

# Annual Report **2022**

Detect and Protect

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# The **HENSOLDT** Purpose

“Together we make  
the difference for  
a safer tomorrow”

All activities at HENSOLDT serve the company's overarching vision and, in doing so, respond to fundamental challenges of our time.

A high-tech company and pioneer in the defence industry, HENSOLDT drives innovation for the security requirements of the future.

HENSOLDT's intelligent, connected sensor systems and digital solutions detect threats so that people and the environment can be protected. They are the backbone of next-generation defence systems for all fields of deployment, be they in the air, at sea, on land, in space, or in cyberspace.

HENSOLDT's employees, innovative spirit, entrepreneurship, commitment, and team thinking provide the foundation for the performance that it promises.

Together, they make the difference for a safer tomorrow.



// About  
**6,500** employees  
// More than  
**50** nations  
// More than  
**40** sites



**Tobias Hondorf**

Head of  
Simulation Engineering,  
HENSOLDT Germany,  
Immenstaad

*"In our development department, we simulate the sensors of tomorrow to make the world safer."*



**Celia Malahlela**

Head of International Setup  
and Post-Merger Integration,  
HENSOLDT Germany,  
Taufkirchen

*"We concentrate our forces across national borders and company boundaries. This lets us make an even better contribution so that our children and the next generation can enjoy a livable planet."*



**Jacob Mould**

Programme Engineering  
Manager,  
HENSOLDT UK,  
Enfield

*"Whether it's developing early-warning systems for wildlife protection or solutions for securing borders against drug trafficking, what we do helps to reduce crime and provide security for our societies' coexistence around the globe."*



**Felix Pabst**

Head of Ground Based Air  
Defence Solutions Engineering,  
HENSOLDT Germany,  
Ulm

*"What I find fascinating about radar development is seeing the actual protective function, like with our TRML-4D in Ukraine."*



**Natalia Betancourt**

Strategic Product Manager  
Security Solutions,  
HENSOLDT Germany,  
Taufkirchen

*"We combine our engineering spirit with a strong focus on our customers' needs for a safer tomorrow. With my position interfacing between sales and development, I get to make a contribution to this USP."*



**Rynier van der Watt**

Managing Director,  
HENSOLDT South Africa,  
Johannesburg

*"As a European company operating in South Africa, we bring many worlds together. This makes it all the more important to have a corporate culture where each individual can develop and make a difference."*





**Hannes Knaak**

Dual Study Programme  
Industrial Engineering,  
HENSOLDT Germany,  
Ulm

*"Everyone on our team does their part – because we know that it can make a major difference when we can deliver a product and what quality it has."*



**Olivier Chierotti**

Programme Manager  
H2 Solutions,  
HENSOLDT Germany,  
Taufkirchen

*"Using our hydrogen technologies, we make a difference for lasting security."*



**Dr. Michael Teutsch**

Staff Scientist,  
HENSOLDT Germany,  
Oberkochen

*"Machine learning and artificial intelligence can make all the difference for our sensors and solutions. This is motivation for me."*



**Nico Fritz**

Public Relations Manager,  
HENSOLDT Germany,  
Ulm

*"It's only in close conversation with society that we can make a real difference for a safer tomorrow. That's why we shed light on complex technologies and the mission that drives us as a company."*



**Celia Bartel**

Head of Naval & Ground  
Radar Engineering,  
HENSOLDT Germany,  
Taufkirchen

*"My main goal has been to empower my engineering team to deliver to our customer IFF solutions enabling a reliable surveillance and identification capability ensuring the safety of our customers troops and allies."*



**Alexander Irmischer**

Head of Ground Stations,  
HENSOLDT Germany,  
Immenstaad

*"As the programme leader for helicopter ground stations, it's up to me to give our soldiers the best equipment possible and give them technical support so that our army can successfully fulfill its obligations in the NATO Response Force."*

// **5** domains  
// **4** divisions  
// **6** years as an independent company  
// **150+** years of heritage





# The **HENSOLDT** Management Board

Over 80 years' expertise  
in the security and defence industry

The dawn of a new era: HENSOLDT is being led into a new era in the defence industry by an experienced Board of Management. **Thomas Müller (CEO; second from right)**, **Lars Immisch (CHRO; right)**, **Christian Ladurner (CFO; left)**, and **Celia Pelaz (CStO)** together represent over 80 years' expertise in the defence sector. Lars Immisch and Christian Ladurner were new appointments to the HENSOLDT Management Board in 2022 as part of long-term succession planning. Jointly with the rest of the HENSOLDT team, the Management Board works on developing the company into Europe's leading platform-independent provider of sensor solutions in the defence and security sector and growing it further as a global brand. Their shared goal is for HENSOLDT to be a partner for customers, investors, employees, and society during this *Zeitenwende* (turning point), offering superior solutions and more reliability than ever.



# Foreword

## Chairman of the Supervisory Board

Johannes Huth  
Chairman of the Supervisory Board  
HENSOLDT AG



2022 was a dramatic and historic year: Peace in Europe was shaken. This has fundamentally changed the global geopolitical context – with far-reaching effects on economic development and the living conditions of many people. Above all, however, Russia's invasion has led many people to develop a new awareness of the need to defend freedom and democracy and, with it, the significance of a strong and innovative defence industry. As a high-tech defence electronics company, this is what HENSOLDT stands for. In 2022, the company maintained its impressive growth and again demonstrated its outstanding capabilities. I would like to thank all employees on behalf of the Supervisory Board for their commitment and vigour during this extraordinary year.

Today, HENSOLDT is a key strategic partner of the Federal Republic of Germany and a powerhouse of the industrial base in the European defence sector. HENSOLDT's technologies are critical for the success of next-generation defence systems and, by extension, the success of the *Zeitenwende* (turning point). All this is the result of a remarkable corporate track record. Ever since its establishment as an independent company in 2017 and IPO in 2020, HENSOLDT's entrepreneurial spirit and innovative strength have been able to flourish. Together, we defined an ambitious growth plan and have implemented it with determination. HENSOLDT has significantly increased its research and development expenditures in recent years, expanded its product portfolio, and also extended its presence into important markets through strategic acquisitions. Now, HENSOLDT is playing a key role in vital European projects such as the Eurofighter, FCAS, and MGCS. Since its IPO, the company has grown more strongly than the overall defence electronics market and more than doubled the size of its order book. Thanks to this success, HENSOLDT has been able to add over 1,000 employees to its workforce in the last three years.

Corporate strength based on healthy, robust business models: The value of economic resilience is also becoming clearer than ever in times of crisis. HENSOLDT stayed on track in 2022 amid a challenging environment characterized by inflation, macroeconomic volatility, and dislocations in global supply chains, again significantly increasing sales and EBITDA while maintaining high profitability. The company keeps benefitting from the continuous improvement of its operational excellence and reliable conversion of orders into successful results. HENSOLDT again received a large number of significant orders last year, even before Germany's special fund for the Bundeswehr had substantially materialized for the industry, and thereby reinforced the foundation for the company's ongoing successful development. The delivery of high-performance radars for aerial defence in Ukraine – accomplished in record time – was of paramount importance and an impressive example of what it means to add value through technological know-how and corporate strength.

HENSOLDT enjoys an excellent basis for meeting the requirements of the new geopolitical reality, both now and in the future. By developing into a provider of interconnected, integrated sensor solutions and assigning an ever increasing role to technologies such as data analytics and artificial intelligence, the company is meeting the changing needs of its customers and growing its contribution in modern defence platforms. As its partnerships expand, especially with new anchor shareholder LEONARDO, HENSOLDT plays a more and more active role in the necessary deepening of European collaboration. With the consistent implementation of its ESG strategy under the special circumstances of the war in Europe, HENSOLDT takes its corporate responsibility and the justified expectations of the defence industry in the area of sustainability seriously and continues to perform significantly better than the sector average in ESG ratings.

With regards to the leadership team, the right foundations for a successful future have also been put in place. Successful, long-term succession planning saw responsibility for finances and human resources being put in new hands on the Management Board in spring 2022. Together with the entire workforce, the newly formed Board of Management will promote HENSOLDT further and serve the mission that has been front and center to all of us for at least a year now:

**the security of tomorrow.**



# Letter from the CEO to Shareholders

Dear Shareholders  
and Readers,

Thomas Müller  
CEO  
HENSOLDT AG



An undoubtedly extraordinary year lies behind us – for the global security order, for Europe, and for our own company. In his speech to the Bundestag on February 27, 2022, just a few days after Russia's attack on Ukraine, Chancellor Scholz coined the term *Zeitenwende* (turning point) to describe a watershed moment in German foreign and security policy that also has significant implications for HENSOLDT.

We shed light on the manifold implications of the German *Zeitenwende*, the increasing development of Europe toward a military union, and the renaissance of NATO in a separate section in this Annual Report.

At its core, the *Zeitenwende* means taking a realistic look at everything to do with defence and security – namely, recognizing that peace and stability in our world are not simply a given, but must be protected and defended. To achieve this, we need operational armed forces and a strong defence industry, among other things. To put it clearly: In my view, this perspective is a return to normality. For me, the justification and necessity of defence capability has never been in question.

With the *Zeitenwende*, a wider public now recognizes the contribution we make as a company for a safer tomorrow. With the market position we have built up in recent years, we are very well placed to fill this role comprehensively and to exploit the associated new business opportunities in Germany, NATO, and also worldwide. At the same time, we are very aware that these opportunities come with a great responsibility: The Bundeswehr and the armed forces of our partners must be supplied reliably and much faster than before. As HENSOLDT, we have proven in recent years that we implement complex projects in a disciplined manner and deliver our solutions on time, with high quality, and within budget.

This is also a major reason why our business has again developed excellently in 2022. For example, we are working full steam on the major projects Mk1, the next-generation Eurofighter radar, and the PEGASUS airborne signals intelligence system, which we received in 2020 and 2021, and are reliably converting project milestones into profitable sales and cash flow already today.

All business areas contributed to the renewed strong order intake of around 2 billion euros last year. These included, for example, the order for four TRS-4D naval radars for the F126 class multi-role combat ships worth 168 million euros, a further long-term tranche to support the Eurofighter electronics systems worth 270 million euros, and radar and self-protection systems for the Spanish HALCON Eurofighters worth 175 million euros. Our civil business with high-performance measurement technology contributed around 45 million euros to order intake in 2022.

Of outstanding strategic importance is the order worth around 100 million euros as part of the "Future Combat Air System (FCAS)" for the development of demonstrators in the core competence fields of radar, reconnaissance and self-protection electronics, optronics, and overarching sensor networking. We are thus laying an important foundation stone for HENSOLDT's participation in this billion-euro programme for the coming decades and once again demonstrating our role as an active shaper of European cooperation.



Last fall, we delivered the first of four TRML-4D high-performance radars for the IRIS-T SLM air defence system to Ukraine in record time. Our employees ensured this with great commitment and particularly close cooperation across all areas – an excellent example of the agile entrepreneurial spirit that has always distinguished us at HENSOLDT and makes such achievements possible in the first place! Today, our radar protects the population in Ukraine so effectively against Russian missile and drone attacks that the Ukrainian government ordered two more TRML-4Ds from us in early 2023. We will also deliver these swiftly. In addition, the TRML-4D, also in combination with our innovative Twinvis passive radar, will be an important component of the „European Sky Shield Initiative“ launched by Chancellor Scholz and will set new standards for high-performance sensor technology in mid-range air defence. In order to shorten delivery times for our customers, we are moving ahead and have decided to produce a tranche of 30 TRML-4D radars – a quantum leap that clearly demonstrates the new relevance of our industry!

It was also important for us last year that, after a two-year interruption due to the pandemic, we were finally able to talk to our customers and partners in person again – for example, at trade fairs such as the ILA in Berlin, Eurosatory in Paris, and AAD in Pretoria. The highlights of 2022 for HENSOLDT also included the start of construction of our new technology campus in Oberkochen, the inauguration of the new laboratory building in Ulm for the PEGASUS and Eurofighter programmes, and the agreed cooperation with the Israeli company RAFAEL to equip the Eurofighter with electronic warfare capabilities. With the strategic cooperation agreed at the end of the year with “21strategies”, a leading specialist in “third-wave” artificial intelligence, we are continuing to drive forward the development of artificial intelligence for the next generation of defence systems.

We very successfully combine our high innovative strength with a robust and crisis-proof business model. Before the German 100-billion euro special fund had even taken effect, we were achieving our ambitious targets again in the 2022 fiscal year and even exceeding many of them: With our order intake of around 2 billion euros, we now have a record order backlog of 5.4 billion euros and a book-to-bill ratio of 1.2 x. HENSOLDT sales increased by 16 percent last year to over 1.7 billion euros, and adjusted EBITDA by 31 million euros to 292 million euros. With a very pleasing adjusted free cash flow before interest and taxes of 219 million euros, we were able to further reduce

our debt-to-equity ratio to 1.2x. So you see, we keep our word and deliver what we promise!

With the appointment of Celia Pelaz as Chief Strategy Officer, with responsibility for all our business development in Germany and globally, we had already initiated a generational change in our management team in 2021. We continued this process last year, both in our Management Board and our Executive Committee. In addition to Christian Ladurner as Chief Financial Officer and Lars Immisch as Chief Human Resources Officer, Chris Ruffner (Head of the Spectrum Dominance and Airborne Solutions Division) and Alexander Dahm (Chief Supply Chain Officer) also took up their new positions as members of the Executive Committee in 2022. They all know their business inside out and bring valuable experience for our next growth step. All four colleagues are very familiar with HENSOLDT and were able to hit the ground running in their new roles from day one. At the same time, they bring in new impulses with a lot of commitment to realize the opportunities and master the challenges that lie ahead.

These challenges include, among others, the reliable supply of primary products and components in the face of cross-industry disruptions in supply chains. Roughly 90 percent of our suppliers are based in Germany or Europe, which significantly softens these issues for HENSOLDT. In addition, persistently high energy prices and inflation overall are influencing the development of the cost base of our products and their pricing. We have kept a very close eye on all these issues and have set up special expert groups to assess potential impacts on our business on an ongoing basis and recommend and implement measures where necessary.

Above all, however, we will be engaged this year and far beyond in the realization of the *Zeitenwende* and the associated opportunities. Germany's special fund of 100 billion euros will boost the order intake momentum significantly over the next three to four years and do a great deal to drive our industry's “supercycle”. In this context, HENSOLDT will benefit from significant changes in the operational doctrine of the armed forces as well as from key technological developments: the ability to quickly create a comprehensive situation report, to distribute this information in a network of connected sensors and effectors in a way that is appropriate for the mission, the dominance of the electromagnetic spectrum – we are ideally positioned with our portfolio for all of these tasks that are in high demand. From the projects of the special fund and the upgrading of the Bundeswehr, we have defined clear priorities that we are pursuing with vigor. These include, for example, the digitalization of land forces, the Eurofighter's

electronic warfare capabilities, and sensor updates for surface and underwater platforms.

In the coming years, HENSOLDT will benefit significantly from the combination of rising defence budgets and the increasing trend toward networked, intelligent systems, which offers the defence electronics market segment above-average structural growth prospects. Accordingly, we raised our short- and medium-term targets at the end of 2022 and set ourselves an even more ambitious agenda for the development of our key figures. Because today it is paying off that we have created, with HENSOLDT, a long-term growth platform with excellent and easily plannable entrepreneurial perspectives. We will vigorously develop this further in order to continuously expand our market position, also because our intention remains unchanged with regard to the foreseeable consolidation of the European defence industry: HENSOLDT is to play an active role in this process and drive consolidation from a position of strength.

Our corporate strategy points the way to sustainable and profitable growth. We regularly put it to the critical test to reflect current developments and have done so particularly intensively in the past year with a view to the *Zeitenwende*. It has shown once again that we are on the right track and we have decided that we will implement our strategy even faster in the future. The core of our DNA is and remains the development of cutting-edge sensor and protection technologies for the defence systems of tomorrow. In doing so, we are increasingly combining our deep understanding of our customers' application scenarios and the enormous volumes of data generated by our sensors with comprehensive competencies in the areas of artificial intelligence and data analysis as well as the further digitalization of our sensor technology. On this basis, we are also intensively driving forward our development into a system provider. This enables us to offer our customers integrated end-to-end solutions, expand our presence on different platforms, and make our business model even more robust. Geographically, Russia's war against Ukraine is bringing our home markets in Europe back into sharper focus. Of course, we will take advantage of the opportunities that are now available in Europe. At the same time, we want to further expand our international presence beyond this.

Dealing with ESG – namely, sustainability in the areas of environment, society, and corporate governance – is a key strategic issue for us. After all, as a technology company in the defence industry, our goal is to enable

the sustainable development of societies in peace and freedom – this also includes our original responsibility for the environmentally friendly use of resources. For young talent, in particular, ESG has become a key criterion for the attractiveness of an employer, but a consistent focus on sustainability also pays off economically.

That is why we are pursuing our Group-wide ESG strategy very systematically and aim to become the ESG benchmark in the defence sector by 2026. As a further milestone, we have set ourselves the goal of becoming carbon neutral by 2035. The fact that we are on the right track is impressively underlined by the second rating from Sustainalytics. In its second year, HENSOLDT is again number one in terms of sustainability in the aerospace and defence industry. We were able to further improve our score and continue to be the only company in the industry to be classified as “low risk.” I would particularly like to highlight the full score we achieved in combating bribery and corruption, a key focus of our corporate governance approach.

As you read this Annual Report, you can experience it for yourself in many stories: Our workforce of around 6,500 employees is highly motivated and passionate about the future of HENSOLDT. That is why it was important to us to offer them the opportunity to participate in the company. To this end, last year we launched a second tranche of our employee share programme ECHO, which was first introduced in 2021 – with overwhelming success once again! More than 60 percent of employees worldwide participated in ECHO in 2022 and are now shareholders of HENSOLDT AG. This demonstrates once again their trust in and commitment to the company.

On behalf of my entire Board of Management team, I can assure you, dear shareholders, that we are aware of our responsibility to you every day anew. The past year has been truly exceptional. We at HENSOLDT have remained true to ourselves, achieved all our goals, implemented our plans, and thus confirmed your trust. I would like to express my particular gratitude to all shareholders who have accompanied us with their trust since the IPO. We will continue to do everything in our power to live up to this trust.

With the warmest regards,

**Thomas Müller**  
CEO  
HENSOLDT AG



# //zeitenwende



# Focus on the *Zeitenwende.*

The Bundeswehr's Path to  
Becoming a Future-Proof Army

The German Bundeswehr is about to undergo a complete modernization. Given the new reality for security policy in Europe, it is moving its focus back to national and alliance defence. This means it needs to build up its capabilities and HENSOLDT can make a significant contribution to that, with its technologies of today and tomorrow. The company is a strong partner which is willing to take responsibility in the joint undertaking between politics, the military, and industry to develop the Bundeswehr into a future-oriented army quickly and comprehensively.

When the Bundeswehr last experienced a major structural reform in 2011, Germany's government at the time decided that national and alliance defence should no longer determine the structure of the Bundeswehr. Instead, it has been consistently focused on foreign deployments, although there was an initial, isolated shift back toward NATO alliance defence following Russia's annexation of the Crimea in 2014. Then, in February 2022, Russia invaded Ukraine and the security situation in Europe changed radically.

German Chancellor Olaf Scholz delivered a speech to the German parliament on February 27, 2022, three days after Russia's invasion, one which is often referred to today as historic. In it, he spoke for the first time of the *Zeitenwende* or turning point. The latter is marked by the need for a completely new orientation for German security and defence policy due to the change in Europe's military and political order.

In this context, the German government has defined three objectives:

- 1 **Immediate support for Ukraine with rapid supply of material**
- 2 **A fast increase of the Bundeswehr's combat readiness**
- 3 **A medium- and long-term improvement of the Bundeswehr's operational readiness**

While the international missions that are currently mandated will continue, the Bundeswehr has been instructed to concentrate more on national and alliance defence again in the future. To this end, the federal government is seeking to invest at least two percent of its gross domestic product in defence each year and established an additional, hypothecated special fund for the Bundeswehr, worth 100 billion euros and backed up with a legal basis under the country's constitution. *"Our aim is to have a capable, highly modern, and advanced Bundeswehr which protects us reliably,"* said Chancellor Olaf Scholz.

In addition to the defence budget, the special fund is intended primarily to finance complex equipment projects of the Bundeswehr that last multiple years. The majority of the investments is set to go toward "Air," followed by the military's "Leadership/Digital Transformation," "Land," and "Sea." Funds have also been budgeted for research and development on the application of artificial intelligence.



The biggest Bundeswehr modernization in history is planned to fill a current gap in capabilities. It involves more than just increasing the volumes of equipment. Rather, the shift toward alliance and national defence comes with requirements of a very different quality in terms of capabilities and technological material, compared to out-of-area operations such as the Afghanistan mission. Secondly, the Bundeswehr is also intended to be prepared for the new requirements of the future so that it can respond to any kind of threat effectively and efficiently. The buildup of capabilities within NATO and the EU will also have an important role in this substantial empowerment of the Bundeswehr. Christine Lambrecht, then Minister of Defence, announced in the German Bundestag in June 2022: *“In establishing the special fund, we will return to equipping our military in a way that lets it achieve its core mission in full: defending our country and our allies. We are ensuring a fully operational Bundeswehr.”*

## HENSOLDT – a Reliable Partner

As a leading technology company in the defence industry and a strategic partner of Germany’s government, HENSOLDT is able to make a substantial contribution in the context of the *Zeitenwende*. It has an innovative and extensive portfolio that serves crucial technological trends, most of all the abilities to quickly develop a comprehensive situation report, to distribute collected information in a network of connected sensors and effectors in a manner appropriate for the mission, and to gain control over the electromagnetic spectrum.

Based on its growth in recent years, the significant expansion of its workforce that has come with this, and its broadened international production network, HENSOLDT is capable of supporting the Bundeswehr rapidly and flexibly. In this context, HENSOLDT technologies can essentially strengthen four capability areas that are of high importance for the future-oriented orientation of the Bundeswehr. Added to this is support for Ukraine’s defence capability (see next page).



January 16, 2023: Federal Chancellor Olaf Scholz visits the HENSOLDT site in Ulm, Germany





# Information Superiority



Russia's war against Ukraine demonstrates how the availability and systematic evaluation of data can also put a numerically superior opponent on the defensive. Information superiority plays an increasingly decisive role in operational and strategic situation assessment and strategies based on it. Accordingly, efficient information gathering and effective information management are of enormous importance for national and alliance defence by the German Bundeswehr, now and in the future. In addition to traditional reconnaissance, this increasingly includes the evaluation, use, and integration of publicly available data from freely accessible (social) media.

**One example:**  
The airborne signal-capturing system PEGASUS based on HENSOLDT reconnaissance technologies will contribute to long-range surveillance and reconnaissance in the future – both nationally and within the alliance. This will close an expertise gap that the Bundeswehr has had in this area since 2010.

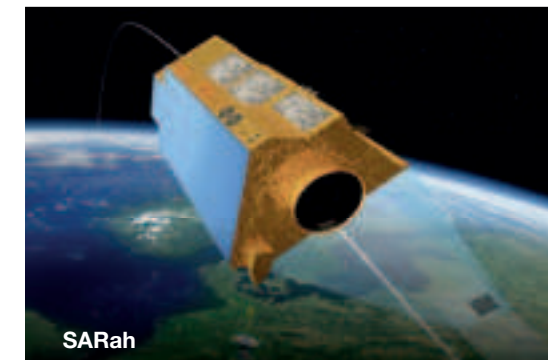
## HENSOLDT Technologies for Information Superiority

**SARah** is the successor to the SARLupe satellites, both of which are equipped with HENSOLDT's high-resolution "Synthetic Aperture Radar (SAR)" technology. The SARah reconnaissance system consists of three radar satellites and two ground stations. It stands out for its even better resolution and faster image transmission, which means it seamlessly joins the lineage of HENSOLDT SAR solutions that have been in space for over 20 years without any mission-critical failure. No matter the weather conditions, they deliver key data from space in record time, 24 hours a day at almost any location on earth. The Bundeswehr uses the satellites to detect and prevent crises as well as to manage them.

**Eurofighter Common Radar System (ECRS) Mk1** is being developed by HENSOLDT in conjunction with INDRA as the next-generation Eurofighter radar. The electronically scanned radar system, which incorporates more than two decades of experience and development work, improves electronic warfare capability as well as target detection and acquisition. Its modular design, powerful multichannel receiver, and forward-looking architecture reduce repair and maintenance requirements and enable incremental upgrades of current radar generations. The E-Scan high-performance radar is to be installed in the upcoming Eurofighter. Overall, HENSOLDT is planning to supply more than 150 Mk1 radars for the Eurofighter fleet of the German and Spanish air forces.

The current and future HENSOLDT portfolio includes many other solutions that contribute to information superiority. These include, for example:

- **Mk0-Radar:** High-performance airborne surveillance radar and further development of CAPTOR-E for the current Eurofighter
- **EF IEWS** (Eurofighter Integrated Electronic Warfare Capabilities): Integrated electronic warfare capabilities for the Eurofighter
- **EF EK ESJ Pod:** State-of-the-art airborne electronic warfare solution that will be operational for the first time in 2028 (see also chapter 9.2.2 Electronic Combat)
- **Reconnaissance technology for PEGASUS** (Persistent German Airborne Surveillance Systems): Future airborne system for electronic signal reconnaissance for which HENSOLDT is responsible as prime contractor
- **PrecISR:** Family of airborne multi-mission surveillance radars for intelligence, surveillance, and reconnaissance
- **Military Avionics:** Broad portfolio of military avionics systems, including situational awareness systems, military mission computers, and flight recorders
- **TRS-4D:** C-band naval radar with AESA (Active Electronically Scanned Array) technology for surveillance and target acquisition
- **OMS** (Optronic Mast System): Optical twin mast for submarine operations
- **PERI:** Periscope for remote observation and target acquisition for main battle tanks
- **Military Utility Vehicle:** Concept demonstrator as a modular sensor fusion platform for surveillance and reconnaissance as well as self and convoy protection (see also chapter 9.2.1 Sensor Fusion)



SARah



ECRS Mk1



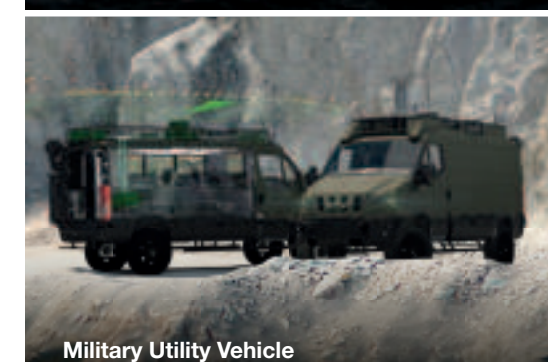
EF EK ESJ Pod



TRS-4D



OMS



Military Utility Vehicle



# Integrated Operations



In the past, military strategists used to say: “One tank alone will not win a battle.” Today, and increasingly in the future, the technological potential of networking different sensors and effectors across all domains must be exploited: on the ground, in the air, at sea, in space, and in cyberspace. The basis for this is the communication of all elements in the network as well as cloud-based and AI-supported evaluation and processing of all data. This creates the ability to act in the network and thus strategic superiority.

**One example:**  
The “Future Combat Air System (FCAS)”, to which HENSOLDT is contributing key core technologies, describes the interplay of manned and unmanned flying platforms, distributed sensors, and effectors on the ground and at sea, linked by a combat cloud.

## HENSOLDT Technologies for Integrated Operations

**TWINVIS** (standing for “twin” and “invisible”) is a passive radar that cannot be detected. While conventional radar systems emit signals that are reflected by an object and thus make it visible, TWINVIS does not generate any transmission energy. Instead, it uses existing electromagnetic energy from radio and TV transmitters and evaluates their echoes reflected from an object. The system thus remains invisible, cannot be selectively jammed or turned off, and can even detect stealth aircraft. A single TWINVIS can provide 3D surveillance of up to 200 aircraft within a 250-kilometer radius. Thus, it can play an important role in securing sensor-effector networks. Thanks to its small size, it can even be integrated into off-road vehicles and vans.

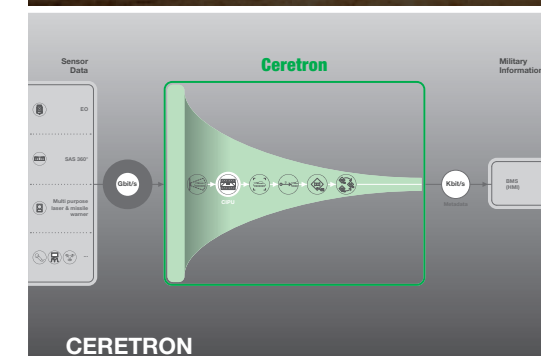
**CERETRON** can network a variety of different sensors from the extensive HENSOLDT portfolio or from third-party suppliers – from optronics and radar to self-protection and electronic warfare. The data is processed, automatically evaluated, and summarized in a view. With the help of artificial intelligence, an intelligent situation report is created within milliseconds with all action-relevant information for the forces on the ground and the command. This ensures information superiority, supports and relieves the user, and enables reconnaissance, target acquisition, and transmission of target data across the entire network. Data from (social) media (see also chapter 9.2.3 Open-Source Intelligence) can be incorporated into the situation assessment.

The current and future HENSOLDT portfolio includes many other solutions that enable networked activity. These include, for example:

- **“Detect and Avoid” Radar (DAA):** Airborne anti-collision radar system for remote-controlled or autonomous aerial systems and thus important for the interconnection of manned and unmanned platforms (see also chapter 9.3.1 The Eurodrone)
- **Fully Digital Radar:** Radar system of the future for high-precision, real-time observation of the environment, capable of separate use of transmitter and receiver units for use in a network (see also chapter 9.3.2 The Fully Digital Multifunctional Radar)
- **OMS 360 + SERO:** Optical mast system and periscope as twin optronics mast solution for combined reconnaissance and target tracking under difficult visibility conditions
- **Sensor Subsystem for FCAS:** Networked sensor and effector technology with connection to the “Air Combat Cloud” in the Future Combat Air System, which is being developed in an industrial consortium led by HENSOLDT (see also chapter 9.1 Corporate Strategy)



TWINVIS



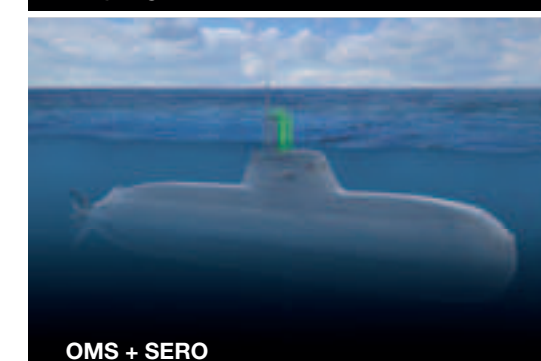
CERETRON



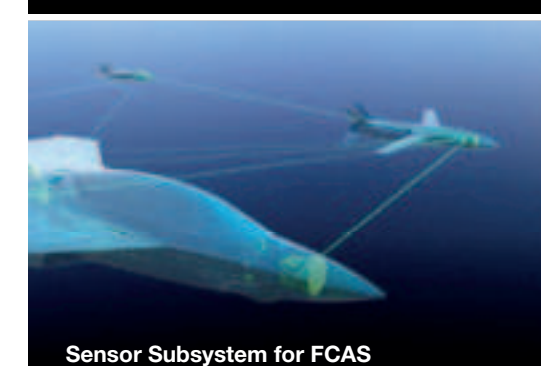
“Detect and Avoid” Radar



Fully Digital Radar



OMS + SERO



Sensor Subsystem for FCAS



# Air Defence



In August 2022, German Chancellor Olaf Scholz described a jointly developed air defence system as a “gain in security for all of Europe.” The European NATO countries want to realize this as part of the “European Sky Shield Initiative (ESSI)”. The aim is to defend against ballistic missiles, cruise, and hypersonic missiles, and also to protect against attacks by aircraft and increasingly drones. Russia’s war of aggression against Ukraine stresses the importance of a comprehensive defence capability against the full spectrum of airborne threats. In ESSI, various systems that complement each other and fulfill their protective function for different altitudes and distances are to be deployed. On the German side, a particular focus is on capability development in close to medium protection ranges, which includes protection against attacks with drones.

**One example:**  
The radars in HENSOLDT’s SPEXER product family can also automatically identify and locate very slow and low-flying targets such as drones. Another example is the TRML-4D multifunction high-performance radar already delivered to Ukraine.

## HENSOLDT Technologies for Air Defence

**SPEXER 3D/Counter UAS** combines tracking with object classification. In doing so, the platform-independent SPEXER radars automatically distinguish between moving targets and interfering signals and can also reliably locate very slow and low-flying, highly agile targets such as drones. Automatically, everything detected is classified into different categories – such as pedestrians, vehicles, helicopters, aircraft, drones, birds and fast and unknown targets. In response to current and future threat scenarios, the latest SPEXER 2000 can be installed mobile on an armored vehicle. Thus, it becomes the solution of choice for the “qualified air defence” of the German Bundeswehr. The first ten vehicles will form the German contingent of NATO’s Very High Readiness Joint Task Force (VJTF) in 2023.

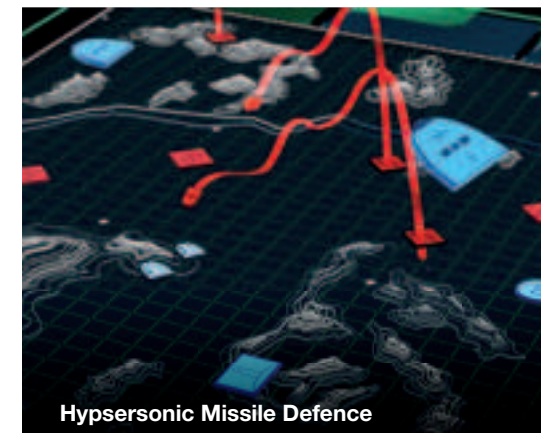
**Hypersonic Missile Defence** addresses the increasing threat posed by hypersonic weapons. To this end, HENSOLDT is developing a system that provides a situation report of the hypersonic threat. The necessary data will be provided by radar systems and satellite-based optical systems that communicate with each other in a network. They must provide results fast enough to detect, locate, and eliminate hypersonic threats at an early stage. The concept is being advanced jointly with national and European partners.

The current and future HENSOLDT portfolio includes many other solutions for building a powerful air defence. These include, for example:

- **TRML-4D:** High-precision radar with latest AESA technology and shortest response times for complex environments with high target density and highly agile, asymmetric threats
- **TRS-4D/LR ROT:** Long-range radar with ballistic missile detection capability from HENSOLDT and ELTA collaboration for ground-based air surveillance and F124-class warships
- **Space-Based Early Warning Radar:** Radar that detects and tracks targets from space at such an early stage that countermeasures can be initiated in good time



Spexer 3D/Counter UAS



Hypersonic Missile Defence



TRML-4D



TRS-4D/LR ROT



Space-Based Early Warning Radar



# Self-Protection and Personal Equipment

Personal equipment is the foundation of every soldier's safety and operational capability. Effective self-protection systems can make the difference between life and death. As part of a major equipment package approved by the German Bundestag, the full operational capability of the German Bundeswehr in this area is to be ensured with a view to the goal of national and alliance defence. In addition to personal protection, self-protection systems for military vehicles and flying platforms are of central importance in this context. This is also underlined by the shooting down of helicopters and aircraft by comparatively simple technical means in the Russian war against Ukraine.

**One example:**  
In cooperation with the company Theon Sensors, HENSOLDT is developing the next generation of modern thermal imaging and night vision systems that can be worn on the helmet or directly on the head.

## HENSOLDT Technologies for Self-Protection and Personal Equipment

**MUSS 2.0** is a further development of the current Multifunctional Self-Protection System – the only protection system for ground vehicles that is supplied and deployed in series production worldwide today. It significantly reduces the probability of being hit by an anti-tank guided missile or a laser-guided weapon. MUSS 2.0, significantly smaller than its predecessor, can reliably detect missiles, projectiles, and even second-generation laser range finders, warn of them, and automatically trigger countermeasures such as activating a smoke launcher or pyrotechnics, or jamming missile guidance via infrared. With MUSS 2.0, HENSOLDT aims to open up the market for medium armored troop vehicles, infantry fighting vehicles, and battle tanks both nationally and internationally.

