

HENSOLDT

# financials

Interim report for the  
**First Half Year 2020**

**HENSOLDT**  
*Detect and Protect.*

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## **A. HENSOLDT Interim Group Management Report**

### **1. Overall statement for the first half year 2020**

In recent months, HENSOLDT (the 'Company') has particularly monitored the situation around the Coronavirus SARS-CoV-2 ('COVID-19') pandemic at all our sites, with the objective to protect the health and well-being of all our employees, customers and partners. Our local business continuity management teams have reviewed and updated their plans to ensure maximum resilience of our operations. We have tested and where necessary adapted key processes in order to both safeguard our operations and minimize the spread of the virus. As part of our COVID-19 mitigation plan we have decided to draw the full EUR 200 million revolving credit facility, which was unused until then. In addition, HENSOLDT has drawn a EUR 10 million governmental support loan in France.

As a provider of defense and security electronics, our business has currently not been materially impacted by the effects of the COVID-19 pandemic so far. Besides some delays and shifts in project timing, we have so far not experienced any formal cancellations of major orders from defense customers or other material effects on our order backlog in the defense sector due to the pandemic.

Defense spending in Germany is expected to remain at the level of 2020 (EUR 45.6 billion) in the medium term as the German Minister of Defense, Annegret Kramp-Karrenbauer, confirmed that despite the COVID-19 pandemic defense budgets on national level should be kept as high and as stable as possible. Furthermore, it is expected that additional funds from the national economic stimulus program of up to EUR 10 billion, which are also intended to support defense projects, could accelerate several projects and contribute to short-term growth in defense spending. Although it is not yet clear which programs will receive priority support from these funds, projects relevant for HENSOLDT in the maritime and aviation sectors, in particular Eurofighter, could be considered. In addition, the multiannual financial framework of the European Union for the years 2021-27, which was adopted on July 21, 2020, allocated EUR 7 billion to the European Defence Fund and EUR 13 billion to the Space sector.

Overall, HENSOLDT Group's operating business in the first half year 2020 was marked by continued profitable development. Revenue increased significantly (EUR 440.3 million; PY: EUR 415.6 million), primarily driven by the acquisition of the Nexeya business in October 2019. Adjusted EBIT improved significantly (EUR 18.1 million; PY: EUR 16.5 million) mainly related to a higher project margin contribution due to a better project mix. In the first half year of 2020, we have been able to secure a number of large volume orders, including a contract to equip approximately half of the German air force's Tornado aircraft with our Mode 5 IFF-capable LTR 400 transponders, as well as, most notably, a milestone contract worth more than EUR 1.4 billion to jointly develop and produce a new active electronically scanned array, the Eurofighter Common Radar System Mk1.

Our business is weighted towards the last quarter of the financial year, due to the timing of many budgetary decisions by our government customers. In addition, a significant volume of our annual revenue for both of the two reporting segments Sensors and Optronics is typically recorded in the last months of the year. The first half of our financial year, particularly the first quarter, is characterized by a reduction of trade receivables and corresponding cash inflow due to customer payments, a reduction of trade payables and corresponding outflows as well as an increase in work in process accounted for under inventories, which generally continues through the second quarter of our financial year.

## 2. Results of operations

### 2.1 Order intake, revenues and order backlog by segment

EUR million	Order intake			Revenues			Order backlog		
	First half			First half			Jun 30,	Dec 31,	
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
Sensors	1,654.6	312.1	>200%	343.5	317.3	8%	2,819.4	1,567.8	80%
Optronics	122.0	108.8	12%	97.7	98.5	-1%	607.5	634.5	-4%
Elimination / Transversal / Others	-1.1	-0.3		-0.9	-0.2		0.0	0.0	
<b>HENSOLDT</b>	<b>1,775.6</b>	<b>420.7</b>	<b>&gt;200%</b>	<b>440.3</b>	<b>415.6</b>	<b>6%</b>	<b>3,426.9</b>	<b>2,202.3</b>	<b>56%</b>

#### Order intake

- Sensors: Overall growth compared to the previous year mainly driven by the Eurofighter Common Radar System Mk1 in the division Radar, IFF & COMMS.
- Optronics: Increase mainly driven by higher incoming orders in the business lines Sights, Ground based systems and Industrial Commercial Solutions was partly offset by lower order intake in Naval mainly due to a large order received in the first half of the prior year.

#### Revenue

- Sensors: Strong organic and inorganic growth at Customer Services. The acquisition of the Nexeya Group contributed with EUR mid-thirties million. Radar, IFF & COMMS and Spectrum Dominance & Airborne Solutions below previous year due to lower revenue in air traffic control, naval & ground radars, security radars as well as aerospace & protection programs partly compensated by higher revenues for Eurofighter radars.
- Optronics: Increase for Industrial Commercial Solutions was offset by overall lower revenues in the defense business compared to the prior half year.

#### Order backlog

- Sensors: Overall growth compared to the previous year mainly driven by the order intake for the Eurofighter Common Radar System Mk1 in the division Radar, IFF & COMMS.
- Optronics: Slight decrease despite a book-to-bill ratio above 1 due to the cancellation of an order as export clearance could unexpectedly not be obtained in time as well as foreign currency impacts.

## 2.2 Income

EUR million	Profit			Profit margin	
	First half			First half	
	2020	2019	% Change	2020	2019
Sensors	16.2	9.2	75%	5%	3%
Optronics	3.7	7.9	-53%	4%	8%
Elimination / Transversal / Others	-1.8	-0.6			
<b>Adjusted EBIT</b>	<b>18.1</b>	<b>16.5</b>	<b>9%</b>	<b>4%</b>	<b>4%</b>
Effect on earnings from purchase price allocations	-34.3	-36.5			
Non-recurring effects	-13.1	-6.3			
<b>Earnings before finance result and income tax (EBIT)</b>	<b>-29.3</b>	<b>-26.3</b>	<b>-11%</b>	<b>-7%</b>	<b>-6%</b>
Finance result	-87.9	-7.0			
Income taxes	28.3	0.9			
<b>Consolidated loss</b>	<b>-88.9</b>	<b>-32.4</b>	<b>-174%</b>		

### Adjusted EBIT

- Sensors: Increase over the prior half year in absolute and relative figures is mainly related to an improved gross profit due to higher revenue and was partly offset by higher functional cost mainly related to the acquisition of Nexeya Group.
- Optronics: Decrease mainly related to a lower gross profit due to higher expenses from inventory valuation and lower project margin contribution due to a deviating project mix.

