rated companies	Automotive
Moody's	Neutral-to-low		Aerospace and Defence
Refinitiv	80	6th place out of 115 rated companies	Aerospace & Defence
ESG Book	57.47		Aerospace & Defence
DVFA	72.09%	7th place in the MDAX	

Risks

We provide information on avoiding or reducing risks in the area of governance in the "Risks and opportunities" section.

Technology and innovation

Management approach

Our corporate responsibility is apparent in our products. Innovative strength and technological competence are key measures of competitiveness in the rapidly changing world of business. Tradition and innovation – the Rheinmetall technology group can draw on more than 130 years of specialist knowledge, system expertise and industry experience in the civilian and military business sectors. Our consistent focus on technology is a prerequisite for not only picking up on the developments of our time, but also for actively helping to shape technological change and, as a result, achieving long-term business success in a diverse range of technologically demanding markets.

Technology and product developments open up growth opportunities

As a longstanding technology and innovation partner to our customers, we have a detailed understanding of their requirements. Rheinmetall invests considerable sums year after year in research and development in order to increase its technological expertise, expand its market positions and secure the basis for the company's future success with a diversified product portfolio. Market, industry and technological trends are systematically observed before being analyzed and assessed in terms of their strategic and economic significance. Thanks to close collaboration between Sales, Development, Production, Service and Marketing as well as intensive project work in partnership with our customers, new requirements for products, systems, processes and applications are quickly identified and taken into account in development processes. In addition, experts are involved in the advance development of new technical solutions. Product lines are continuously improved and expanded, while new or associated business areas are gradually developed thanks to innovative products, future-oriented systems and customized services.

In the medium to long term, we also intend to support our company's growth with products that – based on an intensified transfer of technologies between our divisions – are not directly derived from the existing portfolio. In the coming years, we will target our activities to core technologies and dedicated focus areas such as autonomy and robotics, digitalization and connectivity, electrification, hydrogen and decarbonization.

Our own application-related research and development work is supplemented by studies into the latest scientific findings from basic research programs. Another key pillar of our research work is collaboration with industrial partners, renowned research institutes and skilled experts, which supports the transfer of knowledge from research into practice.

We provided more information on our specific research and development activities over the past fiscal year and the expenses associated therewith in the "Research and Development" chapter under "Basic information on the Rheinmetall Group."

Risks

Information on reducing or avoiding technology and development risks can be found in the "Risks and opportunities" section.

Environmental protection and conservation

Management approach

Business activities and, in particular, production processes are associated with the consumption of natural resources. From our perspective, environmental protection and conservation play a major role in ensuring we have a sustainable future that is worth living. The careful use of natural resources is part of how the Rheinmetall Group views itself. Using raw materials and energy economically and avoiding environmental damage in business and production processes are also among the key foundations on which the Group companies' business activities are based, as is dealing with residual materials and emissions responsibly. It is of key importance here that environmental protection – in keeping with a holistic approach – is considered an integral part of our management system in the Rheinmetall companies.

Environmental management

We make every effort to further minimize our environmental impact with the best economically viable technology. The careful use of natural resources is supported through the use of modern technology and contemporary process technologies, which help to reduce emissions and the use of water, among other things. Handling materials, energy, water and waste in a considered manner not only protects the environment, but also reduces costs at the same time. We continue to strive to use resources even more efficiently. Safe and modern facilities at certified production sites ensure resource-conserving and low-emission production processes as far as possible. Country-specific regulations and the requirements of international standards for quality (ISO 9001, IATF 16949 and AQAP 2110/2210), environmental protection (ISO 14001) and energy management systems (ISO 50001) are observed and processes are certified accordingly. Regular audits ensure transparency in terms of the status quo and provide objective confirmation of high quality standards.

Energy management

We need a sufficient energy supply, which is associated with corresponding CO_2 emissions, to manufacture our products and operate our buildings and infrastructure. The reduction of energy-related payments is therefore a key component of corporate policy in the Rheinmetall Group. It is a material objective for us to reduce energy consumption and increase energy efficiency through stringent processes in day-to-day operations within the context of that which is technically feasible and economic circumstances. Our responsibility in dealing with energy resources requires the achievement and review of specific targets for energy savings and improvements in energy efficiency, where it is technically and organizationally feasible and where it makes economic sense, in addition to the systematic determination, analysis and measurement of the energy aspects of significance for our business models.

We select our energy resources based on supply reliability, economic efficiency and environmental considerations, and use a mix of non-renewable and renewable energies during our everyday business.

Rheinmetall Group's carbon footprint

tCO_2e	2022	2021[1]	2021[2,3]
Total emissions (location-based)	**321,004**	**298,811**	**450,881**
Total emissions (market-based)	336,910	-	-
Scope 1 | Direct greenhouse gas emissions	115,583	102,747	144,151
Scope 2 | Indirect greenhouse gas emissions (location-based)	205,421	196,063	306,730
Scope 2 | Indirect greenhouse gas emissions (market-based)	221,327	-	-

[1] Scope 1 and Scope 2 emissions calculated with emission factors applied for fiscal 2022.
[2] Scope 1 and Scope 2 emissions used emission factors for calculations that included Scope 3 emissions.
[3] This data has not been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Düsseldorf branch, as part of the 2021 annual audit.

A total of 115 out of the 166 subsidiaries were included in the figures recorded for fiscal 2022. Around 89% of CO2e at the Rheinmetall Group can be attributed to the top 20 companies alone. CO2e for fiscal 2022 was calculated using the location- and market-based method. Scope 1 emissions for 2022 have been calculated using emission factors from the Intergovernmental Panel on Climate Change database. Scope 2 (location-based) emissions were calculated using emission factors from the International Energy Agency. Scope 2 (market-based) emissions were calculated based on availability using emission factors from energy suppliers at the location level. When this data is not available, the databases of the Association of Issuing Bodies, the International Energy Agency and the United States Environmental Protection Agency have been used.

The data in these tables were determined on the basis of internal processes. They come from existing management systems and are based on meter readings or invoice amounts (if available in each case) and assumption-based projections by the companies. The data are requested in the operating units, collected with great care and processed. Nevertheless, errors cannot be entirely ruled out in the collection, processing or transmission.

Climate change

The great tasks of today include containing climate change as far as possible and achieving an alignment to its consequences and impact. As a company with a sense of responsibility and with a global value added chain, Rheinmetall attaches great significance to this global challenge. The core of the matter is avoidance, reduction, substitution and compensation of the CO_2 emissions produced by the Rheinmetall Group in Scopes 1, 2 and 3. For its targets, Rheinmetall aligns itself to the Paris Climate Agreement which envisages limiting global warming to below 2°C, or even better to 1.5°C, compared with the pre-industrial era.

In the year under review, we prepared our first carbon footprint in accordance with the internationally recognized Greenhouse Gas Protocol based on data from fiscal 2021. It distinguishes between three categories of emissions. At our locations, direct emissions into the air (Scope 1) arise from the combustion of fossil energy sources, particularly natural gas. Indirect emissions (Scope 2) cover all emissions that are associated with purchased energy, such as electricity. Scope 3 emissions are indirect emissions that occur in the value-added chain. In the eight upstream and seven downstream categories, these relate to the procurement of goods and services, manufacturing of products, production processes, and transport and logistics.

While the initial estimate made in the previous year for the 15 categories with data from fiscal 2020 showed that around 90% of our total CO_2e was in Scope 3, this figure will rise to over 95% according to data and analyses that are now available but not yet complete. The collection and assessment of data still to be collected in some areas will be continued in the first quarter of 2023.

As soon as all the data is available, an open-ended review of the originally planned approach will be carried out with a view to our intended entry into the Science Based Targets Initiative (SBTi). However, it is also conceivable that – taking into account our business model – we will choose an approach based on the SBTi methodology in order to achieve our goal of no longer generating any climate-damaging carbon emissions by 2035.

In the first phase we refer to our own emissions (Scope 1) and energy supplier emissions (Scope 2). To do this the company will invest primarily in improving the energy efficiency of its locations and production facilities and develop and expand internal power generation from renewable sources. To this end, new photovoltaic systems were installed at locations in Spain, South Africa and Australia in the past fiscal year. Options for supply alternatives in the areas of deep geothermal energy, wind power, a combined heat and power plant powered by wood chips, and photovoltaics were also examined at a Defence location in Germany. In the medium to long term the CO_2 emissions in Scope 3 are also to be reduced. This is where the large part of Rheinmetall's carbon footprint originates – why is also why it is the biggest lever for reducing emissions. This task is a very complex one. Rheinmetall is approaching these challenges systematically and in this area will also set a target in line with the methodology of the Science Based Targets Initiative.

CDP

The CDP is an independent, non-profit organization which states it maintains the world's biggest database on the environmental impact of major corporations. The organization aims to establish the management of greenhouse gas emissions as a key economic success and risk factor in companies. Each year, on behalf of more than 500 institutional investors, the CDP collects information on corporate strategies to combat climate change and company-specific greenhouse emissions. In the Climate Change Questionnaire, alongside questions on the organization, targets, projects and programs, companies are surveyed in respect to information about risks and opportunities of climate changes and measures in the area of climate protection. In the year under review, Rheinmetall took part in this demanding CDP sustainability ranking for the second time. As in the previous year, our climate protection activities up to now were assessed with the grade "D" on a scale from "A" to "F."

TCFD

The four-pillar framework of the "Task Force on Climate-related Financial Disclosures – TCFD" of the G20 Financial Stability Board helps companies not only to integrate climate-change-related risks and opportunities in their businesses, but also to produce more consistent reporting. Physical risks result from long-term changes of climatic and ecological conditions (e.g. increase in the sea level, temperature and change of climatic conditions) as well as through extreme individual weather events and their consequences. There are transition risks in connection with the move to a more economically sustainable economy with a lower carbon footprint, e.g. as a result of quickly implemented political measures on climate protection, due to technical progress or from changes in market sentiment and consumer preferences.

In addition to assessing the risk analysis reports from an insurance company on our Defence production facilities prepared using the NatCat data platform, on the basis of extensive and detailed data from an external risk data provider a total of around 130 production sites were examined and assessed in respect to various risk types (physical risks acute/chronic with nine and ten categories respectively; transitory risks with six categories, and socio-economic risks with two categories). The results will be taken into account in business continuity management, e.g. for the development of adequate and long-term protective measures as well as for preventive measures. In fiscal 2022, scenario analyses were also carried out for around 130 production sites under the Representative Concentration Pathways (RCP) 2.6, 4.5, 6.0 and 8.5 parameters in accordance with the Intergovernmental Panel of Climate Change (IPCC) over the historical, 2045 and 2070 periods using data sets and data modeling. The results have particularly been incorporated into the risk assessments to be made according to the EU Taxonomy Regulation criteria "Do no significant harm."

Based on this required baseline data, we will commence voluntary reporting in accordance with the TCFD recommendations in fiscal 2023, providing an overview to inform investors, lenders, insurers and other stakeholders about our strategy, governance, activities, and climate-related opportunities and risks

Waste management

In all our production processes, we strive to be efficient in our use of materials. We prevent, reduce or recycle waste or dispose of it in a safe and environmentally friendly way. We aim to keep disposal quantities to as low a level as possible. Production- and material-related recycling takes place individually based on the requirements of the specific site. This entails waste separation, secure disposal methods and economically viable recycling processes. Waste quantities and recycling methods are also impacted by production quantities and renovation work in buildings and on business premises. In the year under review, the amount of waste generated across the Group was 54,039 t, compared with 63,140 t the year before.

Waste generation

t	2022	2021
Non-hazardous waste for disposal	3,925	5,203
Non-hazardous waste for recycling (excluding scrap)	11,267	16,638
Scrap for recycling	26,840	28,486
Hazardous waste for disposal	6,601	6,086
Hazardous waste for recycling	5,406	6,727
Rheinmetall Group	**54,039**	**63,140**

Water management

Global water consumption has increased six-fold over the past one hundred years. Water is therefore becoming an increasingly scarce commodity. According to the UNESCO World Water Report, the consequences of climate change, population growth and rising consumption mean that more than five billion people will suffer from water shortages by 2050 if things continue as they are. Responsible use of water is an integral part of our commitment to sustainability.

The availability of water as a resource is highly dependent on regional and local geographical and socio-political conditions. According to an in-depth risk analysis carried out in the previous year and updated in the past fiscal year for around 130 production sites using data sets from a renowned, specialized service provider, locations in India, China, South Africa, Mexico and Italy are exposed to a higher risk in the area of water scarcity. The risk analysis also carried out in 2022 for some of our companies in Germany, Switzerland, South Africa, India and Japan in accordance with the Aqueduct Water Risk Atlas of the World Resource Institute (WRI) particularly reveals risks in the areas of seasonal water availability, groundwater shortages and drought risk.

In the past fiscal year, the Water Stewardship working group was established, which will monitor developments at ten companies based in Germany, Switzerland, India, South Africa, Canada and Mexico on the basis of consumption data for 2021. In fiscal 2022, their share of water consumption in the Rheinmetall Group was around 80%. Further tasks include the ongoing improvement of the data situation and preparations for participation in the CDP Water Security 2023 rating. In addition, the members will deal with the fulfillment of the disclosure requirements resulting from the new European reporting standard ESRS E-3 Water and Marine Resources.

The water consumption of the Rheinmetall locations was 3,706,402 m^3 in fiscal 2022 (previous year: 3,763,553 m^3). In the period from 2016 to 2022, water consumption was reduced by around 20%. On the basis of the 2020 figures, we set ourselves the target of reducing water use by a further 10% in the 2021/2022 years. Due to various developments and measures implemented, this target was not achieved. Water purchases increased by around 10%. Influencing factors included in some cases significantly expanded business activities resulting in higher water use, changes in the product mix, increased discharge of water into the cooling water cycle and the switch to the reverse osmosis process at one location in Germany.

Water use

m^3	2022	2021 [1]
Fresh water	3,706,402	3,763,553

[1] On the basis of new input data for individual companies the overall figure for 2021 was restated.

Conservation – encouraging biodiversity

Our responsibility also includes preserving the diversity of natural habitats, especially for future generations. We are convinced that industrial use does not have to conflict with active conservation. On the contrary: For over a hundred years Rheinmetall has tested some of its military products on heathland near Unterlüss, not far from Celle, in Lower Saxony. A far-reaching prohibition order for the public, no traditional agricultural use and the size of the sprawling areas make this company-owned, 55-square-kilometer site, which encompasses 3,400 hectares of forest and 800 hectares of heathland, in an otherwise relatively densely populated Germany a rather special nature reserve. Active landscaping and forestry management creates individual habitats for the unique fauna and flora. The result is an unusually rich array of flora, which in turn attracts a rare diversity of insects and birds and also provides a habitat for large wild animal populations.

Our South African subsidiary Rheinmetall Denel Munition is also engaged in protecting nature and species at risk of extinction at three of its four production sites. Similar to in Unterlüss, large, demarcated safety areas far from residential areas enable rare animals to expand their habitats unimpeded. We develop partnerships locally to preserve these conservation areas along with their great biodiversity and rare species.

For biodiversity and climate protection, peatlands are very important. In September 2021, the Federal Ministry for the Environment published a National Peatland Strategy which includes voluntary rewetting measures. Wetlands and peatlands serve as the habitat for highly specialized animal and plant species whose alignment to the environment have made them rare and endangered. With their water absorption capacity, the moorlands fulfill important functions in regulating temperature and moisture. In the past fiscal year, a project analysis was carried out by an engineering firm on the company's premises in Unterlüss to determine the basics, survey and sound the Kiehnmoor and determine the current water balance and peat thickness of the peatland. Based on this, the necessary measures were determined and a concept for possible rewetting was developed.

For another German production site, considerations have been made as to how far the near-natural design of the company premises can be extended while keeping biodiversity in mind. With the support of a renowned foundation that encourages conservation, biodiversity and spending time in nature, the production site plans to examine options that may arise at the location and to what extent measures can be implemented as part of a concept phase.

In cooperation with beekeepers from a local start-up company, six bee colonies were established on the Rheinmetall site in Kassel to protect biodiversity. At the Niederrhein plant in Neuss, various species of wildflowers and meadow herbs have been sown for eleven flowering meadows, which are being created in several places around the plant and administration building. As part of this, the “Bee Plus” project was implemented together with a nature conservation association in the Rhine district of Neuss.

Employees

Management approach

Rheinmetall's success depends to a great extent on the ideas, expertise, motivation and commitment of its employees. The Rheinmetall Group is faced with increasingly tough competition from other companies to gain qualified personnel. Acquiring skilled employees for the companies is therefore a key task in our HR work. In addition to performance-based remuneration and progressive benefits, we attach particular importance to having a wide spectrum of career opportunities on offer in the Rheinmetall Group companies. Further training, assuming responsibility and promotion opportunities have a high degree of relevance for the commitment and satisfaction of our employees. We offer interdisciplinary career paths, deployment opportunities to international locations, and tailored training opportunities for individual professional and personal development. A customer-focused corporate culture, based on the values of respect, trust and openness and in which the performance and commitment of each individual is appreciated, is a key requirement for being attractive as an employer.

Developments on the labor markets

The growing shortage of skilled personnel across all occupational groups and industries is slowing innovation, competitiveness and growth of companies. In times of weak birth cohorts, far-reaching and broad transformation of economic structures, globalization of markets and changes in the way age cohorts see themselves at work, competition for management, skilled and junior staff and experienced specialists will intensify further. Finding and retaining enough qualified and suitable employees will be one of the particular challenges of the coming years.

In addition to our intensive activities in apprenticeship marketing, our existing marketing measures have been further strengthened at selected universities in the fields of engineering, electrical engineering and information technology. Personnel marketing measures have also been expanded to include additional communication channels. With a view to our key target groups of engineers, IT professionals and skilled workers, we drew attention to our company as an attractive employer by placing HR image ads in trade and quality media (digital and print). Throughout Germany, we were also increasingly represented at HR, recruiting, and trade shows aimed at the professional groups of engineers, IT professionals and soldiers. Our presence on key job portals, professional social networks, and employer review platforms has also increased.

Recruiting and employer branding

In an environment characterized by dynamic development, growing requirements and increasing complexity of technology, products and processes, experienced managers, qualified specialist personnel and ambitious junior staff make a big contribution to achieving the company's goals with their knowledge, skills, experience and motivation. In addition to traditional and modern means of recruitment, Rheinmetall also relies on its own training and development of junior employees and is also in close contact with universities, colleges and research institutes. This helps us to get to know suitable science, technology and business graduates at an early stage.

The Rheinmetall Group's jobs portal features the user-friendly platform "Careers worldwide," which displays announcements from 20 countries in Europe, North and South America, Africa, Asia and Australia. Potential applicants can also read brief descriptions of the different companies. In 2022, our careers website was visited some 620,000 times (previous year: 406,000 times).

The centrally organized recruiting center is responsible for the internal and external recruiting of managers and employees (with the exception of contract workers) at Rheinmetall's 42 sites throughout Germany and is responsible for end-to-end applicant management. Around 73,250 applications were registered on our TalentLink online platform in 2021 (previous year: 58,020). In 2022, 3,189 positions (previous year: 2,287) were vacant at the German Rheinmetall companies. 1,840 positions were filled by the end of 2022. In the past fiscal year, we recorded a total of 4,946 people joining and 2,853 people leaving the Rheinmetall Group (previous year: 3,696 and 2,606 respectively).

As they did in previous years, various institutes once again assessed the corporate image of German companies in 2022. Rheinmetall was again selected as one of the 100 most attractive employers. In the trendence "Mechanical Engineering Students" category we were ranked 30th (previous year: 24th) and in the "Engineering Students" category, we reached 31st place, up from 61st place in the previous year. In the Universum rankings (Germany Top 100 Ideal Employers) in the category of young engineering professionals, we were ranked in 22th place in the year under review, after reaching 25th the year before. For the young IT professionals Rheinmetall ranked 61st among the 100 most attractive employers, up from 86th the year before. This highlights the positive perception of activities in business areas such as cyber security, software development and artificial intelligence. In the natural sciences, we ranked among the top 100 employers in Germany for the first time, coming 96th.

Training and professionalization

Training in the Rheinmetall Group – Rheinmetall remains heavily committed, including with respect to social responsibility, to providing sound, multifaceted and practical business training to young people in technical, commercial and IT occupations, including the opportunity to complete a dual course of study with a technical or commercial focus. In 2022, 766 young people (previous year: 796) in Rheinmetall companies in Germany and abroad received vocational training, 412 of whom were based in Germany (previous year: 406). Within the wide array of 43 training courses for skilled occupations and dual courses of study on offer, industrial mechanic, machining mechanic, mechatronics engineer, qualified IT specialist for application development and industrial business manager represented the most popular professions for trainees in Germany.

In the year under review, 83% of the young people in the Rheinmetall Group received training for industrial and technical occupations, and 17% received training for commercial occupations. The apprenticeship ratio was 3.3% of the workforce for the German locations (previous year: 3.5%) and 3.1% for the Rheinmetall Group as a whole (previous year: 3.4%). The proportion of female trainees in the Rheinmetall Group was 12% (previous year: 14%), while the proportion in Germany reached 17% (previous year: 18%). In 2022, 289 people in the Rheinmetall Group (previous year: 382) and 171 people (previous year: 129) at the Rheinmetall companies in Germany started their training, while 153 trainees (previous year: 137) took up temporary or permanent employment after successfully completing their training.

The daily commitment of our trainers is paying off. In the sixth study conducted by CAPITAL magazine in October 2022, Rheinmetall was awarded five stars as one of the best training companies in Germany.

Further training for employees – Further training, assuming responsibility and promotion opportunities have a high degree of relevance for the commitment and satisfaction of our employees. To ensure the continued growth and future viability of the Rheinmetall Group, in consideration of additional demographic factors and the shortage of specialist staff that is expected in many places, the development of employees, talented management trainees and experienced specialist and managerial staff in line with current and future requirements constitutes a key factor for the company’s success. Thus strategic personnel planning is aligned to securing and continuously raising the high skill levels to ensure that the Group companies can achieve their business goals.

Annual appraisal interviews between management and employees are deployed to talk about performance, targets and individual development options. A range of training opportunities are in place to support Rheinmetall employees with planning their own development, achieving individual learning objectives and expanding their skills to meet the requirements of their current positions or to obtain new positions. Personnel development and training activities are offered on the basis of regular needs assessments. Various sources are used for needs assessment. These include not only the results of the potential assessment and personnel development appraisals, which are conducted in accordance with the collective agreement on training, but also Group-wide successor planning, the target-setting process and capacity and investment planning. Further training objectives are also derived from strategic objectives, such as the increased internationalization of the Group and the transformation of the previous automotive supply business.

Established development programs for managerial and junior staff – Top performers and employees with potential are identified as part of systematic assessments and their skills are selectively developed. This is based on the Rheinmetall “Management by Objectives” program, which incorporates the relevant leadership and management skills in five key areas. The performance and development potential of managers and prospective management candidates is identified, assessed and evaluated at regular intervals as part of a consistent, multistage selection and assessment process. This personal stocktaking enables an open discussion on strengths and weaknesses and structured feedback on individual development and promotion opportunities.

Individually determined personnel development plans help to improve the candidates’ business, technical, methodical and social skills. Furthermore, prospective managers can take part in management potential analyses and/or individual assessments, which analyze their abilities and skills profiles in more depth.

The Rheinmetall Academy successively prepares these employees at various stages in their careers for assuming leadership or specialist roles. The modular course programs and content are systematically designed around the topics of strategy, management, leadership, methodical competence, project management and internationalization. The Executive Development Program and Manager’s Leadership Program focus on “Leading my business” and help experienced managers to perform their organizational and managerial duties successfully. In particular, they help managers to build on their knowledge of corporate controlling, employee leadership and change management. Junior staff are prepared to take on their first managerial challenges in the Young Manager Program. The content of the Project Manager’s Program is tailored to the tasks and activities performed by employees of the Rheinmetall Group. These supplement the technical and methodical project management skills acquired in certification courses with training on “How to manage project teams.”

In the year under review, 2,438 employees (1,883 men, 555 women) attended 199 (previous year: 221) one-day or multi-day events at the Rheinmetall Academy, compared with 2,732 (2,061 men, 671 women) in the previous year. 59% of participants come from the Vehicle Systems, Weapon and Ammunition and Electronic Solutions divisions, 27% from companies of the Sensors and Actuators and Materials and Trade divisions. The share of female participants was around 23%. Around two-thirds of participants completed an online training session, while around one-third attended a classroom seminar.

Modern remuneration systems

Appropriate, fair and standard market pay systems are a key aspect in recruiting and retaining dedicated staff at the company. Rheinmetall offers attractive contractual terms. In addition to the category of work, these are based on the content of the role and the amount of responsibility and are linked to market rates. In addition to fixed remuneration components in line with market requirements, performance-related bonuses and variable salary components are also paid.

The “Management by Objectives” concept is linked to variable salary components for managers and employees not covered by collective wage agreements. An individual variable portion of income is paid in accordance with the achievement of individually agreed targets and depending on the company’s performance. Depending on the extent to which targets are achieved, this amounts to between 0% and 200% of variable target income. The fact that these income components are based on targets provides incentives for employees to act independently and to take on challenges. Division heads, managers and executives receive a long-term incentive (LTI) in addition to this short-term component. This is geared towards long-term corporate success and for 2022 includes payment of 40% of the long-term incentive amount in Rheinmetall shares, which are subject to a four-year lock-up period. The number of shares granted is based on a reference share price, which corresponds to the average price on the last five trading days in February of the subsequent fiscal year. A total of 60% of the long-term incentive amount is paid in cash and is also used for the immediate payment of tax on Rheinmetall shares. To bring the interests and targets of management and stakeholders into alignment, non-financial targets have been taken into account in Executive Board remuneration since 2020. For senior and middle management, the achievement of ESG targets will be taken into account at 20% in the short term and long term incentive from fiscal 2023.

The company’s success benefits employees, including staff covered by collective wage agreements in Germany, in two ways: First, employees receive an annual share of profits subject to the annual performance of the Rheinmetall Group; second, the increase in the value of the company achieved is paid out in a success-oriented component in the company pension, thus leading to improved support in old age.

Employee subscription to Rheinmetall shares

In the year under review, Rheinmetall AG again launched a share-based employee participation program in 29 German (previous year: 27) and eight Group companies in Austria and Switzerland, which provides for an individual monthly savings plan in a basic or extended version. The 30% employer allowance, which amounted to €3 million as in the previous year, enables employees to acquire shares at attractive conditions subject to a two-year holding period and participate as part-owners in the business success of their company.

Employee share programme

	2022	2021
Shares acquired	66,905	105,118
Participating companies	37	27
Eligible employees	14,646	12,551
Participating employees	3,968	3,321
Participation rate	27	26

Diversity

In times of accelerating change in technology, business and society, ensuring equal opportunities and promoting diversity is an important task for HR at Rheinmetall. For us diversity is a key value, and in times of transformation a major factor for innovation and steady growth. We value all people regardless of gender, age, sexual identity, educational background, state of health, ethical or social background, skin color, religion, culture, ideology or other personal characteristics. For us it is important to create a secure and integrative working environment, one marked by respect, in which each person is equal, treated fairly and can maximize his or her potential.

The corporate philosophy, the Code of Conduct, the principles of social responsibility and the Diversity Policy establish the framework for promoting diversity and equal opportunity as well as acting against discrimination. By signing the Diversity Charter, we are underlining this stance and making it clear to the public as well.

To mark International Diversity Day at the end of May 2022, teams at national and international locations were invited to take part in a Group-wide photo competition to show how diversity is put into practice in their day-to-day work. The accompanying online program also offered training units on unconscious bias and enabled an interactive exchange with the Head of HR. In year under review, preparations were also made to expand the range of advice and support services offered by the established ViVa Family and Care Service at the German locations to include the Diversity Advice module from January 2023.

With locations on six continents, 27,733 employees in 33 countries and 69 nationalities represented at Rheinmetall in Germany, internationality and diversity have long been part of everyday life in the Rheinmetall Group and are key factors for intercultural competence. At the end of fiscal 2022, 858 employees at our German companies were foreign nationals (previous year: 837).

We attach importance to the fact that this internationality is evident not only in the workforce but also at management level. Where possible, local talent is used when filling management positions outside Germany. We encourage our workforce to network within the company and to move to another unit or site. In the year under review, 61 German employees (previous year: 61) used the ex-pat program, strengthening international cooperation and supporting the willingness of employees in other countries to make an internal move. Another example of how we promote mobility in the Group is the “Job Matchpoint” platform, in which Talent Acquisition Consultants from the Recruiting Center provide advice on searching for new professional perspectives within the Rheinmetall Group to employees, trainees and apprentices or those on a dual course of study when they come toward the end of their training period.

Around 21% of employees were female in the year under review (previous year: 20%).

Female employees by divisions

	2022	2021
Division Vehicle Systems	961	795
Division Weapon and Ammunition	1,222	1,151
Division Electronic Solutions	743	674
Division Sensors and Actuators	1,308	1,261
Division Materials and Trade	507	493
Rheinmetall AG and services companies	250	204
Rheinmetall Group (continuing operations)	**4,991**	**4,578**
Discontinued operations (Pistons)	724	750
Rheinmetall Group (continuing and discontinued operations)	**5,715**	**5,328**

Total workforce | on the reporting date

The percentage of women occupying management positions in our technology group remains lower than in other industries or branches of industry. Generally, the security and defence as well as automotive sectors are preferred by men, who predominantly tend to choose technical or scientific subjects for study and professional training. What is more, due to what in some cases is a heavier physical burden in the commercial area, at 16% the share of female applications is relatively low in the year under review.

Despite the difficult initial situation, which is inherent to the industry, the goals which have been pursued for several years now in the area of diversity, which include recruiting more women to work at Rheinmetall, supporting female talents more strongly and increasing the overall number of women at all levels, are being advanced by a mix of strategic and operating measures.

Together with Diversity, Recruiting and Employer Branding, the Human Resources department at the Rheinmetall Group develops systematic recruitment approaches, training concepts and personnel development measures designed to ensure a fair share of women in management, and through which it also prepares itself for future management tasks. Gradually increasing the share of woman among the high potentials will result in significantly increasing the proportion of women in management positions, without specifying a fixed ratio for the share of women. Female young potentials are encouraged in a targeted fashion, and are supported in setting ambitious professional objectives and to continue pursuing them across any family phases. Here Rheinmetall is accommodating with family-friendly work conditions. In the past fiscal year, the share of women in the national and international Young Manager Program was 17% and 27% respectively, and 9% and 7% in the two Manager Leadership Programs.

The international community of female employees at Rheinmetall, organized under the LinkedIn network women@Rheinmetall, held an international conference in December 2022. More than 200 participants experienced a varied program that focused on the future of Rheinmetall and included technological innovations as well as outlooks on the transformation of the Rheinmetall Group. The platform offers its more than 650 members from 20 countries a forum for transferring knowledge, exchanging experience and providing advice and support in professional matters.

The targets and deadlines for increasing the proportion of women on the Supervisory Board, management bodies and the two management levels below the management body that are defined for Rheinmetall AG and its German subsidiaries subject to codetermination in due consideration of sector-specific circumstances are published for the period from July 1, 2022, to June 30, 2027, on our company's website in the section "Corporate Governance – Ratio of Women."

Management functions across the Rheinmetall Group are classified on a hierarchical basis into eight management levels which correlate to the five management clusters. Determining factors for classifying a job to a management cluster include the level of operating, professional and management responsibility. In the year under review, 441 persons (previous year: 553) were assigned to the upper three management clusters, including 50 women (11.3%) (previous year: 63; 11.4%).

Management Cluster

	2022	2021
Rheinmetall Group	441	553
Executives	14	18
Top Management	127	125
Senior Management	300	410

Inclusion

Our open corporate culture ensures that employees with health problems or disabilities are fully integrated in working life at Rheinmetall, where they have every opportunity to bring their talents and skills to the table and prove what they can do. Once again, the focus here is on developing existing strengths and potential. It is vital here that workstations are individually adapted to the type and degree of disability, enabling (further) employment with physical disabilities or easing reintegration into normal working life. In the year under review, the German-based Rheinmetall Group companies employed 644 severely disabled people (previous year: 606), who are represented by the Group representative body for severely disabled employees.

Rheinmetall AG held its second Inclusion Day in June 2022. The representatives of the inclusion teams at 18 locations and the head of the Group representative body for severely disabled employees met under the leadership of the Head of HR to exchange experiences. The topics discussed included training places for severely disabled people, regulations on accessibility including recruiting, a training concept for managers and risk assessment. In addition, possible targets for the revision of the inclusion agreement concluded in February 2020, the term of which was extended in February 2022 to the end of August 2023, were discussed.

Generation Management

Whether employees are young or a little older, whether they have only recently joined Rheinmetall or have been at the company longer, our corporate culture aims to ensure that each individual employee can make an active contribution with their qualifications, skills, personal qualities and commitment to help the company achieve its targets on a lasting basis.

On the basis of detailed structural analyses and simulation calculations, interdisciplinary teams are developing new HR programs which factor in the different initial situations and developments at the national and international sites and their impact on the employee age structure. The measures which are tailored to the individual location cover in particular the targeted transfer of knowledge and experience from older colleagues to junior staff, establishing teams with an age mix, systematic training of junior staff and intensified recruiting and HR marketing activities with a focus on the relevant target groups. Also integrated are adjustments to working and organizational flows as well as additional measures and offers for health promotion so as to maintain learning ability and fitness for work, motivation as well as the physical and mental agility of employees who have been working for many years.

The average age of employees (excluding trainees and interns) in the Rheinmetall Group was 43.3 (previous year: 43.5). In 2022, the average age in the German companies was 44.3 (previous year: 44.5); in the companies outside Germany, it was 42.3 (previous year: 42.4).

Age structure

		2022	2021
Post-war generation	(Years 1946-1955)	87	117
Generation Babyboomer	(Years 1956-1965)	4,136	4,560
Generation X	(Years 1966-1980)	9,799	9,367
Generation Y	(Years 1981-1995)	10,617	9,700
Generation Z	(Years from 1996)	1,690	1,097
Rheinmetall Group		**26,329**	**24,841**

Salaried staff | on the reporting date

At Group level, the average tenure in the year under review was 11.0 years (previous year: 11.8 years). On average, employees in the Rheinmetall companies outside Germany had worked at the company for 9.4 years (previous year: 10.0), while those in the German companies averaged 12.6 years (previous year: 13.5).

Occupational safety and health management

Rheinmetall is aware of its responsibility toward its employees and strives to ensure that the working environment is safe, healthy and clean. The Group ensures occupational and health protection at the workplace within the context of the national provisions in place at its various locations. Workplaces are designed in accordance with the legally and generally recognized safety and industrial medicine regulations, thereby allowing everyone to perform their work without incident and without being subjected to undue stress and strain.

Each and every employee of the Rheinmetall Group is obligated to familiarize themselves with all the relevant safety regulations and to observe these in their own working area diligently and at all times – in the interests of not only themselves, but also the company as a whole. Rheinmetall is committed to minimizing to the greatest extent possible all risks and hazards that could potentially endanger the health and safety of employees and third parties. Through continuous improvements in the workplace environment, suitable measures (e.g. ergonomic aids and protective equipment) and a broad range of prevention programs and health-promoting measures, Rheinmetall seeks to maintain and promote the health, performance and satisfaction of its employees.

During the course of the year, employees benefit from not only medical checkups but also a range of prevention programs. The spectrum includes everything from free vaccinations and regular health checkups, through internal and external sporting opportunities and consulting services, to medically appropriate reintegration following a period of long illness.

In the fast-moving and complex working world of a technology group, economic success depends heavily on the human factor. One of the challenges of health management is to improve the well-being, adaptability and resilience of our employees. With the “Think Healthy Committee” newly established in the past fiscal year, we are focusing even more strongly on promoting the health of our employees, creating a Groupwide platform through which the existing activities of our companies in Germany and abroad can be bundled and managed throughout the Group. The Global Health Manager works together with the divisional health coordinators, who are particularly responsible for regulating supraregional issues, and the local health coordinators, who are in turn organized into local steering committees. The aim is to create uniform structures, actively manage the implementation of targeted measures, create a common understanding of healthy leadership, and support health-promoting action. Fields of action are determined from this and measures are defined. In November 2022, a workshop was held with the participation of the Head of HR. This workshop planned the focal points of the joint work for the 2023 fiscal year.

Another building block in our approach to further promoting safety and health is the commitment of the operating units to demonstrate an externally certified management system in accordance with ISO 45001 by the end of 2024.

In the year under review, the rate of illness in the German Rheinmetall companies was 4.6% (previous year: 4.5%). The accident frequency rate (number of accidents per million hours worked) determined for the Rheinmetall Group in fiscal 2022 was 6.1 (previous year: 6.5).

Work–life balance

Career success depends, among other things, on how content an employee is outside of their working hours. Many employees want to take greater account of individual life stages and specific life situations in their working life and wish to create a healthier balance between their professional goals and their family and private interests through more flexible working hours. For us, it is important to support our employees with a family-friendly HR policy. In addition to working time models with varying weekly working hours, the offerings that allow everyone more flexible time and thus greater freedom include various part-time options, trust-based working hours and the option of working on a mobile basis for a certain number of working days per month.

We also provide a family service throughout Germany to support employees in matters concerning career and children/care through advice and assistance. In 2022, 172 employees (previous year: 164) were on parental leave in the German companies (118 female employees, 54 male employees; previous year: 115 female employees, 49 male employees). In the year under review, the opportunity to be temporarily released from work, either fully or partly, to care for close relatives was not taken up by any employees.

Constructive dialogue for fair working conditions

Corporate co-determination is a long-standing tradition at Rheinmetall. We strive to treat each other fairly and to achieve a trustful and constructive exchange of views with employee representatives in Germany and abroad in order to reconcile the interests of the company and the needs of employees.

Co-determination in Germany is based on local works councils and general works councils. Topics that are to be regulated uniformly for all Group companies in Germany are discussed with the German Group Works Council. We also keep the Economic Committees of our German Group companies and the German Group Works Council regularly informed about the economic situation and changes within the Rheinmetall Group.

Another important partner is the European Works Council, which looks after the rights of our European employees to information, consultation and advice in the case of cross-border European issues. In addition, we have concluded a globally applicable framework agreement with the umbrella organization of metal unions “Industrie All Global Union” for all domestic and foreign Group companies on the principles of social responsibility, which includes regulations on human rights and working conditions.

Accordingly, within the framework of freedom of association and the respective national regulations, we respect the fundamental right of our employees to form, join and be represented by trade unions.

In the Supervisory Board of Rheinmetall AG, which is based on joint representation, the employees of our German companies are also represented by two elected trade union representatives, five elected employee representatives and one elected representative of the managerial staff. In addition, elected employee representatives are represented on the existing other Supervisory Boards of our German Group companies.

In the last fiscal year, Rheinmetall’s German companies employed 10,235 staff covered by collective wage agreements (previous year: 9,803), 1,648 staff with contracts not covered by collective wage agreements (previous year: 1,582) and 210 managerial staff (previous year: 219).

Risks

Information on avoiding or reducing personnel risks can be found in the “Risks and opportunities” section.

Procurement and the supply chain

Management approach

Management approach The quality of our products is significantly affected by the quality of the raw materials, parts and components supplied. We expect a high quality assured by internationally recognized standards such as ISO 9001, IATF 16949 and AQAP 2110/2210 from our suppliers. They are selected on the basis of the quality, reliability, performance, suitability and price of the products or services offered. ESG criteria are also integrated in the selection process and taken into account when reviewing business partners.

Transparency in the supply chain

We procure goods and services from countries all over the world to manufacture our products. Due to the extensive and highly diverse product portfolio, some of the supply chains of the Rheinmetall Group are extremely complex, globally fragmented and also subject to constant change. In a company that has international production plants and sales activities, upholding environmental and human rights due diligence obligations is a major challenge connected with a significant responsibility.

A growing number of national and supranational laws and regulations govern the assumption of responsibility in global supply chains. The German Supply Chain Due Diligence Act, which particularly obliges companies to monitor their suppliers with regard to compliance with internationally recognized human rights and environmental concerns and to ensure lawful dealings with partners throughout the entire supplier relationship. The law is to be applied from January 1, 2023 for companies based in Germany with more than 3,000 employees.

In the year under review, we worked on setting up a new risk management system, designing new processes and establishing governance in order to be able to meet and document the requirements of the German Supply Chain Due Diligence Act in the supply chain area from 2023.

The methodical, objective and reliable assessment in terms of sustainability across the very complex international supplier basis requires a Group-wide, standardized, system-supported process for recording and analyzing supplier information to assess the sustainability performance of our most important suppliers. To do this, we use the methodology stored in the web-based platform of the internationally renowned service provider EcoVadis.

The ESG rating is based on a Self-Assessment Questionnaire (SAQ) tailored to the respective supplier regarding three risk aspects (company size, industry/sector, purchasing parameters), the review of submitted verification documents, and the evaluation of information from external sources. EcoVadis checks the individual aspects included in a total of 21 indicators in the areas of environment, labor and human rights, ethics and sustainable procurement. In the process we want to increase not only the transparency of the sustainability performance of the individual suppliers, but also achieve more targeted management of the risks and opportunities in relation to sustainability in our supply chains.

In a structured assessment process, on the basis of self-disclosure using a risk-based approach suppliers are requested to present their processes for securing the individual sustainability criteria, especially on environment, working conditions, human rights, fair working practices and sustainable procurement. In this way, suppliers which represent a risk can be identified more quickly and more reliably. Any identified gaps or risk aspects are then transferred into corresponding risk-mitigating action plans. The aim of all measures is to initiate actual changes for the better in our suppliers’ environmental, social, labor and governance standards.

As part of the evidence-based ESG assessment, around 2.5% of the suppliers considered up to that point were classified as high or very high risk in the first stage of the risk assessment as part of the pilot project at the end of fiscal 2022. In the second phase, these identified suppliers were either requested to submit their EcoVadis scorecard or were asked to submit an SAQ. The evaluation of the scorecards shared with us by the end of 2022 shows that, according to the EcoVadis methodology, two-thirds of these suppliers have a sustainability performance rated “Good” (score 45-64) by EcoVadis. We will enter into a dialog with the suppliers who have declined an EcoVadis assessment or whose assessment has expired in 2023 as part of supply chain relationship management.

The central Compliance Due Diligence center of expertise also conducts business partner reviews for new and existing suppliers using defined criteria and value thresholds, which also include ESG aspects such as human rights and environmental factors. In the event of any anomalies, the central area Corporate Social Responsibility is informed and then, in conjunction with the specialist departments in question, checks and clarifies the issue identified.

The geographic distribution of suppliers was also determined for 2022:

Supplier by region

		2022	2021
Production material			
Share Germany	%	49	49
Share EU (without Germany)	%	19	21
Share OECD (without Germany and EU)	%	24	21
Share of non-OECD suppliers (without Germany and EU)	%	8	9
Non-production material		-	-
Share Germany	%	50	46
Share EU (without Germany)	%	16	17
Share OECD (without Germany and EU)	%	22	19
Share of non-OECD suppliers (without Germany and EU)	%	12	18
Total	**Number**	**47,804**	**43,280**

Supplier Code of Conduct

We also wish to anchor our values and principles in our supply chains and therefore expect our business partners to share our principles regarding responsible and fair conduct to employees, customers, suppliers and the public and demonstrate this responsibility accordingly. We expect our suppliers to take into account the principles laid down in our Supplier Code of Conduct – which is available in several languages and is valid worldwide – in their own corporate policies and to view them as an advantageous basis for further business relationships.

In the year under review, the Supplier Code of Conduct as a binding component of contracts with suppliers was completely revised in consultation with various departments, and the content was adapted to meet the requirements of the German Supply Chain Due Diligence Act. Based on the new set of rules, Rheinmetall can now act more proactively in partnership with its supplier partners to improve sustainability and compliance aspects in the procurement process and to achieve corporate development goals at the economic, social, ecological and regulatory levels.

Supply chains in the automotive industry

The automotive industry consists of a complex network of globally active players. A distinction is made between original equipment manufacturers (OEMs), first-tier suppliers and second- and third-tier suppliers. Manufacturers and suppliers are closely linked in working together to develop and produce vehicles. Automotive manufacturers have been working for some time on anchoring economic, ecological and social objectives vertically, i.e. across all stages of the value-added chain. These include respect of international ESG standards, reduction of carbon footprint in production, a higher proportion of recyclable material, responsible use of substances and materials, and future CO_2-neutral products.

The automotive manufacturers BMW Group, Daimler Truck, Ford, Geely, Honda, Jaguar, Land Rover, Mercedes Benz, Scania, Toyota, Volkswagen Aktiengesellschaft, Volvo Group and Volvo Car Corporation, as well as GWM, Polestar, Stellantis, UD Trucks and Volta Trucks are either partners or participants of Drive Sustainability (as of January 6, 2023). Under the leadership of CSR Europe, the European Business Network for Corporate Social Responsibility, this group is working on integrating corporate social responsibility even more firmly in the automotive supply chain. In December 2022, the fifth version of the Sustainability Assessment Questionnaire for suppliers in the automotive value chain was published. This updated version reflects the growing expectations of regulators and stakeholders regarding environmental and human rights practices in the supply chain, as well as the need for companies to ensure effective due diligence.

The score of suppliers on sustainability issues is increasingly being taken into account when contracts are awarded. With the larger share of their product spectrum, our Sensors and Actuators and Materials and Trade divisions hold a first-tier position in the value-added chain of automotive production, i.e. we supply the automotive manufacturers directly and not via other suppliers or system integrators. The self-assessment questionnaire mentioned previously has to be submitted in updated form by the European plants of both divisions at regular intervals, so that the OEMs can analyze and assess the services and progress in terms of ESG criteria and determine the degree to which their requirements have been met. OEMs also carry out in-depth on-site checks as part of their supply chain relationship management and audit suppliers' manufacturing facilities based on sustainability criteria from the areas of environment, social responsibility and integrity. This includes the review of documents, talks with employees and a site visit.

Supply chains in the security and defence industry

Supply chains in the defence industry are characterized by very complex structures, easily comprising up to eight stages for the needs of, for example, Rheinmetall Waffe Munition and Rheinmetall Landsysteme. The high proportion of specific materials and processes combined with a broad product range leads, as is generally the case in this industry, to a high proportion of single sourcing, also because only a few companies throughout the world completely manufacture or command the very specific products and processes. In the defence technology industry, switching to new suppliers is very costly, both from a financial and time-related perspective. The qualification of products carried out by military authorities is linked not only to the performance of the product itself but also to the manufacturing process, manufacturing location and suppliers. A change of suppliers therefore automatically results in costs for requalification. The procurement business in the area of ballistic protection has the characteristics of a project, i.e. it is characterized by intermittent production by our suppliers. This requires a high number of quality assurance measures. Furthermore, specific legislation, such as the War Weapons Control Act, the Foreign Trade and Payments Act, the International Traffic in Arms Regulations (ITAR), to cite just a few, must be taken into consideration for procurement in the divisions operating in the security technology sector.

Risks

Information on reducing or avoiding procurement risks can be found in the “Risks and opportunities” section.

Compliance

Management approach

The reputation of Rheinmetall, the success of the business and the trust of customers, investors, employees and the general public depend not only on the quality of our products and services, but also to a large degree on good corporate governance and, in particular, on effective compliance processes. In line with our values and our Code of Conduct, we are committed to conduct characterized by responsibility, integrity, respect and fairness. We are an honest, loyal and reliable partner for all our stakeholders.

Our binding compliance policy serves to safeguard our business success on a lasting basis. The members of the Executive Board and managers, executives and employees naturally have an obligation to comply at all times in their working environment with all the applicable country-specific laws, external and internal regulations and other provisions, to conduct themselves correctly in business dealings, to preserve the company's tangible and intangible assets and to avoid anything that may result in operational or financial disadvantages or damage to the image of individual companies or the Rheinmetall Group. We do not tolerate any damage to our company's standing and to the reputation of our employees or agents as a result of unlawful and/or unethical behavior or corrupt business practices.