**Night Vision Systems** provide soldiers with the necessary perspective even in absolute darkness. In cooperation with Theon Sensors, HENSOLDT is developing the next generation of thermal imaging and night vision systems and founded the joint company HENSOLDT THEON NightVision GmbH for this purpose in the summer of 2022. State-of-the-art night vision goggles – such as the MIKRON-D – are not only becoming smaller and more powerful, they can now also be operated with just a single AA battery. As early as 2021, HENSOLDT and Theon had received an order from the multinational procurement organization OCCAR (Organisation Conjointe de Coopération en Matière d'Armement) for night vision goggles as part of the Night Vision Capability programme for Germany and Belgium.

**ALTAS Laser Warners** (Advanced Laser Threat Alerting System) from HENSOLDT are in use today by various customers worldwide in helicopters and small transport aircraft. They reliably detect laser range finders, laser target indicators, and lasers used to control guided missiles – so-called “laser beam riders.” Countermeasures such as appropriate flight maneuvers can thus be initiated in good time. The ALTAS laser warning system can be easily integrated into existing and future electronic systems and combines the complete detection and processing technology in one device with minimal space requirements.

The current and future HENSOLDT portfolio includes many other solutions in the area of self-protection and personal equipment. These include, for example:

- **AMPS** (Airborne Missile Protection System): Airborne missile protection system for aircraft and helicopters against man-portable air defence systems
- **PRAETORIAN**: Eurofighter self-protection system against radar- and infrared-guided missiles; developed by a consortium of LEONARDO UK, Elettronica, INDRA and HENSOLDT
- **Sights and Scopes for the “Infantryman of the Future”**: Infrared attachments, night vision attachments, target optics, and reflex sights for the Bundeswehr's modernization programme



MUSS 2.0



Night Vision Systems



ALTAS Laser Warners



AMPS



PRAETORIAN



Sights and Scopes



# Support for Ukraine

In close coordination with the German Federal Government, HENSOLDT provides technological support for Ukraine's defence capability against Russia's attacks. The focus is on the TRML-4D high-performance radar for the IRIS-T air defence system and the COBRA mobile artillery tracking radar.

IRIS-T is currently Germany's most advanced air defence system. Since fall 2022, Germany has been providing Ukraine with the first ground-based systems of this type for medium-range protection (SLM) on short notice. Ukrainian defence forces were trained on the weapon system in Germany. The industrial partners provided technical support while the German air force provided tactical training.

The COBRA mobile artillery detection radar is used to locate enemy artillery and missile positions and to predict the trajectory of projectiles. It meets all NATO requirements and provides early warning to enable protective action. At Ukraine's request, one of these highly complex COBRA systems from the Bundeswehr's inventory was made available in September 2022.

HENSOLDT CEO Thomas Müller: "The situation in Ukraine requires quick and decisive action. Thanks to our series production line for radars and the commitment of our employees, we are able to deliver systems such as our high-performance radar TRML-4D for IRIS-T in the shortest possible time. With our world-class radar, we are now helping to protect Ukrainian cities and the Ukrainian people."



## The TRML-4D Radar for the IRIS-T Air Defence System

The TRML-4D multifunctional high-performance radar, developed and manufactured by HENSOLDT, is an integral part of the IRIS-T air defence system. The Infra Red Imaging System Tail/Thrust Vector-Controlled refers to an air-to-air missile with an infrared seeker for air defence. There are different versions that can cover different ranges: SLS stands for short range and SLM for medium range. A single ground-based IRIS-T SLM can protect a medium-sized major city. Deployable on the move, it consists of the 360-degree radar, the control center, and the launcher, which can take out targets at altitudes of up to 20 kilometers and ranges of up to 40 kilometers.

IRIS-T was developed entirely in Germany by an industrial consortium comprising Diehl Defence, Airbus, and HENSOLDT, is produced in Germany, and is fully compatible with NATO's integrated air defence architecture.

HENSOLDT's TRML-4D radar uses the latest AESA radar technology with multiple digitally shaped beams. TRML-4D is capable of detecting, tracking, and classifying up to 1,500 aerial targets within a radius of up to 250 kilometers. The focus is on small, fast, and low-flying cruise missiles as well as aircraft and helicopters.

Currently, a performance upgrade is under development as IRIS-T SLX, which will have significantly increased range and altitude coverage, further improving response and warning times.



## COBRA Artillery Detection Radar for the detection of enemy firing positions

Back around the turn of the millennium, HENSOLDT, together with Thales and Lockheed Martin, developed the first version of the COBRA (Counter Battery Radar) mobile artillery detection radar for the German, French, and British armed forces. Today, more than 40 systems in various configurations are in service in Germany, France, and Turkey as well as with several forces outside Europe.

COBRA can accurately and rapidly locate enemy guns, rocket launchers, and mortars. Mounted on a single vehicle, it is highly mobile and does not require additional leveling or stabilization. Powerful software algorithms automatically compensate for terrain slopes. An expansion pack extends the range up to 100 kilometers, adds a second search fence, and can automatically filter out sandstorms.

Among other things, HENSOLDT supplies the "COBRA Radar Environment Simulator (CRES)" for the system, which is essential for testing system performance and optimal deployment. As a key element, the CRES can test and verify radar performance in a laboratory environment with reproducible target trajectories. It generates artificial radar reflections that enable simulation of all types of ballistic projectiles, such as rockets, mortar shells, howitzer shells, and cannon shells, without the need for real-world transmissions.



# Zeitenwende for a Sovereign Europe and a Revitalized NATO: “We Are Ready”

Interview  
with CEO  
Thomas Müller



Russia's attack on Ukraine has shaken the global security and defence architecture and further upset the already fragile balance of power between the United States, China, Europe, and Russia. The struggle for a new world order that lies ahead in the years to come announced itself in 2022 in fundamental changes of course: In Germany, the *Zeitenwende* (turning point) proclaimed by Chancellor Scholz a few days after the outbreak of war represents a caesura in the country's foreign and security policy. With its new basic security policy strategy, the European Union has embarked on the path toward a military union. Against the backdrop of a significant increase in NATO's importance, the reinvigorated transatlantic alliance has completed its biggest strategic realignment since the Cold War. All these developments have extensive implications for industrial policy. In this interview, HENSOLDT CEO Thomas Müller, who has worked in the defence industry for more than 30 years, comments on the current geopolitical upheavals, their impact on HENSOLDT, and how the technological basis for Europe's desire for greater strategic autonomy is emerging.

**Mr. Müller, what consequences does Russia's war against Ukraine have for the global security order? How do you assess the current geopolitical situation?**

The Russian war clearly represents a turning point. It has fundamental and long-term implications for the global security architecture, as Russia has unequivocally posed systemic questions. More acute than ever is the question of what rules will govern the way states deal with each other in the future – the law of the strongest or the strength of the law. This is the core of the systemic competition that we are seeing more and more clearly between liberal democracies, on the one hand, and authoritarian and dictatorial regimes, on the other. China's aspiration to become a superpower, in particular, is significantly destabilizing the global order. Thus, I share the assessment of many experts that we are heading for the foreseeable future toward a persistent, diffuse conflict order in which there is no real peace even when the weapons are silent. For the foreseeable future, therefore, we will have to be more vigilant than ever before.

**Where are the biggest hot spots outside Ukraine at the moment?**

Of course, the world is looking first and foremost to Taiwan and the South China Sea. Even if the fears of an immediate escalation have not materialized, this does not change the fact that China is pursuing its interests in the very long term, and the relationship with China is the central geopolitical power issue. In addition, we are experiencing very immediate, tangible knock-on effects of the war against Ukraine when perceived Russian weakness causes conflicts to flare up in former spheres of influence, such as in Kazakhstan or between Kyrgyzstan and Tajikistan. Or when states with a strong energy policy, such as Azerbaijan, exploit their new power of influence to exert pressure. But war also holds enormous conflict potential for our Western democracies right on our doorstep, if the energy crisis, inflation and thus the question of future living standards further fuel dissatisfaction with democratic institutions and possibly bring extremist parties all the way into government. The level of instability we are currently dealing with globally is enormous. And we're not even talking about the many asymmetric conflicts that have arisen in recent years, especially in Africa and the Middle East, and which of course won't end just because new, larger crises are in the public spotlight.



**What are the military and technological lessons from the war against Ukraine?**

This brutal assault is often described as a renaissance of conventional war. But that's only half the truth. In fact, classic methods of warfare that were thought to be outdated are being used in Ukraine. Above all, however, the enormous importance of digitalized weapons systems, data-driven information superiority, and electronic warfare is becoming apparent. For with these modern technologies, Ukraine can successfully defend itself against a purely numerically superior opponent. On the other hand, attacks on critical civilian infrastructure and societal trust are also increasingly taking place in the digital space – through cyberattacks and disinformation campaigns.

**How should the West respond to the new geopolitical reality in the future?**

Unity and determination remain the order of the day. How closely the Western community of nations has stood together since February 24, 2022, has surprised many. We must continue to do so even as the price of war becomes ever more palpable to ourselves – as hard as that is. Russia is waging a war of aggression with a nuclear threat and must not be allowed to succeed. This is another reason why supporting Ukraine is in our very own interest and means a great responsibility for Germany and Europe. We at HENSOLDT contribute with our high-performance radars for the air defence and artillery detection of Ukraine. A second central aspect, especially for us in Europe, is to achieve further progress in cooperation in the defence sector, on a political and industrial level. After all, with the war, security has once again become a central task of the state. We can only do justice to this task by standing shoulder to shoulder as a strong Europe. And third, we must think of defence and security in a more comprehensive way than we were used to in the past. Today, we are talking about overall resilience, from military defence to the question of how robust the digital checkout system in the supermarket is. Our resilience as an economy is about putting supply chains to the test. Finally, Russia's war has also put an end to hopes that economic dependencies could prevent conflict. Today, we see how China is becoming increasingly isolated. This makes it all the more important for us as Europe to work on our technological sovereignty, especially in the digital sphere.

**What does this triad mean for German foreign and defence policy?**

It is essential that what our partners already take for granted becomes more and more accepted here in Germany: namely, the realization that Germany has a natural leadership role in Europe – if only because of our geographic location, population size, and economic strength. We must accept this role and actively assume it as an anchor of stability that assumes responsibility in Europe. In doing so, we should use our weight above all as a unifying actor for common positions in the EU, and also with the US. We should be honest with ourselves and learn from past mistakes when it comes to dealing with authoritarian states and our own defence capabilities. We can no longer afford to close our eyes to reality.

**As CEO of a leading technology company, how are you experiencing the *Zeitenwende* in security policy? What is your interim conclusion after one year?**

The special fund for the Bundeswehr is an important step toward filling critical gaps and creating planning security, especially for major innovation projects. We should not play this down either. At the same time, of course, words must be followed by deeds: A sustainable increase in the defence budget is needed to develop the Bundeswehr into an army fit for the future. Otherwise, the special fund will quickly fizzle out. In terms of implementation, the *Zeitenwende* means a joint show of strength, because credible military deterrence is based on three pillars: political will, well-equipped armed forces, and an efficient defence industry. As a technology leader and strategic partner of the German government, HENSOLDT is excellently prepared to make its contribution. We have grown massively in recent years, expanded our team and international production network, and can now provide decisive support. It is important to me that the epoch shift strengthens the capability development and industrial base in Germany and Europe. We must work with policymakers to ensure this happens, because competitors from other regions have naturally also rediscovered Europe as a market.

**What are the prerequisites for this feat of strength to lead to a lasting *Zeitenwende*?**

We should be clear that ultimately Germany's credibility and our partners' trust in us are at stake. And let's be clear: We as an industry are also rightly measured by the success of the special fund. At the same time, it is well known that the procurement processes for the Bundeswehr must be simplified and accelerated. We saw what is possible here with the delivery of our German air defence system to Ukraine, when politics and industry were able to report completion at record speed. We also need much more innovation-friendly processes. Up to now, many tenders for the cyber sector, for example, have included unnecessarily narrow technological specifications from the political side instead of specifying the goal and giving technological pioneering spirit free rein. So a lot can already be achieved through processes and structures. But one point is crucial for me: The *Zeitenwende* can only succeed in the long term if it is supported by broad social acceptance. In addition to the shift, we also need a change of mentality for defence. We must finally engage in an honest debate about what we expect of the Bundeswehr and what price we as a society are prepared to pay for it. We owe this to the people who risk their lives for us. But we have not yet reached that point. We are discussing tank deliveries to Ukraine very intensively, but we have so far avoided a real understanding of the role of our own armed forces.

**And what does industry have to contribute to a successful *Zeitenwende*?**

It is also up to us whether this debate takes place in society. In the past, we have been too reluctant to explain our contribution to security and the protection of democracy and freedom. We are changing that – for example, with a social media campaign in which our employees regularly have their say and talk about why their work makes the difference for a safer tomorrow. And of course, as a reliable partner, the defence industry must deliver reliably. At HENSOLDT, we have proven that we can manage demanding large-scale projects in a disciplined manner and deliver them on time, within budget,



and to the agreed quality standard. This strong focus on implementation is also related to our history and positioning. On the way to HENSOLDT's independence, the cooperation with KKR as a financial investor has greatly driven our entrepreneurial development professionally. Today, the combination of the German government's holdings and entrepreneurial investors is a model for success.

**How do you view the first National Security Strategy with the expectation of a new, responsible role for Germany in the world?**

There is no doubt that it is important to define a long-term strategy beyond the immediate reactions to the Ukraine war. The fact that this is being done in this form for the first time speaks for itself and documents the new status of security and defence in German politics. Whether it will lead us as a society to seriously address these fundamental issues remains to be seen. The preceding white papers have also addressed many correct and important aspects, but have remained largely inconsequential in this respect.

**NATO has already formulated its new strategy in the summer of 2022: Is NATO back in Cold War mode?**

This look in the rearview mirror fails to recognize the scope of today's challenges. While alliance defence is once again NATO's primary purpose, crisis management through out-of-area operations continues to gain relevance. After all, the systemic conflict between the West and China and Russia is being fought globally and is also taking place beyond the alliance's borders. It is not for nothing that the new strategic concept describes a fundamental realignment and transformation of NATO. In addition to increasingly crucial cyber resilience, the focus is on defending the technological edge in seven disruptive technologies – from quantum computing to hypersonic threats to space-based warfare. The impact of climate change on security preparedness and vice versa are now also among NATO's core tasks. It is back to full strength, and only as strong as its member states make it. The planned accession of Sweden and Finland is also historic because it strengthens both sides.

**What kind of a role is there still for Europe as a security policy player?**

I see no conflict of goals here – on the contrary: The Strategic Concept envisages a strong European pillar in NATO. And I am convinced that transatlantic cooperation will only function in a stable way if Europe is not perceived in the US as a freeloader in terms of security policy. The EU must take its security more into its own hands. The US will foreseeably focus more on the Indo-Pacific region, and no one knows what the US presidential election in 2024 will mean. For this reason, too, strategic autonomy must not remain a declaration of intent for us. And Europe is moving in the right direction: The EU reacted quickly to Russian aggression, launched strong sanctions, and provided military support to Ukraine. With the Strategic Compass, since March 2022 we have had for the first time a basic security policy document that has been adopted by all EU states and contains a common vision and clear goals. This is a

major step toward greater commitment and capacity to act. This momentum for a European security architecture must be used now! Politically, the Franco-German partnership must remain the strong driving force. And we must also implement the European idea at the technological level – through coordinated procurement and development, but also through harmonized export control regulations.

**Isn't the ability to act quickly more important today than European cooperation?**

We must achieve both goals and not play them off against each other. The ability to act quickly follows directly from European cooperation. It would be extremely short-sighted if the current pressure to act were to lead to a relapse into national egoism. Today, more than ever before, it is true that no EU state is in a position to maintain all capabilities for the multiple challenges and scenarios. We can only achieve technological sovereignty and interoperability by working together, not by each acting on its own and buying off the shelf outside Europe. European cooperation also gives us the strength to get the best results from the capabilities of all partners in our key national technologies. And, of course, it's also about preventing waste of money. In times of great economic stress, we cannot afford to make less than ten percent of our investment in armaments jointly at European level.

**How can closer European cooperation in the defence sector succeed?**

Here, too, the Strategic Compass gives me cause for optimism. In the past year, we have seen a number of other developments that point in the right direction such as the Joint Defence Procurement Task Force as an EU initiative or multilateral cooperation programmes such as the "European Sky Shield Initiative" by Germany for joint air defence. These are all important steps that we should support – for example, by further strengthening European procurement structures. I am also very pleased that the interim blockades on FCAS, the central system for the air superiority of the future, have now been cleared. This project stands like no other for the ambition of future-oriented European defence! At HENSOLDT, we have always been committed to actively shaping European cooperation. We are currently intensifying our cooperation with our anchor shareholder LEONARDO from Italy and also see this alliance as a possible nucleus of a broader European partnership.

**HENSOLDT has set itself the goal of becoming the largest platform-independent provider of sensor solutions in Europe. Where do you stand on this path?**

We are also keeping our word on the realization of our strategy and implementing what we announced to our shareholders. Three years after our IPO, we can now say: We have kept all our promises and achieved some of our goals much faster than planned. In terms of sales, we grew twice as fast as the overall defence electronics market, more than doubled our order backlog, and expanded our presence in key international markets. Above all, however, we have further strengthened our focus on technology and innovation and invested significantly in research and development. The fact that HENSOLDT is now moving



forward powerfully as a strong company is not only good news for us. After all, we develop mission-critical components for the defence systems of the future. You can also see this in HENSOLDT's central role in key national and European projects such as FCAS, MGCS, the Eurodrone, and PEGASUS.

**What is changing for HENSOLDT as a result of the new geopolitical reality?**

With the changing world situation, a new era lies ahead for the defence industry. It brings with it new expectations of us, and we are ready for them. The *Zeitenwende* shows that we are on the right strategic course. We will further accelerate our development into a solutions provider for end-to-end information superiority based on the plug-and-play principle. The fact that we have expanded our portfolio in key areas to achieve this has also been confirmed by the war in Ukraine: The further digitalization of sensor technology, the fusion of sensor data, data analysis, cyber security, and the progressive integration of artificial intelligence are our focal points here. However, it is just as important to me that HENSOLDT has remained a focused pure-play provider of sensor solutions and will continue to be so in the future. This is because we have created a strong, long-term growth platform. With the aim of creating the most comprehensive situation report possible, the networking of platforms is also gaining further momentum across domain boundaries. Defence electronics will thus play an even greater role in growing defence budgets.

**In the public perception, war overshadows other pressing issues such as sustainability. Is the green transformation of the defence industry off the table?**

That would be fatal. We must not let up on climate protection. In the defence industry, we create a basic prerequisite for sustainability with security and, conversely, must understand sustainability as an elementary component of security provision. As HENSOLDT, we are not alone in this attitude: In addition to NATO, many of our customers also focus on this dichotomy. HENSOLDT's ambition is to set new standards in sustainability in our industry as well. We see ESG as an important factor for our business success. For example, we already ensure that our products are as compact, lightweight, and energy-saving as possible. This will increasingly become a competitive factor in the future. With our ESG strategy, we have also analyzed our own carbon footprint and defined clear interim targets to become carbon neutral by 2035 at the latest. We are achieving this with persistence and many large and small measures such as at our sites. In Kiel, we will save up to 40 tons of CO<sub>2</sub> per year in the future by supplying electricity via photovoltaics and hydrogen. In Oberkochen, our new building for HENSOLDT Optronics will achieve a degree of self-sufficiency of more than 70 percent with an intelligent energy concept. The fact that our diverse initiatives lead to measurable results is also shown by the latest ESG rating by Sustainalytics. HENSOLDT is once again listed there as the only company in the aerospace and defence industry with a "low risk" rating, thus making it the leader. We have once again improved on our very good rating from the previous year. So you see: HENSOLDT is firmly going its way.



### **Thomas Müller**

has led today's HENSOLDT AG as Managing Director since January 2015 and as CEO since the IPO in September 2020. Previously, he was Managing Director of Airbus DS Electronics and Border Security GmbH, having held numerous management positions in what is now Airbus Group, such as for the defence electronics sector in the Airbus Defence and Space Division and at the former subsidiary Astrium Satellites, which specialized in military and civil space systems. He began his career with the Bundeswehr in 1978, leaving in 1991 as a captain. Thomas Müller graduated in economics and business administration from the Universität der Bundeswehr.



# Zeitenwende in DefenceTech: “Data Is Increasingly Playing a Role in Deciding Whether a Party Is Superior”

Interview with  
Chief Strategy Officer  
Celia Pelaz  
and Yvonne Hofstetter



Connectivity, software, data: Modern sensors and optronics are highly digitalized systems. Artificial intelligence (AI) is playing an increasingly important role in their performance – just as it does for weapons systems as a whole. This is a development that is being closely followed in society and politics and often raises questions. Celia Pelaz, Chief Strategy Officer and member of the HENSOLDT Management Board, and Yvonne Hofstetter, cofounder and Chief Executive Officer of “21strategies”, a company specializing in particularly demanding AI applications, can answer these. A conversation on the potentials and limits of artificial intelligence, Europe’s digital sovereignty, and collaborative innovation in the defence sector.

**Ms. Hofstetter, you develop AI for investment funds, for hedging exchange rate and commodity risks – and for military applications: How did this unusual portfolio evolve?**

**Yvonne Hofstetter:** In all the cases mentioned, humans are exposed to a complex dynamic environment, even if decisions on the financial and commodity markets cannot be compared in their scope to those in defence. In real time, humans are challenged to make trade-offs under uncertainty, based on ambiguous information in a highly volatile environment. Next-generation AI gives them more confidence in this regard. For defence systems, this raises serious societal, legal, and ethical issues. Defence is where our roots lie, and where we have returned to by founding “21strategies”. After all, we developed our early AI technologies in the military research labs of the late 1990s.

**Ms. Pelaz, to what extent is AI already being used at HENSOLDT today?**

**Celia Pelaz:** We have been dealing with technologies that are today incorporated under this term for many years – even at the time when HENSOLDT was not yet an independent company. With AI, we can no longer differentiate ourselves from the competition only by how well a sensor solution perceives a situation. Today, we are increasingly differentiating ourselves by how intelligently the sensor processes what it perceives, interprets it, analyzes it, and, amid all this, how it can build information from data.

**And what does that mean in concrete terms?**

**Celia Pelaz:** AI first helps a radar or optronics device to increase detection performance, for example, when image stability leaves something to be desired. Then AI assists in the task of correctly classifying objects – for instance, as a bird or as a drone – and tracking them accordingly. At the next level, the object data and contextual knowledge are combined via AI in such a way that tactically relevant information is generated from them, such as whether the object is an enemy platform. Here, AI is also important in what is known as multisensor data fusion – when it comes to combining and analyzing data from an increasing number of sensor sources distributed across networked platforms. This also increasingly applies to publicly available data from the Internet, so-called open-source intelligence. All of this results in a comprehensive, consistent, and up-to-date situation report. AI thus relieves the soldier, supporting them with options for action so that they can make the right decisions. And AI enables systems such as radars or jammers to learn for themselves and adapt to unknown situations. This is what we call cognitive systems.



**Let's look at the defence industry as a whole. What role will AI play in tomorrow's security?**

**Celia Pelaz:** A very central one. The ability to extract relevant information from data is becoming an increasingly important factor in determining whether someone is superior or inferior in a conflict. It's a tiny needle in a huge haystack. Modern defence applications produce so much data that we very quickly reach the point of human overload. In the public debate, we often discuss AI as a potential source of error. In reality, the error rate of AI, especially in routine tasks, is lower than that of humans. AI is acting with increasingly more performance. It is therefore becoming relevant at more and more levels of weapon systems. At HENSOLDT, we recently bundled our competencies in a central AI hub to more closely integrate expertise from the various domains and projects. And we are thus facilitating collaboration with partners, because AI is also a driver for more cooperation: There are many highly interesting players with extremely specialized know-how at times. So the potential that AI holds for our industry is enormous. All the more reason for me to call for a realistic, responsible AI debate. Some of what is being suggested out there in the market is too much hype for me instead of serious innovation.

**In what way?**

**Celia Pelaz:** Giving the impression that AI is the solution to all problems simply misses the reality. Even the momentum we see in deep learning and neural networks does not relieve us of the task of developing and funding other, innovative core technologies for the defence of security and freedom. Realistically, AI is an important lever for achieving higher levels of performance for defence systems. But the technological foundation – like the one we are laying with leading sensor and optronic solutions – remains essential.

**Yvonne Hofstetter:** I can only emphasize that. AI is nothing more than a toolbox of mathematical theories and information techniques. And above all, there is no one artificial intelligence: Depending on the problem you are facing, you have to select certain techniques from this toolbox and use them for the specific purpose. Machine learning, for example, is only the best solution in certain cases. For many problems, especially all those where you don't have to estimate anything at all, direct calculations are much better suited, much more accurate, and above all comprehensible.

**Celia Pelaz:** And that is precisely why, as a defence solutions provider, we must also master the full range of AI, either through our own capabilities or partnerships. The basis is always our application know-how – the deep knowledge of our customers' mission requirements and doctrines.

**HENSOLDT and "21strategies" are jointly researching third-wave AI. What is that?**

**Yvonne Hofstetter:** The third wave of AI revolves around training the tactical behavior of machines, among other things. Instead of simply processing mass data, such as that generated by radars, a machine selects the decision from a large number of possible options in order to achieve a specific goal. Such machines are already known from somewhere else – from the gaming community. There, intelligent machines have the task of defeating humans in games like Starcraft. Battlegrounds are much more complex than the most complicated game. In our joint "GhostPlay" project, we are investigating which tactics intelligent machines develop in the battlefield and what human soldiers can learn from them. To do this, we

are modeling a digital twin of the battlefield and available sensors and effectors with their physical properties. We then present these models to the tech stack and pit AI against AI. One example is so-called SEAD missions with the goal of taking out air defence systems. Here we observe, on the one hand, how AI manages the tactical interplay of the individual components of the defence system and, on the other hand, guides the sensor-effector network of the attacking swarm of unmanned systems.

**Celia Pelaz:** For HENSOLDT, early and open-ended engagement with such AI-based decision-making processes is a logical consequence. After all, we have long since moved beyond developing the five senses and are increasingly developing the central nervous system of defence applications. With edge computing, data-driven intelligence is moving even closer to sensors and is already often embedded in them. Using integrated systems to perceive external impressions, process them, and convert them into reactions is our core business today.

**The topic of autonomy is precisely what triggers great reservations about AI among the general public.**

**Celia Pelaz:** We must also conduct the discussion in this direction in a factual and nuanced manner. The "killer robots" often cited in the argument against AI have little to do with reality. The first question to be asked here is basically banal: Are we really talking about autonomous systems or systems remotely controlled by humans after all? Or about AI that primarily processes, fuses, and analyzes data? If we are dealing with autonomy in the narrower sense, the crucial question is that of what we call the "system of interest." What is the intention behind the action? How does the system that I want to enhance with AI work? In which situation and in which context? Based on this, we should define what AI may and may not do. In critical applications, the principle of "human-in-the-loop" must always apply. In other words, humans remain responsible and make the final decision; AI supports them.

**Yvonne Hofstetter:** Just as it is not ethical per se to act as soon as people are involved, technology is not unethical per se. Values can certainly be integrated into technology. The only question is how and which values we prioritize and translate into system functions. "GhostPlay" takes an important step here. It is the first AI system in Germany designed for military users that follows the new standard for value-based technology<sup>1</sup>.

<sup>1</sup> ISO/IEC/IEEE 24748-7000:2022

## "21strategies"

was founded in 2020 by Professor Yvonne Hofstetter together with mathematician and AI expert Dr. Christian Brandlhuber and information theorist and philosopher Dr. Scott Muller in Freising near Munich. It transforms how organizations make tactical and strategic decisions under uncertainty. To this end, the company is delivering third-wave AI, the future gold standard for tactical versatility with artificial intelligence.

"21strategies" and HENSOLDT are collaborating on the "GhostPlay" project to research the next generation of artificial intelligence for defence applications. The research project, commissioned by Helmut Schmidt University, is funded by Zentrum für Digitalisierungs- und Technologieforschung der Bundeswehr (DTEC.Bw). In addition, HENSOLDT has entered a strategic cooperation with "21strategies" and holds a minority stake in the AI company.

For more information on the "GhostPlay" project, see chapter 9.2.4 Third-Wave Artificial Intelligence.



**What does this standard do in concrete terms?**

**Yvonne Hofstetter:** It describes process steps and test criteria for the development of value-driven technology – without itself prescribing a specific set of values. Many legal and ethical demands have already been made on AI, for example by NATO or the EU. But how do I get from these imprecise claims to a technology that implements values? This is where the IEEE 7000TM-2021 standard, introduced at the end of 2021 by the World Electrical Engineers Association, comes in. It is the first standard that addresses technology but calls for ethics. For the first time, engineers are called upon to follow a standard to translate values into technology. For this purpose, IEEE 7000TM-2021 even introduces a new profession, the so-called “Value Leads.” They are trained in ethics and have to channel a “system of interest” through the standardized process, measure it against ethical criteria, and ensure appropriate technical precautions. ISO standardization has already followed suit. That’s another reason why I think it’s fundamentally important for tech companies to build up expertise in this area.

**Celia Pelaz:** I see this as a great opportunity for us Europeans in particular. In the energy sector, we are currently experiencing very painfully what it means to become geopolitically dependent. We must do everything we can to ensure that we do not experience a similar development in the tech sector. A central key to this is social acceptance. And we can only achieve this if we can transparently explain how we anchor our moral compass in our technologies. From a purely technological point of view, we in Europe are in a really good position in global competition in many areas, including AI. But we often encounter social reservations that inhibit innovation and lead to technologies being regulated before they have even been developed. Ultimately, the question is whether we will succeed in establishing a sovereign digital infrastructure in Europe.

**What else is needed for a digitally sovereign Europe?**

**Yvonne Hofstetter:** First of all, the political will. In this millennium, Europe has deliberately dispensed with digital sovereignty and made itself comfortable as a free rider of Silicon Valley. We let the Americans do their thing, imported their values along with the algorithms, and failed to build up or maintain our own capabilities in many areas. For example, in search engine algorithms or cloud infrastructures, I now consider it unrealistic that Europe will be able to come up to par in the foreseeable future. We need to find our gap to fill with other issues. In my view, we in Europe are strong in the development of concepts, for example. That is, in complex digital solutions that are specifically designed to meet the particular requirements and needs of a specific sector or area of application, such as defence. In this respect, we are also further ahead in our approach than many IT companies from Silicon Valley, which rely solely on knowledge gained from data and believe that experts are no longer needed.

**Celia Pelaz:** We must confidently and resolutely define which capabilities we in Europe absolutely want and need to master ourselves. That is the central first step. Perhaps we as Europe cannot achieve digital sovereignty everywhere, but we cannot be dependent on others in core areas. Because we don’t know exactly what we’re buying as a black box, or whether we’ll even get it tomorrow. This is precisely why we need to develop AI for our defence in Europe ourselves, for example. It is a key technology for Europe’s digital sovereignty, and we must ensure that it is in line with our values and thus finds social acceptance. This also

requires implementation strength – otherwise concepts will remain just concepts in the end. We need a strong innovation ecosystem, especially in the defence sector.

**What are the challenges for an innovative defence sector? How could such an innovation ecosystem of established players and startups develop better?**

**Yvonne Hofstetter:** This is not only, but also a question of money. In recent years, the German defence sector has suffered from image problems. Money has not been invested in building up the capabilities of the Bundeswehr, but has been handed out to society as a peace dividend. But the smaller the defence budget, the more the few industry players can secure that budget against direct competition. Today, we are confronted with a largely closed sector in which new players are hardly able to gain a foothold. As a result, research institutes, many of which are doing excellent work, have little incentive to spin off companies. Innovations thus remain stuck as studies in the institutes and do not transform into products, such that some research investments are not really effectively invested.

**Celia Pelaz:** In addition to financial resources, we can also achieve a great deal by changing processes, especially in procurement. Significantly faster and simpler procurement cycles would not only ensure that innovations reach customers more quickly. In this way, we would also prevent startups from having to hold out for years until their work can pay off economically, possibly being crushed by bureaucracy beforehand. In our industry, the public sector will always be the most important customer. In this respect, investments in disruptive technologies will always remain a gamble for young companies with the uncertainty of whether they will be commissioned by the public sector. Public-private partnerships are the right way to provide planning security and incentives for innovation. Without NASA, SpaceX would not even exist! We can learn a lot from such examples when we look beyond our own backyard.

**Where do you see role models?**

**Yvonne Hofstetter:** When it comes to building bridges to the start-up world, I think the concept of DARPA as an agency of the U.S. Department of Defense is very interesting. It awards contracts solely on the basis of technological innovation, without regard to the person. If something is technologically groundbreaking, then a contract can go to a one-man company. This has worked very successfully for decades.

**Celia Pelaz:** With the DIANA Accelerator, NATO recently sent out the right signal, and the same applies at another level to the Bundeswehr’s “Cyber Innovation Hub”. The example of Israel shows just how innovative close cooperation between the military, society, and the defence industry can be. There, every industry representative, whether start-up or large corporation, was in the military in his youth. They know and understand each other, and together they are fighting a threat to which the population does not turn a blind eye. In the US, we see that innovation also thrives on being able to tap into a huge market through a single point of contact. In Europe today, the opposite is often still the case. We have to change that. More European cooperation in politics and industry means more technological progress and more security!





### **Celia Pelaz**

is responsible for HENSOLDT's business development and strategy as Chief Strategy Officer. The industrial engineer has been a member of the HENSOLDT AG Management Board since 2021 and is also responsible for HENSOLDT Ventures, the HENSOLDT Group's own tech incubator, as well as the Spectrum Dominance and Airborne Solutions division, which she headed directly until the fall of 2022. Previously, Celia Pelaz was Head of Strategic Business Development at HENSOLDT, having been appointed Head of Transformation and Corporate Functions at Airbus Defence and Space Electronics in July 2014. During her 14-year tenure at Airbus, Celia Pelaz also worked in Brazil, where she played a key role in building the company's presence in the market as Programme and Campaign Manager for Public Security Programmes.

### **Prof. Yvonne Hofstetter**

As an entrepreneur, lecturer, and essayist, Professor Yvonne Hofstetter has been concerned for many years with advancing digitalization, its potential, and the associated social upheavals. The trained lawyer has already founded and successfully developed several IT companies, including Teramark Technologies for software development and the AI start-up "21strategies". At the intersection of IT, ethics, politics, and law, Yvonne Hofstetter addresses the implications for liberal societies and self-determined individuals when scopes are increasingly shaped by algorithms and AI. In 2020, she was appointed Honorary Professor of Digitalization and Society by Bonn-Rhein-Sieg University of Applied Sciences, where, among other things, as a pioneer of value-based engineering, she prepares its implications specifically for the Bundeswehr. Yvonne Hofstetter is also a member of the Data Protection Advisory Board of Deutsche Telekom AG, a member of the Scientific Advisory Board at the Institute for Digital Ethics at Stuttgart Media University, and a member of the Commission for Democracy and Technology at the British think tank Chatham House in London. The author of three books was awarded the Theodor Heuss Prize in 2018.



# Zeitenwende in Corporate Steering: “It’s All about Shaping Growth Wisely”

A visit to the Ulm site  
with CFO Christian Ladurner  
and CHRO Lars Immisch



In the areas of both HR and Finance, central foundations have been laid for the entrepreneurial development of tomorrow. In 2022, the HENSOLDT Supervisory Board appointed new Management Board members for both areas with Lars Immisch and Christian Ladurner. During a tour of the Ulm site, the board members describe how they plan to manage the next phase of growth.

HENSOLDT is a young company with a great history: While the independent company is only six years old, the history of its predecessor organizations goes back some 150 years. That’s how long the spirit of innovation has been creating high-tech products at the frontiers of physics.