### Earnings before finance result and income tax (EBIT)

- Effect on earnings from purchase price allocations: Decreased expenses due to lower amortization of intangible assets.
- Non-recurring effects<sup>1</sup>: Increase in expenses mainly due to higher other non-recurring effects primarily related to the preparation of a potential initial public offering of HENSOLDT.

### Consolidated loss

- Finance result: Decrease largely driven by the valuation of an embedded derivative in the Term Loan agreement in accordance with IFRS 9. Interest expense for shareholder loans included in prior half year figures with no expense recorded in the reporting period as the shareholder loans were contributed to the capital reserve of HENSOLDT Holding GmbH in November 2019, thereby extinguishing the repayment claims under the intercompany loans due to consolidation.
- Income taxes: Increase mainly related to higher deferred tax income primarily due to the valuation of the embedded derivative in the Term Loan agreement and the effect on earnings from purchase price allocations.

<sup>1</sup> Comprises transaction costs, separation costs and other non-recurring effects.

### 3. Assets, liabilities and financial position

#### 3.1 Assets and liabilities

EUR million	Jun 30,	Dec 31,	% Change
	2020	2019	
Non-current assets	1,352.2	1,402.2	-4%
<i>therein: Non-current financial assets</i>	1.7	53.2	-97%
Current assets	1,200.9	1,051.4	14%
<i>therein: Inventories</i>	437.8	411.1	6%
<i>therein: Trade receivables</i>	209.5	290.8	-28%
<i>therein: Cash and cash equivalents</i>	321.6	137.4	134%
<b>Total assets</b>	<b>2,553.1</b>	<b>2,453.6</b>	<b>4%</b>
Equity	67.1	154.8	-57%
<i>therein: Retained earnings</i>	-304.2	-215.8	41%
Non-current liabilities	1,516.3	1,517.9	0%
Current liabilities	969.6	780.9	24%
<i>therein: Current provisions</i>	154.1	185.1	-17%
<i>therein: Current financial liabilities</i>	217.3	11.3	>200%
<i>therein: Current contract liabilities</i>	338.4	317.1	7%
<i>therein: Trade payables</i>	150.2	168.8	-11%
<b>Total liabilities and equity</b>	<b>2,553.1</b>	<b>2,453.6</b>	<b>4%</b>

#### Total assets

- Non-current assets: Decrease largely driven by the decrease in non-current financial assets mainly due to the revaluation of the embedded derivative contained in the Term Loan.
- Current assets: Increase resulted primarily from the increase in cash and cash equivalents mainly relating to the precautionary drawdown of the full revolving credit facility and the additional financing obtained in the first half year of 2020. Following the usual seasonality pattern after very strong revenue in the fourth quarter of 2019, inventories increased while trade receivables decreased in the first half year of 2020.

#### Total liabilities and equity

- Equity: Decrease mainly related to the net loss of the reporting period.
- Current liabilities: Increase primarily resulted from the drawing of the full revolving credit facility in the first half year of 2020. Decrease in current provisions mainly related to the consumption of personnel-related provisions. Decline in trade payables following the usual seasonality pattern was partly compensated by an increase of current contract liabilities.

## 3.2 Financial position

In the first half year of 2020 HENSOLDT introduced the adjusted pre-tax unlevered free cash flow as new key performance indicator to measure performance, identify trends and make strategic decisions. The adjusted pre-tax unlevered free cash flow is a non-IFRS financial measure and defined as free cash flow adjusted for non-recurring operating effects<sup>2</sup> as well as interest<sup>3</sup>, tax<sup>4</sup> and M&A activities<sup>5</sup>. The free cash flow is defined as sum of the cash flows from operating and investing activities as reported in the consolidated cash flow statement.

EUR million	First half		
	2020	2019	Change
Cash flows from operating activities	41.9	-57.4	99.3
Cash flows from investing activities	-48.8	-35.7	-13.1
<b>Free cash flow</b>	<b>-6.9</b>	<b>-93.1</b>	<b>86.2</b>
Non-recurring effects	12.2	8.8	3.4
Interest, income tax and M&A-activities	20.9	22.9	-2.1
<b>Adjusted pre-tax unlevered free cash flow</b>	<b>26.2</b>	<b>-61.4</b>	<b>87.5</b>
<b>Cash flows from financing activities</b>	<b>196.8</b>	<b>-4.8</b>	<b>201.6</b>

### Free cash flow

- Cash flows from operating activities: Improvement primarily driven by lower buildup of inventories and contract assets as well as a higher buildup of contract liabilities compared to the prior half year.
- Cash flows from investing activities: Increase primarily as a result from higher investments in property, plant and equipment and intangible assets partly compensated by cash inflow from a purchase price adjustment.

### Adjusted pre-tax unlevered free cash flow

- Non-recurring effects: Increase mainly due to higher other non-recurring effects primarily related to the preparation of a potential initial public offering of HENSOLDT.
- Interest, income tax and M&A activities: Decrease mainly related to lower income tax payments and cash inflow from a purchase price adjustment.

### Cash flows from financing activities

- Increase primarily resulted from the drawing of the full revolving credit facility in the first half year of 2020, with no such drawings in the comparative period.

<sup>2</sup> Comprises transaction costs, separation costs and other non-recurring effects.

<sup>3</sup> Defined as 'Interest paid' (including interest on lease liabilities) as reported in the consolidated cash flow statement.

<sup>4</sup> Defined as 'Income taxes payments / refunds' as reported in the consolidated cash flow statement.