International business activities

In the day-to-day business of an international company, the different national political and legal systems as well as values, customs and societal norms of different cultural groups have to be taken into account. In addition to the applicable legislation of the countries of exportation, European Union regulations as well as anti-corruption laws such as the US Foreign Corrupt Practices Act, the UK Bribery Act and the French Sapin II Anti-Corruption Act must be observed. The requirements that Rheinmetall Group companies have to fulfill are therefore many and varied. With deliveries made to many countries around the globe in 2022, management and employees now more than ever need guidance when it comes to national and international business and in relations with business partners, office holders, authorities and other state bodies in order to avoid potential errors and any resulting reputational, business or liability risks.

Compliance organization

Illegal conduct can cause many different types of damage and can have serious consequences, such as the discontinuation of business relationships, exclusion from orders, negative assessments on capital markets, imposition of fines, absorption of profits, claims for damages as well as civil or criminal proceedings. There is also the risk of significant and lasting damage to the Group's reputation and thus a detrimental effect on its market position. Compliance at Rheinmetall is therefore taken very seriously and has for a long time been an integral part of the corporate culture.

To provide its employees with guidance and allow them to conduct business with confidence, Rheinmetall took a holistic approach and set up a compliance organization very early on providing standardized general conditions and clear guidelines for legal and rule-compliant, ethically correct and fair conduct in day-to-day business.

The Chief Compliance Officer, who reports directly to the Chairman of the Executive Board, is responsible for Corporate Compliance and Group Data Protection at holding company level. Corporate Compliance is divided into Compliance Program with the functions Prevention, Regulation and Business Partners, and Compliance Operations with the functions Investigation and Programs & Acquisitions. As an independent organizational unit, Data Protection is divided into two functional areas. The focus in the Data Protection organization is on consulting, process design, project management and case handling in all data privacy matters. The internal Rheinmetall Group Data Protection Officer is responsible for monitoring compliance with statutory data protection requirements throughout the Group. In this function, there is a reporting line to the Executive Board and Supervisory Board.

The Chief Compliance Officer is also responsible for the organization compliance field, comprising the five divisional compliance teams, the Regional Compliance Officers abroad and the central holding support, as part of the strongly normative management. The function of Corporate Compliance Officer for Central Europe was also newly established in Corporate Compliance to support the increasingly important locations and major projects in Eastern Europe (with a focus on Hungary).

The Chief Compliance Officer reports to the Executive Board and the Supervisory Board's Audit Committee on a regular basis, by attending meetings, on the status and effectiveness of the compliance management system and on the latest developments. In serious cases, the committees are informed immediately. In addition, the heads of the divisions are also kept apprised monthly by Corporate Compliance or the Division Compliance Officer of current developments, new rules, planned training measures or possible compliance infringements as well as the status of possible investigations.

Compliance management system

Compliance is taken into account as an aspect of risk in decision-making processes, not only when it comes to considerations regarding the strategic and operational alignment of the Rheinmetall Group, but also in day-to-day business. The central compliance management system, with its integrated and dynamic focus on constantly updated key risk aspects, such as corruption, data protection violations or attempted fraud, is firmly anchored in the Group-wide management and control structures and includes all instruments, processes and extensive measures intended to ensure that procedures in the companies of the Rheinmetall Group comply with the applicable country-specific legislation, general legal conditions, regulatory provisions and the company's own regulations. It also creates an organizational structure that allows the applicable standards to be publicized across the divisions and their implementation status to be tracked. If binding legal regulations in individual countries deviate from the rules set out in the compliance management system, the stricter regulation shall apply where permissible. In the case of changes to the content, the Chief Compliance Officer's approval is also required.

The compliance management system is updated at regular intervals, not only in line with the applicable legal requirements but also in the light of new findings from reporting, comparisons with other compliance systems and the assessment of external specialists (benchmarking). It is also reviewed on an ad-hoc basis if any breach of compliance regulations is suspected or discovered.

Implementation of the compliance management system is monitored by regular reports to Corporate Compliance and by routine and special audits conducted by internal auditing and the compliance organization.

Compliance officers also monitor important transactions in the companies, such as mergers and acquisitions, the establishment of joint ventures, pre-employment checks and the integration of sales brokers or integrity and sustainability risk assessments for the supply chains, thereby supporting the respective departments in their work. In addition, compliance officers advise the people responsible in the operational units on how to take compliance into account in operational business processes.

In the area of sales support, there is a platform containing compliance-relevant information on around 160 countries and regions. Moreover, the tender process in the security and defence technology divisions is structured to the effect that in the course of the bid/no bid decision a compliance audit using defined criteria is obligatory for projects over a certain value threshold. Various IT tools are also used in all divisions to support compliance processes.

Corporate compliance

Compliance Program | Prevention – A compliance risk prevention guideline was implemented in 2019 with the aim of ensuring a standardized procedure for systematic risk prevention and creating the structural and organizational preconditions required for this at all levels in the company. Procedures for taking an initial inventory of compliance risks, deriving response measures and plan regular repeat measures are defined for different applications.

To help continuously identify compliance risks and to develop and improve mitigation measures, the Prevention team was established, which focuses on structural prevention topics on an ongoing or project basis. In addition to the web-based training courses available in the Empower Learn HR system for the companies in Germany, Austria and Switzerland (D-A-CH) relating to the categories of Code of Conduct, anti-corruption, anti-trust law and data protection, Prevention uses the TRACE learning management system for companies outside the D-A-CH region, offering around 20 training modules in various languages. The roll-out of the regulatory compliance project launched in 2020, which is intended to expand the “ligation-proof organization,” was driven forward in the fiscal year. Here, around 29 function-specific regulatory areas to be observed globally (e.g. occupational safety, environmental protection, export, customs and logistics regulations, and anti-money-laundering standards) were identified centrally and compared against correlating corporate policies. Next, an IT tool is to be introduced to enable the employees concerned in over 30 countries – those who have increased contact with regulatory areas subject to liability in their everyday and project business – to deal with the complex regulations more easily and reliably.

The goal of making the processes, projects and tasks enshrined in the compliance management system more measurable and transparent was achieved in the year under review by implementing a new reporting tool. More than 110 employees entrusted with a compliance function in around 130 units of the company make use of the many opportunities to track, assess and manage the status of a large number of compliance-relevant processes and projects at various organizational levels of the Rheinmetall Group. These include reporting on the status quo of training courses, audits, risk analyses, consulting focal points, processes, compliance levels for guideline roll-outs, and the recording of project statuses. The associated evaluation options will enable compliance reporting to the Executive Board and Supervisory Board to focus on KPIs in the future.

In February 2022, the roll-out of the new guideline on identifying and avoiding conflicts of interest in the Rheinmetall Group began. This guideline introduces regulations for the recognition, documentation, escalation and handling of conflicts of interest on a binding basis.

Compliance Program | Regulation – Taking account of or on the basis of external conditions such as laws, regulations, etc. and internal organizational requirements, the Executive Board of Rheinmetall AG issues regulations for the Rheinmetall Group so that all employees concerned act in line with standardized processes. Regulation Management, which is based in the central Corporate Compliance department, provides support with the preparation and management of conduct- and process-related regulations of Rheinmetall AG for the Rheinmetall Group. To ensure a standardized procedure, the Regulation Management Manual 2.0 has been available since October 2020. This manual is aimed primarily at publishers and authors as well as members of the Executive Board and management bodies, but also includes several interfaces at all organizational levels.

In the Central Regulations Register on the Group’s intranet, all regulations approved by the Executive Board can be called up at any time. These are provided in German and English in line with the corporate languages.

Compliance Program | Business Partners – As a shared service center, the central Compliance Due Diligence center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. procurement, cooperation and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified ("know your customer – KYC" and "know your supplier – KYS") and whether conflicts of interest are excluded. The general performance and integrity of the business partner are also assessed. The local compliance organization will continue concentrating on assessing the transaction-specific compliance risk associated with the commitment of a business partner at company level. The center of expertise will be integrated in day-to-day operational business through various technical and procedural interfaces. There is already a relatively high degree of digitalization in the Compliance Due Diligence organization. In addition to a specific management database for selecting, managing and monitoring cooperation and sales partners, the whole integrity due diligence process can now be performed via a secure online platform as well. As part of two special projects, the data of more than 8,000 business partners was migrated to the electronic third-party management system. The first step involved individual risk assessments. In the second step, 24/7 active, systematic monitoring of adverse media information and daily updated entries on sanctions lists was activated.

In the past fiscal year, apart from the business partners screened by the automated procedure, around 900 business partners and people who applied for key positions at the Rheinmetall Group were subjected to non-automated screening in procedures of varying complexity depending on the risk.

The Rheinmetall Risk Indicator (RRI) developed in the previous year went live in the year under review. It is intended to serve as the basis for various internal risk calculations and replace the previously used TI Corruption Perception Index. The RRI is made up of various informative governance, compliance and ESG indices. These are included in the arithmetic with different weightings and thus reflect the risk priorities set by the Rheinmetall Group.

Compliance Operations | Investigation – If employees have information on questionable activities that have been observed, specific breaches of regulations or business practices that may be prohibited, they can contact not only their line manager but also – and in full confidence – various internal offices as well as an independent, external ombudsman (lawyer) and so avert losses for the company.

Incident management is also supported by the electronic whistleblower platform "Integrity Line," which has been implemented throughout the Group. In addition, employees can contact the compliance organization directly if they suspect or know of breaches of regulations or business practices. In addition to employees, external parties can also contact the ombudsman by telephone or e-mail, send an e-mail to speakup@rheinmetall.com or contact a specialist compliance officer by telephone.

Protection is guaranteed for all whistleblowers; who need not fear any disadvantages as a result of providing information. Employees involved in investigations into possible breaches of compliance will be assumed to be innocent until proven otherwise. Any information that is received will be systematically analyzed.

An incident management guideline on how to deal with suspected cases and on the standardized processing of compliance cases aims to ensure that the handling of information is also independent, transparent and fair as well as being subject to high standards that are comparable across the Group. It also offers legal certainty when carrying out investigations, meaning that appropriate account can be taken of the interests of employees and the employer.

Systematic follow-up checks are performed on the basis of this incident management guideline and appropriate measures are taken to properly clarify the facts that have been reported, if necessary with the involvement of external specialists. Confidentiality and discretion take top priority here. If necessary, we will involve the relevant authorities and cooperate with them to resolve the matter. Proven misconduct is sanctioned and entails organizational measures and, for the employees who committed the offense(s), consequences under labor law, civil law and criminal law. The 23 Incident Response Committees established to conduct rapid, interdisciplinary initial evaluations of reports help to ensure that suspected cases can be identified and clarified without delay.

The new and expected requirements for compliance management systems introduced by the legislator, in particular the German Supply Chain Due Diligence Act and the German Whistleblower Protection Act, are currently being reflected in an amendment to the Incident Management Guideline.

Of a total of 170 tips received in the reporting year, 114 (67%) were identified as compliance-relevant. A more detailed investigation into these matters was initiated. Of these 114 investigations, compliance work to date has led to confirmation of a breach of the rules in 52 cases (46%), but not in eleven cases. The outcome of 51 cases is still open as they are still being processed. The reason for the large number of open cases is the specific background that led to a large number of reports of rule violations. As a result, it can be stated that a rule violation was correctly pointed out in around 31% of all reports received.

Compliance Operations | Programs & Acquisition – This functional area performs compliance analyses and compliance risk assessments for mergers and acquisitions transactions and major strategic or commercial projects. It is coordinated by the Head of Corporate Compliance and staffed on a project basis by compliance staff working centrally and/or locally.

Group data protection

The Executive Board is responsible for setting up a Group-wide data protection management system (DPMS). Within the compliance organization, the structures required for the Group-wide implementation of legal data protection requirements were established and an effective DPMS was introduced. The Corporate Data Protection Officer manages the data privacy officers at the five company divisions, liaises with them to manage the implementation of the DPMS and further develops the DPMS where required. He reports regularly to the Chief Compliance Officer and, where required, to the Executive Board and Supervisory Board directly.

In January 2022, the new (internal) Group data protection officer started work at Rheinmetall AG and successively took on data protection mandates at the German Group companies subject to appointment during the fiscal year. The legally required role of data protection officer was previously performed in part by an external service provider. The insourcing of this function will increase the quality and reliability of the services, better establish the expertise within the Group, and significantly improve integration into internal Group processes. The Group data protection officer regularly reports to the Executive Board and Supervisory Board.

Data protection management relates to the organizational setup and processes required to safeguard the implementation of legal requirements involved in the planning, organization, management and shutdown of automated or data-protection-compliant personal data processing operations. The Rheinmetall Group companies that process personal data or arrange to have it processed are responsible for ensuring that the procedures in place for processing this personal data function reliably and appropriately. To ensure effective implementation of data protection requirements, the DPMS sets out the possibilities and limitations for allocation and responsibilities for processes and requirements.

The companies of the Rheinmetall Group take a variety of steps to ensure the protection of personal data. The DPMS contains standards for data-protection-related processes. In the Rheinmetall Group, the implementation of data protection requirements for the global handling of personal data is regulated by the data protection rules and specified further by the data protection manual on the DPMS for the EU/EEA jurisdiction. Control processes and documentation requirements for the findings of data-protection-related processes and controls are also being implemented.

To improve the internationalization of data protection in the Group, in 2022 contacts were identified in the relevant Group companies around the world who will be available in the future as contact and coordination points for the implementation of data protection requirements. The first intensive data protection training courses have already been held to assist them, and these will be continued in fiscal 2023.

Training and advice

To make employees at all levels of the company aware of compliance risks, numerous introduction events, training seminars and workshops are held, some of which are tailored to specific functions such as management, buyers or sales staff. Legislation and important regulations are explained and further content is provided at these sessions. Attention is also drawn to internal compliance requirements, risks and possible sanctions and, based on case studies, practical advice is given on correct conduct in specific situations during everyday work. These classroom training sessions, which also serve as a practical forum for discussions, are accompanied by interactive online programs. Each year, as part of compliance awareness training, employees at sites in Germany and abroad not only receive training in general compliance topics but also in the prevention of corruption, conflicts of interest, money laundering and CEO fraud, export control and anti-trust and competition law. The compliance training matrix, which forms part of the procedural instructions for compliance training, provides an overview of the training content geared toward the different target groups and management levels. Its content is adjusted in accordance with the needs of the participants or supplemented with country-specific or regional peculiarities. In the past fiscal year, employees took part in around 6,000 classroom training sessions on various compliance topics. In addition, around 6,300 compliance-relevant e-learning modules were completed in the year under review.

Our employees receive regular instruction and training in matters relating to data protection. Around 2,000 people took part in e-learning courses in the year under review. The content of data protection training is adapted for individual departments in line with the specific requirements in their spheres of work. For new employees, general data protection training is part of the onboarding process. A new e-learning module was also chosen in the past fiscal year which is available in numerous languages and will be rolled out in fiscal 2023. In addition, all levels of the company are provided with data protection advice on an ad hoc basis.

Risks

Information on reducing or avoiding compliance risks is provided in the "Risks and opportunities" section

Social responsibility

Management approach

Social acceptance is an important requirement for companies' economic success. Many Rheinmetall companies can look back on a long history. They have been connected with their sites for many years and are strongly rooted in the local community – after all, this is where their employees and business partners live. In some cases, major customers are based there. Rheinmetall is a living, breathing part of society and participates actively in it and not just in a financial sense. We get involved in the areas of education, sport and culture and also provide direct support for local social projects and charitable organizations. By adding value locally, we also contribute to regional development. Flourishing production sites do not only mean attractive, highly skilled jobs and training places close to home but also orders for local suppliers and service providers. In addition, a large part of the sales generated by the companies returns to the respective economies via the employees, public sector and the shareholders. Capital expenditure in future growth is financed via the funds remaining in the Rheinmetall Group. We also make major contributions to society as an employer and client as well as with our products and the transfer of knowledge.

Corporate citizenship

Corporate citizenship is part of corporate social responsibility and refers to citizenship in and of companies that pursue a medium- and long-term business strategy on the basis of responsible action and, in addition to their actual business operations, are also actively involved in local civil society and/or for social/charitable, environmental, sporting and cultural causes as "good citizens." Social engagement is a long-standing tradition at Rheinmetall. It always goes beyond the plant boundaries. Since the needs and opportunities in the vicinity of the locations where we operate vary greatly, the decision on which local project to support is incumbent on the respective management teams of the companies, the division heads or the Executive Board of Rheinmetall AG.

As an expression of our social commitment and in solidarity with the capital of North Rhine-Westphalia, we support a number of players in Düsseldorf sports. The cooperation between Rheinmetall and the sports city of Düsseldorf includes sports sponsorship of a handball league team. However, parts of the package also focus on promoting Olympic, youth and amateur sports as well as new trend sports.

Given the 2021 flood disaster in the Ahr valley, we decided to support civil disaster protection. In June 2022, we donated two highly mobile HX 4x4 new vehicles to THW-Bundesvereinigung e.V. for use in two local associations in North Rhine-Westphalia and Hesse. Thanks to their high robustness, mobility and 1.5-meter fording ability, these two trucks are ideally suited for use in difficult terrain or flooded areas.

Product responsibility

Specialist working groups in the divisions deal, for example, with safety and environmental standards for Rheinmetall products. They are responsible for tracking new regulations and developments, defining and implementing the required internal processes and conducting relevant training. Products in civilian business are subjected to extensive testing in accordance with the regulations prescribed by automotive quality and development standards. The Sensors and Actuators division, for example, uses a database-supported process for product safety management, which maps out the entire product lifecycle. The Materials and Trade division uses special design and simulation tools. To prove product safety, in addition to tests carried out in testing facilities outside the engine, engine operation tests are also carried out with customers under various stress scenarios. Internal and external audits are carried out to regularly monitor compliance with the parameters of the quality management system and the relevant processes. For the divisions operating in the field of security technology, the guideline for implementing product safety sets out the basic requirements for ensuring the safety of Defence products in line with common standards and methods.

In the year under review, Rheinmetall Technology Management also dealt with further developments regarding the digital product pass at the level of Germany (German Environment Agency: Product Information 4.0) and the European Union (Sustainable Product Initiative and Incubation Forum for Circular Economy in European Defence – IFCEED). This is particularly intended to advance the circular economy. It compiles information on a product's components, materials and chemical substances, as well as its reparability, replacement parts and proper disposal. Environmental data are thus grouped together in a comparable format, making it easier for the players in the value and supply chain to work toward a circular economy.

The development of environmentally friendly solutions for materials is not only being driven forward in the civilian sector of our business activities, such as in the Materials and Trade division as part of the substitution of lead-containing materials. Defence is also working on the materials portfolio to identify suitable alternatives to chromium-containing coatings for individual parts, for example. In consultation with stakeholders, available substitute coatings were tested on trial samples in complex technical processes in the past year.

Human rights due diligence obligations

Protecting human rights in our own company and in the supply chain is an important priority of Rheinmetall.

Within its own sphere of influence, Rheinmetall supports the protection of internationally recognized human rights. Our commitment is reflected in our signing the UN Global Compact, in the current Code of Conduct for employees of the Rheinmetall Group and in the international framework agreement Fair2All, which lays down the principles of social responsibility agreed upon with the European Works Council and the Industrie-All trade union. We also appeal to all our business partners, and in particular our suppliers, to follow our social principles. Our expectations of this stakeholder group are described in the Supplier Code of Conduct 2.0 published in October 2022.

The German Supply Chain Due Diligence Act comprehensively regulates corporate due diligence requirements for respecting human rights and protecting environmental concerns. Companies must establish effective risk management to identify, prevent, or minimize risks of human rights violations and specific environmental damage. The act specifies which prevention and corrective measures are required in the company's own business operations and along the supply chain. It also requires a complaints procedure to be established, as well as annual reporting on the web-based platform of the German Federal Office for Economic Affairs and Export Control (BAFA). From January 1, 2023, the German Supply Chain Due Diligence Act will initially apply to companies based in Germany with at least 3,000 employees, and from 2024 also to companies with 1,000 or more employees.

In fiscal 2022, Purchasing, HR, Compliance and Corporate Social Responsibility worked together with other experts in an integrated manner with the goal of implementing the requirements of the German Supply Chain Due Diligence Act in an interdisciplinary manner in the "In-house" and "Supply Chain Transparency" projects. In various workshops and regular project meetings, the focus was on defining new responsibilities and expanding existing governance structures and management processes, systematically conducting abstract and specific risk analyses and assessing their impact on the risk management system, potential due diligence procedures, processes for corrective and preventive measures, adapting existing complaint channels, establishing internal and external audits, rewriting the Supplier Code of Conduct, and the structure of documentation, reporting, the policy statement and the new internal compliance guideline on the German Supply Chain Due Diligence Act. The procedure for assessing the sustainability performance of suppliers is explained in more detail in the “Procurement and supply chain” section.

As early as fiscal 2020, potential complainants and their potential complaints were identified in four categories. Complaints and reports of suspected or actual human rights violations can be submitted externally through a variety of communication channels. Points of contact are also already established in the companies/locations. The Incident Management unit, which is part of the Compliance Operations function, ensures that these reported incidents are looked into in a structured and unbiased manner, paying particular attention to protecting the identities of the whistleblowers.

In April 2021, Rheinmetall joined the United Nations Global Compact (UNGC). This is a multi-stakeholder forum for the development, implementation and disclosure of responsible business practices. As a signatory, we are committed to promoting compliance with the UNGC’s ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. In August 2022, we published the mandatory annual Communication on Progress (CoP) via the Early Adopter Program on the new UNGC platform.

We continuously play an active role in Branchendialog Automobilindustrie, a discussion forum for the automotive industry, whose representatives from companies, politics and NGOs will continue their involvement in various topic-specific working groups in a second phase following the publication of the guidelines for action on the five core elements of human rights due diligence (policy statement, risk analysis, measures and effectiveness monitoring, complaint mechanism and reporting) in August 2022. Furthermore, we are involved in the CSR/human rights working group of the German Institute for Compliance. Representatives of our company chair the “Corporate Responsibility” and “REACH” working groups of the Federal Association of the German Security and Defence Industry. We also continue to be active in the “Sustainability in the Supply Chain” working group of the German Association of the Automotive Industry.

In addition, we pursue regulatory developments in human rights and environmental due diligence not only at European level (Corporate Sustainability Due Diligence Directive – CSDDD), but also in other countries where we are represented, such as Switzerland, the Netherlands, Spain, Norway, Canada, Japan and Australia.

EU-Taxonomy

1. Sustainable finance

Sustainable finance means taking account of environmental, social and governance (ESG) considerations when making investment decisions in the finance sector, which should lead to longer-term investments in sustainable economic activities and projects. In addition to climate change mitigation, the ecological aspects also include adapting to climate change and environmental factors such as preserving biodiversity, avoiding pollution, and the circular economy. Social parameters may, for example, relate to issues of inequality, working conditions, investments in local communities, and human rights. The management of public and private-sector companies and institutions – including management structures, relations between employers and employees, and the remuneration of managers and employees – plays a crucial role when it comes to including social and environmental considerations in decision-making processes.

One important measure of the European Union was therefore the definition of the EU Taxonomy, which is intended to establish a shared understanding of the environmental sustainability of economic activities and capital expenditure. The starting point for defining an economic activity as environmentally sustainable is the six environmental objectives of the EU Taxonomy Regulation: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control and (6) the protection and restoration of biodiversity and ecosystems. The EU Taxonomy distinguishes between taxonomy-eligible economic activities, which correspond to the pure description of an activity and thus do not have any significance to sustainability. Economic activities are considered environmentally sustainable and thus taxonomy-aligned if they make a substantial contribution to one or more of these defined environmental objectives, do not significantly harm the achievement of any environmental objective (“do no significant harm” principle – DNSH) and comply with minimum safeguards for occupational health and safety and human rights, such as those arising from the OECD Guidelines for Multinational Enterprises or the United Nations Guiding Principles on Business and Human Rights. All corporate activities that cannot be assigned to any activity are taxonomy-non-eligible.

Based on these complex screening criteria, the extent to which products and individual measures are sustainable as defined in the EU Taxonomy Regulation is specified. These are currently in place for two of the six environmental objectives defined in the EU Taxonomy Regulation ("climate change mitigation" and "climate change adaptation"). In addition to the delegated regulations on the technical screening criteria for the six environmental objectives, the EU Taxonomy Regulation stipulates another delegated regulation on the taxonomy-related disclosure obligations in accordance with Article 8 of the EU Taxonomy Regulation, which contains more detailed provisions on content, methodology and presentation.

The delegated acts for the environmental objectives of "climate change mitigation" and "climate change adaptation" follow a uniform structure. Activities are categorized as (1) forestry, (2) environmental protection and restoration, (3) manufacturing and production of goods, (4) energy, (5) water supply, sewerage, waste management and remediation, (6) transport, (7) construction and real estate, (8) information and communication, and (9) provision of professional, scientific and technical activities. In addition to this, the delegated act on the "climate change adaptation" climate objective lists further activities: (10) provision of financial and insurance services, (11) education, (12) health and social work, and (13) arts, entertainment and recreation. The associated activities are defined and the correlating technical screening criteria consisting of the substantial contribution to the environmental objective and the DNSH are explained.

2. Method of determination

The recording of taxonomy-relevant economic activities was carried out using a decentralized top-down approach. The organizational structure of the Rheinmetall Group was the guiding principle here, so the screening and allocation of economic activities took place at division level as well as at the level of the Rheinmetall AG (Rheinmetall Real Estate, Rheinmetall IT Solutions and Rheinmetall Technology Center) business units. As part of this, the determination was divided into three phases: identification of relevant criteria sets, allocation of economic activities (taxonomy eligibility) and taxonomy alignment testing.

The identification of criteria sets was carried out for all six environmental objectives, with a separate interpretation defined for the climate objectives (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems based on the documents published by the Platform for Sustainable Finance on March 30, 2022. However, the activities identified for these environmental objectives were not investigated further by the European Commission as of the third quarter of 2022 due to a lack of positive prospects for final delegated acts. For environmental objective (2) climate change adaptation, no economic activity was identified in the "allocation of economic activities" phase. Thus, as in the previous year, only environmental objective (1) climate change mitigation was considered.

According to EU 2021/4987 Annex I, the "Capital expenditure" and "Operating expenditure" KPIs are subdivided as (A) directly attributable to a taxonomy-eligible or -aligned activity, (B) serving to expand taxonomy-eligible and -aligned activities, or (C) relating to the acquisition of production from taxonomy-aligned economic activities and to individual measures through which the target activities are carried out in a low-carbon manner or the emission of greenhouse gases is reduced. Derived from this, the assignment of the criteria sets first identified the sales-generating economic activities and the associated capital and operating expenditure. In addition, any values that did not generate sales in the reporting period but could be assigned to categories (B) or (C) were identified.

In a second step, the sets of criteria were applied to the economic activities of the divisions. To gain an initial estimate of the taxonomy eligibility in 2022, the expected annual values were also added. In addition, these were used to determine an internal materiality limit, as the granularity in the determination made possible by the EU Taxonomy Regulation, in particular for (C) capital expenditure, cannot yet be fully technically implemented. The materiality limit is based on the current industry standard, which is approximately 1/1000 of the taxonomy-eligible totals of sales, capital expenditure and operating expenditure. No significant deviations in the projected annual value have been identified in this process.

In the third phase, the determined economic activities of Rheinmetall AG were finally checked for their taxonomy alignment. A distinction was made between (1) requirements to be examined for each individual taxonomy asset itself, such as the substantial contribution and specific DNSH criteria, (2) requirements relating to the locations and (3) requirements covered by Group-wide compliance. The latter particularly applies to the requirements of the minimum safeguards.

With the results, the KPIs of the EU Taxonomy Regulation have been conclusively evaluated for the Rheinmetall Group.

2.1 Identified criteria sets relevant for sales

Criteria set	Description of the activity	Affected companies
3.1. Manufacture of renewable energy technologies	Manufacture of renewable energy technologies, where renewable energy is defined in Article 2(1) of Directive (EU) 2018/2001.	KS Gleitlager GmbH
3.2. Manufacture of equipment for the production and use of hydrogen	Manufacture of equipment for the production and use of hydrogen	Pierburg GmbH KS Gleitlager GmbH Rh Invent GmbH
3.3. Manufacture of low carbon technologies for transport	Manufacture, repair, maintenance, retrofitting, repurposing and upgrade of low carbon transport vehicles, rolling stock and vessels.	Rheinmetall MAN Military Vehicles GmbH
3.5. Manufacture of energy efficient equipment for buildings.	Manufacture of energy efficient equipment for buildings.	Rh Invent GmbH Pierburg GmbH
3.6. Manufacture of other low carbon technologies.	Manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered in Sections 3.1 to 3.5 of this Annex.	Pierburg GmbH Pierburg Pump Technology GmbH
7.1. Construction of new buildings	Development of building projects for residential and non-residential buildings by bringing together financial, technical and physical means to realize the building projects for later sale as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis.	Rheinmetall Immobilien GmbH
7.7. Acquisition and ownership of buildings	Buying real estate and exercising ownership of that real estate.	Rheinmetall Immobilien GmbH

Manufacture of renewable energy technologies (3.1.)

This set of criteria refers to renewable energies within the meaning of Article 2(1) of Directive (EU) 2018/2001. With the manufacture of bushes for brakes and geared rotor shafts of wind turbines, KS Gleitlager GmbH from the Materials and Trade division contributes significantly to the further development of wind power technologies. In terms of the regulation, we classify this as an enabling activity. The requirements of the selected set of criteria for taxonomy eligibility are thus fulfilled according to our interpretation. The substantial contribution emphasizes the requirement that the economic activity produces technologies for renewable energies. In this respect, it is our understanding that no separate proof is required for this if taxonomy eligibility has already been proven.

Manufacture of equipment for the production and use of hydrogen (3.2.)

With its current hydrogen product portfolio including recirculation blowers, high-voltage pumps or hydrogen cathode valves distributed by Pierburg GmbH, Rheinmetall offers technologies for the use of hydrogen, which is why we see ourselves as an enabling company. The substantial contribution for the manufacture of technologies for the use of hydrogen does not deviate from the requirements for taxonomy eligibility. In this respect, no separate verification was required.

Manufacture of low carbon technologies for transport (3.3.)

Applying the FAQ of the European Commission from February 2022 as well as after the experiences in the first year of reporting, it turns out that for the taxonomy eligibility of the mentioned criteria set, the wording “low-carbon vehicles” is not binding, but instead vehicles with the potential to become low-carbon. We have thus carried out a review for the products of Rheinmetall Landsysteme GmbH as well as Rheinmetall MAN Military Vehicles GmbH and checked the interpretation of the term “vehicle” as well as the intended use. In our understanding, vehicles are all vehicles that serve to transport persons or objects and participate in traffic on the road. Participation in traffic on the road involves a certain regularity from our point of view. The products of Rheinmetall Landsysteme GmbH do not participate in road traffic. Special permits are also required for exceptions. This also applies to the majority of the vehicles of Rheinmetall MAN Military Vehicles GmbH. Exceptions to this are the logistical military vehicles and special vehicles for the civilian sector, which are designated as taxonomy-eligible in 2022 in accordance with our interpretation of the present set of criteria. Due to requirements (h) and (i) of the substantial contribution, a further investigation into taxonomy alignment has not been undertaken, as the relevant products do not currently meet the requirements.

Manufacture of energy-efficient building equipment (3.5.)

Pierburg GmbH received an order for the delivery of a refrigerant compressor model with DC electronics in December 2022. The sales generated for development services currently still fall under the defined materiality threshold, but not the related capital and operating expenditure. As a supplier of a relevant component, we have the role of the enabling company. To meet the substantial contribution (k), the technical screening criteria in Section 4.16 of (EU) 2021/2800 Annex 1 must be met. However, these refer to the final product itself, which is why we have limited ourselves to the fulfillment of the technical screening criteria of criteria set 3.5. Compliance with Article 3 letters b and c of (EU) 2020/852 is presented separately.

Manufacture of other low carbon technologies (3.6.)

During the period under review, Rheinmetall Electronics GmbH made a significant contribution to reducing greenhouse gas emissions by providing individually manufactured simulators as an alternative to the use of vehicles. These are simulators for a specific vehicle that are ordered by the customer instead of training vehicles. Standard simulators designed for multiple vehicles were not included, as in this case the comparative solution would have been another simulator. In the case of standard simulators, verification of greenhouse gas savings is not possible.

The majority of the taxonomy-eligible products of Pierburg GmbH and Pierburg Pump Technology GmbH relate to the automotive industry. From the FAQ of the European Commission of February 2022 it can be seen that criteria set 3.6 is applicable for activities of the automotive supplier industry, provided that it is an enabling activity and it has been specifically developed for low-carbon, alternative drive technologies. The technology must significantly contribute to reducing greenhouse gas emissions. As Rheinmetall is a Tier 1 supplier with its Sensors and Actuators division, the significant reduction is demonstrated at the level of the target product. The target technology is defined as the drive concept. A significant reduction in greenhouse gas emissions is thus achieved in a different sector of the economy, as the electric drive is significantly lower in emissions compared to the standard market technology – the combustion engine – regardless of its class. According to our understanding, the paragraph on the substantial contribution from the section of the technical screening criteria as a requirement to fulfill the substantial contribution to climate change mitigation is predominantly congruent with the requirements for taxonomy eligibility. It is also specified that the greenhouse gas savings must be compared with an alternative technology, solution or product. The internal combustion engine is used for this comparison. The calculation of the savings is currently not possible according to the listed recommendations of the European Commission or ISO. In any case, it is difficult to provide corresponding proof, because although the target product of the automotive manufacturer is regularly communicated, it is not always certain that the product will ultimately be installed in the specified vehicle. Since, for our part, we are dealing with products that meet our customers’ specific requirements for electric drives, it can be assumed that the greenhouse gas emission reduction requirement is met despite the target product not being verifiable. In addition, an independent third-party verification of quantified life-cycle GHG emissions savings is required. The study "A global comparison of the life-cycle greenhouse gas emissions of combustion engine and electric passenger cars" published by the International Council on Clean Transportation Europe in July 2021 was used as evidence. Furthermore, the data sheets of the target vehicles and the results of the carbon emissions according to the WLTP test cycle serve as an additional reference. Point 37 of the EU FAQ document dated December 19, 2022, raises the question of whether components need to be explicitly mentioned and points out that components will be taken into account in future revisions. Rheinmetall adheres to the previous year's interpretation in order to ensure continuity in reporting until a legally binding decision is made by the EU.

Construction of new buildings (7.1.)

All new construction activities of the Rheinmetall Group have been allocated to the "Construction of new buildings" criteria set. This involves the implementation of construction projects for residential and non-residential buildings for the Group's own account, for resale or on a fee or contract basis. For construction of new buildings, comprehensive climate protection requirements must be taken into account for building permits in accordance with statutory regulations. Rheinmetall Immobilien Gesellschaft mbH is also committed to more far-reaching ecological and economic measures in several projects. For example, certifications in accordance with the German Sustainable Building Council (DGNB) – which go beyond the legally required minimum requirements through strict specifications and test criteria – serve as a benchmark. In Düsseldorf, Rheinmetall Immobilien Gesellschaft mbH is implementing a new construction project named "Stadtgärten Unterrath" with approximately 30 condominiums for sale. The building will be constructed in accordance with the KfW 55 standard. It can be assumed that the requirements for the KfW 55 standard do not meet the required criteria of the EU Taxonomy Regulation.

Acquisition of and ownership of buildings (7.7.)

Activities in the field of acquisition and management of property in buildings fall under Category 7.7 of the EU Taxonomy Regulation. Here, in particular, sales from the rental of buildings or the purchase of a property are to be recognized as taxonomy-eligible. The criteria for substantial contribution are not met throughout the Group, so no further investigations were carried out.

2.2 Do no significant harm to any of the environmental objectives (DNSH)

This approach can essentially be divided into three phases: centralized evaluation, location-specific verification and individual consideration. For four of the five environmental objectives to be verified, not only individual activity-related requirements but also separate appendices (A-D) were published as part of Annex 1 of (EU) 2021/2800, which apply to a wide range of activities and prescribe location-specific requirements. The survey on the requirements of these annexes was prepared centrally. In this context, the appendices (A) "Generic criteria for DNSH to climate change adaptation", (B) "Generic criteria for DNSH to sustainable use and protection of water and marine resources," and (D) "Generic criteria for DNSH to protection and restoration of biodiversity and ecosystems" were evaluated for the economic activities concerned and made available to the sites for verification. After verification and any necessary adjustments as well as documentation of evidence, this package was merged centrally. Appendix (C) "Generic criteria for DNSH to pollution prevention and control regarding use and presence of chemicals" required a more comprehensive consideration and interpretation. In this context, the terms "production," "placing on the market" and "use" were defined as follows:

- Production: A harmful substance is produced for the first time in one's own company. This does not yet include an external effect.
- Placing on the market: The harmful substance is introduced onto the market for the first time by the own company and thus has an external effect.
- Use: A harmful substance or a product containing the harmful substance is introduced into a product by the company for the first time in production, manufacturing or assembly. It should be noted that traceability over several stages of the value chain cannot currently be guaranteed.

With this determination, the examination of the requirements of appendix (C) was handed over to the divisions and examined there for each individual taxonomy asset. The result was then made available again centrally, added to the package for evaluation of the DNSH criteria and thus ended the review process.

2.3 Minimum safeguards

Minimum safeguards, as defined in the EU Taxonomy Regulation (Article 18(1)), are "procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights."

Details of the exact requirements for minimum safeguards that companies must investigate were first published by the EU in July 2022 as part of a "Draft Report on Minimum Safeguards." They relate to:

1. Human rights
2. Taxation
3. Corruption and bribery
4. Fair competition

For each of these topics, a proposal for the implementation of the criteria is explained, which can be followed until the Corporate Social Responsibility Directive (CSRD) comes into effect. For each of these topics, a proposal for the implementation of the criteria is explained in a single chapter. The criteria mentioned are also presented in an overview table, which formed the basis for the evaluation within the Group. A document was created to review the criteria for Rheinmetall AG, in which the information in the table was adopted and responsibilities from the HR, Compliance, Legal and CSR departments were initially assigned for the various criteria. The type of evidence for each criterion was also noted in the document. Documents used as evidence include the annual report and the non-financial statement for 2021, risk analyses, due diligence activities in the context of the German Supply Chain Due Diligence Act (LkSG) as well as reference documents such as the International Framework Agreement Fair2All and the Code of Conduct. Furthermore, the Compliance department has been using the "Ethical" tool since 2022, which carries out surveys on various compliance topics every two months for all Rheinmetall AG companies. Extracts from the results of these surveys were also used as evidence.

2.4 Avoiding double counting

While recording this, a distinction was made between business activities that are always associated with the intention of generating external sales and those that are not. The activities aimed at generating sales – regardless of whether sales, capital expenditures or operating expenditures were concerned – were examined for possible double-counting effects, as there is a risk of this with regard to internal value added in particular. This approach has eliminated existing uncertainties. In the case of manufacturing overheads, procedures were applied that assumed an interdependence between sales and operating costs of the respective product. It was not possible to break down the overhead costs separately. However, this procedure ensured that there was no double counting. Activities that pursue a goal other than generating sales – particularly energy-related measures– were analyzed on the basis of itemizations. This did not reveal any anomalies.

3. Result

The consolidated financial statements of Rheinmetall AG have been prepared in accordance with the regulations of section 315e(1) German Commercial Code ("HGB") and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Further information on the accounting standards can be found in the notes to the consolidated financial statements under "Summary of accounting standards." In its core indicators, the EU Taxonomy Regulation distinguishes between sales, capital expenditure and operating expenditure. Here, the respective main unit, the denominator, is specified by Delegated Regulation EU 2021/4987 in Annex I.

3.1 Sales

Net sales comprise sales within the meaning of Article 2(5) of Directive 2013/34/EU, i.e., the amounts derived from the sale of products and the rendering of services after deducting sales allowances and value added tax and other taxes directly related to sales. Furthermore, the taxonomy states that sales comprise revenue recognized in accordance with International Accounting Standard (IAS) 1, paragraph 82(a) as amended by Commission Regulation (EC) No. 1126/2008. Rheinmetall records its sales in accordance with this standard so that Group sales also correspond to all taxonomy sales to be considered.

Revenues climate protection

Economic activities	A. Taxonomy-eligible revenues		Substantial contribution	DNSH	Minimum safeguards	A.1 Taxonomy-aligned revenues		A.2 Taxonomy-eligible, but not aligned	
	€ million	%	%	Y/N	Y/N	€ million	%	€ million	%
I. + II.	**136.9**	**2.13**	**1.57**	**Y/N**	**Y**	**96.6**	**1.51**	**40.3**	**0.62**
I. Core business	**132.4**	**2.07**	**1.50**	**Y/N**	**Y**	**96.1**	**1.5**	**36.3**	**0.57**
3.1. Manufacture of renewable energy technologies	1.7	0.03	0.03	Y	Y	1.7	0.03	-	-
3.2. Manufacture of equipment for the production and use of hydrogen	5.9	0.09	0.09	Y	Y	5.9	0.09	-	-
3.3. Manufacture of low carbon technologies for transport	36.3	0.57	-	-	Y	-	-	36.3	0.57
3.6. Manufacture of other low carbon technologies.	88.5	1.38	1.38	Y	Y	88.5	1.38	-	-
II. Other business	**4.5**	**0.07**	**0.07**	**Y/N**	**Y**	**0.5**	**0.01**	**4.0**	**0.06**
7.1. Construction of new buildings	3.6	0.06	0.06	N	Y	-	-	3.6	0.06
7.7. Acquisition and ownership of buildings	0.9	0.01	0.01	Y	Y	0.5	0.01	0.4	-
B. Taxonomy-non-eligible activities	**6,273**	**97.87**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B)	**6,410**	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The sales analysis for taxonomy-eligible products was carried out for all companies in the Rheinmetall Group, with the Vehicle Systems, Electronic Solutions and Sensors and Actuators divisions standing out. The significant increase in the overall total is explained by the fact that – in contrast to the previous fiscal year – logistics and special vehicles were now included. However, they could not be reported as taxonomy-eligible beyond the taxonomy-aligned status. Similarly, in line with the EU Taxonomy Regulation, simulators were considered that had not been included in fiscal year 2021 due to unclear interpretations. The simulators met the requirements for taxonomy alignment. In the area of components for electric vehicles, such as electric water pumps used to cool batteries, higher sales were generated in the series production business. In the year under review, further progress was made in establishing and expanding our business areas with regard to energy management and renewable energy sources. Sales were recorded in the field of brake and transmission technology for wind turbines.

3.2 Capital expenditure

In contrast to sales, capital and operating expenditures are specifically defined by the EU Taxonomy Regulation. Accordingly, capital expenditure comprises all additions to property, plant and equipment and intangible assets during the fiscal year before amortization, depreciation and remeasurement, including additions from business combinations. Leases that do not result in recognition of a right of use of the asset are excluded. For this purpose, Rheinmetall has recognized the IFRS items listed in the EU Taxonomy Regulation: additions to property, plant and equipment, intangible assets, investment property and rights of use as well as the relevant transaction types such as additions to company acquisitions, additions within the Group, additions to government grants and external additions.

Climate protection investments

	A. Taxonomy-eligible investments		Substantial contribution	DNSH	Minimum safeguards	A.1 Taxonomy-aligned investments		A.2 Taxonomy-eligible, but not aligned	
Economic activities	**€ million**	**%**	**%**	**Y/N**	**Y/N**	**€ million**	**%**	**€ million**	**%**
I. + II.	**93.2**	**24.58**	**10.07**	**Y/N**	**Y**	**35.3**	**9.28**	**58.0**	**15.30**
I. Core business	**26.5**	**6.98**	**6.73**	**Y/N**	**Y**	**25.5**	**6.73**	**1.0**	**0.25**
3.1. Manufacture of renewable energy technologies	0.5	0.12	0.12	Y	Y	0.5	0.12	-	-
3.2. Manufacture of equipment for the production and use of hydrogen	8.0	2.11	2.11	Y	Y	8.0	2.11	-	-
3.3. Manufacture of low carbon technologies for transport	4.8	1.26	1.01	Y	Y	3.8	1.01	1.0	0.25
3.6. Manufacture of other low carbon technologies	13.2	3.49	3.49	Y	Y	13.2	3.49	-	-
II. Other capital expenditure	**66.7**	**17.60**	**3.34**	**Y/N**	**Y**	**9.8**	**2.55**	**57.0**	**15.05**
1.1. Afforestation	0.1	0.03	0.00	-	Y	-	-	0.1	0.03
4.1. Electricity generation using solar photovoltaic technology	2.3	0.59	0.59	Y	Y	2.3	0.59	-	-
4.24. Production of heat/cool from bioenergy	3.4	0.89	0.89	Y	Y	3.4	0.89	-	-
4.25. Production of heat/cool using waste heat	1.7	0.45	0.45	Y	Y	1.7	0.45	-	-
5.1. Construction, extension and operation of water collection, treatment and supply systems	0.5	0.15	-	-	Y	-	-	0.5	0.15
5.3. Construction, extension and operation of waste water collection and treatment	0.8	0.22	0.15	Y	Y	0.6	0.15	0.2	0.07
6.3. Urban and suburban transport, road passenger transport	0.1	0.02	-	-	Y	-	-	0.1	0.02
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	8.2	2.15	0.00	-	Y	-	-	8.2	2.15
6.17. Low carbon airport infrastructure	1.2	0.33	0.33	Y	Y	1.2	0.33	-	-
7.1. Construction of new buildings	3.0	0.79	0.79	N	Y	-	-	3.0	0.79
7.3. Installation, maintenance and repair of energy efficiency equipment	1.1	0.30	0.07	Y	Y	0.3	0.07	0.8	0.23
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings and parking spaces attached to buildings	0.2	0.06	0.06	Y	Y	0.2	0.06	-	-
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	0.1	0.01	0.01	Y	Y	0.1	0.01	-	-

Climate protection investments

	A. Taxonomy-eligible investments		Substantial contribution	DNSH	Minimum safeguards	A.1 Taxonomy-aligned investments		A.2 Taxonomy-eligible, but not aligned	
Economic activities	€ million	%	%	Y/N	Y/N	€ million	%	€ million	%
7.7. Acquisition and ownership of buildings	40.4	10.64	-	-	-	-	-	40.4	10.64
8.1. Data processing, hosting and related activities	3.7	0.97	-	-	-	-	-	3.7	0.97
B. Taxonomy-non-eligible activities	**286.4**	**75.42**	-	-	-	-	-	-	-
Total (A + B)	**379.7**	**100**	-	-	-	-	-	-	-

As explained in the section on method of determination, capital expenditure is broken down by origin type. The majority of taxonomy-eligible capital expenditure arose from the Group's sales-generating business activities. Of particular note here is Rheinmetall MAN Military Vehicles GmbH, whose production of civilian, logistic and special-purpose vehicles generated capital expenditure of over €1 million. A further share is accounted for by the economic activities in category 3.6, which take into account capital expenditure on the development of forward-looking products such as the high-voltage water pump or the innovative hydrogen recirculation blower for use in fuel cell-powered vehicles. This capital expenditure primarily related to energy optimization measures at the Group's locations. Both the efficient use of electricity and water and the use of waste heat in our production to save natural resources for heat generation were focus areas of the further taxonomy-eligible capital expenditure.

3.3 Operating expenditures

The denominator of operating expenditures is limited to certain expenses. Consequently, the taxonomy-relevant transactions are also only a subset of this limited unit. The denominator must include direct, non-capitalized expenses incurred for research and development, building renovation measures, short-term leasing, maintenance and repair and all other direct expenses from the maintenance of property, plant and equipment to ensure operational readiness. Here, too, we have used standardized reporting formats and thus include maintenance costs, expenses for short-term and low-value leases, and non-capitalized expenses for research and development. The additional determination of expenses for the daily maintenance of assets has been carried out since 2021. Rheinmetall understands this to mean internal expenses incurred in connection with maintenance and repair by its own personnel and therefore not included in other operating expenses. When evaluating the cost centers, care is taken to ensure that the total costs are adjusted for individual costs where necessary for the required data reporting in order to avoid double counting when determining the key figures.

