Annual Report of HENSOLDT AG 2024

HENSOLDT

Detect and Protect.

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Key Figures

in € million	2024	2023
Order intake	**2,904**	**2,087**
Sensors	2,209	1,587
Optronics	740	510
Elimination/Transversal/Others	-45	-9
Order backlog	**6,644**	**5,530**
Sensors	5,463	4,693
Optronics	1,225	852
Elimination/Transversal/Others	-44	-15
Book-to-Bill	**1.3x**	**1.1x**
Revenue	**2,240**	**1,847**
Sensors	1,908	1,546
Optronics	348	309
Elimination/Transversal/Others	-15	-8
Revenue per region	**2,240**	**1,847**
Europe[1]	1,966	1,556
thereof Germany[1]	*1,282*	*993*
Middle East	83	116
APAC[1]	78	75
North America	58	46
Africa	48	43
LATAM	7	10
Other regions/consolidation[1]	–	1
Adjusted EBIT	**295**	**246**
Sensors	286	235
Optronics	9	11
Adjusted EBITDA	**405**	**329**
Sensors	381	306
Optronics	24	24
Adjusted free cash flow	**249**	**198**

[1] Adjusted allocation of previous year's figures

Oliver Dörre
CEO
HENSOLDT AG

Letter to the shareholders

Dear Shareholders,

We look back on an eventful year in which ongoing global uncertainties, impressive financial results, groundbreaking technological innovations, and ambitious plans for the future went hand in hand.

Unfortunately, the war in Ukraine is not yet over. In addition, there are the crises in the Middle East and the growing threat to the West from China. The Inspector General of the German Bundeswehr, Carsten Breuer, has made it clear that Russia could attack NATO countries as early as 2029. That is why we need credible deterrent capabilities. These must be modern and flexibly adaptable, operational at all times, at least equal to our adversaries in quantity and far superior to them in quality. Accordingly, we continue to see strong demand, particularly for highly sophisticated electronic defence and security solutions such as those developed and offered by HENSOLDT. These solutions make an essential contribution to countering current and future threats. Without these solutions, we will not be able to defend ourselves. It is this conviction that drives us to continuously develop our products and further expand our technological lead.

But technological excellence alone is not enough. In order for us to make our contribution to defence capabilities, solid underlying parameters are needed. For example, industry can only plan for the long term if there is stability and multi-year funding commitments. German budget funds are therefore better invested in Germany. Equally important is a reliable export policy. Every euro that other countries spend on defence goods ‘Made in Germany’ flows back into our economy and strengthens our capacity for innovation. Only in this way we will be able to actively shape the integration of the European security and defence industry.

In this dynamic environment, HENSOLDT has once again successfully proved itself. Even more than that: 2024 was another extremely positive financial year for us. We achieved our ambitious targets and even exceeded them in key areas. With an additional order intake of over € 2.9 billion, we now have a record order backlog of over € 6.6 billion, which provides us with excellent visibility on revenues for the coming years. The book-to-bill ratio is 1.3x. HENSOLDT generated revenue of over € 2.2 billion in the year just gone, with core business volume increasing by 9 %. Adjusted EBITDA rose by 23.0 % to € 405 million. The adjusted EBITDA margin before pass-through was 19.4 %. I am particularly pleased that we were able to make even greater progress in reducing debt than announced, with a very encouraging adjusted free cash flow of € 249 million. Our net leverage ratio, including the effects of the ESG acquisition, is now 1.6. Our strong financial performance allows us to propose an increase in the dividend for 2024 to € 0.50 per share. We keep our word and deliver what we promise.

The main drivers of this positive development are our outstanding products and solutions. Our strong market position is reflected in a series of significant new orders. In the Sensors segment, I am thinking primarily of the NNbS air defence system and our TRML-4D and Spexer radars. Also in the Optronics segment, we took some very encouraging orders, for example for the optronic systems of the new Leopard tanks, for the sensor technology of the Fennek reconnaissance vehicle or the optronic mast systems for class 212 submarines. In 2024, we again achieved technological advances and breakthroughs in numerous projects. We conducted tests of the Mk1 radar with an A320-ATRA aircraft, successfully completed the first flight with a modified aircraft in the PEGASUS project and delivered the first prototype of the WAO HD digital vision system to KNDS. All these projects underline our company’s innovative strength and commitment.

Looking back personally on the past year, I can say that since I started in April, it has been an intensive but extremely rewarding time. I am particularly pleased that we were able to extend the management contracts with Christian Ladurner and Dr Lars Immisch. I value our work together tremendously. These extensions also emphasise the continuity in the management of our company. My thanks also go to the Executive Committee, which handles the company’s demanding day-to-day business and strategic transformation with a high level of professionalism and commitment as a strong team.

At our Capital Markets Day in December 2024, we presented our ambitious “North Star” strategy for the first time. This is now picking up notable speed – the first steps have been taken and we are right on track. We have defined clear goals, such as expanding our international presence under the motto “Grow with focus”. This involves concentrating our resources and activities on those markets and business opportunities that are most compatible with our company’s strengths and objectives and therefore open the way to sustainable, particularly high-margin growth. At the same time, we are driving forward the transformation from a product-oriented portfolio to a solution-oriented approach under the “Pioneer Software Defined Defence” axis. The future is digital, which is why we are making targeted investments in key technologies to make our sensor technology more intelligent and better connected.

In addition, we have made impressive progress in terms of our “Deliver at scale” axis, which involves providing our products and system solutions in significantly larger quantities while maintaining excellent quality. We have successfully completed the integration of the ESG Group in a very short time. Our investments in capacity expansion, for example at the Ulm site, and in digitalisation initiatives such as OneSAPnow, show that we are not only working on short-term successes, but also want to enable sustainable and long-term growth.

We have named the fourth axis “Lead our team into the future”. Our team, in other words all our employees, are the heart of HENSOLDT and the basis of our growth strategy. That is why we want to create a working environment in which everyone can fully develop their potential and together make our company the best employer in the industry. This will of course also make us even more attractive to new employees in the future. In recent months, we have already made fundamental adjustments to our organisation. We have realigned our structures and set up the divisions so that they can react flexibly and efficiently to growth opportunities. In future, we will have four divisions that reflect our business areas: Radar and Electronic Warfare, Optronics, Multi-Domain Solutions and Services & Training.

These four strategic axes of “North Star” are key to sustainable growth. We will continue to implement them consistently and are very confident that this will enable us to achieve our ambitious target of around € 5 billion in revenue by the beginning of the next decade.

Looking to the future, it quickly becomes clear that the rapid pace at which the world is changing is unlikely to slow down. Therefore, the coming years will also be characterised by new and sometimes unforeseeable challenges. Technological progress, digital connectivity and dynamic threat scenarios will demand a great deal of us every day. What is already becoming apparent is that hardware and ammunition remain important but will no longer be the sole deciding factors in combat. Our customers’ requirements change in very short cycles. Products must be adapted and further developed increasingly quickly. In Ukraine, this is happening almost in real time. Superiority in terms of information, command and control and effectiveness is of central importance. This is where the concept of Software Defined Defence, which I have already mentioned, comes in. Modular software solutions that can be quickly adapted and data-centric architectures that exploit the full potential of sensor technology – this is the future. We will continue to develop HENSOLDT consistently in this direction. The fact that we have already taken important steps is demonstrated, for example, by our sensor suite CERETRON for combat vehicles. This is an integrated, modular sensor software platform that can be used for surveillance and reconnaissance. All sensors are already primed for the combat clouds of the future.

We have a solid financial base that allows us to make all the investments needed to pursue the path to Software Defined Defence outlined above. In 2025, we will spend almost € 130 million on self-financed research and development. This is how we are further expanding our pioneering role in this field and creating the technological basis that will enable our customers to meet constantly changing requirements.

Ultimately, however, it is not only technologies that make the difference, but above all the people who develop and advance them. Their expertise, commitment and passion are the driving factors behind our success. With the innovative strength of our teams and the tireless efforts of all of our HENSOLDTians, we are actively shaping the future and making an important contribution to protecting people and defending prosperity, democracy and freedom.

Sincerely,

Oliver Dörre

Christian Ladurner
CFO
HENSOLDT AG

Greetings of the CFO

Dear Shareholders,

Another exceptional and eventful year marked by many geopolitical conflicts now lies behind us. The year's events have repeatedly shown us how essential it is for our society to have the capability to defend itself. HENSOLDT technology plays a decisive role in this. HENSOLDT is an established leading player in the European defence industry, with a highly attractive and innovative business model and a strong financial base.

This was demonstrated by our performance in fiscal year 2024: We maintained our growth trajectory at an even faster rate, generating revenue of over € 2.2 billion. Our order backlog reached a new record level of € 6.6 billion. We won landmark long-term individual orders, such as for the NNbS air defence system and our TRML-4D and Spexer radars. The market is still in its structural growth phase, which is why we see HENSOLDT as excellently positioned to perform well over the long term. Our result for the year enables us to allow our shareholders to continue benefiting from the success of HENSOLDT. We will therefore propose to increase the dividend to € 0.50 per share.

We have set ourselves the goal of maintaining this rate of growth over the next few years. Our new corporate strategy "North Star", which we officially presented at our Capital Markets Day in December 2024, will guide us in our approach. It comprises four central axes, which enable us to actively drive the changes required: Firstly, we are pursuing sustainable and profitable growth in Germany, Europe and selected international markets. Secondly, we are focusing on increasing efficiency and continuously expanding our capacities so that we can deliver significantly higher volumes. Thirdly, we are steadily pushing ahead with digitalising our portfolio and will play a pioneering role in the transition towards software-defined defence. And fourthly, we want to provide our colleagues with continuous support as well as ongoing development opportunities, which is why we are committed to a modern, transparent corporate culture and a strong HENSOLDT brand. All of this shows that we have actively set our course for long-term success.

As our valued shareholders, one thing is of particular importance to me: maintaining dialogue with you, our investors and analysts. This exchange always provides invaluable insight for us in terms of our strategy. Which is why I am delighted that we held our fourth Capital Markets Day back in December – this time in London, one of the leading financial centres in Europe. Our aim is not just to continue these forms of dialogue in the future, but to consolidate and enhance them.

Finally, and most importantly, our success would simply not be possible without the commitment of our employees, whose numbers are constantly growing. Their talent for innovation and their passion ensure that HENSOLDT continues to go from strength to strength. The Management Board and I look forward to implementing our new strategy together with our outstanding teams. We are shaping the future.

Sincerely,

Christian Ladurner

Dr. Lars Immisch
CHRO
HENSOLDT AG

Preface to the sustainability report

Dear Shareholders,

Sustainability is not an end in itself – it is a central prerequisite for long-term corporate success. At HENSOLDT, we understand sustainability as a holistic responsibility: for the environment, for our employees and for our customers and partners. To this end, we rely on high ethical standards and responsible business practices.

2024 was a year of important decisions for HENSOLDT. With the introduction of our new sustainability strategy, we have created a clear framework for integrating sustainability into our actions in a data-driven, measurable and targeted manner. In close cooperation with our departments, we have defined 87 key performance indicators to make our goals and progress transparent.

A particular focus in 2024 was on reducing our carbon footprint – a central area of action in our strategy. We have revised our CO_2 reduction path to even better reflect our strong corporate growth. To reduce CO_2 emissions, we are making targeted investments in the expansion of renewable energy sources, particularly in photovoltaic systems at our locations, and are pressing ahead with the conversion of our vehicle fleet to electric mobility. We have also made significant progress in terms of our social responsibility. Strengthening our corporate culture, creating modern working environments and diverse teams are also essential components of sustainability. In addition, we have taken all the necessary steps to ensure compliance with ethical principles and active advocacy of human rights throughout our value chain in accordance with the German Supply Chain Act (LkSG).

Our sustainability strategy is consistently aligned with the requirements of the Corporate Sustainability Reporting Directive (CSRD). In this respect, we at HENSOLDT are playing a pioneering role and have already voluntarily implemented the 2024 directive, although the German legislator has not yet finalised the legal framework. In doing so, we are going beyond regulatory requirements and setting a clear example in terms of transparency. For the first time, our sustainability report is also fully integrated into the annual report to illustrate the equivalence of non-financial and financial reporting – a central objective of the CSRD.

It is important to me to mention that the building blocks of our global sustainability strategy also represent measures that make business sense. They help us to increase our economic resilience and efficiency. We drive sustainable growth and align ecological and economic interests.

Sustainability is always a collaborative process. Our success is based on the commitment of all our employees. Together, we are shaping a sustainable, responsible and successful future for HENSOLDT.

Sincerely,

Lars Immisch

HENSOLDT on the Capital Market

The HENSOLDT AG share price rose in fiscal year 2024 compared to the previous year, at one point reaching a new all-time high of € 44.58. At the end of 2024, the shares were trading at € 34.50, 41.4 % above the share price at the end of the previous year.

Stock markets and price development of the HENSOLDT share

In fiscal year 2024, the stock market environment was characterised by macroeconomic and political factors. The focus of investors was on economic, inflation and interest rate expectations, as well as the ongoing geopolitical tensions and the presidential election in the US.

Driven by robust economic growth in the US and expectations of falling interest rates in both the US and the eurozone, the German large-cap index DAX started the first quarter with significant price gains, while the mid-cap index MDAX initially moved sideways due to a subdued economic outlook for Germany. In the wake of further negative economic data from Germany, the MDAX fell more sharply until the middle of the year, while the DAX was able to maintain its gains despite temporary setbacks. Both indices came under greater pressure in August, when a rise in interest rates by the Japanese central bank prompted temporary price fluctuations on the capital market. Helped by cuts in key interest rates in the eurozone and the US, the stock market indices rose markedly through to the autumn. The US presidential election and the related uncertainties over possible tariffs on US imports led to renewed volatility across the German indices towards the end of the year. The DAX recovered again by the end of the year, at one stage hitting a new all-time high of 20,426 points. The year-end closing price was 19,909 points, a gain of 18.8 %. By contrast, the MDAX was weaker again at year-end, closing the year at 25,589 points, down 5.7 % on the previous year.

The HENSOLDT share price started 2024 at € 24.54, which also represented the year's low mark. In light of ongoing geopolitical conflicts and the prospect of further increases in military spending, HENSOLDT's share price rallied over the course of the following months, rising by almost 80 % to reach a new all-time high in fiscal year 2024 of € 44.58 by the start of April. On the back of this rapid rise, HENSOLDT's share price consolidated over the following months, hovering between € 35 and € 40 until mid-year. Debate surrounding the budget in Germany and a possible ceasefire between Ukraine and Russia caused HENSOLDT's share price to occasionally dip just below the € 30 mark in the autumn. Following the US presidential election, the share price gradually climbed again up to the end of the year. HENSOLDT's year-end closing price was € 34.50. This represents a 41.4 % increase compared to the previous year's closing price. This means that HENSOLDT shares significantly outperformed the MDAX.

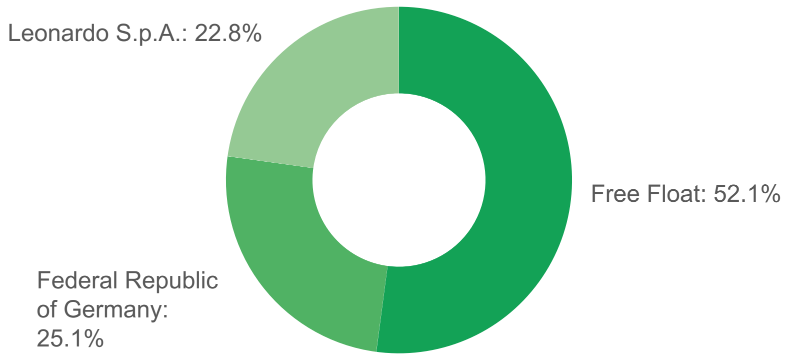
HENSOLDT AG shares have been listed on the MDAX since 20 March 2023. HENSOLDT shares have also been listed on the TecDAX since 20 June 2022.

Shareholder structure

The Federal Republic of Germany (the “Bund”) is a shareholder of HENSOLDT AG through the German national development bank, KfW (Kreditanstalt für Wiederaufbau) with a share of 25.1 % as at 31 December 2024, as well as Leonardo S.p.A., Italy, (“Leonardo”) which holds 22.8 % in HENSOLDT AG.

Free float was around 52.1 % at the end of the year. The definition of free float is based on the guidelines for the stock indices of Deutsche Börse AG.

Shareholder structure of HENSOLDT AG as of 31 December 2024



Analyst coverage

In fiscal year 2024, the following well-known national and international banks and local research houses were monitoring and evaluating HENSOLDT shares:

- Agency Partners
- Bank of America Securities
- Citigroup
- Deutsche Bank
- Exane BNP Paribas
- Hauck Aufhäuser
- J.P. Morgan
- Kepler Cheuvreux
- Morgan Stanley
- mwb Research
- ODDO BHF
- Warburg Research

At the end of 2024, six analysts in total issued a “buy” recommendation. Five analysts rated the share a “hold” and one of the analysts as “underweight”. The average target price was € 39.85 per share corresponding to a possible price potential of 15.5 % compared with the year-end price of € 34.50 per share. The analysts judged both the further growth prospects in the medium and long term as well as the current development of the security and defence industry as positive.

HENSOLDT AG publishes an Analyst Consensus Estimate containing the most important key figures. An overview is made available on the website of HENSOLDT at https://investors.hensoldt.net.

Investor Relations – communication with the Capital Market

HENSOLDT strives to maintain transparent and continuous dialogue with capital market participants. It is therefore particularly important to HENSOLDT to continue furthering relationships with investors, analysts and financial journalists through individual meetings, telephone calls, roadshows, conferences as well as company visits (where possible) and to build capital market participants' confidence in the Group. In fiscal year 2024, the Management Board held an analyst and investor call following publication of the preliminary financial figures for fiscal year 2023, the closing of the acquisition of ESG Group, the results for the first quarter, the first half year and the first nine months of 2024 and presented both the recent strategic developments of the Group, the current business performance and the growth prospects to the capital market participants.

HENSOLDT organised a Capital Markets Day on 12 December 2024. At this event, the management presented a comprehensive insight into the strategic orientation and medium-term planning and gave participants the opportunity to talk directly to the HENSOLDT management.

General meeting

The fourth ordinary general meeting of HENSOLDT AG was held on 17 May 2024. The meeting was held in person. All questions from the shareholders present were answered by the Management Board of HENSOLDT AG. The shareholders approved all agenda items with large majorities. Giuseppe Panizzardi (Senior Vice President M&A & Corporate Development at Leonardo S.p.A.) was elected to the Supervisory Board. He had already been appointed as a member of the Supervisory Board for a limited period until the end of the general meeting and succeeded Giovanni Soccodato, who had resigned from his previous position as a member of the Supervisory Board with effect from 31 October 2023. The shareholders also followed the proposal of the Supervisory Board and Management Board to pay a dividend of € 0.40 per share. All voting results are available on the website of HENSOLDT at www.investors.hensoldt.net.

Basic information and key data on HENSOLDT shares in 2024

ISIN:	DE000HAG0005
WKN:	HAG000
Symbol:	HAG
Stock exchange listing:	Frankfurt Stock Exchange
Stock exchange segment:	Regulated market (Prime Standard)
Index membership:	Since June 2022 member of the TecDAX; since March 2023 member of the MDAX
Designated sponsor:	Oddo BHF
Number of shares:	115,500,000
Share type:	Bearer shares with no par value (no par value share)
Highest share price in Xetra trading in €:	44.58 (2 April 2024)
Lowest share price in Xetra trading in €:	24.54 (2 January 2024)
Closing share price in Xetra trading (31 December 2024) in €:	34.50
Market capitalisation (31 December 2024) in €:	3.972 billion
Free float (31 December 2024):	52.1 %

Combined Management Report and Consolidated Financial Statements of HENSOLDT AG

2024

About this report

This Annual Report contains the Consolidated Financial Statements and the Combined Management Report of HENSOLDT AG and its subsidiaries for the business year ended 31 December 2024 as well as further information. The report complies with the annual financial reporting requirements of Section 114 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

For the first time the Combined Management Report includes the Sustainability Report, which was previously published separately. The report has been prepared for the first time in accordance with the first set of European Sustainability Reporting Standards (ESRS). The report can be found in the Combined Management Report under V Sustainability Report.

The Annual Report also contains the report by the Supervisory Board as well as the Remuneration Report for fiscal year 2024 in D - Additional Information.

These Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations of the International Accounting Standards Board (IASB) as adopted by the European Union (EU) and, as a supplement, in accordance with the requirements of section 315e (1) of the German Commercial Code (HGB).

The Consolidated Financial Statements and the Combined Management Report as well as the Remuneration Report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft.

The unqualified independent auditor’s opinion for the Consolidated Financial Statements and the Combined Management Report can be found in D - II Independent Auditor’s report. The independent Auditor’s Report also contains an assurance, in accordance with Section 328 (1) of the German Commercial Code (Handelsgesetzbuch, HGB), relating to the auditing of the electronic reproduction of the Consolidated Financial Statements and the Combined Management Report prepared for publication purposes (“ESEF format”).

The Sustainability Report was subject to a separate limited assurance engagement. A separate Auditor's report was issued on this audit which can be found under D - IV Assurance report of the independent German Public Auditor on a limited assurance engagement in relation to the Consolidated Sustainability Statement.

The unqualified independent auditor’s opinion for the Remuneration Report can be found in D - VI Independent Auditor's Report on the Audit of the Remuneration Report.

The Annual Report also includes forward-looking statements that are based on the planning, expectations, estimates and forecasts of the management of the HENSOLDT Group at the time the report was produced. These statements depend on a number of assumptions and are subject to unforeseen events, uncertainties, known and unknown risks and circumstances that may cause actual results or the actual financial position, development or performance of the Group to differ materially from those expressed or implied in these forward-looking statements.

The Consolidated Financial Statements are presented in euros (€), which is the Group’s functional currency. Unless otherwise stated, all financial figures presented herein are rounded to the nearest million euros in accordance with established commercial principles. Due to rounding, there may be slight deviations from the absolute numbers when forming totals and calculating percentages. Absolute amounts less than € 500,000 and greater than zero euros are represented as 0 or -0 depending on the preceding sign. In contrast, items that have no value are indicated as missing by using “-”.

The contents of websites referred to in the Combined Management Report are not part of the Combined Management Report and have not been audited; these serve only to provide further information.

This English report is for convenience only. In case of discrepancies between the English and the German report, the German report shall prevail.

A - Combined Management Report

Content

I Group fundamentals

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1 Business model

The HENSOLDT Group (the “Group”, or “HENSOLDT”) is a specialised provider of complete electronic sensor solutions for defence and security applications. HENSOLDT develops and manufactures innovative and customised solutions in the fields of radars, electronic warfare, avionics and optronics. At 31 December 2024, its portfolio comprised a wide range of products and solutions that was expanded in fiscal year 2024 through, among other things, the acquisition of ESG Elektroniksystem- und Logistik-GmbH (“ESG GmbH” or “ESG Group” together with the subsidiaries of ESG GmbH). HENSOLDT is driving the development of defence electronics and optronics and is continually striving to expand and improve the current offering through its own developments based on innovative approaches to data fusion, artificial intelligence (AI) and cyber security, as well as through industrial collaborations and acquisitions designed to increase its competitiveness and expand into new markets.

As a platform- and manufacturer-agnostic system integrator in the defence and security sector, HENSOLDT supplies products for a variety of platforms (such as fighter aircraft, unmanned aerial vehicles, helicopters, naval vessels and submarines, armoured vehicles and satellites) from various manufacturers.

HENSOLDT sells its products and solutions to German and foreign governments as well as to supranational organisations such as NATO and their armed forces and security forces. This occurs both directly and indirectly, for example via commercial customers or as part of consortia or joint ventures. Such forms of industrial cooperation are entered into with other companies, for example with the Euroradar consortium, which is developing the nose radar for the Eurofighter jet. In indirect sales, HENSOLDT’s products are usually installed as components of integrated products or platforms as part of procurement projects for armed and security forces of governments and supranational organisations as end customers. These procurement projects are subject to a strict regulatory environment at both national and international levels in the form of parliamentary or administrative approvals as well as trade regulations and export controls.

In fiscal year 2024, HENSOLDT generated more than half of its revenue in its home market of Germany. More than a quarter of revenue in 2024 was generated with other end customers in the EU and NATO (excluding Germany) as well as in NATO-equivalent countries (in particular Australia and Switzerland), for which HENSOLDT relies on well-established export control procedures. A detailed list of revenue by region is included in note 10.3.

HENSOLDT provides a wide range of solutions, products and services across the market. Consequently, the vertical range of manufacture varies between the different solutions, at the different locations and, for example, depending on the degree of series maturity. This spans the production of circuit boards and individual components, their integration and final acceptance through to installation at customer sites. Suppliers, who are divided into optical, electronic and mechanical suppliers depending on their specialisation, play an important role here.

2 Organisation and group structure

2.1 Legal structure

The HENSOLDT Group consists of HENSOLDT AG (the “Company”) with its official office in Taufkirchen, Germany, (registered office: Willy-Messerschmitt-Str. 3, 82024 Taufkirchen, Germany, under entry no. HRB 258711, Munich Local Court) and its subsidiaries.

The Consolidated Financial Statements include the Financial Statements of HENSOLDT AG and the Financial Statements of all material subsidiaries that are directly and indirectly controlled by HENSOLDT AG. A total of 36 entities, including the parent company (previous year: 30) were fully consolidated, while 1 (previous year: 0) company was included in the Consolidated Financial Statements using the equity method.

The reporting for HENSOLDT AG is included in the Combined Management Report in the section “VIII HENSOLDT AG”.

2.2 Locations and employees

HENSOLDT's headquarters are in Taufkirchen near Munich, an important German centre of defence innovation. The Group's German business activities are thus based in particular in Ulm, Oberkochen, Pforzheim and, since the acquisition of the ESG Group, in Fürstenfeldbruck. Other locations in Germany include Wetzlar, Immenstaad and Kiel and, since the acquisition of the ESG Group, Bremen and Donauwörth. As per 31 December 2024, of the 8,986 HENSOLDT employees (previous year: 6,907), among them 856 trainees, interns etc. (previous year: 683), approx. 7,200 (previous year: approx. 5,100) were employed in Germany. HENSOLDT’s larger locations outside Germany are mainly based in France, South Africa and the UK.

2.3 Operating segments[1]

HENSOLDT Group is, as described below, divided into the two operating segments Sensors and Optronics, both of which are subject to reporting requirements.

Sensors operating segment

The Sensors segment provides system solutions with a focus on technical sensor technology from the four divisions Radar & Naval Solutions, Spectrum Dominance & Airborne Solutions, Optronics & Land Solutions and Services & Aerospace Solutions.

Since the acquisition of the ESG Group was completed on 2 April 2024, ESG's activities have, from the second quarter of 2024, been presented as a separate division within the Sensors segment.

The products from the divisions Radar & Naval Solutions, Spectrum Dominance & Airborne Solutions and Optronics & Land Solutions are complementary in the value chain, generating synergies between the divisions such as through shared engineering and operations. As an aftersales division, Services & Aerospace Solutions is mainly positioned further down the value chain and is largely dependent on the primary business of the other divisions. The segment’s product and solutions business is being expanded to include the Electronic Systems and Logistics (ESG) division's design and system integration capabilities.

Radar & Naval Solutions

In the Radar & Naval Solutions division, the Group develops and manufactures mobile and stationary radar and IFF systems (Identification Friend or Foe) used for surveillance, reconnaissance, civil air traffic control (ATC) and air defence. These systems are deployed on various platforms, including the Eurofighter, the German Navy’s Frigates 124 and 126, the US Navy’s Littoral Combat Ship and the IRIS-T-SLM air defence system. The Radar & Naval Solutions division also includes systems for establishing secure data connections for air, sea and land platforms.

Spectrum Dominance & Airborne Solutions

The Spectrum Dominance & Airborne Solutions division includes electronic systems for the acquisition and evaluation of radar and radio signals and jammers, which are used, for example, to protect convoys or individual vehicles against improvised explosive devices. In addition to applications on the electromagnetic spectrum for operations on land, at sea and in the air, the product range is being expanded to include defensive cyber solutions. Furthermore, the division also provides military and civil avionics systems such as situational awareness systems, mission computers and flight data recorders. Systems of the Spectrum Dominance & Airborne Solutions division are used in combat aircraft such as the Eurofighter and the Tornado, the Airbus A400M transport aircraft, the airborne signals intelligence system PEGASUS, for which HENSOLDT acts as consortium leader, and various helicopter models.

[1] The disclosures in this section also provide additional information to the disclosures ESRS SBM-1 - Strategy and business model required by the ESRS in the sustainability report.

Optronics & Land Solutions

The Optronics & Land Solutions division within the Sensors segment includes electronic self-protection systems that integrate missile, laser and radar warning sensors with countermeasures for air, sea and land platforms, for example in various helicopter models and on the PUMA infantry fighting vehicle.

Services & Aerospace Solutions

The Services & Aerospace Solutions division mainly includes customer support and service activities, as well as maintenance over the entire lifecycle of the platforms and systems developed in the other divisions of the Sensors segment. Simulation solutions, training courses and special services as well as HENSOLDT Space Solutions are part of this division. HENSOLDT Space Solutions develops and manufactures components and solutions for space-based sensors that are used, inter alia, in the fields of earth observation, weather and environmental monitoring, scientific research of space and for laser communication in space.

Electronic Systems and Logistics (ESG)

The Electronic Systems and Logistics (ESG) division is a manufacturer-independent system integrator offering solutions and services for secure digitalisation and networking in all military and civil dimensions. Its core business is the development, realisation, support and operation of individual platforms and complex complete systems. In addition, the division develops flexible, interoperable command and control systems as a general contractor, including the required software and consultation for hardware components. ESG is an aviation company for German Military (“Bundeswehr”) aircraft and aviation devices and an aviation technology company approved by the Aviation Safety Authority of the European Union. The division plays a key role in important current and future programmes such as FCAS (Future Combat Air System), P8 Poseidon, F-35 and the Heavy Transport Helicopter (STH).

Optronics operating segment

The Optronics segment offers system solutions with a focus on optronics from the three divisions Optronics & Land Solutions, Radar & Naval Solutions and Services & Aerospace Solutions. The focus is on the products of the Optronics & Land Solutions division supplemented by Radar & Naval Solutions in the value chain. Services & Aerospace Solutions is downstream from the other divisions and essentially includes the aftersales area.

Optronics & Land Solutions

The division Optronics & Land Solutions comprises optronics and optical and precision instruments for military, security and civil applications that can be used on land, in water and in the air. On land, the product range includes rifle scopes, sights, laser rangefinders, night vision devices, and thermal imaging cameras that assist snipers and infantry soldiers with observation and target acquisition. In addition, devices for surveillance and target acquisition are offered for armoured vehicles. For use at sea, submarine periscopes, optronic mast systems and other electro-optical systems are offered. In the air, the product portfolio includes stabilised sensor platforms with image stabilisers for helicopters, manned fixed-wing aircraft and drones, which support their surveillance and target acquisition. HENSOLDT also offers mobile and stationary surveillance solutions for security applications, as well as special equipment for industrial and space applications within this division.

Radar & Naval Solutions

The Radar & Naval Solutions division within the Optronics segment includes solutions in the areas of defence and security as well as air traffic management. The defence and security portfolio includes friend-or-foe detection systems, radar for ship and land applications, cryptographic devices and tactical point-to-point communication systems. The air traffic management portfolio includes the delivery, installation and maintenance of air traffic control radar, weather radar, navigation, voice communications and runway lighting systems for military and civil airports.

Services & Aerospace Solutions

In the Services & Aerospace Solutions division, service solutions for the products of the Optronics segment are developed, implemented and delivered. This ensures that the availability of products and systems is maintained for decades to ensure optimal functionality, performance and usability for customers.

3 Goals and strategies

In fiscal year 2024, HENSOLDT made further important progress in strengthening its position as a global platform-independent provider of sensor solutions for the defence and security sector. Existing growth and efficiency plans were progressed and important milestones were achieved.

In addition, HENSOLDT developed and introduced its new strategic framework guiding the evolution of the Group towards HENSOLDT 2.0. It comprises certain mid-term priorities, the new divisional setup developed in conjunction with the post-merger integration of ESG Group as well as our strategic vision, “North Star”, which sets guard rails for the long-term evolution of HENSOLDT by the year 2030 and beyond.

3.1 Mid-term priorities

HENSOLDT’s mid-term priorities focus on three immediate strategic waypoints in 2024 and beyond: operational excellence, internationalisation and digitalisation.

Operational excellence

Since the introduction of the strategic transformation programme “HENSOLDT GO!”, HENSOLDT has already achieved a number of improvements. HENSOLDT GO! contributes to achieving HENSOLDT’s strategic growth goals and backs up the business planning through targeted action measures. In the reporting year important progress was made through further improved operational project execution, driving operating and development efficiency.

In its efforts to further enhance operational excellence going forward, HENSOLDT is, inter alia, securing and enhancing its supply chain to ensure reliability and efficiency, transform its engineering governance and improve its bid and project management processes. These measures will increase production rates, serve to industrialise key products and increase development efficiency. Overall focus is on enhancing the cash conversion cycle by reducing throughput times through the synchronisation of key products and optimisation of working capital. In addition, efficiency improvements in the general administrative functions are pursued as part of the comprehensive improvement measures throughout the HENSOLDT organisation.

Focused international presence

In fiscal year 2024, HENSOLDT started a review of its international presence, identifying the most strategic markets for its products and laying strong foundations for its presence in key regions. This involves a renewed emphasis on its home markets in Germany and chosen EU member states whilst driving international sales in selected, attractive markets globally.

To support this, HENSOLDT is establishing a dedicated strategic account management system that will enhance its engagement with both military customers and key industrial partners. Additionally, HENSOLDT is focusing on integrating sales and business development effectively to drive growth. The integration of its national companies in South Africa, France and the UK is progressing as part of an ongoing effort to strengthen our global industrial presence. HENSOLDT is working to harmonise its structures in these countries to align with its future divisional framework. Furthermore, as HENSOLDT expands internationally, it is adopting a consistent approach to handling sensitive markets and aligning its export regulations across the entire Group.

Digitalisation

With around 2,500 engineering staff, HENSOLDT operates in areas that include high-performance defence electronics. In order to further expand this core competency and enhance its competitiveness, the Group is committed to further developing its digital and innovative product portfolio. In the future, HENSOLDT will particularly expand its solution expertise in key areas such as connectivity, system-of-systems architectures, networking and software as well as selected artificial intelligence capabilities.

Its continuous development of products and technologies lays the foundation for HENSOLDT to enhance its competitiveness and meet the operational challenges and concepts of its customers. For this purpose, HENSOLDT is continuously expanding its self-funded research and development (R&D) expenditure. Compared to 2023, HENSOLDT increased its capitalised development costs in the reporting year by 25.0 % to € 77 million. In total, HENSOLDT’s self-funded research and development (R&D) expenditure in 2024 (consisting of R&D costs recognised as expenses and additions to capitalised development costs) amounted to € 109 million (previous year: € 92 million). In addition, HENSOLDT builds up its own competencies through customer-financed projects and enters into strategic partnerships to enable it to supplement and expand its own portfolio. An M&A strategy focused on growth and innovation including company acquisitions, joint ventures and minority shareholdings rounds off HENSOLDT's strategic portfolio development.

The digitalisation of the portfolio goes hand in hand with the digitalisation of HENSOLDT's internal systems and processes, also underpinned by its OneSAPnow initiative.

3.2 New divisional setup

In conjunction with the integration of ESG Group, HENSOLDT developed and communicated a new divisional setup in fiscal year 2024 which will be launched on 1 January 2025. The new divisional structure comprises four divisions, thereof two product divisions, one solution division and one services division. In the transformation that has begun, our aim is to enhance agility and focus whilst offering an expanded portfolio of products, services and solutions to our customers.

The "Radar and Electromagnetic Warfare" and "Optronics" divisions will strengthen HENSOLDT's core product offerings and enhance its ability to meet growing demand. The newly established "Multi Domain Solutions" division comprises ESG division and the former Spectrum Dominance and Airborne Solutions division. It will focus on the development and delivery of integrated and cross-domain solutions including our own products and services as well as those of third-party manufacturers. This division will serve as a critical point of contact for customers looking to address multi-domain challenges, leveraging the complementary solutions expertise of both of ESG Group and HENSOLDT. The "Services & Training" division will lead the expansion of HENSOLDT's service portfolio, diversifying our offerings and supporting long-term growth.

3.3 Strategy "North Star" 2030+

The new "North Star" strategy was developed and introduced in fiscal year 2024 in order to provide a new and comprehensive strategic framework for HENSOLDT extending beyond 2030.

The "North Star" strategy is guiding HENSOLDT through the next phase of growth as it defines the objectives and guardrails for achieving HENSOLDT's aspired growth and market position. It takes into account the expectations of HENSOLDT's key stakeholders, incorporating a 360° review of customers' requirements, anticipated market developments and competitive dynamics, technology trends, expectations of our employees as well as our performance ambitions.

"North Star" is based on four strategic axes:

The first axis "Grow with focus" sets out HENSOLDT's commitment to focused growth: HENSOLDT intends to continue to deliver sustainable and profitable growth in Germany, Europe and selected international markets as a leading platform-independent partner for defence electronics. The commitment includes a targeted revenue split of 50 % for Germany, 30 % in other European countries and 20 % in selected international markets by 2030, leveraged, inter alia, by a more focused go-to market approach, reviewed portfolio and unified operating infrastructure.

The second axis “Deliver at scale” focuses on achieving economies of scale. HENSOLDT aims to achieve a step change in operational excellence in order to meet volume and performance requirements, as an industrialised, agile and resilient company. This axis builds on investments in our infrastructure and production capacity and our ERP transformation efforts to make our processes smarter, fully digitalised and more integrated.

The third axis includes the ambition to “Pioneer software-defined defence (SDD)”: HENSOLDT aims to digitalise and improve its core products to become smarter and connected, making it an integrator of data-enabled solutions and expanding into new data-driven services. This axis builds on four key elements of Software Defined Defence already incorporated in our portfolio: software at the core of modular weapon systems and network design, data-centric architectures, decoupling of hardware and software and a human-centric approach.

The fourth axis “Leading our Team into the future” looks at HENSOLDT’s employees, who are the driving force behind HENSOLDT’s ambitions. As a #OneHENSOLDT team, they are a key differentiator in staying a unique employer of choice in HENSOLDT’s sector. This axis focuses on people driving business success. It contains elements of leadership, culture, innovation, diversity, sustainability and employee empowerment. The fourth axis serves as our enabler for strategic resource planning.

“North Star” provides a framework of guidelines governing all activities in the strategy cycle from 2025 onwards.

4 Performance measurement system

Most significant financial performance indicators

HENSOLDT uses certain key performance indicators (KPIs) to measure performance, identify trends and make strategic decisions. In order to ensure a comparability of these indicators over multiple year periods and within the sector, adjusted performance indicators are also used. The most important financial performance indicators are revenue and order intake, the book-to-bill ratio and the adjusted EBITDA.

Revenue reflects the total value of the operating activities and is thus a key figure for the company’s success. For revenue, HENSOLDT differentiates revenue from the core business and revenue from pass-through business. The latter essentially results from key projects in which HENSOLDT is the consortium leader, as costs for certain components purchased from the respective consortium partners are passed on to the customer without any significant margin.

Order intake shows the future revenue potential from orders where a contract becomes effective and enforceable.

The book-to-bill ratio is defined as the ratio of order intake to revenue in the relevant fiscal year.

Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortisation (including effects on earnings from purchase price allocations), as well as certain special items relating to transaction costs, OneSAPnow-related special items[2] as well as other special items[3].

Other financial performance indicators

In addition, with the order backlog HENSOLDT uses another key operating figure as a performance indicator and, with the adjusted EBIT as well as the adjusted free cash flow, two further non-GAAP performance indicators as alternative performance indicators. These are intended to provide a better understanding of the financial situation of HENSOLDT Group by excluding items that are not classified as part of ongoing operations.

The order backlog is defined as the value of the order book as of the respective reporting date by recording customer orders starting with the opening backlog, taking into account revenue and adjustments for the respective reporting period, and ending with the ending backlog.

Adjusted EBIT corresponds to earnings before financial result and income taxes (EBIT), adjusted for certain special items relating to transaction costs, effects on earnings from purchase price allocations, OneSAPnow-related special items[2] as well as other special items[3].

[2] OneSAPnow-related special items include expenses associated with the business transformation for SAP S/4HANA.
[3] Other special items are “non-regularly recurring and exceptional” effects.

Adjusted free cash flow is defined as free cash flow adjusted for special items[4]and M&A activities. The free cash flow is defined as the sum of the cash flows from operating and investing activities as reported in the Consolidated Statement of Cash Flows.

A reconciliation of the non-GAAP performance indicators "adjusted EBITDA" and "adjusted EBIT" to the key figures included in the Consolidated Financial Statements before adjustment is included in Note 10.2.

	Fiscal year		
in € million	2024	2023	Delta
Most significant financial performance indicators			
Revenue	2,240	1,847	21.3 %
Order intake	2,904	2,087	39.1 %
Book-to-bill-ratio[1]	1.3x	1.1x	0.2x
Adjusted EBITDA[1]	405	329	23.0 %
Other financial performance indicators			
Order backlog	6,644	5,530	20.1 %
Adjusted EBIT[1]	295	246	20.1 %
Adjusted free cash flow[1]	249	198	26.0 %

[1] Non-GAAP performance indicators

Non-financial performance indicators

In addition to the financial performance indicators presented above, non-financial performance indicators of a strategic nature are also used for the Group, which are included as part of the remuneration of the management and other executives of the Group as part of the long-term incentive compensation. Currently, these are the ESG[5] goals "Diversity" and "Climate Impact" as well as the successful implementation of special multi-year projects. A detailed analysis of the non-financial topics and performance indicators can be found in section V Sustainability Report.

5 Research and development

Research and development (R&D) in the HENSOLDT Group comprises both product-specific developments, further development of products and general research and development activities that concentrate on basic research and product innovation.

Total R&D expenses amounted to € 109 million in fiscal year 2024 (previous year: € 92 million). Of which € 32 million (previous year: € 30 million) were recognised as an expense and € 77 million (previous year: € 62 million) were capitalised as development costs in fiscal year 2024. The main focus of capitalised development costs in the Sensors segment was on naval and ground radar programmes, self protection as well as Identification Friend or Foe solutions, whereas in the Optronics segment the additions mainly related to land and air programmes. This reflects a capitalisation rate of 70.8 % (previous year: 67.5 %) based on total R&D expenses. Amortisation of capitalised development costs amounted to € 41 million in the fiscal year (previous year: € 31 million) and are included in this amount in the cost of sales.

The research and development ratio, measured as the ratio of total R&D expenditure to the Group's total revenue, was 4.9 %, almost at the previous year's level of 5.0 %.

[4] Special items are "non-regularly recurring and extraordinary" effects. These are defined as "transaction costs, effects on earnings from purchase price allocations, OneSAPnow-related special items as well as other special items".
[5] Environmental, Social and Governance

II Economic report

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1 Economic conditions

1.1 General economic conditions

In its press release on the economic situation in Germany in January 2025, the German Federal Government stated that the economic downturn had continued in the form of a recession in 2024. For the year 2024 as a whole, gross domestic product (GDP), adjusted for price, seasonal and calendar effects, fell by 0.2 % compared to the previous year. This marked the second consecutive year of contraction in the German economy. The fall in GDP was due in particular to cyclical and structural pressures, including sustained high levels of competition in international markets, persistently high energy costs and continued elevated interest rates. A noticeable recovery in the German economy is not expected until clear indications of future economic, financial and geopolitical conditions become apparent.

Towards the end of the year, inflation rose again as a result of higher energy, food and service sector prices. At 2.6% however, this figure was well below that of the previous year. At the same time, wage increases saw real household consumption rise slightly, almost reaching pre-recession levels but still below expectations. Public consumer expenditure rose by a considerably greater margin, due in particular to increased spending on social transfers in kind. However, higher interest rates and the uncertain economic outlook hampered investment in machinery, equipment and vehicles. Construction investment was also held back by persistently high construction prices. Exports fell slightly due to sluggish demand in key foreign markets. At the same time, imports showed only a marginal increase. The labour market remained stable despite the faltering performance of the economy. The number of people in employment reached a new high of 46.1 million, though the rate of growth dropped off noticeably as the year drew to a close. New jobs were primarily created in the service sector, while the manufacturing and construction industries shed jobs.

In international comparison, the economic downturn in Germany was more pronounced as export-dependent industries were hit harder by the global pressures than in other major economies.

1.2 Conditions in the defence and security sector

The security situation in 2024 continued to be dominated by the war against Ukraine, the major power rivalry between the US and China, the Middle East conflict and other regional conflicts as well as global economic and ecological challenges. Numerous countries, particularly in Europe, substantially increased their defence budgets to improve their ability to deter and respond to threats from Russia. NATO countries, including Germany, the UK and France, raised their spending in this area to record levels. In 2024, defence spending among NATO and EU member states continued to rise. NATO expected its member states to spend an average of 2.1 % of GDP on defence in 2024. A total of 23 of the 32 member states are expected to reach the 2 % target.

Global spending on defence and military procurement also increased in 2024. This development is largely led by the NATO countries as well as actors in the Asia-Pacific region. The worsening security situation means that, alongside regional disputes, the global impacts of the war in Ukraine and the conflict in the Middle East remain to the fore, leading to increased investment in the defence industry and defence capabilities. In addition, the growing tensions in the Indo-Pacific region and around Taiwan are heightening the strategic challenges. Throughout the region, new partnerships and greater exchanges are forming between individual countries or with Western partners, particularly the US. Driven by extensive investment from the US, China, India and Russia, defence budgets are rising significantly.

With the collapse of the German Federal coalition government and Chancellor Olaf Scholz's confidence vote loss in the German Bundestag on 16 December 2024, as well as the dissolution of the Bundestag and the announcement of new elections for 23 February 2025, a federal budget for 2025 was not passed. This means that the caretaker German government is operating under a provisional budget and can only incur new expenditure under certain circumstances. This also applies to so-called “25-million-euro proposals” for German Armed Forces procurement projects. In the final week of the 2024 session on 18 December 2024, the Budget Committee of the German Bundestag approved 38 projects under the 25-million-euro proposals for the German Armed Forces, including programmes involving HENSOLDT.

Germany continues to step up its efforts to strengthen the security and defence industry over the long term. On 4 December 2024, the German Cabinet adopted the National Security and Defence Industry Strategy. This focuses on the defence industry requirements of national and alliance defence. The specific focus of the strategy is on improving the comprehensive framework conditions for the industry, including the promotion of key national security and defence industry technologies. This also includes HENSOLDT's core competencies in the areas of sensor technology, protection, electromagnetic combat and artificial intelligence. In addition, even greater focus is to be placed on European and international cooperation, action will be taken to protect supply chains and greater attention will be paid to the general financial environment for the security and defence industry. Actions to secure the skilled labour base in the industry are also to be subsidised.

The new EU Commission under re-elected President Ursula von der Leyen was finally confirmed by the EU Parliament in December. For the first time in history, the EU will have a Commissioner for Defence and Space, Andrius Kubilius. In his first 100 days in office he will draw up a White Paper on the future European Defence. This is to include the further development of the European Defence Union, expansion of joint procurement and investment in strengthening industrial capacities. Priorities are to be the establishment of a European air defence shield and common cyber defence as well as the expansion of ammunition stocks. On top, the EU commission recently proposed “ReArm Europe Plan”. The plan aims to mobilise around € 800 billion over the next four years, the bulk of which will come from member states increasing their national spending on defence and security. The remaining € 150 billion would come from a new defence instrument, allowing the Commission to borrow from capital markets to issue bonds and lend to member states. A more detailed plan as well as the White Paper will be presented to the member states at the next summit on 20/21 March 2025. In its defence planning, NATO also prioritises the expansion of additional air defence capacities, long-range weapon systems, logistical capabilities and land systems.

The general conditions for financing have also been changed at European level. In April 2024, EU finance ministers agreed on a European Investment Bank (EIB) action plan to update the definition of dual-use projects and extend EIB credit lines to SMEs and start-ups in the defence sector. The EIB will in future dispense with the requirement that dual-use projects which it finances must generate over 50 % of their expected revenue from civilian use. Under its Strategic European Security Initiative (SESI), expanded after Russia’s aggression against Ukraine, the EIB allocated € 8 billion in financing for the period 2022 to 2027. Eligible projects under SESI will include military mobility, space, cybersecurity, green security, critical infrastructure, border protection and unmanned systems.

President Donald Trump's new US administration has called for a substantial increase in defence spending and the provision of capabilities for NATO from Germany, the EU and the European NATO states. The European states have already been preparing for this and are discussing support for Ukraine as well as EU capabilities and expenditure in the defence sector. In view of security-related developments, German Defence Minister Pistorius met with three fellow defence ministers and one under-secretary of state from four European countries on 25 November 2024 to discuss strengthening European security and defence.

In view of rising global spending and the quantitative expansion of defence capacities as well as technological developments, there is exceptional growth potential for HENSOLDT as a result of the new strategy and internationalisation.

2 Business development and key events

Germany’s security policy environment has become even more complex and volatile in recent years due to numerous crises and conflicts around the world. In particular, Russia’s war on Ukraine and the increasing escalation of the Middle East conflict are impacting the general conditions of the security and defence industry in Germany, the EU and NATO. The global order is undergoing a transformation and this has had profound implications – on the worlds of politics, business and on the people. The so called “Zeitenwende” (turning point) in security policy proclaimed in 2022 by the Federal Republic of Germany (“Federal Republic”), the main customer of the HENSOLDT Group (hereinafter also referred to as “HENSOLDT” or “the Group”), still offers extensive opportunities for HENSOLDT.

Overall, HENSOLDT’s operating business in fiscal year 2024 continued its positive development, and strong order intake was achieved in all divisions as a reflection of the growth trend. With an order volume of € 2,904 million, the high order intake of the previous year’s period of € 2,087 million was significantly exceeded. The main drivers in the current year were in particular orders for the short-range and very-short-range protection air defence system (LVS NNbS), order intake for further TRML-4D radars to support Ukraine and as part of the European Sky Shield Initiative (ESSI) for Latvia and Slovenia. Revenue, containing lower pass-through business revenue compared to the previous year period, increased to € 2,240 million (previous year: € 1,847 million) in fiscal year 2024. This represents an increase compared to the previous year of 21.3 % or € 393 million, of which € 289 million resulted from additional revenue from the business activities of the ESG division. The core business – adjusted for the business activities of the ESG division – was mainly driven by the TRML-4D radars and contributed to the increase in revenues with growth of around 9 %. The most important key projects kept developing as expected. The strong increase in adjusted EBITDA of 23.0 % (€ 405 million;

previous year: € 329 million) was largely attributable to the Sensors segment and mainly resulted from increased revenue driven by core business and the resulting economies of scale, as well as by the first-time inclusion of the ESG Group, through which initial effects from cost synergies have already been achieved. The book-to-bill ratio was 1.3x in fiscal year 2024 and increased by 0.2x compared to the previous year period.

Oliver Dörre took over as CEO of the HENSOLDT Group with effect from 1 April 2024. As a member of the Management Board, Oliver Dörre had already worked closely with his predecessor Thomas Müller since the beginning of the year in order to ensure a smooth transition. Together with Oliver Dörre, Chief Financial Officer (CFO) Christian Ladurner and Chief Human Resources Officer (CHRO) Dr. Lars Immisch form HENSOLDT's Management Board. The mandate of Christian Ladurner was extended in July 2024 until 30 June 2030, and the mandate of Dr. Lars Immisch was extended in December 2024 until 30 April 2029. Effective from 31 August 2024, Chief Operating Officer (COO) Celia Pelaz Perez resigned from her position as a member of the Management Board of HENSOLDT AG.

With effect from 2 April 2024, HENSOLDT completed the acquisition of 100 % of shares in ESG Elektroniksystem- und Logistik-GmbH ("ESG GmbH" or "ESG Group" together with the subsidiaries of ESG GmbH), which had been agreed in the previous year. The ESG Group is a manufacturer-independent system integrator and technology and innovation partner for defence and safety. HENSOLDT expects the acquisition to generate cost synergies and revenue synergies arising from the joint positioning in the market.

HENSOLDT AG held its annual general meeting in person on 17 May 2024. It was decided to pay a dividend of € 0.40 per share (total of €46.2 million) to the shareholders of HENSOLDT AG for fiscal year 2023.

3 Net assets, financial position and results of operations

3.1 Results of operations

Order intake, revenue, book-to-bill ratio and order backlog

	Order intake			Revenue			Book-to-bill			Order backlog		
	Fiscal year			Fiscal year			Fiscal year			31 Dec.	31 Dec.	
in € million	2024	2023	% Delta	2024	2023	% Delta	2024	2023	% Delta	2024	2023	% Delta
Sensors	2,209	1,587	39.2 %	1,908	1,546	23.4 %	1.2x	1.0x	0.2x	5,463	4,693	16.4 %
thereof ESG[1]	*438*	–	*– %*	*289*	–	*– %*	*1.5x*	–	*1.5x*	*636*	–	*– %*
Optronics	740	510	45.1 %	348	309	12.7 %	2.1x	1.7x	0.4x	1,225	852	43.8 %
Elimination/ Transversal/Others	-45	-9		-15	-8					-44	-15	
HENSOLDT	**2,904**	**2,087**	**39.1 %**	**2,240**	**1,847**	**21.3 %**	**1.3x**	**1.1x**	**0.2x**	**6,644**	**5,530**	**20.1 %**

[1] The activities of the ESG Group have been part of the HENSOLDT Group since 2 April 2024.

In terms of results of operations, the acquisition of the ESG Group will impact the Sensors segment; the ESG Group's activities are presented as a separate division within the Sensors segment from the second quarter of 2024.

Order intake

Due to the growth trend in all divisions, HENSOLDT achieved an increase of € 816 million in order intake to € 2,904 million (previous year: € 2,087 million) in fiscal year 2024. The majority of this increase (€ 622 million) was attributable to the Sensors segment.

Order intake in the Sensors segment was primarily driven by the short-range and very short-range air defence system (LVS NNbS) commissioned for the German Military in which several divisions – Radar & Naval Solutions, Optronics & Land Solutions and Services & Aerospace Solutions – are involved. Furthermore, the Radar & Naval Solutions division took orders for further TRML-4D radars to support Ukraine. In addition, orders as part of ESSI were received for TRML-4D radars for Latvia and Slovenia and Spexer radars for the Skyranger air defence system. From the second quarter of 2024, the order intake of the ESG division, amounting to € 438 million, was included for the first time within the

Sensors segment for nine months. This contained a contract for logistics services for the German Military (ZEBEL). In addition to further orders as part of the contract extension for Eurofighter Mk1 radars, the previous year period included orders for TRML-4D radars to support Ukraine and as part of ESSI for the German Military and Estonia’s armed forces.

Within the Sensors segment, 46.0 % of order intake was attributable to the Radar & Naval Solutions division, 14.9 % to the Spectrum Dominance & Airborne Solutions division, 13.8 % to the Services & Aerospace Solutions division and 5.7 % was accounted for by the Optronics & Land Solutions division. Of the order intake in fiscal year 2024, 19.5 % was generated by the Electronics Systems and Logistics (ESG) division, newly founded as part of the acquisition of the ESG Group.

In the Optronics segment, order intake in fiscal year 2024 also increased significantly by 45.1 % to € 740 million (previous year: € 510 million) year-on-year. This development was primarily driven by strong order intake in the Industrial Commercial Solutions product line in connection with Final Focus Metrology (FFM), in the Ground Based Systems (GBS) product line with orders for the Leopard 2 platform and for the modernisation of the sensors on the German Military Fennek reconnaissance vehicles (BAA-III) as well as in the Naval product line with orders for periscopes and optronic mast systems for the U212 class submarines. The previous year’s order intake had mainly included the Ground-Based Systems and Naval product lines.

Within the Optronics segment, 83.6 % of order intake was attributable to the Optronics & Land Solutions division, 12.9 % to the Services & Aerospace Solutions division and 3.5 % to the Radar & Naval Solutions division.

Revenue

The Group's revenue amounted to € 2,240 million in fiscal year 2024 (previous year: € 1,847 million) which represents an increase of 21.3 % year-on-year. This significant increase is primarily due to the additional revenue from the ESG division’s business activities as well as the strong upturn in core business, which - adjusted for the business activities of the ESG Group - developed positively, rising by around 9% in both operating segments. In addition, the dynamic political environment, especially in the last months of the fiscal year 2024, contributed to this development.

In the Sensors segment, revenue amounted to € 1,908 million in fiscal year 2024. Compared to the previous year, this represents an increase of 23.4 % or € 362 million, of which € 289 million resulted from additional revenue from the ESG division’s business activities. In addition, TRML-4D radars for air defence in the Radar & Naval Solutions division were particularly responsible for the dynamic growth in the core business in fiscal year 2024. In contrast, revenue from pass-through business resulting from the two key projects PEGASUS (airborne electronic signals intelligence system) and the Eurofighter radars reduced, as expected, from € 191 million in the previous year to € 150 million in 2024.

Within the Sensors segment, 43.2 % of revenue was attributable to the Radar & Naval Solutions division, 21.0 % to the Spectrum Dominance & Airborne Solutions division, 16.7 % to the Services & Aerospace Solutions division and 4.2 % to the Optronics & Land Solutions division. The Electronics Systems and Logistics (ESG) division accounted for 14.9% of revenue in fiscal year 2024.

In the Optronics segment, revenue amounted to € 348 million in fiscal year 2024. This represents a year-on-year increase of 12.7 % or € 39 million, which was mainly generated in the Industrial Commercial Solutions and Ground-Based Systems product lines of the German unit. Due to market refocusing and restructuring of the product portfolio, revenue declined in the South African unit in fiscal year 2024.

Within the Optronics segment, 82.1 % of revenue was attributable to the Optronics & Land Solutions division, 13.6 % to the Services & Aerospace Solutions division and 4.3 % to the Radar & Naval Solutions division.

Book-to-bill ratio[6]

The book-to-bill ratio increased by 0.2x to 1.3x in fiscal year 2024.

In the Sensors segment, a book-to-bill ratio of 1.2x was achieved. The increase by 0.2x compared to the previous year’s period was mainly due to the high order intake, particularly for the LVS NNbS project and for further TRML-4D radars in the Radar & Naval Solutions division. Also contributing to the increase was the first-time inclusion of the book-to-bill ratio of the ESG division amounting to 1.5x.

The book-to-bill ratio in the Optronics segment of 2.1x was significantly higher than the strong book-to-bill ratio of 1.7x in the previous year. The increase mainly resulted from strong order intake in the fourth quarter of fiscal year 2024 in the German unit's Industrial Commercial Solutions and Ground-Based Systems product lines.

[6] The book-to-bill ratio is defined as the ratio of order intake to revenue in the relevant fiscal year.

Order backlog

Order backlog at Group level increased by 20.1 % to a total of € 6,644 million (previous year: € 5,530 million) due to the first-time inclusion of the order backlog of the ESG division in the Sensors segment and a strong book-to-bill ratio of 2.1x in the Optronics segment.

In the Sensors segment, the order backlog of € 5,463 million was significantly higher than the previous year's figure of € 4,693 million. The increase compared to 31 December 2023 was mainly driven by the high level of order intake in the Radar & Naval Solutions division and the first-time inclusion of the order backlog of the ESG division of € 636 million. Within the Sensors segment, more than half of the order backlog (53.4 %) was attributable to the Radar & Naval Solutions division while 20.1 % related to the Spectrum Dominance & Airborne Solutions division. The Services & Aerospace Solutions division accounted for 10.6 %, with 4.4 % ascribed to the Optronics & Land Solutions division. A total of 11.6 % of the order backlog was accounted for by the Electronics Systems and Logistics (ESG) division.

The significant increase in the order backlog of the Optronics segment, by 43.8 % to € 1,225 million compared to 31 December 2023, resulted primarily from the strong order intake in the product lines Industrial Commercial Solutions and Ground Based Systems. Within the Optronics segment, 91.8 % of the order backlog was attributable to the Optronics & Land Solutions division. The Services & Aerospace Solutions division accounted for 5.5 %, and 2.7 % was generated by the Radar & Naval Solutions division.

Income

	Profit			Profit margin[1]	
	Fiscal year			Fiscal year	
in € million	2024	2023	% Delta	2024	2023
Sensors	381	306	24.6 %	20.0 %	19.8 %
thereof ESG[2]	*49*	–	– %	*17.0%*	–%
Optronics	24	24	1.9 %	6.9 %	7.6 %
Adjusted EBITDA	**405**	**329**	**23.0 %**	**18.1 %**	**17.8 %**
Depreciation and amortisation[3]	-163	-110	-47.3 %		
Special items[4]	-57	-53	-8.1 %		
Earnings before financial result and income taxes (EBIT)[3,4]	**185**	**166**	**11.5 %**	**8.3 %**	**9.0 %**
Financial result	-68	-72	5.2 %		
Income taxes[3]	-12	-36	67.9 %		
Group profit / loss[3]	**106**	**58**	**81.7 %**	**4.7 %**	**3.0 %**
Earnings per share (in €; basic/diluted)[3]	**0.93**	**0.53**	**74.5 %**		

[1] The profit margins are calculated in relation to the corresponding revenue.

[2] The activities of the ESG Group have been part of HENSOLDT Group since 2 April 2024.

[3] Adjustment of previous year's figures; refer to note 2.1 in the Notes to the Consolidated Financial Statements

[4] Special items are "non-regularly recurring and extraordinary" effects.

Adjusted EBITDA

HENSOLDT achieved an adjusted EBITDA of € 405 million in fiscal year 2024 (previous year: € 329 million). The significant improvement in adjusted EBITDA by 23.0 % year-on-year was largely driven by the Sensors segment and led to an adjusted EBITDA margin of 18.1 % (previous year: 17.8 %). This improvement in underlying adjusted EBITDA across the Group mainly resulted from the first-time inclusion of the ESG division, as well as from increased volume of revenue, which included significantly higher revenue from core business compared with the same period of the previous year as well as lower revenue from pass-through business.

The significant increase in adjusted EBITDA in the Sensors segment, up 24.6 % compared to the previous year, resulted from the ESG division, which contributed € 49 million, as well as from further dynamic growth in the higher-margin core business and a lower share of revenue from pass-through business in the key projects. Further positive effects on adjusted EBITDA resulted from the realisation of economies of scale due to increased production as well as due to initial effects from the realisation of cost synergies from the acquisition with the ESG Group.

In the Optronics segment, adjusted EBITDA was almost unchanged compared to the previous year. This development is due to the fact that revenue and margins increased in the German unit. However, this increase was offset by a decline in revenue and margin in the South African unit, which was due to market refocusing and restructuring of the product portfolio through investments in digitalisation.

Earnings before financial result and income taxes (EBIT)

Depreciation and amortisation increased mainly due to higher amortisation on intangible assets capitalised as part of the preliminary purchase price allocation for the ESG Group as well as on right-of-use assets and capitalised development costs, which increased due to the initial consolidation of the ESG Group.

The increase in special items[7] resulted mainly from expenses incurred in connection with setting up new infrastructure for HENSOLDT's research and development (R&D), production and logistics, such as for relocations and initial setups and from expenses for consulting services incurred in connection with the acquisition and integration of the ESG Group. In addition, OneSAPnow-related expenses in connection with the business transformation for SAP S/4HANA were incurred. These expenses are mainly included in general administrative expenses. The previous year period included impairments of acquired intangible assets from the purchase price allocation of HENSOLDT Cyber GmbH.

Group profit / loss

The improvement in the financial result was primarily attributable to higher interest income on investments, income from the valuation of foreign currency forwards on the reporting date and the realisation of income from interest rate swaps. In addition, fewer expenses were incurred from the valuation of interest rate swaps on the reporting date compared to the previous year. This change was partly offset by higher interest expenses due to the use of the new loan ("Term Facility") to partially finance the acquisition of the ESG Group as well as by higher interest expenses for leasing agreements.

This was offset by a decrease in income taxes of € 25 million in fiscal year 2024 to € 12 million (previous year: € 36 million). Income taxes include current tax expenses of € 13 million (previous year: € 42 million) and deferred tax income of € 1 million (previous year deferred tax expenses: € 6 million).

The lower current income tax expense is due to lower tax income as a result of the income tax group that was established with HENSOLDT AG as the parent company in fiscal year 2024. The changes in deferred taxes mainly relate to the change in temporary differences of € 18 million and the change in the realisability of deferred tax assets of € 27 million.

Earnings per share

Earnings per share improved from € 0.53 to € 0.93 compared to the previous year, mainly due to higher EBITDA and lower income taxes.

The Management Board intends to propose to the Supervisory Board the distribution of a dividend of € 0.50 per share (previous year: € 0.40 per share) to shareholders entitled to such dividends. This corresponds to an expected total payment of around € 57.8 million (previous year: € 46.2 million). The payment of the proposed dividend is subject to the approval of the annual general meeting.

3.2 Net assets

in € million	31 Dec. 2024	31 Dec. 2023	% Delta
Non-current assets[1]	2,289	1,424	60.8 %
Current assets	2,407	2,155	11.6 %
Total assets[1]	**4,696**	**3,579**	**31.2 %**

[1] Adjustment of previous year's figures; refer to note 2.1 in the Notes to the Consolidated Financial Statements

[7] Special items are "non-regularly recurring and extraordinary" effects. These are defined as "transaction costs, effects on earnings from purchase price allocations, OneSAPnow-related special items as well as other special items".

As of 31 December 2024, the Group's assets increased by € 1,117 million or 31.2 % to € 4,696 million. The increase is due in particular to the acquisition on 2 April 2024 of 100 % of the shares in ESG GmbH.

The increase in non-current assets from € 1,424 million as of 31 December 2023 to € 2,289 million as at 31 December 2024 was mainly due to the initial consolidation of the main entities of the ESG Group. The preliminary purchase price allocation for the ESG Group resulted, inter alia, in the recognition of goodwill of € 450 million and intangible assets, particularly customer relationships, of € 182 million. The increase in property, plant and equipment is mainly due to setting up new infrastructure for HENSOLDT's R&D, production and logistics. The increase in right-of-use assets is mainly due to the initial consolidation of the ESG Group and the accounting for a right-of-use asset based on a leasing agreement for a new production building in Wetzlar.

Current assets increased by € 251 million or 11.6 %, from € 2,155 million as of 31 December 2023 to € 2,407 million as of 31 December 2024. The rise was primarily due to the increase in contract assets, inventories and trade receivables. Contract assets increased compared to the previous year, especially due to the acquisition of contract assets from customer contracts of the ESG Group and the key project PEGASUS. Also contributing to this increase were, alongside the usual seasonal build-up of inventories, investments for securing and increasing the production of, inter alia, TRML-4D radars. The increase in trade receivables was mainly due to the scheduled realisation of a significant volume of business in the fourth quarter of the fiscal year and to a significantly lower factoring volume compared to the previous year. The reduction in cash and cash equivalents was mainly due to cash outflows relating to the payment of the fixed purchase price component of € 635 million and the payment of the first tranche of the variable purchase price of € 32.5 million for the acquisition of the ESG Group. In addition, the dividend for fiscal year 2023 in the amount of € 46 million was paid to the shareholders of HENSOLDT AG. This was offset by the drawdown of a loan ("Term Facility") to partially finance the purchase price for the acquisition of the shares in the ESG Group in the amount of € 450 million and the cash and cash equivalents of € 125 million taken over from the ESG Group upon transfer of control.

3.3 Financial position

Basic principles of financial management

HENSOLDT's financial management is focused on guaranteeing financial stability, flexibility and especially liquidity of the Group at all times. This includes capital structure management and financing of HENSOLDT Group, the cash and liquidity management and the monitoring and controlling of market price risks such as exchange rate and interest rate risks. The financing structure of HENSOLDT Group enables it to maintain financial scope in order to take advantages of business and investment opportunities.

Capital structure of the Group

The Group has entered into external financing arrangement with credit agreements and a revolving credit facility ("Revolving Credit Facility" or "RCF"). The credit agreements comprise long-term loans ("Term Loan" and "Term Facility") in the amount of € 620 million and € 450 million. As in the previous year, the revolving credit facility in the amount of € 370 million was not utilised as of 31 December 2024.

The availability and conditions of the long-term syndicated loans are tied to the compliance with a financial covenant relating to the ratio of net debt to adjusted EBITDA ("Consolidated EBITDA") as defined in the Senior Facility Agreements. In fiscal year 2024, the financial covenants were complied with at all times. In the event of a breach, the financing partners are authorised to terminate each syndicated loan. There are currently no indications that the covenant will not be complied with in the near future.

Financial position

	31 Dec.	31 Dec.	
in € million	2024	2023	% Delta
Equity[1]	886	838	5.7 %
Non-current liabilities[1]	1,927	1,271	51.6 %
Current liabilities	1,883	1,470	28.0 %
Total equity and liabilities[1]	**4,696**	**3,579**	**31.2 %**

[1] Adjustment of previous year's figures; refer to note 2.1 in the Notes to the Consolidated Financial Statements

As of 31 December 2024, equity and liabilities increased by € 1,117 million or 31.2 % to € 4,696 million compared to € 3,579 million as of 31 December 2023. This rise was primarily due to an increase in non-current liabilities.

The increase in equity by € 48 million to € 886 million resulted particularly from the Group profit of € 106 million attributable to the shareholders of HENSOLDT AG. This was offset by the reduction in retained earnings due to the dividend payment of € 46 million. An amount of € 140 million was withdrawn from the capital reserve and transferred to retained earnings.

Non-current liabilities increased by € 656 million from € 1,271 million as of 31 December 2023 to € 1,927 million as of 31 December 2024, which mainly resulted, in addition to the acquisition of the ESG Group, from the drawdown of the loan under the syndicated loan agreement ("Term Facility") concluded in December 2023 in the amount of € 450 million.

Current liabilities increased by € 412 million from € 1,470 million as of 31 December 2023 to € 1,883 million as of 31 December 2024. This increase was mainly due to the increase in current contract liabilities by € 198 million, the increase in trade payables by € 89 million and the increase in current other financial liabilities by € 67 million and is particularly due to the acquisition of the ESG Group. Current contract liabilities also increased as part of the LVS NNbS project and due to advance payments received for TRML-4D radars. In addition to the effects of the acquisition of the ESG Group, the increase in trade payables is due to the higher business volume. The increase in current other financial liabilities resulted from the payment services agreement concluded with a bank in fiscal year 2024.

Investment and liquidity analysis

	Fiscal Year		
in € million	2024	2023	Delta
Cash flows from operating activities	**311**	**267**	**44**
Cash flows from investing activities	**-745**	**-122**	**-623**
Free cash flow	**-434**	**145**	**-579**
Transaction costs	11	4	7
OneSAPnow-related special items	36	12	24
M&A activities	574	7	567
Other special items[1]	62	30	32
Adjusted free cash flow	**249**	**198**	**51**
Cash flows from financing activities	**367**	**197**	**170**

[1] Other special items are "non-regularly recurring and exceptional" effects.

Free cash flow

The cash flows from operating activities were once again at a very high level and above the previous year's value as a result of operating performance. In addition to the strong increase in business volume, which led to a significant improvement in the group profit, and higher non-cash depreciation, amortisation and impairments, there was an impact here from changes in working capital. These mainly comprised changes in inventories and trade payables. Inventories were built up to handle the planned business volume in the following quarters. The increase in trade payables had an opposing effect, also due to the strong increase in business volume in fiscal year 2024.

The significant increase in cash flow from investing activities was due to higher cash outflows year-on-year, which especially included the purchase price payment for the acquisition of the shares in the ESG Group. In addition, investments were made in property, plant and equipment in connection with setting up new infrastructure for HENSOLDT's R&D, production and logistics, in development services as well as for the business transformation for SAP S/4HANA.

Adjusted free cash flow

At € 249 million, adjusted free cash flow was once again at a very high level and exceeded the figure of the successful previous year by € 51 million.

The cash outflows for M&A activities[8] and transaction costs in fiscal year 2024 were mainly incurred relating to the payment of the purchase price for the acquisition of the shares in the ESG Group. The increased cash outflows for OneSAPnow-related special items reflect the greater investments due to the progress of the business transformation as part of SAP S/4HANA. The increase in other special items compared to the previous year period was mainly due to cash outflows incurred in connection with setting up new infrastructure for HENSOLDT's R&D, production and logistics, such as for relocations and initial setups.

Cash flows from financing activities

Cash flows from financing activities increased significantly compared to the previous year and reflected in particular the cash inflows from the drawdown of the loan under the syndicated loan agreement (“Term Facility”) to finance the purchase price for the acquisition of the ESG Group. This was offset by the cash outflows for the dividend payment of € 46 million to the shareholders of HENSOLDT AG. The comparative period of the previous year mainly included the cash inflows from the gross proceeds of € 241 million generated from the issuance of shares as part of the capital increase carried out in December 2023.

3.4 Overall assessment

The Management Board assesses the economic performance of the HENSOLDT Group as being overall positive. As expected, the Group's order intake remained at a very high level. The forecast growth in order intake for fiscal year 2024, taking into account the acquisition of the ESG Group, was confirmed. The forecast strong growth in revenue was also achieved through a significant increase in volume of revenue in core business and the first-time inclusion of the ESG Group. The book-to-bill ratio of 1.3x exceeded the expected range of 1.1x to 1.2x for fiscal year 2024. Due to the achieved increase in business volume and the realisation of economies of scale and initial cost synergies through the first-time inclusion of the ESG Group, the expectations for a sharp increase in adjusted EBITDA were also confirmed. As forecast, the acquisition of the ESG Group accounts for more than fifty percent of the strong increase in each of the performance indicators order intake, revenue and adjusted EBITDA.

The Management Board assesses the net assets and the financial position of the HENSOLDT Group as being overall positive. The liquidity of the Group was ensured at all times during the fiscal year.

[8] Defined as sum of “Proceeds from sale of intangible assets and property, plant and equipment”, “Proceeds from disposal of associates, other investments and non-current financial assets”, “Acquisition of associates, other investments and other non-current financial assets”, “Acquisition of subsidiaries net of cash acquired” as well as “Other cash flows from investing activities” as reported in the Consolidated Statement of Cash Flows. In addition, a compensation obligation paid in connection with the acquisition of the ESG Group is recognised in operating cash flow in the fiscal year 2024.

III Forecast

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1 Development of overall economic conditions

The IMF is projecting global growth of 3.3 % for both 2025 and 2026. This forecast is in line with its October 2024 estimate and remains below the historical annual average of 3.7 % in the years 2000 to 2019. The upgrade in its outlook for the US is offset by downward revisions in other major economies. According to the IMF, the slower-than-average pace of growth remains tied to structural challenges such as restrictive monetary policy measures, fiscal policy uncertainties and geopolitical tensions.

In the advanced economies, the IMF expects economic growth of 2.7 % in 2025, a slight upward revision (+0.5 %) since the October 2024 outlook but well below the previous year's figure of 4.2 %. The economic situation in the US remains particularly robust, driven by strong consumer spending and moderately expansionary fiscal policy, while the euro zone is experiencing muted growth due to weak industrial activity and ongoing uncertainties. Global inflation is expected to continue to decrease, and is estimated at 4.2 % for 2025 and 3.5 % for 2026. It is expected to fall more sharply in the advanced economies in particular.

For the euro zone, the IMF predicts moderate growth of 1.0 % in 2025 and 1.4 % in 2026. Growth is expected to pick up in 2025, although this will be slower than was expected in October, with geopolitical tensions continuing to affect sentiment. Weaker-than-expected momentum at the end of 2024, particularly in the manufacturing sector, and heightened political uncertainty account for the downward revision of 0.2 percentage points to 1.0% in 2025. In 2026, growth is expected to improve to 1.4 %, driven by stronger domestic demand as financial conditions ease, confidence improves and uncertainty recedes somewhat. The ifo Institute forecasts 1.2 % in both years.