The two new additions to the HENSOLDT Management Board, Christian Ladurner and Lars Immisch, also represent the combination of experience and new beginnings: In the course of long-term succession planning, Christian Ladurner assumed responsibility for Finance on the Management Board on July 1, 2022. Lars Immisch took up his position as the new Chief Human Resources Officer on October 1, 2022. Both have known HENSOLDT and its predecessor organizations for many years and bring extensive experience in the defence industry to their new positions.

**Christian Ladurner**, born in 1977, joined Airbus Group in 2010 as an economist and held several senior controlling positions at Airbus Defence and Space in Manching, Bavaria in Germany. Moving to the defence industry after starting his career in the automotive industry motivated the former officer to optimally equip armed forces. In 2015, he took over the management of central controlling in today’s HENSOLDT AG and oversaw the IPO 2020. Most recently, Christian Ladurner was Head of Group Controlling & Investor Relations.

**Lars Immisch**, born in 1967, began his career in what is now Airbus Group in 1999 at DaimlerChrysler Aerospace in Unterschleissheim, Bavaria, Germany, as HR Manager in the area of defence electronics after studying law. Lars Immisch later held numerous management positions in the HR department of the Airbus Group, most recently as Executive Vice President Human Resources at Airbus Defence and Space. His passion for international work took him to France twice, the first time to Paris in 2003 as CFO of the French defence electronics business.

Today, Christian Ladurner and Lars Immisch, as members of the Management Board, lead teams that create the decisive conditions for HENSOLDT to realize what the company has set out to do with its strategy: growth – in a smart, profitable, and sustainable manner. In the process, the company has proven in recent years that HENSOLDT can realise (BE) growth. Since 2019, the order backlog has more than doubled. Sales have grown twice as fast as the overall defence electronics market. The workforce has grown by more than 1,000 employees.



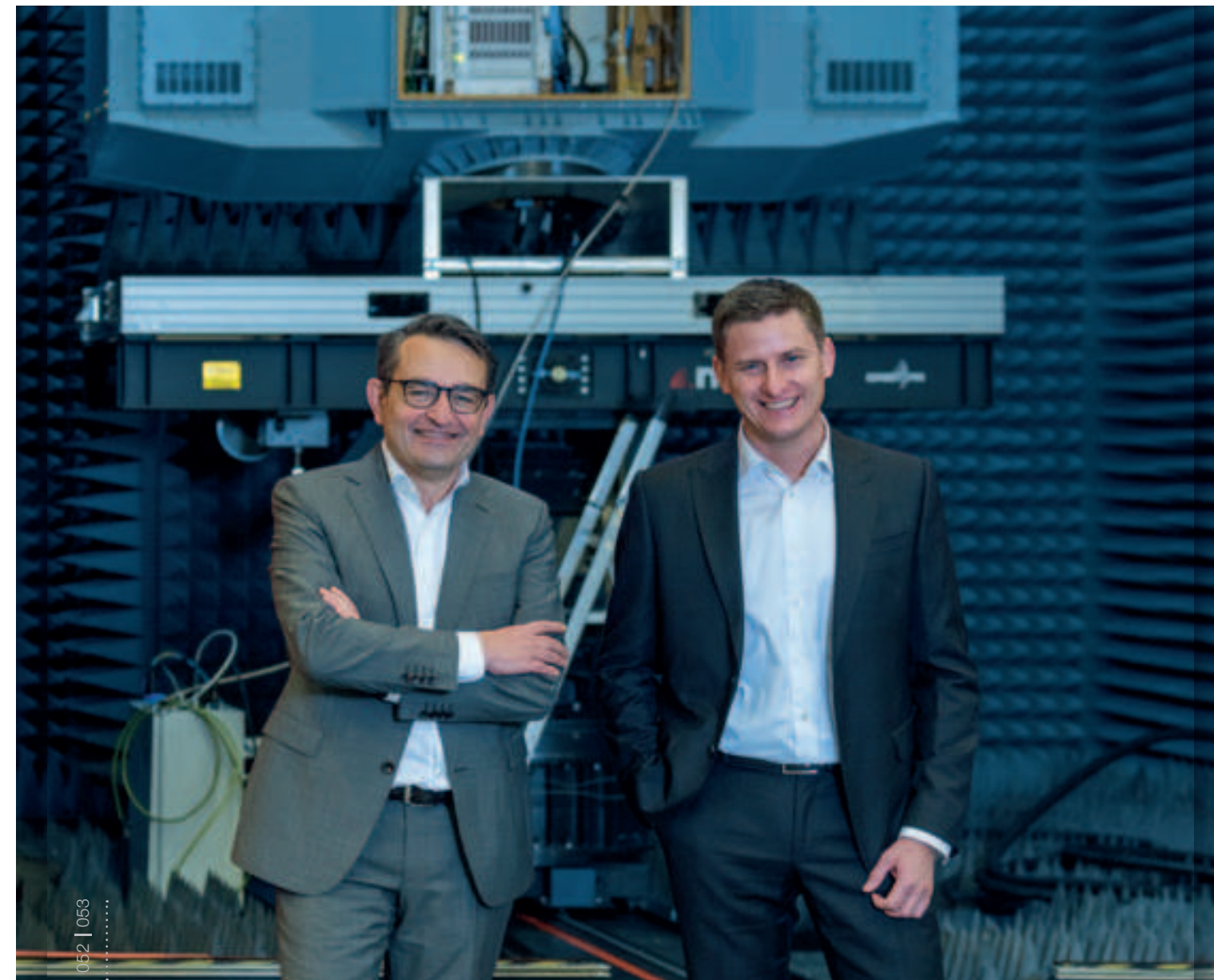
With the next phase of growth, the company will continue to transform – also because the defence industry is facing a new era in terms of the *Zeitenwende* (turning point). At the same time, the defence sector also has to face numerous macroeconomic challenges – from high inflation, unstable supply chains, and the energy crisis to the shortage of skilled workers. So for HENSOLDT, it's all about actively shaping growth, seizing opportunities, and overcoming challenges. This requires the right people on board, sustainable business practices, and much more. Christian Ladurner and Lars Immisch reveal what exactly during a joint tour of the Ulm site at the end of 2022.

Like Christian Ladurner, Lars Immisch also learned the way from the company headquarters in Taufkirchen very well just a few weeks after taking up office. After all, Ulm is HENSOLDT's largest site with around 2,500 employees, and even though many meetings take place digitally, Lars Immisch wants to be on site in Ulm for half of the week if possible. Christian Ladurner has also retained his very own meeting culture as a member of the Management Board: The sports-mad manager likes to get on his racing bike with colleagues – it's the team spirit that drives him: *"We set off together and also want to reach our final destination together."*

*"We make the most of the slipstream and take good care of each other in the group."*

Both board members arrive at the meeting in Ulm with a tight agenda. And the two also have a lot of other things in common. Lars Immisch is a numbers person, and not only since his time as CFO in Paris: *"It helps, especially with supposedly soft topics, to set measurable goals in order to know where you stand and whether you are actually getting things implemented."* Above all, however, Christian Ladurner and Lars Immisch are both technology enthusiasts. That's why the first stop on the Ulm tour is the radar test chamber, where the devices undergo final testing before delivery. This is followed by the laboratory environment, the heart of the training center, where young people put the knowledge they have learned in technical training courses into practice.

Finally, we part ways in the interview room: two talks on the role of finance as a catalyst for growth and digitalization, strategic skills management, and the working world of tomorrow.





# Interview with CFO Christian Ladurner

**Mr. Ladurner, you have known the company longer than the brand has existed: What makes HENSOLDT special for you?**

During my time as an officer, the cohesion and sense of community in the Bundeswehr were the most formative experience for me: this unconditional team spirit of achieving things together and standing closely together when challenges seem insurmountable. I found it again at HENSOLDT – in an almost familial atmosphere that the company has preserved as it has grown strongly and become increasingly international. You have to set an example of this kind of corporate culture and, as a member of the Management Board, I see this as one of my most important tasks.

**What has changed for you personally with your move to the Management Board?**

The range of topics has once again become much wider, and at the same time the focus is on the concrete need for decisions. For me, the focus is now on how we on the Management Board strategically lead the company into the future. Seeing how well what was long my job is now being done by others has made it very easy for me to let go of a lot. In return, I now invest significantly more time in communication – with investors, analysts, and journalists, but also within the company with our finance team. Our project teams who are close to the product in development or production have an incredibly strong group dynamic and justifiable pride in what we have achieved together. In the same way, we want to create even more of a common home base for our experts from Accounting, Treasury, Investor Relations, and IT in their local areas. This is also important for our performance as a finance team. Because we have big tasks ahead of us.

**On the subject of “big tasks” – as CFO, how are you preparing HENSOLDT for the so-called *Zeitenwende*?**

We can already foresee today, before the concrete effects of the *Zeitenwende* become apparent, that we will grow sustainably in the coming years. The *Zeitenwende* will provide additional impetus in this direction, but we have laid the foundation with the many long-term, multiyear projects for which HENSOLDT has been commissioned. This is both the result and the beginning of hard work. Because growth must be managed and cleverly designed. We don't just want to get bigger with our business, we want to become even more customer-focused, more powerful, faster, and more efficient. The aim is to further improve our value creation and generate more value. In the finance division, we have strong levers to do this.

**Which levers are particularly important to you?**

First, it is our task to create the economic leeway for our strategy and to make innovation financially possible. Innovation has always been the central asset of our company, crucial for success with our customers and driving value on the capital market. Secondly, with our holistic view of the company, we are also a driver of efficient processes that are stringent from start to finish. With the **HENSOLDT GO!** programme for operational excellence, we have driven these end-to-end processes in recent years and will also roll them out globally in 2023. The focus on processes will accompany us in the long term so that we can grow intelligently and offer integrated solutions across divisions and countries. And third, I see finance as a catalyst for the digital transformation of the company. We want to be able to make data-based decisions on any topic at any time. To this end, we are working intensively on our data governance and system landscape with the aim of transforming HENSOLDT into a real-time company. All of these tasks have become more urgent because of the *Zeitenwende*. It is therefore also an accelerator for the financial system of the future.

**What characterizes this finance organization of the future?**

Step by step, we are becoming the navigator and “enabler” for the company. Twenty years ago, the focus of finance was still very much on reporting – in other words, looking back. Today, we are also casting our gaze much more strongly into the future and making a strategic contribution. To do this, we need powerful tools and new competencies. We therefore also need to transform ourselves, and to this end we have set up the Vision Finance programme on three pillars: data-driven corporate financial management, a high-performance finance community organization, and talent development.

**You took up office at a time of major economic risks – from inflation to the energy and supply chain crisis. How is HENSOLDT arming itself against this risk situation?**

Without question, we live in times of high uncertainty. As HENSOLDT, our long-term project business, in which compensation for price increases is usually contractually agreed, means that we are affected by inflation to a lesser extent than others and are therefore more robust. But of course, we also have to be vigilant and act with foresight. We have secured our refinancing on attractive long-lasting terms. In the supply chains, we take precautions at an early stage wherever we see potential problems. In this way, we have succeeded in keeping the challenges well under control and have started 2023 with a manageable risk situation. The motto here is that we must be even closer to our business and environment in volatile times. That's why Vision Finance also provides end-to-end transparency for operational, non financial key performance indicators, such as parts availability, delivery reliability, and adherence to technical milestones. Because as a company, we are like our customers: If we have a clear situation report, we are able to act.

**In response to the *Zeitenwende*, are you planning further acquisitions to serve the market?**

Our philosophy has not changed as a result of the *Zeitenwende*. We will continue to look at options for targeted acquisitions. However, for us this is always linked to very clear criteria: Only if the acquisition is clearly value-enhancing and the partner fits us technologically, entrepreneurially, and in terms of their geographical presence will we become active. We also regularly look at potential strategic investments for technology partnerships. In innovation fields that are becoming increasingly relevant for us, such as artificial intelligence, there are many startups and young companies with strong tech expertise. They often need a financial boost and benefit from cooperation with an established technology company, but rely on great freedom in their entrepreneurship. In these cases, strategic investments can be a win-win solution to jointly advance promising technologies.



**How does the international capital market view Germany and the *Zeitenwende*?**

During the past months, I have had the opportunity to talk to many investors and analysts, most recently in the UK and the US. Non-European market players in particular are keeping a very close eye on whether Germany keeps its word and reliably implements its announcements. It is very clear that Germany's cautious, hesitant role over the past decades in the area of security and defence has left its mark. Generalist analysts who have not yet been more intensively involved with defence are much more impatient and understandably much quicker to ask the question of confidence. Others, who know our sector well, know that it can take a very long time after a political declaration of intent before a contract is awarded. And that it is part of our entrepreneurial expertise to optimally shape this business with long lead times in order to be ready with the right product at the right moment.

**And how do you experience the capital market's view of HENSOLDT? What's behind the significant share price increase in 2022? The reputation of the defence industry as a safe haven in crises? Or something else?**

The central currency on the capital market is trust. That is why we are being rewarded for the fact that HENSOLDT reliably implements what we promise. This applies both to our corporate strategy and to our medium-term plans, such as those we announced at our IPO and then consistently delivered. And it applies to the fact that we are disciplined in converting our record order backlog into highly profitable results, because we process major projects in a structured manner and deliver them to the customer on time, within budget, and in the agreed quality framework. HENSOLDT is a reliable partner for customers and investors: For us, it is absolutely central to live up to this status 100 percent, even in times of the *Zeitenwende*. This is because the valuation of our company also shows that the importance of security and defence for our society has increased significantly since February 24, 2022. This also includes the fact that the proportion of investors with a clear ESG focus in our free float has grown from around 6 percent at the end of 2021 to over 20 percent now. The capital market is therefore increasingly appreciating that security is the basic prerequisite for sustainability. The view of our industry and our company has evolved. We also want to confirm this trust and show that we can do even more.

**Normally, the capital market formulates expectations for companies. Think about it the other way around: What would you like to see in your collaboration with investors and analysts?**

For me, the dialog with investors and analysts is a very important element of our early warning system and often sets valuable stimulus points for our discussion in the Management Board. I am therefore very pleased that the capital market is following HENSOLDT increasingly closely. I would like not only to maintain this exchange, but also to intensify it and make it even closer. We have resolved to either create more platforms for this ourselves or to participate in them. This also applies above all to dialog with international contacts, now that the European defence sector has come much more into focus worldwide. We want to use this opportunity to explain our smart growth plan and build further trust.



### **Christian Ladurner**

joined Airbus Group in 2010 as an economist and held several senior controlling positions at Airbus Defence and Space in Manching, Bavaria in Germany. Moving to the defence industry after starting his career in the automotive industry motivated the former officer to optimally equip armed forces. In 2015, he took over the management of central controlling in today's HENSOLDT AG and oversaw the IPO 2020. Most recently, Christian Ladurner was Head of Group Controlling & Investor Relations.



# Interview with CHRO Lars Immisch

**Mr. Immisch, you have been Chief Human Resources Officer at HENSOLDT since October 2022. What surprised you the most when you started?**

Definitely the company's unique spirit! The strong culture and identification of the employees is immediately noticeable. This is amazing for a young company that emerged from predecessor organizations steeped in tradition. The fact that HENSOLDTians enjoy working here is also shown by the ranking "Most Wanted Employer 2022" by ZEIT and the employer rating portal Kununu. We are ranked second in the entire electronics sector! Now HENSOLDT is moving from a kind of start-up phase to a stage in which we are shaping the company of the future in order to realize further growth and high ambitions. I am very much looking forward to helping shape this continuous change.

**What does the *Zeitenwende* mean for you as Chief Human Resources Officer? Do you have to massively expand the workforce in times of a shortage of skilled workers?**

Thanks to the growth of recent years, we are already in a good position to take on more responsibility. We will continue to strengthen ourselves in the future, but we are proceeding responsibly with a sense of proportion. After all, you also have to handle rapid growth sensibly on the personnel side in order to be able to work well together. And of course, we first have to be able to assess what specific requirements and orders will result from the *Zeitenwende*. That's not just a mere political declaration of intent. In some places, we are also making advance payments – for example, with the decision to produce a significant tranche of our TRML-4D high-performance radar for air defence in order to keep delivery times as short as possible. To this end, we are immediately bringing new employees on board in production. Above all, however, our task in the foreseeable future will be to monitor very closely how our personnel requirements might change. This is not just a quantitative question, but one of the right structure in terms of skills and qualifications. For us, of course, it is primarily a matter of building up the right competencies in the right places. Together with focused structures and processes, this is the key to operating efficiently and growing sustainably in times of rising costs.

**Which talents, above all, does HENSOLDT have its sights on? And how does the shortage of skilled workers make itself felt?**

Even though HENSOLDT is very well positioned, we also of course feel that there are simply too few applicants in many areas, especially among the highly trained specialists in high-tech professions. Today, we are increasingly hiring more in the IT area and are therefore not only competing within our own industry, but also with e-commerce providers and many other industries. This makes

strategic skills management all the more crucial for us. We need to be able to better anticipate which profiles and qualifications we will need in the future. This applies to several years in advance and just as much to the medium-term perspective. Because if I only start recruiting the employees I need as soon as we've secured the major project, it's far too late. We have to get there much earlier and understand very precisely how the geopolitical context, technological trends, and the needs of our customers are developing. This is a challenging but crucial task in order to attract top people with the technology profiles that are our focus: systems engineers, software developers, and IT professionals. We are also increasingly recruiting experts in programme and project management, as the implementation of complex large-scale projects is increasingly shaping our business. With all these qualifications, I have to think of the bon mot "The battle for talent is over. It's the talents who have won."

**And what's to be done in view of this new restructuring on the labour market?**

Of course, we have to position ourselves in all areas so that our claim to be the employer of choice is fulfilled. But for the defence industry in particular, we also need to talk more about what we do and why we do it. Today, we see a much greater openness in society to appreciate our contribution to the defence of democracy and freedom. But we also need to engage in this debate when the war in Europe hopefully ends soon and society's perception may change again. In addition, two aspects come up far too short for me in the discussion about the shortage of skilled workers: On the one hand, we have the task and the opportunity to help young people grow into the talents of tomorrow through proper training. That's why we have once again significantly expanded our commitment to training and dual study programmes and are helping to shape the concept of courses such as Embedded Systems in order to get young people more excited about technology again. On the other hand, the further development of our own talent, which we already have on board, is enormously important to me. Particularly in our industry, with long project durations but short innovation cycles, the balance of experience and young, fresh impulses is essential.

**What impact does the war in Ukraine have on HENSOLDT's recruiting?**

The change in awareness of defence is also clearly reflected in the applicant market. At the same time, the *Zeitenwende* has further intensified competition in our industry for the best minds. It's therefore truer than ever: We need to go to the talent and be closer to the people. This starts with such simple things as having more person-to-person dialog on platforms like LinkedIn to give more insight into which personalities work for us. But it also includes broader issues: Should we offer the ability to work entirely from home for certain jobs and profiles? Do we need hubs in regions with strong talent pools? Can we secure particularly sought-after skills through partnerships? We need to find answers to these questions.

**How does HENSOLDT win over employees and applicants? What are the strongest factors?**

Many of our employees and applicants are motivated above all by making a tangible contribution to the defence of peace and freedom. They develop the best possible equipment for people who risk their lives for our society. In addition, it's also very much about the fascination of high technology. At HENSOLDT, employees can help shape progress in specialized fields that few other industries can match, from sensor data fusion to aerospace. The personal security offered by a job in a comparatively crisis-resistant industry is also seen as attractive again. Conversely, as an industry leader on the topic of sustainability, we fulfill a basic requirement to convince the applicants we want in favor of HENSOLDT. Together with



the team, my predecessor Peter Fieser set up a sound ESG strategy that we are consistently implementing. In doing so, we are pursuing ambitious goals such as carbon neutrality by 2035, which is a tough job and requires significant investments. But this is also money very well spent from an HR perspective.

**And how do you start further promoting HENSOLDT as an attractive employer?**

On the one hand, we will continue to work on our great strength, our corporate culture. For any company, this is an ongoing task that is crucial to success, especially in growth organizations. I want us to translate what guides and shapes us in a very comprehensible way and to carry it into every corner of the company. This also applies to the international subsidiaries that have joined the HENSOLDT family through acquisitions in recent years. We will certainly not impose this cultural process from above and define it in PowerPoint presentations, but we can and must create the right platforms for employees. This brings us to a second point, leadership culture: Many outsiders still think of the defence industry in terms of “command and obedience.” However, that’s not the reality at HENSOLDT. When employees go to the Management with their idea that our technologies could also be suitable for protecting wildlife, that’s great. But here, too, we can’t simply put a check mark on it; we have to permanently promote an inclusive leadership culture of open doors. Teams rightly and increasingly expect transparency, participation, and flexibility. This is accompanied by new leadership challenges, especially when we collaborate remotely. These cultural issues lead directly to two other very tangible focus topics that we are working on.

**Which ones are they?**

On the one hand, it’s about the new world of work, for which, after the pandemic, we have definitely not found all the answers across all industries. At HENSOLDT, there is a 50 percent rule for hybrid working between office and from home. This works very well, but in the long term it is more a question of which activities require a team to work together on site. Then we need to understand what collaboration and communicative workplaces of the future will look like that meet the realities of our business and the needs of employees. In Oberkochen, where we will inaugurate our new high-tech campus by 2025, this cultural transformation will be reflected architecturally as a kind of beacon. In all of this, we are also particularly thinking about those employees who can’t work from home, because they are working on classified projects or in radar production. On the second topic, diversity, the target picture is simpler: As a company, we have to be a reflection of society, even in our industry. With regard to the proportion of women in management teams, we at HENSOLDT have clear interim targets that point the way, and I am very happy about the strong role models in our ranks. As a technology company, one of the problems we have to deal with is the low proportion of female graduates in technical professions. This is not an argument to sit back and relax – on the contrary. We will do our part to change that.



### **Lars Immisch**

began his career in what is now Airbus Group in 1999 at DaimlerChrysler Aerospace in Unterschleissheim, Bavaria, Germany, as HR Manager in the area of defence electronics after studying law. Lars Immisch later held numerous management positions in the HR department of the Airbus Group, most recently as Executive Vice President Human Resources at Airbus Defence and Space. His passion for international work took him to France twice, the first time to Paris in 2003 as CFO of the French defence electronics business.





# // HENSOLDT 2031

**Strategic Business Development**

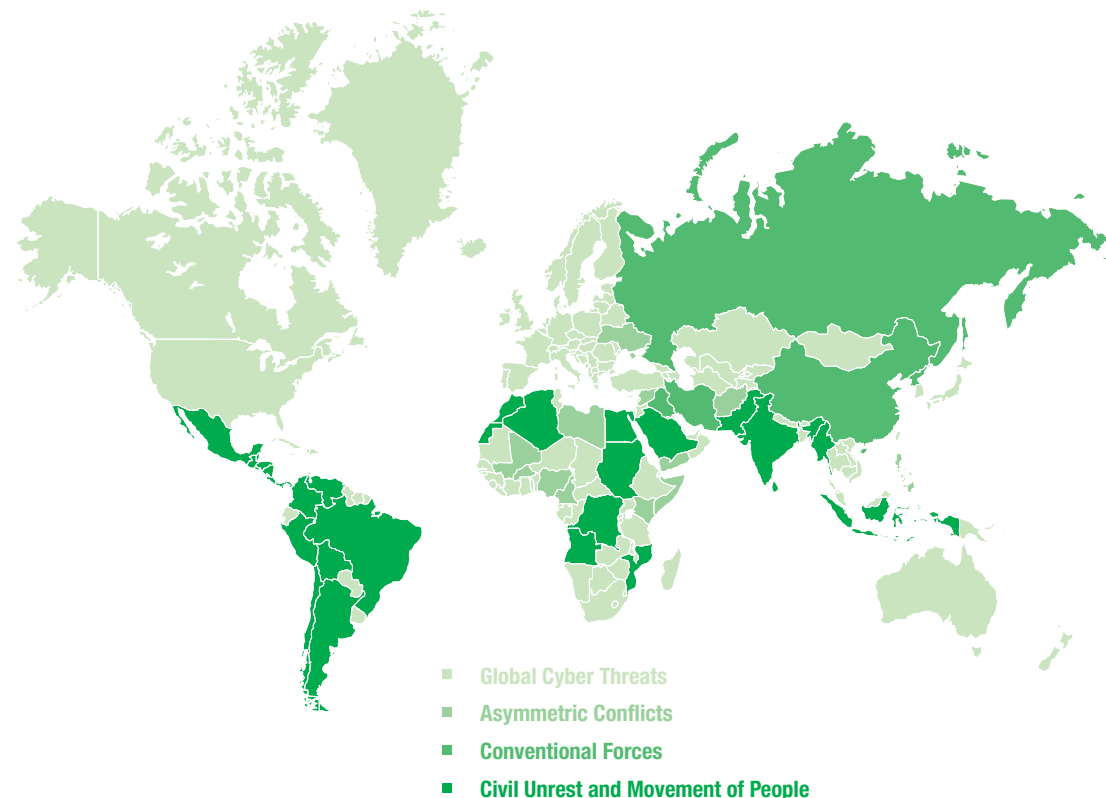


# HENSOLDT

## 2031 –

### the Right Strategy for a Safer Tomorrow

The new security policy situation resulting from the Russian war against Ukraine shows: With its corporate strategy, HENSOLDT has set the right course for the future of defence electronics. With four vectors, “HENSOLDT 2031” is setting clear priorities for the development of the technology company, making it a strategic partner for the security issues of tomorrow, and driving HENSOLDT’s further growth.



With Russia’s war of aggression, the defence of our own national borders and NATO’s military clout have returned to the forefront of security policy after decades. At the same time, the security threats posed by conventional conflicts are becoming increasingly complex. In addition, there are asymmetric conflicts between parties with different weapons, organizational and strategic strengths, politically motivated cybercrime, civil unrest, and the conflict potential associated with migration movements.

As a result, the need for appropriately adapted operational concepts for armed and security forces is growing at an increasing rate worldwide. The focus here is on increasingly networked and intelligent solutions. After all, the challenges of the future can only be met if superior situational awareness can be developed by networking platforms across multiple domains (so-called “multi-domain operations”). Sensor technology and defence electronics are thus at the center of attention.

#### Key Role for HENSOLDT

As a leading provider of electronic sensor solutions, HENSOLDT develops the mission-critical elements for next-generation defence systems. Technologically sophisticated and innovative, they will make a decisive contribution to security in Germany and Europe in the coming years and decades.

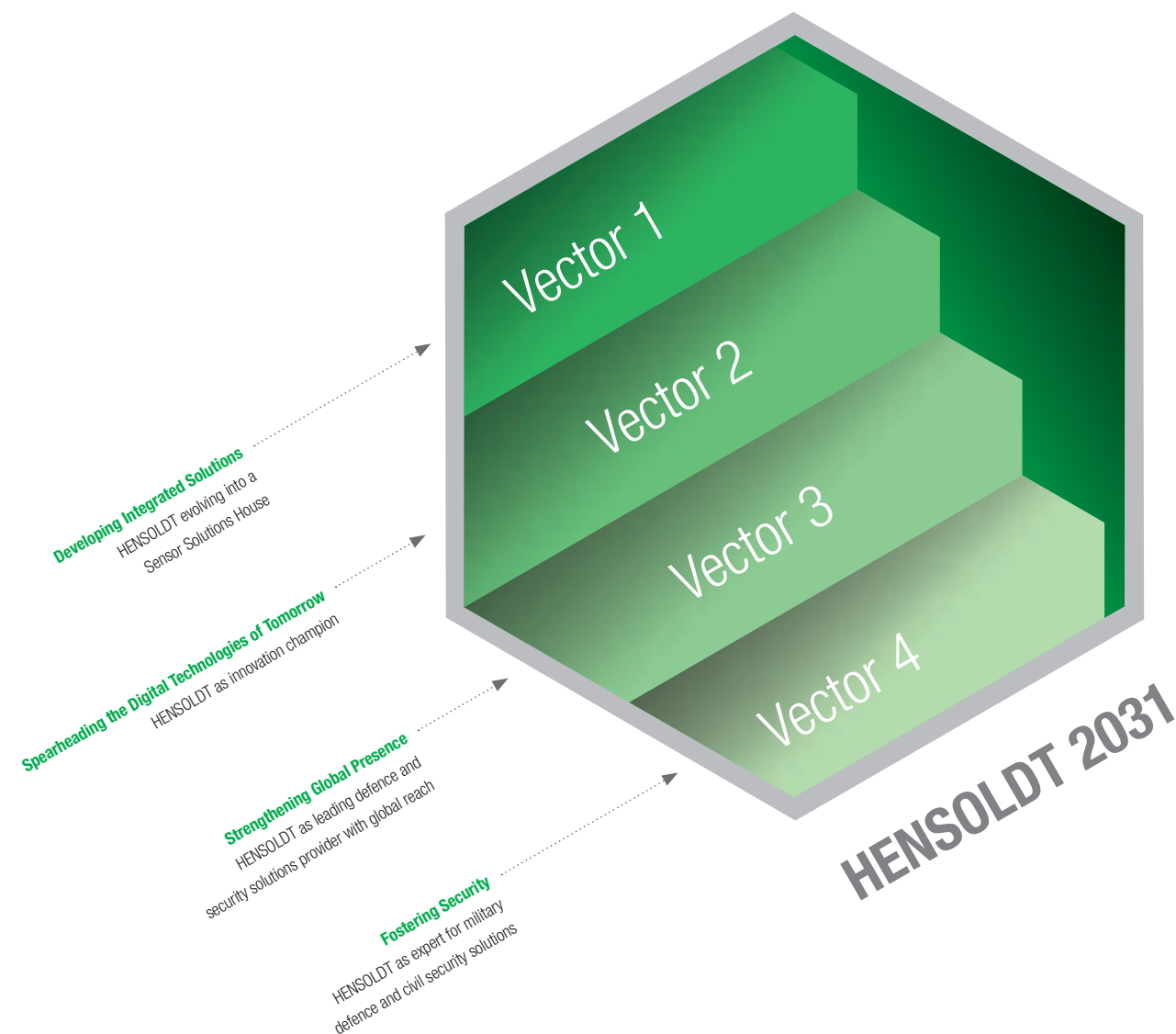
HENSOLDT is fulfilling this key role on a strong entrepreneurial basis. Since going public in 2020, the company’s sales have grown twice as fast as the overall defence electronics market. Order backlog and workforce size are now at record levels. As a technology company, HENSOLDT has always had a strong focus on innovation in this regard and has also significantly increased its annual spending in R & D since going public. And the signs for HENSOLDT continue to point to success: With innovative technologies and a consistent focus on customer application scenarios, the company has significantly expanded its strategic market position. Moreover, the importance of defence electronics and thus its share of the growing defence market will continue to increase in the coming years.

The basis for the success of today and tomorrow is the clearly growth-oriented corporate strategy HENSOLDT 2031. With this strategy, HENSOLDT aims to become Europe’s leading platform-independent provider of sensor solutions for the defence and security sector with global reach. To achieve this, HENSOLDT 2031 focuses on what makes the company tick: inventive spirit, consistent customer focus, ambitious goals, quick decisions, and excellent implementation. Or, as Celia Pelaz, Chief Strategy Officer of HENSOLDT, sums it up: *“Our ambitious strategy sets the course with clear goals. The HENSOLDT team turns it into a successful growth story day by day – in line with our vision: Together we make the difference for a safer tomorrow.”*



# HENSOLDT 2031

## Priorities and Milestones



In 2021, four years after the company was founded, HENSOLDT had already achieved many defined goals and milestones significantly faster than planned. With a view to the dynamic development of technologies, threats, and customer needs, the company has therefore sharpened its target image for the coming decade and concretized its orientation along four strategic vectors. Forming the core of HENSOLDT 2031, these compress the strategic priorities and broad lines of corporate development:

1. **Developing Integrated Solutions**
2. **Spearheading the Digital Technologies of Tomorrow**
3. **Strengthening Global Presence**
4. **Fostering Security**

For each vector, there are specific business initiatives that are backed by measurable targets. Implementation is tracked on the basis of strategic indicators and continuously reflected by the Management Board – for example, with regard to the development of R & D expenditure in the area of integrated solutions or the changes in investment structures in companies with strong digital expertise. In this way, the corporate strategy, condensed into four vectors, also serves as a tangible guideline for decisions in day-to-day operations.

Against the backdrop of the *Zeitenwende* (turning point) for German defence and security policy and the build up of defence capabilities also decided at EU and NATO level, HENSOLDT comprehensively analyzed known and possible effects on the company in the summer of 2022 and compared them with its strategic orientation. This clearly confirmed HENSOLDT's strategic goals – in fact, the company intends to achieve them even faster than previously planned. This applies in particular to the first two vectors. Celia Pelaz: *“The new geopolitical reality has shown: Our strategy sets the right priorities. In this Zeitenwende, however, we will once again significantly increase the pace of implementation.”*

The focus will thus remain on HENSOLDT's greater contribution to military defence and civil security expertise in Germany, Europe, and worldwide:

Vector 1: Developing  
Integrated Solutions

### “Answers to tomorrow's security requirements”

With increasingly complex challenges as well as the enormous amounts of data that modern defence systems process, the needs of HENSOLDT's customers are also becoming more extensive. Further intensified by the *Zeitenwende*, they more than ever need a partner who thinks beyond individual components and subsystems, delivers overall answers, and thus enables rapid action.



Vector 2:  
Spearheading the  
Digital Technologies  
of Tomorrow

**“The difference  
for a safer tomorrow”**

In most cases, transformation of the way in which defence and security scenarios are handled usually has a common denominator: data. Increasingly intelligent security and defence platforms must be able to collect and process a flood of data and use it to provide real-time decision-making information. Not least, Russia’s war against Ukraine illustrates the relevance of data-driven information superiority. Thanks in part to smart technologies, Ukraine is able to hold its own against a numerically superior opponent.

HENSOLDT’s ambition as an innovation champion is to drive the digitalization and networking of defence technologies. On its way to becoming a leading data analytics house in the German security and defence sector, HENSOLDT is developing increasingly intelligent applications. By combining sensor data with additional data sources, reconnaissance systems are created at a completely new level of quality. Raw data becomes actionable information. Superior situational awareness emerges.

*“We are increasingly making the difference for a safer tomorrow by combining our capabilities in software-defined sensor technology and optronics, artificial intelligence, and data analytics,”* says Celia Pelaz.

In view of the particular dynamics in these areas, innovation partnerships that HENSOLDT enters into with highly specialized companies are also increasingly contributing to this. Development cycles can be additionally accelerated in this way. Finally, “smart partnering” creates further competitive advantages.

HENSOLDT has prepared for this at an early stage and with foresight. As a “sensor solutions house,” the focus has long been on more than just individual technologies, products, and their (further) development. Rather, sensors are merged with each other, platforms are networked across all domains, and classic sensor technology is connected with virtual sensor technology. Complete solutions are created that can be integrated in line with the plug-and-play principle and offer comprehensive, holistic decision support in use. With them, HENSOLDT is significantly expanding its presence in defence platforms.

*“As a technology company in the key areas of defence electronics, data analytics, and cybersecurity, we are developing holistic answers to tomorrow’s security requirements today,”* Celia Pelaz summarizes.

This evolution into a solutions provider goes hand in hand with more integrated collaboration within the company across divisions and domains. In addition, HENSOLDT is increasingly assuming system leadership and overall responsibility in complex defence projects when the company leads the relevant industry consortia as a system integrator.

Vector 3:  
Strengthening  
Global Presence

**“A driving force for  
deepened cooperation”**

The demands on reconnaissance and defence technologies are becoming ever more comprehensive. Threat situations are increasingly developing globally. Alliances such as NATO have taken on new relevance as a result of the war in Ukraine. The need for deeper European cooperation is increasing in order to achieve greater interoperability, efficiency, and innovation.

