ANNUAL REPORT 2023

RHEINMETALL

KEY FIGURES 2023 | RHEINMETALL GROUP

KEY FIGURES 2023

		2023	2022	2021	2020[1]	2019	2018[2]	2017
SALES/EARNINGS								
Sales	€ million	7,176	6,410	5,658	5,405	6,255	6,148	5,896
Of which generated abroad	*%*	*76.0*	*70.5*	*65.9*	*64.4*	*68.9*	*72.3*	*75.9*
Operating result[3, 6]	€ million	918	769	594	446	505	491	400
Operating margin[6]	%	12.8	12.0	10.5	8.3	8.1	8.0	6.8
EBIT pre PPA	€ million	968	747	-	-	-	-	-
EBIT[6]	€ million	897	738	608	398	512	518	385
EBIT margin[6]	%	12.5	11.5	10.8	7.4	8.2	8.4	6.5
EBT[6]	€ million	815	718	582	367	477	485	346
Earnings from continuing operations[6]	€ million	630	534	432	284	-	-	-
Earnings from discontinued operations[6]	€ million	(44)	6	(100)	(283)	-	-	-
Earnings after taxes[6]	€ million	586	540	332	1	354	354	252
Return on capital employed (ROCE)[4, 6]	%	19.9	21.4	19.5	11.8	15.4	17.1	13.8
ORDER INFORMATION								
Booked Business	*€ million*	*3,480*	*3,521*	-	-	-	-	-
Frame Nomination	*€ million*	*7,362*	*350*	-	-	-	-	-
Frame Utilization	*€ million*	*-2,804*	-	-	-	-	-	-
Order Intake	*€ million*	*11,843*	*5,629*	-	-	-	-	-
Rheinmetall Nomination	€ million	19,881	9,500	-	-	-	-	-
Nominated Backlog	*€ million*	*8,381*	*8,056*	-	-	-	-	-
Frame Backlog	*€ million*	*7,931*	*3,427*	-	-	-	-	-
Order Backlog	*€ million*	*21,977*	*15,089*	-	-	-	-	-
Rheinmetall Backlog (December 30)	€ million	38,290	26,572	-	-	-	-	-
CASH FLOW								
Cash flow from operating activities	€ million	743	174	690	453	602	242	546
Cash flow from investments	€ million	(398)	(349)	(271)	(237)	(288)	(277)	(270)
Operating free cash flow	€ million	344	(175)	419	217	314	(35)	276
Of which continuing operations[6]	*€ million*	*356*	*(151)*	*458*	*230*	-	-	-
Of which discontinued operations[6]	*€ million*	*(12)*	*(24)*	*(38)*	*(13)*	-	-	-
STATEMENT OF FINANCIAL POSITION (12/31)								
Equity[6]	€ million	3,643	3,090	2,620	2,053	2,272	2,173	1,870
Total assets[6]	€ million	11,707	8,096	7,734	7,267	7,415	6,759	6,101
Equity ratio[6]	%	31.1	38.2	33.9	28.2	30.6	32.1	30.7
Cash and cash equivalents	€ million	850	545	1,039	1,027	920	724	757
Total assets less cash and cash equivalents[6]	€ million	10,858	7,551	6,695	6,240	6,496	6,035	5,344
Net financial debt (-)/Net liquidity (+)[5]	€ million	(1,063)	(426)	118	4	(52)	(30)	230
HUMAN RESOURCES (FTE 12/31)								
Germany	FTE	13,449	12,768	11,979	11,592	11,587	11,077	10,394
Foreign	FTE	14,606	12,718	11,966	11,675	12,193	11,822	11,216
Rheinmetall Group	FTE	28,054	25,486	23,945	23,268	23,780	22,899	21,610
Of which continuing operations	*FTE*	*24,753*	*21,788*	*20,185*	*19,500*	-	-	-
Of which discontinued operations	*FTE*	*3,301*	*3,697*	*3,760*	*3,768*	-	-	-
SHARE								
Stock price (12/31)	€	287.00	186.05	83.06	86.58	102.40	77.16	105.85
Basic earnings per share from continuing operations[6]	€	13.34	10.80	9.04	5.93	-	-	-
Basic earnings per share[6]	€	12.32	10.94	6.72	(0.62)	7.77	7.10	5.24
Diluted earnings per share from continuing operations[6]		13.02	10.80	9.04	5.93	-	-	-
Diluted earnings per share[6]	€	12.07	10.94	6.72	(0.62)	7.77	7.10	5.24
Basic earnings per share pre PPA effects from continuing operations	€	14.65	10.96	-	-	-	-	-
Dividend per share	€	5.70	4.30	3.30	2.00	2.40	2.10	1.70
Dividend payout ratio	%	38.9	39.2	-	-	-	-	-

[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] The definition of the key finacial management indicator operating result was adjusted retrospectively in the third quarter of 2023. The figure for the previous year 2022 was also adjusted accordingly.
[4] EBIT/average capital employed. The prior-year figure for 2021 has been adjusted to reflect the new calculation methodology.
[5] Financial liabilities less cash and cash equivalents
[6] The figures for the previous year 2022 were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

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 2023.

Reporting structure

The Group structure will be divided into Vehicle Systems, Weapon and Ammunition, Electronic Solutions, Sensors and Actuators, and Materials and Trade by the end of 2023. For reporting purposes, Vehicle Systems Europe and Vehicle Systems International are summarised as Vehicle Systems. All segment disclosures and information in this annual report follow this reporting structure. The Pistons unit has been managed as a discontinued operation since the start of May 2021. »Structure of the Rheinmetall Group

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) of the 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 non-financial statement of the Group pursuant to section 315 HGB 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 14, 2024. 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 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 of this report. If the underlying assumptions do not materialize, the actual results 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.

Symbols and navigation

For improved navigation within the report, the » symbol indicates a link within the report.

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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 2023 are presented in detail, I would like to take a brief look back at the year, which continued to be dominated to a large extent by the war in Ukraine. The inflation trend posed further 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 secure supply chains and protect liquidity. Rheinmetall was therefore successful in maintaining the impressive resilience and operational strength already repeatedly demonstrated. The turning point in security policy caused by Russia's war of aggression further strengthened the new awareness of the requirements for safeguarding democratic freedom and security on a national and international basis. The completely new perception of Rheinmetall's importance continued in fiscal 2023, which meant that the effects of the accompanying economic challenges could be more than compensated for.

The Supervisory Board monitored and supported the Executive Board's work conscientiously and continuously in fiscal 2023. 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 focused on the consequences of the economic conditions and, to a large extent, the implications of the war in Ukraine.

Cooperation between the Supervisory Board and Executive Board was characterized by trust, openness and constructive dialog again in fiscal 2023. 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 no regular Supervisory Board elections were held in fiscal 2023 and no members left the Board, the composition of the Supervisory Board remains unchanged.

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 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	- CEO of Grillo-Werke AG	10.5.2016 » 2025	Audit committee **Personnel and Remuneration committee** **Strategy, Technology and ESG committee** **Nomination committee** **Mediation committee**	E.ON SE
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, Technology and ESG committee	No mandates in other Supervisory Boards
Dr.-Ing. Dr. Ing. E. h. Klaus Draeger Munich Year of birth 1956 Nationality German	- Former member of the Board of Management of BMW AG	9.5.2017 » 2026	Strategy, Technology 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 and Remuneration 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, Technology 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 of Nemetschek SE	10.5.2022 » 2026	Audit committee	Bluebeam Holding Inc., USA[2] Bluebeam Inc., USA[2] Nemetschek Inc., USA[2]
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 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 and Remuneration committee Strategy, Technology 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 birth 1964 Nationality German	- Head of business unit Hydrogene, 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 - Debuty chairman of the European Works Council	9.5.2017 » 2027	Personnel and Remuneration committee Strategy, Technology 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, Bremen - Vice Chairwoman of the Group's Works Council Rheinmetall AG	1.7.2015 » 2027	Strategy, Technology and ESG committee Mediation committee	Rheinmetall Electronics GmbH Vice Chairwoman of Supervisory Board
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, Technology 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 two extraordinary Supervisory Board meetings as well as one circular resolution 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 divisions. 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 other current trouble spots. Furthermore, we dealt with potential acquisition projects, in particular the acquisition of the Spanish ammunition manufacturer Expal Systems S.A.U., as well as actual and potential risks to the company, as required.

The Supervisory Board was supported reliably and effectively by the different committees again in 2023. 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	4	2	1	1	8
Strategy, Technology and ESG Committee	2	-	-	-	2
Audit Committee	3	1	2	-	6
Personnel and Remuneration Committee	-	2	1	-	3
Nomination Committee	-	2	-	-	2
Mediation Commmittee	-	-	-	-	-

In addition to the regular topics described above, the Supervisory Board dealt with the following individual topics at the meetings, which are listed in chronological order:

At the extraordinary meeting on **January 27, 2023**, the proposed resolution on the delegation of the Supervisory Board's responsibilities in relation to the issuing of bonds with warrants and convertible bonds to the Audit Committee for a limited period until June 30, 2023 was discussed. The proposed resolution was adopted unanimously with the following vote.

At the extraordinary meeting on **February 24, 2023**, we discussed the current business performance, particularly in light of the war in Ukraine, the target achievement of the 2022 short-term incentive (STI) and 2023 STI targets, the 2022 and 2023 long-term incentive (LTI) tranches and the 2022 remuneration report. The proposed resolutions were unanimously approved without abstentions.

At the first regular meeting on **March 15, 2023**, we intensively discussed the single-entity and consolidated financial statements of Rheinmetall AG as of December 31, 2022, 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. Both the Executive Board and the auditor provided comprehensive answers to our questions. Other topics included the appropriation of net income and the Annual General Meeting on May 9, 2023 and its implementation as a virtual format, in which shareholders essentially enjoy the same shareholder rights as at a physical Annual General Meeting. All proposed resolutions were approved unanimously.

On **April 13, 2023**, the written proposed resolution on the approval of Dagmar Steinert's secondary employment as a member of the Supervisory Board of 4iG Nyrt. was approved by circulation in favor.

In addition to the reports from the committees and the general business position, the meeting on **May 8, 2023** focused on the IT incident in the civilian business, the further implications of this and the accompanying communication. We also unanimously approved Dagmar Steinert's secondary employment as an ordinary member of the Regional Advisory Board West of Commerzbank AG and dealt with preparations for the virtual Annual General Meeting on May 9, 2023.

On **August 17, 2023**, the general business position was discussed in detail. We then addressed three significant unplanned growth investments in 2023 with implications for the investment framework plan and the consequences for the 2023 OFCF. Finally, we unanimously approved the investment measures to increase capacities for artillery, tank ammunition and fuses at the ammunition plant in Várpalota, Hungary, the investment in the plant for the production of F-35 center fuselages and, in addition, the investment in Szeged for the production of NanoLam products under license from Polycharge. We also approved the consequences of these unplanned growth investments for the OFCF. The OFCF target value was thus adjusted for the short-term incentive (STI) for fiscal 2023 due to the amended investment action plan. Other topics included the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) and the presentation of the auditor's certificate on the audit of the system for compliance with the requirements arising from section 32 of the German Securities Trading Act (WpHG) (EMIR). The IT incident and the consequences thereof determined the discussion of current IT issues. The timetable for the integration of IT for all divisions was also discussed.

At the meeting on **October 16, 2023**, we dealt with the results of the Supervisory Board's efficiency review. Following the presentation of the revision of the Executive Board remuneration system and the adjustment of Executive Board remuneration from January 1, 2024, the respective proposed resolutions were adopted unanimously. Further unanimous resolutions were passed on the adjustment of the basic amounts and the top-up contribution to the pension plan for members of the Executive Board from January 1, 2024 and on the review of the customary level of remuneration for the Supervisory Board.

The Supervisory Board meeting on **December 5, 2023** focused in particular on the information regarding the award of the audit mandate for the 2023 annual financial statements, the resolution on the Executive Board employment contracts applicable from January 1, 2024 as well as the 2024 STI and the 2024 LTI tranche. In addition, the agenda and the modalities of the 2024 Annual General Meeting were discussed. Another point of discussion was the sale of the small-bore pistons business.

Committee meetings

The Supervisory Board prepares its work in five committees. The following committees exist, the composition of which corresponds to the overview shown above:

- Strategy, Technology and ESG Committee
- Audit Committee
- Personnel and Remuneration Committee
- Nomination Committee
- Mediation Committee

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, Technology and ESG Committee** met in March and November 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. The possibilities for support from the industry for the German government were still of interest here. Other topics included the potential for Rheinmetall arising from requirements communicated by the German armed forces and whether sufficient production capacity was available or could 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 civilian divisions with regard to raw material imports, international supply chains and rising raw material and energy prices.

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 addition, an update was provided on new strategic directions in the civilian sector and, in particular, on the merger of the divisions that are primarily active in the civilian sector into a new Power Systems division. The aim of merging these divisions is to strengthen the civilian business, increase business relevance within the Rheinmetall Group and achieve synergy effects.

In the past fiscal year, the **Audit Committee** met in January, 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 (including the sustainability-related 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. The auditors of the financial statements participated in the Audit Committee meetings in March and December 2023.

In addition to dealing with specific individual issues in the divisions, other topics discussed at the meetings included reports on IT transformation and the IT security concept, in particular with regard to the IT incident in the divisions operating in the civilian environment and the resulting implications for the future. The members also dealt with the self-evaluation of the Audit Committee and compliance activities in the Rheinmetall Group. The committee's self-evaluation revealed a good overall position. Individual members will continue to deepen their expertise in the area of sustainability reporting and Rheinmetall-specific topics through qualified measures.

The key audit areas in 2023 were characterized as largely stable compared with the previous year. Other topics discussed in this context were Rheinmetall's control system, the status of IT controls and hedge accounting and the new requirements for the non-financial statement.

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. The members were also informed by the Executive Board about the current state of affairs 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 9, 2023 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 war in Ukraine, as well as 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's legal function, corporate social responsibility (CSR), compliance and tax compliance, risk management and internal auditing within 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. As a result, the Audit Committee has not become aware of any circumstances that speak against the appropriateness and effectiveness of these systems as a whole. The Audit Committee satisfied itself that the company reviews the systems on an ongoing basis and systematically and consistently expands them.

Three 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, Louise Öfverström and Ulrich Grillo are independent and are not former members of the Executive Board of the company.

The **Personnel and Remuneration Committee** met three times in February, September and November 2023 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 2023, and the setting of the targets, ranges and calculation basis for Executive Board variable remuneration in 2023. Other topics were the text of the remuneration report for 2022 and the remuneration of the Supervisory Board. In addition, the revision of the Executive Board remuneration system was presented and the adjustments for 2024 were resolved. In this context, an adjustment to the weighting of EBT and OFCF as part of the STI was discussed in detail and subsequently decided upon. The reason given for the decision was that future growth potential requires investments that have not always been taken into account in the planning and may be unscheduled. These are therefore more difficult to manage within one year and are unsuitable for the STI.

In the past fiscal year, the **Nomination Committee** met in August and December 2023 to prepare nominations for Supervisory Board mandates expiring at the Annual General Meeting. At the meeting in August, the committee discussed the professional requirements for the qualification of Supervisory Board members and the extent to which the skills profile might need to be adjusted due to the ongoing efficiency review of the Supervisory Board and the development of the Rheinmetall Group. In light of the upcoming election of two new Supervisory Board members at the 2024 Annual General Meeting, interviews were conducted with candidates, taking into account the requirements of the law, the German Corporate Governance Code and the targets resolved by the Supervisory Board for its composition and skills profile. When searching for candidates, the results of the efficiency review and the recommendations on composition were also taken into account, including in particular the aspects of geopolitics and further strengthening of ESG expertise. Taking these requirements into account, the committee then made recommendations to the plenary assembly of the Supervisory Board at the meeting in December regarding proposals for the election of new shareholder representatives to the Supervisory Board. These election proposals will be published with the invitation to the 2024 Annual General Meeting. In spring 2024, it is intended to update the skills profile of the Supervisory Board, taking these election proposals into account.

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 2023, the Executive Board consisted of three members: Armin Papperger, as Chair of the Executive Board of Rheinmetall AG, and the Executive Board members Dagmar Steinert (CFO) and Peter Sebastian Krause (HR).

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 August 2023, the Executive Board and Supervisory

Board issued and published their declaration of conformity with the GCGC. We followed the recommendations contained in the latest version of the code dated April 28, 2022 with one exception (exclusion of subsequent changes to target values or comparison parameters) in 2023. After the Supervisory Board decided on August 17, 2023 to appropriately reduce the target value of the OFCF for the STI of the current fiscal year 2023 due to additional investments in the interests of the company with a direct impact on the OFCF, all recommendations of the code have been complied with since August 18, 2023. 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 – Declaration of Conformity.

No indications of any actual conflicts of interest involving members of the Executive Board or Supervisory Board within the meaning of principle 20 and Recommendations 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, an efficiency review was carried out in fiscal 2023. The skills profile for the full Supervisory Board is to be updated in spring 2024, taking into account the nomination proposals for two new members of the shareholder representatives on the Supervisory Board.

The corporate governance statement in accordance with section 315d HGB in conjunction with section 289f HGB in the section »Corporate Governance – Declaration on Corporate Governance contains the wording of the above-mentioned declaration of conformity, which is also published on the company's website. The working methods of the Executive Board, the Supervisory Board and the committees are also described. It also contains information on the gender quota and describes the diversity concept for the Executive Board and Supervisory Board.

The participation quota of members in discussions on the plenary assembly and on the committees remained at a high level at 97%. Members who were unable to attend meetings were involved in decision-making through submission of a proxy vote.

Individual attendance of the members of the Supervisory Board at meetings in fiscal 2023

	Chair | Member	Participation | Meetings	Attendance in %
Plenary assembly	**Ulrich Grillo**	8 | 8	100%
	Prof. Dr. Dr. h.c. Sahin Albayrak	7 | 8	88%
	Dr.-Ing. Dr.-Ing. E. h. Klaus Draeger	8 | 8	100%
	Prof. Dr. Andreas Georgi	8 | 8	100%
	Dr. Britta Giesen	8 | 8	100%
	Prof. Dr. Susanne Hannemann	8 | 8	100%
	Louise Öfverström	8 | 8	100%
	Klaus-Günter Vennemann	8 | 8	100%
	Rolf Bolm	8 | 8	100%
	Dr. Daniel Hay	8 | 8	100%
	Murat Küplemez	8 | 8	100%
	Dr. Michael Mielke	8 | 8	100%
	Reinhard Müller	8 | 8	100%
	Dagmar Muth	8 | 8	100%
	Barbara Resch	8 | 8	100%
	Sven Schmidt	8 | 8	100%
Strategy, Technology and ESG Committee	**Ulrich Grillo**	2 | 2	100%
	Prof. Dr. Sahin Albayrak	2 | 2	100%
	Dr.-Ing. Dr.-Ing. E. h. Klaus Draeger	2 | 2	100%
	Dr. Britta Giesen	2 | 2	100%
	Dr. Daniel Hay	2 | 2	100%
	Reinhard Müller	1 | 2	50%
	Dagmar Muth	1 | 2	50%
	Sven Schmidt	2 | 2	100%
Audit Committee	**Prof. Dr. Susanne Hannemann**	7 | 7	100%
	Ulrich Grillo	7 | 7	100%
	Louise Öfverström	7 | 7	100%
	Rolf Bolm	7 | 7	100%
	Dr. Daniel Hay	6 | 7	86%
	Sven Schmidt	7 | 7	100%
Personnel and Remuneration Committee	**Ulrich Grillo**	3 | 3	100%
	Prof. Dr. Andreas Georgi	3 | 3	100%
	Dr. Daniel Hay	2 | 3	67%
	Reinhard Müller	3 | 3	100%
Nomination Committee	**Ulrich Grillo**	2 | 2	100%
	Prof. Dr. Andreas Georgi	2 | 2	100%
	Klaus-Günter Vennemann	2 | 2	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%

Audit of the annual financial statements

Following our proposal, on May 9, 2023, the Annual General Meeting elected Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Düsseldorf branch, as the auditor of the financial statements for fiscal 2023.

The single-entity financial statements prepared by the Executive Board in accordance with German GAAP as of December 31, 2023, 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 12, 2024, and at the annual accounts meeting of the Supervisory Board on March 13, 2024, 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 combined management report, the remuneration 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 2023 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 €5.70 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, 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 2023, 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.

Düsseldorf, March 13, 2024

On behalf of the Supervisory Board
Ulrich Grillo
Chair

EXECUTIVE BOARD **OF RHEINMETALL AG**

Armin Papperger | **Chairman of the Executive Board**

Dear Shareholders,

Fiscal year 2023 was marked by the impact of Russia's ongoing war of aggression against Ukraine, the emergence of other trouble spots, and inflation. While the war against Ukraine marked a turning point for German and European security policy, the past two years have shown beyond all doubt that this is not a snapshot in time, but a new reality.

For the first time in its history, the Federal Republic of Germany has developed a national security strategy with the aim of safeguarding the security of its citizens and contributing to security in Europe. In particular, the German government's new defence policy guidelines identify a strong national and European defence industry as a key component that will underpin the German armed forces in the future. In addition to Germany, many other countries in Europe and the EU itself have since made clear commitments to the role of our industry.

We have all learned that we cannot take peace for granted. The geopolitical shifts have led to an increased polarization of the world order and bring with them a growing sense of uncertainty. In addition to dialogue, this calls for effective and credible deterrence, as well as the ability to respond militarily in the event of a crisis. Faced with new threats and geopolitical changes, it is essential that the German armed forces are equipped to defend and deter in order to guarantee the security on which our life in peace and freedom depends. Germany must systematically align itself with the core tasks of national and alliance defence. Rheinmetall has a decisive role to play here when it comes to supplying the armed forces again with the material they need to accomplish these tasks – in Germany, in the partner countries and, not least, in Ukraine. Here, we have a major and concrete responsibility to protect the lives of soldiers and civilians and to uphold Ukraine's right to exist as a state. Ultimately, the future of a peaceful Europe depends on whether we succeed in helping Ukraine over the long term. After all, responsibility is not just a word – it is about nothing less than the security of tomorrow.

To secure Germany's strategic sovereignty in the area of ammunition production, we are establishing a national production facility that will set new standards and, above all, ensure supplies to the German armed forces. With the "Lower Saxony plant," we are building another European center for the production of artillery ammunition, explosives, and rocket artillery at our traditional site in Unterlüß. We are doing this out of a sense of responsibility and the desire to use our technologies to significantly boost our country's defence capability. The production of artillery ammunition is set to commence in Unterlüß within a year with the aim of ensuring national security of supply and robust value creation as part of a production process based entirely in Germany. The production of rocket propulsion systems and possibly warheads, such as those required for the planned German rocket artillery project, is scheduled to commence in 2025.

However, the changes currently affecting the world also require us as a technology company to take responsibility for other problematic areas in our society. Responsibility also means protecting the fundamentals our lives. It is up to all of us: governments, companies, and citizens to combat the climate change that is becoming a global threat. In this context, our civilian business areas also demonstrate our firm commitment to our responsibility.

In our civilian business, we managed to increase sales despite a challenging market environment. These have been driven in particular by our components and systems for the electrification of drive systems, which also include orders for fuel cell drive systems, and 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.

We are successfully building on the growing orders from previous years. We remain well on course to successfully support the transformation of the industry toward future-oriented and eco-friendly forms of mobility and to live up to our responsibility as a technology group.

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

In the year under review, the economic performance at Rheinmetall was extremely robust and profitable. The changed security situation has allowed us to demonstrate our responsibility as a reliable supplier of state-of-the-art defence technology

Dagmar Steinert | **Finances**

Peter Sebastian Krause | **Human Resources**

to Germany and its allies. Major procurement projects in Germany and significant major orders from friendly nations are the proof of this. They also led to an increase in the operating result by 19 % to a new record level of EUR 918 million. Our operating margin of 12.8% exceeds last year's figure of 12.0%.

In November 2023, we raised our medium-term targets with regard to 2026 to take account of this development. By the end of 2026, our dynamic sales growth is expected to be accompanied by an operating margin of >15%. At that point, we anticipate a sales target of EUR 13–14 billion. The operating cash flow target is 50% of the operating result. The target dividend payout ratio remains unchanged at 35% to 40%.

An attractive employer with a wide range of forward-looking areas of activity

We are growing at a rate that probably only a few other companies can currently sustain. However, in addition to expanding capacity in the weapons business area, we must manage the transformation of our civilian activities.

Overall, we also successfully realized our growth requirements in personnel terms over the past fiscal year. In 2023, for example, we received more than 100,000 applications in Germany alone. We have also further improved in our position in the employer rankings. One example of this is a survey of 12,000 young professionals, in which we climbed from mid-table to an excellent 13th place. This shows us that we are perceived as an integrated technology group that stands by its responsibility and provides opportunities for people who want to take on technologically demanding roles and are willing to assume responsibility.

The provision of training for young people remains an important priority for us. In 2023, we trained 415 young people at our German sites alone and a total of 770 at all our sites combined. This also enabled us to successfully address the shortage of skilled workers. Furthermore, we continue to invest increasingly in training and university marketing measures and are raising our profile at personnel, recruitment, and trade fairs, especially those aimed at engineers, IT specialists, and soldiers.

At the same time, the health of our employees is very important to us. With this in mind, we are strengthening our commitment to health, particularly mental health, through targeted analyses of the workplace environment. We want to identify the factors that lead to improved working conditions in order to boost the long-term health of all employees and thus make a positive contribution to our productivity.

Inclusion in Germany's benchmark DAX 40 index

In March, Deutsche Börse announced Rheinmetall AG's promotion to the top league of the German capital market and that the company has been included in the DAX 40 benchmark index since March 20, 2023. Our inclusion in the benchmark index gives us further powerful motivation to successfully develop innovative products in the future. Adaptability and a forward-looking mindset are very much part of the Rheinmetall DNA.

Rheinmetall stands for an enduring company with broad technological expertise, high innovative strength and profitable growth. The world in which we live is changing, and at the Rheinmetall Group, we stand by our responsibility for our products, our stakeholders, our employees and our customers. However, the standards we set ourselves go even further: through our work here at Rheinmetall, we take responsibility for defending people and democratic societies We use our technologies, our products and systems, to lay the essential foundation for peace, freedom, and sustainable development: security.

The Executive Board

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 9, 2023.

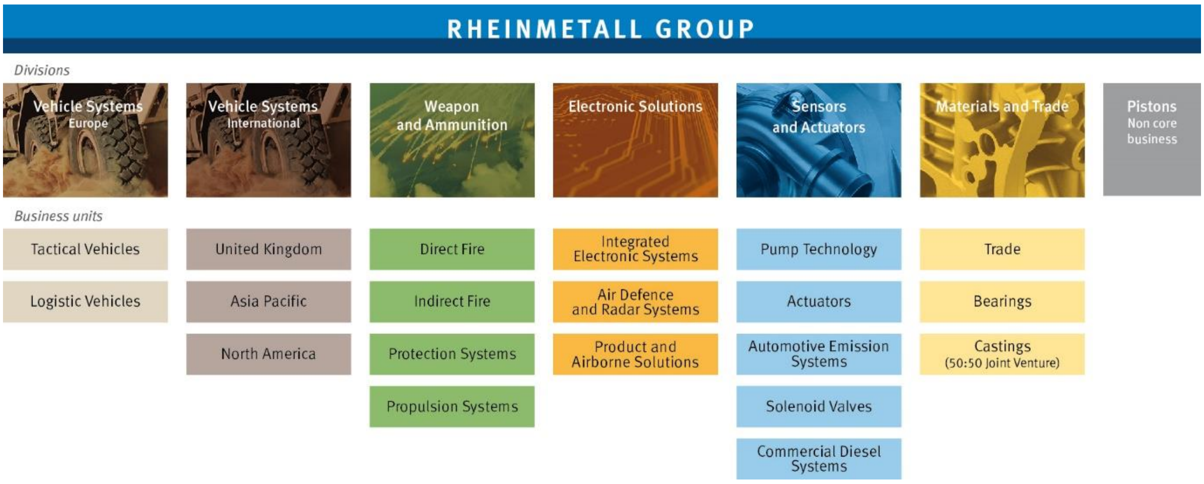
Rheinmetall AG is the parent company of the Rheinmetall Group and has its registered office in Düsseldorf, Germany, at the Group headquarters. As the management holding company, it defines the long-term strategic orientation and corporate policy of the Rheinmetall Group. It also performs control and 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, 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.

With effect from 1 October 2023, the Vehicle Systems Division was reorganised at management level. It was divided into the Vehicle Systems Europe and Vehicle Systems International divisions. Vehicle Systems Europe primarily focuses on the European market, not including Great Britain, while Vehicles Systems International concentrates on the markets of Australia, the US, and Great Britain. This will allow the group to better address the specific challenges and opportunities of the respective markets. Both divisions already have their own management team and are directly managed by the Executive Board. »Corporate management and control In external reporting, the two divisions are presented as one segment, Vehicle Systems. To ensure that the structure of the Group better reflects the technologies, products and business areas it covers, individual companies were also allocated to different divisions or to the Group service companies and other non-operating companies in line with their business activity with effect from October 1, 2023. This had a particular impact on Weapon and Ammunition and Electronic Solutions.

The small-bore business area is managed as a non-core business outside the structure of the group. In December 2023, Rheinmetall and Comitans Capital AG signed a sale and purchase agreement for the entire small-bore business area. They are aiming to close the transaction, which is still subject to approval by the relevant authorities, as of March 31, 2024.

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 Rheinmetall Group's corporate structure



December 31, 2023

A market and customer-oriented approach and the establishment of lasting relationships with customers form the basis of Rheinmetall's business activities. The activities are consistently aligned towards the economic regions of Europe, America, Asia and Australia. In the year under review, Rheinmetall was represented at 174 locations worldwide. Information on the sales distribution by region can be found under »Sales by region, while the distribution of employees is described under »Employees.

Rheinmetall AG has direct or indirect holdings in 218 companies in Germany and abroad (previous year: 206) that are part of the Rheinmetall Group. The scope of consolidation includes 175 subsidiaries (previous year: 166). In financial 2023, a total of nine companies were added to the fully consolidated subsidiaries through formation and three companies through acquisition. The disposals of the fully consolidated subsidiaries from the scope of consolidation are attributable to three sales. Expal Systems S.A.U. was added to the Group as a fully consolidated subsidiary. With the acquisition of Expal Systems S.A.U., Rheinmetall is opening up further production capacities in the field of large and medium calibre ammunition and expanding its product portfolio. Thanks to the technologies available at Expal and the order backlog, the acquisition also helps to secure Rheinmetall's core business in the field of weapons, ammunition and propulsion systems in the long term. In the Pistons division, which is managed as a non-core business, the large-bore pistons business was sold and several blocks of shares held in Shriram Pistons & Rings Ltd. were sold. A total of 35 companies are carried at equity, as compared to 35 companies in the previous year. The Group is also involved in 8 joint operations (previous year: 5).

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 and 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 its product portfolio, Rheinmetall fulfills these basic key needs of modern society.

Divisions

Vehicle Systems Europe, Vehicle Systems International, Weapon and Ammunition, and Electronic Solutions 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, there is 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: 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.

Tactics and logistics – **Vehicle Systems Europe** offers a diverse portfolio of operationally proven wheeled and tracked vehicles, including combat, support, logistics and special vehicles, that is continuously developed further. Vehicle Systems Europe consists of the Tactical Vehicles and Logistic Vehicles business units. Sensors, guidance systems, protection technologies and effectors from partner divisions make Rheinmetall's wheeled and tracked vehicles the highly effective systems that they are.

Vehicle Systems International has a comparable portfolio but focuses on the markets of Australia, the US and Great Britain in order to provide global customers with more individual support.

Impact and cover – The portfolio of **Weapon and Ammunition** comprises solutions for threat-appropriate, effective and accurate firepower as well as comprehensive protection. Whether on land, on water, or in the air, Rheinmetall as one of the leading technology companies delivers systems for superiority on current and future battlefields and deployment areas. Weapon and Ammunition consists of three business units: Weapon and Munition, Propulsion Systems, and Protection Systems.

Digitalization, networking and cyber – Electronic Solutions encompasses 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. This is supplemented by solutions for protection in cyberspace. Other fields of action include extensive training and simulation solutions, in which the company has more than 40 years of experience. It also offers operator solutions for aircraft. Electronic Solutions consists of the Air Defence & Radar Systems, Integrated Electronic Systems, and Technical Publications business units.

The civilian activities of Sensors and Actuators and of Materials and Trade comprise development services, manufacturing and replacement parts supply in the mobility sector. The 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. Another focus area is applications of the product and service range in non-automotive market segments, such as the hydrogen economy, renewable energies or the house-warming segment.

Gas, thermal and fluid management applications – Sensors and Actuators stands for expertise in gas, thermal and fluid management applications in the mobility and industrial sectors. The five business units – Actuators, Automotive Emission Systems, Commercial Diesel Systems, Pump Technology, and Solenoid Valves – develop solutions for the major challenges in mobility, such as downsizing, reducing emissions, and increasing efficiency while also optimizing performance. The extensive product portfolio covers a wide range of exhaust gas recirculation (EGR) 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.

System components and Rheinmetall's global aftermarket activities – Materials and Trade is one of the leading manufacturers and partners for the development of system components for the basic motor. With the Trade business unit, it also represents Rheinmetall's global aftermarket activities. The development focus in the Small Bore Pistons, Bearings, and Castings business units is on the major challenges for the sector, such as reducing weight, reducing emissions, and increasing service life while also optimizing performance. The extensive product portfolio comprises pistons for gasoline and diesel engines in passenger and commercial vehicles, pistons for 2-stroke engines and compressors, polymer-coated and metal plain bearings, castings (e.g. structural components) and continuous casting products.

The various fields of activity can be seen in the following overview.

Vehicle Systems Europe **Vehicle Systems International**	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

Defence and security technology markets

In the field of defence technology, the world in the 21st century sometimes faces very tense security situations as well as complex and new threats, as can be seen clearly 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 is tailored to central defence technology requirements that firstly result nationally and internationally from many armed forces' substantial ongoing need for technical modernization and replacements. Secondly, Rheinmetall provides solutions for emerging 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 international peacekeeping and stabilization missions.

The market potential for Vehicle Systems Europe, Vehicle Systems International, Weapon and Ammunition, and Electronic Solutions 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. »General economic conditions In light of the wars, 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. This trend 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.

International defence markets find themselves in a long-term cycle that is characterized by comparatively high budgets and new procurement. »General economic expectations For the portion of Rheinmetall's product range that is 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 the strategic further development.

According to the target set at the NATO summit in Wales in 2014, each NATO member state should be spending up to 2% of its gross domestic product (GDP) on defence by 2024. NATO has since agreed to tighten the requirements for defence spending and make this target a minimum level. 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.

Focus on defence of nations and alliances

The existing investment backlog in the German armed forces is to be cleared, while also providing them with significantly better equipment overall and establishing a stronger focus on the defence of nations and alliances. The German armed forces, guided by their capability profile, must be able to meet their 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, the US, Hungary and various Eastern European NATO member states remain of particular strategic importance. Following a home market strategy approach, Rheinmetall aims to create local value added and establish itself as a preferred partner for national armed forces, particularly in Great Britain, Spain, Australia and Hungary.

In Eastern Europe, a number of NATO states will over the coming years 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 ongoing military conflict between Russia and Ukraine, these efforts are likely to be increased and sped 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. Particularly in Hungary, one of Rheinmetall's home markets, 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. Rheinmetall has also been commissioned by the Hungarian government to develop the Panther KF51 battle tank to the stage of readiness for series production. This work will include the construction and qualification of a demonstration product to prepare for series production. The tank factory opened in Zalaegerszeg will play an important role in this development work. In Kyiv, a joint venture with the Ukrainian Defense Industry (UDI) was established in the past fiscal year. The first step will involve providing maintenance and other services for Ukraine, before starting the production and development of military vehicles there.

Rheinmetall has also succeeded in establishing long-term close customer relations in Australia, another of its home markets, after acquiring major orders for military trucks, wheeled armored vehicles and munitions. In 2020, Rheinmetall's Military Vehicle Center of Excellence in the state of Queensland became operational. It includes not only development capacity but also production and maintenance capacity. In the medium to long term, export orders can also be handled here.

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 an 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 addition, the UK-based joint venture Rheinmetall Man Military Vehicles (RMMV UK), in which Rheinmetall AG holds a 51% stake and MAN Truck & Bus SE a 49% stake, has been commissioned with the short-term procurement of 500 HX trucks in the hook loading system version for the British Army, which are to be delivered by March 31, 2024. »Strategy

Markets for civilian products and mobility applications

The business performance of the product range in the civilian sector and particularly in the area of mobility is largely determined by the production trends of international customers in the automotive industry. »General economic conditions This applies not only to existing customer contracts, but also to 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. »General economic expectations

Sensors and Actuators holds a Tier 1 position in the value-added chain of automotive production because it generally supplies automotive manufacturers directly rather than via other suppliers/system integrators. This also applies to large parts of the Materials and Trade product range. Despite a relatively small number of international automotive manufacturers, the customer portfolios are highly diversified in both cases; this also applies at regional level. Production sites in the key economic areas of Western Europe, USMCA and Asia make it possible to 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, Sensors and Actuator sell 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 in the coming years with new mobility concepts and stricter industrial policy targets, the automotive industry will face significant technological upheavals in the transition to alternative drive technologies. This will also be accompanied by increasing digitalization and a gradual transition to partially and fully autonomous driving.

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. However, electrified vehicles have noticeably gained market shares worldwide as the automotive industry has gradually recovered. 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. A large number of 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. »Strategy

The product portfolio has successively been tailored to the strict emission regulations and the product range has been expanded in terms of hybrid technology, all-electric drive systems and fuel cell technology for heavy commercial vehicles. »Research and development

While the combustion of fossil raw materials does not appear to be a future-proof solution for powering engines in the automotive sector, Rheinmetall nevertheless still gained orders in the internal combustion engine sector from various automotive manufacturers in fiscal year 2023. Projects totaling more than €1.9 billion were acquired.

At the same time, the transformation toward projects in the areas of electrification and fuel cells is underway. This development marks an important step toward a more sustainable and more efficient future. Rheinmetall is meeting these challenges with a diversification strategy that has already been largely secured. As a result, projects with a volume of around €750 million were gained in the areas of fuel cell systems and hydrogen technology in 2023. Rheinmetall's overarching strategic objective is to concentrate technological development on high-growth products and future markets and to reduce greenhouse gas emissions. »Strategy

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. As hydrogen is considered a key element in the transition to a climate-neutral energy supply of the future, there is a focus on both 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. 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 TFEU (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 EU 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 141 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 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 (EU) 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” (EU 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 EU 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.

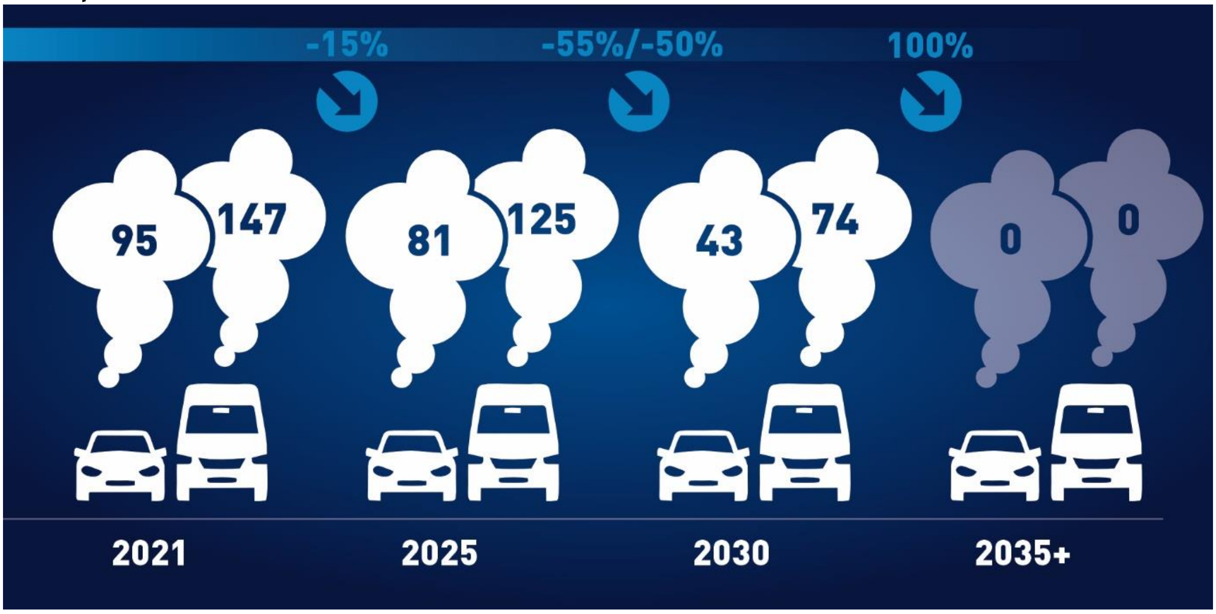
Export of non-listed goods – To ensure seamless export controls, there are also licensing requirements for goods that are not technically described in any of the aforementioned export lists and are known as “non-listed goods.” These licensing requirements involve open-ended lists that prevent low-tech 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% for passenger cars and light-duty commercial vehicles by 2025 and by 55% for passenger cars and 50% for light-duty commercial vehicles by 2030. From 2035 onward, only emission-free new cars can be registered, although there is to be an exception for vehicles powered by e-fuels. A potential adjustment of the limits is planned for 2026 to ensure new technological developments and a socially just transition to zero emissions.

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. The European Commission is currently discussing the possibility of raising the targets to 45% / 65% / 90% from 2030 / 2035 / 2040. In addition, all city buses are to be emission-free by 2035 and an 85% emissions reduction is to be achieved as soon as 2030.

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 CO_2 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 in Germany. 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 that appear necessary to 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 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 another update in July 2023, the level of ambition was increased and details of the implementation were specified. The national expansion target for electrolysis capacity was thus raised from 5 GW to at least 10 GW. The four fields of action of the German 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, and more 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 AG, which consisted of three members in 2023, 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 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 in order to ensure the continued existence of the company and create sustainable value added. Rules of procedure are in place for both boards, containing regulations on the composition, tasks, responsibilities and areas subject to approval. »Supervisory Board report For further information on »Corporate Governance, please refer to the section of the same name.

Compliance

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. Compliance is an integral part of the corporate culture at Rheinmetall.

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 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. With deliveries made to many countries around the globe, reliable guidance in a national and international environment is essential.

The Chief Compliance Officer, who reports directly to the Chairman of the Executive Board, is responsible for Compliance and Data Privacy at holding company level. Compliance is divided into the areas of Compliance Program with the functional areas Prevention, Regulation, and Business Partners; Central Investigations with the functions Investigation Office and Allegation Management; and Social Compliance with the function Supply Chain Risk. As an independent organizational unit, Data Protection is divided into two functional areas. The focus in the Group 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, he or she reports to the Executive Board and the Supervisory Board of Rheinmetall AG.

The Chief Compliance Officer is also responsible for the compliance field organization, comprising the divisional compliance teams, the Regional Compliance Officers abroad and the central holding support, as part of the strongly normative management. The roles of Corporate Compliance Officer for Central Europe (with a focus on

Hungary) and Corporate Compliance Officer for Southern Europe (with a focus on Spain) were also established to support the increasingly important locations and major projects in other European countries.

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 the Division Compliance Officers of current developments, new rules, planned training measures and possible compliance infringements as well as the status of possible investigations.

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, 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 area 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 across the group to support compliance processes.

Corporate Compliance | Compliance Program | Prevention – A compliance risk prevention guideline has been implemented 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, identifying response measures and planning 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, 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 "litigation-proof organization," was driven forward in the fiscal year. Next, an IT tool will 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 is achieved with a 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 now enable compliance reporting to the Executive Board and Supervisory Board to focus on identified compliance risk areas and the mitigation measures established, as well as the related KPIs.

Corporate Compliance | 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 is available. 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. Using a continuously updated summary, all employees can obtain a quick overview of the professionally regulated topics.

Corporate Compliance | 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 into 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 special projects, large quantities of data from business partners were migrated to the electronic third-party management system again in the year under review.

In the past fiscal year, apart from the business partners screened by the automated procedure, around 720 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. An additional 4,430 existing partners were automatically transferred to monitoring and processed by way of bulk uploads.

Corporate Compliance | Central 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 ombudsperson (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 ombudsperson 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 misconduct response policy 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 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 requirements for compliance management systems introduced by the legislator, in particular the German Supply Chain Due Diligence Act (LkSG) and the German Whistleblower Protection Act (HinschG), are currently being reflected in an amendment to the misconduct response policy.

Of a total of 163 tips received in the reporting year, 126 (77%) were identified as compliance-relevant. A more detailed investigation into these matters was initiated. Work on these 126 investigations has led to confirmation of a breach of the rules in 51 cases (40%).

Corporate Compliance | Acquisitions & Programs – 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 Group Data Privacy Officer manages the data privacy officers at the 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.

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. By means of the DPMS, Rheinmetall establishes an appropriate level of data protection worldwide for processing personal data. 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, contacts have been 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. Intensive data protection training courses have been held to assist them.

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 appropriate 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 (BEC) fraud, as well as in 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, some 8,700 participants attended classroom training sessions on various compliance topics. In addition, around 2,500 compliance-relevant e-learning modules were completed in the year under review.

Our employees also 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 spheres of work. The relevant departments here were selected on the basis of data protection and compliance risks. For new employees, general data protection training is part of the onboarding process. A new e-learning module was also introduced in the past fiscal year and is available in numerous languages. In addition, all levels of the company are provided with data protection advice on an ad hoc basis.

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.

Key financial management indicators for the Rheinmetall Group

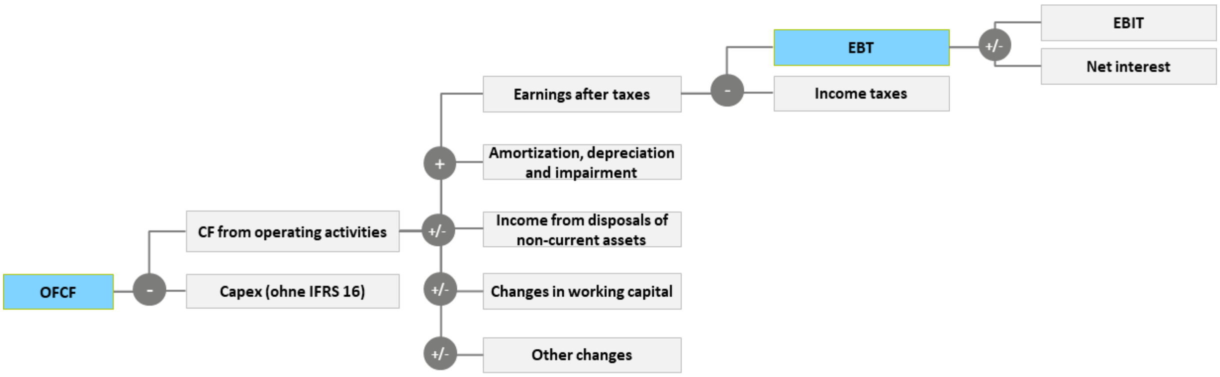
		2023	2022
Sales	€ million	7,176	6,410
Operating result [1]	€ million	918	769
Operating free cash flow (OFCF) - continuing operations	€ million	356	-151

[1] The definition of the key finacial management indicator operating result was adjusted retrospectively in the third quarter of 2023. The figure for the previous year was also adjusted accordingly (previous year pro forma €754 million).

In light of the acquisition of the munitions manufacturer Expal Systems S.A.U., which was completed on July 31, 2023, the definition of the operating result performance indicator was modified to take account of the effects of the purchase price allocation for this transaction. Starting from the third quarter of 2023, the operating result is therefore calculated as earnings before interest and taxes (EBIT) adjusted for special items resulting from corporate transactions, remeasurement effects in connection with purchase price allocations, restructuring and other significant items unrelated to operations or the accounting period. The prior-period figures have been restated to take account of remeasurement effects in connection with purchase price allocations. The reconciliation can be found in the economic report under »Rheinmetall Group business performance – results of operations.

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 (OCFC)



Further key figures

Other relevant financial indicators include earnings before interest and taxes (EBIT), earnings before taxes (EBT) and return on capital employed (ROCE). The return on capital employed means 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 on a reporting date is the sum of fixed assets, working capital and other assets and other liabilities.

Furthermore, the level of capital expenditure and the research and development expenses are relevant financial indicators for the Rheinmetall Group.

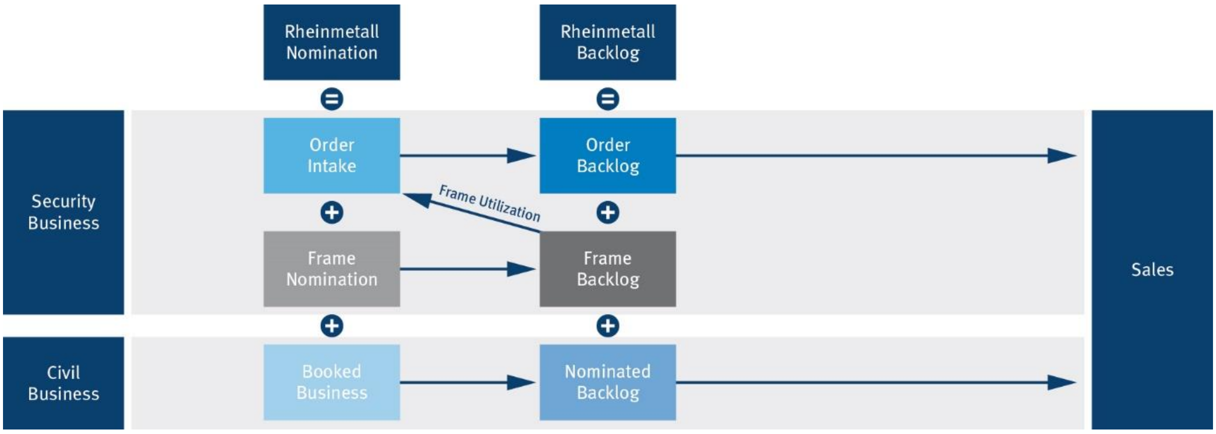
Non-financial indicators for the Rheinmetall Group include the headcount by full-time equivalent (FTE), the accident frequency rate (LTIR) and – in addition to energy efficiency, energy intensity and CO_2 intensity – the volume of water used.

Further development of key order figures

At the beginning of fiscal year 2023, the existing key order figures were further developed with the aim of establishing a cross-segment indicator for Group-wide sales activity and the future sales potential of the Rheinmetall Group.

As a new order indicator, Rheinmetall Backlog comprises the previously used order backlog key figure as well as the new frame backlog and nominated backlog key figures. The frame backlog reflects the expected future call-offs from existing framework agreements for the security business, which are converted into order backlog when called off by the customer. Based on existing written agreements and framework contracts with customers, the nominated backlog figure shows the future call-offs expected for the civil business from these customer agreements. The sales resulting from the frame backlog and the nominated backlog may differ from the corresponding amounts depending on the final call-off quantities.

The new Rheinmetall Nomination indicator is composed of the previously used order intake and booked business indicators as well as the new flow indicator for the security business, the frame nomination. Similarly to the booked business indicator used for the civil business, this represents the expected value of new framework agreements concluded with customers. Like booked business, frame nomination does not yet represent binding customer orders, so actual call-off volumes and the resulting sales may vary. The frame backlog is converted into order backlog by way of the call-offs reported as order intake. Within Rheinmetall Nomination, this change is presented as frame utilization.



Financial management indicator for Rheinmetall Aktiengesellschaft

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

Strategy

Rheinmetall at a glance

In 1889, Hoerder Bergwerks- und Hüttenverein founded “Rheinische Metallwaaren- und Maschinenfabrik Actiengesellschaft” 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 2023, 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 realignment 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 technology transfer was further expanded as a result. Promising developments are incorporated in the different areas profitably, according to need and at a Group-wide level. Rheinmetall’s strategic alignment involves reducing its dependence on combustion engine products and divesting itself of the entire pistons business (small- and large-bore pistons). At the start of 2023, the large-bore piston business was sold to the Swedish group Koncentra Verkstads AB. In December 2023, Rheinmetall and Comitans Capital AG signed a sale and purchase agreement for the entire small-bore business area.

On March 20, 2023, the technology group Rheinmetall AG was included in Germany’s benchmark DAX index. This underlined the success of the company’s development over the course of 130 years. Rheinmetall has long been a fixture on the trading floor. Following the company’s founding in 1889 under the name “Rheinische Metallwaaren- und Maschinenfabrik Actiengesellschaft,” it went public in 1894. In 1996, the Düsseldorf-based company became a founding member of the MDAX (mid-cap DAX) and has been listed in this stock index without interruption ever since.

Key market drivers for Rheinmetall

Leap in growth in the defence sector – Numerous countries worldwide have responded to the war in Ukraine by increasing their defence spending. European countries such as France, Italy, Poland, Greece, the Baltic states and individual countries in Scandinavia have decided to expand their respective budgets and invest in equipment for their armed forces. But there has been a rise in defence spending in the US and in Asian countries such as China and Japan as well. »Global defence spending

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.

Digitalization – The growth of digitalization is continuing apace in both a civilian and security context. The connectedness of people and systems is becoming increasingly important for armed forces as a means of enhancing security and protecting the lives of soldiers. The German armed forces describes digitalization as “the key to information, command and combat superiority as well as enforcement and response capability in the battlefield of the future.” In 2022, NATO announced its vision for the digital transformation: “By 2030, the Alliance is to be in a position to ensure interoperability in all environments, improve situational awareness and facilitate data-based decision-making.” The demand for solutions designed to protect, support and connect the armed forces of tomorrow has never been greater than it is now.