Ifo Institute experts believe that the underlying conditions for a recovery in the German economy are still generally in place, particularly with the decline in inflation, the positive trend on the labour market and rising wage incomes. Nevertheless, economic growth forecasts for 2025 and 2026 were lowered to just 0.5 % for each year, down from 1.1 % and 1.2 % respectively in the autumn forecast. This adjustment reflects the ongoing structural uncertainties, particularly in the manufacturing sector, and the continued reluctance of companies to invest. In comparison, the IMF forecasts are even more cautious, predicting growth of just 0.3 % in 2025.

The structural challenges facing the German economy, such as shortages of skilled labour, high energy costs and the lack of progress in carrying out infrastructure modernisation, continue to act as a brake on growth. Export-oriented industry in particular finds itself at a competitive disadvantage on international markets, which could lead to a growing trend towards relocating production capacity abroad in the future.

The IMF's assessment of current global risks remains largely balanced, even though both positive and negative scenarios are conceivable. On the one hand, a sharper-than-expected decline in inflation or stronger economic momentum in countries such as China could buoy global growth figures. On the other hand, geopolitical tensions, particularly any escalation in the Middle East, remain a major risk that could push up commodity prices sharply and cause inflation rates to remain high. Other risks include a possible downturn in the Chinese economy and shifts in global financial conditions that could further exacerbate the debt situation in many countries.

It has become crucial for policymakers to step up measures to stabilise the financial and debt situation. The IMF stresses the need to use effective instruments to protect the financial system against future shocks and to promote closer multilateral cooperation. This also includes doing more to combat climate change, which must be driven forward by developing low-emission technologies and sustainable investments, as advocated by the ifo Institute.

2 Development in the defence and security sector

The Russian war of aggression has seen a further steep increase in defence spending in Europe. NATO data shows that 23 of the 32 NATO member states are expected to meet the target of investing at least 2 % of their gross domestic product on defence in 2024. This represents significant progress compared to 2014, when only three member states reached this target. Overall, defence spending by NATO countries will be up by more than 10 % compared to 2023, which once again underlines the heightened importance of security and defence policy in light of the current geopolitical situation.

Germany reported estimated defence spending of € 90.6 billion to NATO for 2024, thereby meeting the alliance's 2 % target. This record figure is the result of the highest defence budget in the history of the German Armed Forces, supplemented by resources from the special fund.

The focus of the European members of NATO, in particular Germany, remains fixed on the war in Ukraine and the associated national and alliance defence. In this context, strategic planning is being centred on NATO's eastern flank in order to ensure a long-term presence and deterrent.

To date, the total amount of military aid Germany has provided to Ukraine or budgeted for the coming years is around € 28 billion. In 2024, around € 7.1 billion were provided from the German government's defence initiative to provide Ukraine with military equipment and support.

Rapid procurement decision-making by national governments and increased industrial production capacities are making themselves felt worldwide. The EU Commission is continuing to work on initiatives and instruments to incentivise further collaboration and joint procurement among EU Member States . These include the European Commission's European Defence Industrial Strategy (EDIS), adopted in March 2024. The strategy lays out a long-term vision for strengthening defence readiness in Europe and includes several measures to promote more effective, coordinated defence investment within the EU. It places particular emphasis on greater cooperation between the EU and Ukraine, especially in the defence industry, and enables Ukrainian companies to benefit from EU funding programmes. The aim of these measures is both to boost cooperation in joint procurement and to drive the ongoing development of the Ukrainian defence industry.

In 2024, the European Commission approved funding under the European Defence Industry Reinforcement Through Common Procurement Act (EDIRPA) for five cross-border projects to support more coordinated and efficient procurement of defence products, namely in Air and Missile Defence systems, Ammunition and Platforms. Furthermore, the EU Commission awarded 31 potential projects with a total funding of € 500 million under the Act in Support of Ammunition Production (ASAP) to boost European ammunition production.

France has allocated € 47.2 billion for its defence budget for 2024, which is set to increase by 7 % to € 50.5 billion by 2025 according to the 2024-2030 French military programming law (LPM - Loi de Programmation Militaire). Expenditure on the ongoing upgrading of the nuclear deterrent is expected to rise by almost 8 % to € 508 m for 2025. In terms of conventional weaponry, delivery of military equipment worth € 10.6 billion is expected in 2025 and a further € 20.2 billion is planned for orders. However, the resignation of the French government in early December 2024 while parliament was examining the 2025 draft budget postponed confirmation of the budget planned for 2025. The final draft budget for 2025, which is expected to confirm the LPM forecasts, must be voted on before March. Poland also intends to invest even more and plans a further increase in its defence budget to 4.7 % of its GDP in 2025, which would correspond to a budget of around € 30 billion. Thus, after a share of around 4.1 % in 2024, Poland would remain the NATO leader in terms of spending as a percentage of GDP in 2025.

Expenditure has also risen steadily in the Asian region. In 2024, regional defence spending will increase by 4.2 % in real terms. Between 2008 and 2024, the European share of global spending remained relatively constant at around 18 %, while the Asian share rose from 17 % to 25 %.

In December 2022, Japan published three transformative strategy documents, including a commitment to increase its defence budget from 1 % to 2 % of GDP by 2027. In 2024, Australia and South Korea published defence policy documents. South Korea announced a procurement implementation plan in March 2024. The plan also includes investments of KRW 2.4 trillion (USD 1.8 billion) in defence research and development designed to make the country one of the four largest defence powers in the world by 2027. A quarter of this money will be spent on defence technologies across ten areas, including artificial intelligence (AI), quantum technology, space, unmanned systems and advanced materials.

Australia also outlined seven sovereign defence industry priorities, including multi-domain capabilities, autonomous systems and intelligence capabilities. As part of an investment programme, it was announced that an additional AUD 50.3 billion (USD 32.7 billion) would be invested in defence compared to the previous spending plan. This would bring the defence budget to over AUD 100 billion (USD 65 billion) by 2033-34, compared to USD 36 billion in 2024. As a percentage of GDP, the defence budget would increase from 2.0 % to 2.4 %.

Singapore announced a defence budget of SGD 20.3 billion (USD 15 billion) for 2024. This represents an increase of 13 % over the original defence budget for 2023 and an increase of 2.5 % over the revised version of SGD 19.8 billion. Singapore's defence budget is forecast to grow to around USD 16.1 billion in real terms in 2025, reflecting the sharp increase since the Russian war of aggression against Ukraine.

In view of rising global spending and the quantitative expansion of defence capacities as well as technological developments, there is exceptional growth potential for HENSOLDT as a result of the new strategy and internationalisation.

The ongoing shift away from hardware-based systems in favour of software-defined ones is shaping the challenges for the security and defence industry, alongside the need for a rapid expansion of production capacities for even higher volumes in the case of conventional systems and platforms. The fusion of data from sensor networks and the analysis of this data using artificial intelligence achieves information superiority on the battlefield in order to speed up and improve decision-making processes and enable precisely targeted actions. This digitalisation also influences military planning processes and capability requirements in HENSOLDT's markets, with the aim of achieving software-defined defence and enabling multi-domain operations.

With this in mind, HENSOLDT is positioning itself accordingly and promoting a shift from a product-oriented portfolio to a solution-oriented approach for its customers. HENSOLDT and its solutions and products are present on almost all flying, floating and driving platforms used by the German armed forces, and the company benefits from high-volume procurements of platforms and air defence systems in Germany, Europe and worldwide. The acquisition of ESG also opens up a greater number of business opportunities for HENSOLDT's product and expertise portfolio in terms of products, services and complete solutions. These opportunities stem from an increasingly improving market environment in all military dimensions and numerous future technologies, particularly in the light of a growing European market.

3 Outlook

The outlook for fiscal year 2025 greatly depends on the conditions mentioned in the opportunities and risks report and, besides the macroeconomic developments described above, is based on the multi-year business plan of the Group. This forecasts a US dollar exchange rate of $ 1.10/€ 1.00 and an average inflation rate of 2.0 % in Germany, France and the UK for the planning period. Furthermore, a 5.0 % increase in personnel costs is forecast for Germany, a 2.5 % increase for France and 4.0 % for the UK. In addition, the forecast volumes for revenue and order intake highly depend on the reliability and stability of the political conditions.

For fiscal year 2025, the management expects a moderate increase in order intake for the Group owing to the security policy context. Contrary to the forecast for the Group overall, order intake for the Optronics segment is expected to drop significantly in 2025 due to the fact that order intake in 2024 was unusually high. In the business planning for the Group, the Management Board anticipates strong revenue growth for fiscal year 2025, especially due to the continued high order backlog. Overall, the management expects a book-to-bill ratio of 1.2x. A strongly increasing adjusted EBITDA is expected for fiscal year 2025.

Overall, the Management Board is confident that HENSOLDT can build on the successful fiscal year 2024 and expects further positive development for fiscal year 2025.

IV Opportunities and risks report

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1 Risk report

1.1 Essential principles of the risk and control management

At HENSOLDT Group, measures and systems have been implemented with the aim of enabling stable business processes and early identification of risks. The risk and control management system, applicable to the entire HENSOLDT Group, consists of the Internal Control System (ICS) and the Enterprise Risk Management (ERM). It considers relevant legal requirements and is based on generally accepted principles set out in external frameworks and standards (in particular “COSO”[9]). This also includes sustainability matters.

The HENSOLDT risk and control management system represents one of the key systems and instruments used by the HENSOLDT Management Board for value- and success-based corporate management to achieve business objectives. The central objective is the early and systematic identification, assessment and management of significant risks. For this purpose, valid procedures and methods, applicable to all Group entities, are defined at HENSOLDT Group level.

The overall responsibility for the ICS and ERM lies with the Management Board. The latter is responsible for implementing, enforcing and maintaining an appropriate and effective ICS and ERM. Overall functional responsibility for the ICS and ERM lies with the Head of “Internal Audit, Risk Management & ICS”.

Internal Control System (ICS)

HENSOLDT has established an Internal Control System. The HENSOLDT risk management team permanently monitors the HENSOLDT risk management system to support a continuous improvement process and communicates principles and changes thereto. HENSOLDT has an extensive, integrated methodology with a standardised procedure according to which risks are identified at an early stage and necessary controls defined and documented in accordance with consistent guidelines.

The scope of the ICS is determined centrally using a risk-based top-down approach on an annual basis. The aim is to ensure that the implemented ICS covers all relevant HENSOLDT entities, processes and IT systems and that changes in the business, process or IT system landscape are taken into account accordingly. This is documented in a risk control matrix. Due to changes in the organisation or acquisitions, new processes may become part of the ICS scope or existing processes may fall outside the scope.

The ICS is reviewed by Internal Audit as part of planned and special audits. These audits are carried out on a revolving basis according to a risk-oriented audit approach. The results are reported to the audited units, the Management Board and the Supervisory Board. The Management Board regularly verifies the appropriateness of the processes, identifies potential weaknesses and initiates appropriate actions to resolve them.

Enterprise Risk Management (ERM)

The Group policy “Enterprise Risk Management” issued by the Management Board sets out all standards relating to the methods and organisation employed to address opportunities and risks. This Group policy also covers the requirements for risk-bearing capacity, risk appetite and the specifications in the revised version of the audit standard IDW PS 340. The risk management system remained unchanged during the reporting period.

Early identification is the basis for the timely introduction of adequate counter-measures. The same applies to consistently seizing opportunities as they arise. To support transparent risk and opportunity management, HENSOLDT identifies, manages and reports risks and opportunities on a group- and segment-specific -basis while also differentiating between the two segments, Sensors and Optronics.

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[9] Committee of Sponsoring Organisations of the Treadway Commission

The operational and IT-based risk management process takes the risks of all entities into account and consists of the following steps:

- Making assumptions and setting goals
- Annually validating and confirming the risk-bearing capacity and risk appetite
- Determining roles and responsibilities
- Identifying risks and opportunities
- Assessing the impact of these identified risks and opportunities
- Responding in the form of implementing appropriate actions
- Consolidating and aggregating individual risks by considering the interactions at corporate level
- Monitoring the effectiveness of these response measures
- Regularly preparing risk management reports

For the identification and assessment of risks, the responsible persons in the various Group entities and departments must follow the predefined procedures of the ERM team.

For the assessment of risks and opportunities at Group level, HENSOLDT uses a predefined evaluation matrix, which includes the following levels of probability and impact.

Probability (%)	**Min**	**Max**	**Risk Matrix (Section IV 1.3)**
Very unlikely	0.0 %	4.9 %	Low
Unlikely	5.0 %	24.9 %	Low
Possible	25.0 %	49.9 %	Medium
Likely	50.0 %	74.9 %	High
Very likely	75.0 %	100.0 %	High
Impact at group Level (€ million)	**Min**	**Max**	**Risk Matrix (Section IV 1.3)**
Low	0	1	Low
Medium	1	2	Medium
High	2	5	High
Very high	5	10	High
Critical	10	200	Critical

As a scale for assessing the financial impact of risk, adjusted EBIT is used at Group level. This assessment also affects adjusted EBITDA (one of the most important financial performance indicators). In addition to the risks with a financial impact on adjusted EBIT, other financial risks are considered, in particular liquidity, interest rate and tax risks. The basis for the subsequent impact assessment of (operational) risks on a project level is defined by the respective overall project volume or budget. Following the gross assessment of the risks and opportunities, the responsible risk owner defines respective countermeasures or actions to help realise opportunities. This results accordingly in the net assessment of the risks and opportunities. The HENSOLDT risk management system provides four response strategies for risks as well as for opportunities. Related to risk management, these strategies are risk avoidance, risk transfer to third parties such as insurer, risk mitigation and acceptance of the risk. Accordingly, the strategies for opportunity management are, first, the exploitation of the opportunity; second, the allocation of the opportunity to parties or entities that are more likely to realise the opportunity; third, the enhancement of the likelihood of the opportunity occurring and/or the realisable benefit of it; and fourth, the acceptance of the fact that the opportunity cannot be realised through proactive measures.

For the risk reporting, the heads of the central departments of HENSOLDT Group and the ERM Point of Contact in each entity are responsible for providing their risk portfolio to the ERM Officer at Group level in time for the quarterly risk reporting. In addition, the risk information related to health and safety (“HSE”[10]) must also be submitted in time for the reporting.

[10] Health, Safety, Environment

The ERM officer at Group level prepares the quarterly ERM report for the Management Board and the Supervisory Board by consolidating and aggregating the existing individual risks accordingly, taking into account the interactions between the risks. Independent of the above valuation matrix, risk contingencies are calculated and secured accordingly for operating risks with a probability of occurrence of up to and including 50.0 %. If the likelihood exceeds 50.0 %, for accounting purposes the expected costs relating to these risks are fully taken into account. These risks are subject to monitoring and risk reporting.

1.2 Accounting-related internal controls and risk management

Risks related to group accounting include, amongst other things, the incomplete, invalid or inaccurate processing of financial data leading to misstatements in the financial reporting. To mitigate these risks, the management of HENSOLDT has implemented a number of measures and controls. These are part of the internal control system for financial reporting, which is monitored on a regular basis and subject to a continuous improvement process. Key elements of controls over financial reporting are diverse in order to effectively cover the variety of risks related to Group accounting.

To set binding guidelines and internal regulations in the context of preparing the monthly, quarterly and annual Group financials, respective accounting policies and manuals are in place, which have to be adhered to by any member of staff involved in accounting and closing processes. In addition, every legal entity uses a uniform Group chart of accounts.

For preparation of the financial reporting, HENSOLDT has issued detailed instructions on how and when to prepare and submit reporting packages in order to ensure consistent quality across all reporting entities. The preparer and reviewer of these reporting packages are different persons to ensure adequate segregation of duties.

Such segregation of duties is also standard practice within the accounting department and its various functions. Here, for example, master data maintenance is separated from transaction processing based on the 4-eyes principle. In addition, accounting personnel regularly perform a reconciliation of the most critical general ledger accounts with the respective sub-ledger accounts.

HENSOLDT management has installed procedures for a monthly review of the financials based on pre-defined key performance indicators in order to ensure a reconciliation of the actuals with planning data.

IT applications and tools that are used for preparing the Financial Statements as well as the underlying infrastructure are secured against unauthorised access, unauthorised system changes and loss of data.

In addition, the accounting-related internal control system in the respective companies is regularly audited by the internal audit department.

1.3 Risks

To support the identification and the management of risks and opportunities, the HENSOLDT Group has defined risk groups and risk categories. Risk groups are operational and functional risks, where the latter includes the two subgroups, strategy & planning and compliance risks. This categorisation of risks and opportunities is applied in the same way for the two segments Sensors and Optronics. In the financial risks group, ensuring internal and external financing is monitored.

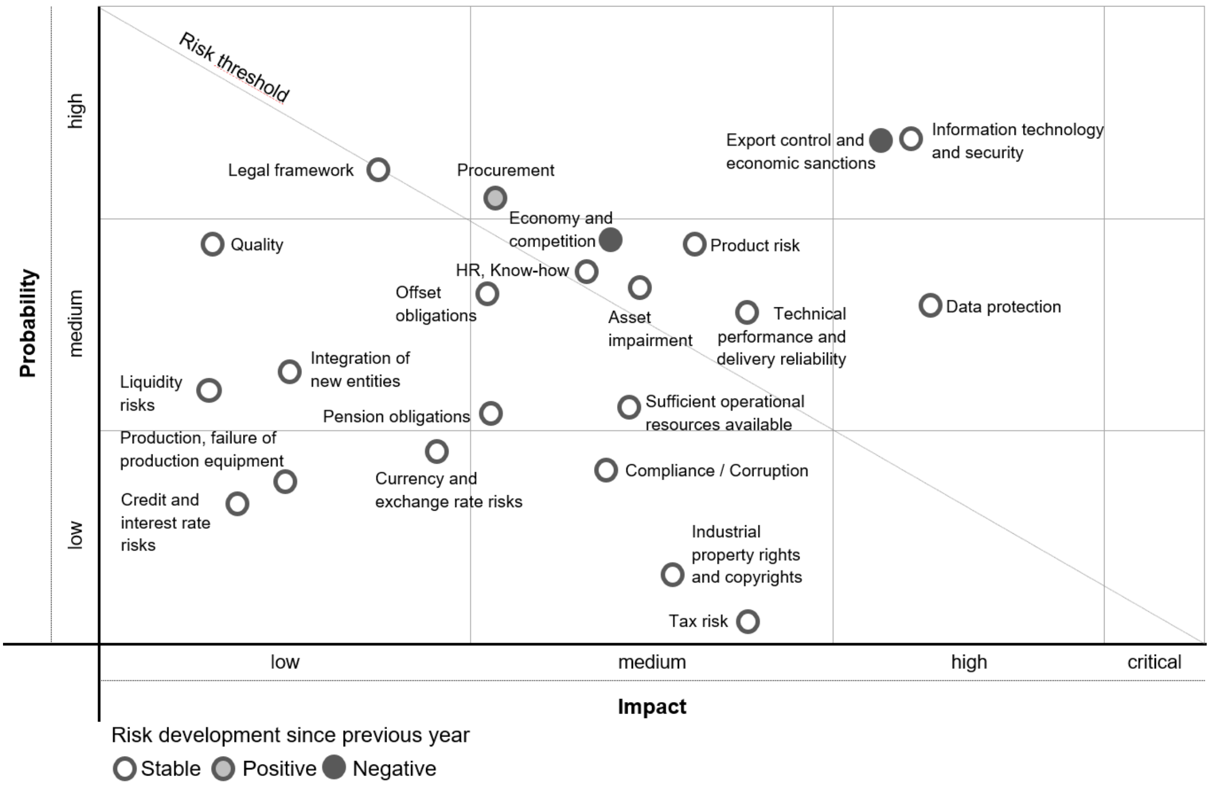
All risks that are not directly project-related are summarised under functional risks for the HENSOLDT Group. Risk categories within the functional risk group, such as strategic risks and compliance risks, are independent from HENSOLDT Group’s operational activities.

Operational risks result from operational activities, in particular in the context of HENSOLDT Group’s project business. HENSOLDT Group has defined further project-specific sub-categories of operational risks. At HENSOLDT, sustainability risks are managed based on their impact on the planet and society in the category “Sustainability to external”. Furthermore, risks with an impact on HENSOLDT are analysed in the risk categories strategy, compliance/corruption, health/safety/environment, construction/technology, export control, HR, legal, procurement and production/product risk in a broader manner under the concept of sustainability. In this way, potentially negative, primarily inward-looking changes also related to HENSOLDT’s sustainability goals are recorded and countermeasures are undertaken. Further details, initiatives and programmes as part of sustainability management are explained in the HENSOLDT Group Sustainability Report (see section V Sustainability Report).

Functional risks and opportunities	Operational risks and opportunities	Financial risks and opportunities
Strategic risks and opportunities	Construction/Technology	Currency and exchange rate risks
Strategy	HR	Credit and interest rate risks
M&A	Information management / Security	Liquidity risks
Controlling	Legal	Risks related to pension plans
Compliance risks and opportunities	Quality / Product quality	Asset impairment risks
Compliance/Corruption	Procurement	Tax risks
Data protection	IP rights	Risks from current supply chain situation
Export control	Production/Product risk	
Health, safety, environment	Sale / Offset obligations	
Sustainability to external		

As risks and opportunities can be both functional and operational, and given the interactions between individual risks and opportunities, HENSOLDT is not always in a position to assign them to only one group of risks. Risks or opportunities that have been identified as functional can also be relevant for specific projects and therefore need to be assessed and managed with respect to these projects, for example by implementing measures at operational level. Vice versa, operational risks might require an assessment and management at segment, entity or even Group level. Therefore, and to avoid a duplication of risks, the management of both functional and operational risks follows the same procedures of the HENSOLDT Group risk management system as described above.

The result of the aggregation of all current functional and operational risks in the individual companies is presented at Group level, inter alia, in the following risk matrix:



Functional risks

Functional risks cover risks related to strategy and planning as well as compliance risks. The Group strategy and planning covers any risks that have an impact on the strategic goals of HENSOLDT Group, such as reputation and brand risks or risks resulting from market- and industry-related changes and developments.

Risks related to strategy

As in any industry, the business activities of HENSOLDT entail risks that arise from global trade and cannot be influenced sustainably. The economic environment of HENSOLDT is characterised by legal, regulatory and economic factors of influence which are complex and can have a direct impact on how revenue and earnings develop for the entire HENSOLDT Group. The international geopolitical situation as well as countries' national policies affect the entire supply chain and distribution structure of HENSOLDT, which can inevitably lead to uncertainties and obstacles for the business activities of HENSOLDT in the form of fluctuations in prices, sales volumes and margins.

Geopolitical conditions as well as legal and regulatory factors influence the impact from risk export controls and economic sanctions. The geopolitical situation, particularly relevant in 2024, also has a major impact on export control requirements and economic sanctions. This may result in financial impacts if, for example, an export license is not granted contrary to expectations or potential customers cannot be supplied due to sanctions.

In order to anticipate risks in the best possible way and to take appropriate actions, a strategy workshop is held annually. The aim of this is to identify growth options and recognise the relevant influencing factors as well as resulting risks beforehand through a comprehensive PESTEL analysis[11] and to counteract them with adequate measures. Given the increased political complexity, the annual strategy workshop with the Management Board of HENSOLDT AG was complemented in the reporting year by conducting several analyses of risks relating to the geopolitical situation. This was mainly done in response to the rapidly changing global political situation, in particular due to the war in Ukraine and the situation in the Middle East. A special task force was set up to ensure continuous monitoring of the possible influence of tensions in the Middle East.

Innovative strength and a technical lead in the industry are fundamental to opening up new sales opportunities and customers or markets. For this reason, HENSOLDT Group considers research and development as fundamental to its business and sales opportunities and makes considerable resources available for this. The consequent expansion of the service business in the context of operational project execution enables the realisation of additional revenue potential.

For HENSOLDT, progress plays a crucial role, not only to fulfil its role as a leading technology provider for military and civilian applications, but also to adequately address competitive risks within the sector. In Germany, its key market, HENSOLDT competes for the award of contracts with a number of international competitors purely on market terms, which is not always the case for procurements on certain competitors' domestic markets and therefore may result in competitive restrictions for HENSOLDT. Besides small and medium-sized competitors that are typically specialised in certain market niches, HENSOLDT also competes with large defence companies, which might have more financial opportunities, and may therefore be better positioned to develop and market new products and take advantage of economies of scale. In addition, national support measures and state support can give rivals a competitive edge.

Risks related to compliance

As an international group, the HENSOLDT Group is subject to a large number of legal requirements in all countries in which it operates or sells its products. Breaches of these requirements can have a number of severe consequences for HENSOLDT and its staff, such as being excluded from orders, incurring financial penalties, skimming of profits, damage to reputation, compensation for damages to third parties as well as criminal prosecution. This could affect HENSOLDT's ability to deliver products and services, resulting in unforeseen costs that could have a negative impact on the net assets, financial position and results of operations. The assurance of compliance with relevant legal requirements as well as internal rules is therefore a key principle underpinning HENSOLDT's business conduct.

HENSOLDT Group's business activities, which often involve governments and state-owned enterprises, can entail compliance risks, particularly relating to corruption. Owing to the international nature of our business, we also focus on managing risks concerning export control and embargo regulations, as well as avoiding human rights violations. Risks relating to data protection violations can also arise. To comply with requirements and address the risks referred to above, HENSOLDT has set up a global compliance and risk management system and a global compliance organisational structure, albeit without guaranteeing that these systems can avoid all risks in every jurisdiction. As part of the Governance Framework, HENSOLDT issues internal rules and guidelines and conducts continuous training on these. In addition, the relevant internal processes are continuously monitored.

HENSOLDT has also issued a Code of Conduct which implements the "Standards of Business Conduct". This Code of Conduct addresses the most important ethical and compliance issues. All employees receive regular training on this. For its business partners, HENSOLDT set up a global business partner management system. This contains a prudent, risk-based selection and monitoring process.

Furthermore, HENSOLDT has introduced a global whistleblower system that enables employees and external stakeholders to report any violations, also anonymously.

[11] PESTEL: Analysis of Political, Economic, Social, Technical, Environmental and Legal factors of influence

Data protection risks

HENSOLDT has a data protection management system in place across the Group, which is particularly intended to ensure a uniform level of data protection taking into account the General Data Protection Regulation (GDPR) introduced by the EU. The aim is to enable a sustainable data-based business model as well as to ensure responsible treatment of data in the interest of customers and employees. A variety of measures are systematically developed and implemented in order to achieve the objectives mentioned above. The focus is always on continuous review and improvement of the data protection management system. Specific data protection risks based on the GDPR may be punishable with a fine of up to 4 % of HENSOLDT Group's global annual revenue per incident, depending on the severity and culpability of an individual incident. To avoid such data protection incidents, HENSOLDT makes its employees aware of the importance of responsible data handling and of the new challenges relating to data-based business models. The HENSOLDT Legal department continuously updates the data protection management system to comply with regulatory requirements and integrity standards. HENSOLDT's overall aim in doing this is to not only provide its employees and customers as well as other stakeholders with new services, but also to ensure that their data is processed securely. HENSOLDT provides an operational framework for the treatment of data to all employees of the Group. This includes defined fundamental principles for data processing, such as transparency, autonomy and data security. Both market-specific and regional differences are considered in the application of those fundamental principles. The goal of implementing suitable processes and systems is to enable an efficient and effective way of secure and high-performance data processing. Ongoing monitoring of the effectiveness is part of this system as well. Data protection officers are appointed in accordance with the legal requirements. All employees are trained in data protection.

Operational risks

Each project has a variety of inherent operational risks. In line with the HENSOLDT risk management procedures, project managers have to complete a risk assessment for each project prior to entering into any legally binding agreement with a partner or customer.

HENSOLDT Group has to manage complex and long-running projects with demanding technical requirements and high volumes. A number of risks must be taken into account due to various uncertainties regarding costing, unexpected technical problems or underestimated complexity that could affect the ability to meet agreed delivery dates. Additionally, failure to meet compensation obligations may result in penalties and negatively impact project margins. By using experienced employees, technical expertise and professional project, quality and contract management, these risks can be minimised, but not completely avoided. All categories of risk, such as those relating to human resources or economic risks, are recorded, assessed, hedged and continuously monitored in accordance with HENSOLDT's existing risk management. This approach also applies to HENSOLDT's key projects. The status of key projects is regularly reported to the Supervisory Board. If necessary, external audits with different audit priorities are also commissioned.

In its role as general contractor, HENSOLDT integrates various products and assumes overall responsibility for the delivery of a complete system toward its customer. This includes, among other things, the overall coordination of technical, economic and time aspects as well as coordination of in-house and third-party contributions with several suppliers, partners and the customer. The resulting risks are managed in particular through contract management and extensive coordination of interfaces with suppliers, partners and customers.

As much of the business is project-related, this requires the Group to continuously adjust capacities in terms of research and development and production. For this purpose, HENSOLDT adopts certain measures such as flexible working hours, temporary workers and alignment of the production network to production volume.

For a company like HENSOLDT Group that depends on the sales of innovative and complex technological products to a relatively small number of customers, the success of the Group depends on the ability to attract and retain highly qualified engineering personnel for both segments, as well as skilled sales people and capable management. Since it is a competitive market environment, HENSOLDT needs to outbid its competitors by offering a more attractive work environment.

The HENSOLDT Group has initiated a number of measures to make it an attractive employer. For example, it offers employees a mobile working environment based on a group agreement for German sites, flexible working hours without core working hours, childcare during school holidays and, depending on the location, kindergarten places or child care subsidies, special regulations on sabbaticals and family and care leave, a company-subsidised job travel ticket, a subsidised bicycle leasing programme and various other incentive programmes. The Group-sponsored employee share programme Echo (2024 tranche) was also offered again in fiscal year 2024 to employees in Germany, France and South Africa. Through its “NEXT Leadership” initiative in fiscal year 2023, HENSOLDT successfully highlighted the factors of diversity and equal opportunities. For HENSOLDT, as a multinational company, it is crucial to build a diverse workforce and provide equal opportunities to attract talent. Managers play a crucial role in this regard. Further on in the initiative, management guidelines were redefined and training on these was provided in fiscal year 2024. Integration of the management guidelines into the HR Cycle (Performance and Development) and into day-to-day management is designed to help managers take their approach to diversity and equal opportunities to a new level. These measures will increase employee loyalty and help to meet the future challenges of recruiting and retaining highly qualified employees.

In the area of operational quality, the HENSOLDT Group is required to perform to the highest standards. Due to the complex and advanced nature of its products, there are technological challenges that arise in conjunction with the development and manufacturing of new products. In order to maintain high quality standards for its products, HENSOLDT Group implemented a number of quality assurance measures such as an improved customer review and feedback process, designated quality contact staff for Critical Items (CI), joint problem solving with suppliers as well as clear requirements on the provision of conformity certificates. Other measures in this area are dynamic sampling as part of incoming goods inspection or an improved first sample inspection for so-called “B-parts”. Furthermore, HENSOLDT is certified according to the EN 9100 standard, which sets the highest quality requirements for companies in the aerospace and defence sectors worldwide. In order to meet the high demands and constant adjustments to our environment, our quality managers and programme quality managers (PQM) are qualified and trained through various and continuous training and further education measures.

Risks related to production such as failure of production facilities or equipment are addressed through regular maintenance and investment. This ensures consistent product quality. A continuous improvement process has been established in production to ensure its ongoing optimisation. This includes employees and managers trained in lean methods, as well as improvement workshops held along the value chain. In these workshops, optimisations are systematically identified, actions and targets for increasing efficiency in production are derived and then implemented, with the aim of improving the costs and time involved in production. Fluctuations in the order situation that can impact production capacities are assessed through structured preliminary planning and appropriate measures are initiated as needed.

In order to be able to successfully manage the planned growth of HENSOLDT Group, the necessary expansion of production capacities and to ensure maximum flexibility for current and future production models in manufacturing, as well as facilitating efficient and effective workflow in all areas, a new storage infrastructure was created in fiscal year 2024 through the construction of a new logistics centre. This new infrastructure, the connection of the new merchandise management system to the existing IT landscape and the switch to a new logistics service provider can lead to delays in the supply of materials to production during the commissioning phase and thus jeopardise adherence to delivery targets. This risk is being addressed by working groups involving internal and external logistics experts, who are tasked with improving the flow of materials and increasing production volume. In addition, within the Optronics segment, the relocation to a new site in Oberkochen which will be ready for occupancy in fiscal year 2025, is planned. This relocation carries risks in terms of possible production stoppages and resulting delayed deliveries to end customers. These risks are being countered through special measures such as the expansion of production prior to the relocation, active communication with customers and suppliers, and a detailed, phased relocation plan. This will minimise the risk of any potential stoppages to production.

For both segments, the procurement of raw materials, components and other modules is exposed to risks regarding delivery shortfalls or delays, supply bottlenecks, quality issues and price increases. The supply chain typically involves a variety of different materials at low volumes. In addition, these materials are also used in other industries, which is why HENSOLDT Group only purchases small fractions of the suppliers’ total output. HENSOLDT Group also procures highly customised products, which are only available from a small number of suppliers or even only from a single source. To mitigate these procurement risks, a number of measures are in place: suppliers are involved in projects at an early stage, preferred suppliers are specified and also suppliers are selected and monitored on the basis of facts and competition-oriented criteria. There is also a management system in place for supplier relationships that enables suppliers to be selected and used across the board for all HENSOLDT companies, thus enabling the bundling and improvement of supplier services. Compliance with the German Act on Corporate Due Diligence Obligations in Supply Chains (German Supply Chain Act, LkSG). is a material obligation for HENSOLDT (further details on this are in the HENSOLDT Group Sustainability Report (see section V Sustainability Report). A crucial part of complying with the law is engaging our suppliers via a web-based IT platform in order to continuously query and identify the relevant data from suppliers to ensure compliance and manage and avoid potential risks. The measures for mitigating the procurement risk were further strengthened and focused through continuous monitoring and analysis of global pandemic- and crisis-related shortages of certain materials in fiscal year 2024. A dedicated process for the efficient handling of brokerware, including necessary technical evaluation, was defined and introduced. Potential impacts on HENSOLDT are regularly assessed in purchasing and the operational business units in order to counteract these through appropriate measures. At this point in time, there is a moderately decreasing risk for the Sensors segment and a significantly reduced risk for the Optronics segment compared to the end of fiscal year 2023.

As a company in the security and defence industry, the HENSOLDT Group is particularly at risk from cyber attacks on its information technology and information security systems. The Group is especially vulnerable to the misappropriation or compromise of its intellectual property or other confidential (project-related) information, including that of its customers. In the context of the much higher frequency of attempted attacks on IT environments that can be observed worldwide, particularly in light of the intensifying geopolitical situation between Russia, China, the United States and Europe, the likeliness of successful cyber-attacks is generally estimated to be higher than in the past.

In order to minimise the resulting potential risks, the Chief Information Security Officer (CISO) and his team consistently developed the information security management system (ISMS). The company standards are based on best practices and are not first and foremost aligned exclusively towards globally recognised standards such as those of the International Organisation for Standardization (ISO) and the National Institute of Standards and Technology (NIST). Accompanied by the Management Board, processes and systems were further developed and introduced to ensure secure and efficient information processing both now and in the future.

Training our employees is an important part of the information security process. For this reason, HENSOLDT offers regular training on information security and data protection. The training covers a range of topics including social engineering awareness, cybercrime and data protection. In addition, regular phishing tests are carried out to ensure that employees are particularly aware of the risk of such attacks and can reliably detect malicious attacks.

The focus of activities to continuously strengthen cybersecurity in 2024 was to further improve HENSOLDT's protection at its point of interface with the internet. This potential attack route is continuously monitored, identified risks are assessed and necessary measures are taken. A process for monitoring attack vectors has been implemented, further increasing resilience at the perimeter.

The aim of all initiatives is to ensure information security at the high level of international standards and to prevent or ward off any attacks.

In addition to these wide-ranging activities, HENSOLDT is also undertaking further measures to optimise its IT infrastructure. In this context, the implementation of the SAP S/4HANA project was started in 2023. To minimise and reduce any risks within this extensive IT project, HENSOLDT is also taking the necessary steps to comply with the requirements of Enterprise Risk Management.

Financial risks

As part of ensuring intra-Group and external financing, HENSOLDT Group is exposed to a range of financial risks. Above all, these include currency and exchange rate risks, interest rate risks, liquidity risks, risks related to pension commitments and asset impairment risks.

Financial risks can have negative effects on the profitability, financial position and cash flows of HENSOLDT Group. The probability of occurrence and the possible impact of these risks and opportunities are considered, as shown in the matrix above.

The Treasury department is centrally responsible for HENSOLDT’s financing and liquidity management and sets out guidelines in this regard. These include primarily ensuring external Group financing at all times, coordinating financing needs within Group entities and monitoring compliance with corresponding internal and external requirements, such as credit agreements.

Currency and exchange rate risks

As a global organisation, the HENSOLDT Group is exposed to risks and opportunities related to fluctuations in currency and exchange rates. While the reporting currency is the euro, some of the consolidated subsidiaries report in foreign currencies. The results of operations are therefore affected by exchange rate fluctuations; in particular the rates of the US dollar, South African rand, British pound and the Australian dollar to the euro. The income and cost risks resulting from currency fluctuations are limited by purchases and sales in corresponding foreign currencies as well as foreign currency forwards and foreign currency swaps. Exchange rate risks which arise from various customer or supplier contracts are concluded centrally as a matter of principle. Corresponding foreign currency forward and foreign currency swap contracts are concluded with banks for the respective Group entities.

Credit and interest rate risks

To secure the cash requirements of the Group’s business operations, the HENSOLDT Group uses interest-rate-sensitive financial instruments. The interest rate risks associated with these instruments have been mitigated by way of interest rate swaps. The aim of interest rate management is to limit the impact of interest rates on the Group’s financial performance as well as on its assets and liabilities. For this purpose, interest rate swaps were concluded in fiscal year 2022 to the extent of the existing long-term, variable interest loan amounting to € 620 million (nominal value) for the period from the first quarter of 2023 to the first quarter of 2027. This long-term syndicated loan as well as the newly concluded Term Facility worth € 450 million are tied to the compliance with a financial covenant (see note 37.1). In the event of a breach, the financing partners are authorised to terminate the syndicated loans. There are no indications that the covenant cannot be fully complied with in the foreseeable future.

Liquidity risks

The liquidity of HENSOLDT is dependent on its credit rating. Liquidity risk is the risk that a company may be unable to meet its short-term financial obligations. This usually occurs due to the inability to convert a security or asset into cash without loss of capital and/or income in the process. Risks and opportunities related to liquidity arise in connection with potential downgrades or upgrades of credit ratings by the rating agencies.

In order to secure the Group's liquidity, HENSOLDT has the possibility of using a revolving credit facility of € 370 million as part of long-term debt financing. As of 31 December 2024, the revolving credit facility had not been utilised. In order to plan the required utilisation of this facility, there is a comprehensive process in place for planning future liquidity requirements and thus to adequately cover the associated risk.

Risks related to pension plans

The HENSOLDT Group has certain obligations with respect to defined benefit plans for employees mainly in Germany. Under these plans, HENSOLDT is required to ensure specific retirement, invalidity, and survivor’s benefits levels for employees participating in the plans. The plans are partly financed through contractual trust arrangements (CTAs). The calculation of expected liabilities arising from defined benefit plans is based on actuarial calculations and demographic and financial assumptions. The HENSOLDT Group is obliged to fund the CTAs only with respect to the employee-funded part of the pension plan. The HENSOLDT Group expects to make significant endowment contributions in the future due to the expected increase in personnel. The funding status of existing pension plans could be affected both by a change in actuarial assumptions, including the discount rate, and by changes in the financial markets or a change in the composition of invested assets. Opportunities and risks arise depending on changes in these parameters.

Asset impairment risks

The carrying amounts of individual assets are exposed to risks related to changing market and business conditions and thus also to changes in fair values. Necessary impairments could have a significant negative non-cash impact on earnings and affect the balance sheet ratios. The intangible assets of the Group mainly consist of technology, customer relationships, order backlog, the brand and capitalised development costs. Under the International Financial Reporting Standards (IFRS) as applicable in the EU, HENSOLDT is required to annually test the recorded goodwill and intangible assets with indefinite useful lives, such as its brand, for impairment and to assess the carrying values of other intangible assets when impairment indicators exist. All relevant risks were assessed during the preparation of the Consolidated Financial Statements and have been taken into account accordingly.

Tax risks

Due to the international nature of its business, HENSOLDT is subject to taxation in several countries and is therefore exposed to tax risks. As a result, HENSOLDT is subject to numerous different legal requirements and tax audits. Possible changes in legislation as well as jurisdiction and differing legal interpretations by the tax authorities – especially in the area of cross-border transactions – may be subject to considerable uncertainty. In the course of tax audits, different assessments of facts may lead to additional claims by the responsible tax authorities. In addition, changes in tax legislation or interpretation as well as new jurisdiction may result in additional taxes for HENSOLDT and adversely affect the effective tax rate and the amount of deferred tax assets or liabilities. Furthermore, tax risks may arise in connection with the expiration of tax loss carryforwards or from changes in the legal and tax structure of HENSOLDT. In particular, certain group companies of HENSOLDT are part of tax groups or tax consolidation systems. It can therefore not be ruled out that the companies concerned will be held liable for unpaid taxes of the members of such tax consolidation systems pursuant to law or contract. Additional taxes, interest and penalties may arise for HENSOLDT from restructuring, other corporate actions or the non-recognition of tax consolidation options (e.g. by tax authorities or a tax court).

Risks from current supply chain situation

HENSOLDT consistently monitors the impact of the wars in Ukraine and the Middle East. The continuing consequences thereof include delivery bottlenecks of materials, increasing prices of energy products and also of other goods and services and, not least, inflation. These consequences represent influencing factors for the risk situation of HENSOLDT in its functional and operational areas, affect the supply chains and can lead to increasing manufacturing costs. The procurement risk and possible consequences due to changing circumstances, high energy prices and material shortages on the world market remain the same in principle, as they did in fiscal year 2023. From the beginning of the changed situation, HENSOLDT established working groups to consistently assess the impact on manufacturing costs, supply chains and contracts with customers at HENSOLDT and reduce or prevent possible effects as early as possible by adopting concrete and detailed measures. The consequences of inflation and the potential impacts of the supply chain situation have decreased slightly for companies in the Sensors segment since the end of 2023. The Optronics segment is no longer experiencing any potential inflation-related effects or after-effects owing to the stabilising of inflation rates globally and through implemented measures. Intensive monitoring was carried out to counteract the effects of the supply chain situation in the Optronics segment. This enabled appropriate measures to be taken at an early stage. The risk in the Optronics segment, which has been declining since 2023, stabilised at a low level by the end of fiscal year 2024.

1.4 Overall risk assessment

HENSOLDT is not aware of any individual or aggregated risk that could jeopardise the continuity of its business operations. Both the potential risks that may arise during the implementation and commissioning of the new logistics centre, as well as the possible effects caused by and during the relocation of the site in Oberkochen, are being addressed by working groups of internal and external experts with targeted and specific measures in order to counteract potential delivery delays as early and as far as possible. This assessment does not take into account possible changes or effects that could arise from the severe escalation of the geopolitical situation in supply chains in fiscal 2024. Specially set up working groups and expert panels are continuously analysing and monitoring in detail possible further impacts arising from the risks described. This also includes the currently worsening geopolitical situation and possible consequences for HENSOLDT. The resulting heightened probability of a successful cyber attack, for example, is being proactively counteracted through extensive initiatives to prevent or avert any attacks on HENSOLDT. The possible effects of the constantly changing geopolitical situation on the security policy environment of HENSOLDT, on the overall economic situation and on the companies of the HENSOLDT Group cannot yet be estimated and are being monitored continuously by HENSOLDT. A task force has been set up to ensure continuous monitoring of possible consequences of the tensions in the Middle East.

These risks are offset by opportunities arising from increasing levels of military investment worldwide and HENSOLDT’s contribution to security and sustainability. Therefore, the Management Board currently assesses the overall opportunity and risk situation of HENSOLDT as essentially unchanged compared to the previous year.

2 Opportunity report

2.1 Opportunities

Despite increasing international competition, HENSOLDT’s strong market position and product portfolio make it well positioned to take advantage of existing and new business opportunities in all domestic and global markets. HENSOLDT faces competition in core markets in Europe, but also benefits from increased business potential in other markets which is in line with the company’s globalisation strategy.

Being a national key technology company whose products are represented in all branches of the armed forces and as an essential actor in the European consolidation of the defence electronics industry, HENSOLDT is very well positioned for the years ahead.

Russia's war against Ukraine has highlighted how important it is to have digitalised weapon systems, data-driven information superiority and electronic warfare, besides the conventional elements. Against the backdrop of rising defence budgets worldwide, the HENSOLDT portfolio meets the current and future requirements of modern armed forces.

The ongoing shift from hardware-based to software-defined systems is a key challenge facing the security and defence industry, alongside the need for rapid expansion of production capacities for even higher volumes of conventional systems and platforms. By merging data from sensor networks and analysing it using artificial intelligence, HENSOLDT's solutions create battlefield information superiority, enabling faster and better decision-making and precise action. This digitalisation is also shaping military planning processes and capability requirements in HENSOLDT's markets, with the aim of achieving software-defined defence and enabling multi-domain operations.

For this purpose, HENSOLDT is positioning itself accordingly and fostering the transition from a product-oriented portfolio to a solution-oriented approach for its customers. HENSOLDT solutions and products are deployed on almost all airborne, floating and mobile land-based platforms of the German armed forces and benefit from large-scale procurement of platforms and air defence systems in Germany, Europe and worldwide. The takeover of the ESG Group also opens up a greater number of business opportunities for HENSOLDT's portfolio of products and expertise in terms of products, services and complete solutions. These opportunities stem from an increasingly improving market environment in all military dimensions and numerous future technologies, particularly against the background of the growing European market.

Functional opportunities

As a pioneer in defence and security electronics, HENSOLDT Group is a specialised provider for civil and military sensor solutions. HENSOLDT Group operates in a highly regulated industry that is influenced by international conflicts and political developments. The business policy is designed to ensure a long-term and economically sustainable future for HENSOLDT Group. New opportunities are to be recognised systematically and at an early stage.

Functional opportunities for HENSOLDT present themselves through the increasing defence budgets, the expansion of the defence and deterrent potential and the general security policy considerations of national governments and international communities such as NATO and the EU.

The growth in defence spending by European NATO countries as risen steadily in recent years. This mainly stems from the strategic threat posed by the war in Ukraine and the general deterioration in the security environment. An increase in spending of 3 % on average per year until 2022 was followed by an increase of 5 % in 2023 and 9 % in 2024. The 2024 increase in fact marks the tenth consecutive year of real growth in European defence spending.

Eastern European countries have doubled their defence budgets since 2014, including Bulgaria, Czech Republic, Estonia, Poland and Romania, while others like Latvia have tripled, and in the case of Hungary quadrupled their spending in nominal terms. Higher-spending Western European countries too have significantly upped their spending even further. In nominal terms, Germany's defence spending is 80 % above its 2014 level, while the Dutch budget has more than doubled over the course of the decade. Growth has also accelerated markedly in the Nordic states since 2022. As a result of all this, the combined spending of the European NATO members has risen by 50 % over the ten-year period, with real growth averaging 4 % per year. The growth is not limited to the European NATO members. Significant increases have also been registered in countries such as Austria, Serbia and Switzerland.

The proportion of investment – meaning resources for procurement and R&D – within European defence spending has increased considerably. The average share of defence spending on procurement and R&D among European NATO members in 2014 was 15 %, well below NATO's recommendation of 20 %. This share has since increased to 32 %, with significant growth since 2022. In some countries, such as Finland, Hungary, the Netherlands, Poland and Sweden, the share is even higher, with over 40 % of defence budgets spent on military equipment.

The outlook for European defence spending is positive. The International Institute for Strategic Studies is forecasting that regional spending will reach USD 766 billion in nominal terms by 2039, compared with USD 436 billion in 2024 and USD 295 billion in 2014.

Germany's national security and defence industry sets a high priority on promoting and developing key national technologies. HENSOLDT's core competencies and fields of technology in the areas of sensor technology, AI, protection and electronic warfare rank among these key technologies that can only be developed and provided nationally. In addition to the demand for increasing production capacities, the industry strategy also attaches great importance to the industry's ability to innovate and adapt in line with rapidly changing development trends. Digitalisation, automation and an increasingly transparent battlefield require the development and use of disruptive, innovative technologies.

These rapid developments require technological leadership and the ability to adapt quickly. The aim is to achieve long-term leadership and effectiveness, as well as the protection of countries' own forces. In addition, even in times of peace, hybrid threats require measures to secure countries' own systems and critical, defence-related infrastructure in cyberspace, the information space and outer space. Military capabilities, equipment and weaponry for the armed forces must be deployable and operational in all situations, dimensions, geostrategic areas and climatic conditions. In this context, innovative technologies and cutting-edge research are of central importance.

In addition to increasing military budgets and investments in national armed forces, numerous states continue to support Ukraine with military equipment. HENSOLDT supplied several products as part of the German upgrade for Ukraine in fiscal year 2024. The decision to deliver battle tanks and infantry fighting vehicles from German Military stocks to Ukraine, and to replace material from other supplier states with more modern material from German Military stocks as part of ring exchanges, has created the need to replenish the German Military’s own stocks. This also applies to other supplier countries. As is the case with providing military support to Ukraine, this may result in additional opportunities for HENSOLDT in the form of new orders funded by Germany. Notable examples include further IRIS-T-SLM systems, for which HENSOLDT supplies the TRML-4D radar, as well as delivery of additional TRML-4D radars for Ukraine's air surveillance and air defence capabilities. Germany has also pledged further financial and military assistance to Ukraine for 2025.

HENSOLDT is ideally set up in all respects to meet these requirements and associated opportunities thanks to its extensive product and solutions portfolio and its future-oriented technological and international focus. HENSOLDT will also place greater emphasis on strategic industrial partnerships.

Operational opportunities

The Group benefits from long-term experience in the highly regulated and complex market of defence and non-defence applications. In addition to its civil and military sensor solutions, HENSOLDT also develops new products for data management and automated data evaluation by crosslinking existing expertise with software solutions. HENSOLDT aims to become Europe’s leading platform-independent provider of defence and security sensor solutions with global reach. Networking, digitalisation and the diversifying of its products and solutions are seen as key to increasing opportunities in this context.

HENSOLDT Group therefore started expanding its product offering at an early stage, for example, through surveillance and protection solutions already used at a number of high-profile events. This opens up the route into new markets, which may both facilitate future growth as well as a diversification of risks.

Within its defence applications, the Group is currently expanding its customer service, to cover for example technical assistance, commissioning and payment by instalments. These services could lead to an increase in profitability while at the same time reducing risks concerning future cash flow fluctuations.

HENSOLDT Group has been successfully developing customer-specific solutions. These individual and highly technical products may initially have been costly (e.g. due to expensive special production facilities) but now could make market entry for new competitors difficult.

HENSOLDT Group collaborates with many renowned universities and research institutions, especially in Germany, on nearly all early-stage technological developments in the radar and optronics areas. This close collaboration between the universities and research institutions allows HENSOLDT Group to lay the foundation for maximising its opportunities as an innovative organisation. Both company divisions benefit from this. Another essential part of the strategy is to team up with other market participants in order to exploit operational opportunities. An example of this is the successful collaboration in the FCMS (Future Combat Mission System) consortium for the FCAS (Future Combat Air System) programme.

The new storage infrastructure at the new logistics centre, with its state-of-the-art technology and IT connectivity, will allow the company to respond faster to the growing needs of its customers and ensure scalable delivery capabilities. This will ensure HENSOLDT's future growth and the accompanying scaling up of production.

With the relocation to a new site in Oberkochen, which is rented by HENSOLDT, creates further opportunities for HENSOLDT in the Optronics segment. The new site is designed to facilitate the company's targeted growth and provide maximum flexibility for current and future production models in manufacturing as well as efficient and effective work in all areas. With the new site, which has been designed with sustainability in mind, HENSOLDT Optronics GmbH presents itself as an attractive employer for skilled workers and offers an innovative working environment.

The implementation of SAP S4/HANA offers HENSOLDT Group opportunities in terms of creating a harmonised end-to-end process landscape and, in particular, achieving digital integration of the German group companies. This is a crucial requirement for further growth and more efficient collaboration within the Group. The digitalisation of processes from the initiation of business to delivery to the customer on a uniform platform reduces potential sources of error in the process transitions and creates full transparency across the Group.

2.2 Overall opportunity assessment

The consequences of the war in Ukraine, the geopolitical developments in the Middle East, NATO's priorities in its new strategic concept and changes in the operational doctrines of armed forces worldwide, together with developments in defence technology, present additional opportunities for HENSOLDT. Capabilities such as rapidly establishing a full picture of a given situation, distributing information in a network of connected sensors and effectors in line with the relevant mission, and maintaining control over the electromagnetic spectrum are very much in demand. The Management Board is of the opinion that HENSOLDT is extremely well positioned to meet this demand based on its portfolio.

The increases in defence budgets and rising military spending worldwide present significant opportunities for HENSOLDT, while huge potential is also offered to HENSOLDT by the need for ongoing replenishment of military equipment stocks and extensive upgrading of existing equipment. The opportunities for further networking, for the digitalisation and diversification of its product range and for the expansion of its service business, along with HENSOLDT's ability to operate as an innovation leader in the industry, remain intact and provide a multiplier effect.

V Sustainability Report[12]

1 General information

In producing this Sustainability Report, HENSOLDT meets its obligation to prepare a non-financial statement in accordance with sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB), Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council and the Commission Delegated Regulations (EU) 2021/2178 and 2023/2486. The Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) came into force on 5 January 2023, but the Directive has not yet been transposed into German national law. As the implementation project for the CSRD had already been completed and due to the importance of the underlying reporting standards adopted by the EU Commission, HENSOLDT decided to publish this non-financial group sustainability statement (Group sustainability statement) in 2024 in accordance with the first set of European Sustainability Reporting Standards (ESRS) and use them as a framework. In the following, the Group Sustainability Statement is referred to as Sustainability Report.

The Sustainability Report presents the undertakings of HENSOLDT Group regarding environmental, social and responsible governance matters and thus also covers the topics of environmental concerns, employee concerns, social concerns, respect for human rights and combating corruption and bribery as required by section 315c in conjunction with section 289c of the German Commercial Code. The ESRS topic standards identified as material at HENSOLDT can be categorised into the five aspects in accordance with Section 315c (1) HGB in conjunction with Section 289c (2) HGB.:

Aspect in accordance with Section 315c (1) HGB in conjunction with § Section 289c (2) HGB	Material ESRS topic standards
Aspect 1 - environmental concerns	ESRS E1 - Climate change
Aspect 2 - employee concerns	ESRS S1 - Own workforce ESRS S2 - Workers in the value chain
Aspect 3 - social concerns	ESRS S1 - Own workforce ESRS S4 - Consumers and end-users
Aspect 4 - respect for human rights	ESRS S1 - Own Workforce ESRS S2 - Workers in the value chain ESRS S4 - Consumers and end-users
Aspect 5 - combating corruption and bribery	ESRS G1 - Business conduct

This Sustainability Report further serves as supplement to HENSOLDT Group's Communication on Progress (CoP) as part of the Global Compact of the United Nations.

1.1 Basis for preparation (BP)

The Sustainability Report was prepared on a consolidated basis; the parent company is HENSOLDT AG, based in Taufkirchen, Germany. The scope of reporting in the non-financial report is based on the scope of consolidation established for the purposes of financial reporting. No associates or joint ventures were identified over whose assets HENSOLDT has operational control.

The report covers the company's own operations and both the upstream and downstream value chain, which was also verified in the materiality assessment. Policies, actions and targets relate to the company's own operations and in some cases also include the upstream value chain. The extent to which metrics relate to the company's own operations, or the value chain is indicated in each case. In accordance with the existing risk management system, the following time horizons were used in the assessment: short-term up to 1 year, medium-term 1 to 3 years and long-term more than 3 years.

This Sustainability Report for the period 1 January until 31 December 2024 is the first one to be prepared in accordance with the ESRS. As a result, metrics and definitions from the previous year are not comparable and are therefore not provided for the first reporting year.

[12] Section V. Sustainability Report is subject to a separate limited assurance engagement. A separate Auditor's report was issued on this audit.

Estimations and outcome uncertainty (BP-2)

If metrics are based on estimates and outcome uncertainties, this is identified and explained at the appropriate point. Estimates have only been used in section V.2.1 Climate change.

If the measurement of a metric is validated by an external body other than the assurance provider, this has been indicated at the relevant point.

In order to continuously improve data management and data quality, HENSOLDT is working on standardizing the system landscape and on uniform data collection processes with the greatest possible degree of automation. Future-related data and information are always subject to a certain degree of uncertainty and inherent limitations.

Disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements (BP-2)

The reporting follows the requirements of the CSRD/ESRS. The disclosures in accordance with Article 8 of Regulation 2020/852 ('Taxonomy Regulation') are contained in section 2.3 EU Taxonomy of the Sustainability Report. Where information has been included based on other legislation or recognised standards, this has been indicated at the relevant point. A list of datapoints in cross-cutting and topical standards that derive from other EU legislations can be found in the appendix to this Sustainability Report.

Incorporation by reference (BP-1)

The following information from other parts of the Combined Management Report or Annual Report has been incorporated by reference into this Sustainability Report:

ESRS Datapoint	Disclosure Requirement	Reference
GOV-1.21c GOV-1.23a GOV-1.23b GOV-1 AR 5	GOV-1 - The role of the administrative, management and supervisory bodies	VII.5 Working methods of the Management Board and Supervisory Board
GOV-1.21a	GOV-1 - The role of the administrative, management and supervisory bodies	VII.4.4 Compliance
GOV-1.21a	GOV-1 - The role of the administrative, management and supervisory bodies	VII.4.5 Risk and control management
GOV-3-29a	GOV-3 - Integration of sustainability-related performance and incentive schemes	V Remuneration Report
GOV-5.36	GOV-5 - Risk management and internal controls over sustainability reporting	IV Opportunities and risks report
SBM-1.40aii SBM-1.42b	SBM-1 - Strategy, business model and value chain	I.2.3 Operating segments
E1-3.AR 21	E1-3 - Actions and resources in relation to climate change policies	Note 37.1

1.2 Governance (GOV)

The role of the administrative, management and supervisory bodies (GOV-1, GOV-2)

HENSOLDT has a dual management system with a management board as the management body and a supervisory board as the monitoring function. In the reporting period 2024 the boards consisted of four (until 31 August 2024) and then three (since 1 September 2024) members of the Management Board and twelve members of the Supervisory Board.

The members of the Management Board and Supervisory Board possess many years of experience in the industry and their experience also provides them with extensive knowledge regarding matters of business conduct. The Management Board has access to expertise relating to sustainability matters through the Sustainability Committee, whose meetings are attended by specially selected internal experts. The Management Board also engages in close and constructive dialogue with consultants, auditors and other experts, particularly with regard to the sustainability matters identified as material for HENSOLDT and the related material impacts, risks and opportunities. The Supervisory Board, which maintains regular close dialogue with the Management Board, is also able to make use of this exchange of information. Further details on the members and the experience relevant to the company's business sectors, products and locations are provided in section VII.5 Working methods of the Management Board and Supervisory Board.

The Sustainability Committee, consisting of Oliver Dörre (CEO), Christian Ladurner (CFO), Dr. Lars Immisch (CHRO) and other members of the senior management represented by the General Counsel, the Chief Supply Chain Officer (CSCO) and the Head of Corporate Communications, was set up to review and monitor significant impacts, risks and opportunities. Christian Ladurner (CFO) and Dr. Lars Immisch (CHRO) are also members of the steering committee for the CSRD implementation project.

The members of the Management Board are informed about a range of sustainability matters at the Sustainability Committee meetings scheduled for each quarter. During fiscal year 2024, for organisational reasons, three meetings took place at which the results of the materiality assessment, including the impacts, risks and opportunities, were presented and analysed. In addition, the sustainability strategy formulated by the Sustainability department, including actions, metrics and targets, was discussed with and approved by the Management Board. Furthermore, selected impacts, risks and opportunities relating to sustainability that are part of the Group-wide risk management process were evaluated with the Management Board and Supervisory Board. Sustainability-related risks, opportunities and impacts are integrated into the ERM (Enterprise Risk Management) report. Further details can be found in section VII.4.4 Compliance and section VII.4.5 Risk and control management.

The sustainability strategy and sustainability-related actions and targets are defined by the Sustainability Department in consultation with the relevant department heads and are approved by the Management Board as part of the annual cyclical strategy process. From fiscal year 2025 onwards, expert dialogues will be held regularly to analyse the targets and actions. The results of the analyses will be presented and evaluated by the Sustainability Committee. When decisions are made on major transactions, sustainability-related matters are debated and approved by the Management Board where relevant.

The Management Board reports on a quarterly basis to the Supervisory Board on progress made in selected areas, including sustainability-related focal points. As part of the strategy cycle in fiscal year 2024, the Supervisory Board discussed the updated sustainability strategy with the Management Board and duly noted and approved it.

As of the reporting date, the Management Board of HENSOLDT AG consisted of three members, all of them male. Until 31 August 2024 the Management Board consisted of three male and one female member. With Celia Pelaz Perez standing down as a member of the Management Board as of 31 August 2024, the percentage of women on the Management Board as of the reporting date 31 December 2024 was 0.0 %. The Management Board's gender diversity as of 31 December 2024 was 0:3.

The Supervisory Board of HENSOLDT consists of twelve members, including five women and seven men. The percentage of women on the Supervisory Board as of 31 December 2024 was thus 41.7 %. The gender diversity in the Supervisory Board was 5:7.

The percentage of women is calculated as the proportion of female members to all committee members. Gender diversity is calculated as an average ratio of female to male board members.

The interests of employees are represented by 50.0 % of the Supervisory Board. All shareholder representatives on the Supervisory Board are independent. Therefore, 50.0 % of the Board members are independent.

Integration of sustainability-related performance in incentive schemes (GOV-3)

The incorporation of sustainability components into Management Board remuneration is a key element in achieving the sustainability targets. The target of achieving CO_2 neutrality by 2035 (for all direct scope 1 emissions and indirect scope 2 emissions, refer to section V.2.1 Climate change) is therefore being progressively factored into the LTI bonus (Long-Term Incentive) agreements. All members of the Management Board are entitled to multi-year performance-based remuneration ('Long-Term Incentive Bonus', or 'LTI Bonus' for short). The remuneration system of the HENSOLDT Group is set out in detail in the Remuneration Report (see V Remuneration Report). For the 2024-2027 tranche, the LTI bonus is measured at 15 % in each case on the basis of two sustainability targets. The precise targets for the different LTI bonus components and their precise weighting are determined by the Supervisory Board at its due discretion for each LTI tranche. The following sustainability targets are specified in the current LTI bonus agreements (2024-2027 tranche):

- Increase in the installed capacity of renewable energies (wind and photovoltaics) in the core countries of the HENSOLDT Group (Germany without the ESG Group, United Kingdom, France, South Africa) by 2027 to 4,583 kWp. The core countries are selected on the basis of revenue volume.

- Increase the proportion of women in the management team to 32.0 % by 2027. The proportion of women in the management team is measured as the percentage of female managers in the management team in relation to the total number of managers. The management team consists of the Management Board and the Executive Committee as well as executives and senior managers The target does not include the ESG Group acquired in 2024.

The targets relevant to the Management Board's remuneration, including sustainability-related targets, are determined by the Supervisory Board based on the remuneration system approved by the Annual General Meeting. The Supervisory Board receives fixed remuneration. The Supervisory Board is not paid variable remuneration.

Statement on due diligence (GOV-4)

The HENSOLDT business model is based on the four principles of cooperation, excellence, responsibility and innovation. These principles represent the basis of all our business activities, and stem from the sound underlying foundation of an ethics and compliance programme. They are a core element of our corporate culture, protecting our senior management and employees, our company, its reputation, and our customers. We aim to ensure legally and ethically correct behaviour and practices at all levels of our business. As a responsible business, HENSOLDT strives to implement actions and processes that prevent breaches of the law being committed. For this purpose, HENSOLDT has implemented a corresponding compliance programme. This is built around the Code of Conduct and the HENSOLDT Group Human Rights Policy. When creating its programmes, HENSOLDT is not only guided by applicable laws, but in particular by the OECD Guidelines for Multinational Enterprises and the OECD Convention.

Core elements of due diligence policies	Reference
Incorporation of due diligence into business conduct, strategy and business model	section V. 4.1 Business Conduct in particular the HENSOLDT Code of Conduct, section V. 1.3 Strategy and business model
Involving affected stakeholders in all key due diligence steps	section V.1.3 Strategy and business model and section V.1.4. Processes to identify and assess material impacts, risks and opportunities
Identification and assessment of negative impacts	section V.1.4. Processes to identify and assess material impacts, risks and opportunities
Actions to counter these negative impacts	section V.3.3 Own workforce, section V.3.4 Workers in the value chain, section V.3.5 Consumers and end-users
Tracking the effectiveness of these efforts and communication	section V.3.3 Own workforce, section V.3.4 Workers in the value chain, section V. 4.1 Business Conduct

Risk management and internal controls over sustainability reporting (GOV-5)

As a capital market-oriented entity, HENSOLDT has established a comprehensive Enterprise Risk Management (ERM) system. This makes up part of the integrated risk management and internal control system, enabling risks to be dealt with at various organisational levels and according to defined procedures. For more detailed information go to section IV Opportunities and Risks Report.

The internal control system also considers process-related risks concerning sustainability reporting. The Group-wide internal control system has been expanded to include sustainability-related internal controls. For this purpose, the data collection and aggregation processes for the key figures reported in the non-financial statement have been analysed to identify relevant risks. Corresponding controls have been defined for these risks and embedded into the existing Group-wide internal control system, particularly the existing risk control matrix.

As part of the risk assessment, both risks and opportunities as well as the impact in terms of sustainability matters are assessed. This means that HENSOLDT analyses sustainability matters both from an 'outside-in' as well as an 'inside-out' perspective. The 'outside-in' perspective identifies risks and opportunities in connection with sustainability that affect the company from the outside in line with the matters described. The 'inside-out' perspective considers the risks and opportunities that have an impact on the environment and society. The risks and opportunities identified in both analyses are an integral part of the ERM system and are regularly recorded in the risk management report.

To ascertain the material topics to be reported on in the Sustainability Report, impacts, risks and opportunities relating to sustainability are analysed in a materiality assessment and then evaluated. The sustainability department manages the materiality assessment, which was conducted in conjunction with the companies, their respective local sustainability officers and other stakeholders (refer to section V.1.4 Processes to identify and assess material impacts, risks and opportunities). The determined and assessed impacts, risks and opportunities that provide the basis for this Sustainability Report are analysed at Group level. The Sustainability department works closely with the ERM department and jointly analyses the reported impacts, risks and opportunities. The sustainability managers are required to coordinate the topics identified during the materiality assessment with the local risk managers, unless both functions are performed by the same person. In addition, as part of the materiality assessment, the Sustainability department analyses and incorporates the sustainability risks, opportunities and impacts already reported in the risk management report. When assessing sustainability risks and opportunities, HENSOLDT is guided by the ERM's assessment methodology so that comparability with the general corporate risks and opportunities can be ensured. Regarding HENSOLDT's impact on the environment or people ('inside-out'), a methodology also derived from the ERM is used, supplemented by the specific requirements of the ESRS. The methodology used has been defined as part of the materiality assessment and is explained in more detail in section V.1.4 Processes to identify and assess material impacts, risks and opportunities. It should be noted here that the focus of the sustainability-related risks, opportunities and impacts specified in the Sustainability Report is different from the risks, opportunities and impacts listed in the opportunity and risk report in the Combined Management Report. Due to the different methodology and approach, not all impacts, risks and opportunities identified as part of the materiality assessment are to be included in the ERM. It is ensured that all sustainability-related risks and opportunities from the ERM are included in the Sustainability Report. The risk management report is made available to the Management Board and Supervisory Board on a quarterly basis. The most important risks identified and the strategies to mitigate them can be found in the opportunity and risk report (see section IV Opportunity and risk report) and the following topic-specific sections.

1.3 Strategy and business model (SBM)

Strategy, business model and value chain (SBM-1)

Product range

HENSOLDT develops and manufactures innovative and customised solutions in the fields of radar, electronic warfare, avionics and optronics. As of 31 December 2024, the portfolio comprised a wide range of products and solutions, which was extended through the acquisition of ESG Elektroniksystem- und Logistik-GmbH ("ESG GmbH" or "ESG Group" together with the subsidiaries of ESG GmbH) in fiscal year 2024. HENSOLDT is driving the development of defence electronics and optronics and continuously strives to improve and expand its current offering through in-house developments based on innovative approaches to data fusion, artificial intelligence (AI) and cyber security as well as via industrial collaborations and acquisitions aimed at increasing its competitiveness and opening up new markets. As a platform- and manufacturer-agnostic system integrator in the defence and security sector, HENSOLDT supplies products for a variety of platforms (such as fighter aircraft, unmanned aerial vehicles, helicopters, naval vessels and submarines, armoured vehicles and satellites) from various manufacturers. The products and solutions are sold to the German and foreign governments as well as to supranational organisations such as NATO and its armed and security forces. This is done both directly and indirectly, for example via commercial customers or through consortia or joint ventures. These procurement projects fall under a strict regulatory environment at both national and international level in the form of parliamentary or administrative authorisations as well as trade regulations and export controls. A detailed description of the 'Sensors' and 'Optronics' operating segments can be found in section I.2.3 Operating segments. Total revenue for fiscal year 2024 amounted to € 2,240 million.

HENSOLDT's headquarters are in Taufkirchen near Munich, an important German centre of defence innovation. The Group's German business activities are thus based in particular in Ulm, Oberkochen, Pforzheim and, since the acquisition of the ESG Group, in Fürstenfeldbruck. Other locations in Germany include Wetzlar, Immenstaad and Kiel and, since the acquisition of the ESG Group, Bremen and Donauwörth. Outside Germany, HENSOLDT primarily operates out of major locations in France, South Africa and the UK. The following table shows the breakdown of employees by geographical area.

	Fiscal year
	2024
Number of employees[1]	**8,409**
Germany	6,616
South Africa	783
France	745
United Kingdom	154
Rest of World	111

[1] Average in headcount

The number of employees is measured in headcount and calculated as an average value from the end values of each quarter. The number of employees is calculated analogous to the method used for financial reporting.

Suppliers and customers

HENSOLDT products are specially designed for professional deployment and are mainly used by the military, but in some cases also by other sovereign and civilian institutions. Some of the products may also be used for integration into larger systems.

HENSOLDT provides a wide range of solutions, products and services across the market. Consequently, the vertical range of manufacture varies between the different solutions, at the different locations and, for example, depending on the degree of series maturity. This spans the production of circuit boards and individual components, their integration and final acceptance through to installation at customer sites. Suppliers, who are divided into optical, electronic and mechanical suppliers depending on their specialisation, play an important role here. The suppliers are, for example, goods suppliers who supply HENSOLDT with semi-finished products, parts and components, as well as engineering service providers who provide support for research and development activities. The portfolio of suppliers can be described as diversified, particularly in terms of company size.

HENSOLDT also distinguishes between strategic purchasing and project purchasing, the latter of which is responsible for the individual and process-related handling of orders. For large orders in particular, suppliers are involved in project or product development at a very early stage, often during the development phase. The focus here is on long-term relationships with suppliers.

Sustainability strategy

The sustainability strategy is based on three key dimensions: ecological responsibility (‘Environmental’), social responsibility (‘Social’) and corporate responsibility (‘Governance’). These dimensions are further concretised into five strategic action areas ("pillars") to ensure that HENSOLDT adopts a sufficient and targeted approach. Key actions and activities in the individual strategic action areas are defined and implemented in detail in the sustainability programme. For further details refer to the topic-related sections. Through its products, HENSOLDT addresses all three dimensions of sustainability, focussing on the most important markets and customer groups..

Ecological responsibility

The strategic action area "Planet & Resources" aims to minimise the company's environmental footprint and promote a sustainable future. HENSOLDT is committed to reducing CO_2 emissions, expanding renewable energy and utilising resources efficiently. The long-term target is to become carbon neutral for all direct Scope 1 emissions and indirect Scope 2 emissions by 2035 (further information in section V.2.1 Climate change). To achieve this, HENSOLDT is taking action in several ways at its sites in Germany, France, South Africa and the United Kingdom.

Social responsibility

Own workforce

The strategic action area "Own workforce" focuses on providing workers with safe and fair working conditions. HENSOLDT promotes an inclusive and diverse company culture and is committed to continuous training and development. Health and safety in the workplace are key elements of the strategy.

Suppliers

The "Suppliers" strategic action area focuses on responsible collaborative relationships with suppliers. The Group ensures that all its material partners meet high standards in terms of sustainability, ethics and transparency. Regular supplier assessments and supplier-specific risk analyses strengthen sustainability in the supply chain.

Customer

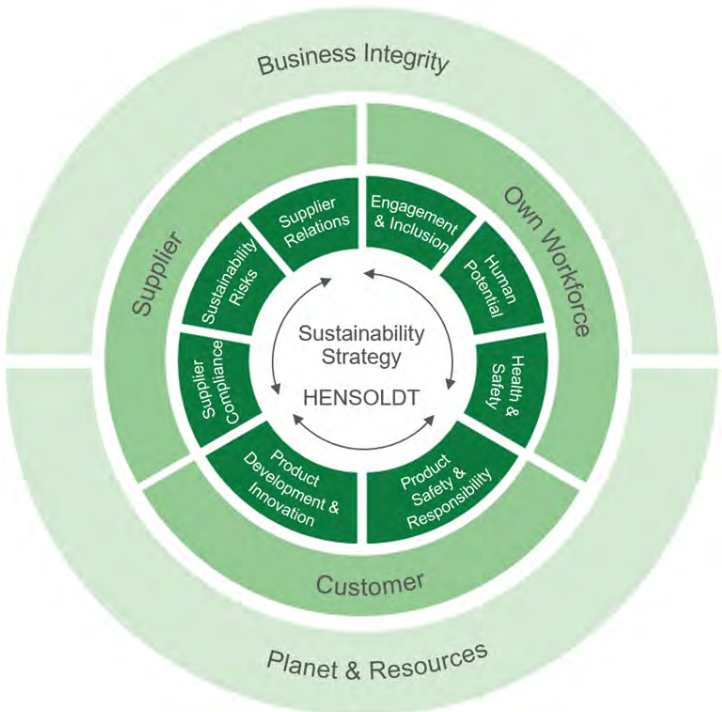
The "Customer" strategic action area focuses on ensuring that products meet the highest quality and safety standards. HENSOLDT invests in customer-orientated innovations and focuses on sustainable product design.

Corporate responsibility

The strategic action area "Business Integrity" ensures that high standards of business conduct and compliance are maintained. HENSOLDT is committed to transparency, ethical behaviour and compliance with legal regulations. The Code of Conduct applies to all employees, suppliers and business partners. Strict anti-corruption guidelines, regular training and audits as well as a robust whistle-blower system are designed to promote fair business practices and prevent offences.

“Basis for success: the strategic model”

HENSOLDT's sustainability strategy is based on the two central pillars of Business Integrity and Planet & Resources. These pillars demonstrate HENSOLDT's commitment to achieving carbon neutrality by 2035 and additionally to continuously improve recycling and waste reduction. HENSOLDT is also committed to upholding the highest compliance standards, promoting ethical business conduct and leading the way in responsible digitalisation and data security.