<sup>5</sup> Defined as sum of 'Share of profit in entities recognized according to the equity method', 'Acquisition of associates, other investments and other non-current investments', 'Proceeds from sale of intangible assets and property, plant and equipment', 'Acquisition of subsidiaries net of cash required' as well as 'Other cash flows from investing activities' as reported in the consolidated cash flow statement.

## 4. Outlook

Management assumes for the HENSOLDT Group an increase in revenue for 2020. The forecasted significant increase in order intake is already achieved based on the orders received in the first six months of 2020. Management assumes further order intake in the second half year.

An increase in Adjusted EBIT is expected for 2020, with declining earnings effects within the adjustment items purchase price allocation and separation costs. This expectation does not take into account the significant effects on the adjustment items from the acquisition of the Nexeya Group at the beginning of October 2019 and possible implications due to the global COVID-19 pandemic. These influences, as well as influences of further measures planned for 2020, including acquisitions, cannot yet be estimated with sufficient reliability at this point in time.

## 5. Opportunities and risks

In our Group management report for the year ended December 31, 2019, we described the principles of the HENSOLDT risk management system, certain risks which could have an adverse impact on HENSOLDT as well as our most significant opportunities.

Management assesses the overall opportunity and risk situation of HENSOLDT as unchanged compared to the year-end 2019. So far, no significant impacts of the COVID-19 pandemic on the overall risk and opportunity assessment were measured. Future economic consequences of the COVID-19 pandemic on HENSOLDT are not yet foreseeable. Negative consequences may arise also for HENSOLDT Group, particularly as a result of delays in order intake and the supply chain, production downtimes or lack of liquidity on the customer side.

## B. HENSOLDT Unaudited Condensed Consolidated Interim Financial Statements

### 1. HENSOLDT Unaudited Consolidated Income Statement

First half year of 2020 compared to first half year of 2019

KEUR	HY 2020	HY 2019
Revenue	440,296	415,557
Cost of sales	-376,649	-354,572
Impairment losses (-) / gains (+) on trade receivables and contract assets	1,900	422
<b>Gross Profit</b>	<b>65,547</b>	<b>61,408</b>
Selling and distribution expenses	-42,239	-40,319
General administrative expenses	-37,720	-31,374
Research and development costs	-13,894	-15,949
Other operating income	9,712	12,687
Other operating expenses	-8,900	-12,141
Share of profit / loss from investments accounted for using the equity method	-1,794	-591
<b>Earnings before finance result and income tax (EBIT)</b>	<b>-29,287</b>	<b>-26,279</b>
Interest income	1,979	36,566
Interest expense	-85,389	-42,852
Other finance income / costs	-4,514	-743
<b>Finance result</b>	<b>-87,924</b>	<b>-7,029</b>
<b>Earnings before income taxes</b>	<b>-117,211</b>	<b>-33,308</b>
Income taxes	28,281	906
<b>Consolidated loss</b>	<b>-88,930</b>	<b>-32,402</b>
<i>thereof attributable to the owners of the parent company</i>	<i>-88,456</i>	<i>-32,491</i>
<i>thereof attributable to non-controlling interests</i>	<i>-475</i>	<i>90</i>

## 2. HENSOLDT Unaudited Consolidated Statement of Comprehensive Income

First half of 2020 compared to first half of 2019

KEUR	HY 2020	HY 2019
<b>Consolidated loss</b>	<b>-88,930</b>	<b>-32,402</b>
<b>Other comprehensive income / loss</b>		
<b>Amounts that will not be reclassified to profit or loss</b>		
Measurement of defined benefit plans	22,084	-39,084
Tax on items, that will not be reclassified to profit or loss	-5,151	14,606
<b>Subtotal</b>	<b>16,933</b>	<b>-24,478</b>
<b>Amounts that will be reclassified to profit or loss</b>		
Exchange differences on translating foreign subsidiaries	-14,685	1,406
Cash Flow Hedge - Unrealized gains / losses	-1,503	-1,505
Cash Flow Hedge - Reclassification in the income statement	119	899
Tax effects on unrealized gains / losses	421	-252
<b>Subtotal</b>	<b>-15,648</b>	<b>549</b>
<b>Other comprehensive income</b>	<b>1,285</b>	<b>-23,929</b>
<b>Total comprehensive Income</b>	<b>-87,645</b>	<b>-56,331</b>
<i>thereof attributable to the owners of the parent company</i>	-84,550	-56,608
<i>thereof attributable to non-controlling interests</i>	-3,095	278

### 3. HENSOLDT Unaudited Consolidated Statement of Financial Position

June 30, 2020 compared to December 31, 2019

#### Assets

KEUR	Jun 30, 2020	Dec 31, 2019
<b>Non-current assets</b>	<b>1,352,228</b>	<b>1,402,220</b>
Goodwill	642,823	646,823
Intangible assets	396,524	403,300
Property, plant and equipment	98,310	92,893
Right of use assets	149,534	154,862
Investments accounted for using the equity method	0	1,169
Other investments and other non-current financial assets	13,817	14,682
Non-current other financial assets	1,682	53,241
Other non-current assets	4,881	4,881
Deferred tax assets	44,658	30,369
<b>Current assets</b>	<b>1,200,879</b>	<b>1,051,389</b>
Other non-current financial assets, due on short-notice	2,955	2,952
Inventories	437,796	411,082
Contract assets	167,781	165,883
Trade receivables	209,488	290,809
Current other financial assets	11,779	5,752
Other current assets	48,371	34,324
Income tax receivables	1,115	3,198
Cash and cash equivalents	321,594	137,389
<b>Total assets</b>	<b>2,553,107</b>	<b>2,453,609</b>