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.

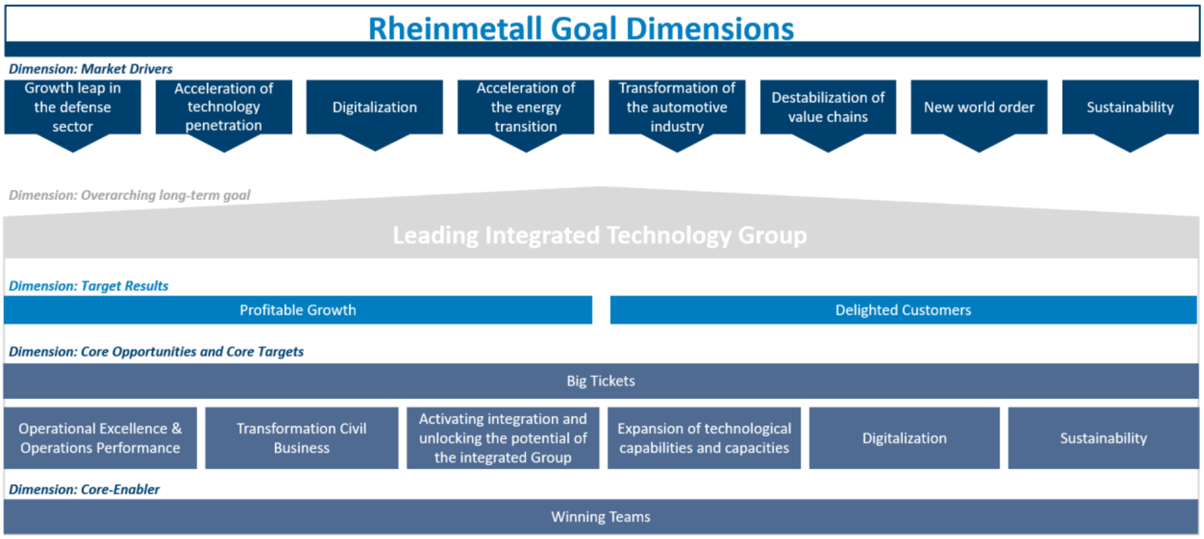
Destabilization of value chains – The coronavirus pandemic and Ukraine war put the global supply chains under severe pressure, in 2022 especially. Inflation rates were high. While inflation for producer prices actually slipped into minus in Q4 2023 compared with the same period of the previous year, certain components are still exposed to risks in the supply chain.

New world order – The geopolitical shifts have led to an increased polarization of the world order. As things stand, it can be assumed that this trend will continue and entail significant geopolitical uncertainty. Not least the outcome of the 2024 presidential election in the USA will play a key role here. 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 countries and economic areas alike 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. In December, world leaders passed an important hurdle 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 2015 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 continued through 2023. The transformation to a fully integrated technology group initiated in 2020 continued through 2023, and the strategy was comprehensively reevaluated and adjusted in light of the opportunities and challenges arising from market drivers.

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.

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 €13 billion and €14 billion with an average operating margin of >15%. To successfully realize these ambitions, Rheinmetall is pursuing the following core targets:

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, sharing best practices and through automation
- Optimizing the supply chain to ensure the necessary supply in disruptive supply chains
- Bringing operational excellence 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
- CORE ICE (internal combustion engine): exploiting business potential in the area of combustion engines; ICE innovation through EURO 7 and CO_2 reduction requirements
- Electrification: expansion of the electrification portfolio and market penetration
- Diversification: new technologies and industries as innovation enablers
- 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 Group-wide in order to offer civil and security customers the best and most innovative solutions and to strengthen the technology transfer.
- Introduction of functional structures
- Bundling and strengthening of international activities

Expanding technological capabilities and capacities

- Systematic technology management for medium- to long-term realization of additional growth potential in order to increase resilience and competitiveness
- Strategic acquisitions, joint ventures and strategic cooperations
- Establishing and expanding the potential markets in the security business
- Expanding capabilities and capacities
- Expanding our leading position in the security business: 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.

Digitalization

- In addition to its current business, Rheinmetall recognizes the need to render manageable the digitalized and, in turn, complex battlefield of the future. Rheinmetall accepts its responsibility and, as part of its digital strategy, will develop the role of orchestrator of a digital ecosystem.
- Developing an international, digital ecosystem for the defence industry with Rheinmetall in the role of orchestrator
- Through strategic partnerships and acquisitions, we will expand our skills and capabilities in the field of AI, quantum computing, big data and high secure cloud computing.
- Further development of the core technology of the communication platform tactical core and integration of this technology in Rheinmetall's products as an enhanced basis of the digital defence ecosystem

Sustainability

- Developing and promoting sustainable technologies and products
- Respecting and protecting human rights, both within our own company and with our suppliers and business partners worldwide
- Improving sustainability performance and supply chain transparency
- Aligning sites, business processes and incentive models with sustainability
- CO_2 neutrality of the company in 2035

Core enabler: Winning Teams

To support the transformation to a leading integrated technology group and fulfill its growth ambition, Rheinmetall has defined the Winning Teams core enabler dimension. The HR strategy, which consists of four pillars of initiatives, has been regularly updated since 2022:

- Best Fit 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 conducted in 2022 with the aim of bringing HR costs to a globally competitive level by 2025. For this purpose, HR Analytics, HR Excellence and Total Rewards – among other things – were implemented in 2023.

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 want to 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 environmental, social and governance measures will be taken into account for members of the Executive Board in both the LTI and STI at 20% from fiscal 2022. For managers, this also applies since fiscal 2022 in the short-term incentive and since fiscal 2024 in the LTI.

Strategic growth markets and strategic growth areas

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. »Global defence spending Spending by NATO alliances remained constant between 2018 and 2023. From 2024, From 2024, Germany is aiming to reach NATO's 2% target for the first time, which is 2% of gross domestic product, and plans to increase defence spending from €50.1 billion in 2023 to €51.8 billion in 2024. In addition, after €8.4 billion in 2023, around €19.2 billion is to be drawn from the special fund in 2024. Rheinmetall is benefiting from these developments within the defence markets. The order backlog in the Group as a whole increased to a record €38.3 billion, of which around €30 billion is from the security sector.

Strategic growth markets: Ukraine and the USA – Business with Ukraine was an especially important growth market for Rheinmetall in fiscal 2023. Strategic cooperation between Rheinmetall Landsysteme GmbH and the Ukrainian state-owned company Ukrainian Defence Industry formed the basis for further developing the market and strengthening the Ukrainian defence industry. »Significant events Sales sales with Ukraine increased to €594 million in 2023 (previous year: €33 million).

Rheinmetall also achieved significantly growing business successes in the world’s largest defence market, the US. Annual sales increased from €339 million in 2022 to €366 million in 2023. »Significant events

Strategic growth fields and big tickets – In fiscal 2023, Rheinmetall conducted a detailed market analysis and defined strategic growth fields. In Rheinmetall's view, these are existing and new business areas that have significant growth potential and are therefore the focus of attention.

Artillery systems, rocket artillery and ammunition - Rheinmetall is investing heavily in expanding its production capacities and increasing its range. In Spain and Germany, production is being increased from 1500 to 3000 tonnes of powder per year. We are building new ammunition factories in Romania and Unterlüß. We will start developing long-range capabilities at the new "Lower Saxony plant" in Unterlüß. In future, RDX explosives will also be manufactured there, as well as rocket propulsion systems and, if necessary, warheads. These are needed, for example, for the planned German rocket artillery project. From 2025, Rheinmetall plans to produce up to 700,000 artillery shells and 10,000 tonnes of powder per year at its sites in Germany, Spain, South Africa, Australia and Hungary.

In the field of rocket artillery, Rheinmetall and Lockheed Martin signed a Memorandum of Understanding (MoU) in April 2023 to jointly develop customised solutions for a unique German rocket artillery system. For Germany and Rheinmetall, this agreement offers the opportunity to secure key technologies and significant value-added shares for Germany.

Ground Based Air Defence – The focus here is on expanding existing business in the area of (very) short-range air defence (V-SHORAD). The European Sky Shield Initiative opens up new potential for which Rheinmetall is preparing. Overall, the portfolio is to be expanded, the market share in Europe increased and additional potential countries adressed.

Main Battle Tank – Main Battle Tank is a long-term growth field in which important steps were taken in 2023. The Panther KF51 battle tank, which was unveiled at Eurosatory 2022, is equipped with highly advanced technology and based on state-of-the art, digital vehicle architectures and technological concepts. In December 2023, Rheinmetall was commissioned by the Hungarian government to develop the Panther KF51 to the stage of readiness for series production.

As part of the German–French land combat armaments project MGCS (Main Ground Combat System), which is to replace Germany's Leopard 2 and France's Leclerc from 2040 onward, Rheinmetall is engaged as a key partner on the German side alongside KNDS (KMW+NEXTER Defense Systems). Rheinmetall is also a member of a consortium (Rheinmetall, KMW (a company of KNDS), Saab, Leonardo, Indra) that is applying for funding from the European Defence Fund to develop a battle tank. The course has thus been set for us to play a major role in the land combat systems of the future.

Logistics Systems (Trucks) – Rheinmetall trucks form the logistical backbone of the Bundeswehr. The aim is to increase production capacity at our plant in Vienna to up to 4,500 vehicles per year. Rheinmetall sees great potential with the Bundeswehr, among others, where trucks can be ordered directly from the special assets. In addition, Rheinmetall has been awarded the contract for the first phase of the US Army's Common Tactical Truck programme for the HX 3 together with General Motors in the USA. We see further potential in the Rheinmetall MAN User Nations Group, of which 10 nations worldwide are currently members.

Aviation – Following the successful start of maintenance operations for CH-53G transport helicopters for the German armed forces at the Diepholz (since 2020), Holzdorf and Laupheim (since 2022) air force bases, Rheinmetall has taken another key step forward in the air defence domain. In a state-of-the-art factory in Weeze, Rheinmetall will manufacture from 2025 center fuselages for the F-35A Lightning II, currently the most powerful combat aircraft in the world. This takes the form of an armaments cooperation with the US partners Northrop Grumman and Lockheed Martin. At least 400 center sections for the F-35A are to be produced at the new factory. In addition, Rheinmetall signed a memorandum of understanding (MoU) in 2023 with its strategic partners Lockheed Martin, ESG and Lufthansa Technik for the maintenance of the Bundeswehr's future F-35A fleet. Rheinmetall's focus is on further tapping the potential in the aviation business.

Hydrogen – Further orders were booked in the hydrogen technology field in 2023. The value of the booked business (lifetime) in the hydrogen growth market amounted to €505 million by the end of fiscal 2023 from various manufacturers of fuel cell systems. Rheinmetall is now the market leader for recirculation blowers, cathode valves and coolant pumps for fuel cell systems.

Diversification in the industrial sector - Rheinmetall successfully continued its diversification strategy in the industrial sector in December 2022. Rheinmetall received an order worth €770 million for the supply of refrigerant compressors. This is the largest single order that Rheinmetall's non-military sector has ever received outside of the traditional automotive business.

Rheinmetall is now focussing on the development and supply of other components such as circulation pumps, heating pumps and compressors for the industry, for which Rheinmetall has extensive technological and development expertise.

Acquisitions, joint ventures and strategic alliances

As part of its growth strategy, Rheinmetall continuously screens potential targets and examines strategic partnerships and joint ventures that could potentially support Rheinmetall's growth strategy. As an important provider of military land systems, Rheinmetall remains committed to playing an active and formative role as part of further industry consolidation and to assuming technological leadership. Rheinmetall is therefore rigorously examining the strengthening of digitalization expertise, technological capabilities and the expansion of capacities in line with demand. In the civilian sector, the focus is on targets to support the transformation.

Erwerb Expal Systems S.A.U. - In August 2023, Rheinmetall completed the acquisition of Spanish ammunition manufacturer Expal Systems. The acquisition of all shares in Expal Systems significantly increased Rheinmetall's capacities in the ammunition business and added further capabilities to the portfolio. In this way, Rheinmetall is expanding its position as a key supplier to the NATO armed forces and increasing its own production capacities especially in the area of artillery, mortar and medium-caliber ammunition.

As part of the post-merger integration of Rheinmetall Expal Munitions, Rheinmetall is endeavoring to leverage further synergies. Retaining the technologies and jobs available at Expal Systems is essential for Rheinmetall. All locations (Madrid, Trubia, Burgos, Navalmoral, El Gordo, Albacete and Murcia in Spain and Texarkana in Texas, USA) are to be retained and further growth is expected.

Joint venture: Rheinmetall Ukrainian Defense Industry LLC – Rheinmetall and the Ukrainian state-owned company Ukrainian Defense Industry JSC (UDI, formerly Ukroboronprom) have founded a joint venture aimed at strengthening Ukraine's defence industry base and ultimately the country's national security. Rheinmetall Landsysteme GmbH holds 51% of the shares in the joint venture, while UDI holds 49%. Rheinmetall Ukrainian Defense Industry LLC launched operations in October 2023 after the German Federal Cartel Office approved the joint venture. The first joint step in this partnership between Rheinmetall and UDI involves the repair of military vehicles that were supplied to Ukraine through "ring exchange" projects organized by the German government as well as through direct deliveries. In the short term, this partnership is to be extended to the joint production of selected Rheinmetall products in Ukraine. In this way, joint capabilities in armaments technology are gradually being built up in Ukraine.

Share acquisition of blackned GmbH – A central element of Rheinmetall's digitalization strategy is to support the digitalization of armed forces. In this context, Rheinmetall has expanded its strategic partnership with the high-tech software company blackned GmbH, which is based in Heimertingen. In January 2023, Rheinmetall Electronics GmbH acquired a 40% stake in the company. blackned specializes in mission-critical communication systems and has developed a next-generation information and communication middleware called TacticalCore. The TacticalCore framework is now to be integrated in Rheinmetall's overall architecture to connect the existing systems and, as a "Tactical Platform Service," is already an integral part of the "Digitalization of Land-based Operations" (D-LBO) architecture. The aim of this program initiated by the German army is to digitalize the land forces and, as a first step, to secure the command and control capability of the "Division 2025" project, a large unit of the German armed forces that is to be fully equipped and ready for deployment by 2025. This enables Rheinmetall to further expand its leading role as a partner for the digitalization of armed forces.

Strategic key figures

	Key figure		Result 2023	Target 2026
Growth	Group-wide sales	€billion	7.2	13-14
Profitability	Operating margin	%	12.8	>15
	Operating free cash flow to operating result	%	38.8	>50

Research and development

Technology and product developments open up growth opportunities

Rheinmetall regularly invests considerable sums 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 and state-of-the-art product portfolio. Market, industry and technological trends are systematically observed before being analyzed and assessed in terms of their strategic and economic significance. This is a prerequisite for not only picking up on the latest developments but also actively helping to shape technological change and, as a result, achieving long-term business success in complex and technologically demanding markets. Thanks to close collaboration among Sales, Development, Production, Service and Marketing as well as continuous and intensive project work with customers, industrial partners, renowned research institutions and experienced specialists both at home and abroad, new requirements for products, systems, processes and applications are quickly identified and taken into account in development processes. The advance development of new technical solutions is also very important. 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 the intensive transfer of technologies among the Group – 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.

In fiscal 2023, expenditure on research and development within the Rheinmetall Group was €374 million (previous year: €351 million). Of this amount, €86 million was passed on to customers (previous year: €60 million). In the year under review, €72 million (previous year: €82 million) of the total expenditure for research and development was capitalized as development costs and €217 million (previous year: €209 million) recognized as expenses. Amortization of capitalized development costs recognized in the year under review amounted to €28 million (previous year: €23 million). The research and development ratio in relation to the Group's total sales was 5.2% (previous year: 5.5%).

The number of employees entrusted with research and development tasks declined by -171 to 4,422 by the end of 2023 (previous year: 4,593 people). In relation to the total workforce, this corresponds to a share of 18% (previous year: 21%).

Research and development

	2023	2022
Employees in research and development (FTE)	4,422	4,593
Employees in research and development as % of total workforce	18	21
R&D: Expenses (€ million)	375	351
of which capitalized	*72*	*82*
R&D ratio (research and development expenses in relation to sales)	5.2	5.5

Research and development expenses again show a differentiated distribution in fiscal 2023. As in previous years, Sensors and Actuators recorded by far the highest expenses at €169 million (previous year: €158 million). Research and development expenses in Weapon and Ammunition were on par with the previous year at €64 million; Vehicle Systems increased the corresponding funds by 59.6% to €91 million. For Electronic Solutions, research and development expenditure in fiscal 2023 totaling €32 million was less than in the previous year. In Materials and Trade, research and development expenses in the year under review were €10 million, down 37.5% from the previous year.

Research and development expenses

€ million	2023	2022
Rheinmetall Group	**374**	**351**
Vehicle Systems	91	57
Weapon and Ammunition	64	70
Electronic Solutions	32	40
Sensors and Actuators	169	158
Materials and Trade	10	16
Consolidation/Others	8	9

The distribution of the total of 4,422 employees working in research and development in the Rheinmetall Group at the end of 2023 is shown in the table below. In this context, Vehicle Systems and Electronic Solutions recorded the highest growth in R&D employees, while the other numbers of employees remained roughly at the previous year's level.

Employees in research and development

FTE, 12/31	2023	2022
Rheinmetall Group	**4,422**	**4,593**
Vehicle Systems	1,295	1,438
Weapon and Ammunition	673	661
Electronic Solutions	1,522	1,338
Sensors and Actuators	776	987
Materials and Trade	108	126
Others	48	43

Risks

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

Group-wide technology development in the New Technologies cluster

The New Technologies cluster comprises Rheinmetall Technology Center GmbH, MIRA GmbH and Yardstick Robotics GmbH.

As a Group-wide unit, Rheinmetall Technology Center GmbH has a technology-oriented focus on Group-wide applications. Of primary importance are the development of innovative technologies and products as well as the creation and technical and economic validation of initial functional models and prototypes. If rated positively, these technologies and products are passed on to existing or even new units within the Group for commercialization. The current focuses of development are sensor systems, digitalization, automation and (e-)mobility.

The aforementioned technologies for teleoperated mobility are developed to a usable state for MIRA GmbH, among others, which is subsequently responsible for their commercialization. The field of teleoperated mobility is a current focus of development. The teleoperation of vehicles – e.g. in the logistics sector or for passenger transport – offers tremendous application potential and is the enabler for future automated and driverless transportation. Security-critical applications like these are subject to strict requirements regarding safety and availability. In this context, further important steps were taken toward the development of a road-legal system. The degree of maturity of the various functional elements was further increased in compliance with strict, safety-oriented standards in the automotive industry. In addition to Düsseldorf's industrial port, a second defined area, this time in Bonn, was officially approved as a permanent public test site for trialing the overall system. Development activities aimed at increasing scalability and cyber security complement the aforementioned measures. The PoQuaSIA (Post-Quantum Secure generic IoT Application) project, which is funded by the Federal Ministry for Economic Affairs and

Climate Action and pools the expertise of Rheinmetall IT Solutions GmbH and Rheinmetall Electronics GmbH, was launched as part of an EU-wide political initiative to establish a sovereign European cloud infrastructure. Key objectives include the development of a scalable, cloud-based IoT platform and post-quantum-encrypted data exchange among the participating subsystems.

Another important topic concerning new forms of transportation relates to intelligent charging concepts for electric vehicles. Given the growing number of such vehicles, an adequate charging infrastructure is vital. One outcome of Rheinmetall's development work here is the curb charger, which can be straightforwardly and efficiently integrated on a large scale as a complement to existing urban infrastructure. Following extensive testing with pilot customers on Rheinmetall's premises, the next objective is to conduct field tests in collaboration with local authorities, companies and the general public in order to analyze the real-world situation on public roads and so determine any further optimization potential.

Other focuses of development include new applications based on sensor and communication technologies, such as radar sensors and a range of camera technologies, mobile communications and ultra-wide-band technology. Central components here include rule- and AI-based software algorithms. Projects focusing on the sensor-based capture of the vehicle surroundings and interior are currently ongoing.

At the heart of the R&D strategy pursued by Yardstick Robotics GmbH is the model-based development of robot systems. The technological focus here is on digital twins and AI, which helps to speed up development, design and system simulation processes and optimize the outcomes. One priority here is the development of outdoor robot solutions that are designed for harsh environments and thus capable of operating in a wide range of applications, including agriculture and defence.

Research and development in security technology

Vehicle Systems, Weapon and Ammunition and Electronic Solutions 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

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 Vehicle Systems' R&D activities for years. Research and development activities are also focused on how tasks can be simplified and combined for operators 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.

The German customer this year subjected the "leader–follower" concept to intensive testing as a step toward autonomous vehicle systems. In the InterRoC range, the TAC (Wheeled Tactical Vehicles) business unit provided support in a range of tests with the customer vehicles (HX2 trucks owned by the German armed forces), with military personnel covering many test kilometers in the vehicles. On the basis of the tests, the customer is looking to elaborate the requirements for the future procurement of (partially) autonomous systems. Together with the German customer, a total of four HX trucks equipped with different Rheinmetall PATH Autonomy Kits (A-Kit) were constructed. These vehicles are currently undergoing comparative testing. The Rheinmetall PATH Autonomy Kit (A-Kit) is a specially developed software suite for controlling robots. Its platform-independent design means that autonomous functions can be seamlessly integrated in existing vehicle fleets.

In the field of vetronics/systronics, a range of assistance functions designed primarily to support vehicle testing were last year integrated/overhauled as part of the JODAA program. The vehicles (two Boxers, two Wiesels) are owned by the customer and, since early 2023, have been based at the Bundeswehr Center for Automotive Engineering (ZKfWBw) in Bad Fallingbostel. It is possible here to perform intensive vehicle testing both on the premises and in urban areas, during which the capabilities integrated as part of R&D work can be put to the test under realistic conditions. In addition to long-range opto-electronic reconnaissance equipment, capabilities include a camera–monitor system enabling “under-the-hatch driving” to be tested in advance for future customer procurement.

The LOG (Wheeled Logistics Vehicles) business unit also made significant progress in the area of automated driving. In the Austrian-funded B-Kit project for HX generations, a B-Kit (which converts a drive command to a drive action) is now being developed that not only enables unrestricted offroad operation (including fording capability) and can be integrated in protected cabs but also permits manual operation by drivers. In this connection, RMMV also started work on developing a vehicle dynamics computer. This will monitor the vehicle-specific feasibility and safety of drive commands and allow the vehicle configuration (blocking, gear reduction, etc.) to be adjusted automatically and on a situational basis in line with the environmental conditions.

As part of close collaboration with sister company Rheinmetall Canada, which is developing the A-Kit (including the system for generating drive commands), two automated prototypes (HX trucks equipped with the A- and B-Kit) were manufactured – one with a protected cab and one without.

One of the vehicles is currently being tested by Rheinmetall Canada as part of the IDEaS project. The IDEaS project, which was initiated by the Canadian government, provides funding to accelerate innovation aimed at achieving excellence and security in the defence sector. More than 1,000 km have been covered in automated operation and in wintry conditions. The SIMPAS consortium project, which is funded by the Austrian Armed Forces, has been researching infrastructure-free automated driving with passive sensor technology in a completely virtual test environment since 2023. In late November 2023, the German armed forces showcased the progress achieved as part of the AuTP HX2 project in a successful “leader–follower” demonstration on difficult terrain in St. Valentin.

In the second quarter of 2023, following the outstanding performance in the digital design phase of the U.S. Army’s XM30 Combat Vehicle program (formerly Optionally Manned Fighting Vehicle (OMFV)), American Rheinmetall secured a contract worth more than $700 million for the detailed design, prototyping and testing phase of the program. Building on the expertise of American Rheinmetall Vehicles, a fully modular system architecture with open interfaces that provides the U.S. Army with an optimized design that meets the technology requirements for the next generation of tactical vehicles was created with the help of the Integrated Digital Engineering Environment (IDEE). The system architecture addresses the requirements of a two-soldier combat vehicle with the many associated requirements for the automation of crew functions and improvement of human–machine interfaces.

In Health and Usage, the funded consortium project True_Usage (monitoring of actual usage and optimization of maintenance and inventory planning) was successfully completed, and the HUMS project, which will collect adaptive and automated usage data and provide the basis for innovative service solutions, was launched.

Weapon and Ammunition

Work was continued on weapons and ammunition, which aims to ensure the superiority of the company's own systems in the future too. Readily apparent is the range advantage of the 155 mm L52 artillery system (weapons/ammunition/propellants). This lead was further extended with the development of the 155 mm L60 weapon. Following the design phase and construction of an initial prototype, it successfully demonstrated its function in the first shot.

Following verification of its practical feasibility, a new ammunition concept for the 120 mm L52 A1 tank weapon was developed to qualification maturity. Work began on the manufacture of ammunition for the official qualifications.

Work on the fully automated 130 mm L52 weapon – together with the auto-loader, which is indispensable for the ammunition – was continued in order to further enhance stand-off capability in direct duel situations. The ammunition concept for the 120 mm L52 A1 weapon is being applied here to the 130 mm L52 weapon system. The combination of a 130 mm weapon with auto-loader and the new ammunition concept sets new standards in duel capability.

Based on the findings concerning drone-based stand-off capability, work began on arming the LUNA NG drone. The proof of concept was provided after the definition phase.

New warheads are needed for the loitering munition and other weapon systems. New developments were initiated in this technological field too. The first warheads designed on the basis of existing products are to enter series production in the coming year.

The new SSW40 shoulder-fired weapon system is the next step toward increasing stand-off capability. Adapting the technology of a programmable airburst point of the High Velocity 40 mm HV ammunition also makes it possible to operate behind cover.

A special field of R&D is drone defence by means of a high-frequency, multichannel, programmable jammer. The emission of electromagnetic signals suppresses the communication capabilities of drones. This includes ground-based communication via an operator and also, optionally, autonomous control via satellite communication. The loss of communication capability can lead to the drone aborting its mission or even crashing. The research activities are currently culminating in a company qualification program, which means that a new product for use in stationary solutions in air defence as well as for vehicle-based self-protection solutions is expected to be available from 2025.

Regarding future laser weapon systems, the laser weapon demonstrator (LWD) successfully completed its almost one-year trial aboard the Sachsen-class frigate. In a total of six campaigns, the LWD showcased its capabilities against various targets in increasingly complex scenarios under realistic operating conditions. All aspects were tested, from tracking – including highly agile targets – to the interaction of sensor technology, command and control/weapon deployment system and effector, possible rules of engagement and the successful combating of targets using high-energy laser radiation.

Now that the almost one-year trial is complete, the client BAAINBw (Bundesamt für Ausrüstung, Informationstechnik und Nutzung der Bundeswehr) and the industry as a whole have gained important insights into the applications, performance and development potential of high-energy laser effectors. The demonstrator is now undergoing a detailed inspection and will then be transferred to Bundeswehr Technical Center 91 in Meppen for further testing. The results of the trials and tests are to be used to minimize the risk for the possible next phase: the development of an operational laser weapon system.

The two companies involved in the consortium – MBDA Deutschland GmbH and Rheinmetall Waffe Munition GmbH – have already started work in-house on preparing for the development phase within the respective spheres of responsibility.

As in previous years, the focus of the protection technologies is on systems designed to protect protected combat or support vehicles. Thanks to the unique combination of active and passive protection technologies under one roof, important milestones for the integration of a complete protection concept were demonstrated with proof-of-concept tests using the KF 51 Panther Evo as an example. The interaction of the different technologies as part of a holistic approach demonstrates above all the advantages in terms of weight balance: a higher level of protection with a lower system weight compared with imported systems.

Active protection also includes softkill systems. Tests have shown that the softkill system concept – interruption of the line of sight between the threat and target – can prove successful against threats targeting the roof structures of combat vehicles. The threats, which generally use seekers for end-phase steering, lose their target.

A national study showed that the MASS (Multi Ammunition Softkill System) already deployed in the maritime sector to protect against autonomously approaching cruise missiles can also be deployed on land to protect critical infrastructure.

Another focus is on integrated sensor systems for body protection. For body protection systems, sensor systems are to be deployed as a potential means of detecting the effects of splinters and projectiles in order to potentially determine their direction of origin. Furthermore, the condition of the person exposed to the threat with their protection system is to be determined by monitoring the cardiovascular functions.

Through the acquisition of Expal Munitions S.A.U., now Rheinmetall Expal Munitions, we now have the capability to develop rocket motors and the associated warheads. Work has begun on the development of systems for a variety of products, and this work is set to continue in the future.

Electronic Solutions

Digitalization, networking, cyber –Electronic Solutions encompasses 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. Some of this year's development outcomes were presented as part of the UK Ministry of Defence's Army Warfighting Experiment (AWE) 2023. In close collaboration between the industry and customers, Electronic Solutions showcased the capabilities under the titles 3D4Land and Exploratores.

3D4Land represents a service that provides the very latest geodata as a 3D model of the area of operations. Sensor data can be integrated in the 3D model, while terrain evaluation, navigation by means of the Position Selection Assistant and target determination can be supported. Exploratores uses AI to classify objects. This takes place, on the one hand, in the vision systems of a vehicle and, on the other, in quadcopter drones (of the “Mission Pod” product) for reconnaissance [2].

Coupling these two capabilities allows the drone to “lock in” to the 3D map and so find its way even when the GPS signal is disrupted. AI methods are also used for positioning and navigation. Reconnaissance results reported in the network can now be transmitted to the effector (here: loitering munition) of the drone via target transfer and the effect can be triggered after approval by the operator. On-board sensor systems are also used to assess the impact at the target.

In addition to the active use of drones, drone defence (C-UAS) is also a key area of R&D activity in Electronic Solutions. The full range of capabilities required for drone detection, reconnaissance and combat can now be covered. These capabilities are based on tried-and-tested technologies (e.g. radars, electro-optical and infrared sensors, jammers). And thanks to a range of software algorithms developed by R&D, these capabilities can now also be merged.

As part of an international Red Flag exercise (organized by a Central European customer), the performance of drone defence against non-cooperative drone attacks of various types (fixed wings, rotary wings) and taking into account current threat scenarios (remote-controlled, highly automated, etc.) was successfully demonstrated. The results confirm that only a holistic system approach can lead to an effective C-UAS (Counter-Unmanned Aircraft System). In particular, the automation of the “OODA” (Orient–Observe–Decide–Act) loop to minimize reaction and combat times is essential for highly dynamic threat vectors.

In the context of mobile C-UAS systems, a number of development activities were continued through 2023. The AMMR (AESA Multi-Mission Radar), for example, is now in its final test phase. The following selected functions underwent successful verification: search and tracking of drones, rockets, mortar rounds and standard targets as well as robustness against jamming from follow-on tracks. The product has now achieved a sufficient degree of maturity and is ready for further integration in the product range of Air Defence & Radar Systems (ADRS, e.g. Skyranger 30). The AMMR is intended to act as a search radar and primary sensor in the new multi-sensor unit (MSU), making it Rheinmetall's most important new radar product.

Research and development for civilian applications

The ever-worsening global climate situation and resulting political regulations concerning climate-friendly measures on the road toward state-of-the-art, emissions-free transportation are exerting increasing pressure for change in many areas. In the transportation sector, this pressure can be felt especially keenly in the area of drive technologies, but is also increasingly relevant when it comes to energy supply and consumption in both industrial production and real estate.

As a result of this pressure for change in the area of drive technologies, Rheinmetall is strengthening its R&D focus on drive-independent technology fields such as interior driver monitoring systems and heat pump systems for mobile applications in electric vehicles. Rheinmetall is also focusing its attention increasingly on industrial segments and products, above all on systems and components for home heating installations. One important contribution here is a refrigerant compressor for a household heat pump. »Strategy

Ongoing development work for the Rheinmetall curb charger for use in urban areas has received tremendous public attention and will be further intensified. While intensive talks are under way with potential customers – energy suppliers and local authorities above all – series implementation is in full swing. This covers not only technical product and industrialization development but also technical acceptance measures that permit installation in the public space. In addition, a joint project with the city of Cologne and TankE GmbH (Cologne-based energy supplier) was launched in May 2023 for the installation of curb charging infrastructure on the city's public roads.

As part of the transportation revolution, Rheinmetall is also turning its attention to new, promising technologies and concepts for the transportation of tomorrow. Following the roll-out in Düsseldorf's industrial port and a further successful demonstration campaign in partnership with Deutsche Telekom in Bonn, further public test sites are being prepared that will lead to the first relevant use cases with customers and partners in 2024. In addition to the further development of the fundamental technological elements, the vehicle fleet was also significantly expanded.

Sensors and Actuators

Our business with fuel cell components was systematically expanded through 2023, 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.

The strategic transformation of Sensors and Actuators in the area of digitalization is supported through the partnership with the Dutch company Incooling B.V. Incooling develops next generation 2-phase cooled servers that offer outstanding performance while significantly reducing energy consumption. »Strategy

Regarding high-voltage safety switches, which are used to switch the high-voltage vehicle electrical system on and off safely, more components are currently under development in order to further expand the product portfolio. 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. They are extremely compact and lightweight and do not require the usual extinguishing gas filling, which eliminates the danger of bursting and ensures a longer service life.

With a view to reducing dependence on internal combustion engines in general and diesel engines in particular, implementation in stationary, industrial applications with modification options is being pursued in parallel with automotive series business with modular refrigerant compressors.

Research as part of the electrification strategy is focusing on the fast-growing markets for electric transportation and industrial applications. 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 featuring special NanoLam technology play an important role in the Rheinmetall PowerPack system for battery electric vehicles and that is currently under development. Rheinmetall expects the new PowerPack solution to deliver improved efficiency and increased range and thus market opportunities with major growth potential.

Materials and Trade

In the Bearings business unit, development activity in the area of ICE applications was ramped down significantly in 2023 compared with the previous years, while development in the strategic market segments of non-motor, automotive and industrial applications increased. The product portfolio was successfully expanded to include further environmentally friendly (lead-free) plain bearing solutions, which are used in a range of interior, exterior and chassis applications in the automotive sector as well as in industrial applications such as hydraulic pumps and compressors. Further progress was also made in the development of plain bearings for wind turbines and innovative components for hydrogen production, both of which are strategic projects in the context of the energy transition.

In 2023, the Castings business unit worked on expanding its strategic project portfolio in the automotive, truck, e-mobility / new mobility and engineering service application areas. The primary focus here is on the application of expertise in the area of highly complex components. In addition, industrialization in the area of e-mobility / new mobility is being driven forward. In the area of automotive and motor applications, the focus remained on the series production of a complex cylinder crankcase (CCC) by means of low-pressure sand casting and on the expansion of process development for the series production of electric motor housings for electric drives. These developments are aimed at both the European and Asian markets and will lead to an expanded product and market portfolio. In addition, product developments for battery applications were also driven forward in the field of e-mobility. The successful series production run of a new product (support frame) for a European original equipment manufacturer deserves special mention. Another focus of 2023 was the industrialization of various lightweight construction applications outside the powertrain scope. In addition to the further development of existing structural and chassis components, work was also performed on new products for large, integrated, complex lightweight components.

In 2023, Rheinmetall Invent GmbH continued the projects launched over previous years to open up new business areas and markets for Materials and Trade in the future markets of energy and mobility. With regard to energy recovery systems, series production began on the first customer projects, and some additional new customer application developments were acquired. In addition, initial prototypes for two areas of application (cabin air-conditioning and heat pumps) were produced and tested. The newly implemented business unit for hydrogen storage systems was launched in 2022 as part of a publicly funded project and is currently in the development and testing phase. The targeted system benefits have been very well received by customers. Regarding glass-fiber-reinforced springs, a number of customers have expressed their interest in this novel technology. Together with them, the fundamental qualification for future series projects was continued.

Economic report
General economic conditions

Only moderate growth of the global economy in 2023
The global economy grew only at a very modest pace in 2023. Although a recession had been feared, particularly for industrialized nations, as a result of the central banks' considerably more restrictive monetary policy, this did not materialize at a global level. Global economic output probably grew by 3.0% in 2023. In 2022, growth had come to 3.5%. In the eurozone, gross domestic product (GDP) saw weak growth of 0.5% in the year under review. Germany's economic output contracted with a 0.3% decline in GDP in 2023. The US economy performed better, posting growth of 2.5% in gross domestic product in 2023. In China, growth was limited by increasing government regulation and the correction in the real estate sector. The Chinese economy recorded growth of 5.2% overall in the previous year.

Inflation rates decreasing after significant interest rate hikes, but level still relatively high
Inflation rates have recently displayed a noticeable downward trend, primarily due to lower raw material prices and the more expansionary monetary policy of central banks. The tightening of monetary policy in the US, the eurozone, and the United Kingdom is thus likely to have reached its peak on the whole. Nonetheless, inflation probably will not sustainably fall to around the central banks' target levels again until the medium term. The global inflation rate probably came to 6.9% in 2023. For industrialized countries, an inflation rate of 4.7% is expected for 2023. The anticipated inflation rate for emerging and developing countries in 2023 is 8.5%. For Germany, the Federal Statistical Office has reported an inflation rate of 5.9% for last year.

Increase in global defence spending
Numerous countries worldwide have responded to the war in Ukraine by increasing their defence spending. European countries such as France, Poland, Greece, the Baltic states and individual countries in Scandinavia have decided to expand their national budgets and invest in equipment for their military. But there has been a rise in defence spending in the US and in Asian countries such as China and Japan as well.

In the context of the Ukraine war, Germany already created a credit-financed special fund of €100 billion outside of the regular defence budget in 2022. As stated by the German chancellor, the approval of this special fund for the German armed forces was "the right response to the change of times." The background to this was also Russia's attack on Ukraine, which represented 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 in order to sustainably strengthen the armed forces' combat readiness. Besides the special fund, which will be available for various equipment programs in the years to come, the regular defence budget for 2023 is estimated to be comparable to last year at a little over €50 billion. Around another €8.4 billion was estimated to have come from the special fund last year.

Germany is not the only country to have responded to the changed threat situation by increasing its defence spending. Overall, global defence spending in 2023 probably increased by $2.1 billion to $2,327.3 billion (previous year: $2,115.3 billion).

In the US, the country with the biggest defence budget, the budget for 2023 was 5.7% higher than the previous year's figure at $909.7 billion. By contrast, the United Kingdom reduced its defence budget by 10.8%. In France, spending increased by 1.2%. Hungary, an increasingly important NATO partner for Rheinmetall, again recorded a significant increase of 36.6%. 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 7.3% to $263.1 billion. Russia's defence budget was 150.1% higher than in the previous year at $112.7 billion. In India, defence spending increased by 1.4% to $71.8 billion.

Defence budgets of selected countries in $ billion

	2023	2022
World	2,327.3	2,115.3
USA	909.7	860.7
China	263.1	245.1
Russian Federation	112.7	45.1
India	71.8	70.8
Saudi Arabia	69.1	57.3
UK	64.8	72.7
Germany	62.6	57.2
France	60.9	60.1
Australia	36.4	35.2
United Arab Emirates (UAE)	26.9	25.2
Poland	25.1	17.3
Canada	19.6	20.3
Algeria	17.9	9.6
Netherlands	17.5	15.6
Norway	7.9	6.4
Hungary	4.7	3.5

Source: Jane's Defence Budgets (JDB), December 11, 2023

Ukraine crisis demonstrates importance of defence capability – Rheinmetall technology still increaslingly in high demand

In 2023, Rheinmetall once again 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. Electronic Solutions, Vehicle Systems, and Weapon and Ammunition, which all operate 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.

In addition to topping up and expanding framework contracts with the German armed forces for the delivery of artillery and tank ammunition, Rheinmetall was commissioned by the German armed forces to supply 367 protected and unprotected logistics vehicles, for example. This represented another call-off from the framework agreement for load-handling systems concluded in June 2020. In addition to the vehicles, 1,830 load-handling platforms were ordered as exchangeable load carriers. The call-off has a gross order value of more than €285 million.

As part of its extensive assistance for Ukraine, the German federal government had commissioned Rheinmetall in August 2023 to deliver 40 Marder infantry fighting vehicles to Ukraine. This order brings the number of Marder vehicles to be supplied to Ukraine by Rheinmetall to a total of 80. In March 2023, Rheinmetall had already started delivering some of the 20 infantry fighting vehicles commissioned by the German federal government for Ukraine. In addition to these, another 20 infantry fighting vehicles were commissioned from Rheinmetall in June 2023. This assistance also includes the establishment of the joint venture between Rheinmetall and the Ukrainian state-owned company Ukrainian Defense Industry JSC. »Strategy

Rheinmetall achieved another milestone with its reconnaissance drone LUNA NG in 2023. With the "air-supported unmanned short-range reconnaissance equipment, next generation" (LUNA NG), the Ukrainian armed forces were supplied with an air-supported reconnaissance system commissioned by the Federal Republic of Germany. The order placed had a value in the low tens of million euro. Rheinmetall thus made another important contribution to improve the capabilities of the Ukrainian armed forces by means of superior technology. The LUNA NG system has already accumulated several thousand flying hours and proven itself in operations with international customers.

In addition, the groundbreaking ceremony for a new Rheinmetall ammunition manufacturing plant in Várpalota, Hungary, was held in January 2023. Production of 30mm medium-caliber ammunition is to begin this year. The product range will later be expanded to include additional types of ammunition, especially 155mm artillery ammunition for the Panzerhaubitze 2000 and 120mm ammunition for the Leopard 2 battle tank and potentially also for the Panther KF51 EVO.

Recovery of the automotive industry continues, but slowdown anticipated

According to the German Association of the Automotive Industry (VDA), the recovery of the international automotive markets continued in 2023. The gradual recovery of the automotive industry can be seen particularly in the sound production figures since the second half of the previous year. Growth rates are expected to consolidate in the coming months, however, with the increasing comparative base in particular curbing growth. The recent strong growth momentum, including in core automotive markets, was driven to a large extent by weak figures from the previous year. These were due to the aftermath of the COVID-19 pandemic (e.g. lockdowns in China) and the start of the war in Ukraine. In addition, the current geopolitical and general economic uncertainties are likely to result in subdued general economic demand and thus modest economic growth.

The analysts at IHS Markit have found that the global production of light vehicles (vehicles under 6 t) increased by 9.0% year-on-year in 2023. A total number of 89.8 million vehicles were produced in the reporting period, around 7.4 million more than in 2022.

On the international automotive markets, the development of production momentum in 2023 varied. In Asia, Japanese production of light vehicles grew substantially by 15.8% year-on-year, whereas in China a lower increase in production of 8.5% was recorded. Production in the USMCA free-trade zone (formerly NAFTA) was increased by 9.0%. In South America, year-on-year growth in production came to 3.2%. Western Europe (including Germany) saw a significant production increase of 12.9% in 2023. For Eastern Europe, almost identical growth of 12.8% was recorded.

In Germany, the national automotive association VDA estimates that 4.1 million cars were produced in 2023, 18.0% more than in 2022. Despite the positive trend in the past few months, production volumes are still lower than they were before the COVID crisis. Looking at exports, 3.1 million vehicles were delivered to customers all around the world in 2023, representing a year-on-year increase of 17.0%. The number of new registrations in 2023 came to 2.8 million, meaning that 7.0% more vehicles were registered overall than in the previous year.

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

	Change %	2023	2022
World	+ 9.0	89.8	82.3
Western Europe	+ 12.9	11.2	9.9
Central and Eastern Europe	+ 12.8	4.1	3.7
USMCA	+ 9.0	15.6	14.3
Brazil	+ 1.3	2.2	2.2
Asia	+ 8.3	54.8	50.6

Source: IHS Markit, January 9, 2023

Commercial vehicle market continues to grow

In the EU commercial vehicle market, a 16.8% increase in new registrations was achieved over the first nine months of 2023. Trucks increased by 23.0% year-on-year, vans by 14.3%, and buses by 18.5% compared to the same period of the previous year.

According to the industry association VDA, Germany recorded a 15.0% increase in new registrations of commercial vehicles in 2023, with registrations of trucks weighing more than 16 t rising by 25.0%. The increase for commercial vehicles weighing more than 2 t and up to 3.5 t was 12.0%, while for commercial vehicles weighing between 6 t and 16 t it came to 18.0%. For new registrations of buses, growth of 12.0% year-on-year was reported for 2023.

Rheinmetall successful in the electromobility market

The transformation of the automotive industry regarding alternative drive systems is still leading to new challenges. For example, 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 2023, new registrations in Germany of purely battery-electric vehicles (BEV) increased by 11.0% year-on-year, whereas those of plug-in hybrids (PHEV) were down by 51.0% year-on-year, taking into account the effect from purchases brought forward due to the expiry of subsidies at the end of 2022. A total of around 700,200 electric vehicles have been registered in Germany since the beginning of the year. It remains to be seen how the decision as of December 18, 2023 to discontinue the subsidy for sales of electrically powered vehicles (environmental bonus) will impact sales volumes in this segment in the future.

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. Sensors and Actuators in particular is driving forward the electrification strategy.

Rheinmetall presses ahead with hydrogen strategy

In addition to battery-electric drive systems, regeneratively produced hydrogen is also becoming increasingly popular as an energy carrier in many countries. 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.

In connection with research into new drive systems, Rheinmetall is also pressing ahead with its hydrogen strategy. For example, in the past fiscal year Rheinmetall received two initial orders from one of the biggest international commercial vehicle manufacturers for coolant control values for use in fuel-cell-powered trucks. Fuel cells represent a key carbon-neutral drive solution, particularly for heavy-duty trucks. In addition, Rheinmetall received two more orders for the delivery of fuel cell components in the area of cathode and shut-off valves. The customers come from the North America region.

Successful transformation in civilian business – Rheinmetall succeeds in further diversification

In fiscal 2023, Rheinmetall also successfully continued the diversification strategy in the industrial sector. 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 2023

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

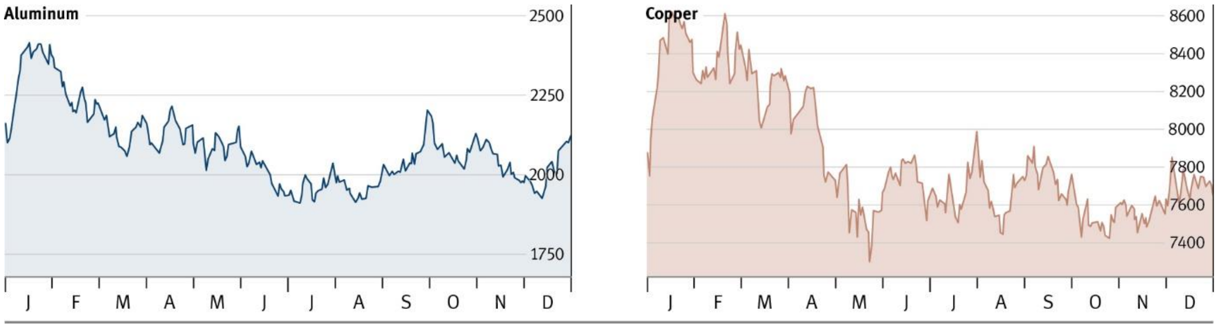
After the feared supply shock in 2022 as a result of the Ukraine war, the situation eased significantly in 2023. Firstly, it turned out that global trade flows were able to adapt much faster than expected despite extensive sanctions on the Russian energy sector. Secondly, fears of supply bottlenecks soon gave way to concerns over demand in connection with the aggressive tightening of monetary policy, especially in the US, and a disappointing post-COVID economic recovery in China.

Sanctions and voluntary renunciations in relation to Russian metal and energy exports have led to significant rerouting of global supply chains. Russia is increasingly turning to China and India, while Europe is importing considerably more energy from the US. With regard to metals, many Europeans are avoiding Russian metal, but the market has so far remained liquid. Despite strict sanctions in the energy sector, Russian exports still found their way into western countries via indirect routes.

Industrial metals were under pressure for most of the year, but caught up some ground again in the last few months. There has recently been support for prices from several sides at once. Firstly, the economic outlook in general has brightened, as the US Federal Reserve and its European counterpart, the ECB, seem to have reached the end of their interest rate hikes. Secondly, market participants are more optimistic again about the biggest sales market, China, now that the government in Beijing is increasingly taking measures to support the economy.

The main focus here has recently been on the faltering real estate sector, which has been offered significant financial support.

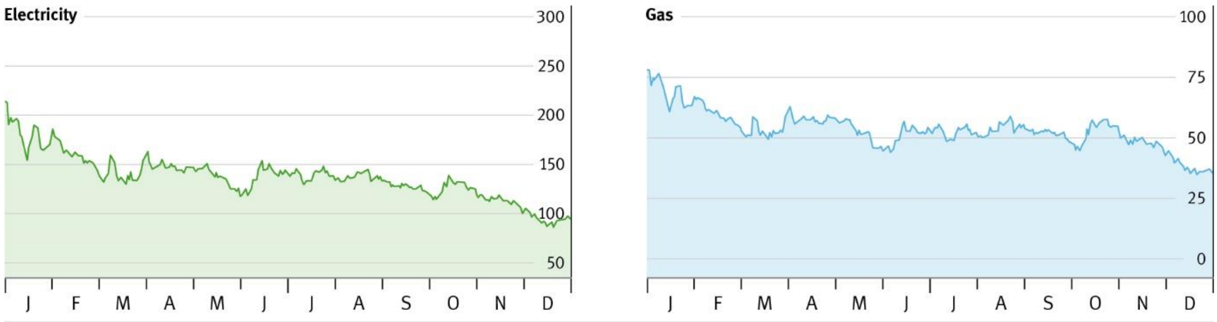
Aluminum and copper prices in 2023 €/t



Source: REFINITIV

The risk of a gas shortage in Europe was averted due to various factors. The mild temperatures in the winter half of the year and the low level of industrial activity reduced demand, while supply was expanded, particularly with LNG. In addition, government measures helped alleviate uncertainty among market participants. The year-ahead price consequently fell by 53% over the course of the year. Although prices have decreased significantly again, a return to levels below €20 per MWh for Europe remains unrealistic. Expiring government assistance, growing demand, and disruptions to LNG deliveries still represent risk factors. There are also continued dependencies on Russia, resulting in an ongoing risk of deliveries being suspended due to intervention by Russia or the EU. Electricity prices fell in step with gas. The increasing generation of renewable energy also helped reduce power generation prices. More innovative large-scale storage solutions combined with the expansion of renewable energy still have the potential to uncouple electricity and gas prices from one another. In addition, the EU is still conducting negotiations with regard to reforming the design of the electricity markets, which is intended to stabilize these markets in the long term.

Electricity and gas prices in 2023 €/MWh



Source: www.eex.com

Executive Board statement on the general economic situation

Rheinmetall Group – forecast vs. actual business performance in 2023

		2023 Actual	2023 Q3 | November	2023 Q2 | August	2023 Q1 | May	Forecast 2023 February	2022[2]	2022 reported
			figures compared with previous year	figures compared with previous year	figures compared with previous year	figures compared with previous year		
Sales								
Group	€ million	**7,176**	sales growth of €7.4bn to €7.6bn	sales growth of €7.4bn to €7.6bn	sales growth of €7.4bn to €7.6bn	sales growth of €7.4bn to €7.6bn	6,410	**6,410**
Vehicle Systems	€ million	**2,609**	sales growth of 25% to 30%	sales growth of 25% to 30%	sales growth of 25% to 30%	sales growth of 25% to 30%	2,270	**2,270**
Weapon and Amunition	€ million	**1,756**	sales growth of 25% to 30%	sales growth of 25% to 30%	sales growth of 25% to 30%	sales growth of 25% to 30%	1,359	**1,470**
Electronic Solutions	€ million	**1,318**	sales growth of 15% to 20%	sales growth of 15% to 20%	sales growth of 15% to 20%	sales growth of 15% to 20%	1,164	**1,063**
Sensors and Actuators	€ million	**1,421**	sales growth of 5% to 8%	sales growth of 5% to 8%	sales growth of 5% to 8%	sales growth of 5% to 8%	1,382	**1,382**
Materials and Trade	€ million	**737**	sales growth of 4% to 7%	sales growth of 4% to 7%	sales growth of 4% to 7%	sales growth of 4% to 7%	742	**743**
Operating result margin[1]								
Group	%	**12.8**	operating result marging around 12%	operating result marging around 12%	operating result marging around 12%	operating result marging around 12%	12.0	**11.8**
Vehicle Systems	%	**12.4**	operating margin of 11% to 13%	operating margin of 11% to 13%	operating margin of 11% to 13%	operating margin of 11% to 13%	11.5	**11.4**
Weapon and Amunition	%	**23.0**	operating margin of 20% to 22%	operating margin of 20% to 22%	operating margin of 20% to 22%	operating margin of 20% to 22%	21.9	**20.8**
Electronic Solutions	%	**11.4**	operating margin of 11% to 13%	operating margin of 11% to 13%	operating margin of 11% to 13%	operating margin of 11% to 13%	10.4	**11.1**
Sensors and Actuators	%	**4.8**	operating margin of 7% to 9%	operating margin of 7% to 9%	operating margin of 7% to 9%	operating margin of 7% to 9%	6.8	**6.9**
Materials and Trade	%	**8.9**	operating margin of 9% to 11%	operating margin of 9% to 11%	operating margin of 9% to 11%	operating margin of 9% to 11%	8.9	**9.1**
OFCF (in relation to sales)								
Group	€ million	**5.0**	4% to 6%	4% to 6%	4% to 6%	4% to 6%	-2.4	**-2.4**

[1] The definition of the key performance indicator operating result was adjusted retrospectively in the third quarter of 2023. The figure for the previous year 2022 was also adjusted accordingly.
[2] In accordance with the changes made to the Group structure as at 1 October 2023, the reported prior-year figures were adjusted.