"The cornerstone of responsibility: social impacts and social commitment"

Embedded within this framework is the key commitment regarding social impact, which relates to key areas that reflect responsibility towards stakeholders. Particular focus is placed on three social pillars: the company's own employees, its suppliers and customers. Each of these areas constitutes a key element within the sustainability strategy. They are interconnected and each reinforces the other, underlining the holistic approach to responsible business practices. As part of the materiality assessment, the topics of recycling, waste reduction and social commitment were categorised below the materiality threshold and therefore not classed as material, which is why they are not reported on separately. These nevertheless form part of the strategy.

Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDGs) contain 17 targets for sustainable development at economic, social and environmental level. They are directed at countries and organisations worldwide. Consistent with its materiality assessment and sustainability management, HENSOLDT has assigned and prioritised the SDGs in a matrix reflecting HENSOLDT's impacts on the environment and society as well as their importance for the Group's stakeholders. Based on this assessment, the current priority is on the following SDGs and their sub-targets:

	Quality Education
4.5	Eliminate gender disparities in education and ensure equal access to all levels of education.
4.B	Increase the number of scholarships worldwide.
	Industry, Innovation and Infrastructure
9.5	Enhance scientific research, upgrade the technological capabilities of industrial sectors.
	Reduced Inequalities
10.2	Empower and promote the social, economic and political inclusion of all.
	Climate Action
13.2	Integrate climate change measures into (national) policies, strategies and planning.
	Peace, Justice and Strong Institutions
16.5	Substantially reduce corruption and bribery in all their forms.

Consideration of the interests and views of stakeholders in the business strategy (SBM-2)

HENSOLDT places great importance on involving stakeholders and takes their interests into account when developing its strategy. To this end, HENSOLDT maintains regular, direct dialogue with the company's stakeholders, including workers, management, investors, customers, suppliers, associations and local authorities.

In order to realign the sustainability strategy in the fiscal year 2024, the sustainability topics identified via the materiality assessment were discussed intensively in bottom-up workshops and integrated into the strategy draft. Clear targets and actions were drawn up that correspond to both the topics of the previous existing sustainability strategy and the new requirements of the CSRD. Workshops with various departments, which also included experts from the stakeholder groups 'Own employees', 'Suppliers' and 'Customers', ensured that interests and needs were covered. These experts are regarded as representatives who possess sound knowledge of the interests, experiences and viewpoints of their respective stakeholder groups. This ensures that clear roles and responsibilities can be defined to meet the range of different requirements. In addition, departments of the international entities were also involved. The sustainability strategy was presented to and confirmed by the Sustainability Committee, the Management Board and the Supervisory Board.

Furthermore, the involvement of stakeholders plays an important role in the overarching Group strategy. The outcomes of the ongoing dialogue with stakeholders such as investors, customers, suppliers and employees are considered when formulating the strategy.

For information on stakeholder engagement as part of the materiality assessment, reference is made to section V.1.4. Processes to identify and assess material impacts, risks and opportunities

Employees

Regular direct dialogue with employees and exchanges with employees' representatives is given major priority by HENSOLDT and taken into account in the strategy development process as described. Details on involvement of the workforce can be found in section V.3.3 Own workforce.

Value chain workers

Suppliers and thus also the value chain workers are strategically important for HENSOLDT. The supplier management, in particular its risk assessment of suppliers and the selection process for them, contributes to compliance with the requirements of the German Supply Chain Due Diligence Act (LkSG). Each supplier provides a self-disclosure declaration and places it at HENSOLDT's disposal. In addition, an annual meeting is held with the main suppliers to discuss individual current services and the perspective for future collaboration. For more details, see section V.3.4 Workers in the value chain.

Customers and end-users

HENSOLDT has established itself as a trusted long-term partner for its customers and end-users. The manufactured products are generally highly specialised and are made according to specific customer requirements. Customers are often involved as early as the development stage. By comparison, their direct involvement in serial products is generally only an exception. The involvement of end-users therefore depends heavily on the product or project in question.

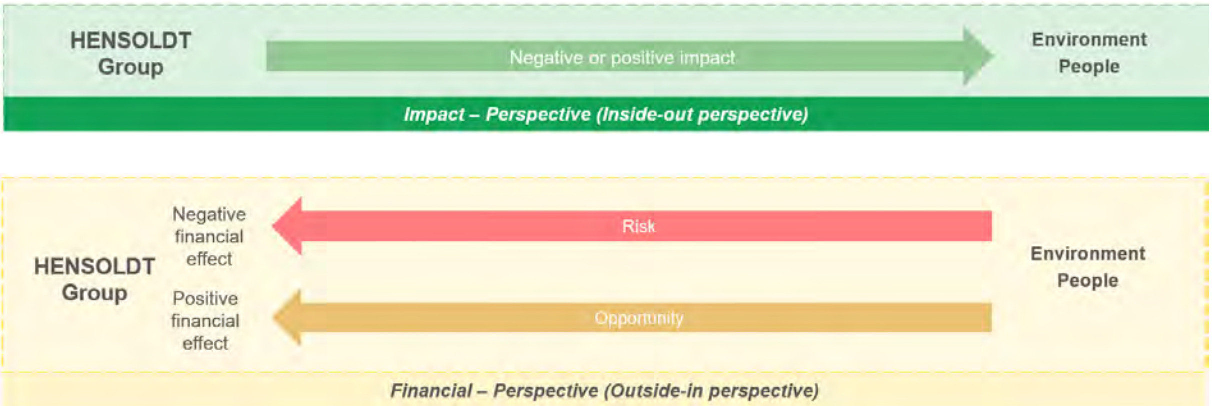
Investors

HENSOLDT organised a Capital Markets Day on 12 December 2024. At this event, the management presented a comprehensive insight into the strategic orientation and medium-term planning and gave participants the opportunity to talk directly to the HENSOLDT management.

1.4 Processes to identify and assess material impacts, risks and opportunities (IRO)

The materiality assessment process makes it possible to specifically determine which sustainability matters are of material importance to HENSOLDT and its stakeholders.

Both the impacts of business activities on the environment and society (impact materiality) and the financial impact that sustainability matters have on HENSOLDT (financial materiality) were taken into account.



This dual focus ensures that all relevant information is recorded in detail and reported transparently. In order to ensure that a holistic perspective was taken, business relationships and the upstream and downstream value chain were also analysed. This ensures that all potential and actual impacts, risks and opportunities right along the entire supply and production chain are taken into account. The relevant business relationships were also analysed as part of the stakeholder survey and taken into account accordingly. This approach was consistently applied to the topic-specific standards and other company-specific aspects. These include climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy, own workforce, value chain workers, affected communities, consumers and end-users and business conduct. In addition, internal expert judgement was used to assess whether specific sites, operations or relationships may lead to an increased risk of adverse impacts.

Through active dialogue with stakeholders, HENSOLDT has gained an understanding of which sustainability aspects are considered particularly relevant and important. This constant dialogue helps to take into account the expectations and requirements of the various stakeholder groups and incorporate them into the materiality assessment.

Processes, methods and assumptions for performing the materiality assessment (IRO-1)

In 2023, the first materiality assessment was conducted in line with the ESRS requirements. This assessment enabled us to identify the key sustainability issues for HENSOLDT and its stakeholders and to address them in a targeted manner. An update of this assessment was carried out during the reporting period 2024 to ensure that all relevant sustainability topics continue to be covered in this Sustainability Report. In particular, the newly acquired ESG Group was taken into account in the reporting period. In the future, the materiality assessment will be updated annually.

The materiality assessment follows a systematic approach that includes identifying and assessing impacts, risks and opportunities as well as engaging in dialogue with stakeholders.

Identification of material impacts, opportunities and risks

At the beginning of the assessment, the list of topics and subtopics set out in ESRS 1, AR16 was used as the basis for identifying impacts, risks and opportunities. Extensive expert workshops were held in which employees from various departments commented on the sustainability aspects. This process was not limited to the predefined topics, however – the list was expanded during the assessment to include company-specific topics. The findings of past materiality assessments, content from other frameworks (e.g. SASB or GRI) and also the ERM report (Enterprise Risk Management) were also analysed. The expert panels analysed actual impacts, meaning those that have already occurred, as well as potential impacts that could arise in the future. The expert workshops also ensured coverage of the value chain.

Assessment of potential and actual impacts on people and the environment

After identifying the actual and potential impacts, an assessment was carried out by selected experts. This group was composed of internal experts with in-depth knowledge of the respective areas. The detailed assessment of the impacts identified in the first step was initially conducted by colleagues from various functions for Germany following a comprehensive briefing. For the international locations in Australia, France, South Africa and the United Kingdom, the individual sustainability officers assessed each impact in detail and added to the list where necessary.

In order to take all aspects of the impacts into account, the assessment was carried out in several dimensions in line with standard practice, where both positive and negative impacts were considered in a differentiated manner. In both categories, the experts assessed the scope, scale and, in the case of negative impacts, their irremediable character (irreversibility). Another important assessment factor is the time horizon, which gives an estimate of when the positive or negative impact will occur and how long it will last. For potential impacts, both positive and negative, the probability of occurrence was also assessed. The five-level scale of this assessment dimension is based on the existing risk management system (ERM). The extent of the impact is also measured on a five-level scale, while the scope and irremediable character are assessed on a three-level scale. All dimensions are equally weighted in the final evaluation.

The identified sustainability matters were aggregated and presented in a matrix, which is shown at the end of the section. The threshold at which an individual impact within a topic cluster identified as material is considered material has been set at 50 %.

Assessment of financial effects

The assessment of the financial impacts as well as the risks and opportunities was also carried out by the expert panels. The identification of risks and opportunities was based on the ERM report, and the impacts and dependencies on natural and social resources identified in the first step were also analysed. For the assessment, the potential scale of the financial effects was estimated and the likelihood of occurrence was also determined. The assessment standard for the financial scale and the probability is derived from the existing risk management system, which ensures consistency with the risk management system (ERM). The assessment of these two aspects is thus based on a five-point rating scale. Sustainability risks are not prioritised over other types of risk. Regarding the presentation of material sustainability information, a threshold value at 50 % of the rating scale was introduced for risks and opportunities related to sustainability, which indicates the materiality of a topic. Refer in this regard also to the section on the description of risk management and internal controls relating to sustainability matters in section V.1.2 Governance.

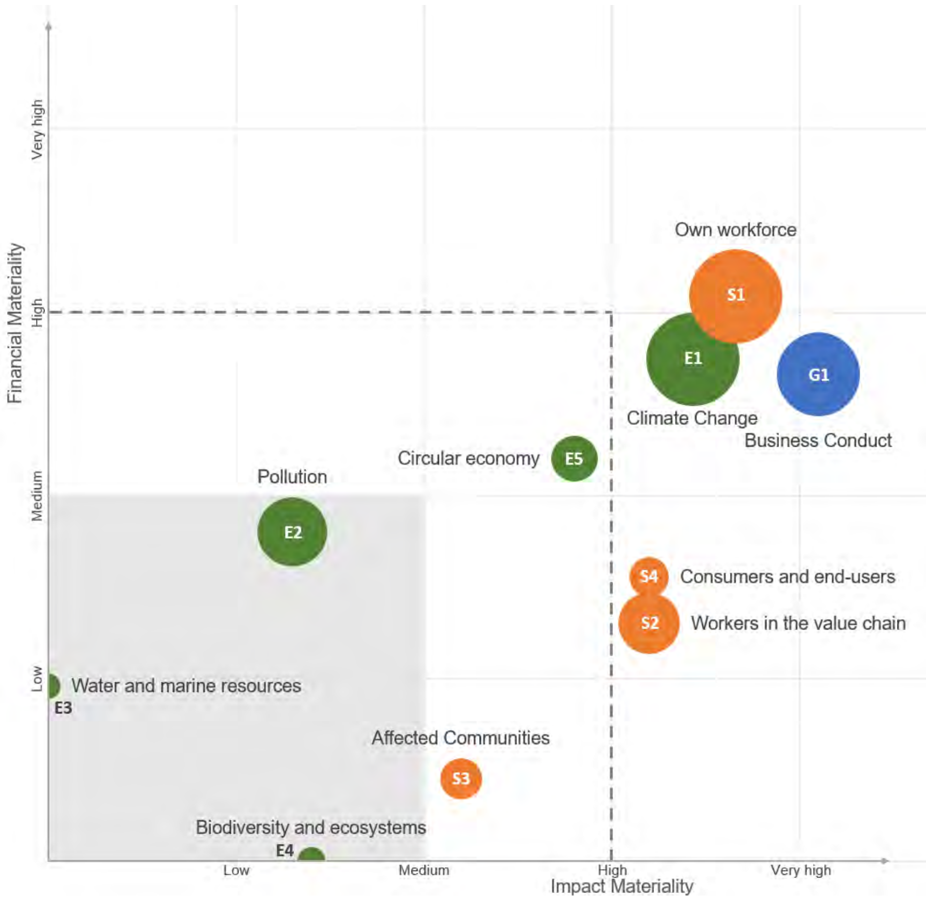
The identified risks and opportunities relating to sustainability are factored into the overarching corporate strategy. The opportunities identified are regularly analysed to determine how far they are considered when making strategic decisions. Examples from previous fiscal years include the investment in technologies for the generation of renewable electricity or the increased focus on the development of software solutions using artificial intelligence.

Engagement of stakeholders in the materiality assessment

The materiality assessment involved interviews, conducted using a questionnaire (stakeholder survey), with 18 stakeholders identified as relevant (representatives from the management and Supervisory Board to represent the views of employees and other workers, investors, business partners, customers and suppliers, and others). The stakeholders had the opportunity to give their assessment of the sustainability matters and to add individual topics. Since the stakeholders represent different areas and each contribute their own expertise, they have the flexibility to decide which topics they want to analyse and assess in greater depth. This approach allowed them to benefit from the various perspectives and obtain a comprehensive picture of the material sustainability issues.

Results of the double materiality assessment (IRO-2)

The results of the assessment of material impacts, risks and opportunities were aggregated and compared with the results of the stakeholder survey. They were then presented in the form of a materiality matrix with a materiality threshold of 50 % of the rating scale. They were finalised by the CSRD Steering Committee, presented to the Sustainability Committee and approved by the Management Board. The phased approach and the numerous process-related validations at various specialist and management levels ensure the application of standardised benchmarks. This produces the following matrix:



The result of the double materiality assessment was that the topics E1 Climate change, S1 Own workforce, S2 Workers in the value chain, S4 Consumers and end-users and G1 Business conduct are material and are reported on accordingly. A list of the Disclosure requirements following the result of the materiality assessment can be found in the appendix to this Sustainability Report.

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

The following table details the material impacts, risks and opportunities relating to sustainability matters. For definitions of the terms ‘impacts’, ‘risks’ and ‘opportunities’ and additional background information, see section V.1.4. Processes to identify and assess material impacts, risks and opportunities.

At HENSOLDT, there were neither material effects on the financial or earnings position nor material negative effects on cash flows due to the sustainability-related risks and opportunities identified in the reporting period 2024. In addition, based on current estimates, no material adjustments to the carrying amounts of the assets and liabilities recognised in the Financial Statements are anticipated. Based on the sustainability-related risks and opportunities identified, HENSOLDT assumes that neither material effects on the financial or earnings position nor material negative effects on cash flows are expected for the 2025 reporting period. The prevention of the identified negative effects and risks and utilisation of the identified opportunities and positive effects are aligned with the corporate and sustainability strategy, as explained in the section on strategy and sustainability strategy.

HENSOLDT makes use of the exemption stated in ESRS 1 Appendix C and waives the disclosure requirements in accordance with ESRS SBM-3 48e.

HENSOLDT regularly analyses and monitors the resilience of its business strategy and business model in terms of its ability to manage the material impacts and risks and exploit the material opportunities. This is done by means of a PESTEL analysis, which analyses political, economic, social, technological, environmental and legal impact drivers relating to the company. Furthermore, risks, opportunities and impacts are assessed on a quarterly basis as part of regular risk reporting (see section V.1.2 Governance) and provided to the Management Board as part of the risk report. Scenario analyses are also conducted to review the issue of resilience, particularly analysing and examining macroeconomic and geopolitical changes. These analyses look at different planning periods: short term (up to 3 years), medium term (3 to 5 years) and long term (5 to 10 years). Strategic risks are regular discussed with the Management Board. In addition, regular workshops are held to enable an agile response to the impacts, risks and opportunities that arise. HENSOLDT responds to the material sustainability-related impacts, risks and opportunities with appropriate actions to ensure the resilience of the business strategy and business model.

The following table explains the impacts, risks and opportunities identified as material for the purposes of the Sustainability Report. The extent to which the identified topics also relate to the value chain or business relationships is shown in the ‘Value chain’ column. Geographical areas, the type of assets, inputs, outputs and distribution channels have been considered.

Sustainability matter	Impact (inside-out)	Time horizon	Value chain	Risk/opportunity (outside-in)	Action /Strategy
Climate change (E1)					
Climate change mitigation (CO_2 emissions)	CO_2 emissions result from production and business travel within the company, but also along the value chain and through logistics services. Product innovations can have a positive impact on the planet by improving CO_2 footprints.	long term	yes	Risks for HENSOLDT could in particular arise from stricter regulations with regard to CO_2 emissions.	The strategic action area "Planet & Resources" aims to minimise the Group's environmental footprint. Actions to reduce CO_2 emissions, expand renewable energies and sustainable product innovations can be found in section V. 2 Ecological responsibility
Climate change adaption	not identified	long term	no	The climate risks analysis identified physical risks brought about by climate change (Heat- & cold stress, tornado and hail).	
Energy	HENSOLDT's energy consumption results in a negative impact on the environment when using non-renewable energy sources and is increased by the growth strategy. Positive effects can result from further extending the use of renewable energy sources.	medium-to-long term	no	The dependence on fossil-based energy sources and a possible tightening of regulations as well as rising prices pose risks for HENSOLDT. Opportunities to reduce costs exist through the self-sufficient use of renewable energy sources (e.g. photovoltaic systems), the construction of energy-efficient buildings and the optimisation of energy management in production.	

Sustainability matter	Impact (inside-out)	Time horizon	Value chain	Risk/opportunity (outside-in)	Action /Strategy
Own workforce (S1)					
Working conditions	Positive impacts were identified through the existing work-life balance policies, but also as a result of the existing health and safety policy. Adequate wage, secure employment contracts and special protection agreements for employees provide good working conditions. These conditions are secured through works councils and collective labour agreements. Further positive impacts result from established communication channels between HENSOLDT and its employees. Potential accidents at work and psychological stress can have a negative impact on workers.	medium term and long term	no	Risks are posed by the challenging situation in recruiting (skilled labour shortage) and the possible departure of qualified key staff. In addition, staff absences, psychological stress or accidents can lead to downtimes and absenteeism. The actions taken relating to working conditions and a comprehensive health management system represent an opportunity to promote the health of workers, increase employer attractiveness and minimise absenteeism.	The strategic action area "Own workforce" focuses on providing workers with safe and fair working conditions. HENSOLDT promotes an inclusive and diverse corporate culture and is committed to continuous training and development. Health and safety in the workplace are key elements of the strategy. The relevant actions and the health management are described in section V.3.3 Own workforce
Equal treatment and opportunities for all	Actions to promote gender parity and training and development programmes have a positive impact on workers.	medium term and long term	no	Opportunities arise from the programmes for diversity and further training, which improve diversity and employer attractiveness.	
Workers in the value chain (S2)					
Working conditions	In the upstream value chain, non-compliance with certain labour standards can lead to potential negative impacts. The actions taken by HENSOLDT to create a safe working environment for the workers employed at HENSOLDT sites have been identified as potential positive impacts.	medium to long term	yes	Non-compliance with labour standards can lead to fines	Strategic action area "Suppliers" : HENSOLDT ensures that all partners meet high standards in terms of sustainability, ethics and transparency. Actions include the Supplier Code of Conduct as well as regular assessments and risk analyses. Go to section V. 3.4 Workers in the value chain
Other work-related rights	Potential negative effects can result from non-compliance with human rights in the supply chain. Potential positive impacts result from HENSOLDT's strategy to prevent or minimise human rights violations along the supply chain.	medium term	yes	Human rights incidents in the supply chain can lead to reputational risks and financial penalties.	
Consumers and end-users (S4)					
Personal safety of consumers and/or end-users	Non-compliance with business, development and product compliance processes or improper handling of the products can lead to potentially negative effects on end-users. The products and portfolio of HENSOLDT and the strict requirements for product safety improve the safety of end-users.	medium term	yes	Product and liability risks can arise if the products fall short of safety and quality standards.	The "Customer" strategic action area focuses on ensuring that products meet the highest quality and safety standards. HENSOLDT invests in customer-orientated innovations and focuses on sustainable product design. Actions relating to customers are described in section V. 3.5 Consumers and end-users.

Sustainability matter	Impact (inside-out)	Time horizon	Value chain	Risk/opportunity (outside-in)	Action /Strategy
Business conduct (G1)					
Corporate culture	A positively practised corporate culture ensures satisfied workers. These can then be multiplied along the value chain by the values expressed in the Code of Conduct.	medium to long term	yes	Competitive opportunities result from initiatives that maintain and promote a strong corporate culture, particularly through motivated workers and efficient processes.	The strategic action area "Business Integrity" ensures that the highest standards of business conduct and compliance are maintained. HENSOLDT is committed to transparency, ethical behaviour and compliance with legal regulations. The Code of Conduct is set out in section V. 4.1 Business Conduct. Privacy and export compliance are company-specific topics described in chapter V. 4.2 HENSOLDT-specific disclosure due to material impacts, risks and opportunities.
Corruption and bribery	not identified	medium term	no	Reputational risks may arise due to corruption and possible bribery or anti-competitive or fraudulent behaviour.	
Political relations	not identified	medium term	no	Potential fines and reputational risks may arise if the relevant stipulations are not met.	
Company-specific: Export compliance	Failure to comply with export compliance can result in employees being held personally liable. Adhering to export compliance thus protects employees from misconduct and provides them with security through protection from prosecution and a sustainably secure workplace.	medium term	yes	Non-compliance with regulatory requirements may constitute an administrative offence or lead to criminal prosecution and entail reputational risks.	
Company-specific: Data responsibility	The loss or misuse of personal data can have a potentially negative impact on workers, suppliers or customers and end-users.	short, medium term	yes	Improper handling of personal data can lead to reputational damage and fines. Further potential reputational and liability risks could arise from cyber attacks.	

1.5 Topic-related disclosure requirements

Climate change (E1-IRO-1)

The resilience of HENSOLDT's strategy and business model in relation to climate change was examined as part of the analyses described below. The identification and assessment of climate-related impacts, risks and opportunities is performed as part of the integrated consideration of sustainability-related impacts, risks and opportunities, which is carried out across several organisational levels. The impacts on climate change were considered in particular through actual and future CO_2 emissions as part of the development of the sustainability strategy. The effects of the own activities as well as the activities along the value chain were analysed in orientation to the concept of the Science-Based Targets initiative (SBTi). This was done using the already implemented CO2 reporting, which was enriched with planned values.

With regard to climate risks, a fundamental distinction is made between physical risks and transition risks. Physical climate risks, such as extreme weather events, require actions to protect assets, among other things, while transition risks towards a climate-neutral economy, which are related to market changes or regulatory developments, require adaptation strategies. Climate risks were evaluated on the basis of a separate scenario analysis in addition to the materiality assessment and ERM.

The scenario analysis considered for 2024 a total of 33 sites and also took into account the recommendations of the Task Force on Climate Related Disclosure (TCFD) as well as the ESRS and EU Taxonomy requirements. The sites were selected based on their size, type (i.e. which functions are represented at the site) and relevance for HENSOLDT. The scope was reduced to cover sites that could be relocated in the event of imminent climate risks without significantly restricting business operations. The scenario analysis was not carried out for the up- and downstream value chain. However, aspects of the supply chain were examined in the materiality assessment.

The analysis was based on the scenarios RCP 2.6/SSP1 (Representative Concentration Pathway / Shared Socioeconomic Pathway) and RCP 8.5/SSP5 of the IPCC (Representative Concentration Pathways of the Intergovernmental Panel on Climate Change), which are based on current scientific knowledge, and analysed up to the year 2100. The consideration of both scenarios enables a comprehensive analysis of climate risks. The evaluation of an optimistic and dramatic development improves the assessment of climate risks and thus the basis for decision-making, particularly for location-related considerations. Whereas the scenario RCP 8.5 equates to a ‘business-as-usual’ scenario and assumes global warming of more than 4 degrees Celsius, the scenario RCP 2.6 represents an optimistic reduction pathway with an average warming of less than 2 degrees Celsius. While RCP scenarios assume different greenhouse gas concentrations that determine future weather and climate developments, the SSPs also integrate societal and economic developments.

The scenario RCP-2.6 is based on a strongly sustainable development path, where global public goods are considered important, preserved, and the limits of natural systems are respected. Consumption is characterised by low material and energy use, and the use of renewable energy has a high societal priority. By 2030, greenhouse gas emissions are to be massively reduced, and greenhouse gas concentrations are to gradually decrease by the end of the century. By the end of the 21st century, there are to be no more anthropogenic greenhouse gas emissions, which is to be achieved, among other things, through negative emissions in the second half of the century. Global warming can be limited to less than 2 °C compared to pre-industrial times, although there are impacts on natural and socio-economic systems, for which global adaptation mechanisms exist to manage losses and damage in the global south.

The scenario RCP-8.5 assumes that social and economic development is based on the increased exploitation of fossil fuel resources with an energy-intensive lifestyle worldwide. The global economy grows rapidly, primarily due to developments in industrialised and emerging countries. The use of fossil fuels is met with high societal acceptance, while renewable energies are less recognized. This leads to a significant increase in greenhouse gas concentrations in the atmosphere. The rise in greenhouse gas emissions continues until the end of the 21st century. The climatic changes are very strong. However, through international cooperation established within the framework of a highly interconnected global economy, the countries most affected by climate change receive support. An effective mechanism for dealing with climate-related risks beyond adaptation limits enables many countries to implement the necessary and often transformative adaptation actions (at least partially). For damage and losses due to climate change, for which no proactive adaptation actions are effective, internationally coordinated compensation mechanisms exist.

Climate hazards were analysed for each site over the short, medium and long term and assessed against the expected life of the underlying assets and the strategic planning. The periods until 2030, 2050 and 2100 used for this purpose reflect the long useful life of the underlying assets, especially existing buildings at the site, as well as long-term site planning. A capital allocation plan was not considered, as it is not used for the strategic planning process at HENSOLDT. In addition, data on physical climate hazards is available for these periods. In the analysis, site-specific geographical coordinates were used for this purpose. The results of the scenario analysis relating to various climate risks were discussed and assessed from a Group perspective in a cross-functional workshop. The scenario analysis reflects possible future projections and is therefore fraught with uncertainties.

In addition, the transition risks based on the two scenarios were also discussed and analysed in the aforementioned cross-functional workshop. The TCFD classification was used as a basis, and possible transition risks and opportunities were identified for each category (market, technology, reputation, regulatory) and qualitatively assessed in line with the methodology from the ERM. The market, technology, reputation and regulatory categories are of central importance to HENSOLDT, as they represent the main impact drivers for the business environment and the strategic direction of the company. To ensure a balanced overall assessment, the results of the materiality assessment and those from risk management were also taken into account.

As a result, significant physical climate risks have been identified at all 33 locations from a Group perspective. These include, in particular, risks from the hazards of storms, flooding, hail, cold waves/frost, heat waves, and drought. To counteract these risks, HENSOLDT has already implemented various actions, such as heating and air conditioning systems or taking out insurance policies. A material transition risk would result from a tightening of regulations, particularly those relating to CO_2 emissions and dependence on energy from fossil fuels. These can lead to rising CO_2 prices. HENSOLDT is combating this dependency through greater investment and more projects. One action is the stepping up of the switch to renewable energy sources and reducing the use of fossil fuels, which can also mean potential cost savings. Beyond this, no additional material opportunities have been identified for HENSOLDT in terms of climate change and adapting to climate change. In HENSOLDT’s view, its sufficient resilience to climate change was established through the detailed assessment of physical climate risks and transition risks, which was carried out in workshops with experts and by analysing existing and planned actions.

The sustainability department is in close coordination with the finance department to ensure that the climate scenarios used are consistent with the critical climate-related assumptions in the Financial Statements. In fiscal year 2024, no assumptions regarding climate-related uncertainties were made in the Financial Statements.

Biodiversity and ecosystems (E4-IRO-1)

HENSOLDT conducted a detailed biodiversity assessment to find out whether its own sites are located in areas that are particularly sensitive to impacts on biological diversity and ecosystems.

The biodiversity assessment included examining the geographical location of the sites with regard to their proximity to protected areas. In addition, the activities carried out at the respective sites were analysed in order to assess potential impacts on the surrounding ecosystems and biodiversity in the protected areas. The aim of this assessment was to identify risks at an early stage and take appropriate actions to ensure the environment is protected and to minimise negative impacts on the biological diversity.

The biodiversity assessment showed that no sites are located in or near a protected area or an AZE (Alliance for Zero Extinction) area. The result of the assessment identifies only one site of a HENSOLDT Group subsidiary that is located near a biodiversity-sensitive area. To ensure that this site does not have a negative impact on the environment or the species living there, HENSOLDT analysed the activities at this location. The results of this analysis led to the conclusion that there are no foreseeable significant impacts or dependencies relating to biodiversity in this case.

Other environmental topics (E2-, E3-, E5-IRO-1)

The process to identify impacts, risks and opportunities relating to the other environmental topics was carried out for all topics in line with the procedure described in the materiality assessment. However, based on the business model, it was not necessary to examine any specific sites in relation to pollution, water and marine resources as well as resource use and circular economy. The HENSOLDT product range referred to in section V.1.3 Strategy and business model requires the manufacture of individual products and small batches. It can therefore be concluded that the topic of resource use and circular economy was not identified as material in the materiality analysis.

Regarding pollution, water and marine resources, biodiversity and ecosystems as well as resource use and circular economy, no particularly affected communities were identified and therefore no separate consultation was carried out.

Business conduct (G1-IRO-1)

In particular, experts from the ‘Compliance’, ‘Data Protection & IT Law’ and ‘Political Affairs’ departments were interviewed as a means of identifying impacts, risks and opportunities in connection with business conduct. International points of contact were also included to enable a global assessment. The results can be found in section V.4 Corporate responsibility.

2 Ecological responsibility

The aim related to ecological responsibility is to protect the planet by achieving carbon neutrality in Scope-1 (direct) emissions and Scope-2 (indirect) emissions at HENSOLDT by 2035.

2.1 Climate change (E1)

HENSOLDT's target regarding climate change is to minimise its environmental footprint and promote a sustainable future. The strategic pillar ‘Planet & Resources’ relates to the strategic action area ‘CO_2 Reduction’ and focuses on reducing CO_2 emissions and expanding renewable energy.

Strategic pillar: Planet & resources

The United Nations’ goal to “take urgent action to combat climate change and its impacts” (SDG 13) is also reflected in HENSOLDT’s sustainability strategy. The targets of the sustainability strategy to the CO_2 reduction were set in orientation to the Paris Agreement and the guidelines of the Science-Based Targets initiative (SBTi). Although the SBTi does not specifically cover the defence sector, HENSOLDT is orientating to the general targets of the SBTi and the Paris passed EU reference values in order to make its contribution to achieving the global climate targets. In keeping with the SBTi, this includes the minimum requirement of neutralising all emissions by 2050 at the latest and a corresponding linear reduction pathway, thus avoiding an increase in the intensity of emissions. In addition, there is the requirement to reduce Scope-1 and Scope-2 emissions by 42 % and to determine Scope-3 emissions and reduce them by 25 % by 2030. The corresponding assessment of transition risks and physical climate risks is described in section V.1.5 Topic-related disclosure requirements.

The HENSOLDT CO_2-reduction roadmap[13] (E1-1)

In 2024, HENSOLDT developed a detailed transition plan for the first time, running through to 2035. This transition plan, in the form of a CO_2-reduction road map, forms a sub-area of the HENSOLDT Group's sustainability strategy and includes a wide range of actions. The CO_2-reduction road map was presented in the Management Board and the CO_2-reduction targets included therein where approved. The roadmap draws on the strategic growth forecasts and plans for the next 10 years. The specific actions in the CO_2-reduction roadmap are based on CapEx and OpEx calculations, which are reviewed annually and included in the investment planning for the following year. Further details on the actions and progress can be found in the Actions section. HENSOLDT's CO_2-reduction roadmap targets are orientated to the SBTi requirements described above. The CO_2-reduction roadmap takes into account all Scope-1 and Scope-2 emissions of major HENSOLDT Group locations within the consolidation scope. Scope-3 emissions were recorded for the first time in 2024. The development of a net zero target and a reduction plan for Scope 3 will be developed in 2025.[14] Further information on the targets in this context can be found in the Targets in focus section. Since HENSOLDT currently does not have a CapEx plan in accordance with the EU taxonomy to increase taxonomy-eligible investments, operating expenses, and revenues, it cannot be aligned with the investments under the CO_2-reduction roadmap.

Decarbonisation levers

HENSOLDT has defined three key decarbonisation levers in its CO_2-reduction roadmap in order to comply with the Paris Climate Agreement. The levers include increasing energy efficiency in order to minimise an increase in energy demand even with the projected dynamic growth in business. Country-specific annual savings on energy requirements of between 1.0 % and 2.5 % are planned. There are also plans to switch energy procurement to renewable sources, such as photovoltaic installations (PV installations) and power purchase agreements (PPAs), as well as to implement the statutory Mobility Directive to reduce Scope 1 emissions. In addition, product longevity is to be extended and emissions in the supply chain reduced through active supplier management. The associated actions and the resulting emission savings are explained in more detail in the Actions section.

[13] The CO_2-reduction roadmap and the associated targets, actions and metrics were not validated by any external body.
[14] HENSOLDT's CO_2-reduction roadmap does not meet all the requirements of a transition plan according to ESRS, including the establishment of a Scope-3 reduction plan and a net-zero target. Additionally, the CO_2-reduction roadmap does not include information regarding refrigerants. HENSOLDT plans to fulfil all requirements for a transition plan in the fiscal year 2026.

Locked-in greenhouse gas emissions

The HENSOLDT product range referred to in section V.1.3 Strategy and business model requires the manufacture of individual products and small batches. As a direct result, fully automated production facilities are only employed on a very small scale. Greenhouse gases (GHG) locked into capital goods mainly applies to buildings, and only to a lesser extent to installations. One type of buildings are production buildings with no particularly strict specific requirements and with a long useful life. However, office buildings for development and laboratory space are also required. Overall, HENSOLDT does not have a significant amount of GHG locked into its installations. The emissions determined in Scope 3.1. from purchased goods and services are the most significant item in the carbon footprint and are built into HENSOLDT's products. As highly technical goods, these products have a long service life with the appropriate level of maintenance. These products also do not contain locked-in GHG emissions at any level that could represent a transition risk for the emission reduction targets.

Progress in the reporting year

Selected actions from the CO_2reduction road map were already implemented in the fiscal year 2024, such as the conversion and standardisation of energy purchasing in Germany for the companies HENSOLDT Sensors GmbH, HENSOLDT Optronics GmbH and ESG GmbH. Significant progress was made by signing PPAs (Power Purchase Agreements), which are long-term supply contracts with energy suppliers of renewable energy installations. These actions enable HENSOLDT to reduce the volume of green electricity certificates purchased retrospectively and increase its proportion of directly usable green electricity.

In addition, all sites of the French entity HENSOLDT Nexeya switched to green electricity. In the 2024 reporting period, all of HENSOLDT's larger sites also underwent a review regarding the potential use of photovoltaics. Further studies are being carried out at sites where potential for the use of PV installations has been identified. In Immenstaad, negotiations regarding energy-efficient refurbishment are continuing. At the Oberkochen (HENSOLDT Optronics) and Epreville (HENSOLDT Nexeya) sites, efficient new buildings will be completed in early 2025 and occupied during the course of the year.

Environmental management (E1-2)

The HENSOLDT sustainability strategy covers all core targets on the topic of "climate-neutral operations". A large number of actions and a transition plan - the CO_2-reduction roadmap - will ensure that the targets are achieved. The CO_2-reduction roadmap is closely linked to the HSE-policy (Health, Safety & Environmental), which defines the overarching principles for climate change mitigation and environmental protection in addition to health and safety. It applies to all companies, business partners and visitors to HENSOLDT sites around the world. Furthermore, the Supplier Code of Conduct lists requirements for environmental protection along the supply chain (see section V.3.4 Workers in the value chain). The HSE policy describes the overarching environmental management system and specifies the form in which the respective company divisions and subsidiaries must incorporate the relevant environmental protection actions required to achieve the environmental and emissions targets set out in the strategy. HENSOLDT does not have a concept for adapting to climate change, as the physical climate risk in relation to adaptation to climate change has already been reduced to an non material net risk through the actions taken (see section V.1.5 Topic-related disclosure requirements). The guideline covers the areas of climate change mitigation, energy efficiency and renewable energy. Each country has an HSE representative responsible for implementing the policy. This representative reports directly to the Group HSE Officer, who reports directly to the Management Board. Any changes or additions to the policy undergo approval by the Management Board. The HSE strategy is shared with workers through various communication channels such as HSE training, safety meetings and communication media. HENSOLDT's environmental management system is already certified in accordance with the international ISO 14001 standard in Germany (Sensors, Optronics and Avionics), the United Kingdom and South Africa (Optronics). The plan is to extend certification for all HENSOLDT locations. The certification is reviewed annually and renewed on a 3-year cycle.

Targets in focus (E1-4)

HENSOLDT has set itself, through the LTI Bonus, a compensation-relevant and applicable target of increasing by 2027 the proportion of installed renewable energy capacity in HENSOLDT's core countries (ESG Group is excluded) to 4,583 kWp. This supports HENSOLDT's overarching target of becoming CO_2-neutral by 2035. This overarching target is in orientation to the SBTi, the HENSOLDT sustainability strategy and the CO_2-reduction roadmap. Further details can be found in the section The HENSOLDT CO2-reduction roadmap. HENSOLDT adheres to the framework conditions for non-detailed described sectors of the SBTi to comply with the boundaries of the greenhouse gas inventory. Intermediate targets include the reduction of Scope-1 and Scope-2 CO_2 emissions by 25.0 % until 2026, by 50.0 % until 2029 and by 75.0 % until 2032, starting from the base value 21,886 tCO_{2e} in fiscal year 2020. The reduction targets apply equally to

Scope 1 and Scope 2, while Scope-3 emissions were not taken into account in the target setting. Calculation of the Scope-2 emission reduction targets was based on the site-specific approach because this is a better reflection of HENSOLDT's active approach. No targets were defined for Scope-3 emissions due to the fact that the fiscal year 2024 was the first time data was collected. A target is planned for the 2025 fiscal year. The emissions reduction targets were approved by the Management Board. Target achievement is reviewed quarterly by the sustainability department and measured in CO_{2e} as part of the sustainability reporting.

The base value of the fiscal year 2020 is a representative value regardless of the coronavirus crisis occurring at the time, as the defence sector was not materially impacted by the effects. The acquisition of ESG Group in 2024 has, due to ESG GmbH's mainly digital product portfolio, no material impact on the HENSOLDT Group's energy requirements and emissions. Apart from the climate risk assessment, no other climate and policy scenarios were used as a basis for determining the reduction targets (see section V.1.5 Topic-related disclosure requirements). As described in The HENSOLDT CO2-reduction roadmap section, the growth forecast was considered when calculating the target values.

The actions described in the following section are mainly derived from the decarbonisation levers already described and collectively give the total amount of the expected CO_2-emission reduction targets.

Actions (E1-3)

The HENSOLDT sustainability strategy sets out further actions that are in addition to implementation of the CO_2-reduction roadmap. There are plans to certify the environmental management system in line with ISO 14001 at all HENSOLDT sites by 2026 and to certify the environmental management system in accordance with ISO 50001 at all German sites of Sensors GmbH in the 2025 fiscal year. The current status of implementation is given in the Environmental management section. HENSOLDT is also developing a strategy for sustainable business travel. The phased decarbonisation of the company vehicle fleet has already been carried out.

As described in The HENSOLDT CO2-reduction roadmap section, HENSOLDT addresses three decarbonisation levers, calculated with CapEx or OpEx expenditures up to the year 2035.

HENSOLDT expects to save 5,914 tCO_{2e} through improved energy efficiency by 2035. To achieve this, HENSOLDT is focusing on continuously optimising lighting efficiency by progressively using LED lighting as well as on actions relating to ventilation technology, such as optimised controls and more efficient ventilation drives and pumps. These actions are carried out by refurbishing existing buildings or by constructing entirely new buildings or sections of buildings to significantly higher levels of efficiency. HENSOLDT estimates the necessary financial resources for the coming years based on the projected energy consumption and standard market investment costs. HENSOLDT assumes that, up to 2035, CapEx of € 31 million will be required to implement the efficiency actions required. This figure excludes expenditure for replacing entire buildings/parts of buildings to upgrade them to the state of the art. HENSOLDT expects that the CapEx amounts stated will increase as a result of the dynamic growth of HENSOLDT.

HENSOLDT is planning more PV installations on existing and new buildings to save energy. In South Africa, this will avoid having to use coal-fired power and diesel for emergency generators, which are particularly harmful to the climate. The planned shift of energy supply in South Africa to renewable sources can realise a saving of 5,016 tCO_{2e} and is funded through € 3 million of CapEx. A further 3,500 tCO_{2e} of savings will result from the investments in PV installations in Germany already agreed in this fiscal year and the PPA (Power Purchase Agreements) purchasing of solar and wind power. PPAs are long-term direct contracts for the purchase of energy from wind and solar plants. From 2026, 26.0 % of the electricity requirements at HENSOLDT's German sites will be supplied through wind and solar PPAs. In addition, the sites in France and the UK are already supplied with green electricity via guarantees of origin. The supply of power from renewable sources primarily affects OpEx items, with the exception of the construction of PV systems, which are recognised in investments in the amount of € 2 million. The carbon footprint can be reduced by a further 17,965 tCO_2 by switching HENSOLDT's electricity supply to green electricity. To do this, operational expenditure (OpEx) totalling € 8 million is planned. This switch has already been implemented to a large extent. In Germany, France and the United Kingdom, all electricity (less self-generated electricity and PPA coverage) is already purchased as green electricity with guarantees of origin.

The implementation of the Mobility Directive in Germany means further planned savings of up to 1,873 tCO_{2e} for HENSOLDT. A guideline has been issued for the company vehicle fleet of HENSOLDT Germany, which will reduce the specific emissions of the vehicles by 2030 by 50 % and avoid them by 2035 completely.

In the 2024 reporting period, 138 tCO_2 emissions were saved as a result of the actions already taken.

Implementation of the actions is assumed by HENSOLDT to require CapEx of € 6 million for the next 3 years, € 11 million in total for the next 5 years and € 34 million in total for the next 10 years. Almost all actions to increase energy efficiency require capital expenditure. The construction of energy supply systems, such as photovoltaic installations or heat pumps, requires upfront investments with relatively long amortisation periods. In particular, actions to increase energy efficiency, but also the construction of supply systems, involve considerable measurement and planning work, which require significant labour costs. HENSOLDT assumes that sufficient resources will be available to finance the mentioned actions (see Note 37.1 to the Consolidated Financial Statements).

Energy consumption (E1-5)

In the 2024 reporting period, HENSOLDT self-generated 423 MWh of solar energy (renewable source).

The stated energy consumption includes consumption by all companies that fall within the HENSOLDT consolidated group. The scope of the data calculation corresponds to that of Scope-1 and Scope-2 emissions in the climate change mitigation section. Conversion factors were used for the figures given. DEFRA's conversion factors were used for the energy data for Scope-1 emissions and those of DEFRA, Ecoinvent, OurWorldinData, BAFA and the district heating operators for Scope-2 emissions. The stated amount of energy corresponds to the actual energy consumption of HENSOLDT Group's entities, whereby double counting is excluded. The energy generated by HENSOLDT that was sold on to third parties was also excluded. When splitting consumption from purchased or received electricity, heat, steam and cooling into renewable and non-renewable sources, HENSOLDT adopts the approach for calculating market-based Scope-2 emissions. This energy consumption is reported as being from renewable sources only if the origin is clearly specified in the contractual agreements with the suppliers.

Energy consumption and energy mix	Fiscal year
in MWh	2024
Fuel consumption from coal and coal products	–
Fuel consumption from crude oil and petroleum products	6,900
Fuel consumption from natural gas	509
Fuel consumption from other fossil sources	–
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources	41,403
Total fossil energy consumption	**48,812**
Share of fossil sources in total energy consumption (in %)	58.5 %
Consumption from nuclear sources	**–**
Share of consumption from nuclear sources in total energy consumption (%)	– %
Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biological origin, biogas, renewable hydrogen, etc.)	–
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	34,320
The consumption of self-generated non-fuel renewable energy	330
Total renewable energy consumption	**34,650**
Share of renewable sources in total energy consumption (in %)	41.5 %
Total energy consumption	**83,463**

Energy intensity

The segments of the HENSOLDT Group are climate-intensive according to Regulation EU 2022/1288 and are therefore included in the energy intensity calculation. The net revenue in the fiscal year 2024 amounts to € 2,240 million. The total energy consumption of HENSOLDT is 83,463 MWh. This translates into an energy intensity of 37.26 MWh/€ million.

Climate change mitigation (E1-6)

HENSOLDT measured greenhouse gas emissions in all producer countries in accordance with the Greenhouse Gas (GHG) Protocol. All companies in the scope of consolidation of the HENSOLDT Group were included in the calculation of emissions on a 100 % basis. The exception here was the acquired ESG Group, which was only reported on a 75 %

basis in the first reporting period 2024, as it only became part of HENSOLDT Group in the second quarter. From 2025, ESG Group will be fully accounted for in terms of its GHG emissions.

In fiscal year 2024 , HENSOLDT generated location-based emissions of 505,874 tCO_{2e} and market-based emissions of 488,906 tCO_{2e}. CH4, N2O, HFC, PFC, SF6 and NF3 emissions were converted to CO_{2e} using the relevant factors. The CO_2 emissions can be disaggregated as shown in the table. The corresponding CO_2-reduction targets can be found in the section Targets in focus.

	Base year[1]	Fiscal year
in tCO_{2e}	2020	2024
Gross Scope-1 GHG emissions	**3,408**	**2,644**
Percentage of Scope-1 GHG emissions from regulated emission trading schemes (%)	–	–
Location-based Scope-2 emissions	**18,478**	**25,993**
Market-based Scope-2 emissions	**7,039**	**9,025**
Total indirect Scope-3 emissions	**n/a[2]**	**477,237**
1 Purchased goods and services	n/a	363,357
2 Capital goods	n/a	47,909
3 Fuel and energy-related activities (not included in Scope-1 or Scope-2)	n/a	5,499
6 Business travel	n/a	27,042
7 Employees commuting	n/a	7,220
11 Use of sold products	n/a	26,210
Total GHG emissions (location-based)	**n/a**	**505,874**
Total GHG emissions (market-based)	**n/a**	**488,906**

[1] The CO_2-emissions determined in the base value of the fiscal year 2020 refer to Scope-1 emissions and Scope-2 emissions. Scope-3 emissions were not determined in fiscal year 2020. In fiscal year 2024, the consolidation scope was expanded compared to the base value of fiscal year 2020. The acquisition of the ESG Group in 2024 has no significant impact on the energy demand and emissions output of the HENSOLDT Group due to the primarily digital product portfolio of ESG GmbH.

[2] No information available.

At the largest sites in Germany, France and the United Kingdom, what are known as ‘Guarantees of Origin’ (GoOs) have been contractually agreed for energy procurement from market-based Scope-2 emissions. The GoO is a European certificate that confirms the renewable origin of electricity. At the sites in Taufkirchen, Ulm and Kiel, renewable energy is also sourced directly from local producers. This involves the use of ‘Green Electricity Supply Contracts’.

The Scope 1 and 2 data is largely based on the processing of primary data. The consumption of purchased electricity/heat/steam and cooling is measured using suitable measuring equipment and recorded on a site-specific basis. At the Oberkochen site, the consumption of purchased electricity/heating/steam and cooling was determined on the basis of estimated values. Scope-2 emissions are calculated on the basis of measured energy demand, both market-based and location-based. The purchase of primary energy sources such as propane, natural gas, heating oil, fuel and refrigerants is also measured. This is recorded with the respective quantity data, e.g. litres of fuel, kWh of energy consumption or kg refrigerants. This primary data is then converted into CO_2 equivalents using the latest version of DEFRA's specific emission factors. Official BAFA data is also used for some purchased energy. For individual locations with non-material electricity and heat consumption, estimated values for the stated Scope 2 emissions were used.

HENSOLDT's Scope-3 emissions are calculated using the GHG corporate value chain approach. The calculation methods and values for Scope-3 emissions are only stated in this report for emission categories that account for more than 1.0 % of total Scope-3 emissions. As only a small amount of primary data (5.7 %) could be obtained for Scope 3 value chain emissions for HENSOLDT, the Scope-3 emissions were calculated in part from secondary data for the corresponding activities. For these reasons, the information on Scope 3 emissions is subject to estimates and assumptions, which are addressed in more detail below.

Scope 3 emissions[1]	HENSOLDT activities	Immaterial Scope 3 emissions (< 1.0 %)
Scope 3.4 & 3.9 Up- and downstream transportation and distribution[2]	Activities	0.89 %
Scope 3.5 Waste generated in operations	Activities	0.01 %
Scope 3.8 Upstream leased assets	No activities	n/a
Scope 3.10 Processing of sold products	No activities	n/a
Scope 3.12 End-of-life treatment of sold products	Activities	0.01 %
Scope 3.13 Downstream leased assets	No activities	n/a
Scope 3.14 Franchises	No activities	n/a
Scope 3.15 Investments	No activities	n/a

[1] Scope 3.8 / 3.10 / 3.13 / 3.14 / 3.15 emissions were not taken into account as HENSOLDT does not operate in these fields. Scope 3.4 / 3.5 / 3.9 / 3.12 emissions are not reported due to their immateriality and will not be calculated in subsequent years if no significant changes are expected. The materiality threshold was set at 1.0 % of total Scope-3 emissions.

[2] Due to the first-time survey, it is not possible to differentiate between upstream and downstream transport. Despite the aggregation, the combined emissions are below the materiality threshold of 1.0 %.

To calculate the Scope 3.1 emissions from purchased goods and services, the EEIO databases (Environmentally-Extended Input Output) had to be used owing to the limited availability of data. For the calculation, the procurement volume of HENSOLDT Group was categorised and captured in 21 groups of goods and services. These 21 groups of goods and services correspond to the categories of the same name in the EEIO database ‘Department for Environment Food & Rural Affairs’. The proportion of total Scope-3 emissions is around 76.1 %. The calculation does not include transport services and the purchase of capital goods, as these are assessed separately.

The same procedure was used to calculate Scope-3.2 emissions from purchased capital goods. The proportion of total Scope-3 emissions in this case is 10.0 %.

Scope 3.3 emissions from activities related to fuels and energy, which are not included in the Scope-1 & 2 calculation, account for 1.2 % of Scope-3 emissions. The calculation takes place using DEFRA's WTT factors (Well to Tank). DEFRA's WTT factors from the latest data set were used for all fuels and primary energy sources in Scope 1. For the Scope-2 calculation, a distinction was made between losses due to transmission & distribution (T&D) and WTT emissions for purchased energy and losses.

Scope 3.6 emissions from business trips are recorded in detail at HENSOLDT and documented along with routes and modes of transport. Using the current DEFRA data based on passenger kilometres, means of transport and the RFI factor (Radiative Forcing Index) for air travel, the emissions from business trips were identified. The overlap with business trips involving company vehicles, which are recorded as direct Scope-1 emissions rather than business trips, is very small. Around 5.7 % of Scope-3 emissions are attributable to business trips.

Scope 3.7 emissions from workers commuting were determined based on the number of workers in the national organisations and an assumption for the modal split. This includes the proportion of use of different modes of transport such as car or local public transport, i.e. the relevant distances and routes. Reference was also made to internal surveys in Germany, France and the United Kingdom. In South Africa, general studies had to serve as a basis. The estimated days spent working from home were also taken into account. The working-from-home consumption is based on DEFRA 2024 data, with the emissions from electricity consumption being corrected using the country-specific electricity emission factors. In total, around 1.5 % of Scope-3 emissions are the result of workers commuting and emissions from working from home.

Scope 3.11 emissions from the products manufactured by HENSOLDT include stand-alone devices and fixtures and fittings. The emissions generated during the service-life phase result from the direct electricity consumption of the components. The primary energy requirement was estimated on the basis of an assumption about the duration of use, the estimated energy requirement of the component and the efficiency of generation of the mobile supply from aggregates or on-board systems. Combined with the DEFRA emission factors, this results in a 5.5 % proportion of total Scope-3 emissions.

Greenhouse gas intensity

Net revenue in fiscal year 2024 amounted to € 2,240 million. Total GHG emissions in fiscal year 2024 amounted to 505,874 tCO_{2e} using the location-based method and 488,906 tCO_{2e} using the market-based method. HENSOLDT's location-based greenhouse gas intensity totalled 225.84 tCO_2/€ million. The market-based greenhouse gas intensity amounted to 218.26 tCO_2/€ million.

Greenhouse gas removal and internal CO_2 pricing (E1-7, E1-8)

The HENSOLDT Group has no internal CO_2 pricing, no greenhouse gas removals and no projects to reduce greenhouse gases financed through CO_2 credits.

2.2 Sustainable product development (company-specific)

HENSOLDT plans to focus more on green technologies in its manufacturing processes and products. In addition to consistently applying civil environmental standards to reduce hazardous substances[15] (RoHS - restriction of hazardous substances), this will also include military applications and the more systematic use of lightweight construction, which is initially to be used primarily in the products of the Sensors segment. Virtual design and construction methods are to be used more frequently over the next 3 to 5 years in order to develop lighter and more resource-efficient products. Special training programmes and the appointment of lightweight construction specialists are aimed at supporting the acceptance and implementation of these technologies. These technologies will reduce the environmental impact.

In order to further promote sustainable product development, HENSOLDT plans to integrate comprehensive design approaches in the medium term that combine EcoDesign, SafeDesign and other considerations. In collaboration with universities and scientific institutions, new technologies and materials are to be researched to make HENSOLDT products more sustainable and energy-efficient. A regular exchange of knowledge - also across different sectors - including specific cooperation projects will be further promoted in the coming fiscal years in order to ensure the continuous improvement and deployment of sustainable technologies. This action relates at first primarily to the products of the Sensors segment.

The actions to improve sustainability also include conducting an analysis of the product portfolio and devising targeted pilot projects to reduce the product carbon footprint (PCF) in the 2025 reporting period. As part of this, an EcoDesign Guideline is to be developed by the 2027 reporting period to ensure that the carbon footprint in the development of new products is reduced. At the same time HENSOLDT intends, where technically possible and desired by the end customer, to replace maintenance that has up to now often still been based on useful life with condition-based and intelligent maintenance as required (maintenance on demand) as part of the planned digitalisation of upcoming new products. This is intended to save resources and reduce costs and potential downtimes for customers.

The integration of design approaches to promote sustainable product development and the consideration of sustainability criteria in innovations is becoming increasingly important for HENSOLDT. Consequently, an additional sustainability criterion is set to be included as part of the innovation management process at HENSOLDT Sensors GmbH in the 2025 fiscal year, that queries whether the innovation contributes to sustainability beyond the customers' or market request. The topic of sustainability will therefore be more explicitly taken into account when selecting ideas to be pursued.

Knowledge transfer and exchange meetings between the design teams of the national and international HENSOLDT companies are intended to promote the sharing of proven processes and continuous improvements based on experience and feedback from initial projects.

The HSE policy described in section V.2.1 Climate Change serves as a fundamental concept for sustainable product development to protect the environment and reduce environmental impacts by HENSOLDT.

The progress of selected actions is presented and discussed at the quarterly team meetings of HENSOLDT's internal international sustainability team. This simultaneously promotes dialogue between the HENSOLDT companies at international level. The effectiveness of the actions is monitored by the Sustainability Department. Regular expert dialogues are being held from the 2025 fiscal year onwards, at which the Management Board is also informed about progress. See section V.1.2 Governance.No time-bound or results-oriented targets have as yet been defined in an ESRS context, as the actions taken are currently considered sufficient to achieve the overarching strategic vision of HENSOLDT.

For more information on targets and actions relating to product responsibility, please refer to section V.3.5 Consumers and end-users.

[15] The described hazardous substances are in an immaterial amount, of no material importance overall.

2.3 EU Taxonomy

Disclosures in accordance with Article 8 of Regulation 2020/852 of the European Parliament and the corresponding Delegated Regulations for fiscal year 2024:

The EU Taxonomy introduces a uniform and legally binding classification system that determines which economic activities are considered ‘environmentally sustainable’ if they meet specified technical screening criteria.

An economic activity is to be considered Taxonomy-eligible if it is described in the delegated acts for one of the six environmental objectives[16], regardless of whether this economic activity fulfils the technical screening criteria specified in these delegated acts. In order to be recognised as Taxonomy-aligned, the economic activity must make a significant contribution to one of the six environmental objectives and, at the same time, the activity must not significantly harm any other environmental objective (‘Do no significant harm’: DNSH). In addition, the minimum safeguards must be met.

When drafting the Regulation, the European Commission focussed primarily on greenhouse gas-emitting sectors and industries and identified possible relevant economic activities from this. Like many other sectors, the defence industry and its core business are not covered by the scope of the EU Taxonomy, meaning that HENSOLDT is primarily involved in activities that are not covered by the EU Taxonomy's area of application for the first two environmental objectives. Likewise, in connection with the four other environmental objectives in the ‘Environmental Delegated Act’, no Taxonomy-eligible economic activities were identified that apply to HENSOLDT. In addition, HENSOLDT does not operate in the energy sector, which means that its rules do not apply.

Accordingly, the information on the first template of Delegated Regulation (EU) 2022/1214 regarding activities in the areas of nuclear energy and fossil gas is as follows; the information on templates 2-5 is omitted:

Row	Nuclear energy-related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas-related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

In the fiscal year, the economic activities in Annex I (Significant contribution to climate change mitigation) and Annex II (Significant contribution to climate change adaptation) of Delegated Regulation (EU) 2021/2139 and Annexes I to IV (Significant contribution to the remaining four environmental objectives) of Delegated Regulation (EU) 2023/2486 and any resulting turnover as well as capital expenditure (CapEx) and operating expenses (OpEx) were comprehensively analysed and assessed to determine which portions could be classified as Taxonomy-eligible or Taxonomy-aligned. The concept developed in previous years and implemented consistently throughout the Group was therefore also applied to the acquired ESG Group. Double counting is avoided by clearly allocating Taxonomy-eligible or Taxonomy-aligned turnover, capital expenditure and operating expenses to only one economic activity in accordance with the EU Taxonomy. The technical screening criteria, which determine whether an economic activity makes a significant contribution to an environmental objective and whether significant harm to one of the other environmental objectives is avoided (DNSH), were applied to all Taxonomy-eligible activities either on the basis of the technical characteristics of individual assets or based on national laws. A detailed climate risk analysis was also performed in connection with this assessment.

In addition, compliance with the minimum safeguards in accordance with the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, ILO core labour standards and the International Bill

[16] Climate Change Mitigation, Climate Change Adaptation, 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.

of Human Rights was verified in relation to the individual business activities. The requirements profile of the minimum safeguards frameworks was analysed and compared with internal documents - including the Code of Conduct for the company and suppliers, work instructions, and guidelines. Risk analyses were carried out with regard to the minimum safeguards topics at Group level and appropriate actions were developed.

As a specialised provider of sensor solutions in the area of products and services, the current scope of application of the EU Taxonomy only applies in a limited capacity to HENSOLDT. The range of services mainly comprises customer-specific development services and the customised manufacture of components according to the relevant area of deployment. The products are not designed for industrial or private end-consumers, which means that the economic activities listed in connection with a transition to a circular economy do not apply to HENSOLDT. The acquisition of the ESG Group has not resulted in any additional relevant economic activities, so the scope for HENSOLDT remains unchanged.

In line with the current status of the Delegated Acts, no relevant economic activities are identified with regard to turnover. Therefore, no Taxonomy-eligible and thus no Taxonomy-aligned turnover was identified. Turnover recognised as non-Taxonomy-eligible can be found in the consolidated income statement.

For the turnover KPI, the scope of Taxonomy eligibility and alignment per environmental objective is as follows:

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation (CCM)	– %	– %
Climate Change Adaptation (CCA)	– %	– %
Water and Marine Resources (WTR)	– %	– %
Circular Economy (CE)	– %	– %
Pollution Prevention and Control (PPC)	– %	– %
Biodiversity and Ecosystems (BIO)	– %	– %

Taxonomy-eligible investments (CapEx) are primarily based on ‘internal’ activities in connection with the leasing of sites and the decarbonisation of the company vehicle fleet, which is partly classified as Taxonomy-aligned.

Total capital expenditure (CapEx KPI denominator) is based on additions to property, plant and equipment and intangible assets in accordance with IAS 16 and 38 and IFRS 16 as well as additions to property, plant and equipment and intangible assets through business combinations in accordance with IFRS 3 during the fiscal year before depreciation and amortisation. These are disclosed in the statement of movements in fixed assets (assets analysis).

The amounts used to calculate the Taxonomy-eligible or Taxonomy-aligned capital expenditure are based on the figures reported in the Consolidated Financial Statements. The data used to determine the KPIs was always obtained directly and immediately from the financial accounting without an allocation key or proportional calculation using data deductions and analyses. The existing leasing tool was used to determine the IFRS 16 initial recognition amounts. The additions due to business combinations were determined as part of the provisional purchase price allocation. The numerator of the CapEx KPI results from analysing the assets or processes associated with the amounts recognised in the denominator with regard to their Taxonomy eligibility or Taxonomy alignment. Based on the additions to property, plant and equipment and intangible assets, the Taxonomy eligibility and alignment were analysed and compared with the defined economic activities of the EU Taxonomy.

New lease agreements for buildings under the activity ‘7.7 Acquisition and ownership of buildings’ from capitalised right-of-use assets in the amount of € 71 million were shown as Taxonomy-eligible investments, of which € 62 million resulted from the acquisition of the ESG Group. In addition, company cars newly leased in the fiscal year were recognised under the activity ‘6.5 Transport by motorbikes, passenger cars and (light) commercial vehicles’ as Taxonomy-eligible but not Taxonomy-aligned investments in the amount of € 3 million from capitalised right-of-use assets, of which € 366 thousand stem from the acquisition of the ESG Group.

The capitalised right-of-use asset for the construction of a new production hall and warehouse with an office building at the Wetzlar site totalling € 16 million is reported as Taxonomy-aligned CapEx under the activity ‘7.7 Acquisition and ownership of buildings’. To this end, all technical screening criteria relating to primary energy demand, air-tightness, thermal integrity and life-cycle Global Warming Potential (GWP) were met.

Beyond that, Taxonomy-aligned investments (CapEx) in the past fiscal year resulted from capitalised right-of-use assets for passenger cars, which are reported at € 0.2 million for electric vehicles and € 0.3 million for hybrid vehicles under the activity ‘6.5 Transport by motorbikes, passenger cars and (light) commercial vehicles’. Of this amount, € 23 thousand is attributable to electric vehicles and € 101 thousand to hybrid vehicles from the acquisition of the ESG Group. The vehicles designated as Taxonomy-aligned meet the requirements with regard to specific carbon emissions of under 50 g CO_2/km and the emissions of light commercial vehicles in accordance with Euro VI, the requirements for tyres concerning rolling noise and rolling resistance coefficients, as well as the requirements with regard to reusability, recyclability and recoverability. The technical screening criteria are thus considered as fulfilled.

Compared to the previous period, there were no major changes in Taxonomy-aligned investments (CapEx) from the activity ‘6.5 Transport by motorbikes, passenger cars and (light) commercial vehicles’ in this reporting period, as the ratio to total CapEx has hardly changed. As there were no investments in photovoltaic systems in this reporting year, no metrics are shown under activity ‘7.6 Installation, maintenance and repair of renewable energy technologies’, unlike in the previous year. For the first time, Taxonomy-aligned CapEx under the activity ‘7.7 Acquisition and ownership of buildings’ is reported in this fiscal year. While the Taxonomy-eligible share of this activity in total CapEx is almost unchanged compared to the previous period, the Taxonomy-eligible share of activity ‘6.5 Transport by motorbikes, passenger cars and (light) commercial vehicles’ in total CapEx has halved. Unlike in the previous reporting period, no metrics are reported under the activities ‘8.1 Data processing, hosting and related activities’ and ‘4.12 Storage of hydrogen’, as no Taxonomy-eligible investments were made in this reporting year.

For the CapEx KPI, the scope of Taxonomy eligibility and alignment per environmental objective is as follows:

	Proportion of CapEx / Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation (CCM)	3.0 %	13.3 %
Climate Change Adaptation (CCA)	– %	– %
Water and Marine Resources (WTR)	– %	– %
Circular Economy (CE)	– %	– %
Pollution Prevention and Control (PPC)	– %	– %
Biodiversity and Ecosystems (BIO)	– %	– %

There were no Taxonomy-aligned operating expenses (OpEx) in the fiscal year, only Taxonomy-eligible operating expenses. These are based on building maintenance costs under the activity ‘7.7 Acquisition and ownership of buildings’. Compared to the previous period, no Taxonomy-eligible OpEx is reported in this fiscal year under the activity ‘4.12 Storage of hydrogen’, as the previously low numbers cease to apply in this reporting year.. Ultimately, there were no significant changes during the reporting period compared to the previous period, as the Taxonomy-eligible operating expenses still stem from the activity ‘7.7 Acquisition and ownership of buildings’, the amount of which changed only slightly compared to the previous year.

The total operating expenses basis (denominator of the OpEx KPI) comprises direct, non-capitalised costs relating to research and development, building renovation measures, short-term leasing, maintenance and repair, as well as expenses that are necessary to ensure the continued and effective functioning of Taxonomy-eligible assets.

The amounts used to calculate the Taxonomy-eligible or Taxonomy-aligned operating expenses are based on the figures reported in the Consolidated Financial Statements.

For the OpEx KPI, the scope of Taxonomy eligibility and alignment per environmental objective is as follows:

	Proportion of OpEx / Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation (CCM)	0.0 %	13.8 %
Climate Change Adaptation (CCA)	– %	– %
Water and Marine Resources (WTR)	– %	– %
Circular Economy (CE)	– %	– %
Pollution Prevention and Control (PPC)	– %	– %
Biodiversity and Ecosystems (BIO)	– %	– %

Overall, the following KPIs are applicable for the fiscal year 2024:

EU Taxonomy 2024

Turnover

Financial year 2024				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (a) (2)	Turnover (3)	Proportion of Turnover, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		t €	%	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	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)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0 %	– %	– %	– %	– %	– %	– %								0.0 %		
Of which enabling		0	0.0 %	– %	– %	– %	– %	– %	– %								0.0 %	E	
Of which transitional		0	0.0 %	– %													0.0 %		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0.0 %	– %	– %	– %	– %	– %	– %								0.0 %		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		0	0.0 %	– %	– %	– %	– %	– %	– %								0.0 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		2,240,008	100.0 %																
Total		2,240,008	100.0 %																

(a) The Code represents the abbreviation of the relevant objective towards which the economic activity can make a significant contribution and the number of the section of the activity in the relevant Appendix covering the objective, i.e.

— Climate Change Mitigation: CCM

— Climate Change Adaptation: CCA

— Water and Marine Resources: WTR

— Circular Economy: CE

— Pollution Prevention and Control: PPC

— Biodiversity and Ecosystems: BIO

(b) Y — Yes, activity that is Taxonomy-eligible and Taxonomy-aligned with the relevant environmental objective
N — No, activity that is Taxonomy-eligible but non-Taxonomy-aligned with the relevant environmental objective
N/EL — 'not eligible', activity that is non-Taxonomy-eligible for the relevant environmental objective

(c) EL — activity that is Taxonomy-eligible for the relevant objective
N/EL — activity that is non-Taxonomy-eligible for the relevant objective

CAPEX

Financial year 2024				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (a) (2)	CapEx (3)	Proportion of CapEx, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodi-versity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodi-versity (16)	Minimum Safe-guards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, year 2023 (18)	Category enabling activity (19)	Category transi-tional activity (20)
		t €	%	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	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)																			
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	114	0.0 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1 %		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	241	0.0 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1 %		T
Acquisition and ownership of buildings	CCM 7.7.	16,120	2.9 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0 %		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		16,476	3.0 %	3.0 %	– %	– %	– %	– %	– %	Y	Y	Y	Y	Y	Y	Y	0.4 %		
Of which enabling		0	0.0 %	– %	– %	– %	– %	– %	– %	Y	Y	Y	Y	Y	Y	Y	0.3 %	E	
Of which transitional		241	0.0 %	0.0 %						Y	Y	Y	Y	Y	Y	Y	0.1 %		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)										
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	2,830	0.5 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.0 %		
Acquisition and ownership of buildings	CCM 7.7.	70,748	12.8 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								12.6 %		
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		73,578	13.3 %	13.3 %	– %	– %	– %	– %	– %								14.9 %		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		90,054	16.3 %	16.3 %	– %	– %	– %	– %	– %								15.3 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		461,322	83.7 %																
Total		551,376	100.0 %																

(a) The Code represents the abbreviation of the relevant objective towards which the economic activity can make a significant contribution and the number of the section of the activity in the relevant Appendix covering the objective, i.e.

— Climate Change Mitigation: CCM

— Climate Change Adaptation: CCA

— Water and Marine Resources WTR

— Circular Economy: CE

— Pollution Prevention and Control: PPC

— Biodiversity and Ecosystems: BIO

(b) Y — Yes, activity that is Taxonomy-eligible and also Taxonomy-aligned with the relevant environmental objective
N — No, activity that is Taxonomy-eligible but non-Taxonomy-aligned with the relevant environmental objective
N/EL — 'not eligible', activity that is non-Taxonomy-eligible for the relevant environmental objective

(c) EL — activity that is Taxonomy-eligible for the relevant objective
N/EL — activity that is non-Taxonomy-eligible for the relevant objective

OPEX

Financial year 2024				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (a) (2)	OpEx (3)	Proportion of OpEx, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) OpEx, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		t €	%	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	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)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0 %	– %	– %	– %	– %	– %	– %								0.0 %		
Of which enabling		0	0.0 %	– %	– %	– %	– %	– %	– %								0.0 %	E	
Of which transitional		0	0.0 %	– %													0.0 %		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)	EL; N/EL (c)										
Acquisition and ownership of buildings	CCM 7.7.	6,374	13.8 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								12.9 %		
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		6,374	13.8 %	13.8 %	– %	– %	– %	– %	– %								14.1 %		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		6,374	13.8 %	13.8 %	– %	– %	– %	– %	– %								14.1 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		39,692	86.2 %																
Total		46,066	100.0 %																

(a) The Code represents the abbreviation of the relevant objective towards which the economic activity can make a significant contribution and the number of the section of the activity in the relevant Appendix covering the objective, i.e.

— Climate Change Mitigation: CCM

— Climate Change Adaptation: CCA

— Water and Marine Resources: WTR

— Circular Economy: CE

— Pollution Prevention and Control: PPC

— Biodiversity and Ecosystems: BIO

(b) Y — Yes, activity that is Taxonomy-eligible and Taxonomy-aligned with the relevant environmental objective
N — No, activity that is Taxonomy-eligible but non-Taxonomy-aligned with the relevant environmental objective
N/EL — 'not eligible', activity that is non-Taxonomy-eligible for the relevant environmental objective

(c) EL — activity that is Taxonomy-eligible for the relevant environmental objective
N/EL — activity that is Taxonomy-eligible for the relevant environmental objective

3 Social responsibility

3.1 Focus on the human element

At HENSOLDT, people are at the focus of activities and decisions. The management's approach to social responsibility stems from the firm belief that respectful and responsible behaviour towards workers, suppliers and customers is not only an ethical imperative, but also an essential factor in the long-term success of the company. Integrity is only achieved if each and every individual plays their part. The overarching policies that are of importance for the subsequent sections are explained below.

HENSOLDT regards responsibility as a wide-ranging commitment that is divided into three central strategic pillars:

- Own workforce: HENSOLDT strives to create a working environment marked by diversity, equal opportunities and inclusion. Employees are the most valuable asset for HENSOLDT and therefore continuous investment is made in their development and well-being. This includes comprehensive training and development programmes, health and safety actions and work-life balance initiatives. HENSOLDT also fosters an open corporate culture which listens to and values everybody.

- Suppliers: HENSOLDT is strongly committed to working closely with suppliers to ensure that high ethical, environmental and social responsibility standards are maintained throughout the supply chain. HENSOLDT selects its partners carefully and expects them to share the HENSOLDT values and abide by the HENSOLDT compliance guidelines. Audits and assessments conducted on an ad hoc basis help to check and continuously improve compliance with these standards.

- Customer: The protection and well-being of customers are at the centre of HENSOLDT's business strategy. HENSOLDT considers the needs and expectations of customers right from the product development and innovation stage, invests in customer-oriented innovations and focuses on sustainable product design.

3.2 The HENSOLDT Group Policy on human rights

Compliance with international obligations to protect human rights is a major priority for HENSOLDT. As a generally applicable set of rules, the Standard of Business Conduct reiterates HENSOLDT's commitment to respecting human rights within and outside the Group. The values and practices established at HENSOLDT consider internationally recognised standards, which are set out in charters, declarations and guidelines, as well as the German Supply Chain Due Diligence Act (LkSG). HENSOLDT has also been a signatory to the UN Global Compact since 2021 and is thus committed to the principles of respecting and upholding human rights. The Group policy described below applies across the board in the area of social responsibility.

The HENSOLDT Group Human Rights Policy defines and details the Group-wide safeguarding of compliance with human rights and refers to the relevant international regulations such as the United Nations (UN) Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO), and the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR). As an international group of companies, upholding human rights in our own operations and throughout the value chain is essential. The guideline contains mechanisms for implementation in this regard and provides approaches for recognising and combatting human rights violations. The Human Rights Policy contains an explicit ban on child and forced labour, slavery and human trafficking. It is supplemented by national regulations, such as the United Kingdom Modern Slavery Act. The Group policy covers all relevant divisions and areas whose responsibilities and activities involve potential risks of human rights violations and/or should be taken into account or assessed. These include HR (workers), Purchasing (suppliers), Compliance (business partners), the Sustainability department and the Human Rights Officer (General Counsel) throughout the Group. Application is also extended to the value chain and business partners via the Supplier Code of Conduct (refer to section V.3.4 Workers in the value chain).

The Human Rights Policy is supplemented by the HENSOLDT Policy Statement on Respect for Human Rights, which is consistent with the aforementioned details. The Group policy and the policy statement are made available to all workers via the intranet. External stakeholders can view them on the HENSOLDT website.

The Human Rights Policy and the Policy Statement on Respect for Human Rights are approved by the Management Board. A Human Rights Officer, supported by the Sustainability, Procurement, Human Resources and Compliance departments, monitors implementation of the processes and supports and advises on the further development of the guidelines and policies. The Human Rights Officer acts in an advisory capacity and is included in decision-making processes and reports to the Management Board of HENSOLDT AG on a regular basis, at least once a year.

A centralised whistleblower mechanism, the HENSOLDT OpenLine, is open to all reporting parties both internal and external, including throughout the supply chain, to report actual or potential violations of legal or internal rules and regulations, including those relating to human rights and environmental risks and breaches of duty. Further information on this whistleblower system can be found in section V.4.1 Business Conduct. The aim is for HENSOLDT's business partners to also comply with international human rights standards. This objective is reflected in the Supplier Code of Conduct, in the terms and conditions of purchase and in the due diligence activities. An IT-based digital platform is already in use for the reviewing and management of suppliers: regarding this, go to section V.3.4 Workers in the value chain.