Operating expenses climate protection

	A. Taxonomy-eligible operating expenses		Substantial contribution	DNSH	Minimum safeguards	A.1 Taxonomy-aligned operating expenses		A.2 Taxonomy-eligible, but not aligned	
Economic activities	€ million	%	%	Y/N	Y/N	€ million	%	€ million	%
I. + II.	**33.8**	**9.48**	**8.75**	**Y/N**	**Y**	**31.2**	**8.75**	**2.6**	**0.73**
I. Core business	**30.4**	**8.53**	**8.41**	**Y/N**	**Y**	**30.0**	**8.41**	**0.4**	**0.12**
3.2. Manufacture of equipment for the production and use of hydrogen	8.2	2.29	2.29	Y	Y	8.2	2.29	-	-
3.3. Manufacture of low carbon technologies for transport	5.7	1.61	1.49	Y	Y	5.3	1.49	0.4	0.12
3.5. Energy efficient building equipment	2.7	0.76	1	Y	Y	2.7	0.76	-	-
3.6. Manufacture of other low carbon technologies	13.8	3.87	3.87	Y	Y	13.8	3.87	-	-
II. Other capital expenditure	**3.4**	**0.95**	**0.34**	**Y/N**	**Y**	**1.2**	**0.34**	**2.2**	**0.61**
1.2. Forest rehabilitation and restoration, including reforestation and natural forest regeneration after an extreme event	0.1	0.03	-	-	Y	-	-	0.1	0.03
1.3. Forrest management	0.7	0.19	0.02	Y	Y	0.1	0.02	0.6	0.17
4.9. Transmission and distribution of electricity	0.6	0.15	0.15	Y	Y	0.6	0.15	-	-
5.2. Renewal of water collection, treatment and supply systems	0.2	0.05	0.05	Y	Y	0.2	0.05	-	-
5.9. Material recovery from non-hazardous waste	0.2	0.05	-	-	Y	-	-	0.2	0.05
6.5. Transportation by motorcycles, passenger cars and light commercial vehicles	0.2	0.05	-	-	Y	-	-	0.2	0.05
7.3. Installation, maintenance and repair of energy-efficient equipment	0.3	0.10	0.07	Y	Y	0.2	0.07	0.1	0.03
7.6. Installation, maintenance and repair of renewable energy technologies	0.2	0.05	0.05	Y	Y	0.2	0.05	-	-
8.1. Data processing, hosting and related activities	1.0	0.28	-	-	Y	-	-	1.0	0.28
B. Taxonomy-non-eligible activities	**322.9**	**90.52**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B)	**356.7**	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A portion of the taxonomy-eligible and -aligned operating expenditure could be allocated to sales-related activities. The majority of our taxonomy-eligible operating expenditure relates to areas in research and development that serve to expand taxonomy-eligible and -aligned activities. They are intended to lead to additional taxonomy-eligible sales and thus underscore the importance already attached to alternative drive technologies. In addition, operating expenditure for building refurbishment measures as well as maintenance and repair of property, plant and equipment has been identified that could be classified as taxonomy-eligible or -aligned within the meaning of the EU Taxonomy Regulation.

3.4 Investment planning

Non-financial undertakings must disclose material information on investment planning for each of their specified economic activities. Here, Rheinmetall refers to the core business relating to the objective of environmental protection, as investments in other activities, such as the acquisition of real estate or the construction of photovoltaic plants, cannot always be planned over a longer period of time and prices are subject to strong market fluctuations. Investment planning covers a period of three years, i.e. for the period under review this relates to the period between 2023 and 2025. Capital expenditure on economic activities that fall under "3.2. Equipment for the production and use of hydrogen" amounted to around €8 million in the period under review. For the coming years, capital expenditure of €47 million is planned to expand the product portfolio in line with our hydrogen strategy. Assets that can be allocated to the economic activities "3.3. Low carbon technologies for transport" generated capital expenditure of just under €4.8 million in the reporting period, of which €3.8 million was taxonomy-aligned. No significant capital expenditure is expected in the coming years. Therefore, only taxonomy-eligible capital expenditure of €5.5 million is planned. There was no capital expenditure in the reporting period for the activities that fall under "3.5 Energy-efficient equipment for buildings." However, capital expenditure of €3.5 million is planned in the coming years to expand our taxonomy-aligned business activities. The current focus of taxonomy-eligible and -aligned business activities is on activities under "3.6. Other low carbon technologies." In the period under review, this comprised €13.2 million and is to be expanded in the coming years with a further €84.6 million.

4. Conclusion

In the first year of collecting all data to determine taxonomy-aligned economic activities, a system has already been developed that sets comparable standards for all divisions. Due to the fact that the legal texts have not yet been finalized, a complete presentation is not expected until fiscal year 2024, provided that the delegated acts for the environmental objectives (3) the sustainable use and protection of water and marine resources, (4) the transition to a circular economy, (5) pollution prevention and control, and (6) the protection and restoration of biodiversity and ecosystems are published by the European Commission.

We assume that a statement about the degree of sustainability of the economic activities of a company within the meaning of the EU Taxonomy Regulation can only be made about the ratio of taxonomy-aligned to taxonomy-eligible activities due to the lack of considered economic activities in the present delegated acts. Therefore, in addition to the mandatory disclosures, we have presented the coverage ratio of our taxonomy-aligned activities to all taxonomy-eligible business activities in the 2022 reporting period.

	Revenue		Capital expenditure		Operating expenditure	
in %	2022	2021	2022	2021	2022	2021
Taxonomy-aligned economic activities of taxonomy-eligible activities	70.6	-	37.8	-	92.3	-
Taxonomy-aligned economic activities	1.5	-	9.3	-	8.8	-
Taxonomy-eligible economic activities	2.1	0.5	24.6	5.6	9.5	12.7
Taxonomy-non-eligible economic activities	97.9	99.5	75.4	94.4	90.5	87.3

In terms of sales, 2.1% of our business activities fall under the classification system of the EU Taxonomy Regulation. 1.5% of total sales meet the requirements for taxonomy alignment, which thus corresponds to a coverage rate of 70.6%. With the upcoming environmental objectives, revisions of the legal texts as well as interpretations of the industries, more economic activities of the Group are expected to become classifiable. We are already preparing to take the requirements for taxonomy alignment into account in all process steps in order to continue to achieve the highest possible degree of coverage in the future and thus make a substantial contribution to climate change mitigation.

Corporate governance
Corporate governance statement

In this chapter, the Executive Board and Supervisory Board report on corporate governance in the Rheinmetall Group in accordance with the fundamental principles of the German Corporate Governance Code (GCGC), specifically principle 23 of the GCGC. The corporate governance statement in accordance with sections 289f and 315d of the German Commercial Code can also be found here.

Corporate governance

Rheinmetall AG has traditionally been committed to a responsible, fair and reliable corporate policy that is geared towards the use and expansion of entrepreneurial potential, achieving medium-term financial targets and increasing the value of the company on a systematic and sustainable basis.

The law on stock corporations, capital market law and the right of co-determination, the company's Articles of Association and the German Corporate Governance Code, which is based on internationally recognized standards, form the basis for the organization of management and monitoring at the company, with the aim of making structures transparent and thus strengthening the trust of national and international investors, business partners, analysts, media, employees and the public in Rheinmetall AG's business policy, management and supervision and securing it in the long term.

Declaration of conformity in accordance with section 161 AktG

The implementation of the recommendations of the German Corporate Governance Code at the Rheinmetall Group was discussed at the Supervisory Board meeting on August 18, 2022. The Executive Board and the Supervisory Board issued the following "Joint declaration of the Executive Board and the Supervisory Board in accordance with section 161 of the German Stock Corporation Act (AktG) on the recommendations of the Government Commission on the German Corporate Governance Code" which can be found – together with older versions – on the company's website under Company – Corporate Governance – Declaration of Conformity.

> "In August 2021, the Executive and Supervisory Boards of Rheinmetall AG issued the last declaration of conformity with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated December 16, 2019, published in the Federal Gazette on May 20, 2020, in accordance with section 161 of the German Stock Corporation Act ("2019 Code"). On June 27, 2022, the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on April 28, 2022 were published in the Federal Gazette (2022 Code). The following declaration refers, insofar as it relates to the past, to the recommendations of the 2019 Code and, insofar as it relates to the present and future, to the recommendations of the 2022 Code.
> Since issuing the last declaration of conformity, Rheinmetall AG has complied with the recommendations of the Code with the exceptions described below and will comply with them in the future with the exceptions described below:
> The recommendation in section B.5 of the Code is not fully followed. This specifies that an age limit should be set for Executive Board members and stated in the corporate governance statement. The employment contracts with the Executive Board members stipulate an age limit such that the contract shall end, without needing to be terminated, at the end of the month in which the Executive Board member reaches the standard retirement age under the statutory pension scheme or at the time when they draw a statutory retirement pension (sections 35 – 42 of the German Social Security Code (SGB) VI), for whatever legal reason, before reaching the standard retirement age. The CFO Helmut P. Merch would thus originally have left his position as of December 31, 2021. However, his employment contract has been extended temporarily until December 31, 2022. A clause on the standard age limit was not included in his new employment contract due to its temporary nature. Mr. Merch will thus leave the Executive Board as of December 31, 2022 at the age of 66. From the company's point of view, this individual deviation from recommendation B.5 of the Code is in the company's interests. Due to the recently implemented strategic realignment of the Group and the associated start of corporate restructuring, it is in the company's interests for Mr. Merch to continue supporting this corporate restructuring with his many years of experience in the Group and on the Executive Board.
> Düsseldorf, August 2022
> Rheinmetall Aktiengesellschaft
>
> The Executive Board The Supervisory Board"

Contents not reviewed by the auditor

There are some recommendations of the German Corporate Governance Code that Rheinmetall does not implement: Pursuant to recommendation A.8 of the GCGC, in the event of a takeover offer, the Executive Board should convene an Extraordinary General Meeting at which the shareholders will discuss the offer and possibly adopt corporate law measures. Convening a General Meeting is an organizational challenge for large listed companies – even taking into account the shorter deadlines provided for in the German Securities Acquisitions and Takeover Act (WpÜG). It is questionable whether the level of effort involved is even justified in such cases where there are no relevant resolutions put forward for the General Meeting. Convening an Extraordinary General Meeting should therefore be reserved for appropriate cases only.

According to recommendation D.8 sentence 2, second clause of the GCGC (2019 version), participation in meetings of the Supervisory Board and its committees by telephone or video conference should not be the rule. It is general practice at Rheinmetall AG to attend these meetings in person. Participation by telephone is reserved for exceptional circumstances only. Owing to the exceptional circumstances triggered by the COVID-19 pandemic, several meetings of the Supervisory Board and its committees were held by telephone or video conference in fiscal 2022.

Description of the working methods of the Executive Board and Supervisory Board

With its Executive Board and Supervisory Board, Rheinmetall AG has a two-tier management and monitoring structure. Both bodies are responsible for and obligated to operate in the interests of the shareholders and the well-being of the company. They work together closely and trustfully in the interests of Rheinmetall.

The Supervisory Board and its committees have adopted rules of procedure that set forth, among other things, the supply of information to the Supervisory Board by the Executive Board. In accordance with recommendation D.1 of the GCGC, the Rules of Procedure of the Supervisory Board have been made permanently available to the public on the company's website.

The Executive Board reports in the meetings of the Supervisory Board and committees. The chairs of the Executive Board and Supervisory Board also maintain regular contact between the scheduled meetings and discuss issues relating to strategy, business development, planning, risk management and compliance within the company.

Based on the referral to the internal control and risk management system and the reporting of the Internal Audit function, the Executive Board is not aware of any relevant circumstances up to the time of preparation that speak against the appropriateness and effectiveness of these systems in their entirety.[1]

Remuneration system and remuneration of Executive Board members

The remuneration system for Rheinmetall AG's Executive Board members was last approved by the 2021 Annual General Meeting with 92.61% votes in favor. The remuneration report for fiscal 2021, which was prepared and audited in accordance with section 162 of the German Stock Corporation Act, was approved by the 2022 Annual General Meeting with 91.09% votes in favor. This can be found in the section of the same name of this annual report. In addition, the remuneration report including the auditor's report, the applicable remuneration system and the last remuneration resolution of the Annual General Meeting are published on our website.

[1] The information in this paragraph is not part of the management report.

Contents not reviewed by the auditor

Composition of the Executive Board

In accordance with Article 6(1) of the Articles of Association, the Executive Board of the company is composed of at least two persons. The number of members is determined by the Supervisory Board. In the year under review, Armin Papperger, Helmut P. Merch and Peter Sebastian Krause as well as Dagmar Steinert (from December 1, 2022) were appointed as members of the Executive Board.

Members of the Executive Board and mandates of the Executive Board members

	Position/area	Appointments	Membership in Supervisory Boards
Armin Papperger **Engineering graduate**	Chairman	January 1, 2012, to December 31, 2026	Rheinmetall Automotive AG[1] Chairman
Born 1963 Nationality | German			The Dynamic Engineering Solution Pty Ltd Deputy Chairman of the Supervisory Board
			Rheinmetall MAN Military Vehicles GmbH[1] Chairman
			Rheinmetall Landsysteme GmbH[1] Chairman
Helmut P. Merch **Business graduate**	CFO	January 1, 2013, to December 31, 2022	Rheinmetall Automotive AG[1]
Born 1956 Nationality | German	Finance and Controlling		4iG Nyrt.
			ElringKlinger AG
Peter Sebastian Krause **Lawyer**	Director of Industrial Relations	January 1, 2017, to December 31, 2024	Rheinmetall Electronics GmbH[1]
Born 1960 Nationality | German	Human Resources		Rheinmetall Landsysteme GmbH[1]
			Rheinmetall Waffe Munition GmbH[1]
Dagmar Steinert **Business graduate**	CFO	December, 1, 2022 to November 30, 2025	ZF Friedrichshafen AG[2]
Born 1964 Nationality | German	Finance and Controlling		

[1] Internal mandates
[2] Up to March 31, 2023

Contents not reviewed by the auditor

In accordance with Article 6(4) of the Articles of Association as amended on May 11, 2021, the Executive Board issues Rules of Procedure. In accordance with the Rules of Procedure for the Executive Board, the responsibilities were defined as follows as of December 31, 2022:

Responsibilities of members of the Executive Board of Rheinmetall AG

Armin Papperger	Helmut P. Merch	Peter Sebastian Krause
		Director of Industrial Relations
Divisions: Vehicle Systems Weapon and Ammunition Electronic Solutions Sensors and Actuators Materials and Trade		
Business Excellence	Accounting	HR Policies
Compliance	Controlling | Risk Management	HR Strategy
Corporate Social Responsibility	Finance | Treasury	Labour Relations and Labour Law
Corporate Strategy and Development	Insurance	Management Development | Rheinmetall Academy
External Communication	Offset Management	Payroll
Internal Communication	Purchasing Nonproduction Material	HR Projects
Internal Audit	Tax	Recruiting
Investor Relations	Information Technology	
Legal and IP		
Real Estate		
Security		
Organisation & Projects Social Responsibility		
New Technologies		

December 31, 2022

As Head of the Executive Board HR area, the Director of Industrial Relations is appointed in accordance with section 33 of the German Codetermination Act (MitbestG).

With the support of members of the Personnel Committee and the Executive Board, the Supervisory Board is responsible for long-term successor planning for the Executive Board. In addition to the provisions of the Stock Corporation Act, German Corporate Governance Code and Rules of Procedure for the Personnel Committee, the target defined by the Supervisory Board regarding the number of women on the Executive Board and the criteria for the composition of the Executive Board for successor planning of Executive Board positions are taken into account.

Under consideration of the different requirements – depending on the Executive Board area – regarding specialist qualifications, character, skills and experience, an ideal profile is drawn up that can be used as a basis – when the need for a successor on the Executive Board becomes apparent – for checking potential internal candidates or, with the support of external consultants, searching for external candidates. The Supervisory Board is then given a recommendation for their consideration. If necessary, external consultants help the Supervisory Board/ Personnel Committee to draw up the requirements profiles and select ideal candidates.

Contents not reviewed by the auditor

Working methods of the Executive Board

The Executive Board is responsible for the overall management of the company. It defines long-term strategic orientation and corporate policy as well as the structure and organization of the Rheinmetall Group and allocates resources. The Executive Board manages the company on its own initiative in the interests of the company, i.e. taking into consideration the concerns of shareholders, customers, employees and other groups connected to the company (stakeholders), with the aim of creating sustainable value added free from instructions of third parties in accordance with the relevant laws, the company's Articles of Association and the applicable Rules of Procedure and having regard for the resolutions of the Annual General Meeting. It represents the company to third parties.

The Rules of Procedure for the Executive Board govern the Board's work, the allocation of duties among the respective Executive Board members, matters reserved for the Executive Board as a whole and the majority required for Executive Board resolutions. In accordance with the Rules of Procedure for the Executive Board, each member of the Executive Board manages the area of responsibility assigned to them under the business distribution plan independently and on their own responsibility, whereby the Executive Board as a whole must be informed on an ongoing basis of key processes and developments relating to business and important measures. Any matters that are of fundamental importance or that have far-reaching consequences require a resolution to be passed by the Board as a whole.

The Executive Board develops the strategic orientation of the company, agrees it with the Supervisory Board and ensures its implementation. It decides on basic issues relating to business policy and on annual and multi-annual planning. In addition to effective management of opportunities, it establishes risk controlling at the company. It implements appropriate measures to ensure that laws, provisions, official regulations and internal corporate guidelines are observed and helps to ensure that subsidiaries comply with these. Furthermore, the Executive Board keeps diversity in mind when filling management positions at the company and also makes sure that sufficient attention is given to women (diversity).

Details of cooperation between the Executive and Supervisory Boards can be found in the company's Articles of Association and the Rules of Procedure for the Supervisory Board of Rheinmetall AG, which govern the Executive Board's information and reporting requirements as well as transactions and measures requiring approval. This applies, for example, to the acquisition and sale of shareholdings, investment planning, issuing bonds and taking out long-term loans. The Executive Board informs the Supervisory Board regularly, promptly and comprehensively regarding business performance, financial position and results of operations, planning and achievement of targets, as well as regarding compliance issues, strategy and the risk situation. On the basis of these reports, the Supervisory Board monitors the legality, correctness, appropriateness and economic efficiency of management by the Executive Board.

The Chair of the Supervisory Board is informed immediately by the Executive Board of any important events or business developments that could have a significant influence on the company's financial position, results of operations and net assets.

Composition of the Supervisory Board

In accordance with sections 96(1) and (2) and 101(1) of the German Stock Corporation Act in conjunction with section 7(1) no. 2 German Codetermination Act (MitbestG), the Supervisory Board of Rheinmetall AG comprises eight shareholder representatives and eight employee representatives.

The shareholder representatives are selected by the Annual General Meeting. The nominations to the Shareholders' Meeting are based on the recommendations of the Nomination Committee, which take account of balance and the differences in the knowledge, skills and experience of the shareholder representatives proposed for election to the Supervisory Board. As a rule, the shareholder representatives are elected for three to five years. They may be re-elected. Details of the length of time the individual members have belonged to the Supervisory Board can be found in the overview in the section "Letter to shareholders – Supervisory Board report."

Contents not reviewed by the auditor

The employee representatives are elected by the workforce of the domestic companies/factories of the Rheinmetall Group through delegates in a delegates meeting for a period of five years in each case. These are two trade union representatives, five employee representatives and one representative of the managerial staff.

When members are proposed for election to the Supervisory Board, attention is paid to their professional qualifications and personal skills, as well as to legal regulations (in particular the gender quota) and the recommendations of the GCGC. The Supervisory Board members have the same rights and obligations, are required to perform their mandate in the best interests of the company and are not bound by any orders or instructions.

The Supervisory Board must be filled with persons who provide a balanced mix of all the qualifications, knowledge, skills and personal characteristics needed for the supervision of a capital market-oriented, large and globally active technology company.

The members of the Supervisory Board should possess, individually and collectively, the necessary prerequisites and experience, which are appropriate to the type, scope and complexity of the business as well as the risk structure of the company so that they can act as constructive supervisors and competent advisors to the Executive Board. Based on the referral to the internal control and risk management system and the reporting of the Internal AuditingAudit function, the Executive Board is not aware of any relevant circumstances up to the time of preparation that speak against the appropriateness and effectiveness of these systems in their entirety.1

New members of the Supervisory Board familiarize themselves with the company's business activities while preparing for their mandate on the Supervisory Board. By consulting written documentation and talking to other members of the Supervisory Board and Executive Board, they can familiarize themselves with the relevant issues and learn about the working methods of the Supervisory Board and its committees.

To ensure the prevention of potential conflicts of interest, the Supervisory Board does not include any members who hold board positions or perform advisory activities for key competitors of Rheinmetall AG and its Group companies. Former Executive Board members of Rheinmetall AG are not represented on the Supervisory Board.

According to the rules of the German Corporate Governance Code, a person is considered to be independent above all if they have no business or personal relationship with Rheinmetall AG or its bodies, a controlling shareholder or any company associated with it that could constitute a significant or longer-term conflict of interest. According to the assessment of the shareholder representatives in the Supervisory Board, on the shareholder side the Supervisory Board has a sufficient number of independent members. Even though Ulrich Grillo and Professor Susanne Hannemann formerly held management positions in the Rheinmetall Group (1993–2001 and 2003–2007 respectively), on the shareholder side the Supervisory Board considers these two Supervisory Board members to be independent due to their now many years of work outside the Group. Professor Andreas Georgi is also considered to be independent. He may have been a member of the Supervisory Board for more than twelve years, but since his appointment in May 2017 to the position of Chair of the Audit Committee, he has, in the view of the members of the Supervisory Board, continued to provide highly professional support for the work of the Executive Board with his critical judgment skills and, as a sparring partner to the Executive Board, compellingly represents the interests of the shareholders through his farsightedness and sound judgment. The experience and expertise obtained through his former position as a member of the Executive Board of Dresdner Bank AG and his current position as a professor specializing in corporate management and control problems at the Ludwig-Maximilians-Universität Munich also serve him well. The professional, specialized qualifications more than outweigh any doubts concerning his independence due to the mere length of service. Professor Andreas Georgi was a member of the Audit Committee as Chair until May 10, 2022. As of May 10, 2022, he is no longer a member of the Audit Committee. Professor Susanne Hannemann has chaired the committee since then. As such, all shareholder representatives on the Supervisory Board are considered to be independent. The composition of the Supervisory Board and the terms of office of its members are outlined in the "Letter to shareholders" section in the Supervisory Board report.

1 Contents not reviewed by the auditor

Working methods of the Supervisory Board

The Supervisory Board performs its activities in accordance with statutory provisions, the Articles of Association of Rheinmetall AG and its Rules of Procedure. The main contents of the Rules of Procedure, which are published on the company's website, concern the composition, tasks and responsibilities of the Supervisory Board, the convention, preparation and chairing of meetings, the rules pertaining to committees and quorum requirements. The Chair of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the Board externally. Each year, he explains the activities of the Supervisory Board and its committees in the report of the Supervisory Board printed within the annual report and orally at the Annual General Meeting.

The Supervisory Board advises the Executive Board on the management of the company and monitors its management activities. The Chair of the Supervisory Board is elected from among its members. Supervisory Board meetings are held in accordance with the provisions of the German Stock Corporation Act (AktG). As a general rule, four Supervisory Board meetings take place each calendar year, which are attended by members of the Executive Board unless otherwise stipulated by the Chair of the Supervisory Board. Resolutions may be passed in writing, by telex (fax or e-mail) or by telephone. The Supervisory Board passes its resolutions by means of a simple majority of members participating in the passing of the resolution. In the event of a tied vote, the Chair of the Supervisory Board has the casting vote.

The Supervisory Board of Rheinmetall AG reviews the efficiency of its activities at regular intervals either internally or with the support of external consultants, as required by the provisions of the German Corporate Governance Code. Here, the working methods of the Supervisory Board and its committees, the routing of information from the Executive Board to the Supervisory Board and the interaction of the two boards is discussed and evaluated. The plenary assembly debates possible improvements in an open discussion and decides on any measures.

The Supervisory Board also governs the remuneration of the Executive Board members. Details of Executive Board remuneration can be found in the remuneration report.

The remuneration of the Supervisory Board members is determined by the Annual General Meeting. It was most recently approved by the Annual General Meeting on May 11, 2021, with a majority of 99.75% of the share capital represented at the Annual General Meeting. The remuneration attributable to the individual members is presented in the remuneration report.

No consultancy agreements or other service contracts existed between members of the Supervisory Board and Rheinmetall AG during the period under review.

Structure and working methods of the Supervisory Board's committees

In compliance with legislation and commercial interests, the Supervisory Board has created five committees to perform its control and monitoring tasks efficiently. In doing so, it pursues the aim of making its work more efficient by having complex, time-consuming matters requiring extensive discussion dealt with in smaller groups and prepared for the entire Supervisory Board in the same way as proposed resolutions for decision by the Supervisory Board as a whole. In individual cases, the committees also have decision-making powers if these have been transferred by the Supervisory Board. The meetings are convened by the committee chair.

With the exception of the Nomination Committee, which consists of three solely shareholder representatives, the committees are based on joint representation and have an equal number of shareholder and employee representatives.

Each of these committees has adopted rules of procedure that set forth their composition, their responsibilities and rules of procedure for resolutions in these bodies.

Contents not reviewed by the auditor

Strategy and ESG Committee – The Strategy Committee formed following the Annual General Meeting at the constituent meeting of the Supervisory Board on May 9, 2017 was expanded to include aspects relating to the area of Environmental, Social and Governance (ESG) by resolution of the Supervisory Board on May 10, 2022 and renamed the Strategy and ESG Committee. The committee deals with the strategic prospects, focus and development of the Rheinmetall Group. It discusses the principles for the Rheinmetall Group's overall strategy including the business policy and corporate orientation of the company and its divisions with the Executive Board and addresses significant, specific strategic programs and measures. The committee advises and monitors the Executive Board with regard to determining business strategies for sustainable development of the company and to establishing processes for planning, implementing, assessing and adjusting strategies. As part of this, it also deals in particular with aspects relating to ESG.

As of December 31, 2022, the following people were members of the Strategy and ESG Committee: Ulrich Grillo (Chair), Dr. Klaus Draeger, Professor Sahin Albayrak, Dr. Britta Giesen, Dr. Daniel Hay, Dagmar Muth, Sven Schmidt and Reinhard Müller. Dr. Giesen was also nominated as ESG representative on the Supervisory Board.

Audit Committee – The Audit Committee has the task of supporting the Supervisory Board when performing its supervisory functions. It looks in particular at the consolidated and single-entity financial statements, sustainability reporting and quarterly financial statements, and – in addition to the accounting process – the adequacy and effectiveness of the internal control system, internal auditing, the risk management system and the compliance management system, including relevant IT security aspects. In addition to the qualifications and independence of the auditor, the Audit Committee checks the services performed by the auditor in terms of the quality and effectiveness of the audit and is responsible for issuing the audit engagement to the auditor, determining the focal points of the audit and agreeing the fees.

In accordance with the Stock Corporation Act, at least one member of the Supervisory Board must also sit on the Audit Committee, acting as a financial expert in the areas of accounting and auditing. With Professor Andreas Georgi (until May 10, 2022), Professor Susanne Hannemann and Louise Öfverström (from May 10, 2022), two members of the Audit Committee possess specialized knowledge and experience in the application of accounting principles and internal control processes. In accordance with the German Corporate Governance Code, the Chair of the Audit Committee is to possess extensive knowledge and experience in the application of accounting principles and internal control processes and know the details of the audit. They are also to be independent and not a former Executive Board member whose tenure ended fewer than two years prior. Professor Andreas Georgi was Chair until May 10, 2022 and met these requirements. Professor Susanne Hannemann has been Chair since May 10, 2022. She also meets these requirements.

As of December 31, 2022, the Audit Committee comprised the following members: Professor Susanne Hannemann (Chair), Ulrich Grillo, Louise Öfverström, Ralf Bolm, Dr. Daniel Hay and Sven Schmidt.

Personnel Committee – Tasks that are the responsibility of this committee include selecting suitable candidates to fill Executive Board positions, making preparations for the appointment and withdrawal of Executive Board members and concluding, amending and terminating employment contracts for members of the Executive Board and other agreements with them. It is also responsible for appraising the performance of the Executive Board, regularly examining the amount, suitability and customary level of Executive Board remuneration and overseeing the structure of the Executive Board remuneration system.

As of December 31, 2022, the Personnel Committee comprised the following members: Ulrich Grillo (Chair), Professor Andreas Georgi, Dr. Daniel Hay and Reinhard Müller.

Nomination Committee – The Nomination Committee submits recommendations to the shareholder representatives on the Supervisory Board for the nomination of shareholder representative candidates for election to the Supervisory Board by the Annual General Meeting.

Contents not reviewed by the auditor

As of December 31, 2022, the Nomination Committee comprised the following members: Ulrich Grillo (Chair), Professor Andreas Georgi and Klaus-Günter Vennemann.

Mediation Committee– The Mediation Committee must be established by law in accordance with section 27(3) of the German Codetermination Act (MitbestG). In accordance with section 31(3) of the German Codetermination Act, it submits the Supervisory Board a slate of candidates if in the first ballot the required two-third majority of Supervisory Board member votes is not received for the appointment or dismissal of Executive Board members. The Mediation Committee convenes only when required.

As of December 31, 2022, the Mediation Committee comprised the following members: Ulrich Grillo (Chair), Professor Andreas Georgi, Dr. Daniel Hay and Dagmar Muth.

The Supervisory Board is regularly informed by the chairs of the committees in the subsequent plenary meeting of the activities of the committees and of the content and outcome of discussions held in the respective committee meetings.

Supervisory Board and Executive Board members' membership of other supervisory boards

In accordance with recommendation C.5 of the German Corporate Governance Code, none of the Executive Board members performed more than two mandates on supervisory boards of listed stock corporations that were not part of the Group or on supervisory boards of companies external to the Group with comparable requirements. An overview of the memberships of members of the Supervisory Board and Executive Board of Rheinmetall AG in other statutory supervisory boards and comparable control bodies of commercial enterprises in Germany and abroad can be found in the overview earlier in this section.

Diversity

By law, at least 30% of the members of Rheinmetall AG's Supervisory Board must be women and at least 30% men. In the year under review, the Supervisory Board had four female members until the Annual General Meeting until May 10, 2022 with two female members representing the employees and two female members representing the shareholders, so that the minimum share of women and men on the Supervisory Board required by law is complied with, taking into account the provisions of section 96(2) sentence 3 of the German Stock Corporation Act. Since the Supervisory Board elections at the Annual General Meeting on May 10, 2022, the Supervisory Board has had two female members representing the employees and three female members representing the shareholders, so that the minimum share of women and men required by law continues to be fulfilled.

In its Rules of Procedure, the Supervisory Board has stipulated that, as a rule, consideration cannot be given in the nominations to people who have reached the age of 75 at the date of the election. It takes the view that a mixed age structure in the Supervisory Board serves the interests of the company more effectively. On average, the members of the Supervisory Board were aged around 57 at the end of the year under review, with the youngest and oldest members aged 43 and 68 respectively.

After the targets for the composition and membership of the Supervisory Board resolved in the Supervisory Board meeting in December 2010 in accordance with item 5.4.1 of the GCGC in force at the time were supplemented and made more specific in fiscal 2017 by a comprehensive skills profile, comprising various parameters, for the shareholder representatives, in August 2020 in line with the recommendation in item C.1 of the GCGC (2019 version) the Supervisory Board resolved changed targets for its composition including a skills profile for the executive body as a whole, taking account not only of structural and functional aspects, but also strategic expertise.

Contents not reviewed by the auditor

The composition of the Supervisory Board of Rheinmetall AG – focused on the specific requirements of the company – is balanced as a whole and thus serves to ensure that qualified individuals advise the Executive Board and monitor its management activities effectively. Individually and as a whole, the members of the Supervisory Board have the necessary qualifications, knowledge, skills and specialist and professional experience to perform their advisory and monitoring duties properly in an international technology group, and they possess the necessary qualities to successfully carry out the activities of the Supervisory Board. In addition to commitment, the ability to work as a team and debating skills as well as having adequate time available, these include integrity and confidentiality in particular.

The members of the Supervisory Board reflect the international activities of Rheinmetall AG. Supervisory Board members have in-depth knowledge of the branches of industry, sectors and core areas of expertise that are key to the company. They have managerial experience in a corporate or operational context and complement each other in terms of their different educational and professional background, age structure, professional career and qualifications.

The following qualification matrix shows the implementation of the skills profile for the members of the Supervisory Board in its current version:

Qualification matrix

	Independence	Corporate governance, experience from supervisory board work	Board experience in listed companies	Availability, mandate load	Financial/ business expertise (audit committee/ risk management)	Functional expertise (human resources, social affairs, etc.) (Mediation/ Nomination Committee)	Sales-side and operational functions	Sector expertise: Defence	Sector expertise: Automotive	Digitalization/IT	Technology expertise/ innovation	Knowledge of international/ regulated markets	Industrial management experience
Prof. Dr. Dr. h.c. Sahin Albayrak	+	+		+						+	+		
Dr.-Ing. Dr.-Ing. E.h. Klaus Draeger	+	+	+	+			+		+		+	+	+
Prof. Dr. Andreas Georgi	+	+	+	+	+	+						+	
Dr. Britta Giesen	+	+	+	+			+				+	+	+
Ulrich Grillo	+	+		+	+	+	+	+			+	+	+
Prof. Dr. Susanne Hannemann	+	+		+	+			+				+	
Louise Öfverström	+	+	+	+	+			+		+		+	+
Klaus-Günter Vennemann	+	+		+		+	+		+		+	+	+
Ralf Bolm	+	+		+	+			+					
Dr. Daniel Hay	+	+		+	+	+							
Murat Küplemez	+	+		+					+				
Dr. Michael Mielke	+	+		+			+		+		+	+	+
Reinhard Müller	+	+		+				+					
Dagmar Muth	+	+		+		+		+					
Barbara Resch	+	+		+									
Sven Schmidt	+	+		+	+				+				

+ Criterion met, based on a self-assessment by the Supervisory Board. One point means at least “Good knowledge” and thus the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications, knowledge and experience acquired in the course of work as a member of the Supervisory Board (for example, many years of service on the Audit Committee) or the training measures regularly attended by all members of the Supervisory Board.

Contents not reviewed by the auditor

In accordance with Article 6(1) of the Articles of Association, the Executive Board of the company is composed of at least two persons. The number of members of the Executive Board is determined by the Supervisory Board. The Executive Board of Rheinmetall AG comprised three members in the year under review and four members from December 1, 2022. The current responsibilities of the members are shown on the third page of this section.

The Supervisory Board of Rheinmetall AG set 0% as the target for the share of women on the Executive Board of Rheinmetall AG for the period from July 1, 2017 to June 30, 2022. This target was achieved as of June 30, 2022. In May 2022, the Supervisory Board of Rheinmetall AG made the decision that a target for the share of women on the Executive Board of Rheinmetall AG of one person would be set for the period from July 1, 2022 to June 30, 2025. This target was already met with the appointment of Dagmar Steinert as a new member of Rheinmetall AG's Executive Board with effect from December 1, 2022. Separately from this, the Supervisory Board also supports the Executive Board's objective of preparing female managers successively and systematically for assuming higher management positions. In addition to the setting of targets for personnel development programs and the employment of women in the management levels, various measures and activities have been taken as part of career planning and career development.

The weighting and nature of diversity criteria on the Executive Board are based on the specific Executive Board position to be filled and the associated tasks within the specialist areas. The Supervisory Board of the company is of the opinion that in the year under review, the members of the Executive Board of Rheinmetall AG, including the Executive Board member Dagmar Steinert who joined on December 1, 2022, form a managing committee with strong leadership qualities and, considering the respective requirements profile of the area of responsibilities and in light of their character, training, professional qualifications, expertise, management qualities, previous performance, experience and success, have proven the best choice, both professionally and personally, for the company and believes that they are appropriate appointments for the respective management areas. The Supervisory Board considers relative continuity in terms of staffing in the top management in the best interests of the company and additionally a key component for the further sustainable economic success of Rheinmetall AG.

Over many years, Armin Papperger, Helmut P. Merch, Dagmar Steinert and Peter Sebastian Krause were systematically prepared for more demanding management roles in various functions and hierarchical levels and have constantly assumed more responsibility for larger entities during their career. They know the relevant industries, the industry cycles of the entities and the challenges facing an international technology group today, and are confronting future issues such as digitalization and transformation, especially in the automotive industry. They also have the ability to align business models and processes in a dynamically changing world. Dagmar Steinert joined the Executive Board as an additional member on December 1, 2022. As of January 1, 2023, she takes over the position of CFO and the portfolios of Executive Board member Helmut P. Merch, who retired on December 31, 2022. Furthermore, the Supervisory Board gives attention to supplementary profiles and professional experience as well as an adequate age mix. On the reporting date, ages in the Executive Board ranged from 58 to 66. The average age was around 62.

The targets for the period from July 1, 2017, to June 30, 2022, for the share of women at the first and second management levels below the Executive Board of Rheinmetall AG were set at 14.8% for the first management level and 27.3% for the second management level. At the first management level below the Executive Board of Rheinmetall AG, the target set for this period was exceeded. By contrast, the target for the share of women at the second management level below the Executive Board of Rheinmetall AG was not fulfilled. One reason for this is that vacancies at Rheinmetall are filled by the candidate that is the most suitable both professionally and personally, irrespective of gender and of the target figures set. Male applicants were better qualified for many of the second level management positions at Rheinmetall AG filled during the target period. There are no changes to management positions solely on the basis of gender. Another key reason for not achieving the set target was the now uniform Group definition for the two levels of management below the Executive Board and the management teams in all companies of the Rheinmetall Group affected by the legal target requirements for management levels. In the definition of management levels used at Rheinmetall AG at the time the target was set on July 1, 2017, the targets set as of June 30, 2022, would have been met at a higher percentage.

Contents not reviewed by the auditor

The Executive Board of Rheinmetall AG decided that for a subsequent target period from July 1, 2022 to June 30, 2027, a share of women at the first management level below the Executive Board of Rheinmetall AG of 16.13% and at the second management level of 15.22% should be achieved.

In addition, other co-determined companies of the Rheinmetall Group have resolved targets for the share of women on the Supervisory Board, the Executive Board and in the two management levels below for the period from July 1, 2022, as well as a deadline for their achievement, and have published both in line with statutory requirements. The implementation deadline is June 30, 2027, in each case. Details can be found on the Rheinmetall AG website (www.rheinmetall.com) under Corporate Governance/Female Quotas.

Further information on diversity can be found in the “Non-financial statement” section.

Preventing conflicts of interest

In making decisions and performing their duties, members of the Executive and Supervisory Boards must not pursue their personal interests or take advantage of any business opportunities arising for the company for their own personal gain, or grant unfair advantages to other persons. In accordance with recommendations E.1 and E.2 of the GCGC, any potential conflicts of interest involving members of the Supervisory Board or Executive Board must be disclosed immediately. No conflicts of interest were reported to the company by any members of the Executive or Supervisory Board in the year under review.

Shareholders and Annual General Meeting

Shareholders of Rheinmetall AG exercise their rights within the framework of the options provided by law or the company’s Articles of Association before or during the Annual General Meeting, which is convened by the Executive Board or Supervisory Board as prescribed by law, or when it appears necessary in the interests of the company.

The Annual General Meeting is convened, the agenda items on which a vote will be taken are announced, and the conditions of participation and rights of shareholders are explained within the deadlines prescribed by law and the company’s Articles of Association. All documents and reports required by stock corporation law, supplementary information on the Annual General Meeting and explanations of shareholder rights will be made available on the company’s website, on which any countermotions or nominations from shareholders will also be published. Each share grants one vote in ballots. This does not include treasury shares held by the company. Further information on treasury shares held by the company is provided in the notes to the consolidated financial statements – other explanatory information under (18) Equity.

On the basis of the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic of March 27, 2020 (Federal Law Gazette Part I No. 14 p. 569 et seq.), last amended by the Act on the Establishment of a “Reconstruction Assistance 2021” Special Fund and on the Temporary Suspension of the Obligation to File an Insolvency Application due to Heavy Rainfall and Floods in July 2021 and on the Amendment of Other Acts of September 10, 2021 (Federal Law Gazette Part I No. 63 p. 4147 et seq.) the Executive Board, with the approval of the Supervisory Board, resolved to hold the company’s Annual General Meeting on May 10, 2022, at the headquarters of the company in Düsseldorf as a virtual Annual General Meeting. During voting, 25,346,263 shares (previous year: 25,785,519), accounting for 58.19% of the share capital (previous year: 59.20%), were represented. The shareholders and shareholder representatives voted with majorities of between 88.92% and 99.69% in favor of the seven resolutions on the agenda that were proposed by the management. Information about attendance and the results of votes were published online on Rheinmetall’s website after the Annual General Meeting.

D&O insurance

Rheinmetall has taken out Directors’ and Officers’ liability insurance (D&O insurance), which covers the activities of members of the Executive Board and Supervisory Board. This insurance provides for the statutory deductible for the Executive Board under section 93(2) sentence 3 of the German Stock Corporation Act.

Contents not reviewed by the auditor

Managers' transactions

Any transactions involving shares or debt instruments of Rheinmetall AG or derivatives or other financial instruments relating to them that have been carried out by members of the Supervisory and Executive Boards or related parties (managers' transactions in accordance with Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on Market Abuse (Market Abuse Regulation – MAR)) were published by the company in the prescribed manner immediately after notification of the transaction was received, including on the company's website.

Managers' Transactions 2022

Publication	Name	Status	Transaction	Shares	Price	Platform
1/13/2022	Jutta Roosen-Grillo	Related party of Ulrich Grillo	Purchase	400	87.96	Xetra
1/14/2022	Dr. Michael Mielke Allocation of shares as a remuneration component as part of the long-term incentive program for managerial staff	Member of the Supervisory Board	Employee participation program	Not quantifiable		Off-exchange
05/06/2022	Armin Theodor Papperger	Chairman of the Executive Board	Purchase	2,400	205.45	Tradegate
05/09/2022	Jutta Roosen-Grillo	Related party of Ulrich Grillo	Disposal	1,500	205.00	Xetra
5/20/2022	Dr. Michael Mielke Allocation of shares as a remuneration component as part of the long-term incentive program for managerial staff	Member of the Supervisory Board	Allocation	281	85.34	Off-exchange
5/20/2022	Peter Sebastian Krause Allocation of shares as a remuneration component as part of the Executive Board remuneration	Member of the Executive Board	Allocation	2,344	106.68	Off-exchange
5/20/2022	Helmut P. Merch Allocation of shares as a remuneration component as part of the Executive Board remuneration	Member of the Executive Board	Allocation	3,515	106.68	Tradegate
5/20/2022	Armin Theodor Papperger Allocation of shares as a remuneration component as part of the Executive Board remuneration	Chairman of the Executive Board	Allocation	7,030	106.68	Tradegate
09/05/2022	Theresa Marie Grillo	Related party of Ulrich Grillo	Purchase	35	149.30	Xetra
09/05/2022	Paulina Karin Grillo	Related party of Ulrich Grillo	Purchase	35	149.25	Xetra
09/05/2022	Jutta Roosen-Grillo	Related party of Ulrich Grillo	Purchase	250	149.35	Xetra
9/16/2022	Helmut P. Merch	Member of the Executive Board	Purchase	700	141.60	Xetra
9/16/2022	PL Elektronik GmbH	Related party of Armin Papperger	Purchase	2,150	142.66	Tradegate
11/23/2022	Dr. Michael Mielke	Member of the Supervisory Board	Employee participation program	Not quantifiable		Off-exchange

Transactions involving related third parties are listed in the notes to the consolidated financial statements under note (37) Other information on related parties.

Contents not reviewed by the auditor

Compliance

An essential requirement for sustainable economic success is consistent attention to comprehensive compliance. This also includes integrity in dealings with employees, business partners, shareholders and the public, which is expressed through exemplary conduct.

Compliance includes all instruments, guidelines and measures that ensure procedures in the companies of the Rheinmetall Group comply with country-specific legislation, general legal conditions, regulatory provisions and the company's internal directives and that ensure conduct is based on values and conforms to the law and regulations.

Compliance activities focus on corruption prevention (business partner audit; investigation; policy management) and data protection. The function of the Chief Compliance Officer is performed by Michael Salzmann, Düsseldorf.

Additional statements on compliance in the Rheinmetall Group are provided in the section "Non-financial statement – compliance."

Accounting and auditing

Rheinmetall AG prepares the single-entity financial statements that are relevant for the dividend payment in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act. The company's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union and in accordance with the supplementary provisions of section 315e(1) of the German Commercial Code. Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Düsseldorf branch, was elected by the Annual General Meeting on May 10, 2022, to audit the single-entity and consolidated financial statements for 2022. The Audit Committee had previously satisfied itself that the auditor was independent.

Transparency in reporting

In a time in which markets are interconnected and the flow of information is becoming increasingly globalized, communications and the quality of information are becoming more and more important to the company's success. Rheinmetall AG communicates openly, actively and in detail. Investors, potential investors, customers, employees, lenders, business partners, analysts and interested members of the public are informed regularly, promptly and without discrimination of the company's economic and financial situation, key developments, significant changes in business and any facts of relevance to valuation on the Internet at www.rheinmetall.com.

Facts and circumstances that may influence the share price on the stock market are published immediately in ad hoc notifications in accordance with the legal regulations. On February 11, 2022, Rheinmetall published a record operating result based on preliminary figures, an operating margin of 10.5% and cash flow well above the target range. Based on preliminary figures, Rheinmetall AG generated an operating result of €595 million in fiscal 2021, exceeding the corresponding figure from the previous year by €149 million or around 33% (previous year's figure adjusted for discontinued operations in accordance with IFRS 5: €446 million). The full-year operating result was therefore also higher than current capital market expectations, which – based on the mean of the latest consensus estimates of financial analysts compiled by Vara-Research on February 11, 2022 – were for an operating result of €570 million. The operating margin of an expected 10.5% was thus above the most recently forecast margin of around 10%. This was due in particular to the good earnings performance in the fourth quarter of 2021, which closed with an operating margin of 16.4%, clearly exceeding the high prior-year figure of 13.7%. The capital market expected a margin of only 14.5% for the fourth quarter of 2021. The renewed improvement in profitability was mainly due to strict cost management and a favorable product mix. In addition, operating free cash flow in fiscal 2021 significantly exceeded expectations and was above the target range of 3% to 5% of sales.

Contents not reviewed by the auditor

Based on preliminary figures, consolidated sales in fiscal 2021 increased by €253 million year-on-year to €5,658 million. Comparable prior-year sales adjusted for discontinued operations in accordance with IFRS 5 were €5,405 million. With sales growth of around 4.7%, Rheinmetall fell slightly short of the full-year forecast published most recently, which still assumed sales increases of around 6%. The slowdown in sales development was mainly due to the limited availability of raw materials and semiconductor components, which led to reduced delivery call-offs by key customers, and partly to time lags in the international project business from Q4 2021 to Q1 2022. The final financial figures and a detailed report on business performance in 2021 and the outlook for fiscal 2022 were published on March 17, 2022.

On February 25, 2022, Rheinmetall informed the public of a dividend increase for 2021 to €3.30. On July 27, 2022, information was provided on an update to the annual sales forecast against the backdrop of the continuing high risks with regard to the development of global automotive production. Rheinmetall now expects organic sales growth in fiscal 2022 of around 15% to be at the lower end of the guidance range, which envisaged organic growth of between 15% and 20%. The earnings guidance was confirmed. Rheinmetall continues to expect an improvement in operating result and an operating margin of over 11% for fiscal 2022.