Following consolidated sales of roughly €6,410 million in fiscal 2022, on publication of the 2022 annual report, we projected sales growth to a level of €7.4 - 7.6 billion 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 field of security technology, we expected fiscal 2023 to see sales growth of between 25% and 30% for Vehicle Systems and Weapon and Ammunition and sales growth of between 15% and 20% for Electronic Solutions. In the civilian segment, we expected slight sales growth of between 5% and 8% for Sensors and Actuators and between 4% and 7% for Materials and Trade based on the forecast development of international light vehicle production in fiscal 2023 and expected growth in the truck business.

For the Group as a whole, we planned to generate an operating margin of roughly 12%. We expected an operating margin of between 11% and 13% for Vehicle Systems and Electronic Solutions and between 20% and 22% for Weapon and Ammunition. We expected Sensors and Actuators to generate an operating profit margin of between 7% and 9%, and that of Materials and Trade was projected to be within a range of between 9% and 11%.

As for operating free cash flow, we anticipated an improvement to 4 - 6% (previous year: -2.4%).

Q1 | 2023 — Under the assumption that our expectations in regard to development prospects remained valid, we retained the full-year forecast for sales growth, operating profit margin, and operating free cash flow published in mid-March 2023. We continued to expect positive general conditions in the security technology sector and a slower recovery for automotive markets.

For fiscal 2023, we expected operating sales growth to a level of €7.4 - 7.6 billion (2022 sales: €6,410 million) and an operating margin of roughly 12% (2022 margin: 12.0 %).

Q2 | 2023 — We assumed that our expectations in regard to development prospects remained valid and retained the full-year forecast for sales growth, operating profit margin, and operating free cash flow published in mid-March 2023. We continued to expect positive general conditions in the security technology sector and a slower recovery for automotive markets.

We continued to expect 2023 to see operating sales growth to a level of €7.4 - 7.6 billion (2022 sales: €6,410 million) and an operating margin of roughly 12% (2022 operating margin: 12.0 %).

Q3 | 2023 — After nine months of fiscal 2023, we confirmed the current annual forecasts. Dynamic performance on the market for security technology – especially in Weapon and Ammunition– led to a favorable product and margin mix in the third quarter. In recent months, the company has also used strict cost control, active provisioning, and the mitigation of risks on the energy and procurement markets to enable it to continue taking appropriate measures to successfully counter the general trend of inflation and the situation on the markets for raw materials and primary products.

In light of the extremely positive development in the third quarter and the fact that call-offs are always higher in the final quarter of the year, the Executive Board is confirming its full-year sales and earnings forecasts for 2023, which involve consolidated sales of between €7.4 billion and €7.6 billion and an operating margin of roughly 12%.

Rheinmetall AG continued its expected course of growth and expansion in the 2023 fiscal year. With consolidated sales of €7.2 billion in the 2023 fiscal year, the deviation from the forecast sales growth of €7.4 billion to €7.6 billion was due to postponements of deliveries in the areas of ammunition and vehicles until 2024. The operating result is slightly above the guidance of ›12%. The OFCF is within expectations of 4-6%.

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

Significant events in fiscal 2023

Further progress made regarding the disposal of the pistons business

The disposal of the pistons business announced as part of the realignment of the Rheinmetall Group, which meant the business was reported as discontinued operations, led to the sale of the large-bore pistons business on October 24, 2022. The share purchase agreement covers Rheinmetall's large-bore pistons 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 closed on January 27, 2023, and includes the deconsolidation of the Group companies belonging to the large-bore pistons business. The deconsolidation gain based on the final purchase price is €14 million.

On March 22, 2023, Rheinmetall and Riken Corporation, Tokyo, Japan, concluded a purchase agreement for all of the shares previously held by Rheinmetall in the Riken Automobile Parts (Wuhan) Co., Ltd. The sale of shares was completed on April 5, 2023. The transaction did not result in any significant deconsolidation result.

An important step was taken at the end of 2023 with regard to the small-bore pistons business. Rheinmetall and Comitans Capital AG signed a sale and purchase agreement for the entire small-bore business area with all production sites – Neckarsulm, Germany; Marinette, USA; Celaya, Mexico; Nova Odessa, Brazil; Trmice, Czech Republic; and Hiroshima, Japan – as well as two sites of the Chinese joint venture KSHP in Shanghai and Chongqing. Business operations and production are to be continued at all locations. They are aiming to close the transaction, which is still subject to approval by the relevant authorities, as of March 31, 2024.

Expal Systems acquired – Convertible bond used for financing

The acquisition of the munitions manufacturer Expal Systems S.A.U. that was agreed with MaxamCorp Holding S.L. in November 2022 was completed on July 31, 2023. The purchase price is €1.2 billion. The company operates under the name Rheinmetall Expal Munitions S.A.U. In performing this acquisition, Rheinmetall has secured additional production capacity and further expanded its position as a key supplier for NATO armed forces. Further information can be found in the commentary of the Group’s business position.

The acquisition was financed using the proceeds of the convertible bond issued on January 31, 2023 (total nominal amount of €1 billion in two tranches of €500 million). 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. Further information on the strategic importance can be found in the »Strategy section. Information on the convertible bond issued for the transaction can be found in the »Financing section.

Promissory note loans issued with a total volume of €145 million

Rheinmetall AG issued four promissory note loans with a total volume of €145 million in January 2023. 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.

Admission to the DAX40

Rheinmetall AG joined the DAX40 with effect from March 20, 2023. The positive development of its free float market capitalization was key to this development.

Virtual Annual General Meeting and dividend distribution

On May 4, 2023, Rheinmetall AG’s Annual General Meeting was again held as a purely virtual event. 59.9% of the share capital was represented. All resolutions proposed by the Executive Board and the Supervisory Board were approved, including the dividend proposal of €4.30 per share for fiscal 2022. Based on the closing price on the day of the Annual General Meeting, the dividend yield was 1.61%. The dividend of €186.7 million was distributed on May 12, 2023.

F-35 production facility: Construction begins on state-of-the-art factory

Together with its US partners Northrop Grumman and Lockheed Martin, Rheinmetall has begun construction on the state-of-the-art factory for the production of center fuselages for the F-35 combat aircraft. At the new plant at the Weeze location, more than 400 highly qualified employees will produce F-35 center fuselages for the German

Air Force and other friendly nations. Rheinmetall can contribute its experience as an integrated technology group in the production of complex components and as a certified aeronautical company. Production begins in 2025.

Significant major orders

With extensive deliveries and support services for Ukraine, Rheinmetall continued to support the country in 2023 in its defence against the Russian aggression, for example with ammunition and its broad technological portfolio. In addition to the provision of defence and technical equipment in the short term, Ukraine also needs long-term assistance when it comes to permanently strengthening its own military capacities while also aligning them with western standards. Rheinmetall therefore entered into a strategic cooperation in the defence sector with the Ukrainian state-owned company Ukrainian Defense Industry JSC (UDI, formerly Ukroboronprom) in May 2023. The establishment of the joint venture was approved by the German Federal Cartel Office on September 28, 2023. In the first step, maintenance and repair work on service vehicles is planned, to be followed later by the production of armored vehicles in Ukraine, for example Fuchs armored personnel carriers and Lynx infantry fighting vehicles or Panther battle tanks. The goal is to be an effective partner to Ukraine in rebuilding its once strong defence technology industry and ensuring the autonomy of Ukrainian capacities.

New major order for medium-caliber ammunition

On behalf of Ukraine, the German Federal Ministry of Defence has awarded Rheinmetall a contract to supply 35mm ammunition for the Gepard anti-aircraft gun tank. A total of 300,000 cartridges are to be supplied. The ammunition is intended to support the Ukrainian armed forces, which use the Gepard. The order value is in the low three-figure million euro range. Rheinmetall will supply 150,000 cartridges each of sabot ammunition (armor-piercing discarding sabot-tracer, APDS-T) and high-explosive incendiary ammunition (HEI-T). The first APDS-T cartridges were delivered in the summer of 2023.

Orders with a total value of over €100 million in the electric mobility sector

Materials and Trade won three new major orders for structural components in the electric mobility sector. The orders, which fall under the Castings business unit, are each in the double-figure million euro range. Production of all components will start in 2024. From this date, sets for shock absorber mountings and other structural components will be produced for various automotive manufacturers.

New order to supply exhaust gas recirculation valves

Rheinmetall has acquired its first order to supply exhaust gas recirculation (EGR) valves to an international customer in the truck sector. The order encompasses poppet valves and flap valves for heavy- and medium-duty (HD and MD) truck applications. The order value is in the three-figure million euro range. Full-scale delivery will commence in 2026, including the supply of spare parts.

Major order for 50 Puma infantry fighting vehicles for the German armed forces

Germany's Federal Office for Bundeswehr Equipment, Information Technology and In-Service Support has awarded a joint contract to Rheinmetall and KMW (Krauss-Maffei Wegmann) to build a further 50 Puma infantry fighting vehicles. The order value attributable to Rheinmetall Landsysteme GmbH amounts to €501 million. In addition to the 50 armored fighting vehicles, the order encompasses spare part packages and special tool sets as well as eight MELLS flight-phase simulators. Furthermore, an option exists for additional driver training vehicles and the integration of a turret-independent secondary weapon system (TSWA). Delivery is set to start in December 2025 and be complete by the beginning of 2027.

Order to supply the MASS ship protection system to Australia

The Royal Australian Navy and the Commonwealth of Australia have placed an order for the Multi Ammunition Softkill System (MASS). The order is valued at €125 million. The full operational capability is expected to be achieved by 2027. This is Rheinmetall's single-biggest order ever in the area of maritime protection systems.

Framework agreement for logistics vehicles for the Austrian armed forces

Rheinmetall MAN Military Vehicles (RMMV) has signed a framework agreement with the Austrian Federal Procurement Agency to supply various logistics vehicles for the Austrian armed forces. The framework agreement runs for seven years and encompasses the delivery of up to 1,375 HX, TGS and TGM vehicles. The potential order volume could reach up to €525 million.

Delivery of infantry fighting vehicle ammunition worth a three-figure million amount
Rheinmetall has been awarded a contract to deliver infantry fighting vehicle ammunition to a European customer. The value of the contract is more than €200 million. The ammunition will be delivered by 2025.

Leopard 2 A7 battle tank for Norway
KMW has subcontracted Rheinmetall to supply key components for the latest version of the Leopard 2 battle tank for Norway (the A7 NOR). These include the tank's 120mm L55A1 main armament, fire control technology and parts of the sensor suite. These will be delivered to KMW over a period of approximately four years. The total value of the order for Rheinmetall is €129 million.

Leopard 2 battle tanks for Ukraine
The Dutch government has contracted with Rheinmetall to supply fourteen Leopard 2A4 battle tanks for Ukraine. The Dutch and Danish governments are jointly financing the order, which has now been placed, as part of the international tank coalition to provide effective support for Ukraine. It is worth a figure in the low three-digit million euro range. Delivery is expected to take place over the course of 2024. The vehicles that are being supplied are upgraded Leopard 2A4 tanks acquired by Rheinmetall from the former inventories of various user nations.

Air assault vehicles for Germany and Netherlands
Rheinmetall has been commissioned by the German and Dutch armed forces to deliver up to 3,058 Caracal air assault platforms. This is a multi-year framework agreement for up to 2,054 German and 1,004 Dutch vehicles with a gross order volume of up to €1.9 billion. In a first step, a firm order has been placed under the framework agreement for 1,508 vehicles worth around €870 million.

Expansion of existing framework agreement for 120mm tank ammunition
The German armed forces have expanded an existing framework agreement with Rheinmetall to deliver tank ammunition to a volume of around €4 billion. Under the framework agreement that has now been entered into, several hundred thousand rounds of 120mm x 570 cal. service and practice ammunition of different types, such as the type fired by the Leopard 2 main battle tank, could be procured by the end of 2030. The first call-off of ammunition worth €309 million came immediately after the contract was signed.

Order to deliver artillery ammunition
The German armed forces have commissioned Rheinmetall to deliver large numbers of service and practice artillery ammunition in an order worth around €1.3 billion. Rheinmetall has thus received a new framework agreement to deliver 155mm artillery ammunition, plus an existing framework agreement was expanded. In total, the delivery of several hundred thousand shells of various types, including fuses and propelling charges, is intended.

Rheinmetall and UVision awarded contract for Hero loitering ammunition in Hungary
The Rheinmetall Group has secured a key order from Hungary to deliver Hero loitering munitions (guided missiles that can circle above a target area for an extended period). The order value of the ammunition is in the low hundreds of million euro. Delivery will begin in 2024 and is scheduled to end in 2025. In October 2021, Rheinmetall and UVision embarked on a strategic partnership to address the rapid growth in the market segment for remotely controlled precision munitions.

Multi-million U.S. Army contract
Rheinmetall has reported another success in a key project for the U.S. armed forces. The U.S. Army has commissioned the subsidiary American Rheinmetall Vehicles from Sterling Heights, Michigan, as a member of the industrial "Team Lynx," to proceed with phases 3 and 4 of its Optionally Manned Fighting Vehicle (OMFV) program. Team Lynx consists of American Rheinmetall Vehicles and the industry-leading U.S. companies Textron Systems, Raytheon Technologies, L3Harris Technologies, Allison Transmission and Anduril Industries. The total contract value for both phases, to be completed by 2027, is in excess of USD 700 million (around €650 million).

Rheinmetall secures major order for structural parts
The technology group Rheinmetall has received a new order from the automotive industry for structural parts valued in the low hundreds of million euro. The highly complex cast parts will be used by a renowned, international car manufacturer in a fully electric platform. Starting in 2026 and for a period of ten years, lateral girders will be

produced as lightweight structural parts for the premium manufacturer's fully electric high-performance models. The scope of delivery comprises hundreds of thousands of these fully processed parts.

Multi-million contract for Rheinmetall for strategic naval warfare systems for Australia

Rheinmetall has received a major order from the Commonwealth of Australia to deliver smart sea mines. The order have a volume in the low hundreds of million euro for Rheinmetall.

Rheinmetall secures delivery contract for new air-supported reconnaissance system LUNA NG

The German armed forces have commissioned Rheinmetall to supply the new air-supported reconnaissance system LUNA NG. The change agreement signed on September 28, 2023 serves to continue the project with Rheinmetall as the new contractor following the insolvency of the original system manufacturers. LUNA NG, which stands for “air-supported unmanned short-range reconnaissance equipment, next generation” will be launched by the German armed forces as “High-Efficiency Unmanned System for Medium-Range Reconnaissance” (HUSAR). Twelve series systems and a pilot system were ordered in total. The contract has a net value of around €200 million. The initial series system is due to be delivered in the second quarter of 2025. The contract also comprises a spare parts package and training services.

Rheinmetall receives order in low hundreds of million euro from German government to deliver mortar ammunition to Ukraine

Rheinmetall has received an order from the German government to deliver approximately 100,000 rounds of 120mm mortar ammunition to Ukraine. This is part of the latest €400 million support package for the Ukrainian armed forces. The order value is in the low hundreds of million euro. Delivery is scheduled to begin shortly and take place within the next two years.

Rheinmetall secures major order: Artillery ammunition worth more than €140 million for Ukraine

Rheinmetall has secured a large-volume order to support Ukraine with artillery ammunition. The Düsseldorf-based technology group has been commissioned to supply shells worth approximately €142 million to the Eastern European country. This order comprises tens of thousands of complete 155mm-caliber artillery shells, i.e. the full combination of projectile, detonator (for the explosive charge), propellant, and primer (for detonating the propelling charge). The client is a NATO partner country that has declared its intention to support Ukraine effectively on a long-term basis with its defence.

Rheinmetall secures major order: Austria procures state-of-the-art air defence system for €532 million

Rheinmetall has been commissioned by the Austrian Federal Ministry of Defence with extensive modernization of existing Skyguard air defence systems. The two parties have now signed the contract for the Skyguard Next Generation project in Vienna in the presence of the Federal Minister for Defence, Klaudia Tanner. For Rheinmetall, the order has a net volume of €532 million, which was booked in the order intake in December 2023. The contract covers a project term of 48 months, starting in February 2024.

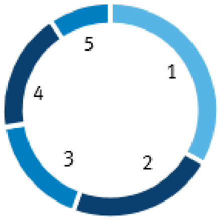
Rheinmetall receives development order from Hungary for next-generation battle tanks

In December, Rheinmetall was commissioned by the Hungarian government to develop the Panther KF51 to the stage of readiness for series production. The development order has a value of around €288 million. This work will include the construction and qualification of a demonstration product to prepare for series production. Rheinmetall is cooperating on this project with the state-owned Hungarian holding company N7, which also holds a 49% stake in the joint venture Rheinmetall Hungary. Rheinmetall had presented the concept to the global public for the first time at the Eurosatory trade fair in 2022. In contrast to the demonstration system presented at this trade fair in Paris, the Panther KF51 HUN will feature Rheinmetall’s tried-and-tested 120mm smooth-bore gun L55A1, which is also installed in the latest Leopard 2 versions. This is intended to ensure logistical equivalence with the Hungarian Leopard 2 fleet. Nonetheless, the Panther KF51 HUN will already have an auto-loader. The turret architecture will also allow for subsequent installation of the Rheinmetall 130mm weapon.

Rheinmetall Group business performance – results of operations

Consolidated sales increase to €7.2 billion

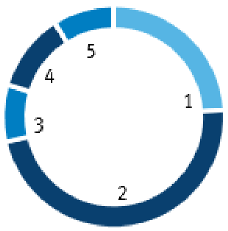
In fiscal 2023, the Rheinmetall Group generated consolidated sales of €7,176 million. This meant that sales were up by €766 million or 11.9% on the previous year's figure. Adjusted for exchange rate and M&A effects of €88 million, sales growth was 10.6%.



Sales by segments[1]

€ million	2023	2022
Rheinmetall Group	**7,176**	**6,410**
1 Vehicle Systems	2,609	2,270
2 Weapon and Ammunition	1,756	1,359
3 Electronic Solutions	1,318	1,164
4 Sensors and Actuators	1,421	1,382
5 Materials and Trade	737	742
Others/Consolidation	(666)	(506)

The segments in the area of security technology, in particular, contributed to the growth in sales in fiscal year 2023. The growth was particularly apparent in Vehicle Systems (€339 million, 15 %) and Weapon and Ammunition (€397 million, 29 %). These segments benefited from rising demand as a result of the turning point in security policy ushered in by the Ukraine war. At 76%, the international share of consolidated sales in the year under review was higher than the previous year's figure of 71 %.



Sales by region

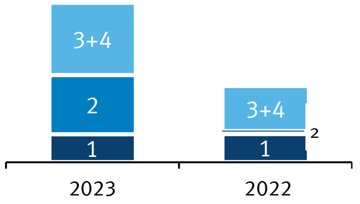
€ million	2023	2022
Rheinmetall Group	**7,176**	**6,410**
1 Germany	1,723	1,890
2 Other Europe	3,399	2,280
3 North-, Middle- and South America	594	580
4 Asia and the Near East	817	1,048
5 Other regions	642	612

€1,723 million or 24% (previous year: 29%) of consolidated sales was attributable to sales generated in Germany. The proportion of sales generated with customers in the rest of Europe was €3,399 million or 47% (previous year: 36%). The Americas region has a sales share of 8% (previous year: 9%) and the Asia region (including the Near East) a share of 11% (previous year: 16%). In the other regions – above all Australia – sales of €642 million were generated, accounting for 9% of total sales (previous year: 10%).

Order information

The year 2023 was characterized by significantly increased market demand for security technology products. Rheinmetall profited from this trend with its products, and Rheinmetall nominations more than doubled year on year to reach €19.9 billion. As a result, the Rheinmetall backlog also increased to a new record high of €38.3 billion.

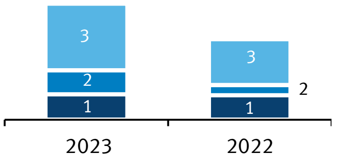
Rheinmetall Nomination



Rheinmetall Nomination

€ million	2023	2022	Change
1 Booked Business	3,480	3,521	-41
2 Frame Nomination	7,362	350	7,012
3 Frame Utilization	-2,804	-	-2,804
4 Order intake	11,843	5,629	6,214
Rheinmetall Nomination	**19,881**	**9,500**	**10,381**

Rheinmetall Backlog



Rheinmetall Backlog

€ million	Q1-Q4 2023	Q1-Q4 2022	Change
1 Nominated Backlog	8,381	8,056	325
2 Frame Backlog	7,931	3,427	4,504
3 Order Backlog	21,977	15,089	6,889
Rheinmetall Backlog	**38,290**	**26,572**	**11,718**

Consolidated operating result sets new record

In fiscal year 2023, the Rheinmetall Group achieved a consolidated operating result (EBIT before special items and PPA effects) of €918 million, which significantly exceeded the previous year's figure of €769 million by €149 million or 19%. This is a new record. The Group's operating margin was 12.8%, which was also higher than the previous year's figure of 12.0 %.

The growth in earnings resulted exclusively from the Group's activities in the area of security technology. The significant growth in sales saw Weapon and Ammunition increase its operating result to €403 million (+€106 million, +36%), thus making the biggest earnings contribution once again (previous year: €297 million). In addition, Vehicle Systems saw a considerable earnings increase of 24% to €324 million (previous year: €261 million).

Operating result[1]

€ million	2023	2022
Rheinmetall Group	**918**	**769**
Vehicle Systems	324	261
Weapon and Ammunition	403	297
Electronic Solutions	150	121
Sensors and Actuators	69	95
Materials and Trade	66	66
Others/consolidation	(94)	(72)

[1] Previous year's figures restated.

The operating result in fiscal year 2023 was adjusted for positive special items totaling €49 million and PPA effects amounting to €-70 million. The special items resulting from corporate transactions related primarily to income in connection with the sales of the shares in Shriram Pistons & Rings Ltd. (€ 59 million). The PPA effects in 2023 relate primarily to the acquisition of Expal Systems S.A.U. in 2023 (€41 million) and corresponding effects of the investment in 4iG Nyrt. (€21 million), which is accounted for using the equity method. These effects at 4iG Nyrt. result mainly from the acquisition of Vodafone Hungary at the end of 2022.

Special items of €-22 million and PPA effects of €-10 million were recognized in the previous year. These special items related primarily to write-downs due to the volatile capital market situation of the fund units held for trading (strategic liquidity reserve) as well as subsequent income from the sale of land to a joint venture in 2018.

Taking into account the special items and PPA effects, EBIT in the Rheinmetall Group was €897 million and thus €160 million above the previous year's figure of €738 million. EBIT before PPA effects reached €968 million after a figure of €747 million in the previous year.

Special items and PPA effects in 2023

€ million	Operating result	Corporate transactions	Restruc-turing	Others	Special items	PPA effects	EBIT
Rheinmetall Group	**918**	**57**	**(1)**	**(6)**	**49**	**(70)**	**897**
Vehicle Systems	324	-	-	(0)	(0)	(3)	321
Weapon and Ammunition	403	-	-	0	0	(44)	360
Electronic Solutions	150	-	-	(1)	(1)	(2)	147
Sensors and Actuators	69	-	-	-	-	-	69
Materials and Trade	66	-	(1)	(3)	(4)	-	62
Others/consolidation	(94)	57	-	(2)	55	(21)	(60)

Special items and PPA effects in 2022[1]

€ million	Operating result	Corporate transactions	Restruc-turing	Others	Special items	PPA effects	EBIT
Rheinmetall Group	**769**	**(3)**	**-**	**(18)**	**(22)**	**(10)**	**738**
Vehicle Systems	261	-	-	53	53	(3)	258
Weapon and Ammunition	297	-	-	0	0	(3)	294
Electronic Solutions	121	-	-	4	4	(3)	119
Sensors and Actuators	95	(2)	-	-	(2)	(0)	92
Materials and Trade	66	-	-	-	-	-	66
Others/consolidation	(72)	(1)	-	(75)	(77)	(0)	(91)

[1] Previous year's figures restated.

Significant income and expenses

After reversals of warranty provisions during the previous year, other operating income fell from €221 million to €153 million.

The cost of materials increased to €3,935 million (+23.6 %, previous year's figure €3,183 million) in fiscal year 2023 as a result of the expansion of the business volume. The cost of materials ratio increased from 49.6% to 54.8%, in particular due to the significantly increased changes in inventories of finished goods and work in progress.

Indicators regarding personnel expenses

		2023	2022
Personnel expenses	€ million	2,047	1,836
Personnel expenses/employees	€ '000	89	87
Sales/employees	€ '000	311	304
Personnel expenses ratio (relating to revenues)	%	28.5	28.6

The rise in personnel expenses resulted primarily from the increase in personnel in continuing operations. Personnel increased, in particular, at Weapon and Ammunition and Vehicle Systems, where the average headcount rose by 19% and 15%. The increase in headcount at Weapon and Ammunition includes 1,196 employees taken on as part of the acquisition of Expal Systems S.A.U.

The average number of employees in the Rheinmetall Group can be broken down across the individual areas of the Group as follows:

Annual average number of employees[1]

Capacity - Full Time Equivalents (FTE) (annual average)	2023	2022
Vehicle Systems	6,144	5,343
Weapon and Ammunition	5,457	4,580
Electronic Solutions	3,992	3,782
Sensors and Actuators	4,447	4,454
Materials and Trade	2,279	2,267
Rheinmetall AG/others	790	641
Rheinmetall Group (continuing operations)	**23,108**	**21,066**
Discontinued operations (Pistons)	3,487	3,772
Rheinmetall Group (continuing and discontinued operations)	**26,595**	**24,838**

[1] Previous year's figures restated.

Amortization (including PPA effects) rose significantly in fiscal year 2023 from €249 million to €308 million due to the increased investment volume and the PPA effects due to the acquisition of Expal Systems S.A.U.

Other operating expenses increased by €121 million to €889 million in fiscal year 2023. The increase of 15.7 % remained below the increase in total operating performance (20.0 %). The increase in other operating expenses is mainly due to the expansion of operating activities. This is particularly reflected in the operating costs and travel expenses. Operating costs increased by 30.4 % to €175 million. Travel expenses increased from €44 million to €58 million. The increase was also driven by IT costs, which increased from €130 million to €159 million in the context of the ongoing IT transformation.

The increase in the result from investments accounted for using the equity method from €39 million in 2022 to €57 million in the year under review is mainly due to the income shown as special effects in connection with the sale of the shares in Shriram Pistons & Rings Ltd (€59 million). This was offset by the earnings contribution of the investment in 4iG Nyrt., which was also burdened by PPA effects of €21 million in 2023. Other net financial income reached €-6 million in the year under review. The previous year's figure of €-48 million was influenced in particular by write-downs on fund units held for trading (strategic liquidity reserve), which were not included as a special item in the operating result.

Net income[1]

€ million	2023	2022
Operating result	**918**	**769**
Special items	49	(22)
EBIT before PPA impact	**968**	**747**
PPA impact	(70)	(10)
EBIT	**897**	**738**
Net interest	(82)	(20)
Earnings before Taxes (EBT)	**815**	**718**
Income taxes	(185)	(183)
Income from continuing operations	630	534
Income from discontinued operations	(44)	6
Earnings after taxes	**586**	**540**
Of which:		
Minority interests	*51*	*66*
Rheinmetall AG shareholders	*535*	*474*
Basic earnings per share	**€ 12.32**	**€ 10.94**
Basic earnings per share from continuing operations	€ 13.34	€ 10.80
Basic earnings per share from discontinued operations	€ (1.02)	€ 0.14

[1] Previous year's figures restated.

Net interest income was €-82 million in fiscal year 2023, compared with €-20 million in the previous year. Of this increase, €35 million is attributable to the interest costs of the convertible bond issued at the start of 2023. The funds received were mainly used to pay the purchase price for the acquisition of Expal Systems S.A.U. at the end of July 2023. Interest on the Group's pension obligations increased by €9 million to €15 million as a result of increases in the relevant interest rates. Due to higher advance payments, particularly in Weapon and Ammunition, interest for financing components in accordance with IFRS 15 also increased by €9 million to €13 million.

The Rheinmetall Group's earnings before taxes (EBT) amounted to €815 million compared with €718 million in the previous year.

Despite the increase in earnings before taxes, the tax expense increased only slightly from €183 million to €185 million. One significant factor was the largely tax-exempt sale of shares in Shriram Pistons & Rings Ltd. In addition, tax credits that were not previously evaluated were capitalized due to positive corporate planning.

Earnings from continued operations improved by 18.0 % to €630 million. Earnings from discontinued operations deteriorated due to the necessary write-downs on the assets of small-bore operations from €6 million to €-44 million.

As a result, earnings after taxes reached €586 million, thus exceeding the previous year's figure of €540 million. After deduction of earnings attributable to non-controlling interests of €51 million (previous year: €66 million), earnings attributable to shareholders of Rheinmetall AG were €535 million, compared with €474 million in the previous year. Taking into account the weighted number of shares (2023: 43.41 million shares; 2022: 43.36 million shares), earnings per share came to €12.32 , compared with €10.94 in the previous year. Earnings per share from continuing operations increased from €10.80 to €13.34.

Rheinmetall Group business performance – net assets and financial position

Capital expenditure

In fiscal year 2023, 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.

In the context 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. This meant that capital expenditure of continuing operations on property, plant and equipment and intangible assets amounted to €487 million in fiscal year 2022, compared with €352 million in the previous year. This is equivalent to 6.8 % of consolidated sales (previous year: 5.5 %). €111 million of the capital expenditure volume of continuing operations related to leases as per IFRS 16 (previous year: €37 million) and therefore did not affect cash. Capital expenditure was offset by depreciation and amortization of €308 million (previous year: €249 million).

Capital expenditure [1, 2]

€ million	2023	2022
Vehicle Systems	168	127
Weapon and Ammunition	112	53
Electronic Solutions	48	33
Sensors and Actuators	89	70
Materials and Trade	15	15
Others/consolidation	56	54
Rheinmetall Group (continuing operations)	**487**	**352**
Discontinued operations (Pistons)	24	23
Rheinmetall Group (continuing and discontinued operations)	**511**	**375**

[1] Net capital expenditure less payments received from customers of €7 million (previous year: €13 million).
[2] Previous year's figures restated.

Vehicle Systems invested a total of €168 million in fiscal year 2023, compared with €127 million in the previous year. The increase of €41 million was essentially due to investments in plants and facilities for capacity expansion. The investments were driven by a lease for the new plant in Hungary. 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. This particularly included development work for the Panther project.

A total of €112 million was invested in Weapon and Ammunition in fiscal year 2023 (previous year: €53 million). The biggest individual investment was the establishment of a new production site in Várpalota, Hungary. A production facility for medium and large calibers and for artillery ammunition and detonators is to be built at the Hungarian site in the coming years. In addition, various investment programs for capacity expansion were initiated – for example, at Rheinmetall Waffe Munition in Unterlüß and at Rheinmetall Denel Munition in South Africa. The construction of a woodchip cogeneration plant in Unterlüß for the sustainable generation of electricity and heat from renewable resources was also completed.

The total capital expenditure of Electronic Solutions amounted to €48 million in the year under review, compared with €33 million in the previous year. At the Bremen site, work on a demonstrator for anti-tank guided missiles was continued in addition to the cross-divisional artillery demonstrator development project. Other capital expenditure related to the modernization of IT equipment and infrastructure. At the Zurich site, the main investments were made in connection with the production of reference devices and the modernization and expansion of machinery. 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. At both the Zurich and the Bremen site, work on the Panther battle tank was continued.

The Sensors and Actuators companies invested a total of €89 million in 2023 (previous year: €70 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. Another focus of investment in 2023 was at the Abadiano site in Spain, where production facilities for pollutant-reducing products such as exhaust gas recirculation valves and secondary air systems were established. At the Hartha site in Germany, investments were made in fuel cell and electric motor components.

Capital expenditure at Materials and Trade in 2023 was similar to the previous year and amounted to €15 million. The Bearings business unit invested in capacity expansion for polymer bearing shells, plants and facilities for the production of polymer-coated thrust washers, CNC hard turning machines and tools. In addition, investments were made in future-oriented areas such as the production of components for industrial applications and for generating green energy. In the Trade business unit, investment included the first phases of construction of a new logistics center at the site in Neuenstadt and right-of-use assets for buildings, equipment and vehicles.

Investments in the "Other/Consolidation" area can be primarily attributed to the companies in Rheinmetall's real estate area and Rheinmetall's own IT company Rheinmetall IT Solutions GmbH Of the total of €56 million (previous year: €54 million) invested in the "Other" area in 2023, €38 million (previous year: €33 million) can be attributed to the real estate sector and €13 million (previous year: €12 million) to the IT area. The largest real estate investments in 2023 include the property in Bristol, which is the new headquarters of the Vehicle Systems International division, and the new Weeze site where the F-35 center fuselage section will be produced. The largest IT investments relate to the new data centers in Unterlüß.

Statement of cash flows

Cash flows from operating activities of continuing operations increased by a considerable €177 million from €563 million in the previous year to €740 million in fiscal year 2023. Despite the substantial increase in business volume, the increase in working capital was markedly contained. In fiscal year 2023, only an additional €217 million was tied up in working capital, compared with €507 million in the same period of the previous year. In addition, following a figure of €62 million in the previous year, €20 million was paid into an external fund (CTA) in the year under review to cover provisions for pensions and partial retirement obligations. Furthermore, pension payments amounting to €8 million were reimbursed by the CTA.

Payments for capital expenditure (continuing operations) increased from €327 million in the previous year to €384 million. This is due in particular to the higher level of investment. 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 improved from €-151 million to €356 million.

Derivation of operating free cash flow – continuing operations [1]

€ million	2023	2022
Earnings from continuing operations (after taxes)	630	534
Amortization, depreciation and impairments	308	249
Payment into external Fund (CTA)	(20)	(62)
Changes in working capital and others	(178)	(545)
Cash flows from operating activities	**740**	**177**
Investments in property, plant and equipment, intangible assets and investment property	(384)	(327)
Operating free cash flow (continuing operations)	**356**	**(151)**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

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 €-432 million, which was €73 million lower than the previous year's figure (previous year: €-360 million). In the fiscal year, payments from divestments and acquisitions primarily related to the acquisition of Expal Systems S.A.U. and the sale of large-bore piston activities and shares in Shriram Pistons & Rings Ltd. In the previous year, these related primarily 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[1]

€ million	2023	2022
Operating free cash flow (continuing operations)	356	(151)
Operating free cash flow (discontinued operations)	(12)	(24)
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	2	19
Net cash outflow from financial investments in/divestments of consolidated subsidiaries and other financial assets	(909)	(203)
Cash in-/outflows from/for strategic liquidity reserve	130	-
Free Cash Flow	**(432)**	**-360**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

Cash flow from financing activities in the year under review was characterized by the issue of a convertible bond in the amount of €1 billion to finance the acquisition of Expal Systems S.A.U. Net proceeds are calculated as the nominal value of the convertible bond less the transactions costs amounting to €7 million. The dividend paid out in the year under review for 2022 was €4.30 per share, compared with €3.30 per share in the previous year.

Cash Flow from financing activities

€ million	2023	2022
Net proceeds from the issue of a convertible bond	993	-
Dividends paid by Rheinmetall AG	(187)	(143)
Cash effective changes of other financial liabilities	(78)	18
Cash in-/outflows from/for strategic liquidity reserve	18	-5
Cash Flow from financing activities	746	-131

Asset and capital structure

The Rheinmetall Group's total assets rose by €3,611 million or 44.6 % to €11,707 million in fiscal year 2023. In addition to the significant business growth, the key drivers of these changes were the acquisition of Expal Systems S.A.U. and the convertible bond issued to finance it. This acquisition is also the decisive factor for the increase in non-current assets as at December 31, 2023 to €4,615 million. Of this increase by €1,697 million, €1,384 million is attributable to the acquisition. The share of total assets increased from 36% to 39%. Current assets increased year on year overall by €1,914 million to €7,092 million. A total of €1,268 million of this increase was attributable to inventories and €473 million to trade receivables. As a result of the positive operating free cash flow, cash and cash equivalents also increased by €305 million. Assets held for sale (IFRS 5) reduced to €196 million (previous year: €349 million). The reasons for this were the sales of the large-bore piston activities and the investment in Riken Automobile Parts (Wuhan) Co., Ltd. as well as the write-downs of the small-bore piston activities.

Asset and capital structure[1]

€ million	Dec. 31, 2023	%	Dec. 31, 2022	%
Non-current assets	4,615	39	2,918	36
Current assets	7,092	61	5,178	64
Total assets	**11,707**	**100**	**8,096**	**100**
Equity	3,643	31	3,090	38
Non-current liabilities	2,605	22	1,341	17
Current liabilities	5,459	47	3,665	45
Total equity and liabilities	**11,707**	**100**	**8,096**	**100**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

The equity of the Rheinmetall Group increased significantly by €553 million or 18 % to €3,643 million in fiscal year 2023. This increase results mainly from the positive earnings after taxes (€586 million) and the equity share of the convertible bond issued in 2023 (€113 million). This was offset by the distribution of the dividend to the shareholders of Rheinmetall AG amounting to €187 million. Due to the significant increase in total assets, the equity ratio nevertheless fell to 31% from 38% at the start of the year

The increase in non-current liabilities of €1,264 million to €2,605 million is largely attributable to the increase in non-current financial liabilities of €985 million and the increase in deferred tax liabilities of €181 million. The principal drivers of the increase in non-current financial liabilities were the convertible bond issued at the start of February 2023 (as at December 31, 2023: €897 million) and newly concluded lease agreements (€54 million). The increase in deferred taxes is the result of €153 million from the valuation of the assets and liabilities taken on as part of the acquisition of Expal Systems S.A.U.

Current liabilities increased by a considerable €1,794 million to €5,459 million. This was mainly driven by contract liabilities, particularly at Weapon and Ammunition, which increased by €1,474 million to €2,594 million due to improved payment terms for advance milestone payments. Trade liabilities also increased by €291 million. In addition, liabilities directly related to assets held for sale of €161 million (previous year: €220 million) were recognized in accordance with IFRS 5. The decrease was mainly due to the successful sale of the large-bore piston activities at the start of 2023.

Capital structure [1]

€ million	Dec. 31, 2023	%	Dec. 31, 2022	%
Equity	**3,643**	**34**	**3,090**	**41**
Current financial debts	410	4	454	6
Non-current financial debts	1,503	14	517	7
Total financial debts	**1,913**	**18**	**971**	**13**
Cash and cash equivalents	850	8	545	7
Net financial debts (-)/Net liquidity (+)	**(1,063)**	**(10)**	**(426)**	**-6**
Total assets adjusted for cash and cash equivalents	**10,858**	**100**	**7,551**	**100**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

In relation to total assets adjusted for cash and cash equivalents, the equity ratio was 34%, compared with 39% in the previous year. Financial liabilities increased by €941 million or 96.9 % compared with the beginning of the year to €1,913 million. As of the end of the reporting period, cash and cash equivalents totaled €850 million, after €545 million at the end of the previous year. Despite the positive operating free cash flow, net financial debt of €-1,063 million was still reported at the end of 2023 (previous year: €-426 million). This was due in particular to the financing of the acquisition of Expal Systems S.A.U. The fund units held for trading (strategic liquidity reserve) not included in these figures were sold in full in 2023 (previous year: €132 million).

ROCE [1]

€ million	2023	2022
Net financial debts (-)	(1,063)	(426)
Securities held for trade (strategic liquidity reserve)	-	132
Assets from pension valuation	99	0
Pension provisions	562	484
Equity	3,643	3,090
Capital employed	**5,169**	**3,868**
Average capital employed	4,519	3,440
EBIT	897	738
ROCE (in %)	**19.9**	**21.4**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

ROCE reduced in the fiscal year from 21.4% to 19.9%. The decline can be attributed to the significant increase in capital employed following the acquisition of Expal Systems S.A.U.

Financing

Aims of financial management

Because of its business model, Rheinmetall is exposed to sometimes significant volatility in its cash flows. Therefore, the principal aim of its financial management is to ensure that Rheinmetall remains solvent at all times. It also makes a positive contribution to enterprise value through the efficient implementation of financial transactions and the optimization of liquidity, capital structure, and contractual conditions.

Within the scope of global cash management, liquidity at subsidiaries is pooled centrally and made available to Group companies based on their liquidity requirements. The overriding aim – solvency at all times – is secured in addition to the convertible bond and the promissory note loans 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. These can always 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 scenarios.

Financial risks from changes in currencies, interest rates, raw materials, 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.

To achieve its aims, Rheinmetall follows the principle of financial independence from individual banks and financial service providers and the prevention of cluster risks. For this reason, Rheinmetall has a broadly diversified portfolio of national 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. This ensures compliance with legal requirements and that financial instruments 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 secures sufficient financing scope at all times, even if conditions change. 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 comprises four main elements: convertible bond, various promissory note loans, development loans from the European Investment Bank (EIB), and a syndicated credit facility.

The convertible bond is due in two tranches of €500 million each in 2028 and 2030.

The volume of promissory note loans amounted to €428 million at the end of the year and covers maturities from 2024 to 2029.

The EIB development loan of €80 million was disbursed in 2022 and will mature in December 2028. The EIB is using these funds to support research and development activities focusing on sustainable and intelligent mobility solutions in the civil areas.

As in the previous year, the syndicated credit facility involving twelve national and international banks has a volume of €500 million. It is used for general corporate financing and 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 €3.3 billion round off Rheinmetall's financing profile. By the end of the year, around €1.4 billion or 53% of the guarantee credit facilities and rounded €0 million or 0% of the cash credit facilities had been drawn. There are also real estate loans and other subsidised loans totaling €12 million.

At the end of the year, the trust assets used to finance liabilities from the company pension scheme or as insolvency protection in connection with semi-retirement models and working time accounts were valued at €237 million. For the first time since establishment of the trust in 2016, reimbursements of €8 million were paid for pension payments made by Rheinmetall AG during the year. Additions were made in fiscal year 2023 in the amount of €20 million. For the new "Rheinmetall Plus 2.0" company pension scheme introduced in 2022, 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. Contributions totaling €20 million were paid over the course of 2023. At the end of the year, the trust assets allocated to Rheinmetall Plus 2.0 amounted to €30 million.

Financing activities in fiscal year 2023

In fiscal year 2023, Rheinmetall AG exercised the second extension option for the syndicated credit facility of €500 million. The original five-year term, which was already extended by one year when the first extension option was exercised in 2022, was thus extended by an additional year to September 2028, increasing Rheinmetall's financing security for the next few years. The extension was made with the approval of all twelve syndicate banks. At the end of 2023, the credit facility had not been utilized. As of December 31, 2023, €216 million had been used under the commercial paper program, which likewise amounts to €500 million. The weighted average interest rate was 4.36%.

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 €26 million (previous year: €66 million) as of December 31, 2023.

Convertible bond to finance the acquisition of Expal Systems

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 on 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 issue of the convertible bond were used to finance the acquisition of the ammunition manufacturer Expal Systems S.A.U., which was agreed in November 2022 and completed in summer 2023. 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.

Promissory note loans issued with a total volume of €175 million

Rheinmetall AG issued six promissory note loans with a total volume of €175 million in January and November 2023. 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.

Financing instruments € million

	Term or end of term	Nominal	Financing source
Convertible Bonds			
Tranche A	2028	500	International investors
Tranche B	2030	500	International investors
Promissory note loans	2024-2029	428	International financial institutions
Development loans Research and development I	2028	80	European Investment Bank (EIB)
Commercial paper (CP)	unlimited	500	Money market investors
Syndicated loan	2028	500	12 banks
Real-estate financing and development loans	2024-2025	12	banks
Bilateral line of credit (cash advances and bank guarantees)	2024	3,334	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. Since April 26, 2022, Moody's has awarded Rheinmetall a rating of "Baa2 stable outlook." This rating did not change after the acquisition of the Spanish Expal Systems S.A.U.. Moody's commented positively on the strategic dimension of the transaction.

BUSINESS PERFORMANCE **IN THE SEGMENTS**

VEHICLE SYSTEMS

WEAPON AND AMMUNITION

ELECTRONIC SOLUTIONS

SENSORS AND ACTUATORS

MATERIALS AND TRADE

Business performance in the segments

The Vehicle Systems segment consists of the two divisions Vehicle Systems International and Vehicle Systems Europe. In the other segments, the segment corresponds to the respective division. »Structure of the Rheinmetall Group

Vehicle Systems

Key figures Vehicle Systems

		2023	2022
Sales	€ million	2,609	2,270
Rheinmetall Nomination[1]	€ million	7,144	1,564
Frame Nomination	*€ million*	*2,434*	-
Frame Utilization	*€ million*	*(1,408)*	-
Order Intake	*€ million*	*6,118*	*1,564*
Rheinmetall backlog (December 31)[1]	€ million	16,368	11,954
Frame Backlog	*€ million*	*3,297*	*2,304*
Order Backlog	*€ million*	*13,071*	*9,650*
Operating results[2]	€ million	324	261
Operating result margin	%	12.4	11.5
Capital expenditure	€ million	168	127
Operating free cash flow	€ million	(142)	81
Employees (December 31)	FTE	6,437	5,747

[1] Explanation of the new key figures »Further development of key order figures
[2] The definition of the key performance indicator operating result was adjusted retrospectively in the third quarter of 2023. The figure for the previous year was also adjusted accordingly.

Sales –Vehicle Systems generated sales of €2,609 million in fiscal 2023, exceeding the previous year's figure of €2,270 million by 14.9%. Adjusted for currency effects, growth amounted to 15.7%. In the Tactical Vehicles business unit, significant sales contributions were made by Lynx infantry fighting vehicles in Hungary and ring exchange programs in the context of the Ukraine war. The Logistic Vehicles business unit generated a large portion of its sales in fiscal 2023 from the delivery of load-handling systems to various customers and a range of logistics vehicles from the HX, TGS and TGM series. 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.

Rheinmetall Nomination – At €7,144 million, Rheinmetall Nomination of Vehicle Systems was €5,581 million higher than the previous year's figure of €1,564 million. A framework agreement for air assault vehicles in Germany and the Netherlands totaling more than €1 billion was acquired in the year under review. At the same time, an order for XM30 infantry fighting vehicles of around €700 million was acquired in the US. Other major new orders included the second lot of Puma infantry fighting vehicles commissioned by the German government and the Leopard 2 upgrade for Norway.

Rheinmetall Backlog –Vehicle Systems recorded an order backlog of €16,368 million in fiscal 2023, compared with €11,954 million in the previous year. Of this order backlog, €5,145 million is attributable to Germany, €2,921 million to Hungary, €2,458 million to the United Kingdom, and €1,496 million to Australia.

Operating result – In 2023, the operating result of Vehicle Systems improved by around €63 million 24.1 % to a total of €324 million. As a result of sales picking up for the orders described and strict cost management, the operating margin came to 12.4% and significantly exceeded the previous year's figure of 11.5%.

Operating free cash flow – Operating free cash flow of Vehicle Systems decreased by around €223 million year on year to €-142 million.

Employees –Vehicle Systems employed 6,437 people as of the end of the fiscal year (previous year:5,747). This increase in employees reflects the financial success of the segment 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

Key figures Weapon and Ammunition

		2023	2022
Sales	€ million	1,756	1,359
Rheinmetall Nomination[1]	€ million	8,238	3,259
Frame Nomination	*€ million*	*4,927*	*350*
Frame Utilization	*€ million*	*(1,396)*	*-*
Order Intake	*€ million*	*4,706*	*2,909*
Rheinmetall backlog (December 31)[1]	€ million	11,581	4,882
Frame Backlog	*€ million*	*4,460*	*949*
Order Backlog	*€ million*	*7,121*	*3,934*
Operating results[2]	€ million	403	297
Operating result margin	%	23.0	21.9
Capital expenditure	€ million	112	53
Operating free cash flow	€ million	463	(159)
Employees (December 31)	FTE	6,626	4,703

[1] Explanation of the new key figures »Further development of key order figure
[2] The definition of the key performance indicator operating result was adjusted retrospectively in the third quarter of 2023. The figure for the previous year was also adjusted accordingly.

Sales –Weapon and Ammunition generated sales of €1,756 million in the year under review. Measured against the previous year, this represents an increase in sales of €397 million or 29.2%. In addition to Germany, significant growth impetus came from other NATO states in Eastern Europe and from Ukraine. Additional contributions came from the Spanish ammunition manufacturer Expal Systems S.A.U. (transfer of operating activities on August 1, 2023) with sales of around €171 million in five months and from the Protection Systems business unit, which increased its sales by €51 million year-on-year mainly due to internal deliveries for protected vehicle cabins (around €143 million).

Rheinmetall Nomination –Weapon and Ammunition achieved a new record of €8,238 million, more than doubling nominations with a year-on-year increase of €4,979 million. Two (multi-year) framework agreements for tank ammunition (€3.2 billion) and artillery ammunition (€1.4 billion) with the German customer particularly stand out here. Reflecting the new European security situation, significant volumes have already been called off for artillery ammunition in particular. In addition to these call-offs, the increase in the order intake is largely due to direct orders from Ukraine of €1.7 billion.

Rheinmetall Backlog – The order backlog increased significantly as a result of the consistently high order intake from countries such as Germany, Ukraine, the Netherlands and Australia. Based on the €4,577 million higher frame nominations and associated outstanding call-offs from framework contracts worth (€4.5 billion), Rheinmetall Backlog has increased by €6,698 million to a record level of €11,581 million.

Operating result – The operating result of Weapon and Ammunition rose by €106 million to around €403 million in fiscal 2023 (previous year: €297 million), mainly due to the higher sales volume. The operating margin improved from 21.9% in the previous year to 23.0% in the year under review due to intensified cost optimization measures and a more profitable product mix in the traditional ammunition business. This includes an contribution of €37 million from the acquired company Expal Systems.

Operating free cash flow – Operating free cash flow of Weapon and Ammunition rose by a significant €623 million year-on-year to €463 million. The improvement with more than €500 million resulted from a more positive development in operating working capital as compared to the previous year. Higher incoming payments and advance payments from customers more than compensated for the effects from the increase in inventories and the higher capital expenditure on capacity expansion.

Employees –Weapon and Ammunition employed a total of 6,626 people as of the end of the fiscal year. This equates to an increase in the workforce of 1,923 Personen compared with the previous year and reflects sales growth. As a result of the acquisition of the Spanish ammunition manufacturer Expal, 1,196 new employees joined the division as of August 1, 2023. The additional increase of 699 employees goes hand in hand with the growth in sales.

Electronic Solutions

Key figures Electronic Solutions

		2023	2022
Sales	€ million	1,318	1,164
Rheinmetall Nomination[1]	€ million	2,183	1,724
Frame Nomination	*€ million*	-	-
Frame Utilization	*€ million*	-	-
Order Intake	*€ million*	*2,183*	*1,724*
Rheinmetall backlog (December 31)[1]	€ million	4,287	3,539
Frame Backlog	*€ million*	*174*	*174*
Order Backlog	*€ million*	*4,113*	*3,364*
Operating results[2]	€ million	150	121
Operating result margin	%	11.4	10.4
Capital expenditure	€ million	48	33
Operating free cash flow	€ million	11	4
Employees (December 31)	FTE	4,155	3,834

[1] Explanation of the new key figures »Further development of key order figure
[2] The definition of the key performance indicator operating result was adjusted retrospectively in the third quarter of 2023. The figure for the previous year was also adjusted accordingly.

Sales –Electronic Solutions generated sales of €1,318 million in fiscal 2023, exceeding the previous year's figure of €1,164 million by 13%. Adjusted for currency effects, sales growth was 14%. The Air Defence & Radar Systems business unit made a significant contribution to this growth with sales from a major order placed in fiscal 2022 for the delivery of Skynex air defence systems for a European customer. Other relevant sales were generated in the Integrated Electronic Systems business unit from the share in the major projects for infantry fighting vehicle project for Hungary and the first and second lots of Puma infantry fighting vehicles and Land 400 Phase 2 for Australia, as well as from the delivery of combat helmets for a major order placed by the German armed forces in the previous year under the special fund.

Rheinmetall Nomination – The Rheinmetall Nomination for Electronic Solutions climbed to a record €2,183 million in fiscal 2023 (previous year: €1,724 million). The biggest individual orders in this division were two major orders for Skynex air defence systems for two European customer worth approximately €700 million and the specific share of Electronic Solutions in the major orders for the first and second lots of Puma infantry fighting vehicles. This good order intake was also thanks to the follow-up order of a drone system (unmanned medium-range reconnaissance system) by the German armed forces.

Rheinmetall Backlog – The Rheinmetall Backlog of Electronic Solutions amounted to €4,287 million at the end of fiscal 2023, compared with €3,539 million in the previous year. The order backlog thus increased by €749 million or around 21.2% year-on-year. Significant order backlogs are attributable to the delivery of Skynex air defence systems for two European customers and to the Electronic Solutions division's share of the major Hungarian order for the new Lynx infantry fighting vehicle and of the orders for the first and second Puma lots. Other significant order backlogs are attributable to the orders for unmanned drone systems from the German armed forces.

Operating result – The operating result in the Electronic Solutions division increased by 23.7% to €150 million as a result of the higher sales volume and improved productivity and capacity utilization. The operating margin increased from 10.4% to 11.4% thanks to successfully completing major orders.

Operating free cash flow – Operating free cash flow of Electronic Solutions amounted to €11 million, up €7 million on the previous year's figure of €4 million. Some major customer payments were delayed until a few days after the end of 2023.

Employees –Electronic Solutions employed 4,155 people as of the end of the fiscal year (previous year: 3,834). This corresponds to an increase of around 321 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.