3.3 Own workforce (S1)

Strategic pillar: Own workforce[17]

In line with the United Nation’s goal ‘Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all’, (SDG No. 4) the strategic pillar “Own Workforce” focuses on equal opportunities, training and development for all workers worldwide.

Material impacts, risks and opportunities related to own workforce, and their interaction with strategy and business model (SBM-3)

HENSOLDT's workers are the heart of the company. Without their commitment, expertise and innovative strength, success would be unthinkable. This is why the focus area "Own workforce” is not only a central component of HENSOLDT's corporate strategy, but is also reflected in its own strategic pillar. HENSOLDT ensures that it creates a working environment that is not only safe and healthy, but also actively promotes diversity and inclusion. The commitment to creating a culture of appreciation and mutual respect is at the centre of this. This means that material impacts, risks and opportunities related to the Group's own workforce interact directly with the strategy and business model. Any adjustments to the strategy or business model are always based on close consultation with workers.

HENSOLDT employs most of its staff on permanent contracts; a small number of employees are hired on a temporary basis. In order to cover production peaks, a limited number of non-employees are also hired under labour leasing agreements. These are mainly temporary workers in Germany. The hiring of these workers takes place indirectly via the relevant HR service providers. These workers perform work that is comparable to that of other HENSOLDT employees.

The materiality assessment, and in particular the consultations with workers' representatives, were used to examine the extent to which employees with certain characteristics or those who work in a certain environment may be exposed to greater risk than others. With regard to occupational health and safety, workers in production may be at greater risk, and this was considered accordingly when developing targets, policies and actions. Furthermore, no activities involving any risk of forced or child labour were identified at the European sites or at the South African, the United Kingdom or Australian sites.

When the material topics were analysed, positive impacts on the company's own employees were identified, which are reflected in particular in fair pay and comprehensive benefits, actions to ensure a good balance between work and family life, collective agreements and the existence of works councils in Germany, as well as the extensive range of training and skills development opportunities. Internal communication and having occupational health and safety mechanisms in place were also positively highlighted in the materiality assessment. Potential accidents at work and mental strain are the main potential negative impacts on workers.

Risks for HENSOLDT are the challenging situation in recruiting (skilled labour shortage) and the possible departure of qualified key staff. In addition, workforce absences due to illness or accidents can have a negative financial impact on HENSOLDT. Opportunities arise in particular through health management, training and further education programmes as well as implemented and consistently managed diversity programmes, which can enhance employer attractiveness.

As described in the ‘Ecological responsibility’ section, HENSOLDT has ambitious climate targets and a matching transition plan. Possible impacts on the workforce in this regard were also analysed. From the actions taken here, no negative impacts on employees are anticipated.

[17] Below, the terms “own workforce” and “employees/workers of the company” are used synonymously.

Overview of policies and actions taken (S1-1) (S1-4)

The following sections describe the targets, policies and actions with which HENSOLDT counteracts the described negative impacts and risks and promotes positive impacts and opportunities. In the overarching area of "Social," the fundamental declaration on human rights or the corresponding corporate policy apply (See section V.3.2 The HENSOLDT Group Policy on human rights).

The procedures for involving the workforce, as well as existing collective agreements or actions for adequate wages and work-life balance, strengthen the positive impacts in the area of working conditions. The Code of Conduct anchors the focus on employees, particularly the promotion of talent and diversity, the maintenance of open dialogue between employees at all levels, and occupational health and safety. This enhances the identified positive impacts in the areas of working conditions, equal treatment and equal opportunities, and addresses the identified opportunities and risks. Further details can be found in section V.4.1 Business Conduct in the section “The HENSOLDT Code of Conduct”.

Through the health management system in conjunction with ISO 14001, the well-being of employees is strengthened while simultaneously counteracting potential workplace accidents or psychological stress. This also promotes employer attractiveness to counteract the shortage of skilled workers and simultaneously addresses the risks in the area of recruiting. Currently no further concepts are available or planned.

In the following sections, the actions derived from these concepts will be explained in more detail and key figures will be reported. The funds required for implementing the actions will be included in the budget planning of the respective departments and the overall budget planning of the Group starting in 2025.

Targets in focus (S1-5)

Objectives for fostering social responsibility serve in particular to focus on the topics of equal treatment and equal opportunities and thus also to increase employer attractiveness. HENSOLDT has set itself the target of creating a proportion of 32.0 % women in the management team by 2027 and interim targets for a proportion of women in the management team of 27.5 % by 2025 and of 30.0 % by 2026. The proportion of women is measured as the proportion of female colleagues in the management team in relation to the respective total number of people in the management team. The management team consists of the Management Board and the Executive Committee as well as executives and senior managers.

No further time-bound or result-orientated targets in the sense of the ESRS were defined, as the actions taken are currently considered sufficient to achieve the overarching strategic vision of HENSOLDT.

The determination of the sustainability strategy and sustainability-related actions and targets is carried out by the sustainability department in coordination with the respective heads of the departments and is approved by the Management Board as part of the annual cyclical strategy process. In the process, the views of the stakeholders and the results of the materiality assessment were considered accordingly. Starting from fiscal year 2025, expert dialogues for the analysis of targets and actions will be conducted regularly. The results of the analysis will be presented and evaluated in the Sustainability Committee.

The effectiveness of the actions outlined in this section is monitored by the Sustainability Department. Starting from 2025 fiscal year, regular expert dialogues will take place in which the Management Board will also be informed about progress. In the quarterly team meetings of the HENSOLDT internal international sustainability team, the progress of selected actions will be presented and discussed. This simultaneously promotes the exchange of the HENSOLDT companies on an international level.

Processes for engaging with own workforce and workers’ representatives about impacts (S1-2)

Direct dialogue with workers

Regular exchange and direct dialogue with employees is extremely important to HENSOLDT. Our workers can communicate their interests directly with their managers at any time. The company welfare advice service, which can be contacted individually at any time, offers information, guidance counselling and cooperative conflict resolution for employees, managers and functionaries in their professional and private lives.

The effectiveness of the dialogue with the employees is reviewed and managed through regular development meetings and 180-degree feedback between employees and managers. HENSOLDT employees can engage in active dialogue with the Group's managers via the intranet, the employee magazine, social media channels or at townhall meetings. Townhall meetings are held quarterly at the German sites and at similarly regular intervals at our sites abroad.

Furthermore, starting in 2025, so-called Sounding Boards and Sounding Channels are planned to promote active two-way communication between employees and top management. By introducing spokespersons for each area, employee feedback will be collected, discussed and summarised in the Sounding Board and presented to the Steering Committee and the Management Board, who will then develop and pursue appropriate actions. The described processes are monitored by the Chief Human Resources Officer and managed by the HR department.

Participation rights of workers

A key element of employee engagement at HENSOLDT is putting workforce participation into practice. The works councils at the German sites and the workers' representatives at sites in France represent the interests of the workforce. Trust-based cooperation between HENSOLDT and the works council ensures compliance with applicable laws, regulations, works agreements and collective agreements.

In Germany, the works council holds extensive information rights and the right to organise works meetings or consultation appointments. Company and site-specific works agreements and collective agreements are supported by HENSOLDT. Works or departmental meetings organised by the works council are held at least every quarter. Once reviewed, specified matters or identified actions are then included in the HR and corporate strategy. HENSOLDT provides the appropriate resources and funding for the work of the workers' representatives. The effective engagement of the workers' representatives is ensured through regular dialogue and publication on the intranet of the outcomes and actions taken.

The Policy Statement on Respect for Human Rights (section V.3.2 The HENSOLDT Group Policy on human rights) is supported and endorsed by the workers' representatives.

Channels for reporting and filing complaints (S1-3) and incidents (S1-17)

Whistleblower system

An essential part of the corporate culture, the HENSOLDT Code of Conduct encourages all workers to communicate openly. As well as directly addressing managers and colleagues, the HENSOLDT OpenLine provides a platform that allows potential suspected cases to be reported 24/7 on the website and anonymously to an external lawyer ("ombudsman"). An internal process is established for handling these reports and the outcomes of the reported cases are submitted to the Management Board and Supervisory Board. During mandatory annual compliance training for the Code of Conduct and further voluntary compliance trainings, staff are actively encouraged to use these processes. The protection of individuals is ensured through established structures relating to the whistleblower system. Further details can be found in section V.4.1 Business Conduct.

Reporting options

Grievances and concerns can also be reported via direct line managers, other managers, the Human Resources Business Partner, the Compliance team or the Data Protection Officer. Additionally, the works council, workers' representatives or other representatives are available to receive reports and complaints, depending on the site and country. For more on this subject, see the section Processes for engaging with own workforce and workers' representatives about impacts.

Reported cases of discrimination including harassment

For the reporting period, the number of reported suspected cases of discrimination based on gender, race, ethnic origin, nationality, religion, belief, disability, age, sexual orientation or other reasons is 8. In addition, 25 complaints were received, one of which was made outside the whistleblower system. None of the aforementioned or any other incidents resulted in a fine, sanction or compensation payment. There were no reports of human rights violations related to HENSOLDT employees during the reporting period.

Employment (S1-6, S1-7)

Metrics

In fiscal year 2024 the total number of employees was 8,409 (see Notes to the Consolidated Financial Statement V.30 Number of employees). 78.7 % of employees work at sites in Germany, followed by 9.3 % in South Africa and 8.9 % in France. In total, 698 employees left the company, resulting in employee turnover of 8.3 %.

	Fiscal year
	2024
Employees by gender[1]	**8,409**
Female	2,024
Male	6,383
Other	2
Not disclosed	0
Employees by country (representing > 10 % of the total number)	**8,409**
Germany	6,616
Employees by employment category	**8,409**
Permanent employees	**7,569**
of which female	1,819
of which male	5,748
of which other	2
of which not disclosed	0
Non-permanent employees	**841**
of which female	205
of which male	635
of which other	–
of which not disclosed	–
Full-time employees[2]	**7,553**
of which female	1,561
of which male	5,991
of which other	1
of which not disclosed	0
Part-time employees[3]	**856**
of which female	464
of which male	392
of which other	1
of which not disclosed	–

[1] Average in headcount
[2] >= 1.0 FTE
[3] < 1.0 FTE

Employee data is recorded using an integrated IT- based HR tool. The number of employees is measured in terms of headcount and calculated as an average of the final figures for each quarter. All workers with a permanent or temporary employment contract are counted as employees. The number of employees is calculated using the same method as for financial reporting. Employee turnover is calculated by dividing the total number of employees who leave the company voluntarily or because they are dismissed, retire or die during the fiscal year by the total number of employees calculated above. HENSOLDT categorises contracts into two types. In the first category are permanent employees, meaning employees who have a permanent contract with a HENSOLDT company. This includes regular employees, seconded, transferred and assigned employees as well as some employees with a mini-job contract. Temporary employees are regular employees who have a fixed-term employment contract, are in partial retirement as well as working students or mini-job employees. Temporary employees also include trainees and interns. HENSOLDT has no non-guaranteed hours employees.

The average number of non-employees (headcount) employed under labour leasing agreements in the reporting period 2024 was 146.

Remuneration (S1-8, S1-10, S1-16)

Collective bargaining coverage and social dialogue

HENSOLDT emphatically supports freedom of association and the right to collective bargaining: the right of employees to join or form a trade union is fully respected. In addition, HENSOLDT promotes dialogue with and involvement in such associations. All employees receive an adequate wage in accordance with the applicable benchmarks. HENSOLDT uses the statutory and collectively agreed minimum wages in the respective countries as a benchmark. If these are not defined, HENSOLDT uses procedures derived from the ESRS standard. To verify compliance with adequate wage standards, the lowest wage at the sites was compared with the benchmark values applicable in the respective countries.

Remuneration metrics

HENSOLDT regards it as self-evident that collective bargaining agreements and remuneration principles must be non-discriminatory, particularly with regard to gender, and that there are no systematic differences. In the companies covered by collective agreements, the respective collective pay agreements are applied. In the reporting year, there was a gender pay gap of 11.5 %, calculated as the difference between the average pay level of female and male employees, expressed as a percentage of the average pay level of male employees. The basis for the calculation is the gross hourly wage. This is calculated as the annual total remuneration of each employee divided by the nominal working time. Excluded from the calculation are employees who have no nominal working time in 2024.

The annual total remuneration of the highest-paid individual in the organisation is 23 times the median annual total remuneration of all employees (excluding the highest-paid person). The information on the median total annual remuneration of all employees is calculated from the annual total remuneration. The data for the calculation is obtained from an IT-supported HR tool and represents the annual total remuneration used to calculate the gender pay gap. This includes the basic salary, cash benefits, benefits in kind and all forms of direct remuneration such as long-term incentives at current fair value.

In addition, 60.1 % of employees are covered by collective bargaining agreements. This percentage is calculated by dividing the number of employees covered by the collective agreement by the total number of employees. The ESG Group acquired in the reporting year does not have any collective bargaining coverage for the employees. The table below presents the collective bargaining coverage and the coverage for social dialogue in countries with more than 10 % of total employees.

Fiscal year 2024			
	Collective Bargaining Coverage[1]		**Social dialogue[2]**
Coverage Rate	Employees – EEA (for countries with >50 empl. representing >10 % total empl.)	Employees – Non-EEA (estimate for regions with >50 empl. representing >10 % total empl.)	Workplace representation (EEA only) (for countries with >50 empl. representing >10 % total empl.)
60 - 79 %	Germany		
80 - 100 %			Germany

[1] The number of employees is measured in terms of headcount and calculated as an average of the final figures for each quarter.

[2] Final figures as of 31 December 2024, in headcount.

Diversity and inclusion (S1-9)

Diversity management

HENSOLDT views diversity management as a strategic responsibility and establishes structures and practices that create equal opportunities. The benefits of diversity should be maximised regardless of gender, nationality, sexual orientation, religion and culture. Particular emphasis is placed on promoting female managers, inclusion and international diversity. In an inclusive working environment, uniqueness fosters creativity, ingenuity and motivation. In the fiscal year 2024, HENSOLDT signed the Diversity Charter and is therefore committed to providing a respectful and prejudice-free working environment. Diversity management is part of the Code of Conduct (See section V.4.1 Business Conduct).

HENSOLDT is also a member of the UN Global Compact and the “Initiative Chef:innensache” network.

Actions

Training sessions on the topic of unconscious bias are to be offered throughout the Group in the 2025 fiscal year. Implementation of this training will also be monitored in order to improve diversity and inclusion. An unbiased hiring and recruiting process is also to be established throughout the Group by 2027. As part of this, the provisions of the German Security Inspection Act applicable to HENSOLDT must be taken into account.

In addition, as of the 2025 fiscal year the current international cooperation in the integration and diversity initiatives is to be promoted in order ensure international exchange.

Metrics

The gender distribution at the top management level (management team) in the reporting period was 25.4 % (48 women and 141 men). The management team consists of the Management Board and the Executive Committee as well as executives and senior managers.

The distribution of employees by age group (as headcount) is as follows: 17.3 % of employees are under 30 years old, 49.6 % between 30 and 50 years old and 33.2 % are over 50 years old.

Work-life balance (S1-15)

In an age of rapid change in the world of work, work-life balance is becoming a key factor for sustainable corporate development. The ability to balance the demands of work and private life is not only crucial for the satisfaction and health of employees, but also for the productivity and innovative strength of the company.

Actions

HENSOLDT is actively committed to creating flexible working models and support actions that meet the diverse needs of the workforce. If the work of individual employees at HENSOLDT permits, working hours can be organised using flexitime models, part-time models or mobile working. In some company divisions at the German sites, early retirement can be facilitated by setting up a lifetime working time account. Employees in Germany also have the option of extending their statutory parental leave by taking company parental leave. By 2026, additional offers to provide support for family or private situations of HENSOLDT employees will also be evaluated and incentivised.

Human potential

Training and skills development at all stages of career and life (S1-13)

The ongoing training, development, and education of employees and the targeted fostering of talent are a core element of HENSOLDT's corporate strategy and culture. This is secured through internal development programmes and the HENSOLDT Academy, which offers a modern portfolio tailored to the further development of the departments. This enables HENSOLDT to position itself as an attractive employer in order to stay competitive in terms of attracting and retaining talented employees. Alongside this, the training programme improves employees' skills and boosts their satisfaction and motivation. Specialists from the field Learning & Development look after the national and international training and development of HENSOLDT employees.

Actions

HENSOLDT's training offering includes training and skill development formats such as face-to-face sessions, virtual live training and e-learning and has been implemented since 2017. The “HENSOLDT Academy” platform pools over 400 training programmes in a central hub for personal continuing development and training and is supplemented by local offerings. The training content on offer is constantly being developed. Current market trends and new topics are also integrated. For example, new courses on data science & AI have been added in recent years, a modular training for engineers in charge of projects has been revamped and a blended learning offering for language training has been put together. In addition to formal training and skill development programmes, HENSOLDT has created the basis for regular professional and personal exchanges across the Group, facilitating cross-departmental collaboration. Predefined career development meetings are held twice a year between employees and managers to discuss personal development and the subject of further development.

HENSOLDT Academy e-learning courses are available to employees worldwide, with the exception of HENSOLDT Nexeya France and HENSOLDT Nexeya Canada. Face-to-face training is coordinated locally in the respective countries or at sites. Employees' specific training needs are agreed individually with their managers. Networking events are organised at regional, national and international level.

The number of training hours per employee is evaluated on a quarterly basis and the findings are taken into account in HR development. Continuous improvements are made to training programme quality. Feedback is gathered from participating employees, analysed and the training courses and formats adapted accordingly. Internal experts are involved in developing new training courses to ensure that the formats reflect requirements. New digital learning formats make it possible to step up self-directed learning.

Metrics

	Fiscal year
	2024
Average number of training hours per employee	**21**
thereof female	23
thereof male	20
thereof other	–
thereof not disclosed	9

HENSOLDT defines training as initiatives designed to maintain and/or improve the skills and knowledge of its employees. It always follows a well-defined written learning plan with clear objectives and timelines, usually set by a trainer. Participants can then assess the training methodically. The training must be finalised or recorded by the HENSOLDT learning management systems or a local equivalent.

Health & safety (S1-14)

Health management

HENSOLDT makes the health and safety of its employees a core component of its corporate culture. Under the guiding principle of “Detect and Protect”, HENSOLDT is continually dedicated to creating a healthy and safe working environment. Occupational health management supports HENSOLDT employees in dealing responsibly with their health and also helps to prevent accidents at work. The policy applies to all HENSOLDT Group sites in all countries. The comprehensive offering in the form of presentations and screenings is designed to incentivise employees to engage with the topic. The well-being of employees at the workplace, the reduction of accidents, stress and mental strain as well as the development of a global safety culture are key themes that the HSE (Health, Safety and Environment) department is actively promoting in all countries in coordination with the Management Board. The aim is to create a healthy and safe working environment by minimising the accident rate (LTIFR) and promoting the physical and mental well-being of employees. Health management is complemented by regular inspections, internal audits and HSE Awareness Days, which are organised by the HSE department at the individual sites. In addition, regular training courses are provided, for example on handling hazardous substances, coordinating external companies and what to do in the event of a fire or emergency. The central HSE department of the HENSOLDT Group is responsible for implementing the health management policy. This department reports directly to the Management Board (Chief Human Resources Officer). HENSOLDT has an ISO 45001-certified management system for occupational health and safety in the workplace at the Sensors and Optronics companies. The certification is monitored annually and renewed every three years.

Actions

Health and safety actions include medical screenings, ergonomic improvements at the workplace and programmes to deal with stress and promote a healthy lifestyle, which are offered at the sites in the core countries. Additional health surveys are carried out at these locations every two years in addition to the legally required provision of preventive examinations by the company doctors. These actions help to actively maintain the physical and mental health of all employees while also setting standards in this area.

Other initiatives at the major sites (Sensors GmbH and Optronics GmbH as well as at the Toulouse site), such as the in-house gym or partnerships with regional gyms, promote regular exercise and foster a healthy work-life balance (see also section Work-life balance).

Safety specialists and the safety officers working in the departments act as multipliers in establishing a safety culture that is put into practice throughout the entire workforce. Every accident is analysed by the safety experts. Additionally, the causes of accidents are discussed in the occupational safety committee meetings (OSC) and site management meetings in order to establish actions to prevent these accidents in the future.

Employees at the major German sites can use a reporting tool to report near misses. This allows potential vulnerabilities to be identified at an early stage, accidents to be prevented and employee safety continuously improved.

A global HSE reporting line was established in the fiscal year 2024, enabling prompt reporting of accidents and emergencies to the central HSE department of the HENSOLDT Group.

Metrics[18]

	Fiscal year
	2024
Coverage rate of management systems for health and safety	100 %
Accident rate (IFR per 1,000,000 working hours)	5.50
LTIFR per 1,000,000 working hours[1]	2.51
Number of recordable work-related accidents	70
Days lost to work-related injuries and fatalities related to work-related accidents, work-related ill health and fatalities related to ill health	414
Number of fatalities due to work-related injuries and work-related ill health[2]	–

1 The number of work-related accidents resulting in at least one day's absence from work in relation to the number of hours worked (lost time injury frequency rate (LTIFR)) is a company-specific indicator.

2 Incl. non-employees or value chain worker who work at the company’s sites.

The accident rate relates to the company's own workforce. To calculate this, HENSOLDT divides the number of work-related injuries by the total number of hours worked. The hours worked are taken from the relevant time management systems. The accident rate corresponds to injuries per 1,000,000 hours worked. A work-related accident is deemed to have occurred if a temporary event in the working environment with an external impact on the employee's body results in damage to the employee's health or their death. Commuting accidents are not considered work accidents. Work-related ill health (disease) is a health condition resulting from an employee's work duties or exposure to hazardous conditions or substances at work. Days lost are days on which the employee is absent due to an accident (including weekends and public holidays). The day on which the accident occurred does not count as a day lost. The maximum number of days recorded per accident is 180 days. HENSOLDT voluntarily reports the Lost Time Injury Frequency Rate (LTIFR) in addition to the mandatory Incident Frequency Rate (IFR) in order to make its commitment to a comprehensive safety culture and continuous improvement in the area of occupational safety transparent and to emphasise its responsibility towards employees and stakeholders. The number of fatalities due to work-related injuries and deaths and work-related illnesses includes all employees and non-employees, as well as value chain workers, if they work at HENSOLDT

18 Calculation in head count

3.4 Workers in the value chain (S2)

Alongside HENSOLDT's own workforce, value chain workers also play a central role in the Group's sustainable success, contributing to the business success along the entire value chain, for example in manufacturing semi-finished and finished products and providing components and services. It is therefore vital that HENSOLDT considers the working conditions and rights of these workers as well as those of its own workforce. For this reason, suppliers are also integrated as a strategic pillar in the sustainability strategy.

Strategic pillar: Suppliers

The goal of the United Nations titled "Reduced inequalities" (SDG no. 10) aims to strengthen and promote social, economic and political inclusion of all people. The “Suppliers” strategic pillar in the sustainability strategy highlights the importance of ensuring supplier management in line with internationally recognised standards.

Material impacts, risks and opportunities for value chain workers and their interaction with strategy and business model (SBM-3)

A long-term relationship with suppliers is essential for HENSOLDT. The approach to monitoring the upstream value chain ensures that ethical standards and working conditions in the value chain are monitored, thereby reducing potential reputational risks and penalties. This is intended to prevent potentially negative impacts in terms of working conditions and human rights within the value chain and to improve these in the medium to long term.

Value chain workers who work at the company's site include employees in the canteens and cafés as well as cleaning and security staff. In the upstream value chain, workers mainly supply finished and individual parts or provide components or services for HENSOLDT. Workers are also employed in the downstream supply chain. Workers in the downstream value chain are particularly deployed in logistics and at the premises of HENSOLDT's customers. Potential negative impacts identified in the materiality assessment were mainly in the upstream value chain.

Activities at the European sites and at the South African and Australian sites were assessed for any risk of forced or child labour. No significant risk could be identified. The findings of the supplier screening were also taken into account (see section Processes for engaging with value chain workers about impacts). An examination of the extent to which value chain workers with certain characteristics or those who work in a certain environment could be exposed to greater risk than others was not performed at this point.

Most of the value chain workers are employed in Germany and Europe. HENSOLDT's supplier management has a potentially positive impact on the working conditions of the value chain workers. Supplier management is explained in more detail in the Actions section. For the results of the materiality analysis and an overview of the identified impacts, risks and opportunities, see section V.1.4. Processes to identify and assess material impacts, risks and opportunities.

The HENSOLDT Supplier Code of Conduct (S2-1)

The Supplier Code of Conduct is a key component of HENSOLDT's supplier management and considers the applicable laws and regulations of the countries in which respective suppliers operate, manages goods, do business or provide services. HENSOLDT expects all its suppliers to commit to responsible business practices and sustainable development. While HENSOLDT acknowledges differences in cultures and legal requirements, HENSOLDT requires as a minimum standard that regardless of where suppliers are located, all business is conducted in a manner that aligns with the Supplier Code. Part 1 of the Code is based on and aligned with the Supplier Code of Conduct of the International Forum on Business Ethical Conduct for the Aerospace and Defence Industry (IFBEC). Part 2 incorporates the specific requirements of the German Supply Chain Due Diligence Act (LkSG). Part 3 regulates general obligations and the consequences of non-compliance.

The general content of the Code covers compliance with laws, anti-bribery and anti-corruption, adherence to global trade regulations and an ethics programme that requires suppliers to introduce and adhere to their own code of conduct. Additionally, effective programs should be maintained to encourage their employees to make ethical, value-guided decisions in their business dealings. The Code also specifies rules for protecting information, paying taxes, on-time payment of suppliers, proper accounting and HENSOLDT's expectation of suppliers to actively manage risks themselves. As a signatory to the United Nations Global Compact, HENSOLDT supports the fundamental values stated in the Compact regarding human rights, labour rights and environmental protection, which is why this content is also covered by the Code. The Supplier Code of Conduct also includes the international rules and conventions of the OECD and the International Labour Organisation (ILO) and therefore also the labour rights of workers. The Code is supplemented by national regulations, such as the United Kingdom Modern Slavery Act 2015, and expressly prohibits forced labour, child labour, discrimination and human trafficking. (See also section V.3.2 The HENSOLDT Group Policy on human rights.)

Compliance with the Supplier Code of Conduct is mandatory for any business relationship with HENSOLDT. The Supplier Code of Conduct is embedded in all orders and contracts and applies to all HENSOLDT suppliers, service providers and subcontractors, wherever they are located. It covers the entire supply chain and the workers in it, as the Code requires suppliers to communicate the principles and expectations along the supply chain and to ensure that all of the subcontractors also comply with them. Compliance with these requirements is checked on a random basis and in connection with the supplier self-assessment. Monitoring of subcontractors is only performed in line with the requirements of Section 9 (3) German Supply Chain Due Diligence Act (LkSG). The interests of key stakeholders are taken into account by providing suitable reporting channels and the opportunity to report legal or ethical concerns anonymously. HENSOLDT has made the Supplier Code of Conduct available on the company website. In addition, HENSOLDT informs suppliers as required about the training opportunities, in the IT-based supplier platform used by HENSOLDT, in order to support the supplier's internal enforcement of the Code of Conduct. Responsibility for implementation of the policy lies with Procurement.

The Code states that the supplier must at all times comply with HENSOLDT's expectations regarding human rights and the environment. HENSOLDT, or a suitable third party, may monitor compliance with the Supplier Code of Conduct. Violations by the Supplier or its own suppliers must be reported immediately. Following this, appropriate policies must be developed and implemented, including a specific timetable for ceasing or at least minimising the violation. If a violation occurs, HENSOLDT is entitled to immediately suspend the contracts concerned and the associated services or to terminate these with immediate effect for good cause. This is to ensure compliance with the guiding principles described above. HENSOLDT's reporting channels are available to all value chain workers. In the reporting year 2024, there were no reported cases of non-compliance with the United Nations Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises involving value chain workers.

Processes for engaging with value chain workers about impacts (S2-2)

As already stated in section V.1.3 Strategy and business model, suppliers and their workers are a central element of HENSOLDT's sustainability strategy. Relationships with suppliers, compliance with the Supplier Code of Conduct and minimising sustainability risks are all treated equally. As part of the supply chain management approach, a IT-based platform is used to analyse risks on an ongoing basis (supplier screening) and monitor suppliers with the aim of reducing negative impacts and risks and increasing positive impacts. This action is outlined in more detail in the next section. The findings of this risk analysis are reported to the Management Board at least every year.

As part of the materiality assessment, interviews were conducted with the central Purchasing department to ensure that the views of value chain workers were taken into account. (see section V.1.4. Processes to identify and assess material impacts, risks and opportunities). No direct dialogue took place with the value chain workers.

There are currently no global framework agreements or other agreements that HENSOLDT has concluded with international trade union federations relating to respect for the human rights of value chain workers. HENSOLDT is committed to respecting human rights through the Supplier Code of Conduct, the Group Human Rights Policy and the reporting obligations under the German Supply Chain Due Diligence Act (see also section V.3.2 The HENSOLDT Group Policy on human rights).

Processes to remediate negative impacts and channels for value chain workers to raise concerns (S2-3)

As part of HENSOLDT's whistleblower system, the OpenLine offers all suppliers and affected persons in the supply chain a protected communication channel for submitting reports or complaints about actual or potential violations of legal or internal rules and regulations and can also be used by value chain workers. This also includes human rights and environmental issues. This whistleblower system (OpenLine) also functions as the complaints procedure for the German Supply Chain Due Diligence Act. It is publicly accessible around the clock via the HENSOLDT website and was set up by an external third party. Whistleblowers can register their concerns anonymously and communication via the system is encrypted. The content cannot be viewed by unauthorised persons or the system provider. Suppliers are informed about the complaint channels and the complaints procedure through the Supplier Code of Conduct, which is available in four languages. A FAQ section on the homepage is also designed to facilitate access to the OpenLine. Details on protecting whistleblowers and the monitoring and follow-up of reports made are described in section V.4.1 Business Conduct.

In fiscal year 2024, no human rights issues or incidents were reported within the upstream and downstream value chain, with no remediation actions carried out as a result.

Actions (S2-4)

For HENSOLDT, respecting human rights and mitigating negative impacts on value chain workers are an important issue that demands action. HENSOLDT therefore plans to review and update the Supplier Code of Conduct every 2 years in line with changing legal requirements. The Code is intended to prevent the company's own practices from having or contributing to a material negative impact on value chain workers. In addition, HENSOLDT is planning to develop and implement an action plan for the EU Supply Chain Act (Corporate Sustainability Due Diligence Directive (CSDDD)) in the 2025 fiscal year. In order to prevent or minimise potential negative impacts on value chain workers, HENSOLDT wants to improve cooperation with suppliers to address gaps or violations – where these are identified – and achieve remediation actions.

Further exchange and dialogue events incorporating sustainability topics are to take place with suppliers in the 2025 fiscal year. In addition, supplier assessments will be broadened to include other sustainability topics from the 2025 fiscal year. HENSOLDT will also offer its suppliers more opportunities to participate in discussions and provide guidelines.

To minimise risk related to its suppliers, HENSOLDT continually develops the Group-wide supplier evaluation platform and expands the scope of reviewed suppliers continuously, for example when integrating new companies. This IT-based supplier platform is used by HENSOLDT to scan mass media for negative news and to obtain self-assessments and certificates. The platform is also used for monitoring suppliers and for undertaking supplier risk analysis. It also includes supplier information on corporate social responsibility matters. This not only enables the increasing requirements placed on suppliers to be checked and implemented promptly, but also relieves the burden on the Purchasing department in its communication with suppliers. The further development of supplier risk assessment helps to improve the supplier management process. Improved risk assessments mean that more effective actions can be put in place.

The effectiveness of the actions and the immediate impacts are systematically monitored at HENSOLDT. Additionally, feedback from various departments is gathered to assess the effectiveness of actions and make corrections if necessary. Key performance indicators on the number of suppliers screened and the risks analysed are prepared in a half-yearly internal report for the Supplier Risk Boards. The findings are then consolidated at global level and prepared for reporting. The funds required for the implementation of the described actions are an integral part of the IT budget planning.

Targets in focus (S2-5)

HENSOLDT has set itself the following targets for the “Suppliers" strategic pillar, which support the further development and effectiveness of the described supplier management.

First, to increase transparency and responsibility in the supply chain by regularly reviewing all material Tier-1 suppliers included in the system for human rights and environmental risks, and minimising identified risks. Material Tier 1 suppliers are identified as important suppliers based on certain characteristics (e.g. size, context).

HENSOLDT has also set itself the target of maintaining dialogue with suppliers. To this end, preferred suppliers have been chosen with whom an annual consultation is to be held. The target is deemed achieved if 100 % of the scheduled consultations have actually taken place in the 2025 fiscal year. The targets were defined by the Purchasing department on behalf of the workers in the value chain.

3.5 Consumers and end users (S4)[19]

Strategic pillar: Customer

The expansion of scientific research and the improvement of the technological capabilities of industrial sectors is the objective of goal of the United Nations (SDG no. 9) and is consistent with the "Customer" strategic pillar. HENSOLDT invests in customer-focused innovations, is committed to sustainable product design and prioritises safety and quality. The actions taken to reduce the carbon footprint of the products can be found in section V.2.2 Sustainable product development.

[19] The term ‘consumer’, as used in the European Sustainability Reporting Standards (ESRS), refers to natural persons who purchase products for private purposes that are not related to their professional or business activities: the term is therefore not applicable to HENSOLDT. For this reason, only ‘end-users’ and ‘customer’ are referred to below. End-users are persons who ultimately
use a particular service or product or who are the planned users. “Customers” are defined at HENSOLDT as follows: A customer is a person or a company that purchases or utilises goods or services from HENSOLDT.

Material impacts, risks and opportunities related to consumers and end-users, and their interaction with strategy and business model (SBM-3)

As a provider of high-quality electronic sensors and solutions in the defence and security sector, HENSOLDT takes the issue of product responsibility towards its customers very seriously and has included the “Customer” pillar in its sustainability strategy. This pillar is split into two strategic action areas: “Product development and innovation” and “Product safety and responsibility”.

HENSOLDT analyses the risks and effects associated with the use of its products and attempts to mitigate these through appropriate actions. Risks and impacts are generally identified based on the nature of the products and their intended use, and therefore occur in the case of all products. Further information on dealing with specific business relationships can be found in section V.4.1 Business Conduct.

Product development is governed by an understanding of sustainability and the aspiration to minimise potential negative impacts that may arise from non-compliance with business, development and product conformity processes or improper handling of the products by end-users. This is ensured by adopting a holistic approach to the business system that prioritises product safety. To this end, holistic, interlinked processes have been implemented that feature standards, checklists and instructions as well as internal and external audits. This leads to the continuous improvement of sequences in the context of product development and allows potential product and liability risks to be minimised. The respective actions are described in more detail in the following section. HENSOLDT's product portfolio also has a positive impact on end-users, as HENSOLDT's products and portfolio and strict product safety requirements enhance the safety of end-users.

HENSOLDT products are specially designed for professional deployment and are mainly used by the military, but in some cases also by other sovereign and civilian institutions. Some of the products may also be used for integration into larger systems. As required by law, HENSOLDT provides a manual for every product and for every component sold and supports customers and end-users through training to avoid improper handling.

Policies related to consumers and end-users (S4-1)

The topic of product responsibility is integral to the strategy and business system of HENSOLDT and is therefore reflected in various processes, particularly in the Code of Conduct. HENSOLDT ensures that its products meet the high standards of quality and safety and is committed to adhering to all applicable laws and regulations. All employees are expected to report any safety concerns immediately. Further details on the Code of Conduct can be found in section V.4.1 Business Conduct. Other internal guidelines, processes and an export control organisation set up at national level are intended to ensure that goods are exported in accordance with applicable national, European and international export regulations. End-user declarations are used to ensure that HENSOLDT products are only forwarded to recipients authorised by the relevant authorities. For more details, see section V.4.2 HENSOLDT-specific disclosure due to material impacts, risks and opportunities.

HENSOLDT also has a quality management guideline. This refers in particular to quality control in the area of product safety and is based on the European standard EN 9100. It defines rules regarding conduct in the areas of competition, innovation, performance, motivation and partnerships with interest groups: The focus is on the customer, as satisfied customers and authorities are a key element in achieving HENSOLDT's strategic goals. The quality management guideline applies to all employees throughout the Group. This guideline is communicated to all employees and can be accessed on the intranet at any time. The guideline was approved by the Chief Executive Officer, who is also responsible for its implementation.

Respect for human rights along the value chain is a top priority at HENSOLDT and therefore also applies to customers and end-users. For information on dealing with human rights and compliance with the associated internationally recognised instruments, see section V.3.2 The HENSOLDT Group Policy on human rights.

Processes for engaging with consumers and end-users about impacts (S4-2)

HENSOLDT has established itself as a trusted long-term partner for its customers and end-users. The products manufactured are generally highly specialised and are made according to specific customer requirements. Customers are often involved as early as the development stage. By comparison, their direct involvement in mass-produced products is generally only an exception. The involvement of end-users therefore depends heavily on the product or project in question. Strategic responsibility rests with the Chief Executive Officer (CEO), whose role includes responsibility for external and customer relations as well as the internationalisation strategy. The divisions and the corresponding functions within the company are responsible for operational implementation.

Processes to remediate negative impacts and channels for consumers and end-users to raise concerns (S4-3)

Anonymous access to OpenLine is made available to customers and end users as part of the HENSOLDT whistleblower system. This is the central whistleblower system and is open to anyone wishing to report actual or potential violations of legal or internal rules and regulations relating to human rights or environmental risks and breaches of duty. The outcomes of the reported cases are submitted to the Management Board and the Supervisory Board. (See section V.4.1 Business Conduct) Whistleblowers are protected by this whistleblower system (see section V.4.1 Business Conduct). The HENSOLDT Code of Conduct and the HENSOLDT OpenLine are available on the company website where they can be accessed at any time. The OpenLine is available in twelve different languages and contains a FAQ section.

The product manuals (partially supplemented by training materials) provided to users contain the HENSOLDT contact details, enabling users to submit queries about the product. Based on the actions described and the whistleblower system in place, it is assumed that end-users are aware of the reporting channels and trust them. A separate procedure to verify the knowledge and trust of end-users in the whistleblower system does not currently exist.

If a breach of internal business processes is identified or security concerns are raised about the products, the breach or concern is promptly and fully investigated within the department and actions to be taken initiated. For information on the rules of procedure for reporting violations, see also the descriptions of the whistleblower system in section V.4.1 Business Conduct.

Actions (S4-4)

The topic of product safety is fundamentally related to all companies and sites within the Group. A hazard analysis and risk assessment form an integral part of the development process. They play an important role in ensuring that HENSOLDT products reflect the acknowledged state of the art regarding the hazards posed by the products and that the use of the products involves only acceptable residual risks. In order to minimise the risk of impairment due to cyber security attacks on the products, the hazard analysis and risk assessment and the resulting actions and activities were expanded in the 2024 reporting year to include analysis and assessment of cyber security vulnerabilities and threats. Necessary actions are already set to be implemented in the product development process in 2025. These actions concern the products from HENSOLDT Sensors both in terms of their own operations and the components and services in the upstream value chain, as well as the entire product life cycle.

To ensure product safety, quality management systems have been set up at several HENSOLDT locations in accordance with ISO 9001 / EN 9100 and audited accordingly. In addition, external audits are conducted to validate the certification of the management system. The aim is to achieve a 100 % certification coverage of the HENSOLDT sites in the core countries by 2028. The policies in the area of business conduct, particularly the HENSOLDT Code of Conduct, emphasise the importance of product safety and product quality (see section V.4.1 Business Conduct).

In the “Office of System Integrity,” 6 staff positions have been created to set out the corresponding process guidelines for product safety, conduct governance and provide appropriate training for employees in the Engineering department.

Safety plays a special role when it comes to the increasing use of artificial intelligence. HENSOLDT uses these technologies to develop increasingly powerful sensor systems and is confident that artificial intelligence is one way of achieving the superior performance expected by the German Military (“Bundeswehr”), allied armed forces and partners. Safety means, above everything else, that humans must always remain integral to the control system. However, this should not mean sacrificing the high degree of automation that is necessary for timely, effective, resource-saving action that minimises collateral effects. HENSOLDT places great importance on the responsible use of this new technology and is exploring how the results of AI applications can be made comprehensible and explainable. In the fiscal year 2025, the existing strategy on artificial intelligence will therefore be further developed to ensure the responsible use of this new technology on the one hand, and to raise awareness of it during product development on the other. During the 2025 fiscal year HENSOLDT also wishes to have an active role in the working group on artificial intelligence of the Federal Association of the German Security & Defence Industry (BDSV). The AI/ML Committee, with members from all divisions under the overall leadership of the HENSOLDT CTO (Chief Technology Officer), is responsible for leading and monitoring implementation of the above-mentioned actions. Actions to address sustainable product design are described in section V.2.2 Sustainable product development.

The progress of selected actions is presented and discussed at the quarterly team meetings of HENSOLDT's internal international sustainability team. This simultaneously promotes dialogue between the HENSOLDT companies at international level. The effectiveness of the actions is monitored by the Sustainability Department. Regular expert dialogues are being held from the 2025 fiscal year onwards, at which the Management Board is also informed about progress. See section V.1.2 Governance.

The ‘Customer’ area has been firmly integrated as a strategic pillar in the sustainability strategy. No time-bound or results-oriented targets have as yet been defined in an ESRS context, as the actions taken are currently considered sufficient to achieve the overarching strategic vision of HENSOLDT.

4 Corporate responsibility

HENSOLDT's aim in terms of corporate responsibility for more sustainable defence is to maintain high compliance standards, promote a culture of ethical business conduct and lead the way in responsible digitalisation and data security.

4.1 Business conduct (G1)

Business conduct constitutes the foundation of HENSOLDT's organisational and ethical approach. It defines the principles that guide HENSOLDT's actions and ensures that decisions and actions are in line with the values of HENSOLDT and with legal requirements. Strong business conduct fosters transparency, accountability and integrity, which not only reinforces customer, partner and employee trust, but also ensures the long-term stability and success of HENSOLDT.

Strategic pillar: Business integrity

For HENSOLDT, compliance with the goal of the United Nations 'Peace, justice and strong institutions' (SDG No. 16) is a key part of how it sees itself. The strategic pillar of business integrity reflects these goals at HENSOLDT within the strategic action areas of 'Corporate Governance', 'Anti-Corruption & Bribery', 'Political Relations' and 'Data Responsibility'.

Business integrity ensures that HENSOLDT is guided by the highest standards of corporate governance and compliance. HENSOLDT is committed to transparency, ethical behaviour and compliance with legal regulations. The Code of Conduct applies to all employees, suppliers and business partners (see section The HENSOLDT Code of Conduct). Rigorous anti-corruption guidelines, regular training and audits as well as a robust whistleblower system promote fair business practices and prevent violations.

Zero tolerance

The policy of zero tolerance towards compliance violations and corruption is the result of HENSOLDT's strict alignment with legal requirements and the highest ethical standards of business conduct. In its business activities, HENSOLDT is committed to their values of collaboration, excellence, responsibility and innovation. These values of the HENSOLDT corporate culture are supported by an ethics and compliance programme to protect management, employees, the company and its reputation. By declaring law-abiding and ethical behaviour as the guiding principle of business practices at all levels, HENSOLDT aims to ensures that it acts responsibly. Other action is taken to counter violations of the law and to respond to them consistently. The continuous development and communication of HENSOLDT's compliance programmes and training courses ensure that the principles are understood by all employees and put into practice every day as part of the corporate culture. HENSOLDT trains its employees annually on the HENSOLDT Code of Conduct. A positive corporate culture, based on the Code of Conduct, promotes employee satisfaction and can also have a positive impact on the value chain.

Actions

In terms of its zero-tolerance policy towards compliance violations, HENSOLDT has scheduled a range of actions for 2025. The actions include promoting awareness of the whistleblower system and clearly communicating the anti-corruption guidelines to employees, suppliers and stakeholders. Audits and regular training sessions are also set to take place for employees around the world on the topic of corruption prevention. HENSOLDT expects that implementing these actions will make employees more aware of the issue of compliance and more willing to cooperate and report any possible irregularities and compliance violations. HENSOLDT's sustainability department will monitor the effectiveness of these actions on an annual basis and report them to the Management Board and the Supervisory Board.

Corporate Governance

Policies (G1-1)

The HENSOLDT Code of Conduct

The HENSOLDT Code of Conduct serves as a basic guideline for key compliance issues, aims to ensure integrity in all areas of the business and covers the topics of fair competition, compliance with export laws, cooperation with official authorities and fair treatment of suppliers and business partners as well as product safety, diversity and equal opportunities. The Code promotes a culture of open dialogue, mutual trust and cooperation. In the Code of Conduct, HENSOLDT draws on the Global Principles of Business Ethics for the Aerospace and Defence Industry, which have been adopted by the AeroSpace and Defence Industries of Europe (ASD) and the Aerospace Industries Association of America (AIA). The Code is binding for all employees of the HENSOLDT Group, irrespective of hierarchical position or geographical location. It extends to all business activities and the entire value chain, including relationships with suppliers and business partners. The Code is made available to all employees and workers via the intranet. External stakeholders can view it on the HENSOLDT website. The Chief Compliance Officer is responsible for implementing the Code guidelines. In order to establish the Code of Conduct as the basis of the corporate culture for all employees and workers, mandatory training courses are held each year. As part of the training and the Code guidelines, all employees are encouraged to communicate openly.

Whistleblower system

HENSOLDT operates procedures for identifying, notifying and investigating potentially unlawful behaviour or behaviour that contravenes the Code of Conduct or other relevant internal rules. These procedures are an integral part of the HENSOLDT Compliance Programme and apply to all employees. Concerns can be reported via direct line managers, managers, the Human Resources Business Partner or the Compliance Team. In addition, the OpenLine is available to all employees and can be contacted either over the internet or by telephone (via an external ombudsman). The OpenLine is voluntary and can be used confidentially or anonymously. HENSOLDT is committed to ensuring that employees suffer no disadvantages as a result of submitting reports in good faith or participating in investigations into suspected breaches of the Code of Conduct. If a report is made, it will be investigated promptly and thoroughly in compliance with applicable laws and company policies. The results of investigations are shared with the employees concerned promptly to the extent necessary and permissible. This feedback is provided at the request of the whistleblower and can be submitted anonymously. The mechanisms for reporting and investigating reports are available to both internal and external stakeholders. Employees are informed about the OpenLine and reporting routes through training and communication channels and have access to a wide range of information on the HENSOLDT website, including the HENSOLDT OpenLine Rules of Procedure.

The HENSOLDT OpenLine Policy aims to promote high standards of ethical business conduct and provide the basis for a platform for reporting actual, suspected or alleged breaches of legal or compliance standards. The policy covers various areas including financial irregularities, bribery and corruption, export control regulation violations, economic sanctions, anti-competitive practices, health, safety and environmental hazards and unethical behaviour. The OpenLine Policy are subject to the legal requirements of national law implementing Directive (EU) 2019/1937 and constitute a set of rules governing the HENSOLDT OpenLine. This whistleblower system represents the ‘internal reporting channel’ within the meaning of the German Whistleblower Protection Act (Hinweisgeberschutzgesetz) or other comparable national rules within the EU. The OpenLine also functions as the complaints procedure for complying with the German Supply Chain Due Diligence Act. The Policy is supplemented by the HENSOLDT Investigations Rules of Procedure. The HENSOLDT OpenLine Policy applies to all companies of HENSOLDT Group. They also find practical application if a notification is made by the employees of joint ventures, irrespective of HENSOLDT's ownership percentage. The OpenLine Policy is publicly available on the HENSOLDT website and on the company intranet. The Chief Compliance Officer (CCO) is responsible for ensuring its effective implementation and reporting directly to the Management Board and Supervisory Board.

Anti-corruption and bribery (G1-3, G1-4)

HENSOLDT rejects all forms of corruption and bribery. HENSOLDT continues to rate the risk of corruption in the defence industry as high. For this reason, HENSOLDT has developed an anti-corruption compliance programme aimed at mitigating the risk of corruption and bribery as far as possible. This programme includes several key elements. Firstly, there is a designated organisational unit headed by the Chief Compliance Officer. This team is responsible for creating and implementing policies and processes, monitoring their effectiveness and providing practical support and expertise throughout the Group. The Chief Compliance Officer reports directly to the Group General Counsel and on compliance-related topics to the Management Board and Supervisory Board. Specific guidelines have been introduced to address key risk areas related to corruption. These include, among other things, the Partner Review Directive, the requirements for gifts and invitations, as well as the requirements for sponsorships, donations and memberships. These guidelines are embedded in a number of other processes such as procurement and supplier management, partner selection and customer classification.

Anti-corruption policy

The HENSOLDT Anti-Corruption Policy is the centrepiece of the anti-corruption compliance programme and aims to mitigate the risk of corruption and bribery. The general objectives include promoting integrity, transparency and compliance within the organisation. The policy covers material impacts, risks and opportunities related to corruption and bribery and includes processes to monitor compliance with and effectiveness of the policy. The policy commits to compliance with the United Nations Convention and international anti-corruption laws and standards, which are embodied in the specific directives and the general anti-corruption policy of the HENSOLDT Group. The policy applies to all HENSOLDT Group employees. Anti-bribery and anti-corruption are also part of the Supplier Code of Conduct and consequently also apply to the upstream value chain. The policy is made available to employees and relevant stakeholders through internal communication channels and training. All employees are informed about the risk of corruption and bribery in the annual Code of Conduct training and on the intranet. In addition, questions can be addressed at any time directly to the compliance organisation or submitted via the HENSOLDT OpenLine. The policy takes into account the interests of employees and other stakeholders by providing clear guidelines and training to ensure that everyone involved understands and complies with the policy.

HENSOLDT Partner Review Directive

The anti-corruption compliance programme includes risk-based due diligence actions aimed at identifying risks and appropriately mitigating them, particularly relating to third parties acting on behalf of HENSOLDT. This includes greater caution when dealing with public officials and their close relatives. The investigating officer or committee in cases of corruption or bribery are separate from the chain of management involved in the matter. Regular reports are submitted to HENSOLDT's Management Board containing recommendations to strengthen the compliance programme where appropriate.

The Partner Review Directive complements the anti-corruption policy in order to minimise the risk of corruption and bribery and protect the most vulnerable functions. The HENSOLDT Group's Partner Review Directive aims to facilitate business activities within a legally secure framework to protect HENSOLDT AG, its subsidiaries and affiliates and their directors, officers, managers and employees from the risk of violating anti-corruption laws and the reputational damage that this entails. The policy includes risk assessment and mitigation actions that must be carried out prior to executing transactions with business partners. The policy is designed to meet international best practices relating to anti-corruption compliance. Reference is also made to the HENSOLDT Offset Compliance Directive, which must be applied before entering into offset commitments. The Directive applies to the HENSOLDT Group and all entities in which the HENSOLDT Group has a shareholding of more than 50.0 % or otherwise exercises effective control. This also includes employees of joint ventures. The policy is shared via the intranet and is accessible to all employees. Extensive training and Q&A sessions (twice a month) are regularly offered to all relevant employees. If employees have any questions regarding the policy, they can contact the global compliance department. The policy addresses the interests of key stakeholders by ensuring that all partner relationships and transactions comply with anti-bribery laws and do not cause reputational damage to the HENSOLDT Group. The highest level of responsibility for the implementation of the policy lies with the responsible ‘Senior Executive’ as set out in the Partner Review Directive.

Metrics

HENSOLDT conducted compliance training in the fiscal year 2024. HENSOLDT’s training programme includes mandatory training on the Code of Conduct, which covers the topics of corruption prevention and bribery. It is compulsory for all employees. The HENSOLDT Group currently classifies all employees as being in functions at risk. In fiscal year 2024 the employees of the HENSOLDT Group participated in 84.4 % the Code of Conduct training programme on corruption prevention and bribery. Employees are notified of the training programme via a reminder e-mail and are sent a course description. If they do not participate in the programme, their line manager is informed by e-mail. New employees are informed of the mandatory training as part of the onboarding process. The Management Board and the Supervisory Board of HENSOLDT are informed quarterly about current compliance topics and developments. Annual training on the Code of Conduct is mandatory for the Management Board of HENSOLDT since fiscal year 2024. The Supervisory Board is also informed about significant changes. HENSOLDT's training programme also includes voluntary compliance training, such as ‘Corruption Prevention’ and ‘Gifts, Invitations, Donations and Sponsorship’. Top-level management also receives, on an ad-hoc basis, information about changes and current developments regarding the Partner Review Directive (PRD). Anti-corruption and anti-bribery training will be rolled out to future defined target groups as mandatory training in 2025.

In fiscal year 2024 there were no convictions within the HENSOLDT Group for violations of corruption and bribery regulations. This metric also includes possible cases of actors in the supply chain where HENSOLDT or its employees were directly involved. Accordingly, no actions were undertaken to address violations of anti-corruption and anti-bribery procedures and standards. In the reporting year 2024 there were no confirmed cases of corruption or bribery, nor any incidents from previous years.

Management of suppliers (G1-2, G1-6)

Sustainability in managing suppliers

As an integral part of supply chain management, the 'Supplier Code of Conduct' forms the basis for evaluating suppliers. Further information on the Code is provided in section V.3.4 Workers in the value chain. Alongside the obligation to comply with the Supplier Code of Conduct, all material suppliers are required to provide a comprehensive self-assessment. HENSOLDT also uses an IT-based supplier platform to search mass media for negative news and to obtain self-assessments and certificates. HENSOLDT screens its suppliers regarding sustainability matters and supports them in their compliance initiatives in relation to policies such as of the ILO and OECD, as well as the Supplier Code of Conduct and the Modern Slavery Act. Suppliers are also screened for environmental impacts. This is conducted by means of an abstract risk assessment that looks at the country of procurement and the product groups. The gathered data is collated in a HENSOLDT supplier database and used for risk analyses. Since 2023, analysis findings, risk assessments and actions have been regularly discussed and reported in a designated committee.

HENSOLDT payment practices

HENSOLDT actively practises and expects fair and appropriate payment behaviour from its suppliers. Prompt payment of suppliers is mandatory for HENSOLDT. HENSOLDT does not split its suppliers into different categories, such as size, order volume or origin. For this reason, there is no current need or explicit policy to prevent late payment to small and medium-sized enterprises (SMEs). Where the standard payment terms are not applied, statutory country-specific payment terms or supplier-specific payment terms apply.

The regionally different standard payment terms within the HENSOLDT Group are - taking into account country-specific legal requirements - generally between 30 and 60 days. They are, however, individually negotiated with the majority of suppliers. Thus, the HENSOLDT Group has an average payment term of 38 days, which applied to 50.5 % of payments in 2024. HENSOLDT requires an average of 49 days to settle an invoice from the invoice date. There were no pending legal proceedings due to late payments in fiscal year 2024 within HENSOLDT Group.

Political influence and lobbying activities (G1-5)

Political influence

HENSOLDT is committed to transparent political activity and responsible lobbying. Compliant with the Code of Conduct of the Lobby Register of the German Bundestag, as introduced on 24 June 2021, HENSOLDT ensures openness, integrity and accountability in all lobbying activities. The same applies to the other relevant transparency registers at EU and federal state level in which HENSOLDT is represented (see table below). As part of the Executive Committee, the Head of Governmental Business Development and Political Affairs is responsible for overseeing political lobbying activities in direct consultation with the Management Board. No member of the HENSOLDT Group's Management Board or Supervisory Board had held a comparable public administration position in the two years prior to their appointment in the current reporting period.

In order to better monitor its political activities, HENSOLDT introduced a Customer Engagement Plan in the fiscal year 2024. This action gives an overview of permitted levels of political engagement by its stakeholders. This plan sets out which stakeholders are allowed to communicate with whom. This action provides greater insight into HENSOLDT's political influence and engagement.

Lobbying activities

HENSOLDT Group is registered in the listed lobby registers through the following subsidiaries:

Lobby register	Register number
Lobby register for lobbying of the German parliament (German Bundestag) and the Federal Government	
HENSOLDT AG	R001628
HENSOLDT Sensors GmbH	R001631
HENSOLDT Optronics GmbH	R001632
HENSOLDT Cyber GmbH	R001634
ESG Elektroniksystem- und Logistik-GmbH	R001378
EU Transparency register	
HENSOLDT AG	829019131787-70
France - high-level authority for transparency in public life	
HENSOLDT NEXEYA France	H622386477
HENSOLDT France SAS	812022309
Bavaria lobby register	
HENSOLDT AG	DEBYLT02C0
HENSOLDT Cyber GmbH	DEBYLT02C1
Baden-Württemberg lobby register[1]	
HENSOLDT Optronics GmbH	n/a
HENSOLDT Sensors GmbH	n/a

[1] The lobby register of Baden-Württemberg does not have a registration number.

HENSOLDT equips the German Armed Forces (German Bundeswehr) with the latest technologies to give them the best possible protection on their missions. For this purpose, HENSOLDT maintains regular dialogue with those responsible in the German government ministries (Federal Chancellery, Federal Ministry of Defence, Federal Ministry of Economics and Climate Action, Federal Ministry of Finance, Federal Foreign Office, Federal Ministry of the Interior and for Home Affairs) and the members of the German Bundestag, the Armed Forces themselves as well as with scientific institutes and research associations. Working together with these customers, HENSOLDT aims to identify requirements at an early stage so that it can offer sustainable, needs-based and cost-efficient solutions. For HENSOLDT it is always important to comply with legal requirements in order to avoid potential fines and reputational risks.

In the fiscal year 2024, HENSOLDT made the following contributions:

	Fiscal year 2024		
	Germany	**France**	**Rest of world**
in €	2024	2024	2024
Sector and industry associations	146,384	21,714	3,724
Interest organisations	22,960	1,050	1,631
Political trade associations	15,425	–	–
Events	8,520	438	507
Total	**193,289**	**23,202**	**5,862**

HENSOLDT did not provide any in-kind contributions or donations to political parties in fiscal year 2024. As part of the sustainability reporting, the relevant data was requested from the entities on the basis of ESRS G1-5 and listed cumulatively.

4.2 HENSOLDT-specific disclosures due to material impacts, risks and opportunities

As a result of the additional impacts, risks and opportunities identified as material in the area of data responsibility and export compliance, HENSOLDT reports on the topics of data responsibility and export control in this Sustainability Report for the fiscal year 2024.

Data responsibility

As part of digitalisation, data and IT infrastructure are acquiring an increasingly important and, in many areas, decisive role. Against the background of legal obligations, national and international guidelines and conventions, information security is given top priority at HENSOLDT. An approach to information security management helps to continuously monitor and document compliance with information security policies. In order to minimise any resulting potential risks, the Chief Information Security Officer (CISO) and his team systematically continue to develop the information security management system (ISMS). The company standards are based on best practices and are primarily, but not exclusively, aligned with globally recognised standards such as those of the International Organisation for Standardisation (ISO) and the National Institute of Standards and Technology (NIST). A risk-based approach has always underpinned any further development of the standards, with the aim of maintaining an optimum level of security and meeting all regulatory requirements and our own integrity standards. Guided by the Management Board, processes and systems were further developed and new ones introduced.

Policy

HENSOLDT's Data Protection Policy and actions ensure compliance with national legal requirements and the European General Data Protection Regulation. They form the basis for the high standard of global data protection at HENSOLDT. The Data Protection Policy includes the implementation of a data protection management system (DPMS) in accordance with the international standard. The general targets are to ensure the adequacy, completeness, sustainability, effectiveness and efficiency of data protection. All employees are obliged to report any weak points with regard to data protection. The data protection officers are responsible for ongoing improvement and monitoring. The data protection policy is the basis for preventing potential negative impacts and risks from cyberattacks and the loss or improper handling of personal data. The interests of the data subjects are taken into account through transparency, purpose limitation, deletion and correctness of the data as well as technical and organisational actions. The Data Protection Policy applies to the HENSOLDT Group. Responsibility for implementation lies with the management of the relevant local organisational entity. It is responsible for translating the guidelines into specific instructions and tools and for making the necessary human, organisational and financial resources available. The information security management system is based on best practices and is primarily, but not exclusively, aligned with globally recognised standards such as those of the International Organisation for Standardisation (ISO) and the National Institute of Standards and Technology (NIST).

Targets and Actions

HENSOLDT has a range of established actions in place to protect the data of employees, customers and all other stakeholders and to prevent data leaks in 2025. For this target, the main aim is sharpening the employees' awareness and understanding of IT security. To this end, further development of the management system in terms of data protection is ongoing and is implemented using a risk-based approach. The focus here is on making employees aware of how to handle data responsibly and the challenges of data-based business models in light of advancing digitalisation. Another key aspect of ensuring protection of personal data and continuously improving the overall level of cybersecurity is the planned introduction and maintaining of the information security management system (ISMS) in line with recognised certifications such as ISO 27001 at all HENSOLDT locations in the 2025 fiscal year.

Export compliance

HENSOLDT's international operations are subject to internal and external regulations and controls with regard to foreign trade rules. To ensure compliance with legal requirements, Export Compliance draws up policies applicable across the Group and checks that these are complied with.

To implement the processes, HENSOLDT has a functioning organisational and operational structure that is regularly audited. The export control departments submit applications for export licences to the relevant authorities. Compliance with all necessary guidelines and procedures, including the German statutory anti-boycott rule, ensures that export business is legally compliant.

HENSOLDT's export compliance regulations serve the compliance with all national and international export control regulations. The objective is to comply with these laws and regulations in order to prevent violations and legal consequences. HENSOLDT export control is subject to regular audits by government authorities and internal monitoring and it reports to the management. The company is committed to complying with all relevant national and international laws and regulations. This includes, for example, compliance with the regulations of the US Department of State (ITAR) and the US Department of Commerce (EAR). Internal HENSOLDT policies, in particular on the topic of export compliance, reflect the requirements of foreign trade law. The Export Compliance policy is implemented by HENSOLDT's Export Compliance organisation in 2025. The Head of Compliance serves as the main point of contact for top-level management. The internal HENSOLDT policies, in particular on the topic of export compliance, are applicable to all HENSOLDT companies and their subsidiaries, regardless of their location. This includes the entire value chain, from procurement and production to delivery and customer service.

No time-bound or results-oriented targets or actions have as yet been defined in an ESRS context, as the policies and regulations are currently considered sufficient to meet the legal requirements.

5 Appendix for the Sustainability Report

Covered disclosure requirements (IRO-2)

Disclosure requirement and related data point	Section/Sub-section	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference
ESRS 2 GOV-1.21d)	The role of the administrative, management and supervisory bodies	Indicator no. 13 in Appendix 1 Table 1		Commission Delegated Regulation (EU) 2020/1816 (5), Appendix II	
ESRS 2 GOV-1.21e)	The role of the administrative, management and supervisory bodies			Commission Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS 2 GOV-4.30	Statement on due diligence	Indicator no. 10 in Appendix 1 Table 3			
ESRS 2 SBM-1.40d)i	Strategy, business model and value chain	Indicator no. 4 in Appendix 1 Table 1	Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453 (6), Table 1: Qualitative disclosures on environmental risks, Table 2: Qualitative disclosures on social risks	Commission Delegated Regulation (EU) 2020/1816, Appendix II	

Disclosure requirement and related data point	Section/Sub-section	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference
ESRS 2 SBM-1.40d)ii	Strategy, business model and value chain	Indicator no. 9 in Appendix 1 Table 2		Commission Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS 2 SBM-1.40d)iii	Strategy, business model and value chain	Indicator no. 14 in Appendix 1 Table 1		Delegated Regulation (EU) 2020/1818 (7), Article 12 paragraph 1 Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS 2 SBM-1.40d)iv	Strategy, business model and value chain			Delegated Regulation (EU) 2020/1818, Article 12 paragraph 1 Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS E1-1.14	The HENSOLDT CO_2-reduction road map				Regulation (EU) 2021/1119, Article 2 paragraph 1
ESRS E1-1.16g)	Strategic pillar: Planet & resources		Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book – Transition risk related to climate change: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12 paragraph 1 (d) to (g) and Article 12 paragraph 2	
ESRS E1-4.34	Targets in focus	Indicator no. 4 in Appendix 1 Table 2	Article 449a of Regulation (EU) no. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Transition risk related to climate change: Alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6	
ESRS E1-5.38	Energy consumption	Indicator no. 5 in Appendix 1 Table 1 and Indicator no. 5 in Appendix 1 Table 2			
ESRS E1-5.37	Energy consumption	Indicator no. 5 in Appendix 1 Table 1			
ESRS E1-5.40-43	Energy consumption	Indicator no. 6 in Appendix 1 Table 1			

Disclosure requirement and related data point	Section/Sub-section	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference
ESRS E1-6.44	Climate change mitigation	Indicators no. 1 and 2 in Appendix 1 Table 1	Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book – Transition risk related to climate change: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5 paragraph 1, Article 6 and Article 8 paragraph 1	
ESRS E1-6.53-55	Climate change mitigation	Indicator no. 3 Table 1 in Appendix 1	Article 449a of Regulation (EU) No. 575/2013; Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Transition risk related to climate change: Alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8 paragraph 1	
ESRS E1-7.56	Not reported				Regulation (EU) 2021/1119, Article 2 paragraph 1
ESRS E1-9.66	Not reported			Delegated Regulation (EU) 2020/1818, Appendix II Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS E1-9.66a)c)	Not reported		Article 449a of Regulation (EU) No. 575/2013; Implementing Regulation (EU) 2022/2453, paragraphs 46 and 47; Template 5: Banking book – Climate change transition risk: Exposures subject to physical risk		
ESRS E1-9.67c)	Not reported		Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, paragraph 34; Template 2: Banking book – Climate change transition risk: Loans collateralised by immovable property – - Energy efficiency of the collateral		

Disclosure requirement and related data point	Section/Sub-section	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference
ESRS E1-9.69	Not reported			Commission Delegated Regulation (EU) 2020/1818, Appendix II	
ESRS E2-4.28	not material	Indicator no. 8 in Appendix 1 Table 1 Indicator no. 2 in Appendix 1 Table 2 Indicator no. 1 in Appendix 1 Table 2 Indicator no. 3 in Appendix 1 Table 2			
ESRS E3-1.9	not material	Indicator no. 7 in Appendix 1 Table 2			
ESRS E3-1.13	not material	Indicator no. 8 in Appendix 1 Table 2			
ESRS E3-1.14	not material	Indicator no. 12 in Appendix 1 Table 2			
ESRS E3-4.28c)	not material	Indicator no. 6.2 in Appendix 1 Table 2			
ESRS E3-4.29	not material	Indicator no. 6.1 in Appendix 1 Table 2			
ESRS 2 — IRO 1 - E4.16a) i)	Biodiversity and ecosystems	Indicator no. 7 in Appendix 1 Table 1			
ESRS 2 - IRO 1 - E4.16b)	Biodiversity and ecosystems	Indicator no. 10 in Appendix 1 Table 2			
ESRS 2 - IRO 1 - E4.16c)	Biodiversity and ecosystems	Indicator no. 14 in Appendix 1 Table 2			
ESRS E4-2.24b)	not material	Indicator no. 11 in Appendix 1 Table 2			
ESRS E4-2.24c)	not material	Indicator no. 12 in Appendix 1 Table 2			
ESRS E4-2.24d)	not material	Indicator no. 15 in Appendix 1 Table 2			
ESRS E5-5.37d)	not material	Indicator no. 13 in Appendix 1 Table 2			
ESRS E5-5.39	not material	Indicator no. 9 in Appendix 1 Table 1			
ESRS 2 SBM3 – S1.14f)	Material impacts, risks and opportunities related to the undertaking's own workforce and their interaction with strategy and business model	Indicator no. 13 in Appendix I Table 3			
ESRS 2 SBM3 – S1.14g)	Material impacts, risks and opportunities related to the undertaking's own workforce and their interaction with strategy and business model	Indicator no. 12 in Appendix I Table 3			

Disclosure requirement and related data point	Section/Sub-section	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference
ESRS S1-1.20	3.2 The HENSOLDT Group Policy on human rights	Indicator no. 9 in Appendix I Table 3 and Indicator no. 11 in Appendix I Table 1			
ESRS S1-1.21	3.2 The HENSOLDT Group Policy on human rights			Commission Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS S1-1.22	3.2 The HENSOLDT Group Policy on human rights	Indicator no. 11 in Appendix I Table 3			
ESRS S1-1.23	Overview of policies and actions taken, actions	Indicator no. 1 in Appendix I Table 3			
ESRS S1-3.32c)	Channels for reporting and filling complaints and incidents	Indicator no. 5 in Appendix I Table 3			
ESRS S1-14.88b), c)	Heath & safety	Indicator no. 2 in Appendix I Table 3		Commission Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS S1-14.88e)	Heath & safety	Indicator no. 3 in Appendix I Table 3			
ESRS S1-16.97a)	Remuneration	Indicator no. 12 in Appendix I Table 1		Commission Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS S1-16.97b)	Remuneration	Indicator no. 8 in Appendix I Table 3			
ESRS S1-17.103a)	Channels for reporting and filing complaints and incidents	Indicator no. 7 in Appendix I Table 3			
ESRS S1-17.104a)	Channels for reporting and filing complaints and incidents	Indicator no. 10 in Appendix I Table 1 and Indicator no. 14 in Appendix I Table 3		Delegated Regulation (EU) 2020/1816, Appendix II Delegated Regulation (EU) 2020/1818 Article 12 paragraph 1	
ESRS 2 SBM3 – S2.11b)	Material impacts, risks and opportunities related to value chain workers, and their interaction with strategy and business model	Indicators no. 12 and 13 in Appendix I Table 3			
ESRS S2-1.17	The HENSOLDT Supplier Code of Conduct	Indicator no. 9 in Appendix 1 Table 3 and Indicator no. 11 in Appendix 1 Table 1			
ESRS S2-1.18	The HENSOLDT Supplier Code of Conduct	Indicators no. 11 and 4 in Appendix 1 Table 3			
ESRS S2-1.19	The HENSOLDT Supplier Code of Conduct	Indicator no. 10 in Appendix 1 Table 1		Delegated Regulation (EU) 2020/1816, Appendix II Delegated Regulation (EU) 2020/1818 Article 12 paragraph 1	

Disclosure requirement and related data point	Section/Sub-section	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference
ESRS S2-1.19	The HENSOLDT Supplier Code of Conduct			Commission Delegated Regulation (EU) 2020/1816, Appendix II	
ESRS S2-4.36	Processes to remediate negative impacts and channels for value chain workers to raise concerns	Indicator No. 14 in Appendix 1 Table 3			
ESRS S3-1.16	not material	Indicator no. 9 in Appendix 1 Table 3 and Indicator no. 11 in Appendix 1 Table 1			
ESRS S3-1.17	not material	Indicator no. 10 in Appendix 1 Table 1		Delegated Regulation (EU) 2020/1816, Appendix II Delegated Regulation (EU) 2020/1818 Article 12 paragraph 1	
ESRS S3-4.36	not material	Indicator no. 14 in Appendix 1 Table 3			
ESRS S4-1.16	Policies related to consumers and end-users	Indicator no. 9 in Appendix 1 Table 3 and Indicator no. 11 in Appendix 1 Table 1			
ESRS S4-1.17	Policies related to consumers and end-users	Indicator no. 10 in Appendix 1 Table 1		Delegated Regulation (EU) 2020/1816, Appendix II Delegated Regulation (EU) 2020/1818 Article 12 paragraph 1	
ESRS S4-4.35	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	Indicator no. 14 in Appendix 1 Table 3			
ESRS G1-1.10b)	Anti-corruption and bribery	Indicator no. 15 in Appendix 1 Table 3			
ESRS G1-1.10d)	Policies	Indicator no. 6 in Appendix 1 Table 3			
ESRS G1-4.24a)	Anti-corruption and bribery	Indicator no. 17 in Appendix 1 Table 3		Commission Delegated Regulation (EU) 2020/1816, Appendix II	
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GOV–4 – Statement on due diligence	1.2 Governance	Statement on due diligence
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SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model	1.4 Processes to identify and assess material impacts, risks and opportunities	Material impacts, risks and opportunities and their interaction with strategy and business model
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Phase-in disclosures

In accordance with ESRS 1 Appendix C, HENSOLDT is making use of the phase-in disclosure requirements, whereby the following metrics will already be reported voluntarily in the fiscal year 2024:

Disclosure Requirement	Datapoints	Section	Subsection
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	3.3 Own workforce	Employment
S1-8 [S-1-8.60a]	The percentage of its total employees by HENSOLDT covered by collective bargaining agreements, including employees in non-EEA countries	3.3 Own workforce	Remuneration
S1-13 [S1.13-83b]	The average number of training hours per employee and by gender	3.3 Own workforce	Training and skills development at all stages of career and life
S1-14 [S-1.14.88e]	The number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	3.3 Own workforce	Health & Safety

VI Takeover-relevant information and explanatory report

The takeover-relevant information and the explanatory report for fiscal year 2024 are made in accordance with sections 289a and 315a of the German Commercial Code (HGB).

1 Composition of share capital

As of 31 December 2024, the share capital of HENSOLDT AG amounts to € 115.5 million and is divided into 115,500,000 ordinary bearer shares (no-par value shares). The shares are fully paid up. All shares carry the same rights and obligations. The rights and obligations of shareholders are set out in detail in the provisions of the German Stock Corporation Act ("AktG"), especially sections 12, 53a et seq., 118 et seq. and 186 AktG.

2 Restrictions on voting rights or transfer of shares

Each share grants one vote at the general meeting and determines the shareholders' share in the company's profit. Excluded from this are treasury shares held by the Company, which do not entitle the Company to any rights pursuant to section 71b AktG. In the cases of section 136 AktG, the voting rights from the relevant shares are excluded by law. Violations against the notification requirements according to section 33 (1), section 38 (1) and section 39 (1) of the German Securities Trading Act (WpHG) can lead to a situation where rights arising from shares and also voting rights are at least temporarily suspended according to section 44 WpHG.

The German Federal Ministry for Economic Affairs and Climate Action (BMWK) may examine the direct or indirect acquisition of shares in the Company by a foreign acquirer if, following the acquisition, the acquirer will directly or indirectly hold 10 % or more of the voting rights in the Company. According to the provisions in sections 60 et seq. of the German Foreign Trade and Payments Ordinance (Aussenwirtschaftsverordnung or AWV), the intended acquisition must be notified in writing to the BMWK, which will only approve the acquisition if it does not raise any concerns in view of any essential security interests of the Federal Republic of Germany.

In the context of article 19 (11) of Regulation (EU) No. 596/2014 (Market Abuse Regulation) and in accordance with the internal guidelines for members of the Management Board and Supervisory Board of HENSOLDT AG, several specific restrictions exist regarding the purchase and sale of shares of HENSOLDT AG. These include, inter alia, certain trading bans in particular in the context with the publication of financials, as well as acquisition and holding obligations in connection with the remuneration of the Management Board.

The Company launched an employee share programme in October 2021. This programme allows shares to be issued to employees on a specific date each fiscal year based on a decision made annually by the Management Board. A tranche was issued in October 2024. Under this programme, shares are acquired and held centrally by a service provider in its own name, but internally in trust for the participating employees. The rules of the employee share programme stipulate a one-year lock-up period from the acquisition date, during which the underlying shares may generally not be sold, encumbered or otherwise transferred by the participating employees.

Otherwise, the Management Board is not aware of any agreements by shareholders of HENSOLDT AG containing restrictions for the exertion of voting rights or the transfer of shares.

3 Shareholdings exceeding 10 % of the voting rights

To the Company's knowledge, the following direct or indirect shareholdings in the voting capital of HENSOLDT AG exceeding 10 % the voting rights existed as of the balance sheet date:

In a voting rights notification dated 26 March 2021, the Federal Republic of Germany announced that, in the context of an allocation transaction pursuant to section 2 (4) of the KfW Act, the German national development bank (Kreditanstalt für Wiederaufbau, KfW), based in Frankfurt am Main, acting in exercise of its acquisition right notified in a voting rights notification dated 29 September 2020, entered into a share purchase agreement on 24 March 2021 with Square Lux Holding II S.à r.l., Luxembourg (Square Lux) regarding a 25.1% shareholding in HENSOLDT AG and that, with this agreement, the acquisition rights of the Federal Republic of Germany have been transferred, in full, from the Federal Republic of Germany to KfW. In relation to the share capital of HENSOLDT AG, which was divided into 105,000,000 shares at this time, this represented a share of 25.1% of the voting rights.