## Equity and Liabilities

KEUR	Jun 30, 2020	Dec 31, 2019
Share capital	10,000	10,000
Capital reserve	396,748	396,748
Other reserves	-45,865	-49,770
Retained earnings	-304,212	-215,757
<b>Equity held by shareholders of HENSOLDT GmbH</b>	<b>56,670</b>	<b>141,221</b>
Non-controlling interests	10,479	13,574
<b>Equity, total</b>	<b>67,149</b>	<b>154,795</b>
<b>Non-current liabilities</b>	<b>1,516,319</b>	<b>1,517,924</b>
Non-current provisions	413,102	413,641
Non-current financing liabilities	891,246	887,696
Non-current contract liabilities	23,963	16,319
Non-current lease liabilities	144,153	147,521
Other non-current financial liabilities	3,260	225
Other non-current liabilities	6,416	7,677
Deferred tax liabilities	34,179	44,845
<b>Current liabilities</b>	<b>969,638</b>	<b>780,890</b>
Current provisions	154,100	185,083
Current financing liabilities	217,264	11,338
Current contract liabilities	338,404	317,134
Current lease liabilities	13,608	12,999
Trade payables	150,221	168,750
Other current financial liabilities	14,726	18,388
Other current liabilities	80,870	67,118
Tax liabilities	444	80
<b>Total equity and liabilities</b>	<b>2,553,107</b>	<b>2,453,609</b>

#### 4. HENSOLDT Unaudited Consolidated Statement of Cash Flow

First half year of 2020 compared to first half year of 2019

KEUR	HY 2020	HY 2019
Profit / loss for the period (including minority interests)	-88,930	-32,402
Depreciation and amortization	57,664	60,991
Allowances on inventories, trade receivables and contract assets	-2,418	636
Profit / loss from disposal of non-current assets	1	120
Share of profit in entities recognized according to the equity method	1,794	591
Financial expenses (net)	83,413	6,315
Other non-cash expenses / income	-210	-2,476
Change in		
Provisions	-8,842	-3,858
Inventories	-33,208	-74,336
Contract balances	28,236	-23,328
Trade receivables	75,421	75,493
Trade payables	-16,588	-28,729
Other assets and liabilities	-1,733	-11,619
Interest paid	-22,430	-23,200
Income tax (expense (+) / income (-))	-28,281	-906
Income taxes payments (-) / refunds (+)	-1,980	-732
<b>Cash flows from operating activities</b>	<b>41,908</b>	<b>-57,440</b>
Acquisition on intangible assets and property, plant and equipment	-50,548	-36,066
Proceeds from sale of intangible assets, property, plant and equipment	30	44
Acquisition of associates, other investments and other non-current investments	-2,431	394
Acquisition of subsidiaries net of cash acquired	4,000	0
Other	166	-30
<b>Cash flows from investing activities</b>	<b>-48,783</b>	<b>-35,657</b>
Assumption of financial liabilities	203,523	949
Payment of lease liabilities	-6,723	-5,550
Dividend payments to non-controlling interests	0	-181
<b>Cash flows from financing activities</b>	<b>196,800</b>	<b>-4,782</b>
Effects of movements in exchange rates on cash and cash equivalents	-3,594	687
Other adjustments	-2,127	0
<b>Net changes in cash and cash equivalents</b>	<b>184,205</b>	<b>-97,193</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents on January 1 <sup>st</sup>	137,389	227,550
Cash and cash equivalents on June 30 <sup>th</sup>	321,594	130,357

## 5. HENSOLDT Unaudited Consolidated Statement of Changes in Equity

Development first half year of 2020 compared to first half year of 2019

Attributable to the owners of HENSOLDT GmbH										
KEUR	Share Capital	Capital Reserve	Retained Earnings	Other Reserves			Treasury Shares	Subtotal	Minority interests	Equity
				Remeasurement of pensions	Cashflow Hedge	Currency conversion difference				
<b>Jan 1, 2020</b>	<b>10,000</b>	<b>396,748</b>	<b>-215,757</b>	<b>-39,294</b>	<b>-4,111</b>	<b>-6,366</b>	<b>0</b>	<b>141,221</b>	<b>13,574</b>	<b>154,794</b>
Consolidated profit/loss	0	0	-88,456	0	0	0	0	-88,456	-474	-88,930
Other comprehensive income	0	0	0	16,933	-897	-12,130	0	3,906	-2,621	1,285
<b>Total comprehensive income/loss</b>	<b>0</b>	<b>0</b>	<b>-88,456</b>	<b>16,933</b>	<b>-897</b>	<b>-12,130</b>	<b>0</b>	<b>-84,550</b>	<b>-3,095</b>	<b>-87,645</b>
Dividends non-controlling interests	0	0	0	0	0	0	0	0	0	0
<b>Jun 30, 2020</b>	<b>10,000</b>	<b>396,748</b>	<b>-304,212</b>	<b>-22,362</b>	<b>-5,008</b>	<b>-18,496</b>	<b>0</b>	<b>56,671</b>	<b>10,479</b>	<b>67,149</b>

Attributable to the owners of HENSOLDT GmbH										
KEUR	Share Capital	Capital Reserve	Retained Earnings	Other Reserves			Treasury Shares	Subtotal	Minority interests	Equity
				Remeasurement of pensions	Cashflow Hedge	Currency conversion difference				
<b>Jan 1, 2019</b>	<b>25</b>	<b>46,275</b>	<b>-220,655</b>	<b>571</b>	<b>-3,439</b>	<b>-9,379</b>	<b>-10,563</b>	<b>-197,164</b>	<b>10,870</b>	<b>-186,293</b>
Consolidated profit/loss	0	0	-32,491	0	0	0	0	-32,491	90	-32,401
Other comprehensive income	0	0	0	-24,478	-800	1,160	0	-24,118	188	-23,929
<b>Total comprehensive income/loss</b>	<b>0</b>	<b>0</b>	<b>-32,491</b>	<b>-24,478</b>	<b>-800</b>	<b>1,160</b>	<b>0</b>	<b>-56,608</b>	<b>278</b>	<b>-56,330</b>
Dividends non-controlling interests	0	0	0	0	0	0	0	0	-181	-181
<b>Jun 30, 2019</b>	<b>25</b>	<b>46,275</b>	<b>-253,145</b>	<b>-23,907</b>	<b>-4,239</b>	<b>-8,219</b>	<b>-10,563</b>	<b>-253,772</b>	<b>10,967</b>	<b>-242,805</b>

## **C. HENSOLDT Selected Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

### **1. The Company**

HENSOLDT is a platform-independent provider of defense and security sensor solutions based in Taufkirchen, Germany.