Sensors and Actuators

Key figures Sensors and Actuators

		2023	2022
Sales	€ million	1,421	1,382
Booked Business	€ million	2,720	2,770
Nominated Backlog (31.12.)	€ million	8,093	7,453.3
Operating results [1]	€ million	69	95
Operating result margin	%	4.8	6.8
Capital expenditure	€ million	89	70
Operating free cash flow	€ million	29	47
Employees (December 31)	FTE	4,349	4,535

[1] Explanation of the new key figures »Further development of key order figure

Sales – Sales of Sensors and Actuators rose slightly by 2.8% or €39 million to €1,421 million in the 2023 reporting year. Adjusted for currency effects, the increase in sales was 4% (+€57 million) and thus lower than global growth in light vehicle production, which is estimated at +9% (IHS Markit). This difference is attributable to the fact that IHS only partly reflects the relevant market for Sensors and Actuators and does not consider the truck market or industrial applications, for example.

The Air Management product area of Sensors and Actuators increased its sales significantly by 9% compared to the previous year. This was chiefly due to sales of electric gas pumps on the Chinese and North American market as well as sales of exhaust gas recirculation systems and exhaust flaps for both the light and the heavy-duty segment. The Thermal Management business unit recorded a 2% decline in sales due to lower sales volumes of variable oil pumps and electric vacuum pumps. In the Electrification & Digitalization area, sales increased particularly due to the oil and water valves allocated here, whereas a decline was recorded for the electrical switching valve and electro-pneumatic transducer product groups.

In regional terms, the development of sales varied considerably between the different sales markets. While the North American market (-1%) and the Asian market (-3%) closed fiscal 2023 down slightly on the previous year's level, an increase was achieved in Europe (+5%).

Booked business – Booked business of Sensors and Actuators in fiscal 2023 came to €2,720 million, -2% lower than a year earlier (previous year: €2,770 million). In fiscal 2023, 49% (previous year 30%) of this was attributable to the Internal Combustion Engine (ICE) category, 11% (previous year 31%) to Industrial Technology, 13% (previous year 21%) to Truck and 27% (previous year 18%) to Electrification. In this context, orders for high-voltage water pumps in electric vehicles were also acquired in 2023. Several orders were acquired for fuel cell applications in the passenger car sector and for water pumps in the industrial technology sector.

Nominated backlog – The nominated backlog in the Sensors and Actuators division in fiscal 2023 came to €8,093 million, 9% higher than a year earlier (previous year: €7,453 million).

Operating result – Sensors and Actuators achieved an operating result of €69 million in fiscal 2023. This puts the operating result €-26 million down on the previous year. The operating margin declined by 2.1 percentage points in 2023 to 4.8%.

High inflation caused by increased commodities and energy prices resulted in significant procurement price hikes for materials. These cost increases were offset by higher sales prices at customers. The sharp increases in staff costs due to inflation had a lasting negative impact on earnings. As in the previous year, depreciation and amortization was reduced further. Business recovery costs were also incurred following the attack on IT systems in April 2023.

Operating free cash flow – Operating free cash flow of Sensors and Actuators was down year-on-year at €29 million (previous year: €47 million). This decrease in cash flow was mainly due to lower earnings and higher capital expenditure. In addition, working capital was higher than in the previous year. Inventories were up year-on-year due to higher procurement prices and increased inventory levels to safeguard production against supplier insolvencies and to ensure long-term delivery capacity.

Employees – Sensors and Actuators employed a total of 4,349 people as of the end of 2023, about 186 FTEs fewer than in the previous year. The number of employees decreased both in the indirect areas and in the direct workforce. Particularly at the American and European locations, staff levels were reduced in line with the changed requirements.

Materials and Trade

Key figures Materials and Trade

		2023	2022
Sales	€ million	737	742
Booked Business	€ million	760	751
Nominated Backlog (31.12.)	€ million	288	603
Operating results[1]	€ million	66	66
Operating result margin	%	8.9	8.9
Capital expenditure	€ million	15	15
Operating free cash flow	€ million	23	37
Employees (December 31)	FTE	2,302	2,273

[1] Explanation of the new key figures »Further development of key order figures

Sales – The IT incident in the second quarter of 2023 also affected IT systems at the sides of Materials and Trade in Germany and abroad which initially resulted in a significant drop in sales. Despite this IT incident, sales declined by only -1% or €-4 million year-on-year to €737 million. Adjusted for currency effects, there was a decline in sales of -1%. The Trade business unit again showed a very good year-on-year sales performance despite the cyberattack, with sales growth of 4% or €18 million. Higher sales were generated in the Trade unit particularly in the sales regions of Europe, South America and Asia. In the Bearings business unit, sales declined by 8% or €24 million year-on-year. In the Continuous Castings unit, the passing on of lower material prices, significantly reduced tonnage – particularly due to a weak market in the construction and sanitation industry – and a change in the sales mix together led to a year-on-year decrease in sales. In business with plain bearings, by contrast, there was a slight volume-driven increase in sales compared to the previous year.

Booked business – Booked business of Materials and Trade came to €760 million in fiscal 2023, representing a slight year-on-year increase of 1%. In fiscal 2023, 69% (previous year 73%) of this was attributable to the Internal Combustion Engine (ICE) category, 26% (previous year 25%) to Industrial Technology, 3% (previous year 1%) to Electrification and 2% (previous year 0%) to Truck.

Nominated backlog – The nominated backlog of Materials and Trade amounted to €288 million in fiscal 2023. Compared to the previous year, the nominated backlog of Materials and Trade decreased due to the reclassification of previous orders and framework contracts as individual transactions, which by definition are not reported in the nominated backlog.

Operating result –Materials and Trade generated an operating result at the previous year's level at €66 million in fiscal 2023. The operating margin of 8.9% is on a par with the previous year's level.

The Trade business unit achieved a significant improvement in earnings. This was chiefly due to the higher sales achieved and the lack of the previous year's negative earnings contribution from Amprio GmbH. In the Bearings business unit, the operating result was down significantly year-on-year. This was attributable to the decline in sales in the Continuous Castings unit and the negative impact from rising energy prices and negative currency effects. Earnings from the Castings business unit, which are largely determined by the at-equity contribution of the joint venture HASCO KSPG Nonferrous Components (Shanghai) Co. Ltd, were slightly higher in fiscal 2023 than a year earlier, despite a weak development of the Chinese market for vehicles with combustion engines during the year.

Operating free cash flow – Operating free cash flow of Materials and Trade decreased year-on-year to €23 million (previous year: €37 million). The decline compared to the previous year was mainly due to lower earnings after taxes and higher working capital.

Employees – Materials and Trade employed 2,302 people worldwide as of the end of 2023, which was 28 more than at the end of the previous year. The percentage increase in employees came to 1.2%, while sales declined by -1%. Despite the sale of the operating business of Amprio GmbH, the number of employees increased at the German locations in particular, but also in Brazil, China and India. By contrast, the number of employees at the companies in Italy and the Czech Republic decreased slightly.

Explanatory notes on Rheinmetall AG

Rheinmetall AG as the Group holding company

The single-entity financial statements of Rheinmetall AG for fiscal year 2023 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	2023	2022
Investment income	567	303
Net interest	(18)	3
Net financial income	**549**	**306**
Sales	84	126
Other operating income	221	166
Personnel expenses	63	66
Amortization, depreciation and write-downs	8	33
Other operating expenses	292	246
EBT	**491**	**252**
Taxes on income and revenue	(99)	(59)
Net profit for the year	**393**	**193**
Appropriations to retained earnings	143	3
Net earnings	**250**	**190**

Net investment income of €567 million was generated in fiscal year 2023, compared with €303 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 €3 million to €-18 million. The deterioration in net interest income resulted primarily from the issue of a convertible bond in two tranches of €500 million each (interest costs €36 million previous year: €0 million). The convertible bond was used to finance the acquisition of Expal Systems S.A.U., Madrid/Spain. As a result of the influences outlined, Rheinmetall AG's financial result improved from €306 million to €549 million.

Sales fell due to lower allocations of €126 million in fiscal year 2023 to €84 million in the year under review. Due to business as a holding company, personnel costs amounted to €63 million (previous year: €66 million). The primary factor behind the decline was the transfer of employees to Rheinmetall IT Solutions GmbH as of May 1, 2022. Other operating income increased by €55 million to €221 million. Higher IT costs passed on to Group companies were a major factor here. Other operating expenses rose significantly to €292 million (previous year €246 million). Compared with the previous year, this was driven in particular by the services provided by Rheinmetall IT Solutions GmbH for the Rheinmetall Group. The amortization, depreciation and write-downs in 2023 include write-downs on securities held in circulation amounting to €3 million (previous year: €28 million). Amortization of intangible assets and depreciation of property, plant and equipment are unchanged at €5 million.

Earnings before taxes amounted to €491 million (previous year: €252 million). Following deduction of €99 million in taxes (previous year: €59 million), net income of €393 million remained for fiscal year 2023 (previous year: €193 million). As a result, net income significantly exceeded the expected range of €190 million to €240 million. A total of €143 million (previous year: €3 million) of the net income was transferred to retained earnings, resulting in net earnings of €250 million (previous year: €190 million).

Proposed dividend

At the Annual General Meeting on May 14, 2024, the Executive Board and the Supervisory Board of Rheinmetall AG will propose that the net earnings be used to pay a dividend of €5.70 per share (previous year: €4.30 per share), whereby the treasury shares held by Rheinmetall AG (December 31, 2023: 141,356; previous year: 177,184) 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	2023	2022
Intangible assets	6	6
Property, plant and equipment	52	43
Financial assets	2,949	1,660
Fixed assets	**3,007**	**1,709**
Inventories	-	0
Receivables and other current assets	1,612	1,673
Bonds	-	132
Cash and cash equivalents	664	428
Current assets	**2,276**	**2,233**
Deferred income	**74**	**8**
Active difference from asset offsetting	**-**	**-**
Total assets	**5,357**	**3,950**

Financial assets include shares in affiliated companies in the amount of €2,788 million (previous year: €1,492 million) and the investment in 4iG Nyrt. acquired in the previous year. From the increase of €1,289 million, a total of €1,213 million relates to the acquisition of Expal Systems S.A.U. The share of financial assets in total assets subsequently increased from 42% to 55%.

Receivables and other assets of €1,605 million (previous year: €1,662 million) mainly comprise receivables from affiliated companies. These originate almost exclusively from intra-Group financing and central liquidity management. The share of these receivables in total assets amounted to 30% (previous year: 42%).

The securities portfolio in the previous year related to the shares in a special fund acquired at the end of 2021 as a strategic liquidity reserve. These were disposed of in full in 2023. Cash and cash equivalents rose from €428 million in the previous year to €664 million.

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

€ million	2023	2022
Share capital	112	112
Treasury stock (notional value relating to the share capital)	(0)	(0)
	111	**111**
Capital reserves	670	574
Retained earnings	444	297
Net earnings	250	190
Equity	**1,475**	**1,172**
Provisions	**118**	**88**
Convertible bonds	1,000	-
Liabilities due to banks	723	711
Other liabilities	2,041	1,978
Liabilities	**3,764**	**2,688**
Deferred income	**0**	**1**
Total Equity and liabilities	**5,357**	**3,950**

Equity as at December 31, 2023, amounted to €1,475 million compared with €1,172 million at the end of the previous year. This change reflected the fact that the dividend payment for 2022 of €143 million was offset by the net income of €393 million generated in 2023. In addition, equity increased by €88 million due to the convertible bond issue. Due to the increase in total assets, the equity ratio fell to 28% (previous year: 30%).

Provisions include pension provisions of €38 million (previous year €34 million). Measured pension obligations of €130 million (previous year: €128 million) are covered by plan assets of €92 million (previous year: €95 million).

Other liabilities include liabilities to affiliated companies of €1,973 million (previous year: €1,946 million). These originate almost exclusively from intra-Group financing and central liquidity management. The share of these liabilities in total assets declined from 49% to 37%.

Risks and opportunities
Risk management system

Entrepreneurial behavior – leverage opportunities, reduce risks

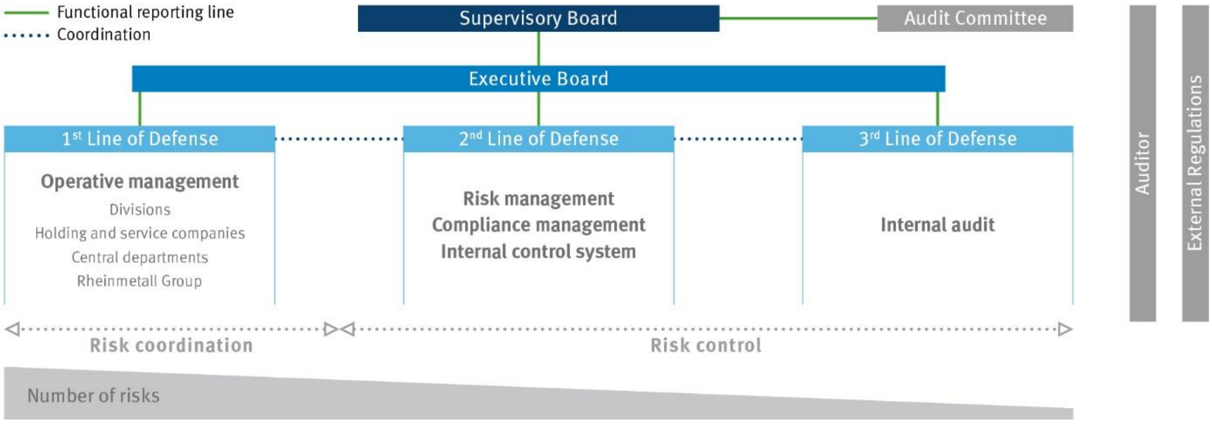
In light of rapid market changes, increasing uncertainty, the greater complexity of framework conditions that vary significantly from one country to the next and major technological progress, business decisions are increasingly dependent on the ability to reliably evaluate potential risks. As an internationally 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 (»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 (RMS) 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 also 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. 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 Rheinmetall Group's risk management system 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 guideline for the Rheinmetall Group's risk management system describes and defines the regulatory framework conditions, the risk culture and goals of the RMS, the roles and responsibilities, the three pillars of the RMS, the handling, documentation and communication of identified risk issues, and the thresholds for risk assessment with regard to the extent of damage and probability of occurrence.

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 are 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 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 the risk managers 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 and a probability of occurrence of more than 50%. By contrast, risks with a potential loss below €2 million and/or that have a probability of occurrence of less than 2% are not reported.

In order to calculate the risk-bearing capacity in accordance with IDW PS 340 (01.2022)(as amended), a Monte Carlo simulation was performed in 2023 to determine the overall risk situation of the Rheinmetall Group. 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 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 the thresholds defined by the Executive Board for critical key figures.

Significant corporate risks

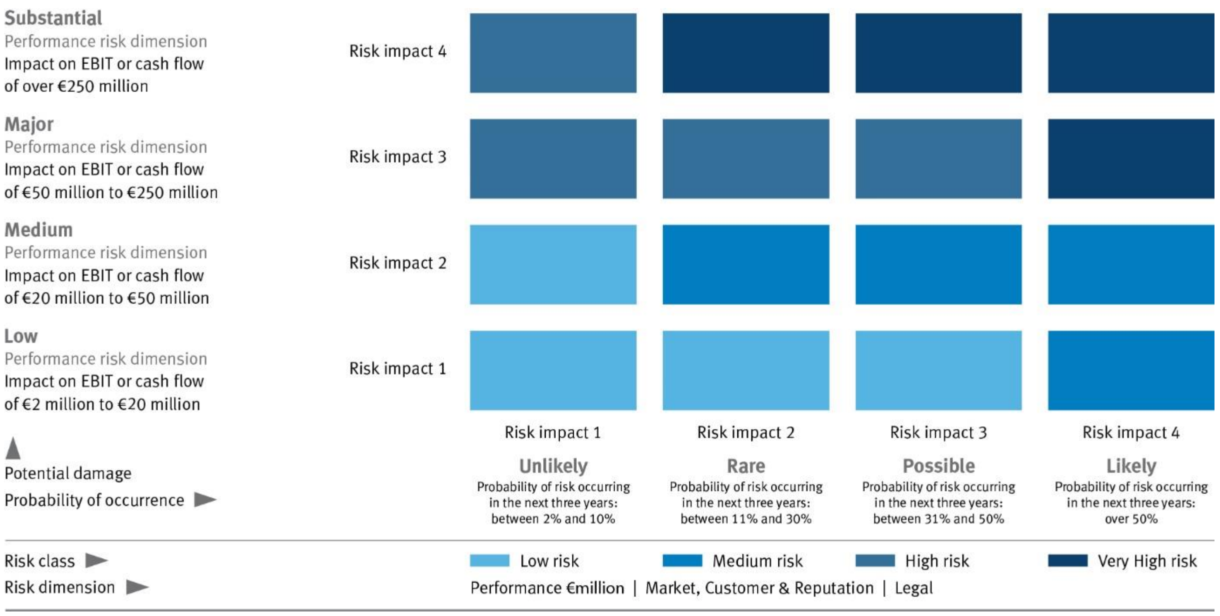
On the basis of the risk reporting to the Rheinmetall AG Executive Board, as of the end of the reporting period there was the following risk situation which summarizes the significant corporate risks from a Group respectively a Rheinmetall AG perspective in the defined risk fields with their risk impact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

Risk fields

Risk field	Risk impact		Risk class	Change risk class to 2022
	Potential damage	Probability of occurence		
Market and Customer	Medium	Possible	Medium risk	unchanged
Competition	Low	Rare	Low risk	unchanged
Technology and development	Low	Possible	Low risk	unchanged
Production and project implementation	Medium	Possible	Medium risk	unchanged
Suppliers and procurement	Medium	Possible	Medium risk	unchanged
Human resources	Low	Likely	Medium risk	unchanged
Finances	Medium	Unlikely	Low risk	unchanged
Taxes	Low	Rare	Low risk	unchanged
Legal	Major	Unlikely	High risk	unchanged
Compliance	Medium	Possible	Medium risk	unchanged
Public perception	Low	Rare	Low risk	unchanged
Environmental Social Governance	Medium	Possible	Medium risk	unchanged
Corporate security	Medium	Possible	Medium risk	unchanged
Information technology and information security	Medium	Possible	Medium risk	unchanged
Mergers and acquisitions	Medium	Rare	Medium risk	unchanged
Joint ventures and shareholdings	Medium	Possible	Medium risk	unchanged

As of December 31, 2023, 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

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 could arise from the dependency on key buyers, who use their negotiating power and increase pressure on margins. This can apply particularly to OEMs of Sensors and Actuators and Materials and Trade. 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 of Vehicle Systems, Weapon and Ammunition, and Electronic Solutions 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.

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 still 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.

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. In particular, the changes in the global security environment pose new challenges for Germany, the EU, NATO and NATO-equivalent states. The current complex security threats necessitate a systematic realignment of security and defence policy for the next decade and beyond. The turning point declared by German Chancellor Olaf Scholz reflects these new security threats.

In this dynamic environment, the Rheinmetall Group is a reliable partner that takes on responsibility and helps provide security by developing and expanding capacity in the short term, particularly in the area of research and development. However, the successful, targeted and sustainable development of capacity will depend on consistent long-term continuation of the course taken by the politicians. Only then can the planning security required for the process be established on a lasting basis. This particularly applies to the commitment to NATO's 2% target. The possibility of political reassessments of the priorities represents a potential risk to this development.

In addition, Rheinmetall continuously analyzes the technological developments that emerge particularly in connection with the Ukraine war but also in other conflicts worldwide in order to identify potential capability gaps and eliminate these by way of targeted technological innovations. The fast pace of the developments observed also poses a challenge and necessitates rapid, targeted decisions.

In addition to external factors and observations, the Rheinmetall Group invests in research, development and innovation to develop new, disruptive technologies and make them ready for use so as to ensure its own technological edge in the future, too. To this end, Rheinmetall also leverages synergies between the defence sector and the civilian sector in a targeted way in order to benefit from new ideas, innovative approaches, and fast civilian innovation cycles.

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

Rheinmetall counters potential production risks by applying high technical, safety and process standards at its plants in line with the relevant risks. We ensure compliance with regulatory requirements for the product areas through internal policies and procedural instructions as well as by establishing, applying and continuously improving 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, for example. 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. Wherever possible, the management systems are run as integrated management systems, meaning that the issue of quality is linked with other issues such as the environment, health and safety, and energy.

Risks may arise from capacity bottlenecks due to staff shortages, technical disruptions, excessive scrap levels, lack of demand availability as a result of failures or partial failures in the supply chains, or 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 – helps to further increase production efficiency. The availability of production plants is ensured through preventive maintenance with accompanying checks and through investments and modernizations.

Production may also be impacted by factors such as natural disasters, disruptions in the infrastructure, delivery stops or technical failure. As a countermeasure, Rheinmetall operates 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 also been taken out as financially reasonable to ensure that the financial consequences of potential risks are contained or completely ruled out.

Rheinmetall reviews 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.

Risks may also arise from the handling of projects in terms of planning, calculation and execution. This is due to the scope of major projects, their long terms lasting several years and their complexity, particularly at Vehicle Systems, Weapon and Ammunition and Electronic Solutions. These risks 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 entirely 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.

Suppliers and procurement

The purchasing organization is controlled by the Chief Purchasing Officer (CPO). It is managed via a matrix structure, with the procurement units in the divisions reporting to the CPO in functional terms while there are also central units in Procurement, such as Governance, ESG and Commodity Management, that cooperate with the divisions. One key element for managing this area is the Rheinmetall Group Purchasing Council (RGP Council). All divisions are represented on the RGP 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 RGP Council is to transfer expertise and information and to ensure networking within the purchasing organization. Furthermore, regular exchanges in the RGP Council ensure that the purchasing organization is adapted to changing requirements and that both organization and processes are described in sufficient detail.

Within the overarching Group purchasing organization, the central "Governance, Processes & Tools" organizes procurement governance for the Rheinmetall-wide purchasing organization in consultation with the CPO, defines the systems used within Procurement, and manages and supports measures and projects for improving and further developing procurement processes and systems at Rheinmetall.

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. Ongoing optimization of our supplier circle can leader to more favorable purchasing conditions. If new suppliers possessing, for example, specialized innovative 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. Electricity and gas purchases in the Rheinmetall Group are made in advance on a rolling basis over several years based on the medium-term planning. 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. However, we hold talks with our customers to make the development on the energy markets transparent and also to establish corresponding safeguard clauses. 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. We have responded to this partly by investing in renewable energy generation ourselves now.

Crises such as geopolitical tensions or natural disasters pose a fundamental risk to supply chains. We counter these by increasingly endeavoring to ensure transparency in the supply chain and making risk-minimized decisions on the basis of these insights. Furthermore, a cross-disciplinary team was already set up in the previous year 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 Corporate Social Responsibility (CSR), such risks are ruled out with business partner reviews. In 2023, we introduced a system for analyzing human rights and environmental risks in our supply chain. This system forms the basis for the implementation of the German Supply Chain Due Diligence Act at suppliers . »Non-financial aspects of business activities

A comprehensive easing of the situation on the global procurement markets still is not expected, as the aftereffects of the COVID-19 pandemic are continuing 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 establishment of a restructuring unit that is able to take action globally, 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 occupational health management organized on a Group-wide basis.

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.

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 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 a risk that the tax burden for the Rheinmetall Group may increase 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.

The introduction of the German Supply Chain Due Diligence Act (LkSG) in 2023 has given rise to new, additional due diligence requirements for Rheinmetall that are intended to ensure compliance with specific environmental and human rights standards. With the help of corresponding risk management systems (for its own business, the supply chain and the Social Compliance Officer), Rheinmetall ensures that the LkSG requirements are implemented lawfully.

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 (non-financial 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. Potential sustainability risks are identified and assessed both at Group level and in the divisions as part of the risk management system.

In addition to the safety of our products, protecting our employees and the environment and respecting and safeguarding human rights in our own business activities and in business relationships along the value chain are high priorities. Misconduct and non-compliance with legal requirements or the Group's own standards may have effects such as personal injury, environmental, property and reputational damage, production downtime and interruptions to operations, and the obligation to pay damages. This also includes the risk of releasing hazardous substances as a result of a failure in production, the obligation to remove contamination, and risks from the area of compliance with human rights and from potentially addressing these insufficiently. With our principles, standards and measures, we ensure that our requirements are communicated appropriately and implemented in the best possible way.

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 ESG reporting based on globally recognized standards such as the Global Reporting Initiative and – where possible – through continuous improvement of our customer and ESG ratings from internationally renowned agencies and institutions (e.g. MSCI, ISS ESG, Sustainalytics, VigeoEiris, ESG Book, CDP and EcoVadis).

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, the principles of social responsibility and the policy statement in accordance with the German Supply Chain Due Diligence Act. 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 risks including environmental 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. In addition to the direct risk of sanctions, violations of our own commitments or of laws or corporate policies also entail strategic and operational risks and pose a reputational risk.

With 174 locations worldwide, 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. It also includes regulations relating to air, soil and water pollution and waste disposal, all of which have recently been made stricter by new legislation, particularly in the European Union and the US.

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. Accounting 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 such as tornadoes and severe flooding. 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 again 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. In addition, a scenario analysis using parameters from the Intergovernmental Panel on Climate Change (IPCC) was already carried out for these production sites in the previous year for the historical, 2045 and 2070 periods, thereby analyzing the sites' exposure to physical risks in four different global warming scenarios. 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. In addition, environmental opportunities and risks with regard to the climate are analyzed and assessed each year as part of reporting to the British non-government organization CDP and are reported publicly to customers and investors.

With regard to the disclosure requirements for the EU Taxonomy Regulation, which were expanded significantly in the year under review, we consider ourselves to be well prepared and do not anticipate any additional risks, although we do not anticipate any significant opportunities either. In accordance with this framework's requirements, we disclose the economic activities with which we contribute to reducing greenhouse emissions in the industry and the extent of their effects in this regard. We also strive to make our investments sustainable by developing specifications to integrate sustainability in the investment process right from the start, taking account of thresholds.

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 constantly growing threats with regard to availability, confidentiality and integrity.

The organizational and IT networking of locations and complex systems, as well as the growing need for remote access for customers and employees, are causing risks to arise. In addition, the use of new forms of technology (e.g. cloud technology, software-defined networks) presents opportunities that entail further risks. The use of licensed or self-created software can also harbor potential 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 restrict 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 repeatedly be seen in the press. Rheinmetall's civilian sector was impacted by a global IT incident in April 2023. It was mainly the company's activities addressing industrial customers – particularly in the automotive sector – that were affected.

By taking action systematically, huge damage to Rheinmetall could be avoided. Large parts of the infrastructure were temporarily unavailable due to measures initiated immediately, although some systems were not at risk. For example, backup and business-critical systems were protected and not at risk. The systems affected or at risk were systematically re-established and equipped with additional security measures. Customers, service providers, and also public authorities were kept informed promptly and comprehensively throughout the entire duration of the re-establishment process. The measures have been completed globally.

Due to the continuously growing dangers, we as a company find ourselves confronted with significantly increased regulatory and legislative requirements.

The installed software and hardware meet from a Group perspective the latest technological standards as a result of regular investment and security updates. 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 level of protection is implemented and operated uniformly for the entire Rheinmetall company across all divisions. Ensuring the availability, reliability and confidentiality of data is a top priority. In addition, process harmonization is required in some areas of the business to provide a further basis for standardization and harmonization of IT in the future.

The extensive IT insourcing program launched in fiscal 2021 was continued in 2023 as well. As a result of the above-mentioned IT incident in April 2023 and the short-term focus on restoring operability in the civilian sector, the time planning for the IT insourcing program has been postponed. The continued 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. Furthermore, there is a conflict within IT between establishing operability and growth. The planned and ad-hoc resource requirements push the focus onto operability. Based on the current availability of resources and business requirements, the focus is be on operability. Core action areas here include transition, stabilization and IT governance.

Mergers and acquisitions

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 2023, Rheinmetall carried out the following transactions, among others:

The acquisition of the munitions manufacturer Expal Systems S.A.U. in Spain represents the largest transaction in the company's history. Following the contract signing in November 2022, the transaction was completed on August 1, 2023. 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.

In the subsequent post-merger integration, the focus is particularly 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.

Furthermore, divestments of individual business units in the civilian sector have also been driven forward as part of active portfolio management. In fiscal 2023, Rheinmetall completed the sale of its large-bore piston business to the Swedish group Koncentra Verkstads AB. In addition, Rheinmetall and Comitans Capital AG signed the acquisition agreement for the entire small-bore business area on December 18, 2023. The purchase agreement covers Rheinmetall's small-bore piston business with all production sites, where business operations and production are to be continued in the future. The parties are aiming to close the transaction, which is still subject to approval by the relevant authorities, as of March 31, 2024.

At the beginning of 2024, Rheinmetall acquired a majority interest in the military vehicle manufacturer Automecanica Mediaș SRL in Romania, in which it will hold 72.5% of the shares via Rheinmetall Landsysteme GmbH in future. The other shares in the company will remain with private owners. The closing of the corresponding contractual agreement is still subject to approval by the relevant authorities. The company will operate in Romania as Rheinmetall Automecanica SRL. With this acquisition, Rheinmetall is building further on its position as a leading manufacturer of military vehicles and strengthening its activities in Central Europe in line with its strategic orientation.

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

One particularly noteworthy development in 2023 was the establishment of the Rheinmetall joint venture with the Ukrainian state-owned company Ukrainian Defense Industry JSC (UDI) in Kyiv. Rheinmetall Landsysteme GmbH holds 51% of the shares in the joint venture, while UDI holds 49%. The joint venture will operate in the areas of maintenance and other services, assembly, production and development of military vehicles, initially only in Ukrainian territory. The cooperation between Rheinmetall and the Ukrainian defence industry initiated in May 2023 is intended to strengthen Ukraine's defence industry base and ultimately the country's national security. The intention is gradually to build up joint capabilities in armaments technology in Ukraine.

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 – consisting of 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 further. 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 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.U. 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 Ukrainian and US defence markets in particular represent significant market development opportunities for Rheinmetall. Strategic cooperation between Rheinmetall Landsysteme GmbH and the Ukrainian state-owned company Ukrainian Defence Industry formed the basis for further developing the market and strengthening the Ukrainian defence industry.

In the US, the world's largest defence market, Rheinmetall has achieved significantly growing business successes. In the period from 2020 to 2023, Rheinmetall Defence achieved a growth rate of 93% in sales in the us, primarily due to participation in the pioneering OMFV (Optionally Manned Fighting Vehicle) and CTT (Common Tactical Truck) projects. XM30 Mechanized Infantry Combat Vehicle (formerly 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 logistics 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 for Rheinmetall.

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 created structures that 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. 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

Vehicle Systems 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. An increase in tactical vehicles also requires adjustment of the associated necessary logistics. It is therefore no surprise that demand for all-terrain military trucks is also rising exponentially. With regard to logistics vehicles, there are upcoming fleet regenerations comprising several tens of thousands of units, particularly on the European markets and in the US. 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 of the defence market

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 national and 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. Rheinmetall offers 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. Rheinmetall offers a wide range of lightweight cast components such as aluminum structural and chassis parts and also holds a 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. With this expertise, 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 hybrid vehicles 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, and numerous power electronics applications (e.g. DC link capacitors, high-voltage contactors), as well as lightweight cast components such as battery trays and structural and chassis parts for electric vehicles, Rheinmetall sees great opportunities for continuing growth in this transformation toward alternative drive forms.

Another innovation in Rheinmetall's electrification portfolio is the Rheinmetall curb charger – 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. Initial pilot projects in public spaces are currently being designed.

Opportunities due to digitalization

The integration of biometric technology, AI software and digitalization solutions is progressing and picking up pace. Rheinmetall Dermalog SensorTec GmbH, a joint venture of the technology group Rheinmetall AG and DERMALOG Identification Systems GmbH, Germany's largest biometrics company, combines automotive and industrial know-how with biometrics expertise. The strategic partnership allows for a unique market position and promotes innovative solutions in the areas of automotive vehicle interiors (driver monitoring and in-cabin sensing applications), security and industry. For the Rheinmetall Group, the joint venture is a key component of its transformation to digitalization technology and the expansion of its product portfolio.

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 defence sector is also being assessed and opens up further growth potential. Within decarbonization, warm home and hydrogen technologies are focus areas for Rheinmetall. In the warm home area, the focus 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

The hydrogen technology field is an important element of our strategy. As a proven technology partner, Rheinmetall has been contributing to the optimization of hydrogen use for many years and thus acting in the interests of the desired energy transition – both for vehicles of various categories and for stationary systems. Alongside the secure production and distribution of hydrogen and data security for the hydrogen infrastructure, our commitment will also continue to focus on alternative drive systems and on the fuel cell system itself. 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. As part of Germany's national hydrogen initiative, Rheinmetall AG is an industrial partner to the Innovation and Technology Center for Hydrogen Technology in Duisburg. At Sensors and Actuators, Rheinmetall develops innovative solutions to support the industry with high-quality hydrogen products. Rheinmetall is now the market leader for recirculation blowers, cathode valves and coolant pumps for fuel cell systems.

Control and risk management

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 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 declared intention to increase defence spending significantly. Increasing defence budgets and business opportunities for Rheinmetall are also to be anticipated in other European countries as a result of the Ukraine war.

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 2023, despite persistently high inflation rates and associated price increases, for example for raw materials and energy. 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

Global economy set for another year of only moderate growth – momentum waning slightly

2024 will be another year of restrained global economic growth. Economic growth in industrialized countries in particular remains subdued for the moment. Dramatically elevated interest rates are still having a curbing effect, which is stifling consumer spending and corporate investment. The impact of less favorable monetary conditions in the form of higher interest rates has been visible for quite some time already, particularly in the context of housing construction. The problem is especially pronounced in the United States, but this is also the case for some European countries including Germany. Financial policy is also serving as a restraint on the economy, since measures designed to boost purchasing power have been scaled back. Some degree of relief can be expected on the part of inflation rates, which have already been trending downwards due to factors including central banks' expansive monetary policy and stand to limit private consumers' willingness to spend to a lesser degree. Lower inflation rates will also potentially give central banks room to begin bringing rates back down again this year, which should have a positive impact on economic momentum.

Growth of the US economy will most likely weaken to some extent in 2024, with GDP growth of 1.6%. Factors pointing to a slowdown include subdued sentiment in the corporate sector and waning labor market momentum. Growth of 0.9% is expected for the eurozone. Restrained overseas demand is weighing on the European economy. In Germany, gross domestic product (GDP) is expected to grow by only 0.3%, constrained not least of all by the necessary saving measures enacted by the German government. China is expected to see moderate growth of 4.5% in 2024. Obstacles to more dynamic growth there include structural issues and the weak global economy. Following growth in global economic output by 3.0% in 2023, 2024 will most likely see only below-average growth of 2.8%, and thus another mild loss of growth momentum. Growth of just 1.2% is expected in the industrialized countries, with emerging markets set for much more dynamic growth of around 3.9%. In 2025, the global growth rate is expected to recover to a slightly higher level of 3.0%.

Lower inflation rates for 2024

Projections for the global inflation rate in 2024 currently average 6.4%. In 2023, global inflation measured 6.9%. Germany is expected to see a much lower inflation rate of 2.6% in 2024. A relatively high inflation rate of 9.3% is expected for emerging and developing countries, while industrialized countries are expected to average 2.5%. For 2025, experts anticipate another pronounced reduction in global inflation to 3.9%.

High political priority for defence capability – defence spending rising further

In light of the current and prospectively increasing geopolitical risks, IHS Jane's forecasts that global defence spending will amount to roughly $2,398 billion in 2024. It will therefore significantly exceed the forecast made before the Ukraine war and reach a level 3.1% higher than that of the previous year (previous year: $2,327 billion). The global trend of increasing defence spending is chiefly due to the responses to the Ukraine war, which have resulted in higher defence budgets in Europe in particular. For Europe, IHS Jane's is forecasting spending of $442 billion in 2024. Germany's defence spending is projected to rise to a record high of roughly €74 billion in the current year. Of this amount, €51.8 billion originates from the regular defence budget and a further E19.2 billion stems from the German armed forces' special fund for military procurement.

Although European defence budgets will see high growth in 2024 on the whole, North America and Asia-Pacific remain the regions with the highest defence spending this year at $914 billion and $597 billion, respectively. In the US, experts anticipate defence spending of $895 billion in 2024, after $910 billion the year before. China is expected to increase its spending to $276 billion this year, after spending $263 billion last year.

The experts from IHS Jane's see continuing growth potential in the years ahead. They expect global spending of $2,448 billion in 2025. By 2028, global defence spending is expected to grow to $2,575 billion. For the US, IHS Jane's expects spending of $893 billion in 2025. In Germany, the experts foresee spending of $81 billion next year.

Defence budgets of selected countries in $ billion

	2024	2023
World	2,398.5	2,327.3
USA	894.8	909.7
China	275.8	263.1
Russian Federation	111.1	112.7
Germany	74.4	62.6
India	74.0	71.8
Saudi Arabia	71.5	69.1
UK	65.1	64.8
France	61.6	60.9
Australia	37.2	36.4
Poland	35.3	25.1
United Arab Emirates (UAE)	27.9	26.9
Netherlands	22.7	17.5
Algeria	19.6	17.9
Canada	18.7	19.6
Norway	8.2	7.9
Hungary	5.3	4.7

Source: Jane's Defence Budgets (JDB), December 11, 2023

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 still expects to receive stable orders in 2024, partly from the defence budget for the German armed forces.

Framework agreements for 155mm artillery ammunition and 120mm tank ammunition, for example, have been expanded and extended for the years ahead. Tank ammunition for Ukraine is also part of the order package. 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 a continued surge in overall demand in 2024 from the existing backlog and modernization requirements of the German armed forces and from the international environment due to an increased need for security.

Global passenger car production expected to weaken

The automotive industry is under pressure: In the midst of a period of weak macroeconomic conditions, high interest rates, and acute 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.

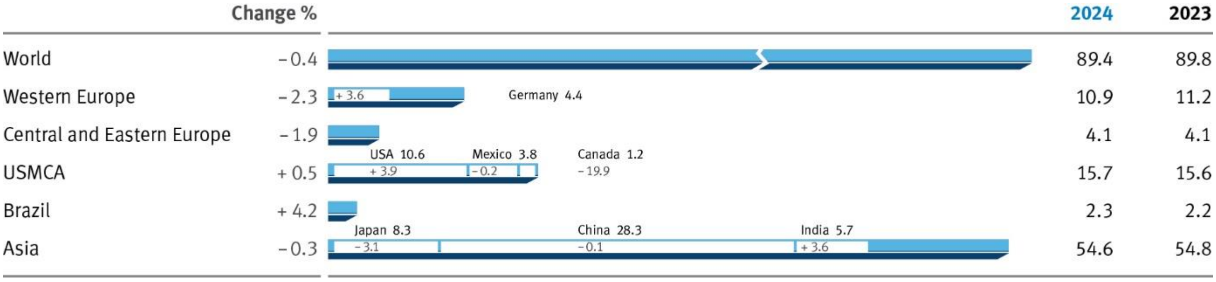
Due to these stress factors, IHS Markit analysts expect global production of passenger cars and light-duty commercial vehicles up to 6.0 t to decrease slightly to 89.4 million units in 2024. This puts production volume 0.4% below the comparable figure for 2023, in which roughly 89.8 million vehicles left the assembly line.

In terms of automotive production, IHS Markit forecasts growth of 0.5% for the USMCA region in 2024, with growth of 3.9% in the US and a slight decrease by 0.2% for production in Mexico. A dramatic decrease of 19.9% is expected for Canada.

IHS also expects lower production in Western Europe, where their experts project a 2.3% decline in production in 2024. Germany, however, is expected to see growth of 3.6%. Stagnant development is expected in France, while a decrease by 3.6% is projected for Spain. According to IHS Markit's forecast, the United Kingdom will see a considerable decrease of 10.7%, and production in Italy will decrease by 8.9%. In Central and Eastern Europe, production volumes are expected to decline by 1.9%.

In Asia, IHS Markit expects a minor decrease in production volume by 0.3% in 2024. The forecast projects virtually stagnant growth for China, while production in Japan is expected to decrease by 3.1%. For the Indian automotive market, low growth of 3.6% is projected for 2024.

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



Source: IHS Markit, January 5, 2024

Growth opportunities in the truck market – electric drives likely to gain in importance

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. The introduction of strict emissions regulations is also likely to serve as an incentive for automotive manufacturers to switch to alternative drive systems in the commercial vehicle segment as well. Pressure to reduce pollution and greenhouse gas emissions caused by burning diesel fuel will likely be stepped up worldwide. This is also expected to lead to increased investment in the development of electric trucks.

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

Progress towards electromobility is expected to advance in 2024, at least in terms of the overall trend. 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 2024.

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 boosted Rheinmetall's annual order intake and order backlog to a new quantity level and form the foundation for sales growth over the next few years. Due to the announcements by many countries that they will be increasing their defence budgets in the wake of the war in Eastern Europe and geopolitical uncertainties in other parts of the world, and against the backdrop of the German government's declared intention to make 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.

In addition to the German armed forces, which will remain Rheinmetall's most important individual customer in the years ahead in the wake of the announcement of the considerable increase in German defence spending, we have also established ourselves as a preferred partner of local armed forces in additional "home markets" as part of our internationalization strategy.

To secure its core business in the field of weapons, ammunition, and propulsion systems in a sustainable manner, Rheinmetall concluded a significant acquisition in 2023: On August 1, 2023, the company acquired the Spanish company Expal Systems S.A.U., 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. In this way, Rheinmetall is optimally positioning itself for further new tenders for ammunition procurement in view of the foreseeably high demand.

In cooperation with its US partners Northrop Grumman and Lockheed Martin, Rheinmetall has begun construction of a state-of-the-art factory for the center fuselages of F-35 Lightning II fighter planes. The symbolic groundbreaking at the airport in Weeze took place on August 1, 2023. The F-35 Lightning II is the most advanced fighter jet in the world at present. It will also be procured by the German Air Force. Over 400 highly qualified new employees will operate a cutting-edge assembly line at this site. The facility will also comprise logistical and warehouse areas, research and testing centers, training facilities, and quality control. At least 400 F-35 center fuselages are to be produced at the new plant for the German Air Force and allied governments. In this context, Rheinmetall can contribute its experience both as an integrated technology group in the production of complex components and as a certified aeronautical company. Production is slated to begin in 2025.

Rheinmetall has also achieved success in another key project for the US armed forces. As part of the "Team Lynx" industrial team, American Rheinmetall Vehicles has received the order for phases 3 and 4 of the US Army's XM30 program. The Lynx OMFV is a cutting-edge infantry fighting vehicle featuring superior protection, high penetrative power, outstanding mobility, and an open system architecture. The total contract value for phases 3 and 4 is in excess of $700 million. In addition, American Rheinmetall Vehicles and GM Defense LLC have been awarded the contract for the first phase of the US Army's Common Tactical Truck (CTT) program. The goal of this multi-stage program is to replace the US Army's heavy tactical truck family through the production of up to 40,000 vehicles worth as much as $14 billion.

Rheinmetall also officially opened its new factory in Zalaegerszeg, Hungary, in August 2023. The new factory is a significant milestone for Rheinmetall and underscores the company's commitment to the Hungarian market. The Lynx infantry fighting vehicle, one of the most advanced infantry fighting vehicles in the world, will be manufactured at the cutting-edge production site in the future. The contractual agreement encompasses 209 Lynx KF41 vehicles in 7 variants, 18 support vehicles including the Bergepanzer 3 Büffel armored recovery vehicle, and 38 military trucks. The contract also includes further services such as simulators, training, and education, as well as an initial supply of replacement parts and maintenance services. Replacement parts and maintenance measures will be necessary over the decades-long useful life expected for the Lynx in order to keep vehicles operationally ready.

Rheinmetall also welcomed the German-Australian declaration of cooperation for the planned manufacture of Boxer combat vehicles for the German “schwerer Waffenträger Infanterie” (infantry heavy weapon carrier) project in Australia. This project is serving to deepen the close cooperation and defensive partnership between the two nations in the context of ground defence. The “schwerer Waffenträger Infanterie”(sWaTrInf) is based on the Boxer CRV, An 8x8 combat vehicle with a proven track record and equipped with a wheeled armored scout vehicle mission module, including the “Lance” two-person turret. The Rheinmetall MK30-2 ABM automatic cannon, which is also built into Germany's Puma infantry fighting vehicle, serves as the primary weapon. The German armed forces prospectively intend to procure 100 Boxer sWaTrInf vehicles as a replacement for the Wiesel tracked vehicle as direct tactical fire support for their infantry units. Deliveries are expected to begin in 2025.

We have also received other important orders over the past fiscal year which underscore our growth opportunities in the area of security and defence technology and are of particular strategic importance to Rheinmetall. The German armed forces have expanded an existing framework agreement with Rheinmetall to deliver tank ammunition, for example. This order underscores Rheinmetall’s role as a major supplier of the German armed forces in the area of 120mm tank ammunition, and also serves as a symbol of the armed forces’ efforts to close gaps in inventories and to increase munitions stockpiles overall in light of the security policy situation. The framework agreement also provides for the delivery of a significant quantity of tank ammunition for the Ukrainian armed forces. Rheinmetall has also received a new framework agreement from the German armed forces to deliver 155mm artillery ammunition, and an existing framework agreement has been expanded. In total, the delivery of several hundred thousand shells of various types, including fuses and propelling charges, is intended. The new framework agreement will remain in effect into 2029 and encompass a potential gross order volume of roughly €1.2 billion.

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 is 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, 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 2024

Of Rheinmetall's operating units, Vehicle Systems, Electronic Solutions and Weapon and Ammunition operate predominantly in the markets for security and defence products, while Sensors and Actuators and Materials and Trade supply international automotive manufacturers and increasingly also industrial applications with essential parts from their current product portfolio. Since the beginning of 2021, Pistons, 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. At the beginning of 2023, Rheinmetall transferred its activities in the area of large-bore piston production to the Swedish group Koncentra Verkstads AB (KVAB), Gothenburg, as planned. Rheinmetall had announced the sale, which took place in the course of a strategic reorientation of the Düsseldorf-based technology group, in October 2022. Following assessment and approval by the relevant authorities, the closing of the transaction was carried out with retroactive effect as of January 1, 2023. At the end of 2023, Rheinmetall completed another important step of the strategic reorientation and spun off its activities in the area of small-bore piston production. Rheinmetall and Comitans Capital AG signed a sale and purchase agreement for the entire small-bore piston business area. In doing so, Rheinmetall took another step towards its strategic objective – as far as civilian activities are concerned – of focusing on new areas of technology and alternative drive systems in the future. The purchase agreement encompasses Rheinmetall's small-bore piston business area and all relevant production sites. A total of roughly 3,650 employees work at the plants in Neckarsulm (Germany), Marinette (USA), Celaya (Mexico), Nova Odessa (Brazil), Trmice (Czech Republic), Hiroshima (Japan), and two locations of Chinese joint venture KSHP in Shanghai and Chongqing. Business operations and production are intended to continue at all locations. The parties are aiming to close the transaction, which is still subject to approval by the relevant authorities, as of March 31, 2024.

Macroeconomic uncertainty continues to shape the development of general economic conditions

As of the beginning of fiscal 2024, numerous risk factors and thus a relatively high degree of unpredictability apply in regard to the economic situation at the national and international levels. Geopolitical risks in particular have recently increased to a significant extent. In addition to Russia's ongoing war of aggression, other factors including the terror attacks on Israel by Hamas are resulting in a high potential for conflict in the Middle East. The development of the Chinese economy also continues to pose a significant downside risk to the global economy. 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 2024.

General conditions for security technology remain positive; recovery of automotive markets is slowing

We still consider the general 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 ongoing military conflict in the Ukraine and potential conflicts in other parts of the world, 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 units.

In contrast, the automotive markets that Rheinmetall supplies continue to face comparatively high volatility risks. In line with expert forecasts, we currently expect international automotive production to see stagnant development at best in 2024.

Rheinmetall Group forecast 2024: Sales growth with rising margins

Based on the current market outlooks, we anticipate significant growth in sales and anticipate a rising operating margin combined with an improved operating result in fiscal 2024.

The Rheinmetall Group's annual sales are expected to rise to a level of around €10 billion in fiscal 2024 (sales in fiscal 2023: €7.2 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 14%-15% (margin in fiscal 2023: 12.8%).

Development of segments in fiscal 2024

For the Vehicle Systems segment, we anticipate a considerable increase in sales of between 45% and 50% in fiscal 2024, 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 various customers as well as ring exchanges (segment sales in 2023: €2,609 million). The operating margin is expected to range from 12% to 13% (segment margin in 2023: 12.4%).

Based on the very good order situation and rising sales in the core business (ammunition), we anticipate considerable sales growth of between 55% and 65% in the Weapon and Ammunition segment in fiscal 2024 (segment sales in 2023: €1,756 million). The operating margin is expected to range from 25% to 26% (segment margin in 2023: 23.0%).

For the Electronic Solutions segment, we anticipate significant sales growth of 30% to 35% in 2024, underpinned by deliveries for the large systems projects in the Vehicle Systems segment and business for our air defence systems and associated follow-up deliveries of components with international customers (segment sales in 2023: €1,318 million). The operating margin is expected to range from 12% to 13% (segment margin in 2023: 11.4%).

For the new Power Systems segment, which will exist from January 1, 2024 and which combines the former Sensors and Actuators (S+A) and Materials and Trade (M+T) divisions, we expect sales growth of around 5% in the current fiscal year based on the forecast development in international light vehicle and truck production in 2024 and the continued growth of the aftermarket business (pro forma segment sales in 2023: €2,059 million). The operating margin is expected be around 7% (pro forma segment margin in 2023: 6.8%).

Development of other Group key figures and key performance indicators in fiscal 2024

In terms of operating free cash flow (OFCF) from continuing operations, we expect to achieve a target corridor of around 40% of the operating result in fiscal 2024. This new Group key figure is defined as the cash conversion rate (CCR) and replaces the previous definition of OFCF as a ratio to sales (OFCF in fiscal 2023: €356 million or 38.8% of the operating result).

Positive net income of €250 million to €300 million is expected for the management holding company Rheinmetall AG in fiscal 2024 (net income in 2023: €393 million).

Rheinmetall Group – forecast business performance in 2024

		2024	2023
Sales			
Group	€ million	sales growth to around €10 bn	7,176
Vehicle Systems	€ million	sales growth 45% to 40%	2,609
Weapon and Amunition	€ million	sales growth 55% to 65%	1,756
Electronic Solutions	€ million	sales growth 30% to 35%	1,318
Power Systems[1]		sales growth to around 5%	2,059
Operating result margin			
Group	%	operating result margin 14% to 15%	12.8
Vehicle Systems	%	operating result margin 12% to 13%	12.4
Weapon and Amunition	%	operating result margin 25% to 26%	23.0
Electronic Solutions	%	operating result margin 12% to 13%	11.4
Power Systems[1]		operating result margin around 7%	6.8
OFCF (in relation to operating result)			
Group	%	cash conversion rate around 40%	38.8

[1] Pro forma: New Power Systems segment from 1 January 2024, in which the former Sensors and Actuators (S+A) and Materials and Trade (M+T) divisions were combined.

Non-financial aspects of business activities

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. 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. The Rheinmetall Group's business model is described in detail under »Basic information on the Rheinmetall Group.

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.

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 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 two meetings in April 2023 and October 2023, the heads of the divisions presented the measures implemented and progress made in the area of ESG during the year and provided an outlook on the activities planned for 2024. Furthermore, since May 2023, the heads of the divisions have reported on current developments, planned activities in the environmental area and progress in the implementation of measures at the extended Executive Board meeting.

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, their significance for the corporation and its stakeholders and the resulting current and future effects, risks and opportunities. The Audit Committee handles not only risk management, but also the scope and granularity of current and future regulatory requirements for sustainability reporting and their implementation, as well as the structures, processes and internal controls implemented in collecting the data required for reporting. The Strategy, Technology 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 and Remuneration 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

Ongoing further development aligned to the changing requirements of our time is the basis for sustainability activities at Rheinmetall. In cooperation with the ESG experts in the divisions, business units and national companies, the central CSR department works to continuously improve the Group’s sustainability performance.

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 Labour 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;
- Policy statement on the human rights strategy in accordance with Section 6(2) of the German Supply Chain Due Diligence Act.

Furthermore – alongside key performance indicators – non-financial aspects from the environmental and social areas are also included in target agreements with the members of the Executive Board. These define targets for variable remuneration components relevant to ESG, including areas such as energy efficiency, reduction of CO_2 emissions or health and safety at work. For senior and middle management, the achievement of environmental and social targets will now be taken into account at 20% in the short-term and long-term incentive from fiscal 2024.

Reporting

In the context of its reporting on non-financial and sustainability-related performance, Rheinmetall aligns itself to the Global Reporting Initiative (GRI) standard, as mentioned above. From the 2024 fiscal year, reporting will be included in accordance with the Corporate Sustainability Reporting Directive (CSRD), which incorporates aspects of international frameworks such as the GRI, the Task Force on Climate-related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB) and the CDP.

In addition to the legal requirements, we publish the ESG Factbook reporting annually. On more than 130 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 SASB in the sectors relevant to our business model.