On November 13, 2022, Rheinmetall published the acquisition of the Spanish company Expal Systems S.A. as part of an ad hoc announcement. On this date, a joint venture was concluded with MaxamCorp. Holding S.L., Madrid, for the acquisition of all shares in Expal Systems S.A., Madrid, a globally renowned munitions manufacturer. With this acquisition, Rheinmetall aims to sustainably secure its core business in the field of weapons, ammunition and propulsion systems, focusing on expanding available production capacities and broadening its product portfolio.

In a dynamic market situation driven by the continuing rise in demand for military equipment in many countries, Rheinmetall is securing the fastest possible access to significant capacities with this acquisition. In view of the foreseeable high demand in many countries, Rheinmetall intends to position itself in the best possible way for expected new tenders for ammunition procurement. Of strategic importance in this context is Rheinmetall's access to production capacities for ammunition powder, for which bottlenecks have arisen in Europe. As the product ranges of the two companies complement each other well, the acquisition substantially strengthens Rheinmetall's existing range, particularly in the fast-growing market segment of artillery and mortar ammunition and mortar weapons. The acquisition rounds off Rheinmetall's broad portfolio with fuzes and rocket propulsion systems as well as medium-caliber ammunition and aircraft armament. Rheinmetall is also increasing its independence from suppliers in some primary products and ammunition components. Synergies in key areas, such as procurement and sales, are also expected to result in positive cost effects in the interests of customers. This acquisition creates a foothold for Rheinmetall in Spain and thus direct access to this key market. Expal Systems S.A. expects annual sales of around €400 million for fiscal 2022/2023. The company's total capacity amounts to possible annual sales of between €700 million and €800 million.

In an ad hoc announcement on January 6, 2023, Rheinmetall published consolidated sales of €6.4 billion for fiscal year 2022 based on preliminary and unaudited figures. This represented an increase of 13% compared with the previous year (€5,658 million [adjusted for discontinued operations in accordance with IFRS 5]). Taking into account exchange rate and M&A effects, organic sales growth was around 10%, which was below the communicated expectations of around 15%. In particular, these deviations resulted from advance services agreed with customers in the area of defence technology, the call-offs for which have been postponed until 2023. The slower recovery in global automotive production also contributed to weaker sales growth in the civil sector. According to initial estimates, Rheinmetall expected a record year for the operating result with growth of more than 20%. Rheinmetall thus increased its previous guidance for the operating margin from >11% to at least 11.5%.

Contents not reviewed by the auditor

As part of an ad hoc announcement on January 31, 2023, the Group published its intention to issue a convertible bond with a total volume of €1 billion. The bonds, which were offered exclusively to institutional investors in two tranches of equal size, will be used to raise a substantial part of the funds needed for the acquisition of Spanish munitions manufacturer Expal Systems announced in November. The transaction is expected to close in the summer of 2023. The same day, a further ad hoc announcement reported on the successful placement of the two convertible bonds with a total volume of €1 billion.

Rheinmetall AG publishes securities transactions subject to reporting requirements in the media required by law and on its website.

Contents not reviewed by the auditor

Disclosures required by takeover law

Explanatory report by the Executive Board in accordance with section 176(1) sentence 1 of the German Stock Corporation Act on disclosures required under takeover law in accordance with sections 289a(1) and 315a(1) of the German Commercial Code as of December 31, 2022.

Composition of the subscribed capital

The subscribed capital (share capital) of Rheinmetall AG amounted to €111,510,656 as of December 31, 2022 (previous year: €111,510,656), and was divided into 43,558,850 (previous year: 43,558,850) ordinary bearer shares with no nominal value (no-par value shares), each of which represented €2.56 of the share capital. The shares are fully paid. Different classes of shares do not exist. In accordance with Article 5(2) of the Articles of Association, no shareholder is entitled to a physical share certificate. The company is authorized to issue bearer share certificates that document several shares.

Shareholder rights and obligations

The same rights and obligations are attached to all shares, as set out in the German Stock Corporation Act, in particular sections 12, 53a et seq., 118 et seq. and 186. The shareholder is entitled to asset-related and administrative rights. Asset-related rights primarily include the right to a share in the profits under the terms of section 58(4) of the German Stock Corporation Act, the right to net liquidation assets following the dissolution of the company in accordance with section 271 of the German Stock Corporation Act and share subscription rights in the event of capital increases in accordance with section 186(1) of the German Stock Corporation Act.

Administrative rights comprise the right to attend the Annual General Meeting and the right to speak there, ask questions, submit motions and exercise voting rights. Any shareholder may enforce such rights, in particular through actions for information, avoidance or rescission.

Each share in Rheinmetall AG grants one vote at the Annual General Meeting. This does not include treasury shares held by the company in accordance with section 71b of the German Stock Corporation Act, which do not entitle the company to any rights, particularly any voting rights.

The Annual General Meeting elects shareholder representatives on the Supervisory Board as well as the auditor. It decides on the appropriation of net income and approval of the activities of the members of the Executive Board and Supervisory Board. The Annual General Meeting passes resolutions on the Articles of Association and the objective of the company, key corporate measures such as affiliation agreements and conversions, the issuing of new shares, convertible bonds and bonds with warrants and authorization to acquire treasury shares, as well as the performance of a special audit, the early removal of Supervisory Board members and the dissolution of the company.

Subject to other overriding legal provisions, the Annual General Meeting adopts its resolutions by means of a simple majority of votes cast and, where the law prescribes both a voting and shareholding majority, by means of a simple majority of the share capital represented in the passing of the resolution.

On March 30, 2022, the invitation to the Annual General Meeting of Rheinmetall AG on May 10, 2022, in Düsseldorf as a virtual Annual General Meeting without the physical presence of its shareholders or their authorized representatives was published in the electronic Federal Gazette.

There was a video and sound broadcast of the entire meeting via the Rheinmetall AG shareholder portal. Shareholders were able to exercise their voting rights via absentee ballots and electronic communication (in writing or electronically) or by issuing powers of attorney to company-appointed proxies. Up until midnight on May 8, 2022 (CEST), shareholders were given the opportunity to direct questions to the Supervisory Board and Executive Board about fiscal 2021 using electronic communication via the Rheinmetall AG shareholder portal.

Restrictions on voting rights and share transfer

The shares of Rheinmetall AG were not subject to any voting restrictions under the Articles of Association or legislation as of December 31, 2022. To the extent that Rheinmetall AG issues shares under its long-term incentive program to Executive Board members and other senior management staff, these shares are subject to a four-year lock-up period, although this ends automatically on retirement. As part of the employee participation program, eligible staff in Germany were offered Rheinmetall AG shares to purchase on preferential terms by way of a contribution by the respective employer company during the period under review. A lock-up period of two years after the end of the respective calendar year of participation applies to these shares.

In the case of acquisition of shares in defence technology companies in Germany, sections 60 et seq. of the German Foreign Trade and Payments Regulation allow the German government to prohibit foreign investors from acquiring 10% or more of the shares. This regulation aims to safeguard material security interests of the Federal Republic of Germany.

Shareholdings exceeding 10% of voting rights

In the year under review, the company did not receive any notifications from investors pursuant to sections 33 and 34 of the German Securities Trading Act (WpHG) stating that their shareholdings had risen above the threshold of 10%.

Shares with special rights conferring controlling privileges

None of the shares issued by Rheinmetall AG vest rights that confer special control privileges on their holders.

Type of voting control if employees have shareholdings and do not exercise their rights of control directly

To the extent that Rheinmetall AG issues shares under its long-term incentive program, these shares are directly transferred to these individuals subject to a resale lock-up period of four years. The lock-up period for shares under the employee share purchase program ends two years after the end of the respective calendar year of participation. The lock-up period ends automatically on retirement.

As with other shareholders, these beneficiaries are also able to directly exercise the rights of control to which they are entitled based on the transferred shares, subject to the provisions of the law and Articles of Association.

Appointment and removal of Executive Board members, amendments to the Articles of Association

The appointment and removal of the members of the Executive Board of Rheinmetall AG is based on sections 84 and 85 of the German Stock Corporation Act and section 31 of the 1976 German Codetermination Act in conjunction with Article 6 of the Articles of Association. Executive Board members are appointed by the Supervisory Board for a maximum of five years and may be reappointed or have their term of office renewed, for a maximum period of five years in each case.

The provisions of sections 179 et seq. of the German Stock Corporation Act apply to any amendment of the Articles of Association of Rheinmetall AG.

In accordance with Article 12 of the Articles of Association, amendments that affect only the version or wording of the Articles of Association with regard to the amount and utilization of authorized capital can be performed by the Supervisory Board without the passing of a resolution by the Annual General Meeting.

Executive Board authorizations to issue new shares and repurchase treasury shares

According to section 202 of the German Stock Corporation Act, the Annual General Meeting can authorize the Executive Board for a maximum period of five years to increase the share capital by issuing new shares in return for capital contributions. The authorized capital resolved at the Annual General Meeting on May 10, 2016 expired on May 9, 2021 and thus before the 2021 Annual General Meeting. This authorized capital was not utilized. The Annual General Meeting on May 11, 2021 authorized the Executive Board, with the approval of the Supervisory Board, to increase the company's share capital in the period up to the end of May 10, 2026, by issuing, once or several times, new no-par bearer shares in return for contributions in cash and/or in kind up to a maximum total of €22,302,080.00 (Authorized Capital 2021). The new shares can also be issued to employees of Rheinmetall AG or any subsidiary it controls. The disapplication of pre-emption rights that the Executive Board can resolve with the approval of the Supervisory Board is governed by Article 4(3) of the Articles of Association. Further information on treasury shares held by the company is provided in the notes to the consolidated financial statements under note (17).

The authorization resolved by the Annual General Meeting on May 10, 2016, to issue bonds with warrants and/or convertible bonds with rights or obligations for conversion into shares in the company with a total nominal value of up to €800,000,000.00 and to disapply pre-emption rights expired on May 9, 2021, without having been used. The same applied to the contingent capital of €20,000,000 that was also resolved at the Annual General Meeting on May 10, 2016. For the purpose of granting shares to the holders of bonds with warrants, convertible bonds, participation rights or income bonds issued on the basis of the authorization when bonds with warrants, convertible bonds, participation rights or income bonds are exercised or fulfilled, the company's share capital was contingently increased by up to €22,302,080.00 by issuing up to 8,711,750 new no-par bearer shares by resolution of the Annual General Meeting on May 11, 2021 (Contingent Capital 2021). The Annual General Meeting on May 11, 2021 authorized the Executive Board by way of resolution to issue bearer (i) convertible bonds, bonds with warrants or income bonds, (ii) participation rights that can also be combined with conversion rights or options or with conversion obligations, or (iii) combinations of these instruments (together referred to as "bonds") with or without a term limit, once or several times, with a total nominal value of up to €1,045,410,000.00 until May 10, 2026. In accordance with the more detailed provisions of the bond conditions, the respective bonds, which carry the same rights, may grant options or conversion rights for no-par bearer shares in the company representing a pro-rata amount of the share capital of up to €22,302,080.00, corresponding to around 20% of the share capital at the time of the resolution by the Annual General Meeting. The bonds may bear interest at a variable rate instead of a fixed rate, in which case the interest rate may also be fully or partly dependent on the amount of the company's dividend, as with an income bond. The disapplication of pre-emption rights that the Executive Board can resolve with the approval of the Supervisory Board arises from the authorization resolution of the Annual General Meeting on May 11, 2021.

The authorization to purchase and use treasury shares that was resolved at the Annual General Meeting on May 10, 2016 expired on May 9, 2021 and thus before the 2021 Annual General Meeting. In accordance with section 71(1) no. 8 AktG, the Annual General Meeting on May 11, 2021 authorized the Executive Board to purchase treasury shares in Rheinmetall AG representing up to 10% of the company's share capital until May 10, 2026 for any permissible purpose in line with the legal regulations (i) via the stock exchange, (ii) by way of a public bid directed at all shareholders, (iii) by way of a public invitation to submit offers for sale or (iv) by granting put options. The decisive figure for the company's share capital here is the lowest level either when the Annual General Meeting adopted the resolution on this authorization, when this authorization took effect or when this authorization was exercised. Together with other company shares that the company has already purchased and still owns or that are attributable to it, the shares purchased on the basis of this authorization must not account for more than 10% of the share capital at any time.

Significant agreements of the company subject to a change of control due to a takeover offer

The granting of extraordinary rights of termination in the event of a change of control is standard practice especially in long-term credit business.

In the case of the syndicated credit facility for €500 million, the contract provides for negotiations on the continuation of the loan, if more than half of the Rheinmetall AG shares are held directly or indirectly by one person or several persons acting in concert, or if the person or persons acting in concert fulfill the conditions for appointing members of the Supervisory Board. In the event of a change of control such as this, the lending banks may terminate the agreement in part or in full.

The “change of control” clause in the existing loan agreement with the European Investment Bank for €250 million provides for the possibility of negotiations on continuation of the loan, after which the loan is repaid early in full if more than half of the Rheinmetall AG shares are held directly or indirectly by one person or several persons acting in concert, or if the person or persons acting in concert fulfill the conditions for appointing members of the Supervisory Board (change of control). The European Investment Bank is not obligated to take part in any negotiations. In addition, a second loan of €80 million was disbursed by the EIB on December 1, 2022. The regulation on the change-of-control clause agreed here has identical content to the regulation for the first loan agreement for €250 million The contracts relating to the promissory note loans totaling €253 million outstanding as of December 31, 2022, which mature between 2024 and 2029, include an extraordinary right of termination in the event of a change of control.

No precautions have been taken against a public takeover bid, the successive acquisition of a controlling stake via share purchases on the stock markets or control being gained by buying blocks of shares.

Compensation arrangements of the company in the event of a change of control due to a takeover offer

There are no compensation arrangements with members of the Executive Board or employees in the event of a change of control due to a takeover offer.

Remuneration report

The remuneration report explains the remuneration systems for the Executive Board and Supervisory Board of Rheinmetall AG and reports on the level and structure of the remuneration for the executive bodies. To this end, the individual remuneration granted and owed to current and former members of the Executive Board and the Supervisory Board is disclosed. The remuneration granted and owed that is shown is the remuneration for which the underlying activity was fully completed as of the end of fiscal 2022. With the explanation of the remuneration system for the individual remuneration components, particular attention is paid to the transparency of the resulting remuneration and its promotion of the company's long-term development. The report is based on section 162 of the German Stock Corporation Act (AktG) and the recommendations and suggestions of the German Corporate Governance Code (GCGC) in the version dated April 28, 2022.

The remuneration report for fiscal 2021 was presented to the Annual General Meeting on May 10, 2022 in accordance with section 120a(4) of the German Stock Corporation Act (AktG) and approved by a clear majority of 91.09%. The very good voting result clearly shows that the fundamental structure, comprehensibility and transparency of last year's remuneration report met with a high level of acceptance among shareholders. It confirms that the Executive and Supervisory Boards of Rheinmetall AG can continue the report for fiscal 2022 in this proven form. Rheinmetall has also received individual criticism regarding the previous structure of Executive Board remuneration – in particular the duration of the performance measurement (performance period). This point of criticism has been eliminated with the design of the new remuneration system for Executive Board members, which was approved by the Annual General Meeting on May 11, 2021.

The remuneration report below can also be accessed using the following link: rheinmetall.com/annualreport. The current remuneration system for the Executive Board and the Supervisory Board is also available on Rheinmetall's website: rheinmetall.com/remunerationexecutiveboard. Beyond the requirements of section 162(3) AktG, an audit of the remuneration report was also conducted in a material respect by Deloitte GmbH Wirtschaftsprüfungsgesellschaft. The corresponding report on this audit can be accessed using the following link: rheinmetall.com/annualreport.

Review of fiscal 2022

After the coronavirus pandemic had calmed down, the armed conflict between Russia and Ukraine, a looming energy crisis and record inflation led to massive pressure on the capital markets in fiscal 2022. The DAX saw one of its worst six-month performances in the first half of the fiscal year. The index closed at 13,923 points on December 31, 2022, which equates to a loss of 12.3% since the start of the year. The MDAX made an even greater loss of 28.5% compared with the closing level as at December 31, 2021.

The Rheinmetall share escaped this negative trend and closed with a share price of €186.05 on December 31, 2022. This equates to a price rise of 124% compared with the closing price on December 31, 2021. This significant price increase was the result of growing demand for military equipment due to the Russia/Ukraine conflict and of the planned increase in defence spending in many European countries. In addition, the price of the Rheinmetall share increased in direct response to German Chancellor Olaf Scholz's announcement of a special fund of €100 billion to equip the German armed forces, which has since been implemented.

In the past fiscal year, Rheinmetall took appropriate measures both with strict cost control, active provisioning, and the mitigation of risks on the energy and procurement markets as measures to successfully counter the general trend of inflation and the continuing disruptions on the markets for raw materials and primary products. Not least in light of these timely decisions and the largely already implemented measures, organic sales growth of 10.3% and an improvement in operating result to an operating margin of 11.8 %were achieved in fiscal 2022. Operating free cash flow was €-152 million in fiscal 2022 and EBT was €711 million. The background to the negative operating free cash flow is Rheinmetall's business decisions as a result of the war in Ukraine. The lack of availability of raw materials and finished parts as well as the instability of global supply chains prompted Rheinmetall to increase its stockpiling of critical parts. Furthermore, Rheinmetall went into heavy pre-production in anticipation of customer demand, particularly with regard to required ammunition and military trucks.

In addition, the successor to the position of Chief Financial Officer on the Executive Board was arranged in fiscal year 2022. Dagmar Steinert was appointed to the Executive Board of Rheinmetall AG with effect from December 1, 2022. She succeeded Chief Financial Officer Helmut P. Merch, who retired at the end of 2022. This ensured a smooth handover of the CFO function. Helmut P. Merch has been a member of the Executive Board of Rheinmetall AG as Chief Financial Officer since the beginning of 2013. He has worked for Rheinmetall in a wide variety of management functions since 1982. In his 40 years with the company, he held management positions at former Rheinmetall subsidiaries, among others, prior to his appointment as CFO. Helmut P. Merch's achievements for the company were recognized by the Supervisory Board and Executive Board during his official retirement at the end of 2022.

Remuneration of the Executive Board

Remuneration of the Executive Board

Following the entry into effect of the German Act to Implement the Second Shareholder Rights Directive (ARUG II), the Supervisory Board resolved extensive amendments to the remuneration system for members of the Executive Board of Rheinmetall AG in calendar year 2021 and submitted the remuneration system to the Annual General Meeting on May 11, 2021 for approval under agenda item 7. The Annual General Meeting approved the remuneration system for members of the Executive Board by a significant majority of 92.61%. The new remuneration system has been in effect since January 1, 2022 and forms the basis for the remuneration granted and owed in fiscal year 2022. In the context of the validity of the new remuneration system, the employment contracts of all active Executive Board members were converted to this remuneration system.

The Executive Board remuneration at Rheinmetall AG firstly provides for remuneration not linked to performance (fixed remuneration), which consists of three components: the basic remuneration, fringe benefits and a company pension. Secondly, it includes performance-related remuneration (variable remuneration) comprising two components: the one-year short-term incentive (STI) and the long-term incentive (LTI). The remuneration system also includes further provisions such as penalty and clawback, share ownership guidelines, remuneration-related legal transactions and the handling of internal and external remuneration for mandates. An overview of the current structure of Executive Board remuneration is provided in the following chart.

Overview of the remuneration system

Fixed remuneration	Basic remuneration		• Annual salary paid in twelve monthly installments
Fixed remuneration	Fringe benefits		• Benefits in kind in the form of contributions to statutory social pension insurance (or any exempting life insurance in lieu) plus use of company car
Fixed remuneration	Pension plan		• Modular capital plan • Annual basic contribution of 16% of basic remuneration and STI on 100% target achievement • Plus any performance-based additional contribution (capped at 30% of the basic contribution) • Basic contribution and any performance-based additional contribution converted into capital component using a capitalization factor • Payment in the form of a life-long pension (retirement age is 65)
Variable remuneration	STI	Plan type	• Target bonus
Variable remuneration	STI	Performance period	• 1 year
Variable remuneration	STI	Performance targets	• 40% earnings before taxes (EBT) (0%-250% target achievement) • 40% operating free cash flow (OFCF) (0%-250% target achievement) • 20% non-financial/individual/collective targets (0%-250% target achievement)
Variable remuneration	STI	Payment	• In cash after end of each fiscal year (0%-250% target achievement)
Variable remuneration	LTI	Plan type	• Performance share plan
Variable remuneration	LTI	Performance period	• 4 years
Variable remuneration	LTI	Performance targets	• 40% relative TSR (0%-200% target achievement) • 40% ROCE (0%-200% target achievement) • 20% environmental, social and governance (ESG) (0%-200% target achievement) • Absolute share price performance including dividends via granting of virtual shares
Variable remuneration	LTI	Payment	• In cash after end of four-year performance period (0%-250% target achievement)
Penalty and clawback provisions			• Reduction of variable remuneration not yet paid out and clawback of variable remuneration already paid out in the event of compliance violations and incorrect consolidated financial statements (STI and LTI)
Share Ownership Guidelines (SOG)			• 200% of the annual gross basic remuneration for the CEO • 100% of the annual gross basic remuneration for the ordinary Executive Board members
Remuneration-related transactions			• Executive Board contracts are concluded for the duration of the appointment to the Executive Board and thus for a period of no more than five years • Severance payment cap: In the event of premature termination of an Executive Board member's contract, payments, including fringe benefits, must not exceed the equivalent of two annual remuneration payments and must not remunerate more than the remaining term of the contract
Remuneration for mandates			• Remuneration for mandates at affiliated companies counts towards basic remuneration; the Supervisory Board decides whether remuneration for mandates at non-affiliated companies will count

1. Principles of Executive Board remuneration

The remuneration for members of the Executive Board of Rheinmetall AG is geared towards sustainable and long-term corporate development. It thus makes a contribution to promoting the business strategy and to the long-term development of the company. It offers incentives for the value-creating and long-term development of the company. The members of the Executive Board are properly remunerated according to their sphere of activity and responsibility, taking into reasonable account both the personal performance of each and every Executive Board member as well as the economic situation and success of the company. The intention is to ensure that the remuneration is competitive on a national and international scale and thus creates incentives for dedicated and successful work.

1.1 Target total and maximum remuneration of members of the Executive Board

The Supervisory Board defines a target total remuneration for each Executive Board member, which is the sum of the fixed remuneration components (basic remuneration, fringe benefits and company pension) and variable remuneration components (STI and LTI in the event of 100% target achievement). The maximum total remuneration for each individual member of the Executive Board corresponds to the amount calculated from the sum of all remuneration components for the fiscal year in question, taking into account the defined maximum caps (STI and LTI at maximum target achievement in each case) on variable remuneration.

In addition, maximum remuneration in accordance with section 87a(1) sentence 2 no. 1 AktG has been defined for the sum of all remuneration components. This amounts to €8,000,000 for the Chairman of the Executive Board and €4,000,000 for each ordinary Executive Board member. The maximum remuneration relates to the sum of all payments resulting from the remuneration regulations for a fiscal year. If the sum of the payments from a fiscal year exceeds this defined maximum remuneration, then the remuneration component due to be paid out last (usually the LTI) is reduced. For an explanation of how the defined maximum remuneration of the Executive Board members was complied with, please refer to item 3.4.

1.2 Appropriateness of Executive Board remuneration

The Supervisory Board – with the support of the Personnel Committee – regularly reviews the appropriateness of the Executive Board remuneration, with the Supervisory Board receiving advice from an independent external remuneration expert.

The detailed examination of the Executive Board remuneration primarily includes a horizontal remuneration comparison, in which the level of the target and maximum remuneration received by the members of the Executive Board is compared with the usual remuneration for companies in the DAX and MDAX. This comparison took into account sales, number of employees, internationality and complexity of the Rheinmetall Group.

Secondly, a vertical comparison of remuneration is carried out regularly, analyzing the ratio of renumeration levels between the CEO, the ordinary Executive Board members, the three levels of management below the Executive Board and the pay-scale employees of the Rheinmetall Group in Germany, not only during the fiscal year but also over time.

2. Remuneration components in detail

The following section describes the remuneration components in detail and shows how the performance criteria and targets for variable remuneration were applied in fiscal 2022.

2.1 Basic remuneration

Each Executive Board member receives a basic remuneration not linked to performance, which is paid every month in twelve equal parts.

2.2 Fringe benefits

In addition to their basic remuneration, the Executive Board members receive fringe benefits. Fringe benefits include not only the reimbursement of reasonable expenses, but also subsidies for health and long-term care insurance and the provision of a company car that can also be used privately in accordance with current guidelines. Accident insurance is also taken out for each Executive Board member, which may also include a payment to heirs of the Executive Board member in the event of his/her death. The tax burden resulting from these fringe benefits is borne by the respective Executive Board member.

2.3 Company pension plan

Executive Board members receive a company pension in the form of a modular capital plan. They receive an annual basic contribution of 16% of the respective basic remuneration and 100% of the target amount of the STI. The basic contribution may also be supplemented by a performance-related additional contribution. The additional contribution is capped with an upper limit equal to 30% of the basic contribution.

The basic contribution and, if applicable, performance-related additional contribution are converted annually to a capital component with a capitalization factor linked to the benefits age. The sum of the capital components acquired in the past few calendar years yields the total pension capital. The total pension capital is converted to a lifelong pension when benefits become due. The retirement age is 65.

For Executive Board members who had acquired pension claims before January 1, 2014 or were previously a member of the Executive Board of Rheinmetall Automotive AG, a transitional regulation applies. The average defined benefit for these Executive Board members is 27.5% of the respective basic remuneration and the respective 100% target amount of the STI before retirement. The retirement age is 63. The expenses and present values of the pension obligations for Executive Board members active in fiscal 2022 are shown below:

Executive Board pensions in accordance with IAS 19

	Expenses in fiscal year					
	Total[2]		Of which interest payable		Settlement amount of pension obligation as of December 31[3]	
€ '000	2022	2021	2022	2021	2022	2021
Armin Papperger from January 1, 2013[1]	1,060	1,552	156	91	9,488	13,807
Helmut P. Merch from January 1, 2013	-	-	107	66	7,466	9,435
Peter Sebastian Krause from January 1, 2017	567	787	59	33	4,106	5,236
Dagmar Steinert from December 1, 2022	7	-	-	-	7	-
Total	**1,634**	**2,339**	**322**	**190**	**21,067**	**28,479**

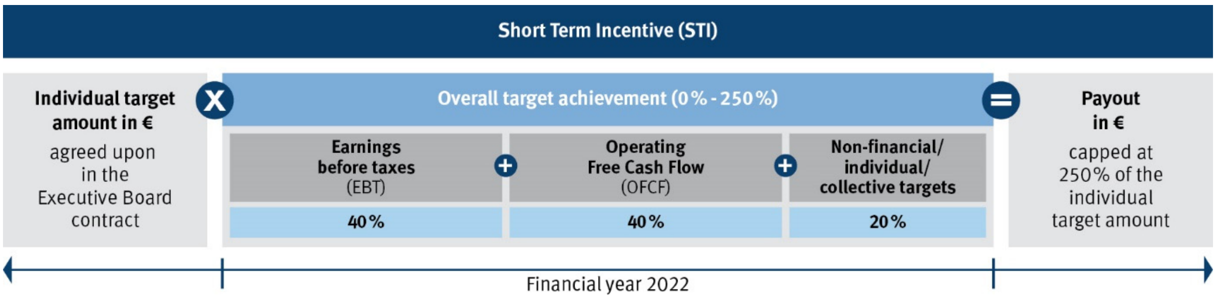
[1] Member of the Executive Board since January 1, 2012
[2] The increase in the interest rate from the end of 2020 (0.68%) to the end of 2021 (1.13%) resulted in a reduction in service cost in 2022. At the same time, interest costs have increased. This trend will continue in 2023 due to the further rise in the relevant interest rate (3.74%).
[3] Refers to the amount of the cumulative pension obligations measured at the respective balance sheet date. Depending on the Executive Board member, the provisions have been recognized since they joined the Executive Board and thus over a long period.

2.4 Short-term incentive (STI)

The remuneration system provides for a one-year STI, the level of which depends on an individual target amount in euros agreed in the Executive Board employment contracts and on the achievement of financial and non-financial targets. The STI for fiscal 2022, which is to be disclosed in fiscal 2022 as remuneration granted and owed, corresponds to the remuneration system presented to and approved by the Annual General Meeting on May 10, 2021. The two key performance indicators earnings before taxes (EBT) and operating free cash flow (OFCF) are taken into account as financial targets, each with a weighting of 40%. EBT is particularly well-suited for assessing the economic success of the Rheinmetall Group's operational entities. In addition, OFCF is used as a key figure to ensure liquidity and entrepreneurial flexibility.

There is also a component that takes into account non-financial, individual and further collective targets with a weighting of 20% in the STI. The underlying targets are determined by the Supervisory Board for the respective fiscal year. The weighted total of the target achievements across the financial and non-financial/individual/collective component targets results in the overall target achievement.

Structure of the STI



For each financial target, a target figure is determined each year on the basis of operating planning, with a linear calculation made between the target achievement levels shown below.

Target achievement is capped at 2.5 times the target value, with this figure being achieved with a +20% target overachievement (maximal target fulfillment). If the target achievement is -20% or lower (minimal target achievement), the STI for the fiscal year in question is €0. The table below shows the specific target achievement levels depending on the deviation from the target value, with target achievements between the key figures shown being determined using linear interpolation.

Degree of achievement of agreed annual targets			STI payment
≥	20 %	under agreed targets	0%
	10 %	under agreed targets	50%
	100 %	of agreed targets	100%
	10 %	over agreed targets	150%
	15 %	over agreed targets	200%
≥	20 %	over agreed targets	250%

The table below shows the respective targets for earnings before taxes and operating free cash flow, the figures actually achieved in fiscal 2022 and the resulting target achievement levels that are relevant for calculating the payment amount from the STI. Target achievement is determined in each case by comparing the actual value with the target value and applying the levels shown above.

Achievement financial targets STI

	Target value	Actual value	Achievement
	€ million	€ million	%
Earnings before taxes	606	712	224.0
Operating free cashflow	248	(152)	0%

For fiscal 2022, the Supervisory Board set the following non-financial and collective targets for the Executive Board members and identified target achievements levels that are relevant for calculating the payment amount from the STI:

Achievement non-financial targets STI

Target	Explanation of achievement	Achievement	Weighting
%			
Photovoltaic plant and pilot plant for the production of green hydrogen in South Africa for CO_2 reduction	The goal of “Project planning for a photovoltaic plant in South Africa” was achieved with great success. Despite the exponential global increase in demand for solar panels, they were procured ahead of schedule and under budget. The budget could thus be used to implement the energy feed-in into the South African power grid. The ROI of ‹10.2 years required for maximum target achievement was reduced to ‹10 years. The project planning phase has been completed and the implementation phase has started. Moreover, the target for maximum achievement of the goal of “Project planning for a pilot system for the production of green hydrogen” has been exceeded. The project has been implemented and a roadworthy truck with the pilot system is already in use.	250.0	50.0
Compliance/ ICS in Hungary	The goal of “Establishing a Rheinmetall-specific compliance structure for activities in Hungary” was successfully achieved in full and on time. A dedicated compliance risk analysis of the Hungarian business, detailed planning for a suitable support concept based on this, the implementation of compliance support in Hungary and the anchoring of ICS processes and ICS implementation were carried out.	250.0	50.0
Overall target achievement non-financial targets		**250.0**	**100.0**

The individual payment amounts for the Executive Board members shown below are derived from the target achievements presented.

Payment amount STI

	Target amount	Target achievement non-financial targets (20%)	Target achievement EBT (40%)	Target achievement OFCF (40%)	Overall target achievement	Payment amount
	€ '000	%	%	%	%	€ '000
Armin Papperger	864	250.0	224.0	0%	139.6	1,206
Helmut P. Merch	475	250.0	224.0	0%	139.6	663
Peter Sebastian Krause	360	250.0	224.0	0%	139.6	503
Dagmar Steinert[1]	35	250.0	224.0	0%	139.6	49

[1] since December 1, 2022; target amount corresponds to 1/12 of the corresponding annual value of €420 ‘000.

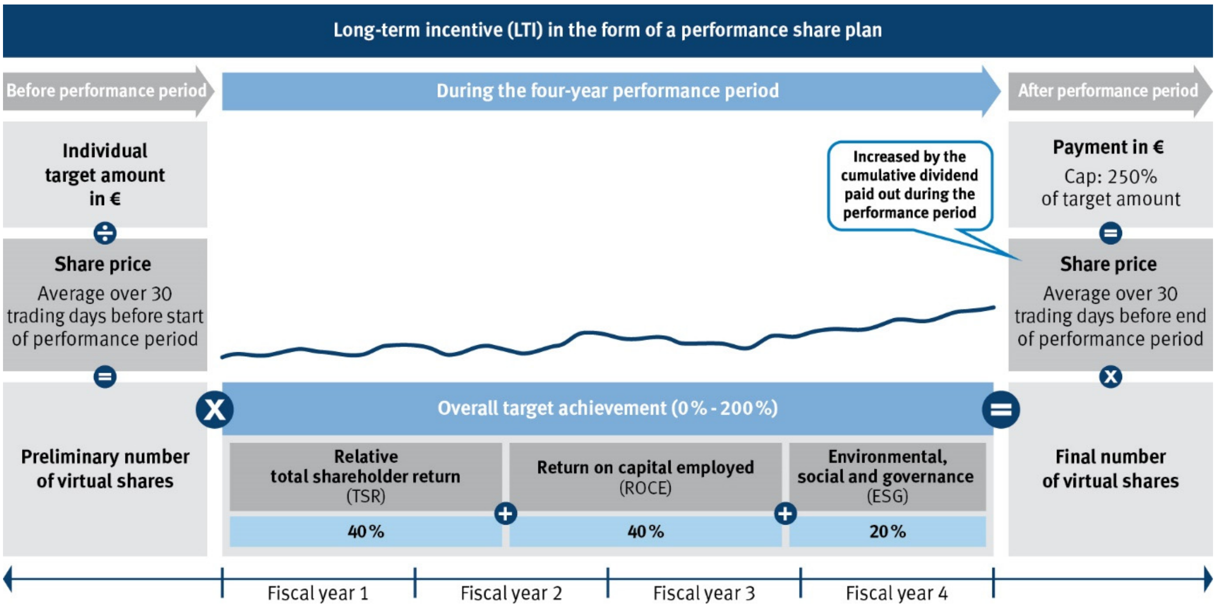
Following approval of the financial statements by the Supervisory Board, the resulting payment amount for the STI is transferred to the relevant Executive Board member with the next salary statement.

2.5 Long-term incentive (LTI)

The Executive Board remuneration system makes a significant contribution to promoting the business strategy and sets incentives for the Executive Board that serve the sustainable and long-term development of Rheinmetall. To this end, Executive Board members are allocated an annual LTI in the form of a performance share plan, i.e. on the basis of virtual shares, each with a four-year term or performance period. The Executive Board members received an allocation from the performance share plan for the first time for fiscal year 2022. The allocation corresponds to the remuneration system presented to and approved by the Annual General Meeting on May 10, 2021. As the four-year performance period does not end until fiscal 2025, the 2022 tranche is not to be disclosed as remuneration granted and owed until fiscal 2025. For reasons of transparency, however, the operating principle and allocation amounts for each Executive Board member are reported below.

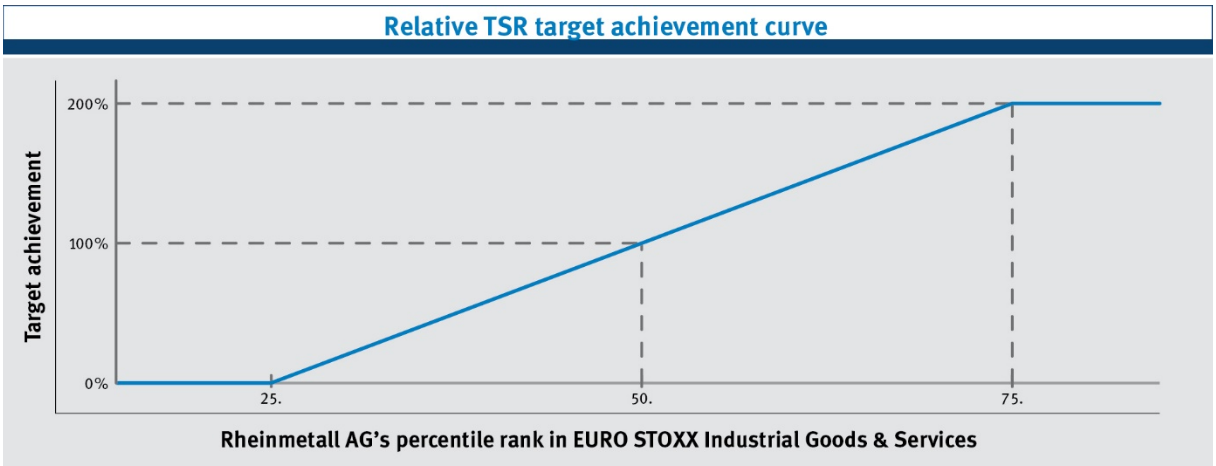
At the beginning of each fiscal year, the Executive Board members are allocated a new tranche of virtual shares under the performance share plan. An individual target amount corresponding to 100% target achievement has been agreed in the Executive Board employment contracts. The individual target amount is divided by the average closing price of Rheinmetall shares over the last 30 stock market trading days prior to the start of the performance period to obtain a preliminary number of virtual shares. At the end of the four-year performance period, the final number of virtual shares is determined based on the weighted target achievement of the three additively linked performance targets – relative total shareholder return (TSR) with a 40% weighting, return on capital employed (ROCE) with a 40% weighting and environmental, social and governance (ESG) with a 20% weighting. At the end of the performance period, the final number of virtual shares is multiplied by the sum of the average closing price of Rheinmetall shares over the last 30 stock market trading days before the end of the four-year performance period and the cumulative dividend paid out during the performance period (dividend equivalent) to determine the final payment amount. This is paid out in cash to the Executive Board members at the end of the four-year performance period and is limited to a maximum of 250% of the individual target amount (cap). The payment amount can therefore be between 0% and 250% of the original target amount.

Structure of the LTI



The first performance target of the LTI is the company's relative TSR over the four-year performance period. Rheinmetall AG's TSR is compared with the EURO STOXX Industrial Goods & Services companies. The TSR is the share price performance plus notional reinvested gross dividends during the four-year performance period. The start and end values for determining the TSR of Rheinmetall and the peer companies are based on the average value of the last 30 stock market trading days before the beginning and before the end of the respective four-year performance period. To determine the relative TSR, the TSR values (over four years) of all companies including Rheinmetall AG are placed in order and assigned to percentiles. If the TSR of the Rheinmetall share is in the 50th percentile (median), target achievement is 100%. If the TSR is in or below the 25th percentile, target achievement is 0%. If the TSR is in the 75th percentile, target achievement is 200%. Positioning above the 75th percentile does not result in any further increase in target achievement. Between the 25th and 75th percentiles, target achievement is calculated using linear interpolation.

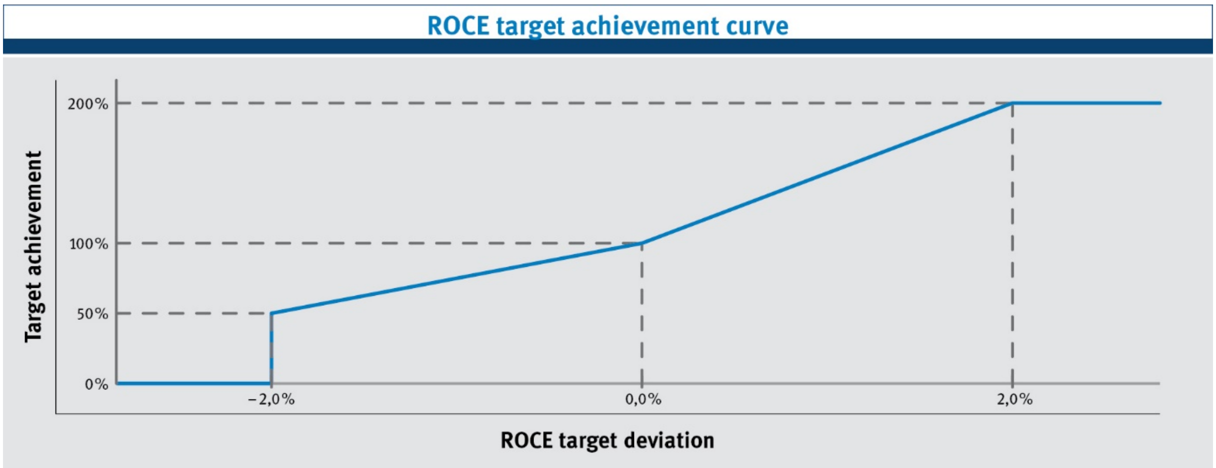
Target achievement curve relative to TSR



The second performance target of the LTI is the Rheinmetall Group's return on capital employed (ROCE), which corresponds to the ratio of EBIT to average capital employed. The ROCE actually achieved is determined annually on the basis of the Rheinmetall consolidated financial statements. Subsequently, the average ROCE during the four-year performance period is calculated, i.e. for the 2022 installment, the ROCE actually achieved in fiscal years

2022, 2023, 2024 and 2025 is decisive. To determine target achievement, average ROCE is compared with an ambitious target value set by the Supervisory Board based on the strategic plan. If the average ROCE actually achieved corresponds exactly to the target value, target achievement is 100%. If the average ROCE is exactly 2 percentage points below the target value, target achievement is 50%. If the average ROCE is 2 percentage points below the target value, target achievement is 0%. If the average ROCE is 2 percentage points or more above the target value, target achievement is 200%. If the target achievement of 200% is reached, further increases in the ROCE actually achieved do not lead to any further increase in target achievement. Between the above points, target achievement is calculated using linear interpolation.

ROCE target achievement curve



The third performance target is formed by the Environmental, Social and Governance (ESG) targets. The ESG targets set incentives for sustainable corporate development, promote the implementation of Rheinmetall's sustainability strategy and take into account the business' impact on the environment. For the annual determination of the relevant and measurable ESG targets, the Supervisory Board is guided by a catalog of criteria defined in advance. For each tranche, other criteria or targets can be selected from the catalog of criteria, the achievement of which is measured during the four-year performance period and, analogously to the financial targets, can range from 0% to 200% per ESG target. The ESG targets for the 2022 LTI tranche are listed below:

LTI Tranche 2022: ESG targets

LTI Tranche 2022: ESG targets

- Reduction of CO_2 emissions in Scope 1 and 2 in the Rheinmetall Group
- Safety at the workplace/health: annual reduction of lost time incident rate (LTIR)

Performance Share Plan Tranche 2022

	Target value	Starting price Rheinmetall share	Number of shares allotted
	€ '000	€	
Armin Papperger	1,650	82.04	20,112
Helmut P. Merch	825	82.04	10,056
Peter Sebastian Krause	578	82.04	7,039
Dagmar Steinert[1]	69	82.04	838

[1] since December 1, 2022; target amount corresponds to 1/12 of the corresponding annual value of €825 '000

2.6 Malus and clawback

To further ensure the sustainable successful development of the company and the appropriateness of Executive Board remuneration, the STI and LTI are subject to penalty and clawback regulations. If, after payment of the performance-related variable remuneration (STI and LTI), it transpires that the consolidated financial statements were incorrect, the Supervisory Board may demand partial or full repayment of variable remuneration already paid out (performance clawback). The amount of the claim for repayment shall be determined on the basis of the corrected and audited consolidated financial statements. The fault of the Executive Board member is irrelevant in this case.

If a member of the Executive Board intentionally violates the Code of Conduct, the compliance guidelines or a significant contractual obligation, or commits significant breaches of their duty of care as defined in section 93 AktG, the Supervisory Board may also, at its reasonable discretion, reduce to zero any variable remuneration not yet paid out (compliance penalty) and demand the return of any variable remuneration already paid out (compliance clawback). The obligation of the Executive Board member to pay damages to the company in accordance with section 93(2) AktG, the right of the company to revoke the appointment in accordance with section 84 AktG and the right of the company to terminate the Executive Board member's employment contract for cause (section 626 BGB) remain unaffected by the clause.

There were no circumstances either in fiscal 2022 or in fiscal 2021 that would have justified withholding or reclaiming the variable remuneration under the penalty and clawback provisions.

2.7 Share ownership guidelines (SOG)

To further align the interests of the Executive Board and shareholders, the Executive Board members are required to make a significant personal investment in Rheinmetall shares. The Executive Board members are accordingly required to invest an amount equivalent to 200% of the annual gross basic remuneration in the case of the Chair of the Executive Board, and 100% of the annual gross basic remuneration in the case of the ordinary Executive Board members, in Rheinmetall shares and to hold these shares until the end of their Executive Board activity. The respective necessary shareholding must be accumulated within four calendar years, i.e. by December 31, 2025 by Armin Papperger, Helmut P. Merch and Peter Sebastian Krause and by December 31, 2026 by Dagmar Steinert.

2.8 Payments in the event of premature termination of the Executive Board contract

In the event that either the company or the Executive Board member does not wish to be reappointed or the Supervisory Board recalls the Executive Board member, it may be agreed that the Supervisory Board releases the Executive Board member from their service obligation while otherwise continuing to apply the contract. Ordinary termination of the employment contract of the Executive Board is excluded. It is possible, however, for both the Executive Board member concerned and the company to terminate the contract for cause. Automatic termination is also stipulated in the event that the Executive Board member becomes permanently unable to work during the term of their contract. The Executive Board contracts stipulate that the contract shall end automatically at the latest at the end of the month in which the Executive Board member reaches the standard retirement age under the statutory pension scheme or at the time when they draw a statutory retirement pension before reaching the standard retirement age.

In the event of termination of an Executive Board employment contract, any outstanding variable remuneration components attributable to the period up to termination of the contract are paid out in accordance with the originally agreed targets and comparison parameters and in accordance with the due dates or holding periods specified in the contract.

The remuneration system also provides for a severance payment cap. Under this, payments to an Executive Board member that are agreed upon with the member concerned in the event of premature termination without cause of the Executive Board contract, including fringe benefits, must not exceed the value of two annual remuneration payments and must not remunerate more than the remaining term of the Executive Board member's contract.

The Executive Board contracts do not provide for any special arrangements for a severance payment in the event of a change of control.

2.9 Remuneration for mandates

The Executive Board remuneration covers all activities for the company and for services performed with the company in accordance with sections 15 et seq. of the German Stock Corporation Act. If remuneration is agreed for mandates at affiliated companies, this is offset against the basic remuneration. For mandates at companies that are not affiliated companies or for functions in associations or similar groups to which the company or one of its affiliated companies belongs, the Supervisory Board decides on setting-off.

In fiscal 2022, the Executive Board members held the following mandates at affiliated and non-affiliated companies:

Members of the Executive Board and mandates of the Executive Board members

	Position/area	Appointments	Membership in Supervisory Boards
Armin Papperger **Engineering graduate**	Chairman	January 1, 2012, to December 31, 2026	Rheinmetall Automotive AG[1] Chairman
Born 1963 Nationality | German			The Dynamic Engineering Solution Pty Ltd Deputy Chairman of the Supervisory Board
			Rheinmetall MAN Military Vehicles GmbH[1] Chairman
			Rheinmetall Landsysteme GmbH[1] Chairman
Helmut P. Merch **Business graduate**	CFO	January 1, 2013, to December 31, 2022	Rheinmetall Automotive AG[1]
Born 1956 Nationality | German	Finance and Controlling		4iG Nyrt.
			ElringKlinger AG
Peter Sebastian Krause **Lawyer**	Director of Industrial Relations	January 1, 2017, to December 31, 2024	Rheinmetall Electronics GmbH[1]
Born 1960 Nationality | German	Human Resources		Rheinmetall Landsysteme GmbH[1]
			Rheinmetall Waffe Munition GmbH[1]
Dagmar Steinert **Business graduate**	CFO	December, 1, 2022 to November 30, 2025	ZF Friedrichshafen AG[2]
Born 1964 Nationality | German	Finance and Controlling		

[1] Internal mandates
[2] Up to March 31, 2023

2.10 Third-party payments

In fiscal 2022, no Executive Board member received payments from a third party with regard to their work as an Executive Board member.