With its roots in Germany and a strong presence in France and the UK, HENSOLDT sees itself as an active shaper of this future. In close cooperation with strategically important partners, HENSOLDT realizes complex European key projects and thus contributes to strengthening Europe’s sovereignty in defence matters. With a strategic focus on the UK, the US, and Australia as part of the so-called “Five Eyes,” HENSOLDT is also specifically expanding its global profile in order to be able to serve customers worldwide even better. Thereby, regional focuses complement each other in the demand for HENSOLDT products: While European customers are currently strengthening land and air defence in particular, HENSOLDT technologies for maritime surveillance are in particular demand in the Asia-Pacific region; in North America, and the Middle East, the focus is on solutions for border security.

*“We continue to expand our own international presence and, in parallel, engage in strong innovation partnerships. HENSOLDT is a driving force for deeper cooperation and collaboration in the European defence industry,”* says Celia Pelaz.

HENSOLDT’s global growth strategy strengthens the company’s competitiveness in all markets. In addition, both NATO’s new strategic concept and the European Union’s Strategic Compass provide further incentives for member states to strengthen joint capability development. Uniform technology platforms are to be developed more quickly and efficiently through increased international cooperation. With its increasingly global footprint, HENSOLDT is proving to be a strong partner in challenging times.

Vector 4:  
Fostering Security

**“Defence and security  
are two sides of the same coin”**

The Russian war of aggression against Ukraine shows how conflicts are increasingly no longer confined to the military level alone, but include all areas of society and the economy. Technological progress is also increasingly blurring the boundaries between military defence and civil security. They form a single entity. It is no longer a question of military strength alone, but of comprehensive resilience.



HENSOLDT is addressing this development with the aim of going beyond the defence sector to open up those civilian markets whose customer profiles, requirements, and technologies are close to the core business. For example, the company's technologies support drone defence and border security, critical infrastructure, and airports.

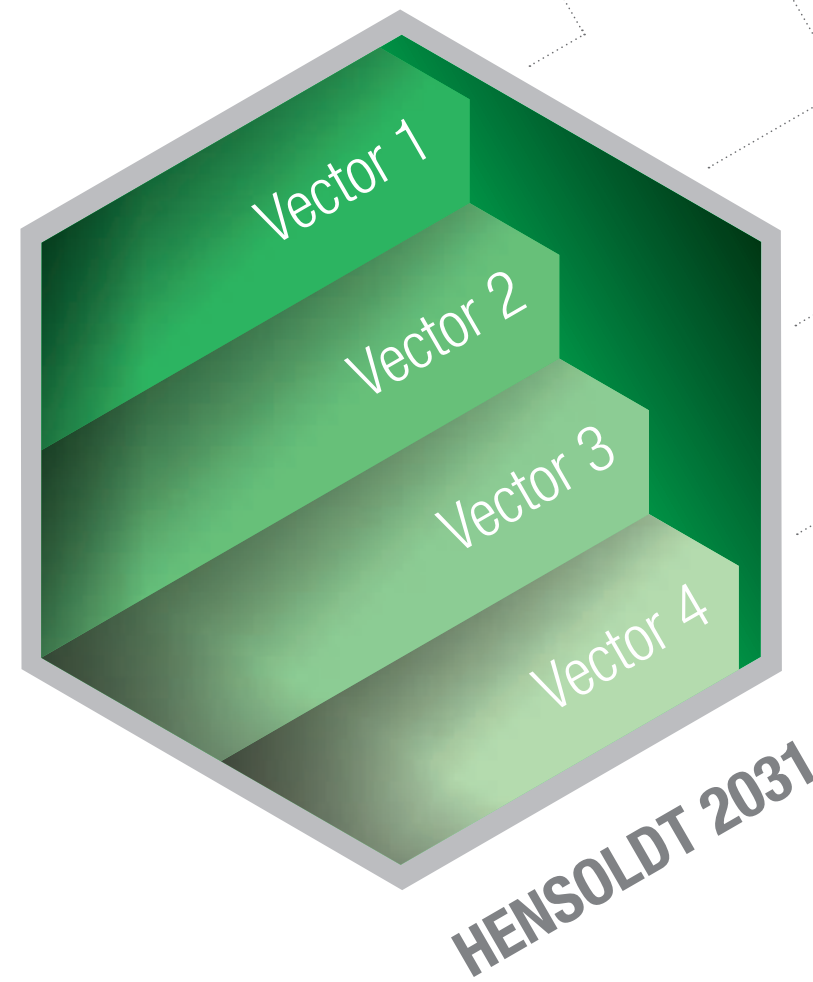
*"More than ever, defence and security are two sides of the same coin. Our customers are increasingly thinking of them together – and we are acting in the same way to be able to support them in the best possible manner,"* explains Celia Pelaz.

With its products and solutions, HENSOLDT thus also contributes to the civilian sector to recognize threats in time and to be able to counter the hybrid conflicts of the future. For a decisive increase in security.

"The great strength of HENSOLDT is that we implement our plans in a very focused and consistent manner. As a result, in the six years since our brand was founded and three years since our IPO, we have achieved many of our goals much faster than planned. We continue to shape the future of our company with this spirit."



**Celia Pelaz**  
Chief Strategy Officer



"Our path is very clear: from sensor specialist to integrated solutions provider for superior situational awareness."

"With HENSOLDT 2031, we are consistently implementing our claim as an innovation champion. We offer our customers more than just data: actionable intelligence."

"We are developing HENSOLDT into Europe's leading platform-independent sensor solutions provider and data analytics house for defence and security applications. Our reach is becoming increasingly global."

"HENSOLDT solutions ensure security and technological progress – even beyond the defence sector. That's why we are very successfully tapping into targeted new market segments for our company with civilian applications."

## HENSOLDT 2031 and Its Execution

### FCAS and MGCS: Two European Programmes – One Goal

The two European defence programmes “Future Combat Air System (FCAS)/Next Generation Weapon System (FCAS/NGWS)” and “Main Ground Combat System” (MGCS) are regarded as important guarantors of future security in Europe. HENSOLDT plays an important role in both programmes. They thus also represent the dynamic development of the company along its strategic vectors.

#### FCAS/NGWS

As the future “air force,” FCAS will represent a networked system of manned and unmanned aircraft, while also integrating existing aircraft such as the Eurofighter. FCAS thus stands for networked activity: extremely flexible, scalable, interoperable, and protected against any kind of threat in highly complex mission environments of national and alliance defence, including from cyberspace. With a project volume estimated at 300 billion euros, this is currently the largest European defence programme, with German investments from 2023 also being financed from the special fund for the Bundeswehr.

The nucleus for FCAS is the “Next Generation Weapon System” (NGWS) : consisting of a new combat aircraft

and various unmanned “remote carriers,” it will be networked by the “Air Combat Cloud” and have an ultra-fast sensor-effector network: multistatic sensing, cross-platform fusion, and exchange of sensor data as well as transfer of target information to other platforms’ effectors will give the NGWS a key operational role – including in multidomain operations.

Here, HENSOLDT’s leading expertise in developing integrated and networked sensor solutions is highly valued: as part of FCAS/NGWS, HENSOLDT is leading a high-performance industrial consortium comprising Diehl Defence, ESG, and Rohde & Schwarz and thus bears national responsibility for the NGWS sensor demonstrator. As part of the complementary research and technology programmes of the German Ministry of Defence, HENSOLDT is also responsible for

the work package “Sensor Data Fusion/Sensor Resource Management” and the further development of the “Electronic Warfare” capabilities.

The NGWS is to be introduced in stages starting in 2040. At the end of 2022, Germany, France, and Spain reached an agreement on the next programme phase. In this phase, industrial companies from the three countries will jointly define the future-oriented technologies and demonstrate them in prototypes that will later be integrated into manned and unmanned platforms.

#### MGCS

As the next-generation ground combat system, the MGCS is expected to replace the Leopard 2 in the German army and the Leclerc tank in the French army from around 2035. As a special feature, the new system will integrate optronics, radar, self-protection, electronic warfare capabilities, and laser communications of all vehicles and aircraft in the field and network sensor data. The results will be displayed – thanks to augmented reality – in a clear and user-friendly overall system.

HENSOLDT also formulates holistic, progressive answers to the challenges of tomorrow for MGCS: The company develops almost all the necessary electronic, sensory, and optronic solutions, including automated data fusion and evaluation using artificial intelligence. In this context, HENSOLDT is responsible for the development of one of a total of 12 so-called “main tech demonstrators” for Germany.

As a technology of the future, MGCS will build bridges: between the numerous electronic and optronic sensors, between multi-mission radars with 360-degree panoramic vision in an environment of up to 40 kilometers, between self-protection systems – including against explosive devices – and friend-or-foe detection, between systems for signal jamming and defence against attacks from cyberspace, between laser communications that are insensitive to interference, and much more.

German participation in MGCS has also been included in the special fund for the Bundeswehr. An initial technology demonstrator is to be developed by 2025. In the next step, the defence ministries in Berlin and Paris will designate the industrial leadership of the companies cooperating in MGCS.





# The Right Strategy for a Safer Tomorrow

With the accelerated implementation of “HENSOLDT 2031,” the company is increasingly becoming the driver of three key developments:

- **Data-Empowered Defence**

With integrated, increasingly intelligent defence and security applications that fully harness the power of data.

- **European Tech with Global Reach**

With deepened European cooperation that strengthens interoperability, promotes efficiency, and produces leading technologies for the global market.

- **Progress beyond Defence**

With innovation starting from the defence sector as a driver of progress far into the civilian sector.



# // Data-Empowered Defence

HENSOLDT stands for pioneering spirit and high-end solutions. As a technology company for defence electronics, HENSOLDT drives innovation where the performance of modern defence systems is increasingly being decided: in the field of software-defined sensors and optronics, networking, and data analysis. The company finds the right answers to tomorrow's threats based on its many years of experience of its customers' deployment requirements and application scenarios. To further accelerate progress toward securing peace and freedom, HENSOLDT also relies on innovation partnerships with other tech players. For example, HENSOLDT's integrated sensor solutions enable superior situational awareness as a prerequisite for comprehensive resilience.





# Providing Superior Situational Awareness

How sensor fusion with artificial intelligence is creating a clear picture

**Sensor fusion generates a holistic situation report from huge amounts of data. By using artificial intelligence, previously blind spots can be made visible.**

Established sensor technologies alone will no longer be sufficient in the future. Only by linking the platforms, by sensibly evaluating the ever-increasing volumes of data, and through the targeted use of numerous artificial intelligence (AI) methods can a comprehensive situation report be created in real time. In this way, the whole becomes more than the sum of its individual technologies – and superiority emerges.

To achieve this, HENSOLDT connects its sensors to form an intelligent network. Every node within the operational chain, every sensor – whether stationary on the ground, mobile on a vehicle, or in the air – delivers fully integrated information. AI intelligently processes the data, identifying, classifying, and tracking potential threats. Hardware and software work together seamlessly. Complemented by highly automated self-defence systems, drone defence technology, and advanced targeting systems, this gives every operational area the information it needs. The user is relieved and can concentrate faster and better on the essentials.

## Sensor Fusion – for Better Situational Awareness

The ever-increasing volumes of data generated by sensors are increasingly being processed directly in the vehicle. This so-called edge computing, decentralized data processing at the edge of the network, reduces the amount of data transferred between individual platforms or even to the cloud. Less bandwidth is required for data transfer and visibility during transmission is reduced, as is the risk of data loss or impaired data quality. Latency – the time delay between the occurrence of an event and its visualization – is minimized.

This is made possible by the use of AI, which helps to process the resulting data already on site and translate it into actionable information. HENSOLDT's intelligent sensors not only perceive situations, but they also understand them.

Then, this data-derived information from all spectral ranges of manned and unmanned systems on the ground and in the air flows together. A comprehensive 360-degree situation report is created in real time, with AI detecting threats, assessing them, and warning about them. This interaction increases situational awareness and accelerates decision-making while decreasing the burden on the people who must make those decisions.

HENSOLDT has the know-how for such integrated sensor fusion networks. In the not-too-distant future, they will form the basis for fully networked, multispectral, and intelligent sensor technology across all safety applications, encompassing the entire field of application.

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## SETAS – for More Insight

Tanks have often provided decisive superiority for over 100 years. Their advantage: they protect their crew. Their disadvantage: The occupants have only a very limited view of their surroundings and possible dangers. With the See Through Armour System (SETAS) developed by HENSOLDT, tank crews can virtually see through the armor of their vehicle for the first time. The increasing danger from improvised explosive devices or drones is effectively averted.

SETAS combines several high-resolution HENSOLDT daylight cameras, which can be supplemented by infrared modules. The special feature: in the future, the enormous volume of data generated in the process – more than 20 gigabits per second, which would rush at users from all directions – will be evaluated by image processing and AI algorithms. Reduced to the essentials, the crew will then receive only the information they need – without false alarms or the risk of overlooking potential threats.





SETAS intelligently combines the data from the various daylight and infrared cameras into an integrated panoramic view that can be viewed by up to eight users simultaneously. Attention is automatically directed to relevant situations.



All external SETAS interfaces comply with the new NATO standardization agreement. SETAS can easily communicate with other systems and components such as monitors, tablets, or even head-mounted displays.



SETAS can identify people at a distance of up to 300 meters. Threats are highlighted in the display with the help of augmented reality markers. For additional security, further sensors for gunshot or laser detection can be added.



SETAS integrates other systems and communicates with them. In this way, geo data-based data about objects can be transmitted to other vehicles – for example, the exact position of the attacker in the event of an attack.



A compact central image processing unit directly processes the huge amounts of data in SETAS. This avoids time-consuming data transfers. Information is processed in such a way that different crew members only see what is important for their respective tasks.



SETAS can be easily combined with or integrated into other systems in the HENSOLDT portfolio – including the MUSS self-protection system, UAV defence technology, VADR drone reconnaissance, SPEXER radar, radio direction finder, EOTS electro-optical system, and command and control software.

## Military Utility Vehicle – for Superiority

The modular platform developed by HENSOLDT in just eight months in the new Military Utility Vehicle illustrates the role that sensor fusion can play in the future in civilian and military applications. A wide variety of HENSOLDT systems have been installed on the all-terrain Iveco Defence Vehicle (IDV); in addition to SETAS, these include a Radio Direction Finder and the multifunctional MUSS self-protection system. Moreover, the installation of radar sensors is planned.

Via a system architecture that centrally combines the data of all individual systems, the information is automatically processed and centrally evaluated as well as processed with the help of AI. The result: sensor fusion that pushes the limits of what is technically feasible today and shows its concentrated power. Installed in a vehicle that provides comprehensive situational awareness, it can be used for surveillance and reconnaissance as well as for convoy and self-protection.

In doing so, the system combines other advantages: Iveco Defence's vehicle base offers a turnkey solution with customizable detection and classification capabilities specifically designed for a wide range of tasks. Thanks to the modular design, customers can select and combine the required sensor systems from the comprehensive HENSOLDT range to meet their individual requirements. All components can be connected to the central computer unit and offer the desired additional functionality via special software. The results are evaluated directly in the vehicle but can also be transmitted externally.

An initial demonstrator of the Military Utility Vehicle currently exists, which is to be continuously further developed and brought to series production readiness.







# Jamming without Being Jammed

How “Kalaetron Attack” can equip  
the Eurofighter for electronic combat

**Electronic warfare is increasingly contributing to the success of military operations.**

**Here, state-of-the-art HENSOLDT technology shows what is already possible. Part of the recipe for success is the potentials of artificial intelligence, fully digital signal processing, and 3D printing.**

Warlike conflicts are increasingly conducted electronically and in the entire electromagnetic spectrum. The war against Ukraine has once again demonstrated this development. Radio signals, including cellular, are used for both communication and remote detonation of explosive devices. Radar and infrared waves support reconnaissance and early detection of enemy activities. Global positioning systems such as GPS guide cruise missiles and drones to their targets. Therefore, the control of all these signals in the electromagnetic spectrum, the so-called spectrum dominance, has become a central requirement for one’s own mission success and the optimal protection of one’s own forces.

## “Kalaetron Attack” – Air Combat of the Future

As a decisive national key technology, HENSOLDT has developed the new, fully digitalized interference system called “Kalaetron Attack”. With a variety of

highly innovative processes, it combines two central applications in one device: on the one hand, it can passively detect and locate enemy radars, and, on the other hand, it can also actively jam them.

To this end, HENSOLDT draws on its experience from other Kalaetron products, which are already being used successfully for self-protection and signal reconnaissance by the German Bundeswehr, among others. Fully digital, Kalaetron processes all signals directly in the device and evaluates them using artificial intelligence (AI). HENSOLDT has further developed this technology for use in the Eurofighter, since the radars used in air defence and air combat cover an extremely wide frequency range. In order to not be detected, they also often jump back and forth between frequencies in fractions of a second. “Kalaetron Attack” detects them anyway: AI analyzes the threat pattern from the multitude of data collected. Thus, air defence positions can be located in record time – a crucial prerequisite for the operational capability and survivability of own air forces. The entire electromagnetic spectrum is controlled by a single broadband receiver channel. Then comes the “attack.” Using precisely replicated jamming signals, the transmitters are automatically either blinded or deceived in a fraction of a second.

In various field trials, “Kalaetron Attack” has already demonstrated its effectiveness and responsiveness against state-of-the-art air defence radars and air defence systems. In the Eurofighter, it can ensure its safety as well as that of its escort aircraft and thus the successful execution of its missions. Even from a great distance, “Kalaetron Attack” can erect an electronic protective screen, eliminating the threat to entire formations.

## State-of-the-Art Technology – in Production and Operation

In developing “Kalaetron Attack”, HENSOLDT was faced with a range of specific challenges. The device had to be small enough to be integrated into existing aircraft. The huge amounts of data from the integrated broadband sensor not only had to be processed on site – that is, in the device itself – but also evaluated within milliseconds and automatically transmitted to an electronically controllable jammer.

This was made possible in particular by 3D printing and AI: the electronic components produced with metallic 3D printing could once again be significantly reduced in size, thus optimizing “Kalaetron Attack” for use in aircraft. Directly in the device, AI ensures that the data can be processed and used without detours via networks.

The result speaks for itself: “Kalaetron Attack” can add electronic warfare capabilities to the German air force’s Eurofighter and ensure timely capability transfer to the ECR Eurofighter. The powerful system will then play a central role for the air forces of the future and, due to its scalability, can also be used in other air-, land-, or ship-based applications.



## Together for Success

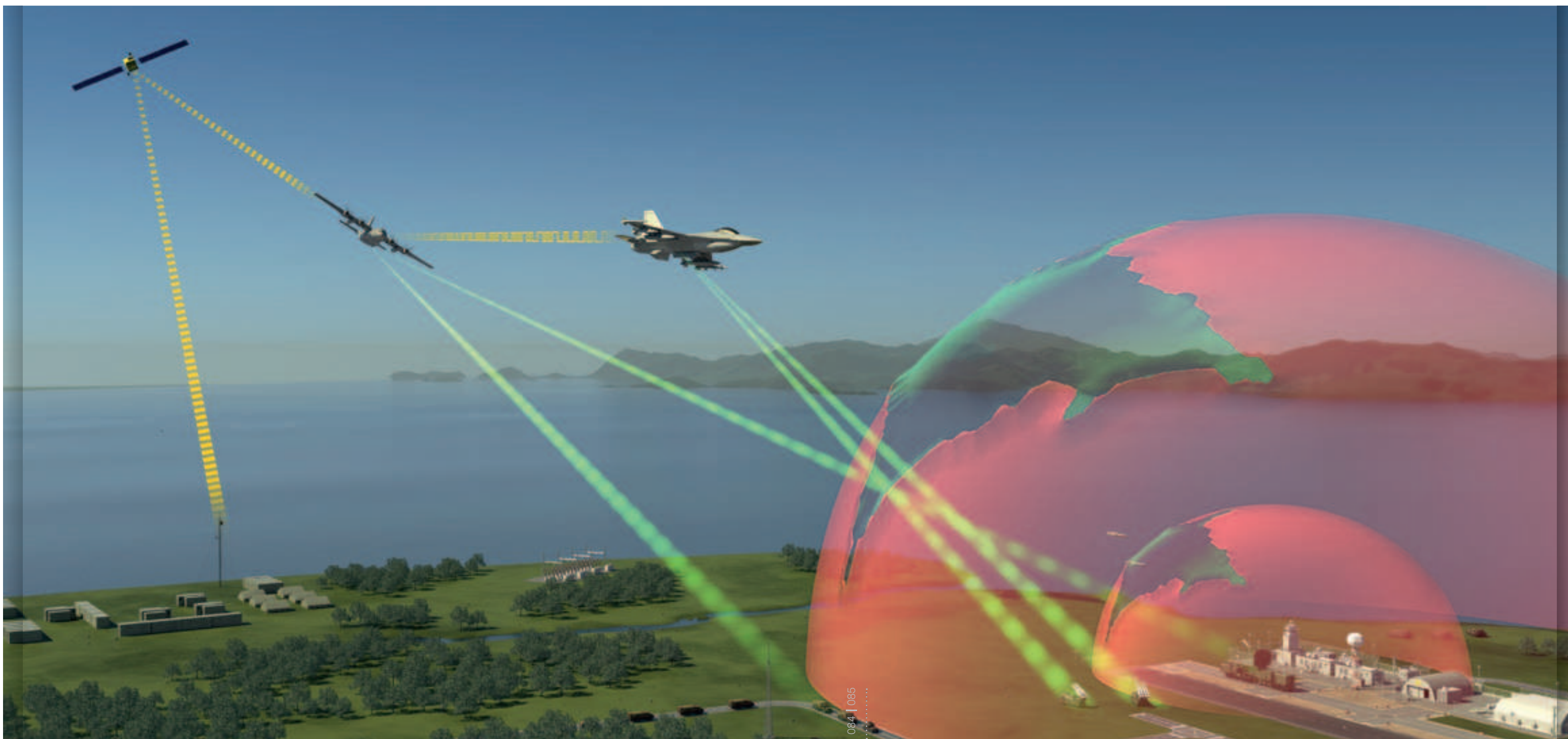
In 2022, HENSOLDT launched a cooperation with the Israeli company "Rafael Advanced Defence". This will involve adding "Kalaetron Attack" attack capabilities to the Sky Shield jamming system for aircraft developed by Rafael. As a standard military solution, Sky Shield has already been delivered to several customers worldwide and can be easily integrated into fast jet platforms. Enhanced with "Kalaetron Attack" electronic attack and jamming capabilities, the result is a comprehensive system for airborne electronic warfare.

The new joint system will use the existing interfaces in the Eurofighter and could be operational from 2028. The cooperation thus supports the German air force's decision to also actively deploy the Eurofighter in electronic warfare in the near future.



## A Product Family in Demand

As a ground jamming system, "Kalaetron Attack" has already been delivered to the Bundeswehr. For PEGASUS, the future airborne system for electronic signals intelligence, HENSOLDT is responsible as general contractor for the development, production, and integration of the intelligence technology. The Kalaetron Integral signal reconnaissance system will collect and analyze military signals from radar and radio systems.







# Thinking Beyond the Operational Domain

How open-source intelligence is  
contributing to a superior situation report

**In conflict situations, digital media in particular play an increasing role – as an active instrument of conflict management and for passive reconnaissance. HENSOLDT uses publicly available information for a more comprehensive situation report and adds a virtual dimension to its sensor portfolio. Information superiority comes from the intelligent combination of all instruments.**

For decades, the history of military conflicts has gone hand in hand with the development of the media. In World War II, radio broadcasts were used for propaganda. Vietnam was the first war to be shown in detail on television. In the first Iraq war, the CNN news network was pioneering with its live cable TV broadcasts. During the second Iraq war, live coverage shifted to the Internet, commonly referred to as the “YouTube war.” And Russia’s war against Ukraine has most recently made it clear that the conflicts of today, and even more so the conflicts of the future, are also taking place and being decided in social media.

The actors are targeting social trust in order to strengthen it in their own camp and undermine it elsewhere. The opponent, their forces, and society as well as the global environment are deliberately influenced and destabilized. Social media in particular thus become an instrument of hybrid conflict.

At the same time, content from (social) media also provides valuable information. Classic reporting, and above all information and photos shared online in social networks as well as data from smartphones, provide information about relevant events, troop locations, and movements. This applies equally to communications in the military context and in everyday civilian life. Captured messages allow further valuable conclusions to be drawn about the equipment and condition of the parties to the conflict. This creates a comprehensive set of potentially relevant data points that must be used intelligently.

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## OSINT – Knowledge Advantage for Security, Defence, and Superiority

HENSOLDT Analytics uses OSINT (open-source intelligence) to develop solutions that make raw data strategically useful as information. For this purpose, all publicly available sources – and only those – are evaluated. From traditional and social media to video, streaming, and photo sharing platforms to newsletters and podcasts, a large amount of text, image, video, and audio material in 30 languages is comprehensively collected and analyzed.

HENSOLDT uses the decades of experience of its specialists for this purpose. With OSINT, the experts have developed solutions that can automatically analyze the almost infinite amount of data within a very short time with the help of artificial intelligence. The storage and processing of all data takes place entirely on the HENSOLDT customers’ premises without the use of external cloud services. This additionally increases data security and speed.





OSINT finds the proverbial needles in the digital haystack from the multitude of sources within a few seconds and generates a comprehensive overview without external effort. Information obtained from content disseminated by the media in current or future areas of operation allows early conclusions to be drawn: Moods in population groups become transparently comprehensible. Potential threats are identified in good time and targeted false information (fake news) intended to manipulate emergency forces or the population is uncovered. OSINT information thus provides an important knowledge base and becomes an integral part of strategic decisions, creating a virtual sensor system.

The system is further developed in such a way that the information from classic sensor technology – radar and satellite images, for instance – is also included in the assessment. Again, artificial intelligence is used to combine the results with those from OSINT applications. The result is an integrated situation report, which – clearly prepared – contains all important information.

More than 30 customers already rely on OSINT solutions from HENSOLDT. As a stand-alone application or in combination with classic sensor technology, they ensure greater security, more effective defence, and superiority in the information space. As a pioneer in the industry, HENSOLDT supports the military and intelligence services as well as government agencies and the civilian sector. OSINT solutions play a special role when classic sensors for the electromagnetic spectrum cannot be used on site or can only be used to a limited extent.



## Three Steps to the Goal

HENSOLDT takes a three-step approach to achieving a comprehensive knowledge advantage in conflict situations:

- 1 **IMINT** (imagery intelligence) provides an overview of physical space from aircraft radars and aerial as well as satellite imagery, for example.
- 2 **OSINT** (open-source intelligence) captures publicly available media and sources and evaluates text, speech, images, and videos.
- 3 **AI** (artificial intelligence) filters out the relevant information and uses it to create an understandable and comprehensive integrated situation report.

### AI artificial intelligence



# “Getting Relevant Insights”

**Anne-Lynn Dudenhöfer is Intel Desk Lead at HENSOLDT Analytics.** Previously a data analyst at the Landeskriminalamt (State Criminal Police Office) Berlin and a researcher at the Psychologische Hochschule Berlin, she has focused her research on counterterrorism, international security, extremism, and radicalization in the digital space. Her master's degrees at the University of Oxford (United Kingdom) and Uppsala University (Sweden) focused primarily on criminology and conflict studies.

**In which cases is OSINT from HENSOLDT already being used?**

Already today, OSINT can provide relevant information in almost all military and civil conflict situations and thus support decision-making. One example: In northern Mozambique, the conflict between the government and jihadist rebels, particularly the group known as Ansar al-Sunna, has been intensifying since 2017. It has now claimed several thousand lives. The COVID-19 pandemic has once again significantly exacerbated the situation in the region. As part of a research project with partners, we have used OSINT methods and successfully combined them with air-to-ground reconnaissance. In addition, we are already combining OSINT with other technologies such as our Imaginary Intelligence (IMINT) image analysis.

**What specific results have been achieved in Mozambique through OSINT?**

Initially, HENSOLDT used OSINT to get an overview of the issues being discussed on social media – in English, French, and Arabic. From this, we obtained relevant insights about the conflict sectors, which we verified with satellite images and then evaluated again with OSINT. This allowed us to identify typical behavior patterns of jihadists after an attack and derive patterns that can help decision makers develop countermeasures.

**What other potential applications does OSINT offer?**

The potential applications of OSINT are just as diverse in the civilian sector. Here is an example as well: HENSOLDT used OSINT, for example, to study migration flows across the new Balkan route through Greece and Albania. This gave us insight into how and where people are moving, what issues they are communicating about, what media and content they are consuming, and how they perceive Europe. At the same time, we were able to investigate how migrants are perceived in the destination country. Not only did this give us an up-to-date and comprehensive picture of the situation, but we were also able to identify push and pull factors of migration that are very relevant for migration policy and preventing humanitarian emergencies.



## Anne-Lynn Dudenhöfer

Intel Desk Lead, HENSOLDT Analytics, Vienna

In her podcast “The Intelligence Brief,” Anne-Lynn Dudenhöfer discusses with experts how innovative OSINT strategies are being applied in the security and defence sector.





# Making Intelligent Decisions

How HENSOLDT and “21strategies” are researching into the next generation of artificial intelligence

**Artificial intelligence enables innovative digital solutions to support decision-making – for the benefit of all stakeholders. HENSOLDT is also researching these intelligent defence applications of the future in close cooperation with specialized innovation partners.**

The use of artificial intelligence (AI) is one of the most important key technologies of our time. Today, it already analyzes visual data and, with the help of sensors, can smell, feel, and – in the form of Alexa, Siri, and the like – even hear and speak. It is being used in a variety of ways and has already become an integral part of areas such as production, finance, and health care as well as our daily lives.

By its very nature, application in defence systems places particularly complex demands on AI. HENSOLDT uses AI in nearly all of the company's

core technologies and continues to expand its AI expertise. Only with AI can the ever-increasing volume of data be processed and evaluated quickly and reliably, often in milliseconds. This is the only way to achieve a level of automation that enables timely, impact-optimized action while conserving resources and minimizing collateral effects. Humans are relieved by the preparation of options for action, but at the same time should and must always remain involved in the control. AI should support, but must never decide, independently. That is why HENSOLDT is committed to the principles formulated by the European Commission regarding trustworthy AI systems (see also ESG Report, chapter Product Responsibility).

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## “GhostPlay” – AI of the Future

In order to explore the future role of AI in defence applications, HENSOLDT is already taking the next step. In cooperation with the Helmut Schmidt University of the Bundeswehr in Hamburg, possible deployment scenarios for the AI of the future are being developed and tested. At the center of this: a form of AI that can take a predictive perspective for the first time. The research project is called “GhostPlay” and is funded by Zentrum für Digitalisierungs- und Technologieforschung der Bundeswehr (DTEC.Bw).

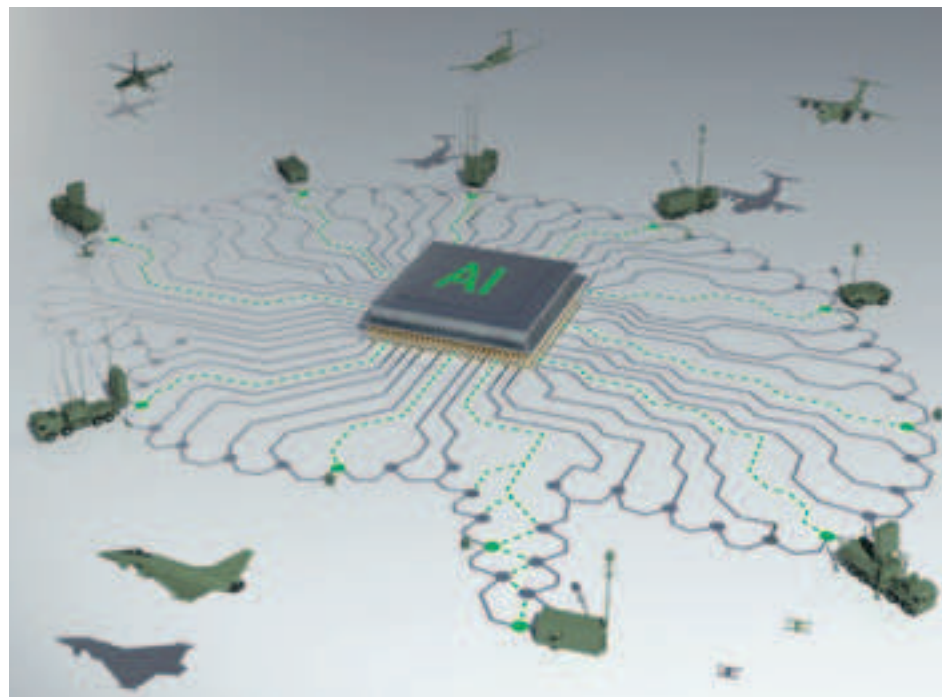
The goal of “GhostPlay” is no longer solely to evaluate current data alone more effectively and quickly. Instead, AI is to analyze the potential behavior of potential adversaries, learn from it, and develop and recommend possible countermeasures in advance. AI thus enables tactical behavior under highly complex conditions, in which, analogous to a chess player, several of the opponent's moves are anticipated and used as the basis for one's own decision-making. This opens up completely new dimensions: In air combat, for example, AI could anticipate the upcoming flight maneuvers of another aircraft. The navy could better protect its ships from unmanned drone swarms and target its torpedoes more effectively. On the ground, sensor-effector networks in air defence systems, for example, could be widely controlled in their interaction to respond predictively to potential attacks. Even from space, satellite-based sensor technology is to be effectively integrated into all decision-making processes.

However, not every kind of AI can automatically be used for every operational scenario. That is why “GhostPlay” uses various AI approaches, from which the relevant ones are then combined. In ground operations, for example, the adversaries – and thus their AI – will have to learn from each other in the future, and thus the different AI will also have to incorporate a learning dynamic. Drone swarms, on the other hand, still behave according to relatively simple rules today. The challenge here lies more in the large number of agents taking part, each of whom must be reliably recognized. In the future, however – and this is also part of “GhostPlay” – swarms of drones will also be controlled by AI, for whose defence, in turn, special algorithms must be developed.

In this context, HENSOLDT builds on its profound experience with the application of AI in a wide variety of fields: in the networking of sensors and effectors (see also chapter 9.2.2 Electronic Combat). When evaluating reconnaissance data from a wide variety of sensors, such as the combination of passive radar, mobile radar, and SPEXER 360-degree radar in air defence or sensor fusion in the See Through Armour System (see also chapter 9.2.1 Sensor Fusion). With the use and processing of data, also from additional sources tailored to the concepts of operations of its customers (see also chapter 9.2.3 Open-Source Intelligence). In addition, HENSOLDT is also contributing its expertise in simulation techniques in product development and resource management to the project.

The “GhostPlay” team led by HENSOLDT also includes: “21strategies”, a company specializing in AI-supported, predictive decision-making, and Borchert Consulting & Research AG for strategy, concept, and scenario development.

Together, the team is developing AI systems that will be trained in simulations as part of the study project. All assets involved in the simulation are thereby empowered by AI. They will then compete against each other and learn independently in a military context in order to make future-oriented decisions. The result is a clash of tactical, intelligent systems that learn from each other: A recognizes the behavior of B, whereupon B in turn challenges A with a new tactic. In this way, future military operations will be analyzed by AI, new tactical approaches will be derived, the application of new technologies and systems will be evaluated, and the dangers to humans and machines will be minimized while taking ethical principles into account. At the same time, research and documentation will be conducted on the potential risks that may arise (see also chapter 7 *Zeitenwende* in Defence Tech).