In accordance with the UN Global Compact, a worldwide pact between the United Nations and companies for the social and ecological shaping of globalization, we published our annual progress report, the Communication on Progress (CoP), in June 2023. 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 frameworks 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 and reporting requirements 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 2022 fiscal year, involving both internal and external stakeholders. 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 Rheinmetall 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		

Regarding the double materiality analysis to be carried out in 2024 as part of the CSRD with inside-out and outside-in considerations in accordance with the overarching European Sustainability Reporting Standards 1 and 2, we have refrained from updating the material ESG aspects identified in the previous year. Following a review of the existing materiality analysis to ensure that it is up to date, it is still valid for the 2023 reporting year. In the past fiscal year, an initial double materiality analysis was carried out in accordance with CSRD, which will be updated in the coming year, taking into account the support documents provided by EFRAG and other factors, and will form the basis for our reporting in future.

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 Group'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. 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. Properly registered shareholders were able to put their questions on the topic of ESG to the Executive Board at the Annual General Meeting held virtually on May 9, 2023.

Satisfied and motivated employees are an important success factor for our company. Employee commitment and satisfaction have been measured at regular intervals since 2022. Employees can use a link or QR code to take part anonymously in the Group-wide online Pulse survey and share their opinions on topics that are important to the Group. In addition to emerging trends and changes, the need for action can also be quickly identified and, if necessary, targeted measures can be determined. The anonymous results of the survey are made available to employees and managers in the form of dashboards shortly after the survey is completed. A total of 14,848 employees took part in the last Pulse survey in November 2023 (previous year: 14,584).

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

Rheinmetall AG achieved 52 out of 100 points in the first EcoVadis rating – classified in the “Manufacturer of weapons and ammunition” sector – confirming a place among the top 50%. Furthermore, in a first step, the management companies of the divisions will successively undergo the rating process on the EcoVadis platform. EcoVadis analyzes the sustainability performance of companies in the areas of environment, labor and human rights, ethics and sustainable procurement.

In addition to customer ratings, internationally recognized ESG ratings and ESG rankings document our commitment to sustainability in the areas of the environment, social issues and corporate governance. These results are used as a decision-making tool, for example by institutional investors.

Rating	Score	Ranking	Industry/sector
MSCI ESG	AA		Industrial Conglomerates
ISS ESG	C		Aerospace & Defence
S&P Global	39		Industrial Conglomerates
Sustainalytics	26.7 | Medium risk	13th place out of 101 rated companies	Aerospace and Defence
VigeoEiris	42 | Sector average	19 rated companies	Aerospace Europe
Moody’s	Neutral-to-low		Aerospace and Defence
London Stock Exchange Group (LSEG; formerly Refinitiv)	85	4th place out of 129 rated companies	Aerospace & Defence
esgbook	60.66	Sector percentile 83.54%	Aerospace & Defence
DVFA	72.51%	32nd place in the DAX	
EcoVadis	52	52nd percentile	Weapons and Ammunition

We provide information on relevant risks in the »Risks and opportunities section.

Technology and innovation

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. Details are provided in the “Research and development” section. We provide information on relevant risks 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 CO2 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.

In July 2023, the newly established Strategic Energy Procurement department commenced its activities. Its aim is to develop the foundations for uniform, economical, safe and sustainable energy procurement within the Rheinmetall Group. By creating its own energy supply from renewable sources and procuring energy from solar and wind power plants, the new unit will make an important contribution towards the Group's carbon neutrality.

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 CO2 emissions produced by the Rheinmetall Group in Scopes 1, 2 and 3. Rheinmetall's Scope 1 and Scope 2 targets are based on the Paris Climate Agreement.

For the year under review, we prepared a carbon footprint in accordance with the internationally recognized Greenhouse Gas Protocol for the second time. 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.

Rheinmetall Group's carbon footprint

tCO_2e	2023	2022
Total emissions (location-based)	**341,763**	**321,004**
Total emissions (market-based)	290,170	336,910
Scope 1 | Direct greenhouse gas emissions	143,387	115,583
Scope 2 | Indirect greenhouse gas emissions (location-based)	198,377	205,421
Scope 2 | Indirect greenhouse gas emissions (market-based)	146,784	221,327
Scope 3 | Indirect greenhouse gas emissions	8,821,480	-

When recording the values for the 2023 fiscal year, 109 subsidiaries were taken into account in accordance with the operational control approach. The change compared to the previous year (previous year: 115) is due to changes in the composition of the Group. Around 90% of carbon emissions at the Rheinmetall Group can be attributed to the top 20 companies alone. CO2e for fiscal 2023 was calculated using the location-based and market-based method. Scope 1 emissions for 2023 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 emissions for refrigerants were calculated using the global warming potential in accordance with the IPCC Fourth Assessment Report.

The data in these two 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 care and processed. Nevertheless, errors cannot be entirely ruled out in the collection, processing or transmission.

In the reporting year, a review was carried out of the original intention to join the Science Based Targets Initiative (SBTi). After analyzing the data, evaluating the results and conclusions and taking into account our business model, the Executive Board decided not to join SBTi, but to adopt an approach based on the SBTi methodology in order to achieve our goal of no longer generating any climate-damaging carbon emissions by 2035 for Scope 1 and 2 net.

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. In the medium to long term the CO2 emissions in Scope 3 are also to be reduced.

Indirect greenhouse gas emissions - Scope 3

Upstream emissions		2023	2022
Purchased goods and services	t CO2e	2,214,736	-
Use of sold products	t CO2e	6,606,744	-
Rheinmetall Group	**t CO2e**	**8,821,480**	**-**

Calculations of Scope 3 emissions have been carried out for 15 categories since 2021. This data will be audited for the first time in 2023 by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Düsseldorf branch. The emissions attributable to the categories “Purchased goods and services” and “Use of products sold” accounted for over 90% of total Scope 3 emissions. Therefore, only these categories will be reported in 2023. The companies are accounted for using the operational control approach. All purchased goods and services in the fiscal year were assessed separately by product and supplier group using the corresponding exiobase (expenditure-based) emission factors.

Emissions in “Use of products sold” were calculated using the emission factors of the Department for Environment, Food & Rural Affairs and the Association of Issuing Bodies based on the German electricity mix. The lifetimes and operating times were assumed to depend on the end products. The share of emissions per Rheinmetall product was calculated as the relative share of emissions by weight of the intermediate product in relation to the total weight of the end product.

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.”

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. Rheinmetall again took part in the CDP’s demanding sustainability rating in the year under review and improved its score from “D” to “B,” which is above the industry average (score C).

TCFD

The four-pillar framework of the TCFD of the G20 Financial Stability Board helps companies both in integrating the opportunities and mitigating the risks of climate change into their business and in reporting on them consistently. 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 view of the mandatory CSRD reporting for our company from the 2024 fiscal year, which also covers the TCFD recommendations, we have decided not to include any additional voluntary reporting for the 2023 fiscal year.

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. The Group-wide waste volume of 60,417 tonnes in the reporting year, compared to 54,039 tonnes in the previous year, is the result of our increased business volume.

Waste generation

t	2023	2022
Non-hazardous waste for disposal	5,561	3,925
Non-hazardous waste for recycling (excluding scrap)	15,552	11,267
Scrap for recycling	26,658	26,840
Hazardous waste for disposal	6,411	6,601
Hazardous waste for recycling	6,235	5,406
Rheinmetall Group	**60,417**	**54,039**

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 specialized service provider, locations in Spain, 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 2023 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.

The water consumption of the Rheinmetall locations was 4,112,269 m³ in fiscal 2023 (previous year: 3,706,402 m³). Compared to the previous year, water purchases increased by around 11%. Influencing factors included a significant expansion in business activities, which resulted in higher water consumption.

Water use

m^3	2023	2022
Fresh water	4,112,269	3,706,402

[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.

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 fiscal 2022, 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. An area of moorland in the immediate vicinity of the Kiehnmoor is also to be rewetted. In the year under review, exploratory talks were held with the owner of the Lower Saxony State Forests on possible cooperation with the aim of exploiting synergies, determining the advantages of simultaneous implementation and planning the involvement of affected neighbors.

Other locations of Weapon and Ammunition in Germany and Switzerland also have extensive grounds with forests and green spaces. They therefore offer ideal conditions for continuous ecological upgrading and nature-oriented design. Following mapping and initial assessments, comprehensive concepts and action plans for the ecological optimization of the company premises were developed by specialist companies in the year under review. It is planned to successively and purposefully develop the ecological potential of the sites in terms of the flora and fauna over the next few years through ecological enhancement measures for wetland habitats, forest habitats, open land areas and by creating optimal networking opportunities for these diverse habitats. The implementation of the measures will be professionally monitored by external institutions, and the success of the measures will be documented and subjected to an independent performance review.

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.

We provide information on relevant risks in the »Risks and opportunities section.

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 new, mobile-optimized careers website offers extensive information and insights into the Rheinmetall Group as an employer. The user-friendly "Careers worldwide" section presents career information from 20 countries in Europe, North and South America, Africa, Asia and Australia. Potential applicants can also read brief descriptions of the different companies and the opportunity to view existing job advertisements quickly and easily. In 2023, our global careers website was visited around 5 million times, of which around 3.7 million were content pages and around 1.3 million were job advertisements (previous year: content pages 620,000 times).

The central Recruiting, Employer Branding and Diversity department is responsible for the internal and external recruiting of managers and employees (with the exception of contract workers) at Rheinmetall's 40 sites throughout Germany and is responsible for end-to-end applicant management. Around 107,736 applications were registered on our TalentLink online platform in 2021 (previous year: 73,250). In 2023, 4,185 positions (previous year: 3,189) were vacant at the German Rheinmetall companies. 2,450 positions were filled by the end of 2023. In the past fiscal year, we recorded a total of 5,332 people joining and 4,058 people leaving the Rheinmetall Group (previous year: 4,946 and 2,853 respectively).

As they did in previous years, various institutes once again assessed the corporate image of German companies in 2023. Rheinmetall was again selected as one of the 100 most attractive employers. In the trendence employer ranking, Rheinmetall was ranked 56th overall among engineering graduates. In the mechanical and plant engineering sector, Rheinmetall achieved 13th place and 4th place in the defence sector.

In the Universum ranking (Germany Top 100 Ideal Employers) in the category of young engineering professionals, we ranked in 13th place in the year under review, after reaching 22nd place in the 2022 fiscal year. Rheinmetall was ranked 20th among engineering students. Rheinmetall was ranked 48th among IT students, an improvement of 41 places compared to the previous year. This highlights the positive perception of activities in business areas such as cyber security, software development and artificial intelligence. In natural sciences, we ranked among the top 100 employers in Germany, coming 49th (previous year: 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 2023, 770 trainees (previous year: 766) in Rheinmetall companies in Germany and abroad received vocational training, 415 of whom were based in Germany (previous year: 412). Within the wide array of 39 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, 81% of the trainees in the Rheinmetall Group received training for industrial and technical occupations, and 19% received training for commercial occupations. The apprenticeship ratio was 3.2% of the workforce for the German locations (previous year: 3.3%) and 2.9% for the Rheinmetall Group as a whole (previous year: 3.1%). The proportion of female trainees in the Rheinmetall Group was 14% (previous year: 12%), while the proportion in Germany reached 18% (previous year: 17%). In 2023, 162 people in the Rheinmetall Group (previous year: 289) and 123 people (previous year: 171) at the Rheinmetall companies in Germany started their training, while 168 trainees (previous year: 153) took up temporary or permanent employment after successfully completing their training.

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 planned 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.

Rheinmetall offers suitable talented people who have chosen one of the expert, project and management career paths individually tailored programs that promote the development of (junior) managers. In this way, top performers and employees with potential at the various career levels are successively prepared to take on positions in a management or expert function. The training programs are based on the Rheinmetall competency model, which maps the four levels of "Shape the future, Empower People, Develop the Business and Strive for Excellence."

Employees are offered a wide range of training opportunities to plan their personal development, achieve individual learning goals and expand their skills for their current or future positions. The provision of personnel development and qualification measures is based on regular needs assessments.

The Rheinmetall Academy in Düsseldorf is the center for exchange and further training. It offers not only classroom training, but also blended learning and remote training. It forms the framework for personnel and management development and offers Group-wide training programs in the form of training courses, seminars and workshops for employees and managers. In addition to seminars and events with external trainers, in-house training and qualification measures are designed and carried out here that are specifically tailored to Rheinmetall's needs.

In the year under review, 3391 employees (2626 men, 765 women) attended 273 (previous year: 199) one-day or multi-day events at the Rheinmetall Academy, compared with 2,438 (1,883 men, 555 women) in the previous year. The proportion of female participants was around 23%, as in the previous year. Sixty-four percent of participants completed an online training course, and around 36% completed a face-to-face seminar.

Modern remuneration systems

Attractive, transparent remuneration is a key aspect in recruiting and retaining dedicated staff at the company. Rheinmetall offers attractive contractual terms. These are based on the scope of tasks, responsibility and performance and are linked to market rates. In addition to fixed remuneration components, further salary components are paid.

Remuneration for managers and non-tariff B employees includes variable salary components. An individual variable portion of income is paid depending on the achievement of defined targets and the Group's economic performance. Depending on the extent to which targets are achieved and the performance, 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.

Executives receive a long-term incentive (LTI) in addition to the short-term component. This is geared towards long-term corporate success and for 2023 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.

The company's success is also reflected for employees in Germany covered by collective wage agreements in two ways: firstly, an additional bonus is paid to employees covered by collective wage agreements depending on the consolidated operating profit. Secondly, an employer-financed, performance-related supplementary pension is paid into the company pension scheme, which leads to improved security in old age.

The prestigious German company pension award, which was presented for the tenth time in 2023, is regarded by experts as the most important award for company pension schemes. The award recognizes companies that develop particularly forward-looking occupational pension concepts. In April 2023, Rheinmetall impressed the jury with "Rheinmetall Plus 2.0," a modern, high-performance and flexible occupational pension plan for all employees, for which it was awarded second place in the "Large companies" category.

Employee subscription to Rheinmetall shares

In the year under review, Rheinmetall AG again launched a share-based employee participation program in 32 German (previous year: 29) 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 €3.7 million (previous year: €3 million), 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

	2023	2022
Shares acquired	47,818	66,905
Participating companies	40	37
Eligible employees	15,582	14,646
Participating employees	4,040	3,968
Participation rate	26	27

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.

The following key topics have been defined within the Rheinmetall diversity strategy, which are addressed in our internal and external activities as well as in our communications:

- Generations (in particular cross-generational cooperation)
- Gender (in particular the promotion of women)
- Internationality (in particular intercultural cooperation)

With locations on six continents, 30,483 employees in 28 countries and 75 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 2023, 881 employees at our German companies were foreign nationals (previous year: 858).

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, 69 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: 21%).

Female employees by segments

	2023	2022
Vehicle Systems	1,102	964
Weapon and Ammunition	1,729	1,145
Electronic Solutions	898	820
Sensors and Actuators	1,272	1,308
Materials and Trade	553	507
Rheinmetall AG and services companies	296	246
Rheinmetall Group (continuing operations)	**5,850**	**4,990**
Discontinued operations (Pistons)	666	724
Rheinmetall Group (continuing and discontinued operations)	**6,516**	**5,714**

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. In the year under review, the proportion of female applicants is naturally relatively low at 16%.

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 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 24% and 33% respectively, and 19% and 29% in the two Manager Leadership Programs.

The international community of female employees at Rheinmetall is organized under the women@Rheinmetall network. The platform offers its over 730 members from more than 19 countries a forum for transferring knowledge, exchanging experience and providing advice and support in professional matters, including through training and virtual Talk & Learn events. The Talk & Thrive mentoring program, which has been running since 2022, also brings together experienced female colleagues as mentors and interested mentees. In December 2023, participants from all over the world experienced a varied program at the open “Taking responsibility in a changing world” event, which focused on business activities in the area of defence and security and included technological innovations as well as outlooks on the transformation of the Rheinmetall Group.

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, 424 persons (previous year: 441) were assigned to the upper three management clusters, including 51 women (12%) (previous year: 50; 11.3%).

Management Cluster

	2023	2022
Rheinmetall Group	**424**	**441**
Executives	10	14
Top Management	118	127
Senior Management	296	300

Rheinmetall was ranked 17th in the German Diversity Index 2023. The German Diversity Index evaluates diversity on the management boards of DAX 40 companies and assesses their commitment to diversity as documented in public reports.

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 613 severely disabled people (previous year: 644), who are represented by the Group representative body for severely disabled employees.

In September 2023, the inclusion agreement, which expired in August 2023 and is seen by the signatory parties as an opportunity to improve the professional inclusion of people with disabilities, was revised with a term until December 2025.

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.

The age groups of 25- to 40-year-olds and 40- to 55-year-olds were the two largest groups at Rheinmetall in the year under review, accounting for a total of 76%. The over 55s make up 20%, while 4% of Rheinmetall employees are under 25. For this reason, the Diversity Day in May 2023, under the heading “Generations@Work,” focused for the first time on cross-generational cooperation and communication. The further development of understanding between the generations and the emphasis on opportunities for joint and cross-generational working and learning play an important role.

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 42.9 (previous year: 43.3). In 2023, the average age in the German companies was 43.9 (previous year: 44.3); in the companies outside Germany, it was 41.9 (previous year: 42.3).

Age structure

		2023	2022
Post-war generation	(Years 1946-1955)	65	87
Generation Babyboomer	(Years 1956-1965)	3,702	4,136
Generation X	(Years 1966-1980)	10,423	9,799
Generation Y	(Years 1981-1995)	12,086	10,617
Generation Z	(Years from 1996)	2,630	1,690
Rheinmetall Group		**28,906**	**26,329**

Salaried staff | on the reporting date

At Group level, the average tenure in the year under review was 9.9 years (previous year: 11.0 years). On average, employees in the Rheinmetall companies outside Germany had worked at the company for 8.3 years (previous year: 9.4), while those in the German companies averaged 11.6 years (previous year: 12.6).

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.

The importance of occupational safety for Rheinmetall is emphasised by the inclusion of the Lost Time Incident Rate (LTIR) in the remuneration of Executive Board members since 2022. From 2024, this key figure will also be included in the remuneration of managers.

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” 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. Based on this, fields of action are continuously identified and measures defined. In November 2023, the second Group-wide workshop was held with the participation of the Head of HR. This workshop planned the focal points of the joint work for the 2024 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.

The prestigious Corporate Health Award, which was presented for the 15th time in December 2023, honors organizations with outstanding occupational health management with 20 industry awards and ten special prizes. The prize is jointly awarded by the Bonn-based consulting and market research institute EuPD Research Sustainable Management and Handelsblatt. Out of 250 participants from 15 sectors, Rheinmetall was awarded first place in the “Production/Processing Industry” segment.

In the year under review, the sickness rate at the German Rheinmetall companies was 5.4% (previous year: 4.6%). The accident frequency rate (number of accidents per 1 million working hours) calculated for the Rheinmetall Group for fiscal year 2023 was 5.8 (previous year: 6.1). A total of two workplace accidents resulting in fatalities occurred at the Neckarsulm and Boksburg, South Africa, sites.

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 2023, 165 employees (previous year: 172) were on parental leave in the German companies (109 female employees, 56 male employees; previous year: 118 female employees, 54 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 taken up by two 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 an international framework agreement with the international trade union organization “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 10,750 staff covered by collective wage agreements (previous year: 10,235), 1,731 staff with contracts not covered by collective wage agreements (previous year: 1,648) and 195 managerial staff (previous year: 210).

We provide information on relevant risks 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.

The processes of the newly established risk management system for suppliers were implemented in the year under review. Together with the realigned governance, these processes serve to fulfill and document the requirements of the German Supply Chain Due Diligence Act in the area of purchasing.

The risk management system for suppliers is managed by the "ESG Supply Chain" unit, which was established in 2023 as part of the cross-divisional purchasing organization. This ensures that Rheinmetall implements and fulfills the due diligence obligations uniformly throughout the Group.

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 1.5% 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 2023. 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 2023 shows that, according to the EcoVadis methodology, around 60% of these suppliers have a sustainability performance rated “Good” (score 45-64) by EcoVadis. Only 1% of suppliers were classified as “critical” and were analyzed individually. In line with the risk-based approach, those critical suppliers who have rejected an EcoVadis assessment or whose assessment has expired are urged to renew the assessment or participate in the rating. If necessary, an individual ESG supplier audit is carried out.

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 in Tier 1 has also been determined for 2023:

Supplier by region

		2023	2022
Production material			
Share Germany	%	49	49
Share EU (without Germany)	%	20	19
Share OECD (without Germany and EU)	%	22	24
Share of non-OECD suppliers	%	9	8
Non-production material			
Share Germany	%	52	50
Share EU (without Germany)	%	22	16
Share OECD (without Germany and EU)	%	16	22
Share of non-OECD suppliers	%	10	12
Total	**Number**	**45,397**	**47,804**

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 October 2022, the completely revised Supplier Code of Conduct 2.0, which is aligned with the requirements of the German Supply Chain Due Diligence Act, was published as a binding component of contracts with suppliers. On this basis, Rheinmetall can now act more proactively in partnership with its supplier partners to improve performance, 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 and ESG frameworks, reduction of carbon footprint in production, a higher proportion of recyclable material, responsible use of substances and materials, and future carbon-neutral products.

The score of suppliers on sustainability issues is increasingly being taken into account when contracts are awarded, e.g. as part of supplier questionnaires. With the larger share of their product spectrum, Sensors and Actuators and Materials and Trade hold a first-tier position in the value-added chain of automotive production, i.e. we supply automotive manufacturers and suppliers.

The automotive manufacturers BMW Group, Daimler Truck, Ferrari, Ford, Geely, GWM, Honda, Jaguar Land Rover, Mercedes-Benz, Polestar, Scania, Toyota Motor Europe, Volkswagen Group, Volta Trucks, Volvo Cars and Volvo Group are automotive partners of Drive Sustainability (as of November 21, 2023). These OEMS regularly ask their suppliers to submit a self-disclosure on ESG aspects (Sustainability Assessment Questionnaire, SAQ) via the NQC platform, which allows performance and progress to be analyzed and evaluated and the degree of compliance with their requirements to be determined. In the year under review, Sensor and Actuators achieved a median score of 90/100 points with the companies assigned to it, while the average score of the companies belonging to Materials and Trade was 84/100 points.

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.

We provide information on relevant risks 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.

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 close 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. In January 2023, we expanded our involvement in top-class and popular sport to include a well-known team from the Düsseldorf region. In cooperation with D.SPORTS, Rheinmetall will sponsor Borussia Düsseldorf's professional table tennis team as part of its regional sports promotion program.

In the cultural sector, we supported the Düsseldorf Festival in September 2023 as we have in previous years, which put the city at the center of the dance, theater, new circus and music scene for a month.

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. Sensors and Actuators, for example, uses a database-supported process for product safety management, which maps out the entire product lifecycle. Materials and Trade 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.

The R&D Internal Funds team and the Protection Systems business unit worked on further development of the Digital Product Passport (DPP) in the year under review. The DPP is intended in particular to drive forward the circular economy and enable new digital business models. For example, information on components, materials, repairability and reuse, as well as usage data, is stored individually for each product in digital form. Key players along the value and supply chain can access this data via a unique identifier and decide how a used product can be optimally fed into further value creation from an economic and ecological perspective (repair, reuse, recycle, etc.). Rheinmetall has been actively involved in an initiative of the European Defence Agency (EDA) on this topic. As part of the "Incubation Forum for Circular Economy in European Defence – IFCEED," Rheinmetall is participating in studies on the digital product passport in the defence sector.

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 Materials and Trade 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 the year under review, Material and Trades launched a project to replace lead with a lead-free alternative material.

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.

In fiscal 2023, Purchasing, HR, Compliance and Corporate Social Responsibility continued to work 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.

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.

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.

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.

For further information, see »Corporate management and control. For relevant risks, see »Risks and opportunities.

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 a category 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 category are taxonomy-non-eligible.

Based on these complex screening criteria, the extent to which products and individual measures are ecologically sustainable as defined in the EU Taxonomy Regulation is specified. Since the publication of Delegated Regulation (EU) 2023/2486 by the EU Commission in June 2023 on environmental objectives 3 to 6 ("sustainable use and protection of water and marine resources," "transition to a circular economy," "pollution prevention and control," "protection and restoration of biodiversity and ecosystems"), these are now available for all six environmental objectives defined in the EU Taxonomy Regulation. 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.

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 category sets, allocation of economic activities (taxonomy eligibility) and taxonomy alignment testing.

The categories were identified for all six environmental objectives. A comprehensive assessment was carried out for the final delegated regulation published by the EU Commission in June 2023 on the environmental 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. On this basis, the relevant categories with the associated criteria sets were identified and all non-applicable categories were excluded. For environmental objective (2) climate change adaptation, no economic activity was identified in the "allocation of economic activities" phase. As in previous years, this was therefore not taken into account. Similarly, no economic activity could be identified for the environmental objective (3) sustainable use and protection of water and marine resources and environmental objective (6) protection and restoration of biodiversity and ecosystems in the “classification of economic activities” phase.

In the Annexes to Environmental Objectives 3-6 of the Delegated Regulation, there were also some changes to the wording regarding compliance with the NACE codes, which stipulate a stricter interpretation. While the wording (a) “The economic activities in this category could be associated with several NACE codes” is always used in environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation), the categories in environmental objectives 3-6 now often contain the wording (b) “The economic activity relates to [...] classified under the NACE codes.” The wording (a) suggests an optional formulation, so that economic activities that do not fall under the listed NACE codes, but can be clearly assigned to a category on the basis of the other criteria, are considered taxonomy-eligible. Wording (b), on the other hand, can be understood as a mandatory formulation, meaning that economic activities that cannot be assigned to the NACE codes mentioned are considered non-taxonomy-eligible.

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 category 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 categories were applied to the economic activities of the divisions. To gain an initial estimate of the taxonomy eligibility in 2023, 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 for comparability is based on the methodology of previous years, which is approximately 1/1000 of the taxonomy-eligible totals of sales, operating expenditure and investments less special effects. Special effects are business activities that are not part of the company’s core business, are non-recurring in nature and have a significant impact on earnings. These include, for example, the one-off purchase of buildings by Rheinmetall Immobilien Gesellschaft for rental or resale. No significant deviations in the projected annual value were identified by the materiality limit.

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 economic activity 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. For the Annexes of the Delegated Regulation on the new environmental objectives published in June 2023 and the additions to the existing annexes of environmental objectives 1 and 2, a soft landing will be carried out again this year, so that no conformity check will be carried out and all economic activities identified here will be reported as taxonomy-compliant. Due to the reclassification of economic activities in the automotive sector from category 3.6 Manufacture of other low carbon technologies to the new category 3.18 Manufacture of automotive and mobility components, this leads to a one-off significant change in the KPIs this year compared to the previous year. Due to the full reporting obligation for taxonomy eligibility and alignment for all environmental objectives, taxonomy alignment is expected to increase again from the 2024 fiscal year.

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

Categories	Description of the activity	Affected companies
Environmental objective 1: Climate change mitigation		
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.	Rheinmetall Electronics GmbH
3.18. Manufacture of automotive and mobility components	Manufacture of mobility components for zero-emission personal mobility devices and of automotive and mobility systems and components.	Pierburg GmbH Pierburg Pump Technology GmbH
3.21. Manufacture of aircraft	Manufacture of aircraft and aircraft components and equipment.	Rheinmetall Aviation Services 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
Environmental objective 4: Circular economy		
2.6.Depollution and dismantling of end-of-life products	Construction, operation and modernization of facilities for the dismantling and removal of pollutants from complex end-of-life products, movable goods and their components for the purpose of material recovery or preparation for reuse of components.	Rheinmetall Landsysteme GmbH
5.3 Preparation for reuse of end-of-life products and product components	Preparation for the reuse of products and components at the end of their service life.	MS Motorservice France S.A.S.

2.1.1 Environmental objective 1: Climate change mitigation

Manufacture of renewable energy technologies (3.1.)

This category 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 Materials and Trade 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 category 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 few years of reporting, it turns out that for the taxonomy eligibility of the mentioned category, the wording “low-carbon vehicles” is not binding, but instead vehicles with the potential to become low-carbon. 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. As in the 2022 fiscal year, the logistical military vehicles and special vehicles for the civilian sector are therefore reported as taxonomy-eligible in this category in accordance with our interpretation. 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 the development services and the associated investments and operating expenses in 2023 are reported as taxonomy-aligned in this category. As a supplier of relevant components, 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 category 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 specific vehicles 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.

Manufacture of automotive and mobility components (3.18)

The majority of the taxonomy-eligible products of Pierburg GmbH and Pierburg Pump Technology GmbH relate to the automotive industry. Last year, category 3.6 was applicable for activities in the automotive supplier industry on the basis of the EU Commission’s FAQ from February 2022. With the reintroduction of category 3.18 by the EU Commission in June 2023, the components are now taken into account accordingly. While in the previous year, components of a hybrid vehicle could also be considered under category 3.6 if their target technology is the electric part of the drivetrain, these are not applicable this year due to the restriction to zero-emission vehicles in category 3.18. Category 3.18 therefore includes all automotive components whose target technology is zero-emission vehicles, which means that there is no longer a restriction to components of the drivetrain of such a vehicle and therefore every component of a zero-emission vehicle is considered taxonomy-eligible. Due to the fact that this category is an addition published in June 2023, the economic activities in this category are reported as taxonomy-eligible in their entirety.

Manufacture of aircraft (3.21)

Rheinmetall Aviation Services generates sales from the manufacture, maintenance, repair and technical support of drones. The EU Commission defines drones as all aircraft that can fly without a pilot on board. These activities can therefore be assigned to the manufacture of aircraft and are therefore included for the first time in this fiscal year. Rheinmetall Aviation Services is also investing in the future production of military combat aircraft this year. Due to the fact that this category is an addition to the Annex to the environmental objective “Climate change mitigation” of the Delegated Regulation published in June 2023, the economic activities in this category are not checked for conformity and are therefore reported as taxonomy-eligible in their entirety.

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 construction of new buildings for own use should also be included here. The majority of the economic activities assigned to this category do not meet the criteria for a significant contribution. In Düsseldorf, however, Rheinmetall Immobilien Gesellschaft mbH generates taxonomy-aligned sales from the rental of the DeltaD office building. As this was built in accordance with the DGNB Gold standard, it can be assumed that the building meets the criteria for the significant contribution.

2.1.2 Environmental objective 4: Circular economy

Depollution and dismantling of end-of-life products (2.6)

Rheinmetall Landsysteme GmbH carries out various projects to extend the useful life of tactical vehicles. This involves completely dismantling old vehicles down to the vehicle hull and refurbishing or modernizing them. In some cases, pollutants are also removed during dismantling. This is done by completely stripping the paint from the vehicles. This involves removing the chromium VI-containing primers used until 2010, which are harmful to health. All economic activities in which both dismantling and the removal of harmful substances, such as complete paint stripping, are carried out are considered taxonomy-compliant.

Preparation for reuse of end-of-life products and product components (5.3)

This category includes the preparation for reuse of end-of-life products and product components at the end of their service life. MS Motorservice France S. A. S. (MSF) procures end-of-life turbochargers, reconditions them and sells them as refurbished. Without the reconditioning described above, the turbochargers would either be partially recycled or disposed of as waste and would therefore be at the end of their service life. As part of the reconditioning process, they are prepared so that they can be reused in a vehicle without further processing. The sales associated with the described activity are therefore to be regarded as taxonomy-compliant in the present category.

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 the 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 and the other Annexes to Regulation (EU) 2023/2486, which apply to a large number of activities and prescribe site-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 Organization 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 European Commission in July 2022 as part of a “Draft Report on Minimum Safeguards” and subsequently in October 2022 as part of the “Final 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) has been transposed into German law. 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. The amendments to the OECD Guidelines for Multinational Enterprises were also taken into account in the 2023 fiscal year. Significant changes include the recommendations directed at companies to align themselves with internationally agreed objectives on climate protection and biodiversity, the emphasis on corporate responsibility for the negative human rights impact of their own activities on potentially affected stakeholders and the extended protection of vulnerable groups, as well as the emphasis on corporate due diligence obligations in the fight against corruption. Documents used as evidence include the annual report and the non-financial statement for 2022, 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, since 2022 the Compliance department has been using the “Ethical” tool, 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.

Turnover

Financial year 2023		Year		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code(s)	Turnover	Proportion of Turnover, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
		€million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
I. Core Business	–	74.05	1.03	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	1.50	–	–
Manufacture of renewable energy technologies	CCM 3.1.	1.42	0.02	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.03	E	–
Manufacture of equipment for the production and use of hydrogen	CCM 3.2.	4.31	0.06	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.09	E	–
Manufacture of energy efficiency equipment for buildings	CCM 3.5.	0.58	0.01	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	–	E	–
Manufacture of other low carbon technologies	CCM 3.6.	67.74	0.94	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.38	E	–
II. Other Business	–	0.50	0.01	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	0.01	–	–
Acquisition and ownership of buildings	CCM 7.7.	0.50	0.01	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.01	–	–
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	–	74.55	1.04	1.04%	0.00%	0.00%	0.00%	0.00%	0.00%	Y	Y	Y	Y	Y	Y	Y	1.51	–	–
Of which Enabling	–	74.05	1.03	1.03%	0.00%	0.00%	0.00%	0.00%	0.00%	Y	Y	Y	Y	Y	Y	Y	–	E	–
Of which Transitional	–	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	–	–	–	–	–	–	–	–	–	T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
I. Core Business	–	122.66	1.71	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	–	–	–	–	–	–	–	0.57	–	–
Manufacture of equipment for the production and use of hydrogen	CCM 3.2.	0.30	0.00	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	–	–	–
Manufacture of low carbon technologies for transport	CCM 3.3.	47.04	0.66	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.57	–	–
Manufacture of automotive and mobility components	CCM 3.18.	33.20	0.46	EL	N/EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	–	–	–
Manufacturing of aircraft	CCM 3.21.	33.80	0.47	EL	N/EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	–	–	–
Depollution and dismantling of end-of-life products	CE 2.6.	7.75	0.11	N/EL	N/EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	–	–	–
Preparation for re-use of end-of-life products and product components	CE 5.3.	0.57	0.01	N/EL	N/EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	–	–	–
II. Other Business	–	5.77	0.08	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL								0.06	–	–
Construction of new buildings	CCM 7.1.	5.28	0.07	EL	EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	0.06	–	–
Acquisition and ownership of buildings	CCM 7.7.	0.49	0.01	EL	N/EL	N/EL	N/EL	N/EL	N/EL							–	0.00	–	–
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	–	128.43	1.79	1.67%	0.00%	0.00%	0.00%	0.12%	0.00%	–	–	–	–	–	–	–	0.62	–	–
A. Turnover of Taxonomy eligible activities (A.1 + A.2)	–	202.98	2.83	2.71%	0.00%	0.00%	0.00%	0.12%	0.00%	–	–	–	–	–	–	–	2.13	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
B. Turnover of Taxonomy non-eligible activities	–	6,972.54	97.17	–	–	–	–	–	–	–	–	–	–	–	–	–	97.87	–	–
Total	–	7,175.52	100.00	–	–	–	–	–	–	–	–	–	–	–	–	–	100.00	–	–

The sales analysis for taxonomy-eligible products was carried out for all companies in the Rheinmetall Group, with Electronic Solutions, Vehicle Systems and Sensors and Actuators standing out. The increase in the overall total is explained by the fact that – in contrast to the previous fiscal year – new economic activities, such as the manufacture of drones or the refurbishment of end-of-life vehicles, have now been included as a result of the new environmental objectives. However, they are not reported as taxonomy-eligible in this fiscal year beyond their taxonomy-aligned status. Simulators, which meet the requirements of taxonomy alignment and were already included in the previous fiscal year, also account for a significant proportion this year. In the area of components for electric vehicles, such as electric water pumps used to cool batteries, considerable sales were again generated in the series production business this fiscal year. As in the previous fiscal year, considerable taxonomy-eligible sales were also generated through the production of civilian, logistics and special vehicles. 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 Investments

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.

The acquisition of Expal Munitions, S.A.U. resulted in a one-off significant increase in the denominator value in the 2023 fiscal year. This means that this year's KPI for investment expenditure is not very comparable with that of the previous fiscal year.

Capital Expenditure

Financial year 2023	Year			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code(s)	CapEx	Proportion of CapEx, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category enabling activity	Category transitional activity
		€million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
I. Core Business	–	12.27	0.65	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	6.73*	–	–
Manufacture of renewable energy technologies	CCM 3.1.	0.01	0.00	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.12	E	–
Manufacture of equipment for the production and use of hydrogen	CCM 3.2.	7.42	0.40	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.11	E	–
Manufacture of energy efficiency equipment for buildings	CCM 3.5.	4.52	0.24	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.00	E	–
Manufacture of other low carbon technologies	CCM 3.6.	0.31	0.02	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3.49	E	–
II. Other Business	–	11.42	0.61	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	2.55*	–	–
Electricity generation using solar photovoltaic technology	CCM 4.1.	2.93	0.16	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.59	–	–
Production of heat/cool from bioenergy	CCM 4.24.	3.33	0.18	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.89	–	–
Construction, extension and operation of waste water collection and treatment	CCM 5.3.	0.35	0.02	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.15	–	–
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	0.30	0.02	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.00	–	–
Low carbon airport infrastructure	CCM 6.17.	1.69	0.09	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.33	E	–
Renovation of existing buildings	CCM 7.2.	0.91	0.05	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.00	–	T
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	0.90	0.05	Y	N	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.07	E	–
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	0.14	0.01	Y	N	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.06	E	–
Installation, maintenance and repair of renewable energy technologies	CCM 7.6.	0.88	0.05	Y	N	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.00	E	–
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	–	23.69	1.26	1.26	0.00	0.00	0.00	0.00	0.00	Y	Y	Y	Y	Y	Y	Y	9.28*	–	–
Of which Enabling	–	15.87	0.85	0.86	0.00	0.00	0.00	0.00	0.00	Y	Y	Y	Y	Y	Y	Y	–	E	–
Of which Transitional	–	0.91	0.05	0.05	0.00	0.00	0.00	0.00	0.00	Y	Y	Y	Y	Y	Y	Y	–	–	T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
I. Core Business	–	24.51	1.31	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	–	–	–	–	–	–	–	0.25	–	–
Manufacture of equipment for the production and use of hydrogen	CCM 3.2.	0.60	0.03	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.00	–	–
Manufacture of low carbon technologies for transport	CCM 3.3.	0.88	0.05	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.25	–	–
Manufacture of automotive and mobility components	CCM 3.18.	22.58	1.21	EL	N/EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.00	–	–
Manufacturing of aircraft	CCM 3.21.	0.13	0.01	EL	N/EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.00	–	–
Depollution and dismantling of end-of-life products	CE 2.6.	0.33	0.02	N/EL	N/EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	0.00	–	–
II. Other Business	–	62.44	3.33	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	–	–	–	–	–	–	–	15.05*	–	–
Afforestation	CCM 1.1.	0.08	0.00	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.03	–	–
Construction, extension and operation of waste water collection and treatment	CCM 5.3.	0.43	0.02	EL	EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	0.07	–	–
Renewal of waste water collection and treatment	CCM 5.4.	0.10	0.01	EL	EL	N/EL	N/EL	N/EL	N/EL							–	0.00	–	–
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	9.25	0.49	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	2.15	–	–
Infrastructure for rail transport	CCM 6.14.	0.63	0.03	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.00	–	–
Construction of new buildings	CCM 7.1.	4.25	0.23	EL	EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	0.79	–	–
Renovation of existing buildings	CCM 7.2.	0.34	0.02	EL	EL	N/EL	N/EL	N/EL	N/EL							–	0.00	–	–
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	0.39	0.02	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.23	–	–
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	0.09	0.00	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.00	–	–
Installation, maintenance and repair of renewable energy technologies	CCM 7.6.	1.40	0.07	EL	EL	N/EL	N/EL	N/EL	N/EL							–	0.00	–	–
Acquisition and ownership of buildings	CCM 7.7.	32.23	1.72	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	10.64	–	–
Data processing, hosting and related activities	CCM 8.1.	12.57	0.67	EL	EL	N/EL	N/EL	N/EL	N/EL							–	0.97	–	–
Maintenance of roads and motorways	CE 3.4.	0.31	0.02	N/EL	N/EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	0.00	–	–
Remediation of contaminated sites and areas	PPC 2.4.	0.38	0.02	N/EL	N/EL	N/EL	EL	N/EL	N/EL							–	0.00	–	–
CapEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	–	86.95	4.64	4.59	0.00	0.00	0.02	0.04	0.00	–	–	–	–	–	–	–	15.3*	–	–
A. CapEx of Taxonomy eligible activities (A.1 + A.2)	–	110.64	5.91	5.85	0.00	0.00	0.02	0.04	0.00	–	–	–	–	–	–	–	24.58*	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
B. CapEx of Taxonomy non-eligible activities	–	1,762.44	94.09	–	–	–	–	–	–	–	–	–	–	–	–	–	75.42	–	–
Total	–	1,873.08	100.00	–	–	–	–	–	–	–	–	–	–	–	–	–	100.00	–	–

*This is the total reported for the previous year.
Due to differences between this year's reported categories and those of the previous year, the total value does not correspond to the sum of the individual values shown here.

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. In particular, the economic activities in category 3.18 with investments in the development of forward-looking products such as the high-voltage water pump and the economic activities in category 3.2 with investments in products such as the innovative hydrogen recirculation blower for use in fuel cell-powered vehicles, which generated investments of over €30 million, should be mentioned here. Rheinmetall Immobiliengesellschaft accounted for a further share with investments in the acquisition and construction of new buildings. 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 expenses

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 Expenditure

Financial year 2023	Year			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code(s)	OpEx	Proportion of CapEx, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022	Category enabling activity	Category transitional activity
		€million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
I. Core Business	–	10.37	2.62	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	8.41*	–	–
Manufacture of renewable energy technologies	CCM 3.1.	0.42	0.11	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	–	E	–
Manufacture of equipment for the production and use of hydrogen	CCM 3.2.	7.06	1.78	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.29	E	–
Manufacture of energy efficiency equipment for buildings	CCM 3.5.	1.63	0.41	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.76	E	–
Manufacture of other low carbon technologies	CCM 3.6.	1.26	0.32	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3.87	E	–
II. Other Business	–	2.66	0.67	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	0.34*	–	–
Transmission and distribution of electricity	CCM 4.9.	2.30	0.58	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.15	E	–
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	0.11	0.03	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	–	–	–
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	0.08	0.02	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.07	E	–
Installation, maintenance and repair of renewable energy technologies	CCM 7.6.	0.18	0.05	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.05	E	–
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	–	13.04	3.29	3.29	0.00	0.00	0.00	0.00	0.00	Y	Y	Y	Y	Y	Y	Y	8.75*	–	–
Of which Enabling	–	12.92	3.26	3.26	0.00	0.00	0.00	0.00	0.00	Y	Y	Y	Y	Y	Y	Y	–	E	–
Of which Transitional	–	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	–	–	–	–	–	–	–	–	–	T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
I. Core Business	–	36.40	9.20	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	–	–	–	–	–	–	–	0.12	–	–
Manufacture of equipment for the production and use of hydrogen	CCM 3.2.	0.98	0.25	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	–	–	–
Manufacture of low carbon technologies for transport	CCM 3.3.	1.71	0.43	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.12	–	–
Manufacture of automotive and mobility components	CCM 3.18.	33.67	8.51	EL	N/EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	–	–	–
Depollution and dismantling of end-of-life products	CE 2.6.	0.04	0.01	N/EL	N/EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	–	–	–
II. Other Business	–	7.39	1.87	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL								0.61*	–	–
Forest management	CCM 1.3.	0.16	0.04	EL	EL	N/EL	N/EL	EL	N/EL	–	–	–	–	–	–	–	0.17	–	–
Renewal of water collection, treatment and supply systems	CCM 5.2.	0.09	0.02	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	–	–	–
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	0.13	0.03	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.05	–	–
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	0.70	0.18	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.03	–	–
Data processing, hosting and related activities	CCM 8.1.	6.09	1.54	EL	EL	N/EL	N/EL	N/EL	N/EL	–	–	–	–	–	–	–	0.28	–	–
Remediation of contaminated sites and areas	PPC 2.4.	0.22	0.06	N/EL	N/EL	N/EL	EL	N/EL	N/EL	–	–	–	–	–	–	–	–	–	–
OpEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	–	43.78	11.06	10.99	0.00	0.00	0.06	0.01	0.00	–	–	–	–	–	–	–	0.73*	–	–
A. OpEx of Taxonomy eligible activities (A.1 + A.2)	–	56.82	14.35	14.29	0.00	0.00	0.06	0.01	0.00	–	–	–	–	–	–	–	9.48*	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
B. OpEx of Taxonomy non-eligible activities	–	339.02	85.65	–	–	–	–	–	–	–	–	–	–	–	–	–	90.50	–	–
Total	–	395.84	100.00	–	–	–	–	–	–	–	–	–	–	–	–	–	100.00	–	–

*This is the total reported for the previous year.
Due to differences between this year's reported categories and those of the previous year, the total value does not correspond to the sum of the individual values shown here.

A portion of the taxonomy-eligible and taxonomy-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 taxonomy-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. There is currently no clear interpretation of what the investment plan includes, meaning that different interpretations exist with regard to the market. As part of its investment planning, Rheinmetall considers all investments that are planned for current and future taxonomy-aligned activities. Investments that serve to convert current taxonomy-eligible business into future taxonomy-aligned business are also considered. In addition to capital expenditure, non-capitalized development costs for taxonomy-aligned business activities are also included in the investment planning. The resulting planned capital expenditure is reported at aggregated economic activity level.

The current investment planning refers to the core business relating to the environmental objective of climate 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 2024 and 2026. In category 3.1. “Manufacture of renewable energy technologies,” capital expenditure of €6.4 million is planned for the coming years. In the category 3.2 “Equipment for the production and use of hydrogen,” further taxonomy-aligned capital expenditure of around €23.5 million is planned for the coming years in order to expand the product portfolio as part of our hydrogen strategy. Capital expenditure of around €36.9 million is planned for the business activities in category 3.5 “Energy-efficient equipment for buildings” in order to expand our taxonomy-compliant business activities. Capital expenditure of around €0.8 million is expected in the coming years for economic activities in the category 3.6 “Other low carbon technologies.” The product portfolio in category 3.18 “Manufacture of automotive and mobility components” is to be further expanded in the coming years with capital expenditure of around €66.4 million. Further taxonomy-aligned capital expenditure of around €6 million is also planned in the coming years in category 4.9 “Transmission and distribution of electricity.”

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. As a result of the delegated regulation for environmental objectives (3 to 6) published by the EU Commission in June 2023, economic activities in all six environmental objectives were reported for the first time in this fiscal year. However, this initially only includes the taxonomy eligibility for environmental objectives 3 to 6 and the additions to the annexes for environmental objectives 1 and 2. This causes a one-off deviation in the KPIs compared to the previous year. In addition, the increased denominator of investment expenditure due to the acquisition of Expal Munitions, S.A.U. this year leads to a distortion of the KPIs and thus to a low comparability of this year’s KPIs for investment expenditure with those of the previous fiscal year. For reasons of transparency and comparability with the previous year, capital expenditure is therefore presented below both including and excluding Expal Munitions, S.A.U. The full presentation of both taxonomy-eligible and taxonomy-aligned economic activities in all six environmental objectives will be provided from the 2024 fiscal year onwards.

	Revenue		Capital expenditure			Operating expenditure	
in %	2023	2022	2023	2023	2022	2023	2022
			(incl. Expal)	(excl. Expal)			
Taxonomy-aligned economic activities	1.0	1.5	1.3	4.7	9.3	3.3	8.8
Taxonomy-eligible economic activities	2.8	2.1	5.9	22.8	24.6	14.4	9.5
Taxonomy-non-eligible economic activities	97.2	97.9	94.1	77.2	75.4	85.6	90.5

In terms of sales, 2,83% of our business activities fall under the classification system of the EU Taxonomy Regulation. 1,04% of total sales meets the requirements for taxonomy alignment. With the possible upcoming revisions of the legal texts and interpretations of the industries, future changes to the classifications cannot be ruled out at the present time. We will also continue to take taxonomy alignment requirements into account in all process steps in order to steadily increase these in subsequent years.

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 GCGC at the Rheinmetall Group was discussed at the Supervisory Board meeting on August 17, 2023. The Executive Board and the Supervisory Board issued the following "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.

> "The Executive Board and the Supervisory Board issue the following declaration on the recommendations of the Government Commission on the German Corporate Governance Code (as amended on April 28, 2022 – the "Code") in accordance with section 161 of the German Stock Corporation Act (AktG):
>
> 1. Since the last declaration of conformity was issued by the Executive Board and the Supervisory Board of Rheinmetall AG in August 2022, the Code has been complied with fully with the following exceptions:
>
> a) Until the end of December 31, 2022, the company deviated from recommendation G.5 of the Code. Recommendation B.5 of the Code 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, who left as of December 31, 2022, 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 left 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 was in the company's interests, as the recently implemented strategic realignment of the Group and the associated start of corporate restructuring meant that it was 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 until he left office. After Mr. Merch left the company's Executive Board at the end of December 31, 2022, and thus since January 1, 2023, recommendation B.5 of the Code has been followed.

Contents not reviewed by the auditor

b) The company also deviated from the recommendation in section G.8 of the Code. According to the recommendation in section G.8 of the Code, subsequent changes to target values or comparison parameters are to be ruled out. The company deviated from this recommendation as described below: The remuneration system for members of the Executive Board of Rheinmetall AG specifies operating free cash flow (OFCF) as a key performance indicator with a weighting of 40% within the short-term incentive (STI). By resolution of the Supervisory Board on December 7, 2022, the target value for OFCF for fiscal 2023 was set. This target was set partly on the basis of an investment action plan for fiscal 2023. Due to additional investments in the interests of the company, particularly for the F-35 project, which were not included in the original investment planning, the investment action plan for fiscal 2023 was increased. The Supervisory Board approved this increase on August 17, 2023. The expansion of the investment action plan has a direct impact on OFCF, meaning that the OFCF target for fiscal 2023 that was set by the Supervisory Board on December 7, 2022 would lead to significantly reduced target achievement in line with the company's adjusted liquidity planning. In order to prevent – particularly in the context of the highly successful business performance – a situation whereby the investments in the interests of the company are disadvantageous for the Executive Board and thus counteract the incentive effect of the short-term variable remuneration of the Executive Board members, the Supervisory Board decided on August 17, 2023 – in accordance with recommendation G.11 of the Code, under which the Supervisory Board is to have the option to take extraordinary developments into account within reason – to appropriately reduce the OFCF target for the STI for the current fiscal year 2023. This is intended to set an ambitious but essentially achievable target for the members of the Executive Board and restore the incentive effect of the short-term variable remuneration. The Supervisory Board considers this subsequent change to the target value to be necessary and appropriate in order to grant the Executive Board members remuneration that is commensurate with their performance and be able to create the right incentives for the long-term benefit of the company.

2. All recommendations of the Code have been complied with since August 18, 2023.

Düsseldorf, August 2023
Rheinmetall Aktiengesellschaft

The Executive Board The Supervisory Board"

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.

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.

Contents not reviewed by the auditor

The Executive Board reports about current developments 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.*

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 2022, which was prepared and audited in accordance with section 162 of the German Stock Corporation Act, was approved by the 2023 Annual General Meeting with 96.27% votes in favor. 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.

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, Dagmar Steinert and Peter Sebastian Krause 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			Rheinmetall Landsysteme GmbH[1] Chairman
			The Dynamic Engineering Solution Pty Ltd Deputy Chairman of the Supervisory Board
			Rheinmetall MAN Military Vehicles GmbH[1] Chairman
			Rheinmetall Denel Munition (Pty) Ltd[1] Chairman
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 Waffe Munition GmbH[1] Vorsitzender
Dagmar Steinert **Business graduate**	CFO	December, 1, 2022 to November 30, 2025	4iG Nyrt.[2]
Born 1964 Nationality | German	Finance and Controlling		ZF Friedrichshafen AG[3]

[1] Internal mandates
[2] since April 28, 2023
[3] until March 31, 2023

* The information in this paragraph is not part of the management report.

Contents not reviewed by the auditor

In accordance with Article 6(4) of the Articles of Association as amended on May 9, 2023, 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, 2023:

Responsibilities of members of the Executive Board of Rheinmetall AG

Armin Papperger	Dagmar Steinert	Peter Sebastian Krause
		Director of Industrial Relations
Vehicle Systems Europe Vehicle Systems International Weapon and Ammunition Electronic Solutions Sensors and Actuators Materials and Trade	Accounting	Corporate HR Projects & Solutions
Corporate Communications	Controlling and Risk Management	Labour Law, Labour Relations, Total Rewards
Corporate Social Responsibility	Treasury	People Development
Corporate Strategy and Development	Tax	Corporate Global Talent Acquisition, Employer Branding and Diversity
Legal	Information Technology/RITS**	Executives and Global Mobility
Research, Technology and Innovations/NT***	Insurance*/RIS**	Payroll
Security	Offset Management	
Internal Audit		
Real Estate*/RIG**		
Business Excellence*		
Group Purchasing		
Compliance		
Investor Relations		

* mostly shared service

** RIG = Rheinmetall Immobilien GmbH, RIS = Rheinmetall Insurance Services GmbH, RITS = Rheinmetall IT Solutions GmbH

*** allocation to reporting clusters, NT = New Technologies

As of February 23, 2023

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 and Remuneration 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 and Remuneration 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/the Personnel and Remuneration 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 »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 that 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. Information on how this requirement is met and further information on the individual members of the Supervisory Board is provided in the overview »Members of the Supervisory Board in the section »Supervisory Board report.

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 thirteen years, but in the view of the members of the Supervisory Board he continued to provide highly professional support for the work of the Executive Board as Chair of the Audit Committee from May 2017 to May 2022 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. 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.