With voting rights notification dated 27 May 2021 (date threshold triggered: 26 May 2021), the Federal Republic then announced that the share purchase and transfer agreement concluded as part of the allocation transaction of the Federal Republic of Germany had been executed on 26 May 2021, after the conditions for execution had been met. In its notification pursuant to section 43 (1) WpHG dated 14 June 2021, the Federal Republic of Germany reported on this process, inter alia, that the market acquisition of the voting rights in HENSOLDT AG serves the implementation and safeguarding of strategic objectives of the German Federal Government (Bund), inter alia, to protect the national security and defence industry key technologies defined in the German Federal Government's strategy paper on strengthening the security and defence industry dated 12 February 2020 and that the persons obliged to notify intend to influence appointments to administrative, management and mainly supervisory bodies at HENSOLDT AG.

As part of the capital increase against cash contributions recorded in the commercial register on 8 December 2023, which included the issue of 10,500,000 new shares, the Federal Republic of Germany, acting indirectly through the KfW, increased its investment in HENSOLDT AG by purchasing new shares proportionate to its shareholding of 25.1%.

With voting rights notification dated 13 December 2023 (date threshold triggered: 8 December 2023), Leonardo S.p.A. ("Leonardo") reported that 26,355,000 voting rights were still attributed to it. Based on the share capital of HENSOLDT AG, which is divided into 115,500,000 shares following the capital increase carried out in December 2023, this represents a shareholding of 22.8%.

Other direct or indirect shareholdings in the Company's capital exceeding 10.0 % of voting rights have not been reported to the Company nor has the Company become aware of any such shareholdings in any other way.

4 Shares with special rights of control

Shares with special rights of control do not exist.

However, the Federal Republic of Germany (represented by the Federal Ministry of Defence together with the Federal Ministry for Economic Affairs and Climate Action or the corresponding ministry succeeding it in the respective function) is entitled, as soon as and for as long as it is a shareholder of the Company, to appoint one of the members attributable to the shareholders to the Supervisory Board. The Federal Republic of Germany furthermore has the right to delegate one further member attributable to the shareholders to the Supervisory Board, as long as the Federal Republic of Germany directly or indirectly holds shares amounting to at least 25.1 % of the Company's share capital. Further details of this right of delegation, including further modalities of exercise, can be found in section 8 (2) of the articles of association of the Company.

5 Type of voting rights control if employees have an interest in the capital and do not exercise their control rights directly

Employees who hold shares of HENSOLDT AG exercise their control rights in the same way as other shareholders in accordance with legal requirements and the articles of association. Under the terms of the employee share programme launched in October 2021, the shares acquired in the three tranches by participating employees are held in trust for the participants by a service provider. As long as the shares are held in trust, appropriate measures will be taken by the service provider to enable participating employees to exercise, directly or indirectly, their voting rights attached to the shares under management.

6 Legal requirements and provisions of the articles of association concerning the appointment and dismissal of members of the Management Board and amendments to the articles of association

The appointment and dismissal of members of the Management Board are governed by sections 84 and 85 of the German Stock Corporation Act (AktG) as well as section 31 of the German Codetermination Act (MitbestG). Pursuant to section 6 (1) of the articles of association, the Management Board consists of at least two members, with the number of members of the Management Board to otherwise be determined by the Supervisory Board. The articles of association also stipulate that the Supervisory Board may appoint a member of the Management Board as chair of the Management Board.

Pursuant to sections 119 (1) no. 6 and 179 AktG, any amendment of the articles of association requires a resolution by the general meeting. The authority to make amendments that only affect the wording is delegated to the Supervisory Board, in accordance with section 10 (9) of the articles of association. Further, the Supervisory Board has been authorised by resolutions passed by the general meeting to amend section 4 of the articles of association in accordance with the respective utilisation of Conditional Capital 2020/I and, in the event of non-utilisation after the expiry of the authorisation period or the expiry of the exercise and fulfilment periods, and in accordance with the utilisation of Authorised Capital 2020/I.

Pursuant to section 179 (2) AktG, resolutions of the general meeting amending the articles of association require a majority of at least three quarters of the share capital represented when the resolution is adopted, unless the articles of association stipulate a different capital majority. Section 16 (2) of the articles of association of HENSOLDT AG stipulates a different capital majority in this respect. Accordingly, unless otherwise stipulated by the articles of association or by law, resolutions of the general meeting are adopted by a simple majority of the votes cast and, if a capital majority is also required, by a simple majority of the share capital represented when the resolution is adopted. However, the majority pursuant to section 16 (2) of the articles of association does not apply in particular to a change in the Company's business purpose, since in this respect only a larger capital majority may be specified in the articles of association according to section 179 (2) sentence 2 AktG. The capital majorities of at least three quarters of the share capital represented at the time the resolution is adopted, which are required by law for an amendment to the articles of association in addition to the simple majority of votes, also remain in full force and effect. This applies in particular to resolutions on the creation of conditional capital (section 193 (1) sentence 1 AktG), the creation of Authorised Capital (section 202 (2) sentence 2 AktG), a capital increase from company funds (section 207 (2) sentence 1 AktG), reductions of share capital (section 222 (1) sentence 1 AktG and section 229 (3) AktG), and the redemption of shares (section 237 (2) sentence 1 AktG).

7 Authority of the Management Board to issue or repurchase shares

7.1 Conditional capital

By resolution of the general meeting on 18 August 2020, the Management Board was authorised, subject to the approval of the Supervisory Board, to issue bearer or registered bonds with warrants and/or convertible bonds, profit participation rights and/or participating bonds, or a combination of these instruments for a total nominal amount of up to € 500.0 million, with or without limited term, on one or more occasions up to 11 August 2025, in return for contributions in cash or in kind. Also authorised was the granting or imposing of option rights or obligations on the holders or creditors of bonds with warrants or participatory certificates with warrants or participating bonds with warrants, or the granting or imposing of conversion rights or obligations on the holders of convertible bonds or participatory certificates with warrants or convertible participating bonds, in respect of bearer shares with no par value of the Company representing a pro rata amount of the share capital of up to € 16.0 million in total, in accordance with the respective terms and conditions of these bonds.

The bonds may be issued in euros or in the legal currency of a member country of the Organisation for Economic Cooperation and Development (OECD), limited to the equivalent value in euros. They may also be issued by a subordinated group company of the Company; in this case, the Management Board is authorised, subject to the approval of the Supervisory Board, to assume the guarantee for the bonds on behalf of the Company and to grant or impose option or conversion rights or obligations on the holders in respect of bearer shares with no par value of the Company. Further details are contained in the authorisation resolution.

The shareholders are generally entitled to a subscription right to the bonds. Insofar as the shareholders are not enabled to subscribe directly to the bonds, the shareholders shall be granted the statutory subscription right in such a way that the bonds are taken over by a credit institution or a syndicate of credit institutions with the obligation to offer them to the shareholders for subscription. If the bonds are issued by a subordinated group company, the Company must ensure that the statutory subscription right is granted to the Company’s shareholders in accordance with the preceding sentence.

However, the Management Board is authorised, subject to the approval of the Supervisory Board, to exclude fractional amounts resulting from the subscription ratio from the shareholder’s subscription right and also to exclude the subscription right to the extent necessary to grant holders of previously granted option or conversion rights as well as imposed option or conversion obligations a subscription right to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or upon fulfilment of the option or conversion obligation.

The Management Board is also authorised, subject to the approval of the Supervisory Board, to fully exclude subscription rights of shareholders to bonds issued in return for cash contributions which are issued with option or conversion rights or option or conversion obligations, provided that the Management Board, after due examination, is of the opinion that the issue price of the bond is not significantly lower than its hypothetical market value calculated in accordance with recognised methods, in particular financial valuation methods. However, this authorisation to exclude subscription rights only applies to bonds issued with option or conversion rights or option or conversion obligations, with an option or conversion right or an option or conversion obligation on shares with a pro rata amount of the share capital which in total may not exceed 10.0 % of the share capital, either at the time this authorisation becomes effective or – if this value is lower – at the time it is exercised. Shares sold or issued under exclusion of subscription rights pursuant to section 186 (3) sentence 4 German Stock Corporation Act (AktG) during the term of this authorisation up to the issue of the bonds with option or conversion rights or option or conversion obligations without subscription rights pursuant to section 186 (3) sentence 4 AktG shall count towards the aforementioned 10.0 % limit. The shares issued under the capital increase from authorised capital 2020/I entered in the commercial register on 8 December 2023 with the exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG are counted towards this 10.0% limit, meaning that the 10.0% limit has now been fully exhausted.

Insofar as profit participation rights or participating bonds are issued without conversion rights or conversion obligations or option rights or option obligations, the Management Board is authorised, subject to the approval of the Supervisory Board, to exclude the shareholders’ subscription rights altogether if these profit participation rights or participating bonds have bond-like features, i.e. do not confer any membership rights in the Company, do not grant any participation in liquidation proceeds and the amount of interest is not calculated on the basis of the amount of net income for the year, of the net retained profits or of the dividend. Also in this case, the interest rate and the issue amount of the profit participation rights or participating bonds must correspond to the current market conditions at the time of issue.

The Management Board is also authorised, subject to the approval of the Supervisory Board, to exclude shareholders’ subscription rights to bonds issued against contributions in kind with option or conversion rights or option or conversion obligations, in particular in the case of the acquisition of companies, parts of companies, equity interests in companies or other assets, including rights and receivables, or in connection with business combinations.

In order to grant shares to the holders or creditors of the aforementioned instruments, the share capital of HENSOLDT AG is conditionally increased by up to € 16.0 million, divided into up to 16,000,000 bearer shares with no par value (Conditional Capital 2020/1). Further details of the Conditional Capital 2020/I can be found in section 4 (4) of the articles of association.

7.2 Authorised capital

The Management Board is authorised, subject to the approval of the Supervisory Board, to increase the share capital on or before 11 August 2025, on one or more occasions by in total up to € 25.5 million by issuing new bearer shares with no par value in return for contributions in cash or in kind (Authorised Capital 2020/I).

When shares are issued from Authorised Capital 2020/I, shareholders must generally be granted subscription rights. However, the Management Board is authorised, in each case subject to the approval of the Supervisory Board, to exclude subscription rights of shareholders on one or more occasions in each of the following cases:

- in order to exclude fractional amounts from shareholders’ subscription rights in the event of capital increases against cash contributions or contributions in kind;
- to the extent necessary to grant subscription rights to the new bearer shares with no par value to holders or creditors of option or conversion rights granted or option or obligations imposed by the Company or by its direct or indirect affiliated companies in the scope to which they would be entitled as shareholders after exercising the option or conversion right or after fulfilling the option or conversion obligation as shareholders;

- insofar as the capital increase takes place against contributions in kind, especially in the case of the acquisition of companies, parts of companies, participations in companies or other assets, including rights and receivables, or in the context of business combinations;

- for the purpose of issuing shares to employees of the Company and employees and members of the management of subordinated group companies, with regard to employees also in compliance with the requirements of section 204 (3) AktG;

- in the case of capital increases against cash contributions, if the subscription price for which the new bearer shares with no par value are issued does not significantly fall short of the market price at the time of final determination of the amount of which the shares are issued, which should be as close as possible to the placement of the bearer shares with no par value (simplified exclusion of subscription rights pursuant to section 186 (3) sentence 4 AktG). The shares issued under exclusion of the subscription right in accordance with section 186 (3) sentence 4 AktG shall not exceed a total of 10.0 % of the share capital existing at the time when the resolution on the creation of this authorisation is adopted or – if this value is lower – at the time when the resolution on the initial exercise of this authorisation is made. The maximum limit of 10.0 % of the share capital shall be reduced by the prorated amount of the share capital attributable to those shares issued or sold during the period of effectiveness of this authorisation under the exclusion of the subscription right in direct or analogous application of section 186 (3) sentence 4 AktG. Furthermore, this limit is decreased by shares that have been or may be issued in order to satisfy option or conversion rights or obligations, if the option or conversion rights or obligations were granted or imposed under exclusion of the subscription rights in accordance with section 186 (3) sentence 4 AktG during the period of effectiveness of this authorisation. The shares issued under the capital increase from authorised capital 2020/I entered in the commercial register on 8 December 2023 with the exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG are counted towards this 10.0% limit, meaning that the 10.0% limit has now been fully exhausted.

In accordance with section 186 (5) AktG, the new shares may also be subscribed by a credit institution or a company operating in accordance with section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer them to the shareholders for subscription (indirect subscription right).

The Management Board is authorised, subject to the approval of the Supervisory Board, to determine the further details of the capital increase and the conditions for the issuance of shares.

The Authorised Capital 2020/I amounts to € 25.5 million as of 31 December 2024.

7.3 Share buyback

By resolution of the general meeting on 18 August 2020, the Management Board was also authorised until 11 August 2025 to acquire treasury shares of the Company up to a total of 10.0 % of the Company’s share capital existing at the time the resolution is adopted or – if one of these values is lower – at the time this authorisation becomes effective or at the time this authorisation is exercised. The authorisation may be exercised, in each case individually or jointly, by the Company or also by subordinated group companies of the Company or by third parties for the account of the Company or its subordinated group companies. The authorisation to acquire and use treasury shares may be exercised in full or in part, once or several times.

At the discretion of the Management Board, the shares may be purchased on the stock exchange or by means of a public purchase offer or a public invitation to shareholders to submit an offer for sale.

- If treasury shares are purchased on the stock exchange, the purchase price paid by the Company (excluding incidental costs) shall not be more than 10.0 % higher or lower than the price of the Company’s shares determined by the opening auction on the trading day in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange.

- If the shares are purchased by means of a public offer to buy or a public invitation to submit an offer to sell, the purchase or selling price offered or the limits of the purchase or selling price range per share (excluding incidental costs) shall not be more than 10.0 % higher or lower than the average closing price in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the three trading days prior to the date of the public announcement of the offer or the public invitation to submit an offer to sell. If there is a significant deviation in the relevant price after publication of a purchase offer, the offer may be adjusted. In this case, the average price of the three stock exchange trading days prior to the day of publication of any adjustment shall be taken as the basis; the 10.0 % limit for oversubscription or undersubscription shall be applied to this amount. If the offer to purchase is oversubscribed or, in the case of an invitation to submit an offer to sell, not all of several equivalent offers can be accepted, acceptance must be in proportion to the shares tendered (tender ratios). In addition, shares may be rounded down to avoid fractional amounts.

The authorisation may be exercised for any legally permissible purpose, in particular in pursuit of one or more of the purposes set out below, excluding shareholders' subscription rights in accordance with the following provisions, and may be exercised individually or jointly by the Company or a subordinated group company or by third parties for the account of the Company or a subordinated group company.

- The Management Board is authorised, subject to the approval of the Supervisory Board, to sell the treasury shares acquired on the basis of the authorisation granted at the general meeting on 18 August 2020, also in a way other than via the stock exchange or by means of an offer to all shareholders, provided that the sale is for cash and at a price which is not significantly lower than the stock market price of shares in the Company at the time of the sale (simplified exclusion of subscription rights pursuant to section 186 (3) sentence 4 AktG). The shares sold on the basis of this authorisation shall not exceed a total of 10.0 % of the share capital, either at the time the resolution is adopted by the general meeting or at the time this authorisation is exercised. The maximum limit of 10.0 % of the share capital shall be reduced by the pro rata amount of the share capital attributable to those shares issued during the term of this authorisation with exclusion of subscription rights in direct or analogous application of section 186 (3) sentence 4 AktG. Furthermore, this limit shall be reduced by shares issued or issuable to service option or conversion rights, provided that the bonds were issued during the term of this authorisation under exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG. The shares issued under the capital increase from authorised capital 2020/I entered in the commercial register on 8 December 2023 with the exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG are counted towards this 10.0% limit, meaning that the 10.0% limit has now been fully exhausted.

- The Management Board is authorised, subject to the approval of the Supervisory Board, to transfer the treasury shares acquired on the basis of the authorisation granted by the general meeting on 18 August 2020 to third parties in return for contributions in kind, in particular in connection with the acquisition of companies, parts of companies, or equity interests in companies, or in connection with business combinations, as well as in connection with the acquisition of other assets, including rights and receivables.

- The Management Board is authorised, subject to the approval of the Supervisory Board, to use the treasury shares acquired on the basis of the authorisation granted by the general meeting on 18 August 2020 to fulfil obligations arising from conversion or option rights or conversion obligations from convertible bonds or bonds with warrants or profit participation rights or income bonds (or combinations of these instruments) issued by the Company or its subordinated group companies which grant a conversion or option right or stipulate a conversion or option obligation.

- The Management Board is authorised, subject to the approval of the Supervisory Board, to use the treasury shares acquired on the basis of the authorisation granted by the general meeting on 18 August 2020 to grant holders of convertible bonds or bonds with warrants or profit participation rights or participating bonds (or combinations of these instruments) issued by the Company or its subordinated group companies, which grant a conversion or option right or stipulate a conversion or option obligation, treasury shares to the extent that they would be entitled to a subscription right to shares of the Company after exercising the conversion or option right or after fulfilment of the conversion or option obligation.

- The Management Board is authorised to offer for purchase the treasury shares acquired on the basis of the authorisation granted by the general meeting on 18 August 2020 to persons who are or were employed by the Company or one of its affiliated companies (employee shares).

In addition, in the event of a sale of treasury shares by means of an offer to all shareholders, the Management Board may, with the approval of the Supervisory Board, exclude shareholders' subscription rights for fractional amounts.

In addition, treasury shares acquired on the basis of the authorisation granted by the general meeting on 18 August 2020 may be retired without any further resolution by the general meeting. The retirement generally leads to a capital reduction. In derogation of this, the Management Board may determine that the share capital shall remain unchanged and instead the retirement shall increase the proportion of the share capital represented by the remaining shares in accordance with section 8 (3) AktG. In this case, the Management Board is authorised to adjust the number of shares stated in the articles of association.

The details of the authorisation and particularly the limits of the possibility to exclude subscription rights and the offsetting modalities, are set out in the authorisation resolution.

8 Significant agreements of the Company that are subject to a change of control due to a takeover bid

On 7 September 2020, HENSOLDT AG, as borrower, entered into a Senior Facilities Agreement ("SFA") with a number of lenders in the amount of € 950 million. By agreement dated 2 November 2021 the SFA was increased by € 40 million to a total of € 990 million, € 620 million of which relate to a Term Loan and € 370 million to a revolving credit facility. On 12 April 2022 the SFA of HENSOLDT AG was again adjusted in respect of various points by means of an "Amendment and Restatement Agreement". The term was extended from September 2025 to April 2027. The margin grid was changed to the borrower's benefit, and for drawings in USD and GBP the LIBOR was replaced by so called "risk-free rate" (RFR) rules. This credit agreement contains a "change of control" clause, which is triggered if a person other than the person specified in the agreement acquires, directly or indirectly, more than 50.0 % of the voting rights in HENSOLDT AG. In the event of a change of control, the loan may be called in for repayment immediately.

On 6 December 2023, HENSOLDT AG, as borrower, entered into a further Senior Bridge and Term Facilities Agreement ("SBTFA") with a number of lenders in the amount of € 700 million. This long-term syndicated loan originally consisted of a € 450 million Term Facility and a € 250 million bridge loan. The bridge loan has already been repaid following the capital increase, which was recorded in the commercial register on 8 December 2023. This SBTFA also contains a "change of control" clause, which is triggered if a person other than the person specified in the agreement acquires, directly or indirectly, more than 50.0 % of the voting rights in HENSOLDT AG. In the event of a change of control, the loan may be called in for repayment immediately.

9 Compensation agreements concluded by the Company with members of the Management Board or employees in the event of a takeover bid

For the event of a change of control, HENSOLDT AG has not concluded any compensation agreements with its employees or with members of the Management Board or with managing directors or with employees of any direct or indirect subsidiaries.

VII Corporate governance statement[20]

In this corporate governance statement, we report on the principles of corporate management and corporate management practices and on significant structures of our corporate governance for the past fiscal year in accordance with sections 289f and 315d German Commercial Code (HGB). It also includes the declaration of conformity pursuant to section 161 German Stock Corporation Act (AktG).

The corporate governance statement is part of the Combined Management Report for HENSOLDT AG and the Group. In accordance with section 317 (2) sentence 6 HGB, the audit of the statements pursuant to section 289f (2) and (5) and section 315d HGB is limited to verifying whether the statements have been made. The statement on corporate governance is therefore unaudited in terms of content.

1 Fundamentals

HENSOLDT promotes the principles of good corporate governance in the sense of responsible, transparent corporate management and control aimed at increasing the value of the Company in the long term. This is a prerequisite for fostering the trust of national and international investors and financial markets, business partners, employees and the public in HENSOLDT. HENSOLDT Group bases its activities on the recommendations and suggestions of the German Corporate Governance Code ("GCGC" or "Code") in the version dated 28 April 2022.

2 Declaration of Conformity pursuant to section 161 AktG

The Management Board and Supervisory Board of HENSOLDT AG were subject to the obligation under section 161 AktG to issue a declaration of conformity with the Code throughout the entire fiscal year. The Management Board and Supervisory Board issued the following declaration on the Code by its resolutions dated on 29 November/10 December 2024:

"The Management Board and the Supervisory Board declare that since the submission of the last Declaration of Conformity on 28 November/5 December 2023, the recommendations of the German Corporate Governance Code in the version of 28 April 2022, published in the Federal Gazette on 27 June 2022, have been complied with and will continue to be complied with."

Taufkirchen, 29 November/10 December 2024

HENSOLDT AG

Management Board Supervisory Board"

The declaration of conformity, as printed above, is also available on the website of HENSOLDT at https://investors.hensoldt.net in the "Corporate Governance" section. Future declarations of conformity by the Company shall also be published there, and in future the respective declarations of conformity for the last five fiscal years will be available.

[20] Section VII. Corporate governance statement is unaudited.

3 Remuneration of Management Board and Supervisory Board

The Remuneration Report for fiscal year 2024 was prepared jointly by the Management Board and the Supervisory Board and will be published together with the auditor's opinion in accordance with Section 162 AktG and the current remuneration systems for the members of the Management Board and the Supervisory Board on the website of HENSOLDT at https://investors.hensoldt.net in the "Corporate Governance" section.

The Remuneration Report and the auditor's opinion on the Remuneration Report will be kept publicly available in accordance with the statutory regulations. For more information on the remuneration, refer to the notes to the Consolidated Financial Statements of HENSOLDT Group 2024 and the notes to the Financial Statements 2024 of HENSOLDT AG.

The applicable remuneration system for the members of the Management Board pursuant to section 87a AktG was approved by the annual general meeting on 18 May 2021 with a majority of 97.98 % of the valid votes cast.

This remuneration system was last amended in 2023 with effect from 1 January 2023 and approved by the annual general meeting on 12 May 2023 with a majority of 76.62% of valid votes cast.

The resolution on the remuneration and the remuneration system of the Supervisory Board pursuant to section 113 AktG was adopted at the annual general meeting of 18 May 2021 with a majority of 99.99 % of the valid votes cast. The last amendment to the remuneration rules in § 12 of the Articles of Association and to the remuneration system for the members of the Supervisory Board, applicable from 1 January 2024, was approved by the annual general meeting on 17 May 2024 with a majority of 99.88% of the valid votes cast. The adjustment included an increase in remuneration, including an increase in the maximum remuneration.

Further information on the currently applicable remuneration system of the Management Board as well as the Supervisory Board, including the respective resolutions of the annual general meeting, can be found on the website of HENSOLDT at https://investors.hensoldt.net in the "Corporate Governance" section.

4 Disclosures on corporate governance practices

4.1 Principles

HENSOLDT is named after Moritz Hensoldt (1821-1903). He was a German pioneer in optics and precision engineering. He harnessed his entrepreneurial spirit to develop innovative technologies, which at the time revolutionised the possibilities in the fields of surveillance and reconnaissance. We still see his entrepreneurial spirit today as the key to fulfilling our mission for our customers. For this purpose, we have introduced four principles: "Collaboration" is the foundation of our culture, our most important principle. Therefore, our motto is "We are a team" – we can only innovate and succeed together. Motivated employees who take responsibility, who work together, who respect and trust each other, and who use their individual strengths to work for our Company are at the heart of a successful and well-functioning collaboration. "Continuous Improvement", "Responsibility" and "Innovation" are the three other principles.

4.2 Suggestions of the Code

In the reporting period, HENSOLDT voluntarily complied with the suggestions of the Code.

4.3 The HENSOLDT Code of Conduct - the "Standards of Business Conduct"

HENSOLDT is committed to the core values of integrity, quality, trust and innovation, thus securing future success. The Standards of Business Conduct set out the ethical and legal framework according to which HENSOLDT operates. They contain the fundamental principles and rules that govern the conduct of all HENSOLDT employees. As it is also important for HENSOLDT that the high standards regarding accountability are met by suppliers, HENSOLDT requires its suppliers to follow the same rules of conduct.

More information on the Standards of Business Conduct can be found in section V Sustainability Report of this Annual Report.

HENSOLDT's Standards of Business Conduct are available on the website of HENSOLDT at https://investors.hensoldt.net in the "Corporate Governance" section.

4.4 Compliance

HENSOLDT's compliance programme aims to ensure the compatibility of its business activities with applicable law and regulations, but also with internal requirements and ethical principles, and to develop a culture of integrity. To achieve this, HENSOLDT has developed and implemented a comprehensive compliance programme specifically designed for the individual risk profile of the HENSOLDT Group.

More information on the HENSOLDT compliance programme is available in section V Sustainability Report of this Annual Report and also on the website of HENSOLDT at https://investors.hensoldt.net in the "Corporate Governance" section under "Compliance Framework".

4.5 Risk and control management

Functioning control systems are an essential component of stable business processes. HENSOLDT's Group-wide control systems are embedded in an overall concept, which, among other things, takes into account statutory regulations, the recommendations of the German Corporate Governance Code, international regulations and recommendations, and other company-specific guidelines. The persons responsible for the individual elements of the control system are in close contact with each other and with the Management Board and report regularly to the Supervisory Board or its committees. Likewise, HENSOLDT Group has a group-wide adequate and effective risk management system which describes and regulates functions, processes and responsibilities in a binding manner. The internal risk control management system also covers sustainability-related objectives, unless already required by law, and includes processes and systems for recording and processing sustainability-related data. The internal control system and the risk management system also include a compliance system based on the risk situation of the company. Key features of the entire internal control and risk management system are explained in section IV Opportunities and risks report.

The Management Board has no indications or information that the internal control system or the risk management system were inadequate in any material respect in the fiscal year. Any findings made during audits of the internal control system or the risk management system were promptly remedied by the affected group companies. Various analyses and checks were carried out in the reporting year, none of which found reason to call into question this assessment by the Management Board. Nevertheless, further measures to optimise documentation will also be initiated in the future.

4.6 Sustainability

HENSOLDT is aware of the special responsibility and knows the impact of its activities on society and the environment. HENSOLDT is committed to conducting its business sustainably and responsibly at all times. In fiscal year 2024 a new sustainability strategy was developed, containing five key strategy topics based on the material topics of sustainability reporting. These key topics can be found in section V Sustainability report.

4.7 Shareholders and general meeting

The shareholders of HENSOLDT AG exercise their rights at the general meeting. The general meeting decides on all matters assigned to it by law, including the appropriation of profits, approval of the actions of the members of the Management Board and the Supervisory Board, and the election of the auditor. The general meeting also elects those Supervisory Board members who are shareholders' representatives.

The reports, documents and information required by law for the annual general meeting, including the Annual Report as well as the agenda for the annual general meeting and any countermotions or election proposals from shareholders, which have to be made accessible, are available on the internet.

The fifth ordinary annual general meeting of HENSOLDT AG will take place on 27 May 2025. The Management Board and the Supervisory Board decided in 2024 to conduct the annual general meeting as a physical meeting.

4.8 Management Board and Supervisory Board shareholdings

Pursuant to article 19 of Regulation (EU) No. 596/2014 on market abuse, members of the Management Board and the Supervisory Board as well as persons closely associated with them are legally obliged under certain circumstances to disclose transactions made in shares of HENSOLDT AG or in derivatives relating thereto or in other related financial instruments.

A process is established to properly disclose these transactions in the event of such notification. The reported transactions are available on the website of HENSOLDT at https://investors.hensoldt.net in the “Corporate Governance” section.

4.9 Corporate communication and transparency

Corporate Communication provides comprehensive and timely information. All mandatory publications are made available on the website of HENSOLDT at https://investors.hensoldt.net. Numerous publications, for example ad hoc announcements, press releases and interim and annual reports, are issued in German and English. HENSOLDT organises press conferences and conference calls for important occasions. The Management Board is responsible for HENSOLDT’s communication with shareholders, shareholder associations, financial analysts, the media and the interested public on the Company’s development and significant events. The current financial calendar, which provides information on all significant publication and event dates, is also available on the website of HENSOLDT at https://investors.hensoldt.net.

The articles of association, the rules of procedure of the Supervisory Board, reports of the Supervisory Board from the fiscal year 2020 onwards, the Declaration of Conformity from the fiscal year 2020 onwards, and the Corporate Governance statement from the fiscal year 2020 onwards, are available on the website of HENSOLDT at https://inventors.hensoldt.net in the “Corporate Governance” section.

5 Working methods of Management Board and Supervisory Board[21]

The actions of the Management Board and Supervisory Board of HENSOLDT AG are based on the principle of responsible corporate management and control (corporate governance). The cooperation between the two committees reflects a relationship of mutual trust.

On the basis of section 90 AktG, the Management Board informs the Supervisory Board regularly, promptly, comprehensively and generally in text form about all issues of strategy, planning, business development, risk situation, risk management and compliance that are relevant to the Company. The Management Board discusses the status of strategy implementation with the Supervisory Board at regular intervals and addresses any deviations in the course of business from adopted plans and targets, including an explanation regarding the reasons. The chairmen of the two boards meet regularly to discuss all relevant current issues, also at short notice and with regard to specific events.

[21] The information in this section satisfies the disclosure requirements under ESRS in the Sustainability Report on ESRS GOV-1 – The role of administrative, management and supervisory bodies.

5.1 Management Board of HENSOLDT AG

Working methods of the Management Board

The Management Board manages the Company on its own responsibility. In doing so, it is bound to the interests of the Company and committed to increasing the sustainable value of the Company. The Management Board identifies and assesses the opportunities and risks for the Company associated with the social and environmental factors, as well as the environmental and social impact of the Company's activities. In addition to long-term economic objectives, it also takes due account of environmental and social objectives in an appropriate manner. Its business planning includes financial- and sustainability-related goals. For this purpose, HENSOLDT has developed an ESG Strategy 2026, which defines the sustainability topics that are essential for the company in seven categories. The Board's main tasks include defining the Company's objectives and strategic direction, managing and monitoring the operating units, and establishing and monitoring an efficient risk management system. The Management Board is responsible for the preparation of the Consolidated Financial Statements and the Annual Financial Statements as well as the preparation of interim financial information of HENSOLDT AG. The Management Board is also responsible for ensuring compliance with legal requirements and official regulations.

The members of the Management Board are jointly responsible for the overall management of the Company and its direct and indirect subsidiaries within the meaning of section 290 German Commercial Code (HGB). They work together as colleagues and inform each other on an ongoing basis about important measures and events within their respective board business area. Irrespective of the overall responsibility, each member of the Management Board is responsible for managing the board business area assigned to them. As far as measures and transactions of one board business area simultaneously affect another or several other board business areas, the respective member of the Management Board must first consult with the other member(s) involved. If no agreement can be reached, each member of the Management Board involved shall be obliged to call for a Management Board resolution.

The departure of Celia Pelaz Perez from the Management Board during the reporting period led to a reassignment of responsibilities among three members of the Managament Board. This reassignment means there are three functional responsibilities: the position of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Human Resources Officer/CHRO, with the CHRO also serving as Labour Director. The business allocation plan assigns specific business areas to the respective Management Board members. The business allocation plan is reviewed by the Supervisory Board at regular intervals and adjusted as necessary. The CEO's portfolio includes, inter alia, responsibility for the Optronics & Land Solutions division, the Radar & Naval Solutions division, the Spectrum Dominance & Airborne Solutions division, the Services & Aerospace Solutions division and the ESG Elektroniksystem- und Logistik-GmbH division. The CEO is also responsible for Corporate Sections (Corp. Sec.)/Chief Legal Officer (CLO), Group Strategy and M&A, International Business Development, Communications & Marketing, Governmental Relations and Business Development and Technology & Innovation (incl. HENSOLDT Ventures). The CFO is primarily responsible for the departments Central Finance & Controlling, Finance & Control Divisions, Investor Relations, Commercial & Offset, Internal Audit, Information Management, Treasury as well as other related programmes and tasks (Enterprise Risk Management and "HENSOLDT GO!") and also Group Supply Chain Management. In addition to Human Resources, the CHRO is responsible for Security and Corporate Social Responsibility, Facility Management and Health, Safety and Environment and for the Post Merger Integration of ESG Elektroniksystem- und Logistik-GmbH. Within their respective functional areas of responsibility, the members of the Management Board each have – relating to all parts of the Company – the authority to issue directives, the duty of supervision and the duty to coordinate, without prejudice to the continuing overall responsibility of the Management Board. This also applies towards the heads of entities with their own legal form and towards HENSOLDT Group companies abroad, unless this is not legally permissible in individual cases.

The detailed structure of the work of the Management Board is determined by the rules of procedure, which are issued by the Supervisory Board; the Supervisory Board reviews the rules of procedure on a regular basis to determine whether any adjustments are required. These rules of procedure govern, among other things, matters reserved for a decision by the whole Management Board, special measures requiring the approval of the Supervisory Board as well as other procedural and resolution modalities. The Management Board meets regularly at Management Board meetings. These are convened by the Chair of the Management Board, who coordinates the work of the Management Board. Any member of the Management Board may request the convening of a meeting. In accordance with the rules of procedure, the Management Board regularly adopts resolutions by a simple majority of the members participating in the resolution. In the event of a tie, the vote of the Chair of the Management Board shall be decisive.

Composition of the Management Board

Pursuant to section 6 (1) of the articles of association, the Management Board of HENSOLDT AG consists of at least two persons. In the reporting period, the Management Board comprised five members: Thomas Müller as Chair (CEO) (resigned from the Management Board effective as of the end of 31 March 2024), Oliver Dörre as Chair (CEO) (from 1 January 2024 member of the Management Board and from 1 April 2024 Chair (CEO)), Christian Ladurner as CFO, Dr.

Lars Immisch as CHRO and Celia Pelaz Perez as CStO (resigned from the Management Board effective as of the end of 31 August 2024).

Further information on the personnel composition and the curricula vitae, term of appointment and areas of responsibility of the individual Management Board members can be found on the website of HENSOLDT at https://investors.hensoldt.net in the "Corporate Governance" section. This also contains information, if available, on other mandates held by members of the Management Board outside the HENSOLDT Group. In addition, the composition of the Management Board is presented in the notes to the Consolidated Financial Statements.

The members of the Management Board are appointed by the Supervisory Board on the proposal of the Presidial Committee. In any appointment decisions, the Supervisory Board takes into account diversity aspects such as age, gender, educational or professional background. In particular, the Supervisory Board aims to give appropriate consideration to women. The flexible age limit for members of the Management Board stipulates that members of the Management Board should generally not be older than 65. The flexible age limit is formulated in a soft way in order to give a certain degree of flexibility to the Supervisory Board in its appointment decisions.

For further information on the representation of women on the Boards of HENSOLDT AG, please refer to the section "5.4 Disclosure on the representation of women in the Management Board and Supervisory Board and at the top management levels of HENSOLDT AG".

As part of the succession planning for the Management Board, the Chair of the Supervisory Board, who is also the Chair of the Presidial Committee, regularly discusses suitable internal candidates with the Management Board and involves the Presidial Committee in the considerations or discussions. In addition, the Presidial Committee will also evaluate external candidates for Management Board positions as required and, if necessary, will seek the help of external service providers.

5.2 Supervisory Board of HENSOLDT AG

Working methods of the Supervisory Board

The Supervisory Board monitors and advises the Management Board in the management of the Company. The Supervisory Board's monitoring and advising of the Management Board also includes sustainability issues. It supports the Management Board in major business decisions and assists in matters of strategic importance. Measures requiring the approval of the Supervisory Board have been defined by the Supervisory Board in the rules of procedure for the Management Board. Furthermore, the Supervisory Board appoints the members of the Management Board, determines their total remuneration and reviews the Consolidated and Annual Financial Statements of HENSOLDT AG, as well as the Combined Management Report.

At least two Supervisory Board meetings are held each calendar half-year. Extraordinary meetings are held as required. The committees also hold regular meetings. The resolutions of the Supervisory Board require a majority of the votes cast, unless otherwise stipulated by law. If a vote results in a tie, each member of the Supervisory Board has the right to demand a new vote on the same matter. If this also results in a tie, the Chair has two votes.

At three meetings of the Supervisory Board in the previous fiscal year, various Management Board matters were discussed that required the Supervisory Board to convene without the presence of the Management Board. On 10 July 2024 the Supervisory Board met in the absence of the Management Board in order to terminate, by mutual agreement, the Management Board service contract of Celia Pelaz Perez and to change the rules of procedure for the Management Board (amendment of business allocation plan). On 26 July 2024, the Supervisory Board met without the presence of the Management Board in order to extend the appointment of Christian Ladurner to the Management Board. The Supervisory Board also met on 10 December 2024 without the presence of the Management Board to extend the appointment of Dr. Lars Immisch to the Management Board. The Supervisory Board has adopted its own rules of procedure, and these are published on the HENSOLDT website at https://investors.hensoldt.net.

HENSOLDT considers the regularly review of the effectiveness of the Supervisory Board's work in accordance with recommendation D.12 of the Code as an important component of good corporate governance. The members of the Audit Committee, the Compliance Committee and the Presidial Committee regularly assess the effectiveness of the committees' work. The assessment was conducted in fiscal year 2023 using an anonymised questionnaire.

In principle, members of the Supervisory Board take responsibility for the training and continuing education measures required for their duties. If necessary, they are supported by HENSOLDT to an appropriate extent. To support the Supervisory Board with the process of new members joining it, an induction procedure has been established to familiarise incoming members of the Supervisory Board with the main characteristics of HENSOLDT and its business activities as well as the legal requirements and internal processes relevant to their work on the Supervisory Board.

Details of the Supervisory Board's activities, including the number of meetings and information on the attendance of Supervisory Board members at meetings in fiscal year 2024, are provided in the "Report of the Supervisory Board".

Composition of the Supervisory Board

The Supervisory Board has 12 members and, in accordance with the requirements of the German Codetermination Act (MitbestG), is composed of an equal number of shareholder and employee representatives. The rules of procedure of the Supervisory Board stipulate that the Supervisory Board shall be composed in such a way that its members as a whole possess the knowledge, skills and professional experience required to properly perform their duties and that the statutory gender quota is complied with.

In fiscal year 2024, the Supervisory Board comprised the following members:

Name	Born	Member since	Appoin-ted until	Profession
Reiner Winkler (Chair)	1961	2022	2025	Independent Consultant
Armin Maier-Junker[1] (Vice Chair)	1962	2017	2026	Chair of the Works Council of HENSOLDT Sensors GmbH, Ulm; Chair of the General Works Council of HENSOLDT Sensors GmbH and Chair of the Group Works Council of HENSOLDT AG
Dr. Jürgen Bestle[1]	1966	2021	2026	CTO and Head of Engineering Governance of HENSOLDT AG and Head of Design Organisation of HENSOLDT Sensors GmbH
Jürgen Bühl[1]	1969	2017	2026	Division Manager on the Executive Board of IG Metall
Letizia Colucci (until 31 May 2024)	1962	2022	2025	General Manager at the Med-Or Leonardo-Foundation
Marco R. Fuchs	1962	2023	2025	Chair of the Management Board of OHB SE
Achim Gruber[1]	1963	2021	2026	Chair of the Works Council of HENSOLDT Optronics GmbH, Oberkochen
Ingrid Jägering	1966	2017	2025	Member of the Management Board, CFO of Stihl AG
Marion Koch[1]	1978	2020	2026	Member of the Works Council of HENSOLDT Sensors GmbH, Immenstaad; Head of the "Airborne & Space Radars" business unit of HENSOLDT Sensors GmbH
Giuseppe Panizzardi	1963	2023	2025	Senior Vice President M&A & Corporate Development of Leonardo S.p.A.
Raffaella Luglini (since 1 July 2024)	1971	2024	2025	Chief Sustainability Officer of Leonardo S.p.A.
Julia Wahl[1]	1987	2019	2026	Press Officer at IG Metall Baden-Württemberg
Hiltrud Werner	1966	2022	2025	Management Consultant

[1] Representative of the employees

Their mandates on other supervisory boards or comparable German and foreign supervisory bodies are shown in the following table (mandates within the HENSOLDT Group are marked with an asterisk (*)):

Name	Position
Dr. Jürgen Bestle	• Member of the Supervisory Board of HENSOLDT Sensors GmbH*
Jürgen Bühl	• Member of the Supervisory Board of HENSOLDT Sensors GmbH* • Member of the Supervisory Board of Airbus Defence & Space GmbH
Letizia Colucci (until 31 May 2024)	• Member of the Board of Directors of Avio S.p.A. • Chair of the Board of Directors of MBDA Italia S.p.A. • Member of the Board of Directors of e-GEOS S.p.A.
Marco R. Fuchs	• Chair of the Supvervisory Board of ZARM Technik AG • Chair of the Supvervisory Board of MT Aerospace AG • Member of the Supvervisory Board of OHB System AG • Member of the Supvervisory Board of Rocket Factory Augsburg AG • Chair of the Board of Directors of OHB Italia S.p.A • Chair of the Board of Directors of OHB Sweden AB • Chair of the Board of Directors of Antwerp Space N.V. • Chair of the Board of Directors of LuxSpace Sàrl • Member of the Board of Directors of AT Engine Mexico S.A.P.I. de C.V.(until August 2024)
Achim Gruber	• Member of the Supervisory Board of HENSOLDT Optronics GmbH*
Ingrid Jägering	• Chair of the Advisory Board of Wegmann Unternehmens-Holding GmbH & Co. KG • Member of the Supervisory Board of SAF-Holland SE • Member of the Board of Directors of KNDS N.V.
Giuseppe Panizzardi	• Member of the Board of Leonardo International S.p.A. (until May 2024)
Julia Wahl	• Member of the Supervisory Board of HENSOLDT Sensors GmbH* • Member of the Supervisory Board of Aesculap AG
Hiltrud Werner	• Chair of the Supervisory Board of Mitteldeutsche Flughafen AG • Member of the Supervisory Board of MAN Energy Solutions SE

The time of initial appointment mentioned above is disclosed on the basis of the first appointment to the Supervisory Board of HENSOLDT Holding GmbH or HENSOLDT GmbH respectively, which means before the change in legal form of the company to a public limited company (“AG”) as of 17 August 2020. The following changes occurred in the composition of the Supervisory Board during the fiscal year: With effect from the end of 31 May 2024, Letizia Colucci resigned as shareholder representative on the Supervisory Board. In her place, Raffaella Luglini was appointed to the Supervisory Board as shareholder representative, with effect from 1 July 2024. Giuseppe Panizzardi, who had initially been appointed to the Supervisory Board with effect from 1 December 2023 by the commercial court, was elected to the Supervisory Board effective as of the end of the annual general meeting on 17 May 2024.

According to the competency profile drawn up by the Supervisory Board, in view of the areas of activity of HENSOLDT Group, the key competencies of the Supervisory Board members include knowledge, experience or skills in the following areas: Industry, markets and regions in which HENSOLDT AG operates, accounting and auditing, corporate governance, compliance and regulatory requirements, capital market and risk management, operations/operational and excellence/ project management as well as public relations. At least one member of the Supervisory Board should have in-depth experience and knowledge in the management of an international company, in the area of digitalisation and information technology, in the area of human resources management and recruitment, in accounting and financial reporting, in controlling/risk management as well as in the area of corporate governance and compliance, including the regulatory requirements relevant to HENSOLDT. In addition, the Supervisory Board shall have knowledge and experience in the area of international security policy as well as in the sustainability issues that are important to the company. Besides the appropriate representation of all gender identities and age groups, proposals for elections to the Supervisory Board will also take into account different educational and professional backgrounds and the most diverse possible cultural and regional origins of the members of the Supervisory Board.

The competency profile also provides rules on the independence of Supervisory Board members and on the limitation of other mandates held in line with the relevant recommendations and suggestions of the Code.

Based on its work to date, the Supervisory Board has gained the impression that, overall, it has the competencies represented on it that are considered essential in the areas of work relating to HENSOLDT AG and the HENSOLDT Group. The Supervisory Board members as a whole are familiar with the industry in which HENSOLDT operates. On the shareholder side in particular, a significant number of members have many years of international experience in the management of an international company, corporate governance, risk management and compliance, as well as capital market and human resources issues. In the Chair of the Audit Committee, Ingrid Jägering, at least one member of the Supervisory Board has proven expertise in the fields of accounting or auditing. In addition, the Chair of the Supervisory Board as well as Marco R. Fuchs have in-depth knowledge in these areas. In addition, from the Supervisory Board's point of view, the employee side in particular ensures that the interests of numerous stakeholders are adequately taken into account within the work of the Supervisory Board.

The implementation of the competency profile is disclosed below in the form of a qualification matrix:

	Reiner Winkler	Armin Maier-Junker	Dr. Jürgen Bestle	Jürgen Bühl	Raffaella Luglini	Marco R. Fuchs
Representative of the employees		●	●	●		
Independence[1]	●				●	●
Industry Expertise	●	●	●	●	●	●
Accounting	●			●	●	●
Audit	●	●		●		●
Corporate Governance, Compliance	●	●	●	●	●	●
Capital Markets	●			●	●	●
Risk Management	●	●	●	●	●	●
International Security Policy			●	●	●	●
Antitrust Law						
International Experience	●		●	●	●	●
Leadership of International Company	●		●		●	●
Digitalisation / IT	●	●	●	●	●	●
Human Resource Management	●		●	●	●	●
Sustainability	●	●	●	●	●	●
Operations / Operational Excellence / Project Management	●		●	●	●	●
Public Relations	●			●	●	●

	Achim Gruber	Ingrid Jägering	Marion Koch	Giuseppe Panizzardi	Julia Wahl	Hiltrud D. Werner
Representative of the employees	●		●		●	
Independence[1]		●		●		●
Industry Expertise	●	●	●	●	●	●
Accounting	●	●	●	●	●	●
Audit	●	●	●	●	●	●
Corporate Governance, Compliance	●	●	●	●	●	●
Capital Markets		●	●	●	●	●
Risk Management	●	●	●	●	●	●
International Security Policy		●	●	●		
Antitrust Law		●	●			●
International Experience	●	●	●	●	●	●
Leadership of International Company		●	●	●		●
Digitalisation / IT	●	●	●	●	●	●
Human Resource Management	●	●	●	●	●	●
Sustainability	●	●	●	●	●	●
Operations / Operational Excellence / Project Management		●		●		●
Public Relations		●		●		

[1] In the opinion of the Supervisory Board, the member of the Supervisory Board is independent of the company and its Management Board.

● Criterion met, based on self-assessment of the Supervisory Board. One point means a self-assessment of the qualification of at least "50 %".

The rules of procedure of the Supervisory Board contain a flexible provision on age limits. Accordingly, only persons who are not older than 70 should be proposed for election. This standard age limit is currently not exceeded by any Supervisory Board member.

For further information on the representation of women on the Boards of HENSOLDT AG, please refer to section “5.4 Disclosure on the representation of women on the Management Board and Supervisory Board and at the top management levels of HENSOLDT AG”.

In future proposals to the general meeting for the election of shareholder representatives, the Supervisory Board will take into account its competency profile and the objectives for the composition of the Supervisory Board, which are included in this profile, the requirements of the Financial Market Integrity Strengthening Act (FISG) in relation to the composition of the Audit Committee as well as diversity aspects and expertise in significant sustainability matters for the Company. In addition, the Supervisory Board will take the time commitment of the proposed persons into account when making proposals to the general meeting for the election of shareholder representatives.

Prevention of conflicts of interest and independence

Each member of the Supervisory Board must disclose conflicts of interest to the Supervisory Board. Information about disclosed conflicts of interest that arose in the past fiscal year and their handling is provided in the "Report of the Supervisory Board".

The Supervisory Board assessed that, taking into account the ownership structure of HENSOLDT AG, an appropriate number of shareholder representatives are independent by definition of the Code. On the shareholder representative's side, the Supervisory Board considers Raffaella Luglini, Marco R. Fuchs, Ingrid Jägering, Letizia Colucci (Member of the Supervisory Board up to 31 May 2024), Giuseppe Panizzardi, Hiltrud Werner and Reiner Winkler to be independent of the Company and of its Management Board, which amounts to all six shareholder representatives. Consequently, recommendation C.9 (1) of the Code is complied with.

With regard to recommendation C.9 of the Code, the Supervisory Board classifies Letizia Colucci (Member of the Supervisory Board until 31 May 2024), Giuseppe Panizzardi and Raffaella Luglini (Member of the Supervisory Board with effect as of 1 July 2024) as employees of Leonardo or companies affiliated with Leonardo and as independent. With a 22.8 % shareholding in HENSOLDT, Leonardo does not constitute a controlling shareholder, as neither a control agreement has been concluded nor does Leonardo hold an absolute majority of votes or any other sustainable majority at the general meeting. The Supervisory Board thus assumes that the aforementioned Supervisory Board members are independent of the Management Board and the Company within the meaning of recommendation C.7 of the Code. The Supervisory Board assumes that the existing business relationships between the HENSOLDT Group on the one hand and companies affiliated with Leonardo on the other hand were not material for either of the business partners in the previous year. In addition, the Supervisory Board assumes that Letizia Colucci, Raffaella Luglini and Giuseppe Panizzardi did not exercise or do not exercise any board function or advisory duties at Leonardo within the meaning of recommendation C.12 of the Code. None of Letizia Colucci, Raffaella Luglin or Guiseppe Panizzardi hold any personal relationships with Leonardo in terms of recommendation C.12 of the Code. Of the other companies in which Letizia Colucci, Raffaella Luglini or Guiseppe Panizzardi were a member of a governing body in the fiscal year 2024, no mandate can be classified as a governing body function at a significant competitor.

5.3 Committees of the Supervisory Board

To the extent permitted by law, the Supervisory Board may transfer some of its duties and rights to one of its committees. In particular, the Supervisory Board reserves the right, if necessary, to form a committee for confidentiality matters to deal with classified information. The committees are each responsible for the tasks assigned to them by resolution of the Supervisory Board or by the rules of procedure adopted by the Supervisory Board, which define these tasks in more detail. The chairs of the committees shall report regularly to the Supervisory Board on the activities of the committees. The responsibilities of the Supervisory Board committees are set out in the rules of procedure for the Supervisory Board. The rules of procedure of the committees essentially correspond to those of the Supervisory Board in a plenary session.

In the fiscal year, the Supervisory Board formed six permanent committees. More details on the work of the committees in the reporting period, including the number of respective meetings and information on the attendance of committee members at the meetings, can be found in the "Report of the Supervisory Board".

Presidial Committee

There are six members of the Presidial Committee. The Presidial Committee is composed of the Chair of the Supervisory Board, their deputy and two members from both the employee and shareholder sides. In the reporting period, Reiner Winkler (Chair), Armin Maier-Junker[22], Jürgen Bühl[22], Giuseppe Panizzardi, Hiltrud Werner as well as Dr. Jürgen Bestle[22] were members of the committee. The Presidial Committee prepares proposals to the Supervisory Board for the appointment and dismissal of Management Board members and the extension of their mandates, the handling of service contracts with Management Board members, Management Board succession planning, and corporate governance issues. The Presidial Committee is also responsible for concluding, amending, extending and terminating

[22] Employee representative

service contracts with the members of the Management Board within the framework of the remuneration system determined by the Supervisory Board in a plenary session and the general meeting and within the targets set by the Supervisory Board in a plenary session for the variable remuneration of the individual Management Board members. In addition, the Presidial Committee makes proposals to the Supervisory Board for resolutions on existing or anticipated conflicts of interest of members of the Management Board. Furthermore, the Presidial Committee makes proposals for the approval of other contracts and transactions between the Company or a subsidiary of the Company on the one hand and a member of the Management Board or persons or companies related to a member of the Management Board on the other, unless the Related Party Transactions Committee is responsible.

Audit Committee

The Audit Committee is composed of two shareholder representatives and two employee representatives. In the reporting period, Ingrid Jägering (chair), Marion Koch[23], Giuseppe Panizzardi as well as Julia Wahl[23] were members of the committee. The chair of the Audit Committee, Ingrid Jägering, is independent in the assessment of the Supervisory Board. She has not been a member of the Management Board of HENSOLDT AG in the past, nor does she have any other personal or business relationship with HENSOLDT AG or its institutions, which could constitute a material and not only temporary conflict of interest. She is not simultaneously Chair of the Supervisory Board. She has expertise in the fields of accounting and auditing due to her long years of work as CFO in different companies. Giuseppe Panizzardi has many years of professional experience in the areas of M&A and capital market transactions, inter alia at the Leonardo Group (M&A transactions and corporate development), as well as at a major international bank and an Italian credit institution. Giuseppe Panizzardi is familiar with financial matters in the broadest sense and, due to his many years of experience with mergers and acquisitions, he is also able to interpret audit reports, expert opinions and similar reports. HENSOLDT AG thus meets the requirements of section 100 (5) German Stock Corporation Act (AktG) in conjunction with section 107 (4) sentence 3 AktG in terms of the audit committee.

The Audit Committee is tasked with auditing the accounting and with monitoring the accounting process. In connection with the adoption of the Annual Financial Statements by the Supervisory Board, the Audit Committee undertakes the preliminary review of the Annual and Consolidated Financial Statements, the Combined Management Report of HENSOLDT AG and the Group, and the proposal of the Management Board for the appropriation of the balance sheet profit. In addition, the Audit Committee discusses significant changes in audit and accounting methods. The Audit Committee prepares the report of the Supervisory Board to the general meeting in accordance with section 171 (2) AktG.

The Audit Committee also reviews the effectiveness of the internal control system, the risk management system and the internal auditing system. For this purpose, the Committee discusses the principles of risk identification and risk management with the Management Board and deals with the Company’s risk monitoring system. The Audit Committee monitors the Company's compliance with legal provisions, official regulations and the Company’s internal policies, where these do not relate to transactions and regulations concerning anti-corruption, antitrust (competition law), data protection and export control, which are duties of the Compliance Committee of the Supervisory Board.

The Audit Committee prepares the resolution proposal to the general meeting regarding the election of the auditor for the Annual Financial Statements and the Consolidated Financial Statements as well as any quarterly and half-yearly reports. The Audit Committee monitors the selection and the independence of the auditor. It also oversees the work of the auditor, including the additional services provided by the auditor.

Conciliation Committee

The Conciliation Committee consists of the chair of the Supervisory Board as chair of the committee, their deputy elected in accordance with the German Codetermination Act (MitbestG), and one additional representative each for both shareholders and employees. In the reporting period, Reiner Winkler (chair), Jürgen Bühl[23], Armin Maier-Junker[23] and Marco R. Fuchs were members of the committee. In the cases set out in section 31 (3) and (5) MitbestG, the Conciliation Committee shall submit proposals to the Supervisory Board for the appointment or withdrawal of the appointment of members of the Management Board.

Compliance Committee

The Compliance Committee is composed of two shareholder representatives and two employee representatives. In the reporting period, Hiltrud Werner (chair), Letizia Colucci (until the end of the day on 31 May 2024), Raffaella Luglini (with effect as of 26 July 2024), Dr. Jürgen Bestle[23] and Achim Gruber[23] were members of this committee. The Compliance

[23] Employee representative

Committee's task is to monitor the Company's compliance with legal provisions, official regulations and internal Company policies relating to anti-corruption, antitrust (competition law), data protection and export control.

Related Party Transactions Committee

The Related Party Transactions Committee shall be composed of two shareholder representatives and two employee representatives, taking into account that the majority of the Committee shall be composed of members for which no concern of a conflict of interest exists due to their relationship with a related party. In the reporting period, Reiner Winkler chair), Jürgen Bühl[24], Hiltrud Werner as well as Armin Maier-Junker[24] were members of this committee. The tasks of the Related Party Transactions Committee are to monitor the Company's internal procedure for the ordinary course of business and the arm's length nature of related party transactions within the meaning of section 111a (1) AktG, and to approve related party transactions in accordance with section 111b AktG. For such transactions, the decision-making authority of the committee takes precedence over the decision-making authority of other committees.

Nomination Committee

The Nomination Committee consists of up to four Supervisory Board members from the shareholder's side. In the reporting period, Reiner Winkler (chair), Ingrid Jägering, Marco R. Fuchs and Giuseppe Panizzardi were members of the committee. When appointing members to this committee, the Supervisory Board ensures an appropriate representation of women and men. The Nomination Committee proposes suitable candidates to the Supervisory Board for its election proposal to the general meeting. The Nomination Committee is also responsible for preparing a proposal for the competency profile, reviewing the existing competency profile, and recommending any adjustments.

5.4 Disclosures on the representation of women in the Management Board and Supervisory Board and at the top management levels of HENSOLDT AG

Representation of women on the Supervisory Board

The legally required gender quota of 30.0 % in accordance with section 96 (2) German Stock Corporation Act (AktG) applies to the Supervisory Board. To prevent any potential unequal treatment of shareholder or employee representatives and to increase planning security in the respective election processes, the shareholder representatives on the Supervisory Board have objected to the overall fulfilment of the quota in accordance with section 96 (2) sentence 2 AktG. This means the shareholder side and the employee side must meet the minimum quota of 30.0 % for each gender separately. The shareholder and employee sides must therefore each include at least two women and at least two men.

In the reporting period, there were three women on the shareholder side and two women on the employee side. The legally required gender quota was therefore complied with in the previous fiscal year.

Representation of women on the Management Board of HENSOLDT AG

The Supervisory Board of HENSOLDT AG has set a target for the proportion of women on the Management Board in accordance with section 111 (5) German Stock Corporation Act (AktG). When the target was first set, a minimum target of 25.0 % was set until the end of the first implementation period on 11 August 2025. With the withdrawal of Celia Pelaz Perez from the Management Board, effective from the end of the day on 31 August 2024, the proportion of women is 0 %.

According to the German Stock Corporation Act in the version of the Second Leadership Positions Act ("FüPoG II") which has been in force since 12 August 2021, at least one woman and at least one man must be a member of the Management Board (minimum participation requirement) if the Management Board consists of more than three persons (section 76 (3a) AktG). At the end of the reporting year, the Management Board of HENSOLDT AG consisted of three persons, meaning that the minimum participation requirement does not apply.

[24] Employee representative

Determination for the two management levels below the Management Board

In accordance with section 76 (4) AktG, the Management Board also sets targets for the proportion of women in the two management levels below the Management Board. In 2021 the Management Board set the following quotas for women's participation to be achieved by 8 December 2026:

A quota of 16.6 % is to be achieved at the first management level below the Management Board. This quota is achieved at the end of the reporting period.

A quota of 20.0 % is to be achieved at the second management level below the Management Board. This quota is achieved at the end of the reporting period.

In determining the respective quotas, the Management Board was guided by the following considerations: The Management Board pursues the goal of increasing the proportion of women in management positions at the group level. HENSOLDT AG is therefore guided by the overriding determination of the proportion of women at group level, as has already been carried out.

Even independently of setting targets for the proportion of women, the Management Board pays attention to diversity when filling management positions within the HENSOLDT Group, particularly with regard to the appropriate representation of all gender identities as well as the international experience and origin of employees.

VIII HENSOLDT AG

The Annual Financial Statements based on the German Commercial Code (HGB) of HENSOLDT AG, Taufkirchen, (Local Court of Munich, HRB 258711) were prepared in accordance with sections 242 et seq. and 264 et seq. HGB and in accordance with the relevant provisions of the German Stock Corporation Act and the articles of association.

As of 31 December 2024, HENSOLDT AG was the parent company of the HENSOLDT Group.

1 Results of operations of HENSOLDT AG

For fiscal year 2024, the income statement for HENSOLDT AG was as follows.

	Fiscal year		
in million €	2024	2023	% Delta
Revenue	61.4	56.8	8.1 %
Cost of sales	-62.5	-57.0	-9.8 %
Gross profit	**-1.1**	**-0.2**	**>-200 %**
Selling expenses	-0.1	-0.5	72.2 %
General administrative expenses	-31.9	-28.2	-12.9 %
Other operating income	20.4	1.4	>200 %
Other operating expenses	-18.3	-15.8	-16.1 %
Operating result	**-31.1**	**-43.3**	**28.2 %**
Financial result	**-102.4**	**-45.5**	**-124.9 %**
Income from profit-and-loss transfer	164.6	–	– %
Income taxes	-9.2	-0.9	>-200 %
Result after taxes	**21.9**	**-89.8**	**> 200 %**
Other taxes	-0.0	-0.0	-14.4 %
Net income / loss for the fiscal year	**21.8**	**-89.8**	**> 200 %**
Profit carry-forward	11.0	7.0	56.6 %
Withdrawal from the capital reserve	35.0	140.0	-75.0 %
Balance sheet profit	**67.8**	**57.2**	**18.6 %**

The increased revenue compared to the previous year resulted entirely from administrative, consulting and other services provided by HENSOLDT AG to subsidiaries and affiliated companies. This revenue was slightly overcompensated by cost of sales which is reflected accordingly in the gross profit. The general administrative expenses included the expenses for the further strategic development of HENSOLDT Group as well as central administrative expenses of HENSOLDT AG, which were not passed on to the operating companies of HENSOLDT Group. These mainly resulted from expenses for consulting fees incurred for example as part of efficiency improvement and IT-related projects. Other operating income and other operating expenses mainly included the costs for the employee share program and their passing on to the participating companies of the HENSOLDT Group. Other operating expenses in the previous year mainly resulted from losses from the valuation of interest rate swap transactions as of the reporting date and the transaction costs for the capital increase. The financial result consisted predominantly of interest expenses for the Term Loan and the Term Facility, interest expenses and income of affiliated companies from cash pooling, interest income from investments as well as from interest expenses from the revaluation of the pension provisions. In addition, expenses for depreciation and amortisation on loans to affiliated companies and on financial receivables from affiliated companies were recognised in fiscal year 2024. The increase in the negative financial result resulted primarily from increased interest expenses for the Term Loan, the Term Facility and cash pooling as well as impairments. Due to the corporate tax and trade tax group that has existed as of fiscal year 2024 with HENSOLDT AG as the parent company, income from profit transfers from HENSOLDT Holding GmbH was reported for the first time. This led to a positive pre-tax result and thus to an increase in income taxes.

The balance sheet profit mainly resulted from the net income in 2024 and from the withdrawal from the capital reserve made in the context of the preparation of the Annual Financial Statements.

As of 31 December 2024, HENSOLDT AG had 135 employees (previous year: 132).

Overall assessment

In the forecast for the fiscal year 2024, the Management Board had, for the most important financial key performance indicators of HENSOLDT AG, expected a slight decrease in revenue and a strong increase in net loss for the fiscal year. Due to increased internal recharges for administrative, consulting and other services to subsidiaries or affiliated companies, a strong increase in revenue was achieved, thus exceeding the revenue forecast. In addition, net income was generated in 2024 due to the first-time transfer of profits from HENSOLDT Holding GmbH.

2 Net assets and financial position of HENSOLDT AG

The net assets and financial position of HENSOLDT AG on 31 December 2024 were as follows:

in million €	31 Dec. 2024	31 Dec. 2023	% Delta
Intangible assets and property, plant and equipment	33.8	5.3	> 200 %
Financial assets	2,682.4	2,685.0	-0.1 %
Fixed assets	**2,716.2**	**2,690.3**	**1.0 %**
Accounts receivable, other assets and advance payments made	1,040.0	173.3	> 200 %
Cash and cash equivalents	412.8	375.7	9.9 %
Current assets	**1,452.8**	**549.0**	**164.6 %**
Prepaid expenses and deferred charges	6.4	7.2	-11.4 %
Surplus of offsetting	0.3	0.1	> 200 %
Total assets	**4,175.7**	**3,246.6**	**28.6 %**
Share capital	115.5	115.5	– %
Capital reserve	1,690.4	1,725.4	-2.0 %
Balance sheet profit	67.8	57.2	18.6 %
Equity	**1,873.7**	**1,898.1**	**-1.3 %**
Provisions	63.1	42.9	46.9 %
Liabilities	2,238.9	1,305.6	71.5 %
Total equity and liabilities	**4,175.7**	**3,246.6**	**28.6 %**

The financial assets primarily included the investment in HENSOLDT Holding GmbH. Accounts receivable and other assets mainly included accounts receivable from affiliated companies. The increase compared to the previous year was mainly due to higher accounts receivable from the internal recharging of the loan to finance the purchase price for the acquisition of the ESG Group (Term Facility) and the capital increase carried out in December 2023 as well as from the first-time profit transfer of HENSOLDT Holding GmbH. Cash at banks consisted of overnight and short-term deposit investments of € 402 million (previous year: € 367 million). Cash amounted to € 11 million (previous year: € 9 million). Prepaid expenses mainly included directly attributable transaction costs in connection with the first-time raising of the long-term syndicated loans in 2022 and 2023 (Term Loan and Term Facility) and a revolving credit facility (RCF) of € 4 million (previous year: € 6 million).

The share capital of HENSOLDT AG as of 31 December 2024 amounted to € 115.5 million, divided into 115.5 million ordinary bearer shares with no nominal value (no-par value shares) (previous year: € 115.5 million resp. 115.5 million no-par value shares). Net income as of 31 December 2024 amounted to € 22 million (previous year: net loss of € 90 million. In preparing the Annual Financial Statements, an amount of € 35 million (previous year: € 140 million) was withdrawn from the capital reserve and allocated to balance sheet profit. Provisions mainly comprised provisions for pension obligations as well as provisions for variable remuneration components. The increase compared to the previous year resulted mainly from the increased provision for non-current variable remuneration components relating to the issuing of further tranches (Long-Term Incentive Bonus) as well as from the provision for pending losses from the valuation of the interest rate swaps at the reporting date. Liabilities mainly included liabilities to banks and liabilities from cash pooling, both of which being the main reasons for the significant increase compared to the previous year. Long-term loans stood at a nominal amount of € 1,070 million on the reporting date.

3 Opportunities and risks

In its capacity as a holding company, the business development of HENSOLDT AG is subject to the same opportunities and risks as the HENSOLDT Group. The most significant risks for the Company are worsening operational performance of the subsidiaries and the Company’s obligation to absorb negative results of the subsidiaries as required by the profit-and-loss transfer agreement concluded with HENSOLDT Holding GmbH in fiscal year 2024. The operational performance of the subsidiaries can also influence the impairment risk in the carrying amount of investments as well as the associated liquidity and interest risks. HENSOLDT AG is not aware of any individual or aggregated risks which might endanger the continuity of its business activity. The most significant opportunities for HENSOLDT AG lie in the increase of defence budgets worldwide and the resulting higher profitability of the operating subsidiaries and the higher profit transfers that this would potentially entail. The diversification of the product range and the extension of the service business, as well as the ability of the HENSOLDT Group and thus of the Group companies to act as innovation leaders in their industry, present further opportunities.

4 Forecast

In the Company’s operational planning, the Management Board anticipates a stable level of revenue and a strong increase in net income for fiscal year 2025. The expectation of a strong increase in net income for fiscal year 2025 is derived in particular from the anticipated rise in profits transferred from HENSOLDT Holding GmbH.

This forecast is based on the expectation however that geopolitical tensions, particularly in the case of Russia’s war against Ukraine, do not escalate.

B - IFRS Consolidated Financial Statements

The English report is not provided in the European Single Electronic Format (ESEF). The legally required rendering in ESEF-format is filed in German language with the operator of the German Federal Gazette and published in the German Federal Gazette.

Content

CONSOLIDATED INCOME STATEMENT

		Fiscal year	
in € million	Note	2024	2023[1]
Revenue	11	2,240	1,847
Cost of sales	11	-1,732	-1,427
Gross profit		**508**	**420**
Selling and distribution expenses		-128	-111
General administrative expenses		-162	-118
Research and development costs	12	-32	-30
Other operating income	13	22	22
Other operating expenses	13	-24	-21
Share of profit / loss from investments accounted for using the equity method	8	3	–
Other income / expense from investments	9.2	-3	5
Earnings before financial result and income taxes (EBIT)		**185**	**166**
Interest income	14	31	18
Interest expense	14	-100	-82
Other finance income / expense	14	1	-7
Financial result		**-68**	**-72**
Earnings before income taxes (EBT)		**117**	**94**
Income taxes	15	-12	-36
Group profit / loss		106	**58**
thereof attributable to the owners of HENSOLDT AG		*108*	*56*
thereof attributable to non-controlling interests		*-2*	*2*
Earnings per share			
Basic and diluted earnings per share (€)	16	0.93	0.53

[1] Adjustment of previous year's figures; refer to note 2.1

The following disclosures in these Notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Fiscal year	
in € million	Note	2024	2023[1]
Group profit / loss		**106**	**58**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Measurement of post-employment benefit plans / plan assets	32	6	-60
Tax on items that will not be reclassified to profit or loss	14	0	17
Subtotal		**5**	**-44**
Items that can be reclassified to profit or loss			
Difference from currency translation of financial statements of foreign companies		2	-9
Subtotal		**2**	**-9**
Other comprehensive income net of tax		**7**	**-52**
Total comprehensive income in the fiscal year		**113**	**6**
thereof attributable to the owners of HENSOLDT AG		*114*	*6*
thereof attributable to non-controlling interest		*-1*	*0*

[1] Adjustment of previous year's figures; refer to note 2.1

The following disclosures in these Notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS		31 Dec.	31 Dec.
in € million	Note	2024	2023[1]
Non-current assets		**2,289**	**1,424**
Goodwill	17	1,115	658
Intangible assets	17	667	399
Property, plant and equipment	18	202	140
Right-of-use assets	28	249	189
Investments accounted for using the equity method	8	4	–
Other investments and non-current other financial investments	19	24	25
Non-current other financial assets	26	7	1
Non-current other assets	27	20	3
Deferred tax assets	15	1	9
Current assets		**2,407**	**2,155**
Non-current other financial investments, current portion	19	0	0
Inventories	20	719	625
Contract assets	11	385	196
Trade receivables	21	426	382
Other current financial assets	26	8	19
Current other assets	27	115	116
Income tax receivables		20	15
Cash and cash equivalents	37.1	733	802
Total assets		**4,696**	**3,579**

[1] Adjustment of previous year's figures; refer to note 2.1

The following disclosures in these Notes form an integral part of these Consolidated Financial Statements.

EQUITY AND LIABILITIES		31 Dec.	31 Dec.
in € million	Note	2024	2023[1]
Share capital	35.1	116	116
Capital reserve		474	613
Other reserves		37	32
Retained earnings		245	62
Equity held by shareholders of HENSOLDT AG		**872**	**822**
Non-controlling interests		14	16
Equity, total	**35**	**886**	**838**
Non-current liabilities		**1,927**	**1,271**
Non-current provisions	23	418	357
Non-current financing liabilities	37.2	1,072	621
Non-current contract liabilities	11	4	0
Non-current lease liabilities	28	256	191
Non-current other financial liabilities	26	13	10
Non-current other liabilities	27	15	14
Deferred income	29	27	0
Deferred tax liabilities	15	123	79
Current liabilities		**1,883**	**1,470**
Current provisions	23	257	211
Current financing liabilities	37.2	22	23
Current contract liabilities	11	776	578
Current lease liabilities	28	25	20
Trade payables	22	546	457
Current other financial liabilities	26	74	7
Current other liabilities	27	151	136
Tax liabilities		33	39
Total equity and liabilities		**4,696**	**3,579**

[1] Adjustment of previous year's figures; refer to note 2.1

The following disclosures in these Notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Fiscal year	
in € million	Note	2024	2023[1]
Group profit / loss		**106**	**58**
Depreciation, amortisation and impairments of non-current assets	17/18/28	162	117
Impairments (+) / reversals of impairments (-) of inventories, trade receivables and contract assets		17	17
Profit / loss from disposals of non-current assets		1	-1
Share of profits in investments accounted for using the equity method	8	-3	–
Financial expenses (net)		56	41
Other non-cash expense / income		-3	14
Change in			
Provisions		-5	45
Inventories		-103	-128
Contract balances		34	65
Trade receivables		-11	-66
Trade payables		69	78
Other assets and liabilities		44	52
Interest paid		-66	-44
Interest received		21	9
Income tax expense (+) / income (-)		12	36
Income tax payments (-) / refunds (+)		-18	-27
Cash flows from operating activities		**311**	**267**
Acquisition / addition of intangible assets and property, plant and equipment	17/18	-199	-115
Proceeds from sale of intangible assets and property, plant and equipment	17/18	2	1
Payments for investments in non-consolidated affiliates, joint ventures, associates, other investments and other non-current financial assets	19	-4	-9
Proceeds from disposals of non-consolidated affiliates, joint ventures, associates, other investments and non-current financial assets		–	1
Acquisition of subsidiaries net of cash acquired		-543	-1
Other		0	-0
Cash flows from investing activities		**-745**	**-122**

[1] Adjustment of previous year's figures; refer to note 2.1

		Fiscal year	
in € million	Note	2024	2023
Proceeds from financing liabilities to banks	37.3	450	–
Transaction costs paid on loans and borrowings		-2	–
Change in other financing liabilities	37.3	-6	10
Payment of lease liabilities	37.3	-27	-19
Dividend payments	37.3	-46	-32
Dividends on non-controlling interests	37.3	–	-0
Issue of shares	33.1	–	241
Transaction costs paid on issue of equity	37.3	-1	-3
Cash flows from financing activities		**367**	**197**
Effects of changes in exchange rates on cash and cash equivalents		-3	0
Net changes in cash and cash equivalents		**-69**	**342**
Cash and cash equivalents			
Cash and cash equivalents on 1 January		**802**	**460**
Cash and cash equivalents on 31 December		**733**	**802**

The following disclosures in these Notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of HENSOLDT AG							
				Other reserves				
in € million	Share capital	Capital reserve	Retained earnings	Remea-surement of pensions	Currency translation	Subtotal	Non-controlling interests	**Total**
As of 1 January 2023, as previously reported	**105**	**472**	**-55**	**96**	**-14**	**604**	**13**	**616**
Impact of adjustment of previous year's figures	–	–	11	–	–	**11**	–	**11**
As of 1 January 2023, restated	**105**	**472**	**-44**	**96**	**-14**	**615**	**13**	**628**
Group profit / loss[1]	–	–	56	–	–	**56**	2	**58**
Other comprehensive income	–	–	–	-44	-7	**-51**	-2	**-52**
Total comprehensive income[1]	**–**	**–**	**56**	**-44**	**-7**	**6**	**0**	**6**
Capital increase	11	230	–	–	–	**241**	–	**241**
Transaction costs	–	-4	–	–	–	**-4**	–	**-4**
Release capital reserve	–	-85	85	–	–	**–**	–	**–**
Dividend payments	–	–	-32	–	–	**-32**	–	**-32**
Dividends on non-controlling interests	–	–	–	–	–	**–**	-0	**-0**
Other	–	–	-4	–	–	**-4**	3	**-1**
As of 31 December 2023, restated	**116**	**613**	**62**	**52**	**-21**	**822**	**16**	**838**
Group profit / loss	–	–	108	–	–	**108**	-2	**106**
Other comprehensive income	–	1	–	4	1	**7**	1	**7**
Total comprehensive income	**–**	**1**	**108**	**4**	**1**	**114**	**-1**	**113**
Employee share program	–	4	–	–	–	**4**	–	**4**
Settlement of employee share programme	–	-4	–	–	–	**-4**	–	**-4**
Release capital reserve	–	-140	140	–	–	**–**	–	**–**
Dividend payments	–	–	-46	–	–	**-46**	–	**-46**
Change in scope of consolidation	–	–	-15	–	–	**-15**	–	**-15**
Other	–	0	-3	–	–	**-3**	–	**-3**
As of 31 December 2024	**116**	**474**	**245**	**56**	**-19**	**872**	**14**	**886**

[1] Adjustment of previous year's figures; refer to note 2.1

The following disclosures in these Notes form an integral part of these Consolidated Financial Statements.