## The (Perfect) Third Wave

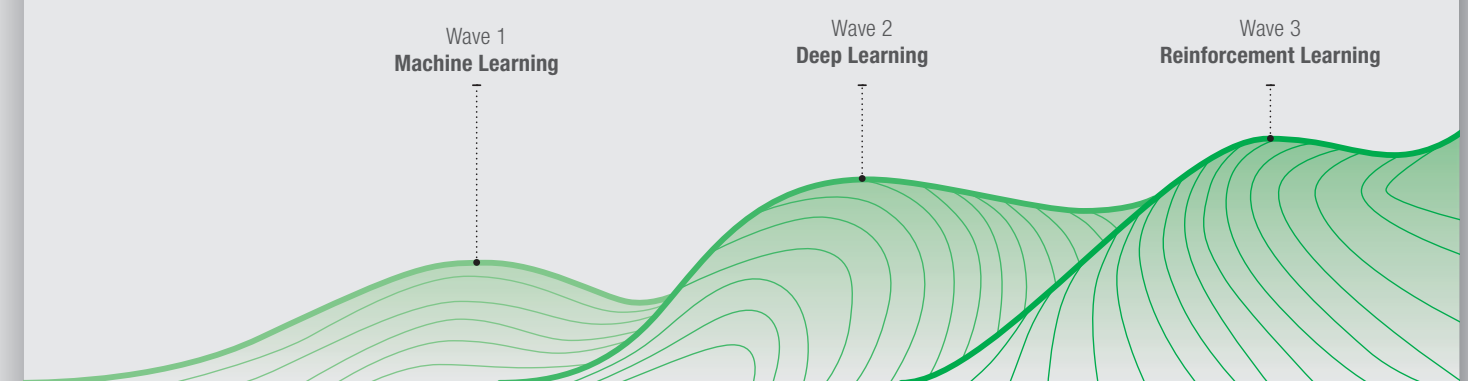
HENSOLDT has been using AI algorithms in its products for years. So far, the focus has been on the first two waves of artificial intelligence: **machine learning** and **deep learning**.

**Machine learning** uses typical patterns to enable computers to classify and assign new data based on these patterns.

**Deep learning** goes one step further. Here, the algorithms are much more complicated and usually inspired by human neural networks. This means that far larger amounts of data can be analyzed.

Projects like “GhostPlay” are now opening the door to the third wave of AI: **reinforcement learning**, which goes beyond fact-based decision situations. In this process, an AI is trained to recognize and evaluate very complex decision structures and make the best possible decision based on them. To do this, it not only analyzes the data, but also puts it into context and constantly learns.

For defence applications, reinforcement learning can be used in the future primarily in very complex situations to enable even more intelligent decisions independent of domains.





# // European Tech with Global Reach

HENSOLDT stands for European strength and global ambition. Starting from the German home market, HENSOLDT is expanding its presence into more and more core markets and extending its international reach. Today, HENSOLDT is a strong European player and sees itself as an active shaper of the necessary deepening of cooperation in Europe's defence sector. In this way, HENSOLDT contributes to greater efficiency and interoperability and assumes responsibility in key European projects that strengthen the European Union's technological sovereignty in the defence and security sector. As a European technology leader, HENSOLDT engages in key research projects together with international partners and provides state-of-the-art solutions to advance armed forces worldwide.





# Arranging the Airspace of the Future

How HENSOLDT is equipping the Eurodrone with central capabilities

**The Eurodrone, an ambitious European collaboration project, is scheduled to take off in 2029. As an unmanned aerial system, it must be able to independently detect the air traffic around it and avoid other flying objects. With its “Detect and Avoid” radar, HENSOLDT is making safe airspace of the future possible.**

In the future, the European MALE RPAS (Medium-Altitude Long-Endurance Remotely Piloted Aircraft System) drone system, known as the Eurodrone, will perform all tasks of airborne imaging and signal-gathering reconnaissance and surveillance. Close air support of ground forces is also planned. Thus, the Eurodrone will strengthen European sovereignty with independent competence in the field of unmanned aviation.

As a lighthouse project of the European Defence Fund, the Eurodrone is being developed under German leadership together with France, Italy, and Spain, thus underlining Germany’s role as a responsible foreign and security policy player in NATO and the EU. After the second implementation agreement for the Eurodrone is signed in 2022, the first examples are expected to be delivered in 2029. The Eurodrone must then be able to detect other aircraft independently and avoid them. HENSOLDT is working on the technology required for this.

With its “Detect and Avoid” (DAA) system, consisting of several radar sensors and collision avoidance software, HENSOLDT is already creating the technical prerequisites for integrating drones into the airspace of the future. The company is thus serving a dynamically growing market: Unmanned aerial systems are playing an increasingly important role in both military and civilian applications. For civilian uses alone – for example, rescue missions, terrain mapping, or logistics applications – it is estimated that more than 2.5 million drones will be in use worldwide by 2025. Around 100 nations are already using drones in military applications.

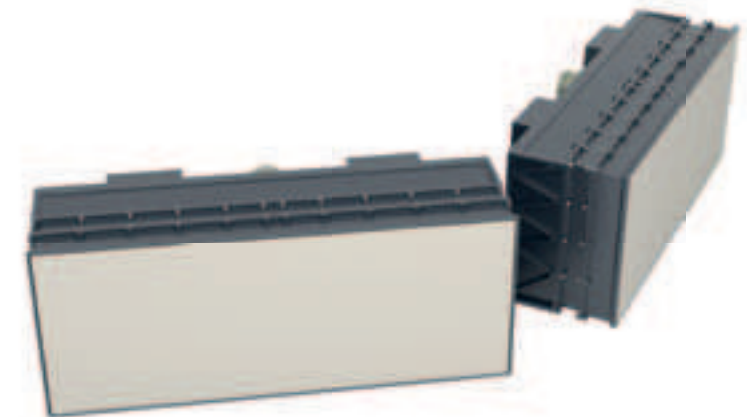
## DAA Radar – Better Than the Human Eye

HENSOLDT’s DAA main radar uses the Active Electronically Scanning Array (AESA) technology, which covers a span of 220 degrees up to a distance of 20 kilometers. The technology combines ultra-high-resolution surveillance of the entire airspace with fast automatic detection and tracking of other airborne systems. In addition, it can sense the ground, thus improving navigation, and even be used as a landing aid. With additional features such as weather detection, it supports drone navigation through turbulence in the vicinity of storms.

Dietmar Klarer, Head of Novel Radar Systems and Concepts at HENSOLDT, says: “Its scalability makes HENSOLDT’s DAA radar suitable for small, civilian aircraft such as helicopters and unmanned aerial cabs as well as large military drones. In military use, it also offers increased resistance to jamming attempts. Thus, HENSOLDT’s DAA radar replaces the pilot’s perception with a technical system that is far superior to the human eye – both in range and in accuracy and probability of detection.”

## First Test – Passed Successfully

In cooperation with the German Aerospace Center (DLR), HENSOLDT has integrated its DAA radar into a research aircraft and has already tested it several times. Under the supervision of a safety pilot, it demonstrated its capabilities. The result: The DAA radar reliably detected other aircraft taking part in the test and successfully initiated evasive maneuvers. At a distance of up to 20 kilometers, it was able to successfully detect and track the aircraft.





## European Collaboration – Developing International Standards

As an integrated component, the DAA radar can be combined with other components of HENSOLDT's comprehensive DAA system: optical sensors, transponders, a collision avoidance system, and command and control data systems. All data is then merged in the DAA computer, providing an all-encompassing information base.

HENSOLDT is also involved in the joint development of DAA systems in several national and European projects. Among others, HENSOLDT provides the DAA radar for EUDAAS (European "Detect and Avoid" System) – a project to develop a European standard for detection and avoidance for safe use in large military remotely piloted air systems in European air traffic. The first flight tests are planned for 2024.

In addition to the DAA system, HENSOLDT is developing sensor equipment that can be integrated into a pod to give the Eurodrone a signal reconnaissance capability. The contract to implement and test a demonstrator worth approximately 15 million euros was awarded by the German Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support at the end of 2022.

In addition, HENSOLDT is involved in initiatives such as ACAS X (Airborne Collision Avoidance System) with the aim of designing and defining European standards for this technology and then bringing them into line with other international standards – in particular those of the US Federal Aviation Administration.

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## The Next Step – Faster, Higher, Farther

Due to the growing demand for DAA systems, development of the next generation of technology is in full swing at HENSOLDT. A new DAA system with a multiple-input multiple-output (MIMO) radar is expected to provide 360-degree coverage when mounted in the nose of the aircraft and will also be able to detect obstacles in limited visibility and smaller drones. In military applications, it could additionally indicate enemy attacks. Significantly smaller than the current DAA radar, it can also be combined with a second, even smaller radar mounted on the side of an aircraft to provide additional coverage of the immediate area.

As part of the air research programme of the German Ministry of Economics Affairs, HENSOLDT is already investigating the application of MIMO technology for aerial cabs and helicopters in urban environments as well as in wider airspace. This will include developing and testing the linking of the system's DAA capabilities with other radar systems for tracking, data transmission, and control. The first flight tests in collaboration with the German Aerospace Center are also planned for 2023.



### “Making Machines Work”

Jens Hennig has been in charge of the “Detect and Avoid” systems at HENSOLDT since 2013. As a pioneer in the field of integrating drones into general airspace, Hennig and his team have made HENSOLDT a European leader in the use of radar technologies for collision warning. Numerous test flights impressively prove the success. In addition, Jens Hennig regularly supervises students in their final theses on topics such as “augmented reality for radar displays” or “passive radars for collision warning.” About his work, he says: “I love making machines work and solving complex technical problems. Once you solve the sticking points, it's not that difficult.” For his commitment to the technologies and talents of tomorrow, Jens Hennig received the HENSOLDT Award 2022, the annual employee award for outstanding contributions to the company's success. Participants in the competition are nominated by their colleagues. A jury selects the finalists, whose winners are then chosen in a vote among all employees. Their vote recognizes the passion, team spirit, and entrepreneurship of the award winners.





# Developing Fully Digital Radar Systems

How HENSOLDT is driving the future of radar technology and engaging in European Defence Fund programmes

**The history of radar is about to take a quantum leap: Detection and tracking devices are becoming fully digital and even more multifunctional. Their reconnaissance capabilities are thus climbing to unprecedented levels. HENSOLDT is actively driving these developments and shaping the future of radar technology for its home market in close cooperation with European partners.**

The foundation for the development of radar was laid by Heinrich Hertz as early as 1886, when he discovered that radio waves are reflected by metallic objects. However, the breakthrough did not come until the Second World War, when radar technology gained great importance both at sea and in the air. Since then, reconnaissance using radar has been increasingly faster, more precise, and at greater distances. Almost 100 years after the first applications, the next technological quantum leap is now on the horizon with the complete digitalization of radar systems.

Among other things, HENSOLDT has already digitalized the antennas of its radar systems. Instead of the mechanically pivoting antennas that have been

common up to now, electronically scanned AESA (active electronically scanned array) antennas are used: in the new Eurofighter MK1 radar, in the multifunctional TRS-4D/TRML-4D radar for airspace surveillance and target acquisition, in the SPEXER reconnaissance radar, and in the PreciSR air and ground surveillance radar.

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## AESA – the Digitally Scanned All-Round View

HENSOLDT's AESA radars generate the transmit energy in several hundred to several thousand small transmit and receive units directly in the antenna, depending on the antenna size. This makes them significantly less susceptible to interference and extremely flexible in use compared to mechanically pivoting antennas with a central transmitter and receiver unit. The electronic beam swiveling capability achieved by this large number of integrated transmit and receive units allows near-distortion-free directional changes at will. This allows AESA radars to track many different, widely varying targets and continue searching in all directions virtually simultaneously.

Equipped with a “ground moving target indication” function and state-of-the-art space-time filtering, multichannel AESA radars detect minute targets in strong clutter environments during land or sea surveillance. For airborne applications, a synthetic aperture radar function produces detailed images through clouds and at night – from over 100 kilometers away.

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## The Fully Digital Radar of the Future

In the next step, HENSOLDT is pushing ahead with the complete digitalization of its radar systems. In the process, the radar signals, which were previously still analog even in AESA radars, will be digitalized directly in the device and then further processed digitally, which will further increase the flexibility of the possible applications. Such radars are increasingly able to observe in the manner of an insect's eye, which has a complete view of its surroundings in all directions simultaneously at all times. In contrast, mechanically moving radars illuminate only a sequential section of the hemisphere at any given time, making it difficult to track multiple targets while simultaneously searching for them.

The fully digital radars of the future will enable networked activity; their data will flow together in a comprehensive situation report. While in the future, for example, radar drones will fly close to the enemy to actively collect data – with the risk of their detection and destruction – in parallel, more powerful passive radar systems will generate data from a distance, undetected, and beyond the enemy's target radius. Thus, the targets will be detected, but not the defender's own manned systems. The range of the radar will increase while simultaneously providing greater safety for the emergency services.



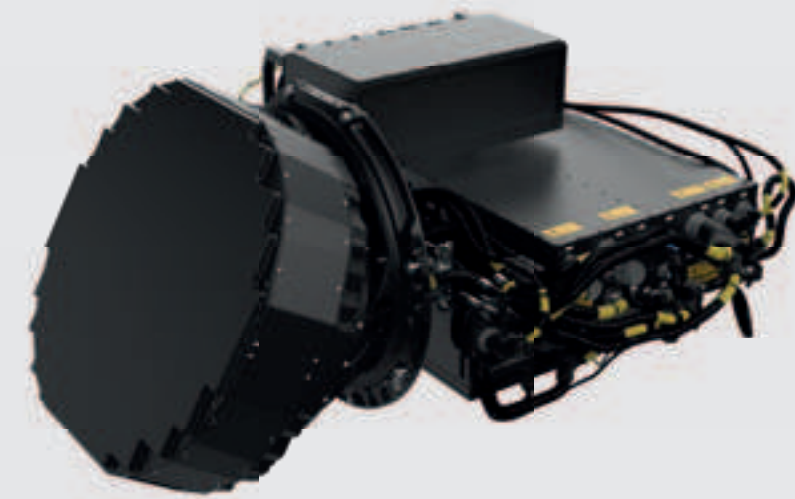
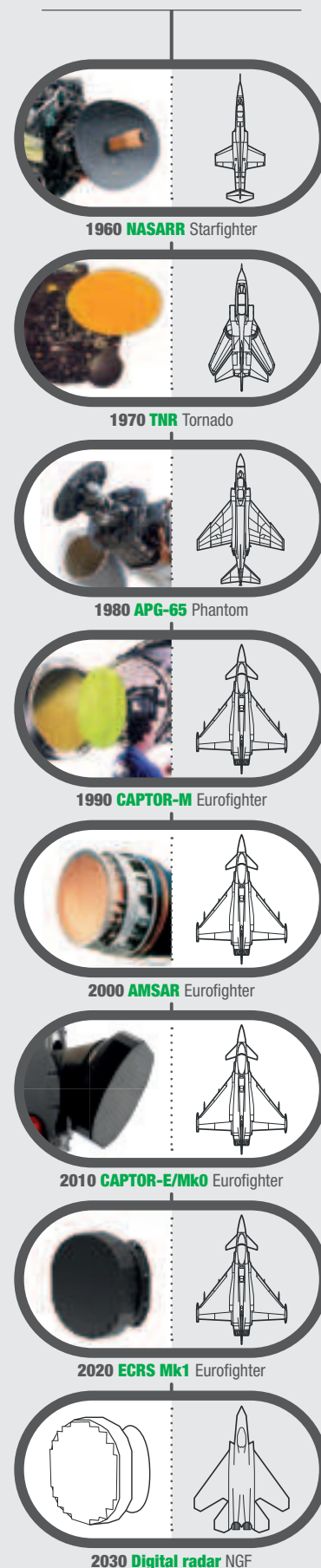
## Multifunctionality – All-in-One Device

AESA radars are already showing how digitalization will allow significantly more different functions to be integrated into one system in the future. In the future, multifunctional high-frequency systems will combine radar functions, electronic combat functions, and communications functions in a single system. Instead of hardware, software and the speed of data processing will then become the determining factors of the individual functional units.

This multifunctionality not only saves space and weight, which is particularly important for manned and unmanned aircraft, but also permits a flexibility of sensor functions that is unparalleled today. This is especially true when many such multifunctional high-frequency systems and fully digital radar systems work together across sensors and platforms via data links. Thus, a so-called meta-sensor system is created through progressive digitalization.

HENSOLDT is also driving the development of fully digital radar systems and multifunctional high-frequency systems of tomorrow within the framework of cooperation programmes of the European Defence Fund – for example, in the CROWN and ARTURO programmes together with other leading European defence companies such as Indra, Thales, Saab, and Leonardo. In this way, pioneering technologies are being developed in collaboration to ensure European defence capability.

### RADAR DEVELOPMENT



## Eurofighter Radar MK1

For the next tranche of the Eurofighter, named Quadriga, HENSOLDT has developed the ECRS (Eurofighter common radar system) MK1. The electronically scanned AESA antenna combines ultra-high-resolution surveillance of the entire airspace with faster automatic detection and tracking of significantly more targets and improved missile targeting. In addition, it increases resilience against jamming attempts, improving the survivability of the Eurofighter even in high-intensity conflict situations. Current Eurofighters will also receive HENSOLDT's new ECRS-MK1 radar as part of hardware and software updates.



## PrecISR Air and Ground Surveillance Radar

For versatile airborne and ground surveillance applications – from unmanned aerial vehicles to helicopters and special operations aircraft – HENSOLDT has developed the PrecISR multi-mission surveillance radar. It enables monitoring of a large area with a single pass, even in the most challenging environmental conditions. PrecISR translates the latest achievements in AESA technology into a high-performance and scalable radar with compact size as well as low weight and power requirements. This makes PrecISR suitable for a wide range of military and civilian surveillance and reconnaissance applications in the air, at sea, and on land – from human and drug trafficking to terrorism, piracy and smuggling, illegal fishing, oil spills, and other environmental threats.





# Forging European Alliances

How HENSOLDT is tapping into a new semiconductor technology with European partners

**HENSOLDT has made the new semiconductor technology gallium nitride fit for the defence sector as part of a European alliance, thus opening a new chapter in defence electronics. This has a direct impact on the performance of radar technologies and electronic warfare systems, for example, as well as on their resource consumption.**

Power electronics are based on semiconductors, the main component of microchips. Most microchips are currently made from the semiconductor silicon, which is cut into slices just a few tenths of a millimeter thick – known as wafers. According to market analyses, the global wafer market will reach a volume of around 27 billion dollars by 2030.

Although silicon technology, which has dominated the market for around 70 years, has been developed to perfection, it is now slowly reaching its performance limits. Semiconductors made of silicon are not suitable, for example, for high-performance electronics where high or very high power must be generated extremely efficiently, such as in wireless communications applications, radar sensors, or electronic warfare. HENSOLDT has therefore decided to join forces with competitors in a European alliance and jointly develop a new semiconductor material for defence electronics across the board: gallium nitride – or GaN.

## Strengthening European Autonomy with Gallium Nitride

To explore the future potential of gallium nitride in the defence industry, the European Defence Agency (EDA) has launched the MUSTANG project. Over a period of three years, an industrial consortium jointly developed the new GaN semiconductor technology. In addition to HENSOLDT, other participants included Saab (Sweden),

Thales (France), Indra (Spain), and HENSOLDT's partner company United Monolithic Semiconductors (UMS) from Ulm, Germany, who are experts in the manufacture of GaN products.

In the face of increasingly protectionist export regulations for semiconductors, the project contributes to Europe's technological sovereignty in one of the key components of the digital future. This is also to be further strengthened in other European projects with the participation of HENSOLDT.

Currently, HENSOLDT is working on a demonstrator for a German customer to prove the performance potential of GaN technology. In addition, HENSOLDT and other European partners have further developed the packaging of the semiconductor chips – important for protection and integration on the circuit board – and carried out initial qualifications.

## Gallium Nitride at HENSOLDT – Developing Optimum Performance

HENSOLDT already uses gallium nitride technologies in various solutions. The advantages are manifold: Gallium nitride is more robust than silicon or gallium arsenide-based semiconductors, for example, and thus less susceptible to interference from hostile radars. In addition, gallium nitride can be used to significantly increase the efficiency of power amplifiers in existing radars such as the SPEXER MK III or PreclSR. This reduces cooling requirements and weight.

Gallium nitride is ideally suited for high-frequency integrated circuits with high powers. With frequencies of up to 40 GHz, these are becoming increasingly important, especially for electronic warfare. HENSOLDT is currently driving the development of the new GH15 technology. Today, it is already successfully integrated in the multifunctional high-frequency system and, due to the nature of gallium nitride, also enables broadband interference and deception of signals.

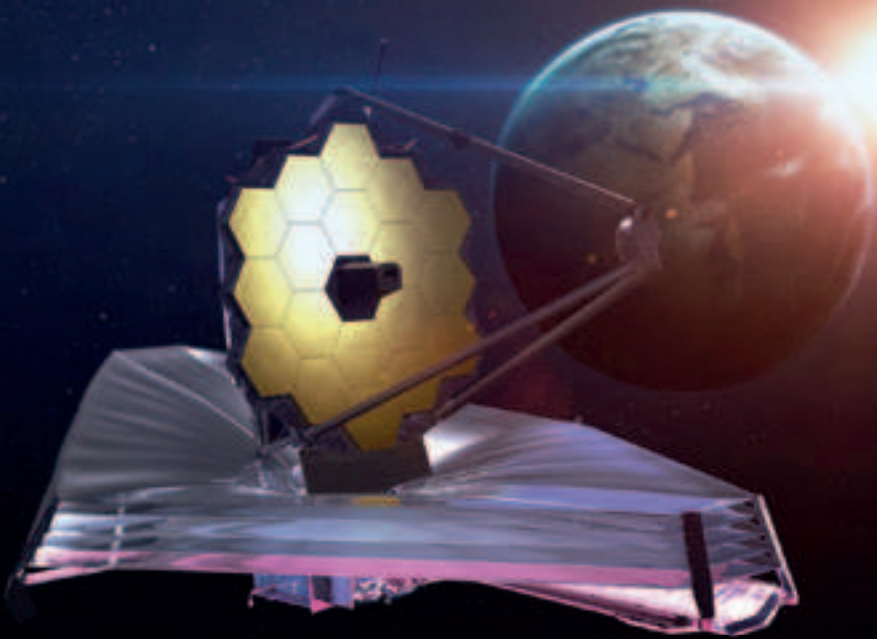
As part of the MUSTANG project, HENSOLDT is continuously expanding its experience with GH15 technology. In the meantime, numerous microchip variants with low-noise amplifiers, high-power amplifiers, and power switches have already been tested, and new circuit topologies have been investigated. GH15 technology is also expected to be used in three of the four high-frequency demonstrators with HENSOLDT's participation in the "Future Combat Air System (FCAS)".

Gallium nitride has ushered in a new era of semiconductor technology. With new levels of performance, higher speed, and increased robustness, the size and weight of electronic components are simultaneously reduced. This opens up new possibilities ranging from space to medicine. Likewise, gallium nitride is ideally suited for the defence applications of the future by increasing their performance, reducing resource consumption, and also offering the potential to reduce the cost of end products. HENSOLDT is making a significant contribution to all of this at the European level.

### Gallium Nitride

Gallium nitride (GaN) is a semiconductor consisting of gallium and nitrogen. It is known from optoelectronics, where it is used for blue and green light-emitting diodes (LEDs).

The production of high-quality base plates made of gallium nitride for electronic components – wafers – is currently still very complex but is being promoted worldwide.



# Exploring and Securing Outer Space

How HENSOLDT is equipping international space missions and defending security in space

**For centuries, the depths of the universe have been explored with telescopes. Fundamental insights into the relationship between humankind and the universe go back to this. In the meantime, however, space has also become part of the human battlefield, where war and peace are increasingly being decided. HENSOLDT offers suitable technologies for both challenges. With its sensors, HENSOLDT makes satellite-based reconnaissance in space possible. The company is a partner of European and international space missions and provides security in and from space.**

Alien planets, fossilized stars, more suns than grains of sand on Earth, black holes – science is revealing places beyond previous human imagination. How did all this come about? And does life exist out there somewhere? Humankind has been fascinated by space exploration – and not just since the first manned space missions in the early 1960s.

Today, space travel enables direct exploration of planets on the ground as well as detailed observation of the Earth from orbit. Vital processes are directly dependent on the continuous supply of satellite data on weather, climate, communications, and localization. Increasingly, this is also true for global security. Today more than ever, space-based capabilities are influencing the question of victory or defeat in military conflicts. And they themselves are increasingly becoming targets of attack.

The war in Ukraine illustrates this development in many respects: It was foreshadowed as early as January 2022, when satellite-based sensor technology showed Russian troop buildups in the border regions on GPS imagery. From the beginning, troops on both sides communicated via satellite link. GPS-guided missiles enabled Ukraine to locate and destroy Russian ammunition dumps and artillery far behind enemy lines. Russia responded by launching cyberattacks on Ukraine's satellite communications systems. After tests with antisatellite weapons as early as 2021 showed that Russia could conduct physical attacks in space, a senior Russian official told the UN in the context of the Ukraine war: Commercial satellites of the United States and its allies could be "legitimate targets for retaliatory strikes."

## HENSOLDT in Space

Today, HENSOLDT technologies play an important role in many areas of both space research and defence. The company develops highly sensitive sensors for satellite-based reconnaissance – from low-Earth orbit and for use in deep space missions. HENSOLDT innovations help to strengthen Europe's technological sovereignty in this promising domain as a central theater of future high-tech conflicts. And they illustrate once again the way in which aerospace drives innovation in many areas.

HENSOLDT benefits from many years of experience in aerospace applications, which pays off especially in aerospace technologies. This is because both each individual component and the systems as a whole are highly sensitive. Precisely calibrated, they must withstand the highest loads. Extreme vibrations and many times the acceleration due to gravity during launch are followed by decades of operation under the most inhospitable conditions and temperatures close to absolute zero (-273 degrees Celsius). Corrections or maintenance: impossible.

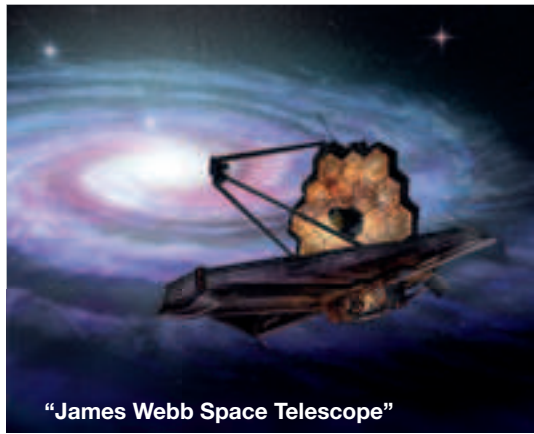
HENSOLDT's infrastructure therefore plays a key role in the run-up to the launch: Each element for space use is tested in advance in thermal vacuum chambers with optical access, and vibration and electromagnetic test facilities, as well as environmental test chambers, and then manufactured in class 100 clean rooms.

Last but not least, safety "Made by HENSOLDT" also makes the difference: It reliably protects objects in space as well as their hardware, software, and data transmissions.



In the cleanroom





“James Webb Space Telescope”

## Field of Competence “Planetary and Space Observation”

As the preliminary highlight of a whole series of space missions with HENSOLDT participation, the “James Webb Space Telescope” (JWST) was launched into space on December 25, 2021. On board: MIRI (Mid-Infrared Instrument) and NIRSpec (Near-Infrared Spectrograph) – two key elements for observing galaxies billions of light-years away. For both, HENSOLDT had developed crucial technologies in close collaboration with the Max Planck Institute for Astronomy Heidelberg (MPIA): moving parts that function in extreme cold (so-called cryomechanisms) and special optics which, in combination with selective imaging, enable a look into the depths of space in the first place.

As early as 2022, JWST delivered the first scientific results on the formation of galaxies, stars, and planets. Spectacularly detailed images of the planet Jupiter made headlines around the world and threw a current spotlight on the fascination of the universe for the general public.

JWST orbits the sun some 1.5 million kilometers from Earth and is considered the most elaborate unmanned space project of all time. JWST is the first telescope with the ability to split light into wavelengths. It is capable of recording images of stars and galaxies as well as determining their chemical composition. For example, the telescope can be used to record water availability and carbon dioxide content on the spot. The sensors thus function as humanity’s outpost in the universe.

HENSOLDT’s history in space began long before JWST with the first moon landing. Whether surveying the Earth’s surface, analyzing ecological relationships, or observing the weather, whether exploring the planets and moons of our solar system, or looking into distant galaxies: Optical instruments, radar sensors, components for reconnaissance satellites, and instruments for research missions from HENSOLDT ensure reliable results. Space agencies such as the American NASA, the European ESA, the French CNES, and the German DLR count on ideas and solutions from HENSOLDT. Together, they worked on the development of the JWST for 25 years. This demonstrates once again how European technology makes global projects possible.

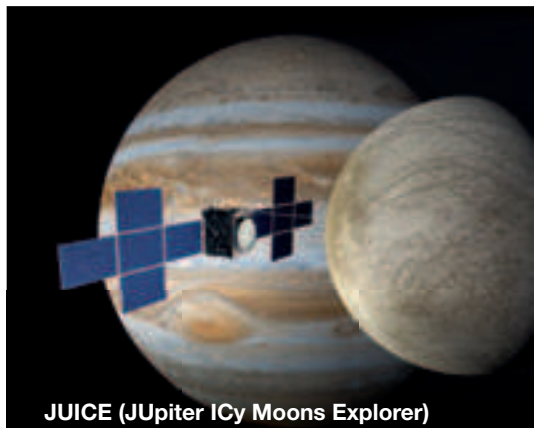
And preparations for the next mission are already in full swing: In 2023, ESA’s JUICE (JUperiter ICy Moons Explorer) probe is scheduled to begin its journey to Jupiter. It will be used to explore the surface of the largest planet in our solar system and its three icy moons Ganymede, Europa, and Callisto – also with regard to their habitability and possible landing sites for future missions. Space technology from HENSOLDT will also be on board here: The Ganymede Laser Altimeter (GALA) will measure the deformation of Ganymede’s ice crust and its shape. A comprehensive map of the entire regional and local topography is also being created. It will help to understand the processes that formed the moon.



Image from the Hubble Space Telescope (entered service in 1990)



Image from the “James Webb Space Telescope” (2022)



JUICE (JUperiter ICy Moons Explorer)

## Field of Competence “Protection in Space”

Threats in space are many and they are growing every day. More and more nations are actively trying to sabotage space-based systems. From the ground, with missiles, or with lasers, they are jamming communications and navigation satellites, blinding reconnaissance satellites, and disabling their solar panels, which are vital for power generation. At the same time, 20,000 objects larger than ten centimeters and 700,000 objects larger than one centimeter now orbit the Earth. At enormous speeds, they can damage or even completely destroy active satellites.

HENSOLDT offers the right solutions for many of these threat scenarios. Electronically controlled antennas detect even the smallest objects that could become a hazard in their orbit. Evasive maneuvers can be initiated at an early stage. Laser alarms detect possible attacks, and IT is also comprehensively protected.

To this end, HENSOLDT Cyber has developed a secure IT base that embeds the operating system in the hardware in such a way that it becomes unassailable. This combination of a protected base processor with a mathematically verified, correct, error-free operating system kernel meets the highest security requirements. Other aerospace applications of HENSOLDT Cyber, such as cyber hardening of electronic components, big data collection, high performance data storage, analytics and visualization, and penetration testing further enhance security.

## Field of Competence “Optical Communication in Space”

The amount of data is continuously increasing. At the same time, data is a vulnerable target for attacks, especially during transmission. That is why the future of data transmission lies in optical solutions. With laser-light data transmission systems from HENSOLDT, data can be transmitted over a distance of more than 5,000 kilometers from the earth into space and back – tap-proof and not subject to interference, in both the civilian and military sectors.

The basis is the HENSOLDT Laser Communication Terminal. Whether on land, at sea, between aircraft and satellites, or with a direct Earth – satellite link, it enables the fastest transmission rates with the highest level of security. Lightweight and compact, it can be used in both point-to-point and point-to-multipoint configurations.

## Field of Competence “Space Consulting”

In its new business field “Space Consulting,” HENSOLDT bundles its decades of experience from numerous space missions in the three core areas of product safety, system expertise, and management consulting. Specialists provide support in all technical areas of sophisticated space solutions: Systems, Optics, Electronics, Software, Thermal and Mechanical Engineering, and Manufacturing and Design.

Beyond specific applications, HENSOLDT has thus become a “hidden champion” of a wide range of space technologies and a valued partner of international space missions.





# // Progress beyond Defence

HENSOLDT stands for solutions competence and for agility. Many of the company's innovative technologies are also used in civilian applications beyond its core military business. With the inventive spirit of its employees, HENSOLDT can help overcome challenges in different areas and industries, provide more comprehensive security, and drive technological, economic, and social progress. In the civil security business, HENSOLDT develops new markets in a targeted and focused manner. In society, HENSOLDT is often involved in initiatives originating from its workforce – for example, when HENSOLDT products serve to protect nature or culture. HENSOLDT thus stands for a vital, innovative defence industry as the engine of tomorrow's progress and technologies – in the military sector and far beyond.





# Driving the Digital Transformation

How HENSOLDT precision is enabling a new manufacturing technology for semiconductors

**Semiconductors are a key component of the digitalized, networked world and are therefore of high strategic importance. The European Chips Act is intended to significantly expand semiconductor production in Europe. HENSOLDT enables new ways in the production of semiconductors with sophisticated optronic measuring equipment and thus supports the dynamic development of the semiconductor industry.**

Whether automated vehicles or aircraft, Industry 4.0 or private smart homes, computers or kitchen appliances, infrastructure, space travel, or cloud solutions – semiconductors keep the world moving today. Around one trillion of these microchips are manufactured every year. According to a survey by the European Commission, the industry expects demand to double by 2030 alone. Therefore, microchips have to be produced in ever greater quantities, ever faster. At the same time, they are becoming smaller, more powerful, and thus more complex. Whereas ten years ago a chip the size of a fingernail had around 500 million integrated circuits, today there are 500 billion. The complexity doubles roughly every two years.

In the wake of the pandemic, the extent to which disruptions in the global semiconductor supply chain can virtually paralyze entire sectors of the economy was clearly demonstrated – with effects that continue to the present day. The European Commission has therefore defined demanding

specifications for European semiconductor development and production with the European Chips Act. It is intended to strengthen Europe's competitiveness, independence, and resilience in this area. As a market-leading supplier of radiation measurement solutions for production control, HENSOLDT plays an important role for semiconductor manufacturing.

## HENSOLDT as "Hidden Champion" in Semiconductor Production

**Excellent Logistic performance award**

**HENSOLDT**

A German technology company focusing on optronics and precision-engineering, strong in Defense industry.

*"In recognition of a near perfect OTIF performance and lead time reduction during the volume ramp-up challenge"*

ASML September 29, 2022 ASML Supplier Day 2022

Company Secret

The Dutch Group ASML is one of the world's leading equipment suppliers to semiconductor producers and is currently Europe's most highly valued tech company. ASML is the only company to master so-called EUV lithography. In this process, semiconductors are exposed to "extreme ultraviolet light" (EUV).