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, Technology 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. By resolution of the Supervisory Board on December 5, 2023, the committee was renamed as the Strategy, Technology 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 the reporting date, the following people were members of the Strategy, Technology 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 Susanne Hannemann and Louise Öfverström, 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. This is the case.

Contents not reviewed by the auditor

As of the reporting date, the Audit Committee comprised the following members: Professor Susanne Hannemann (Chair), Ulrich Grillo, Louise Öfverström, Ralf Bolm, Dr. Daniel Hay (Deputy Chair) and Sven Schmidt.

Personnel and Remuneration Committee – This committee was originally known as the Personnel Committee but was renamed as the Personnel and Remuneration Committee by resolution of the Supervisory Board on December 5, 2023. 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 the reporting date, the Personnel and Remuneration Committee comprised the following members: Ulrich Grillo (Chair), Professor Andreas Georgi, Dr. Daniel Hay (Deputy Chair) 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.

As of the reporting date, 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 the reporting date, the Mediation Committee comprised the following members: Ulrich Grillo (Chair), Professor Andreas Georgi, Dr. Daniel Hay (Deputy Chair) 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 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. An overview of the memberships of members of the Supervisory Board of Rheinmetall AG in other statutory supervisory boards and comparable control bodies of commercial enterprises in Germany and abroad can be found under »Members of the Supervisory Board.

Contents not reviewed by the auditor

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 two female members representing the employees and three 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.

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.

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.

Contents not reviewed by the auditor

The following qualification matrix shows the implementation of the skills profile for the members of the Supervisory Board in its current version:

Qualification matrix

	Indepen-dence	Corporate governance, experience from supervisory board work	Board experience in listed companies	Availability, mandate load	Financial/ business expertise (audit committee/ris k management)	Functional expertise (human resources, social affairs, etc.) (Mediation/ Nomination Committee)	Sales-side and operational functions	Sector expertise: Defence	Sector expertise: Automotive	Digitali-zation/IT	Technology expertise/ innovation	Knowledge of internationa l/regulated markets	Industrial managemen t 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. A + 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.

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. 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.

Contents not reviewed by the auditor

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 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, 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. 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 59 to 63. The average age was around 61.

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.

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.

Further information on diversity »Non-financial statement.

Contents not reviewed by the auditor

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. The business relationship between Rheinmetall and PL Elektronik GmbH, a related party of the CEO, was approved by the Supervisory Board and is monitored by it. The scope of the business relationship is reported in the notes to the consolidated financial statements.

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 »(27) Equity.

On the basis of section 26n(1) of the Introductory Act to the German Stock Corporation Act (EGAktG), the Executive Board resolved with the approval of the Supervisory Board to hold the company's Annual General Meeting on May 9, 2023 in the form of a virtual Annual General Meeting in accordance with section 118a(1) sentence 1 of the German Stock Corporation Act (AktG) without the physical presence of its shareholders or their authorized representatives (with the exception of company-appointed proxies) at the location of the Annual General Meeting. The location of the Annual General Meeting as defined in the German Stock Corporation Act was Rheinmetall Platz 1, 40476 Düsseldorf. During voting, 26,076,060 shares (previous year: 25,346,263), accounting for 59.86% of the share capital (previous year: 58.19%), were represented. The shareholders and shareholder representatives voted with majorities of between 90.71% and 99.99% 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 2023

Publication	Name	Status	Transaction	Shares	Price	Platform
13/01/2023	Prof. Dr. Andreas Arthur Georgi	Member of the Supervisory Board	Purchase	110	210.80	Off-exchange
13/01/2023	Klaus-Günter Vennemann	Member of the Supervisory Board	Purchase	120	212.00	Xetra
13/01/2023	Ulrich Grillo	Member of the Supervisory Board	Purchase	300	210.00	Xetra
20/01/2023	Dr.-Ing. Klaus Dräger	Member of the Supervisory Board	Purchase	105	218.90	Xetra
01/02/2023	Dr. Britta Giesen	Member of the Supervisory Board	Purchase	245	224.80	Off-exchange
01/02/2023	Prof. Dr. Susanne Hannemann	Member of the Supervisory Board	Purchase	150	215.10	Stuttgart Stock exchange
23/03/2022	Armin Theodor Papperger Entgeltlicher Depotübertrag von der PL Elektronik GmbH (Übertragender) an die ATP Holding GmbH (Übernehmer)	Chairman of the Executive Board	Remunerated transfer of securities account	5,350	235.90	Off-exchange
23/03/2022	Armin Theodor Papperger Entgeltlicher Depotübertrag von der PL Elektronik GmbH (Übertragender) an die ATP Holding GmbH (Übernehmer)	Chairman of the Executive Board	Remunerated transfer of securities account	5,350	235.90	Off-exchange
24/03/2023	Dr. Michael Mielke Zuteilung von Aktien als Vergütungsbestandteil im Rahmen des 'Long-Term-Incentive'-Programms für leitende Angestellte	Member of the Supervisory Board	Employee participation program	163	254.80	Off-exchange
27/06/2023	Armin Theodor Papperger	Chairman of the Executive Board	Purchase	825	242.51	Xetra
17/08/2023	Armin Theodor Papperger	Chairman of the Executive Board	Purchase	810	248.63	Tradegate
18/08/2023	Dagmar Steinert	Member of the Executive Board	Purchase	400	247.64	Off-exchange
28/08/2023	Peter Sebastian Krause	Member of the Executive Board		808	245.55	Xetra
04/10/2023	Armin Theodor Papperger	Chairman of the Executive Board	Purchase	870	232	Tradegate

Transactions involving related third parties are listed in the notes to the consolidated financial statements under »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.

Further information can be found here: »Corporate management and control: 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 9, 2023, to audit the single-entity and consolidated financial statements for 2023. 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 January 6, 2023, Rheinmetall published a record operating result based on preliminary figures, with double-digit percentage growth in sales and a significant increase in the operating margin. Rheinmetall AG generated consolidated sales of €6.4 billion in fiscal 2022 based on preliminary and unaudited figures. Compared with the previous year's sales of €5,658 million (adjusted for discontinued operations in accordance with IFRS 5), this represents an increase of around 13%. Taking into account exchange rate and M&A effects, organic sales growth is around 10%, which is below the communicated expectations of around 15%. In particular, these deviations result 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 expects a record year for the operating result with growth of more than 20%. Rheinmetall has 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 was closed 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, 2023.

Composition of the subscribed capital

The subscribed capital (share capital) of Rheinmetall AG amounted to €111,510,656 as of the reporting date (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 29, 2023, the invitation to the Annual General Meeting of Rheinmetall AG on May 9, 2023, in Düsseldorf as a virtual Annual General Meeting without the physical presence of its shareholders or their authorized representatives (with the exception of company-appointed proxies) 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 in text form or using electronic communication (absentee ballot) ahead of the Annual General Meeting and on the shareholder portal during the Annual General Meeting, as well as by issuing powers of attorney to company-appointed proxies or other authorized representatives. Up until midnight on May 3, 2022 (CEST), properly registered shareholders were given the right to submit statements on items of the agenda 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 the reporting date. 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 (authorized capital). 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 (27).

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.

By resolution of 11 May 2021, the Annual General Meeting authorised the Executive Board under agenda item 11 to issue bearer convertible bonds, bonds with warrants or income bonds, profit participation rights, which may also be linked to conversion or option rights or conversion obligations, or combinations of these instruments with or without a limited term in a total nominal amount of up to €1,045,410,000.00 on one or more occasions until the end of 10 May 2026 with the approval of the Supervisory Board. The Annual General Meeting also authorised the Executive Board to exclude shareholders' subscription rights when issuing the bonds and at the same time resolved to create Contingent Capital 2021 in the amount of €22,302,080.00 to service the conversion or option rights and fulfil conversion obligations arising from these bonds. The Executive Board of Rheinmetall AG has made use of the above authorisation and issued convertible bonds with a total nominal amount of (i) €500,000,000 with a regular term until 2028, a coupon of 1.875% p.a., and an initial conversion price of €309.90 (ISIN DE000A30V8S3) and (ii) convertible bonds with a total nominal amount of €500,000,000 with a regular term until 2030, a coupon of 2.250% p.a., and an initial conversion price of €309.90 (ISIN DE000A30V8T1). The convertible bonds were issued on the basis of the Contingent Capital 2021 (Article 4 of the Articles of Association). The shareholders' statutory pre-emption right to the convertible bonds was disapplied. The authorisation granted at the Annual General Meeting on 11 May 2021 has therefore been used up by more than 95%.

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 €80 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 contracts relating to the promissory note loans totaling €428 million outstanding as of December 31, 2023, which mature between 2024 and 2029, include an extraordinary right of termination in the event of a change of control. For the convertible bonds of €500 million each with terms of 5 years and 7 years that were issued on February 7, 2023, it has also been agreed that in the event of a change of control it will be possible either to terminate the convertible bonds or to convert them into Rheinmetall shares within certain deadlines. A change of control is considered to have occurred if one or more persons or a partnership or third parties acting on their behalf gain control of Rheinmetall, or if in the event of a mandatory offer for ordinary shares a situation arises in which ordinary shares that are already legally and/or economically owned by the bidder, either directly or indirectly, and (y) ordinary shares for which the mandatory offer has already been accepted together grant 50% or more of the voting rights in Rheinmetall.

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 year 2023. 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 Rheinmetall AG'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 year 2022 was presented to the Annual General Meeting on May 9, 2023, in accordance with section 120a(4) of the German Stock Corporation Act (AktG) and approved by a clear majority of 96.27%. 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 year 2023 in this proven form.

Rheinmetall AG has also received criticism from individual shareholders regarding the amount of pension expenses and the shape of the target achievement curve for the performance target relative total shareholder return. The expenses recognized for pensions particularly relate to commitments made prior to January 1, 2014, which must still be fulfilled in accordance with the employment contract. The target achievement curve for relative total shareholder return is an integral part of the remuneration system for Executive Board members, which was approved by a majority of 92.61% at the Annual General Meeting on May 11, 2021. A symmetrical target achievement curve corresponds with German market practice and guarantees a balanced opportunity/risk profile. The Supervisory Board is convinced that the target achievement curve provides the right incentive to outperform the competition without taking disproportionate risks. In addition, the remuneration report presents the relative shares of the remuneration components (assuming 100% target achievement for variable remuneration) at the shareholders' request.

The remuneration report below and the current remuneration system for the Executive Board and the Supervisory Board are available on Rheinmetall AG'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 at the address above.

Review of fiscal year 2023

On the stock markets, 2023 went better than expected. After a strong first half of the year, neither the stagnation of the European economy nor the wars in Ukraine and the Middle East prompted a turn for the worse. Despite a sharp rise in interest rates, share prices recovered compared to the previous year. Before Christmas, the US Federal Reserve fulfilled financial market players' hopes by clearly signaling three expected interest rate cuts in 2024. The DAX responded positively and exceeded 17,000 points for the first time in its history in mid-December. Previously, the Dow Jones in the US had already reached a record high, clearing 37,000 points for the first time. In terms of annual performance, the DAX therefore grew by 20.3% and closed at 16,751.64 points. The growth of small and mid-caps was notably less strong: The mid-cap index MDAX grew by 8% over the year to 27,137.30 points, while the SDAX and TecDAX gained 17% to 13,960.36 points and 14% to 3,337.41 points, respectively.

The Rheinmetall share started the stock market year on January 2, 2023, at a price of €196.95 and proved friendly from then on. On February 21, 2023, it breached the €250 mark for the first time with a closing price for the day of €257.20. At €287, the year-end closing price for fiscal year 2023 was close to the all-time high of €289.80. In terms of the full year, the Rheinmetall share closed a considerable 54.26% above the previous year and significantly better than the DAX. The share price performance was consistently driven by the ongoing geopolitical crises and the associated rise in demand for goods from the defence industry. Because the demand focused especially on products for land forces, Rheinmetall AG obtained a particularly large share in this trend.

The financial performance of Rheinmetall AG in the year under review proved to be robust and profitable. The altered security situation allowed us to demonstrate our responsibility as a reliable supplier of state-of-the-art defence technology to Germany and its allies. This is evidenced by major procurement projects in Germany and significant large orders from friendly nations. As a result, the operating result increased by 19.4% to a new record of €918 million. And our operating margin of 12.8% exceeds last year's 12.0%.

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 for all incumbent members of the Executive Board since January 1, 2022, and forms the basis for the remuneration granted and owed in fiscal year 2023.

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

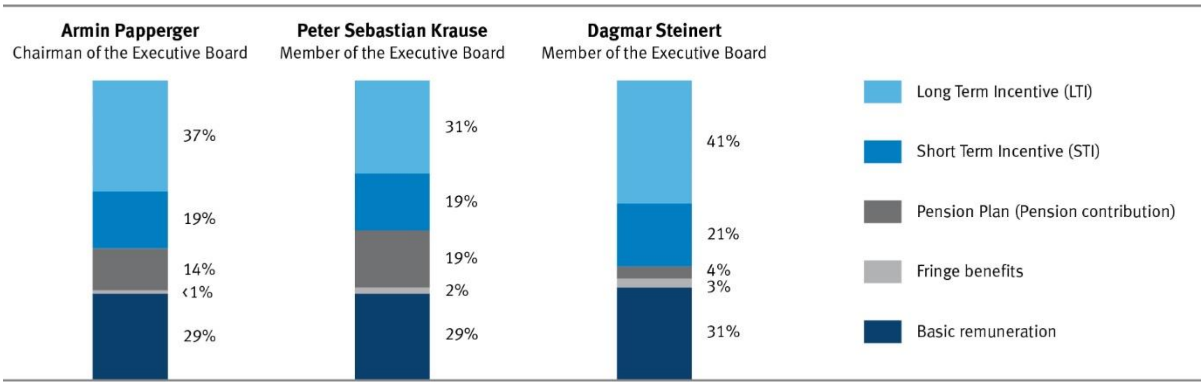
The remuneration for members of the Executive Board of Rheinmetall AG is geared towards sustainable and long-term corporate development. It thus makes a contribution to promoting the business strategy and to the long-term development of Rheinmetall AG. It offers incentives for the value-creating and long-term development of Rheinmetall AG. 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.

The figure below shows the relative shares of the remuneration components in the target total remuneration (remuneration structure) for fiscal year 2023:



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 comparable companies. This comparison took into account sales, number of employees, internationality and complexity of the Rheinmetall Group.

In addition, 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 year 2023.

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, a 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 year 2023 are shown below.

Executive Board pensions in accordance with IAS 19

	Expenses in fiscal year					
	Total		Of which interest payable		Settlement amount of pension obligation as of December 31[1]	
€ '000	2023	2022	2023	2022	2023	2022
Armin Papperger	1,002	1,216	355	156	11,765	9,488
Peter Sebastian Krause	496	626	154	59	4,698	4,106
Dagmar Steinert	85	7	-	-	102	7
Total	**1,583**	**1,849**	**509**	**215**	**16,565**	**13,600**

[1] Refers to the amount of the cumulative pension obligations measured on 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 euro agreed in the Executive Board employment contracts and on the achievement of financial and non-financial targets. The STI for fiscal year 2023, which is to be disclosed in fiscal year 2023 as remuneration granted and owed, corresponds to the remuneration system presented to and approved by the Annual General Meeting on May 11, 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 year 2023 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 key figures shown above.

Achievement financial targets STI

	Target value	Actual value	Achievement
	€ million	€ million	%
Earnings before taxes	841	841	100.1
Operating free cashflow	200	399	250.0

When the planning for 2023–25 was adopted, Rheinmetall had already signed the agreement to acquire Expal Systems S.A.U. At that time, however, it was not yet foreseeable whether and when this transaction would actually be completed. The planning for 2023–25 was therefore intentionally prepared without potential effects of this acquisition. For this reason, the targets for 2023 likewise do not take this acquisition into account. For the purpose of target achievement, the actual figures are therefore adjusted to present earnings before taxes and operating free cash flow as if the acquisition of Expal Systems S.A.U. had not taken place in 2023. Accordingly, earnings contributions from the acquired companies, including effects from the purchase price allocation, are deducted from earnings before taxes. The same applies to the financing expenses and other acquisition costs recognized in expenses. Operating free cash flow is adjusted accordingly.

	EBT	OFCF
Reported figure	815	356
Operating result/OFCF of the company	-37	44
PPA effects	41	0
Convertible bond financing costs	35	8
Other effects	-12	-9
Total adjustment for EXPAL	26	43
Figure for target achievement	841	399

By resolution of the Supervisory Board on December 7, 2022, a target value of €283 million was set for operating free cash flow in fiscal year 2023. This target was set partly on the basis of an investment action plan for fiscal year 2023. This was increased due to additional investments in the interests of the company, which were not included in the original investment planning. The Supervisory Board approved this increase on August 17, 2023. In order to prevent a situation whereby the investments in the interests of the company are disadvantageous for the Executive Board and thus counteract the STI, the Supervisory Board decided on August 17, 2023 – in accordance with recommendation G.11 of the Germany Corporate Governance Code, according to which the Supervisory Board is to have the option to take extraordinary developments into account within reason – to adjust the operating free cash flow target for the STI to €200 million for the current fiscal year 2023. This set an ambitious but essentially achievable target for the members of the Executive Board and restored the incentive effect of the STI. The Supervisory Board considers this subsequent change to the target value to be necessary and appropriate in order to grant the Executive Board members remuneration that is commensurate with their performance and be able to create the right incentives for the long-term benefit of Rheinmetall AG.

For fiscal year 2023, 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	he goal was achieved with great success. Both systems for CO2 reduction were put into operation in the 4th quarter of 2023. The ROI of the photovoltaic system is ‹ 5 years.	200.0	50.0
Measures based on the German Supply Chain Compliance Act and establishment of a Rheinmetall-specific compliance structure for activities at Expal	The objective was achieved in full with great success. The five measures defined in terms of content and timing were all implemented (installation of a human rights officer, adaptation of supplier auditing and supplier monitoring processes, introduction of a legally compliant complaints mechanism and supplier blocking process, compliance risk analysis of the Expal business along with detailed planning for a suitable support concept as well as the start of specific compliance support and successive anchoring of the Rheinmetall CMS at Expal).	250.0	50.0
Overall target achievement non-financial targets		**225.0**	**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	225%	100%	250%	185%	1,599
Peter Sebastian Krause	360	225%	100%	250%	185%	666
Dagmar Steinert	420	225%	100%	250%	185%	777

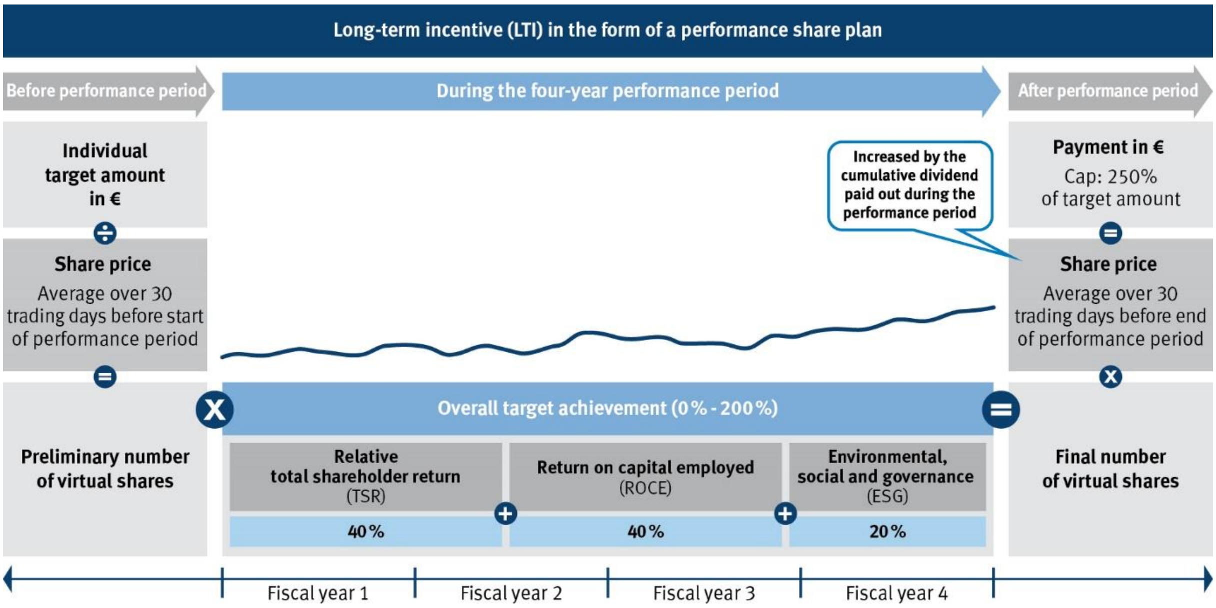
Following approval of the financial statements by the Supervisory Board, the resulting payment amount for the STI is transferred to the relevant Executive Board member with the next salary statement.

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 AG. 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 also received an allocation from the performance share plan for fiscal year 2023. As the four-year performance period does not end until fiscal year 2026, the 2023 tranche is not to be disclosed as remuneration granted and owed until fiscal year 2026. For reasons of transparency, however, the operating principle and allocation amounts for each Executive Board member are reported below.

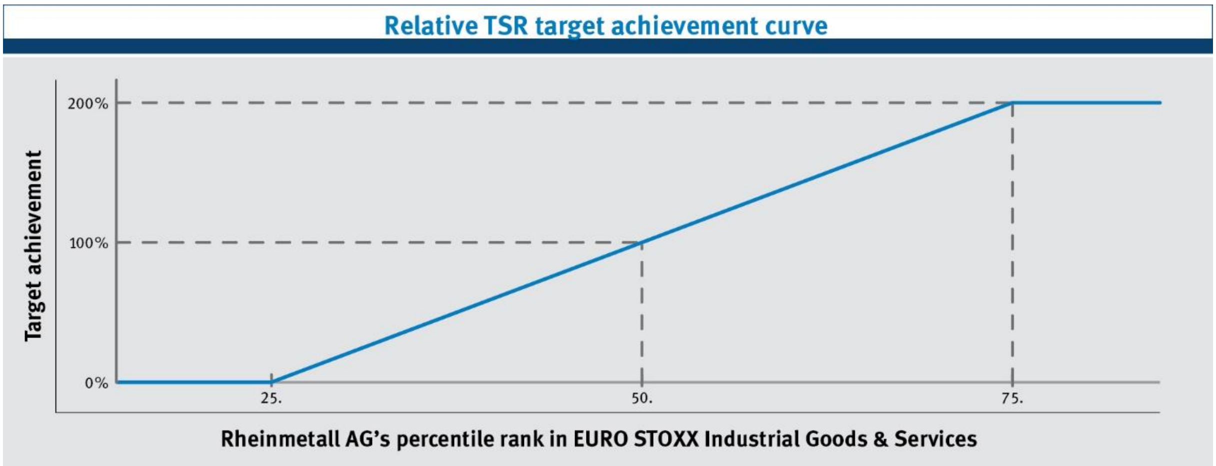
At the beginning of each fiscal year, the Executive Board members are allocated a new tranche of virtual shares under the performance share plan. An individual target amount corresponding to 100% target achievement has been agreed in the Executive Board employment contracts. The individual target amount 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



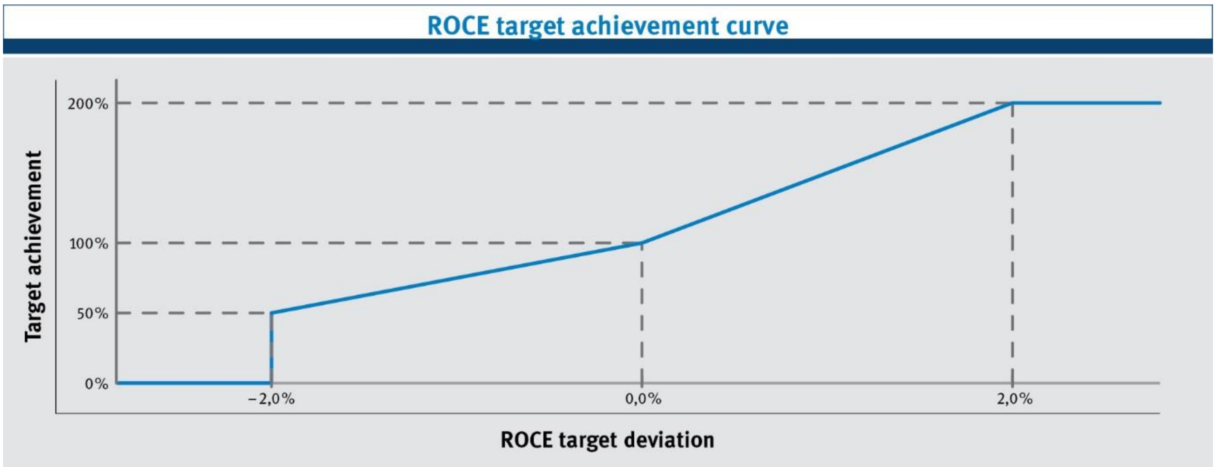
The first performance target of the LTI is Rheinmetall AG's relative TSR over the four-year performance period. Rheinmetall AG's TSR is compared with the EURO STOXX Industrial Goods & Services companies. The TSR is the share price performance plus notional reinvested gross dividends during the four-year performance period. The start and end values for determining the TSR of Rheinmetall AG 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 2023 installment, the ROCE actually achieved in fiscal years 2023, 2024, 2025 and 2026 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 AG'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 2023 LTI tranche are listed below:

LTI Tranche 2023: ESG targets

LTI Tranche 2023: 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)

The individual target amount, the average closing price of Rheinmetall shares over the last 30 stock market trading days prior to the start of the performance period, and the resulting preliminary number of virtual shares per Executive Board member are shown in the table below.

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

Performance Share Plan Tranche 2023

	Target value	Starting price Rheinmetall share	Number of shares allotted
	€ '000	€	
Armin Papperger	1,650	192.71	8,562
Peter Sebastian Krause	578	192.71	2,996
Dagmar Steinert	825	192.71	4,281

Further details on targets set, target achievements, and payment amounts of the performance share plan tranches are provided in the remuneration report covering the final fiscal year of the respective performance period.

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 Rheinmetall AG in accordance with section 93(2) AktG, the right of Rheinmetall AG to revoke the appointment in accordance with section 84 AktG, and the right of Rheinmetall AG 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 year 2023 or in fiscal year 2022 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. As of December 31, 2023, Armin Papperger, Peter Sebastian Krause, and Dagmar Steinert had already invested the required amount in Rheinmetall shares and fulfilled the holding obligation.

2.8 Payments in the event of premature termination of the Executive Board contract

In the event that either Rheinmetall AG 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 Rheinmetall AG 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 Rheinmetall AG and for services performed with Rheinmetall AG 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 Rheinmetall AG or one of its affiliated companies belongs, the Supervisory Board decides on setting-off.

In fiscal year 2023, 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			Rheinmetall Landsysteme GmbH[1] Chairman
			The Dynamic Engineering Solution Pty Ltd Deputy Chairman of the Supervisory Board
			Rheinmetall MAN Military Vehicles GmbH[1] Chairman
			Rheinmetall Denel Munition (Pty) Ltd[1] Chairman
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 Waffe Munition GmbH[1] Vorsitzender
Dagmar Steinert **Business graduate**	CFO	December, 1, 2022 to November 30, 2025	4iG Nyrt.[2]
Born 1964 Nationality | German	Finance and Controlling		ZF Friedrichshafen AG[3]

[1] Internal mandates
[2] since April 28, 2023
[3] until March 31, 2023

2.10 Third-party payments

In fiscal year 2023, 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 2023

3.1 Target remuneration for fiscal year 2023

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		Peter Sebastian Krause		Dagmar Steinert	
	CEO since January 1, 2013[1]		Member of the executive board since January 1, 2017		Member of the executive board from December 1, 2022[2]	
	2023	2022	2023	2022	2023	2022
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Basic remuneration	1,296	1,296	540	540	630	630
Fringe benefits	20	25	29	36	58	46
Total fixed remuneration	1,316	1,321	569	576	688	676
Short-term variable remueration (STI)						
STI 2022	-	864	-	360	-	420
STI 2023	864	-	360	-	420	-
Long-term variable remuneration (LTI)						
LTI tranche 2022	-	1,650	-	578	-	825
LTI tranche 2023	1,650	-	578	-	825	-
Total	**3,830**	**3,835**	**1,507**	**1,514**	**1,933**	**1,921**
Pension contribution	1,377	1,377	406	646	168	168
Total (including pension contribution)	**5,207**	**5,212**	**1,913**	**2,160**	**2,101**	**2,089**

[1] Member of the Executive Board since January 1, 2012
[2] Target remuneration 2022 stated on a full-year basis

3.2 Remuneration granted and owed in fiscal year 2023 – Executive Board members active in fiscal year 2023

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 payment amounts of the STI allocation for fiscal year 2023 are shown in the 2023 remuneration report, as the underlying activity for the remuneration has already been fully completed at the end of fiscal year 2023. The relevant results for determining the target achievement levels can already be determined as of the end of fiscal year 2023, although the actual payment will not take place until the following year, i.e. in fiscal year 2024. No remuneration granted and owed is yet reported for the tranches of the LTI first allocated and redesigned in fiscal year 2022, as target achievement and the potential payout amount can only be made after the end of the respective 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			Peter Sebastian Krause			Dagmar Steinert		
	CEO since January 1, 2013[1]			Member of the executive board since January 1, 2017			Member of the executive board from December 1, 2022		
	2023	2023	2022	2023	2023	2022	2023	2023	2022
	€ '000	%	€ '000	€ '000	%	€ '000	€ '000	%	€ '000
Basic remuneration	1,296	36	1,296	540	34	540	630	41	53
Fringe benefits	20	1	25	29	2	36	58	4	3
Total	**1,316**	**37**	**1,321**	**569**	**36**	**576**	**688**	**44**	**56**
Short-term variable remueration (STI)									
STI 2021	-	-	1,206	-	-	503	-	-	49
STI 2022	1,599	45	-	666	42	-	777	50	-
Total of paid and owed remuneration	**2,915**	**82**	**2,527**	**1,235**	**78**	**1,079**	**1,465**	**95**	**104**
Service costs	647	18	1,060	343	22	567	85	5	7
Total remuneration	**3,561**	**100**	**3,587**	**1,578**	**100**	**1,645**	**1,550**	**100**	**111**

[1] Member of the Executive Board since January 1, 2012

3.3 Remuneration granted and owed in fiscal year 2023 – former Executive Board members

The remuneration granted and owed in fiscal year 2023 to former Executive Board members who were active within the past ten years is shown below.

Paid and owed remuneration of former members of the executive board

	Helmut P. Merch	Horst Binnig
	Leaving date Dezember 31, 2022	Resignation date Dezember 31, 2019
	2023	2023
	€ '000	€ '000
Pension payments	450	213
Total	**450**	**213**

Nine former Executive Board members who have not been active in the last ten years received pension payments totaling €1,623 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 year 2023. The maximum remuneration for fiscal year 2023 therefore also includes the 2023 performance share plan tranche, although the amount paid out will not be known until the end of the 2026 financial year. This means that the sum of all remuneration components allocated for fiscal year 2023 can only be determined after the end of fiscal year 2026. 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.

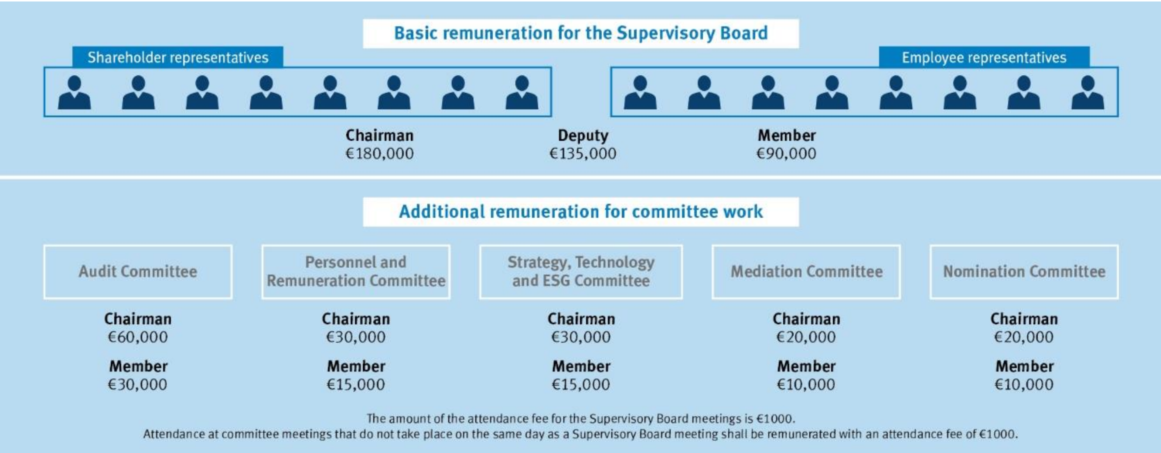
Remuneration of the Supervisory Board

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 year 2023 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 AG 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 Rheinmetall AG 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 Rheinmetall AG. 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 Rheinmetall AG 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 Rheinmetall AG.

The shareholder representatives on the Supervisory Board in office as of December 31, 2023, received the following remuneration for fiscal year 2023:

Compensation granted and owed (earnings-oriented interpretation) to shareholders in office on the Supervisory Board as of December 31, 2023

		Fixed remuneration		Committee remuneration		Attendence fee		Total remuneration
		EUR	%	EUR	%	EUR	%	
Ulrich Grillo	2023	180,000	54.4	130,000	39.3	21,000	6.3	331,000
Chairman of the Supervisory Board	2022	180,000	54.4	130,000	39.3	21,000	6.3	331,000
Prof. Dr. Dr. h.c. Sahin Albayrak	2023	90,000	79.6	15,000	13.3	8,000	7.1	113,000
	2022	90,000	77.6	15,000	12.9	11,000	9.5	116,000
Dr.-Ing. Dr.-Ing. E. h. Klaus Draeger	2023	90,000	78.9	15,000	13.2	9,000	7.9	114,000
	2022	90,000	78.3	15,000	13.0	10,000	8.7	115,000
Prof. Dr. Andreas Georgi	2023	90,000	65.7	35,000	25.5	12,000	8.8	137,000
	2022	90,000	57.0	52,836	33.5	15,000	9.5	157,836
Dr. Britta Giesen	2023	90,000	78.9	15,000	13.2	9,000	7.9	114,000
	2022	90,000	77.6	15,000	12.9	11,000	9.5	116,000
Prof. Dr. Susanne Hannemann	2023	90,000	54.9	60,000	36.6	14,000	8.5	164,000
	2022	90,000	59.1	49,397	32.4	13,000	8.5	152,397
Louise Öfverström[1]	2023	90,000	66.7	30,000	22.2	15,000	11.1	135,000
	2022	58,192	68.8	19,397	22.9	7,000	8.3	84,589
Klaus-Günter Vennemann	2023	90,000	82.6	10,000	9.2	9,000	8.3	109,000
	2022	90,000	81.8	10,000	9.1	10,000	9.1	110,000

[1] One attendance fee from 2022 settled in 2023 (+ €1,000)

Figures exclude value-added tax

The employee representatives on the Supervisory Board in office as of December 31, 2023, received the following remuneration for fiscal year 2023:

Compensation granted and owed (earnings-oriented interpretation) for employee representatives on the Supervisory Board in office as of December 31, 2023

		Fixed remuneration		Committee remuneration		Attendence fee		Total remuneration
		EUR	%	EUR	%	EUR	%	
Dr. Daniel Hay[1]	2023	135,000	60.8	70,000	31.5	17,000	7.7	222,000
Deputy chairman of the Supervisory Board	2022	135,000	61.4	70,000	31.8	15,000	6.8	220,000
Ralf Bolm[1]	2023	90,000	67.2	30,000	22.4	14,000	10.4	134,000
	2022	90,000	67.7	30,000	22.6	13,000	9.8	133,000
Murat Küplemez[1]	2023	90,000	92.8	-	-	7,000	7.2	97,000
	2022	58,192	90.7	-	-	6,000	9.3	64,192
Dr. Michael Mielke	2023	90,000	92.8	-	-	7,000	7.2	97,000
	2022	90,000	90.9	-	-	9,000	9.1	99,000
Reinhard Müller[1]	2023	90,000	68.7	30,000	22.9	11,000	8.4	131,000
	2022	90,000	68.0	28,260	21.4	14,000	10.6	132,260
Dagmar Muth[1]	2023	90,000	73.2	25,000	20.3	8,000	6.5	123,000
	2022	90,000	72.9	21,466	17.4	12,000	9.7	123,466
Barbara Resch[1]	2023	90,000	93.8	-	-	6,000	6.3	96,000
	2022	90,000	90.9	-	-	9,000	9.1	99,000
Sven Schmidt[1]	2023	90,000	59.6	45,000	29.8	16,000	10.6	151,000
	2022	90,000	59.6	45,000	29.8	16,000	10.6	151,000

[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 the trade union regulations.

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

	2023	Change 2023/2022 [1]	2022	Change 2022/2021 [1]	2021	Change 2021/2020 [1]	2020
	€ '000	%	€ '000	%	€ '000	%	TEUR
On December 31, 2023 incumbent members of the executive board							
Armin Papperger	2,915	15.3	2,527	(45.0)	4,595	(0.6)	4,622
Peter Sebastian Krause	1,235	14.5	1,079	(43.5)	1,910	(1.5)	1,940
Dagmar Steinert	1,465	1,308.6	104	-	-	-	-
Former members of the executive board							
Helmut P. Merch	450	(67.7)	1,394	(43.1)	2,451	(0.6)	2,467
Jörg Grotendorst	-	(100.0)	600	(81.1)	3,170	493.6	534
Klaus Eberhardt	494	14.0	433	-	433	-	433
Horst Binnig	213	-	213	1.0	211	0.5	210
On December 31, 2023 incumbent supervisory board members							
Dipl.-Kfm. Ulrich Grillo	331	-	331	10.9	299	2.1	293
Prof. Dr. Dr. h.c. Sahin Albayrak	113	(2.6)	116	76.7	66	-	-
Dr.-Ing. Dr. Ing. E.h. Klaus Draeger	114	(0.9)	115	8.5	106	2.4	104
Prof. Dr. Andreas Georgi	137	(13.2)	158	(0.7)	159	8.1	147
Dr. Britta Giesen	114	(1.7)	116	74.0	67	-	-
Prof. Dr. Susanne Hannemann	164	7.6	152	33.7	114	3.2	111
Louise Öfverström[2]	135	59.6	85	-	-	-	-
Klaus-Günter Vennemann	109	(0.9)	110	9.5	101	3.6	97
Dr. Daniel Hay	222	0.9	220	11.4	198	34.9	146
Ralf Bolm	134	0.8	133	16.7	114	112.6	54
Murat Küplemez	97	51.1	64	-	-	-	-
Dr. Michael Mielke	97	(2.0)	99	8.8	91	4.6	87
Reinhard Müller	131	(1.0)	132	10.7	120	12.7	106
Dagmar Muth	123	(0.4)	123	18.7	104	4.0	100
Barbara Resch	96	(3.0)	99	11.2	89	105.9	43
Sven Schmidt	151	-	151	21.6	124	12.9	110
Employees							
Ø remuneration of employees	91	4.5	87	1.3	86	3.9	83
Earnings trend							
Net income Rheinmetall AG in € million	403	109.1	193	7.0	180	100.3	90
Adjusted EBT of Rheinmetall Group € million	841	15.0	731	30.8	559	36.0	411

[1] The change in percent is based on exact, non-rounded figures in euro
[2] One attendance fee from 2022 settled in 2023 (+ €1,000)

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 12, 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 12, 2023

Rheinmetall Aktiengesellschaft

The Executive Board

Armin Papperger Dagmar Steinert Peter Sebastian Krause

CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated financial statements
Consolidated income statement

Income statement of the Rheinmetall Group for fiscal 2023

€ million	Notes	2023	2022
Sales	(9)	**7,176**	**6,410**
Changes in inventories and work performed by the enterprise and capitalized	(10)	696	153
Total operating performance		**7,872**	**6,563**
Other operating income	(11)	153	221
Cost of materials	(12)	3,935	3,183
Personnel costs	(13)	2,047	1,836
Amortization, depreciation and impairment	(14)	308	249
Other operating expenses	(15)	889	768
Result from investments accounted for using the equity method[1]		57	39
Other financial result		(6)	(48)
Earnings before interest and taxes (EBIT)[1]		**897**	**738**
Interest income		29	12
Interest expenses		111	32
Earnings before taxes (EBT)[1]		**815**	**718**
Income taxes	(16)	(185)	(183)
Earnings from continuing operations[1]		**630**	**534**
Earnings from discontinued operations		(44)	6
Earnings after taxes[1]		**586**	**540**
Of which:			
Non-controlling interests		*51*	*66*
Rheinmetall AG shareholders[1]		*535*	*474*
Basic earnings per share[1]	(17)	**€ 12.32**	**€ 10.94**
Basic earnings per share from continuing operations[1]		€ 13.34	€ 10.80
Basic earnings per share from discontinued operations[1]		€ (1.02)	€ 0.14
Diluted earnings per share[1]	(17)	**€ 12.07**	**€ 10.94**
Diluted earnings per share from continuing operations[1]		€ 13.02	€ 10.80
Diluted earnings per share from discontinued operations[1]		€ (0.95)	€ 0.14

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

Consoliated statement of comprehensive income

Statement of comprehensive income of the Rheinmetall Group for fiscal 2023

€ million	2023	2022
Earnings after taxes[1]	**586**	**540**
Remeasurement of net defined benefit liability from pensions	30	65
Other comprehensive income from investments accounted for using the equity method	(0)	3
Amounts not reclassified to the income statement	**30**	**69**
Change in value of derivative financial instruments (cash flow hedge)	(19)	(15)
Currency translation difference	7	23
Other comprehensive income from investments accounted for using the equity method[1]	(8)	1
Amounts reclassified to the income statement[1]	**(19)**	**8**
Other comprehensive income after taxes[1]	**11**	**77**
Total comprehensive income[1]	**597**	**617**
Of which:		
Non-controlling interests	39	75
Rheinmetall AG shareholders[1]	558	542

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

Consolidated statement of financial position

Statement of financial position of Rheinmetall Group as of December 31, 2023

€ million	Notes	12/31/2023	12/31/2022
Assets			
Goodwill	(18)	1,125	483
Other intangible assets	(18)	952	338
Right-of-use assets	(19)	271	209
Property, plant and equipment	(20)	1,370	1,137
Investment property	(21)	22	24
Investments accounted for using the equity method[1]	(22)	373	442
Other non-current assets	(24)	339	187
Deferred taxes	(16)	164	98
Non-current assets[1]		**4,615**	**2,918**
Inventories	(23)	3,244	1,976
Contract assets	(9)	516	362
Trade receivables	(9)	2,021	1,548
Other current assets	(24)	251	242
Income tax receivables		13	23
Securities held for trade	(25)	-	132
Cash and cash equivalents	(26)	850	545
Assets held for sale[1]	(8)	196	349
Current assets[1]		**7,092**	**5,178**
Total assets[1]		**11,707**	**8,096**
Equity and liabilities			
Share capital		112	112
Capital reserves		676	566
Retained earnings[1]		2,533	2,147
Treasury shares		(5)	(6)
Rheinmetall AG shareholders' equity[1]		**3,316**	**2,819**
Non-controlling interests		327	271
Equity[1]	(27)	**3,643**	**3,090**
Provisions for pensions and similar obligations	(28)	562	484
Other non-current provisions	(29)	230	205
Non-current financial debts	(30)	1,503	517
Other non-current liabilities	(31)	51	56
Deferred taxes	(16)	260	78
Non-current liabilities		**2,605**	**1,341**
Other current provisions	(29)	690	674
Current financial debts	(30)	410	454
Contract liabilities	(9)	2,594	1,120
Trade liabilities		1,222	931
Other current liabilities	(31)	274	200
Income tax liabilities		108	67
Liabilities directly associated with assets held for sale	(8)	161	220
Current liabilities		**5,459**	**3,665**
Total equity and liabilities[1]		**11,707**	**8,096**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

Consolidated statement of cash flows

Statement of cash flows of Rheinmetall Group for fiscal 2023

€ million	2023	2022
Earnings after taxes[1]	586	540
Amortization/depreciation/impairment of property, plant and equipment, intangible assets and investment property	308	249
Impairment/reversal of impairment of non-current assets of discontinued operations[1]	63	13
Allocation of CTA assets to secure pension and partial retirement obligations	(20)	(62)
Proceeds from reimbursements of pension payments made from CTA assets	8	-
Other changes in pension provisions	(48)	(18)
Income/expenses from disposals of non-current assets	(59)	(5)
Changes in other provisions	29	(9)
Changes in working capital	(217)	(507)
Changes in receivables, liabilities (without financial debt) and prepaid & deferred items	39	(39)
Pro rata income/loss from investments accounted for using the equity method[1]	(4)	(39)
Dividends received from investments accounted for using the equity method	29	17
Other non-cash expenses and income	28	33
Cash flow from operating activities[2]	**743**	**174**
Of which continuing operations	*740*	*175*
Of which discontinued operations	*3*	*(1)*
Investments in property, plant and equipment, intangible assets and investment property	(398)	(349)
Cash inflows/outflows from the disposal of property, plant and equipment, intangible assets and investment property	2	19
Cash inflows from disinvestments in consolidated companies and financial assets	155	2
Cash inflows/outflows for investments in consolidated companies and financial assets	(1,064)	(205)
Cash in-/outflows from/for securities held for trade	130	-
Cash flow from investing activities	**(1,175)**	**(534)**
Of which continuing operations	*(1,224)*	*(512)*
Of which discontinued operations	*49*	*(22)*
Dividends paid out by Rheinmetall AG	(187)	(143)
Other profit distributions	(3)	(6)
Increase in shares in consolidated subsidiaries	21	1
Borrowing of other financial debts	279	249
Repayment of other financial debts	(357)	(232)
Cash inflows from the issuance of convertible bonds - Addition to equity	113	-
Cash inflows from the issuance of convertible bonds - Fair value financial liability	887	-
Transaction costs for the issuance of convertible bonds	(7)	-
Cash flow from financing activities	**746**	**(131)**
Of which continuing operations	*721*	*(65)*
Of which discontinued operations	*26*	*(66)*
Changes in cash and cash equivalents	**314**	**(491)**
Changes in cash and cash equivalents due to exchange rates	(9)	1
Total change in cash and cash equivalents	**305**	**(490)**
Opening cash and cash equivalents January 1	**568**	**1,058**
Closing cash and cash equivalents December 31	**873**	**568**
Closing cash and cash equivalents December 31 from discontinued operations	23	23
Cash and cash equivalents as per consolidated statement of financial position December 31	**850**	**545**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.
[2] Of which: Net interest of €-43 million (previous year: €-11 million), net income taxes of €-157 million (previous year: €-154 million)

Consolidated statement of changes in equity

Development of equity

€ million	Share capital	Capital reserve	Total retained earnings[1]	Treasury shares	Rheinmetall AG shareholders' equity[1]	Non-controlling interests	Equity[1]
As of 1/1/2022	**112**	**561**	**1,758**	**(9)**	**2,421**	**203**	**2,624**
Earnings after taxes	-	-	474	-	474	66	540
Other comprehensive income after taxes	-	-	68	-	68	9	77
Total comprehensive income	**-**	**-**	**542**	**-**	**542**	**75**	**617**
Dividend payout	-	-	(143)	-	(143)	(6)	(149)
Disposal of treasury shares	-	-	-	3	3	-	3
Changes in shares in subsidiaries	-	-	(0)	-	(0)	(1)	(2)
Convertible Bond	-	-	-	-	-	-	-
Change in basis of consolidation	-	-	1	-	1	1	2
Book transfers	-	-	-	-	-	-	-
Other changes	-	6	(10)	-	(5)	0	(5)
As of 12/31/2022	**112**	**566**	**2,147**	**(6)**	**2,819**	**271**	**3,090**
As of 1/1/2022	**112**	**566**	**2,147**	**(6)**	**2,819**	**271**	**3,090**
Earnings after taxes	-	-	535	-	535	51	586
Other comprehensive income after taxes	-	(0)	23	-	23	(12)	11
Total comprehensive income	**-**	**(0)**	**558**	**-**	**558**	**39**	**597**
Dividend payout	-	-	(187)	-	(187)	(3)	(190)
Disposal of treasury shares	-	-	-	1	1	-	1
Changes in shares in subsidiaries	-	-	-	-	-	-	-
Convertible Bond	-	104	-	-	104	-	104
Change in scope of consolidation	-	-	11	-	11	22	32
Book transfers	-	-	2	-	2	(2)	-
Other changes	-	6	2	-	7	1	8
As of 12/31/2023	**112**	**676**	**2,533**	**(5)**	**3,316**	**327**	**3,643**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

Notes to the consolidated financial statements
Segment report

Segment report 2023

€ million	Vehicle Systems	Weapon and Ammunition	Electronic Solutions	Sensors and Actuators	Materials and Trade	Others/ Consolidation	Group (continued operations)
Income statement							
External sales	*2,577*	*1,481*	*1,018*	*1,346*	*735*	*18*	*7,176*
Internal sales	*32*	*275*	*300*	*75*	*2*	*(684)*	*-*
Segment sales	2,609	1,756	1,318	1,421	737	(666)	7,176
Operating result[1]	324	403	150	69	66	(94)	918
Special items	(0)	0	(1)	-	(4)	55	49
PPA effects	(3)	(44)	(2)	-	-	(21)	(70)
EBIT	321	360	147	69	62	(60)	897
Of which:							
At-equity result	*3*	*4*	*5*	*6*	*(2)*	*41*	*57*
Amortization and depreciation	*64*	*84*	*31*	*86*	*17*	*20*	*302*
Impairment	*-*	*-*	*-*	*5*	*0*	*0*	*6*
Interest income	11	7	7	10	5	(12)	29
Interest expenses	24	32	12	5	6	31	111
EBT	307	335	142	74	60	(103)	815
Other data							
Operating free cash flow	(142)	463	11	29	23	(28)	356
Employees Dec. 31 (FTE)	6,437	6,626	4,155	4,349	2,302	886	24,753

[1] The definition of the key performance indicator operating result was adjusted retrospectively in the third quarter of 2023. The figure for the previous year 2022 was also adjusted accordingly.

Segment report 2022[2]

€ million	Vehicle Systems	Weapon and Ammunition	Electronic Solutions	Sensors and Actuators	Materials and Trade	Others/ Consolidation[3]	Group (continued operations)
Income statement							
External sales	*2,251*	*1,138*	*941*	*1,313*	*739*	*28*	*6,410*
Internal sales	*18*	*221*	*223*	*70*	*3*	*(534)*	*-*
Segment sales	2,270	1,359	1,164	1,382	742	(506)	6,410
Operating result[1]	261	297	121	95	66	(72)	769
Special items	-	0	-	(2)	-	(20)	(22)
PPA effects	(3)	(3)	(3)	(0)	-	(0)	(10)
EBIT	258	294	119	92	66	(91)	738
Of which:							
At-equity result	*3*	*13*	*7*	*4*	*1*	*10*	*39*
Amortization and depreciation	*54*	*40*	*33*	*91*	*17*	*13*	*249*
Impairment	*0*	*-*	*-*	*0*	*0*	*0*	*0*
Interest income	5	2	2	5	1	(3)	12
Interest expenses	11	20	6	3	4	(12)	32
EBT	252	276	114	94	63	(82)	718
Other data							
Operating free cash flow	81	(159)	4	47	37	(162)	(152)
Employees Dec. 31 (FTE)	5,747	4,703	3,834	4,535	2,273	696	21,788

[1] The definition of the key performance indicator operating result was adjusted retrospectively in the third quarter of 2023. The figure for the previous year 2022 was also adjusted accordingly.
[2] In accordance with the changes made to the Group structure as at 1 October 2023, the reported prior-year figures were adjusted.
[3] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

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) of the 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 12, 2024. 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 2023:

Accounting standards, amendments to standards and interpretations applied for the first time in fiscal 2023

Standard	Name	Effective date
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	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1/1/2023
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules	1/1/2023
IFRS 17 including Amendments to IFRS 17	Insurance Contracts	1/1/2023

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** ("Deferred Tax related to Assets and Liabilities arising from a Single Transaction") 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.

The further **amendments to IAS 12** ("International Tax Reform — Pillar Two Model Rules") comprise a temporary mandatory exception to the accounting for deferred taxes arising from the introduction of the global regulations on minimum taxation (Pillar Two Model Rules). The amendments also stipulate targeted disclosures in the notes that are intended to give users of the report an understanding of the degree to which the company is affected by the implementation of the global tax regulations on minimum taxation.

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 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 2023:

Accounting standards, amendments to standards and interpretations published but not yet applied

Standard	Name	Effective date
Endorsed by the EU		
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
Endorsement by the EU pending[1]		
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1/1/2024
Amendments to IAS 21	Lack of Exchangeability	1/1/2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date of initial application postponed indefinitely

[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** ("Classification of Liabilities as Current or Non-Current") 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** ("Non-current Liabilities with Covenants") 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 following amendments have not yet been implemented in European law as they are not yet endorsed:

The amendments to IAS 7 supplement the disclosure regulations in connection with supplier finance arrangements (reverse factoring arrangements). As a result of the amendments, the terms and conditions of supplier finance arrangements must be disclosed. In addition to the carrying amounts of the liabilities that form part of such arrangements, companies must also disclose the portion of these liabilities for which the suppliers have already received payments and the items of the statement of financial position under which these liabilities are reported. Furthermore, disclosures must be made with regard to the ranges of the payment terms for these financial liabilities and for comparable trade payables that do not form part of such finance arrangements with suppliers. As a result of the **amendments to IFRS 7**, information on liquidity risk must also be provided for supplier finance arrangements.