3. Itemized total remuneration for 2022

3.1 Target remuneration for fiscal 2022

In order to ensure transparent reporting of Executive Board remuneration, the table below first shows the contractually agreed target amounts of the individual remuneration components for each active Executive Board member, plus the expenses for fringe benefits and the company pension. The target amount for the STI or LTI reflects the contractually regulated STI or LTI target amount in the case of 100% target achievement.

Contractual target remuneration

	Armin Papperger		Helmut P. Merch		Peter Sebastian Krause		Dagmar Steinert	
	CEO since January 1, 2013[1]		Member of the executive board since January 1, 2013		Member of the executive board since January 1, 2017		Member of the executive board from December 1, 2022[2]	
	2022	2021	2022	2021	2022	2021	2022	2021
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Basic remuneration	1,296	1,296	713	713	540	540	630	-
Fringe benefits	25	34	18	26	36	-	46	-
Total fixed remuneration	**1,321**	**1,330**	**731**	**738**	**576**	**540**	**676**	**-**
Short-term variable remueration (STI)								
STI 2020	-	864	-	475	-	360	-	-
STI 2021	864	-	475	-	360	-	420	-
Long-term variable remuneration (LTI)								
LTI tranche 2020								
thereof cash portion	-	900	-	450	-	402	-	-
thereof equity share	-	750	-	375	-	335	-	-
LTI tranche 2021	-	-	-	-	-	-	-	-
thereof cash portion	1,650	-	825	-	578	-	825	-
thereof equity share	-	-	-	-	-	-	-	-
Total	**3,835**	**3,844**	**2,031**	**2,038**	**1,514**	**1,637**	**1,921**	**-**
Pension contribution	1,210	1,210	190	190	646	646	168	-
Total (including pension contribution)	**5,045**	**5,053**	**2,221**	**2,228**	**2,159**	**2,283**	**2,089**	**-**

[1] Member of the Executive Board since January 1, 2012
[2] Target remuneration on a full-year basis

3.2 Remuneration granted and owed in fiscal 2022 – Executive Board members active in fiscal 2022

The table below discloses the remuneration granted and owed in accordance with section 162 AktG both in the fiscal year under review and in the previous year. In addition, the expenses in accordance with IAS 19 for the company pension plan in the respective fiscal year are shown (pension expenses).

In accordance with the vesting-based interpretation, the expected payment amounts of the STI allocation for fiscal 2022 are shown in the 2022 remuneration report, as the underlying activity for the remuneration has already been fully completed at the end of fiscal 2022. The relevant results for determining the target achievement levels can already be determined as of the end of fiscal 2022, although the actual payment will not take place until the following year, i.e. in fiscal 2023. No remuneration granted and owed is yet reported for the 2022 LTI tranche, as target achievement and the potential payout amount can only be made after the end of the four-year performance period and will then also be reported according to the vesting-based interpretation.

Paid and owed remuneration for members of the executive board active in financial year

	Armin Papperger			Helmut P. Merch			Peter Sebastian Krause			Dagmar Steinert		
	CEO since January 1, 2013[1]			Member of the executive board since January 1, 2013			Member of the executive board since January 1, 2017			Member of the executive board from December 1, 2022		
	2022	2022	2021	2022	2022	2021	2022	2022	2021	2022	2022	2021
	€ '000	%	€ '000	€ '000	%	€ '000	€ '000	%	€ '000	€ '000	%	€ '000
Basic remuneration	1,296	51	1,296	713	66	713	540	50	540	53	48	-
Fringe benefits	25	1	34	18	1	26	36	3	36	3	3	-
Total	**1,321**	**52**	**1,330**	**731**	**66**	**738**	**576**	**53**	**576**	**56**	**51**	**-**
Short-term variable remueration (STI)										-		-
STI 2021	-	-	1,615	-	-	888	-	-	784	-	-	-
STI 2022	1,206	48	-	663	34	-	503	-	-	49	49	-
Long-term variable remuneration (LTI)										-		-
LTI tranche 2021												
thereof cash portion[2]	-	-	900	-	-	450	-	-	300	-	-	-
thereof equity share	-	-	750	-	-	375	-	-	250	-	-	-
Total of paid and owed remuneration	**2,527**	**100**	**4,595**	**1,394**	**100**	**2,451**	**1,079**	**100**	**1,910**	**104**	**100**	**-**
Pension expenses	1,060	-	1,552	-	-	-	567	-	787	7	-	-
Total remuneration	**3,587**	**-**	**6,146**	**1,394**	**-**	**2,451**	**1,645**	**-**	**2,698**	**111**	**-**	**-**

[1] Member of the Executive Board since January 1, 2012

[2] Under the previous remuneration system, the 2021 LTI tranche was already paid out partly in cash after the end of fiscal 2021 and partly in shares with a four-year lock-up period. The performance period of the 2021 LTI was completed at the end of fiscal year 2021. The payment amount is therefore reported as remuneration granted and owed in fiscal 2021, as the underlying activity for the remuneration was already completed by the end of fiscal 2021.

3.3 Remuneration granted and owed in fiscal 2022 – former Executive Board members

The remuneration granted and owed in fiscal 2022 to former Executive Board members who were active within the past ten years is shown below. Mr. Jörg Grotendorst received his basic remuneration of €50,000 per month until the end of his contract term, December 31, 2022.

Paid and owed remuneration of former members of the executive board

	Jörg Grotendorst	Horst Binnig	Klaus Eberhardt
	Leaving date Dezember 31, 2022	Resignation date Dezember 31, 2019	Resignation date Dezember 31, 2012
	2022	2022	2022
	€ '000	€ '000	€ '000
Basic remuneration	600	-	-
Pension payments	-	213	433
Total	**600**	**213**	**433**

Eight former Executive Board members who have not been active in the last ten years received pension payments totaling €1,114 thousand.

3.4 Compliance with the maximum remuneration in accordance with section 87a(1) sentence 2 no. 1 AktG

The maximum remuneration in accordance with section 87a(1) sentence 2 no. 1 AktG shall include all remuneration components allocated for fiscal 2022. The maximum remuneration for fiscal 2022 therefore also includes the 2022 performance share plan tranche, although the amount paid out will not be known until the end of the 2025 financial year. This means that the sum of all remuneration components allocated for fiscal 2022 can only be determined after the end of fiscal 2025. In principle, the appropriateness of the possible payment amounts is ensured by limiting the STI and LTI payments in each case to a maximum of 250% of the individual target amount.

If the sum of the payments from a fiscal year exceeds this defined maximum remuneration, then the remuneration component due to be paid out last (usually the LTI) is reduced.

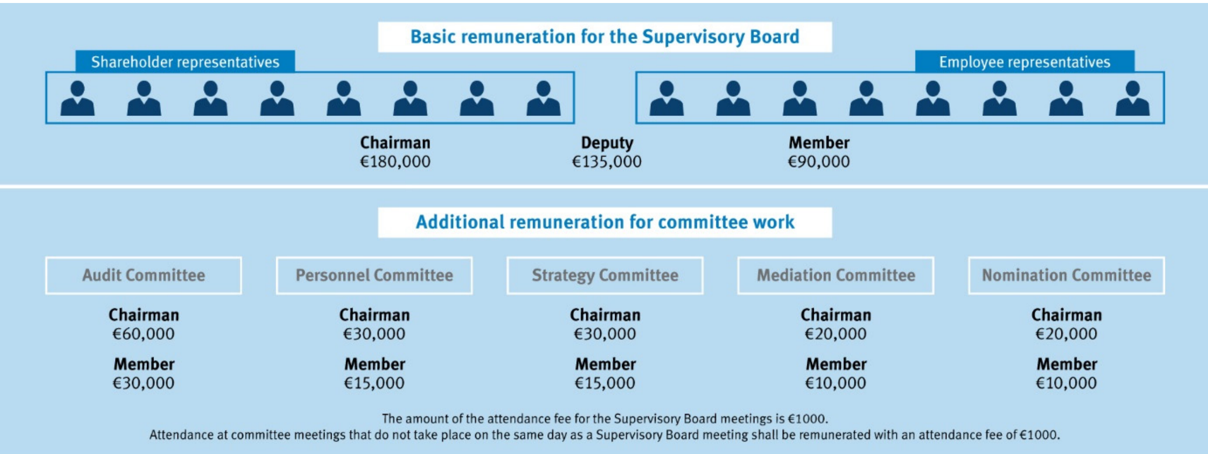
Remuneration of the Supervisory Board

Remuneration of the Supervisory Board

In accordance with section 113(3) sentence 1 AktG, the annual general meeting of a listed company must resolve on the remuneration and the remuneration system for the members of the Supervisory Board at least every four years. On May 11, 2021, Rheinmetall AG's Annual General Meeting approved the Supervisory Board remuneration regulation put to the vote under agenda item 8 with a clear majority of 99.75%. The aim of the remuneration is to strengthen the independence of the Supervisory Board as a supervisory body and to take into account the function-specific time burdens and responsibilities. This is achieved through the highlighted remuneration for the Chair and Vice Chair of the Supervisory Board and the additional remuneration for work on committees.

The remuneration regulations for the Supervisory Board applicable for fiscal 2022 are set out in Article 13 of the Articles of Association of Rheinmetall AG and are shown in the diagram below:

Remuneration of the members of the Supervisory Board and its committees



In addition to fixed remuneration and committee remuneration, Supervisory Board members receive a meeting attendance fee. The attendance fee for Supervisory Board meetings is €1,000. The attendance fee for committee meetings that are not held on the same day as a Supervisory Board meeting is €1,000. Supervisory Board and committee members who belonged to the Supervisory Board or a committee for only part of the fiscal year receive remuneration on a pro rata temporis basis. In addition, Rheinmetall reimburses Supervisory Board members for expenses incurred for Supervisory Board meetings upon request.

Each member of the Supervisory Board – with the exception of the employee representatives – is required to deploy 25% of the fixed remuneration paid for acquiring shares in the company and to hold the shares for the length of the membership in the Supervisory Board. Compliance with the holding obligation is to be demonstrated to the company. The aforementioned obligation to buy shares does not apply to remuneration that has not yet been paid at the time of departure from the Supervisory Board. The claim to the part of the remuneration referred to in Article 13(6) sentence 1 of the Articles of Association does not apply retroactively if the member of the Supervisory Board partly or fully sells or loans the acquired shares before his departure from the Supervisory Board.

The Supervisory Board members are covered by any directors' and officers' liability insurance that has been taken out by the company in its own interests in an appropriate amount and with an appropriate deductible for members of management bodies and certain other managers. The premiums for this are paid by the company.

The shareholder representatives on the Supervisory Board in office as of December 31, 2022 received the following remuneration for fiscal 2022:

Compensation granted and owed (earnings-oriented interpretation) to shareholders in office on the Supervisory Board as of December 31, 2022

		Fixed remuneration		Committee remuneration		Attendence fee		Total renumeration
		€	%	€	%	€	%	€
Ulrich Grillo	2022	180,000	54.4	130,000	39.3	21,000	6.3	331,000
Chairman of the Supervisory Board	2021	160,000	53.6	120,000	40.2	18,500	6.2	298,500
Prof. Dr. Dr. h.c. Sahin Albayrak	2022	90,000	77.6	15,000	12.9	11,000	9.5	116,000
	2021	51,507	78.4	9,658	14.7	4,500	6.9	65,665
Dr.-Ing. Dr.-Ing. E. h. Klaus Draeger	2022	90,000	78.3	15,000	13.0	10,000	8.7	115,000
	2021	80,000	75.5	15,000	14.2	11,000	10.4	106,000
Prof. Dr. Andreas Georgi	2022	90,000	57.0	52,836	33.5	15,000	9.5	157,836
	2021	80,000	50.3	61,438	38.7	17,500	11.0	158,938
Dr. Britta Giesen	2022	90,000	77.6	15,000	12.9	11,000	9.5	116,000
	2021	51,507	77.3	9,658	14.5	5,500	8.3	66,665
Prof. Dr. Susanne Hannemann	2022	90,000	59.1	49,397	32.4	13,000	8.5	152,397
	2021	80,000	70.2	20,000	17.5	14,000	12.3	114,000
Louise Öfverström[1]	2022	58,192	68.8	19,397	22.9	7,000	8.3	84,589
	2021	-	-	-	-	-	-	-
Klaus-Günter Vennemann[2]	2022	90,000	81.8	10,000	9.1	10,000	9.1	110,000
	2021	80,000	79.6	10,000	10.0	10,500	10.4	100,500

[1] Since May 10, 2022
[2] One attendance fee from 2021 settled in 2022 (+ €1 ‘000)
Figures exclude value-added tax

The employee representatives on the Supervisory Board in office as of December 31, 2022 received the following remuneration for fiscal 2022:

Compensation granted and owed (earnings-oriented interpretation) for employee representatives on the Supervisory Board in office as of December 31, 2022

		Fixed remuneration		Committee remuneration		Attendence fee		Total renumeration
		€	%	€	%	€	%	€
Dr. Daniel Hay[1]	2022	135,000	61.4	70,000	31.8	15,000	6.8	220,000
Deputy chairman of the Supervisory Board	2021	120,000	60.8	60,000	30.4	17,500	8.9	197,500
Ralf Bolm[1]	2022	90,000	67.7	30,000	22.6	13,000	9.8	133,000
	2021	80,000	70.2	20,000	17.5	14,000	12.3	114,000
Murat Küplemez[1,2]	2022	58,192	90.7	-	-	6,000	9.3	64,192
	2021	-	-	-	-	-	-	-
Dr. Michael Mielke	2022	90,000	90.9	-	-	9,000	9.1	99,000
	2021	80,000	87.9	-	-	11,000	12.1	91,000
Reinhard Müller[1]	2022	90,000	68.0	28,260	21.4	14,000	10.6	132,260
	2021	80,000	66.9	25,000	20.9	14,500	12.1	119,500
Dagmar Muth[1,3]	2022	90,000	72.9	21,466	17.4	12,000	9.7	123,466
	2021	80,000	76.9	15,000	14.4	9,000	8.7	104,000
Barbara Resch[1]	2022	90,000	90.9	-	-	9,000	9.1	99,000
	2021	80,000	89.9	-	-	9,000	10.1	89,000
Sven Schmidt[1]	2022	90,000	59.6	45,000	29.8	16,000	10.6	151,000
	2021	80,000	64.4	29,658	23.9	14,500	11.7	124,158

[1] These employee representatives in the Supervisory Board and the trade union representatives in the Supervisory Board have declared that they will transfer most of their remuneration to the Hans Böckler Foundation in accordance with the trade union regulations.
[2] Since May 10, 2022
[3] Two attendance fees from 2021 settled in 2022 (+ €2 ‘000)
Figures exclude value-added tax

The Supervisory Board members who left in 2022 and who had represented the shareholders received the following remuneration:

Compensation granted and owed to shareholders who left the Supervisory Board in fiscal year 2022

		Fixed remuneration		Committee remuneration		Attendence fee		Total renumeration
		€	%	€	%	€	%	€
Dr. Franz Josef Jung[1]	2022	32,055	80.9	3,562	9.0	4,000	10.1	39,616
	2021	80,000	78.8	10,000	9.9	11,500	11.3	101,500

[1] Up to and including May 10, 2022
Figures exclude value-added tax

The Supervisory Board members who left in 2022 and who had represented the employees received the following remuneration:

Remuneration granted and owed for employee representatives on the Supervisory Board who retired in the 2022 financial year

		Fixed remuneration		Committee remuneration		Attendence fee		Total renumeration
		€	%	€	%	€	%	€
Markus Schaubel[1, 2]	2022	32,055	77.4	5,342	12.9	4,000	9.7	41,397
	2021	80,000	74.8	15,000	14.0	12,000	11.2	107,000

[1] These employee representatives in the Supervisory Board and the trade union representatives in the Supervisory Board have declared that they will transfer most of their remuneration to the Hans Böckler Foundation in accordance with trade union regulations.
[2] Up to and including May 10, 2022
Figures exclude value-added tax

Comparison of year-on-year change in remuneration

The table below shows the year-on-year change in remuneration, Rheinmetall's earnings development, and the average remuneration of Rheinmetall employees on the basis of full-time equivalents.

Comparative representation

	2022	Change 2022/2021 [1]	2021	Change 2021/2020 [1]	2020
	€ '000	%	€ '000	%	€ '000
On December 31, 2022 incumbent members of the executive board					
Armin Papperger	2,527	(45.0)	4,595	(0.6)	4,622
Helmut P. Merch	1,394	(43.1)	2,451	(0.6)	2,467
Peter Sebastian Krause	1,079	(43.5)	1,910	(1.5)	1,940
Dagmar Steinert[2]	104	-	-	-	-
Former members of the executive board					
Jörg Grotendorst	600	(81.1)	3,170	493.6	534
Klaus Eberhardt	433	-	433	-	433
Horst Binnig	213	1.0	211	0.5	210
On December 31, 2022 incumbent supervisory board members					
Dipl.-Kfm. Ulrich Grillo	331	10.9	299	2.1	293
Prof. Dr. Dr. h.c. Sahin Albayrak	116	76.7	66	-	-
Dr.-Ing. Dr. Ing. E.h. Klaus Draeger	115	8.5	106	2.4	104
Prof. Dr. Andreas Georgi	158	(0.7)	159	8.1	147
Dr. Britta Giesen	116	74.0	67	-	-
Prof. Dr. Susanne Hannemann	152	33.7	114	3.2	111
Louise Öfverström[3]	85	-	-	-	-
Klaus-Günter Vennemann[4]	110	9.5	101	3.6	97
Dr. Daniel Hay	220	11.4	198	34.9	146
Ralf Bolm	133	16.7	114	112.6	54
Murat Küplemez[3]	64	-	-	-	-
Dr. Michael Mielke	99	8.8	91	4.6	87
Reinhard Müller	132	10.7	120	12.7	106
Dagmar Muth[5]	123	18.7	104	4.0	100
Barbara Resch	99	11.2	89	105.9	43
Sven Schmidt	151	21.6	124	12.9	110
In fiscal year 2022 retired members of the supervisory board					
Dr. Franz Josef Jung	40	(61.0)	102	3.6	98
Markus Schaubel	41	(61.3)	107	3.4	104
Employees					
Ø remuneration of employees	87	1.3	86	3.9	83
Earnings trend					
Net income Rheinmetall AG in € million	193	7.0	180	100.3	90
Adjusted EBT of Rheinmetall Group € million	731	30.8	559	36.0	411

[1] The change in percent in based on exact, non-rounded figures in euro
[2] Since December 1, 2022
[3] Since May 10, 2022
[4] One attendance fee from 2021 settled in 2022 (+ €1 ‘000)
[5] Two attendance fees from 2021 settled in 2022 (+ €2 ‘000)

The remuneration of Rheinmetall employees is shown on the basis of average personnel expenses for employees (full-time equivalents) of the Rheinmetall Group in Germany, not including the Pistons business unit. The salaries include performance-based remuneration, additional payments, fringe benefits, social security and special payments. In line with the remuneration granted and owed in accordance with section 162 AktG, pension expenses are not included.

Düsseldorf, March 13, 2023

The Executive Board	Rheinmetall AG
Rheinmetall AG	Rheinmetall AG

Supplementary report

Events after the end of the reporting period are explained in the notes to the consolidated financial statements under note (41) “Events after the end of the reporting period.”

Düsseldorf/Germany, March 13, 2023

Rheinmetall Aktiengesellschaft

The Executive Board

Armin Papperger   Dagmar Steinert   Peter Sebastian Krause

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements
Consolidated statement of financial position

Statement of financial position of Rheinmetall Group as of December 31, 2022

€ million	Notes	12/31/2022	12/31/2021
Assets			
Goodwill	(9)	483	481
Other intangible assets	(9)	338	287
Right-of-use assets	(10)	209	214
Property, plant and equipment	(11)	1,137	1,056
Investment property	(12)	24	30
Investments accounted for using the equity method	(13)	408	201
Other non-current assets	(15)	187	337
Deferred taxes	(30)	98	147
Non-current assets		**2,884**	**2,752**
Inventories	(14)	1,976	1,651
Contract assets	(23)	362	408
Trade receivables	(23)	1,548	1,164
Other current assets	(15)	242	213
Income tax receivables		23	11
Securities held for trade	(16)	132	162
Cash and cash equivalents	(17)	545	1,039
Assets held for sale	(8)	377	334
Current assets		**5,206**	**4,982**
Total assets		**8,089**	**7,734**
Equity and liabilities			
Share capital		112	112
Capital reserves		566	561
Retained earnings		2,140	1,755
Treasury shares		(6)	(9)
Rheinmetall AG shareholders' equity		**2,812**	**2,418**
Non-controlling interests		271	203
Equity	(18)	**3,083**	**2,620**
Provisions for pensions and similar obligations	(19)	484	773
Other non-current provisions	(20)	205	210
Non-current financial debts	(21)	517	706
Other non-current liabilities	(22)	56	45
Deferred taxes	(30)	78	38
Non-current liabilities		**1,341**	**1,772**
Other current provisions	(20)	674	677
Current financial debts	(21)	454	215
Contract liabilities	(23)	1,120	1,111
Trade liabilities		931	809
Other current liabilities	(22)	200	196
Income tax liabilities		67	87
Liabilities directly associated with assets held for sale	(8)	220	246
Current liabilities		**3,665**	**3,341**
Total equity and liabilities		**8,089**	**7,734**

Consolidated income statement

Income statement of the Rheinmetall Group for fiscal 2022

€ million	Notes	2022	2021
Sales	(23)	**6,410**	**5,658**
Changes in inventories and work performed by the enterprise and capitalized	(24)	153	117
Total operating performance		**6,563**	**5,775**
Other operating income	(25)	221	134
Cost of materials	(26)	3,183	2,745
Personnel costs	(27)	1,836	1,643
Amortization, depreciation and impairment	(28)	249	251
Other operating expenses	(29)	768	656
Income from investments accounted for using the equity method		32	11
Other net financial income		(48)	(17)
Earnings before interest and taxes (EBIT)		**731**	**608**
Interest income		12	4
Interest expenses		32	31
Earnings before taxes (EBT)		**711**	**582**
Income taxes	(30)	(183)	(150)
Earnings from continuing operations		**528**	**432**
Earnings from discontinued operations		8	(100)
Earnings after taxes		**535**	**332**
Of which:			
Non-controlling interests		*66*	*41*
Rheinmetall AG shareholders		*469*	*291*
Earnings per share	(31)	**€ 10.82**	**€ 6.72**
Earnings per share from continuing operations		€ 10.64	€ 9.04
Earnings per share from discontinued operations		€ 0.18	€ (2.32)

Consolidated statement of comprehensive income

Statement of comprehensive income of the Rheinmetall Group for fiscal 2022

€ million	2022	2021
Earnings after taxes	**535**	**332**
Remeasurement of net defined benefit liability from pensions	65	231
Other comprehensive income from investments accounted for using the equity method	3	(2)
Amounts not reclassified to the income statement	**69**	**229**
Change in value of derivative financial instruments (cash flow hedge)	(15)	11
Currency translation difference	23	63
Other comprehensive income from investments accounted for using the equity method	2	22
Amounts reclassified to the income statement	**10**	**96**
Other comprehensive income after taxes	**78**	**325**
Total comprehensive income	**613**	**657**
Of which:		
Non-controlling interests	*75*	*41*
Rheinmetall AG shareholders	*538*	*615*

Consolidated statement of cash flows

Statement of cash flows of Rheinmetall Group for fiscal 2022

€ million	2022	2021
Earnings after taxes	535	332
Amortization, depreciation and impairment	249	254
Impairment/reversal of impairment of non-current assets of discontinued operations	12	91
Allocation of CTA assets to secure pension and partial retirement obligations	(62)	(35)
Other changes in pension provisions	(18)	(17)
Income from disposals of non-current assets	(5)	-
Changes in other provisions	(9)	(51)
Changes in working capital	(507)	22
Changes in receivables, liabilities (without financial debt) and prepaid & deferred items	(39)	63
Pro rata income from investments accounted for using the equity method	(32)	(15)
Dividends received from investments accounted for using the equity method	17	30
Other non-cash expenses and income	33	16
Cash flow from operating activities [1]	**174**	**690**
Of which continuing operations	*175*	*705*
Of which discontinued operations	*(1)*	*(14)*
Investments in property, plant and equipment, intangible assets and investment property	(349)	(271)
Cash inflows from the disposal of property, plant and equipment, intangible assets and investment property	19	3
Cash inflows from disinvestments in consolidated companies and financial assets	2	1
Cash outflows for investments in consolidated companies and financial assets	(205)	(35)
Cash in-/outflows from/for securities held for trade	-	(160)
Cash flow from investing activities	**(534)**	**(462)**
Of which continuing operations	*(512)*	*(438)*
Of which discontinued operations	*(22)*	*(24)*
Dividends paid out by Rheinmetall AG	(143)	(87)
Other profit distributions	(6)	(5)
Increase in shares in consolidated subsidiaries	1	-
Borrowing of financial debts	249	122
Repayment of financial debts	(232)	(231)
Cash flow from financing activities	**(131)**	**(202)**
Of which continuing operations	*(65)*	*(300)*
Of which discontinued operations	*(66)*	*98*
Changes in cash and cash equivalents	**(491)**	**27**
Changes in cash and cash equivalents due to exchange rates	1	4
Total change in cash and cash equivalents	**(490)**	**30**
Opening cash and cash equivalents January 1	**1,058**	**1,027**
Closing cash and cash equivalents December 31	**568**	**1,058**
Closing cash and cash equivalents December 31 from discontinued operations	23	19
Cash and cash equivalents as per consolidated statement of financial position December 31	**545**	**1,039**

[1] Of which:
Net interest of €-11 million (previous year: €-19 million), net income taxes of €-154 million (previous year: €-72 million)

Consolidated statement of changes in equity

Development of equity

€ million	Share capital	Capital reserve	Total retained earnings	Treasury shares	Rheinmetall AG shareholders' equity	Non-controlling interests	Equity
As of 1/1/2021	**112**	**556**	**1,233**	**(13)**	**1,888**	**165**	**2,053**
Earnings after taxes	-	-	291	-	291	41	332
Other comprehensive income after taxes	-	-	325	-	325	1	325
Total comprehensive income	**-**	**-**	**615**	**-**	**615**	**41**	**657**
Dividend payout	-	-	(87)	-	(87)	(5)	(92)
Disposal of treasury shares	-	-	-	4	4	-	4
Other changes	-	5	(8)	-	(3)	1	(1)
As of 12/31/2021	**112**	**561**	**1,755**	**(9)**	**2,418**	**203**	**2,620**
As of 1/1/2022	**112**	**561**	**1,755**	**(9)**	**2,418**	**203**	**2,620**
Earnings after taxes	-	-	469	-	469	66	535
Other comprehensive income after taxes	-	-	69	-	69	9	78
Total comprehensive income	**-**	**-**	**538**	**-**	**538**	**75**	**613**
Dividend payout	-	-	(143)	-	(143)	(6)	(149)
Disposal of treasury shares	-	-	-	3	3	-	3
Changes in shares in subsidiaries	-	-	-	-	-	(1)	(2)
Change in scope of consolidation	-	-	1	-	1	1	2
Other changes	-	6	(10)	-	(5)	-	(5)
As of 12/31/2022	**112**	**566**	**2,140**	**(6)**	**2,812**	**271**	**3,083**

Composition of retained earnings

€ million	Currency translation differences	Remeasurement of net defined benefit liability from pensions	Hedges	OCI from investments accounted for using the equity method	Other reserves	Total retained earnings
As of 1/1/2021	**(53)**	**(559)**	**11**	**(17)**	**1,850**	**1,233**
Earnings after taxes	-	-	-	-	291	291
Other comprehensive income after taxes	61	229	14	20	-	325
Total comprehensive income	**61**	**229**	**14**	**20**	**291**	**615**
Dividend payout	-	-	-	-	(87)	(87)
Other changes	-	-	-	-	(8)	(8)
As of 12/31/2021	**8**	**(330)**	**25**	**3**	**2,047**	**1,755**
As of 1/1/2022	**8**	**(330)**	**25**	**3**	**2,047**	**1,755**
Earnings after taxes	-	-	-	-	469	469
Other comprehensive income after taxes	24	54	(14)	5	-	69
Total comprehensive income	**24**	**54**	**(14)**	**5**	**469**	**538**
Dividend payout	-	-	-	-	(143)	(143)
Change in scope of consolidation	1	-	-	-	-	1
Book transfers	-	-	-	7	(7)	-
Other changes	-	-	-	-	(10)	(10)
As of 12/31/2022	**33**	**(276)**	**11**	**16**	**2,355**	**2,140**

Notes to the consolidated financial statements
Segment report

Segment report 2022

€ million	Vehicle Systems	Weapon and Ammunition	Electronic Solutions	Sensors and Actuators	Materials and Trade	Others/ Consolidation	Group (continued operations)
Income statement							
External sales	*2,251*	*1,248*	*831*	*1,313*	*741*	*26*	*6,410*
Internal sales	*18*	*222*	*233*	*70*	*3*	*(545)*	*-*
Segment sales	2,270	1,470	1,063	1,382	743	(519)	6,410
Operating result	258	306	118	95	68	(90)	754
Special items	-	-	-	(2)	-	(22)	(23)
EBIT	258	306	118	93	68	(112)	731
Of which:							
At equity result	*3*	*13*	*7*	*4*	*1*	*3*	*32*
Amortization and depreciation	*54*	*43*	*29*	*92*	*19*	*10*	*249*
Impairment	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Interest income	5	2	1	4	2	(3)	12
Interest expenses	11	20	6	4	5	(14)	32
EBT	252	288	113	94	65	(101)	711
Other data							
Operating free cash flow	81	(207)	52	48	39	(164)	(152)
Employees Dec. 31 (FTE)	5,736	5,053	3,483	4,535	2,273	707	21,788

Segment report 2021

€ million	Vehicle Systems	Weapon and Ammunition	Electronic Solutions	Sensors and Actuators	Materials and Trade	Others/ Consolidation	Group (continued operations)
Income statement							
External sales	*1,875*	*1,139*	*745*	*1,229*	*647*	*24*	*5,658*
Internal sales	*8*	*93*	*187*	*86*	*4*	*(379)*	*-*
Segment sales	1,883	1,233	932	1,315	651	(356)	5,658
Operating result	174	218	99	103	51	(49)	594
Special items	-	-	-	-	1	13	14
EBIT	174	218	99	103	52	(37)	608
Of which:							
At equity result	*2*	*(6)*	*7*	*3*	*2*	*3*	*11*
Amortization and depreciation	*44*	*41*	*29*	*95*	*20*	*9*	*237*
Impairment	*-*	*-*	*-*	*10*	*4*	*-*	*14*
Interest income	1	-	1	-	-	1	4
Interest expenses	10	16	5	4	4	(7)	31
EBT	165	203	95	100	48	(29)	582
Other data							
Operating free cash flow	321	132	(52)	29	24	3	458
Employees Dec. 31 (FTE)	4,975	4,852	3,181	4,364	2,223	591	20,185

Further information and reconciliations can be found under note (33) “Notes to the segment report”.

Summary of accounting principles

(1) General information

Rheinmetall AG (Local Court of Düsseldorf, HRB 39401) is the parent company of the Rheinmetall Group and has its registered office at Rheinmetall Platz 1, Düsseldorf (Germany). The consolidated financial statements of Rheinmetall AG have been prepared in accordance with the regulations of section 315e(1) German Commercial Code ("HGB") and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements and the Group management report, which is combined with the management report of Rheinmetall AG, are published in the company register. The consolidated financial statements were prepared by the Executive Board on March 13, 2023. The prepared financial statements were then submitted to the Supervisory Board for review and approval and authorized for issue.

The Rheinmetall Group is an international group for leading technologies in the mobility and security sectors. The Group also operates in the real estate development sector. The fiscal year of Rheinmetall AG and the financial statements of subsidiaries included in the consolidated financial statements is the calendar year. The consolidated financial statements are presented in euro (€). Unless stated otherwise, all amounts – including those for the previous year – are reported in millions of euro (€ million). All figures in these consolidated financial statements have been rounded on a standalone basis. This can result in minor deviations when adding figures together.

The consolidated income statement has been presented in the total cost (nature of expense) format. Only matters significant to the net assets, financial position and results of operations of the Rheinmetall Group are explained in the notes to the consolidated financial statements.

(2) New and amended accounting standards

The following amendments to standards were applied for the first time in fiscal 2022:

Accounting standards, amendments to standards and interpretations applied for the first time in fiscal 2022

Standard	Name	Effective date
Amendments to IAS 16	Proceeds before Intended Use	1/1/2022
Amendments to IAS 37	Onerous Contracts: Costs of Fulfilling a Contract	1/1/2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1/1/2022
Annual improvements to IFRSs	Cycle 2018-2020 – IFRS 1, IFRS 9, IAS 41 and IFRS 16	1/1/2022

The **amendments to IAS 16** stipulate that proceeds from selling items which are produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management in line with the effective standards are to be recognized in profit and loss and no longer deducted from the cost of an item of property, plant and equipment.

The **amendments to IAS 37** specify the cost of fulfillment when assessing whether a contract is onerous.

The **amendments to IFRS 3** update the references within IFRS 3 to the Conceptional Framework published in March 2018. In addition, an exception was introduced for separately recognized liabilities and contingent liabilities and supplemented with a clarifying statement that in a business combination an acquirer is not allowed to recognize contingent assets.

The **Annual Improvements to IFRSs 2018 to 2020 Cycle** cover small amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. The amendments to IFRS 9 explicitly specify which fees and costs must be included in the cost of the "10 per cent" test when derecognizing a financial liability.

The application of the amended standards had no material effect on the presentation of the Rheinmetall Group's net assets, financial position and results of operations.

There are also the following accounting standards, amendments to standards and interpretations published but not yet applied in fiscal 2022:

Accounting standards, amendments to standards and interpretations published but not yet applied

Standard	Name	Effective date
Endorsed by the EU		
Amendments to IAS 1	Disclosure of Accounting Policies	1/1/2023
Amendments to IAS 8	Definition of Accounting Estimates	1/1/2023
Amendments to IAS 12 (Income Taxes)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1/1/2023
IFRS 17 including Amendments to IFRS 17	Insurance Contracts	1/1/2023
Endorsement by the EU pending [1]		
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1/1/2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1/1/2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1/1/2024

[1] For the standards and statements not yet endorsed by the EU, the date planned by the IASB as the initial date of application is assumed as the first date of application for the Rheinmetall Group.

The **amendments to IAS 1** in relation to disclosure of accounting policies clarify that only material accounting policies must be explained in the notes. Material information specifically includes company-specific information in connection with material events or transactions, such as complex accounting facts, the use of an accounting option or the change of accounting policies.

The **amendments to IAS 8** aim to clarify the distinction between accounting changes and a change in estimates. It is stated that accounting estimates relate to monetary values in the financial statements subject to measurement uncertainty.

The **amendments to IAS 12** clarify that the initial recognition exemption provided in IAS 12 does not apply to certain transactions. Accordingly, the initial recognition exemption no longer applies to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This amendment means that deferred tax is recognized on leases accounted for by the lessee and on decommissioning obligations.

IFRS 17 is the new accounting standard for insurance contracts. The new standard regulates the recognition, measurement and disclosure of insurance contracts and replaces the previous regulations in accordance with IFRS 4 (Insurance Contracts). The **amendments to IFRS 17** from June 25, 2020, provide additional clarifications to IFRS 17 and defer the date of initial application set by IASB from January 1, 2021, to January 1, 2023. The other **amendments to IFRS 17** relate to the transition requirements for entities that will first apply IFRS 9 and IFRS 17 at the same time. The amendments improve the requirements for the comparative information presented about financial assets at initial application.

The following amendments have not yet been implemented in European law as they are not yet endorsed:

The **amendments to IAS 1** specify the regulation on classifying liabilities as current or non-current in cases of uncertainty as to the settlement amount. In particular, they clarify that classification is aligned to the rights the company has at the end of the reporting period. The IASB has deferred the effective date to January 1, 2024.

The further **amendments to IAS 1** relate to classifications of liabilities (as current or non-current) for which certain covenants have been agreed. With the amendments issued, the IASB clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, the amendments specify additional disclosure requirements for non-current liabilities with covenants.

The **amendments to IFRS 16** contain unifying provisions for how a seller-lessee subsequently measures sale and leaseback transactions. They require a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The subsequent measurement of lease liabilities in connection with a sale and leaseback must include the expected payments at the commencement date. In each period, the lease liability is reduced by the expected payments, and the difference compared with the actual payments is recognized through profit or loss.

The application of the new and amended standards and interpretations is not expected to have a material effect on the presentation of the Rheinmetall Group's net assets, financial position and results of operations.

(3) Accounting policies

The key accounting policies and measurement principles applied to Rheinmetall AG's consolidated financial statements are described below.

Cost – Cost includes the purchase price and all incidental costs that can be directly (with the exception of company acquisitions as defined by IFRS 3 and financial instruments measured at fair value) attributed to the purchase. In the event of an exchange, cost equals the fair value of the asset given in an exchange of assets transaction as of the date of the exchange, whereby any cash compensation is accounted for accordingly.

Cost includes all expenditures that are directly attributable to the production process and an appropriate share of production-related overheads. The latter comprise material and production overheads including production-related depreciation and social security expenses as well as pro rata administrative costs. Overheads are allocated to production costs on the basis of the production facilities' normal capacity utilization.

Financing costs are capitalized as costs if they relate to assets which are produced or purchased over a period exceeding one year.

Grants and allowances – Government grants provided for the acquisition of an asset are deducted from the corresponding capital expenditures. Any government grants for expenses for purposes other than investment activities are recognized as deferred income and amortized to profit via other operating income when the related expenses are incurred. Private investment-related grants from customers are also recognized as deferred income and amortized to profit over the contract term. If economic ownership of the subsidized asset is transferred to the customer, sales are recognized on the date of the transfer.

Impairment – If there are indications of impairment on an asset or a cash-generating unit (CGU) and the recoverable amount is less than the amortized cost, an impairment loss is recognized. If indications for impairment cease to exist, impairment losses are reversed, with the exception of goodwill. The reversal cannot exceed the value of amortized cost that would have resulted if no impairment had been charged.

Goodwill – Goodwill in the amount of the potential benefit is allocated to the cash-generating units at the level of which management monitors goodwill. It is tested for impairment once a year at the end of the reporting period and during the year if there are indications of impairment. The impairment test compares the carrying amount to the recoverable amount. Fair value less costs to sell determined applying the discounted cash flow method based on the current corporate planning is used as the recoverable amount. If this value is below the carrying amount, a check is made as to whether the value in use results in a higher recoverable amount. If the carrying amount exceeds the recoverable amount, impairment is recognized down to the recoverable amount, which is reported as a write-down. The subsequent reversal of write-downs is not permitted.

Goodwill is not amortized.

Other intangible assets – Intangible assets are capitalized at cost. Research costs are always recognized in expenses. Development costs are only capitalized if a newly developed product or process can be clearly defined, is technically feasible and is intended either for own use or marketing purposes. Furthermore, capitalization requires that the costs can be reliably measured and there is reasonable assurance of a future economic benefit. Any other development costs are immediately expensed.

Finite-lived intangible assets are amortized from the date of first use over the economic lives. The measurement is subject to the following useful lives:

Useful life of intangible assets

	Years
Concessions and industrial property rights	3-15
Development costs	3-10
Customer relations	5-15
Technology	3-15

Property, plant and equipment – Property, plant and equipment are carried at cost less accumulated depreciation and any impairment. Depreciation is recognized on a straight-line basis over the expected useful life.

Useful life of property, plant and equipment

	Years
Buildings	20-50
Other structures	8-30
Equivalent titles	5-15
Production plant and machinery	3-20
Other plant, factory and office equipment	3-15

Leases – Agreements that transfer the right to use assets for a specified period of time in return for payment or a series of payments are leases.

For leases of land, buildings, machinery, technical equipment, and vehicles, Rheinmetall as the lessee recognizes a financial liability in the amount of the present value of the lease payments to be made over the term of the lease. The calculation of present value accounts for fixed lease payments, variable index-based payments, expected payments for residual value guarantees, exercise prices of call options if their exercise is reasonably assured and payments from the early termination of the lease less any rental incentives. The calculated lease payments are discounted at the date of commencement of the lease by the appropriate incremental borrowing rate specific to the lease term. The lease liability is reduced by the repayment portion of the lease payment until the lease expires.

At the same time, Rheinmetall as lessee recognizes a right-of-use asset equal to the cost at the date of commencement of the lease. Starting at the value of the lease liability, the cost is increased in some circumstances by initial direct costs, dismantling costs, and lease payments that are made by the lessee before or at the commencement of the transfer of use and therefore not included in the lease liability. The right-of-use assets are amortized over the shorter of the remaining term of the leases and the useful life of the relevant leased asset.

In the case of leases with a term of less than one year, lease payments are recognized directly in other operating expenses. The same also applies to leases for low-value assets whose value is less than €50 thousand and which are not land, buildings, or vehicles.

Investment property – Investment property is property held to earn rental income or to benefit from long-term capital appreciation, and not for use in production or administration.

Investment property is carried at cost less cumulative depreciation and impairment. Depreciation is recognized on a straight-line basis over a useful life of 20 to 50 years.

Financial instruments – A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The first-time recognition of financial instruments is at fair value. In the case of a financial asset that is not measured at fair value through profit or loss, incidental costs are included on first-time recognition. Standard market purchases and sales of financial assets are recognized for the first time on the settlement date. This is the date when the financial instrument is delivered or the payment is made. Notwithstanding this, derivatives are recognized for the first time as of the date when the contract is concluded or the trading date.

There are three measurement categories for the subsequent measurement of financial instruments: (1) measurement at amortized cost, (2) measurement at fair value through other comprehensive income (FVOCI), and (3) measurement at fair value through profit or loss (FVTPL). The relevant measurement category for a financial instrument depends on the contractual cash flow characteristics of the financial asset and the entity's business model for managing financial assets.

If the contractual cash flows comprise solely payments of principal and interest (SPPI) and the business model is "hold," financial instruments are measured at amortized cost. Financial instruments with SPPI cash flows but the "hold and sell" business model are measured at fair value through other comprehensive income. If the SPPI criterion is not met, the financial instruments are likewise measured at fair value, but the changes in value are recognized through profit or loss. In the case of debt instruments, changes in value can be recognized through profit or loss despite fulfillment of the SPPI criterion by exercising the fair value option. In the case of equity instruments, the fair value OCI option provides the opportunity to recognize any changes in value that arise through other comprehensive income. Currently there are no situations in which the fair value option is used for debt instruments.

Trade receivables and liquid financial assets are generally measured at amortized cost. Trade receivables classified by Group companies as available for sale must be measured at fair value through other comprehensive income. Other financial assets measured at amortized cost are discounted by applying rates that match their maturity on first-time recognition and written down using the effective interest method. As of the end of the reporting period, the default risk of financial assets is checked and, if necessary, an impairment recognized on the basis of expected losses. For trade receivables the simplified method is used, applying the customer credit rating and specific country risks. The loss allowance for expected default risks is recognized in the income statement.

Cash and cash equivalents are measured at amortized cost. Cash and cash equivalents comprise any liquid assets with a remaining term of less than three months at the date of their purchase.

Changes in the fair value of derivative financial instruments are recognized in the income statement. If the conditions under IFRS 9 are met, they are accounted for as cash flow hedges. The effective portion of the changes in the fair value of the designated derivative is recognized in equity in the hedge reserve. The cumulative changes in fair value are reclassified from equity to the income statement if the hedged item is recognized in the income statement. Changes in the fair value attributable to the ineffective portion of the hedge are always recognized in the income statement.

Financial liabilities are measured at amortized cost using the effective interest method.

Inventories – Inventories are carried at cost, usually using the weighted average. Inherent risks due to reduced utility or to obsolescence are adequately allowed for. If the net realizable value of inventories is lower than their carrying amount as of the end of the reporting period, they are written down to net realizable value. The write-down is recognized either as cost of materials (raw materials and supplies) or a change in inventories of finished products and work in progress. If the net realizable value of inventories previously written down increases, the ensuing reversal is routinely offset against cost of materials (raw materials and supplies) or recognized as a change in inventories of finished products and work in progress.

Assets held for sale and associated liabilities in discontinued operations – A discontinued operation is a separate major line of business or geographical area of operations that either is held for sale or has already been sold and is clearly distinct from the entity's other operations both from a business perspective and for the purposes of financial reporting.

A discontinued operation classified as held for sale in accordance with the criteria of IFRS 5 is recognized in the consolidated financial statements under discontinued operations. At the reclassification date, the discontinued operation is stated at the lower of carrying amount and fair value less costs to sell. Depreciation and amortization are suspended from the reclassification date. Assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 are measured in accordance with the standards applicable to them. The elimination entries for transactions between continuing and discontinued operations are assigned in full to discontinued operations. In reporting, the activities of the discontinued operation are not assigned to a reportable segment.

Assets and liabilities of discontinued operations are reclassified to the “assets held for sale” and “liabilities directly associated with assets held for sale” items in the statement of financial position. The previous year’s statement of financial position items are not reclassified. In the income statement, the earnings after taxes of the discontinued operations are combined in a separate item as “Earnings from discontinued operations.” The previous year’s figures in the income statement are restated accordingly. The statement of cash flows continues to comprise the cash flows of the entire Group and is supplemented by an “of which” item for the net cash flows of discontinued operations.

Contract assets and contract liabilities – Contract assets are recognized in connection with contracts with customers if, in the case of contract manufacturing, the cumulative sales recognized over time exceed the sum of the advance payments received and progress billings. As of the end of the reporting period, this asset item is tested for impairment, and, if necessary, an impairment is recognized on the basis of expected losses. If the recognized sales are lower than the sum of the advance payments received and progress billings, a contract liability is recognized. A contract liability is also recognized if advance payments are received and consideration has not yet been provided.

Deferred taxes – Deferred taxes are recognized for temporary measurement differences between items shown in the statement of financial position under IFRS and according to the local tax laws of the individual companies. Deferred tax assets also include the tax assets receivable from the expected future utilization of tax loss carryforwards (if their realization is reasonably certain). Deferred taxes are calculated on the basis of the tax rates applicable or announced in each country as of the end of the reporting period.

Income tax liabilities are recognized on the basis of appropriate estimates for obligations to the respective national tax authorities that are uncertain in terms of amount and probability of occurrence. The tax rate specific to the company effective at the end of the reporting period is used. Other factors are also taken into account, such as experience from previous external audits and different legal interpretations between taxpayers and the tax authorities with regard to the issue at hand. Uncertain income tax items are recognized at the most likely amount.

Share-based payments – Share-based payments are recognized in line with IFRS 2 “Share-based payment.”

There is a long-term incentive remuneration program (LTI) for the managers of the Rheinmetall Group in order to involve management in the company’s long-term development. Under this program, the beneficiaries are paid performance-related remuneration for the past fiscal year in the subsequent year. The remuneration comprises a cash component and a component settled in shares. This remuneration program existed for the Executive Board until the end of fiscal 2021. Please refer to the remuneration report for further information.

From fiscal 2022, the Executive Board members are granted virtual shares as part of the long-term incentive program (hereinafter LTI 2.0). On the basis of an individual target amount, at the allocation date the beneficiaries are promised a special payment at the end of the term, which depends among other things on the share price performance of Rheinmetall AG. The remuneration cost is recognized through profit or loss until the vesting date. Please refer to the remuneration report for further information.