C - Notes to the Consolidated Financial Statements

Content

I Basis of presentation

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1 The Company

These IFRS Consolidated Financial Statements comprise HENSOLDT AG (the “Company”) with its registered office at Willy-Messerschmitt-Str. 3, 82024. Taufkirchen, Germany, registered at the Munich District Court under HRB 258711, and its subsidiaries (the “Group”, “HENSOLDT” or “HENSOLDT Group”).

The fiscal year coincides with the calendar year.

HENSOLDT Group is a multinational company operating in the defence and security electronics market with its headquarters based in Germany. Its range of products and services includes the development, manufacture, operation and distribution of independent, electronic end-to-end sensor solutions, electrotechnology systems, optronic devices and software solutions for military and non-military use. HENSOLDT is a system integrator offering platform-independent, networked end-to-end solutions.

2 Material accounting policies

2.1 Basis of preparation

These Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations of the International Accounting Standards Board (IASB) as adopted by the European Union (EU) and, as a supplement, in accordance with the requirements of section 315e (1) of the German Commercial Code (HGB).

Changes in material accounting policies are described in note 4.

These Consolidated Financial Statements were prepared by the Management Board on 18 March 2025 and passed on to the Supervisory Board for approval.

The Consolidated Financial Statements are presented in euros (€), which is the Group’s functional currency. Unless otherwise stated, all financial figures presented herein are rounded to the nearest million euros in accordance with established commercial principles. Due to rounding, there may be slight deviations from the absolute numbers when forming totals and calculating percentages. Absolute amounts less than € 500,000 and greater than zero euros are represented as 0 or -0 depending on the preceding sign. In contrast, items that have no value are indicated as missing by using “-”.

These Consolidated Financial Statements were prepared based on the assumption of the Group’s continuation as a going concern.

Unless otherwise stated, the Consolidated Financial Statements have been prepared on a historical cost basis. The Group’s material accounting policies are set out in note 2.2.

Adjustment of previous year figures

In 2024, the Group identified that amortisation of purchase price allocations had not been recognised correctly. As a result, intangible assets and related deferred tax liabilities were undervalued. The items to which this applies in the Financial Statements were adjusted accordingly for the previous years in accordance with IAS 8.41 et seq.

As of 1 January 2023, intangible assets were increased by € 15 million and deferred tax liabilities by € 4 million. The resulting net effect of € 11 million was recognised in retained earnings.

In the consolidated income statement for fiscal year 2023, cost of sales were reduced by € 4 million and income taxes increased by € 1 million. As a result, group profit as well as comprehensive income and group profit attributable to the shareholders of HENSOLDT AG increased by € 3 million.

As of 31 December 2023, intangible assets were thus increased by € 19 million and deferred tax liabilities by € 5 million. The resulting net effect increased retained earnings by € 14 million.

The basic and diluted earnings per share for the previous year were also adjusted. The adjustment resulted in an increase from € 0.51 to € 0.53 per share.

Cash flow from operating activities is not affected overall.

2.2 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method if the acquired group of activities and assets meets the definition of a business and control is transferred to the Group. The consideration transferred for the acquisition and the identifiable assets acquired are generally recognised at fair value. In determining whether a particular group of activities and assets is a business, HENSOLDT assesses whether the group of acquired assets and activities includes, at a minimum, an input of resources and substantive process and whether the acquired group is capable of generating output. Any gain on a bargain purchase is recognised directly in the consolidated income statement. Transaction costs are expensed as incurred unless they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated income statement.

Any contingent considerations are measured at fair value on the date when control is obtained. If the contingent consideration is classified as equity, it is not remeasured and any settlement is recognised in equity. Otherwise, other contingent considerations are measured at fair value on the reporting date and subsequent changes in the fair value of the contingent considerations are recognised in the consolidated statement of comprehensive income.

Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed to or has rights to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

2.3 Revenue from contracts with customers

Revenue recognition

The Group recognises revenue if the control over distinct goods and services transfers to the customer, i.e. when the customer is able to determine the use of the transferred goods or services and to primarily obtain the remaining benefits therefrom. A precondition in this respect is that a contract with enforceable rights and obligations is in place and, inter alia, recovery of the consideration – taking account of the credit rating of the customer – is probable.

Revenue equals the transaction price to which the HENSOLDT Group expects to be entitled to under the relevant contract, taking into account variable consideration.

If a contract comprises several distinct goods or services, the transaction price is allocated to the performance obligation based on the relative stand-alone selling price. If stand-alone selling prices are not directly observable, HENSOLDT Group estimates these in an appropriate amount. If no observable prices exist, particularly as the goods and services offered by HENSOLDT Group are highly complex and individual, the stand-alone selling price of each separate performance obligation is estimated based on the expected costs plus a margin. This procedure is also regularly utilised in the pricing process during contract negotiations.

When HENSOLDT Group transfers control of goods produced or services rendered to the customer over a certain period of time, revenue is recognised over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group (e.g. maintenance contracts, training services); or

- the Group's performed services create or enhance an asset and the customer gains control over the asset as the asset is created or enhanced; or

- the Group's performed services produce an asset with no alternative use for the Group and the Group has an enforceable right to payment (including a reasonable margin) for the work completed to date.

For each performance obligation to be satisfied over time pursuant to IFRS 15, the HENSOLDT Group recognises revenue over such period of time by determining the progress towards complete satisfaction of that performance obligation. The HENSOLDT Group applies one single method to determine the progress for each performance obligation to be satisfied over time, with the selected method being consistently applied to similar performance obligations and similar circumstances. The measurement of progress towards complete satisfaction of a performance obligation is based either on inputs or outputs. When progress is measured by inputs, the cost-to-cost method is used as HENSOLDT Group is of the opinion that it best reflects the measure of progress towards the satisfaction of the performance obligation. If costs are incurred that do not contribute to the progress of the service provision, such as unplanned scrapping costs, or if the costs incurred are disproportionate to the progress due to unexpected additional costs, these costs are excluded from the calculation of the degree of progress or, alternatively, the originally budgeted costs are revised.

If none of the above-mentioned criteria for recognising revenue over time are met, revenue is recognised at a point in time, i.e. the point in time when HENSOLDT has transferred control of the asset to the customer. Generally, this is the point in time of the delivery of the goods to the customer or upon acceptance of the goods or services by the customer.

Performance obligations

The following break-down sets forth the significant performance obligations for HENSOLDT from contracts with customers and elaborates on the nature and timing of the satisfaction of the performance obligations, including significant payment terms, and the related revenue recognition policies.

Standardised products and systems with limited customer-specific adjustments

When manufacturing and installing standardised products and systems or delivering spare parts, customer-specific adjustments are only made to a limited extent. Customers obtain control of standardised products when the goods have been delivered and accepted at their premises. Invoices are generated at that point in time. Invoices are generally payable within 30 to 60 days. Depending on the contractual terms and conditions, revenue is recognised either once the goods are delivered or once the goods or services are accepted by the customers at their premises.

Customised development, manufacturing and delivery of products and systems

Generally, HENSOLDT does not have an alternative use for products and systems for which the development or manufacturing is highly customised. If a contract is terminated by the customer, HENSOLDT is generally entitled to reimbursement of the costs incurred up to that point, including an appropriate margin. Invoices are issued in accordance with the contractual terms and are generally payable within 30 to 60 days. Revenue and associated costs are recognised over time. Progress is determined based on the cost-to-cost method. Amounts not invoiced are presented as contract assets, and payments received in advance are presented as contract liabilities.

Service and support

HENSOLDT Group provides services in the form of maintenance and training. The customer simultaneously receives and consumes the benefits provided by HENSOLDT's performance as HENSOLDT provides the services. Invoices are issued in accordance with the contractual terms and are generally payable within 30 to 60 days. Revenue and associated costs are mainly recognised over time. Progress is determined based on the cost-to-cost method. Amounts not invoiced are presented as contract assets, and payments received in advance are presented as contract liabilities.

Variable considerations

All of the above-mentioned performance obligations of HENSOLDT may include variable consideration components. The following variable consideration components can be in place for HENSOLDT: Price adjustments from escalations, price audits and contractual penalties. For contracts with variable consideration components, revenue is recognised to the extent that it is highly probable that a significant cancellation of the amount of cumulatively recognised revenue will not be required. Accordingly, positive variable consideration components (e.g. price escalations) are recognised as an increase of the transaction price if there is an estimated probability of at least 80.0 % that they will be realised. Conversely, negative variable consideration components (e.g. contractual penalties or price audit reimbursements) are recognised as a reduction of the transaction price if they occur with an estimated probability of 20.0 % or more.

2.4 Intangible assets and goodwill

Intangible assets

Intangible assets with limited useful lives are generally amortised on a straight-line basis over their respective expected useful lives to their estimated residual values. In general, the expected useful life for patents, licenses and similar rights is between 3 and 5 years, with the exception of intangible assets with finite useful lives acquired in business combinations. These consist in particular of order backlogs and customer relationships as well as technologies. The useful lives of these intangible assets, in certain transactions, ranged from 2 to 11 years for order backlogs and between 8 to 10 years for customer relationships, as well as from 3 to 12 years for technologies. Brands with indefinite useful lives are not amortised but tested for impairment annually. The Group intends to operate on the market under the name “HENSOLDT” for an unlimited amount of time. There is no indication of a limited useful life or the period for which a time limit of the brand could be granted. Amortisation of intangible assets is recognised as a part of cost of sales.

Research and development

Research costs are recognised in the consolidated income statement as incurred.

Development costs are capitalised if they meet the criteria of IAS 38.

Development activities are usually carried out in a phased approach. In this phased approach, the Group generally assumes that the criteria for recognition under IAS 38 are satisfied if the Preliminary Design Review (PDR: for established technologies) or Critical Design Review (CDR: for new technologies) was successfully completed.

Other development expenditure is recognised in the consolidated income statement as research and development costs as soon as it is incurred. Capitalised development expenditure is generally amortised on a straight-line basis over the estimated useful life (between 5 and 7 years) of the internally generated intangible asset. Amortisation and impairment losses of the capitalised development expenditure is recognised under cost of sales.

2.5 Property, plant and equipment

Property, plant and equipment are measured at cost of acquisition or production (refer to note 2.6), less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated on a straight-line basis. The following useful lives have been assumed:

Buildings	8 to 33 years
Fixtures	4 to 20 years
Technical equipment and machinery	2 to 21 years
Other equipment, operating and office equipment	1 to 18 years

2.6 Inventories

Inventories are measured at the lower of acquisition cost (generally the average cost) or cost of production and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Cost of production includes all costs directly attributable to the manufacturing process, such as cost of materials, wage- and production-related overheads (based on normal operating capacity and normal use of materials, labour and other cost of production) including write-downs. If any inventory risks exist, e.g. due to reduced usability after longer storage periods or due to lower replacement costs, appropriate write-downs are recognised. Write-downs on inventories are recognised when it is probable that projected contract costs will exceed total contract revenue.

2.7 Leases

Leases as lessee

The Group primarily engages in lease activities as a lessee. The Group leases various assets including property, technical equipment, IT equipment and vehicles.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease. Country-specific interest rates are used in South Africa.

It is remeasured when there is a change in future lease payments arising from a change in an index or interest rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated income statement if the carrying amount of the value of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities as a separate line item in the statement of financial position.

Short-term leases and leases of low-value assets

The Group does not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets up to € 5.000 (e.g. office equipment). The Group recognises the lease payments associated with these leases as an expense in the consolidated income statement on a straight-line basis over the lease term.

2.8 Employee benefits

Defined benefit plans

The Group's net obligation for defined benefit plans is calculated separately for each plan by estimating the future benefits that employees have earned in the current and in previous periods. This amount is discounted and reduced by the estimated fair value of any plan assets.

The defined benefit obligations are calculated annually by a certified actuary using the projected unit credit method. If the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability are recognised directly in other comprehensive income. Remeasurements comprise actuarial gains and losses from the determination of the present value of the obligation and the change in value from the fair value measurement of the plan asset. The Group determines the net interest expense (income) on the net defined benefit liability (plan asset) for the reporting year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual reporting year. This discount rate is applied to the net defined benefit liability (asset) on that date. Any changes to the net defined benefit liability (asset) due to payment of contributions or benefits during the reporting year are taken into account. Net interest and other expenses relating to defined benefit plans are recognised in the consolidated income statement.

If a plan amendment or curtailment occurs, any past service cost resulting from such a plan amendment or gain or loss on curtailment is recognised directly in the consolidated income statement.

Share-based payment

The Company currently has a Long-Term Incentive bonus (Long-Term Incentive, “LTI bonus” or “LTI”) and an employee share programme.

The virtual long-term performance-based incentive programme is accounted for as a cash-settled share-based payment transaction in accordance with IFRS 2. The fair value of the services received from employees is measured at the fair value of the granted cash settlement and is recognised as an expense in the consolidated income statement and as a provision. The fair value of the share-based payment is recognised as an expense on a pro-rata basis over the vesting period. The value of the provision to be accounted is remeasured on each subsequent reporting date. Any changes to its fair value are recognised in the consolidated income statement.

In accordance with IFRS 2, the employee share programme is accounted for as share-based compensation and settled in equity instruments of the Company. The fair value on the date of granting share-based compensation agreements to employees is recognised as an expense with a corresponding increase in equity. The shares are obtained by purchase on the capital market. The capital reserve is credited accordingly. Given that the fair value of the services rendered by the beneficiaries cannot be reliably determined, however, the focus is on the fair value of the subscription rights granted for the purchase of shares. The value of the increase in equity to be recognised in the balance sheet in the event of settlement via equity instruments is to be determined on a one-off basis on the grant date.

2.9 Other provisions

Provision for onerous contracts

The Group recognises provisions for onerous contracts if it is probable that total contract costs will exceed the total contract revenue. The costs for fulfilling a contract comprise the costs that relate directly to the contract.

Onerous contracts are identified by monitoring the progress of the contract and the underlying project and by updating the estimate of contract costs, which involves significant and complex assumptions, assessments and estimates in connection with obtaining a certain performance standard and estimates relating to other costs (refer to note 3, note 11 and note 23).

Warranties

A provision for warranties is recognised as soon as the underlying products or services were sold or rendered and a contractual or constructive obligation exists to repair damage to sold products within a certain period at the Group’s expense. A warranty case can only occur after the performance obligation has been satisfied. To this extent, such costs have no influence on the measurement of progress in the fulfilment of the performance obligation. The provision is based on the individual assessment of expected future costs. The provision is recognised on a pro-rata basis according to certain criteria such as the number of delivered products or specific project progression.

2.10 Financial instruments

Recognition and initial measurement

The Group recognises trade receivables from the date that they arise. All other financial assets and liabilities are recognised for the first time on the trading day when the Group becomes a party according to the contractual provisions of the instrument.

A financial asset (except for a trade receivable without a financing component) or a financial liability is initially measured at fair value. For an item not measured at fair value through profit or loss (FVtPL), this includes transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component are initially measured at their transaction price.

Classification and subsequent measurement

Financial assets

For initial recognition, financial assets are classified and measured based on the business model (under which the assets are held) and the characteristics of their cash flows.

Financial assets are not reclassified after initial recognition unless the Group changes its business model to manage financial assets.

The Group classifies its financial assets into the following measurement categories:

- “Measured at amortised cost” (AC);
- “At fair value through profit or loss” (FVtPL); and
- “At fair value through other comprehensive income” (FVtOCI).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVtPL:

- The financial asset is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows (“held to collect”), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is designated as FVtOCI if both of the following conditions are met and it was not designated as FVtPL:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (“held to collect and for sale”); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade receivables are generally allocated to the “held to collect” business model and measured at amortised cost, i.e. in subsequent periods receivables are recognised net of principal repayments, instalments and impairment losses, plus any reversals of impairment losses. Receivables that are meant to be sold to a factoring party are held in a “held to collect and for sale” business model. These receivables are measured at fair value. At initial recognition of an equity instrument that is not held for trading, the Group can irrevocably elect to present subsequent value changes of the investment in other comprehensive income. This option is generally exercised within the Group. All financial assets that are not measured at amortised cost or at FVtOCI are measured at FVtPL. This includes, in particular, all derivative financial assets (refer to note 38).

At initial recognition the Group can irrevocably elect to designate financial assets, which otherwise meet the conditions for measurements at amortised cost or at FVtOCI, at FVtPL if this leads to measurement and recognition inconsistencies (“accounting mismatch”) that arise being eliminated or significantly reduced.

Financial assets at FVtPL are subsequently measured at fair value. Net gains and losses, including any interest and dividend income, are recognised in the consolidated income statement.

Financial assets classified at amortised cost are measured at amortised cost using the effective interest method. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses as well as impairment losses are recognised in the consolidated income statement, likewise. Similarly, gains or losses from derecognition are also recognised in the consolidated income statement. For detailed information on the impairment requirements applicable to financial assets refer to note 2.15.

Debt instruments at FVtOCI are subsequently measured at their fair value. Interest income, which is calculated using the effective interest method, foreign exchange gains and losses as well as impairment losses are recognised in the consolidated income statement. Other net gains or losses are recognised in other comprehensive income. For derecognition, the accumulated other comprehensive income is reclassified to the consolidated income statement.

Equity investments at FVtOCI are subsequently measured at their fair value. Dividends are recognised as income in the consolidated income statement unless the dividends clearly represent cover for a part of the costs of the investment. Other net gains or losses are recognised in other comprehensive income and are never reclassified to the consolidated income statement.

Financial liabilities

Financial liabilities are classified and measured at amortised cost (FLAC) or at at fair value through profit or loss (FVtPL). A financial liability is classified at FVtPL if it is classified as “held for trading”, is a derivative or is designated as such on initial recognition.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign currency translation differences as well as gains or losses arising from derecognition are recognised in the consolidated income statement.

Derecognition

The Group derecognises a financial asset when the contractual rights to receive the cash flows of an asset expire or it transfers the rights to receive the cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Derecognition also occurs when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group sells a part of the trade accounts receivable on a case-by-case basis, applying multiple criteria, to external factoring companies. In this process, the HENSOLDT Group determines whether any and all risks and rewards of ownership of the financial asset are fully transferred. Subsequently, these trade accounts receivable are derecognised and the Group assesses whether a continuing involvement exists and if so, a separate item must be recognised.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability if its contractual terms are changed and the cash flows of the adjusted liability differ significantly. In this case, a new financial liability based on the adjusted terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the settled liability and the consideration paid (including transferred non-cash assets or assumed liabilities) is recognised in the consolidated income statement.

Derivative financial instruments

The Group carries out some of its transactions in foreign currency, such as customer or supplier contracts. It enters into foreign currency forward and foreign currency swap transactions and commits to purchases and sales in corresponding foreign currencies to limit the risks to income and costs from currency fluctuations.

Derivatives are measured at fair value on initial recognition; attributable transaction costs are recognised in the consolidated income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value through profit or loss (FVtPL).

Embedded derivatives, if subject to separation, are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

2.11 Government grants

In accordance with IAS 20, government grants are not recognised in the Financial Statements until a reasonable assurance exists that HENSOLDT will fulfil the conditions associated with the grant and that the grant will actually be awarded.

As a rule, HENSOLDT recognises grants related to income under other operating income. They are recognised in profit or loss proportionately over the periods in which the corresponding expenses are to be compensated. Grants for future expenses are therefore recognised as deferred income and reversed to profit or loss as the expenses are incurred.

2.12 Income taxes

Income taxes comprise current income taxes and deferred taxes.

Current income tax asset/liability

The current tax asset or liability comprises the expected tax receivable or payable on the taxable income or loss for the year and any adjustment to the tax receivable or payable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be received or paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted on the balance sheet date. Current tax also includes any tax arising from the assessment of dividends.

Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the current taxes relate to the same taxable entity and the same tax authority.

Deferred taxes/global minimum taxation

The global minimum taxation under BEPS Pillar 2 (Base Erosion and Profit Shifting - Pillar 2) aims to address tax challenges arising as the global economy becomes more digitalised. Germany and other countries in which HENSOLDT operates implemented these regulations into national legislation in 2023 and 2024. Relating to whether these regulations create additional temporary differences, whether a revaluation of deferred taxes is required under these regulations, and which tax rate should be used for the valuation of deferred taxes, a mandatory temporary exemption from the requirements of IAS 12 was introduced in IAS 12. Under this mandatory exemption, no deferred tax assets or liabilities relating to global minimum taxes are required to be recognised or disclosed under BEPS Pillar 2. The Group has applied this temporary exception as of 31 December 2024 (see IAS 12.88A).

2.13 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate on the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical costs in a foreign currency are translated at the exchange rates at the date of the transaction. Foreign currency differences are generally recognised in the consolidated income statement of the period. Currency translation differences from operating business are reported in revenues or cost of sales and currency translation differences from non-operating business are reported in other financial result.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- An investment in equity securities designated at FVtOCI (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to the consolidated income statement);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into euros (€) at the exchange rates prevailing on the reporting date. Income and expenses of foreign operations are translated at yearly average exchange rates. Foreign currency differences are recognised in other comprehensive income and presented in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

2.14 Impairment

Non-derivative financial assets

The Group generally recognises allowances for expected credit losses (ECL) for:

- Financial assets measured at amortised cost
- Contract assets

HENSOLDT measures its impairment allowances for trade receivables and contract assets using the “simplified impairment model”. The simplified model allows the loss allowance for full lifetime expected credit losses to be determined for all assets. Consequently, no review is required as to whether a significant increase in credit risk occurred requiring a transfer from Level 1 to Level 2.

To assess whether the credit risk of a financial asset has significantly increased since initial recognition and for assessing expected credit losses, the Group considers reasonable and supportable information which is relevant and available without undue cost or effort. This covers both quantitative and qualitative information and analysis which is based on past experience of the Group and in-depth assessments, including forward-looking information. If there are objective indications of impairment, interest income must also be recognised on the basis of the net carrying amount (carrying amount less any loss allowance) (Level 3).

Presentation of impairment for expected credit losses in the statement of financial position

Impairment losses for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Financial assets with impaired creditworthiness

At each reporting date, the Group assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is credit-impaired if one or more events occur which have adverse effects on the expected future cash flows of the financial asset.

Indicators that a financial asset is credit-impaired include the following observable data:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past-due event of more than 90 days; or
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.

Impairment

The gross carrying amount of a financial asset is impaired when, based on an appropriate assessment, the Group has no reasonable expectations that the financial asset can be realised in full or in part. The Group does not necessarily assume that there is a significant increase in credit risk even if the overdue amount is more than 30 days due to the (end) customer structure.

Non-financial assets

At the end of each reporting year, the Group assesses whether there is an indication of impairment of a non-financial asset or a CGU to which the asset belongs (e.g. changes in the legal framework, introduction of new technology, etc.). In addition, intangible assets with indefinite useful lives, intangible assets not yet available for use as well as goodwill are tested for impairment in the fourth quarter of each fiscal year, regardless of whether or not there are any indications of impairment. For impairment testing, goodwill is allocated to a CGU or group of CGUs in order to reflect the manner in which goodwill is monitored for internal management purposes.

2.15 Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The fair value is the price at which the Group would sell an asset or transfer a liability under current market conditions on the measurement date in an orderly transaction on the primary market. If such a market is not available, the most advantageous market to which the Group has access at this point in time is used. The fair value of a liability reflects the non-performance risk.

The Group uses the three levels of the hierarchy of IFRS 3 to determine and present fair value of the financial instruments for each valuation method.

The Group uses the following methods to determine the fair value:

Equity instruments

The fair value of unlisted equity instruments cannot be reliably determined without considerable additional efforts, as the area of reasonable approximation of the fair value is decisive and the probabilities of the various estimates within the area cannot be appropriately assessed. With due consideration of materiality, these instruments are measured at cost and their carrying amounts are used in the place of fair value.

Assets from customer financing and other loans

The carrying amounts shown in the Financial Statements are used as rough estimates of the fair value.

Trade receivables, contract assets and other receivables

The carrying amounts shown in the Financial Statements are used as reasonable approximation of the fair value due to the relatively short period between the receivable arising and it falling due or the Group expects to realise them during its normal business cycle.

Cash and cash equivalents

These comprise cash on hand and cash including short-term deposits at banks. The carrying amounts shown in the Financial Statements are used as reasonable approximation of the fair value due to the relatively short period between the instrument arising and its term or maturity.

Plan assets

Other assets include shares in limited partnerships (HENSOLDT Real Estate GmbH & Co. KG, Taufkirchen, and HENSOLDT Real Estate Oberkochen GmbH & Co. KG, Taufkirchen) that are considered plan assets according to IAS 19. The limited partnerships essentially hold real-estate assets which are evaluated based on current market parameters. The fair value of the real-estate assets represents a material part of the net assets of the limited partnerships.

Pooled investment instruments include shares of investment funds, for which market prices are available.

Derivatives

The fair values of derivative instruments are, where available, based on quoted market prices but in most cases are determined using accepted measurement methods such as option pricing models and discounted cash flow models. Measurement is based on observable market data such as exchange rates, rates for foreign currency forward transactions, interest rates and yield curves.

The fair values of derivatives are measured on the basis of input parameters from Level 2.

The fair value for foreign currency forward and foreign currency swap transactions is determined by using the quoted forward rate as of the reporting date and net present value calculations based on yield curves with high credit ratings in the relevant currencies.

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. Estimates of future cash flows from variable interest payments are based on quoted rates for interest rate swaps, future prices and interbank interest rates. The estimated cash flows are discounted using a yield curve that was constructed from similar sources and reflects the relevant comparable interbank interest rate used by market participants for pricing the interest rate swaps. The fair value estimate is adjusted for the credit risk which reflects the credit risk of the Group and the contracting party. This is calculated using credit spreads derived from credit default swap and bond prices.

Financing liabilities

The fair values recognised for financing liabilities, which are not issued bond or debt securities, are determined on the basis of input parameters from Level 2 in which planned or expected cash flows are discounted with corresponding market interest rates.

Trade accounts payables, contract liabilities and other current financial liabilities

The carrying amounts of trade accounts payable, contract liabilities and other current financial liabilities are seen as reasonable approximations of the fair value due to the relatively short period between the instrument arising and its maturity or since it is expected that such will be settled within the normal business cycle.

3 Material estimates and judgements

The preparation of the Group’s Consolidated Financial Statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, as well as the related disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Changes of estimates are recognised prospectively.

3.1 Revenue recognition over time

Revenue from the rendering of performance obligations over a certain period of time is usually recognised using the percentage-of-completion method (cost-to-cost method). Under this method, exact estimates of contract results at the stage of completion and level of progress are necessary. To determine the progress of the contract the material estimates include total contract costs, the remaining costs until completion, the overall contract revenue and the contract risks.

Management regularly reviews all estimates used for these contracts and adjusts them as required (for more information please refer to note 2.3).

3.2 Capitalisation of development cost

When capitalising development cost, the Group makes estimates regarding the development cost as well as estimates as to whether the product or the process is technically and commercially viable.

3.3 Assets acquired and liabilities assumed as well as goodwill

Measurement of the fair value of assets acquired and liabilities assumed in the course of business combinations, which form the basis of the measurement of goodwill, requires material estimates. Land, buildings and machinery are usually measured independently while marketable securities are measured at market prices. If intangible assets are identified, based on the type of intangible asset and the complexity of determining its fair value, the Group consults either an independent external valuation expert or develops the fair value internally using suitable valuation techniques that are based in general on the forecast of total expected future net cash flows.

These measurements are closely related to management’s assumptions regarding the future development of related assets and the discount rate to be applied.

3.4 Impairment testing

Please refer to note 2.15 and note 17.2 for further information on impairment testing.

3.5 Provisions

The measurement of provisions, e.g. for onerous contracts, warranties and arbitration or court proceedings, is based on best available estimates. Onerous contracts are determined by monitoring the progress of projects and updating estimates of contract costs or contract income, which also requires judgment in relation to reaching certain performance standards and estimates e.g. of warranties. The extent of the assumptions, assessments and estimates in these monitoring processes depends on the size and type of the Group’s contracts and the associated projects.

3.6 Employee benefits

The Group recognises pension and other retirement benefits in accordance with actuarial valuations. These valuations are based on statistical and other factors for anticipating future events. The assumptions can deviate significantly from actual developments due to changing market and economic conditions, such as in particular due to the current interest rate and inflation developments, and thus lead to a significant change in employee benefits obligations and the related future costs (refer to note 34).

In addition to uncertainties arising from the assumptions of employees’ future behaviour when exercising the pay-out option, the Group is exposed to other actuarial uncertainties relating to defined benefits obligations, including the following:

Market price risk

The market values of plan assets are subject to fluctuations which can impact the net defined benefit obligation.

Interest rate risk

The value of the defined benefit obligations and the plan assets is materially affected by the discount rate used. In general, the defined benefit obligation is sensitive to movements in interest rates which leads to volatile results in the valuation.

Inflation risk

Defined benefit obligations can be sensitive to movements in the inflation rate, whereby a higher inflation rate could lead to an increase in the obligation. As some pension plans are directly tied to salary, salary growth can lead to an increase in pension obligations.

Longevity risk

Pension obligations are sensitive to the life expectancy of their beneficiaries. Increased life expectancy leads to an increase in the valuation of the pension obligation.

The weighted average assumptions for the most important pension plans in Germany used to calculate the actuarial value of the obligation are as follows:

	Pension plans in Germany	
	31 Dec.	31 Dec.
Assumptions in %	2024	2023
Discount rate	3.5 %	3.6 %
Wage increase rate (until age 35)	3.0 %	3.0 %
Wage increase rate (from age 36)	2.0 %	2.0 %
Pension increase rate	2.0 %	2.0 %

For Germany, the Group derives the discount rate used to determine defined benefits obligations from the yields for high-quality corporate bonds. The discount rate for the estimated term of the respective pension plan is then extrapolated along the yield curve.

The wage increase rates are based on long-term expectations of the respective employer that are derived from the inflation rate assumed. For the year 2025 a wage increase rate for employees aged 36 and over was applied on a basis of 3.0 %. From 2026 onwards, a linear wage increase rate of 2.0 % has been included in the calculation. Payments for pension increase rates are derived from the respective inflation rate for the plan. An adjustment guarantee of 2.0% p.a. for the pension increase rate is assured for 2025 for the most important pension plans in Germany. For the years starting from 2026, the valuation was based on pension increase rates of 2.0 %.

Moreover, an assumption is made as to what extent the employees choose the option of a one-off payment, instalment payment or pension when the benefit falls due.

The calculation of pension obligations is based on the current 2018 G biometric reference tables provided by Heubeck.

3.7 Income tax

In terms of income taxes, material estimates and assessments arise in respect of deferred tax assets. The assessment of impairment of deferred tax assets depends on the management's estimate of the utilisation of the deferred tax assets. This is dependent on the availability of future taxable profits in the periods when the tax measurement differences are reversed and the tax loss carryforwards can be utilised. Based on individual planning by the companies, taking into account tax adjustment effects, the Group anticipates that the corresponding benefits from capitalised deferred tax assets can be realised due to sufficient future taxable income within the planning period.

3.8 Lease term - Group as lessee

HENSOLDT Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

HENSOLDT Group has several lease contracts that include extension and termination options and applies discretionary decisions in evaluating whether it is reasonably certain whether or not to exercise the option to extend or terminate the lease. HENSOLDT Group considers all relevant factors that create economic incentives to exercise either the renewal or termination. After the contract commencement date, HENSOLDT Group reassesses the lease if there is a significant event or change in circumstances that are within its control and affect its ability to exercise or not to exercise the option to renew or to terminate.

Please refer to note 28 for information on potential future lease payments relating to periods following the commencement date of an extension and termination option that are not included in the lease term.

3.9 Determination of fair values

Several accounting policies (inter alia IFRS 3) and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, HENSOLDT Group uses observable market data as far as possible. Using unobservable market parameters, material estimates and assessments need to be determined. HENSOLDT Group regularly reviews significant unobservable inputs and valuation adjustments. Please refer to note 2.16.

4 Changes in material accounting policies

Standard and changes	Date of effectiveness from IASB for the annual reporting period beginning on or after	EU Endorsement status	Material impact on the consolidated financial statements
Amendments to IAS 1: Classification of Liabilities as current or non-current; Non-current Liabilities with Covenants	1 January 2024	Confirmed	No
Amendments to IFRS 16: Lease liability in a Sale and Leaseback	1 January 2024	Confirmed	No
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	1 January 2024	Confirmed	No

5 New standards issued but not yet effective

A range of new or revised standards, changes and improvements to standards and interpretations are not yet applicable to the fiscal year ending 31 December 2024, and were not applied when preparing these Consolidated Financial Statements. Premature application is not intended. Amendments to standards not separately listed are not expected to have an impact on HENSOLDT Group.

Standard and changes	Date of effectiveness from IASB for the annual reporting period beginning on or after	EU Endorsement status	Expected material impact on the consolidated financial statements
Amendments to IAS 21: Lack of Exchangeability	1 January 2025	Confirmed	No
Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity	1 January 2026	Not yet confirmed	No
Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026	Not yet confirmed	No
IFRS 18: Presentation and disclosure in Financial Statements	1 January 2027	Not yet confirmed	Yes
IFRS 19: Subsidiaries without Public Accountability - Disclosures	1 January 2027	Not yet confirmed	No
Annual Improvements - Volume 11	1 January 2026	Not yet confirmed	No

HENSOLDT is currently examining the precise extent of the substantive and procedural effects of initial application of IFRS 18 to the Consolidated Financial Statements.

II Group structure

6 Consolidated group

The shareholdings as of 31 December 2024 are listed in the following table:

Company	Registered office	Share of capital	Consolidation method
HENSOLDT AG	Taufkirchen / Germany	–	PC
HENSOLDT Holding GmbH[2]	Taufkirchen / Germany	<100.0 %[1]	FC
HENSOLDT Holding Germany GmbH[2]	Taufkirchen / Germany	<100.0 %[1]	FC
HENSOLDT Sensors GmbH[2]	Taufkirchen / Germany	<100.0 %[1]	FC
HENSOLDT Optronics GmbH[2]	Oberkochen / Germany	<100.0 %[1]	FC
GEW Integrated Systems (Pty) Ltd.	Brummeria / South Africa	100.0 %	FC
GEW Technologies (Pty) Ltd.	Brummeria / South Africa	93.3 %	FC
HENSOLDT South Africa (Pty) Ltd.	Irene / South Africa	70.0 %	FC
HENSOLDT Australia Pty Ltd.	Fyshwick / Australia	100.0 %	FC
HENSOLDT Cyber GmbH	Taufkirchen / Germany	90.6 %	FC
HENSOLDT Avionics Holding GmbH	Pforzheim / Germany	100.0 %	FC
HENSOLDT Avionics GmbH	Pforzheim / Germany	100.0 %	FC
EuroAvionics UK Ltd.	London / United Kingdom	100.0 %	FC
EuroAvionics Schweiz AG in Liq.[3]	Sissach / Switzerland	100.0 %	FC
HENSOLDT Avionics US HoldCo. Inc.	Dover / USA	100.0 %	FC
HENSOLDT Avionics USA LLC	Sarasota / USA	100.0 %	FC
HENSOLDT UK Limited	Enfield / United Kingdom	100.0 %	FC
KH Finance No. 2 Limited	Enfield / United Kingdom	100.0 %	FC
KH Finance Limited	Enfield / United Kingdom	100.0 %	FC
Kelvin Hughes Limited	Enfield / United Kingdom	100.0 %	FC
Kelvin Hughes BV	Rotterdam / The Netherlands	100.0 %	FC
A/S Kelvin Hughes	Ballerup / Denmark	100.0 %	FC
HENSOLDT Singapore Pte. Ltd.	Singapore / Singapore	100.0 %	FC
HENSOLDT Holding France S.A.S.	Paris / France	100.0 %	FC
HENSOLDT France S.A.S.	Plaisir / France	100.0 %	FC
Kite Holding France S.A.S.	Paris / France	100.0 %	FC
HENSOLDT Nexeya France S.A.S.	Toulouse / France	100.0 %	FC
HENSOLDT Space Consulting S.A.S.	Toulouse / France	100.0 %	FC
HENSOLDT Mechatronic Solutions S.A.S. (formerly Midi Ingénierie S.A.S.)	Toulouse / France	85.0 %	FC
Nexeya Canada Inc.	Markham / Canada	100.0 %	FC
HENSOLDT Analytics GmbH	Vienna / Austria	100.0 %	FC
ESG Elektroniksystem- und Logistik-GmbH	Munich / Germany	100.0 %	FC
ESG Consulting GmbH	Fürstenfeldbruck / Germany	100.0 %	FC
ESG Aerosystems Inc.	Starke / USA	100.0 %	FC
Cyoss GmbH	Munich / Germany	100.0 %	FC
ESG Facility Management GmbH	Fürstenfeldbruck / Germany	100.0 %	FC
HENSOLDT Theon NightVision GmbH	Wetzlar / Germany	50.1 %	EQ

PC = parent company; FC = fully consolidated affiliated company; EQ = company consolidated using the equity method

[1] Participation by the Federal Republic of Germany with one share with a nominal value of € 1

[2] Exemption pursuant to Section 264 (3) German Commercial Code (HGB)

[3] In liquidation

The Consolidated Financial Statements include the Financial Statements of HENSOLDT AG and the Financial Statements of all material subsidiaries that are directly and indirectly controlled by HENSOLDT AG. The Group companies prepare their Financial Statements as of the same reporting date for which the Group prepares its Consolidated Financial Statements. The material companies of the ESG Group were included in the HENSOLDT Group by way of full consolidation as of 2 April 2024, with HENSOLDT Analytics GmbH also included as of 30 June 2024. As a result, 36 entities including the parent company (previous year: 30) were fully consolidated. In addition, from 30 September 2024 HENSOLDT Theon NightVision GmbH was accounted for in the Consolidated Financial Statements using the equity method.

The 24 (previous year: 21) companies listed below were not consolidated due to their minor importance.

Company	Registered Office	Equity in € million	Profit/ loss in € million	Share of capital	Consoli-dation method
Atlas Optronics LLC [4]	Abu Dhabi / UAE	4.6	0.1	49.0 %	AC
EURO-ART Advanced Radar Technology GmbH [3]	Munich / Germany	0.2	-0.0	25.0 %	AC
EURO-ART International EWIV [1]	Munich / Germany	9.1	–	50.0 %	AC
EUROMIDS S.A.S. [4]	Paris / France	4.3	0.2	25.0 %	AC
LnZ Optronics Co. Ltd. [4]	Seoul / South Korea	1.3	0.1	50.0 %	AC
PMTL-Peinture Composite S.A.S. [2]	L'Isle-Jourdain / France	0.1	0.0	49.8 %	AC
J.A.M.E.S. GmbH [4]	Taufkirchen / Germany	2.2	-1.8	50.0 %	JV
Société Commune Algérienne de Fabrication de Systèmes Electroniques SPA [4]	Sidi Bel Abbès / Algeria	32.3	3.0	49.0 %	JV
Deutsche Elektronik Gesellschaft für Algerien mbH [4]	Ulm / Germany	10.2	-0.3	66.7 %	JV
Antycip Iberia SL [4]	Barcelona / Spain	0.0	0.0	100.0 %	NC
HENSOLDT do Brasil Segurança e Defesa Electrónica e Optica Ltda [4]	São Paulo/ Brazil	-0.1	0.0	100.0 %	NC
HENSOLDT Private Ltd. [5]	Bangalore / India	0.6	0.2	100.0 %	NC
MaHyTec S.A.S. [4]	Dole / France	-1.3	-2.6	100.0 %	NC
Nexeya USA Inc. [2]	Beaufort / USA	–	–	100.0 %	NC
HENSOLDT Nexeya Belgium SRL [1]	Mouscron / Belgium	0.0	-0.0	100.0 %	NC
Kelvin Hughes LLC [4]	Bethesda / USA	-1.1	-1.1	100.0 %	NC
HENSOLDT Middle East Limited Company	Riyadh/ KSA	n/a	n/a	100.0 %	NC
HENSOLDT Switzerland GmbH	Bern / Switzerland	n/a	n/a	100.0 %	NC
21strategies GmbH [4]	Hallbergmoos / Germany	1.6	-0.5	11.4 %	OP
KBN CADTRAN EDV System GmbH [4]	Bremen / Germany	0.3	0.3	100.0 %	NC
KBN Konstruktionsbüro GmbH [4]	Bremen / Germany	0.9	0.4	100.0 %	NC
PTL Luftfahrt GmbH i.L.[6]	Kiel / Germany	–	–	100.0 %	NC
ESG B.V. [4]	Eindhoven / The Netherlands	-0.0	-0.0	100.0 %	NC
ESG InterOp Solutions GmbH [4]	Munich / Germany	2.1	0.3	100.0 %	NC

NC: Non-consolidated affiliated company valued at cost

AC: Associated company valued at cost

JV: Joint venture pursuant to IFRS 11 valued at cost

OP: Other participation valued at cost

n/a: No financial data available

[1] Equity and profit/loss 31/12/2022

[2] Equity and profit/loss 30/06/2023

[3] Equity and profit/loss 30/09/2023

[4] Equity and profit/loss 31/12/2023

[5] Equity and profit/loss 31/03/2024

[6] In liquidation

7 Acquisitions

7.1 Company acquisitions and other changes during the fiscal year

ESG Elektroniksystem- und Logistik GmbH

HENSOLDT acquired 100 % of the shares and voting rights in ESG Elektroniksystem- und Logistik-GmbH Fürstenfeldbruck, Germany, ("ESG GmbH" or "ESG Group" and the subsidiaries of ESG GmbH) with effect from 2 April 2024.

The ESG Group is a platform- and manufacturer-independent system integrator and technology and innovation partner for defence and security. The acquisition strengthens the Group's presence in Germany in particular, improves customer access and enables the expansion of the product portfolio. Furthermore, HENSOLDT expects the acquisition to generate synergies in terms of costs and sales from the joint positioning on the market.

The purchase price consists of a fixed component totalling € 635 million and a variable component of up to € 55 million. The payment of the fixed purchase price component was financed by the capital increase against cash contributions carried out on 7 December 2023, which was entered in the commercial register on 8 December 2023, and by drawing down a loan (Term Facility) of € 450 million in accordance with the syndicated loan agreement concluded in December 2023.

The variable portion of the purchase price is also payable in cash and is due in two tranches. The first tranche was payable in the first half of the fiscal year 2024, while the second tranche is due in the first half of the fiscal year 2025. The first instalment of the variable purchase price has already been paid and amounted to € 32.5 million. The range of the second tranche is between zero and € 22.5 million. The main factor influencing the respective variable purchase price component is the order intake of the ESG Group in 2023 and 2024, respectively. The fair value of the estimated variable purchase price component at the time of acquisition was € 32.5 million and was determined by calculating the present value of the expected future cash flows.

The acquisition-related costs amounted to € 10 million in fiscal year 2024. These costs were recognised in the income statement under administrative expenses.

The carrying amounts or fair values of the identifiable assets of the ESG Group at the acquisition date were as follows:

in € million	Carrying amount	Fair value
Assets		
Intangible assets	1	250
Property, plant and equipment	9	9
Right-of-use assets	63	63
Financial assets	15	15
Inventories	6	6
Contract assets	67	67
Receivables and other assets	56	56
Cash and cash equivalents	125	125
Total assets	**342**	**591**
Provisions	-117	-117
Lease liabilities	-70	-70
Contract liabilities	-45	-45
Trade payables	-20	-20
Other liabilities	-61	-68
Total liabilities	**-312**	**-319**
Deferred taxes	18	-53
Total identifiable net assets	**47**	**218**
Goodwill		450
Consideration transferred		**668**

The temporary purchase price allocation resulted primarily in the capitalisation of customer relationships in the amount of € 182 million, an order backlog of € 43 million, the capitalisation of certifications in the amount of € 8 million and technology-related assets in the amount of € 16 million.

The remaining amount corresponds to goodwill in the amount of € 450 million. This mainly represents the expected future prospects from the market position and the expertise of the employees of the acquired ESG Group as well as the expected synergies to be achieved through the integration of the ESG Group into the existing business of the HENSOLDT Group. None of the goodwill recognised is tax deductible.

At the time of the transfer of control, the acquired group had cash and cash equivalents totalling € 125 million and gross trade receivables of € 31 million, of which € 0.1 million was estimated to be likely to be uncollectible.

In the period from 2 April 2024 (date of acquisition) to 31 December 2024, the ESG Group contributed revenue of € 289 million and net income of € 2 million to the income of HENSOLDT Group. Without the additional amortisation of assets resulting from the provisional purchase price allocation in the amount of € -23 million, the contribution to profit after taxes would have been € 25 million. If the takeover had taken place on 1 January 2024, the Management Board estimates that this would have led to a further increase in Group revenue of € 67 million and a decrease in Group profit of € 2 million including the amortisation of assets from the purchase price allocation of € -8 million. When calculating these amounts, the Management Board assumed that the fair value adjustments determined at the time of acquisition would also have been valid in the event of an acquisition on 1 January 2024.

7.2 Determination of fair values

The valuation methods used to determine the fair value of the acquired material assets were as follows:

Acquired assets	Market approach and cost approach
Property, plant and equipment	The measurement model takes into account market prices for similar items, if available, and depreciated replacement cost, if applicable. Depreciated replacement costs reflect adjustments for physical deterioration as well as functional reconditioning and economic obsolescence.
Intangible assets	The relief from royalty method and multi-period excess earnings method: the relief from royalty method takes into account the discounted estimated royalty payments that are expected to be saved by patents and trademarks being kept in the Group's ownership. The multi-period excess earnings method takes into account the present value of the expected net cash flows generated by customer relationships, with the exception of all cash flows relating to the underlying assets.
Inventories	Market approach: the fair value is determined on the basis of the estimated sales price in the ordinary course of business less estimated production and selling costs as well as an appropriate profit margin based on the time and effort expended on producing and selling inventories.

If new information on facts and circumstances that existed on the date of acquisition becomes known within one year after the date of acquisition and that would have resulted in a change in the valuation of the assets and liabilities recognised in connection with the acquisition, the accounting of such company acquisition will be adjusted.

8 Investments accounted for using the equity method

With effect from 30 September 2024, HENSOLDT Theon NightVision GmbH in which HENSOLDT Optronics GmbH holds 50.1 % of the shares, was included among the consolidated companies of HENSOLDT Group accounted for using the equity method, as HENSOLDT cannot exercise control over the entity due to contractual arrangements.

The resulting pro rata earnings effect of € 3 million was recorded in the consolidated income statement and comprises the period from 1 October 2024 to 31 December 2024.

9 Transactions with related parties

9.1 Related persons and entities

In accordance with IAS 24, transactions with individuals or entities that control or are controlled by the HENSOLDT Group must be disclosed unless they have already been included as consolidated entities in the Consolidated Financial Statements. In addition, there is an obligation to disclose transactions with associates and persons who have significant influence over the operating and financial policies of the HENSOLDT Group as well as with entities that are controlled by them. Significant influence in this context can be based on a shareholding in HENSOLDT AG of 20.0 % or more or a key management position.

Key management personnel

The key management personnel of the HENSOLDT Group are the Management Board and the Supervisory Board of HENSOLDT AG, who are therefore considered as related parties of HENSOLDT AG.

Members of the Management Board

- Oliver Dörre, CEO (since 1 April 2024), member of the Management Board (since 1 January 2024)
- Christian Ladurner, CFO

- Dr. Lars Immisch, CHRO
- Thomas Müller, CEO (until 31 March 2024)
- Celia Pelaz Perez, CStO (until 31 August 2024)

Members of the Supervisory Board

- Reiner Winkler, Chair of the Supervisory Board, Independent Consultant
- Armin Maier-Junker, Vice Chair of the Supervisory Board, Chair of the Works Council of HENSOLDT Sensors GmbH, Ulm; Chair of the General Works Council of HENSOLDT Sensors GmbH and Chair of the Group Works Council of HENSOLDT AG
- Dr. Jürgen Bestle, CTO and Head of Engineering Governance of HENSOLDT AG and Head of Design Organisation of HENSOLDT Sensors GmbH
- Jürgen Bühl, Division Manager on the Executive Board of IG Metall
- Letizia Colucci (until 31 May 2024), General Manager at the Med-Or Leonardo-Foundation
- Marco R. Fuchs, Chair of the Management Board of OHB SE
- Achim Gruber, Chair of the Works Council of HENSOLDT Optronics GmbH, Oberkochen
- Ingrid Jägering, Member of the Management Board, CFO of Stihl AG
- Marion Koch, Member of the Works Council of HENSOLDT Sensors GmbH, Immenstaad; Head of the "Airborne & Space Radars" business unit of HENSOLDT Sensors GmbH
- Giuseppe Panizzardi, Senior Vice President M&A & Corporate Development of Leonardo S.p.A.
- Raffaella Luglini (since 1 July 2024), Chief Sustainability Officer of Leonardo S.p.A.
- Julia Wahl, Press Officer at IG Metall Baden-Württemberg
- Hiltrud Werner, Management Consultant

Related entities

The Italian aerospace and defence group Leonardo S.p.A., (“Leonardo”) has a 22.8 % shareholding in HENSOLDT AG. That makes Leonardo and the companies controlled by Leonardo related parties of HENSOLDT AG with significant influence. HENSOLDT and Leonardo as well as the companies controlled by Leonardo have various business relationships and collaborate in a series of programmes. Leonardo and the companies controlled by Leonardo are, on the one hand, customers of HENSOLDT who purchase or use products and services of HENSOLDT. HENSOLDT is, on the other hand, as a customer, in a business relationship with Leonardo and the companies controlled by Leonardo.

The Federal Republic of Germany (“Bund”) holds an indirect interest amounting to 25.1% of the shares in HENSOLDT AG through the German national development bank, KfW (Kreditanstalt für Wiederaufbau), a public law institution controlled by the Federal German Republic. The German Federal Government is therefore one of HENSOLDT AG’s related parties with significant influence. HENSOLDT Group maintains diverse relationships with the Federal Government and with other companies controlled by the latter. The Federal Government, related government agencies and offices as well as other companies controlled by the Federal Government are, each independent from each other, customers of HENSOLDT and purchase and use many of HENSOLDT’s products and services.

A member of the Supervisory Board, Marco R. Fuchs, indirectly holds the majority of shares in OHB SE (including its subsidiaries (OHB Group)). The companies of the OHB Group are therefore related companies to HENSOLDT AG. The OHB Group purchases or uses products and services from HENSOLDT.

Additional related parties are HENSOLDT Pension Trust e.V. (including its subsidiaries) as pension fund of HENSOLDT Sensors GmbH and HENSOLDT Optronics GmbH as well as the non-consolidated subsidiaries, associated and joint venture companies of the Group.

9.2 Related party transactions with entities

In the course of its operating activities, the HENSOLDT Group exchanges goods and services with numerous related entities. These transactions are carried out at customary market conditions.

	Fiscal year	
in € million	2024	2023
Revenue		
Entities with significant influence	643	608
Joint ventures	12	22
Associated companies	16	17
Non-consolidated companies	125	50
Other income and cost reimbursements		
Entities with significant influence	0	0
Joint ventures	0	0
Associated companies	–	4
Non-consolidated companies	0	1
Other related parties	11	13

Revenue from non-consolidated companies mainly include sales to distribution companies and consortia that resell products to end customers.

	Fiscal year	
in € million	2024	2023
Purchases of goods and services and other expenses		
Entities with significant influence	59	67
Joint ventures	0	0
Associated companies	3	3
Non-consolidated companies	5	3
Other related parties	18	17

	31 Dec.	31 Dec.
in € million	2024	2023
Receivables		
Entities with significant influence	81	59
Joint ventures	29	64
Associated companies	10	12
Non-consolidated companies	43	12
Other related parties	0	0
Liabilities		
Entities with significant influence	8	11
Joint ventures	3	5
Associated companies	14	8
Non-consolidated companies	22	26
Other related parties	2	2

In the previous year, the Group received a share of profits of € 4 million from an associated company, which was recognised in other income from investments.

Goods and services received from other related parties include expenses related to rents for buildings of € 18 million (previous year: € 17 million).

The receivables from and liabilities to related parties in the fiscal year 2024 essentially relate to trade receivables and trade payables.

The investments in real-estate companies that serve as plan assets are considered related parties. Further information regarding the financing of the pension plans for the Group's employees through plan assets is provided in note 34.

9.3 Related party transactions with persons

Remuneration of the Management Board

The members of the Management Board received salaries and other short-term benefits (including bonuses) totalling € 4.2 million for the fiscal year (previous year: € 3.2 million). Expenses associated with share-based remunerations recognised in the consolidated income statement during the reporting year amounted to € 2.9 million (previous year: € 1.3 million). Past-service costs of € 0.3 million (previous year: € 0.1 million) arose as benefits after the employment for pension obligations of active members of the Management Board. The benefits arising from the termination of employment of former members of the Management Board amounted to € 2.2 million. Former Management Board members received total remuneration of € 0.1 million (previous year: € 0.1 million). The total expenses recognised for the members of the Management Board in the reporting year (according to IAS 24.17) therefore totalled € 9.7 million (previous year: € 4.8 million).

The committed present value of the pension commitments to former members of the Management Board and their surviving dependants amounted to € 5.4 million (previous year: € 2.8 million).

The total remuneration of the Management Board pursuant to Section 314 (1) No. 6a, sentence 1 to 3 German Commercial Code (HGB) amounted to € 7.0 million in the fiscal year 2024 (previous year: € 4.6 million). This figure includes the fair value at grant for share-based compensation of € 2.8 million (previous year: € 1.4 million) for the award of 80,452 (previous year: 57,353) virtual shares. For the performance targets linked to these awards, we refer to the Remuneration Report published on the website of HENSOLDT at https://investors.hensoldt.net in the “Corporate Governance” section.

Former members of the Management Board received total remunerations pursuant to Section 314 (1) No. 6b HGB amounting to € 2.3 million (previous year: € 0.1 million). HENSOLDT AG has made pension provisions of € 6.6 million (previous year: € 3.4 million) for pension commitments to former members of the Management Board and their surviving dependents according to HGB.

Remuneration of the Supervisory Board

The remuneration for the members of the Supervisory Board comprised general remuneration and additional remuneration for committee activities amounting in total to € 1.0 million (previous year: € 0.7 million).

Information on the remuneration of individual Management Board and Supervisory Board members is presented in the Remuneration Report published on the website of HENSOLDT at https://investors.hensoldt.net.

III Group performance

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10 Operating segments

10.1 Segmentation

The HENSOLDT Group's segmentation corresponds to its internal steering, controlling and reporting structures. In accordance with IFRS 8, HENSOLDT has identified the reportable operating segments “Sensors” and “Optronics”.

Sensors operating segment

The Sensors segment provides system solutions with a focus on technical sensor technology from the four divisions Radar & Naval Solutions, Spectrum Dominance & Airborne Solutions, Optronics & Land Solutions and Services & Aerospace Solutions.

Since the acquisition of the ESG Group was completed on 2 April 2024, ESG's activities have, from the second quarter of 2024, been presented as a separate division within the Sensors segment.

The products from the divisions Radar & Naval Solutions, Spectrum Dominance & Airborne Solutions and Optronics & Land Solutions are complementary in the value chain, generating synergies between the divisions such as through shared engineering and operations. As an aftersales division, Services & Aerospace Solutions is mainly positioned further down the value chain and is largely dependent on the primary business of the other divisions. The segment’s product and solutions business is being expanded to include the Electronic Systems and Logistics (ESG) division's design and system integration capabilities.

Radar & Naval Solutions

In the Radar & Naval Solutions division, the Group develops and manufactures mobile and stationary radar and IFF systems (Identification Friend or Foe) used for surveillance, reconnaissance, civil air traffic control (ATC) and air defence. These systems are deployed on various platforms, including the Eurofighter, the German Navy’s Frigates 124 and 126, the US Navy’s Littoral Combat Ship and the IRIS-T-SLM air defence system. The Radar & Naval Solutions division also includes systems for establishing secure data connections for air, sea and land platforms.

Spectrum Dominance & Airborne Solutions

The Spectrum Dominance & Airborne Solutions division includes electronic systems for the acquisition and evaluation of radar and radio signals and jammers, which are used, for example, to protect convoys or individual vehicles against improvised explosive devices. In addition to applications on the electromagnetic spectrum for operations on land, at sea and in the air, the product range is being expanded to include defensive cyber solutions. Furthermore, the division also provides military and civil avionics systems such as situational awareness systems, mission computers and flight data recorders. Systems of the Spectrum Dominance & Airborne Solutions division are used in combat aircraft such as the Eurofighter and the Tornado, the Airbus A400M transport aircraft, the airborne signals intelligence system PEGASUS, for which HENSOLDT acts as consortium leader, and various helicopter models.

Optronics & Land Solutions

The Optronics & Land Solutions division within the Sensors segment includes electronic self-protection systems that integrate missile, laser and radar warning sensors with countermeasures for air, sea and land platforms, for example in various helicopter models and on the PUMA infantry fighting vehicle.

Services & Aerospace Solutions

The Services & Aerospace Solutions division mainly includes customer support and service activities, as well as maintenance over the entire lifecycle of the platforms and systems developed in the other divisions of the Sensors segment. Simulation solutions, training courses and special services as well as HENSOLDT Space Solutions are part of this division. HENSOLDT Space Solutions develops and manufactures components and solutions for space-based sensors that are used, inter alia, in the fields of earth observation, weather and environmental monitoring, scientific research of space and for laser communication in space.

Electronic Systems and Logistics (ESG)

The Electronic Systems and Logistics (ESG) division is a manufacturer-independent system integrator offering solutions and services for secure digitalisation and networking in all military and civil dimensions. Its core business is the development, realisation, support and operation of individual platforms and complex complete systems. In addition, the division develops flexible, interoperable command and control systems as a general contractor, including the required software and consultation for hardware components. ESG is an aviation company for German Military ("Bundeswehr") aircraft and aviation devices and an aviation technology company approved by the Aviation Safety Authority of the European Union. The division plays a key role in important current and future programmes such as FCAS (Future Combat Air System), P8 Poseidon, F-35 and the Heavy Transport Helicopter (STH).

Optronics operating segment

The Optronics segment offers system solutions with a focus on optronics from the three divisions Optronics & Land Solutions, Radar & Naval Solutions and Services & Aerospace Solutions. The focus is on the products of the Optronics & Land Solutions division supplemented by Radar & Naval Solutions in the value chain. Services & Aerospace Solutions is downstream from the other divisions and essentially includes the aftersales area.

Optronics & Land Solutions

The division Optronics & Land Solutions comprises optronics and optical and precision instruments for military, security and civil applications that can be used on land, in water and in the air. On land, the product range includes rifle scopes, sights, laser rangefinders, night vision devices, and thermal imaging cameras that assist snipers and infantry soldiers with observation and target acquisition. In addition, devices for surveillance and target acquisition are offered for armoured vehicles. For use at sea, submarine periscopes, optronic mast systems and other electro-optical systems are offered. In the air, the product portfolio includes stabilised sensor platforms with image stabilisers for helicopters, manned fixed-wing aircraft and drones, which support their surveillance and target acquisition. HENSOLDT also offers mobile and stationary surveillance solutions for security applications, as well as special equipment for industrial and space applications within this division.

Radar & Naval Solutions

The Radar & Naval Solutions division within the Optronics segment includes solutions in the areas of defence and security as well as air traffic management. The defence and security portfolio includes friend-or-foe detection systems, radar for ship and land applications, cryptographic devices and tactical point-to-point communication systems. The air traffic management portfolio includes the delivery, installation and maintenance of air traffic control radar, weather radar, navigation, voice communications and runway lighting systems for military and civil airports.

Services & Aerospace Solutions

In the Services & Aerospace Solutions division, service solutions for the products of the Optronics segment are developed, implemented and delivered. This ensures that the availability of products and systems is maintained for decades to ensure optimal functionality, performance and usability for customers.

10.2 Segment information

The operating segments of the HENSOLDT Group are internally steered and controlled by the means of its most important financial KPIs, revenue, order intake, book-to-bill ratio and adjusted EBITDA. HENSOLDT also uses another key operating figure, the order backlog, as a performance indicator; with the adjusted EBIT and the adjusted pre-tax free cash flow, it uses two further non-GAAP performance indicators as alternative performance indicators.

The following table shows the KPIs that the Management Board uses to evaluate the performance of each operating segment as well as additional information.

The “Elimination/Transversal/Others” items comprises predominantly special items[1] of non-operational group entities as well as consolidation measures. Transactions between the Sensors and Optronics segments are only of minor importance.

				Fiscal year
				2024
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
Order intake	2,209	740	-45	**2,904**
Order backlog	5,463	1,225	-44	**6,644**
Book-to-bill-ratio	1.2x	2.2x		**1.3x**
Segment revenue	1,908	348	-15	**2,240**
Revenue from external customers	1,906	334	–	**2,240**
Intersegment revenue	2	14	-15	**–**

				Fiscal year
				2024
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
Material non-cash items other than depreciation and amortisation:				
Additions to other provisions	-114	-49	–	**-163**
Reversals of other provisions	29	8	–	**37**
Share of profits or loss in investments accounted for using the equity method	–	3	–	3

[1] Special items are “non-regularly recurring and extraordinary” effects. These are defined as “transaction costs, effects on earnings from purchase price allocations, OneSAPnow-related special items as well as other special items”.

in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Fiscal year 2024 Group
EBITDA	**347**	**20**	**-19**	**348**
Effects on earnings from purchase price allocations	0	0	–	**0**
Transaction costs	–	–	3	**3**
OneSAPnow-related special items[1]	11	1	-1	**12**
Other special items[2]	23	2	17	**42**
Adjusted EBITDA	**381**	**24**	**–**	**405**
Adjusted EBITDA margin[3]	*20.0 %*	*6.9 %*		**18.1 %**
EBITDA	**347**	**20**	**-19**	**348**
Depreciation and amortisation	-141	-20	-1	**-163**
EBIT	**205**	**0**	**-20**	**185**
Effect on earnings from purchase price allocations	40	6	–	**46**
Transaction costs	–	–	3	**3**
OneSAPnow-related special items[1]	11	1	0	**13**
Other special items[2]	29	2	17	**49**
Adjusted EBIT	**286**	**9**	**–**	**295**
Adjusted EBIT margin[3]	*15.0 %*	*2.7 %*		**13.2 %**

[1] OneSAPnow-related special items include expenses associated with the business transformation for SAP S/4HANA.

[2] Other special items include expenses for consulting services incurred in connection with the acquisition and integration of the ESG Group as well as in connection with setting up new infrastructure for HENSOLDT's R&D, production and logistics, such as for relocations and initial setups.

[3] Based on segment revenues.

in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Fiscal year 2024 Group
EBIT	**205**	**-0**	**-20**	**185**
Financial result				**-68**
EBT				**117**

in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Fiscal year 2023 Group
Order intake	1,587	510	-9	**2,087**
Order backlog	4,693	852	-15	**5,530**
Book-to-bill-ratio	1.0x	1.7x		**1.1x**
Segment revenue	1,546	309	-8	**1,847**
Revenue from external customers	1,543	304	–	**1,847**
Intersegment revenue	3	5	-8	**–**

in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Fiscal year 2023 Group
Material non-cash items other than depreciation and amortisation:				
Impairments	-6	–	–	**-6**
Additions to other provisions	-120	-43	-0	**-163**
Reversals of other provisions	10	5	–	**15**

in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Fiscal year 2023 Group
EBITDA	**274**	**18**	**-15**	**276**
Effects on earnings from purchase price allocations	6	–	–	**6**
Transaction costs	–	–	10	**10**
OneSAPnow-related special items[2]	9	3	-0	**12**
Other special items[3]	16	3	5	**25**
Adjusted EBITDA	**306**	**24**	**–**	**329**
Adjusted EBITDA margin[4]	*19.8 %*	*7.6 %*		***17.8 %***
EBITDA	**274**	**18**	**-15**	**276**
Depreciation and amortisation[1]	-95	-15	0	**-110**
EBIT[1]	**178**	**3**	**-15**	**166**
Effect on earnings from purchase price allocations[1]	30	3	–	**33**
Transaction costs	–	–	10	**10**
OneSAPnow-related special items[2]	9	3	-0	**12**
Other special items[3]	16	3	5	**25**
Adjusted EBIT	**235**	**11**	**–**	**246**
Adjusted EBIT margin[4]	*15.2 %*	*3.6 %*		***13.3 %***

[1] Adjustment of previous year's figures; refer to note 2.1

[2] OneSAPnow-related special items include expenses associated with the business transformation for SAP S/4HANA.

[3] Special items in the fiscal year 2023 include mainly expenses in the context of the efficiency programme HENSOLDT GO!

[4] Based on segment revenues

in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Fiscal year 2023 Group
EBIT[1]	**178**	**3**	**-15**	**166**
Financial result				**-72**
EBT[1]				**94**

[1] Adjustment of previous year's figures; refer to note 2.1

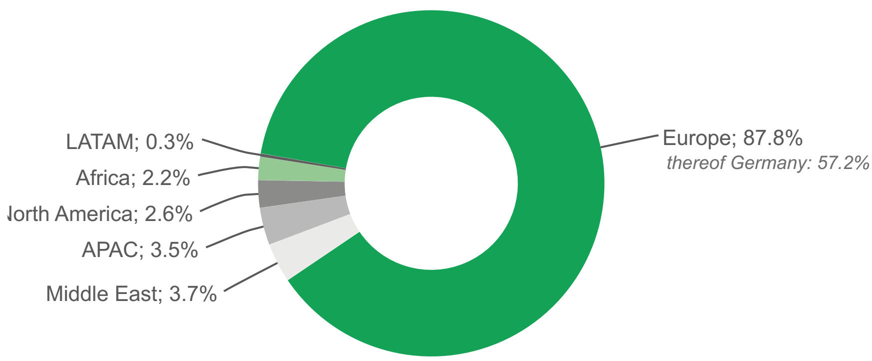
10.3 Geographical information

The following table shows the revenue of the HENSOLDT Group based on the geographical location of the customers.

	Fiscal year	
in € million	2024	2023[1]
Revenue		
Europe	1,966	1,556
thereof Germany	1,282	*993*
Middle East	83	116
APAC	78	75
North America	58	46
Africa	48	43
LATAM	7	10
Other regions / consolidation	–	1
Total	**2,240**	**1,847**

[1] Adjusted allocation of previous year's figures.

The following graphic shows the percentage breakdown of revenue based on the geographical location of customers.



The following table shows the geographical locations of non-current assets.

	31 Dec.	31 Dec.
in € million	2024	2023
Non-current assets[1,2]		
Germany	2,080	1,244
Other regions	154	141
Total	**2,233**	**1,385**

[1] Adjustment of previous year's figures; refer to note 2.1

[2] Excludes financial instruments, deferred tax assets, other investments, investments accounted for using the equity method, post-employment benefits and rights arising under insurance contracts

10.4 Major customers

Within its two segments, the HENSOLDT Group has two (previous year: two) customers that each generate more than 10.0 % of its total revenue. The first customer generated a revenue of € 487 million (previous year: € 453 million), the revenue with the second customer amounted to € 398 million (previous year: € 314 million).

11 Revenue and cost of sales

11.1 Revenue

For reporting purposes, HENSOLDT Group distinguishes between two categories for revenue recognition: Sales and aftersales. The aftersales category includes mainly revenue related to the sale of goods and/or the provision of services in connection with a previous sale of goods (e.g. sale of spare parts, maintenance). Revenue from the sale of goods and the provision of services that does not fall into the aftersales category is reported as sales.

The following table provides a breakdown of revenue from contracts with customers by revenue recognition category (sales and aftersales) and the point of time of revenue recognition (at a point in time and over time).

			Fiscal year
in € million	Sensors	Optronics	2024
Revenue from contracts with customers			
Sales	1,566	288	**1,854**
Aftersales	340	47	**388**
Exchange rate differences	0	-1	**-1**
Total	**1,906**	**334**	**2,240**

			Fiscal year
in € million	Sensors	Optronics	2024
Timing of revenue recognition			
Revenue recognition at a point in time	657	276	**934**
Revenue recognition over time	1,249	59	**1,308**
Exchange rate differences	0	-1	**-1**
Total	**1,906**	**334**	**2,240**

			Fiscal year
in € million	Sensors	Optronics	2023
Revenue from contracts with customers			
Sales	1,212	271	**1,482**
Aftersales	335	34	**369**
Exchange rate differences	-4	-0	**-5**
Total	**1,543**	**304**	**1,847**

			Fiscal year
in € million	Sensors	Optronics	2023
Timing of revenue recognition			
Revenue recognition at a point in time	572	264	**835**
Revenue recognition over time	975	41	**1,016**
Exchange rate differences	-4	-0	**-5**
Total	**1,543**	**304**	**1,847**

11.2 Contract assets and contract liabilities

The following table provides information on the development of contract assets and contract liabilities from contracts with customers:

in € million	Contract assets	Contract liabilities
As of 1 January 2023	**182**	**500**
Revenue recognised in the reporting period included in the contract liability balance at the beginning of the period	–	-151
Increases due to cash received, except amounts recognised as revenue during the reporting period	–	230
Reclassifications from contract assets, recognised at the beginning of the period, to receivables	-83	–
Increases due to changes in the determination of stage of completion	97	–
Changes in the estimate of the transaction price or contract modification	–	1
Other	-1	-1
As of 31 December 2023	**196**	**578**
Increase due to business combinations	67	46
Revenue recognised in the reporting period included in the contract liability balance at the beginning of the period	–	-243
Increases due to cash received, except amounts recognised as revenue during the reporting period	–	407
Reclassifications from contract assets, recognised at the beginning of the period, to receivables	-87	–
Increases due to changes in the determination of stage of completion	214	–
Changes in the estimate of the transaction price or contract modification	–	-9
Other	-4	0
As of 31 December 2024	**385**	**779**

An allowance for impairment of € 0.2 million (previous year: € 0.1 million) is included in the carrying amount of the contract assets.

Proceeds from performance obligations which had been (partly) fulfilled in previous periods of € 15 million (previous year: € 2 million) were recognised in the fiscal year.

11.3 Transaction price for remaining performance obligations

As of 31 December 2024, the total amount of the transaction price allocated to remaining performance obligations amounted to € 6,644 million (previous year: € 5,530 million). Management expects that 29.9 % of this transaction price will be recognised as revenue in fiscal year 2025 and a further 35.9 % in the period between 2026 and 2027. The remaining 34.2 % will be recognised in fiscal year 2028 and subsequent years.

11.4 Cost of sales

Cost of sales include amortisation from adjustments to the fair values of assets as part of the purchase price allocations of € 46 million (previous year: € 33 million[2]). The previous year included impairments on acquired intangible assets from the purchase price allocation of HENSOLDT Cyber GmbH in the amount of € 6 million.

Inventories recognised as an expense in the reporting period amount to € 1,500 million (previous year: € 1,245 million).

[2] Adjustment of previous year's figures; refer to note 2.1

12 Research and development costs

Research and development costs amount to € 32 million (previous year: € 30 million). Regarding the capitalisation of development costs, refer to note 17.

13 Other operating income and expenses

13.1 Other operating income

	Fiscal year	
in € million	2024	2023
Recharged services	15	17
Income from government grants	3	–
Other	4	5
Other operating income	**22**	**22**

Other operating income results mainly from the transfer of costs recorded in other operating expenses to non-consolidated Group companies and mainly relates to recharged investment and maintenance costs relating to buildings as well as to facility and administrative services. The previous year included income resulting from a settlement with a customer.

13.2 Other operating expenses

	Fiscal year	
in € million	2024	2023
Recharged costs	16	16
Other	8	5
Other operating expenses	**24**	**21**

Other operating expenses mainly relate to recharged investment- and maintenance costs to buildings as well as facility and administrative services.

14 Financial result

	Fiscal year	
in € million	2024	2023
Interest income from plan assets	9	9
Interest income from cash and cash equivalents	15	7
Interest income from interest rate swaps	6	1
Other	1	0
Interest income	**31**	**18**
Interest expense for loans	-61	-38
Interest expense from interest rate swaps	-2	-15
Interest expense on provisions for pension benefits	-23	-19
Interest expense on lease liabilities	-14	-11
Other	0	0
Interest expense	**-100**	**-82**
Bank fees	-1	-3
Foreign currency translation of monetary items	3	-3
Change in fair value measurement of financial instruments	2	-3
Other	-3	1
Other finance income / expense	**1**	**-7**
Financial result	**-68**	**-72**

15 Income taxes

Income taxes are broken down as follows:

	Fiscal year	
in € million	2024	2023[1]
Current tax expense	-13	-42
thereof income tax attributable to the previous year	*-2*	*-7*
Deferred taxes	1	6
thereof changes in temporary differences	*-10*	*8*
Recognised tax	**-12**	**-36**
Deferred tax recognised directly in equity	**0**	17

[1] Adjustment of previous year's figures; refer to note 2.1

For German companies, a corporation tax rate of 15.0 % was used for the calculation of deferred taxes. In addition, a solidarity surcharge of 5.5 % on the corporation tax and a trade tax rate of 12.5 % were taken into account. This resulted in an overall tax rate of 28.3 % for German companies. For international group companies, the respective country-specific tax rates were used for the calculation of current and deferred taxes.

The following table presents the reconciliation of expected tax expense and reported tax expense. Expected tax expense is determined by multiplying consolidated profit before tax by the total tax rate of 28.3 % applicable in fiscal year 2024:

	Fiscal year	
in € million	2024	2023[1]
Earnings before income tax	117	94
Income tax rate	*28.3 %*	*28.3 %*
Expected income taxes	-33	-27
Effects deriving from differences to the expected tax rate	-0	2
Change in the tax rate and tax laws	-0	-0
Taxes for previous years	-4	1
Non-deductible interest expenses	–	-1
Other non-deductible expenses and taxes as well as effects from changes from permanent balance sheet differences	-5	-4
Tax-exempt income	4	1
Changes in the realisation of deferred tax assets	27	-7
Profit / loss from investments accounted for using the equity method	1	–
Other	-1	-1
Income tax according to the consolidated income statement	**-12**	**-36**
Effective tax rate in %	*9.9 %*	*38.4 %*

[1] Adjustment of previous year's figures; refer to note 2.1

The following table presents the reducing effect of previously unrecognised loss carryforwards and interest carryforwards on deferred tax and current tax:

	Fiscal year	
in € million	2024	2023
Benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce the current tax expense	28	23
Benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense	26	0

Deferred tax assets and deferred tax liabilities are recognised in accordance with IAS 12 “Income Taxes” if future tax effects, either due to temporary differences between the carrying amounts of existing assets and liabilities and their tax bases or due to loss carryforwards, are expected. Deferred tax assets and deferred tax liabilities resulting from valuation differences in the balance sheet items are composed as follows:

in € million	31 Dec. 2024	31 Dec. 2023
Deferred tax assets		
Assets		
Intangible assets	0	–
Property, plant and equipment	3	3
Financial assets	1	1
Inventories and contract assets	14	6
Receivables and other assets	2	1
Liabilities		
Provisions	60	42
Liabilities	280	220
Loss carryforwards	**20**	**16**
Tax credits and interest carry-forwards	**13**	**6**
Deferred tax assets (gross)	**393**	**293**
Netting	-392	-284
Deferred tax assets (net)	**1**	**9**

in € million	31 Dec. 2024	31 Dec. 2023[1]
Deferred tax liabilities		
Assets		
Intangible Assets	246	160
Property, plant and equipment	2	3
Financial assets	3	0
Inventories and contract assets	87	75
Receivables and other assets	7	5
Liabilities		
Provisions	66	46
Liabilities	105	74
Deferred tax liabilities (gross)	**515**	**363**
Netting	-392	-284
Deferred tax liabilities (net)	**123**	**79**
Excess of deferred tax liabilities	**-122**	**-70**

[1] Adjustment of previous year's figures; refer to note 2.1

The change in the amount of the deferred tax position includes an increase in deferred tax liabilities in the amount of € 53 million due to deferred tax resulting from the temporary purchase price allocation of the ESG Group. The amount is related to the recognition of intangible assets with their fair values (DTL € 71 million), tax loss carryforward (DTA € 11 million) available as of the acquisition date and deductible temporary differences between IFRS and tax balance sheet values of provisions (DTA € 6 million) and liabilities (DTA € 1 million) as result of the initial consolidation.