The **amendments to IAS 21** establish regulations that can be used to determine whether two currencies are exchangeable with one another and how the exchange rates are to be determined if a currency is not exchangeable. A currency is considered to be exchangeable if a company can exchange this currency into another at the measurement date on markets or using exchange mechanisms. If a company can only obtain an immaterial amount of the other currency, then a currency is not exchangeable into another currency. In this case, the closing rate is estimated by the company. This is to be done using the rate that would have applied to a properly executed transaction between market participants and which would reflect the prevailing economic conditions.

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 not amortized, but instead 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.

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.

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 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 – 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. Currently there are no situations in which the fair value option is used for debt instruments. 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.

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.

Compound financial instruments – Rheinmetall has issued a compound financial instrument in the form of a convertible bond. Provided certain criteria are met, the convertible bond grants the holder the right to convert it into a certain number of shares.

On initial recognition, the liability component of the compound financial instrument is recognized at the fair value of a similar bond without a conversion right. The equity component is recognized in the amount of the difference between the fair value of the total compound financial instrument and the fair value of the liability component. Directly attributable transaction costs are allocated to the debt and equity components in the ratio of their carrying amounts on initial recognition.

The liability component is subsequently measured at amortized cost using the effective interest method. By contrast, the equity component remains unchanged during the term of the compound financial instrument. When exercising the conversion right at the end of the term, the liability component is transferred to equity without any effect on profit or loss.

The interest incurred in connection with the compound financial instrument is recognized through profit or loss.

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.

Since fiscal 2022, the Executive Board members have been 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 €1,125 million as of December 31, 2023 (previous year: €483 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 (18).

The carrying amounts of other intangible assets of €952 million (previous year: €338 million), right-of-use assets of €271 million (previous year: €209 million), property, plant and equipment of €1,370 million (previous year: €1,137 million) and investment property of €22 million (previous year: €24 million) are assessed as of December 31, 2023, 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, 2023, the net carrying amount of discontinued operations was €34 million (previous year: €130 million).

The measurements of pension provisions and similar obligations of €562 million as of December 31, 2023 (previous year: €484 million) are 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 (28). 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 €1,961 million in fiscal 2023 (previous year: €1,649 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 €164 million as of December 31, 2023 (previous year: €98 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 divisions of the Vehicle Systems segment, in the Weapon and Ammunition division, and in the Electronic Solutions division 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 2023:

Scope of consolidation – companies included

	12/31/2022	Additions	Reductions	12/31/2023
Fully consolidated subsidiaries				
Germany	*58*	*4*	*1*	*61*
Foreign	*108*	*8*	*2*	*114*
	166	**12**	**3**	**175**
Joint Operations				
Germany	*5*	*3*	*-*	*8*
	5	**3**	**-**	**8**
Investments accounted for using the equity method				
Germany	*16*	*1*	*-*	*17*
Foreign	*19*	*1*	*2*	*18*
	35	**2**	**2**	**35**

In fiscal 2023, a total of nine companies were added to the group of consolidated subsidiaries through being founded and three through being acquired. The disposals of fully consolidated subsidiaries from the scope of consolidation are attributable to three sales.

In fiscal 2023, the scope of consolidation was expanded by three additions to joint operations in the form of newly founded entities.

With regard to the investments accounted for using the equity method, one joint venture and one associate were founded. Two associates left the scope of consolidation by way of the sale of shares. Further information can be found under »note (8) “Discontinued operations”.

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 (43) of the notes to the consolidated financial statements.

(7) Material acquisitions

Acquisition of ammunition manufacturer Expal Systems S.A.U. – On July 31, 2023, Rheinmetall AG acquired 100% of the shares in Expal Systems S.A.U., a Spanish ammunition manufacturer, for a provisional purchase price of €1.2 billion. The purchase price was paid in July 2023 in cash and through the assumption of cash pool liabilities of MaxamCorp. Holding S.L. in respect of Expal. The contractually agreed process between Rheinmetall and Maxam to determine the final purchase price was completed at the start of fiscal 2024. This resulted in a purchase price adjustment of €20 million, which is to be paid in cash. The obligation to pay this amount was recognized in fiscal 2023 as an adjusting event after the reporting period.

The acquisition of Expal Systems S.A.U. serves to further increase Rheinmetall’s production capacity in the area of large- and medium-caliber ammunition and to expand its product range. Thanks to Expal’s technologies and order backlog, the transaction will also help to secure Rheinmetall’s core business in the area of weapons, ammunition and propulsion systems in the long term.

The consideration paid for the acquisition, taking into account the agreed purchase price adjustment, breaks down as follows:

Consideration transferred

€ million	2023
Cash[1]	1,078
Assumption of cash pool liabilities from Maxam against Expal	134
Total purchase price	**1,212**

[1] Includes the purchase price adjustment of €20 million to be paid at the beginning of fiscal 2024.

The following table shows a breakdown of the assets and liabilities acquired:

Assets acquired and liabilities assumed at fair value

€ million	2023
Intangible assets	625
Property, plant and equipment	107
Other non-current assets	8
Inventories	86
Receivables	15
Other current assets	11
Cash and cash equivalents	137
Liabilities	(268)
Deferred tax liabilities (offset)	(153)
Total identifiable net assets acquired	569
Consideration transferred	1,212
Goodwill	**644**

The Rheinmetall Group updated the purchase price allocation in the fourth quarter of 2023, in particular in light of the prevailing market conditions. The valuation techniques used to value intangible assets were specified to ensure a more appropriate determination of fair value. Furthermore, the parameters on which the valuation was based were adjusted to reflect the updated estimates. In particular, the adjusted purchase price allocation led to an increase in intangible assets amounting to €284 million. In addition, the final purchase price adjustment agreed at the start of fiscal 2024 was already taken into account.

Various assessment procedures were used to determine the fair value of the material assets acquired:

Intangible assets – determined in particular with the help of the residual value method but also using the relief-from-royalty method. The residual value method takes into account the present value of the net cash flows generated by the intangible asset to be assessed. As intangible assets often only generate cash flows in combination with other assets, the relevant cash surpluses are adjusted to take cash flows resulting from the supporting assets into account. When the relief-from-royalty method is applied, the fair value is calculated as the present value of the anticipated savings in license payments.

Property, plant and equipment – determined based on market comparison methods and cost methods. Where available, market prices for similar assets and, if necessary, amortized replacement costs that reflect adjustments for physical deterioration, functional or economic obsolescence, are used.

Inventories – determined using market comparison methods. With these methods, the fair value is determined based on an estimated sales price under normal business conditions less the expected completion and selling costs and appropriate profit margins.

The goodwill of €644 million resulting from the acquisition is justified by the strong market position and high profitability of Expal Systems S.A.U. and the synergy effects that are expected to be generated as a result of the acquisition. The goodwill, which is not tax-deductible, was allocated to Weapon and Ammunition.

Costs of €3 million were incurred in connection with the acquisition by December 31, 2023. €2 million of this relates to fiscal 2022 and €1 million to fiscal 2023. These costs are reported in the income statement under other operating expenses.

In the period from August 1, 2023 to December 31, 2023, Expal generated sales of €171 million, €58 million of which was attributable to intragroup sales. Expal therefore contributed sales of €112 million and an operating result of €37 million to the consolidated result in this period.

If the acquisition had already been concluded on January 1, 2023, consolidated sales as of December 31, 2023 would have amounted to €7,380 million and the operating result would have been €983 million.

(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. The earnings after taxes of the discontinued business unit are recognized in the separate item “Earnings from discontinued operations” in the income statement.

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 share purchase agreement covered Rheinmetall’s large-bore pistons business with three production plants in Germany, the US and China as well as a steel pistons line from the small-bore pistons plant in Marinette, US. The transaction was closed on January 27, 2023 and included the deconsolidation of the Group companies belonging to the large-bore pistons business. The deconsolidation gain based on the final purchase price is €14 million.

Following the separate sale of the large-bore pistons business, the Executive Board resolved 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: 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, were defined as assets held for sale.

As a result of the change in the sales strategy, Rheinmetall and Riken Corporation, Tokyo, Japan, entered into a purchase agreement on March 22, 2023 for all the shares previously held by Rheinmetall in Riken Automobile Parts (Wuhan) Co., Ltd. The sale of shares was completed on April 5, 2023. The transaction did not result in any significant deconsolidation result.

It became apparent in the first half of 2023 that it would not be possible to sell all the shares in the associate Shriram Pistons & Rings Ltd, India. The Rheinmetall Group therefore decided in the third quarter of 2023 to sell individual share packages on the Indian stock exchange. The schedule for the disposal of the shares in Shriram Pistons & Rings Ltd. was amended so that share packages will only be offered on the stock exchange if the daily updated share prices are favorable for the sale by Rheinmetall. As all shares were therefore no longer actively offered for immediate sale by the Rheinmetall Group from this date, the requirements for classification as held for sale were no longer met for the investment in Shriram Pistons & Rings Ltd. accounted for using the equity method. As a result, the investment is likewise no longer part of the discontinued business unit.

On December 18, 2023, a purchase agreement was signed between Rheinmetall and Comitans Capital AG, Munich, for the sale of the small-bore pistons business with all production sites in Germany, Mexico, Brazil, Czechia and Japan as well as the investment in the joint venture Kolbenschmidt Huayu Piston Co., Ltd., China. The parties are aiming to close the transaction as of March 31, 2024. In conjunction with the negotiations, it had already become apparent in the third quarter of fiscal 2023 that, contrary to the original goal, the disposal of small-bore pistons business would only be possible if the pension obligations due to retirees were excluded. As a result, pension provisions were reclassified from discontinued to continuing operations for the first time as of September 30, 2023. The pension obligations due to these pensioners amount to €40 million as of December 31, 2023.

The other assets and liabilities attributable to the small-bore pistons business and the investments in Kolbenschmidt Huayu Piston Co., Ltd. are still recognized as discontinued operations as of December 31, 2023 and reported as a disposal group in light of the imminent sale to a buyer.

Earnings from discontinued operations break down as follows:

Key information on discontinued operations (income statement)

€ million	2023	2022
Revenues[1]	564	684
Expenses	(623)	(680)
Earnings from discontinued operations before taxes	**(59)**	**4**
Income taxes	15	2
Earnings from discontinued operations after taxes	**(44)**	**6**
Of which:		
Non-controlling interests	-	-
Rheinmetall AG shareholders	*(44)*	*6*

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of the shares in Shriram Pistons & Rings Ltd.

The earnings of the previous year include a reduction in earnings before taxes of €12 million and a tax benefit of €1 million from the write-down of the disposal groups and the assets held for sale in the form of investments to fair value less costs to sell and from reversals of write-downs limited by amortized cost. As of Decembe 31, 2023, the small-bore pistons business and the investment in Kolbenschmidt Huayu Piston Co., Ltd., China, were also written down to fair value less costs to sell. This resulted in a reduction in earnings before taxes of €63 million and a tax benefit of €9 million.

For the small-bore pistons business and the investment in Kolbenschmidt Huayu Piston Co. Ltd., the fair value less costs to sell underlying each measurement as of December 31, 2023 was determined on the basis of the contractually agreed purchase price and estimates with regard to costs to sell yet to be incurred.

The assets classified as held for sale and directly associated liabilities of the 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)

€ million	Discontinued operations[1] 12/31/2023	Large-bore pistons 12/31/2022	Small-bore pistons 12/31/2022	Investments accounted for using the equity method 12/31/2022	Discontinued operations 12/31/2022
Property, plant and equipment and right-of-use assets	-	28	15	-	44
Investments accounted for using the equity method[2]	-	-	-	59	59
Other non-current assets	0	8	3	-	11
Non-current assets	**0**	**37**	**18**	**59**	**114**
Inventories	67	20	69	-	89
Trade receivables	75	8	94	-	102
Other current assets	53	6	39	-	45
Current assets	**195**	**33**	**202**	**-**	**236**
	-	-	-	-	
Provisions	41	6	74	-	80
Other non-current liabilities	8	2	11	-	14
Non-current liabilities	**49**	**8**	**85**	**-**	**93**
Provisions	22	2	24	-	26
Trade liabilities	58	5	63	-	68
Other current liabilities	31	2	31	-	33
Current liabilities	**112**	**10**	**118**	**-**	**126**

[1] In addition to the assets presented in this table, the assets held for sale presented in the Rheinmetall Group's statement of financial position include a further asset held for sale, which is assigned to continuing operations. See the explanations under »note (21) Investment Property.
[2] The figures for the previous year were restated as a result of the amended schedule for the disposal of the shares in Shriram Pistons & Rings Ltd.

The cumulative expenses recognized within equity in other comprehensive income amounted to €106 million as of December 31, 2023 (previous year: €92 million). The figure for the previous year restated as a result of the amended schedule for the disposal of the shares in Shriram Pistons & Rings Ltd.

Notes to the income statement

(9) Sales

The Group generates sales from the transfer of goods and services in areas of security technology and mobility. Sales from the real estate development sector are also recognized in the other companies. The following table shows the timing of sales recognition broken down by segment.

Disaggregation of sales by point in time and over time[1]

€ million	2023			2022		
	At a point in time	Over time	Total	At a point in time	Over time	Total
Vehicle Systems	1,199	1,409	2,609	1,119	1,150	2,270
Weapon and Ammunition	1,746	10	1,756	1,334	25	1,359
Electronic Solutions	639	679	1,318	600	563	1,164
Sensors and Actuators	1,421	-	1,421	1,382	-	1,382
Materials and Trade	737	-	737	742	-	742
Other/Consolidation	(528)	(138)	(666)	(416)	(90)	(506)
Group (continued operations)	**5,215**	**1,961**	**7,176**	**4,761**	**1,649**	**6,410**

[1] The figures for the previous year have been restated to take into account the amended reporting structure due to the changes made to the Group structure as of October 1, 2023.

Customer contracts in security technology include the manufacture and supply of goods, service contracts for service and maintenance activities and the provision of development services. Sales are realized at the time of transfer of control, which is agreed individually. In particular, sales are recognized at a point in time for 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.

Sales are recognized over time for customer-specific contract manufacturing. 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 2023 include €3 million (previous year: €4 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	12/31/2023	12/31/2022
Trade receivables	2,021	1,548
Contract assets	516	362
Contract liabilities	2,594	1,120

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. Contract assets increased by €154 million as against the previous year to €516 million (previous year: €362 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 2023. Contract liabilities increased by €1,474 million to €2,594 million (previous year: €1,120 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	2023	2022
As of 1/1	**94**	**101**
Addition	31	20
Write-down	(34)	(28)
Reversal	(5)	-
Adjustment in scope of consolidation	6	-
Currency differences	1	1
As of 12/31	**93**	**94**

The assets from contract acquisition (see »note (24) Other assets) relate to contracts with customers in security technology and essentially 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, 2023 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 on 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		
	12/31/2023	2024	2025	from 2026
Rheinmetall Group[1]	21,977	6,057	5,562	10,358

[1] The order backlog and corresponding impact on sales result for Weapon and Ammunition, Electronic Solutions and Vehicle Systems. The performance obligations of Sensors and Actuators and Materials and Trade are less than one year and therefore not included in this disclosure.

(10) 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	2023	2022
Increase/decrease in inventory of finished and unfinished products	607	59
Other work performed by the enterprise and capitalized	89	93
	696	**153**

(11) Other operating income

Composition of other operating income

€ million	2023	2022
Reversal of provisions	53	94
Government grants	16	11
Sundry rental agreements and leases	8	6
Residual/scrap disposal	6	6
Reversal of assets (excl. financial assets)	2	5
Disposal of fixed assets/divestments	0	8
Refunds	5	6
Miscellaneous operating income	64	84
	153	**221**

(12) Cost of materials

Composition of costs of materials

€ million	2023	2022
Cost of raw materials supplies, and merchandise purchased	2,883	2,309
Cost of services purchased	1,053	874
	3,935	**3,183**

(13) Personnel expenses

Personnel expenses for the Rheinmetall Group break down as follows:

Composition of personnel expenses

€ million	2023	2022
Wages and salaries	1,711	1,530
Social security and related employee benefits	205	173
Pension expenses	115	117
Expenses for redundancy plans, termination indemnities, partial retirement	16	16
	2,047	**1,836**

The rise in personnel expenses in fiscal 2023 is attributable to the increase in personnel in continuing operations. The average number of employees in the Rheinmetall Group is divided among the segments and other business areas as follows:

Annual average number of employees[1]

Capacity - Full Time Equivalents (FTE) (annual average)	2023	2022
Vehicle Systems	6,144	5,343
Weapon and Ammunition	5,457	4,580
Electronic Solutions	3,992	3,782
Sensors and Actuators	4,447	4,454
Materials and Trade	2,279	2,267
Rheinmetall AG/others	790	641
Rheinmetall Group (continuing operations)	**23,108**	**21,066**
Discontinued operations (Pistons)	3,487	3,772
Rheinmetall Group (continuing and discontinued operations)	**26,595**	**24,838**

[1] The figures for the previous year have been restated to take into account the amended reporting structure due to the changes made to the Group structure as of October 1, 2023.

(14) Amortization, depreciation and impairment

Composition of amortization, depreciation and impairment

€ million		2023	2022
Goodwill	(18)	-	-
Other intangible assets	(18)	87	45
Right-of-use assets	(19)	47	40
Property, plant and equipment and Investment Properties	(20), (21)	174	165
		308	**249**

In fiscal 2023, amortization, depreciation and impairment included impairment losses of €6 million (previous year: €0 million). These break down as follows:

Composition of impairment

€ million		2023	2022
Goodwill		-	-
Other intangible assets		1	-
Property, plant and equipment and Investment Properties		5	0
		6	**0**

(15) Other operating expenses

Composition of other operating expenses

€ million	2023	2022
Operating Costs and maintenance	175	135
IT costs	159	130
Distribution and advertising costs	117	109
Incidental personnel costs	74	62
General administrative expenses	54	53
Travel expenses	58	44
Insurances	43	40
Audit, legal and consultancy fees	50	32
Write-downs of receivables	7	23
Rents, leases and ancillary costs	31	23
Warranties	13	10
Patent and licensing fees (Others)	11	12
Other taxes	10	8
Miscellaneous operating expenses	87	87
	889	**768**

(16) Income taxes

Composition of income taxes

€ million	2023	2022
Current income tax expense	223	121
Earlier-period income taxes	(3)	(1)
Deferred taxes	(35)	63
	185	**183**

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 predominantly 30%. At foreign companies, deferred taxes are calculated using country-specific tax rates, which range from 9% 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	2023	2022
Earnings before taxes[1]	815	718
Expected income tax expense (tax rate of 30%; previous year: 30%)[1]	**245**	**215**
Foreign tax rate differentials	(30)	(25)
Effects of unrecognized loss carryforwards and temporary differences	(22)	(1)
Reduction of tax expense due to previously unrecognized loss carryforwards and temporary differences	(9)	(3)
Tax-exempt income	(20)	(5)
Non-deductible expenses	15	7
Earlier-period income taxes	(3)	(1)
Taxes on entities carried at equity[1]	1	(8)
Taxes on dividends and other withholding taxes	6	5
Other	2	(1)
Actual income tax expense	**185**	**183**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

Allocation of deferred taxes to items in the statement of financial position

€ million	12/31/2023		12/31/2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carryforwards and tax credits	66	-	41	-
Fixed assets[1]	21	338	14	166
Inventories and receivables	72	93	37	63
Pension provisions	88	-	71	-
Other provisions	57	12	42	1
Liabilities[1]	91	52	70	33
Other	5	1	10	2
Subtotal[1]	**400**	**496**	**285**	**265**
Set off[1]	(236)	(236)	(187)	(187)
Deferred taxes according to the statement of financial position	**164**	**260**	**98**	**78**

[1] The figures for the previous year were restated due to the amendments to IAS 12 ("Deferred Tax related to Assets and Liabilities arising from a Single Transaction") that first became effective in fiscal 2023.

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 €266 million (previous year: €291 million), which cannot be utilized or whose deferred tax assets were adjusted by value adjustments. €140 million (previous year: €162 million) of this relates to German loss carryforwards, €125 million (previous year: €127 million) to foreign loss carryforwards and €1 million to tax credits (previous year: €2 million). The German loss carryforwards, and €116 million of the foreign loss carryforwards (previous year: €116 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, €40 million (previous year: €24 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 in particular to companies with start-up losses and companies at which the business outlook has experienced a sustained improvement. Deferred tax liabilities of €5 million (previous year: €4 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 €13 million (previous year: €10 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.

Pillar 2 – On December 28, 2023, the German Federal Council approved the law implementing Council Directive (EU) 2022/2523 on ensuring a global minimum level of taxation and other accompanying measures (Mindeststeuergesetz (German Minimum Taxation Act)) as outlined in the resolution recommended by the Finance Committee of the German Bundestag (printed paper 20/9190). The law became effective on December 30, 2023 and applies to all fiscal years after this date.

According to this legislation, the parent company in Germany must pay an additional tax on the profits of any of its subsidiaries that are taxed at an effective tax rate of less than 15%. According to a calculation based on country-by-country reporting for the Rheinmetall Group, all Group companies are located in countries with effective tax rates greater than 15% in 2023, with the exception of Brazil, Czechia, Norway and South Africa.

The Group is currently assessing what impact the domestic and foreign minimum taxation legislation will have. With regard to fiscal 2023, approximately 6% of the Rheinmetall Group's annual profits would have been subject to the minimum tax as they were effectively subject to a tax rate of less than 15%. Based on the data used and the legal status, a seven-figure additional tax expense is to be expected. These figures are based on the profits and tax expenses identified in preparing the consolidated financial statements. It is possible that Rheinmetall would still not have to pay any minimum tax in relation to these jurisdictions if the legislation had already been in force in 2023. This is because the complex adjustments to the calculation required to determine the minimum tax in accordance with OECD guidelines could lead to a significantly different result.

Due to the complexity involved in applying the legislation, the quantitative impact of the legislation that has been passed or has entered into force cannot yet be reliably predicted. Consequently, the legislation could also have tax implications for subsidiaries with an effective tax rate greater than 15%.

Rheinmetall applies the exemption to IAS 12, under which deferred tax assets and liabilities relating to income taxes under Pillar 2 rules are not recognized and information in this regard is not disclosed in the notes.

(17) 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 in the fiscal year. As a result of the convertible bond issued in February 2023, diluted earnings per share are calculated in addition to basic earnings per share. The calculation of diluted earnings per share is based on the assumption that all potentially dilutive instruments are converted into ordinary shares at the time of issue, resulting in an increase in the number of shares. At the same time, earnings after taxes are reduced by the effect on earnings of these instruments, such as interest costs. Treasury shares reduce the respective weighted number of shares.

Diluted earnings per share are calculated as follows:

Derivation of diluted earnings per share

	Continuing Operations	Discontinued Operations	2023	Continuing Operations	Discontinued Operations	2022
Earnings after taxes in € million - Rheinmetall AG shareholders[1]	**579**	**(44)**	**535**	**468**	**6**	**474**
Adjustment for interest expense in respect of the convertible bond in € million	35	-	35	-	-	-
Tax effects on the adjustment for interest expense in respect of the convertible bond and on the effect on personnel expenses in € million	(10)	-	(10)	-	-	-
Diluted earnings after taxes in € million - Rheinmetall AG shareholders[1]	**603**	**(44)**	**559**	**468**	**6**	**474**
Weighted number of shares in millions - basic		**43.41**			**43.36**	
Effect from the potential conversion of the convertible bond in millions		2.93			-	
Weighted number of shares in millions - diluted		**46.34**			**43.36**	
Basic earnings per share[1]	**€ 13.34**	**€ (1.02)**	**€ 12.32**	**€ 10.80**	**€ 0.14**	**€ 10.94**
Diluted earnings per share[1]	**€ 13.02**	**€ (0.95)**	**€ 12.07**	**€ 10.80**	**€ 0.14**	**€ 10.94**

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

Notes to the statement of financial position

(18) Goodwill, other intangible assets

Cost

€ million	Goodwill	Development costs	Sundry other intangible assets	Total
As of 1/1/2022	**484**	**393**	**414**	**1,292**
Additions	0	82	22	104
Disposals	-	(17)	(9)	(26)
Book transfers	-	(3)	1	(2)
Adjustment in scope of consolidation	3	-	(5)	(2)
Currency differences	(2)	0	(3)	(5)
As of 12/31/2022 and 1/1/2023	**486**	**455**	**420**	**1,361**
Additions	-	72	17	89
Disposals	-	(19)	(7)	(26)
Book transfers	-	(4)	(1)	(5)
Adjustment in scope of consolidation	644	78	621	1,342
Currency differences	(1)	(1)	(3)	(6)
As of 12/31/2023	**1,128**	**581**	**1,047**	**2,756**

Amortization and depreciation/impairment

€ million		Goodwill	Development costs	Sundry other intangible assets	Total
As of 1/1/2022		**3**	**193**	**328**	**524**
Current period		-	23	22	45
Disposals		-	(14)	(9)	(22)
Adjustment in scope of consolidation		-	-	(5)	(5)
Currency differences		(0)	0	(2)	(1)
As of 12/31/2022 and 1/1/2023		**3**	**202**	**335**	**540**
Current period	(14)	-	28	60	87
Reversal		-	-	1	1
Disposals		-	(13)	(7)	(20)
Book transfers		-	(0)	1	0
Adjustment in scope of consolidation		-	69	4	73
Currency differences		(0)	(0)	(4)	(4)
As of 12/31/2023		**3**	**286**	**389**	**678**
Carrying amount as of 12/31/2022		483	253	85	821
Carrying amount as of 12/31/2023		**1,125**	**295**	**658**	**2,077**

Due to the changes made to the Group structure on October 1, 2023, goodwill was reallocated to the six divisions in their new composition from this date forward based on the relative values at the time of the reorganization. Goodwill is managed at the level of the six divisions of the Rheinmetall Group and tested for impairment at least once per year.

Goodwill recognized for continuing operations was tested for impairment as of December 31, 2023. 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 six divisions are shown below. The prior-year figures have not been restated to reflect the new Group structure.

Carrying amounts and discount rates

€ million	12/31/2023			12/31/2022		
	Carrying amount	WACC before taxes	WACC after taxes	Carrying amount	WACC before taxes	WACC after taxes
Vehicle Systems Europe	86	10.2%	8.0%	-	-	-
Vehicle Systems International	12	9.8%	8.0%	-	-	-
Vehicle Systems	-	-	-	97	9.6%	7.6%
Weapon and Ammunition	798	10.0%	7.8%	182	10.2%	7.8%
Electronic Solutions	147	9.8%	7.7%	122	9.3%	7.8%
Sensors and Actuators	67	11.6%	8.9%	67	11.6%	8.7%
Materials and Trade	15	12.4%	9.4%	15	12.2%	9.4%
Group	1,125	10.9%	8.3%	483	10.5%	8.1%

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 €72 million (previous year: €82 million), €217 million was recognized as expenses for research and development costs of continuing operations in 2023 (previous year: €209 million).

(19) 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 1/1/2022	**33**	**276**	**28**	**14**	**351**
Additions	2	31	5	1	39
Disposals	-	(12)	(4)	(0)	(17)
Book transfers	-	(0)	0	0	0
Currency differences	0	0	0	(0)	1
As of 12/31/2022 and 1/1/2023	**36**	**295**	**29**	**15**	**374**
Additions	10	85	9	7	111
Disposals	-	(3)	(2)	(0)	(5)
Book transfers	-	-	-	(0)	(0)
Adjustments in scope of consolidation	-	-	-	9	9
Currency differences	(0)	(4)	(0)	(0)	(4)
As of 12/31/2023	**45**	**373**	**36**	**31**	**484**

Amortization and depreciation/impairment

€ million		Property (land)	Property (buildings)	Passenger cars	Other right-of-use assets	Total
As of 1/1/2022		**3**	**109**	**19**	**6**	**137**
Current period		1	31	6	2	40
Disposals		-	(7)	(4)	(0)	(11)
Book transfers		0	(0)	0	0	0
Currency differences		0	0	0	(0)	0
As of 12/31/2022 and 1/1/2023		**4**	**132**	**21**	**8**	**165**
Current period	(14)	2	34	6	5	47
Disposals		(0)	(2)	(2)	(0)	(5)
Book transfers		-	-	-	-	-
Adjustments in scope of consolidation		-	-	-	7	7
Currency differences		0	(1)	0	(0)	(1)
As of 12/31/2023		**6**	**163**	**25**	**20**	**213**
Carrying amount as of 12/31/2022		31	163	8	7	209
Carrying amount as of 12/31/2023		**39**	**210**	**11**	**11**	**271**

Expenses and payments in connection with leases were incurred as follows:

Leases - expenses and payments

€ million	2023	2022
Expenses from short-term leases	4	3
Expenses for low-value leased assets	5	4
Interest expenses from lease liabilities	10	7
Repayment of lease liabilities	43	40
Total lease payments	**62**	**54**

On the recognition of lease liabilities of €271 million (previous year: €211 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	12/31/2023				12/31/2022			
	2024	2025 -2028	from 2029	Total	2023	2024 -2027	from 2028	Total
Right-of-use asset – property (land)	2	5	21	28	1	3	17	21
Right-of-use asset – property (buildings)	35	105	82	220	31	110	33	174
Right-of-use asset – passenger cars	5	5	-	10	5	4	-	8
Right-of-use asset – others	4	7	1	13	2	4	1	8
	46	**122**	**104**	**271**	**39**	**121**	**51**	**211**

Nominal future lease payments amount to €326 million as of the end of the reporting period (previous year: €249 million).

Maturity structure of nominal future lease payments

€ million	12/31/2023				12/31/2022			
	2024	2025 -2028	from 2029	Total	2023	2024 -2027	from 2028	Total
Right-of-use asset – property (land)	3	8	41	52	2	4	30	36
Right-of-use asset – property (buildings)	38	116	94	249	33	114	48	195
Right-of-use asset – passenger cars	6	5	0	11	5	4	1	10
Right-of-use asset – others	5	8	1	15	2	4	2	8
	52	**138**	**137**	**326**	**42**	**126**	**81**	**249**

(20) 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 1/1/2022	**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
Adjustments in scope of consolidation	10	1	1	(0)	11
Currency differences	17	19	2	1	38
As of 12/31/2022 and 1/1/2023	**1,147**	**1,847**	**761**	**162**	**3,917**
Additions	40	50	61	144	294
Disposals	(2)	(10)	(22)	(1)	(35)
Book transfers	6	55	42	(94)	9
Adjustment in scope of consolidation	60	72	46	17	195
Currency differences	20	6	(2)	(2)	22
As of 12/31/2023	**1,271**	**2,020**	**886**	**226**	**4,402**

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 1/1/2022		**657**	**1,420**	**550**	**13**	**2,640**
Current period		21	79	64	(0)	164
Reversal		-	(0)	-	(3)	(4)
Disposals		(3)	(27)	(24)	(0)	(53)
Book transfers		1	4	(1)	(4)	1
Adjustment in scope of consolidation		(0)	(0)	(0)	-	(1)
Currency differences		14	17	2	(0)	33
As of 12/31/2022 and 1/1/2023		**690**	**1,493**	**592**	**5**	**2,780**
Current period	(14)	22	86	64	1	173
Reversal		-	(0)	(0)	(1)	(1)
Disposals		(1)	(9)	(21)	(0)	(31)
Book transfers		0	(0)	1	(0)	1
Adjustment in scope of consolidation		19	39	30	-	88
Currency differences		16	8	(1)	(0)	24
As of 12/31/2023		**746**	**1,617**	**664**	**6**	**3,033**
Carrying amount as of 12/31/2022		458	353	169	157	1,137
Carrying amount as of 12/31/2023		**525**	**403**	**222**	**220**	**1,370**

As of December 31, 2023, land and buildings with a carrying amount of €100 million (previous year: €101 million) are encumbered with mortgages to secure bank loans, which are described under note (30) “Financial liabilities”.

(21) Investment property

Development of investment property

€ million		2023	2022
Cost			
As of 1/1		**37**	**43**
Book transfers		-	(6)
Book transfers (IFRS 5)		(3)	-
As of 12/31		**33**	**37**
Amortization and depreciation/impairment			
As of 1/1		**13**	**13**
Current period	(14)	1	1
Book transfers		-	(1)
Book transfers (IFRS 5)		(2)	-
As of 12/31		**12**	**13**
Carrying amount as of 12/31		**22**	**24**

The carrying amount of the investment properties was €22 million as of December 31, 2023 (previous year: €24 million). No parts of buildings were reclassified to property, plant and equipment in fiscal 2023 (previous year: carrying amount of €5 million). The reclassification in accordance with IFRS 5 relates to the sale of land from a company that is not part of the discontinued operations. Investment property has a fair value of €30 million (previous year: €35 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.

(22) 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. 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 €156 million as of December 31, 2023 (previous year: €134 million).

Development of the major investments accounted for using the equity method

	HASCO KSPG Nonferrous Components		KOLBENHÖFE		4iG	
€ million	2023	2022	2023	2022	2023	2022
Net assets Jan. 1	**200**	**214**	**49**	**39**	**370**	**-**
Additions	-	-	-	-	-	364
Total comprehensive income	(16)	(2)	4	6	(74)	13
Earnings after taxes	(4)	3	4	6	(68)	(0)
Other comprehensive income	(12)	(4)	-	-	(6)	13
Capital increase/Purchase of treasury shares	-	-	2	4	(6)	-
Dividend	22	12	-	-	-	8
Net assets Dec. 31	**162**	**200**	**55**	**49**	**290**	**370**
Investment in %	50	50	50	50	25.12	25.12
Carrying amount of investment Dec. 31	81	100	19	16	141	165
Dividend received	11	6	-	-	-	2

Financial information on the major investments accounted for using the equity method (100% basis)

	HASCO KSPG Nonferrous Components		KOLBENHÖFE		4iG	
€ million	2023	2022	2023	2022	2023	2022
Summarized financial statement of financial position (Dec. 31)						
Cash and cash equivalents	37	56	26	27	140	208
Other current assets	233	283	135	151	552	249
Total current assets	**270**	**339**	**161**	**177**	**692**	**456**
Non-current assets	**249**	**269**	**0**	**0**	**3,435**	**1,991**
Financial liabilities	94	124	-	-	95	263
Other current liabilities	203	215	19	6	605	93
Total current liabilities	**298**	**339**	**19**	**6**	**699**	**356**
Financial liabilities	56	65	83	120	2,266	1,339
Other non-current liabilities	3	4	4	3	80	21
Total non-current liabilities	**60**	**69**	**87**	**123**	**2,345**	**1,360**
Income statement information						
Sales	507	656	63	67	1,555	419
Amortization and depreciation	32	49	-	-	459	109
EBIT	3	14	6	8	58	7
Net interest	(6)	(8)	(1)	(1)	(122)	-
Income taxes	0	3	1	1	20	3
Earnings after taxes	(4)	3	4	6	(84)	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. The amounts given all relate to the share held by Rheinmetall:

Financial information of the immaterial investments accounted for using the equity method

	2023		2022	
€ million	Joint ventures	Associated companies	Joint ventures	Associated companies
Carrying amount of shares	73	59	71	56
Earnings after taxes	15	6	12	15
Other comprehensive income	(3)	(0)	1	4
Total comprehensive income	11	6	14	19

The schedule for the disposal of the shares in the associate Shriram Pistons & Rings Ltd., India, was amended in fiscal 2023. As a result, the shares in this investment accounted for using the equity method are no longer part of the discontinued business unit (see the information under »note (8) Discontinued operations). In accordance with the requirements of IAS 28, a retrospective at-equity valuation of the investment was therefore calculated from the time of its initial classification as held for sale. The opening carrying amounts in equity affected as of January 1, 2022, the carrying amounts as of December 31, 2022 and the previous year's values in the income statement were restated accordingly. The effects associated with the at-equity valuation extrapolation are included in the result from continued operations. Prior to its retrospective application, the at-equity valuation extrapolation was suspended in accordance with IFRS 5. As the retrospective adjustment did not have any material impact on the comparative period from the Rheinmetall Group perspective, a third statement of financial position as of January 1, 2022 was not presented.

The sale of several share packages caused the interest held by Rheinmetall in Shriram Pistons & Rings Ltd. to fall from more than 20% to 3.99% by the end of fiscal 2023. Furthermore, Rheinmetall's co-determination options on the Board of Directors of Shriram Pistons & Rings Ltd. were restricted by a contractual agreement entered into in conjunction with the sale of the small-bore pistons business (see the relevant information under »note (8) Discontinued operations). Consequently, the Rheinmetall Group no longer assumes that it can exercise significant influence over Shriram Pistons & Rings Ltd. and therefore no longer accounts for the investment as an associate as of December 31, 2023, but rather as a financial instrument measured at fair value. The carrying amount of the investment in Shriram Pistons & Rings Ltd. and the amounts recognized for this investment in other comprehensive income were therefore derecognized following this change in status.

The profit amounting to €31 million from the sale of the share packages is included in the income from investments accounted for using the equity method. The same applies to the initial assessment of securities at fair value (€22 million). However, the impact of the subsequent measurement at fair value of the shares still held by Rheinmetall as of December 31, 2023 of €5 million is recognized in other net financial income. After taking into account the impact of the at-equity valuation of €10 million to be recognized for Shriram Pistons & Rings Ltd. and the dividend received of €1 million, the total impact on earnings (before taxes) in connection with Shriram Pistons & Rings Ltd. amounts to €69 million in fiscal 2023.

(23) Inventories

Classification of inventories

€ million	12/31/2023	12/31/2022
Raw materials and supplies	1,245	820
Work in process	1,251	814
Finished products	293	104
Merchandise	162	141
Prepayments made	294	97
	3,244	**1,976**

Additions to write-downs totaled €46 million (previous year: €14 million).

(24) Other assets

Classification of other assets

€ million	12/31/2023	Of which current	Of which non-current	12/31/2022	Of which current	Of which non-current
Derivatives	25	18	7	41	31	10
Receivables from contracts with customers	12	12	-	12	12	-
Receivables from finance leases	12	1	12	13	1	12
Bonds	39	28	11	11	0	11
Other	60	37	23	40	19	21
Financial assets	**147**	**95**	**53**	**117**	**63**	**54**
Other taxes	83	70	13	105	99	6
Contract acquisition costs	93	-	93	94	-	94
Contract costs	41	-	41	6	-	6
Subsidies/grants receivable	18	12	6	21	13	8
Prepaid expenses	67	48	18	49	38	11
Pension reimbursement claims	0	-	0	0	-	0
Net definded benefit from plan assets	99	-	99	0	-	0
Reimbursement claims from insurances	3	3	-	2	2	-
Other	39	23	15	34	25	9
Non-financial assets	**443**	**157**	**286**	**312**	**179**	**133**
Other assets	**590**	**251**	**339**	**429**	**242**	**187**

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	12/31/2023			12/31/2022		
	2024	2025 - 2028	from 2029	2023	2024 - 2027	from 2028
Minimum lease payments	1	5	10	1	5	11
Present value of minimum lease payments	1	4	7	1	4	8

The current securities are shares in Shriram Pistons & Rings Ltd, India, measured at fair value and still held by the Rheinmetall Group as of December 31, 2023. Please refer to the information under »note (22) Investments accounted for using the equity method.

The unrealized financial income amounted to €4 million as of December 31, 2023 (previous year: €4 million).

The increase in the net defined benefit from plan assets is explained under note (28) Provisions for pensions and similar obligations.

The contract acquisition costs are explained in »note (9) 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.

(25) Securities held for trade

In 2021, Rheinmetall AG invested cash and cash equivalents in a Rheinmetall special fund (strategic liquidity reserve). The investment was liquidated in 2023. The cash received as a result was recognized as part of cash and cash equivalents.

(26) Cash and cash equivalents

Classification of cash and cash equivalents

€ million	12/31/2023	12/31/2022
Bank balances in credit institutions, checks, cash in hand	850	545
Short term investments (up to 3 months to maturity)	-	-
	850	**545**

(27) Equity

Subscribed capital – The subscribed capital of Rheinmetall AG is unchanged at €111,510,656 and is divided into 43,558,850 no-par bearer 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 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 can 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.

The authorization to issue bonds with warrants and convertible bonds was partially utilized by the issuance of a convertible bond in fiscal 2023 with a total nominal value of €1 billion.

Capital reserve – The capital reserve includes an amount of €104 million to be assigned to the equity component to be recognized in connection with the convertible bond issued by Rheinmetall AG on January 31, 2023. Transaction costs amounting to €1 million were deducted from the calculated equity component amount.

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.

Retained earnings break down as follows:

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[1]	Other reserves[1]	Total retained earnings[1]
As of 1/1/2022	**8**	**(330)**	**25**	**3**	**2,050**	**1,758**
Earnings after taxes	-	-	-	-	474	474
Other comprehensive income after taxes	24	54	(14)	4	-	68
Total comprehensive income	**24**	**54**	**(14)**	**4**	**474**	**542**
Dividend payout	-	-	-	-	(143)	(143)
Change in basis of consolidation	1	-	-	0	(0)	1
Book transfers	-	-	-	7	(7)	(0)
Other changes	-	-	-	-	(10)	(10)
As of 12/31/2022	**33**	**(276)**	**11**	**15**	**2,364**	**2,147**
As of 1/1/2023	**33**	**(276)**	**11**	**15**	**2,364**	**2,147**
Earnings after taxes	-	-	-	-	535	535
Other comprehensive income after taxes	12	33	(14)	(8)	-	23
Total comprehensive income	**12**	**33**	**(14)**	**(8)**	**535**	**558**
Dividend payout	-	-	-	-	(187)	(187)
Change in scope of consolidation	1	(6)	-	10	6	11
Book transfers	-	-	-	3	(1)	2
Other changes	-	-	-	-	2	2
As of 12/31/2023	**46**	**(248)**	**(3)**	**20**	**2,718**	**2,533**

[1] Some figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

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 until 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 on the stock exchange or with the approval of the Supervisory Board by way of 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, in particular 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, 2023, the portfolio of treasury shares amounted to 141,356 shares (previous year: 177,184 shares) with acquisition costs of €5 million (previous year: €6 million). The amount of subscribed capital attributable to treasury shares is €362 thousand (previous year: €454 thousand). This represents a share in subscribed capital of 0.3% (previous year: 0.4%).

Other comprehensive income (including minority interests)

€ million	2023			2022		
	Gross amount	Tax effect	Net amount	Gross amount	Tax effect	Net amount
Remeasurement of net defined benefit liability from pensions	35	(5)	30	100	(35)	65
Other comprehensive income from investments accounted for using the equity method	(0)	-	(0)	3	-	3
Amounts not reclassified to the income statement	**35**	**(5)**	**30**	**103**	**(35)**	**69**
Change in value of derivatives (Cash flow hedges)	(25)	6	(19)	(23)	8	(15)
Currency translation difference	7	-	7	23	-	23
Other comprehensive income from investments[1] accounted for using the equity method	(8)	0	(8)	1	-	1
Amounts reclassified to the income statement[1]	**(26)**	**6**	**(19)**	**0**	**8**	**8**
Other comprehensive income[1]	**9**	**2**	**11**	**103**	**(27)**	**77**

[1] Some figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

In fiscal 2023, Rheinmetall AG paid a dividend of €187 million or €4.30 per share (previous year: €143 million or €3.30 per share) to its shareholders from current earnings. At the Annual General Meeting on May 14, 2024 , the Executive Board and Supervisory Board will propose the distribution of a dividend of €5.70 per share to the eligible shareholders. This equates to a dividend payment totaling €247 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	2023	2022
Non-controlling interests included in equity (Dec. 31)	170	133
Assets (Dec. 31)	1,113	677
Of which non-current	157	131
Of which inventories	549	238
Liabilities (Dec. 31)	745	384
Of which non-current	98	78
Sales	902	892
Earnings after taxes	76	93
Of which from minority interests	38	43
Total comprehensive income	74	98
Of which from minority interests	36	48
Cash flows from operating activities	(53)	4

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	2023	2022
Subgroup of Rheinmetall MAN Military Vehicles GmbH	49%	38	43
Rheinmetall Denel Munition Pty. Ltd.	49%	4	11
Nitrochemie Aschau GmbH	45%	3	4
Rheinmetall BAE Systems Land Ltd.	45%	2	6
Nitrochemie Wimmis AG	45%	6	4
Other		(2)	(1)
		51	**66**

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	12/31/2023	12/31/2022
Cash and cash equivalents	850	545
Financial liabilities	1,913	971
Net financial debt (-)/Net liquidity (+)	(1,063)	(426)
Securities held for trade (Strategic liquidity reserve)	-	132
Equity[1]	3,643	3,090
Equity ratio[1]	31.1%	38.2%
Leverage (in years)	1.6	1.0

[1] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

Further information on the financing strategy and on the asset and capital structure is contained in the combined management report.

(28) 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 €90 million (previous year: €84 million) were incurred in the year under review for defined contribution pension commitments, which essentially 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.

Rheinmetall has restructured the defined benefit plan for Group companies based in Germany effective January 1, 2022. 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. For 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. For 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 €262 million has been paid into a fund managed by a trustee since 2016, €247 million of which was allocated to pension obligations and €16 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 (24) Other Assets), 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	2023			2022		
	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	**2,088**	**(1,901)**	**187**	**2,674**	**(2,004)**	**670**
Current service cost	28	0	28	38	-	38
Past service cost	0	-	0	0	-	0
Interest cost	62	-	62	19	-	19
Interest income	-	(52)	(52)	-	(13)	(13)
Settlement	-	-	-	-	-	-
Entry benefits/leaving benefits	-	-	-	(0)	0	-
Amounts recognized in the income statement	**90**	**(52)**	**38**	**57**	**(13)**	**44**
Expense (income) from plan assets (excluding interest income)	-	(42)	(42)	-	145	145
Actuarial gains (-) and losses (+)						
Change in financial assumptions	131	0	131	(712)	(0)	(712)
Change in demographic assumptions	(0)	0	(0)	0	-	0
Empirical adjustments	7	0	7	161	0	161
Other comprehensive income from remeasurement of net defined benefit	**138**	**(42)**	**96**	**(552)**	**145**	**(407)**
Employer contributions	0	(30)	(30)	0	(74)	(74)
Employee contributions	15	(16)	(1)	12	(14)	(1)
Pension payments	(119)	83	(36)	(134)	93	(40)
Adjustment in scope of consolidation	-	(0)	(0)	-	-	-
Reclassification IFRS 5	40	-	40	-	-	-
Currency differences/Other	71	(73)	(2)	30	(35)	(5)
As of 12/31	**2,323**	**(2,031)**	**291**	**2,088**	**(1,901)**	**187**

Reconciliation of net liability for defined benefit obligations to the balance sheet amount

€ million	12/31/2023					12/31/2022				
	DE	CH	UK	Other	Total	DE	CH	UK	Other	Total
Defined benefit obligation	797	1,097	383	46	2,323	695	984	357	51	2,088
Plan assets	(263)	(1,338)	(412)	(18)	(2,031)	(240)	(1,234)	(406)	(21)	(1,901)
Net liability for defined benefit obligations	**534**	**(241)**	**(29)**	**28**	**291**	**454**	**(249)**	**(49)**	**30**	**187**
Changes in the effect of the asset ceiling	-	143	29	-	172	-	249	49	-	297
Balance sheet amount	**534**	**(99)**	**0**	**28**	**463**	**454**	**-**	**0**	**30**	**484**
thereof provision	*534*	-	*0*	*28*	*562*	*454*	-	*0*	*30*	*484*
thereof net asset value	-	*99*	-	-	*99*	-	*0*	-	-	*0*

The present value of the DBO from discontinued operations was €29 million as of December 31, 2023 (previous year: €71 million). The change essentially results from the reclassification of pension provisions from discontinued operations to continuing operations for the first time as of September 30, 2023. In conjunction with negotiations with potential buyers of the small-bore pistons business at this time, it became apparent that, contrary to the original goal, the disposal of small-bore pistons business would only be possible if the pension obligations due to retirees were excluded. This was confirmed with the signing of the contract for the sale of the small-bore pistons business (see the information under »note (8) Discontinued operations). The pension obligations due to these pensioners amount to €40 million as of December 31, 2023.

The changes in financial assumptions and the experience adjustments in the actuarial losses arose across all companies. The actuarial losses from the change in financial assumptions in fiscal 2023 essentially result from lower discount rates.

At the Swiss companies, the value of the plan assets exceeds the present value of the DBO. As of December 31, 2023, excess cover of the present value of the DBO due to an asset ceiling results in a partial asset ceiling (previous year: full asset ceiling). As a result, a net defined benefit from plan assets is reported under other non-current non-financial receivables as of December 31, 2023 (see »note (24) Other Assets) (previous year: no net asset recognized). This development is due to the lower yield curve compared to the previous year and the associated expectation of being able to reduce contributory payments in the future. In the United Kingdom, the asset ceiling again resulted in a full asset ceiling as it did in the previous year. As Rheinmetall has no claim to reimbursements from the excess cover of the pension plans in the United Kingdom and the future contributions to the plans must 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 €46 million to plan assets (previous year: €88 million). €19 million (previous year: €62 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 the UK.

The pension plans of continuing operations relate to the following beneficiaries:

Beneficiaries

Number of people	12/31/2023		12/31/2022	
	Germany	Switzerland	Germany	Switzerland
Active employees	12,956	1,314	11,763	1,262
Vested rights of former employees not subject to expiration	2,161	-	1,900	-
Pensioners	10,823	1,570	9,385	1,598
Total	**25,940**	**2,884**	**23,048**	**2,860**

In the reporting year, there are 152 (previous year: 158) 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 13 years (previous year: 17 years) at the German companies, 13 years (previous year: 13 years) at the companies in the United Kingdom and 10 years (previous year: 10 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 December 31, 2023. The following table presents the key underlying actuarial parameters:

Actuarial parameters

	12/31/2023			12/31/2022		
	Germany	Switzerland	United Kingdom	Germany	Switzerland	United Kingdom
Discount rate in %	3.17	1.50	4.50	3.74	2.24	4.80
Pension development in %	2.20	0.00	2.80	2.20	0.00	3.00
Life expectancy	Richttafeln 2018G Heubeck	BVG2020 Generationen-tafeln	CMI 2022 projection tables	Richttafeln 2018G Heubeck	BVG2020 Generationen-tafeln	CMI 2021 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	12/31/2023			12/31/2022		
	Germany	Switzerland	United Kingdom	Germany	Switzerland	United Kingdom
Discount rate -0.25%	24	28	12	20	24	12
Discount rate +0.25%	(22)	(27)	(11)	(19)	(24)	(11)
Pension development -0.50%	(21)	-	(13)	(17)	-	(14)
Pension development +0.50%	23	-	14	19	-	14
Increase in life expectancy by 1 year	40	52	13	32	44	11

By making defined benefit pension commitments, the Rheinmetall Group is exposed to various risks. 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 %	12/31/2023	12/31/2022
Properties	34	33
Shares, funds	37	38
Corporate bonds	18	18
Other	11	11
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	2024
Employer contributions to plan assets	26
Employee contributions to plan assets	19

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
2024	73	48
2025	69	45
2026	66	46
2027	65	43
2028	62	45
2029-2033	284	212

(29) Other provisions

Classification of other provisions

€ million	Human Resources	Structural measures	Guarantees	Identifiable losses	Contract-related costs	Other provisions	Total
As of 1/1/2022	**200**	**58**	**93**	**30**	**334**	**172**	**887**
Utilization	(152)	(25)	(18)	(7)	(89)	(39)	(331)
Reversal	(5)	(2)	(17)	(0)	(15)	(68)	(107)
Added / provided for	172	20	21	1	126	66	406
Currency differences / Other	12	5	0	(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*
As of 1/1/2023	**226**	**55**	**80**	**21**	**364**	**132**	**878**
Utilization	(155)	(25)	(16)	(5)	(101)	(53)	(354)
Reversal	(4)	(5)	(8)	(0)	(24)	(18)	(60)
Added / provided for	193	21	19	9	119	60	422
Adjustments in scope of consolidation	1	-	0	0	10	19	30
Currency differences / Other	(0)	(1)	0	0	3	(0)	3
As of 12/31/2023	**261**	**46**	**75**	**26**	**372**	**140**	**920**
Of which current	*227*	*9*	*44*	*24*	*283*	*102*	*690*
Of which non-current	*34*	*36*	*31*	*1*	*88*	*38*	*230*

Personnel provisions essentially relate to variable remuneration of €137 million (previous year: €119 million) and obligations from vacation, overtime and flexitime accounts of €69 million (previous year: €61 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 €118 million (previous year: €103 million), contractual penalties of €33 million (previous year: €20 million), price review risks of €10 million (previous year: €18 million), contract-related commissions of €66 million (previous year: €75 million) and other contract costs of €144 million (previous year: €149 million).

Miscellaneous provisions relate to environmental risks at €24 million (previous year: €27 million), rebates and bonuses at €19 million (previous year: €19 million) as well as other individual provisions.