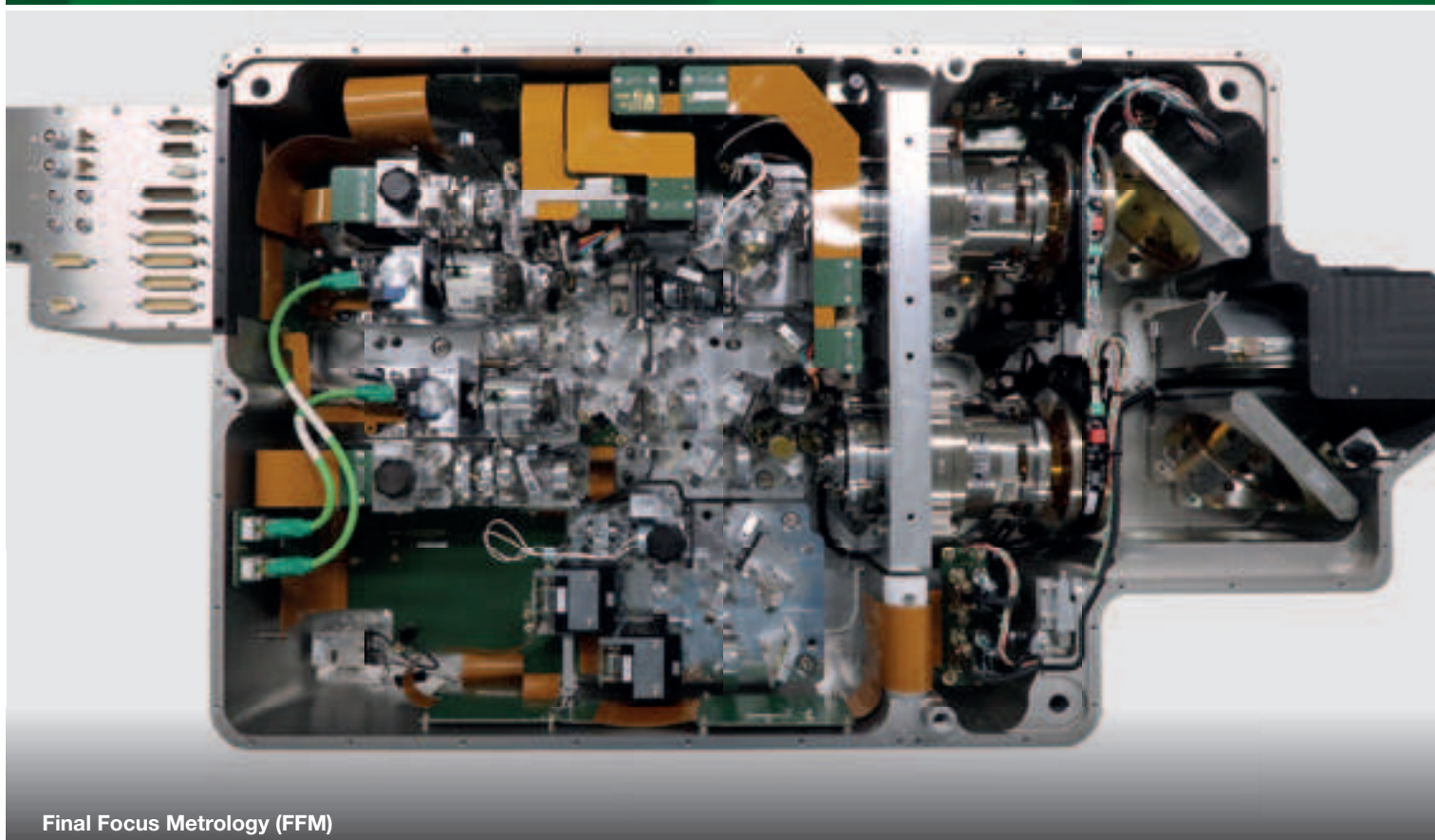
This is made possible by innovative sensor technology from HENSOLDT. Since 2012, a process has been developed and mass-produced in Oberkochen without which a modern EUV system could not function: Under the name Final Focus Metrology (FFM), this technology ensures that the laser needed to generate the extreme ultraviolet light is controlled with the highest precision. Optoelectronically, each laser shot is guided unerringly into the target. Up to 50,000 times per second.

For ten years now HENSOLDT and ASML have been working together on the (further) development of this technology. In 2022 alone, HENSOLDT delivered more than 80 FFM units to ASML. In total, more than 300 high-precision measuring devices have already been reliably integrated into the EUV systems within the tight time windows of chip production. For this excellent cooperation, HENSOLDT was awarded the ASML Supplier Recognition Award in the field of logistic handling as the best of more than 700 suppliers by ASML.



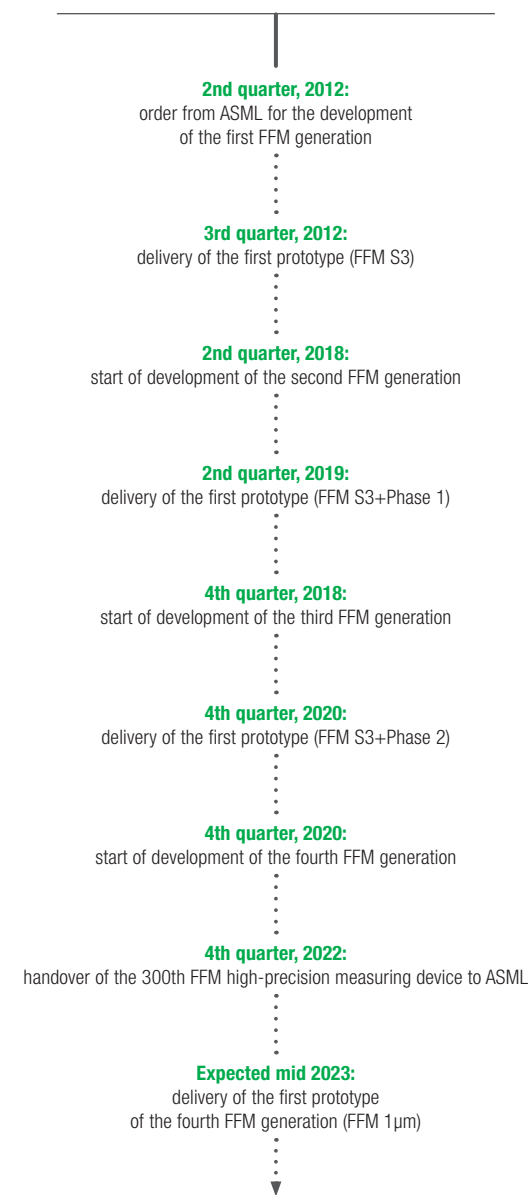
## Microchips – Semiconductors – Transistors

The terms microchips and semiconductors are often used synonymously. Strictly speaking, semiconductors such as silicon are the basic material of a chip into which complex electrical circuits are inscribed. For this purpose, so-called transistors are produced by combining different layers of semiconductors: components whose conductivity can be controlled so that they either allow current to pass through them or not. These transistors can be interconnected to form complex circuits that can process commands and store data. The architecture of the circuits differs depending on the task of the chip: processors contain one or more chips and perform the central computing and control tasks in computers. Memory chips conserve data permanently or temporarily as working memory for running specific programmes. So-called single-chip systems can perform several of these tasks, are programmable, and are used in artificial intelligence.



Final Focus Metrology (FFM)

### An Overview of FFM Development at HENSOLDT:



Due to the increasing demand for chips, ASML has already increased the production of EUV systems by almost 50 percent in the past two years. In the coming years, the Dutch company plans to manufacture significantly more EUV systems – each one worth more than 100 million euros and equipped with an FFM unit from HENSOLDT. Largely unnoticed by the public, HENSOLDT has thus become a “hidden champion” of an important present and future technology – with central importance for many industries and enormous potential.

### Insight into Chip Production

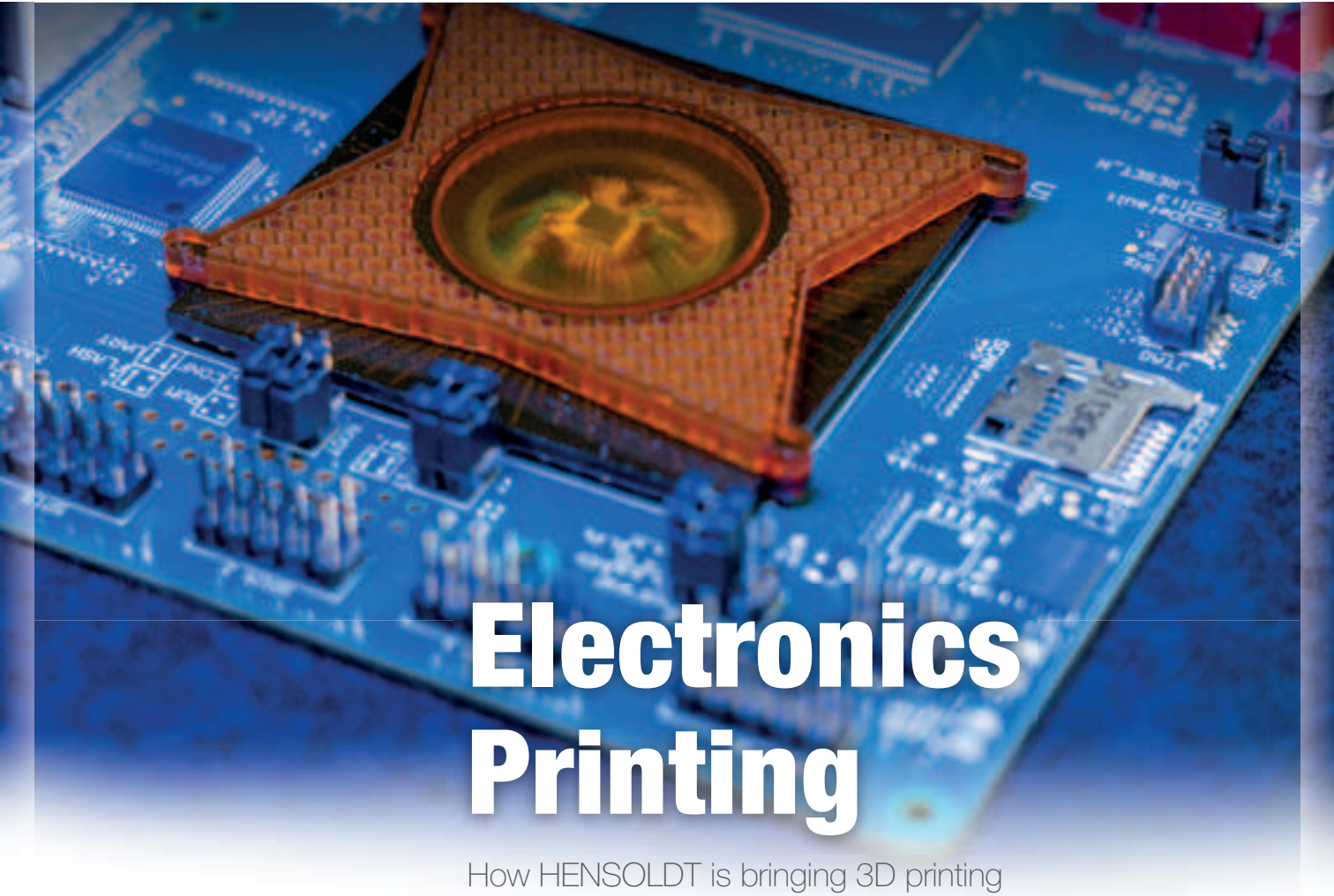
In the production of microchips, billions of transistors are deposited on a fingernail-sized portion of a silicon wafer. For comparison: A human red blood cell is 7,000 nanometers in diameter, and an average virus is 14 nanometers in size. The smallest structures on the most advanced semiconductors are currently five nanometers in size. With its EUV technology, ASML aims to reduce this size even further.

HENSOLDT is providing the basis for this with its Final Focus Metrology high-precision measuring device. FFM is about half a square meter in size, 20 centimeters high, and weighs 125 kilograms. Inside is a high-precision measuring device with infrared camera, energy sensors, and wavefront sensor for controlling the laser required for generating extreme ultraviolet light. With the third FFM generation “FFM S3+Phase 2,” HENSOLDT was able to contribute to significantly increasing the light output compared to previous systems.

Currently, HENSOLDT is developing the fourth generation of its FFM in collaboration with ASML. The first prototype is expected to be operational by mid-2023. With yet another significant increase in precision, it will open up new possibilities for the chip production of tomorrow. This is because the difference in precision between the third and future fourth FFM generation currently in use will be comparable to the difference between the stroke of a highlighter and that of a fine liner – or between these two lines:







# Electronics Printing

How HENSOLDT is bringing 3D printing to the electronics sector

**The printing of three-dimensional objects is being used commercially by more and more industries. HENSOLDT is going one step further and is driving forward the 3D printing of electronics. This creates completely new design possibilities for electronic components. Development cycles are becoming shorter, and costs are falling. The potential applications are extremely diverse across all industries.**

HENSOLDT is creating electronics in a new way – and is also breaking new ground entrepreneurially: Together with Nano Dimension, an Israeli specialist in 3D printing, HENSOLDT founded the joint venture J.A.M.E.S in 2021 and created a platform for agile, collaborative research. J.A.M.E.S stands for “Jetted Additively Manufactured Electronic Sources” and refers to one of the great future technologies of 3D printing: printed electronics, also called AME (Additively Manufactured Electronics).

With the help of special inks, it is possible to design electronic components directly via the printer and bring them into a three-dimensional form. In this way, particularly sophisticated electronic components can be manufactured quickly and easily. If at all, this would only be possible with conventional manufacturing methods at great expense and with high susceptibility to errors.

For several years now, HENSOLDT has been investing in basic research into this new technology and, together with Nano Dimension, is driving forward the “technology readiness level” of printed high-performance electronic structures. J.A.M.E.S combines the strengths of both participating companies in this field and enables an easy entry into this innovative technology.

## A Worldwide J.A.M.E.S Community – Countless Insights



Opening of the J.A.M.E.S headquarters in Taufkirchen: Andreas Müller, CEO J.A.M.E.S; Celia Pelaz, Chief Strategy Officer HENSOLDT AG; Dr. Ulrike Wolf, Ministerial Director at the Bavarian State Ministry of Economic Affairs, Regional Development and Energy; Amit Dror, cofounder & CSO Nano Dimension (from left)

To connect the diverse development approaches and to drive progress in partnership, J.A.M.E.S has launched the first comprehensive online community for 3D printed electronics. On a cloud-based platform, experts from all parts of the world come together to further develop the processes for “Additively Manufactured Electronics” – from students and scientists to startups and experienced engineers. Easily accessible, the J.A.M.E.S library connects the accumulated knowledge with concrete applications. Independent research – enabled by HENSOLDT – leads to new insights and concrete results that can later be applied to the manufacturing of electronics for military and civilian applications.

## From 3D to 3D Electronics Printing

In the three-dimensional printing of mechanical objects – known as “Additive Manufacturing” (AM) – layers of material are applied step by step. The process has been around for more than ten years and is now used in numerous production facilities. Accordingly, a large number of proven materials and processes are available. Also, HENSOLDT is using the numerous advantages of 3D printing for more and more products. For example, in the case of the fully digitalized “Kalaetron Attack” interference system, metallic 3D printing allows for particularly compact dimensions for the HENSOLDT solution, thus facilitating integration into aircraft (see also chapter 9.2.2 Electronic Combat).

The still young discipline of three-dimensional printing of electronics – “Additively Manufactured Electronics” (AME) – goes a decisive step further: It produces the electronic components of circuits such as conductive connections, coils, capacitors, or antennas. It also produces the associated heat sinks, housings, and other structures for an application. In other words,



the entirety of components that actively contribute to electrical functionality and those structures that enable and support this functionality are printed.

As the first process already available, Nano Dimension's DragonFly IV printer system can print AMEs based on two different inks: a photopolymer ink cured by ultraviolet (UV) light can produce low- or non-conductive structures – for example, insulating materials and insulation, but also components of antennas. An infrared-cured silver nanoparticle ink is used to create electrically conductive structures.

Another process already available enables very small conductive lines to be applied to existing surfaces. With additional technologies such as the ceramic-based processes of the Fraunhofer Institute for Ceramic Technologies and Systems, ceramic materials can be electrified – often central for applications under extremely high temperatures or other harsh environmental conditions.

## AME – the Electronics of the Future

AME is considered one of the great technologies of the future. 3D printing of complete electronic components offers greater design freedom as well as faster development times and enables significantly more compact and cost-effective devices. The printed electronic components can be tested, easily adapted, and verified before production begins. This pays off especially for small series and individualized single parts. In addition, completely new applications become possible. Initial concepts illustrate the virtually unlimited possibilities.

With AME, HENSOLDT not only wants to further accelerate the development cycles of its solutions. The targeted production of electronic spare parts can also be significantly simplified and thus customer needs can be satisfied faster and more cost-effectively.



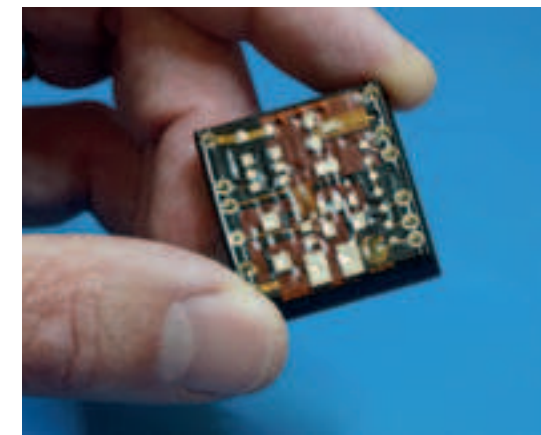
### AME Drone

Weight, size, and power consumption should be as low as possible for drones. With AME, the entire drone structure can be printed in a single operation. Typical wiring between individual electronic boards is eliminated. The mechanical frame merges with the electronic wiring in 3D printing. The drone becomes much lighter than with conventional manufacturing technologies. Aerodynamics determine the final design.



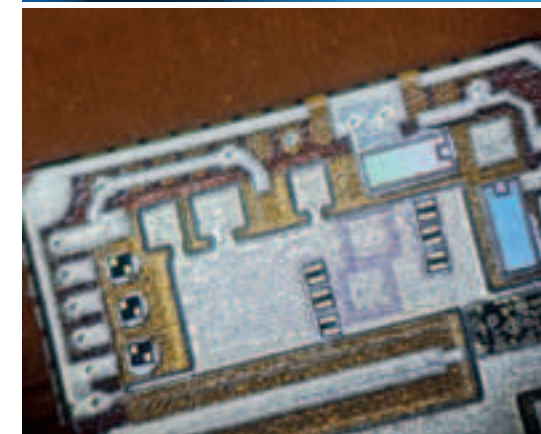
### RF Synthesizer – Heterogeneous 3D Integration

Radio frequency (RF) synthesizers are used in various electronic applications. They transmit, distribute, or amplify signals. AME enables more efficient shielding of the lines. Coils, capacitors, and custom heat sinks are printed directly with them, and nonprintable elements are subsequently embedded. Synthesizers become smaller and more efficient.



### System in a Package (SiP)

SiP includes various integrated circuits in a chip carrier package in order to combine different functions in the smallest possible way. Smartphones are among the typical applications. With DMD, the chips can be integrated directly into the carrier structure without additional interconnection wires. Three-dimensional SiPs and thus completely new designs also become possible. The overall mechanical stability increases.



### AME Filter

Electronic filters attenuate or suppress unwanted signal components at a preselected frequency. With AME, the AME coils and capacitors of such a filter can be integrated directly into the AME circuit. Interference from solder contacts, for example, is eliminated, as is the manual fine-tuning that was previously necessary. The maximum frequency can increase.

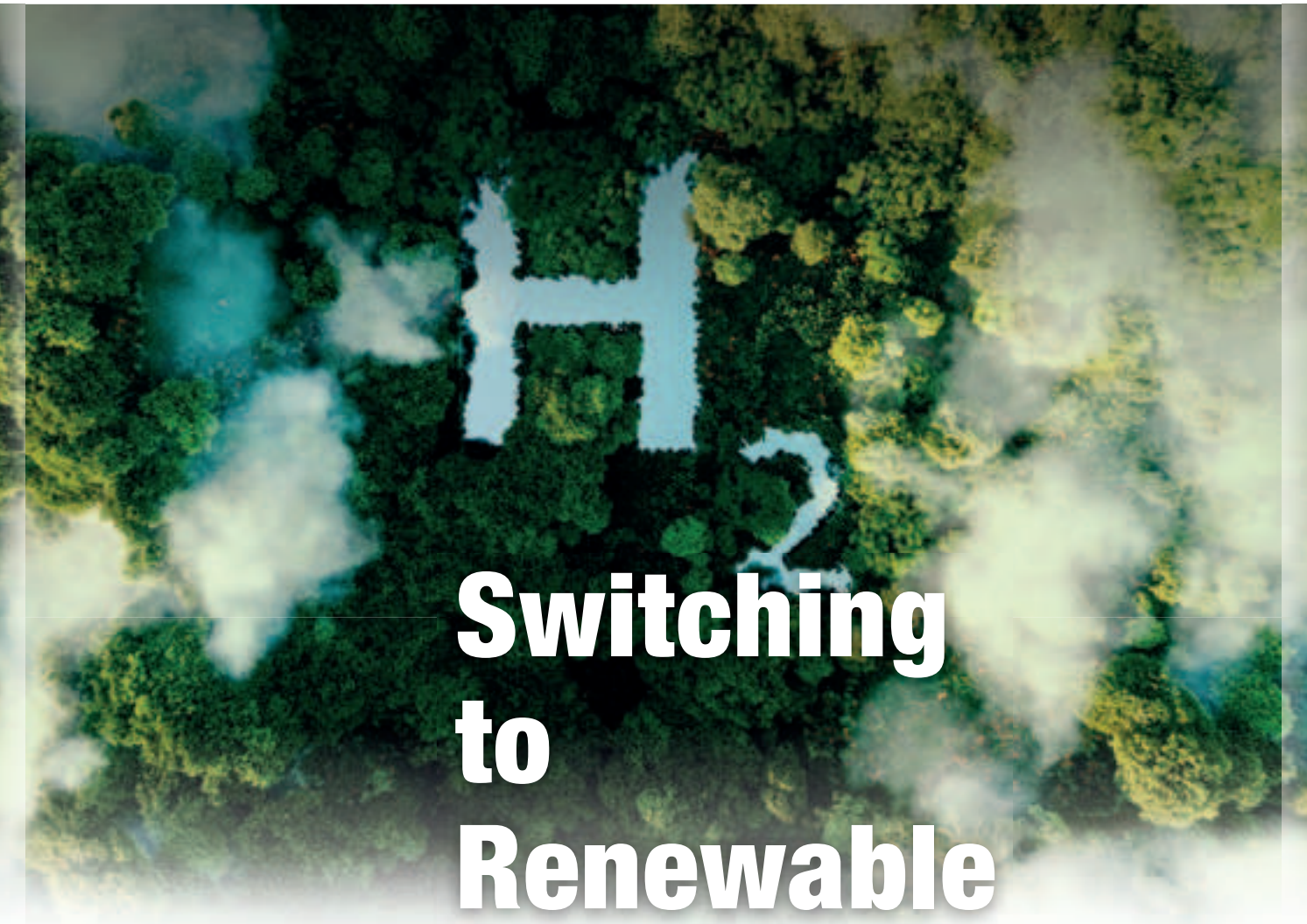


### J.A.M.E.S Coin

How can you avoid paper waste at trade fairs and exhibitions, for example, and at the same time present yourself convincingly to your business partners? With the digital business card J.A.M.E.S Coin. With simple NFC functionality, an impressive look is created using a 3D printer. New electronic circuits open up the possibility of developing futuristic applications the size of a two-euro coin.







# Switching to Renewable Energies

How HENSOLDT  
is making hydrogen safe

**The remodeling of our energy supply is one of the defining issues of our time. With its green energy technologies, HENSOLDT is making a contribution – for example, to the wider use of hydrogen in military and civilian applications.**

Hydrogen constitutes one of the key technologies when it comes to reducing CO<sub>2</sub> emissions and building a greener future. Renewable energy can be converted into hydrogen gas and used to generate electricity as needed. Green energy can thus be stored and used flexibly wherever it is needed for energy autonomy from local infrastructure. In addition, hydrogen can also be used directly in electric drives for platforms in the air, on water, and on land, without producing pollutant emissions at the point of use. One of the biggest challenges lies in the safe storage of hydrogen. Cutting-edge storage technologies from HENSOLDT solve this problem.

## Hydrogen Storage Expertise

The French company NEXEYA became part of HENSOLDT in 2019. Alongside its operations in the defence sector, NEXEYA already has more than ten years of experience in the development and production of hydrogen storage units and supply stations for industrial needs. In 2021, HENSOLDT further bolstered this expertise by acquiring MAHYTEC, one of the leading French manufacturers of hydrogen tanks and a company that makes carbon and glass fiber-based storage systems for renewable energies. The two companies have been developing joint solutions for converting hydrogen into energy ever since 2015. As such, HENSOLDT is now able to offer innovative solutions that enable the secure storage and transportation of hydrogen in pressure vessels made from composite material. These support the objective of an independent and sustainable energy supply – for defence applications and beyond.

## Green Energy in Military Deployment Scenarios

The potential of hydrogen technologies in the defence sector is manifold. Currently, hydrogen is used as an alternative fuel primarily at sea. The German navy already operates its Class 212 A submarines with a combination of diesel generators and fossil fuels.

Hydrogen also plays a vital role in terms of energy autonomy in remote regions and crisis situations. This technology could be used for the independent energy supply of strategic bases. The logistical dependence on barracks or field camps decreases if they can produce hydrogen themselves from renewable energies, store it, and convert it back into electricity, or make it directly available to platforms for their propulsion. The German and French armies are already working on the first corresponding concepts for energy autonomy. In addition, several field trials are currently underway for hydrogen propulsion of unmanned aerial vehicles and light armored vehicles as well as for supplying energy to soldiers' individual equipment.





## Reducing Civil Air Pollution Using Hydrogen

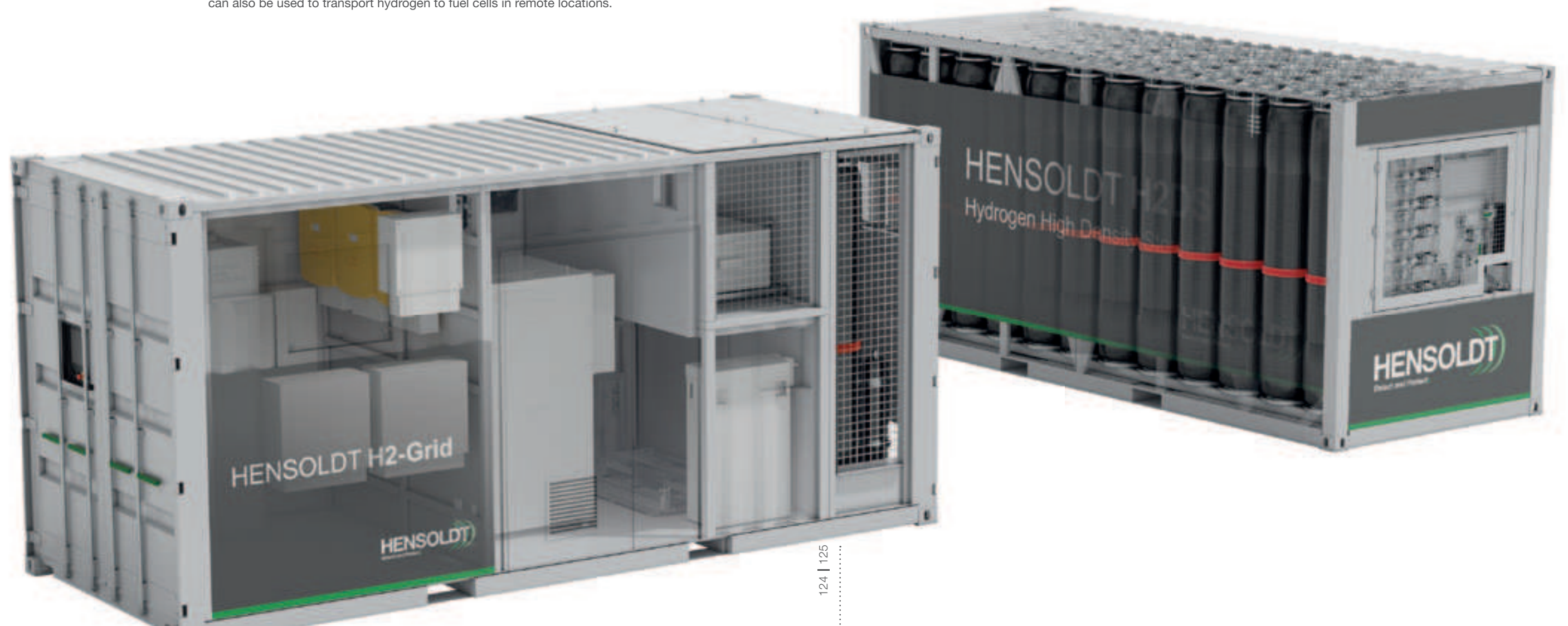
Looking beyond the military segment, hydrogen technology also offers countless possible civil applications. For example, HENSOLDT is working with aircraft manufacturers on the next generation of hydrogen-powered aircraft. Customers from the industrial sector are already using hydrogen technologies from HENSOLDT to power trucks or to stabilize power grids by compensating for fluctuation in the availability of renewable energies with energy stored as hydrogen.

The shipping industry, which still overwhelmingly relies on low-quality fuels that cause correspondingly high levels of environmental pollution, harbors considerable potential in terms of improving air quality. With this in mind, protection zones have already been set up in Canada, the US, and the North and Baltic seas. The result: Demand for hydrogen-powered ships is rising worldwide. These ships, however, are currently reliant on a handful of hydrogen stations in ports.

With its H<sub>2</sub>-HDS (high-density storage) solution, HENSOLDT enables the transportation and storage of centrally produced green hydrogen in standard 20-foot containers. The containers can be loaded onto fuel-cell-powered ships, making them more independent of hydrogen stations and allowing them to plan their routes with greater flexibility. The containers can also be used to transport hydrogen to fuel cells in remote locations.

## HENSOLDT – Setting a Good Example

HENSOLDT aims to become completely carbon neutral by 2035. The use of renewable energies is central to achieving this ambition. In Angoulême, France, where HENSOLDT's hydrogen solutions are developed and produced, a hydrogen pilot project is underway to generate energy for the site there as well as the city's technology campus. From 2023, the HENSOLDT site in Kiel will also use this technology to store energy generated via photovoltaic systems on the on-site parking lots and feed it into the power grid as needed. This will enable the site to achieve full energy autonomy and save up to 40 tons of CO<sub>2</sub> annually. A rollout to other sites is planned.







# Enabling New Wind Farms

How HENSOLDT technologies  
are advancing the energy transition

**Wind power is another building block for a sustainable energy transition and greater security of supply. However, the choice of location for wind parks is often met with opposition. HENSOLDT is increasing and improving the options with new technologies.**

There are currently just under 30,000 onshore wind turbines in Germany. Globally, installed wind power amounts to more than 800,000 megawatts, meaning that the world's wind farms can already generate twice as much electricity as nuclear power plants. However, this is still nowhere near enough to fully achieve the energy transition. In Germany alone, the new Renewable Energy Sources Act (EEG) sets out plans to install onshore wind farms with an output of 71,000 megawatts by 2030. Taking into account the decommissioning of old farms, this equates to a doubling of the previous stock.

As such, new land has to be made available, but this is often thwarted by resistance from the local population. One issue in this regard is wind farm lighting, which nearby residents often see as a nuisance. Wind farms have to be fitted with nighttime lighting in order to make them visible to aircraft and helicopters in the dark. In Germany, for instance, this became a legal requirement at the end of 2022

for all wind turbines taller than 100 meters, with similar rules in place in many other countries.

HENSOLDT offers a solution to this problem with its AIR SENTINEL, a system that automatically detects approaching aircraft, only activating the lighting when the aircraft enter a predefined danger zone. Otherwise, the wind farm remains dark, with no flashing lights or other disturbances.

This can significantly increase acceptance rates among residents, thereby making new sites available for the necessary expansion of the wind energy infrastructure. In addition, HENSOLDT has also optimized its air traffic control systems at airports so that they can more easily distinguish between an unauthorized aircraft and the electrical noise of wind farms. This means that wind farms can also be built in closer proximity to airports, thus making further potential locations available for the energy transition.



## AIR SENTINEL – Aircraft Detection System

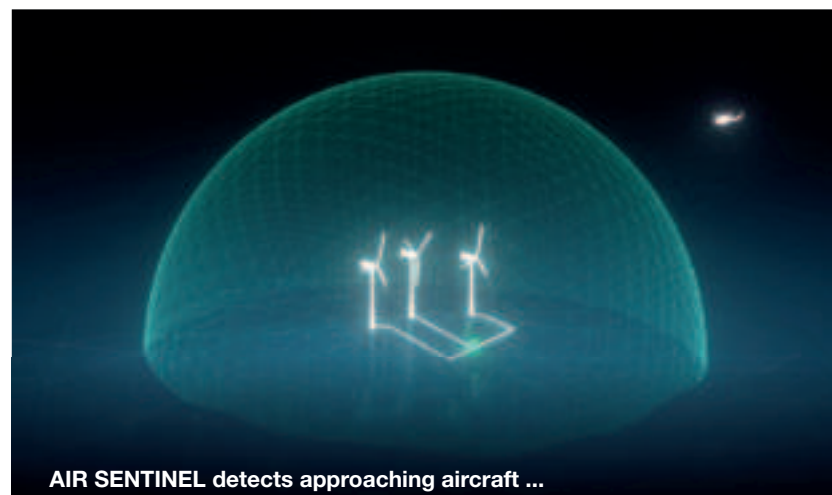
The AIR SENTINEL early-warning system uses existing HENSOLDT technology to locate low-flying aircraft. The system receives the transponder signals emitted at various frequencies by all aircraft and helicopters flying at night. Each aircraft is logged with a time stamp.

Weighing just four kilograms, AIR SENTINEL is able to cover a radius of 25 kilometers all around the farm, up to an altitude of 1,000 meters. With a service life of roughly 20 years, it is equally suitable for both individual wind turbines and entire wind farms. AIR SENTINEL is installed on the wind turbines themselves and can easily be retrofitted to existing farms.



This turnkey solution does not require any significant maintenance and can be easily updated to reflect new demands or legal requirements via tablet. Military-grade manufacturing ensures long and reliable operation.

AIR SENTINEL has been successfully tested at a German wind farm. The tests were carried out by Parasol GmbH & Co. KG, a company specializing in demand-controlled nighttime lighting for wind parks. As HENSOLDT's main contractor, Parasol is the first company in Germany to be awarded distribution rights for the AIR SENTINEL and will be responsible for the installation, commissioning, and maintenance of the system. Series production of AIR SENTINEL is already underway. In January 2023, Parasol installed and commissioned the system at two wind farms in northern Germany.



## Air Surveillance Radar – No Wind Farm Shadows

Air surveillance radars provide airports with an early warning of unauthorized and unidentified aircraft. The combined primary and secondary radar ASR-NG (Airport Surveillance Radar Next Generation) from HENSOLDT is able to reliably identify smaller aircraft that do not identify themselves using transponder signals, even in the typical “radar shadows” of wind farms. Thanks to its special signal processing technology, it ensures wide-range air surveillance and automatically eliminates the interference of wind turbines. In 2022, HENSOLDT modernized the ASR-NG air traffic control system of Austrian air traffic control provider Austro Control GmbH at Vienna International Airport accordingly.







# Fighting and Preventing Crime

How HENSOLDT technologies are supporting the work of law enforcement agencies

**Criminals often challenge the authorities and justice system from a technological point of view. HENSOLDT supports civil law enforcement agencies in the fight against crime with innovative and integrated solutions. The aim: to detect crimes – ideally before they are committed.**

Statistically, violent crime has declined since the start of the 21st century in Europe, Asia, and several non-European countries. However, the number of drug-related offenses is increasing all the time, with similar trends observed in the areas of cybercrime and white-collar crime in recent years. In these areas in particular, “the criminals of today” often use cutting-edge technology.