The Unaudited Condensed Interim Consolidated Financial Statements of HENSOLDT GmbH and its subsidiaries includes the six-month period ended June 30, 2020.

### **2. Accounting policies**

The Unaudited Condensed Consolidated Interim Financial Statements for the first half year 2020, were prepared in accordance with IAS 34 and related interpretations, issued by the International Accounting Standards Board ('IASB') as endorsed by European Union ('EU') for interim financial reporting as at June 30, 2020.

The Condensed Consolidated Interim Financial Statements are unaudited / unreviewed and were authorized for issue by the HENSOLDT's Management Board on August 10, 2020.

They are prepared and reported in euro ('EUR') and all values are rounded to the nearest thousand appropriately. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

These Condensed Consolidated Interim Financial Statements thus include all information and disclosures required by IFRS to be presented in Condensed Consolidated Interim Financial Statements and should be read in conjunction with the IFRS Consolidated Financial Statements as of and for the financial year ended December 31, 2019.

The accounting policies applied to the Condensed Consolidated Interim Financial Statements are generally based upon the same accounting policies and same methods of computation used in the consolidated financial statements for financial year 2019. Exceptions are new or revised International Financial Reporting Standards (IFRS) required to be applied for the first time in financial year 2020 that, however, have not had a material influence on the Unaudited Condensed Consolidated Interim Financial Statements.

### **3. Use of judgements and estimates**

Preparation of the Unaudited Condensed Interim Consolidated Financial Statements in accordance with IAS 34 requires the Management to exercise judgement and make estimates and assumptions that affect the application of accounting policies in the Group and the presentation of assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The results obtained thus far in financial year 2020 are not necessarily an indication of how business will develop in the future.

In the first half year of fiscal 2020, HENSOLDT's business and, in particular, the economic environment is affected by the COVID-19 spread, though certain mitigating effects may arise due to the various measures taken by Governments or States globally, including favorable financial support to the economies. The increased uncertainties in light of the COVID-19 pandemic posed particular challenges when making appropriate judgements, estimates and assumptions. In the Unaudited Condensed Consolidated Interim Financial Statements as of June 30, 2020, the Company based financial statement-related estimates and assumptions on existing knowledge and best information

available and applied a scenario assuming the current COVID-19 pandemic is of no long-term duration. COVID-19 related impacts on HENSOLDT's Condensed Consolidated Interim Financial Statements may result from impact on our business, including delays in order intake and the supply chain, production downtimes or lack of liquidity on the customer side.

#### 4. Acquisitions and disposals

At the end of June 2020, the Company signed an agreement to acquire two business units in air traffic management and defense solutions including radar systems of Tellumat's air traffic management and defense and security business units in South Africa. The two business units employ an aggregate of approximately 100 full-time employees. Closing is envisaged in the early fourth quarter of 2020.

On October 1, 2019, HENSOLDT acquired Nexeya S.A.S. ('Nexeya Group'). In the first half 2020, the still preliminary purchase price of EUR 88.8 million was adjusted through a EUR 4.0 million repayment.

#### 5. Transactions with related parties

The Company has entered into various transactions with related entities carried out in the normal course of business.

Revenue, other income and expenses with related entities for the six months ended June 30, 2020:

KEUR	HY 2020	HY 2019
Revenue and other income	33,702	48,518
Expenses	8,882	18,606

KEUR	Jun 30, 2020	Dec 31, 2019
Receivables	79,178	92,111
Liabilities	11,447	8,868

There were no material changes regarding key management personnel from the information disclosed in the 2019 Consolidated Year End Financial Statements.

#### 6. Segment information

The Group operates in two operating segments, Sensors and Optronics.

KEUR HY 2020	Sensors	Optronics	Elimination/ Transversal/ Others	Group
Order Intake	1,654,581	122,048	-1,056	1,775,573
Order Backlog (30.June)	2,819,400	607,522	22	3,426,944
Revenues from external customers	343,334	96,962	0	440,296
Intersegment revenues	130	769	-899	0
<b>Segment revenues</b>	<b>343,464</b>	<b>97,731</b>	<b>-899</b>	<b>440,296</b>

KEUR HY 2020	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>Material non-cash items other than depreciation and amortization:</b>				
Additions to other provisions	-25,969	-16,368	0	-42,337
Dissolution of other provisions	2,142	1,408	0	3,551
Entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method				
	0	0	-1,794	-1,794

KEUR HY 2020	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>EBITDA</b>	<b>32,267</b>	<b>9,847</b>	<b>-13,738</b>	<b>28,377</b>
Transaction cost	477	0	0	477
Other non-recurring effects	63	450	11,940	12,453
<b>Adjusted EBITDA</b>	<b>32,807</b>	<b>10,297</b>	<b>-1,798</b>	<b>41,307</b>
<i>Margin adjusted EBITDA</i>	9,6%	10,5%		9,4%
Depreciation and Amortization	-43,650	-13,886	-128	-57,664
<b>EBIT</b>	<b>-11,383</b>	<b>-4,039</b>	<b>-13,866</b>	<b>-29,287</b>
Effect on earnings from purchase price allocation	26,996	7,329	0	34,325
Transaction cost	477	0	0	477
Other non-recurring effects	63	450	12,068	12,581
<b>Adjusted EBIT</b>	<b>16,153</b>	<b>3,740</b>	<b>-1,798</b>	<b>18,096</b>
<i>Margin adjusted EBIT</i>	4,7%	3,8%		4,1%

KEUR HY 2020	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>EBIT</b>	-11,383	-4,039	-13,866	<b>-29,287</b>
Finance result				-87,924
<b>EBT</b>				<b>-117,211</b>

KEUR HY 2019	Sensors	Optronics	Elimination/ Transversal/ Others	Group
Order Intake	312,121	108,836	-281	420,677
Order Backlog (30.June)	1,676,556	557,745	-539	2,233,763
Revenues from external customers	317,113	98,444	0	415,557
Intersegment revenues	141	36	-177	0
<b>Segment revenues</b>	<b>317,254</b>	<b>98,480</b>	<b>-177</b>	<b>415,557</b>