Since fiscal 2018, employees of participating Group companies have had the option to purchase Rheinmetall shares at reduced prices. The reduction constitutes an equity-settled share-based payment transaction for services or work provided. The payments thus fall within the scope of IFRS 2 and are recognized in personnel expenses.

Pensions – Pension provisions for defined benefit plan obligations are calculated using the projected unit credit method. The amount of obligations is calculated based on assumptions concerning mortality, expected future pay and pension increases, plan participant turnover rates, the discount rate and other actuarial parameters. The fair value of the plan assets is deducted from the DBO volume. Any excess of plan assets over the DBO volume (a defined benefit asset) is only recognized if and to the extent that it can actually be utilized. If there are deviations between the actuarial assumptions and the actual development of underlying parameters used to calculate the projected unit credits of the pension assets, gains and losses arise from remeasurement of the net defined benefit liability. These effects arising from remeasurement and the asset cap are recognized directly in equity under retained earnings in the year they occur.

Under defined contribution plans, the company incurs no obligations other than to pay the contributions to earmarked post-employment benefit plans. The payments incurred are recognized in personnel expenses.

The Rheinmetall Group also participates in multi-employer pension plans. As these are defined benefit plans, they are accounted for accordingly.

Provisions – Other provisions take into account all identifiable commitments and obligations to third parties if based on past transactions or events and if it is probable that an outflow of resources (which can be reliably estimated) embodying economic benefits results. If the time value of money is material, provisions are discounted to their settlement amount as of the end of the reporting period. The settlement amount also accounts for identifiable future cost increases.

Revenue recognition – Revenue is recognized when the promised goods or services are transferred to the customer and the customer obtains control over them. Revenue is measured at the transaction price that is expected to be received as consideration. The transaction price is lowered by variable consideration (e.g. rebates, bonuses, and penalties for late deliveries) or increased by agreed and estimated price adjustments. If, especially in the case of longer-term contracts with customers, the revenue is recognized and the payments are received at different times, the contract is examined to determine whether it contains a significant financing component, which must be accounted for in the calculation of the transaction price.

If a contract with a customer relates to contract manufacturing, in which customer-specific products including a significant integration service are provided, the revenue is recognized over time. The revenue to be recognized is determined by the percentage of completion of the respective contract. This is calculated as the ratio of costs actually incurred to the estimated total costs. The costs associated with the customer contract are recognized in the income statement when incurred. In the case of service contracts, the revenue for the period is usually determined pro rata temporis.

Expenses – Operating expenses are recognized when caused or when the underlying service is used.

Interests and dividends – Interest income and expense are recognized on an accrual basis. Dividends are recognized in income when the legal claim to payment is established.

Summary of main measurement methods

Assets	
Goodwill	Cost (subsequent measurement: impairment test)
Other intangible assets	(Amortized) cost
Right-of-use assets	(Amortized) cost
Property, plant and equipment	(Amortized) cost
Investment property	(Amortized) cost
Investments accounted for using the equity method	Equity method
Inventories	(Amortized) cost
Trade receivables	(Amortized) cost / FVOCI [1]
Cash and cash equivalents	(Amortized) cost
Other financial assets	
"Hold" business model, SPPI[2] met	(Amortized) cost
Hold and sell business model, SPPI[2] met	Fair value through other comprehensive income
Derivatives	Fair value through profit or loss
All other financial assets	Fair value through profit or loss
Equity and liabilities	
Provisions for pensions and similar obligation	Present value of DBO
Other provisions	Discounted settlement amount
Financial liabilities	(Amortized) cost
Trade liabilities	(Amortized) cost
Other liabilities	
Derivatives	Fair value
Miscellaneous	(Amortized) cost

[1] FVOCI – fair value through other comprehensive income
[2] SPPI – solely payments of principal and interest

Estimates – The preparation of the consolidated financial statements requires assumptions and estimates affecting the application of accounting principles within the Group and the disclosure of assets, liabilities, income and expenses.

When examining the recognition of goodwill of €483 million as of December 31, 2022 (previous year: €481 million), assumptions and estimates relating to forecasts and the discounting of future cash flows were made to calculate the recoverable amount of the relevant cash-generating units. Details of the parameters used are provided under note (9).

The carrying amounts of other intangible assets of €338 million (previous year: €287 million), right-of-use assets of €209 million (previous year: €214 million), property, plant and equipment of €1,137 million (previous year: €1,056 million) and investment property of €24 million (previous year: €30 million) are assessed as of December 31, 2022, to determine whether there are indications of a possible impairment and whether the recoverable amount is lower than the carrying amount. When calculating the recoverable amounts, assumptions and estimates are made on the cash flows from realizable sales prices, costs and the discount rates. The yield curves used in the measurement of derivatives include assumptions about the expected future development of interest rates, taking into account estimated liquidity risks dependent on terms. Moreover, the measurement models used also incorporate parameters that are based on assumptions about volatilities and discount rates.

At the end of the reporting period, discontinued operations are stated at the lower of carrying amount and fair value less costs to sell. The measurement of fair value less costs to sell is based on assumptions and estimates and takes value-relevant information from the ongoing selling process into account. As of December 31, 2022, the net carrying amount of discontinued operations was €157 million (previous year: €88 million).

The measurements of pension provisions and similar obligations of €484 million as of December 31, 2022 (previous year: €773 million), were based on the determination of actuarial parameters such as the discount rate, pension development and probability of death. The effect of changes in the parameters used as of the end of the reporting period on the present value of the DBO is shown under note (19). Any discrepancy between the parameters assumed at the beginning of the fiscal year and the actual conditions at the end of the reporting period has no impact on earnings after taxes, as gains and losses due to the remeasurement of the net defined benefit liability resulting from the discrepancy are recognized through other comprehensive income in the statement of comprehensive income.

The recognition of sales over time in the amount of €1,649 million in fiscal 2022 (previous year: €1,354 million) is based on estimates of the expected total contract costs and contract revenue. Comparing the actual contract costs incurred to expected total costs shows the percentage of completion as of the end of the reporting period, on the basis of which the pro rata sales for the period are calculated.

The calculation of future tax advantages which reflect the recognition of deferred tax assets of €98 million as of December 31, 2022 (previous year: €147 million) is based on assumptions and estimates on the development of tax income over a planning period of usually five years and tax legislation in the countries of the Group companies based there.

When assessing and accounting for legal risks and opportunities, estimates on the possible occurrence and the amount of the expected obligations are made. In the process, the management deploys internal legal assessments and evaluations by external attorneys.

The respective assumptions and estimates are based on premises which account for the most recent knowledge. Actual developments may result in amounts differing from these estimates. Changes in accounting estimates are recognized in the period of change where the change affects this period only. If changes in estimates affect both the current period and future periods, these are recognized in the periods in question.

Judgments – Alongside the impact of estimates on the presentation of assets and liabilities as well as income and expenses in the consolidated financial statements, the application of accounting principles is partly dependent on judgments.

A key element of business activities in the Vehicle Systems, Weapon and Ammunition, and Electronic Solutions divisions comprises long-term customer contracts with different performance obligations. Thus, sales are frequently recognized over a period of time. The application of accounting standards also requires judgments in determining the type of sales realization and identifying (individual) performance obligations.

The acquisition of the shares in Rheinmetall BAE Systems Land Ltd. in 2019 requires Rheinmetall to make payments to the BAE Group's pension fund for the entitlements earned by the acquired employees. If the recognized pension obligations of Rheinmetall BAE Systems Land Ltd. are not covered by plan assets, Rheinmetall has a claim to reimbursement from the BAE Group in the same amount. If the plan assets exceed the recognized pension obligations of Rheinmetall BAE Systems Land Ltd., this amount is not recognized as an asset (asset ceiling). Taking into consideration the relevant accounting principles, both the obligation and the claim to reimbursement are recognized on a gross basis.

(4) Currency translation

In the separate financial statements of consolidated companies, each foreign currency transaction is recognized at the historical rate. Monetary assets and liabilities denominated in a foreign currency are translated at the closing rate. Other assets and liabilities are translated at the rate prevailing at the time of the transaction if they are accounted for using the historical cost convention. These assets and liabilities are translated at the rate prevailing at the respective measurement date if they are measured at fair value. Any currency translation differences that arise are duly recognized in the net financial result.

The single-entity financial statements of Group companies whose functional currency is not the euro are translated into euro as the Group currency. Assets and liabilities are translated at the middle spot exchange rate as of the end of the reporting period and the income statement items at the average annual rate. The translation differences resulting from this are recognized in, and only in, equity as other comprehensive income (OCI).

(5) Consolidation principles

Subsidiaries – Besides Rheinmetall AG, the consolidated financial statements include all German and foreign subsidiaries over which Rheinmetall AG can directly or indirectly exercise a controlling influence. Rheinmetall AG controls an entity if it holds the majority of voting rights or other rights and is therefore able to steer the significant activities of the investee, is exposed to the risk of variable returns from the investment and can use its power over the investee to influence its returns.

Receivables and payables, expenses and income and intercompany profits/losses among consolidated companies are eliminated. Taxes are deferred for all temporary differences from the consolidation of receivables/payables, income/expenses, and the elimination of intercompany profits/losses.

A subsidiary is included in consolidation for the first time in accordance with the acquisition method. The assets and liabilities acquired are carried at fair value at the time of acquisition. Any positive difference between the purchase cost and the pro rata net assets of the acquired company is reported as goodwill under intangible assets. Any badwill is recognized in other operating income. The cost of the acquired subsidiary equals the fair values of the assets given, liabilities assumed, and equity instruments issued by the acquirer in exchange for the acquisition. Any acquisition-related costs incurred are recognized as other operating expenses.

Joint ventures and associates – Jointly controlled entities in which Rheinmetall has rights to the net assets of the investee (joint ventures) are included in the consolidated financial statements using the equity method. Entities over which Rheinmetall can exert significant influence (associates) are also recognized using the equity method.

On first-time inclusion, based on the cost at the time the investment interest is acquired, the respective investment carrying amount is increased or decreased by changes in equity of the joint venture or associate to the extent these can be attributed to equity interest of the Rheinmetall Group. Goodwill for these investments is calculated in line with the principles applying to full consolidation. Any resulting goodwill is included in the investment carrying amount. If there are intercompany profits from transactions between the Rheinmetall Group and the joint venture or associate, these are eliminated on a pro rata basis.

Joint operations – In joint operations, the jointly controlling parties have rights to the assets and liabilities of the joint arrangement. In the consolidated financial statements, the assets, liabilities, expenses and income attributable to the jointly controlling parties are recognized pro rata.

(6) Scope of consolidation

The scope of consolidation with fully and proportionally consolidated companies as well as companies accounted for using the equity method developed as follows in fiscal 2022:

Scope of consolidation – companies included

	12/31/2021	Additions	Reductions	12/31/2022
Fully consolidated subsidiaries				
Germany	*56*	*5*	*3*	*58*
Foreign	*109*	*4*	*5*	*108*
	165	**9**	**8**	**166**
Joint Operations				
Germany	*3*	*2*	*-*	*5*
	3	**2**	**-**	**5**
Investments accounted for using the equity method				
Germany	*16*	*1*	*1*	*16*
Foreign	*16*	*4*	*1*	*19*
	32	**5**	**2**	**35**

In fiscal 2022, a total of eight companies were added to the group of consolidated subsidiaries through being founded and one through being acquired. The disposals of fully consolidated subsidiaries from the scope of consolidation are attributable to five mergers, two liquidations and one sale.

In fiscal 2022, the scope of consolidation was expanded by two additions to joint operations in the form of newly founded entities in Germany.

With regard to the investments accounted for using the equity method, two joint ventures were founded and three associates were added by way of the purchase of shares. One joint venture left the scope of consolidation via liquidation, and the shares in one associate were sold.

The companies included in the consolidated financial statements and all shareholdings in accordance with section 313(2) HGB are listed in the list of shareholdings under note (42) of the notes to the consolidated financial statements.

(7) Material acquisitions

Acquisition of drone manufacturer EMT – With effect from January 1, 2022, Rheinmetall took over the activities of drone manufacturer EMT Ingenieurgesellschaft Dipl.-Ing. Hartmut Euer mbH (EMT).

EMT's activities include developing, producing and maintaining unarmed, tactical aviation systems for reconnaissance missions. The acquisition is the result of Rheinmetall's digitalization strategy and its associated goal of expanding its portfolio of systems and equipment to meet the complete needs of its military customers. EMT's activities were acquired by Rheinmetall Technical Publications GmbH in an asset deal for a purchase price payment of €17 million and are allocated to the Electronic Solutions division. EMT's existing land and buildings have been taken over by Rheinmetall Immobilien VEGA GmbH & Co. KG for a purchase price of €10 million and are allocated to the Group's other activities. The total volume of the transaction is therefore €27 million.

The following table shows the assets acquired and liabilities assumed as part of the transaction.

Allocation of assets and liabilities

€ million	Fair Values
Goodwill	3
Land and buildings	10
Other non-current assets	2
Inventories	9
Other current assets	5
Total assets	**29**
Current liabilities	1
Total liabilities	**1**
Purchase price	**27**

The goodwill of €3 million resulting from the acquisition primarily reflects the company's defence technology know-how and strategically important market access. For tax purposes, the transaction likewise results in deductible goodwill of €3 million, which will be written down on a straight-line basis over 15 years.

In fiscal 2022, EMT contributed sales of €33 million and EBIT of €0 million to the consolidated result.

Agreed acquisition of munitions manufacturer Expal Systems – In November 2022, Rheinmetall signed an agreement with MaxamCorp Holding S.L. for the acquisition of all shares in the munitions manufacturer Expal Systems S.A., Madrid. The agreed purchase price, which is due after closing, is based on an enterprise value of €1.2 billion. The acquisition particularly increases Rheinmetall's production capacity for ammunition powder and simultaneously strengthens its independence from suppliers of some primary products and ammunition components. Closing of the transaction is expected by summer 2023.

(8) Discontinued operations

As part of the realignment of the Rheinmetall Group, the Executive Board decided to sell the Pistons business unit, classified as a non-core business. Since May 1, 2021, the business unit – which primarily comprises the small- and large-bore pistons business of the former Hardparts division – has been classified as held for sale and recognized in the consolidated financial statements as a discontinued operation. Therefore, the earnings after taxes of the discontinued operation are recognized in a separate item of the income statement as “Earnings from discontinued operations.” This breaks down as follows:

Key information on discontinued operations (income statement)

€ million	2022	2021
Revenues	686	563
Expenses	(680)	(646)
Earnings from discontinued operations before taxes	**5**	**(83)**
Income taxes	2	(18)
Earnings from discontinued operations after taxes	**8**	**(100)**
Of which:		
Non-controlling interests	-	-
Rheinmetall AG shareholders	*8*	*(100)*

The earnings of the previous year were particularly influenced by the impairment recognized in the second quarter of 2021 on the net carrying amount of the discontinued operations. Taking the effects of the market environment on the ongoing sale process into account, impairment on the net carrying amount of the discontinued operations of €110 million after taxes was recognized as of June 30, 2021. In addition to an impairment loss on non-current assets of €91 million, deferred tax assets were written down by €19 million. The write-downs had no other effects on income taxes. The impairments were recognized in full in earnings from discontinued operations. As of December 31, 2022, the carrying amounts of the disposal groups and assets held for sale in the form of investments were written down to fair value less costs to sell or written up to no higher than the respective amortized cost. This resulted in a reduction in earnings before taxes of €12 million and a tax benefit of €1 million.

For the large-bore pistons business and the investment in Riken Automobile Parts (Wuhan), the fair value less costs to sell underlying each measurement was determined on the basis of the contractually agreed purchase price and estimates with regard to costs to sell yet to be incurred. The fair values of the small-bore pistons business and of the other two investments accounted for using the equity method were determined using discounted cash flow models.

In addition to the original goal of handing over the small- and large-bore pistons business to new owners in its entirety, from the beginning of fiscal 2022 Rheinmetall also considered offers for individual investments or parts of companies belonging to the discontinued operation. In the second half of 2022, the large-bore pistons business was ultimately sold to the Swedish group Koncentra Verkstads AB, Gothenburg. The relevant agreement was signed on October 24, 2022. The transaction was closed on January 27, 2023. Further information can be found under note (41) “Events after the end of the reporting period.”

Following the separate sale of the large-bore pistons business, the Executive Board decided to further divide the remaining business in order to sell it. In addition to the large-bore pistons business, one other disposal group and three assets in the form of investments were identified for separate sale. In accordance with the altered sales strategy, measurement and presentation as of December 31, 2022, is at the level of the identified disposal groups and assets held for sale.

The large-bore pistons disposal group comprises three production plants in Germany, the US and China as well as the steel pistons line from the small-bore pistons plant in Marinette, US. The small-bore pistons disposal group comprises small-bore pistons production with sites in Europe and North and South America. In addition, the investments in the joint venture Kolbenschmidt Huayu Piston Co., Ltd., China, in the associate Riken Automobile Parts (Wuhan) Co., Ltd., China, and in the associate Shriram Pistons & Rings Ltd., India, which are accounted for using the equity method, are defined as assets held for sale.

As a result of the altered sales strategy, a declaration of intent to purchase all shares in Riken Automobile Parts (Wuhan) Co., Ltd., held by Rheinmetall was concluded in December 2022 with the Japanese company Riken Corporation, Tokyo, which already holds 60% of the shares in Riken Automobile Parts.

The assets classified as held for sale and directly associated liabilities of the two disposal groups, along with the carrying amounts of investments accounted for using the equity method, are shown in the following table:

Key information on discontinued operations (statement of financial position)

	Large-bore pistons	Small-bore pistons	Investments accounted for using the equity method	Discontinued operations	Discontinued operations
€ million	12/31/2022	12/31/2022	12/31/2022	12/31/2022	12/31/2021
Property, plant and equipment and right-of-use assets	28	15	-	44	71
Investments accounted for using the equity method	-	-	86	86	48
Other non-current assets	8	3	-	11	10
Non-current assets	**37**	**18**	**86**	**141**	**129**
Inventories	20	69	-	89	88
Trade receivables	8	94	-	102	77
Other current assets	6	39	-	45	40
Current assets	**33**	**202**	**-**	**236**	**205**
	-	-	-	-	
Provisions	6	74	-	80	109
Other non-current liabilities	2	11	-	14	17
Non-current liabilities	**8**	**85**	**-**	**93**	**126**
Provisions	2	24	-	26	23
Trade liabilities	5	63	-	68	57
Other current liabilities	2	31	-	33	40
Current liabilities	**10**	**118**	**-**	**126**	**120**

The cumulative expenses recognized within equity in other comprehensive income amounted to €108 million as of December 31, 2022 (previous year: €137 million) and are allocated to the disposal groups and assets held for sale as follows:

Allocation of expenses in other comprehensive income

€ million	12/31/2022
Large-bore pistons	-
Small-bore pistons	109
Investments accounted for using the equity method	-
	108

Notes to the statement of financial position

(9) Goodwill, other intangible assets

Cost

€ million	Goodwill	Development costs	Sundry other intangible assets	Total
As of 1/1/2021	**562**	**332**	**424**	**1,318**
Additions	-	77	13	89
Disposals	-	(17)	(20)	(38)
Book transfers	-	-	3	3
Book transfers (IFRS 5)	(83)	-	(13)	(96)
Adjustment in scope of consolidation	3	-	-	3
Currency differences	2	3	7	12
As of 12/31/2021 and 1/1/2022	**484**	**393**	**414**	**1,292**
Additions	-	82	22	104
Disposals	-	(17)	(9)	(26)
Book transfers	-	(3)	1	(2)
Adjustment in scope of consolidation	3	-	(5)	(2)
Currency differences	(2)	-	(3)	(5)
As of 12/31/2022	**486**	**455**	**420**	**1,361**

Amortization and depreciation/impairment

€ million		Goodwill	Development costs	Sundry other intangible assets	Total
As of 1/1/2021		**86**	**185**	**331**	**602**
Current period		-	24	24	48
Disposals		-	(17)	(19)	(37)
Book transfers (IFRS 5)		(83)	-	(12)	(96)
Currency differences		-	2	5	7
As of 12/31/2021 and 1/1/2022		**3**	**193**	**328**	**524**
Current period	(28)	-	23	22	45
Disposals		-	(14)	(9)	(22)
Adjustment in scope of consolidation		-	-	(5)	(5)
Currency differences		-	-	(2)	(1)
As of 12/31/2022		**3**	**202**	**335**	**540**
Carrying amount as of 12/31/2021		481	201	86	767
Carrying amount as of 12/31/2022		**483**	**253**	**85**	**821**

Goodwill is managed at the level of the five divisions of the Rheinmetall Group and tested for impairment at least once a year.

Since May 1, 2021, Rheinmetall has reported the small- and large-bore pistons business as a discontinued operation, taking account of the provisions of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). The goodwill associated with the discontinued operation of €83 million is written off in full and was assigned to discontinued operations in the previous year.

Goodwill recognized for continuing operations was tested for impairment as of December 31, 2022. No impairment loss was required. The impairment test uses the fair value less costs to sell of the cash generating units, which is calculated using the discounted cash flow method based on a three-year detailed planning period. In the

Rheinmetall Group, the corporate plan is prepared on the basis of empirical and current forecast data. These underlying assumptions include intra-Group estimates as well as external sources of information. In security technology, planning is predicated on projects already included in its order backlog, on customer inquiries and, most importantly, on national defence budgets of relevant customers. Key planning assumptions in the area of the automotive industry are based on the sector forecasts underlying sales plans and covering the worldwide automotive market trend, the planned engine programs of carmakers, specific customer commitments to individual projects and adjustments specific to Automotive to allow for planned product innovations and cost savings. For periods after the detailed planning phase, cash flows are extrapolated from the last planning period, taking into account growth rates based on long-term business expectations, which are guided by the long-term inflation forecast. The measurement of fair value less costs to sell is therefore primarily based on unobservable inputs and allocated to level 3 of the fair value hierarchy.

The discount rates used and the carrying amounts of the goodwill of the five divisions are shown below.

Carrying amounts and discount rates

€ million	12/31/2022			12/31/2021		
	Carrying amount	WACC before taxes	WACC after taxes	Carrying amount	WACC before taxes	WACC after taxes
Vehicle Systems	97	9.6%	7.6%	98	9.8 %	7.2 %
Weapon and Ammunition	182	10.2%	7.8%	181	10.0%	7.3%
Electronic Solutions	122	9.3%	7.8%	120	10.1%	7.4%
Sensors and Actuators	67	11.6%	8.7%	67	10.2%	7.5%
Materials and Trade	15	12.2%	9.4%	15	10.7%	7.9%

For the period after the last planning year, an unchanged growth rate of 1.0% (previous year: also 1.0 %) was deducted from the risk-specific pretax discount rate.

In addition to the impairment test, each cash-generating unit was subjected to sensitivity analyses. These analyses assumed scenarios based firstly on a 0.5 percentage point higher discount rate after taxes and secondly a 0.5 percentage point lower growth rate. For further sensitivity, the cash flows used to calculate the terminal value were reduced by a flat rate of 10%. None of the sensitivity analyses would have resulted in an impairment of the recognized goodwill.

In addition to capitalized development costs of €82 million (previous year: €77 million), €209 million was recognized as expenses for research and development costs of continuing operations in 2022 (previous year: €206 million).

(10) Right-of-use assets

The capitalized right-of-use assets from leases primarily relate to rented office and production space at various locations in Germany and abroad. The rental agreements for property usually include options for renewals and index-based rent price adjustment clauses.

Cost

€ million	Property – land	Property – buildings	Passenger cars	Other right-of-use assets	Total
As of 1/1/2021	**33**	**271**	**28**	**15**	**349**
Additions	-	17	5	1	23
Disposals	-	(5)	(4)	-	(9)
Book transfers (IFRS 5)	(1)	(10)	(2)	(2)	(16)
Currency differences	1	3	-	-	4
As of 12/31/2021 and 1/1/2022	**33**	**276**	**28**	**14**	**351**
Additions	2	31	5	1	39
Disposals	-	(12)	(4)	-	(17)
Book transfers	-	-	-	-	-
Currency differences	-	-	-	-	1
As of 12/31/2022	**36**	**295**	**29**	**15**	**374**

Amortization and depreciation/impairment

€ million		Property – land	Property – buildings	Passenger cars	Other right-of-use assets	Total
As of 1/1/2021		**3**	**90**	**17**	**6**	**116**
Current period		1	29	6	2	38
Disposals		-	(1)	(3)	-	(5)
Book transfers (IFRS 5)		-	(10)	(2)	(2)	(14)
Currency differences		-	1	-	-	1
As of 12/31/2021 and 1/1/2022		**3**	**109**	**19**	**6**	**137**
Current period	(28)	1	31	6	2	40
Disposals		-	(7)	(4)	-	(11)
Book transfers		-	-	-	-	-
Currency differences		-	-	-	-	-
As of 12/31/2022		**4**	**132**	**21**	**8**	**165**
Carrying amount as of 12/31/2021		30	167	9	8	214
Carrying amount as of 12/31/2022		**31**	**163**	**8**	**7**	**209**

Expenses and payments in connection with leases were incurred as follows:

Leases - expenses and payments

€ million	2022	2021
Expenses from short-term leases	3	3
Expenses for low-value leased assets	4	4
Interest expenses from lease liabilities	7	6
Repayment of lease liabilities	40	41
Total lease payments	**54**	**54**

As of the end of the reporting period, nominal future lease payments amounted to €249 million (previous year: €246 million). On the recognition of lease liabilities of €211 million (previous year: €220 million), interest rates of appropriate terms and currencies were used to calculate the present values. Lease liabilities have the following maturity structure:

Maturity structure of lease liabilities

€ million	12/31/2022				12/31/2021			
	2023	2024 -2027	from 2028	Total	2022	2023 -2026	from 2027	Total
Right-of-use asset – property (land)	1	3	17	21	1	3	18	22
Right-of-use asset – property (buildings)	31	110	33	174	31	91	59	180
Right-of-use asset – passenger cars	5	4	-	8	5	4	-	9
Right-of-use asset – others	2	4	1	8	2	4	1	8
	39	**121**	**51**	**211**	**39**	**102**	**79**	**220**

(11) Property, plant and equipment

Cost

€ million	Land, land rights and buildings	Production plant and machinery	Other plant, factory and office equipment	Prepayments made and construction in progress	Total
As of 1/1/2021	**1,093**	**2,259**	**770**	**184**	**4,306**
Additions	13	34	40	69	156
Disposals	(5)	(35)	(38)	(1)	(78)
Book transfers	32	35	7	(71)	3
Book transfers (IFRS 5)	(71)	(576)	(70)	(37)	(754)
Currency differences	21	30	8	4	62
As of 12/31/2021 and 1/1/2022	**1,085**	**1,746**	**717**	**148**	**3,695**
Additions	35	31	49	108	223
Disposals	(3)	(28)	(26)	(5)	(62)
Book transfers	4	78	18	(89)	12
Adjustment in scope of consolidation	10	1	1	-	11
Currency differences	17	19	2	1	38
As of 12/31/2022	**1,147**	**1,847**	**761**	**162**	**3,917**

Amortization and depreciation/impairment

€ million		Land, land rights and buildings	Production plant and machinery	Other plant, factory and office equipment	Prepayments made and construction in progress	Total
As of 1/1/2021		**682**	**1,885**	**595**	**13**	**3,174**
Current period		20	80	60	4	163
Reversal		-	-	-	(1)	(1)
Disposals		(4)	(35)	(37)	-	(75)
Book transfers		2	4	(5)	-	1
Book transfers (IFRS 5)		(57)	(537)	(68)	(3)	(666)
Currency differences		15	23	5	-	43
As of 12/31/2021 and 1/1/2022		**657**	**1,420**	**550**	**13**	**2,640**
Current period	(28)	21	79	64	-	164
Reversal		-	-	-	(3)	(4)
Disposals		(3)	(27)	(24)	-	(53)
Book transfers		1	4	(1)	(4)	1
Adjustment in scope of consolidation		-	-	-	-	(1)
Currency differences		14	17	2	-	33
As of 12/31/2022		**690**	**1,493**	**592**	**5**	**2,780**
Carrying amount as of 12/31/2021		428	326	167	135	1,056
Carrying amount as of 12/31/2022		**458**	**353**	**169**	**157**	**1,137**

(12) Investment property

Development of investment property

€ million		2022	2021
Cost			
As of 1/1		**43**	**52**
Book transfers		(6)	(9)
As of 12/31		**37**	**43**
Amortization and depreciation/impairment			
As of 1/1		**13**	**14**
Current period	(28)	1	1
Book transfers		(1)	(1)
As of 12/31		**13**	**13**
Carrying amount as of 12/31		**24**	**30**

The carrying amount of the investment properties as of December 31, 2022, was €24 million (previous year: €30 million). In fiscal 2022, parts of buildings at the site in Düsseldorf with a carrying amount of €5 million (previous year: €8 million) were reclassified to property, plant and equipment as the premises are to be used by companies of the Rheinmetall Group in the future. Investment property has a fair value of €35 million (previous year: €44 million). The fair value is calculated on the basis of generally accepted measurement methods using multiples. The methods used come under level 3 of the measurement hierarchy in IFRS 13.

(13) Investments accounted for using the equity method

One of the major investments accounted for using the equity method is the joint venture HASCO KSPG Nonferrous Components (Shanghai) Co., Ltd., based in Shanghai, China. The objective of the joint venture is to strengthen the position on the Chinese market for pumps in the context of automotive applications and other engine parts. The joint venture KOLBENHÖFE GmbH & Co. KG, based in Hamburg, is operated for the purpose of developing and constructing as well as marketing and selling land and buildings. Due to the purchase of shares in 4iG Nyrt., Budapest, Hungary, in March 2022, the materiality criteria for presentation as investments accounted for using the equity method were reviewed again. On the basis of the review, the presentation for fiscal 2022 and the previous year was adjusted. The associate 4iG operates in the telecommunications market and offers IT solutions. 4iG is listed on the Budapest Stock Exchange, and the fair value of the share in 4iG was €134 million as of December 31, 2022.

Development of the major investments accounted for using the equity method

	HASCO KSPG Nonferrous Components		KOLBENHÖFE		4iG	
€ million	2022	2021	2022	2021	2022	2021
Net assets Jan. 1	**214**	**224**	**39**	**19**	**-**	**-**
Additions	-	-	-	-	364	-
Total comprehensive income	(2)	28	6	5	13	-
Earnings after taxes	3	4	6	5	-	-
Other comprehensive income	(4)	24	-	-	13	-
Capital increase	-	-	4	15	-	-
Dividends	12	38	-	-	8	-
Net assets Dec. 31	**200**	**214**	**49**	**39**	**370**	**-**
Investment in %	50	50	50	50	25.12	-
Carrying amount of investment Dec. 31	100	107	16	1	165	-
Dividends received	6	19	-	-	2	-

Financial information on the major investments accounted for using the equity method (100% basis)

€ million	HASCO KSPG Nonferrous Components 2022	HASCO KSPG Nonferrous Components 2021	KOLBENHÖFE 2022	KOLBENHÖFE 2021	4iG 2022	4iG 2021
Summarized financial statement of financial position (Dec. 31)						
Cash and cash equivalents	56	53	27	9	208	-
Other current assets	283	286	151	150	249	-
Total current assets	**339**	**340**	**177**	**160**	**456**	**-**
Non-current assets	**269**	**312**	**-**	**-**	**1,991**	**-**
Financial liabilities	124	118	-	-	263	-
Other current liabilities	215	242	6	10	93	-
Total current liabilities	**339**	**360**	**6**	**10**	**356**	**-**
Financial liabilities	65	72	120	110	1,339	-
Other non-current liabilities	4	6	3	1	21	-
Total non-current liabilities	**69**	**77**	**123**	**111**	**1,360**	**-**
Income statement information						
Sales	656	630	67	57	419	-
Amortization and depreciation	49	48	-	-	109	-
EBIT	14	12	8	7	7	-
Net interest	(8)	(7)	(1)	(1)	-	-
Income taxes	3	1	1	1	3	-
Earnings after taxes	3	4	6	5	3	-

The following table shows the financial information for the investments accounted for using the equity method that, considered individually, are immaterial for the Rheinmetall consolidated financial statements. On the basis of the altered composition of the material investments accounted for using the equity method, the figures of the financial information of the immaterial investments accounted for using the equity method for the previous year have been restated accordingly. The amounts given all relate to the share held by Rheinmetall:

Financial information of the immaterial investments accounted for using the equity method

€ million	2022 Joint ventures	2022 Associated companies	2021 Joint ventures	2021 Associated companies
Carrying amount of shares	71	56	62	31
Earnings after taxes	12	15	10	(3)
Other comprehensive income	1	4	3	2
Total comprehensive income	14	19	13	(1)

(14) Inventories

Classification of inventories

€ million	12/31/2022	12/31/2021
Raw materials and supplies	820	597
Work in progress	814	687
Finished products	104	162
Merchandise	141	133
Prepayments made	97	71
	1,976	**1,651**

Additions to write-downs totaled €14 million (previous year: €17 million).

(15) Other assets

Classification of other assets

€ million	12/31/2022	Of which current	Of which non-current	12/31/2021	Of which current	Of which non-current
Derivatives	41	31	10	41	31	10
Receivables from contracts with customers	12	12	-	12	12	-
Receivables from finance leases	13	1	12	30	17	13
Bonds	11	-	11	3	-	3
Other	40	19	21	46	17	29
Financial assets	**117**	**63**	**54**	**131**	**76**	**55**
Other taxes	105	99	6	59	49	10
Contract acquisition costs	94	-	94	101	-	101
Contract costs	6	-	6	6	-	6
Subsidies/grants receivable	21	13	8	24	15	9
Prepaid expenses	49	38	11	43	33	10
Pension reimbursement claims	-	-	-	34	-	34
Net definded benefit from plan assets	-	-	-	102	-	102
Reimbursement claims from insurances	2	2	-	12	12	-
Other	34	25	9	37	28	10
Non-financial assets	**312**	**179**	**133**	**419**	**137**	**282**
Other assets	**429**	**242**	**187**	**551**	**213**	**337**

The finance lease receivables result from the leasing of properties to the joint venture KS HUAYU AluTech GmbH, Neckarsulm. The following table provides information on the minimum lease payments in relation to the leases:

Finance lease receivables

€ million	12/31/2022			12/31/2021		
	2023	2024 - 2027	from 2028	2022	2023 - 2026	from 2027
Minimum lease payments	1	5	11	17	5	12
Present value of minimum lease payments	1	4	8	17	4	9

The unrealized financial income amounted to €4 million as of December 31, 2022 (previous year: €4 million).

The reduction in the claim to reimbursement for pensions and the net definded benefit from plan assets are explained under note (19) “Provisions for pensions and similar obligations”.

The contract acquisition costs are described in note (23) “Sales”.

The subsidies/grants receivable essentially relate to grants paid by public administrative bodies to subsidize the in-house development of new technologies.

Prepaid expenses particularly include advance payments for insurance and other services.

(16) Securities held for trade

In 2021, Rheinmetall AG invested cash and cash equivalents in a Rheinmetall special fund (strategic liquidity reserve). The invested funds are available for Rheinmetall to pay out at short notice at any time.

(17) Cash and cash equivalents

Classification of cash and cash equivalents

€ million	12/31/2022	12/31/2021
Bank balances in credit institutions, checks, cash in hand	545	1,039
Short term investments (up to 3 months to maturity)	-	-
	545	**1,039**

(18) Equity

Subscribed capital – The subscribed capital of Rheinmetall AG is unchanged at €111,510,656 and is divided into 43,558,850 no-par value shares (shares with no nominal value). The notional value per share is €2.56.

Authorized capital – By way of resolution of the Annual General Meeting on May 11, 2021, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the company’s share capital in the period to May 10, 2026, by issuing, once or several times, new no-par bearer shares in return for contributions in cash and/or in kind up to a maximum total of €22,302,080. As a rule, shareholders have pre-emption rights. The Executive Board is authorized, with the approval of the Supervisory Board, to disapply the shareholders’ pre-emption rights (i) in order to exclude fractional amounts from the pre-emption rights, (ii) in order to grant holders or creditors of options and/or conversion rights a conversion or pre-emption right to new shares, (iii) in the event of a capital increase against cash contributions if the amount of the share capital attributable to the new shares does not exceed 10% of the share capital and the issue price is not significantly lower than the stock market price in accordance with sections 203(1) and (2), 186(3) sentence 4 AktG, (iv) in order to issue employee shares and (v) for the purpose of acquiring companies, parts of companies or investments.

Contingent capital – By way of resolution of the Annual General Meeting on May 11, 2021, the Executive Board was authorized to issue convertible bonds, bonds with warrants or income bonds, participation rights or combinations of these instruments (together referred to as “bonds”) with or without a term limit, once or several times, with a total nominal value of up to €1,045,410,000 in the period to May 10, 2026. By way of resolution of the Annual General Meeting on May 11, 2021, the Executive Board was also authorized, with the approval of the Supervisory Board, to increase the company’s share capital in the period to May 10, 2026, by issuing, once or several times, new no-par bearer shares in return for contributions in cash and/or in kind up to a maximum total of €22,302,080. To service the above authorization, the company’s share capital was contingently increased by up to €22,302,080 by the issue of up to 8,711,750 new no-par bearer shares by way of resolution of the Annual General Meeting on May 11, 2021. The Executive Board is authorized, with the approval of the Supervisory Board, to determine the further details for the implementation of the contingent capital increase.

As a rule, shareholders have pre-emption rights to the bonds. The Executive Board is authorized, with the approval of the Supervisory Board, to disapply the pre-emption rights (i) in order to exclude fractional amounts from the pre-emption rights, (ii) in order to grant holders or creditors of options and/or conversion rights a pre-emption right, (iii) if bonds are issued as consideration especially for the purpose of acquiring companies, parts of companies or investments and (iv) if the bonds are issued against cash payment and the Executive Board believes that the issue price of the bond is not significantly lower than its theoretical market value calculated using recognized, especially actuarial methods. Bonds may only be issued with pre-emption rights disapplied if the shares issued to service the resulting conversion rights and/or options or conversion and/or option obligations do not exceed 10% of the share capital in total, neither at the date of the resolution by the Annual General Meeting on this authorization, nor at the effective date, nor at the date this authorization is exercised. This 10% limit includes the pro rata amount of the share capital attributable to shares that (i) are disposed of or used during the term of this authorization until the respective resolution on the issue of the bond without pre-emption rights as treasury shares on the basis of an authorization of the Annual General Meeting in accordance with section 71(1) no. 8 AktG with pre-emption rights disapplied, (ii) are issued from authorized capital with pre-emption rights disapplied during the term of this authorization until the respective resolution on the issue of the bond without pre-emption rights and (iii) were issued or can still be issued to service conversion rights and/or options, provided the underlying bonds are issued during the term of this authorization.

Retained earnings – The retained earnings include earnings generated by the Rheinmetall Group in the past less profit distributed.

Effects from the currency translation of subsidiaries' financial statements not prepared in euro, from the remeasurement of pension plans recognized in other comprehensive income, from the measurement of derivatives in the cash flow hedge and other comprehensive income from investments accounted for using the equity method (other income) are also reported here.

Treasury shares – By way of resolution of the Annual General Meeting on May 11, 2021, the Executive Board of the company is authorized to acquire treasury shares of the company equivalent to a maximum of 10% of the share capital up to May 10, 2026. The decisive figure for the company's share capital here is the lowest level either when the Annual General Meeting adopted the resolution on this authorization, when this authorization took effect or when this authorization was exercised. At the discretion of the Executive Board, the shares are acquired (i) via the stock exchange, (ii) by way of a public bid directed at all shareholders, (iii) by way of a public invitation to submit offers for sale or (iv) by granting put options. In the event of acquisition via the stock exchange, the purchase price per share (not including ancillary acquisition costs) must not be more than 10% higher or lower than the average closing price of the no-par shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the three preceding trading days. In the event of a public bid, the purchase price offered and paid (not including ancillary acquisition costs) must not be more than 10% higher or 20% lower than the average closing price of the no-par shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the three preceding trading days prior to publication of the purchase bid. In the event of a public invitation to submit offers for sale or acquisition by granting put options, the equivalent value paid by the company per share (not including ancillary acquisition costs) must not be more than 10% higher or 20% lower than the average closing price of the no-par shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the three preceding trading days prior to the day the offers for sale are accepted or the day of the Executive Board's final decision on the granting of put options.

The Executive Board is authorized to use the treasury shares acquired on the basis of this authorization or earlier authorizations for any legally permissible purpose, especially as follows:

(i) The shares can be sold via the stock exchange or with the approval of the Supervisory Board via a public offer to all shareholders in proportion with their shareholding.

(ii) The treasury shares can also be sold with the approval of the Supervisory Board through channels other than the stock exchange or by offering them to all shareholders, provided they are sold against cash payment and at a price that is not significantly lower than the stock market price of company shares with the same terms at the time of the sale (simplified disapplication of pre-emption rights in accordance with section 186(3) sentence 4 AktG).

(iii) The treasury shares can, with the approval of the Supervisory Board, be transferred to third parties against contributions in kind, especially as (partial) consideration for the indirect or direct acquisition of companies, parts of companies or investments in companies or in connection with business combinations and the acquisition of other assets including rights and receivables.

(iv) The treasury shares can be used to fulfill options and/or conversion rights, options and/or conversion obligations or a share delivery right of the company from bonds with warrants and/or convertible bonds and/or participation rights, which the company or one of its Group companies within the meaning of section 18 AktG issues or has issued on the basis of an authorization by the Annual General Meeting.

(v) The treasury shares can, with the approval of the Supervisory Board, be used to the benefit of people who are or were in an employment contract with the company or one of its Group companies within the meaning of section 18 AktG, as well as to the benefit of board members of corresponding Group companies, whereby the employment contract, other employment relationship or board membership must be in place at the time of the offer or commitment. The further details of any commitments and transfers, including any direct consideration, any claim requirements, holding or lock-up periods and expiry or compensation rules, especially for special cases such as retirement, disability or death, are defined by the Executive Board.

(vi) The treasury shares can be canceled without an additional Annual General Meeting resolution. As a rule, the cancellation results in a capital reduction. In deviation from this, the Executive Board can determine that the share capital remains unchanged and the cancellation instead increases the share of the remaining shares in the share capital in accordance with section 8(3) AktG. In this case, the Executive Board is authorized to amend the number of shares stated in the articles of association.

As in the previous year, no treasury shares were acquired in the reporting year. Disposals related to the long-term incentive program which is described under note (36) “Share programs.” Sales proceeds from the disposals are used for general financing purposes. As of December 31, 2022, the portfolio of treasury shares amounted to 177,184 shares (previous year: 255,201 shares) with acquisition costs of €6 million (previous year: €9 million). The amount of subscribed capital attributable to treasury shares totaled €454 thousand (previous year: €653 thousand). This represents a share in subscribed capital of 0.4% (previous year: 0.6%).

Other comprehensive income (including minority interests)

€ million	2022			2021		
	Gross amount	Tax effect	Net amount	Gross amount	Tax effect	Net amount
Remeasurement of net defined benefit liability from pensions	100	(35)	65	291	(60)	231
Other comprehensive income from investments accounted for using the equity method	3	-	3	(2)	-	(2)
Amounts not reclassified to the income statement	**103**	**(35)**	**69**	**290**	**(60)**	**229**
Change in value of derivatives (Cash flow hedges)	(23)	8	(15)	13	(2)	11
Currency translation difference	23	-	23	63	-	63
Other comprehensive income from investments accounted for using the equity method	2	-	2	22	-	22
Amounts reclassified to the income statement	**2**	**8**	**10**	**98**	**(2)**	**96**
Other comprehensive income	**105**	**(27)**	**78**	**388**	**(63)**	**325**

In fiscal 2022, Rheinmetall AG paid a dividend of €143 million or €3.30 per share (previous year: €87 million or €2.00 per share) to its shareholders from current earnings. At the Annual General Meeting, the Executive Board and Supervisory Board will propose the distribution of a dividend of €4.30 per share to the eligible shareholders. This equates to a dividend payment totaling €187 million.

Significant non-controlling interests – Significant non-controlling interests of other shareholders exists in the subgroup of Rheinmetall MAN Military Vehicles GmbH, Munich. Here other shareholders hold an interest of 49%. The Group’s financial information is shown below.

Significant non-controlling interests

€ million	2022	2021
Non-controlling interests included in equity (Dec. 31)	133	87
Assets (Dec. 31)	677	565
Of which non-current	131	133
Of which inventories	238	230
Liabilities (Dec. 31)	384	370
Of which non-current	78	81
Sales	892	767
Earnings after taxes	93	59
Of which from minority interests	43	31
Total comprehensive income	98	60
Of which from minority interests	48	30
Cash flows from operating activities	4	136

Non-controlling interests in earnings after taxes – The table below shows the earnings after taxes attributable to shareholders that hold non-controlling interests in Group companies.

Earning after taxes of non-controlling interests

€ million	Non-controlling interests	2022	2021
Subgroup of Rheinmetall MAN Military Vehicles GmbH	49%	43	31
Rheinmetall Denel Munition Pty. Ltd.	49%	11	1
Nitrochemie Aschau GmbH	45%	4	4
Rheinmetall BAE Systems Land Ltd.	45%	6	3
Nitrochemie Wimmis AG	45%	4	3
Other		(1)	(1)
		66	41

Capital management – Capital management is geared towards sustainably increasing enterprise value, securing sufficient liquidity and preserving the Rheinmetall Group's credit standing. The Group manages and monitors its capital structure in order to achieve its business targets regarding operations, necessary capital expenditure and strategic acquisitions and to optimize capital costs. Debt management pursues a diversified financing strategy to guarantee continual access to liquid funds both via money and capital markets and via bank financing.

The key figures for capital management in the Rheinmetall Group are net financial debts or net liquidity and the equity ratio. The debt repayment period is also disclosed, which is calculated as the ratio of financial debts to EBITDA.

Key figures of capital management

€ million	12/31/2022	12/31/2021
Cash and cash equivalents	545	1,039
Financial liabilities	971	921
Net financial debt (-)/Net liquidity (+)	(426)	118
Securities held for trade (Strategic liquidity reserve)	132	162
Equity	3,083	2,620
Equity ratio	38.1%	33.9%
Leverage (in years)	1.0	1.1

Further information on the financing strategy and on the asset and capital structure is contained in the combined management report.

(19) Provisions for pensions and similar obligations

Rheinmetall's company pension systems consist of both defined contribution and defined benefit plans.

Defined contribution plans – Under defined contribution plans, the relevant company pays contributions to earmarked pension institutions, which are reported in personnel expenses. The company does not enter into any further obligations; a provision is not recognized.

In continuing operations, personnel expenses of €84 million (previous year: €79 million) were incurred in the year under review for defined contribution pension commitments, which mainly relate to payments to statutory pension institutions in Germany.

Defined benefit plans – Under its defined benefit plans, Rheinmetall is required to meet confirmed benefit obligations to active and former employees. Provisions are recognized for obligations under vested rights and current pensions payable to eligible active and former employees, retirees and surviving dependents, taking into account any plan assets. There are material pension plans at the Rheinmetall Group's German and Swiss companies and at Rheinmetall BAE Systems Land Ltd. in the United Kingdom.

With effect as of January 1, 2022, Rheinmetall has restructured the defined benefit plan for Group companies based in Germany. It comprises a basic plan and a corporate performance-related intermediate plan, each of which is financed by the employer, and a supplementary plan financed through deferred compensation. The supplementary plan is subsidized by an employer contribution of 20% to the deferred compensation amount (for deferred compensation up to 4% of the "West" assessment ceiling in the statutory pension scheme). The respective plan components are paid into a fund managed by a trustee. The beneficiaries are entitled to the amounts derived from the plan assets. There is also a nominal contribution guarantee. The agreed retirement benefits comprise old-age pensions, invalidity pensions and pensions for surviving dependents. The pension capital is paid out in the form of a life-long pension, payment in installments over 10 years, or a lump sum. As agreed, the life-long pension and the payment in installments are increased by 1% each year.