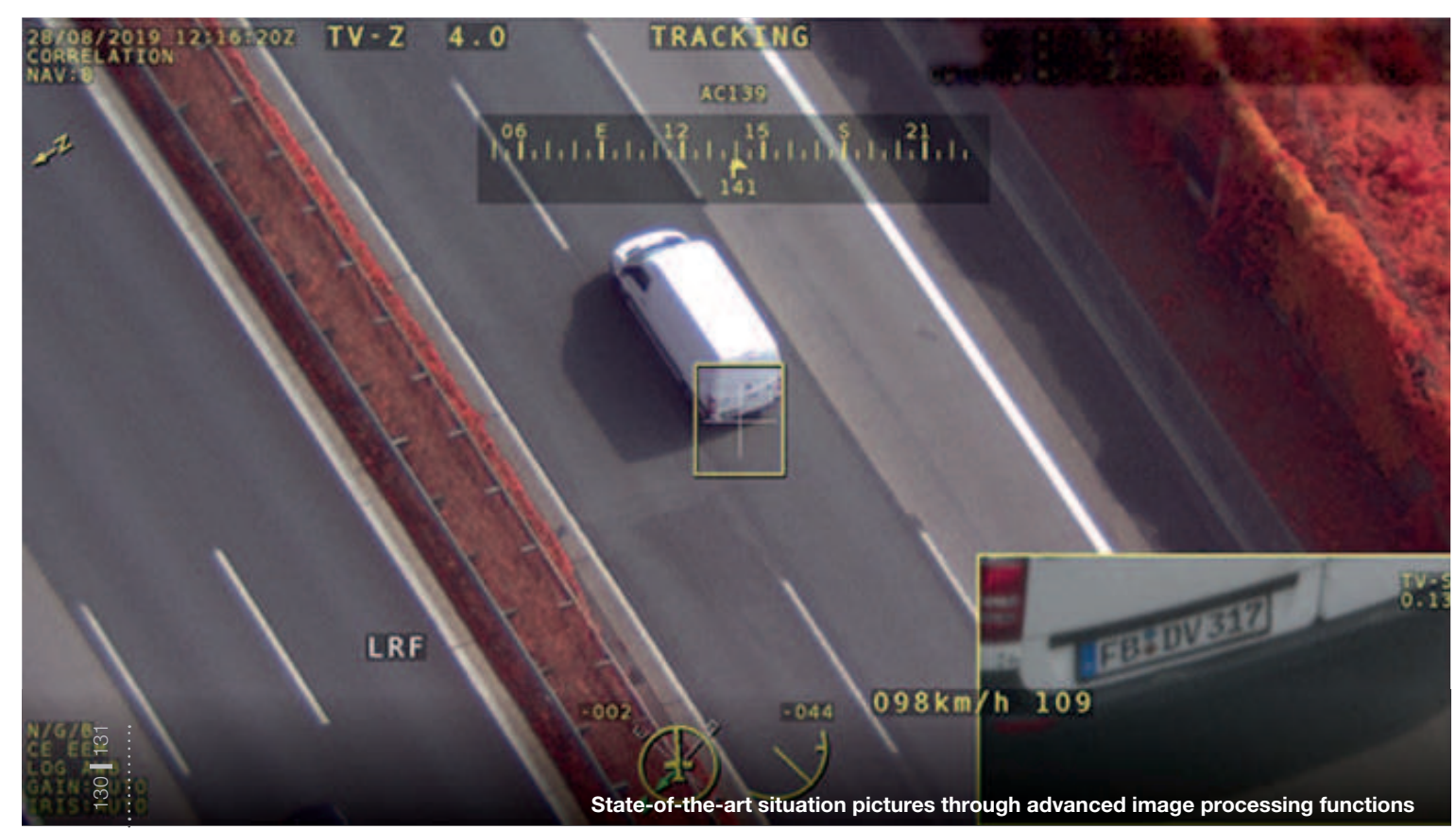
HENSOLDT supports civil law enforcement agencies with innovative and integrated solutions, enabling them to win the often technological competition. This support begins with airborne surveillance for patrols and law enforcement missions and extends through to assistance with police data analysis to detect and prevent offenses at an early stage, as well as the development of new solutions based on artificial intelligence (AI).

## ARGOS-II – Tracking Illegal Activity

The ARGOS-II Airborne Observation System is designed for installation on aircraft, helicopters, and drones. With the technology having been continuously upgraded since the late 1990s, there are now more than 800 ARGOS-II systems in operation around the world in the fields of military, cross-border, and maritime observation. Their long-term maintenance is handled by a number of HENSOLDT service centers worldwide, including the Airborne Service Center in Oberkochen.

There are numerous applications in law enforcement. ARGOS-II can track and clearly identify suspicious vehicles from the air – and is even able to read license plates from a great distance. It can localize stationary and moving people or any other ground targets. This is done automatically via an autotracker function to reduce the crew’s workload. And ARGOS-II can even be used for the complete monitoring of predefined areas, whether by day or by night and even under challenging operating conditions.

The observational and target detection capabilities of ARGOS-II are based on a wealth of different sensor and electronics technologies, all combined within a single device. From a high-definition (HD) thermal-imaging camera with continuous zoom through to unparalleled HD multi-spectral TV zoom and spotter cameras. Depending on the model, a short-wave infrared camera offers additional multi-spectral capabilities and enables images even in poor visibility. The Near Infrared (NIR) Laser Pointer and Laser Illuminator further enhance the operational effectiveness of the system. What’s more, ARGOS-II can also be fitted with an eye-safe laser rangefinder.



State-of-the-art situation pictures through advanced image processing functions



All key information is displayed to users in real time on a screen. Advanced image processing functions, including picture-in-picture display, haze penetration, pseudo colors, and day/thermal image fusion, enable a better situation report and therefore a clearer idea of potential criminal activity in the area under observation.

At the end of 2021, HENSOLDT fitted two Thuringia State Police helicopters with ARGOS-II, with the German Federal Police now also using the system on their helicopters.

## OSINT – Anticipating Illegal Activity

HENSOLDT develops market-leading solutions for the collection and analysis of data from freely available sources such as TV, radio, print, the Internet, and social media. Consolidated under the name OSINT (Open-Source INtelligence), these solutions harness artificial intelligence to generate relevant information in next to no time – for instance, a comprehensive report on how (potential) events and developments are viewed among certain sections of the population or in certain geographic areas. Mastering more than 30 languages, this multilingual system makes use of all freely available information, with computer-generated notifications (bots) automatically detected and weeded out. Personal data is always protected and is not read. In military conflicts, OSINT capabilities are increasingly playing a decisive role for a superior situation report (see also chapter 9.2.3 Open-Source Intelligence).

Modern investigations are also dependent on such technological progress, especially in times when criminals increasingly communicate openly via the Internet and social media and announce their plans in advance. OSINT technologies from HENSOLDT are currently used primarily for the early identification of threats and for strategic observation and information gathering as a decisive preliminary stage for the subsequent investigative and forensic activities. Key words can be used to a search for posts, topics, or places, generating a comprehensive overview. Analysts at the police and other authorities select which sources are to be evaluated. HENSOLDT supports them as a project partner.



## ROXANNE – Dismantling Criminal Networks

In 2019, the project ROXANNE (Real Time Network, Text, and Speaker Analysis for Combating Organized Crime) was launched as part of the EU Horizon 2020 Framework programme, under the research and innovation campaign “Technologies to Enhance the Fight against Crime and Terrorism.” At the heart of the project is the development of an interactive AI platform combining state-of-the-art text and speech recognition technologies and network analysis. The aim is to unmask national and international criminal networks and their members, thereby enabling investigators to identify suspects.

The consortium, financed by the EU, brings together eleven law enforcement agencies with fourteen industrial and scientific partners to cooperate on the future of crime fighting in the virtual realm. ROXANNE seeks to improve and accelerate police investigations, especially in relation to major cases. This ranges from enhanced identification of those involved using voice, text, and video analysis through to focusing criminal network analysis on key figures and the user-friendly visualization of the results of inquiries.

ROXANNE integrates key technologies within a single platform, such as:

- Automatic multilingual speech recognition for rapid speech-to-text processing of audio sources.
- Speaker clustering and identification, enabling assignment of voices in different audio sources to a common group or a known identity.
- Processing of multilingual text input to identify names of people and locations and to infer links between individuals.
- Image and video analysis as well as geographic metadata processing to identify potential connections and meetings through detection of faces and places.
- Network analysis in order to understand the structure of the criminal network and to extend it with information from existing intelligence and other sources so that wider connections can be predicted.

A key aspect of the research project has been stringent compliance with the legal and ethical frameworks of the EU and INTERPOL. As such, the project drew on internal expert analysis as well as external ethics and advisory committees. Furthermore, the project focused research activities mainly on simulated data, with some anonymized real data for testing.

HENSOLDT played a major role in ROXANNE with its speech processing technologies as well as by managing the “Data Management” work package. To mark the successful completion of the three-year project, the consortium unveiled its results at a hybrid conference in Paris in November 2022. The next step is to incorporate the platform into the day-to-day work of law enforcement agencies.







# Preserving Art and Culture

How HENSOLDT can help protect cultural assets

**Art and culture play an essential role in every society, creating meaning and identity. However, cultural identity is increasingly coming under attack, in both peacetime and, more recently wartime. HENSOLDT technologies can help to protect cultural assets against current threats.**

The Khanenko Museum, one of the most important museums for western and oriental art in Ukraine, was hit during a Russian bombardment of Kyiv in October 2022. This is not an isolated incident: In recent years, many culturally and historically significant sites have fallen prey to terror attacks. Spectacular art theft, cyberattacks on museums and auction houses, and targeted vandalism with considerable media attention have also shown that the myriad threats of our time do not respect cultural and artistic heritage.

HENSOLDT technologies can play a role in effectively combating some of the greatest threats to art and culture such as cyberattacks, physical attacks and terrorism, and vandalism and theft. Archaeological sites, museums, and auction houses can be protected from attacks by optronics and sensor solutions.

Moreover, the secure IT operating system TRENTOS can strengthen IT networks against external attacks. Open-source intelligence – in other words, analysis of freely available data – enables a preventive assessment of the risk situation (see also chapter 9.4.5 Crime Prevention). ODCT (Object Detection, Classification, and Tracking) – the detection, tracking, and classification of image objects using artificial intelligence – can support early intruder detection, stolen item recovery, and intelligence.



Palmyra, Syria



Uffizi Gallery, Florence

## Heritage Protection – an Initiative with Heart

Francesca Sgrazzutti is a member of the Marketing team at HENSOLDT Cyber, the business unit committed to secure IT. She studied history of art and literature in Milan before working as a graphic designer and journalist for publishers specializing in culture and related fields. At HENSOLDT Cyber, she initiated the “Heritage Protection” programme – born out of her idea to deploy HENSOLDT technologies for the targeted protection of artistic and cultural assets and to gear them toward this purpose. Alongside other successful projects, including a mission to protect endangered species, “Heritage Protection” is yet another prime example of how employees’ ideas are transformed at HENSOLDT into outstanding concepts, developed with tremendous passion and initiative, and supported by the company – true to the HENSOLDT mission statement “Together we make the difference for a safer tomorrow.”



# Interview with **Francesca Sgrazzutti**

**What dangers do artistic and cultural assets face today?**

We are witnessing two specific trends: On the one hand, for example, the civil war in Syria and the conflicts in Afghanistan and in Iraq have shown that opposition forces not only target people and infrastructure, but also attempt to destroy a country's cultural identity and the population's connection to their own culture. It is also clear that the targeted destruction of cultural sites is one of the aims in the war in Ukraine. On the other hand, there has been a sharp rise in targeted cyberattacks since the pandemic.

**Talking about cyberattacks, what trends do you currently see in this area?**

While museums and other cultural institutions were previously indirect targets, used by hackers as a gateway in attacks on government networks, they are now increasingly becoming a target themselves – both in physical attacks and in cyberattacks. This trend is partly driven by the increasing value of art, which is seen as a stable and secure investment, especially in times of crisis.

**What role do HENSOLDT Cyber technologies play?**

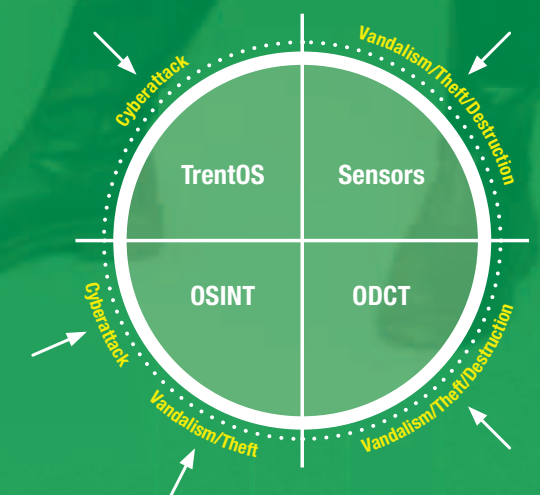
HENSOLDT Cyber has developed solutions that take IT security to a whole new level. For example, our high-security processor, which is the first of its kind in Europe, or our high-security computer operating system TRENTOS. The result is a complete high-security system extending across all security-critical levels, in both hardware and software. It is unprecedented in the world at this level of quality and drastically increases the effort required to penetrate a system based on this technology. The number of potential perpetrators who can afford such an attack is minimized. Up to now, TRENTOS has mainly been used for military applications, but it can also significantly increase the security standards of museums and auctions, for example.

**How can technologies such as OSINT make a valuable contribution?**

OSINT enables us to mine specific data on social media; this could be used, for example, to detect and prevent a looming threat of vandalism. In combination with drones, for example, we can also monitor the areas surrounding cultural sites and identify potential threats at an early stage.

**How do you combine the topics of culture and defence – which seem completely different at first glance – in your day-to-day work?**

I love the fact that everyone can contribute their ideas at HENSOLDT. Although my idea was unconventional, HENSOLDT Ventures supported me and my project from the beginning and immediately connected me with other entities involved such as Security Solutions and HENSOLDT Analytics. Together we have defined potential applications and plan to press ahead with implementation in the first live projects. I am extremely excited about this, as it shows just how versatile our technologies are – from the defence industry through to art and culture.



**Threats to art and culture**  
**HENSOLDT solutions**





# // Embracing Responsibility: the HENSOLDT Team

HENSOLDT stands for responsibility and commitment. For good reason, the company's mission statement puts the team right at the forefront: "Together we make the difference for a safer tomorrow." Because the special team spirit, the identification of the employees, their own initiative, and a pragmatic hands-on attitude characterize HENSOLDT and its successful development. What makes the difference in everyday work is just as evident when it comes to acting together outside the company. And togetherness at HENSOLDT is also a decisive factor for the next generation of talent. As a responsible instructor and employer, HENSOLDT offers them a wide range of development opportunities in high-tech professions.



# Making a Difference Together

How HENSOLDT employees support people from Ukraine

**HENSOLDT also stands for social responsibility beyond its core business. Many initiatives arise from the workforce itself. The company encourages its employees to be actively involved and regularly supports them with concrete measures. One of the focal points in 2022: help for Ukraine.**

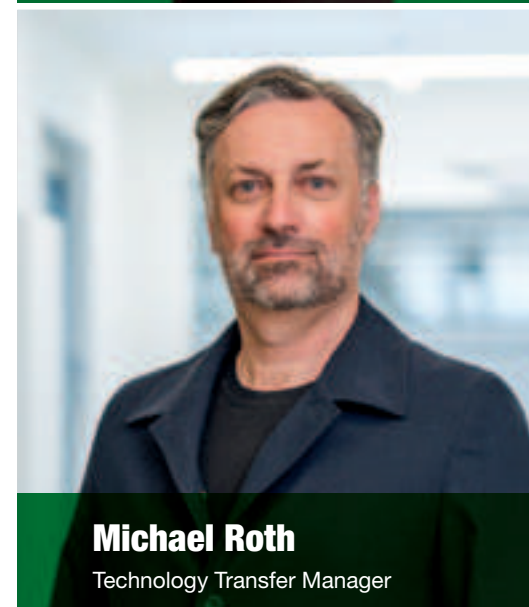
The effects of the war on the Ukrainian civilian population have shaken HENSOLDT employees across all company divisions. Shortly after the war began, many HENSOLDTians had already become active in aid projects on their own initiative. Together with the workforce, the Management Board looked for ways to help people from Ukraine as a company as well and to make a contribution to civil society involvement. The result: A corporate volunteering programme from which employees could quickly and easily access financial support for aid projects of their choice. The programme was launched by the Management Board in April 2022 and endowed with 100,000 euros.



**Simona Patap**  
Marketing Manager

“HENSOLDT’s support has motivated me a lot”

Simona Patap from the HENSOLDT Marketing team coordinates all donation applications and their swift processing. She herself has sponsored an aid project at her son’s school through the programme. She said: *“What has always impressed me ever since I started at HENSOLDT is that lots of colleagues are not only very committed to their work, but also to social causes and within many organizations. I have never experienced that before. And HENSOLDT supports and promotes that. Our Management Board team was also immediately involved in the Ukraine aid project.”*



**Michael Roth**  
Technology Transfer Manager

As part of the corporate volunteering programme, HENSOLDT places the aid campaigns selected by its employees at the center of its corporate support. Projects are supported in which the employees are also involved themselves, mainly directly on site in Germany. Michael Roth, Technology Transfer Manager, had already provided housing before the programme started. With the donation from HENSOLDT, he was additionally able to co-finance language courses for refugees from Ukraine in Putzbrunn and says: *“The people from Ukraine are very happy about the help. I think it’s great that HENSOLDT supported us quickly and without bureaucracy. For the company, the programme with its many small actions naturally meant more effort. But that is precisely why it has a very great personal aspect. They may only be tiny drops of effort, but they spread across the board. That has motivated me a lot.”*

The distribution of the donations, after a review of regulatory criteria, is made as simple as possible in line with HENSOLDT compliance rules. The only basic requirement is that the donation can only be paid out to a legal entity – namely, an association or group of helpers, an organization, foundation, or municipality. The maximum amount available in each case is 2,500 euros so that as many campaigns as possible can be helped.



**Alexander Kaganov**  
Commercial Project Manager FCAS

Like that of Alexander Kaganov, Commercial Project Manager FCAS. He speaks Russian and has previously helped refugees from Ukraine on a voluntary basis, such as with visits to the authorities. Together with the Jewish Community of Ulm and the German Red Cross, he used the HENSOLDT donation money to organize ambulance transfers for suffering civilians from Ukraine. *“I know from my own background how difficult it is to be a refugee. For me personally, this pragmatic support through the HENSOLDT programme is therefore a very important sign as an employer and important player in the defence sector. As a company, we are committed to a safer world. With our products, which are also in use in Ukraine – and also with initiatives like this one, with which we can specifically help people from Ukraine.”*

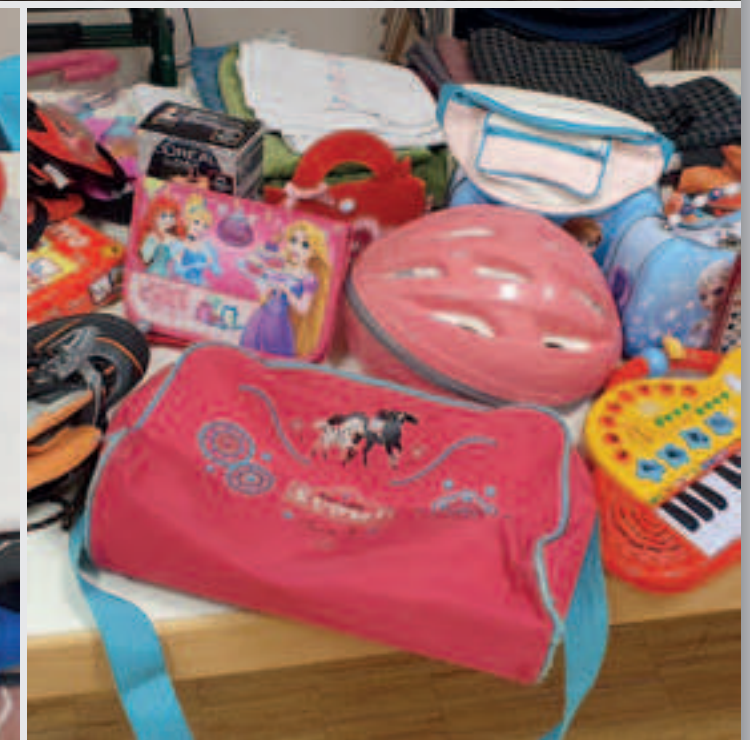


CEO Thomas Müller also believes the interim result is positive: *“The multifaceted commitment of HENSOLDTians in aid for the Ukraine really moved me right from the outset,”* he emphasizes. *“Because it shows how close, as a team, we are in terms of our technologies and our hearts with the sufferers of this war. And that we simply roll up our sleeves and get going when we are convinced of a cause. That’s why we, as a company, have opted for a form of support that increases the scope for individual commitment and helps as simply, quickly, and unbureaucratically as possible.”*

## Rolling Up Our Sleeves

The list of aid projects realized as part of the corporate volunteering programme is long and varied. Examples show how HENSOLDT employees help to make the arrival and everyday life in Germany a little easier for refugees from Ukraine:

- AktionsBündnis Katastrophenhilfe: Emergency aid for refugees arriving in Germany.
- Familienzentrum Unterschleißheim: Food and drinks, clothing, hygiene items, and interpretation services.
- Förderverein Albrecht-Berblinger Grundschule e.V.: Financial support of projects for a preparatory class for children from Ukraine.
- Förderverein Freibad Hildrizhausen: Funding for the purchase of outdoor pool season passes for refugee families from Ukraine hosted in the community.
- Fußballverein Isny im Allgäu: Soccer training and equipment for children and youth from Ukraine and soccer camp during the summer vacations.
- Freunde schaffen Freude e. V.: Housing for Ukrainian families.
- Helferkreis Unterföhring e. V.: Supporting Ukrainian families with language, school, education, training and work, finding housing, medical care, sports, and cultural activities.
- Hilfswerk Bodensee e. V.: Mobility and accommodation for refugees as well as assistance with visits to authorities and language courses, organization, and operation of a clothing store for Ukrainian refugees.
- Hopegenic n. e. V. – Hope for Ukraine: Providing relief supplies to war-affected or bordering areas and assisting refugees.
- Kitzinger Tafel e. V.: Food for the food bank.
- Mittelschule Wiesentheid: New classroom, school supplies, and activities for students from Ukraine.
- Rotary Hilfe e. V. Heidenheim-Giengen: Financial support for Ukrainian refugees arriving in the region.
- RT 220 Service Club e. V.: Purchase and delivery of Christmas gifts for Ukrainian children who are in Ukraine.
- City of Ulm – Department of Social Affairs: Support for Ukrainian families arriving in Ulm.
- Trisport Erding e. V. – Association for the promotion of endurance sports: Sports training, sports clothes, and equipment for children from Ukraine
- ...







# Training and Promoting the Next Generation

How HENSOLDT is fostering the talents of tomorrow

**As a technology company, HENSOLDT is particularly dependent on the expertise and creativity of its employees. With cutting-edge technology, work for a safer world, an international orientation, and a strong corporate culture, the company has a winning image as an employer. Attractive training opportunities also secure the next generation in times of a widespread shortage of skilled workers.**



HENSOLDT is a sought-after company for top talent: In the “Most Wanted Employer 2022” ranking by the ZEIT publishing group and the employer rating portal Kununu, the company ranked second among all German companies in the electronics sector. Its corporate culture in particular is rated by employees on the Kununu platform as a strong attractiveness factor. Nevertheless, with its need for demanding qualification profiles, HENSOLDT is also feeling the increasing shortage of skilled workers across all industries. In Germany alone, there was a shortage of more than half a million qualified workers across all professions in 2022, despite the global recession, according to the Institute of the German Economy. The situation is similar in other European countries. Even from a global perspective, the shortage of skilled workers is present almost everywhere – and the trend is rising.

HENSOLDT is therefore increasingly committed to its own training of qualified junior staff in high-tech professions. Since the company was founded in 2017, the number of apprenticeships has doubled. In 2022, a total of 234 apprentices and students of dual study courses completed their training at HENSOLDT in Germany – 20 percent more than in the previous year.

They could choose from 18 training and study courses in 18 professions. In the dual study courses, HENSOLDT focuses on the future-oriented areas of system engineering, embedded systems, data science, and business engineering, and added six additional courses in the area of technology development to its qualification programme in 2022 alone. In terms of apprenticeships, the focus is on the qualification of electronics technicians for devices and systems and industrial mechanics, followed by mechatronics technicians, industrial mechanics, and surface coaters.

## HENSOLDT Corporate College – Top Level with Special Extras

HENSOLDT has bundled all training activities in its Corporate College. In Germany alone, a team of over 100 engineers, so-called training officers, looks after the talents of tomorrow. The Corporate College model also serves as a model for the numerous international HENSOLDT sites.

*“For a safer tomorrow, high technology – in other words, electronics, software, and artificial intelligence – is becoming increasingly crucial. Training specialists for these and other demanding areas, promoting young talent, and thus ensuring the success of HENSOLDT is something that is very close to our hearts – across all locations and countries,”* says Lars Immisch, Chief Human Resources Officer at HENSOLDT AG. *“With our internationalization strategy, we are therefore also increasingly focusing on interlinking our various training and qualification initiatives worldwide. We want to link theory and practice even more closely and make our successful apprenticeship model accessible to more young technology enthusiasts worldwide.”*



**Lars Immisch**  
CHRO

In Germany in particular, the dual study programme – a university course of study with firmly integrated practical stints in the company – plays a special role. In close cooperation with the Baden-Württemberg Cooperative State University, Germany’s largest dual education institution with over 30,000 students, course content is continuously adapted and further developed to meet current practical requirements. With a view to the skills required for HENSOLDT, the professors at the university integrated the subject of Artificial Intelligence in Electrical Engineering into the curricula, for example. Together with other companies, HENSOLDT also developed the new Embedded Systems degree programme and provided practical technological impulses for the Electrical Engineering and Information Technology degree programmes.





**Werner Stockburger**  
Head of the Corporate College

*“Thanks to our growth course, we at HENSOLDT have an enormous need for qualified junior staff, some with very specific skills. That’s why we network closely with important educational institutions,”* explains Werner Stockburger, Head of the Corporate College. *“At the Baden-Württemberg Cooperative State University, for example, we were able to integrate topics such as radar technology into our studies. That is something you rarely find at other colleges or universities. Tailor-made degree programmes such as Embedded Systems and the continuous expansion of content on offer form an important building block for us in attracting the next generation of talent with exactly the right profiles.”*

During their practical time at HENSOLDT, the students can expect a special extra: They can complete an internship semester at one of the currently more than 40 HENSOLDT locations worldwide. Destinations such as Singapore, Taiwan, South Africa, and Australia, but also England and France, characterize the attractiveness of HENSOLDT as an employer with international development opportunities even beyond the training period. Likewise, young talents from international locations come to Germany for internships lasting several months.

*“No matter whether in Oberkochen or South Africa: At every HENSOLDT location worldwide, the technological pioneering spirit plays a paramount role in our teams,”* says Werner Stockburger. *“With us, young people experience that they can drive innovation and look very far into the future technologically. Compared to other engineering sectors such as the automotive or aerospace industries, we also offer many technological specialties that are hard to find elsewhere.”*

Targeted collaboration with educational partners from the school sector also helps to find the necessary young talent early on, even in classic apprenticeship professions. *“Particularly in the area of training, we are also concerned to play our role as a company in society in a responsible manner,”* says Werner Stockburger. *“Our educational partnerships make an important contribution here and help to get young people excited about technology and an apprenticeship while they are still at school.”*

Career starters in traditional apprenticeships can also expect special opportunities at HENSOLDT: The training alliance that HENSOLDT forms with partner companies allows them to get to know several companies intensively during their training and thus also to better reflect individual preferences for their further professional development. In addition, young talents at HENSOLDT can also qualify for sojourns abroad as trainees through language courses.

## Safety – on a Personal and Societal Level

Russia’s war against Ukraine and the new security situation in Europe also have an influence on the perception of HENSOLDT as an employer. Controversial debates in society and the media with regard to the role of the defence industry have always been deliberately addressed openly by the company in job

interviews. Today, the change in social consciousness as a result of the war is also reflected in exchanges with job applicants: *“They are very different conversations than we had a few years ago. We are perceived as an industry that is socially relevant and makes an important contribution,”* Werner Stockburger tells us. *“The topic of safety has become much more of a focus, even among the generation of young professionals. Where in the past we sometimes experienced doubts or fear of contact with the defence industry, today the motivation to use one’s profession to work for a fundamentally important good clearly dominates.”*

In addition, the topic of safety also has a very personal aspect for junior staff at HENSOLDT. All apprentices and graduates of dual study programmes are taken on by HENSOLDT after successful completion and can look forward to a secure job in a comparatively crisis-resistant industry.

## HENSOLDT’s Educational and Network Partners

With its educational partnerships, HENSOLDT covers a broad spectrum so that it can provide information about the training and study opportunities as well as the career opportunities in the company at all types of schools: from community and middle schools to secondary schools. This close dialog was also recognized by the German Federal Ministry of Economics Affairs, which awarded HENSOLDT an award from the Institute of the German Economy for the exemplary cooperation between industrial companies and schools.

In addition, HENSOLDT also cooperates with other companies to cover training content even more comprehensively – for example, with the competitor Thales, offering joint training courses for electronics technicians and industrial mechanics.

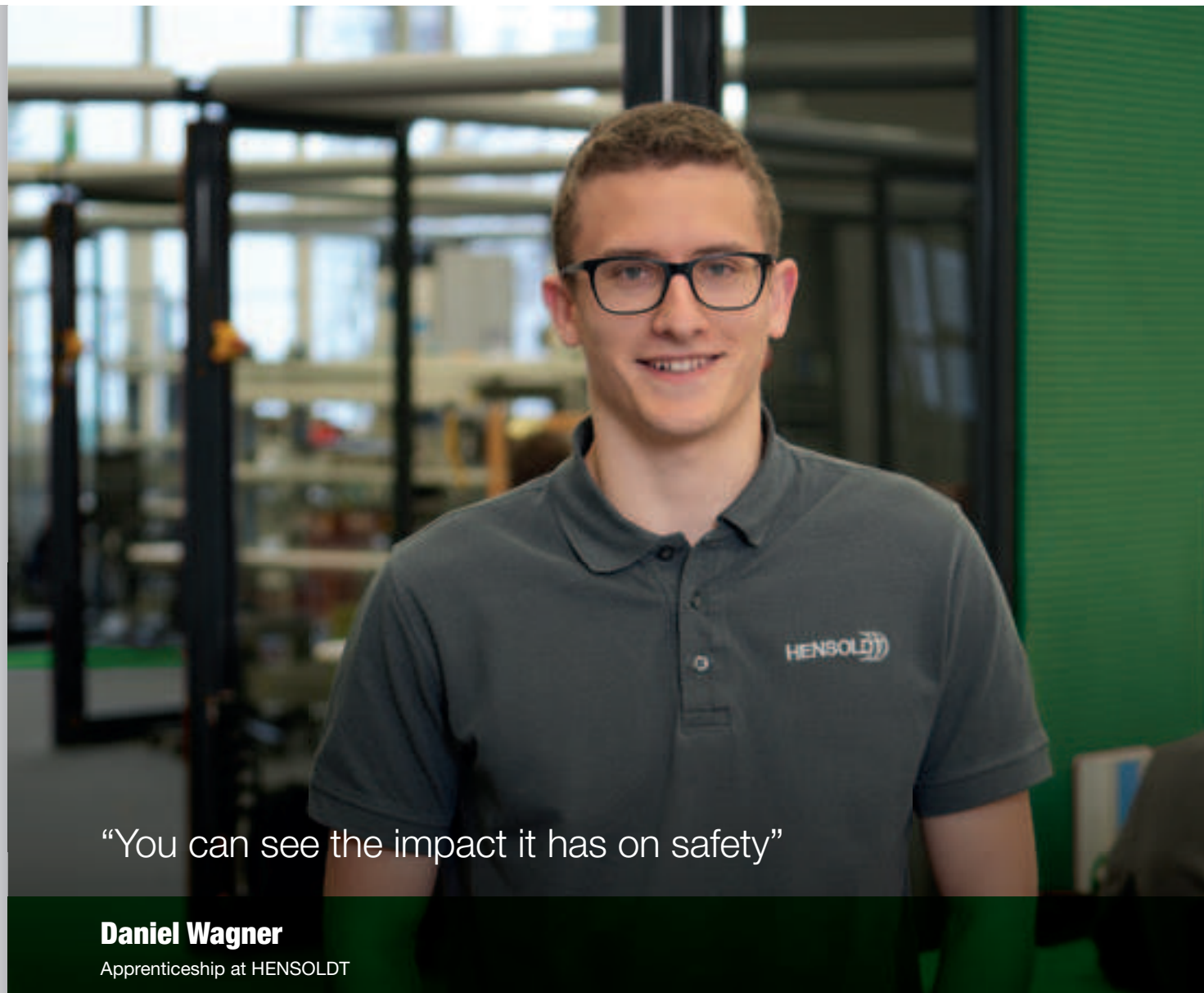
## Awards for the HENSOLDT Corporate College

The HENSOLDT Corporate College is home to all of the company’s training activities. It focuses the training content on the overall orientation of the company and continuously develops the high training standards. HENSOLDT has already received several awards for this, including “Germany’s Best Trainer” and “Top Trainer for IT Jobs” in 2022 as well as the “SCHULEWIRTSCHAFT Award” in 2021 for exemplary commitment to vocational orientation and the transition from school to the working world.

## Argus Award

As part of its close cooperation with research institutions and universities, HENSOLDT has been awarding the “Argus” research award, which comes with prize money, for 19 years. The prize is awarded for outstanding theses by university graduates in high-frequency and communications engineering, digital signal processing, optronics, and cyber technology. The competition intensifies contact with the institutes, deepens the mutual transfer of knowledge, enables HENSOLDT to gain insights into current developments in science, and offers the award winners and other high potentials additional prospects for a job in the high-technology sector – perhaps even at HENSOLDT.





“You can see the impact it has on safety”

**Daniel Wagner**

Apprenticeship at HENSOLDT

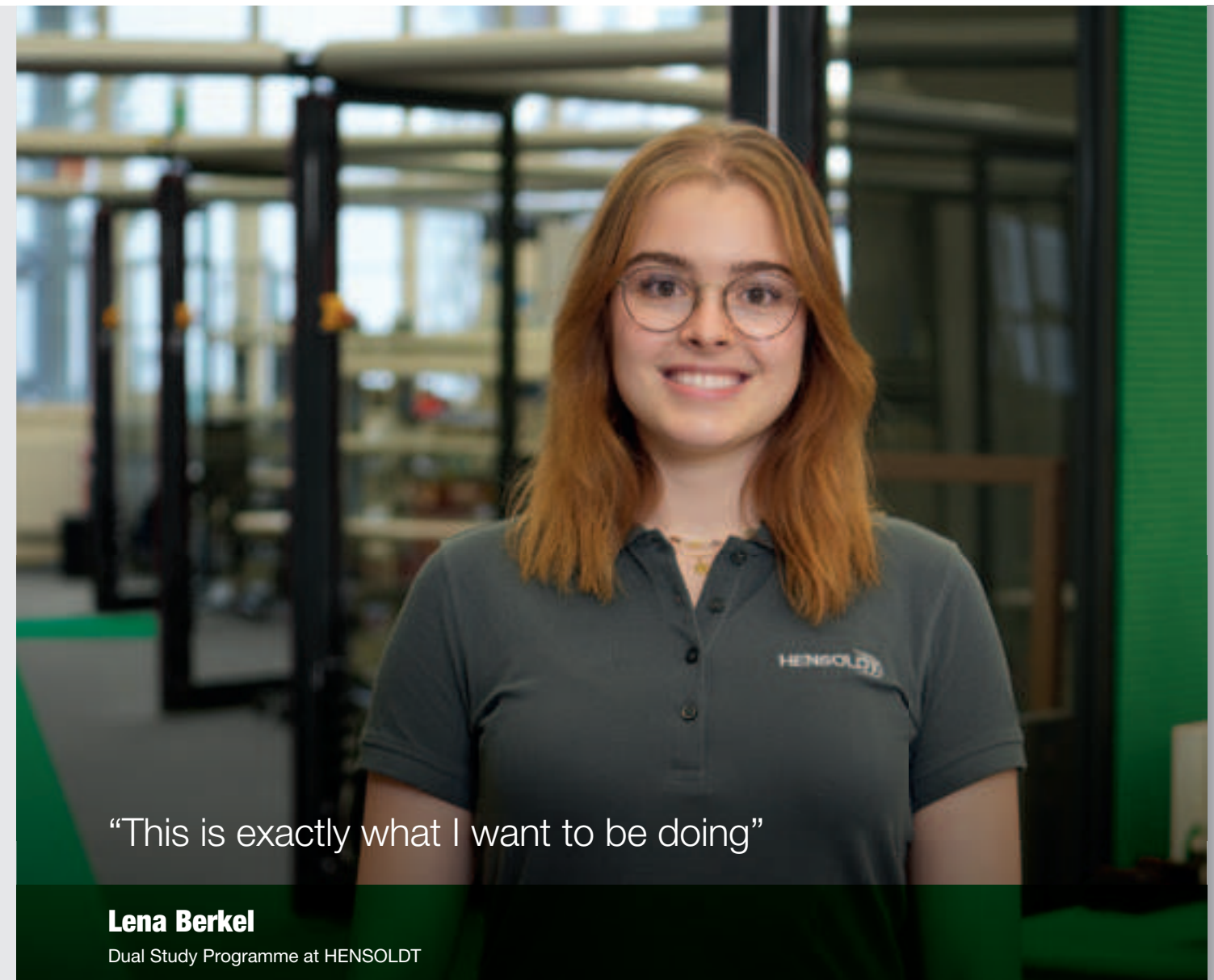
Daniel Wagner from Ulm discovered the apprenticeship opportunities at HENSOLDT on advertising posters at the bus stop. After graduating from a business high school, he began his three-and-a-half-year training as an electronics technician at HENSOLDT in 2020.