KEUR HY 2019	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>Material non-cash items other than depreciation and amortization:</b>				
Additions to other provisions	-39,707	-7,188	0	-46,894
Dissolution of other provisions	11,697	1,799	0	13,496
Capitalized interest	0	0	-11,642	-11,642
Entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0	0	-591	-591

KEUR HY 2019	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>EBITDA</b>	<b>26,778</b>	<b>14,635</b>	<b>-6,701</b>	<b>34,712</b>
Separation cost	0	0	-269	-269
Other non-recurring effects	0	0	6,429	6,429
<b>Adjusted EBITDA</b>	<b>26,778</b>	<b>14,635</b>	<b>-541</b>	<b>40,873</b>
<i>Margin adjusted EBITDA</i>	<i>8.4%</i>	<i>14.9%</i>	<i>-</i>	<i>9.8%</i>
Depreciation and Amortization	-45,617	-15,190	-184	-60,991
<b>EBIT</b>	<b>-18,839</b>	<b>-554</b>	<b>-6,885</b>	<b>-26,279</b>
Effect on earnings from purchase price allocation	28,064	8,453	0	36,518
Separation cost	0	0	-119	-119
Other non-recurring effects	0	0	6,429	6,429
<b>Adjusted EBIT</b>	<b>9,225</b>	<b>7,899</b>	<b>-574</b>	<b>16,550</b>
<i>Margin adjusted EBIT</i>	<i>2.9%</i>	<i>8.0%</i>		<i>4.0%</i>

KEUR HY 2019	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>EBIT</b>	<b>-18,839</b>	<b>-554</b>	<b>-6,885</b>	<b>-26,279</b>
Finance result				-7,029
<b>EBT</b>				<b>-33,308</b>

## 7. Revenue

The Group's operations and main revenue streams are described in the last annual Financial Statements.

During the first six months, revenues increased by KEUR 25,739 to KEUR 440,296 compared to KEUR 415,557 in the first half year 2019, mainly due to the acquisition of the Nexeya Group.

### Revenue (geographical information)

For the six months ended June 30

KEUR	2020	2019
Europe	341,928	272,913
<i>(therein Germany)</i>	209,772	169,823
Middle East	37,615	41,109
APAC	15,509	26,656
North America	24,055	10,903
Africa	19,647	53,002
LATAM	7,330	13,585
Other regions / Consolidation	-5,788	-2,611
<b>Total</b>	<b>440,296</b>	<b>415,557</b>

### Revenue (sales / aftersales)

For the six months ended June 30

KEUR	2020			
	Sensors	Optronics	Other	Group
Sales	227,321	78,953	0	306,273
Aftersales	115,729	14,926	0	130,655
Exchange differences	260	3,162	-54	3,368
<b>Total</b>	<b>343,309</b>	<b>97,041</b>	<b>-54</b>	<b>440,296</b>

KEUR	2019			
	Sensors	Optronics	Other	Group
Sales	244,009	88,688	0	<b>332,697</b>
Aftersales	71,912	9,556	0	<b>81,468</b>
Exchange differences	1,253	138	0	<b>1,391</b>
<b>Total</b>	<b>317,174</b>	<b>98,383</b>	<b>0</b>	<b>415,557</b>

## Revenue (point in time of revenue recognition)

For the six months ended June 30:

KEUR				2020
Point of time of revenue recognition	Sensors	Optronics	Other	Group
Revenue recognition at a point in time	157,791	90,228	0	<b>248,019</b>
Revenue recognition over time	185,259	3,651	0	<b>188,909</b>
Exchange differences	260	3,162	-54	<b>3,368</b>
<b>Total</b>	<b>343,309</b>	<b>97,041</b>	<b>-54</b>	<b>440,296</b>

KEUR				2019
Point of time of revenue recognition	Sensors	Optronics	Other	Group
Revenue recognition at a point in time	184,967	98,225	0	<b>283,192</b>
Revenue recognition over time	130,954	20	0	<b>130,974</b>
Exchange changes	1,253	138	0	<b>1,391</b>
<b>Total</b>	<b>317,174</b>	<b>98,383</b>	<b>0</b>	<b>415,557</b>

## Seasonality and cyclicity of operations

HENSOLDT's industry is subject to certain trends and patterns. Our business is weighted towards the last quarter of the financial year, due to the timing of many budgetary decisions by our government customers. In addition, a significant volume of our annual revenue for both of the two reporting segments is typically recorded in the last months of the year. This weighting arises due to the timing of many budgetary decisions by our government customers. The first half of our financial year, particularly the first quarter, is characterized by a reduction of trade receivables and corresponding cash inflow due to customer payment, a reduction of trade payables and corresponding outflows, as well as an increase in work in process accounted for under inventories, which generally continues through the second quarter of our financial year. The Company expects these trends to generally continue in the future.

### 8. Share of profit / loss from investments accounted for using the equity method

The share of loss in Hensoldt Cyber GmbH, an investment accounted for using the equity method, was KEUR -1,794 compared to KEUR -591 in the first half year 2019.

### 9. Other operating income / expenses

Other operating income decreased by KEUR 2,975 to KEUR 9,712 compared to KEUR 12,687 in the first half year 2019. Other operating expenses decreased by KEUR 3,240 to KEUR 8,900 compared to KEUR 12,141 in the first half year 2019. Both are due to lower project costs collected and recharged to other entities.

## 10. Finance result

Total finance result deteriorated by KEUR -80,895 to KEUR -87,924 compared to KEUR -7,029 in the first half year 2019. This is mainly due to the measurement of an embedded derivative in the Term Loan agreement in accordance with IFRS 9 (first half year of 2019: KEUR 34,137 compared to KEUR -53,915 in the first half year of 2020). A positive effect of KEUR 11,642 on the interest expenses relates to the contribution of a shareholder loan to the capital reserve in November 2019.