The defined benefit plan that applied for Group companies based in Germany until the end of fiscal 2021 likewise consisted of three elements: a basic plan and a corporate performance-related intermediate plan, each of which was financed by the employer, and a supplementary plan financed through deferred compensation. The agreed retirement benefits comprise old-age pensions, invalidity pensions and pensions for surviving dependents. The annual pension contribution or the amount of deferred compensation for each beneficiary in accordance with actuarial principles is converted into a capital component. The total pension capital when benefits become due is based on the sum of all capital components. In the case of the basic plan and intermediate plan, pension capital is paid out in the form of a life-long pension that increases by 1% each year in accordance with an agreement. In the case of the supplementary plan financed solely by the employee, the pension capital is paid out as a lump sum or in three or five equal installments when benefits become due. When the new plan was introduced, the previous plan was converted to the new pension plan. The entitlements from the previous pension plan remain in place.

Other pension plans exist in Germany, but these are no longer available to new employees joining the Group. The agreed retirement benefits comprise old-age pensions, invalidity pensions and pensions for surviving dependents. Depending on the plan, these are based on agreed fixed amounts per year of service or on a percentage of the employee's final salary before leaving the Rheinmetall Group. Ongoing retirement benefits are subject to compensation for inflation.

The pension obligations of the German companies are largely financed internally. Rheinmetall has set up a contractual trust arrangement (CTA) with the aim of spreading the financing of its pension and partial retirement obligations across several pillars over the long term. For continuing operations, a total of €250 million has been paid into a fund managed by a trustee since 2016, of which €235 million was allocated to pension obligations and €15 million to partial retirement obligations. Pension payments to the beneficiaries are made by the respective Group companies.

There are pension plans at the Swiss subsidiaries, each of which is managed via pension funds for several companies (multi-employer plans). These are defined benefit plans used to cover pensions and risks arising from invalidity and death for former employees, their relatives and surviving dependents. On retirement, the pension is based on the available retirement assets multiplied by conversion rates determined by pension fund regulations, whereby payment can take place monthly or in certain cases as a lump sum. Pension plans are financed by contributions made by the employer and employee, primarily at a rate of 50% each, which are paid into pension funds. The pension funds are independent foundations that do not belong to the Rheinmetall Group, whose funds are due solely to pension beneficiaries. Any return of assets and income to the contributing companies is excluded. The top bodies in the foundations comprise equal numbers of employer and employee representatives of the relevant companies. The foundations are responsible for investments. Principles of security, risk distribution, yield and liquidity must be observed in this process in order to be able to render the agreed benefits from the foundation's assets when due. Both contributions paid into the pension funds and future benefits arising from these are reviewed regularly by the foundation's bodies and may be changed after taking into account the foundation's financial options. In the event of a shortage of cover, the pension funds can levy remedial contributions from all associated employers if other measures do not lead to the desired result. Liability of the Swiss subsidiaries towards the companies belonging to the pension funds is excluded. At one Swiss subsidiary, benefits from the pension fund provided for in accordance with the pension plan are also covered by an insurance policy.

The acquisition of the shares in Rheinmetall BAE Systems Land Ltd. requires Rheinmetall to make payments to the BAE Group's pension fund for the entitlements earned by the acquired employees. It is not possible to withdraw from the pension fund. If the recognized pension obligations of Rheinmetall BAE Systems Land Ltd. that are not covered by plan assets, Rheinmetall a claim to reimbursement from the BAE Group in the same amount (see note (15)), which compensates for the remeasurement of the net defined benefit liability from pensions. In addition, the BAE Group is obliged to make the ongoing pension payments to retirees. Excess or deficient cover of the pension fund and its performance are therefore neutral in terms of earnings and risk. By acquiring the shares, Rheinmetall took on full joint liability for the BAE Group's pension agreements. The occurrence of a liability claim is considered to be highly unlikely.

The present value of the DBO, plan assets and the net liability for defined benefit obligations developed as follows:

Present value, plan assets and net liability for defined benefit obligations

€ million	2022			2021		
	Present value of DBO	Plan assets (at fair value)	Net liability for defined benefit obligations	Present value of DBO	Plan assets (at fair value)	Net liability for defined benefit obligations
As of 1/1	**2,674**	**(2,004)**	**670**	**2,949**	**(1,772)**	**1,177**
Current service cost	38	-	38	39	-	39
Past service cost	-	-	-	-	-	-
Interest cost	19	-	19	12	-	12
Interest income	-	(13)	(13)	-	(7)	(7)
Settlement	-	-	-	-	-	-
Entry benefits/leaving benefits	-	-	-	-	-	-
Amounts recognized in the income statement	**57**	**(13)**	**44**	**51**	**(7)**	**44**
Income from plan assets (excluding interest income)	-	145	145	-	(168)	(168)
Actuarial gains (-) and losses (+)						
Change in financial assumptions	(712)	-	(712)	(114)	-	(114)
Change in demographic assumptions	-	-	-	(62)	-	(62)
Empirical adjustments	161	-	161	(8)	-	(8)
Other comprehensive income from remeasurement of net defined benefit	**(552)**	**145**	**(407)**	**(184)**	**(168)**	**(352)**
Employer contributions	-	(74)	(74)	-	(51)	(51)
Employee contributions	12	(14)	(1)	11	(9)	1
Pension payments	(134)	93	(40)	(122)	82	(40)
Adjustment in scope of consolidation	-	-	-	3	-	3
Book transfers (IFRS 5)	-	-	-	(113)	-	(113)
Currency differences/other	30	(35)	(5)	79	(78)	1
As of 12/31	**2,088**	**(1,901)**	**187**	**2,674**	**(2,004)**	**670**

Reconciliation of the net defined benefit liability to the balance sheet amount

€ million	12/31/2022					12/31/2021				
	DE	CH	UK	Other	Total	DE	CH	UK	Other	Total
Net liability from defined benefit obligations	454	(249)	(49)	30	187	693	(97)	34	40	670
Changes in the effect of the asset ceiling	-	249	49	-	297	-	-	-	-	-
Balance sheet amount	**454**	**-**	**-**	**30**	**484**	**693**	**(97)**	**34**	**40**	**670**
there of provision	*454*	-	-	*30*	*484*	*693*	*6*	*34*	*40*	*773*
there of net asset value	-	-	-	-	-	-	*102*	-	-	*102*

The present value of the DBO from discontinued operations was €71 million as of December 31, 2022 (previous year: €106 million. The change was primarily due to changes in financial assumptions of €29 million.

The changes in financial assumptions and the empirical adjustments in the actuarial gains and losses arose across all companies. The actuarial gains from the change in financial assumptions result primarily from increased discount rates. The actuarial losses from the empirical adjustments, which are particularly attributable to an increase in the consumer price index used for pension adjustments in Germany, have the opposite effect.

At the Swiss companies, the value of the plan assets exceeds the present value of the DBO. As of December 31, 2022, the excess cover of the present value of the DBO limited the asset value due to an asset ceiling and therefore did not result in recognition of a net asset from plan assets (December 31, 2021: €102 million). In the United Kingdom, the asset ceiling likewise limited the asset value. Since Rheinmetall has no claim to reimbursements from the excess cover of the pension plans in the two countries and the future contributions to the plans may not be reduced as a result of the excess cover, the asset value must be limited.

The service cost and the balance of entry/leaving benefits are reported under personnel expenses.

The interest expense and interest income from pensions are netted in net interest income.

Employers and employees made total payments of €88 million to plan assets (previous year: €57 million). €62 million (previous year: €35 million) of this relates to the allocation to CTA assets for pension obligations in Germany.

Key pension plans – The statements below refer to the pension plans of Group companies based in Germany, Switzerland, and in the United Kingdom.

The pension plans of continuing operations relate to the following beneficiaries:

Beneficiaries

Number of people	12/31/2022		12/31/2021	
	Germany	Switzerland	Germany	Switzerland
Active employees	11,763	1,262	10,642	1,170
Vested rights of former employees not subject to expiration	1,900	-	1,765	-
Pensioners	9,385	1,598	9,379	1,650
Total	**23,048**	**2,860**	**21,786**	**2,820**

In the reporting year, there are 158 (previous year: 167) active employees entitled to a pension in the United Kingdom. Rheinmetall is obliged to pay into a pension fund for these employees.

The average durations of pension obligations are 17 years at the German companies, as in the previous year, 13 years at the companies in the United Kingdom (previous year: 17 years) and 10 years (previous year: 11 years) at companies based in Switzerland.

In order to determine the present value of the DBO in due consideration of actuarial factors, measurement assumptions were made according to standard principles and per country, taking into account the respective economic circumstances. Discount rates are derived from yields on fixed-interest corporate bonds with a suitable duration and currency which are rated “AA” or better. To determine the discount rate for Germany, a more detailed granular approach is used (often also called the “spot-rate approach”). This means that both the contractual obligation of the weighted defined benefit obligation as well as the current service cost and the net interest expense are calculated using the entire yield curve of the Group’s actuary as of the December 31, 2022 reporting date. The following table presents the key underlying actuarial parameters:

Actuarial parameters

in %	12/31/2022			12/31/2021		
	Germany	Switzerland	United Kingdom	Germany	Switzerland	United Kingdom
Discount rate	3.74	2.24	4.80	1.13	0.33	1.90
Pension development	2.20	0.00	3.00	1.75	0.00	3.10
Life expectancy	Heubeck 2018G mortality tables	BVG 2020 generation tables	CMI 2021 projection tables	Heubeck 2018G mortality tables	BVG 2020 generation tables	CMI 2020 projection tables

The following table shows the parameters where a change in values determined as of the end of the reporting period would have a significant impact on the present value of the DBO. The sensitivities were calculated using the same methods as the recognized provisions. The ranges used for the calculation of the sensitivities are based on the changes considered possible by the end of the next reporting period on the basis of historical experience. These methods could be limited by the significance of historical experience for the projection of future developments and the disregard for effects of simultaneous changes in several parameters. Pension commitments in Switzerland are excluded from changes in the present value of the DBO based on assumptions on pension development, as the pension funds' regulations do not stipulate ongoing adjustment to future pensions. Instead, the foundation board decides on any adjustments.

Change in present value of DBO

€ million	12/31/2022			12/31/2021		
	Germany	Switzerland	United Kingdom	Germany	Switzerland	United Kingdom
Discount rate -0.25%	20	24	12	35	32	20
Discount rate +0.25%	(19)	(24)	(11)	(33)	(31)	(18)
Pension development -0.50%	(17)	-	(14)	(25)	-	(23)
Pension development +0.50%	19	-	14	27	-	23
Increase in life expectancy by 1 year	32	44	11	50	59	19

The Rheinmetall Group is exposed to various risks as a result of defined benefit pension commitments. As well as general actuarial risks arising from the measurement of pension obligations, the plan assets harbor investment risks. The investment strategy and composition of assets managed by pension funds are geared towards yield targets, risk tolerance and short-term and medium-term liquidity requirements.

Classification of the plan assets

in %	12/31/2022	12/31/2021
Properties	33	30
Shares, funds	38	42
Corporate bonds	18	18
Other	11	10
Total	**100**	**100**

The fair values of shares, fund units, fixed-interest securities and other investments are determined based on market prices in an active market. The fair values of property are not based on market prices in an active market.

For the following year, the estimated cash outflows of continuing operations for contributions to plan assets are shown below.

Estimated cash outflows to plan assets

€ million	2023
Employer contributions to plan assets	24
Employee contributions to plan assets	15

The following cash outflows for the payment of pensions from the pension plans of continuing operations are expected for the following periods:

Cash outflows for payments of pensions from pension plans

€ million	Payments from plan assets	Payments from companies
2023	70	46
2024	68	40
2025	64	41
2026	60	42
2027	56	38
2028-2032	247	193

(20) Other provisions

Classification of other provisions

€ million	Human Resources	Structural measures	Guarantees	Identifiable losses	Contract-related costs	Other provisions	Total
As of 1/1/2021	**202**	**89**	**122**	**43**	**351**	**181**	**987**
Utilization	(150)	(30)	(20)	(7)	(90)	(38)	(336)
Reversal	(4)	(7)	(30)	2	(7)	(19)	(65)
Added/provided for	163	22	24	(7)	76	57	335
Currency differences/other	2	(11)	2	-	5	2	-
Book transfers (IFRS 5)	(13)	(5)	(5)	(1)	-	(11)	(34)
As of 12/31/2021	**200**	**58**	**93**	**30**	**334**	**172**	**887**
Of which current	*176*	*23*	*50*	*30*	*271*	*128*	*677*
Of which non-current	*24*	*36*	*43*	*-*	*64*	*44*	*210*
As of 1/1/2022	**200**	**58**	**93**	**30**	**334**	**172**	**887**
Utilization	(152)	(25)	(18)	(7)	(89)	(39)	(331)
Reversal	(5)	(2)	(17)	-	(15)	(68)	(107)
Added/provided for	172	20	21	1	126	66	406
Currency differences/other	12	5	-	(4)	8	2	23
As of 12/31/2022	**226**	**55**	**80**	**21**	**364**	**132**	**878**
Of which current	*205*	*19*	*45*	*21*	*294*	*90*	*674*
Of which non-current	*21*	*37*	*35*	*-*	*70*	*43*	*205*

Personnel provisions essentially relate to variable remuneration of €119 million (previous year: €101 million) and obligations from vacation, overtime and flexitime accounts of €61 million (previous year: €57 million).

Provisions for restructuring mainly relate to termination settlements and expenses for partial retirement obligations.

The provisions for contract-related costs comprise offset obligations of €103 million (previous year: €89 million), contractual penalties of €20 million (previous year: €17 million), price review risks of €18 million (previous year: €20 million), contract-related commissions of €75 million (previous year: €64 million) and other contract costs of €149 million (previous year: €144 million).

Miscellaneous provisions relate to environmental risks at €27 million (previous year: €28 million), rebates and bonuses at €19 million (previous year: €15 million), and other individual provisions.

(21) Financial debts

Classification of financial debts

€ million	12/31/2022	Of which current	Of which non-current	12/31/2021	Of which current	Of which non-current
Promissory note loans	253	-	253	374	121	253
Bank liabilities	376	284	92	324	52	272
Leasing	211	39	172	220	39	181
Commercial Paper	128	128	-	-	-	-
Other	4	3	1	3	2	1
	971	**454**	**517**	**921**	**215**	**706**

Promissory note loans – As of the end of the reporting period, there are various promissory note loans with a nominal value totaling €253 million that serve the Group's general corporate financing.

Overview of promissory note loans

Interest terms	Year concluded	Currency	Nominal value in € million	Maturity	Average weighted nominal interest rate (in %)
Fixed rate			**134**		
	2014	€	25	2024	3.00
	2018	€	42	2025	1.67
	2019	€	68	2024-2029	0.97
6-month EURIBOR + spread			**119**		
	2018	€	32	2025	6-month EURIBOR + 1.06
	2019	€	88	2024–2026	6-month EURIBOR + 0.88
			253		

Bank liabilities

€ million			12/31/2022	12/31/2021
Maturing in	**Type of loan**	**Interest terms**	**Nominal value**	**Nominal value**
August 2023	EIB loan	0.962%	250	250
December 2028	EIB loan	0.472%	80	-
2025	Construction loan	1.90%	13	17
2023-2025	Various – medium-term	Ø 1.93%	7	13
2023/2022	Various – short-term		26	44
			376	**324**

The loans from the European Investment Bank (EIB), Luxembourg, are project-related loans granted to finance research and development activities, especially in connection with projects for the reduction of emissions from combustion engines and for alternative drive technologies.

€21 million (previous year: €30 million) of liabilities to banks are secured by land charges and similar rights.

Commercial paper – As of the end of the reporting period, there are various commercial paper instruments with a nominal value totaling €128 million that serve the Group's general corporate financing.

The cash and non-cash changes in financial debts are shown below.

Cash and non-cash changes in financial debts

€ million	Promissory notes		Bank liabilities		Leasing	Commercial Paper	Other	Total
	< 1 year	> 1 year	< 1 year	> 1 year				
As of 1/1/2021	**28**	**374**	**69**	**291**	**249**	**-**	**11**	**1,023**
Cash changes	(28)	-	(19)	(9)	(41)	-	(9)	(107)
Borrowing of financial debts	-	-	106	-	-	-	2	107
Repayment of financial debts	(28)	-	(125)	(9)	(41)	-	(10)	(214)
Non-cash changes	121	(121)	13	(10)	21	-	1	24
Currency differences	-	-	2	-	3	-	-	5
Adjustment in scope of consolidation	-	-	-	-	7	-	-	7
Addition of right-of-use assets	-	-	-	-	12	-	-	12
Book transfers	121	(121)	10	(10)	(1)	-	1	-
Book transfers (IFRS 5)	-	-	(10)	-	(9)	-	-	(20)
As of 12/31/2021 and 1/1/2022	**121**	**253**	**52**	**272**	**220**	**-**	**3**	**921**
Cash changes	(122)	-	(19)	72	(37)	128	1	23
Borrowing of financial debts	-	-	22	80	-	128	6	236
Repayment of financial debts	(122)	-	(41)	(8)	(37)	-	(5)	(213)
Non-cash changes	-	-	251	(252)	28	-	-	27
Currency differences	-	-	-	-	-	-	-	-
Adjustment in scope of consolidation	-	-	-	-	-	-	-	-
Addition of right-of-use assets	-	-	-	-	28	-	-	28
Book transfers	-	-	251	(252)	-	-	-	(1)
As of 12/31/2022	**-**	**253**	**284**	**92**	**211**	**128**	**4**	**971**

(22) Other liabilities

Classification of other liabilities

€ million	12/31/2022	Of which current	Of which non-current	12/31/2021	Of which current	Of which non-current
Monies in transit from debt collection	2	2	-	44	44	-
Derivatives	25	19	6	18	14	4
Other	53	33	20	27	22	4
Financial liabilities	**79**	**54**	**26**	**89**	**81**	**9**
Liabilities from other taxes	101	101	-	62	62	-
Liabilities from social security	11	11	-	10	10	-
Other	64	34	30	80	44	36
Non-financial liabilities	**177**	**147**	**30**	**152**	**116**	**36**
Other liabilities	**256**	**200**	**56**	**241**	**196**	**45**

Notes to the income statement

(23) Sales

The Group generates sales from the transfer of goods and services in security technology and mobility. Sales in the real estate development sector are also recognized in the other companies. The following table shows the timing of sales recognition broken down by division.

Disaggregation of sales by point in time and over time

€ million	2022			2021		
	At a point in time	Over time	Total	At a point in time	Over time	Total
Vehicle Systems	1,119	1,150	2,270	1,036	848	1,883
Weapon and Ammunition	1,378	93	1,470	1,144	89	1,233
Electronic Solutions	567	496	1,063	460	472	932
Sensors and Actuators	1,382	-	1,382	1,315	-	1,315
Materials and Trade	743	-	743	651	-	651
Other/Consolidation	(428)	(91)	(519)	(301)	(55)	(356)
Group total	**4,761**	**1,649**	**6,410**	**4,304**	**1,354**	**5,658**

Customer contracts in security technology include the manufacture and supply of goods as well as service contracts for service and maintenance activities and the provision of development services. Depending on contract design, sales are recognized at the time at which risk is transferred, which is agreed individually. Sales are recognized at a point in time in particular in the case of orders for protection and weapon systems and for ammunition.

In the business areas of civilian mobility, contracts with customers relate primarily to serial deliveries of modules and systems for engine technology. The customers are predominantly large automotive manufacturers. As a rule, sales are recognized at the time of delivery.

In the case of customer-specific contract manufacturing, sales are recognized over time. This predominantly applies to contracts with customers in the Electronic Solutions division, to development and pilot production contracts, and to the delivery of vehicle programs.

The sales for 2022 include €4 million (previous year: €5 million), which resulted from the inclusion of a financing component.

The following contract balances result from contracts with customers:

Contract balances resulting from contracts with customers

€ million	12/31/2022	12/31/2021
Trade receivables	1,548	1,164
Contract assets	362	408
Contract liabilities	1,120	1,111

Trade receivables are recognized as soon as the goods and services have been transferred to the customer and there is an unconditional legal entitlement to the corresponding consideration. The credit term for contracts with customers is predominantly 90 days.

Contract assets exist for contracts with customers under which sales are recognized over time and the performance rendered has not yet been billed. In comparison to the previous year, contract assets decreased by €46 million to €362 million (previous year: €408 million).

Contract liabilities result from the excess of advance payments received and other customer payments over the performance already rendered. Approximately two thirds of contract liabilities included in the items at the beginning of the fiscal year were recognized as income in fiscal 2022. Contract liabilities increased by €9 million to €1,120 million (previous year: €1,111 million).

In addition, there are assets in connection with the acquisition of contracts with customers, which are as follows:

Assets recognized from the costs to obtain a contract with a customer

€ million	2022	2021
As of 1/1	**101**	**101**
Addition	20	35
Write-down	(28)	(37)
Currency differences	1	2
As of 12/31	**94**	**101**

The assets from contract acquisition (see note (15) “Other assets”) relate to contracts with customers in security technology and primarily comprise commissions for agents and indirect offset costs. Offset costs are usually incurred for contracts with customers in which the customer wishes to support the local economy in order to offset an import business through an additional agreement. Indirect offset costs are costs that are incurred in addition to the manufacturing-related costs. The assets are recognized at the time the costs arise and are written down in line with the sales recognition over the time of contract fulfillment.

The order backlog as of December 31, 2022 reflects the total of performance obligations not fulfilled or partly not yet fulfilled. Besides the contract value, the order backlog also includes adjustments from variable remuneration, such as index-based price adjustment clauses, which are customary in the case of longer-term orders. Future sales from the order backlog are expected for the following periods:

Future sales from the order backlog

€ million	Order backlog	Expected sales		
	12/31/2022	2023	2024	from 2025
Rheinmetall Group [1]	15,089	3,523	3,299	8,267

[1] The order backlog and corresponding impact on sales result for the Weapon and Ammunition, Electronic Solutions and Vehicle Systems segments. The performance obligations of the Sensors and Actuators and Materials and Trade segments are less than one year and therefore not included in this disclosure.

(24) Changes in inventories and work performed by the enterprise and capitalized

Composition of changes in inventory and work performed by the enterprise and capitalized

€ million	2022	2021
Increase/decrease in inventory of finished and unfinished products	59	20
Other work performed by the enterprise and capitalized	93	97
	153	**117**

(25) Other operating income

Composition of other operating income

€ million	2022	2021
Reversal of provisions	94	58
Government grants	11	13
Sundry rental agreements and leases	6	6
Residual/scrap disposal	6	5
Reversal of assets (excl. financial assets)	5	2
Disposal of fixed assets/divestments	8	2
Refunds	6	1
Miscellaneous operating income	84	46
	221	**134**

Miscellaneous operating income results among other things from the derecognition of liabilities, refunds and credits from transactions carried out in previous years. The increase in other operating income in fiscal 2022 is particularly attributable to derecognitions of liabilities and reversals of provisions. The corresponding obligations are expired, or the utilization of the obligations or settlement of the liabilities are no longer assumed for other reasons (e.g. court decision).

(26) Cost of materials

Composition of costs of materials

€ million	2022	2021
Cost of raw materials, supplies and merchandise purchased	2,309	2,220
Cost of services purchased	874	525
	3,183	**2,745**

(27) Personnel expenses

Personnel expenses for the Rheinmetall Group break down as follows:

Composition of personnel expenses

€ million	2022	2021
Wages and salaries	1,530	1,353
Social security and related employee benefits	173	160
Pension expenses	117	112
Expenses for redundancy plans, termination indemnities, partial retirement	16	17
	1,836	**1,643**

The rise in personnel expenses in fiscal 2022 is attributable to the increase in personnel in continuing operations. The average number of employees in the Rheinmetall Group is divided among the divisions and other business area as follows:

Annual average headcount

Capacity - Full Time Equivalents (FTE) (annual average)	2022	2021
Division Vehicle Systems	5,333	4,774
Division Weapon and Ammunition	4,950	4,801
Division Electronic Solutions	3,411	3,095
Division Sensors and Actuators	4,454	4,445
Division Materials and Trade	2,267	2,197
Rheinmetall AG/other	651	530
Rheinmetall Group (continuing operations)	**21,066**	**19,843**
Discontinued operations (Pistons)	3,772	3,872
Rheinmetall Group (continuing and discontinued operations)	**24,838**	**23,715**

(28) Amortization, depreciation and impairment

Composition of amortization, depreciation and impairment

€ million	2022	2021
Goodwill	-	-
Other intangible assets	45	48
Right-of-use assets	40	38
Property, plant and equipment and Investment Properties	165	165
	249	**251**

In fiscal 2022, amortization, depreciation and impairment included impairment losses of €0 million (previous year: €14 million). These break down as follows:

Composition of impairment

€ million	2022	2021
Goodwill	-	-
Other intangible assets	-	9
Property, plant and equipment and Investment Properties	-	6
	-	**14**

(29) Other operating expenses

Composition of other operating expenses

€ million	2022	2021
Operating Costs and maintenance	135	137
IT costs	130	119
Distribution and advertising costs	109	93
Incidental personnel costs	62	50
General administrative expenses [1]	53	-
Travel expenses	44	24
Insurances	40	35
Audit, legal and consultancy fees	32	30
Write-downs of receivables	23	9
Rents, leases and ancillary costs	23	21
Warranties	10	18
Patent and licensing fees (Others)	12	15
Other taxes	8	9
Miscellaneous operating expenses	87	96
	768	**656**

[1] General administrative expenses were reported separately for the first time in fiscal 2022. In the previous year, these expenses were included in miscellaneous operating expenses.

(30) Income taxes

Composition of income taxes

€ million	2022	2021
Current income tax expense	121	108
Earlier-period income taxes	(1)	(6)
Deferred taxes	63	48
	183	**150**

As in the previous year, a single corporate income tax rate of 15% plus the solidarity surcharge of 5.5% is used to calculate deferred income taxes for Germany. Including the respective trade tax gives the recognized total tax rate, which in Germany is mostly 30%. At foreign companies, deferred taxes are calculated using country-specific tax rates, which range from 15% to 34% (previous year: 15% to 34%).

The table below presents a reconciliation of expected tax expense to reported actual tax expense. Rheinmetall AG’s tax rate of 30% is applied to earnings before taxes in order to calculate the expected tax expense. This includes German corporate income tax, the solidarity surcharge and trade tax.

Reconciliation of tax expenses

€ million	2022	2021
Earnings before taxes	711	582
Expected income tax expense (tax rate of 30%; previous year: 30%)	**213**	**174**
Foreign tax rate differentials	(25)	(15)
Effects of unrecognized loss carryforwards and temporary differences	(1)	(1)
Reduction of tax expense due to previously unrecognized loss carryforwards and temporary differences	(3)	(4)
Tax-exempt income	(5)	(7)
Non-deductible expenses	7	5
Earlier-period income taxes	(1)	(6)
Taxes on entities carried at equity	(6)	(3)
Taxes on dividends and other withholding taxes	5	6
Other	(1)	1
Actual income tax expense	**183**	**150**

Allocation of deferred taxes to items in the statement of financial position

€ million	12/31/2022		12/31/2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carryforwards and tax credits	41	-	56	-
Fixed assets	14	135	16	114
Inventories and receivables	37	63	38	100
Pension provisions	71	-	140	-
Other provisions	42	1	41	1
Liabilities	39	33	44	27
Other	10	2	18	2
Subtotal	**254**	**234**	**353**	**244**
Set off	(156)	(156)	(206)	(206)
Deferred taxes according to the statement of financial position	**98**	**78**	**147**	**38**

In addition to capitalized deferred tax assets from loss carryforwards and tax credits from continuing operations, further tax loss carryforwards and tax credits exist in Germany and abroad totaling €291 million (previous year: €324 million), which cannot be utilized or whose deferred tax assets were adjusted by value adjustments. €162 million (previous year: €166 million) of this relates to German loss carryforwards, €127 million (previous year: €157 million) to foreign loss carryforwards and €2 million to tax credits (previous year: €1 million). The German loss carryforwards, and €116 million of the foreign loss carryforwards (previous year: €107 million), are not subject to expiration. As in the previous year, the limited foreign loss carryforwards can still be utilized for up to eight years. Within the Group, €24 million (previous year: €31 million) in deferred tax assets were recognized at companies of continuing operations with losses in the current year or in the previous year due to positive corporate planning. These relate particularly to companies with start-up losses and companies where restructuring measures were taken. Deferred tax liabilities of €4 million (previous year: €1 million) were recognized for temporary differences in connection with shares in subsidiaries and associates from continuing operations insofar as the Group is unable to control the timing of the reversal of the temporary differences or the reversal is not expected in the foreseeable future. Deferred tax liabilities of €10 million (previous year: €12 million) were recognized on material differences that are not expected to reverse in the near future or for which the Group cannot control the reversal.

(31) Earnings per share

Earnings per share are calculated as a ratio of the consolidated result of the shareholders of Rheinmetall AG and the weighted average number of shares in circulation during the fiscal year. As there were no shares, options or similar instruments outstanding that could dilute earnings per share as of December 31, 2022, or December 31, 2021, basic and diluted earnings per share are identical. Treasury shares reduce the weighted number of shares.

Earnings per share

	2022	2021
Weighted number of shares in millions	**43.36**	**43.28**
Earnings after taxes for shareholders of Rheinmetall AG in € million	**469**	**291**
Of which: Earnings after taxes from continuing operations for shareholders of Rheinmetall AG in € million	462	391
Of which: Earnings after taxes from discontinued operations for shareholders of Rheinmetall AG in € million	8	(100)
Earnings per share	**€ 10.82**	**€ 6.72**
Earnings per share from continuing operations	€ 10.64	€ 9.04
Earnings per share from discontinued operations	€ 0.18	€ (2.32)

Other explanatory information

(32) Notes to the statement of cash flows

€12 million (previous year: €4 million) of the net interest income included in the cash flow from operating activities related to interest payments received and €22 million (previous year: €23 million) to interest payments made.

Payments for investments in consolidated companies and other financial assets amounted to €205 million (previous year: €35 million). €165 million of this is attributable to the acquisition of 25.12% of the shares in the associate 4iG Nyrt., Budapest, Hungary. €32 million is attributable to the acquisition of the activities of the drone manufacturer EMT Ingenieurgesellschaft Dipl.-Ing. Hartmut Euer mbH (EMT) by Rheinmetall Technical Publications GmbH and the acquisition of EMT's existing land and buildings by Rheinmetall Immobilien VEGA GmbH & Co. KG. Of this €32 million, €5 million must be refunded by the seller due to a subsequent purchase price adjustment in fiscal 2023. A purchase price of €4 million is attributable to the acquisition of 29.53% of the shares in the associate Incooling B.V., Eindhoven, Netherlands.

The payments for investments in fund units of €160 million in the previous year resulted from the investment of cash and cash equivalents on the capital market as securities held for trade (strategic liquidity reserve).

(33) Notes to the segment report

Rheinmetall's organizational structure comprises five divisions as reportable segments, which are managed directly by the Executive Board of Rheinmetall AG. The five segments – Vehicle Systems, Weapon and Ammunition, Electronic Solutions, Sensors and Actuators, and Materials and Trade – differ with regard to their technologies, products and services.

The Vehicle Systems segment offers a diverse portfolio of vehicles, including combat, support, logistics, and special vehicles. The portfolio of the Weapon and Ammunition segment comprises products and solutions for threat-appropriate, effective and accurate firepower as well as comprehensive protection. The Electronic Solutions segment offers the entire chain of effects in the system network – from sensors and the networking of platforms and soldiers to the (partially) automated connection of effectors – as well as solutions for protection in cyberspace. In addition, the division offers extensive training and simulation solutions.

The Sensors and Actuators segment offers a product portfolio with exhaust gas recirculation systems; throttle valves, control dampers and exhaust flaps for electromotors; solenoid valves; actuators and valve train systems; oil, water and vacuum pumps for passenger cars, commercial vehicles and light and heavy-duty off-road applications; as well as industrial solutions. The activities in the Materials and Trade segment focus on the development of system components for the basic motor. The segment also contains Rheinmetall's global aftermarket activities.

In addition to the Group holding company (Rheinmetall AG), “Other/Consolidation” still includes Group service companies and other non-operating companies, plus consolidation transactions. Moreover, the Pistons business unit (non-core business) has been classified as a discontinued operation since May 1, 2021, and is not part of a segment or segment reporting. The Pistons business unit bundled the small- and large-bore pistons business.

The sectors of the Rheinmetall Group are controlled by means of sales, operating result (EBIT before special items) and operating free cash flow (OFCF). Operating free cash flow comprises the cash flow from operating activities and capital expenditure on property, plant and equipment, intangible assets, and investment property.

The indicators for internal controlling and reporting purposes are based on the accounting principles described under note (3).

The reconciliation of segment EBIT to consolidated EBT is shown below:

Reconciliations of segment results to earning before taxes (EBT)

€ million	2022	2021
EBIT of segments	843	645
Others	(105)	16
Consolidation	(7)	(53)
Group EBIT	**731**	**608**
Group net interest	(20)	(27)
Group Earnings before taxes (EBT)	**711**	**582**

In the following presentation of information by geographical region, foreign sales in the Vehicle Systems, Weapon and Ammunition and Electronic Solutions segments are reported based on the country of destination, while those of the Sensors and Actuators and Materials and Trade segments are reported according to where the customer is based. Non-current assets include intangible assets, right-of-use assets, property, plant and equipment and investment property according to the respective location of the company.

Disclosures according to geographical areas

	Germany		Other Europe		North-, Middle- and South America		Asia and the Near East		Other regions		Worldwide (Group)	
€ million	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External Sales Vehicle Systems	852	898	861	505	42	11	29	49	468	411	2,251	1,875
External Sales Weapon and Ammunition	292	368	427	336	120	103	300	280	109	52	1,248	1,139
External Sales Electronic Solutions	378	318	113	93	30	31	303	296	7	7	831	745
External Sales Sensors and Actuators	178	186	567	526	277	227	290	290	-	-	1,313	1,229
External Sales Materials and Trade	175	137	317	287	111	91	113	110	25	23	741	647
Others/Consolidation	16	24	(5)	(2)	-	-	14	14	2	(13)	26	24
Group sales	1,890	1,931	2,280	1,745	580	462	1,048	1,040	612	480	6,410	5,658
in % of worldwide Group sales	29	34	36	31	9	8	16	18	10	8	100	100
Non-current assets	1,307	1,245	534	490	94	83	79	90	177	160	2,190	2,067

Of the sales in the Vehicle Systems, Weapon and Ammunition, and Electronic Solutions divisions approximately € 1.5 billion (previous year: € 1.6 billion) relate to sales with the Group’s largest customer. In 2022 or 2021, no other single customer contributed 10% or more to Group sales.

(34) Contingent liabilities

Several guarantees were issued in favor of third parties as part of joint projects, which are primarily carried out in the form of joint ventures. A letter of comfort was issued to secure the obligation of a third party for a joint venture to fulfill a contract. No cash outflows are expected. In addition, commitments exist for credit and guarantee facilities granted and pro rata accession of liability in favor of joint ventures and associates. Rheinmetall's liability is equal to the equity interest held. Here too no cash outflows are expected.

In addition to these obligations, there are further contingent liabilities from legal disputes. No material cash outflows are expected here.

Contingent liabilities

€ million	12/31/2022	12/31/2021
Letters of comfort	996	1,232
Other	61	28
	1,057	**1,260**

There are also obligations in connection with service agreements and other purchase commitments of €84 million (previous year: €129 million). The purchase commitment from firm capital expenditure contracts totals €39 million (previous year: €22 million).

(35) Additional information on financial instruments

Financial instruments according to the measurement categories of IFRS 9

	12/31/2021				
	Measurement category in accordance with IFRS 9				
€ million	Amortized cost	Fair value/OCI	Fair value/PL	No category	Total
Trade receivables	1,164	-	-	-	1,164
Cash and cash equivalents	1,039	-	-	-	1,039
Securities held for trade	-	-	162	-	162
Derivatives without hedge accounting	-	-	7	-	7
Derivatives with cash flow hedge	-	-	-	34	34
Other financial assets	51	3	8	-	61
Financial assets	**2,253**	**3**	**177**	**34**	**2,466**
Promissory notes	374	-	-	-	374
Other financial debts	327	-	-	-	327
Trade liabilities	809	-	-	-	809
Derivatives without hedge accounting	-	-	11	-	11
Derivatives with cash flow hedge	-	-	-	7	7
Other financial liabilities	71	-	-	-	71
Financial liabilities	**1,581**	**-**	**11**	**7**	**1,600**

€ million	12/31/2022 Measurement category in accordance with IFRS 9 Amortized cost	Fair value/OCI	Fair value/PL	No category	Total
Trade receivables	1,548	-	-	-	1,548
Cash and cash equivalents	545	-	-	-	545
Securities held for trade	-	-	132	-	132
Derivatives without hedge accounting	-	-	19	-	19
Derivatives with cash flow hedge	-	-	-	22	22
Other financial assets	52	3	8	-	63
Financial assets	**2,145**	**3**	**159**	**22**	**2,329**
Promissory notes	253	-	-	-	253
Commercial Paper	128	-	-	-	128
Other financial debts	380	-	-	-	380
Trade liabilities	931	-	-	-	931
Derivatives without hedge accounting	-	-	12	-	12
Derivatives with cash flow hedge	-	-	-	13	13
Other financial liabilities	54	-	-	-	54
Financial liabilities	**1,746**	**-**	**12**	**13**	**1,771**

With trade receivables measured at amortized cost, the carrying amount approximates the fair value.

The market value of other financial assets and financial liabilities measured at fair value is determined on the basis of input factors observed directly or indirectly on the market (level 2). The foreign exchange rates applicable at the end of the reporting period and the yield curves are key inputs in calculating the fair value of derivatives for currency hedges. The discounted cash flow method is used for currency swaps and currency forwards. The fair value of the commodity futures is derived from the market price as of the measurement date. Fund units held for trading are measured at the market value for each asset class. The net result from financial assets, recognized at fair value through profit or loss, was a loss of €10 million (previous year: gain of €4 million).

The carrying amounts and fair values of financial instruments that are measured at amortized cost and whose carrying amounts do not approximate fair value are shown below.

Carrying amount and fair value of financial instruments that are measured at amortized cost

€ million		12/31/2022 Carrying amount	12/31/2022 Fair value	12/31/2021 Carrying amount	12/31/2021 Fair value
Promissory notes	Level 2	253	250	374	382
Other financial debts	Level 2	380	367	327	366

The fair value of the promissory note loans and the other financial debts was determined by discounting the associated future cash flows at rates that match the time to maturity of similar debts.

Sale of customer receivables – As part of financial risk management, sales of receivables are carried out on a situational basis as part of supplier finance solutions, forfeiting or comparable instruments.

Net result from financial instruments

€ million	2022	2021
Interest income	12	4
Interest expenses	(15)	(17)
Guarantee commission	(9)	(9)
Currency result	(16)	(14)
Loss allowances on trade receivables [1]	(13)	(1)
Other	(4)	(1)
	(45)	**(38)**

[1] Previous year restated

The items relate to financial instruments measured at amortized cost.

Financial risks – The operations and financing transactions of the Rheinmetall Group as an international group are exposed to financial market risks, mainly from liquidity, counterparty default, electricity, gas and commodity prices, exchange rate volatility and interest rate changes. In accordance with the Group-wide risk management system of Rheinmetall AG, such risks are not only identified, analyzed and measured, but also managed by taking actions to avoid, contain or limit such risks. Inherent financial risks are actively managed to ensure that no significant risks arise from financial instruments as of the end of the reporting period.

Derivative financial instruments – Derivative financial instruments are used to reduce currency and commodity price risks. Provided value changes of the hedged item and the hedging instrument are not recognized in profit and loss at the same time, and the necessary conditions are met, changes in the fair value of hedging transactions are recognized in the hedge reserve in the context of cash flow hedge accounting. The effectiveness of these transactions is subject to ongoing monitoring, using the critical terms match method prospectively. Ineffective portions to be recognized are determined using the dollar offset testing method.

The table below shows the fair value of all hedges accounted for as financial assets or financial liabilities as of the end of the reporting period.

Fair value of hedges

	12/31/2022		12/31/2021	
€ million	Assets	Liabilities	Assets	Liabilities
Currency hedges	18	(12)	7	(11)
Commodity hedges	1	-	-	-
Without hedge accounting	**19**	**(12)**	**7**	**(11)**
Currency hedges	19	(8)	21	(7)
Commodity hedges	4	(5)	12	-
With hedge accounting	**22**	**(13)**	**34**	**(7)**

In the year under review, negative changes in the fair value of derivatives of €5 million before the deduction of deferred taxes (previous year: total positive changes in fair value of €30 million) were recognized in the hedge reserve. From the reserve, income of €10 million (previous year: income of €6 million) was reclassified to sales, income of €9 million (previous year: income of €9 million) was reclassified to the cost of materials, negative fair value of €0 million (previous year: positive fair value of €1 million) was reclassified to inventories and negative fair value of €5 million was transferred to an investment in the year under review.

For derivatives in hedge accounting, the nominal volumes for currency and commodity hedges are shown below. For significant currency pairs and commodity hedges, the average hedging rates are also shown.

Nominal volumes and average hedging rate of derivatives

	12/31/2022			12/31/2021		
	2023	2024	from 2025	2022	2023	from 2024
Currency hedges						
Nominal volumes (gross, in € million)	1,909	273	74	1,782	288	116
Average hedging rate						
Average rate AUD/EUR	1.59	1.64	1.68	1.58	1.63	1.65
Average rate CHF/EUR	1.01	1.02	0.99	1.06	1.07	1.07
Average rate ZAR/EUR	18.77	20.60	-	18.44	19.68	21.05
Average rate USD/EUR	1.11	1.13	1.12	1.14	1.21	1.22
Average rate USD/ZAR	0.06	0.05	0.05	0.06	0.05	-
Commodity hedges						
Nominal volumes (gross, in € million)	35	17	7	32	18	8
Average hedging rate						
Average rate aluminum (EUR/ton)	2,396	2,329	2,411	1,900	2,054	2,112
Average rate copper (EUR/ton)	7,451	8,037	7,776	6,611	6,944	7,563

There were only immaterial ineffective portions, so the fair value changes of the hedged item and the hedging instrument largely cancel each other out.

Currency risk – Owing to the international nature of the Rheinmetall Group's business, certain operational currency risks arise from the fluctuating exchange rates between the functional currencies of Group companies and other currencies. Open positions exposed to a currency risk are hedged through derivatives, generally currency forwards and swaps. Where legally possible, foreign exchange trading is contracted exclusively with Rheinmetall AG. Here, currency hedge transactions are concluded with subsidiaries and squared either directly or in a portfolio approach via banks. The most important currency hedges in the Group refer to Swiss franc, US dollar, Australian dollar and South African rand transactions. These hedges are measured as of the end of the reporting period and recognized at fair value calculated according to the discounted cash flow method.

Commodity price risks – The Rheinmetall Group is exposed to price volatility risks from commodity buying, such as metals. By means of materials cost escalator agreements with customers, the major part of these risks from volatile metal prices is shifted to customers, albeit with a time lag. Moreover, the Sensors and Actuators and Materials and Trade divisions (where most of these risks exist) have also used derivative financial instruments for risk management, mainly commodity futures and swaps maturing by 2025 at the latest contracted on the basis of a financial settlement.

Sensitivity analysis – As part of sensitivity analyses for the risk variables concerned, the effects that a change in the relevant underlying instruments as of the end of the reporting period would have on other net financial income and the hedge reserve, before taking deferred taxes into account, are examined.

Sensitivity analysis of derivatives

		Other net financial result		Cash flow hedge reserve	
€ million		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Currency	Exchange rates (total) -10%/+10%	+17 / -17	+39 / -39	-51 / 51	-35 / +35
Commodity	Price curve for material prices -10%/+10%	- / -	- / -	-6 / +6	-7 / +7

Default risk (expected credit risk) – The default risk from financial assets is that the other contractual party does not fulfill its obligations. The maximum risk is the carrying amount recognized. In order to minimize the default risk with derivative financial instrument contracts, the Rheinmetall Group sets high requirements in respect of its counterparties, restricting itself exclusively to banks with impeccable ratings.

The Rheinmetall Group monitors and tracks the default risk on customer receivables at the level of its operating units in line with the corporate policies for proper debtor management. Individual assessments (where appropriate, based on current trends and qualitative information) can be used in addition to database-supported rating and default data of an external data supplier. Current del credere risks are covered by valuation allowances.

There are no significant valuation allowances for customer receivables at the Rheinmetall Group. Given the type of business and the customer structure, default rarely occurs and instead there are only delays in payment. There were no other material impairments not recognized on the basis of collateral. In addition, potential default risks are assessed on an individual basis in connection with long-term orders and reduced or hedged by means of prepayments, credit insurance, guarantees or letters of credit. In 2022, the risk provision for general default risk calculated according to the simplified approach for the measurement of trade receivables amounted to €19 million (previous year: €11 million). €4 million of these related to receivables more than 180 days past due (previous year: €2 million). The risk calculated using business model-specific default rates for receivables up to 30 days past due is less than 1.2% (previous year: less than 1.0%). As of the end of the reporting period, there were no indications that the debtors of any receivables past due will fail to make payment. Because of the customer structure, the risk does not significantly increase even when the receivables are a long time past due.

Default risk of trade receivables, amount before loss allowance

€ million	12/31/2022	12/31/2021
Not past due and less than 30 days past due	1,264	933
Up to 180 days past due	103	59
More than 180 days past due	202	186
	1,568	**1,177**

No important credit concentrations exist in the Rheinmetall Group.

Liquidity risk – In particular, the Rheinmetall Group ensures sufficient liquidity at all times by a cash budget and forecast over a specified time horizon, and through existing, partly unutilized finance facilities, including credit lines granted by banks on a syndicated and bilateral basis, a commercial paper program and various loans. For further details of such credit facilities, see the “Financing” section of the management report.

The undiscounted contractually agreed payments from repayment and interest components in connection with financial debts and derivative financial instruments as of the end of the reporting period are listed below.

Cash outflows

€ million	12/31/2022 2023	12/31/2022 2024-2027	12/31/2022 from 2028	12/31/2021 2022	12/31/2021 2023-2026	12/31/2021 from 2027
Promissory notes	6	256	12	126	250	118
Commercial Paper	128	-	-	-	-	-
Other bank liabilities	287	13	80	57	276	-
Other financial debts	3	-	-	2	-	-
	424	**269**	**92**	**185**	**525**	**118**
Derivatives with positive fair value						
Cash outflow	1,016	243	-	934	199	-
Cash inflow	1,059	264	-	968	216	-
Derivatives with negative fair value						
Cash outflow	876	99	-	831	203	-
Cash inflow	877	93	-	846	193	-

The fair values of derivatives as of the end of the reporting period should be seen in the context of the associated underlyings, whose values develops in the opposite direction to that of derivatives, regardless of whether these have already been recognized or are pending. The derivatives would produce a cash outflow at the amount shown above only if they were terminated early.

The Rheinmetall Group's financial resources comprise cash, cash equivalents and a liquidity reserve invested on the capital market, financial current assets available for sale, and the cash provided by operating activities. By contrast, the capital requirements cover the redemption of financial liabilities (principal and interest), capital expenditure and the funds for the ongoing financing of operating activities.

(36) Share programs

In fiscal 2022, the expense for share-based payment for the Rheinmetall Group totaled €23 million (previous year: €19 million). €17 million (previous year: €19 million) of this is attributable to equity-settled commitments and €6 million (previous year: €0 million) to cash-settled commitments. As of December 31, 2022, the carrying amount of Rheinmetall Group's liabilities recognized for share-based payments was €6 million (previous year: €0 million) and related entirely to cash-settled commitments.