(30) Financial debts

Classification of financial debts

€ million	12/31/2023	Of which current	Of which non-current	12/31/2022	Of which current	Of which non-current
Convertible bond	897	-	897	-	-	-
Promissory note loans	428	137	291	253	-	253
Bank liabilities	92	6	86	376	284	92
Leasing	272	46	226	211	39	172
Commercial Paper	215	215	-	128	128	-
Other	9	7	3	4	3	1
	1,913	**410**	**1,503**	**971**	**454**	**517**

Convertible bond – 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 on 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 convertible bond can be converted into a maximum of 3.2 million no-par value shares of Rheinmetall AG during an extraordinary conversion period (March 20, 2023, to February 6, 2027, for Tranche A and March 20, 2023, to February 6, 2028, for Tranche B) provided that certain criteria are met and during an ordinary conversion period (from February 7, 2027, for Tranche A and February 7, 2028, for Tranche B) on the basis of the conversion price of €309.66 that has applied since May 2023. From the end of February 2026 (Tranche A) and the end of February 2028 (Tranche B), Rheinmetall can redeem the outstanding convertible bonds ahead of schedule at the nominal amount plus any interest accrued up until the redemption date if Rheinmetall AG's share price amounts to 130% of the applicable conversion price on at least 20 trading days within a period of 30 consecutive trading days. With the exception of liabilities that have priority by law, the convertible bond is unsecured and is ranked equally with all other current and future unsecured and non-subordinated liabilities of Rheinmetall AG. When the convertible bond was issued in February 2023, €104 million (after deferred taxes) relating to the conversion right was recognized in capital reserves. The liability component of the convertible bond is recognized at amortized cost using the effective interest method. The carrying amount of this liability was €897 million as of December 31, 2023.

Promissory note loans – As of the end of the reporting period, there are various promissory note loans with a nominal value totaling €428 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
3 or 6-month EURIBOR + spread			**294**		
	2018	€	32	2025	6-month EURIBOR + 1,06
	2019	€	88	2024-2026	6-month EURIBOR + 0,88
	2023	€	65	2026-2028	3-month EURIBOR + 1,41
	2023	€	110	2028	6-month EURIBOR + 1,35
			428		

Bank liabilities

€ million			12/31/2023	12/31/2022
Maturing in	**Type of loan**	**Interest terms**	**Nominal value**	**Nominal value**
August 2023	EIB loan	0.962%	-	250
December 2028	EIB loan	0.472%	80	80
2025	Construction loan	1.90%	9	13
2023-2025	Various – medium-term	Ø 1.93%	1	7
2023/2022	Various – short-term		1	26
			92	**376**

The loan from the European Investment Bank (EIB), Luxembourg, in place as of December 31, 2023 is a project-related loan granted to finance research and development activities, specifically in connection with projects for alternative drive technologies.

Liabilities to banks of €12 million (previous year: €21 million) are secured by land charges and similar rights. The carrying amount of the secured assets is described under »note (20) Property, plant and equipment.

Commercial paper – There are various commercial paper instruments with a nominal value of €215 million in total that serve the Group's general corporate financing as of the end of the reporting period.

The cash and non-cash changes in financial debts are shown below.

Cash and non-cash changes in financial debts

€ million	Convertible bond	Promissory notes		Bank liabilities		Leasing	Commercial Papers	Other	Total
		< 1 year	> 1 year	< 1 year	> 1 year				
As of 1/1/2022	**-**	**121**	**253**	**52**	**272**	**220**	**-**	**3**	**921**
Cash changes	-	(122)	0	(19)	72	(37)	128	1	23
Borrowing of financial debts	-	-	-	22	80	-	128	6	236
Repayment of financial debts	-	(122)	0	(41)	(8)	(37)	-	(5)	(213)
Non-cash changes	-	0	(0)	251	(252)	28	-	0	27
Currency differences	-	-	-	(0)	(0)	(0)	-	0	(0)
Adjustment in scope of consolidation	-	-	-	-	-	(0)	-	-	(0)
Addition of right-of-use assets	-	-	-	-	-	28	-	-	28
Book transfers	-	0	(0)	251	(252)	(0)	-	-	(1)
As of 12/31/2022 and 1/1/2023	**-**	**-**	**253**	**284**	**92**	**211**	**128**	**4**	**971**
Cash changes	880	-	175	(286)	(5)	(45)	87	3	808
Borrowing of financial debts	880	-	175	(8)	-	-	87	15	1,149
Repayment of financial debts		-	-	(278)	(5)	(45)	-	(12)	(341)
Non-cash changes	16	137	(136)	8	(1)	107	-	3	133
Currency differences	-	-	-	(1)	-	(3)	-	134	130
Adjustment in scope of consolidation	-	-	-	8	-	2	-	(131)	(121)
Interest	16	-	0	-	0	1	-	-	17
Addition of right-of-use assets	-	-	-	-	-	107	-	-	107
Book transfers	-	137	(137)	1	(1)	(0)	-	-	(0)
As of 12/31/2023	897	**137**	**291**	**6**	**86**	**272**	**215**	**9**	**1,913**

(31) Other liabilities

Classification of other liabilities

€ million	12/31/2023	Of which current	Of which non-current	12/31/2022	Of which current	Of which non-current
Monies in transit from debt collection	-	-	-	2	2	-
Derivatives	24	17	8	25	19	6
Other	97	79	18	53	33	20
Financial liabilities	**122**	**96**	**26**	**79**	**54**	**26**
Liabilities from other taxes	113	112	0	101	101	-
Liabilities from social security	14	14	0	11	11	-
Other	77	52	25	64	34	30
Non-financial liabilities	**203**	**178**	**25**	**177**	**147**	**30**
Other liabilities	**325**	**274**	**51**	**256**	**200**	**56**

€20 million of the other current financial liabilities is attributable to the purchase price adjustment to be paid to MaxamCorp. Holding S.L. at the start of fiscal 2024 for the acquisition of ammunition manufacturer Expal Systems S.A.U. Please refer to the information under »note (7) Material acquisitions.

Other explanatory information

(32) Notes to the statement of cash flows

€29 million (previous year: €12 million) of the net interest income included in the cash flow from operating activities related to interest payments received and €71 million (previous year: €22 million) to interest payments made.

Cash changes for investments in consolidated companies and other financial assets amounted to €1,064 million (previous year: €205 million). €1,058 million of this relates to the acquisition of ammunition manufacturer Expal Systems S.A.U., Madrid/Spain. A cash inflow of €2 million resulted from the addition of cash and cash equivalents from the Expal companies. A repayment of €4 million is attributable to a subsequent purchase price adjustment for the acquisition in 2022 of the activities of the drone manufacturer EMT Ingenieurgesellschaft Dipl.-Ing. Hartmut Euer mbH (EMT) by Rheinmetall Technical Publications GmbH. A purchase price payment of €10 million is attributable to the acquisition in 2022 of 40% of the shares in the associate blackned GmbH.

Payments for divestments in consolidated companies and other financial assets amount to €155 million (previous year: €2 million). €59 million of this in total is attributable to the sale of the large-bore pistons business to the Swedish group Koncentra, €74 million of which represents the purchase price payment and €15 million the disposal of cash and cash equivalents of the large-bore pistons companies. €78 million relates to the sale of the share packages of the shares in Shriram Pistons & Rings Ltd., New Delhi, India. The sale of the shares in the associate Riken Automobile Parts (Wuhan) Co., Ltd., Wuhan/China, resulted in a payment of €19 million.

The cash changes in fund units of €130 million result from the reversal of the investment of cash and cash equivalents as securities held for trading (strategic liquidity reserve) on the capital market.

(33) Notes to the segment report

The Vehicle Systems division was split to create the Vehicle Systems Europe and Vehicle Systems International divisions effective October 1, 2023. The Vehicle Systems Europe division primarily focuses on the European market without UK, while the Vehicles Systems International division concentrates on the markets of Australia, the US and the UK. Following the change to the Group structure as of October 1, 2023, Rheinmetall's organizational structure comprises six divisions that are managed directly by the Executive Board of Rheinmetall AG. For the purpose of presenting the consolidated financial statements, the two new divisions Vehicle Systems Europe and Vehicle Systems International are combined into one segment. This summary is based on the expectation that both divisions will achieve similar gross margins and report similar sales trends over the long term. The divisions are also very similar with regard to other factors such as their market position, the type of products and production processes, production conditions, their customers, the sales methods used and the regulatory environment.

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.

Vehicle Systems offers a diverse portfolio of vehicles that includes combat, support, logistics and special vehicles. The Weapon and Ammunition portfolio comprises products and solutions for threat-appropriate, effective and accurate firepower as well as comprehensive protection. Electronic Solutions 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. Electronic Solutions also offers extensive training and simulation solutions.

Sensors and Actuators 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 of Materials and Trade 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" includes Group service companies and other non-operating companies, the companies operating in the area of real estate development 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 PPA effects and special items) and operating free cash flow (OFCF) of continuing operations. 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	2023	2022
EBIT of segments[1]	957	829
Others[1, 2]	(54)	(104)
Consolidation[1]	(6)	12
Group EBIT[2]	**897**	**738**
Group net interest	(82)	(20)
Group Earnings before taxes (EBT)[2]	**815**	**718**

[1] The figures for the previous year have been restated to take into account the amended reporting structure due to the changes made to the Group structure as of October 1, 2023.
[2] The figures for the previous year were restated as a result of the amended schedule for the disposal of and the retrospective at-equity valuation of the investment in Shriram Pistons & Rings Ltd.

In the following presentation of information by geographical region, foreign sales of Vehicle Systems, Weapon and Ammunition and Electronic Solutions are reported based on the country of destination, while external sales of Sensors and Actuators and Materials and Trade 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[1]

	Germany		Other Europe		North-, Middle- and South America		Asia and the Near East		Other regions		Worldwide (Group)	
€ million	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
External Sales Vehicle Systems	629	852	1,357	861	55	42	28	29	507	468	2,577	2,251
External Sales Weapon and Ammunition	414	290	759	379	56	78	162	293	90	98	1,481	1,138
External Sales Electronic Solutions	346	379	341	161	79	72	225	310	28	19	1,018	941
External Sales Sensors and Actuators	173	178	609	567	289	277	276	290	0	0	1,346	1,313
External Sales Materials and Trade	151	173	325	317	116	111	117	113	26	25	735	739
Others/Consolidation	11	17	7	(5)	-	-	10	14	(9)	2	18	28
Group sales	1,723	1,890	3,399	2,280	594	580	817	1,048	642	612	7,176	6,410
in % of worldwide Group sales	24	29	47	36	8	9	11	16	9	10	100	100
Non-current assets	1,446	1,333	1,932	506	132	94	66	79	163	178	3,740	2,190

[1] The figures for the previous year have been restated to take into account the amended reporting structure due to the changes made to the Group structure as of October 1, 2023.

Approximately €1.3 billion (previous year: €1.5 billion) of the sales in the Vehicle Systems, Weapon and Ammunition and Electronic Solutions segments relate to sales with the Group's largest customer. In 2023 or 2022, 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	12/31/2023	12/31/2022
Letters of comfort	2,455	996
Other	17	61
	2,472	**1,057**

There are also obligations in connection with service agreements and other purchase commitments of €278 million (previous year: €84 million). The purchase commitment from firm capital expenditure contracts totals €75 million (previous year: €39 million). The increase in the above obligations relates to the Group's growth and the positive order trend.

(35) Additional information on financial instruments

Financial instruments according to the measurement categories of IFRS 9

	12/31/2022				
	Measurement category in accordance with IFRS 9				
€ million	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**

€ million	12/31/2023 Measurement category in accordance with IFRS 9 Amortized cost	Fair value/OCI	Fair value/PL	No category	Total
Trade receivables	2,021	-	-	-	2,021
Cash and cash equivalents	850	-	-	-	850
Securities held for trade	-	-	-	-	-
Derivatives without hedge accounting	-	-	12	-	12
Derivatives with cash flow hedge	-	-	-	13	13
Other financial assets	72	2	36	-	110
Financial assets	**2,943**	**2**	**48**	**13**	**3,006**
Convertible bond	897	-	-	-	897
Promissory notes	428	-	-	-	428
Commercial Paper	215	-	-	-	215
Other financial debts	101	-	-	-	101
Trade liabilities	1,222	-	-	-	1,222
Derivatives without hedge accounting	-	-	7	-	7
Derivatives with cash flow hedge	-	-	-	18	18
Other financial liabilities	97	-	-	-	97
Financial liabilities	**2,960**	**-**	**7**	**18**	**2,984**

With trade receivables measured at amortized cost, the carrying amount approximates the fair value.

The market value of financial assets and 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 were measured at the market value for each asset class until the reversal of the investment. The other financial assets measured at fair value through profit or loss include the shares in Shriram Pistons & Rings Ltd. As these are traded on the Indian stock exchange, the input factors can be directly observed on the market (Level 1). Please refer to the information under »note (24) Other Assets. The net result from financial assets and liabilities allocated to the category at fair value through profit or loss amounted to income of €4 million (previous year: loss of €35 million). For financial assets and liabilities not allocated to a measurement category in accordance with IFRS 9, this resulted in income of €1 million (previous year: income of €18 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		12/31/2023 Carrying amount	12/31/2023 Fair value	12/31/2022 Carrying amount	12/31/2022 Fair value
Convertible Bond	Level 1	897	1,129	-	-
Promissory notes	Level 2	428	432	253	250
Other financial debts	Level 2	101	103	380	367

The fair value of the convertible bond is derived from market value reported by the market data provider Bloomberg. 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	2023	2022
Interest income [1]	27	11
Interest expenses [1]	(74)	(15)
Guarantee commission	(8)	(9)
Currency result	1	(16)
Loss allowances on trade receivables	1	(13)
Other	(4)	(4)
	(58)	**(46)**

[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. If the 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

	12/31/2023		12/31/2022	
€ million	Assets	Liabilities	Assets	Liabilities
Currency hedges	12	(6)	18	(12)
Commodity hedges	0	(0)	1	(0)
Without hedge accounting	**12**	**(7)**	**19**	**(12)**
Currency hedges	12	(15)	19	(8)
Commodity hedges	1	(3)	4	(5)
With hedge accounting	**13**	**(18)**	**22**	**(13)**

In the year under review, negative changes in the fair value of derivatives of €11 million before the deduction of deferred taxes (previous year: total negative changes in fair value of €5 million) were recognized in the hedge reserve. From the reserve, income of €1 million (previous year: income of €10 million) was reclassified to sales, income of €2 million (previous year: income of €9 million) was reclassified to the cost of materials, positive fair value of €0 million (previous year: negative fair value of €0 million) was reclassified to inventories and no amount (previous year: 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

	12/31/2023			12/31/2022		
	2024	2025	from 2026	2023	2024	from 2025
Currency hedges						
Nominal volumes (gross, in € million)	1,577	291	129	1,909	273	74
Average hedging rate						
Average rate CHF/EUR	0.95	0.95	0.94	1.01	1.02	0.99
Average rate ZAR/EUR	20.36	22.35	23.58	18.77	20.60	-
Average rate GBP/EUR	0.87	0.92	-	0.87	0.89	0.94
Average rate EUR/ZAR	0.05	0.05	0.05	0.06	0.05	-
Average rate USD/EUR	1.10	1.12	1.14	1.11	1.13	1.12
Average rate AUD/EUR	1.63	1.68	-	1.59	1.64	1.68
Commodity hedges						
Nominal volumes (gross, in € million)	36	21	8	35	17	7
Average hedging rate						
Average rate aluminum (EUR/ton)	2,244	2,285	2,253	2,396	2,329	2,411
Average rate copper (EUR/ton)	7,988	7,744	7,743	7,451	8,037	7,776

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, pound sterling 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 the procurement of commodities, 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 swaps maturing by 2026 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		12/31/2023	12/31/2022	12/31/2023	12/31/2022
Currency	Exchange rates (total) -10%/+10%	7 / -7	+17 / -17	-49 / 49	-51 / 51
Commodity	Price curve for material prices -10%/+10%	- / -	- / -	-6 / +6	-6 / +6

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. The risk provision for general default risk calculated according to the simplified approach for the measurement of trade receivables amounted to €18 million in 2023 (previous year: €19 million). €4 million of this relates to receivables more than 180 days past due (previous year: €4 million). The risk calculated using business model-specific default rates for receivables up to 30 days past due is less than 0.8% (previous year: less than 1.2%). 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	12/31/2023	12/31/2022
Not past due and less than 30 days past due	1,708	1,264
Up to 180 days past due	98	103
More than 180 days past due	241	202
	2,046	**1,568**

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

	12/31/2023			12/31/2022		
€ million	2024	2025-2028	from 2029	2023	2024-2027	from 2028
Promissory notes	21	574	512	-	-	-
Promissory notes	152	314	12	6	256	12
Commercial Paper	215	-	-	128	-	-
Other bank liabilities	6	88	-	287	13	80
Other financial debts	8	1	-	3	0	-
	401	**977**	**524**	**424**	**269**	**92**
Derivatives with positive fair value						
Cash outflow	797	223	-	1,016	243	-
Cash inflow	816	239	-	1,059	264	-
Derivatives with negative fair value						
Cash outflow	782	180	-	876	99	-
Cash inflow	764	188	-	877	93	-

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, 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 2023, the expense for share-based payment for the Rheinmetall Group totaled €23 million (previous year: €23 million). €17 million (previous year: €17 million) of this is attributable to equity-settled commitments and €6 million (previous year: €6 million) to cash-settled commitments. As of December 31, 2023, the carrying amount of Rheinmetall Group's liabilities recognized for share-based payments was €12 million (previous year: €6 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: €13 million) was recognized for the LTI program (not including LTI 2.0) in fiscal 2023.

The reference price in March 2023 was €254.80. For fiscal 2022, a total of 35,828 shares were transferred to the entitled participants of the LTI program on March 23, 2023 (previous year: a total of 78,017 shares were transferred for fiscal 2021 on March 25, 2022).

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
2023	15,839

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	Fair Value
2022	€ 287.00	2.31%	36.87%	2	€ 191.93
2023	€ 287.00	2.04%	36.52%	3	€ 286.91

An expense totaling €6 million was recognized for LTI 2.0 in fiscal 2023 (previous year: €6 million). A total liability of €12 million (previous year: €6 million) was recognized as of December 31, 2023. The total amount breaks down as follows:

Total amount LTI 2.0

Tranche (in € million)	Liability as at Dec 31, 2023	Expenses 2023
2022	7	1
2023	5	5
Total	**12**	**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 2023, employees acquired a total of 47,818 shares (previous year: 66,905 shares) under this share purchase program. The employer contribution amounted to €4 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 mainly include 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	2023	2022	2023	2022
Products/services provided[1]	324	299	14	104
Products/services received[1]	6	2	19	26
Receivables incl. contract assets Dec. 31[2]	255	168	67	146
Liabilities incl. contract liabilities Dec. 31[2]	64	77	5	10
Receivables from finance leases Dec. 31	12	13	-	-

[1] The disclosures on associates for fiscal 2023 include the delivery and service relationships with Shriram Pistons & Rings Ltd.

[2] The disclosures on associates as of December 31, 2023 do not include the receivables, contract assets, liabilities or contract liabilities between Rheinmetall and Shriram Pistons & Rings Ltd. due to the change in status as of the end of fiscal 2023.

Please see »note (24) 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 indirect majority shareholder is Mr. Armin Papperger (Chairman of the Rheinmetall AG Executive Board). PL Elektronik GmbH provides development services and produces and supplies electric igniters to order. In fiscal 2023, the volume of products/services received amounted to €4 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. In fiscal 2023, the volume of products/services received amounted to €8 thousand (previous year: €5 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	2023	2022
Short-term benefits	5,614	5,104
Post-employment benefits	1,075	1,634
Other long-term benefits	-	-
Share-based payments	5,671	6,176
Termination benefits	-	-
Total	**12,360**	**12,914**

The net present value of pension commitments, which corresponds to the amount of provisions, totals €16,565 thousand for members of the Executive Board active at year-end (previous year: €21,067 thousand). There are provisions of €3,042 thousand (previous year: €2,425 thousand) for short-term variable remuneration of the Executive Board. Under the new, forward-looking LTI program, the Executive Board was allocated 15,839 virtual share options (PSUs) in total (previous year: 38,045 PSUs). As an expense for this share-based payment was already recognized, it must – in deviation from the remuneration report, which follows a vesting-focused interpretation – be included in 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 €2,268 thousand (previous year: €2,286 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 €816 thousand in total from such activities (previous year: €798 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.

Former members of the Executive Board or their surviving dependents received payments of €2,514 thousand (previous year: €2,591 thousand). Pension provisions for these persons totaled €33,317 thousand (previous year: €23,270 thousand). Payments to former Executive Board members of Rheinmetall DeTec AG (merged with Rheinmetall AG in 2005) or their surviving dependents amounted to €699 thousand (previous year: €626 thousand). Pension provisions for these persons totaled €5,954 thousand (previous year: €6,289 thousand).

There are employment relationships between close family members of Peter Sebastian Krause (Executive Board member of Rheinmetall AG) and Professor Andreas Georgi (Supervisory Board member of Rheinmetall AG) and Rheinmetall Group companies. In the previous year, there was also an employment relationship with close family members of Mr. Helmut P. Merch (former CFO of Rheinmetall AG). The remuneration is customary for the employment in question. In fiscal 2023, the close family members were paid €95 thousand in total (previous year: €141 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	2023
Audit services	3.7
Other attestation services	0.1
Tax services	0.2
Other services	0.3
	4.3

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 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) 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 WpHG).

As of December 31,2023 there were investments in the company that were reported in accordance with section 33(1) WpHG:

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., New York, NY, USA	Acquisition/disposal of shares/instruments with voting rights	2,254,819	5.18	21/12/2023	27/12/2023
Wellington Management Group LLP, Boston, MA, USA	Acquisition/disposal of shares/instruments with voting rights	2,215,275	5.09	19/08/2022	26/08/2022
The Capital Group Companies, Inc., Los Angeles, CA, USA	Acquisition/disposal of shares/instruments with voting rights	2,172,805	4.99	22/03/2023	12/06/2023
FMR LLC, Wilmington, DE, USA	Acquisition/disposal of shares/instruments with voting rights	2,173,586	4.99	30/06/2021	06/07/2021
The Goldman Sachs Group, Inc., Wilmington, DE, USA	Acquisition/disposal of shares/instruments with voting rights	1,896,904	4.35	15/09/2023	21/09/2023
UBS Group AG, Zürich, Schweiz	Acquisition/disposal of shares/instruments with voting rights	1,667,430	3.83	26/05/2022	31/05/2022

In 2024, the following investments in the company have been reported to date in accordance with section 33(1) WpHG:

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., New York, NY, USA	Acquisition/disposal of shares/instruments with voting rights	2,402,086	5.51	01/03/2024	06/03/2024
Société Générale S.A., Paris, Frankreich	Acquisition/disposal of shares/instruments with voting rights	2,321,699	5.33	13/02/2024	19/02/2024
The Goldman Sachs Group, Inc., Wilmington, DE, USA	Acquisition/disposal of shares/instruments with voting rights	2,299,056	5.28	05/03/2024	07/03/2024
Wellington Management Group LLP, Boston, MA, USA	Acquisition/disposal of shares/instruments with voting rights	2,173,279	4.99	22/01/2024	30/01/2024
Fidelity Investment Trust, Boston, MA, USA	Acquisition/disposal of shares/instruments with voting rights	1,322,151	3.04	18/01/2024	23/01/2024

(40) 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 2023:

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
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
(vormals 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 Immobilien Weeze GmbH, Düsseldorf
Rheinmetall Industrietechnik GmbH, Düsseldorf
Rheinmetall Insurance Services GmbH, Düsseldorf
Rheinmetall Invent GmbH, Neuss (vormals: Neckarsulm)
Rheinmetall IT Solutions GmbH, Düsseldorf
Rheinmetall Landsysteme GmbH, Südheide
Rheinmetall Liegenschaften und Vermietung GmbH, Düsseldorf
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

(41) Corporate Governance

In August 2023, 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.

(42) Events after the end of the reporting period

Effective January 1, 2024, Rheinmetall’s civilian business has been restructured, combining the previous Sensors and Actuators and Materials and Trade divisions to form the new Power Systems division. Rheinmetall is taking this step in order to bundle its business models and innovation in the civilian business more effectively. The Power Systems division forms the organizational umbrella at Rheinmetall for key technological competencies in civilian markets. These range from the traditional combustion engine and commercial business to new technologies such as electromobility and hydrogen, charging infrastructure and lightweight construction through to ‘warm home’ heating systems.

At the beginning of 2024, Rheinmetall signed an agreement to acquire the majority interest in Automecanica Mediaș SRL, a Romanian manufacturer of military vehicles, and will hold 72.5% of the shares in the future. The other shares in the company will remain with private owners. The closing of the corresponding contractual agreement is subject to approval by the relevant authorities. The company will operate as Rheinmetall Automecanica SRL. With this acquisition, Rheinmetall is building further on its position as a leading manufacturer of military vehicles and strengthening its activities in Central Europe in line with its strategic orientation.

In the first two months of fiscal 2024, all shares in Shriram Pistons & Rings Ltd. still held by Rheinmetall as of the end of fiscal 2023 were sold on the Indian stock exchange. The measurement of the shares at fair value had an insignificant effect on earnings until they were sold.

Düsseldorf, March 12, 2024

Rheinmetall Aktiengesellschaft
The Executive Board

Armin Papperger   Dagmar Steinert   Peter Sebastian Krause

(43) Shareholdings

Shareholdings 2023

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					
EMG EuroMarine Electronics GmbH, Neckarsulm			100	175,938	7,549
Eurometaal N.V., Hengelo/Netherlands			100	(168)	(32)
GVMS Grundstücksverwaltung Service GmbH & Co. KG, Neckarsulm			100	258	(224)
KS Grundstücksverwaltung Beteiligungs GmbH, Neckarsulm			100	135	-
KS Grundstücksverwaltungs GmbH & Co. KG, Neckarsulm			100	24,836	702
KSPG Holding USA Inc., Marinette/USA			100	332,652	20,214
KSPG Netherlands Holding B.V., Ede/Netherlands			100	84,097	177
MEG Marine Electronics Holding GmbH, Düsseldorf			100	12,514	-
MIRA GmbH, Düsseldorf			100	5	-
RD Investment AG, Zurich/Switzerland			69	31	(22)
Rheinmetall Automotive AG, Neckarsulm	(1)		100	278,845	-
Rheinmetall Automotive Malta Holding Ltd., St. Julians/Malta		21	79	60,663	210
Rheinmetall Berlin Verwaltungsgesellschaft mbH, Berlin	(1)	100		213,750	-
Rheinmetall Eastern Markets GmbH, Düsseldorf	(1)	100		757	-
Rheinmetall Financial Services GmbH, Düsseldorf	(1)	100		336,961	-
Rheinmetall Immobiliare Roma s.r.l., Rome/Italy			100	24,180	284
Rheinmetall Immobilien Flensburg GmbH & Co. KG, Düsseldorf			100	2,637	130
Rheinmetall Immobilien GmbH, Düsseldorf		100		183,643	5,648
Rheinmetall Immobilien Hafenmole GmbH, Düsseldorf	(1)		100	8,588	-
Rheinmetall Immobilien Hamburg Friedensallee GmbH, Düsseldorf	(1)		100	23,192	-
Rheinmetall Immobilien Hamburg GmbH, Düsseldorf		100		1,738	46
Rheinmetall Immobilien Kassel GmbH & Co. KG, Pullach im Isartal	(3)	94	6	2,637	195
Rheinmetall Immobilien Neckarsulm GmbH, Düsseldorf	(1)		100	6,971	-
Rheinmetall Immobilien Neuss GmbH, Düsseldorf	(1)		100	4,025	-
Rheinmetall Immobilien Schutzanlagen GmbH, Düsseldorf	(1)		100	25	-
Rheinmetall Immobilien St. Leon-Rot GmbH, Düsseldorf	(1)		100	6,556	-
Rheinmetall Immobilien VEGA GmbH & Co. KG, Düsseldorf			100	1,868	(65)
Rheinmetall Immobilien Weeze GmbH, Düsseldorf	(1)	100		9,512	(13)
Rheinmetall Industrietechnik GmbH, Düsseldorf	(1)	100		3,526	-
Rheinmetall Insurance Services GmbH, Düsseldorf	(1)	100		500	-
Rheinmetall International Services Limited, Abu Dhabi/UAE			100	(8,839)	(808)
Rheinmetall IT Solutions GmbH, Düsseldorf	(1)	100		15,976	-
Rheinmetall Liegenschaften und Vermietung GmbH, Düsseldorf		100		13,741	(127)
Rheinmetall Maschinenbau GmbH, Düsseldorf			100	175,287	6,890
Rheinmetall Netherlands B.V., Hengelo/Netherlands			100	486	(49)
Rheinmetall Real Estate Bristol Ltd., Bristol/Great Britain			100	(280)	(280)
Rheinmetall Real Estate SPS Kft., Budapest/Hungary			100	(24)	(24)
Rheinmetall Singapore Pte. Ltd., Singapore/Singapore			100	15,337	2,518
Rheinmetall Technology Center GmbH, Düsseldorf	(1)		100	24	-
Rheinmetall Verwaltungsgesellschaft mbH, Düsseldorf	(1)		100	733,843	-
RM Euro B.V., Hengelo/Netherlands		100		58,585	1,326
SUPRENUM Gesellschaft für numerische Superrechner mbH, Bremen			100	178	1,575
Unternehmerstadt GmbH, Düsseldorf	(7)		100	3	-
Unternehmerstadt Verwaltungsges. mbH, Düsseldorf	(7)		100	37	-
YardStick Robotics GmbH, Bremen			65	747	-1,298
Segment Vehicle Systems					

Shareholdings 2023

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
American Rheinmetall Defense, Inc., Reston/USA		100		30,771	6,352
American Rheinmetall Vehicles LLC, Sterling Heights/USA			100	(13,800)	(75)
Rheinmetall BAE Systems Land Limited, Telford/Great Britain			55	51,281	4,443
Rheinmetall Ceska Republika s.r.o., Trmice/Czech Republic			100	6	6
Rheinmetall Defence Australia Pty. Ltd., Redbank/Australia		100		(2,119)	4,310
Rheinmetall Defence Lietuva, UAB, Jonavos/Lithuania			100	(293)	(223)
Rheinmetall Defence Nederland B.V., Ede/Netherlands			100	(21,325)	1,606
Rheinmetall Polska Sp. Z o. o., Warsaw/Poland			100	435	186
Rheinmetall Defence UK Limited, Bristol/Great Britain		100		30,761	(1,770)
Rheinmetall Hungary Zrt., Zalaegerszeg/Hungary			51	7,454	(1,175)
Rheinmetall International Defence and Security Ltd., Riyadh/Saudi Arabia			100	(3,233)	(1,018)
Rheinmetall Landsysteme GmbH, Südheide	(1)	100		217,285	122,816
Rheinmetall MAN Military Vehicles Australia Pty. Ltd., Redbank/Australia			51	44,660	9,952
Rheinmetall MAN Military Vehicles Canada Ltd., Ottawa/Canada			51	531	6
Rheinmetall MAN Military Vehicles GmbH, Munich		51		81,660	9,593
Rheinmetall MAN Military Vehicles Österreich GesmbH, Vienna/Austria			51	291,548	46,541
Rheinmetall MAN Military Vehicles Österreich Holding GesmbH, Vienna/Austria			51	99,999	(14)
Rheinmetall MAN Military Vehicles UK Ltd., Bristol/Great Britain			51	16,602	11,255
Rheinmetall Tatra Land Systems s.r.o., Koprivnice/Czech Republic			51	-	-
Rheinmetall Technical Assistance GmbH, Kassel	(1)		100	25	-
Rheinmetall - Ukrainian Defense Industry LLC, Kiev/Ukraine			51	-	-
Rheinmetall Vehicles Romania S.R.L., Bucharest/Romania			100	2,497	(25)
Division Weapon and Ammunition					
American Rheinmetall Munition Inc., Stafford/USA			100	(25,649)	(13,341)
Expal USA Inc., Hooks/USA			100	(1,955)	(2,002)
Nitrochemie Aschau GmbH, Aschau am Inn			55	54,459	7,599
Nitrochemie South Africa (Pty) Ltd., Somerset West/South Africa			55	561	32
Nitrochemie Wimmis AG, Wimmis/Switzerland			55	78,631	14,138
Rheinmetall Combat Platforms North America Inc., Reston/USA			100	(214)	(3)
Rheinmetall Denel Munition (Pty) Ltd., Somerset West/South Africa			51	93,016	7,327
Rheinmetall Expal Munitions S.A.U., Madrid/Spain		100		37,126	36,928
Rheinmetall Fraen Fuzes LLC, Reading/USA			51	-	-
Rheinmetall Hungary Munitions Zrt., Zalaegerszeg/Hungary			51	43,870	(409)
Rheinmetall Laingsdale (Pty) Ltd., Cape Town/South Africa			76	6,489	(374)
Rheinmetall Mobile Systeme GmbH, Meckenbeuren			100	6,993	4,713
Rheinmetall NIOA Munitions Pty Ltd., Maryborough West/Australia			51	(7,609)	(1,768)
Rheinmetall Projects Solutions GmbH, Düsseldorf	(1)		100	4,751	-
Rheinmetall Projects Development Consultancy LLC, Abu Dhabi/UAE	(2)	49		1,045	234
Rheinmetall Protection Systems GmbH, Bonn			100	67,802	(1,015)
Rheinmetall Protection Systems Gulf (FZE), SAIF-Zone, Sharjah/UAE			100	(1,682)	(330)
Rheinmetall Protection Systems Nederland B.V., Ede/Netherlands			100	494	(485)
Rheinmetall Savunma Sanayi Anonim Sirketi, Ankara/Turkey			90	3,099	1,545
Rheinmetall Shieldwall Advanced Technologies LLC, Troy/USA			65	237	(36)
Rheinmetall Waffe Munition ARGES GmbH, Schwanenstadt/Austria			100	2,109	90
Rheinmetall Waffe Munition GmbH, Südheide	(1)	100		227,668	137,275
Rheinmetall Waffe Munition South Africa (Pty) Ltd., Somerset West/South Africa			100	396	455
RWM Beteiligungsverwaltung Austria GmbH, Schwanenstadt/Austria			100	25,536	2,731

Shareholdings 2023

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
RWM Italia S.p.A., Ghedi/Italy			100	152,361	13,213
RWM Schweiz AG, Zurich/Switzerland			100	186,649	45,281
RWM Zaugg AG, Lohn-Ammannsegg/Switzerland			100	25,460	3,741
Division Electronic Solutions					
American Rheinmetall Systems LLC, Biddeford/USA			100	40,776	4,664
Benntec Systemtechnik GmbH, Bremen	(2)		49	3,971	567
Cyber Works AG, Zurich/Switzerland			100	201	(3)
Logistic Solutions Australasia Pty. Ltd., Melbourne/Australia			100	2,809	(16)
Oerlikon Contraves GmbH, Zurich/Switzerland		100		21	(0)
Provectus Robotics Solutions Inc., Ottawa/Canada			100	3,732	(1,165)
RH Mexico Simulation and Training S.A. de C.V., Queretaro/Mexico			100	7,944	(2,200)
Rheinmetall Air Defence AG, Zurich/Switzerland		100		301,476	48,823
Rheinmetall Aviation Services GmbH, Bremen	(1)		100	3,302	-
Rheinmetall Canada Inc., St.-Jean-sur-Richelieu/Canada		100		92,106	(9,005)
Rheinmetall Communication and Simulation Technology Pte. Ltd., Singapore/Singapore			100	466	(578)
Rheinmetall Electronics France SAS, Paris/France			100	67	39
Rheinmetall Electronics GmbH, Bremen	(1)	100		127,378	-
Rheinmetall Electronics Hungary Kft., Zalaegerszeg/Hungary			100	290	37
Rheinmetall Electronic Solutions AG, Zurich/Switzerland		100		151	39
Rheinmetall Electronics UK Ltd., Newport/Great Britain			100	3,501	(639)
Rheinmetall Italia S.p.A., Rome, Italy			100	130,323	16,372
Rheinmetall Norway AS, Duken/Norway		100		25,680	6,125
Rheinmetall (Shanghai) Aviation Consulting Co., Ltd., Shanghai/China			100	(128)	(65)
Rheinmetall Soldier Electronics GmbH, Stockach	(1)	100		9,238	-
Rheinmetall Technical Publications GmbH, Bremen	(1)	100		12,920	-
Rheinmetall Technical Publications Schweiz AG, Zurich/Switzerland			100	1,325	122
RRS-MITCOS Rheinmetall Rohde&Schwarz Military IT and Communications Solutions GmbH, Berlin		75		106	-
RTP-UK Ltd., Bristol/Great Britain			100	9,172	978
Division Materials and Trade					
Amprio GmbH, Neuss	(1)		100	312	-
BF Engine Parts LLC, Istanbul/Turkey			100	2,040	1,351
BF Germany GmbH, Tamm	(1)		100	3,223	-
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	7,437	2,309
KS France S.A.S., Basse-Ham/France			100	19,290	101
KS Gleitlager de México S. de R.L. de C.V., Celaya/Mexico			100	26,139	1,220
KS Gleitlager GmbH, St. Leon-Rot	(1)		100	39,736	-
KS Gleitlager North America LLC, Marinette/USA			100	3,572	424
KSG Pistons, Inc., Plymouth/USA	(7)		100	-	-
KS Kolbenschmidt France S.A.S., Basse-Ham/France			100	7,484	769
MS Motorservice Aftermarket Iberica S.L., Abadiano/Spain			100	21,638	4,785
MS Motorservice Asia Pacific Co., Ltd., Shanghai/China			100	6,846	3,203
MS Motorservice Deutschland GmbH, Tamm	(1)		100	3,987	-
MS Motorservice France S.A.S., Villepinte/France			100	33,193	3,715
MS Motorservice International GmbH, Neuenstadt	(1)		100	57,070	-

Shareholdings 2023

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
MS Motorservice Istanbul Dis Ticaret ve Pazarlama A.S., Istanbul/Turkey			51	5,667	2,759
MS Motorservice Trading (Asia) Pte. Ltd., Singapore/Singapore			100	1,270	387
ORR Training Systems LLC, Moscow/Russian Federation	(7)		100	20	(3)
Rheinmetall Invent GmbH, Neuss	(1)		100	1,924	-
MS Motorservice Training LLC, Moscow/Russian Federation			100	403	6
Division Sensors and Actuators					
Rheinmetall Brandt Romania SRL, Sibiu/Romania	(6), (7)		99	944	(55)
KSPG Automotive India Private Limited, Pune Maharashtra/India			100	89,010	(7,584)
Pierburg China Ltd., Kunshan City/China			100	23,179	6,875
Pierburg Gestion S.L., Abadiano/Spain			100	13,485	20
Pierburg GmbH, Neuss	(1)		100	161,408	-
Pierburg Korea, Ltd., Seoul/South Korea			100	130	20
Pierburg Mexico Trading Company S. de R.L. de C.V., Celaya/Mexico			100	-	-
Pierburg Mikuni Pump Technology (Shanghai) Corp., Shanghai/China			100	6,931	3,627
Pierburg Japan Corporation, Odawara/Japan			100	987	(86)
Pierburg Pump Technology France S.A.R.L., Basse-Ham/France			100	42,294	(527)
Pierburg Pump Technology GmbH, Neuss	(1)		100	119,645	-
Pierburg Pump Technology Italy S.p.A., Lanciano/Italy			100	51,585	6,794
Pierburg Pump Technology Mexico S.A. de C.V., Celaya/Mexico			100	10,896	2,243
Pierburg Pump Technology US LLC, Fountain Inn/USA			100	59,666	(1,604)
Pierburg S.A., Abadiano/Spain			100	59,102	7,857
Pierburg s.r.o., Usti/Czech Republic			100	42,385	10,622
Pierburg US LLC, Fountain Inn/USA			100	52,890	2,632
Rheinmetall (China) Investment Co., Ltd., Shanghai/China			100	91,641	23,972
Rheinmetall Advanced Technology Solutions Kft, Budapest/Hungary			100	(1)	(1)
Rheinmetall Brandt GmbH, Neuss	(1)		100	251	-
Rheinmetall Dermalog SensorTec GmbH, Hamburg			65	(2,629)	(2,525)
Rheinmetall PolyCharge GmbH, Neuss			75	(6,704)	(5,555)
Rheinmetall PolyCharge Hungary kft, Budapest/Hungary			78	(4)	(4)
Rheinmetall R&D S.L., Amorebieta/Spain			100	2,815	2,467
Société Mosellane de Services S.C.I., Basse-Ham/France			100	10,177	(19)
Pistons (Non-core business)					
Karl Schmidt Trading Company S. de R.L. de C.V., Celaya/Mexico			100	259	122
Kolbenschmidt de México, S. de R.L. de C.V., Celaya/Mexico			100	21,829	3,398
Kolbenschmidt K.K., Hiroshima/Japan			100	33,078	3,715
Kolbenschmidt Pistons Germany GmbH, Neckarsulm			100	25	-
KS Kolbenschmidt Czech Republic a.s., Trmice/Czech Republic			100	17,561	10,006
KS Kolbenschmidt GmbH, Neckarsulm	(1)		100	108,760	79,104
KS Kolbenschmidt US Inc., Marinette/USA			100	(76,160)	462
KSPG Automotive Brazil Ltda., Nova Odessa/Brazil			100	51,986	(17,392)
KSUS International LLC, Marinette/USA			100	19,996	(24,548)
Investments carried at equity					
Holding companies/service companies/others					
4iG Nyrt., Budapest/Hungary		25		777,641	(35,903)
BHIC Systems Integration Sdn Bhd, Kuala Lumpur/Malaysia			34	(88)	(3)
casa altra development GmbH, Düsseldorf	(6)		35	55	(3)
Contraves Advanced Devices Sdn Bhd, Melaka/Malaysia	(5)		34	26,377	5,180

Shareholdings 2023

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
Ingenhovenpark Quartier GmbH & Co. KG, Düsseldorf	(5)		50	294	94
KOLBENHÖFE GmbH & Co. KG, Hamburg	(5)		50	54,958	4,349
LIGHTHOUSE Development GmbH, Düsseldorf	(4), (6)		10	46	0
Rheinmetall 4iG Digital Services Kft., Budapest/Hungary	(5)	49	13	2,309	417
Vehicle Systems					
ARTEC GmbH, München	(5)		64	6,602	1,971
PSM Projekt System & Managment GmbH, Kassel	(5)		50	3,824	2,416
The Dynamic Engineering Solution Pty Ltd., Holden Hill/Australia			49	7,178	1,157
UAB Lithuania Defense Services, Jonavos r./Lithuania	(5)		50	1,437	504
Weapon and Ammunition					
Advanced Pyrotechnic Materials Pte. Ltd., Singapore/Singapore	(5)		49	3,924	(423)
Defense Munitions International LLC, Saint Petersburg/USA	(5), (6)		50	9	-
DynITEC GmbH, Troisdorf			35	7,098	3,124
GIWS Gesellschaft für Intelligente Wirksysteme mbH, Nürnberg	(5)		50	1,384	1,095
Hartchrom Defense Technology AG, Steinach/Switzerland			38	2,068	13
RDZM LLC, Middletown/USA	(5), (6)		50	1,302	-
Rheinmetall Barzan Advanced Technologies QSTP, LLC, Doha/Qatar			49	16,658	4,785
Werk Aschau Lagerverwaltungsgesellschaft mbH, Aschau am Inn	(5)		28	25	0
Electronic Solutions					
AIM Infrarot-Module GmbH, Heilbronn			50	19,727	4,727
ARGE RDE/CAE (GbR), Bremen	(5)		50	65	(0)
ARGE TATM, Bremen	(5)		50	(1)	(1)
Blackned GmbH, Heimertingen			40	2,900	-
EuroSpike GmbH, Röthenbach an der Pegnitz	(5)		40	8,325	1,406
HFTS Helicopter Flight Training Services GmbH, Hallbergmoos	(5)		25	74,361	4,292
Oy Finnish Defence Powersystems Ab, Helsinki/Finland			30	20	1
RADARABIA for Industry LLC, Riyadh/Saudi Arabia			20	-	-
Rheinmetall Arabia Simulation and Training LLC, Riyadh/Saudi Arabia	(5)		40	7,042	3,983
Sensors and Actuators					
Incooling B.V., Eindhoven/Netherlands			30	1,048	(1,387)
Pierburg Huayu Pump Technology Co., Ltd., Shanghai/China	(5)		50	53,262	11,957
Materials and Trade					
Carbon Truck & Trailer GmbH, Buxtehude	(6)		25	(1,381)	(60)
HASCO KSPG Nonferrous Components (Shanghai) Co., Ltd., Shanghai/China	(5)		50	162,067	(4,007)
KS HUAYU AluTech GmbH, Neckarsulm	(5), (6)		50	23,656	3,793
Pistons (Non-core business)					
Kolbenschmidt Huayu Piston Co., Ltd., Shanghai/China	(5)		50	80,652	5,993
Joint Operations					
ARG D-LBO, Koblenz			50	-	-
ARGE NNbS, Bremen			33	-	-

Shareholdings 2023

Company		Direct share of capital in %	Indirect share of capital in %	Equity in € thousand	Net income for the year after PLTA in € thousand
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	-	-
Leopard 2 Service ARGE, Südheide			50	-	-
MGCS SADS 1 ARGE, Koblenz			25	-	-
Other Investments					
Société Algérienne de Fabrication de Véhicules Spéciaux Rheinmetall Algérie SPA, Sonstantine/Algerien			3	59,505	(5,851)
PolyCharge America, Inc., Tucson/USA			13	-	-

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

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 12, 2024

Rheinmetall Aktiengesellschaft
The Executive Board

Armin Papperger Dagmar Steinert Peter Sebastian Krause

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, 2023, 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 fiscal year from January 1 to December 31, 2023, 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 – consisting of the content included to meet the requirements of Sections 289, 289a and 315, 315a of the German Commercial Code (HGB) (management report and group management report) and of Section 315c in conjunction with Sections 289c to 289e HGB (non-financial statement of the Group) as well as the remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG) included in the combined management report, along with the related disclosures – for the fiscal year from January 1 to December 31, 2023. 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, 2023, and of its financial performance for the fiscal year from January 1 to December 31, 2023, 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 fiscal year from January 1 to December 31, 2023. 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. Accounting treatment of the acquisition of Expal Systems S.A.U.

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

2. Recoverability of goodwill

a) In the consolidated financial statements of Rheinmetall Aktiengesellschaft, an amount of €1,125 million is recognized as goodwill under the corresponding item of the consolidated statement of financial position (9.6% 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 flows 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. Planning periods further in the future from which a significant portion of the fair value less costs to sell results (perpetuity phase) are included by extrapolating the cash flows, taking account of a growth rate. The cash flows are discounted using the weighted average cost of capital of the respective cash-generating unit.

   The divisions of the Group were identified as cash-generating units. To enable better regional management, the Vehicle Systems division was split at management level to create the Vehicle Systems Europe and Vehicle Systems International divisions with effect from October 1, 2023, meaning that impairment tests have now been performed for six cash-generating units (previous year: five). The goodwill previously recognized at the level of the Vehicle Systems division was reallocated to the two new cash-generating units Vehicle Systems Europe and Vehicle Systems International based on the relative values when the division was split on September 30, 2023.

   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 discount rate used 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 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 in consultation with our internal valuation specialists and on the basis of the understanding we had obtained of the processes. For the purpose of risk assessment, we obtained an overview of the business development of the divisions in the reporting year and assessed to what extent the valuation could be 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 fiscal years 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 cash flows had 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. We audited the reallocation of the goodwill previously recognized at the level of the Vehicle Systems division to the two new cash-generating units Vehicle Systems Europe and Vehicle Systems International based on calculations of the relative values.

As relatively small variations of the discount rate used 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 the case of estimates made by the legal representatives, we assessed the reasonableness of the methods applied, the assumptions made, and the data used.

In addition, we audited the completeness and correctness of the disclosures in the notes to the consolidated financial statements required under IAS 36.

3. Revenue recognition over a period of time

a) In the consolidated financial statements of the Company as at December 31, 2023, an amount of €7,176 million is recognized as revenue in the statement of profit or loss, of which €1,961 million was recognized according to the percentage of completion method. A material part of the activities in the business with security technology is realized under long-term customer-specific agreements. The balance sheet as at December 31, 2023, shows contract assets and contract liabilities of €516 million and €2,594 million, respectively. Revenue from long-term customer-specific agreements is generally recognized over the period in which the relevant asset was created unless the Rheinmetall Group has an alternative possibility to use the asset and is legally entitled to receive payment for 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 is subject to a considerable risk of material misstatements due to fraud or error and is therefore of particular importance in the context of our audit. Estimates by the management have a significant impact on the determination of the percentage of completion, the expected total cost, and the cost of orders 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 multi-year terms of the contracts and the rendering of the services, revenue, estimated contract cost and completion of the contract may sometimes deviate considerably from the original project calculation.

For information provided by the executive board 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 could be 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 relevant to the audit 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 effectiveness of those controls.

   We evaluated the appropriateness of the project calculation and the assessment of the percentage of completion by means of long-term customer-specific agreements that were selected based on risk-based aspects. The key criteria for the selection of our project spot checks were the amount of the total contract value and of the contract volume, the revenue realized with the project in the year under review, as well as the development of the project margin or its amount in the year under review. 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 the case of estimates made by the management, we assessed the reasonableness of the methods applied, the assumptions made, and the data used.

   In addition, we audited the completeness and correctness of the corresponding disclosures in the notes to the consolidated financial statements.

4. Accounting treatment of the acquisition of Expal Systems S.A.U.

a) The acquisition of the Spanish munitions manufacturer Expal Systems S.A.U., Madrid, Spain, that was agreed with MaxamCorp Holding S.L., Madrid, Spain, was completed on July 31, 2023. The purchase agreement for the acquisition of all shares had already been signed by both parties in November of the previous year. With this acquisition, the Rheinmetall Group is particularly aiming to increase its available production capacity in the areas of artillery, mortar and medium-caliber ammunition and to expand its product portfolio. The acquired company will in future operate as Rheinmetall Expal Munitions S.A.U. and has been allocated to the Weapon and Ammunition division. The provisional purchase price due on completion of the acquisition amounts to €1.2 billion.

   The assets acquired and liabilities assumed were recognized at the acquisition date at the fair values determined in a purchase price allocation by an external expert commissioned by Rheinmetall. Intangible assets totaling €615 million were recognized in this purchase price allocation, €439 million of which was attributable to the authorization granted by the Spanish government for the possession and processing of explosive substances. In addition, hidden reserves were identified in the acquired company's non-current assets in a considerably lower amount. The portion of the purchase price that was not allocated to the assets and liabilities in the purchase price allocation amounts to €644 million and is recognized as goodwill in the statement of financial position.

   The accounting treatment of the acquisition of Expal Systems S.A.U. was particularly important in the context of our audit, as no market values were available for the identified intangible assets in particular, meaning that complex, assumption-based valuation models and methods were used to determine their fair values. The result of the valuation is highly dependent on the forecast of future cash flows and the discount rates used and is subject to uncertainty due to the scope of discretion for the executive board. In addition, there is a risk that the disclosures in the notes required under IFRS 3 may not be complete or correct.

The company's disclosures on the acquisition of Expal Systems S.A.U. are included in the section "Material acquisitions" in the notes to the consolidated financial statements.

b) As part of our audit of the accounting treatment of the acquisition of Expal Systems S.A.U., we examined, obtained an understanding of, and assessed the underlying contractual agreements. We also matched the purchase price paid by Rheinmetall Aktiengesellschaft to date with corresponding evidence of the payments made.

In connection with the audit of the purchase price allocation, we satisfied ourselves of the qualifications and objectivity of the external expert commissioned by Rheinmetall. One focus of our audit was on identifying and assessing the intangible assets recognized as a result of the purchase price allocation and their value-driving factors. With the support of our internal valuation specialists, we assessed the appropriateness of the valuation models and methods applied. We evaluated the plausibility of the assumptions made in the executive board's planning based on independently determined market expectations and discussions with the executive board, the division management, and the external expert. In this context, we also assessed to what extent the revenue purchase price allocation was influenced by subjectivity, complexity or other inherent risk factors. In the case of estimates made by the executive board, we assessed the reasonableness of the methods applied, the assumptions made, and the data used.

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, including the further reporting on corporate governance included therein,
- the executive board's confirmation pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB 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 AktG on the German Corporate Governance Code, which is part of the combined corporate governance statement included in the section "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 section "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 4e624732635169e19bf4d2e69b69417d31193c79c96e8137e4a8db783c9ec9af, 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 infor-mation contained in the consolidated financial statements and the Group management report [/combined man-agement report] into the ESEF format, and therefore covers neither the information contained in these elec-tronic 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 com-bined management report for the financial year from January 1 to December 31, 2023 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 requirements of the IDW Standards on Quality Management.

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 9, 2023. We were engaged by the supervisory board on November 9, 2023. We have been the group auditor of Rheinmetall Aktiengesellschaft, Düsseldorf, Germany, without interruption since the fiscal 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 André Bedenbecker.

Note on the Supplementary Audit

We are issuing this auditor's report on the consolidated financial statements and the combined management report as well as on the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file with the audited ESEF documents, which were submitted for auditing for the first time and prepared for publication, on the basis of our audit conducted in accordance with our du-ties and completed on March 12, 2024 and our supplementary audit completed on March 26, 2024, which re-lated to the first-time submission of the ESEF documents.

Düsseldorf, March 12, 2024 / Limited to the change specified in the note on the supplementary audit: March 26, 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

signed André Bedenbecker	signed Christian Schmitz
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

Financial calender and Legal information

This annual report was published on March 14, 2024.

May 14, 2024
Statement on the 1st quarter 2024

May 14, 2024
Annual General Meeting Rheinmetall AG

August 8, 2024
Report on the 1st half-year 2024

November 7, 2024
Statement on the 3rd quarter 2024

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TAKING RESPONSIBILITY IN A CHANGING WORLD