## 11. Consolidated loss

The consolidated loss increased by KEUR 56,529 to KEUR -88,930 compared to KEUR -32,402. This is mainly driven by the valuation of the embedded derivative in the Term Loan agreement in accordance with IFRS 9.

## 12. Income taxes

Income tax expense is recognized at an amount determined by multiplying the profit or loss before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim financial period such as the revaluation of the embedded derivative. As such, the effective tax rate in the Interim Financial Statements may differ from management's estimate of the effective tax rate for the annual Financial Statements.

The increase in income tax income of KEUR 28,281 compared to KEUR 906 in the first half year 2019 results mainly from deferred taxes due to the revaluation of the embedded derivative and the effect from purchase price allocations on earnings.

## 13. Intangible assets, Property, plant and equipment and Right-of-use assets

Intangible assets decreased by KEUR 6,777 from KEUR 403,300 to KEUR 396,524 as the amortization of step ups arising from former acquisitions exceeded the net additions.

Development cost of KEUR 31,379 were capitalized compared to KEUR 24,198 in the first half year 2019.

HENSOLDT considers the changes to the business and economic environment due to COVID-19 as a triggering event for goodwill impairment testing. The impairment tests were performed in the second quarter 2020 and led to no impairment.

The adjustment of the still preliminary purchase price of Nexeya Group led to a reduction of goodwill by KEUR 4,000.

Property, plant and equipment increased by KEUR 5,417 from KEUR 92,893 to KEUR 98,310 mainly due to higher investments for assets under construction.

Right-of-use assets decreased by KEUR 5,328 to KEUR 149,534 compared to KEUR 154,862 due to scheduled amortization.

#### 14. Other investments and other non-current financial assets

KEUR	Jun 30, 2020	Dec 31, 2019
Other Investments	11,188	11,188
Other non-current financial assets	2,629	3,494
<b>Other investments and other non-current financial assets</b>	<b>13,817</b>	<b>14,682</b>
<b>Other non-current financial assets, due at short notice</b>	<b>2,955</b>	<b>2,952</b>
<b>Total</b>	<b>16,772</b>	<b>17,634</b>

Other investments in entities accounted for using the equity method which form part of the net investment have been reduced by a write off of KEUR 625.

#### 15. Inventories

Inventories increased by KEUR 26,714 to KEUR 437,796 compared to KEUR 411,082 mainly in higher increased work in process due to seasonal patterns.

#### 16. Contract assets and Trade receivables

Contract assets increased slightly by KEUR 1,897 mainly due to offsetting with receivables.

Trade receivables decreased by KEUR 81,322 mainly due to strong cash collection in both segments due to seasonal patterns.

#### 17. Provisions

KEUR	Jun 30, 2020	Dec 31, 2019
Provisions for Pensions	356,408	358,628
Other Provisions	210,794	240,068
<b>Total</b>	<b>567,202</b>	<b>598,724</b>
thereof non-current portion	413,102	413,641
thereof current portion	154,100	185,083

Provisions for pensions decreased by KEUR 2,220 mainly due to higher interest rates.

Other provisions decreased by KEUR 29,274 mainly for personnel-related provisions due to seasonal patterns.

## 18. Other financial assets and other financial liabilities

### Other financial assets

KEUR	Jun 30, 2020	Dec 31, 2019
Positive fair values of derivative financial instruments	0	51,463
Miscellaneous other non-current financial assets	1,682	1,778
<b>Non-current other financial assets</b>	<b>1,682</b>	<b>53,241</b>
Positive fair values of derivative financial instruments	4,138	4,904
Receivables from employees	1,668	225
Miscellaneous other current financial assets	5,973	623
<b>Current other financial assets</b>	<b>11,779</b>	<b>5,752</b>
<b>Total</b>	<b>13,461</b>	<b>58,993</b>

### Other financial liabilities

KEUR	Jun 30, 2020	Dec 31, 2019
Negative fair values of derivative financial instruments	3,035	0
Miscellaneous other non-current financial liabilities	225	225
<b>Other non-current financial liabilities</b>	<b>3,260</b>	<b>225</b>
Negative fair values of derivative financial instruments	10,994	10,933
Miscellaneous other current financial liabilities	3,732	7,455
<b>Other current financial liabilities</b>	<b>14,726</b>	<b>18,388</b>
<b>Total</b>	<b>17,986</b>	<b>18,614</b>

## 19. Other assets and other liabilities

### Other assets

KEUR	Jun 30, 2020	Dec 31, 2019
<b>Non-current other assets</b>	<b>4,881</b>	<b>4,881</b>
Advance payments	30,396	22,978
VAT	10,698	5,397
Suppliers with debit balances	2,132	1,054
Miscellaneous other current assets	5,145	4,895
<b>Current other assets</b>	<b>48,371</b>	<b>34,324</b>
<b>Total</b>	<b>53,252</b>	<b>39,205</b>

## Other Liabilities

KEUR	Jun 30, 2020	Dec 31, 2019
<b>Non-current other liabilities</b>	<b>6,416</b>	<b>7,677</b>
Tax liabilities (without income tax)	29,427	23,701
Liabilities to employees	32,509	25,118
Miscellaneous other current liabilities	18,934	18,298
<b>Current other liabilities</b>	<b>80,870</b>	<b>67,118</b>
<b>Total</b>	<b>87,286</b>	<b>74,795</b>

## 20. Financial instruments

### Accounting classifications and fair values

The following tables show the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. For some short-term financial assets and liabilities, the carrying amount is a reasonable approximation of the fair value.