Long-term-incentive program – There is a long-term incentive remuneration program (LTI) for the managers of the Rheinmetall Group in order to involve management in the company's long-term development. Under this program, the beneficiaries are paid performance-related remuneration for the past fiscal year in the subsequent year. The calculation of the amount of remuneration is based on the average adjusted EBT of the Rheinmetall Group for the past three fiscal years, capped at a maximum of €400 million. The individual remuneration is the result of multiplying this amount by a personal factor in line with the individual arrangement.

The remuneration for German managers is measured according to the respective assessment basis, with 40% and 60% being settled in shares and cash respectively. Managers working outside Germany receive remuneration of 50% of the determined assessment basis in shares.

The number of shares granted is determined in the subsequent year on the basis of the average price on the last five trading days in February of a year (reference price) with a deduction of 20% (relevant share value). The portion of the assessment basis to be granted in shares is divided by the relevant share value to determine the number of shares to be granted. The shares granted are subject to a lock-up period of four years. If employment is terminated by the employer, the manager receives remuneration pro rata for each completed calendar month of employment.

For the Executive Board of the Rheinmetall Group, the LTI was replaced by LTI 2.0 from fiscal 2022. The design of the LTI granted to the Executive Board until December 31, 2021, matched the design of the LTI for managers with the following exceptions: The average adjusted three-year EBT needed for calculating the distribution amount is capped at €750 million. For two members of the Executive Board, part of the LTI remuneration also resulted from the average monthly total shareholder return (TSR) of the company's grant year as a proportion of the average monthly TSR of the MDAX. The remuneration for members of the Executive Board comprised a component settled in shares of 50% of the assessment basis and a cash component of 60% of the assessment basis. When determining the number of shares granted, there was no 20% deduction from the reference price.

An expense of €13 million (previous year: €16 million) was recognized for the LTI program (not including LTI 2.0) in fiscal 2022.

The reference price in March 2022 was €179.80. For fiscal 2021, a total of 78,017 shares were transferred to the entitled participants of the LTI program on March 25, 2022 (previous year: a total of 106,191 shares were transferred for fiscal 2020 on March 26, 2021).

The shares attributable to the Executive Board members are presented in the remuneration report included in the combined management report.

Long-term incentive program 2.0 – A new long-term incentive program (LTI 2.0) was introduced for members of the Executive Board from fiscal 2022, which grants virtual shares, referred to below as performance share units (PSUs). On the basis of an individual target amount, at the allocation date the beneficiaries are promised a special payment depending on the share price performance of Rheinmetall AG.

The PSUs have a vesting period of one fiscal year. The waiting period until the payment of the cash amount is four years, beginning at the allocation date ("performance period"). At the end of the performance period, the final number and the value of the performance shares are determined depending on the achievement of the pre-defined performance targets total shareholder return (TSR), return on capital employed (ROCE), and environmental, social and governance (ESG). The TSR and ROCE performance targets each account for 40% and the ESG performance target 20% of the conditionally allocated PSUs. If the target achievement of one of the performance targets falls below the limits defined on commitment, the number of PSU attributable to that performance target is reduced to zero. If one or all of the performance targets are exceeded, the number of PSUs attributable to those performance targets increases to a maximum of 200% of the number originally allocated.

The entitlement to cash payment is determined by multiplying the average closing price of the share of Rheinmetall AG on 30 trading days before the end of the performance period by the number of PSUs finally allocated. The size of this payment amount is capped at 2.5 times the individually stipulated target amount.

Up to the reporting date, the following tranches of LTI 2.0 and thus the following number of allocated PSUs were provisionally granted:

Amount of PSUs

Tranche	Number of PSUs granted at vesting date
2022	38,045

The number of PSUs remains constant over the performance period until the final allocation.

A Monte Carlo simulation is used to determine fair value. Among other things, the model considers the above vesting conditions, the terms and the share price performance of Rheinmetall AG. The following table shows the main valuation parameters per tranche:

Valuation parameters

Tranche	Share Price	Risk free interest rate	Volatility	Residual term
2022	186.05	2.51%	36.87%	3

An expense totaling €6 million was recognized for LTI 2.0 in fiscal 2022. In the previous year, an expense totaling €3 million was recognized for the LTI program in place until the end of 2021. As of December 31, 2022, a total liability of €6 million was recognized. The total amount breaks down as follows:

Total amount LTI 2.0

Tranche (in € million)	Liability as at Dec 31, 2022	Expenses as at Dec 31, 2022
2022	6	6

Share purchase program – Since 2018, there has been a new share purchase program for Rheinmetall employees in Germany, in which employees of participating Group companies can purchase Rheinmetall shares at reduced prices on the basis of monthly savings plans. The program comprises two elements: a monthly basic savings plan and a monthly extra savings plan. Under the basic savings plan, employees can acquire Rheinmetall shares for a monthly sum of at least €30 up to a maximum of €100. Rheinmetall contributes 30% of the defined savings amount. For example, a monthly savings amount of €100 comprises €70 from the employee and the employer's contribution of €30.

In addition, employees can acquire additional Rheinmetall shares as part of the extra savings plan. Here, the monthly savings contribution can amount to up to 10% of the annual gross salary divided by 12. There is a cap of €900 per month. Here, too, Rheinmetall contributes 30% of the defined savings amount.

In 2022, employees acquired a total of 66,905 shares (previous year: 105,118 shares) under this share purchase program. The employer contribution amounted to €3 million (previous year: €3 million). The shares acquired under the share purchase program within a year are subject to a lock-up period of two years starting on January 1 of the following year.

(37) Other information on related parties

The Rheinmetall Group's corporate related parties are the joint ventures and associated companies accounted for using the equity method. The products/services provided primarily relate to recognized sales proceeds from the sale of finished and unfinished goods and from construction contracts with project companies. The receivables are chiefly attributable to trade receivables, contract assets and prepayments made. The liabilities mainly relate to trade payables and contract liabilities. The scope of related-party transactions is shown in the table below.

Transactions with related parties

	Joint ventures		Associated companies	
€ million	2022	2021	2022	2021
Products/services provided	299	407	104	193
Products/services received	2	3	26	21
Receivables incl. contract assets Dec. 31[1]	168	175	146	131
Liabilities incl. contract liabilities Dec. 31[1]	77	67	10	33
Receivables from finance leases Dec. 31	13	14	-	-

1 The previous year's figures have been restated

Please see note (15) “Other assets” for information on the finance lease receivables.

Please see note (34) “Contingent liabilities” for details of the Rheinmetall Group’s contingent liabilities in connection with joint ventures.

There are business relationships between a subsidiary of Rheinmetall AG and PL Elektronik GmbH, Lilienthal, whose sole shareholder is Mr. Armin Papperger, Chairman of the Rheinmetall AG Executive Board, and which is managed by a related party of Mr. Papperger. PL Elektronik GmbH provides development services and produces and supplies electric igniters to order. The transactions are carried out on an arm’s-length basis. In fiscal 2022, the volume of products/services received amounted to €2 million (previous year: €2 million).

There are also business relationships with Pfeiffer Vacuum Technology AG, whose CEO is Dr. Britta Giesen (Supervisory Board member Rheinmetall AG). As a provider of vacuum solutions, Pfeiffer Vacuum Technology AG develops and manufactures components and systems for vacuum generation, measurement and analysis. The transactions are carried out on an arm’s-length basis. In fiscal 2022, the volume of products/services received amounted to €5 thousand (previous year: €0 thousand).

Remuneration of the Executive Board and the Supervisory Board – The reportable remuneration of senior management within the Group comprises that paid to Executive Board and Supervisory Board members.

The remuneration of members of the Executive Board active in the fiscal year breaks down as follows:

Renumeration of the Executive Board

€ thousand	2022	2021
Short-term benefits	5,104	6,551
Post-employment benefits	1,634	2,560
Other long-term benefits	-	3,025
Share-based payments	6,176	-
Termination benefits	-	2,550
Total	**12,914**	**14,686**

The net present value of pension commitments, which corresponds to the amount of provisions, totals € 21,067 thousand for members of the Executive Board active at year-end (previous year: €28,479 thousand). There are provisions of €2,425 thousand (previous year: €3,287 thousand) for short-term variable remuneration of the Executive Board. In the previous year, provisions of €3,025 thousand were also recognized for the previous LTI program. Under the new, forward-looking LTI, the Executive Board was allocated a total of 38,045 virtual share options (PSUs). Since an expense for this share-based payment was already recognized in fiscal 2022, it must – in deviation from the remuneration report, which follows a vesting-focused interpretation – be included in the Executive Board remuneration in accordance with IFRS. Further notes on this share-based program can be found under note (36) “Share programs.”

Supervisory Board remuneration including attendance fees amounted to €2,286 thousand (previous year: €2,034 thousand). In addition to Supervisory Board remuneration, those employee representatives who are employees of the Rheinmetall Group also receive compensation unrelated to their service on the Supervisory Board. The employee representatives received €798 thousand in total from such activities (previous year: €799 thousand).

For further details and itemization of each member’s remuneration, see the Board remuneration report within the combined management report of the Rheinmetall Group and Rheinmetall AG.

€2,591 thousand (previous year: €1,959 thousand) was paid to former members of the Executive Board or their surviving dependents. Pension provisions for these persons totaled €23,270 thousand (previous year: €28,821 thousand). €626 thousand (previous year: €620 thousand) was paid to former Executive Board members of Rheinmetall DeTec AG (merged with Rheinmetall AG in 2005) or their surviving dependents. Pension provisions for these persons totaled €6,289 thousand (previous year: €7,565 thousand).

There are employment relationships between close family members of Helmut P. Merch (CFO of Rheinmetall AG), Peter Sebastian Krause (Executive Board member of Rheinmetall AG) and Professor Andreas Georgi (Supervisory Board member of Rheinmetall AG) and Rheinmetall Group companies. The remuneration is customary for the employment in question. In fiscal 2022, the close family members were paid a total of €141 thousand (previous year: €107 thousand).

(38) Auditor’s fees

The following fees for the auditor Deloitte GmbH Wirtschaftsprüfungsgesellschaft were expensed in profit or loss:

Auditor's fees

	Fees Germany
€ million	2022
Audit services	2.8
Other attestation services	0.2
Tax services	0.2
Other services	0.2
	3.4

The fees for the audit services comprise primarily remuneration for the audit of the consolidated annual financial statements and the audit of the financial statements of Rheinmetall AG and its German subsidiaries. They also cover the audit of financial statements and reviews. The other attestation services relate primarily to statutorily required and voluntary verification services not relating to the audit of the financial statements. In addition, tax services exclusively for employees of the Rheinmetall Group and other accounting-related project services were provided.

(39) Exercise of exemption provisions under German Commercial Code (“HGB”)

The following German enterprises are exercising the exemption provisions under section 264 (3) HGB for corporations and section 264b HGB for partnerships for fiscal 2022:

Amprio GmbH, Neuss
BF Germany GmbH, Tamm
EMG EuroMarine Electronics GmbH, Neckarsulm
GVMS Grundstücksverwaltung Service GmbH & Co. KG, Neckarsulm
KS ATAG Beteiligungsgesellschaft mbH, Neckarsulm
KS Gleitlager GmbH, St. Leon-Rot
KS Grundstücksverwaltung Beteiligungs-GmbH, Neckarsulm
KS Grundstücksverwaltung GmbH & Co. KG, Neckarsulm
KS Kolbenschmidt GmbH, Neckarsulm
KS Large Bore Pistons Germany GmbH, Neckarsulm
MEG Marine Electronics Holding GmbH, Düsseldorf
MIRA GmbH, Düsseldorf
MS Motorservice Deutschland GmbH, Tamm
MS Motorservice International GmbH, Neuenstadt
Pierburg GmbH, Neuss
Pierburg Pump Technology GmbH, Neuss
Rheinmetall Automotive AG, Neckarsulm
Rheinmetall Aviation Services GmbH, Bremen
Rheinmetall Berlin Verwaltungsgesellschaft mbH, Berlin
Rheinmetall Brandt GmbH, Neuss
Rheinmetall Eastern Markets GmbH, Düsseldorf

Rheinmetall Electronics GmbH, Bremen
Rheinmetall Financial Services GmbH, Düsseldorf
Rheinmetall Immobilien Flensburg GmbH & Co. KG, Düsseldorf
Rheinmetall Immobilien GmbH, Düsseldorf
Rheinmetall Immobilien Hafenmole GmbH, Düsseldorf
(formerly Kolbenschmidt Liegenschaftsverwaltung GmbH Berlin, Neckarsulm)
Rheinmetall Immobilien Hamburg Friedensallee GmbH, Düsseldorf
Rheinmetall Immobilien Hamburg GmbH, Düsseldorf
Rheinmetall Immobilien Neckarsulm GmbH, Düsseldorf
Rheinmetall Immobilien Neuss GmbH, Düsseldorf
Rheinmetall Immobilien St. Leon-Rot GmbH, Düsseldorf
Rheinmetall Immobilien VEGA GmbH & Co. KG, Düsseldorf
Rheinmetall Industrietechnik GmbH, Düsseldorf
Rheinmetall Insurance Services GmbH, Düsseldorf
Rheinmetall Invent GmbH, Neuss (formerly: Neckarsulm)
Rheinmetall IT Solutions GmbH, Düsseldorf
Rheinmetall Landsysteme GmbH, Südheide
Rheinmetall Maschinenbau GmbH, Düsseldorf
Rheinmetall Project Solutions GmbH, Düsseldorf
Rheinmetall Protection Systems GmbH, Bonn
Rheinmetall Soldier Electronics GmbH, Stockach
Rheinmetall Technical Assistance GmbH, Kassel
Rheinmetall Technical Publications GmbH, Bremen
Rheinmetall Technology Center GmbH, Düsseldorf
Rheinmetall Verwaltungsgesellschaft mbH, Düsseldorf
Rheinmetall Waffe Munition GmbH, Südheide
SUPRENUM Gesellschaft für numerische Superrechner mbH, Bremen
Unternehmerstadt GmbH, Düsseldorf
Unternehmerstadt Verwaltungsges. mbH, Düsseldorf

(40) Corporate Governance

In August 2022, Rheinmetall AG published its declaration of conformity in accordance with the German Corporate Governance Code pursuant to section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on the Internet at www.rheinmetall.com in the section “Company – Corporate Governance – Declaration of conformity” thus making it available to shareholders.

(41) Events after the end of the reporting period

In January 2023, Rheinmetall AG issued four promissory note loans with a total volume of €145 million. The promissory note loans with terms of three and five years bear a variable rate of interest and serve the Rheinmetall Group's general financing.

The disposal of the pistons business, announced as part of the realignment of the Rheinmetall Group, since then reported as discontinued operations, led to the sale of the large-bore pistons business on October 24, 2022. The transaction was closed on January 27, 2023, and is accompanied by the deconsolidation of the Group companies belonging to the large-bore pistons business. The deconsolidation result on the basis of the preliminary purchase price is around €15 million. The final purchase price adjustments are yet to be determined.

On January 31, 2023, Rheinmetall AG issued a convertible bond with a total nominal value of €1 billion in two tranches of €500 million. The first tranche, maturing February 7, 2028, has an annual coupon of 1.875%. The second tranche with an annual coupon of 2.250% matures on February 7, 2030. The net proceeds from the issuance of the convertible bond are to be used to finance the acquisition agreed in November 2022 of munitions manufacturer Expal Systems S.A., to ensure strategic flexibility in connection with the financing of internal and external growth initiatives, and for general corporate purposes. As a result of the issuance of the convertible bond, the authorization of the Executive Board granted by resolution of the Annual General Meeting on May 21, 2021, to issue bonds with warrants and convertible bonds was partially utilized.

Due to the development of the free float market capitalization, which is a criterion for entry into the DAX 40, in February 2023, Rheinmetall will be added to the DAX 40 from March 20, 2023. Deutsche Börse announced this on March 3, 2023.

Düsseldorf, March 13, 2023

Rheinmetall Aktiengesellschaft
The Executive Board

Armin Papperger Dagmar Steinert Peter Sebastian Krause

(42) Shareholdings

Shareholdings 2022

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
Fully consolidated subsidiaries					
Holding companies/service companies/others					
American Rheinmetall Defense, Inc., Reston/USA		100		24,846	3,443
EMG EuroMarine Electronics GmbH, Neckarsulm			100	168,449	1,358
Eurometaal N.V., Hengelo/Netherlands			100	(136)	(47)
KS ATAG Romania S.R.L., Bucharest/Romania			100	2,547	(41)
KS Grundstücksverwaltung Beteiligungs GmbH, Neckarsulm			100	136	-
KS Grundstücksverwaltungs GmbH & Co. KG, Neckarsulm			100	25	1
KSPG Holding USA Inc., Marinette/USA			100	311,301	24,160
KSPG Netherlands Holding B.V., Ede/Netherlands			100	83,920	(7)
MEG Marine Electronics Holding GmbH, Düsseldorf			100	12,241	2,773
MIRA GmbH, Düsseldorf			100	22	-
RD Investment AG, Zurich/Switzerland			69	57	(21)
Rheinmetall Automotive AG, Neckarsulm	(1)		100	280,174	-
Rheinmetall Automotive Malta Holding Ltd., St. Julians/Malta		21	79	60,441	(101)
Rheinmetall Berlin Verwaltungsgesellschaft mbH, Berlin	(1)	100		213,750	-
Rheinmetall (China) Investment Co., Ltd., Shanghai/China			100	30,643	1,786
Rheinmetall Eastern Markets GmbH, Düsseldorf	(1)	100		1,449	-
Rheinmetall Financial Services GmbH, Düsseldorf	(1)	100		336,961	-
Rheinmetall Immobiliare Roma s.r.l., Rome/Italy			100	(40)	(50)
Rheinmetall Immobilien Flensburg GmbH & Co. KG, Düsseldorf			100	2,507	138
Rheinmetall Immobilien GmbH, Düsseldorf		100		178,096	2,581
Rheinmetall Immobilien Hamburg Friedensallee GmbH, Düsseldorf	(1)		100	23,487	-
Rheinmetall Immobilien Hamburg GmbH, Düsseldorf		100		1,692	5
Rheinmetall Immobilien Neuss GmbH, Düsseldorf	(1)		100	4,025	-
Rheinmetall Immobilien VEGA GmbH & Co.KG, Düsseldorf			100	1,933	(90)
Rheinmetall Industrietechnik GmbH, Düsseldorf	(1)	100		3,526	-
Rheinmetall Insurance Services GmbH, Düsseldorf	(1)	100		539	-
Rheinmetall International Services Limited, Masdar City/UAE			100	(8,337)	(38)
Rheinmetall IT Solutions GmbH, Düsseldorf	(1)	100		382	-
Rheinmetall Maschinenbau GmbH, Düsseldorf			100	168,466	1,276
Rheinmetall Netherlands B.V., Hengelo/Netherlands			100	535	(47)
Rheinmetall Singapore Pte. Ltd., Singapore/Singapore			100	13,093	3,000
Rheinmetall Technology Center GmbH, Düsseldorf	(1)		100	33	-
Rheinmetall Verwaltungsgesellschaft mbH, Düsseldorf	(1)		100	733,843	-
RM Euro B.V., Hengelo/Netherlands		100		57,259	317
SUPRENUM Gesellschaft für numerische Superrechner mbH, Bremen			100	(1,396)	-
Unternehmerstadt GmbH, Düsseldorf	(7)		100	3	1
Unternehmerstadt Verwaltungsges. mbH, Düsseldorf	(7)		100	37	1
YardStick Robotics GmbH, Bremen			65	46	-
Division Vehicle Systems					
American Rheinmetall Vehicles LLC, Sterling Heights/USA			100	(14,221)	(4,546)
BIL Industriemetalle GmbH & Co. 886 KG, Pullach im Isartal	(3)	94		(91)	393
Rheinmetall BAE Systems Land Limited, Telford/Great Britain			55	45,889	2,459
Rheinmetall Ceska Republika s.r.o., Trmice/Czech Republic			100	-	2
Rheinmetall Defence Australia Pty. Ltd., Redbank/Australia		100		(6,747)	(1,417)
Rheinmetall Defence Lietuva, UAB, Vilnius/Lithuania			100	(70)	(137)
Rheinmetall Defence Nederland B.V., Ede/Netherlands			100	(22,999)	1,365

Shareholdings 2022

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
Rheinmetall Defence UK Limited, Bristol/Great Britain		100		32,613	(55)
Rheinmetall Hungary Zrt., Zalaegerszeg/Hungary			51	1,629	2,279
Rheinmetall International Defence and Security Ltd., Riyadh/Saudi Arabia			100	(2,313)	(242)
Rheinmetall Landsysteme GmbH, Südheide	(1)	100		231,812	72,054
Rheinmetall MAN Military Vehicles Australia Pty. Ltd., Redbank/Australia			51	35,946	7,341
Rheinmetall MAN Military Vehicles Canada Ltd., Ottawa/Canada			51	533	(10)
Rheinmetall MAN Military Vehicles GmbH, Munich		51		73,028	7,250
Rheinmetall MAN Military Vehicles Österreich GesmbH, Vienna/Austria			51	244,642	71,452
Rheinmetall MAN Military Vehicles Österreich Holding GesmbH, Vienna/Austria			51	100,013	(13)
Rheinmetall MAN Military Vehicles UK Ltd., Bristol/Great Britain			51	5,225	1,311
Rheinmetall Polska Sp. Z o. o., Warsaw/Poland			100	223	(36)
Rheinmetall Tatra Land Systems s.r.o., Koprivnice/Czech Republic			51	-	-
Rheinmetall Technical Assistance GmbH, Kassel	(1)		100	25	-
Division Weapon and Ammunition					
American Rheinmetall Munition Inc., Stafford/USA			100	(13,050)	(1,390)
Nitrochemie Aschau GmbH, Aschau			55	51,686	8,038
Nitrochemie South Africa (Pty) Ltd., Somerset West/South Africa			55	596	17
Nitrochemie Wimmis AG, Wimmis/Switzerland			55	69,928	8,256
Provectus Robotics Solutions Inc., Ottawa/Canada			100	4,963	1,399
Rheinmetall Canada Inc., St.-Jean-sur-Richelieu/Canada		100		106,275	7,679
Rheinmetall Combat Platforms North America Inc., Reston/USA			100	(219)	(3)
Rheinmetall Denel Munition Pty. Ltd., Somerset West/South Africa			51	106,078	22,401
Rheinmetall Fraen Fuzes LLC, Reading/USA			51	-	-
Rheinmetall Hungary Munitions Zrt., Zalaegerszeg/Hungary			51	580	(6)
Rheinmetall Laingsdale (Pty) Ltd., Cape Town/South Africa			76	7,706	(187)
Rheinmetall NIOA Munitions Pty Ltd., Maryborough West/Australia			51	(6,049)	(4,950)
Rheinmetall Projects Solutions GmbH, Düsseldorf	(1)		100	4,099	-
Rheinmetall Projects Development Consultancy LLC, Abu Dhabi/UAE	(2)	49		845	48
Rheinmetall Protection Systems GmbH, Bonn			100	68,853	1,965
Rheinmetall Protection Systems Gulf (FZE), SAIF-Zone, Sharjah/UAE			100	(1,408)	143
Rheinmetall Protection Systems Nederland B.V., Ede/Netherlands			100	979	(369)
Rheinmetall Savunma Sanayi Anonim Sirketi, Ankara/Turkey			90	3,074	2,025
Rheinmetall Waffe Munition ARGES GmbH, Schwanenstadt			100	2,013	(80)
Rheinmetall Waffe Munition GmbH, Südheide	(1)	100		183,778	-
Rheinmetall Waffe Munition South Africa (Pty) Ltd., Somerset West/South Africa			100	(55)	(55)
RWM Beteiligungsverwaltung Austria GmbH, Schwanenstadt/Austria			100	22,805	962
RWM Italia S.p.A., Ghedi/Italy			100	139,250	18,194
RWM Schweiz AG, Zurich/Switzerland			100	137,841	31,270
RWM Zaugg AG, Lohn-Ammannsegg/Switzerland			100	20,247	1,802
Zeppelin Mobile Systeme GmbH, Meckenbeuren			100	6,068	4,541
Division Electronic Solutions					
American Rheinmetall Systems LLC, Biddeford/USA			100	37,469	(177)
Benntec Systemtechnik GmbH, Bremen	(2)		49	3,930	635
Cyber Works AG, Zurich/Switzerland			100	192	4,420
Logistic Solutions Australasia Pty. Ltd., Melbourne/Australia			100	2,928	(16)
Oerlikon Contraves GmbH, Zurich/Switzerland		100		20	(1)

Shareholdings 2022

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
RH Mexico Simulation and Training S.A. de C.V., Queretaro/Mexico			100	4,363	(941)
Rheinmetall Air Defence AG, Zurich/Switzerland		100		211,589	41,749
Rheinmetall Aviation Services GmbH, Bremen	(1)		100	(130)	-
Rheinmetall Communication and Simulation Technology Pte. Ltd., Singapore/Singapore			100	1,038	152
Rheinmetall Electronics France SARL, Paris/France			100	28	3
Rheinmetall Electronics GmbH, Bremen	(1)	100		135,761	-
Rheinmetall Electronics Hungary Kft., Zalaegerszeg/Hungary			100	253	3
Rheinmetall Electronic Solutions AG, Zurich/Switzerland		100		103	54
Rheinmetall Electronics UK Ltd., Newport/Great Britain			100	4,057	782
Rheinmetall Italia S.p.A., Rome, Italy			100	113,360	5,907
Rheinmetall Norway AS, Duken/Norway		100		20,817	2,833
Rheinmetall (Shanghai) Aviation Consulting Co. Ltd., Shanghai/China			100	(69)	(173)
Rheinmetall Soldier Electronics GmbH, Stockach	(1)	100		10,994	-
Rheinmetall Technical Publications GmbH, Bremen	(1)	100		12,685	-
Rheinmetall Technical Publications Schweiz AG, Zurich/Switzerland			100	804	275
RRS-MITCOS Rheinmetall Rohde&Schwarz Military IT and Communications Solutions GmbH, Berlin		75		106	-
RTP-UK Ltd., Bristol/Great Britain			100	8,027	467
Division Materials and Trade					
Amprio GmbH, Neuss	(1)		100	366	-
BF Engine Parts LLC, Istanbul/Turkey			100	1,411	1,177
BF Germany GmbH, Tamm	(1)		100	3,223	-
GVMS Grundstücksverwaltung Service GmbH & Co. KG, Neckarsulm			100	(17)	-
Karl Schmidt Unisia Michigan, LLC, Marinette/USA	(7)		100	-	-
Kolbenschmidt USA Inc., Marinette/USA	(7)		100	-	-
KS ATAG Beteiligungsgesellschaft m.b.H., Neckarsulm	(1)		100	10,263	-
KS CZ Motorservice s.r.o., Chabarovice/Czech Republic			100	5,329	1,408
KS France S.A.S., Basse-Ham (Thionville)/France			100	19,192	1,826
KS Gleitlager de México S. de R.L. de C.V., Celaya/Mexico			100	22,343	2,750
KS Gleitlager GmbH, St. Leon-Rot	(1)		100	42,288	-
KS Gleitlager North America LLC, Marinette/USA			100	3,267	(99)
KSG Pistons, Inc., Marinette/USA	(7)		100	-	-
KS Kolbenschmidt France S.A.S., Basse-Ham/France			100	6,715	1,306
MS Motorservice Aftermarket Iberica S.L., Abadiano/Spain			100	16,853	3,204
MS Motorservice Asia Pacific Co., Ltd., Shanghai/China			100	3,970	68
MS Motorservice Deutschland GmbH, Tamm	(1)		100	4,134	-
MS Motorservice France S.A.S., Villepinte/France			100	29,478	3,152
MS Motorservice International GmbH, Neuenstadt	(1)		100	57,475	-
MS Motorservice Istanbul Dis Ticaret ve Pazarlama A.S., Istanbul/Turkey			51	2,518	1,761
MS Motorservice Trading (Asia) Pte. Ltd., Singapore/Singapore			100	883	403
ORR Training Systems LLC, Moscow/Russian Federation	(7)		100	11	(9)
Rheinmetall Immobilien Neckarsulm GmbH, Düsseldorf	(1)		100	6,791	-
Rheinmetall Immobilien St. Leon-Rot GmbH, Düsseldorf	(1)		100	6,566	-
Rheinmetall Invent GmbH, Neuss	(1)		100	1,832	-
MS Motorservice Training LLC, Moscow/Russian Federation			100	503	(65)
Division Sensors and Actuators					
H.Brandt Cauciuc & Mase Plastice S.R.L., Sibiu/Romania	(6), (7)		99	999	55
KSPG Automotive India Private Limited, Pune Maharashtra/India			100	41,005	(8,016)

Shareholdings 2022

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
Pierburg China Ltd., Kunshan City/China			100	37,961	4,859
Pierburg Gestion S.L., Abadiano/Spain			100	13,465	24,023
Pierburg GmbH, Neuss	(1)		100	158,657	-
Pierburg Korea, Ltd., Seoul/South Korea			100	118	-
Pierburg Mexico Trading Company S. de R.L. de C.V., Guanajuato/Mexico			100	-	-
Pierburg Mikuni Pump Technology (Shanghai) Corp., Shanghai/China			100	3,620	2,588
Pierburg Japan Corporation, Odawara/Japan			100	1,190	36
Pierburg Pump Technology France S.A.R.L., Basse-Ham/France			100	42,844	6,613
Pierburg Pump Technology GmbH, Neuss	(1)		100	114,008	-
Pierburg Pump Technology Italy S.p.A., Lanciano/Italy			100	44,727	8,207
Pierburg Pump Technology Mexico S.A. de C.V., Celaya/Mexico			100	7,716	1,775
Pierburg Pump Technology US LLC., Fountain/USA			100	62,707	5,701
Pierburg S.A., Abadiano/Spain			100	51,432	10,752
Pierburg s.r.o., Usti/Czech Republic			100	42,691	11,494
Pierburg US LLC, Fountain Inn (Greensville)/USA			100	52,042	2,573
Rheinmetall Brandt GmbH, Neuss	(1)		100	277	-
Rheinmetall Dermalog SensorTec GmbH, Hamburg			65	(104)	(1,204)
Rheinmetall Immobilien Hafenmole GmbH, Düsseldorf	(1)		100	8,387	-
Rheinmetall PolyCharge GmbH, Neuss			75	(1,148)	(2,248)
Rheinmetall R&D S.L., Amorebieta/Spain			100	348	13
Société Mosellane de Services S.C.I., Basse-Ham (Thionville)/France			100	10,184	(12)
Pistons (Non-core business)					
Karl Schmidt Trading Company S. de R.L. de C.V., Celaya/Mexico			100	120	106
Kolbenschmidt de México, S. de R.L. de C.V., Celaya/Mexico			100	16,468	615
Kolbenschmidt K.K., Hiroshima/Japan			100	34,269	1,436
KS Kolbenschmidt Czech Republic a.s., Trmice/Czech Republic			100	10,599	7,114
KS Kolbenschmidt GmbH, Neckarsulm	(1)		100	87,806	-
KS Kolbenschmidt US Inc., Marinette/USA			100	(79,366)	(8,532)
KS Large Bore Pistons Germany GmbH, Neckarsulm			100	24,206	9,531
KS Large Bore Pistons LLC, Marinette/USA			100	16,457	2,499
KSLP (China) Co. Ltd., Kunshan/China			100	5,721	1,421
KSPG Automotive Brazil Ltda., Nova Odessa/Brazil			100	33,959	(2,179)
KSUS International, LLC., Marinette/USA			100	45,610	1,823
Investments carried at equity					
Holding companies/service companies/others					
4iG Nyrt., Budapest/Hungary		25		731,084	3,403
BHIC Systems Integration Sdn Bhd, Kuala Lumpur/Malaysia			34	(93)	(13)
casa altra development GmbH, Düsseldorf	(6)		35	(3)	-
Contraves Advanced Devices Sdn Bhd, Melaka/Malaysia	(5)		34	23,077	98
KOLBENHÖFE GmbH & Co. KG, Hamburg	(5)		50	48,609	6,033
LIGHTHOUSE Development GmbH, Düsseldorf	(4), (6)		10	205	-
Rheinmetall 4iG Digital Services Kft., Budapest/Hungary	(5)	49		-	-
Vehicle Systems					
ARTEC GmbH, München	(5)		64	6,631	3,247
PSM Projekt System & Managment GmbH, Kassel	(5)		50	2,909	1,502
The Dynamic Engineering Solution Pty Ltd., Holden Hill/Australia			49	6,237	895
UAB Lithuania Defense Services, Jonavos r./Lithuania	(5)		50	933	(67)

Shareholdings 2022

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
Weapon and Ammunition					
Advanced Pyrotechnic Materials Pte. Ltd., Singapore/Singapore	(5)		49	4,433	383
Defense Munitions International, LLC, Wilmington/USA	(5), (6)		50	9	-
DynITEC GmbH, Troisdorf			35	5,291	5,294
GIWS Gesellschaft für Intelligente Wirksysteme mbH, Nürnberg	(5), (6)		50	290	-
Hartchrom Defense Technology AG, Steinach/Switzerland			38	1,931	5
RDZM, LLC, Philadelphia/USA	(5)		50	1,348	7
Rheinmetall Barzan Advanced Technologies QSTP-LLC, Doha/Qatar			49	12,320	4,276
Werk Aschau Lagerverwaltungsgesellschaft mbH, Aschau	(5)		28	25	-
Electronic Solutions					
AIM Infrarot-Module GmbH, Heilbronn			50	18,449	4,532
ARGE RDE/CAE (GbR), Bremen	(5)		50	65	960
ARGE TATM, Bremen	(5)		50	-	5
Blackned GmbH, Heimertingen			40	2,900	-
EuroSpike GmbH, Röthenbach an der Pegnitz	(5)		40	6,919	522
HFTS Helicopter Flight Training Services GmbH, Hallbergmoos	(5)		25	72,547	9,792
Oy Finnish Defence Powersystems Ab, Helsinki/Finland			30	19	(40)
Rheinmetall Arabia Simulation and Training LLC, Riyadh/Saudi Arabia	(5)		40	14,503	4,063
Sensors and Actuators					
Incooling B.V., Eindhoven/Netherlands			30	2,434	(226)
Pierburg Huayu Pump Technology Co., Ltd., Shanghai/China	(5)		50	52,580	8,966
Materials and Trade					
Carbon Truck & Trailer GmbH, Buxtehude			25	(1,321)	(1,126)
HASCO KSPG Nonferrous Components (Shanghai) Co., Ltd., Shanghai/China	(5)		50	199,811	2,833
KS HUAYU AluTech GmbH, Neckarsulm	(5), (6)		50	24,856	17,650
Pistons (Non-core business)					
Kolbenschmidt Huayu Piston Co., Ltd., Shanghai/China	(5)		50	90,415	6,384
Riken Automobile Parts (Wuhan) Co., Ltd., Wuhan/China			40	51,908	4,232
Shriram Pistons & Rings Ltd., New Delhi/India			20	163,933	26,387
Joint Operations					
ARGE RME/CAE Austria (GbR), Bremen			50	-	-
ARGE Franco-German C-130J, Bremen			50	-	-
ARGE FüInfoSys Heer, Kassel			50	-	-
ARGE Hochenergie-Laser Marinedemonstrator, Südheide			50	-	-
MGCS SADS 1 ARGE, Koblenz			25	-	-

1 Profit and loss transfer agreement
2 Included in consolidation due to majority of voting rights
3 Structured entity (real estate management company)
4 Significant influence due to distribution of voting rights
5 Joint ventures
6 Equity and income from previous years
7 Subsidiaries not included in the consolidated financial statements due to minor significance

Further information
Independent auditor's report

To Rheinmetall Aktiengesellschaft, Düsseldorf/Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Rheinmetall Aktiengesellschaft, Düsseldorf/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the Parent and the Group of Rheinmetall Aktiengesellschaft, Düsseldorf/Germany, for the financial year from January 1 to December 31, 2022 in accordance with Sections 289, 289a, 315, 315a, 315b, 315c in conjunction with 289c to 289e German Commercial Code (HGB). In accordance with the German legal requirements, we have not audited the content of the combined corporate governance statement pursuant to Sections 289f and 315d HGB, including the further reporting on corporate governance included therein, which is included in the section "Corporate governance" of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the combined corporate governance statement referred to above, including the further reporting on corporate governance included therein.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of goodwill
2. Revenue recognition over a period of time
3. Valuation and presentation of discontinued operations

Our presentation of these key audit matters has been structured as follows:

a. description (including reference to corresponding information in the consolidated financial statements)

b. auditor's response

1. Recoverability of goodwill

a) In the consolidated financial statements of Rheinmetall Aktiengesellschaft, an amount of mEUR 483 is recognized as goodwill under the corresponding item of the consolidated statement of financial position (5.9% of total assets). Goodwill is tested for impairment at least once a year or if there is any indication that the item may be impaired. In these impairment tests, the carrying amounts of the cash-generating units are compared with their respective recoverable amount which is determined based on the fair value less cost of sale. For this purpose, the expected future cash inflows are discounted using a discounted cash flow method. The cash flow projections are based on the corporate planning for the upcoming period of three years valid at the time the impairment test is carried out, with expectations on future market developments and country-specific assumptions being also taken into account. The cash flows are discounted using the weighted average cost of capital of the respective cash-generating unit. The five divisions of the Group were identified as cash-generating units.

No need for impairment was determined in the reporting year.

The outcome of these impairment tests is highly dependent on the executive board's assessment of the future cash flows and on the used discount rate and is therefore subject to great uncertainty. Therefore, this matter was of particular significance in the scope of our audit.

For information provided by the Company on goodwill, please refer to the sections "Accounting policies" and "Goodwill, other intangible assets" of the notes to the consolidated financial statements.

b) During our audit, we, among other things, obtained an understanding of the method applied to carry out the impairment tests, evaluated the determination of the weighted cost of capital and assessed the calculation method used in the impairment test in consultation with our valuation specialists. For the purpose of risk assessment, we obtained an overview of the business development in the reporting year and assessed to what extent the impairment tests were influenced by subjectivity, complexity or other inherent risk factors. We examined whether the corporate planning underlying the impairment tests is consistent with the corporate planning prepared by the executive board and acknowledged by the supervisory board. In assessing the quality and reliability of the corporate planning, we compared the planning of the previous financial year with the results that were actually realized and analyzed any deviations (adherence to the plan). Together with the persons in charge, we discussed the assumptions and premises underlying the planning and examined them for plausibility. For this purpose, we, among other things, reconciled the assumptions made with macroeconomic and industry-specific market expectations. We also assessed whether the future incoming financial surpluses have been appropriately derived from the assumptions and premises made. In addition, our audit included an examination of whether the cost of group functions has been properly considered in the impairment testing of the respective cash-generating units.

As relatively small variations of the used discount rate may already have material effects on the value of the recoverable amount thus determined, we assessed the parameters that were relied on for determining the respective discount rate, including the cost of capital, and verified that they were within the normal market ranges. In each case, we assessed the appropriateness of calculation of the measurement scheme for determining the recoverable amount. Furthermore, due to the material significance of goodwill for the Group's assets and liabilities, we performed a complementary sensitivity analysis in order to be able to assess a possible impairment risk in case of a potential change of material assumptions concerning the valuation parameters.

In addition, we audited the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required under IAS 36.

2. Revenue recognition over a period of time

a) In the consolidated financial statements of the Company as at December 31, 2022, an amount of mEUR 6,410 is recognized as revenue in the statement of profit or loss, of which mEUR 1,649 were recognized according to the percentage of completion method. The balance sheet as at December 31, 2022 states contract assets and contract liabilities of mEUR 405 and mEUR 1,163, respectively. A material part of the activities in the business with safety technology is realized under long-term customer-specific agreements. Revenue from these agreements is generally recognized over the period in which the relevant asset was created unless Rheinmetall Aktiengesellschaft has an alternative possibility to use the asset and is legally entitled to receive payment of the services already rendered. Also, if an asset is created or enhanced and the customer gains control over the asset as the asset is created or enhanced, revenue is recognized over a period of time. When recognizing revenue over a period of time, revenue is recognized according to the percentage of completion, which is calculated as the ratio of the actually incurred contract cost to the estimated total cost to complete the contract.

From our point of view, recognizing revenue over a period of time in project business constitutes an area with a considerable risk of material misstatements due to fraud or error and does therefore constitute a key audit matter as the executive board's judgment has a material influence on the determination of the percentage of completion. This is particularly true for the estimated total cost as well as the cost that is still to be incurred until completion, including any contract risks and their probability of occurrence. Due to new evidence obtained on the cost development and changes in the ordered project scope over the term of the contract and the rendering of the services, which may frequently span several years, revenue, estimated contract cost and completion of the contract may sometimes deviate considerably from the original project calculation.

For information provided by the Company on revenue recognition, please refer to the sections "Accounting policies" and "Sales" in the notes to the consolidated financial statements.

b) During our audit, we consulted the parts of the underlying contracts relevant to accounting and evaluated the process of proper identification of the performance obligation and classification of satisfying the performance obligation over a given period of time. For the purpose of risk assessment, we obtained an overview of the business development in the reporting year and assessed to what extent the revenue recognition was influenced by subjectivity, complexity or other inherent risk factors. Based on the understanding we have obtained of the processes, we evaluated the design of identified internal controls and ascertained whether they had been established. We focused our audit of these control procedures on the controls for approval of the project valuation taking into account the percentage of completion and the projected project margin. To the extent that we relied on identified controls, we also assessed the functionality of those controls.

We evaluated the appropriateness of the project calculation and the assessment of the percentage of completion by means of customer-specific agreements that were selected based on risk-based aspects. The key criteria for the selection of the projects were the amount of the total contract value and of the contract volume, the revenue realized with the project in the financial year 2022, as well as the development of the project margin or its amount in the financial year 2022. In addition, some contracts were randomly selected on a sample basis. Besides gaining an understanding of the underlying parts of the contract, our audit procedures included inquiries of the project management, the division management and the executive board into the development of the projects, the current evaluation of the expected cost still to be incurred until completion as well as the estimate of the probability of occurrence of contract risks and opportunities. Moreover, we reconstructed the proper recognition and netting of direct cost as well as the amount and netting of overheads. In addition, we audited the completeness and appropriateness of the corresponding disclosures in the notes to the consolidated financial statements

3. Valuation and presentation of discontinued operations

a) The assets and liabilities presented as held for sale in the consolidated financial statements of Rheinmetall Aktiengesellschaft as at December 31, 2022 and the result from discontinued operations relate to the Pistons business unit as a discontinued operation. The assets reported in this regard as at the reporting date amount to mEUR 377, the liabilities held for sale amount to mEUR 220, and the associated earnings from discontinued operations amount to mEUR 8 in the financial year 2022. The earnings reflect a negative net amount from impairment and reversal of impairment of the assets of discontinued operations in the amount of mEUR 10 after taxes. The valuation and presentation of discontinued operations is based on the provisions of IFRS 5.

As part of the realignment of Rheinmetall Group, the executive board had already decided in the financial year 2020 to sell the small and large-bore piston business of the former Hardparts division, which was no longer continued as a core business. As of May 1, 2021, the Pistons business was classified as a discontinued operation for the first time, taking account of the provisions of IFRS 5.

After it proved unfeasible realizable to sell the Piston business as a whole, a share purchase agreement was concluded in October 2022 with the Swedish Koncentra Verkstads AB group of companies on the sale of the large-bore piston business. The agreement covers the large-bore piston business, including the three production plants in Germany, the United States and China as well as the steel pistons line of the small-bore pistons plant in Marinette in the United States. The sale was completed at the beginning of 2023. Regarding the small-bore piston business disposal group, which encompasses the small-bore piston production at sites in Europe as well as North and South America, Rheinmetall still intends to sell the business as a whole to an investor. In addition, Rheinmetall strives to sell three equity investments, each of which individually. For one of these investments, a letter of intent on the purchase of the remaining shares was already concluded in December 2022.

Due to the considerable significance of the discretionary estimates and valuations relating to the discontinued operation for the Group's assets, liabilities, financial position and financial performance, this matter was of particular importance in the context of our audit.

The Company's disclosures on the discontinued operation and the earnings from discontinued operations are included in the section "Discontinued operations" and "Events after the end of the reporting period" of the notes to the consolidated financial statements.

b) In our audit, we assessed whether the conditions for a classification as held for sale are met after the plan for the disposal of the large-bore and small-bore piston business disposal groups and the three equity investments has changed. To this end, we conducted enquiries of members of the executive board and divisional management and reviewed executive board and supervisory board minutes. On this basis, we assessed the executive board's computation of the fair value less costs to sell according to IFRS 5 of the two disposal groups and the three equity investments as of December 31, 2022.

In addition, we assessed the definition of the business activities classified as falling within the scope of IFRS 5 and retraced the implementation of the allocation of the corresponding assets and liabilities in the consolidation system. We also retraced the determination of expenses and income allocated to discontinued operations and disclosed separately in the consolidated income statement. Our audit procedures also included the consolidation entries.

As part of our audit of the valuation in accordance with IFRS 5 as at the reporting date, we also assessed whether the methods applied, assumptions made and data used by the executive board can be judged to be reasonable. To this end, we conducted enquiries of members of the executive board, divisional management and employees from the departments involved in the disposal, and critically evaluated the information and evidence obtained, such as discounted cash flow valuations, stock prices, a letter of intent and an existing purchase agreement as well as minutes of executive board meetings.

We also assessed whether the related disclosures in the notes to the consolidated financial statements are complete and correct.

Other Information

The executive board and/or the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- the combined corporate governance statement pursuant to Sections 289f and 315d HGB, including the further reporting on corporate governance included therein, included in the section "Corporate governance" of the combined management report,
- the executive board's confirmation pursuant to Section 297 (2) sentence 4 HGB and Section 315 (1) sentence 5 HGB, respectively, regarding the consolidated financial statements and the combined management report, and,
- all other parts of the published annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive board and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the combined corporate governance statement pursuant to Section 289f and Section 315d HGB included in the chapter "Corporate governance" of the combined management report. Otherwise, the executive board is responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive board is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

The executive board and the supervisory board are further responsible for the preparation of the remuneration report, including the related disclosures, which is included in a separate section of the combined management report and which complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they have determined necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive board and the reasonableness of estimates made by the executive board and related disclosures.
- conclude on the appropriateness of the executive board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.
- perform audit procedures on the prospective information presented by the executive board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor’s report unless law or regulation precludes public disclosure about the matter.

Emphasis of Matter – Immanent Risk due to Uncertainties Regarding the Legal Conformity of the Interpretation of the EU Taxonomy Regulation

We refer to the explanations of the executive board in the section “EU taxonomy” contained in the chapter “Non-financial statement” of the combined management report. There it is stated that some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. The executive board sets out how it has made the necessary interpretation of the EU Taxonomy Regulation and the delegated acts adopted thereon. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty. Our audit opinion on the combined management report was not modified in this respect.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 18e01986ec3edb243c6107af99fa773643fbe5519bbe6d348e2c9a2d2ad99d3d, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from January 1 to December 31, 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Board and the Supervisory Board for the ESEF Documents

The executive board of the parent is responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive board of the parent is responsible for such internal controls that it has considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 10, 2022. We were engaged by the supervisory board on November 9, 2022. We have been the group auditor of Rheinmetall Aktiengesellschaft, Düsseldorf/Germany, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is René Kadlubowski.

Düsseldorf/Germany, March 13, 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
André Bedenbecker	René Kadlubowski
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements of Rheinmetall AG give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of Rheinmetall AG includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Düsseldorf, March 13, 2023

Rheinmetall Aktiengesellschaft
The Executive Board

Armin Papperger Dagmar Steinert Peter Sebastian Krause

Financial calender and Legal information

This annual report was published on March 16, 2023.

May 4, 2023
Statement on the 1st quarter 2023

May 9, 2023
Annual General Meeting Rheinmetall AG

August 10, 2023
Report on the 1st half-year 2023

November 9, 2023
Statement on the 3rd quarter 2023

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