The assessment of impairment of deferred tax assets depends on the management's estimate of the utilisation of the deferred tax assets. This is dependent on taxable profits in the periods when the tax measurement differences are reversed and the tax loss carryforwards can be utilised.

As of 31 December 2024 the Company did not recognise any deferred tax liabilities for profits of subsidiaries that were not distributed to the parent company. The Group assumes that the profits of its subsidiaries not distributed up to now will not be distributed in the foreseeable future. Temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognised amounted to € 3 million (previous year: € 3 million).

The following loss and interest carryforwards were recognised (gross amounts):

	31 Dec.	31 Dec.
in € million	2024	2023
Corporation tax loss carry-forwards	217	215
Trade tax loss carry-forwards	63	136
Interest carry-forwards	89	120
Tax credits	1	1

No deferred tax assets were recognised for the following loss and interest carryforwards, as the Group deems it unlikely that there will be taxable profits available which the Group can use to recover the tax losses (gross amounts):

	31 Dec.	31 Dec.
in € million	2024	2023
Corporation tax loss carry-forwards	138	154
Trade tax loss carry-forwards	27	129
Interest carry-forwards	40	96

The tax loss carryforwards for which no deferred tax assets were recognised are indefinitely usable.

In Germany, the Minimum Tax Act (MinStG) came into force on 28 December 2023 for fiscal years commencing after 30 December 2023. HENSOLDT falls within the scope of these regulations, as Group revenue exceeded € 750 million in two of the last four reporting periods prior to fiscal year 2024. In addition, national regulations on top-up tax came into force in many countries in which HENSOLDT has subsidiaries, effective from 2024.

HENSOLDT conducted an analysis for the year ended 31 December 2024 to identify the general implications and the jurisdictions under which HENSOLDT is exposed to any potential effects in connection with a Pillar 2 top-up tax. It was concluded that the minimum tax will have no material impact on the Consolidated Financial Statements of HENSOLDT as at 31 December 2024. Therefore, no provision has been made for a top-up tax under the global minimum tax regime.

16 Earnings per share

Earnings per share are calculated by dividing the earnings attributable to the holders of the parent company’s ordinary shares by the weighted average number of ordinary shares outstanding during the year. There were no conversion or option rights outstanding during the current and previous reporting period. Therefore, diluted earnings per share are identical with basic earnings per share.

	Fiscal year	
in € million	2024	2023
Group result attributable to the owners of HENSOLDT AG[1]	108	56
Weighted average number of ordinary shares (in millions)	116	106
Basic and diluted earnings per share (in €)[1]	**0.93**	**0.53**

[1] Adjustment of previous year's figures; refer to note 2.1

IV Operating assets and liabilities

17 Intangible assets

Intangible assets consist of the following:

in € million	Licences, patents and other rights	Other intangible assets	Capitalised develop-ment cost	Customer relation-ship, technology, order backlog, brand	Advance payments	Total
Acquisition cost						
As of 1 January 2023, restated[1]	**25**	**1**	**286**	**527**	**3**	**842**
Additions	2	0	62	–	5	**69**
Disposals	-0	–	–	–	-0	**-0**
Reclassifications	1	–	–	–	-1	**-0**
Currency translation	-0	–	-1	-0	–	**-2**
As of 31 December 2023, restated[1]	**28**	**1**	**347**	**527**	**7**	**909**
Addition due to business combinations	1	8	–	241	–	**250**
Additions	4	1	77	–	32	**114**
Disposals	-1	–	-9	–	–	**-10**
Reclassifications	-0	–	4	–	-3	**1**
Currency translation	0	–	2	0	–	**2**
As of 31 December 2024	**33**	**9**	**421**	**768**	**35**	**1,266**
Accumulated amortisation						
As of 1 January 2023, restated[1]	**-14**	**-1**	**-38**	**-389**	**–**	**-442**
Additions[1]	-3	-0	-31	-27	–	**-61**
Disposals	0	–	–	–	–	**0**
Impairment	–	–	-2	-6	–	**-8**
Currency translation	0	–	1	0	–	**1**
As of 31 December 2023, restated[1]	**-17**	**-1**	**-71**	**-422**	**–**	**-510**
Additions	-4	-1	-41	-45	–	**-91**
Disposals	1	–	9	–	–	**10**
Reclassifications	–	–	–	–	–	**0**
Impairment	–	–	-7	0	–	**-7**
Currency translation	0	–	-1	0	–	**-1**
As of 31 December 2024	**-20**	**-2**	**-110**	**-467**	**–**	**-599**
Carrying amount						
As of 31 December 2023, restated[1]	**11**	**0**	**276**	**105**	**7**	**399**
As of 31 December 2024	**13**	**7**	**311**	**301**	**35**	**667**

[1] Adjustment of previous year's figures; refer to note 2.1

The category “customer relationship, technology, order backlog, brand” includes the HENSOLDT brand with an indefinite useful life. The carrying amount of the HENSOLDT brand amounted to € 55 million at 31 December 2024 (previous year: € 55 million). This brand is tested annually for impairment together with goodwill (refer to note 17.2). In the previous year, intangible assets from the purchase price allocation of HENSOLDT Cyber GmbH were impaired in the amount of € 6 million, as cash flows are no longer expected from these assets.

17.1 Development costs

In 2024, the Group capitalised development costs of € 77 million (previous year: € 62 million) as internally generated intangible assets, primarily naval and ground radar programmes, self protection as well as Identification Friend or Foe solutions in the Sensors segment and in the areas of land and air programmes in the Optronics segment.

In fiscal year 2024, seven (previous year: two) development projects worth € 7 million (previous year: € 2 million) were fully impaired. Of this, € 6 million (previous year: € 2 million) was attributable to the Sensors segment and € 1 million to the Optronics segment. The impairment loss was recognised in the cost of sales.

17.2 Goodwill

For impairment testing, goodwill of € 1,114 million (previous year: € 658 million) is allocated to the cash generating units ("CGU") Sensors in the amount of € 1,031 million (previous year: € 574 million) and Optronics in the amount of € 84 million (previous year: € 84 million), which are also operating and reportable segments.

Goodwill developed as follows:

in € million	Sensors	Optronics	Total
As of 31 December 2023	**574**	**84**	**658**
Addition ESG Group	450	–	450
Addition HENSOLDT Analytics GmbH	7	–	7
As of 31 December 2024	**1,031**	**84**	**1,114**

Due to the acquisition of the ESG Group, a supplementary impairment test of the CGU Sensors was carried out on 30 June 2024.

The recoverable amount of both CGUs is based on their value in use, determined by discounting the future cash flows to be generated from continuing use of the CGU. As the carrying amount of the CGUs did not exceed the value in use of the CGUs, no impairment on goodwill was required.

The calculation of the value in use, which is performed in the fourth quarter of each year, is based on a DCF model as of 30 September. The cash flows are derived from the budget for the next three years and do not include restructuring activities, which HENSOLDT Group is not yet obligated to undertake, nor significant future investments that would improve the performance of the assets of the CGU tested. The recoverable amount depends on the discount rate used for the DCF model, the expected future cash flows and the growth rate used for extrapolation purposes. These estimates are mainly relevant for goodwill and other intangible assets with indefinite useful lives recognised by HENSOLDT Group.

The following key assumptions were made when estimating the useful lives:

	31 Dec. 2024		31 Dec. 2023	
Assumptions in %	Sensors	Optronics	Sensors	Optronics
Discount rate (post-tax)	6.8 %	6.4 %	6.5 %	6.5 %
Sustainable growth rate	1.0 %	1.0 %	1.0 %	1.0 %
Projected sustainable EBIT margin	13.3 %	12.3 %	12.2 %	12.2 %

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The calculation of the discount rate is based on the specific circumstances of HENSOLDT Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity as well as an industry-specific debt ratio. The cost of equity is derived from the market based return on investment expected by the Group's equity investors depending on their risk expectation. The cost of debt is the market-based interest rate on borrowings that is applicable to the Group. The industry-specific risk is accounted for by applying a beta factor that is evaluated annually based on publicly available market data. The corresponding pre-tax discount rate amounts to 9.3 % (previous year: 8.9 %) for the CGU Sensors and 9.1 % (previous year: 9.3 %) for the CGU Optronics.

The forecasted cash flows used by HENSOLDT Group in its DCF model are based on the operational business plan. This business plan includes a detailed planning horizon for three years and is, taking into account the long-term nature of the Company's projects, converged into a steady state on which a terminal value is calculated. The terminal value underlies a sustainable growth rate of 1.0 %.

Based on the market position, HENSOLDT Group expects further significant revenue growth in both operating segments for the detailed planning horizon.

When performing the impairment test for both CGUs, HENSOLDT Group conducted sensitivity analyses for the sustainable EBIT margin, the discount rate and sustainable growth rate. These analyses, which included varying the essential valuation parameters within an appropriate range, did not reveal any risk of impairment to goodwill.

18 Property, plant and equipment

Property, plant and equipment are comprised as follows:

in € million	Land, fixtures and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Construction in progress	Total
Acquistion cost					
As of 1 January 2023	**17**	**134**	**61**	**29**	**241**
Additions	1	10	13	22	**46**
Disposals	-0	-1	-2	-0	**-3**
Reclassifications	1	8	4	-13	**0**
Currency translation	-0	-2	-0	-0	**-3**
As of 31 December 2023	**19**	**149**	**77**	**38**	**282**
Addition due to business combinations	–	–	8	1	**9**
Additions	7	9	13	54	**83**
Disposals	–	-1	-2	-1	**-5**
Reclassifications	2	9	2	-14	**-1**
Currency translation	0	1	0	0	**1**
As of 31 December 2024	**28**	**166**	**98**	**79**	**370**
Accumulated depreciation					
As of 1 January 2023	**-3**	**-80**	**-37**	**–**	**-120**
Additions	-1	-15	-9	–	**-25**
Disposals	0	1	1	–	**2**
Currency translation	-0	1	0	–	**1**
As of 31 December 2023	**-4**	**-93**	**-45**	**–**	**-142**
Additions	-1	-14	-13	–	**-28**
Disposals	–	1	2	–	**3**
Currency translation	-0	-0	-0	–	**-1**
As of 31 December 2024	**-5**	**-107**	**-56**	**–**	**-168**
Carrying amount					
As of 31 December 2023	**14**	**56**	**32**	**38**	**140**
As of 31 December 2024	**23**	**59**	**42**	**79**	**202**

In fiscal years 2024 and 2023, no impairment losses were recognised.

19 Other investments and non-current other financial investments

in € million	31 Dec. 2024	31 Dec. 2023
Other investments	24	25
Non-current other financial investments	0	0
Other investments and non-current other financial investments	**24**	**25**
Non-current other financial investments, current portion	0	0
Total	**25**	**25**

Other investments mainly relate to the investment in Deutsche Elektronik Gesellschaft für Algerien mbH of € 9 million (previous year: € 9 million) and in KBN Konstruktionsbüro GmbH of € 5 million (previous year: € – million). HENSOLDT Analytics GmbH, which was included in investments with a carrying amount of € 6 million in the previous year, was fully consolidated in the HENSOLDT Group as of 30 June 2024.

20 Inventories

in € million	Gross amount	Impair-ment	Net carrying amount 31 Dec. 2024	Net carrying amount 31 Dec. 2023
Raw materials and supplies	457	-65	392	310
Work in progress	336	-32	304	278
Finished goods and parts for resale	40	-16	23	37
Total	**833**	**-114**	**719**	**625**

Expenses associated with impairments recognised in the consolidated income statement during fiscal year 2024 amount to € 24 million (previous year: € 19 million). A reversal of impairment losses was recognised as reduction of material cost in the fiscal year in the amount of € 1 million (previous year: € 3 million).

21 Trade receivables

in € million	31 Dec. 2024	31 Dec. 2023
Receivables from sales of goods and services	436	393
Impairment	-10	-11
Total	**426**	**382**

Trade receivables totalling € 58 million (previous year: € 106 million) were transferred to a factor on the reporting date and were derecognised (so-called “non-recourse factoring”). Other trade receivables of € 14 million (previous year: € 11 million) do not qualify for derecognition since the credit risk is not transferred (so-called “recourse factoring”). For the cash received from the factoring party, a corresponding other financial liability is recognised.

The impairment for doubtful accounts related to trade receivables developed as follows:

in € million	2024	2023
As of 1 January	**11**	**9**
Addition due to business combinations	2	–
Addition	4	3
Utilisation	-5	-0
Reversal	-1	-0
Currency translation	0	-0
As of 31 December	**10**	**11**

For information on the credit and market risks as well as impairment losses, refer to note 38.

Contract assets and liabilities are presented in note 11.2.

22 Trade payables

As of 31 December 2024, all trade payables are due within one year, as in the previous year.

23 Provisions

The measurement of provisions, e.g. for contract losses and warranties, is based on best available estimates.

in € million	31 Dec. 2024	31 Dec. 2023
Provisions for post-employment benefits (note 34)	357	304
Other provisions	318	263
Total	**675**	**567**
thereof non-current	*418*	*357*
thereof current	*257*	*211*

Other provisions developed as follows:

in € million	Warranties	Personnel -related provisions	Contract losses	Outstan-ding costs	Other risks and costs	Total
As of 1 January 2024	**78**	**76**	**2**	**29**	**79**	**263**
Addition due to business combinations	2	2	16	–	14	**34**
Utilisation	-14	-48	-3	-18	-25	**-109**
Reversal	-12	-4	-0	-2	-18	**-37**
Additions	29	55	2	30	47	**164**
Exchange rate differences	0	0	0	0	0	**1**
Unwinding of discount	2	0	–	–	0	**2**
Reclassifications	2	1	-2	–	–	**1**
As of 31 December 2024	**87**	**82**	**14**	**39**	**97**	**318**
thereof current	*49*	*44*	*14*	*39*	*80*	***225***
thereof non-current	*38*	*38*	–	–	*18*	***93***

Provisions for warranties cover contractual or factual obligations to repair or reimburse for damages or functional defects in products sold within a certain period at the Group’s own expense.

Provisions related to staff comprise mainly bonus provisions for the management and employees, provisions for anniversary allowances and provisions for part-time retirement obligations (see note 33).

Provisions for contract losses increased as a result of the first-time inclusion of the ESG Group and relate to a project to supply a naval drone system for reconnaissance and identification in maritime operational areas (AImEG), which was cancelled by the client in May 2024.

Provisions for outstanding costs relate mainly to accruals for supplies not yet invoiced and outstanding costs for fully completed orders.

The provisions for other risks and costs relate, among other things, to contract-related provisions for subsequent work on performance obligations already fulfilled.

For the non-current other provisions of the Group, it is generally assumed that they will lead to a cash outflow in the next two to five years.

24 Claims and legal disputes

In the course of its business activities, HENSOLDT may be or become subject to claims, such as claims for damages, repayment or rescission (‘claims’). In addition, there may be provisions for claims in connection with legal disputes, regulatory proceedings and official investigations (‘legal disputes’) that are pending or may be initiated or asserted against the Group in the future. These proceedings often involve complex legal issues, and therefore involve a considerable degree of forecasting uncertainty. The Group believes that it has recognised adequate provisions to cover current or potential litigation risks. It is quite possible that the final ruling in some proceedings could lead to expenses beyond those accounted for in the recognised provisions. The term “quite possible” used here means that the future occurrence of an event is more than unlikely, however less than likely.

HENSOLDT Group is involved, from time to time, in different court and arbitration proceedings in the course of its normal business operation.

HENSOLDT Group is not aware of any official, judicial or arbitration proceedings (including pending and threatened proceedings) during the previous twelve months or longer that could significantly impact or have significantly impacted the Group’s assets, liabilities, financial position and financial performance. As of the reporting date, provisions for legal disputes and damage claims of a negligible amount were recognised under other provisions for other risks and costs.

25 Contingent assets and contingent liabilities

Due to the type of its transactions, HENSOLDT Group is exposed to the risk of contingent liabilities. The following table shows the undiscounted maximum amounts for which HENSOLDT Group is liable as of the reporting date due to major types of guarantees (including sureties):

in € million	31 Dec. 2024	31 Dec. 2023
Loan guarantees / sureties	30	29
Contractual guarantees / sureties	657	587
Other guarantees and sureties	370	113
Total	**1,058**	**729**

The line item loan guarantees/sureties shows to what extent HENSOLDT Group is liable for financial obligations to third parties. For loan guarantees/sureties, the Group generally guarantees that if the principal debtor does not pay the debt or is not able to pay the debt then the Group will fulfil such financial obligations. The maximum liability coverage corresponds to the utilisation of the outstanding liability of the credit or – in the event of credit facilities that can be utilised in variable amounts – the maximum amount that can be claimed. The table includes the maximum liability coverage. The term of these credit guarantees/sureties is usually up to one year. In some cases, there are unlimited credit guarantees/sureties.

In addition, HENSOLDT Group guarantees the fulfilment of its own contractual obligations, mainly through advance payments and performance guarantees/sureties. If HENSOLDT Group does not meet its contractual obligations, HENSOLDT Group or one of its subsidiaries can be held liable up to an agreed maximum amount. Generally, the terms of these contingent liabilities run up to ten years. In some cases, they run up to 20 years or there are indefinite contractual guarantees/securities.

The other guarantees and sureties relate to bid bonds and performance, custom and rental guarantees.

26 Other financial assets and other financial liabilities

26.1 Other financial assets

in € million	31 Dec. 2024	31 Dec. 2023
Positive fair values of derivative financial instruments[1]	0	0
Net investment in the lease	4	–
Miscellaneous non-current other financial assets	2	1
Total non-current other financial assets	**7**	**1**
Positive fair values of derivative financial instruments[1]	5	2
Receivables from employees	1	1
Loans to non-consolidated subsidiaries	–	15
Net investment in the lease	1	–
Miscellaneous current other financial assets	1	1
Total current other financial assets	**8**	**19**
Total	**15**	**20**

[1] See note 38

26.2 Other financial liabilities

in € million	31 Dec. 2024	31 Dec. 2023
Liabilities for derivative financial instruments[1]	12	10
Miscellaneous non-current other financial liabilities	1	0
Total non-current other financial liabilities	**13**	**10**
Liabilities from payment service agreements	70	–
Liabilities for derivative financial instruments[1]	4	4
Liabilities from factoring contracts[2]	1	2
Total current other financial liabilities	**74**	**7**
Total	**87**	**16**

[1] See note 38

[2] Liabilities from non-recourse factoring contracts resulted from the fact that the collection of payments by the factoring party was not yet due as of the balance sheet date.

The Group entered into a payment service agreement with a bank in fiscal year 2024. The purpose of this agreement is cash optimisation by extending the payment terms of trade payables by up to 30 days and to improve the payment process by aggregating payments.

Trade payables under this agreement are extinguished as a matter of law vis-à-vis the supplier once the payment order to the bank is executed. This creates a new contractual obligation on the part of HENSOLDT towards the bank. For this reason, the trade payables are derecognised and a current other financial liability is recognised.

Of the liabilities under payment service agreements that remained on 31 December 2024, the bank paid € 70 million to suppliers in fiscal year 2024.

27 Other assets and other liabilities

27.1 Other assets

in € million	31 Dec. 2024	31 Dec. 2023
Miscellaneous non-current other assets	20	3
Total non-current other assets	**20**	**3**
Advance payments	83	88
Tax receivables (without income tax)	27	22
Miscellaneous current other assets	5	5
Total current other assets	**115**	**116**
Total	**135**	**119**

27.2 Other liabilities

in € million	31 Dec. 2024	31 Dec. 2023
Liabilities to employees	15	14
Miscellaneous other non-current liabilities	0	0
Total non-current other liabilities	**15**	**14**
Tax liabilities (without income tax)	64	75
Liabilities to employees	60	38
Liabilities relating to social security	6	7
Miscellaneous other current liabilities	21	16
Total current other liabilities	**151**	**136**
Total	**166**	**150**

28 Leases

28.1 Amounts recognised in the consolidated statement of financial position

The following table discloses the carrying amounts of the lease contracts accounted for as right-of-use assets:

in € million	31 Dec. 2024	31 Dec. 2023
Land and buildings	244	184
Technical equipment and machinery	0	1
Other equipment, operating and office equipment	5	4
Total	**249**	**189**

Additions to right-of-use assets in fiscal year 2024 were € 95 million (previous year: € 73 million). The increase is mainly due to the initial consolidation of the ESG Group and the accounting for a right-of-use asset based on a leasing agreement for a new production building in Wetzlar.

The following table discloses the carrying amounts of lease liabilities:

in € million	31 Dec. 2024	31 Dec. 2023
Current	25	20
Non-current	256	191
Total	**281**	**211**

For information on the maturity analysis of the lease liabilities refer to note 38.1.

During fiscal year 2024, HENSOLDT Group sublet a rented building, which was reported under other financial assets as a net investment in the lease. The following table presents a maturity analysis of the lease receivables and shows the undiscounted lease payments to be received after the balance sheet date.

in € million	31 Dec. 2024	31 Dec. 2023
< 1 year	2	–
1 to 5 years	5	–
> 5 years	–	–
Total amount of undiscounted lease receivables	**6**	–
Unrealized financial income	-1	–
Net investment in the lease	**5**	–

28.2 Amounts recognised in the consolidated income statement

Depreciation charges for right-of-use assets:

	Fiscal year	
in € million	2024	2023
Land and buildings	29	19
Technical equipment and machinery	1	1
Other equipment, operating and office equipment	3	3
Total depreciation charge	**33**	**23**

Other amounts recognised in the consolidated income statement:

	Fiscal year	
in € million	2024	2023
Interest on lease liabilities	14	11
Income from sub-leasing right-of-use assets presented in other revenue	-0	-0
Expenses related to short-term leases	1	1
Expenses for leases of an asset of low value that are not short-term leases	4	3
Total other amounts recognised in the consolidated income statement	**18**	**14**

The total cash outflows for lease payments in fiscal year 2024 amounted to € 42 million (previous year: € 30 million).

HENSOLDT Group has several lease contracts that include extension options and termination options. The exercise of such options is decided by the management to provide flexibility in managing the leased-asset portfolio and align with HENSOLDT Group's business needs. The management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see note 3.8).

29 Deferred income

In fiscal year 2024, the Group was granted performance-related government grants for research and development projects amounting to € 30 million. Of this, € 3 million was recorded as other operating income in fiscal year 2024 in line with the corresponding expenses incurred (previous year: € – million). As of 31 December 2024, deferred income therefore amounts to € 27 million (previous year: € – million).

V Expenses and benefits for employees

30 Number of employees

	Fiscal year	
	2024	2023
Production, research and development, service	5,851	4,582
Sales and distribution	228	223
Administration and general services	1,521	1,237
Apprentices, trainees, etc.	809	647
Total[1]	**8,409**	**6,689**

[1] Average figures on a per capita basis

31 Personnel expenses

	Fiscal year	
in € million	2024	2023
Wages, salaries	700	532
Social security contributions	113	86
Net periodic pension expenses	18	11
Total	**830**	**629**

32 Share-based payment

32.1 Long-Term Incentive Plan (LTIP)

In 2021, a virtual share programme for long-term performance-based remuneration ("Long-Term Incentive Plan", "LTIP") was established for Management Board members and selected executives. The objective of the LTIP is for beneficiaries to participate in the performance of the HENSOLDT Group and to promote the commitment, willingness to perform and loyalty of employees.

The group of beneficiaries is granted a number of virtual shares depending on the employee's basic remuneration. These virtual shares allow employees to receive the counter-value of the final number of virtual shares as a cash settlement at the end of the four-year assessment period.

The LTI bonus components and the target values are determined at the beginning of the four-year assessment period of a tranche. The value determined based on the weighting and the target achievement of the individual components is multiplied by the number of virtual shares initially granted in order to determine the payout amount after the end of the assessment period. The LTI bonus to be paid out as a cash settlement is determined by the number of virtual shares calculated on the basis of the target achievement multiplied with the average closing price of the shares of HENSOLDT AG. The amount to be paid out as an LTI bonus is capped at a limit of 200 % of the original target amount.

The grant of the virtual shares under the LTIP was classified and measured as a cash-settled, share-based payment transaction in accordance with IFRS 2.30. The fair value of the virtual shares is remeasured at each balance sheet date by applying a Monte Carlo simulation and taking into account the conditions under which such virtual shares were granted. Further information on the objectives underlying the remuneration of the Management Board can be found in the Remuneration Report, which is available on the HENSOLDT website at https://investors.hensoldt.net in the “Corporate Governance” section.

The virtual shares of the LTIP underwent the following changes in the current fiscal year:

Number of virtual shares	Tranche 2021-2024	Tranche 2022-2025	Tranche 2023-2026	Tranche 2024-2027	Total
Virtual shares outstanding at the beginning of the reporting period 2024 (1 January 2024)	**288,162**	**257,204**	**160,062**	**–**	**705,428**
Granted	–	–	–	181,477	**181,477**
Exercised	-282,280	–	–	–	**-282,280**
Expired	-3,515	-1,642	–	–	**-5,157**
Settled	-2,367	-2,007	–	–	**-4,374**
Virtual shares outstanding at the end of the reporting period (31 December 2024)	**–**	**253,555**	**160,062**	**181,477**	**595,094**

The following parameters were used as basis of the fair value measurement on 31 December 2024:

	Tranche 2022-2025	Tranche 2023-2026	Tranche 2024-2027
Remaining term (in years)	1	2	3
Volatility	30.6 %	27.8 %	31.5 %
Risk-free interest rate	2.2 %	2.0 %	2.0 %
Average HENSOLDT share price at grant date (in €)	16.44	28.42	30.92
HENSOLDT share price at valuation date (in €)	34.50	34.50	34.50

The period from the measurement date to the end of the relevant contract was used as the term. The share price was determined via Bloomberg using the closing price of XETRA trading platform on 31 December 2024. The volatility was determined on the basis of the historic volatility of comparable companies over the same residual term. The expected volatility taken into account is based on the assumption that conclusions can be drawn from historic volatility to determine future trends, however the actual volatility might deviate from these assumptions.

A debt of € 18 million (thereof € 10 million non-current) was recognised under other provisions as of 31 December 2024 in the context of the LTIPs (previous year: € 9 million). The expense for the period from 1 January to 31 December 2024 is € 9 million (previous year: € 5 million).

32.2 Employee share programme (Echo)

In the fiscal year 2021, HENSOLDT introduced the employee share programme “Echo” to enable employees of HENSOLDT Group to participate in the same way as shareholders in HENSOLDT AG’s economic development and to benefit from a favourable price compared to buying shares in HENSOLDT AG on the stock exchange. This is designed to establish a shareholder culture in HENSOLDT Group and promote entrepreneurial thinking. Another tranche under this programme was issued in October 2024.

The shares underlying the Echo programme are bearer shares without par value (no-par value shares).

Each participating person must provide an investment from their net remuneration for acquiring the ordered Echo shares. The maximum amount of this investment was determined upon the selection of the Echo packages. The entity employing the participant grants a supplement of 50 % of the total value of the relevant Echo package. The participant receives Echo shares worth double the amount of their investment.

In order to determine the number of Echo shares a participant receives, the relevant total value of the selected Echo package will be divided by the reference price. The reference price corresponds to the average price at which shares in HENSOLDT AG were acquired within the respective acquisition period for the employee share programme by a fiduciary third party, who holds the shares as trustee for the employees.

Echo shares are subject to a holding period of one year after their acquisition, unless otherwise provided for in the terms and conditions of the programme. Echo shares may neither be sold nor transferred during such holding period.

The employee share programme “Echo” was classified and measured as an equity-settled share-based payment in accordance with IFRS 2.30. The average price of the shares of HENSOLDT AG during the relevant period can be used directly to determine the fair value and expense under the employee share programme. It is not necessary to use an actuarial valuation model.

In fiscal year 2024, a total of 220,743 shares were acquired by employees at a weighted average price of € 35.56 as part of the employee share programme.

The employer’s contribution to the employee share programme in 2024 is € 4 million (previous year: € – million).

33 Personnel-related provisions

Several German group entities offer models for lifetime working accounts, which represent defined benefit plans due to guaranteed interest on contributions or nominal contributions and are to be classified as post-employment benefits in accordance with IAS 19. Obligations totalling € 27 million (previous year: € 23 million) are fully offset against the corresponding assets. The regular contributions of employees to their lifetime working accounts lead to corresponding expenses in the fiscal year which are recognised under personnel expenses.

Personnel-related provisions changed as follows:

in € million	Long service awards/bonuses	Partial retirement	Total
As of 1 January 2024	**72**	**4**	**76**
Addition due to business combinations	2	1	**2**
Utilisation	-44	-5	**-48**
Reversal	-4	-0	**-4**
Additions	52	2	**55**
Currency translation	0	–	**0**
Reclassifications	–	1	**1**
As of 31 December 2024	**78**	**3**	**82**

34 Post-employment benefits

	31 Dec.	31 Dec.
in € million	2024	2023
Provisions for pension obligations	213	164
Provisions for deferred compensation	144	140
Total	**357**	**304**

34.1 Provisions for pension obligations

Provisions for German pension obligations (defined benefit obligations (DBO)) are recognised based on defined benefit plans for retirement, invalidity and survivor’s pension benefits. The benefits are based on the employee’s length of service and remuneration.

Most domestic employees are under the “P3” pension plan, which, upon starting retirement, allows a choice between immediate payments of their accumulated benefits, payment in instalments or an annuity.

Contractual trust arrangements (CTA) exist to finance domestic pension obligations. The structure of the CTAs is based on mutual trust agreements. Assets transferred to the CTAs are considered plan assets under IAS 19.

In terms of the material accounting policies and material estimates and assessments, e.g. actuarial assumptions, please refer to note 2.8 and note 3.6.

Development of the defined benefit obligations and plan assets

	DBO		Plan assets		Total	
in € million	2024	2023	2024	2023	2024	2023
As of 1 January	**414**	**355**	**250**	**235**	**164**	**120**
Addition through business combinations	85	–	–	–	**85**	**–**
Expenses for pension benefit entitlements	13	10	–	–	**13**	**10**
Interest expenses / income	17	15	9	10	**8**	**5**
Payments	-12	-7	–	–	**-12**	**-7**
Contributions to plan assets	–	–	38	9	**-38**	**-9**
Actuarial gains / losses deriving from:						
Changes in demographic assumptions	-0	0	–	–	**-0**	**0**
Changes in financial assumptions	-4	39	–	–	**-4**	**39**
Experience-based adjustments	1	5	–	–	**1**	**5**
Plan assets	–	–	2	-4	**-2**	**4**
Other changes in consolidation, transfers	-3	-4	–	–	**-3**	**-4**
As of 31 December	**511**	**414**	**298**	**250**	**213**	**164**

The weighted average term of the DBOs for pensions and defined benefit obligations under the pension plan (“P3”) is 16 years.

As of 31 December reported as:

	Pension plans	
in € million	2024	2023
Defined benefit obligations	511	414
Plan assets	-298	-250
Total	**213**	**164**

The breakdown of the defined benefit obligations for pension plans into obligations for active, former and retired members for the most important plans is, as of 31 December, as follows:

in %	2024	2023
Active employees	58.6 %	66.4 %
Former employees with vested benefits	9.7 %	7.4 %
Pensioners	31.7 %	26.1 %
Total	**100.0 %**	**100.0 %**

The employer’s contribution to state and private pension funds which is mainly made in Germany is considered as a defined contribution obligation. The contributions made in fiscal year 2024 amount to € 39 million (previous year: € 38 million).

The expected employer’s contribution to defined benefit plans for fiscal year 2025 amounts to € 25 million (previous year: € 18 million).

34.2 Provisions for deferred compensation

This amount represents obligations that arise when employees convert a part of their remuneration or bonus into an equivalent entitlement to deferred compensation, which is treated as a defined benefit plan upon termination of employment.

Development of the defined benefit obligations and plan assets

	DBO		Plan assets		Total	
in € million	2024	2023	2024	2023	2024	2023
As of 1 January	**154**	**134**	**14**	**13**	**140**	**121**
Expenses for pension benefit entitlements	0	–	–	–	**0**	**–**
Interest expenses / income	5	6	1	1	**5**	**5**
Payments	-3	-2	–	–	**-3**	**-2**
Actuarial gains / losses deriving from:						
Changes in demographic assumptions	–	0	–	–	**–**	**–**
Changes in financial assumptions	-0	14	–	–	**-0**	**14**
Experience-based adjustments	0	-2	–	–	**0**	**-2**
Plan assets	–	–	1	-0	**-1**	**0**
Other changes in consolidation, transfers	-1	-2	–	–	**-1**	**-2**
Contributions of participants	5	5	–	–	**5**	**5**
As of 31 December	**160**	**154**	**16**	**14**	**144**	**140**

As of 31 December reported as:

in € million	2024	2023
Defined benefit obligations	160	154
Plan assets	-16	-14
Total	**144**	**140**

The weighted average term of the DBOs for defined benefit obligations under deferred compensation is 15 years.

The breakdown of the defined benefit obligation for pension plans into obligations for active, former and retired members for the most important plans is, as of 31 December, as follows:

in %	2024	2023
Active employees	66.3 %	69.2 %
Former employees with vested benefits	11.2 %	9.4 %
Pensioners	22.5 %	21.3 %
Total	**100.0 %**	**100.0 %**

34.3 Sensitivity analyses

The following table shows how the present value of defined benefit obligations of pension plans and deferred compensation would have been affected by changes in actuarial assumptions used as of 31 December 2024:

		31 December 2024		31 December 2023	
in € million	Change	Increase	Decrease	Increase	Decrease
Discount rate	by 0.5 percentage points	-48	54	-43	48
Wage increase rate	by 0.25 percentage points	0	-0	0	-0
Pension increase rate	by 0.25 percentage points	10	-9	8	-7
Life expectancy	by 1 year	10	-8	12	-13
Exercising the pension option	by 10 percentage points	14	-14	15	-15

Sensitivities are calculated using the same method (present value of the defined benefit obligation calculated using the projected unit credit method) as used for the calculation of post-employment benefits. The sensitivity analysis is based on a change of one assumption while maintaining all other assumptions unchanged. This is unlikely to occur in practice. Changes to more than one assumption can correlate, which can have differing effects on the DBOs than the effects described above. If the assumptions change at different levels, the effects on the defined benefit obligation are not necessarily linear.

Asset-liability matching strategy (investment of plan assets)

HENSOLDT Group identified the deterioration of the financing status due to an unfavourable development of the fair value of plan assets and/or the defined benefits obligations as a result of changing parameters as a risk.

For this reason, the HENSOLDT Group treasury department implements a security-oriented investment concept specified by HENSOLDT Strategic Investment Committee, which is focused on the DBOs and the steering and optimisation of the plan assets.

The fair value of the plan assets for pension plans and deferred compensation can be allocated to the following classes:

	Quoted prices		Unquoted prices		Total	
	31 Dec.		31 Dec.		31 Dec.	
in € million	2024	2023	2024	2023	2024	2023
Investments in real-estate entities	–	–	277	244	**277**	**244**
Pooled investment instruments	37	19	–	–	**37**	**19**
Total	**37**	**19**	**277**	**244**	**314**	**263**

Investments in real-estate entities relate to limited partnership interests in HENSOLDT Real Estate GmbH & Co. KG., Taufkirchen, and in HENSOLDT Real Estate Oberkochen GmbH & Co. KG, Taufkirchen.

VI Capital structure and financial instruments

35 Equity

35.1 Equity attributable to owners of the parent company

As of 31 December 2024, the parent company is HENSOLDT AG.

As of 31 December 2024, the share capital of HENSOLDT AG amounts to € 115.5 million (previous year: € 115.5 million) and is divided into 115,500,000 (previous year: 115,500,000) ordinary bearer shares (no-par value shares).

In accordance with the articles of association, the share capital of the Company may be increased by the Management Board until 11 August 2025, with the approval of the Supervisory Board, by issuing new ordinary bearer shares against cash and/or non-cash contributions on one or more occasions by up to a total of € 25.5 million (Authorised Capital 2020/I).

In addition, by resolution of the general meeting on 18 August 2020, the share capital of the Company has been conditionally increased by up to € 16 million by issuing up to 16,000,000 new no-par value bearer shares on or before 11 August 2025 against contributions in cash or in kind (Conditional Capital 2020/I). The conditional capital increase shall only be implemented to the extent that the holders or creditors of option or conversion rights or those obliged to exercise the conversion/option exercise their option or conversion rights or, to the extent that they are obligated to exercise the conversion/option, fulfil their obligation to exercise the conversion/option or to the extent that the Company exercises an option to grant shares in the Company in whole or in part instead of payment of the cash amount due. The Company had not used the Conditional Capital 2020/I as of 31 December 2024. Accordingly, the Conditional Capital 2020/I amounts to € 16 million on 31 December 2024.

Other reserves include cumulative other comprehensive income.

Retained earnings contain earnings of the companies included in the Consolidated Financial Statements including earnings in the fiscal year, provided these have not been distributed.

35.2 Non-controlling interests

The non-controlling interests reflect the share of other shareholders in the net asset value of consolidated subsidiaries.

in € million	HEN-SOLDT South Africa (Pty) Ltd.	GEW Tech-nologies (Pty) Ltd.	HEN-SOLDT Mecha-tronic Solutions S.A.S. (formerly Midi Ingénierie S.A.S.)	HEN-SOLDT Cyber GmbH	**Total**	Intra-group elimina-tions/ adjust-ments	**31 Dec. 2024**
Percentage of non-controlling interests	**30.0 %**	**6.7 %**	**15.0 %**	**9.4 %**			
Non-current assets	45	9	0	1	**55**	–	**55**
Current assets	58	61	3	3	**125**	–	**125**
Non-current liabilities	-36	-32	-0	-0	**-68**	–	**-68**
Current liabilities	-26	-21	-0	-1	**-49**	–	**-49**
Net assets	**41**	**17**	**2**	**3**	**63**	**–**	**63**
Net assets of non-controlling interests	**12**	**1**	**0**	**0**	**14**	**0**	**14**
Revenue	40	40	3	4	**86**	–	**86**
Profit / loss	-6	-6	0	1	**-11**	–	**-11**
Other comprehensive income / loss	2	1	-0	–	**2**	–	**2**
Total comprehensive income / loss	**-4**	**-6**	**0**	**1**	**-8**	**–**	**-8**
Profit attributable to non-controlling interests	**-2**	**-0**	**0**	**0**	**-2**	**–**	**-2**
Other comprehensive income / loss attributable to non-controlling interests	**0**	**0**	**-0**	**–**	**1**	**–**	**1**
Cash flows from operating activities	-1	-8	-1	2	**-8**	–	**-8**
Cash flows from investing activities	-14	-4	-0	-0	**-18**	–	**-18**
Cash flows from financing activities	10	14	–	-0	**23**	–	**23**
thereof dividends of non-controlling interests	–	–	–	–	**–**	–	**–**
Effects of movements in exchange rates on cash and cash equivalents	0	0	–	–	**0**	–	**0**
Net increase (decrease) in cash and cash equivalents	**-5**	**2**	**-1**	**2**	**-2**	**–**	**-2**

in € million	HEN-SOLDT South Africa (Pty) Ltd.	GEW Tech-nologies (Pty) Ltd.	HEN-SOLDT Mecha-tronic Solutions S.A.S. (formerly Midi Ingénierie S.A.S.)	HEN-SOLDT Cyber GmbH	**Total**	Intra-group elimina-tions/ adjust-ments	**31 Dec. 2023**
Percentage of non-controlling interests	**30.0 %**	**6.7 %**	**15.0 %**	**9.4 %**			
Non-current assets	33	8	0	1	**42**	–	**42**
Current assets	65	43	4	4	**115**	–	**115**
Non-current liabilities	-8	-16	-0	-0	**-24**	–	**-24**
Current liabilities	-45	-12	-1	-3	**-61**	–	**-61**
Net assets	**45**	**23**	**2**	**2**	**71**	**–**	**71**
Net assets of non-controlling interests	**13**	**2**	**0**	**0**	**15**	**0**	**16**
Revenue	77	32	4	5	**116**	–	**116**
Profit / loss	6	-4	0	0	**3**	–	**3**
Other comprehensive income / loss	-5	-3	-0	–	**-8**	–	**-8**
Total comprehensive income / loss	**1**	**-7**	**0**	**–**	**-5**	**–**	**-5**
Profit attributable to non-controlling interests	**2**	**-0**	**0**	**0**	**2**	**–**	**2**
attributable to non-controlling interests	**-1**	**-0**	**-0**	**–**	**-2**	**–**	**-2**
Cash flows from operating activities	7	-14	1	1	**-6**	–	**-6**
Cash flows from investing activities	-13	-2	-0	-0	**-15**	–	**-15**
Cash flows from financing activities	10	13	-0	-0	**22**	–	**22**
thereof dividends of non-controlling interests	–	–	*-0*	–	***-0***	–	***0***
Effects of movements in exchange rates on cash and cash equivalents	-1	-0	–	–	**-1**	–	**-1**
Net increase (decrease) in cash and cash equivalents	**2**	**-3**	**0**	**0**	**0**	**–**	**0**

36 Capital management

The capital structure of the HENSOLDT Group is made up of equity capital attributable to the shareholders of the parent company and of debt capital. A capital structure which optimises capital costs of equity and debt is targeted. The Group is not subject to any statutory capital requirements.

The non-current syndicated loan agreements (Term Loan and Term Facility) are tied to compliance with a financial covenant that refers to the ratio of net liabilities to adjusted earnings before interest, taxes, depreciation and amortisation (consolidated EBITDA) as defined in the Senior Facility Agreements. In fiscal year 2024, the financing conditions were fulfilled at all times. In the event of non-compliance with the financial covenant, the financing partners are entitled to terminate the relevant syndicated loan. There are currently no indications that the covenant cannot be fully complied with in the foreseeable future (see note 38).

In order to hedge against changes in exchange rates, the Group concludes derivative hedging contracts for loans in foreign currency.

As of the reporting date, the Group has entered into interest rate swap transactions to hedge the variable-rate Term Loan.

37 Net assets / debt

in € million	31 Dec. 2024	31 Dec. 2023
Cash and cash equivalents	733	802
Non-current financing liabilities	-1,072	-621
Current financing liabilities	-22	-23
Total	**-361**	**158**

37.1 Cash and cash equivalents

Cash and cash equivalents consist of the following items:

in € million	31 Dec. 2024	31 Dec. 2023
Cash and cash equivalents	733	802
Total	**733**	**802**

As at 31 December 2024, there were short-term deposits in the amount of € 210 million. Of this amount, € 50 million were invested at an interest rate of 3.12 %, € 60 million at an interest rate of 3.08 %, € 50 million at an interest rate of 3.04 % and a further € 50 million at an interest rate of 3.03 %.

37.2 Financing liabilities

Financing liabilities consist mainly of current and non-current loans. In addition, overdraft lines are disclosed which may be used.

The outstanding capital amount, the conditions and repayment schedules of the loans as of 31 December 2024 are as follows:

Loans / Overdraft Facility (contracting party)	Capital amount in € million	Issue date	Coupon or interest rate	Interest	Effective interest rate	Due date
Loan / Term Loan (HENSOLDT AG)	620.0	30/9/2020	3M Euribor + 1.75 %	variable	5.66 %	14/4/2027
Loan / Term Facility (HENSOLDT AG)	450.0	6/12/2023	3M Euribor + 1.75 %	variable	5.45 %	14/4/2027
Revolving Credit Facility (HENSOLDT AG)	–	30/9/2020	3M Euribor + 1.25 %	variable	n/a	14/4/2027
Loan (HENSOLDT Nexeya France S.A.S.)	1.0	30/4/2021	0.71 %	fixed	2.09 %	30/4/2026
Loan (HENSOLDT Nexeya France S.A.S.)	2.8	30/4/2021	0.75 %	fixed	0.91 %	23/4/2026
Loan (HENSOLDT Nexeya France S.A.S.)	0.1	8/12/2017	1.31 %	fixed	1.64 %	30/6/2025
Overdraft Facility (HENSOLDT South Africa (Pty) Ltd.)	4.6	31/10/2018	SARB Prime Rate	variable	11.75 %	31/3/2025
Overdraft Facility (HENSOLDT AG)	–	29/10/2019	€STR +1.25 %	variable	n/a	n/a
Overdraft Facility (HENSOLDT Avionics GmbH)	0.0	3/8/2015	7.80 %	fixed	7.80 %	n/a
Overdraft Facility (HENSOLDT Analytics GmbH)	–	7/11/2018	3M Euribor + 3.8%	variable	n/a	n/a

The outstanding capital amount, the conditions and repayment schedules of the loans as of 31 December 2023, are as follows:

Loans / Overdraft Facility (contracting party)	Capital amount in € million	Issue date	Coupon or interest rate	Interest	Effective interest rate	Due date
Loan / Term Loan (HENSOLDT AG)	620.0	30/9/2020	3M Euribor + 1.50 %	variable	6.23 %	14/4/2027
Loan / Term Facility (HENSOLDT AG)	–	6/12/2023	3M Euribor + 2.00 %	variable	n/a	14/4/2027
Revolving Credit Facility (HENSOLDT AG)	–	30/9/2020	3M Euribor + 1.25 %	variable	n/a	14/4/2027
Loan (HENSOLDT Nexeya France S.A.S.)	1.8	30/4/2021	0.71 %	fixed	2.09 %	30/4/2026
Loan (HENSOLDT Nexeya France S.A.S.)	4.6	30/4/2021	0.75 %	fixed	0.91 %	23/4/2026
Loan (HENSOLDT Nexeya France S.A.S.)	0.2	8/12/2017	1.31 %	fixed	1.64 %	30/6/2025
Overdraft Facility (HENSOLDT South Africa (Pty) Ltd.)	8.5	31/10/2018	SARB Prime Rate	variable	11.75 %	31/7/2024
Loan (HENSOLDT Nexeya France S.A.S.)	1.0	21/12/2022	3.43 %	fixed	3.43 %	15/7/2024
Overdraft Facility (HENSOLDT AG)	–	29/10/2019	€STR + 1,25 %	variable	n/a	n/a
Overdraft Facility (HENSOLDT Avionics GmbH)	0.0	3/8/2015	7.80 %	fixed	7.80 %	n/a

The existing syndicated loan agreement with a term until April 2027 is divided into a Term Loan of € 620 million and a revolving credit facility (RCF) of € 370 million. For drawdowns in USD and GBP there are corresponding risk free rate provisions in the syndicated loan agreement.

At the reporting dates 31 December 2024 and 31 December 2023, the revolving credit facility, which is repayable at short notice, had not been utilised.

The financing is secured by pledging agreements regarding the shares in the subsidiaries HENSOLDT Holding GmbH, HENSOLDT Holding Germany GmbH, HENSOLDT Sensors GmbH, HENSOLDT Optronics GmbH, HENSOLDT Holding France S.A.S. and HENSOLDT Nexeya France S.A.S..In addition, the loan agreement also includes a credit security guarantee from HENSOLDT AG and all material subsidiaries for the entire liabilities under the loan agreement.

The transaction costs incurred for obtaining the Term Loan and making the adaptations are allocated to the base contract in the application of the effective interest rate method. The transaction costs for the RCF have been capitalised as other assets and are amortised over the term of the agreement.

As part of the agreement to take over ESG Elektroniksystem- und Logistik-GmbH in December 2023, a further syndicated loan agreement (Term Facility) amounting to € 450 million with a term until April 2027 was concluded. The financing structure is essentially identical to the existing syndicated loan agreement. The financing was drawn upon completion of the acquisition. Payments were made on 28 March and 2 April 2024.

In addition, the French subsidiary HENSOLDT Nexeya France S.A.S. raised loans with a total value of € 10 million. These loans have been repaid on schedule since 2022. A further loan in the amount of € 1 million exists since 2017. All the loans are unsecured.

For the South African subsidiary HENSOLDT South Africa (Pty) Ltd., there is an overdraft facility of ZAR 240 million. As at 31 December 2024, the facility had been utilised in the amount of ZAR 91 million.

HENSOLDT Avionics GmbH has an overdraft facility of € 0.5 million. This overdraft facility can be used both for overdrafts and for issuing guarantees. Utilisation of € 0.04 million as of the reporting date relates to the issue of a rental guarantee.

HENSOLDT Analytics GmbH has an overdraft facility of € 0.2 million that had not been utilised as of the reporting date.

In addition, there is an overdraft facility at HENSOLDT AG in the amount of € 15 million, which had not been utilised as of the reporting date.

Within financing liabilities, the total amounts of financial liabilities to banks amount to:

in € million	< 1 year	1 to 5 years	> 5 years	Total
Liabilities to banks as of 31 December 2024	22	1,072	–	**1,094**
Liabilities to banks as of 31 December 2023	22	621	–	**643**

Financial liabilities to banks include liabilities from recourse factoring amounting to € 14 million (previous year: € 11 million). As of the reporting date, there were other current financial liabilities from cash receipts on assigned receivables that shall be forwarded to the factor on the due date amounting to € 1 million (previous year: € 2 million).

37.3 The reconciliation of changes in financing liabilities to cash flows from financing activities

The following table shows the cash flows from financing activities in a reconciliation from the opening balances to the closing balances for the liabilities and equity components attributable to financing activities including the accompanying financial assets and liabilities from hedging transactions of these financing activities.

					Non-cash changes			
in € million	As of 1 Jan. 2024, as previously reported	Impact of adjustment of previous year's figures	As of 1 Jan. 2024, restated	Net cash changes	Change in consol. group	Changes in fair value	Other changes	31 Dec. 2024
Non-current borrowing								
Loan (Term Loan)	617	–	617	–	–	–	6	**623**
Loan (Term Facility)	–	–	–	448	–	–	–	**448**
Bank loans (net)	4	–	4	–	–	–	-3	**1**
Current borrowing								
Current borrowing	23	–	23	-5	–	–	3	**22**
Other financial liabilities	2	0	2	-2	–	–	71	**70**
Change in financing liabilities due to financing activities	**646**	**–**	**646**	**441**	**–**	**–**	**77**	**1,164**
Change in lease liabilities	**211**	**–**	**211**	**-27**	**70**	**–**	**28**	**281**
Share capital	116	–	116	–	–	–	–	**116**
Capital reserve	613	–	613	–	–	–	-139	**474**
Other reserves	32	–	32	–	–	–	5	**37**
Retained earnings	48	14	62	-46	-15	–	245	**245**
Non-controlling interests	16	–	16	–	–	–	-1	**14**
Change in equity due to financing activities	**824**	**14**	**838**	**-46**	**-15**	**–**	**110**	**886**
Cash flows from financing activities				**367**				
Change in assets (-) and liabilities (+) to hedge non-current borrowing	9	–	9	-6	–	2	–	**6**

		Non-cash changes			
in € million	1 Jan. 2023	Net cash changes	Changes in fair value	Other changes	31 Dec. 2023
Non-current borrowing					
Loan (Term Loan)	612	–	–	5	**617**
Bank loans (net)	7	-3	–	-0	**4**
Current borrowing					
Current borrowing	12	11	–	–	**23**
Other financial liabilities	0	2	–	–	**2**
Change in financing liabilities due to financing activities	**631**	**10**	**–**	**5**	**646**
Change in lease liabilities	**158**	**-19**	**–**	**72**	**211**
Share capital	105	11	–	–	**116**
Capital reserve	472	227	–	-86	**613**
Other reserves	82	–	–	-51	**32**
Retained earnings	-55	-32	–	135	**48**
Non-controlling interests	13	-0	–	3	**16**
Change in equity due to financing activities	**616**	**206**	**–**	**2**	**824**
Cash flows from financing activities		**197**			
Change in assets (-) and liabilities (+) to hedge non-current borrowing	-4	0	13	–	**9**

38 Information on financial instruments

38.1 Financial risk management

The Group is exposed to a range of financial risks on account of its activity: (i) market risks, in particular foreign exchange risk and interest rate risk, (ii) liquidity risk and (iii) credit risk.

Overall, the Group’s financial risk management system concentrates on minimising unforeseeable market risks and their potential negative effects on the Group's operating and financial performance.

The Group’s financial risk management is carried out in compliance with the guidelines approved by the Chief Financial Officer. Further information on risks relating to financial instruments can be found in the risk report of the Combined Management Report, which is prepared in addition to the IFRS Consolidated Financial Statements.

The Group uses financial derivatives exclusively to mitigate risks (“hedging”).

Market risk

Foreign exchange risk

The HENSOLDT Group’s foreign exchange risks result from the fact that the Group has operations in various countries around the globe that do not use the euro.

For orders received that are invoiced in foreign currency, the Group enters into foreign currency forward and foreign currency swap transactions in order to exclude or minimise foreign exchange risks. The necessary measures and rules related to the hedging of orders not invoiced in euros are set out in the Group-wide treasury policy.

The Group uses mainly foreign currency forward transactions as hedging instruments.

In the fiscal year, a net income on foreign currency translation of € 2 million (previous year: net loss of € 7 million) was recognised in the consolidated income statement. Income of € 5 million (previous year: € 1 million) was partially offset by expenses of € 3 million (previous year: € 8 million).

Sensitivity of the foreign exchange risk

The sensitivity analysis approximately quantifies the risk that can occur based on set assumptions if certain parameters are changed to a defined extent. Currency risks pertain in particular to the US dollar (USD), South African rand (ZAR), pound sterling (GBP) and Australian dollar (AUD).

The following disclosures describe the Group's view of the sensitivity of an increase or decrease in the USD, ZAR, GBP and AUD against the euro. The change is the value used in the internal reporting of exchange rate risk and represents the Group's assessment regarding a possible change in exchange rates. Currency risks within the meaning of IFRS 7 result from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature. Translation differences from the translation of financial statements of foreign group entities into the Group's currency remain unconsidered. The sensitivity analysis includes HENSOLDT Group's main financial instruments outstanding on the reporting date.

If the euro had appreciated/depreciated by 20.0 % against the USD, ZAR, GBP and AUD as of 31 December 2024 or 2023, the group profit/loss would have changed in the manner shown below:

in € million	Changes in the amount of	31 Dec. 2024	31 Dec. 2023
EUR/GBP	+/- 20.0 %	-6.8 / 10.3	-6.3 / 9.4
EUR/ZAR	+/- 20.0 %	9.3 / -13.9	4.2 / -6.3
EUR/USD	+/- 20.0 %	-2.3 / 3.5	-0.9 / 1.3
EUR/AUD	+/- 20.0 %	-0.1 / 0.1	-2.8 / 4.2

Foreign currency exposure is hedged using a macro-hedging approach. In this analysis, it was assumed that all other influencing factors remain equal.

Interest rate risk

The Group is exposed to interest rate risks due to its borrowing at fixed and floating rates. Interest rate risks are a result in particular of variable portions of interest, which depend on current market interest rates; these have an impact on the "Interest paid" item in the cash flows from operating activities. The cash flows risk is mainly due to the change in market interest rates. An increase in the market interest rate implies the risk of increasing negative cash flow from operating activities, and vice versa.

Interest rate swaps were concluded for one of the variable interest-bearing syndicated loans, the Term Loan. The changes in the fair values of interest rate derivatives are recognised in the consolidated income statement.

Sensitivity of the interest rate risk

A change of +/- 50 base points in interest rates as of the reporting date would have decreased/increased equity and the group profit/loss by € -6.5 million or € 6.5 million (previous year: € -3.4 million or € 3.4 million). This analysis assumed that all other variables, in particular exchange rates, remain constant.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents at all times in order to be able to meet current and future obligations when due. The Group manages its liquidity by retaining a sufficient amount of liquid assets.

Adverse developments on the capital markets could increase the Group's borrowing costs and limit its financial flexibility. Management monitors the Group's cash reserves as well as the expected cash flows from operating activities.

The contract terms of the Group's financial liabilities, based on undiscounted cash flows and including interest payments – where applicable – are as follows:

in € million	Carrying amount	Contractual cash flows	< 1 year	1 to 5 years	> 5 years
Non-derivative financial liabilities					
To banks	1,093	1,216	71	1,145	–
Other	618	618	618	–	–
Derivative financial liabilities					
Interest rate swaps	12	12	–	12	–
Foreign currency forwards	4	4	4	–	–
Lease liabilities	281	379	40	136	202
As of 31 December 2024	**2,008**	**2,228**	**733**	**1,293**	**202**

in € million	Carrying amount	Contractual cash flows	< 1 year	1 to 5 years	> 5 years
Non-derivative financial liabilities					
To banks	643	766	56	710	–
Other	461	461	461	–	–
Derivative financial liabilities					
Interest rate swaps	10	10	–	10	–
Foreign currency forwards	4	4	4	0	–
Lease liabilities	211	295	32	105	158
As of 31 December 2023	**1,328**	**1,535**	**553**	**825**	**158**

HENSOLDT Group's liquidity risks relate primarily to the compliance with a financial covenant agreed upon with the banks in the context of corporate financing.

The Senior Facility Agreements define one specified financial covenant. In the event of non-compliance with the covenant, the lenders are entitled to terminate the loans. This could result in a going concern risk for HENSOLDT Group if no alternative funding would be available at the time when the liabilities to banks fall due. The agreed target values have been set in such a way that the Group only runs the risk of not complying with them in the event of an extreme deterioration of its financial situation. Furthermore, the Group can obtain the banks' approval at an early stage to exceed or fall below the set values. The financial metrics are monitored on an ongoing basis.

HENSOLDT Group's aim is compliance with the financial covenant at all times and to ensure via monthly simulations of budgets that the financial covenant will be complied with in future quarters.

The probability of occurrence of the risk of non-compliance with the financial covenant is considered to be low.

For short-term liquidity management, group-wide rolling liquidity planning, updated bi-weekly, is used and this constitutes the operative instrument for short-term liquidity management of the HENSOLDT Group. Moreover, liquidity is ensured at all times via the RCF of € 370 million.

In the fiscal year 2024, the Group entered into a fee-based agreement with a bank for payment services. The purpose of this agreement is cash optimisation by extending payment terms of trade payables by up to 30 days and to improve the payment process by aggregating payments. The trade payables subject to this agreement are reported in the balance sheet under current other financial liabilities.

Credit risk

The Group is exposed to credit risk in respect of the default of financial instruments, whether by customers or by counterparties to the financial instruments, where they do not fulfil their commitments at the time of conclusion of the contract or only partially at the time of maturity. However, the Group prepared guidelines in order to avoid the concentration of credit risks and to ensure that the credit risk remains limited.

Where activities of the central treasury department of the Group are affected, the credit risk resulting from financial instruments is managed at Group level.

The Group monitors the development of individual financial instruments and the impact of market developments on their performance and takes appropriate measures in the event of foreseeable unfavourable developments on the basis of predefined procedures and escalation levels.

Products and services are sold to customers following a proper internal credit check.

The recognised amount of the financial assets, including contract assets, represents the maximum credit risk.

Assessment of the expected credit losses for customers

The estimated expected credit losses on trade receivables were calculated on the basis of actual credit losses in recent years. Credit risks were segmented according to common credit risk attributes. These are the risk assessments on the basis of rating grades of the Standard & Poor’s rating agency and taking into account the geographic location.

The following table includes information on the credit risk and the expected credit losses for trade receivables as well as contract assets as of 31 December 2024:

in € million	Rating at Standard & Poor's	Loss rate (weighted average)	Gross carrying amount	Loss allowance	Impaired credit-worthiness
Rating 1-6: low risk	BBB- to AAA	0.0 %	617	-0	No
Rating 7-9: moderate risk	BB- to BB+	0.3 %	204	-1	No
Rating 10: below average	B- to CCC-	5.1 %	1	-0	No
Rating 11: doubtful	C to CC	–	–	–	Yes
Rating 12: loss	D	–	–	–	Yes
Total allowance level 1 and 2				-1	
Specific allowance level 3				-10	Yes
As of 31 December 2024			**822**	**-10**	

The following table includes information on the credit risk and the expected credit losses for trade receivables as well as contract assets as of 31 December 2023:

in € million	Rating at Standard & Poor's	Loss rate (weighted average)	Gross carrying amount	Loss allowance	Impaired credit-worthiness
Rating 1-6: low risk	BBB- to AAA	0.0 %	403	-0	No
Rating 7-9: moderate risk	BB- to BB+	0.5 %	171	-1	No
Rating 10: below average	B- to CCC-	6.7 %	14	-1	No
Rating 11: doubtful	C to CC	–	–	–	Yes
Rating 12: loss	D	–	–	–	Yes
Total allowance level 1 and 2				-2	
Specific allowance level 3				-9	Yes
As of 31 December 2023			**589**	**-11**	

The changes in the loss rates compared to the previous year are due to an increase or decrease of the default risks in different classifications.

in € million	31 Dec. 2024	31 Dec. 2023
Contract assets	385	196
Trade receivables	426	382
Total	**811**	**578**

Expected credit losses for other financial assets in the scope of the IFRS 9 impairment requirements have not been recognised due to materiality.

38.2 Carrying amounts and fair values of financial instruments

The Group's financial assets mainly consist of cash, short and medium-term deposits and trade receivables. The financial liabilities include trade payables and payables to financial institutions. All purchases and sales of financial assets are recorded on the settlement date in line with market convention.

HENSOLDT Group classifies its financial instruments based on their accounting category. The following tables include the carrying amounts and fair values of financial instruments according to class and valuation category as of 31 December:

				2024
in € million	Category	Carrying amount	Fair value	Level
Assets				
Other investments and other non-current financial assets[1]	FVtOCI	24	24	–
Other non-current financial assets, current portion	AC	0	0	–
Trade receivables	AC	335	335	–
Trade receivables (available for factoring)[1]	FVtOCI	91	91	–
Other financial assets				
Other derivative instruments	FVtPL	6	6	2
Non-derivative instruments	AC	9	9	–
Cash and cash equivalents	AC	733	733	1
Total financial assets		**1,198**	**1,198**	
Liabilities				
Financing liabilities				
Liabilities to banks	FLAC	1,093	1,117	2
Trade payables	FLAC	546	546	–
Other financial liabilities				
Other derivative instruments	FVtPL	16	16	2
Other miscellaneous financial liabilities	FLAC	71	71	–
Total financial liabilities		**1,727**	**1,751**	

[1] Measured at amortised cost due to materiality considerations

				2023
in € million	Category	Carrying amount	Fair value	Level
Assets				
Other investments and other non-current financial assets[1]	FVtOCI	25	25	–
Other non-current financial assets, current portion	AC	0	0	–
Trade receivables	AC	284	284	–
Trade receivables (available for factoring)[1]	FVtOCI	99	99	–
Other financial assets				
Other derivative instruments	FVtPL	2	2	2
Non-derivative instruments	AC	17	17	–
Cash and cash equivalents	AC	802	802	1
Total financial assets		**1,230**	**1,230**	
Liabilities				
Financing liabilities				
Liabilities to banks	FLAC	643	659	2
Trade payables	FLAC	457	457	–
Other financial liabilities				
Other derivative instruments	FVtPL	14	14	2
Other miscellaneous financial liabilities	FLAC	3	3	–
Total financial liabilities		**1,118**	**1,133**	

[1] Measured at amortised cost due to materiality considerations

The nominal values of the derivative financial instruments as of 31 December were as follows:

	Remaining term nominal amounts					
	under 1 year		over 1 year		total	
in € million	2024	2023	2024	2023	2024	2023
Interest rate derivatives						
Interest rate swaps	–	–	620	620	**620**	**620**
Foreign currency derivatives						
Foreign currency forwards	241	237	36	23	**277**	**260**
Average EUR:USD forward rate	*0.71*	*1.08*	*1.10*	*1.08*	**–**	**–**
Average EUR:GBP forward rate	*0.88*	*0.89*	*0.86*	*0.89*	**–**	**–**

The fair values of the derivative financial instruments as of 31 December were as follows:

	Assets		Liabilities	
in € million	2024	2023	2024	2023
Interest rate swaps				
not designated in a hedging relationship	–	–	12	10
Foreign currency forwards				
not designated in a hedging relationship	6	2	4	4
Total	**6**	**2**	**16**	**14**

38.3 Net gains or net losses

The following net gains or net losses on measurement of the financial assets and financial liabilities were recognised in profit or loss:

	From subsequent valuation				Fiscal year	
in € million	From interest and dividends	Fair value	Impair-ment	Currency transla-tion	2024	2023
Financial assets or liabilities at fair value through profit or loss	–	-10	–	-1	-11	14
Financial assets at amortised costs	-39	–	0	-4	-43	-15
Financial liabilities at amortised costs	59	–	–	3	63	40
Total	**20**	**-10**	**0**	**-1**	**9**	**39**

38.4 Impairment losses

The following impairment losses on financial assets were recognised in profit or loss:

		Fiscal year	
in € million	Category	2024	2023
Impairment losses for other investments and other non-current financial assets	FVtOCI	2	–
Impairment losses for:			
Trade receivables and contract assets (level 1 + 2)	AC	0	1
Trade receivables and contract assets (level 3)	AC	4	2
Impairment losses (gross) on financial assets and contract assets		**4**	**3**
Reversals of impairment losses		-1	–
Impairment losses (net) on financial assets and contract assets		**3**	**3**

VII Additional Notes

39 Auditor‘s fees and services

The HENSOLDT Group, its subsidiaries and other companies included in the Consolidated Financial Statements recognised the following expenses for the fees and services of KPMG AG:

	Parent company		Subsidiaries		Total	
	Fiscal year		Fiscal year		Fiscal year	
in € million	2024	2023	2024	2023	2024	2023
Audit services	1.3	1.0	1.1	0.6	2.3	**1.6**
Other assurance services	0.7	0.3	–	–	0.7	**0.3**
Tax advisory services	–	–	–	–	–	**–**
Other services	–	–	–	0.0	–	**0.0**
Total	**1.9**	**1.3**	**1.1**	**0.6**	**3.0**	**1.9**

The fees for the audit services provided by KPMG AG were related to the audit of the Consolidated Financial Statements of the Group and the Annual Financial Statements together with the Combined Management Report, the Management Report of HENSOLDT AG and the Remuneration Report as well as the review of the interim report for the half year and the audit of various financial statements of its subsidiaries.

Other assurance services relate mainly to the audit of the Sustainability Report, that contains the Group’s non-financial report.

40 Future payment obligations

There were purchase commitments especially for inventories and services in the amount of € 1,476 million as of 31 December 2024 (previous year: € 1,343 million).

41 Corporate Governance

The Group has submitted the declaration of conformity with the German Corporate Governance Code required by section 161 German Stock Corporation Act (AktG), including the recommendations of the government commission for the Code for the fiscal year 2024. The declaration of conformity is available on the website of HENSOLDT at https://investors.hensoldt.net in the “Corporate Governance” section.

42 Events after the reporting date

Dividend proposal

The Management Board and the Supervisory Board propose the distribution of a dividend of € 0.50 (previous year: € 0.40) per share to holders entitled to dividends. This corresponds to an expected total payment of about € 57.8 million (previous year: € 46.2 million). The payment of the proposed dividend is subject to the approval of the general meeting.

There were no other significant events after the reporting date.

HENSOLDT AG

Management Board

Oliver Dörre	Christian Ladurner	Dr. Lars Immisch

D - Additional Information

I Responsibility statement for the Consolidated Financial Statements and the Combined Management Report of HENSOLDT AG

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group Management Report, which is combined with the Management Report of HENSOLDT 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.

Taufkirchen, 18 March 2025

HENSOLDT AG

Management Board

Oliver Dörre	Christian Ladurner	Dr. Lars Immisch

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

II Independent Auditor's Report

To HENSOLDT AG, Taufkirchen, District of Munich

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of HENSOLDT AG, Taufkirchen, District of Munich and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of HENSOLDT AG and the Group for the financial year from January 1 to December 31, 2024.

In accordance with German legal requirements we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

The combined management report includes cross-references that are not provided for by law and are marked as unaudited. We have not audited these cross-references in terms of content or the information to which the cross-references refer in accordance with German statutory provisions.

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 IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] 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, 2024, and of its financial performance for the financial year from January 1 to December 31, 2024, 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 opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor´s report. The combined management report includes cross-references, marked as unaudited, that are not provided for by law. Our audit opinion does not cover these cross-references or the information they refer to.

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 Opinions

We conducted our audit of the consolidated financial statements and of the group 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 [Institute of Public Auditors in Germany] (IDW). [Where compliance with ISAs is also relevant add: We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs)]. Our responsibilities under those requirements and principles [in case of supplementary compliance with the ISAs, replace this with: requirements, principles and standards] are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Acquisition of ESG Elektroniksystem- und Logistik-GmbH

With regard to the accounting policies applied, please refer to section “I. Basis of presentation (note 2.2. Basis of consolidation)” in the notes to the consolidated financial statements.

Disclosure relating to the acquisition of ESG Elektroniksystem- und Logistik-GmbH can be found in section “II. Group structure (note 7. Acquisitions)” in the notes to the consolidated financial statements.

RISKS FOR THE FINANCIAL STATEMENTS

Effective April 2, 2024, the HENSOLDT Group acquired ESG Elektroniksystem- und Logistik-GmbH, Fürstenfeldbruck ("ESG"). The total purchase price amounted to EUR 668 million, including a variable component. Taking into account the acquired net assets of EUR 218 million, preliminary goodwill amounted to EUR 450 million.

The identifiable assets acquired and liabilities assumed are recognized at fair value at the time of acquisition in accordance with IFRS 3. HENSOLDT engaged an external expert to identify and measure the identifiable assets acquired and liabilities assumed.

The identification and measurement of the assets acquired and liabilities assumed are complex and are based on discretionary assumptions made by management. The key assumptions relate to the revenue planning and margin development of the acquired business operations, the expected useful lives of customer-related intangible assets, the license rates used to measure intangible assets and the cost of capital.

There is a risk for the consolidated financial statements that the assets acquired and liabilities assumed and the consideration transferred are incorrectly identified or incorrectly measured. There is also a risk that the disclosures in the notes to the consolidated financial statements are not complete and appropriate.

OUR AUDIT APPROACH

With the involvement of our own valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as the identification and valuation methods. To this end, we first obtained an understanding of the acquisition transaction by interviewing employees in the finance function and by assessing the relevant contracts.

We reconciled the total purchase price with the underlying purchase agreement and the proof of payment. We also assessed whether the recognized amount of the variable component was correctly derived from the achievement of the order intake targets for the years 2023 and 2024 in accordance with the purchase agreement and other assumptions. We verified the amount of the order intake by inspecting contracts on a sample basis.

We assessed the competence, capabilities and objectivity of the independent expert engaged by HENSOLDT. In addition, we assessed the process of identifying the assets acquired and liabilities assumed against our knowledge of HENSOLDT's and ESG’s business model for compliance with the requirements of IFRS 3. We examined the valuation methods used for compliance with the valuation principles.

We discussed the expected revenue and margin development with those responsible for planning. In addition, we reconciled the assumptions with the budget prepared by the legal representatives and approved by the Supervisory Board and assessed the consistency of the assumptions with the data of a peer group, the appropriateness of which we reviewed. We compared the license rates used to measure intangible assets with reference values from relevant databases. We discussed and verified the assumed useful lives and churn rates with those responsible for planning and, where possible, compared them with historical data. We compared the assumptions and data underlying the cost of capital, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

To assess the arithmetical accuracy of the calculations, we reviewed selected calculations from a risk-oriented perspective. Finally, we assessed whether the disclosures in the notes on the acquisition of ESG are complete and appropriate.

OUR CONCLUSIONS

The procedure underlying the identification and measurement of the assets acquired and liabilities assumed as well as the variable purchase price component is appropriate and in line with the applicable accounting and measurement principles. The key assumptions and data are appropriate and the presentation in the notes to the consolidated financial statements is complete and appropriate.

Cut-off of revenue recognition in the project business of the Sensors operating segment

With regard to the accounting policies applied, please refer to section "I. Basis of presentation (note 2.3. Revenue from contracts with customers and 3.1. Revenue recognition over time)" in the notes to the consolidated financial statements.

Further information is provided in section "III. Group performance (note 10. Revenue and cost of sales)" in the notes to the consolidated financial statements.

RISKS FOR THE FINANCIAL STATEMENTS

Group revenue totaled EUR 2,240 million in the financial year 2024. The Sensors operating segment accounted for EUR 1,906 million of this amount, including EUR 657 million recognized on the basis of a point in time and EUR 1,249 million recognized over time (before exchange rate effects).

Customer contracts in the project business of the Sensors operating segment are predominantly complex, in some cases involving high order volumes and long terms. Customer-specific requirements often mean that there is no alternative use for project business output. HENSOLDT has established detailed guidelines, procedures and processes for accounting for revenue from contracts with customers. Application of the guidelines requires considerable judgement, particularly in identifying performance obligations, estimating total costs, determining the time of fulfilment of performance obligations and determining costs incurred up to the reporting date and hence the progress of performance in the case of revenue recognized over time.

Due to the complexity of contracts with customers and the judgement required when assessing the criteria for determining the time at which a customer obtains control, there is a risk for the financial statements that revenue is recognized in the wrong period.

OUR AUDIT APPROACH

Based on our understanding of processes gained during our audit, we assessed the design, structure and effectiveness of identified internal controls, in particular with regard to the correct determination of actual costs incurred, expected total costs, the progress of contracts and the revenue clearance by project controlling.

For new contracts concluded during the reporting period, we analyzed contracts and assessed whether the criteria applied for recognizing revenue at a point in time or over time were met. For this purpose, we assessed the appropriate application of the accounting guidelines for a sample of contracts selected on a risk-oriented basis.

We checked the methodology used to determine actual costs incurred in relation to the various types of costs included as well as the use of the applicable hourly rates.

On the basis of projects selected by us using a risk-oriented approach, we also examined the process for determining expected total costs in relation to the various types of costs and risks included and for updating forecasts of expected total costs for the selected projects with the relevant project managers from both the commercial and the technical side. We agreed the total amount of revenue underlying the selected projects to the relevant contracts.

We also checked the computation of the progress of the contracts concerned. In a final step, we assessed whether the timing of revenue recognition was consistent with the progress of the project or with the transfer of control.

OUR CONCLUSIONS

The approach used by the HENSOLDT Group in the cut-off of revenue relating to the project business of the Sensors operating segment is appropriate. The assumptions underlying the accounting treatment are appropriate.

Other Information

Management respectively supervisory board are responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the sustainability report, including the combined non-financial statement included in section V. of the combined management report,
- the combined corporate governance statement of the company and the group included in section VII. of the combined management report, and
- information extraneous to management reports and marked as unaudited.

The other Information includes also the remaining parts of the annual report. The other Information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our 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 opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above-mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs 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, management is responsible for such internal control as they have 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, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are 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, management 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, management is responsible for such arrangements and measures (systems) as they have 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.

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 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 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 control.