KEUR	IFRS 9 Category	Carrying amount	Jun 30, 2020	
			Fair value	Level
<b>Assets</b>				
Other investments and other non-current financial assets <sup>6</sup>	FVtOCI	13,817	13,817	-
Other non-current financial assets, due at short-notice	AC	2,955	2,955	-
Trade receivables	AC	209,488	209,488	-
Other financial assets				
Other derivative instruments	FVtPL	4,138	4,138	2
Non-derivative instruments	AC	9,323	9,323	-
Cash and cash equivalents	AC	321,594	321,594	-
<b>Total financial assets</b>		<b>561,315</b>	<b>561,315</b>	

<sup>6</sup> Fair value corresponds with cost due to lack of materiality

Jun 30,  
2020

KEUR	IFRS 9 Category	Carrying amount	Fair value	Level
<b>Liabilities</b>				
Financing liabilities				
Liabilities to banks (long-term)	FLAC	891,246	933,207	2
Liabilities to banks (short-term)	FLAC	217,265	217,265	-
Trade payables	FLAC	150,221	150,221	-
Other financial liabilities				
Derivative instruments for cash flow hedges	FVtOCI	1,096	1,096	2
Other derivative instruments	FVtPL	12,932	12,932	2
Miscellaneous other financial liabilities	FLAC	3,958	3,958	-
<b>Total financial liabilities</b>		<b>1,276,718</b>	<b>1,318,679</b>	

Dec 31,  
2019

KEUR	IFRS 9 Category	Carrying amount	Fair value	Level
<b>Assets</b>				
Other investments and other non-current financial assets <sup>7</sup>				
	FVtOCI	14,683	14,683	-
Other non-current financial assets, due at short-notice				
	AC	2,951	2,951	-
Trade receivables				
	AC	290,809	290,809	-
Other financial assets				
Derivative instruments for cash flow hedges	FVtOCI	89	89	2
Other derivative instruments	FVtPL	56,278	56,278	2
Non-derivative instruments	AC	2,626	2,626	-
Cash and cash equivalents				
	AC	137,389	137,389	-
<b>Total financial assets</b>		<b>504,825</b>	<b>504,825</b>	

<b>Liabilities</b>				
Financing liabilities				
Liabilities to banks	FLAC	899,034	961,894	2
Trade payables	FLAC	168,750	168,750	-
Other financial liabilities				
Other derivative instruments	FVtPL	10,933	10,933	2
Miscellaneous other financial liabilities	FLAC	7,681	7,681	-
<b>Total financial liabilities</b>		<b>1,086,398</b>	<b>1,149,258</b>	

<sup>7</sup> Fair value corresponds with cost due to lack of materiality

## Fair value measurement

The input factors used and the measurement methods applied are described in the year end Consolidated Financial Statements as at December 31, 2019.

## 21. Litigation and claims

The Company is from time to time involved in various legal and arbitration proceedings in the ordinary course of its business, the most significant of which are described below. Other than as described below, the Company is not aware of any material governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering at least the previous twelve months which may have, or have had in the recent past significant effects on the Company's financial position or profitability.

In January 2020 a major customer filed a request for arbitration with the contractually agreed arbitration board regarding a partially fulfilled contract and demanded refund of payments already made (approximately EUR 31 million plus interest) plus further costs and expenses. HENSOLDT considers the claims made to be unfounded and filed in May 2020 a statement of defense and counterclaim for specific performance, i.e. payment under the contract in dispute (approximately EUR 11 million plus interest). It is not yet possible to make a sufficient certain statement about the outcome of the arbitration.

## 22. Number of employees

Employees (average figures per quarter end, FTEs)	HY 2020	HY 2019
Production, research & development, service	4,493	3,593
Sales and distribution	98	123
Administration and general services	540	495
Apprentices, trainees, etc.	402	362
<b>Total</b>	<b>5,533</b>	<b>4,573</b>

The increase in the average number of employees is mainly driven by the acquisition of Nexeya.

## 23. Events after the reporting date

The Company intends to change its legal form into a German stock corporation (Aktiengesellschaft) and to potentially apply for listing of its shares on a regulated market.

With commercial registration as of August 6, 2020, the Company's share capital was increased from EUR 10 million by EUR 70 million to EUR 80 million from the Company's reserves.

There are no further significant events after the reporting date.

#### **D. Disclosure in accordance with Section 115 (5) sentence 6 of the German Securities Trading Act (WpHG)**

The Condensed Consolidated Interim Financial Statements as of June 30, 2020 – consisting of the Consolidated balance sheet, Consolidated income statement, Consolidated statement of comprehensive income, Consolidated cash flow statement, Consolidated statement of changes in equity and selected notes – and the Group interim management report for the period from January 1 to June 30, 2020, were not audited in accordance with Section 317 of the German Commercial Code (HGB) or subjected to a review by a person qualified to audit financial statements.

#### **E. Statement of the Managing Directors**

The managing directors of HENSOLDT hereby declare that, to the best of their knowledge:

The Condensed Consolidated Interim Financial Statements as of June 30, 2020 have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and results of the company and of all the entities taken as a whole included in the consolidation, and the half year interim report of the managing directors presents a fair view of the significant events that occurred during the first six months of the financial year, their impact on the financial statements, the main related party transactions as well as a description of the main risks and uncertainties for the remaining six months of the financial year.

Taufkirchen, August 10, 2020

HENSOLDT GmbH

Managing Directors

Thomas Müller

Axel Salzmann

Peter Fieser

## IMPRESSUM

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### Disclaimer

This Group half-year statement contains forecasts based on assumptions and estimates by the corporate management of HENSOLDT. These statements based on assumptions and estimates are in the form of forward-looking statements using terms such as 'believe', 'assume', 'expect' and the like. Even though corporate management believes that these assumptions and estimates are correct, it is possible that actual results in the future may deviate materially from such assumptions and estimates due to a variety of factors. The latter may include changes in the macroeconomic environment, in the statutory and regulatory framework in Germany and the EU, and changes within the industry. HENSOLDT does not provide any guarantee or accept any liability or responsibility for any divergence between future developments and actual results, on the one hand, and the assumptions and estimates expressed in this Group half-year statement.

HENSOLDT has no intention and undertakes no obligation to update forward-looking statements in order to adjust them to actual events or developments occurring after the date of this report.

The Condensed Consolidated Interim Financial Statements are denominated in Euro. All amounts in the Group half-year statement are rounded to thousand or million Euros. This may lead to minor deviations on addition.

The Group half-year statement is also available in German. In case of discrepancies, the German language document is the sole authoritative and universally valid version.