- 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 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 control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) 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 opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management'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 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 IFRSs as adopted by the EU and 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 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 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 management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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 also 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file "hensoldtag-2024-12-31-de.zip" (SHA256-Hash value: 1f77b911fd3237eccf3 fc30c18c48f86d5fd2d4935e4c1d9593da53db8cd80cc) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2024 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

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 judgement and maintain professional scepticism throughout the assurance work. 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 assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance 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 made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and 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, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 17, 2024. We were engaged by the supervisory board on September 13, 2024. We have been the auditor of the HENSOLDT AG without interruption since the financial year 2019, thereof 5 financial years in which the company continuously met the definition of a public interest entity in accordance with Section 316a sentence 2 HGB.

We declare that the 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 the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings 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 assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Felix Schieler.

Munich, March 24, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Koeplin Wirtschaftsprüfer	Schieler Wirtschaftsprüfer
German Public Auditor	German Public Auditor

III Assurance report of the independent German Public Auditor on a limited assurance engagement in relation to the Consolidated Sustainability Statement[1]

To the HENSOLDT AG, Taufkirchen

Assurance Conclusion

We have conducted a limited assurance engagement on the Consolidated Sustainability Statement, included in section "V. Sustainability report" of the group management report, of HENSOLDT AG, Taufkirchen (hereinafter "Company" or "HENSOLDT"), for the financial year from 1 January to 31 December 2024. The Consolidated Sustainability Statement was prepared to fulfil the requirements of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 (Corporate Sustainability Reporting Directive, CSRD) and Article 8 of Regulation (EU) 2020/852 as well as Sections 315b and 315c of the HGB [Handelsgesetzbuch: German Commercial Code] for a consolidated non-financial statement.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the accompanying Consolidated Sustainability Statement is not prepared, in all material respects, in accordance with the requirements of the CSRD and Article 8 of Regulation (EU) 2020/852, Sections 315b and 315c HGB for a consolidated non-financial statement, and the supplementary criteria presented by the executive directors of the Company. This assurance conclusion includes that nothing has come to our attention that causes us to believe that:

- the accompanying Consolidated Sustainability Statement does not comply, in all material respects, with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the entity to identify information to be included in the Consolidated Sustainability Statement (the materiality assessment) is not, in all material respects, in accordance with the description set out in section "Description of the process for identifying and assessing the material impacts, risks and opportunities (IRO-1)" of the Consolidated Sustainability Statement, or

- the disclosures in section "EU-Taxonomy" of the Consolidated Sustainability Statement do not comply, in all material respects, with Article 8 of Regulation (EU) 2020/852.

Basis for the Assurance Conclusion

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB).

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under ISAE 3000 (Revised) are further described in the section "German Public Auditor's Responsibilities for the Assurance Engagement on the Consolidated Sustainability Statement".

[1] Our engagement applied to the German version of the Consolidated Sustainability Statement. This text is a translation of the Assurance report of the independent German Public Auditor issued in the German language, whereas the German text is authoritative.

We are independent of the entity 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. Our audit firm has applied the requirements for a system of quality control as set forth in the IDW Quality Management Standard issued by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW): Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)) and International Standard on Quality Management (ISQM) 1 issued by the IAASB. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Sustainability Statement

The executive directors are responsible for the preparation of the Consolidated Sustainability Statement in accordance with the requirements of the CSRD and the applicable German legal and other European requirements as well as with the supplementary criteria presented by the executive directors of the Company and for designing, implementing and maintaining such internal control that they have considered necessary to enable the preparation of a Consolidated Sustainability Statement in accordance with these requirements that is free from material misstatement, whether due to fraud (i.e., fraudulent sustainability reporting in the Consolidated Sustainability Statement) or error.

This responsibility of the executive directors includes establishing and maintaining the materiality assessment process, selecting and applying appropriate reporting policies for preparing the Consolidated Sustainability Statement, as well as making assumptions and estimates and ascertaining forward-looking information for individual sustainability-related disclosures.

The Supervisory Board is responsible for overseeing the process for the preparation of the Consolidated Sustainability Statement.

Inherent Limitations in Preparing the Consolidated Sustainability Statement

The CSRD and the applicable German legal and other European requirements contain wording and terms that are subject to considerable interpretation uncertainties and for which no authoritative, comprehensive interpretations have yet been published. As such wording and terms may be interpreted differently by regulators or courts, the legality of measurements or evaluations of sustainability matters based on these interpretations is uncertain. As further set forth in section “Estimations and outcome uncertainty” and in section “Climate change (E1-6)” of the Consolidated Sustainability Statement, the quantification of the non-financial performance indicators is also subject to inherent uncertainties due to estimations and measurement inaccuracies.

These inherent limitations also affect the assurance engagement on the Consolidated Sustainability Statement.

German Public Auditor’s Responsibilities for the Assurance Engagement on the Consolidated Sustainability Statement

Our objective is to express a limited assurance conclusion, based on the assurance engagement we have conducted, on whether any matters have come to our attention that cause us to believe that the Consolidated Sustainability Statement has not been prepared, in all material respects, in accordance with the CSRD, the applicable German legal and other European requirements and the supplementary criteria presented by the company’s executive directors, and to issue an assurance report that includes our assurance conclusion on the Consolidated Sustainability Statement.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised), we exercise professional judgment and maintain professional skepticism. We also:

- obtain an understanding of the process used to prepare the Consolidated Sustainability Statement, including the materiality assessment process carried out by the entity to identify the disclosures to be reported in the Consolidated Sustainability Statement.
- identify disclosures where a material misstatement due to fraud or error is likely to arise, design and perform procedures to address these disclosures and obtain limited assurance to support the assurance conclusion. 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 control. In addition, the risk of not detecting a material misstatement in information obtained from sources not within the entity’s control (value chain information) is ordinarily higher than the risk of not detecting a material misstatement in information obtained from sources within the entity’s control, as both the entity’s executive directors and we as practitioners are ordinarily subject to restrictions on direct access to the sources of the value chain information.

- consider the forward-looking information, including the appropriateness of the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the forward-looking information.

Summary of the Procedures Performed by the German Public Auditor

A limited assurance engagement involves the performance of procedures to obtain evidence about the sustainability information. The nature, timing and extent of the selected procedures are subject to our professional judgment.

In performing our limited assurance engagement, we among other things:

- evaluated the suitability of the criteria as a whole presented by the executive directors in the Consolidated Sustainability Statement
- inquired of the executive directors and relevant employees involved in the preparation of the Consolidated Sustainability Statement about the preparation process, including the materiality assessment process carried out by the entity to identify the disclosures to be reported in the Consolidated Sustainability Statement, and about the internal controls relating to this process
- evaluated the reporting policies used by the executive directors to prepare the Consolidated Sustainability Statement
- evaluated the reasonableness of the estimates and related information provided by the executive directors. If, in accordance with the ESRS, the executive directors estimate the value chain information to be reported for a case in which the executive directors are unable to obtain the information from the value chain despite making reasonable efforts, our assurance engagement is limited to evaluating whether the executive directors have undertaken these estimates in accordance with the ESRS and assessing the reasonableness of these estimates, but does not include identifying information in the value chain that the executive directors were unable to obtain
- performed analytical procedures and made inquiries in relation to selected information in the Consolidated Sustainability Statement
- conducted site visits
- considered the presentation of the information in the Consolidated Sustainability Statement
- considered the process for identifying taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Statement.

Restriction of Use/Clause on General Engagement Term

This assurance report is solely addressed to HENSOLDT AG, Taufkirchen.

The engagement, in the performance of which we have provided the services described above on behalf of HENSOLDT AG, Taufkirchen, was carried out on the basis of the General Engagement Terms for Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) dated as of 1 January 2024 (www.kpmg.de/AAB_2024). By taking note of and using the information as contained in our report each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms (including the liability limitations to EUR 4 million specified in item No. 9 included therein) and acknowledges their validity in relation to us.

Munich, 24 March 2025

KPMG AG Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Schieler	Vogl
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

IV Report of the Supervisory Board

Dear Shareholders,

We are living in times of increasing global tensions and uncertainties. We see volatility in markets in different parts of the world, conflict hot spots and trade wars, inflation and disruptions in global supply chains. Technological progress is rapid: digital technologies, artificial intelligence and automation are just some of the significant developments here. Social changes are reflected in the public's new expectations of companies and the increased demand for sustainability, responsibility and ethical behaviour. Corporate strategy decisions have never been as complex as they are today.

In this phase of profound change, HENSOLDT is beginning a new chapter in its corporate history: HENSOLDT has already made a name for itself on the market - now it is a matter of tackling new challenges head on and making adjustments in the right places and to set a new course if necessary.

Against this backdrop, the Supervisory Board looked very closely at the appropriate Management Board structure for the company last year. We held in-depth discussions with Mr Dörre, who took over responsibility as the new CEO on 1 April 2024, on the transformation and thus the sustainable realignment of the company. In challenging times, dialogue between the Supervisory Board and the Chief Financial Officer is also crucial in order to maintain long-term financial stability. With this in mind, we maintained detailed, constructive contact with Mr Ladurner as CFO. In a phase of change, the Chief Human Resources Officer also has a central role to play in ensuring that the company can make the most of opportunities. The recruitment and development of specialists, the promotion of organisational flexibility and the creation of a culture that supports change and innovation were therefore elements of the discussions between the Supervisory Board and Dr Immisch as CHRO.

It is not only HENSOLDT's corporate strategy that has to adapt to the new global and economic landscape; our expertise as the Supervisory Board must also keep pace with these changes. In the midst of major transformation processes and far-reaching changes, we on the Supervisory Board ensure that we have the necessary expert knowledge and prudence to act optimally and support the Management Board both with sound advice and also with the necessary control.

From the Supervisory Board's perspective, we believe that HENSOLDT is at the best positioned to meet the future requirements arising out of geopolitics, supply chains, technological developments and a changing society and to play a leading role as a reliable partner in a constantly changing security landscape.

I would now like to report to you in more detail on the collaborative efforts of the Supervisory Board and the Management Board.

Cooperation with the Management Board

In 2024, the Supervisory Board of HENSOLDT AG diligently and dutifully carried out its obligations in accordance with the law, the company's Articles of Association and rules of procedure. We advised the Management Board on the management of the company on an ongoing basis and continuously monitored its activities. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance to the company. The Management Board informed us regularly, both verbally and in writing, promptly and comprehensively about all significant events, focusing on corporate planning, the course of business, strategic development and the current situation of the Group. Cooperation between the Supervisory Board and the Management Board was constructive, open and trusting at all times.

The Management Board agreed the company's strategic direction with us. We discussed the significant business transactions for the company in detail on the basis of the Management Board's reports.

The Supervisory Board, in particular the Chair of the Supervisory Board, was in regular contact with the Management Board beyond the Supervisory Board meetings and was informed about the current development of the business situation and material business transactions. This ensured that the Supervisory Board was always aware of the intended business policy, corporate planning including financial, investment and personnel planning, the course of business, profitability and the position of the Group.

As Chair of the Audit Committee, Ingrid Jägering, also regularly discussed current developments with the Chief Financial Officer, the auditor and selected central Group functions.

As Chair of the Compliance Committee, Hiltrud Werner regularly discussed current topics, important processes and compliance-relevant structures of the company with the heads of the risk-mitigating functions.

Corporate Governance and working methods of the Supervisory Board

Further information on corporate governance can be found in the corporate governance statement, which is part of the Combined Management Report for HENSOLDT AG and the HENSOLDT Group. It contains a detailed report on the working methods of the Supervisory Board and its committees. It also contains explanations of the current declaration by the Management Board and Supervisory Board pursuant to Section 161 German Stock Corporation Act (AktG), which the Supervisory Board adopted on 10 December 2024. The current declaration of the Management Board and Supervisory Board pursuant to Section 161 AktG is also permanently available to shareholders on the HENSOLDT website at https://investors.hensoldt.net in the Corporate Governance section.

The members of the Supervisory Board are responsible for their own training and development measures. The company supports the Supervisory Board in this to an appropriate extent.

Discussions and resolutions in plenary session of the Supervisory Board

The Supervisory Board of HENSOLDT AG held five meetings in the previous fiscal year.

At its meeting on 23 February 2024, the Supervisory Board resolved on the target values achieved for the fiscal year 2023 and the determination of the target values for 2024 for the variable remuneration of the Management Board following a report from the Presidial Committee.

At its meeting on 21 March 2024, the Supervisory Board addressed the annual financial statements of HENSOLDT AG and the Consolidated Financial Statements as of 31 December 2023, the combined management and Group management report and the sustainability report. The Supervisory Board also decided on the preparation of the remuneration report for 2023. Another topic of the meeting was the resolution on the preparation and holding of the fourth Annual General Meeting of HENSOLDT AG. The Supervisory Board discussed the transfer of the position of Chair of the Management Board from Mr Müller to Mr Dörre with both Management Board members and redefined the allocation of responsibilities for the Management Board. The Supervisory Board also focused on the upcoming closing of the acquisition of ESG Elektroniksystem- und Logistik-GmbH and its planned integration into the HENSOLDT Group. As part of the Management Board's report, the Supervisory Board also received reports on key topics, important campaigns, key projects and product developments in the Radar division.

On 7 May 2024, the Supervisory Board obtained an overview of the CEO’s medium-term priorities as defined by Mr Dörre and discussed the topic of cyber security and the status of the Group-wide introduction of the S4/HANA software solution with the Chief Information Officer of the HENSOLDT Group.

On 26 July 2024, the Supervisory Board decided, at the proposal of the Presiding Committee, to extend Mr Ladurner’s mandate as a member of the Management Board for a further five years. The meeting also focused on dialogue with the management of ESG Elektroniksystem- und Logistik-GmbH on the company’s business model, key performance indicators and order intake. Mr Dörre then presented the Supervisory Board with the organisational changes that were to be implemented following the integration of ESG Elektroniksystem- und Logistik-GmbH.

In light of the departure of Celia Pelaz Perez from the Management Board of HENSOLDT AG on 31 August 2024, the Supervisory Board discussed the Management Board structure of HENSOLDT AG with the Presiding Committee on 10 December 2024 and agreed with the recommendation of the Presiding Committee to initially continue with a three-member Management Board consisting of CEO, CFO and CHRO. The Supervisory Board redefined the allocation of responsibilities for the Management Board. In addition, the Supervisory Board decided to adjust the remuneration of Oliver Dörre and to extend the Management Board mandate of Dr Lars Immisch from 1 October 2025 until 30 April 2029, as proposed by the Presiding Committee. In addition to the Management Board’s report on the company’s situation, the Supervisory Board was presented with the HENSOLDT Group’s business plan for approval. The Supervisory Board instructed the Presiding Committee to prepare the targets for the variable remuneration of the Management Board in 2025. The Supervisory Board also resolved to issue the declaration of conformity with the German Corporate Governance Code.

Where necessary, the Supervisory Board also passed resolutions by written procedure. This concerned the approval of the submission of three offers by HENSOLDT Sensors GmbH and the issuance of corresponding securities by HENSOLDT AG, where necessary the approval of the submission of an offer by HENSOLDT Optronics GmbH, the issuance of corresponding securities by HENSOLDT AG and the approval of a resolution of the Management Board on the liquidation of a subsidiary of the HENSOLDT Group.

The members of the Management Board regularly attended Supervisory Board and committee meetings. Discussions on internal Supervisory Board matters and personnel issues relating to the Management Board took place without the presence of the Management Board.

Measures that require the approval of the Supervisory Board in accordance with the articles of association, the rules of procedure for the Supervisory Board or the rules of procedure for the Management Board were submitted in good time to the Supervisory Board for a decision. The Supervisory Board approved each of the resolutions proposed by the Management Board after thorough examination and consultation. Apart from the individual measures already explained, there are no other transactions requiring approval to report in the previous fiscal year.

Committees of the Supervisory Board

The Supervisory Board has established a Presidial Committee and five other committees in order to perform its duties efficiently. These committees prepare the resolutions of the Supervisory Board as well as the topics to be dealt with in the plenary session. To the extent permitted by law, decision-making powers of the Supervisory Board have been transferred to the relevant committees.

The Presidial Committee held six meetings in the reporting year.

At its meeting on 23 February 2024, the Presidial Committee assessed the targets achieved for the fiscal year 2023 and prepared a proposal to the Supervisory Board on the bonus for the Management Board for the fiscal year 2023 and on setting the targets for the Management Board for 2024.

At its meeting on 21 March 2024, the Presidial Committee discussed the possible extension of the expiring Management Board mandates and exchanged views on changing the allocation of responsibilities for the Management Board.

The meeting of the Presidial Committee on 5 July 2024 also dealt with personnel issues relating to the Management Board.

At the meeting on 26 July 2024, the Presidial Committee discussed the proposal to the Supervisory Board to extend Mr. Ladurner's Management Board mandate for a further five years from 1 July 2025.

On 2 October 2024, the Presidial Committee consulted a comparative study to analyse the Management Board structure of MDAX companies and evaluated the options for the composition of the Management Board of HENSOLDT AG. The Presidial Committee came to the decision to recommend the Supervisory Board of HENSOLDT AG to continue with a three-member Management Board for the time being.

At the meeting on 10 December 2024, the Presidial Committee discussed the proposal to the Supervisory Board to adjust the remuneration of Oliver Dörre and the proposal to the Supervisory Board to extend the Management Board mandate of Dr Lars Immisch from 1 October 2025 until 30 April 2029.

The Audit Committee held six meetings.

A key part of its work was the discussion of the preliminary key financial figures for the fiscal year 2023, the dividend proposal and the key financial figures for the year (quarterly statement 3M 2024, half-year financial report H1 2024 and quarterly statement 9M 2024). The Audit Committee consulted with the Chief Financial Officer on the key financial figures and, with regard to the half-year financial report, with the auditor to explain the results of the audit review.

The representatives of the auditor KPMG also took part in the discussion of the Annual and Consolidated Financial Statements. The Audit Committee also made recommendations to the Supervisory Board regarding the choice of auditor.

At each meeting of the Audit Committee, the Chair of the Audit Committee reported on her regular exchanges with the Management Board, the auditor and key functions within the company. The Chief Financial Officer also reported on current issues in the finance department and in other areas of responsibility.

The committee received regular reports from those responsible for the main control functions on current developments and the further development of the control systems. The committee also addressed financing and refinancing, capital market issues, the global finance organisation, finance governance in the group and individual local finance areas with a view to meeting global requirements.

The committee also discussed the audit results for 2024 and the audit planning for the fiscal year 2025 in the presence of the Head of Internal Audit.

The contents of the meetings were presented to the Supervisory Board as part of the oral reports from the committee meetings and – where necessary – submitted for a decision.

In addition, the Chair of the Audit Committee is in regular contact with the auditor – also outside of meetings. The auditor informs the Audit Committee without delay of all findings and events of significance to its duties that come to its attention during the performance of the audit. The auditor has declared to the Audit Committee that there are no circumstances that would give rise to the assumption that the auditor is biased. The Audit Committee obtained the required independence agreement from the auditor and reviewed the auditor's qualifications. Two proven financial experts, Ingrid Jägering and Giuseppe Panizzardi are permanently represented on the Audit Committee. Expertise in sustainability issues is also ensured on the Audit Committee and is continuously developed.

At the meeting on 22 February 2024, the Audit Committee discussed the preliminary key financial figures for the fiscal year 2023 and the dividend proposal with the Chief Financial Officer and the auditor.

With a view to the Annual General Meeting of HENSOLDT AG, the Audit Committee prepared the Supervisory Board's resolution on the Annual Financial Statements, Combined Management Report and other reporting, including non-financial reporting, at its meeting on 19 March 2024 and made a recommendation to the Supervisory Board on the appropriation of net retained profits.

On 6 May 2024, the Audit Committee discussed the quarterly statement for the first three months of the fiscal year 2024 and discussed the results of KPMG's review of the risk management system, the internal control system and the internal audit system with the Head of Internal Audit, ERM & ICS.

On 25 July 2024, the Audit Committee discussed the report for the first half of the fiscal year 2024, assured itself of the quality of the audit and discussed the execution of the audit plan by Internal Audit.

The discussion of the interim financial information for the first nine quarters was the subject of the Audit Committee meeting on 5 November 2024. In addition, the Audit Committee discussed with the Management Board the control and management of the subsidiaries of the HENSOLDT Group and dealt with the income tax consolidation of the HENSOLDT Group and the conclusion of a profit-and-loss-transfer agreement with HENSOLDT AG.

On 9 December 2024, the Audit Committee discussed the current status of the audit of the Annual and Consolidated Financial Statements for 2024 and the audit of sustainability reporting with the auditor. In this context, the Audit Committee discussed with the auditor and the Management Board in particular how the company was dealing with the uncertainty arising from the as yet unimplemented implementation of the new EU Directive on corporate sustainability reporting, the Corporate Sustainability Directive. The Audit Committee also ensured that the requirements of the German Corporate Governance Code were carefully examined by the Supervisory Board before issuing the declaration of conformity.

At its regular meetings throughout the year, the Audit Committee also received regular reports from senior employees and the Head of Internal Audit on audit activities and investigations as well as on current risk management issues. The Audit Committee ensured that all identified potential risks were addressed appropriately.

There were regular consultations between the Audit Committee and the auditor without the presence of the Management Board and consultations between the Audit Committee and the Management Board without the presence of the auditor.

The Compliance Committee held four meetings in the reporting year.

At its meetings, the Compliance Committee received regular reports from the Head of Compliance, the General Counsel and the Head of Internal Audit on the compliance dashboard, the status of the e-learning offerings, the compliance risk assessment and the OpenLine cases and discussed the results with the specialist functions and the Management Board. There was also a regular exchange with the Head of Internal Audit and the HENSOLDT Group's Data Protection Officer. The Compliance Committee also dealt with the plan to integrate ESG Elektroniksystem- und Logistik-GmbH for all compliance-relevant topics, the implementation of the European Union Artificial Intelligence act (AI Act) and the Regulation on harmonised rules for fair data access and use (Data Act) as well as the preparation of the Supervisory Board's decision to approve a contract with a distribution partner.

The Chair of the Compliance Committee also held regular individual discussions with the heads of the company's risk-mitigating functions and reported on this at the meetings.

The Nomination Committee held two meetings in the reporting year.

On 21 March 2024, the Nomination Committee evaluated the proposal to propose Giuseppe Panizzardi, who was appointed to the Supervisory Board by the court of registration, to the Annual General Meeting for election to the Supervisory Board. The Nomination Committee resolved to propose to the Supervisory Board that it propose to the Annual General Meeting that Mr Panizzardi be elected to the Supervisory Board.

Due to the resignation of Letizia Colucci as a member of the Supervisory Board, the Nomination Committee satisfied itself on 12 June 2024 that, with regard to the application for the appointment of Raffaella Luglini by the register court, there were no legal obstacles to her exercising the office of Supervisory Board member and that the appointment of Ms Luglini was in line with the requirements of the German Corporate Governance Code and the objectives resolved by the

Supervisory Board for its composition. The Nomination Committee therefore decided to support the Management Board's proposal to propose Ms Luglini as a shareholder representative on the Supervisory Board until the end of the Annual General Meeting in 2025.

The Mediation Committee and the Committee for Related Party Transactions were not convened in the fiscal year.

Presence of Supervisory Board members at the meetings

Information on the participation of Supervisory Board members in the meetings of the Supervisory Board and its committees that took place in the reporting year is provided below. The majority of meetings were held in hybrid form as face-to-face meetings with the participation of individual or several Supervisory Board members via video conference link-up, while other meetings of the Supervisory Board and its committees were held as 100% face-to-face meetings.

	Supervisory Board plenum		Audit Committee		Compliance Committee		Presidial Committee		Nomination Committee	
(Number of meetings / Presence in %)	**Number**	**in %**	**Number**	**in %**	**Number**	**in %**	**Number**	**in %**	**Number**	**in %**
Reiner Winkler (Chair)	5/5	100.0%	–	–%	–	–%	6/6	100.0%	2/2	100.0%
Armin Maier-Junker[1] (Vice Chair)	5/5	100.0%	–	–%	–	–%	6/6	100.0%	–	–%
Dr. Jürgen Bestle[1]	5/5	100.0%	–	–%	4/4	100.0%	6/6	100.0%	–	–%
Jürgen Bühl[1]	4/5	80.0%	–	–%	–	–%	6/6	100.0%	–	–%
Letizia Colucci (until 31 May 2024)	3/3	100.0%	–	–%	2/2	100.0%	–	–%	–	–%
Marco R. Fuchs	5/5	100.0%	–	–%	–	–%	–	–%	2/2	100.0%
Achim Gruber[1]	5/5	100.0%	–	–%	4/4	100.0%	–	–%	–	–%
Ingrid Jägering	5/5	100.0%	6/6	100.0%	–	–%	–	–%	2/2	100.0%
Marion Koch[1]	5/5	100.0%	6/6	100.0%	–	–%	–	–%	–	–%
Giuseppe Panizzardi	5/5	100.0%	6/6	100.0%	–	–%	6/6	100.0%	2/2	100.0%
Raffaella Luglini (since 1 July 2024)	2/2	100.0%	–	–%	2/2	100.0%	–	–%	–	–%
Julia Wahl[1]	5/5	100.0%	6/6	100.0%	–	–%	–	–%	–	–%
Hiltrud D. Werner	5/5	100.0%	–	–%	4/4	100.0%	5/6	83.3%	–	–%

[1] Representative of the employees

Presence at the meetings of the Supervisory Board was therefore 98.6 % in the fiscal year.

Conflicts of interest on the Supervisory Board

No conflicts of interest of members of the Management Board or Supervisory Board requiring disclosure to the Supervisory Board were reported in the fiscal year.

Changes in the Management Board and Supervisory Board

The mandate of Thomas Müller as a member of the Management Board and Chair of the Management Board was terminated by mutual agreement by resolution of the Supervisory Board on 5 April 2023 with effect from 31 March 2024.

Oliver Dörre took up his position as a member of the Management Board for a term of three years with effect from 1 January 2024. With effect from 1 April 2024, he took over as Chair of the Management Board.

The mandate of Christian Ladurner as a member of the Management Board was extended on 26 July 2024 with effect from 30 June 2025 for a further five years, i.e. until 30 June 2030.

The mandate of Dr Lars Immisch as a member of the Management Board was extended on 10 December 2024 with effect from 1 October 2024 for a further three years and seven months, i.e. until 30 April 2024

Letizia Colucci resigned as a member of the Supervisory Board with effect from the end of 31 May 2024. Raffaella Luglini was appointed to the Supervisory Board in her place by the register court with effect from 1 July 2024.

Audit of the Annual and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditor for the fiscal year 2024 by resolution of the General Meeting on 17 May 2024. KPMG AG Wirtschaftsprüfungsgesellschaft had previously confirmed that there were no circumstances that could impair its independence as auditor or give rise to doubts about its independence. KPMG AG Wirtschaftsprüfungsgesellschaft also explained the extent to which non-audit services were provided to all companies of the HENSOLDT Group in the previous fiscal year.

The Management Board of HENSOLDT AG has prepared the Annual Financial Statements, the Combined Management Report of HENSOLDT AG and Group and the Consolidated Financial Statements for the fiscal year 2024.

KPMG AG Wirtschaftsprüfungsgesellschaft audited the Annual Financial Statements, the Combined Management Report of the HENSOLDT Group and the Consolidated Financial Statements for the fiscal year 2024 and issued an unqualified audit opinion on 24 March 2025. The Consolidated Financial Statements were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) German Commercial Code (HGB). The Annual Financial Statements and the Combined Management Report were prepared in accordance with German commercial law.

The auditor conducted the audit of the Annual and Consolidated Financial Statements in accordance with Section 317 HGB and the generally accepted German standards for the audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (IDW).

The aforementioned documents were distributed to us by the Management Board in good time or were available at the balance sheet meeting. They were discussed in detail by the Audit Committee on 25 March 2025. The members of the Audit Committee reported in detail on these discussions to the full Supervisory Board at the balance sheet meeting on 26 March 2025. The full Supervisory Board discussed the Financial Statements and reports in detail – also in the presence of the Management Board. Both meetings were attended by the auditor, who reported on the key findings of their audit. The scope, focus and costs of the audit were also presented.

We concurred with the results of the audit. Following the final results of the audit by the Audit Committee and our own audit, there were no objections to be raised. The Supervisory Board approved the Annual Financial Statements prepared by the Management Board and the Consolidated Financial Statements prepared by the Management Board. The Annual Financial Statements are thus adopted. The Management Board proposes that, of the distributable profit totalling € 67,843,305.19, the amount of € 57,750,000 be used to pay a dividend of € 0.50 per dividend-bearing share. We approved this proposal.

As part of its review, the Supervisory Board also examined the non-financial Group statement as part of the Sustainability Report, which had to be prepared in accordance with Section 315b of the German Commercial Code (HGB), and came to the conclusion that it meets the existing requirements and that there are no objections to be raised. An external review by KPMG AG Wirtschaftsprüfungsgesellschaft had previously confirmed that no matters had come to the auditors' attention that would lead them to conclude that the non-financial Group statement had not been prepared in accordance with Section 315c HGB in all material respects.

Thanks to the Management Board and employees

The Supervisory Board would like to thank the members of the Management Board, the employees and the employee representatives of all Group companies for their work. They all have contributed to a very successful year for the HENSOLDT Group.

On behalf of the Supervisory Board

The Chair of the Supervisory Board

V Remuneration Report

The Remuneration Report provides an overview of the structure and system of remuneration for the Management Board and Supervisory Board of HENSOLDT AG and contains detailed information on the respective remuneration granted and owed to the current and former members of the Management Board and Supervisory Board.

The Remuneration Report was prepared jointly by the Management Board and the Supervisory Board.

The contents of this Remuneration Report comply with the regulatory requirements of the German Stock Corporation Act (section 162 AktG). The Remuneration Report 2023 was adopted at the general meeting on 17 May 2024 with a majority of 96.29 % of the valid votes cast.

This Remuneration Report will be submitted to the general meeting on 27 May 2025 for approval.

The Remuneration Report 2024 was audited by KPMG AG Wirtschaftsprüfungsgesellschaft beyond the requirements of section 162 (3) of the German Stock Corporation Act (AktG) and in terms of both formal and content criteria. The independent auditor's report is attached to the Remuneration Report 2024.

The Remuneration Report of HENSOLDT AG is made available on the website of HENSOLDT at https://investors.hensoldt.net.

The current remuneration systems for the members of the Management Board and the Supervisory Board are available on the website of HENSOLDT at https://investors.hensoldt.net.

1 Remuneration of the members of the Management Board in the fiscal year 2024

The structure of the remuneration and the amounts paid to the members of the Management Board are determined and regularly reviewed by the Supervisory Board. The review applies the recommendations of the German Corporate Governance Code ("GCGC" or "Code") in the version adopted by the Government Commission on 28 April 2022, unless a deviation was or is declared in individual cases, and implements the requirements pursuant to section 87 and section 87a AktG.

1.1 Overview of the remuneration system

The current remuneration system for the members of the Management Board was last adapted in the fiscal year 2023 and approved by the general meeting on 12 May 2023 with a majority of 76.62 % of the valid votes cast.

The remuneration of the members of the Management Board is based on their area of responsibility, individual performance, the performance of the Management Board as a whole, and the economic and financial position as well as the success of the HENSOLDT Group. The remuneration paid to the members of the Management Board is appropriate, performance-related and in line with market conditions.

An external independent expert is regularly consulted, most recently in fiscal year 2023, to review the appropriateness of the Management Board remuneration in terms of amount and structure. In addition, the Management Board remuneration is considered in terms of the ratio of senior management remuneration to that of the workforce. The benchmark used for a market comparison is based on a German peer group of listed companies of comparable size with a focus on industrial, mechanical engineering and automotive suppliers, as well as listed companies of comparable size from the information technology sector which is explained, in detail, in the Remuneration Report for members of the Management Board.

The remuneration for the members of the Management Board consists of fixed remuneration, a short-term variable remuneration component (Short-Term Incentive, "STI annual bonus" or "STI") and a long-term variable remuneration component (Long-Term Incentive, “LTI bonus” or “LTI”). The variable remuneration resulting from the achievement of long-term targets exceeds the share of short-term targets (under the assumption of a target achievement of 100 %). The criteria for the assessment of the performance-based remuneration and the annual targets set by the Supervisory Board at the beginning of the fiscal year are not subject to change in the course of a fiscal year. Subsequent changes to the target values or reference parameters for the STI bonus and the LTI bonus are generally excluded. The Supervisory Board does, however, have the option of taking appropriate account of extraordinary developments when assessing target achievement.

The remuneration system for the Management Board members contributes to the promotion of the business strategy and the long-term development of the company and its affiliated companies, namely through a simple design of the Management Board remuneration with a clear incentive structure for the members of the Management Board. The remuneration system is structured in such a way that it appropriately rewards the performance of the Management Board members while complying with all regulatory requirements, the recommendations of the GCGC and market practice. The variable remuneration is designed to reward the achievement of both short-term annual targets and long-term targets measured over multi-year periods. This is to avoid the Management Board making decisions for reasons that would optimise its remuneration in the short term but would not deliver sustainable business success. The members of the Management Board are also incentivised by a share acquisition and shareholding obligation designed to increase the value of the company in the interests of the shareholders.

Fixed remuneration components

The members of the Management Board receive from the Group a fixed annual base salary for their services and fringe benefits. These mainly comprise a company car, employer contributions to private and statutory health insurance, continued payment of wages in the event of incapacity for work due to illness or death, preventive health checks at the company’s expense, a group accident insurance, a term life insurance, if required reimbursement of home travel expenses, and a housing cost subsidy for a secondary residence as well as security expenses, e.g. for construction measures at private apartments to protect the members of the Management Board. The scope may be determined by the Supervisory Board at its reasonable discretion. Fringe benefits are restricted to a maximum amount specified by the Supervisory Board for the fiscal year.

The Management Board members participate in the company pension scheme for the duration of the Management Board service contract in accordance with the pension commitment regulations applicable to senior executives and executives. The corporate pension is granted in the form of a direct commitment. Alternatively, a fixed amount is granted for establishing a private pension. The company does not grant any retirement, survivors or disability benefits, in particular no other defined benefit pension commitments for which provisions would have to be recognised. No bridging allowance or other forms of early retirement are provided for in the remuneration system.

STI annual bonus

The members of the Management Board have the opportunity to receive an STI annual bonus depending on the annual performance of the HENSOLDT Group. The basis for determining the amount of the STI annual bonus is the target amount (“STI target amount”), i.e. the amount to which a Management Board member is entitled if it achieves exactly 100 % of the STI annual targets. The STI annual bonus might amount to a maximum of 150 % of the STI target amount (cap). The STI annual bonus serves as reward for the achievement of the HENSOLDT Group’s short-term business targets and depends on the achievement of the target values for the three current STI bonus components which are free cash flow, EBITDA and revenue – each on a consolidated basis for the HENSOLDT Group. The three STI bonus components are basically each equally weighted, i.e. one third of each is included in the calculation of target achievement for the STI annual bonus. The Supervisory Board may determine a different weighting on a case-by-case basis and decide on other STI bonus components, including non-financial ones, at its reasonable discretion. Details on the definition of the target values can be found in the remuneration system on the website of HENSOLDT at https://investors.hensoldt.net.

The corresponding target values are approved by the Supervisory Board as part of determining the annual budget. The STI annual bonus is payable within thirty working days after the approval of the Consolidated Financial Statements for the past fiscal year.

The target setting for the STI annual bonus is based on the criteria set out below:

	Payment % of target bonus					
Bonus component	Weighting	< 80 % of Target value	> 80 % and < 100 % of Target value[1]	Target value	> 100 % and < 120 % of Target value[1]	> 120 % of Target value[2]
Free cash flow	1/3	0 %	linear reduction in the ratio 1:5	100 %	linear increase in the ratio 1:2.5	150 %
EBITDA	1/3	0 %	linear reduction in the ratio 1:5	100 %	linear increase in the ratio 1:2.5	150 %
Consolidated revenue	1/3	0 %	linear reduction in the ratio 1:5	100 %	linear increase in the ratio 1:2.5	150 %

[1] If the respective target value for an STI bonus component is not achieved, the respective bonus component is reduced on a straight-line basis in the ratio 1:5. If one target value for an STI bonus component is exceeded, the respective bonus component increases on a straight-line basis in the ratio 1:2.5.

[2] The linear increase in the bonus component only occurs if a target value of more than 80 % for each of the three STI bonus components has been achieved.

LTI bonus

All members of the Management Board are entitled to multi-year performance-based remuneration ("LTI bonus"). The basis for determining the amount of the LTI bonus is the target amount ("LTI target amount"), i.e. the amount to which a Management Board member is entitled if they achieve 100 % of the multi-year targets. The LTI bonus can be a maximum of 200 % of the LTI target amount (cap). The performance period for the LTI bonus is four years.

At the beginning of the respective four-year measurement period of an LTI bonus tranche, the Supervisory Board shall determine at its reasonable discretion the terms and conditions for each LTI bonus component, including the weighting, and the corresponding target values of the relevant bonus tranche.

The LTI bonus is generally measured in line with the following LTI bonus component weighting from the remuneration system:

- 30-40 % based on the relative total shareholder return[1] (TSR) of the company compared to the MDAX,
- 25-30 % based on the order intake of the HENSOLDT Group,
- generally 15 % for each of two ESG targets and
- up to 15 % for multi-year special projects.

The ESG "diversity" goal is aimed at achieving certain percentages of women at various company levels. The ESG goal "climate impact" aims to increase the share of renewable energy in the energy consumed by the HENSOLDT Group. In addition, the Supervisory Board may include up to 15 % as an LTI bonus component for individual LTI tranches based on multi-year (measurable) special projects. The exact targets for the various LTI bonus components and their exact weighting are to be determined by the Supervisory Board at their appropriate discretion for each LTI tranche.

At the end of each measurement period, a degree of overall target achievement is determined for the performance targets set by the Supervisory Board before the start of the performance period. The target achievement for each of the LTI bonus components and the overall target achievement resulting from the individual target achievement values can amount to a maximum of 150 %. The LTI bonus is payable when the Supervisory Board determines that the target values have been achieved.

Furthermore, the performance share plan to be applied as part of the LTI bonus ensures that the amount of the LTI bonus is more dependent on the share price of HENSOLDT AG. At the beginning of the respective measurement period, the Management Board member receives a number of virtual shares ("stock rights") calculated by dividing the target amount of the LTI target bonus by the average price of the shares of HENSOLDT AG. After the end of the respective measurement period, the number of stock rights calculated at the beginning of the measurement period is multiplied by the overall target achievement of the LTI bonus components determined from the target achievement of the individual LTI bonus components.

[1] The relative TSR refers to the share price performance plus notionally reinvested gross dividends during the four-year performance period and is determined on the basis of data from a recognised data provider (e.g. Bloomberg, Thomson Reuters).

The LTI bonus to be paid out as a cash entitlement is determined by multiplying the number of stocks calculated on the basis of the target achievement with the average closing price of the shares of HENSOLDT AG.

Tranche 2024-2027

The weighting of the LTI bonus components for the tranche 2024-2027 was established as follows: 30 % for the TSR, 25 % for the intake of new orders and 15 % for each of the two ESG targets. The successful post-merger integration of the ESG Group was defined as a special project with a 15 % LTI bonus component.

The overall degree of target achievement for the tranche 2024-2027 is determined according to the following criteria:

	Payment % of target bonus					
Bonus component	Weighting	< 80 % of Target value	> 80 % and < 100 % of Target value[1]	Target value	> 100 % and < 120 % of Target value[1]	> 120 % of Target value
Relative total shareholder return compared with MDAX	30 %	0 %	linear reduction in the ratio 1:5	100 %	linear increase in the ratio 1:2.5	150 %
Order intake of HENSOLDT Group acc. to management report	25 %	0 %	linear reduction in the ratio 1:5	100 %	linear increase in the ratio 1:2.5	150 %
ESG Target: Diversity	15 %			100 %		150 %[2]
ESG Target: Climate Impact	15 %	0 %	linear reduction in the ratio 1:5	100 %	linear increase in the ratio 1:2.5	150 %[2]
Special target: Integration ESG-Group	15 %			100 %		150 %[2]

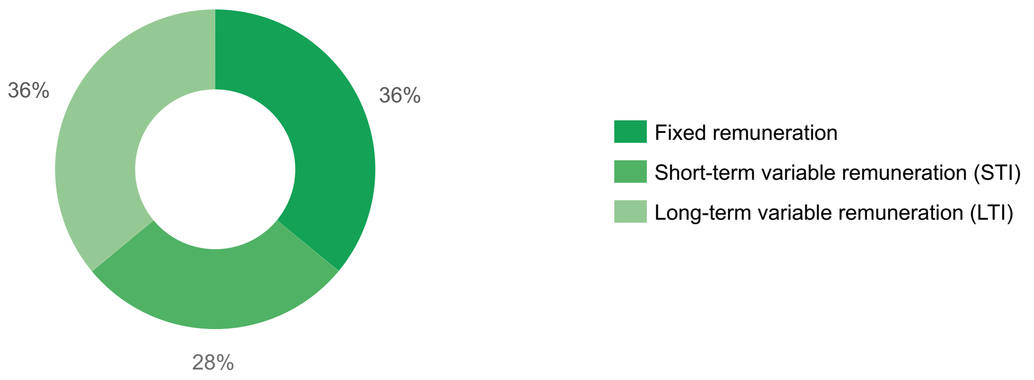
[1] If the respective target value for an LTI bonus component is not achieved, the respective bonus component is reduced on a straight-line basis in the ratio 1:5. If one target value for an LTI bonus component is exceeded, the respective bonus component increases on a linear basis in the ratio 1:2.5.

[2] The determination of whether and to what extent the Management Board member has achieved this LTI bonus component shall be made at the end of the four-year measurement period by the Supervisory Board, which, using its reasonable discretion at all times, shall compare the actual value achieved with the targeted objective and may take into account any under- or overachievement, but with a maximum of 150 % of the intended weighting (as well as the individual components, if applicable).

Further details on the setting of targets and the determination of target achievement can be found in the remuneration system of the Management Board on the website of HENSOLDT at https://investors.hensoldt.net.

Relationship of the remuneration components to each other

The current average target direct remuneration for all Management Board members will thus comprise basic remuneration and variable remuneration as follows (assuming 100 % achievement for each of the targets):



Clawback

The STI annual bonus and LTI bonus are subject to a clawback regulation. Further details on the clawback provision can be found in the remuneration system of the Management Board on the website of HENSOLDT at https://investors.hensoldt.net.

Maximum remuneration

The annual maximum remuneration in terms of section 87a (1) sentence 2 no. 1 German Stock Corporation Act (AktG) for the members of the Management Board in office as of 31 December 2024 was determined by the Supervisory Board as follows:

- for the CEO: € 3.5 million
- for any other ordinary member of the Management Board[2]: € 2.5 million

If the actual remuneration granted exceeds the maximum remuneration cap, the entitlement to the LTI bonus will be reduced accordingly.

Share retention programme

The members of the Management Board are obliged to hold shares of HENSOLDT AG for the duration of their appointment as a member of the Management Board, whereby this obligation must be fulfilled for the first time at the latest four years after the initial appointment as a member of the Management Board ("build-up phase"). The share retention programme is designed to incentivise the members of the Management Board to increase the value of the Group in the interest of the shareholders. Further details on the share retention programme provision can be found in the remuneration system of the Management Board on the website of HENSOLDT at https://investors.hensoldt.net.

Benefits in the event of premature termination of appointment

In the event of premature termination of the appointment, the Management Board members are entitled to a severance payment. The severance payment is limited to two years' remuneration and is reduced on a pro rata temporis basis if the remaining term of the Management Board service contract is less than two years ("severance cap"). More details on the benefits in the event of premature termination of employment can be found in the remuneration system of the Management Board on the website of HENSOLDT at https://investors.hensoldt.net.

The service contracts of the members of HENSOLDT AG's Management Board do not include any commitments for benefits in the event of premature termination of the Management Board service contract by the Management Board member due to a change of control.

1.2 Remuneration of the members of the Management Board in the fiscal year

Composition of the Management Board in fiscal year 2024

In fiscal year 2024, the Management Board of HENSOLDT AG comprised the following members:

- Oliver Dörre, member of the Management Board since 1 January 2024, chair of the Management Board since 1 April 2024
- Christian Ladurner, member of the Management Board since 1 July 2022
- Dr. Lars Immisch, member of the Management Board since 1 October 2022
- Thomas Müller, chair of the Management Board from 11 August 2020 to 31 March 2024

[2] According to the remuneration system, the maximum remuneration for the CFO is € 3.3 million.

- Celia Pelaz Perez, member of the Management Board from 1 July 2021 to 31 August 2024

Fixed remuneration components

Application in the fiscal year

The following table shows the fixed remuneration components granted in fiscal year 2024 to the active members of the Management Board in fiscal year 2024.

Active members of the Management Board as per 31 December 2024 (amounts in €)	Oliver Dörre (CEO)	Christian Ladurner (CFO)	Dr. Lars Immisch (CHRO)
Annual basic remuneration	600,000	436,800	436,800
Additional benefits	85,328	20,382	35,309
Fixed remuneration 2024	**685,328**	**457,182**	**472,109**

Resigned members of the Management Board during the fiscal year (amounts in €)	Thomas Müller (CEO)[1]	Celia Pelaz Perez (CStO)[2]
Annual basic remuneration	150,000	291,200
Additional benefits	14,118	26,047
Fixed remuneration 2024	**164,118**	**317,247**

[1] Prorated until 31 March 2024

[2] Prorated until 31 August 2024

Contribution made by the remuneration system to the long-term development of the HENSOLDT Group

Regarding the contribution made by the remuneration system to the long-term development of the company, please refer to the general remarks under section 1.1. The purpose of the fixed remuneration is to attract and retain suitable candidates for management positions in the Group by offering an attractive fixed salary in line with market rates.

STI annual bonus

Presentation of “remuneration granted and owed”

In order to improve clarity and transparency, the remuneration granted is reported for which the underlying activity was fully performed in the reported fiscal year. The disclosure is thus made at the time of vesting and is independent of whether the remuneration has already been paid during the fiscal year. Accordingly, the STI earned in fiscal year 2024 is presented as the remuneration granted and owed in fiscal year 2024.

Application in the reporting year

Target achievement for the STI 2024 (amounts in € million)	Weighting	Target value[1]	Actual[1]	Target achievement	Adjustment in case of below/ above achievement
Consolidated revenue	33 %	2,000	1,951	98 %	88 %
EBITDA[2]	33 %	371	356	96 %	79 %
Free cash flow[3]	33 %	194	236	122 %	150 %
Overall target achievement				**105 %**	**106 %**

1 Key figures without ESG Group acquired in 2024.

2 Key figure adjusted for special items as per reconciliation in section II Economic Report 3.1 Results of operations in the Combined Management Report for the year ended 31 December 2024.

3 Key figure adjusted for special items and M&A activities as per reconciliation in section II Economic Report 3.3 Financial position in the Combined Management Report for the year ended 31 December 2024.

The table below shows, for each Management Board member, the respective target amount (for a target achievement of 100 %), the degree of target achievement determined by the Supervisory Board and the amount paid out in fiscal year 2024 in accordance with the due date set out in the remuneration system.

STI-annual bonus for 2024 earned in 2024	Target amount in €	Achievement level in %	Disbursement amount in €
Active members of the Management Board as of 31 December 2024			
Oliver Dörre (CEO)	450,000	106 %	477,000
Christian Ladurner (CFO)	327,600	106 %	347,256
Dr. Lars Immisch (CHRO)	327,600	106 %	347,256
Resigned members of the Management Board in fiscal year 2024			
Thomas Müller (CEO)[1]	137,500	106 %	145,750
Celia Pelaz Perez (CStO)[2]	273,000	106 %	289,380

1 prorated until 31 March 2024

2 prorated until 31 October 2024

The STI for 2024 is due in 2025 within thirty working days after the approval of the Consolidated Financial Statements of HENSOLDT AG for fiscal year 2024.

Contribution to the long-term development of the HENSOLDT Group

For the contribution of the remuneration system to the long-term development of the Group, please refer to the general explanations under 1.1. The STI is intended to reward the achievement of specific financial targets that are classified as being important for the strategic development of the Group.

LTI bonus

Tranche 2021-2024 (target achievement)

The degree of overall target achievement for the LTI bonus is derived from the target achievement for each LTI bonus component as set by the Supervisory Board for the relevant performance periods. After the performance period 2021–2024 has ended, the LTI bonus components linked to fulfilment of the performance conditions will have been earned.

For details and definitions, refer to the general explanations about the remuneration system given in the overview section 1.1.

Payment for the 2021–2024 tranche will be made in 2025 after the Supervisory Board has determined that the targets have been achieved.

Bonus component	Weighting	Degree of achievement in %
Relative Total Shareholder Return vs. MDAX	40 %	150.0 %
Order intake of the HENSOLDT Group	30 %	140.0 %
ESG goal: Diversity	15 %	50.0 %
ESG goal: Climate Impact	15 %	0.0 %
Overall target achievement in %		**109.5 %**

For the payout, the number of shares calculated on the basis of target achievement is multiplied by the average share price of € 33,35 over the last 60 trading days before the end of the performance period. The payout amount is limited to a maximum of 200% of the LTI target amount (cap).

Virtual shares (tranche 2021-2024)	Thomas Müller	Axel Salzmann	Peter Fieser	Celia Pelaz Perez[1]
Target amount (in €)	650,000	600,000	400,000	170,000
Share price (in €)	13.94	13.94	13.94	13.94
Number of virtual shares granted in 2021	46,628	43,042	28,694	12,195
Total target achievement in %	109.5 %	109.5 %	109.5 %	109.5 %
Share price (in €)	33.35	33.35	33.35	33.35
Calculated LTI amount (in €)	1,702,773	1,571,819	1,047,855	445,340
Disbursement amount in € (after consideration of the LTI Cap)	**1,300,000**	**1,200,000**	**800,000**	**340,000**

[1] Pro-rated assignment value (target amount)

The change in the remaining virtual shares with an LTI bonus was as follows:

Tranche 2022-2025

Virtual shares (tranche 2022-2025)	Thomas Müller	Christian Ladurner[1]	Dr. Lars Immisch[1]	Celia Pelaz Perez	Axel Salzmann[1]	Peter Fieser
Target amount (in €)	650,000	150,000	85,000	340,000	300,000	400,000
Share price (in €)	16.44	16.44	16.44	16.44	16.44	16.44
Number of virtual shares granted in 2022	39,538	9,124	5,170	20,681	18,248	24,331

[1] Pro-rated assignment value (target amount)

Tranche 2023-2026

For the 2023-2026 performance period another LTI bonus component was added in the form of the special target “Successful implementation of the business transformation for SAP S/4HANA”.

Virtual shares (tranche 2023-2026)	Thomas Müller	Christian Ladurner	Dr. Lars Immisch	Celia Pelaz Perez
Target amount (in €)	650,000	300,000	340,000	340,000
Share price (in €)	28.42	28.42	28.42	28.42
Number of virtual shares granted in 2023	22,871	10,556	11,963	11,963

Application in the reporting year: tranche 2024-2027

For the 2024-2027 performance period another LTI bonus component was added in the form of the special target “Post-merger integration of the ESG Group”.

Virtual shares (tranche 2024-2027)	Oliver Dörre	Christian Ladurner	Dr. Lars Immisch	Thomas Müller	Celia Pelaz Perez[1]
Target amount (in €)	600,000	436,800	436,800	650,000	364,000
Share price (in €)	30.92	30.92	30.92	30.92	30.92
Number of virtual shares granted in the reporting period	19,405	14,127	14,127	21,022	11,772

1 Pro-rated assignment value (target amount)

Contribution to the long-term development of the HENSOLDT Group

For details of the contribution made by the remuneration system to the long-term development of the Group, please refer to the general remarks in section 1.1. The LTI is designed to reward achievement of the long-term targets, measured over multi-year periods. This is supposed to prevent the Management Board making decisions that are aimed at optimising its remuneration in the short term but do not offer the prospect of sustainable business success. The LTI therefore includes success parameters from the areas ‘environment’, ‘social’ and ‘governance’ as what are known as ESG targets to the financial performance targets and also a strong focus on the share price. In the current Management Board employment contracts, the ESG targets include the ‘diversity’ target, which is aimed at achieving certain percentages of women at various company levels, as well as the ‘climate impact’ target, which seeks an increase in the share of renewable energy used by the HENSOLDT Group and a reduction in its CO_2 emissions.

Share-retention programme

Currently, the four-year build-up phase for the share-retention programme has not expired for any of the members of the Management Board who were in office in fiscal year 2024. Details of the share-retention programme are available in the remuneration system on the website of HENSOLDT at https://investors.hensoldt.net.

Remuneration granted and owed within the meaning of section 162 (1) sentence 1 German Stock Corporation Act (AktG)

The following tables show the total remuneration granted and owed individually to the members of the Management Board in office in the fiscal year 2024, in accordance with section 162 (1) sentence 1 AktG.

The remuneration is considered to be ‘granted’ for the year in which the activity to which the remuneration relates was fully performed. The term ‘remuneration owed’ refers to any remuneration that is legally owed but has not yet paid. In line with this earned entitlement interpretation, the STI amounts paid out for fiscal year 2024 and the LTI amounts for the 2021-2024 performance period are disclosed in the 2024 Remuneration Report because the activity for which the remuneration is granted has been performed in full by the end of fiscal year 2024 even though payment is not made until after the reporting year has ended.

Compensation payments are included insofar as they are already due in fiscal year 2024.

Active members of the Management Board as of 31 December 2024 (values in €)	Oliver Dörre (CEO)	in %	Christian Ladurner (CFO)	in %	Dr. Lars Immisch (CHRO)	in %
Annual basic remuneration	600,000	36 %	436,800	54 %	436,800	53 %
Additional and other benefits1	585,328	35 %	20,382	3 %	35,309	4 %
Total fixed remuneration	**1,185,328**	**71 %**	**457,182**	**57 %**	**472,109**	**58 %**
STI annual bonus 2024	**477,000**	**29 %**	**347,256**	**43 %**	**347,256**	**42 %**
LTI bonus tranche 2021-2024	**–**	**– %**	**–**	**– %**	**–**	**– %**
Total remuneration granted and owed in the fiscal year 2024	**1,662,328**	**100 %**	**804,438**	**100 %**	**819,365**	**100 %**

1 The additional and other benefits for Oliver Dörre include benefits awarded upon him assuming his position on the Management Board by way of compensation for his forfeiting of benefits from his previous employer in the amount of €500 thousand, subject to the obligation that he invest the resulting net inflow directly in HENSOLDT shares as part of the Shareholder Ownership Guidelines.

Resigned members of the Management Board during the fiscal year (values in €)	Thomas Müller (CEO)	in %	Celia Pelaz Perez (CStO)	in %
Annual basic remuneration	150,000	9 %	291,200	31 %
Additional benefits and other benefits	14,118	1 %	26,047	3 %
Total fixed remuneration	**164,118**	**10 %**	**317,247**	**34 %**
STI annual bonus 2024	**145,750**	**9 %**	**289,380**	**31 %**
LTI bonus tranche 2021-2024	**1,300,000**	**81 %**	**340,000**	**36 %**
Total remuneration granted and owed in the fiscal year 2024	**1,609,868**	**100 %**	**946,627**	**100 %**

Following his departure from the Management Board on 31 March 2024, Thomas Müller received a one-off payment of € 660,000 in April 2024. Having left the Management Board on 31 August 2024, Celia Pelaz Perez received a one-off payment of € 1,528,800 in December 2024.

Members of the Management Board who resigned before 1 January 2024 (amounts in €)	Axel Salzmann	in %	Peter Fieser	in %
Annual basic remuneration	–	– %	–	– %
Additional benefits and other benefits	–	– %	–	– %
Total fixed remuneration	**–**	**– %**	**–**	**– %**
STI annual bonus 2024	**–**	**– %**	**–**	**– %**
LTI bonus tranche 2021-2024	**1,200,000**	**100 %**	**800,000**	**100 %**
Total remuneration granted and owed in the fiscal year 2024	**1,200,000**	**100 %**	**800,000**	**100 %**

Review of the maximum amount of remuneration (cap)

The maximum amount of remuneration pursuant to section 87a (1), sentence 2, point 1 AktG shall include any and all remuneration components allocated for fiscal year 2024. The maximum remuneration for fiscal year 2024 must therefore also take into account the LTI tranche 2024-2027, the amount of disbursement of which is not fixed until the end of the fiscal year 2027. This means that the amount of all remuneration components allocated for fiscal year 2024 can only be determined after the end of the fiscal year 2027. In principle, the appropriateness of the potential payout amounts is ensured by limiting STI and LTI payouts to a maximum of 150 % (STI) and 200 % (LTI) of the individual target amount.

The relevant maximum cap for the total remuneration to be granted (sum of all amounts of remuneration spent for the relevant financial year, including the fixed annual salary, variable remuneration components, pension and additional payments) for the year 2021 was not exceeded for any member of the Management Board based on the calculation of the LTI tranche 2021-2024.

Granted or promised shares and share options

In accordance with the remuneration system, no shares or share options were granted or promised to incumbent members of the Management Board during the reporting year.

Retention (malus) and clawback

No use was made of the option to withhold or reclaim variable remuneration components.

Deviations from the remuneration system applicable to the Management Board

There were no deviations from the remuneration system of the Management Board in the reporting year.

Benefits promised or granted by a third party

In the reporting year, no benefits were promised or granted to any member of the Management Board by a third party with regard to their activities as a member of the Management Board.

Commitments in connection with contract terminations

Commitments in the event of premature termination of employment, including changes to these commitments agreed during the last fiscal year

The board appointment as well as the employment contract of Thomas Müller as a member of the Management Board of HENSOLDT AG were terminated prematurely by mutual agreement with effect from 31 March 2024. The contractual rights under the service contract remained unaffected for the period until 31 March 2024. To settle the claims for the period from the termination date of 31 March 2024 until the regular end of his appointment and employment contract on 30 September 2024, a compensation payment in the gross amount of € 660,000 was agreed with Thomas Müller and was due on 1 April 2024. The pro-rata STI bonus for the fiscal year 2024 will be determined in 2025 and paid out on a pro-rata basis by 31 March after the Financial Statements for 2024 have been adopted. The LTI bonus for fiscal years 2022 (tranche 2022-2025) and 2023 (tranche 2023-2026) will be determined and paid out after the end of the four-year measurement period in the years 2026 and 2027. The full LTI bonus for fiscal year 2024 (tranche 2024-2027) will be determined and paid out after the end of the four-year measurement period in 2028.

The appointment of Celia Pelaz Perez to the Management Board of HENSOLDT AG was terminated prematurely by mutual agreement with effect from 31 August 2024. The employment contract of Ms Pelaz Perez remained unaffected and active until the end of the day on 31 December 2024. All contractually agreed benefits remained valid until the termination became effective on 31 December 2024, apart from the STI bonus and LTI bonus. For these two elements, an agreement was reached by way of deviation from the service contract to only have these considered on a pro rata basis until 31 October 2024. The pro-rata STI bonus for fiscal year 2024 will be determined in 2025 after the Financial Statements for 2024 have been adopted and will be paid out by 31 October. The LTI bonus for fiscal years 2021 (pro rata), 2022, 2023 and in 2024 (pro rata for the period up until 31 October) will be determined and paid out after the end of the four-year measurement period in each of the years 2025 to 2028. To compensate the claims for the period from the termination date of 31 December 2024 until the regular end of her appointment and employment contract on 30 June 2029, a compensation payment of €1,528,800 gross was agreed with Celia Pelaz Perez, which was due on 30 December 2024.

Commitments in the event of premature termination of employment from previous years

The LTI bonus for Axel Salzmann (member of the Management Board until 30 June 2022) for fiscal years 2021 and 2022 (for 2022 pro rata) will be determined and paid after the end of the four-year measurement period in 2025 and 2026.

The LTI bonus for Peter Fieser (member of the Management Board until 30 September 2022; thereafter employee of the company until 31 December 2022) for fiscal years 2021 and 2022 will be determined and paid out after the end of the four-year measurement period in 2025 and 2026.

Pension benefits

Even though the past service cost for occupational retirement provision is not classified as remuneration granted and owed, it is also shown in the following tables for reasons of transparency.

The company pension commitments contractually agreed with the members of the Management Board are granted in the form of a direct commitment and comply with the requirements of the remuneration system, which is described on the website of HENSOLDT at https://investors.hensoldt.net. The pension benefits presented below also include commitments to the members of the Management Board prior to their appointment from previous activities at the HENSOLDT Group.

	Pension plans		Deferred compensation	
Active members of the Management Board as of 31 December 2024 (values in €)	Commitments 31 Dec. 2024 (accumulated)	Service cost in 2024	Commitments 31 Dec. 2024 (accumulated)	Service cost in 2024
Oliver Dörre	83,848	83,848	–	–
Christian Ladurner	375,978	70,912	–	–
Dr. Lars Immisch	216,810	84,499	–	–

	Pension plans		Deferred compensation	
Resigned members of the Management Board during fiscal year 2024 (values in €)	Commitments 31 Dec. 2024 (accumulated)	Service cost in 2024	Commitments 31 Dec. 2024 (accumulated)	Service cost in 2024
Thomas Müller	1,824,885	–	–	–
Celia Pelaz Perez	658,250	89,504	16,152	–

	Pension plans		Deferred compensation	
Resigned members of the Management Board during fiscal year 2022 (values in €)	Commitments 31 Dec. 2024 (accumulated)	Service cost in 2024	Commitments 31 Dec. 2024 (accumulated)	Service cost in 2024
Axel Salzmann	1,104,980	–	–	–
Peter Fieser	692,926	–	1,118,831	–

Of the members of the Management Board who resigned, Thomas Müller received retirement pension in the reporting year in the amount of € 70,142.

2 Remuneration of the members of the Supervisory Board

2.1 Remuneration system for the members of the Supervisory Board

The remuneration rules set out in the articles of association and the remuneration system for the members of the Supervisory Board were adjusted in the first quarter of fiscal year 2024, effective for that fiscal year, submitted to the general meeting on 17 May 2024 for voting and approved by a majority of 99.88 % of the valid votes cast.

The adjustments to the rules on remuneration in the articles of association and to the remuneration system mainly concern changes to annual remuneration.

In fiscal year 2024, the remuneration system applied to all active and resigned members of the Supervisory Board. The remuneration of the members of the Supervisory Board is regulated in section 12 of the articles of association of HENSOLDT AG.

According to the articles of association, the fixed annual remuneration of each Supervisory Board member amounts to € 50,000. The chair of the Supervisory Board receives € 120,000 and the vice chair receives € 70,000. For their work on the Präsidial Committee, Audit Committee or Compliance Committee, the members receive additional fixed remuneration amounting to € 15,000. The chairs of these Committees receive € 25,000 each. For work performed on the Nomination Committee, members receive additional fixed remuneration of € 10,000 and the chair receives € 20,000.

No remuneration is paid for working on other committees.

The maximum remuneration for Supervisory Board members is provided for in section 12 (3) in the articles of association and amounts to twice the amount of the annual remuneration of the Supervisory Board members according to section 12 (1) in the articles of association. Supervisory Board members who are members of the Supervisory Board or a committee or are chair of a committee for only part of the fiscal year receive remuneration which is lower in proportion to the time served. The remuneration is due four weeks after the end of each fiscal year.

The company reimburses the members of the Supervisory Board for expenses incurred in the performance of their duties, including any value-added tax payable on the reimbursement of expenses.

The company has taken out a liability insurance policy on behalf of the members of the Supervisory Board, which covers legal liability arising from their Supervisory Board activities.

The system for the remuneration of the members of the Supervisory Board provides for a purely fixed remuneration without performance-based variable components and without share-based remuneration. The Management Board and the Supervisory Board are of the opinion that purely fixed remuneration of the Supervisory Board members is best suited to reinforcing the independence of the Supervisory Board, to taking into account the advisory and supervisory function of the Supervisory Board, which is to be fulfilled independently of the company’s success, and to avoiding potential misplaced incentives. The granting of fixed remuneration is also in line with the current predominant practice in other listed companies and the suggestion contained in G.18 sentence 1 of the German Corporate Governance Code (GCGC). The amount and structure of the Supervisory Board remuneration is in line with the market. It enables the company to attract and retain outstandingly qualified candidates with valuable, industry-specific knowledge for the Supervisory Board. This is a prerequisite for the best possible performance of the advisory and supervisory activities by the Supervisory Board and contributes significantly to the promotion of the business strategy and the long-term development of the HENSOLDT Group.

More details regarding the remuneration system can be found on the website of HENSOLDT at https://investors.hensoldt.net.

2.2 Remuneration of the members of the Supervisory Board in fiscal year 2024

The following table shows the remuneration granted and owed to current and former members of the Supervisory Board in fiscal year 2024 within the meaning of section 162 of the German Stock Corporation Act (AktG). The remuneration earned in 2024 is reported as the remuneration granted in the reporting period within the meaning of section 162 AktG.

in €	Fixed remuneration	in %	Committee remuneration	in %	**Granted and owed remuneration in 2024**
Active members of the Supervisory Board as of 31 December 2024					
Reiner Winkler (Chair)	120,000	73 %	45,000	27 %	**165,000**
Armin Maier-Junker[1,2] (Vice Chair)	70,000	82 %	15,000	18 %	**85,000**
Dr. Jürgen Bestle[1,2]	50,000	63 %	30,000	38 %	**80,000**
Jürgen Bühl[1]	50,000	77 %	15,000	23 %	**65,000**
Raffaella Luglini (since 1 July 2024)	25,000	80 %	6,250	20 %	**31,250**
Marco R. Fuchs	50,000	83 %	10,000	17 %	**60,000**
Achim Gruber[1,2]	50,000	77 %	15,000	23 %	**65,000**
Ingrid Jägering	50,000	59 %	35,000	41 %	**85,000**
Marion Koch[1,2]	50,000	77 %	15,000	23 %	**65,000**
Giuseppe Panizzardi	50,000	56 %	40,000	44 %	**90,000**
Julia Wahl[1]	50,000	77 %	15,000	23 %	**65,000**
Hiltrud D. Werner	50,000	56 %	40,000	44 %	**90,000**
Retired members of the Supervisory Board in the fiscal year 2024					
Letizia Colucci (until 31 May 2024)	20,833	77 %	6,250	23 %	**27,083**

1 Representative of the employees

2 Employees of HENSOLDT AG or one of the Group companies

No deviations from the remuneration system of the Supervisory Board occurred in the fiscal year.

3 Multiple-year overview: Information on the development of Management Board and Supervisory Board remuneration in relation to the remuneration of the rest of the workforce and the development of the results of operations of the HENSOLDT Group

Pursuant to section 162 (1) sentence 2 no. 2 AktG, the following overview presents the relative development of the remuneration granted and owed to members of the Management Board and Supervisory Board in the respective fiscal year in accordance with what is presented in the tables under 1.2 and 2.2 in comparison to the average remuneration of the employees on a full-time equivalent basis as well as selected key earnings figures of the HENSOLDT Group.

For the presentation of the Group's earnings situation, those key figures are used for which HENSOLDT AG issued a forecast in the past fiscal year, as well as the key figures that form the basis for the short-term remuneration of the Management Board. In addition, the net profit or loss for the year from the individual Financial Statements of HENSOLDT AG according to the German Commercial Code (HGB) is included in the comparison.

For the presentation of the average remuneration of the employees, the gross taxable amount for employees covered by collective agreements and non-tariff employees on the basis of full-time equivalence (excluding apprentices, trainees, etc.) is used, insofar as this exceeds € 4,000 per year. This is based on the workforce of HENSOLDT AG and the following German subsidiaries of HENSOLDT AG: HENSOLDT Optronics GmbH, HENSOLDT Holding Germany GmbH and HENSOLDT Sensors GmbH.

	Fiscal Year		
Remuneration granted and owed acc. to section 162 AktG in €	2024	2023	% Delta
Management Board remuneration			
Active members of Management Board			
Oliver Dörre (Management Board member since 1 January 2024, Chair since 1 April 2024)	1,662,328	–	–
Christian Ladurner	804,438	567,352	41.8 %
Dr. Lars Immisch	819,365	657,669	24.6 %
Resigned Members of Management Board			
Thomas Müller (Chair until 31 March 2024)	1,609,868	1,258,908	27.9 %
Celia Pelaz Perez (until 31 August 2024)	946,627	656,983	44.1 %

	Fiscal Year		
Remuneration granted and owed acc. to section 162 AktG in €	2024	2023	% Delta
Supervisory Board remuneration			
Active members of Supervisory Board			
Reiner Winkler (Chair)	165,000	91,250	80.8 %
Armin Maier-Junker[1,2] (Vice Chair)	85,000	70,000	21.4 %
Dr. Jürgen Bestle[1,2]	80,000	56,250	42.2 %
Jürgen Bühl[1]	65,000	50,000	30.0 %
Raffaella Luglini (since 1 July 2024)	31,250	–	–
Achim Gruber[1,2]	65,000	50,000	30.0 %
Ingrid Jägering	85,000	65,000	30.8 %
Marion Koch[1,2]	65,000	50,000	30.0 %
Julia Wahl[1]	65,000	50,000	30.0 %
Hiltrud D. Werner	90,000	61,250	46.9 %
Marco R. Fuchs	60,000	31,250	92.0 %
Giuseppe Panizzardi	90,000	5,833	> 200 %
Resigned members of Supervisory Board			
Letizia Colucci (until 31 May 2024)	27,083	50,000	-45.8 %
Johannes P. Huth (Chair, until 12 May 2023)	–	41,250	–
Giovanni Soccodato (until 31 October 2023)	–	54,583	–

1 Representative of the employees

2 Employees of HENSOLDT AG or one of the group companies

	Fiscal Year		
Key earnings figures in € million	2024	2023	% Delta
Net income / loss (annual financial statement acc. to German Commercial Code)	22	-90	n.a.
Profit / Loss (Group)	106	58	81.7 %
Revenue (Group)	2,240	1,847	21.3 %
EBITDA (Group)[1]	405	329	23.0 %
Order intake (Group)	2,904	2,087	39.1 %
Free cashflow (Group)[2]	249	198	26.0 %

1 Key figure adjusted for special items as per reconciliation in section II Economic Report 3.1 Results of Operations in the Combined Management Report for the fiscal year ended on 31 December 2024.

2 Key figure adjusted for special items and M&A activities as per reconciliation in section II Economic Report 3.3 Financial Situation in the Combined Management Report for the fiscal year ended on 31 December 2024.

	Fiscal Year				
Workforce information	2024	2023	2022	2021	2020
Employee remuneration in €	96,724	94,036	91,946	91,218	90,956
Change compared to previous year in %	2.9 %	2.3 %	0.8 %	0.3 %	

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

VI Independent Auditor’s Report on the audit of the remuneration report

To HENSOLDT AG, Taufkirchen, District of Munich

Report on the audit of the remuneration report

We have audited the attached remuneration report of HENSOLDT AG, Taufkirchen, District of Munich, for the financial year from January 1 to December 31, 2024, including the related disclosures, prepared to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Management Board and the Supervisory Board

The management and the Supervisory Board of HENSOLDT AG are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remuneration report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, including the related disclosures, in the remuneration report. The procedures selected depend on the auditor’s professional judgement. This includes an assessment of the risks of material misstatement, whether due to fraud or error, in the remuneration report, including the related disclosures. In assessing these risks, the auditor considers the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the financial year from January 1 to December 31, 2024, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

Other matter – formal examination of the remuneration report

The substantive audit of the remuneration report described in this independent auditor’s report includes the formal examination of the remuneration report required by Section 162 (3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the remuneration report, this opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made, in all material respects, in the remuneration report.

Limitation of liability

The terms governing this engagement, which we fulfilled by rendering the aforementioned services to HENSOLDT AG, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on 1 January 2024. By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Munich, March 26, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Koeplin
Wirtschaftsprüfer
[German Public Auditor]

Schieler
Wirtschaftsprüfer
[German Public Auditor]

Imprint

Editor

HENSOLDT AG
Willy-Messerschmitt-Straße 3
82024 Taufkirchen
Deutschland

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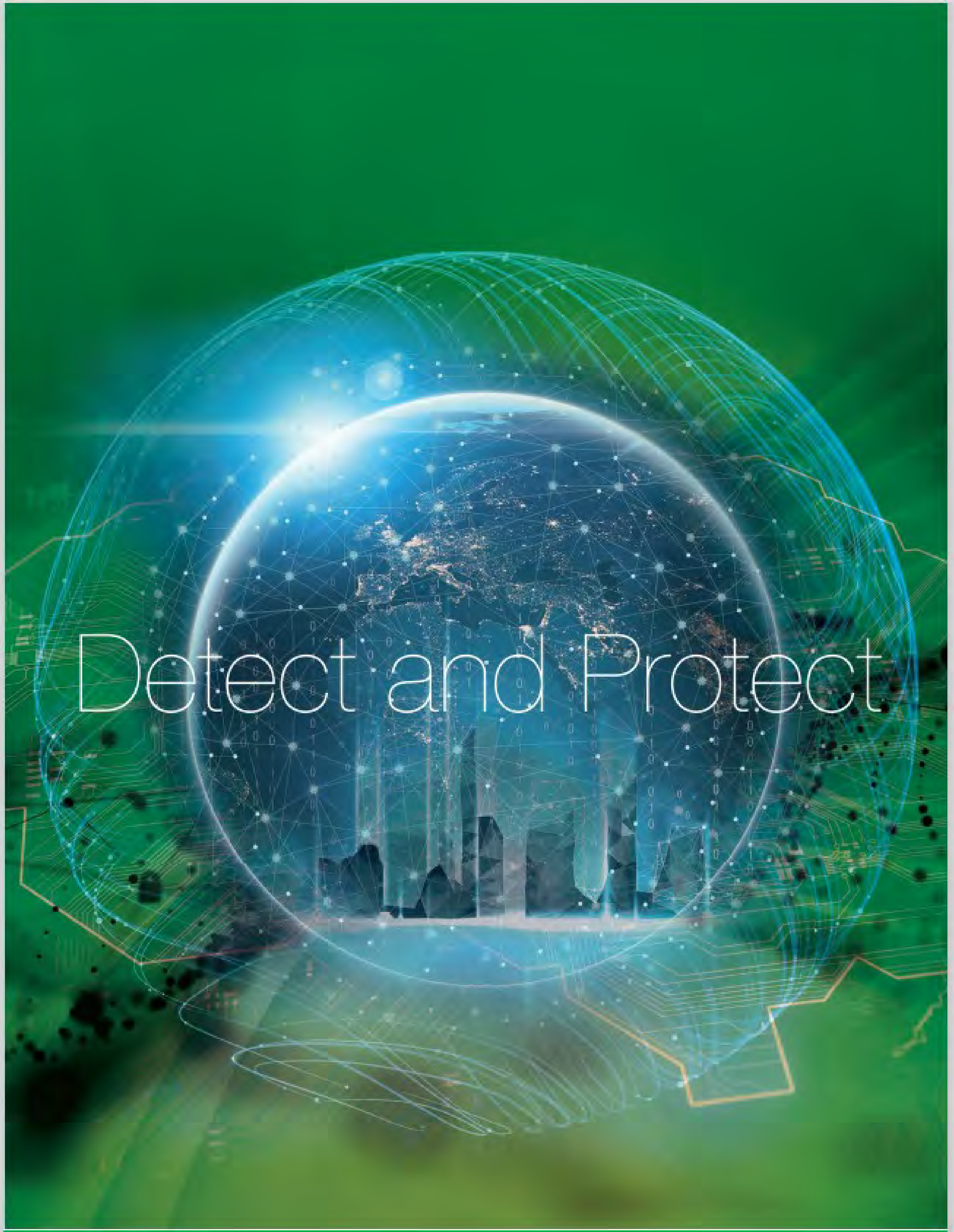

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