After initially learning the necessary basics in the training workshop, he passed through various HENSOLDT departments in the second year of his apprenticeship, alternating every two months: from surface coating to tester and prototype construction and assembly of printed circuit boards. This was followed by the Integration department, where the final device is manufactured, tested, and then shipped.

*“I knew that after graduating from high school, I didn’t want to study directly, but rather do something practical and technical. In the interview, I got a very good impression of the company and the application process was very professional,”* says Daniel Wagner. *“During the*

*apprenticeship, I was particularly impressed by the fact that we were able to practice both the theoretical and practical parts together in the training workshop for six weeks before the intermediate examination. That’s not something you can take for granted – that you can specifically study for your intermediate exam during your working hours.”*

Daniel Wagner will complete his training as an electronics technician for devices and systems in 2023. He has already decided that he will afterwards start a dual study programme in industrial engineering with a focus on electrical engineering at HENSOLDT. His current training has already been adjusted accordingly. He is particularly convinced by the fact that *“we develop systems with which potential hazards can be detected early and precisely. I am totally motivated by the fact that I can see what I am doing something for. At the end of the day, you can see exactly what you’ve assembled and achieved – and what impact that has on safety.”*



“This is exactly what I want to be doing”

**Lena Berkel**

Dual Study Programme at HENSOLDT

Lena Berkel comes from Lower Saxony and became aware of the dual study programme at HENSOLDT while surfing the Internet. In particular, the practical relevance and the possibility of spending a semester abroad immediately appealed to her – apart from her general interest in technology. In 2019, she began her training.

During her studies, she went through various modules from the fields of electrical engineering and economics (business administration, economics, project management). Parallel to this, practical training took place at HENSOLDT in various departments – most recently in Naval and Ground Radar Units – with a focus on improvement projects in production. She spent her semester abroad at a partner university of the Baden-Württemberg Cooperative State University in Taiwan, where she continued her studies.

*“The great value that HENSOLDT places on training has always inspired me throughout this time,”* Lena Berkel says

today, looking back and summing up her experience. *“You get amazing support from your own training department and there are separate training managers for each department who are always available to talk to you. Overall, a really great system in which I was intensively accompanied through my studies.”*

In the fall of 2022, Lena Berkel completed her dual study programme in Industrial Engineering with a focus on Electrical Engineering at HENSOLDT. Today, she works in the Naval and Ground Radar Units department and says: *“I have the feeling that through the war against Ukraine, many are only realizing how important the defence industry is in the first place. In the company, too, people now feel even more intensely that we are doing something very relevant. You can see in meetings, for example, that we are very aware that the point in time when we are able to deliver a radar can be a matter of life and death. That has tremendous meaning for me as well.”*



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A futuristic digital globe with circuit patterns and a cityscape inside. The globe is composed of glowing blue and green lines, with a cityscape visible through the center. The background is a dark green with circuit patterns and glowing particles.

# Detect and Protect

**HENSOLDT**  
*Detect and Protect.*



# Annual Report Sustainability report **2022**

## Detect and Protect



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# 1. Sustainability Management





# 1.1 Statement from the CEO

**Thomas Müller**  
Chief Executive Officer  
of HENSOLDT AG



Dear Readers,

The year 2022 was a difficult one for democracy in Europe. We live in a different world now since Russia's brutal invasion of Ukraine. It has triggered an epochal shift for Germany's foreign and security policy, and this had a decisive influence on the events of last year. The war in Ukraine has shown us, painfully, how crucial it is to maintain, protect, and defend our democratic values.

On top of that, we are experiencing a climate crisis that requires our attention in these challenging times, too. Summer 2022 made it clear to all of us that drought, wildfire, and water scarcity are top news items around the world. Climate change demands a rapid response and reminds us that the time to implement concepts purposefully and take concrete measures is now.

Security is the foundation of a sustainable future, which is why sustainability is a core element of our DNA. For HENSOLDT, sustainability means taking a clear look at our company's activities, our emissions, and our resource consumption. In 2021, we initiated our Group-wide ESG Strategy 2026 and are now pushing ahead determinedly with its implementation. One of our milestones is to be climate-neutral by no later than 2035. As a contribution to this, our site in Kiel will become mostly self-sufficient for its entire energy supply in the future by using hydrogen as an energy source.

We are very serious about our responsibility to the environment, to our employees, and in respect of our company's activities (environment, social, and governance; ESG). Corporate integrity, respect for our coworkers, the careful use of resources, and the development of efficient solutions in the interests of our stakeholders are all part of the HENSOLDT ethos.

This third Sustainability Report that you are reading not only reflects on the milestones that our company achieved in 2022, but also explores the consistent implementation and ongoing development of HENSOLDT's ESG Strategy 2026 at the same time. Our holistic sustainability management constitutes the basis for our overarching goal of having a leading role for ESG in our industry.

We are conscious of the responsibility that you, our stakeholders, place on us. Together with all the committed employees at HENSOLDT, we work every day to advance our company's development.

I hope you greatly enjoy reading this report.

Yours truly,  
**Thomas Müller**



# 1.2 About This Report

## Dr. Lars Immisch

Chief Human Resources Officer at HENSOLDT AG and Chairman of the ESG Committee

*"Sustainability is a core strategic issue for us that not only involves our responsibility to the environment and society, but is also a key factor for our attractiveness as an employer and an overall catalyst for our business success. I am very impressed by the progress we have made so far and the commitment of each and every HENSOLDTian. I am proud of the special culture in our company and our consistent efforts towards becoming an even more sustainable, even more motivating, even more transparent, and even more inclusive company."*



In April 2023, HENSOLDT is publishing its third Group-wide Sustainability Report about all activities of the HENSOLDT Group in the areas of the environment, society, and responsible corporate governance (ESG). The report presents HENSOLDT's approach for each one of the topics identified as material, explains the developments and progress in 2022, and provides an outlook for the next year.

The focus topics during the reporting period were the following:

- For **Responsible Procurement**, the Supplier Code of Conduct which was implemented in 2021 was expanded and revised to reflect Germany's new Supply Chain Due Diligence Act; the current version was published in December 2022. The new rules have been firmly incorporated into the HENSOLDT management system since December 14<sup>th</sup>, 2022.
- In relation to **Corporate Integrity**, a special focus has been further put on the topic of human rights, the approach for a human rights programme developed in light of the Supply Chain Due Diligence Act (LkSG), and a Human Rights Officer appointed.
- "Elevate," an in-house programme to boost diversity and inclusion, was enhanced and rolled out internationally, particularly with a view to further increasing the share of women in leadership positions (see Human Potential).
- In having a target of becoming CO<sub>2</sub>-neutral by 2035, HENSOLDT is aligning itself with the Science Based Targets initiative and taking measures to reduce carbon emissions (see Planet and Resources).

With this Sustainability Report, HENSOLDT is fulfilling its obligation to disclose non-financial information pursuant to sec. 315b and 315c in conjunction with sec. 289c to 289e of the German Commercial Code (HGB) in the form of a separate non-financial Group report. Pursuant to sec. 289d HGB, the provisions of the Global Reporting Initiative (GRI) were applied as a framework, with the separate non-financial Group report prepared accordingly in line with the GRI standards.

In addition to the requirements of the HGB, HENSOLDT also decided during the reporting period to compile its Sustainability Report in accordance with the GRI Standards.

This Sustainability Report simultaneously serves as the HENSOLDT Group Communication on Progress (CoP) as part of the Global Compact of the United Nations.

The reporting period corresponds to the 2022 fiscal year.

To determine the material sustainability criteria, an extensive and holistic materiality analysis was conducted in fall 2020 according to the GRI Standards and the CSR Directive Implementation Act (CSR-RUG) requirements. All relevant stakeholders, that is, management, employees, the sustainability team, customers, banks, investors, and suppliers, were involved in it. In the 2021 and 2022 reporting periods respectively, an update to the materiality analysis was initiated in order to ensure that current developments and requirements are reflected. In particular, the updates were carried out with the involvement of internal stakeholders (ESG functions, departments, and management).

Our business model is set out in the Combined Management Report in subsections I.1 Business Model and I.2 Organization and Corporate Structure. Significant non-financial content pursuant to sec. 315c in conjunction with sections 289c to 289e of the HGB has been audited (limited assurance) by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an audit engagement pursuant to ISAE 3000 (Revised), is marked with a gray frame in the text and highlighted in light green in the GRI Performance Table.

Sustainability is a core part of HENSOLDT's corporate culture. ESG reporting will be continued in future years, too. All reports can be found online at <https://www.hensoldt.net>.



# 1.3 Corporate Governance

## Embraced Values – Now and in the Future

**The long-term success of our business is based on the values of cooperation, excellence, responsibility, and innovation. They are immutable for all employees and are exercised by top management in their role-model function each day.**

Corporate governance at HENSOLDT comprises all leadership structures, processes, and directives. They are bound together by the principles of responsible and transparent management and controlling that seek to grow the value of our enterprise. These principles unify our enterprise as a cohesive entity and, with their emphasis on sustainability, ethical responsibility, and the integrity of our business practices and leadership, ensure HENSOLDT's future success. Firmly embedded in our enterprise strategy and activities, they promote the trust of investors and financial markets, business partners, employees, and the public in the HENSOLDT Group.

Our company also follows the recommendations and suggestions of the German Corporate Governance Code.

## Becoming an Industry Leader for ESG

**An enterprise can only function, succeed, and stay ahead of the curve when it has strong leadership. We have firmly embedded the themes of environment, social, and governance (ESG) in our corporate culture under the motto, "set an example every day." The following values and principles represent the foundation of all our actions:**

- Corporate integrity forms a core pillar of HENSOLDT's business success. Our Code of Conduct defines the basic rules for positive and respectful cooperation within the company and with customers, suppliers, and other partners. It also forms the basis of an internal system to safeguard against corruption and other illegal actions, including of our suppliers. Their ESG risks and performance are continuously analyzed, too.
- The excellence of our enterprise is supported by a quality strategy and quality policy, which are helped by effective business and quality management as well as efficient configuration and data management.
- HENSOLDT takes responsibility for its employees, the environment, and society in its risk management and day-to-day business practices. To this end, the traditional risk management – which chiefly operated from an outside-in perspective – now also includes an inside-out standpoint (see below). Here, the spotlight is on risks and opportunities that may emerge for society and the environment because of HENSOLDT.
- We aim to offer competitive working conditions and corresponding remuneration. Additionally, HENSOLDT promotes diversity and equal opportunities within its company. In particular, it aims to significantly increase the share of women in leadership positions, for example, to 35 percent in the Executive Committee and 25 percent in the leadership team by 2024.
- As a responsible employer, HENSOLDT supports initiatives and talent around the world at all its sites. For instance, we offer part-time training and professional-development programmes at our key locations (Germany, France, the UK, and South Africa) (see chapter 4 Human Potential).
- HENSOLDT places a high priority on protecting the environment and climate. Our enterprise has committed to using and handling resources and hazardous substances carefully and responsibly. There is monitoring in all company areas to ensure that this is the case.
- HENSOLDT has implemented measures to avoid and reduce emissions in relevant enterprise processes. In addition to investing in renewable energy sources and energy-saving actions, this includes the reduction of waste flows, paper consumption, and hazardous component substances. Compliance with all statutory and company regulations is reviewed each month based on a schedule of legal provisions and monitored with random inspections and internal audits by Health, Safety, & Environment (HSE). If deviations are found, they are documented in the reports and assigned an action plan. These actions are also added to Jira, which is where the actions are monitored. Furthermore, the company continuously expands initiatives that reinforce the principles of the company and its leadership and, in doing so, benefit employees and society



as well as contribute significantly to long-term commercial success. The iLEAD programme encourages this thinking. Not just a programme made up of workshops, it is also a new development pathway that develops and coaches “managers” into “leaders.” Moreover, the Elevate initiative – a part of HENSOLDT’s sustainability strategy – represents an aim to shift strategy by addressing the three key areas of corporate culture, career development, and exemplary corporate citizenship. This includes taking responsibility for diversity, regardless of gender, nationality, sexual orientation, religion, disability, or cultural background. This Sustainability Report outlines HENSOLDT’s initiatives in greater detail.

HENSOLDT strives to meet future national and international standards of good and sustainable corporate governance. What’s more, its corporate governance already makes a key contribution to the company’s success. The relevance of this corporate governance is only going to continue to increase, which the HENSOLDT leadership is aware of.

Sustainability has therefore not only always been part of the practiced values at HENSOLDT, but is now also part of the Group-wide corporate strategy. A strategy with a clearly defined objective to “become the ESG sector benchmark.”

### Long-Term Incentive Components: ESG Targets for “Diversity” and “Climate Impact”

Pursuant to section 289c (3)(5) of the HGB, a report must be made in respect of material non-financial performance indicators that are of significance to the company’s business activities (see Remuneration Report). The Management Board remuneration with sustainability components is also a central component in the attainment of the ESG targets by 2026. All Management Board members receive an entitlement to a multiyear performance-related remuneration component (long-term incentive, LTI). The basis for determining the amount of the LTI is the target amount (“LTI target amount”), that is, the amount to which a Management Board member is entitled if the multiyear targets are met in full. At its own discretion, the Supervisory Board determines, at the start of each four-year measurement period for an LTI tranche, the conditions for each LTI component and the corresponding target amount for the bonus tranche in question. The long-term incentive is calculated based on the following LTI components:

- 40 percent based on the company’s relative total shareholder return (TSR) compared to the MDAX
- 30 percent based on the HENSOLDT Group’s order intake, and
- 15 percent each based on defined ESG targets

Success parameters for the LTI programme therefore not only include financial targets and a strong focus on the share price, but also ESG targets from the areas of environmental, social, and corporate governance. In the current LTI agreements, these ESG targets are:

- “Diversity” which provides for the achievement of specific quotas of women at various levels of the company.
- “Climate Impact<sup>1</sup>” which seeks to increase the share of renewable energy and reduce carbon emissions.

<sup>1</sup> The sub-target “Reduction of the Use of Volatile Organic Compounds (VOCs)” was deleted as it was found to be not meaningful and insufficient for controlling the behaviour.

# 1.4 Strategy, Vision, Materiality Analysis

## Shared Goals

**For us, our company’s motto of “Detect and Protect” not only means the protection of people, but also equally the protection of the environment, nature, and all aspects of ESG that enable sustainable living and business in the first place. The basis for responsible actions is HENSOLDT’s sustainability management, which is firmly integrated into its business. Our vision, “Without security, there is no sustainability,” illustrates this and shows how HENSOLDT’s high-security products and services contribute to a sustainable future.**

The Group-wide ESG Strategy 2026 defines the corresponding commitments and milestones. In publishing an annual Sustainability Report, HENSOLDT creates transparency and clarity. The company seeks to be among the best in the industry in relation to ESG, too.

## HENSOLDT’s Sustainability Management

Sustainability is an integral part of our business strategy. The ESG Committee, which is made up of members of the Management Board and selected executives, sets the priorities for the company’s strategic direction for sustainability, integrates them into the business strategy, and supports their implementation. Working together with a Group Sustainability Manager, the committee coordinates all ESG activities and continuously improves the cooperation between the company’s various departments and between international sites with a cross-functional ESG team. Moreover, staffing numbers in the central ESG department are going to be boosted further in the future.

To enable a holistic sustainability management, HENSOLDT also maintains a close dialog with all the company’s stakeholder groups – employees, management, investors, customers, suppliers, associations, and municipalities – at all times. New ESG training promotes and sharpens employees’ awareness of sustainability-related topics in particular. With its ESG Strategy 2026, HENSOLDT has also defined its pledged objectives for the future and will keep developing sustainability management continuously with significant investment and full commitment.



## HENSOLDT's Stakeholder Engagement

A regular exchange with stakeholders is a high priority for HENSOLDT. On December 14, 2022, HENSOLDT AG held its second Capital Markets Day in London. During the event, the company announced the increase of its short- and medium-term targets. Investors also had the opportunity to obtain comprehensive information about HENSOLDT AG and to engage in an exchange with the Management Board team and Executive Committee.

## Materiality Analysis

We have employed an extensive materiality analysis, a well-established method, since 2020 to identify, evaluate, and prioritize the biggest impacts of our business activities on the economy, society, and the environment. It was updated for the 2022 reporting period and incorporates the most recent economic and political change as well as the revised GRI requirements.

The materiality analysis identifies the issues that HENSOLDT deems relevant to business, sets out the relevance of individual areas, and examines how they interact with each other. To this end, the existing list of topics and stakeholders was assessed in line with the sector standard of the Sustainability Accounting Standards Board (SASB) in 2022 so that all potential fields of sustainability could be considered thoroughly. Internal representatives of relevant interest groups evaluate the individual topics according to the topics' commercial relevance and, in particular, according to their influence on HENSOLDT's business divisions. This evaluation did not include direct surveys of the external individuals responsible for the topics (see materiality analysis). The ESG Committee then reviewed the evaluation before it was presented to the Management Board for the latter's approval.

The results of the HGB-based materiality analysis have been presented in the form of a matrix again this year. The material non-financial topics according to the new 2021 GRI Standards are presented in a list.

Based on the new 2021 GRI Standards, HENSOLDT has developed an approach for presenting the matrix in line with the CSR-RUG (HGB) as well as a list of material topics in line with the GRI Standards this year.

To determine which topics are considered material and should be reported on, HENSOLDT has followed the guidelines and guidance provided in the GRI Standards 2021.



Cluster	
1	Business Integrity
2	Health and Safety
3	Product Responsibility
4	Community Relations
5	Responsible Sourcing
6	Human Potential
7	Planet and Resources

### GRI Topic List with Results 2022

The list of GRI topics indicates the seven areas of the sustainability strategy that are influenced most by HENSOLDT's business activities.



## Detecting and Avoiding Risk

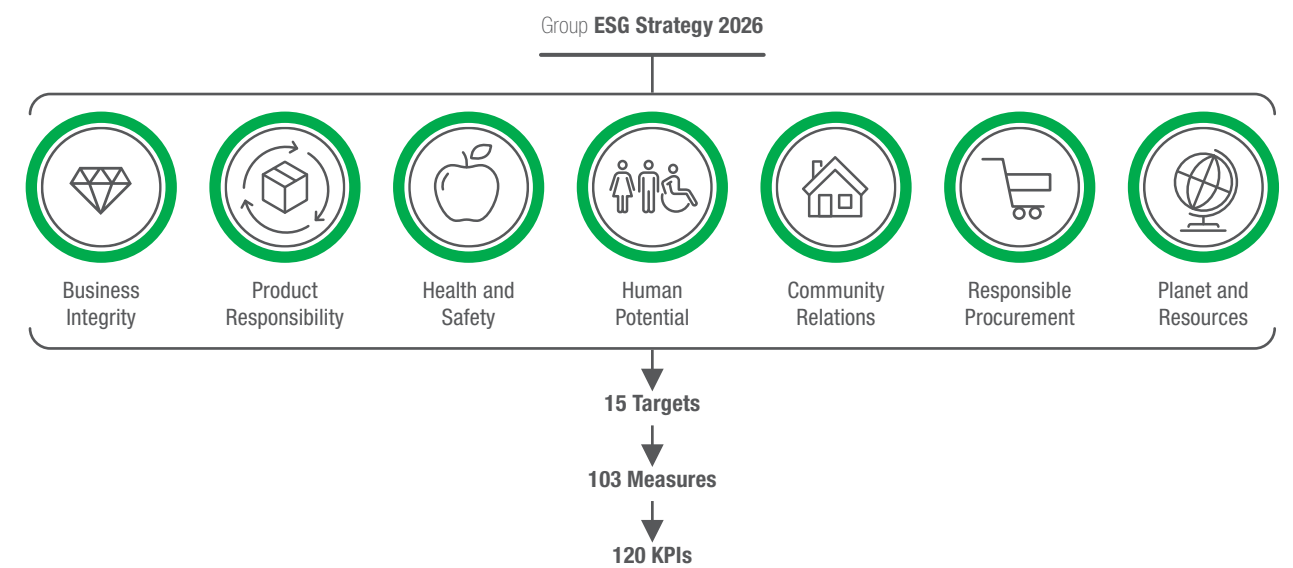
Concepts were prepared for the material issues identified in the matrix, and risks and opportunities were analyzed by means of an enterprise risk management (ERM) process. The risk analysis also evaluates the non-financial risks in relation to all double-materiality aspects under the HGB in accordance with the specifications in HGB section 289c(3). This means that the company studies aspects of sustainability from outside-in as well as inside-out perspectives. The outside-in perspective identifies sustainability risks that can affect the company from outside in, in line with the specified aspects. The inside-out perspective looks at sustainability risks that have consequences for the planet and society. The latter perspective is the subject of the risk analysis pursuant to HGB section 289c. All risks identified from both perspectives are recorded in the ERM system (ERM report) and documented and evaluated in a quarterly sustainability risk report. The risk analysis for the material non-financial aspects this year put an overall stronger focus on risks related to human rights and the environment.

Further details about the identified risks are explained further in the management report.

With respect to the material non-financial issues, the risk analysis applied the net method, taking into account risk limitation measures, and did not identify any significant risks – within the meaning of HGB section 289c (3)(3) and (3) (4) – arising from our own business activity or from any business relationships or products that have or will have a high likelihood of severe negative impacts on the non-financial aspects.

## HENSOLDT's ESG Strategy 2026

The ESG Strategy 2026 was defined in cooperation with stakeholders. It is a key element of our sustainability management, providing orientation and clear goals as well as subgoals in seven categories. HENSOLDT launched numerous individual initiatives and programmes as part of this strategy in 2022 and some of them are presented as examples below.



1. **Business Integrity.** HENSOLDT does not tolerate any breaches of applicable legislation. This also includes data protection that encompasses all areas. At the same time, digitalization should make a central contribution to sustainability at HENSOLDT. Regular participation in ESG ratings serves to monitor success. In 2022, the “risks of human rights violations” continued to be considered and further developed by the company.
2. **Product Responsibility.** HENSOLDT promotes innovation and continuous improvement in its products and services. Alongside the responsible use of artificial intelligence, this also includes the development of solutions that protect society, wildlife, the climate, and our planet. In 2022, there were focuses on the “usage of artificial intelligence” and connecting HENSOLDT technologies with the ESG concept.
3. **Health and Safety.** HENSOLDT actively supports the mental and physical well-being of its employees. Its target lost-time injury frequency rate (LTIFR<sup>2</sup>) is at least as good as or better than the company’s already low level (lower than 0.75<sup>3</sup>). In 2022, the annual health survey was rolled out across Germany and further initiatives were launched for stress reduction and ergonomic workplaces.

<sup>2</sup> Lost-time injury frequency rate (LTIFR): number of lost-time injuries (accidents leading to at least one day of absence) x (200,000 ÷ number of hours worked)

<sup>3</sup> HENSOLDT achieved an LTIFR value of 0.78 in 2022 and thus does not yet reach the target of <0.75. However, compared to the previous year 2021 (LTIFR 0.86), a significant improvement can be seen.



4. **Human Potential.** As an employer of choice, HENSOLDT attaches considerable importance to the satisfaction of the company's employees. Employment equity is also actively practiced and embraced, including through the desired increase in the share of women in leadership roles to 35 percent.  
In 2022, HENSOLDT launched the new NEXT VISION programme in tandem with the Energy Factory to strengthen the corporate culture in a period of transformation.
5. **Relationships with the Community.** HENSOLDT is a good neighbor at all its sites around the world and maintains excellent community relations, which is fostered by regular dialog with community representatives. Employees are encouraged to increase their number of voluntary working hours on community projects to at least eight per year.  
In 2022, HENSOLDT focused on helping Ukraine. The Management Board provided a total of 100,000 euros for a corporate-volunteering programme for it.
6. **Responsible Procurement.** HENSOLDT takes responsibility within the supply chain and identifies and reduces ESG risks at its suppliers.  
In 2022, a road map was developed with defined measures along the Supply Chain Due Diligence Act (LkSG) for further mitigating ESG Risks across the supply chain.
7. **Planet and Resources.** HENSOLDT has committed to safeguarding the planet and its resources and is seeking to be carbon neutral by no later than 2035. Furthermore, all sites worldwide are to be certified in accordance with the stringent ISO 14001 environmental management standard by 2026.  
In 2022, HENSOLDT continued to work consistently to achieve the interim target, set in 2021, of reducing its carbon footprint by at least 42 percent from 2020 levels by 2030.

The ESG Strategy 2026, the goals that it sets in seven categories, its interim targets, and its measures together form a robust foundation for the company's holistic sustainability management. It means we are tackling the current challenges that our planet and humanity are facing.

## Sustainable Development Goals

The Sustainable Development Goals (SDGs) of the United Nations are made up of 17 goals for sustainable development on economic, social, and environmental levels. They are aimed at countries and organizations around the globe.

In accordance with its materiality analysis and sustainability management, HENSOLDT has categorized and prioritized the SDGs in a matrix based on its impact on the environment and society and based on the relevance for its stakeholders. The analysis indicates that the following SDGs and associated targets are currently in the foreground:



**9.5** Enhance scientific research, upgrade the technological capabilities of industrial sectors.



**16.5** Substantially reduce corruption and bribery in all their forms.



**4.5** Eliminate gender disparities in education and ensure equal access to all levels of education.

**4.B** Substantially expand globally the number of scholarships.



**10.2** Empower and promote the social, economic, and political inclusion of all.



**13.2** Integrate climate change measures into (national) policies, strategies, and planning.

## New ESG Reporting Standards

The International Sustainability Standards Board (ISSB) presented new draft standards for discussion on March 31, 2022. They include general requirements for disclosure of sustainability-related financial information (Exposure Draft IFRS S1) as well as climate-related disclosures (Exposure Draft IFRS S2).

These drafts are intended to put sustainability reporting on an even footing with financial reporting, with a goal of achieving globally consistent and reliable sustainability reporting.

The new EU Corporate Sustainability Reporting Directive (CSRD) came into force in January 2023 and must be transposed into national law by the EU member states by July 2024 at latest. In this context, binding standards (European Sustainability Reporting Standards, ESRS) are currently being developed by the European Financial Reporting Advisory Group (EFRAG), which will be applicable to HENSOLDT from the 2024 financial year.



## ESG Risk Rating

HENSOLDT AG

Aerospace and Defence | Germany

ESG Risk Rating

**15.5**

Updated Nov 19, 2022

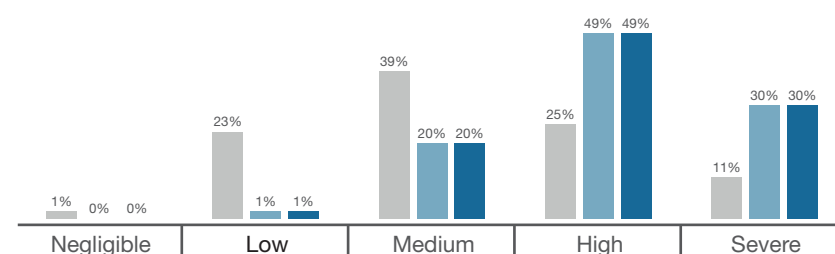
**-2.5**

Momentum

### Low Risk



#### ESG Risk Rating Distribution



#### ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	1611/15240	11th
Aerospace & Defence INDUSTRY	1/96	1st
Aerospace & Defence SUBINDUSTRY	1/96	1st



HENSOLDT underwent a variety of ESG risk rating processes in 2022 (including Sustainalytics Risk Rating, Refinitiv, and S&P Global), which is evidence of its ambition to achieve transparency regarding sustainability. The Sustainalytics risk rating in particular should be emphasized here, with HENSOLDT achieving a score of 15.5 in the overall rating. This is higher than the scores awarded to comparable companies and is also a significant increase on its 2021 score (18.1). As such, HENSOLDT occupies the number one position in the aviation and defence industries globally.

# 1.5 EU Taxonomy

HENSOLDT provides information about its implementation of the EU Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and Council of 18 June 2020 on the Establishment of a Framework to Facilitate Sustainable Investment) to fulfill its non-financial disclosure obligations. The EU Taxonomy provides a consistent, legally binding system for classifying economic activities that are considered “environmentally sustainable” in the EU. The regulation requires annual, company-specific reports on the results of this classification.

The EU has published requirements for sustainable economic activities for two environmental objectives (climate change mitigation and climate change adaptation) and these activities must be reported on for the 2022 reporting period. The EU Taxonomy distinguishes between taxonomy-eligible and taxonomy-aligned when determining if a given economic activity contributes substantially to one or more of the environmental objectives and therefore qualifies as environmentally sustainable. The description of the respective economic activities in the two delegated acts relating to the EU Taxonomy Regulation (Annexes I and II) specify which economic activities are considered taxonomy-eligible or taxonomy-aligned (environmentally sustainable). Accordingly, a further step must then be taken to evaluate whether the specified technical screening criteria are met and the minimum safeguards adhered to before taxonomy-aligned classification can be given.

The determination of the key performance indicators was carried out in compliance with the FAQ document published by the European Commission, which addresses questions of interpretation in relation to Article 8 of the EU Taxonomy Regulation.

Based on section 315b of the HGB and Article 8 of the Taxonomy Regulation, HENSOLDT is required to apply the Taxonomy Regulation provisions. The consolidated financial statements of HENSOLDT AG as at December 31, 2022, were compiled in accordance with IFRS pursuant to HGB section 315e(1).

The central element is the determination of the taxonomy-eligible and taxonomy-aligned proportion of the Group’s turnover that is generated with products or services associated with economic activities classified as environmentally sustainable, as well as of the proportion of capital expenditure and of operating expenditure in connection with assets or processes associated with economic activities regarded as environmentally sustainable.

Commission Delegated Regulation (EU) 2022/1214 (of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities) was published during the reporting period. Pursuant to the amendment regulation that came into force, certain nuclear energy and natural gas activities are allocated to environmentally sustainable economic activities under the EU Taxonomy when certain conditions are met. We do not conduct any activities in these fields of nuclear energy or fossil gas.

When drafting the regulation, the European Commission focused on primary greenhouse-gas-emitting industries and sectors and identified potentially relevant economic activities on this basis. The aviation and defense industries, like many other sectors, do not have a core business that falls within the primary scope of the EU Taxonomy by definition, which means that the activities that HENSOLDT is deemed to pursue are largely unaffected by the scope of the EU Taxonomy for the first two environmental objectives.



However, this does not mean that these activities do not pursue or foster the targets of the HENSOLDT ESG Strategy.

Within the scope of a project, we performed a holistic review of our contribution to the European Union's environmental objectives of "climate change mitigation" and "climate change adaptation." We also carried out an extensive analysis of our economic activities and the resulting turnover, and of our capital and operating expenditure. In particular, we analyzed the proportions of these items that can be classified as taxonomy-eligible or taxonomy-aligned. Double counting is avoided by allocating the taxonomy-eligible and taxonomy-aligned turnover, capital expenditure (CapEx), and operating expenditure (OpEx) to only one economic activity under the EU Taxonomy.

The current scope of application of the taxonomy affects HENSOLDT only to a limited extent as the company is a specialized supplier of sensor solutions in the area of products and services. The company's value chain chiefly comprises customer-specific development services and the customized manufacture of components according to the relevant area of deployment. The products that are manufactured are installed in their environments by the customers and do not possess an energy supply of their own.

Applying the Taxonomy Regulation, we have identified primarily "internal" activities in connection with leasing our sites and the decarbonization of our vehicle fleet, which we have classified as taxonomy-eligible and, in part, taxonomy-aligned and included in the CapEx KPI. CapEx on photovoltaic systems was allocated to activity 7.6 Installation, Maintenance, and Repair of Renewable Energy Technologies, and CapEx on company cars with leases starting during the reporting period was allocated to activity 6.5 Transport by Motorbikes, Passenger Cars, and (Light) Commercial Vehicles.

The amounts used to calculate the taxonomy-eligible and taxonomy-aligned turnover, CapEx, and OpEx are based on the figures reported in the consolidated financial statements.

The turnover KPI is the ratio of net turnover from taxonomy-eligible and taxonomy-aligned economic activities of a given fiscal year to total net turnover for that year. The total net turnover of 1,707,042 thousand euros in the 2022 fiscal year forms the denominator of the turnover KPI; it can be found in the consolidated income statement. Based on the delegated acts as they are currently formulated, there are no relevant economic activities that can be identified in connection with turnover. Consequently, taxonomy-eligible – and therefore taxonomy-aligned – turnover has not been identified.

Capital expenditure is based on the additions to property, plant, and equipment and intangible assets under IAS 16 and 38 and IFRS 16 during the fiscal year, before depreciation, amortization, impairment losses, and remeasurement gains or losses, including those arising from remeasurement gains or losses and impairment losses without changes in fair value for the fiscal year. The total CapEx during the fiscal year amounted to 117,532 thousand euros and can be studied in the schedule of assets. The denominator generally also includes additions to property, plant, and equipment and intangible assets resulting from business combinations. The numerator of the CapEx KPI is determined by analyzing the assets or processes in connection with the amounts included in the denominator for their taxonomy eligibility or alignment. An analysis of taxonomy eligibility and alignment was carried out based on the additions to property, plant, and equipment and intangible assets along with a comparison against Annex I (Substantial Contribution to Climate Change Mitigation) and Annex II (Substantial Contribution to Climate Change Adaptation) of the Commission Delegated Regulation supplementing Regulation (EU) 2020/852. The investments for taxonomy-eligible and taxonomy-aligned economic activities were calculated directly in the financial accounting. A key element of the taxonomy-eligible, though not taxonomy-aligned, CapEx relates to the leasing of a newly constructed building in Ulm, representing an addition of 11,532 thousand euros and recognized under activity 7.7 Acquisition and Ownership of Buildings.

Taxonomy-aligned CapEx was incurred during the fiscal year just ended in connection with the acquisition of production from taxonomy-aligned economic activities and from individual measures. This CapEx pertains to photovoltaic systems and passenger cars specifically. It was assessed against the technical screening criteria based on expert opinions and individual pieces of evidence such as product specifications and data sheets. The taxonomy-aligned CapEx of 203 thousand euros and the taxonomy-eligible, though not taxonomy-aligned, CapEx of 1,570 thousand euros on activity 6.5 Transport by Motorbikes, Passenger Cars, and (Light) Commercial Vehicles is solely the result of capitalized right-of-use assets. The taxonomy-aligned CapEx of 693 thousand euros on Activity 7.6 Installation, Maintenance, and Repair of Renewable Energy Technologies is solely the result of additions to property, plant, and equipment in accordance with IAS 16. The taxonomy-eligible, though not taxonomy-aligned, CapEx of 12,311 thousand euros on Activity 7.7 Acquisition and Ownership of Buildings is solely the result of capitalized right-of-use assets.

Operating expenditure (OpEx) is based on direct, uncapitalized costs relating to research and development, building renovation measures, short-term leases, maintenance, and repair as well as all direct expenditure in connection with day-to-day servicing of property, plant, and equipment by the company or third parties to which the activities are outsourced, which are required to ensure the continuous, effective functioning of these assets. The expenditure on research and development, building renovation, short-term leases, and maintenance and repair in the 2022 fiscal year totals 43,708 thousand euros and forms the denominator of the OpEx KPI. The numerator of the OpEx KPI is determined by analyzing the assets or processes in connection with the expenses included in the denominator for their taxonomy eligibility or alignment.

The evaluation against the alignment criteria involves assessing if the taxonomy-eligible economic activities contribute substantially to an environmental objective defined by the Taxonomy Regulation and if the activities significantly harm one or more of the other environmental objectives.

The technical screening criteria that determine if an economic activity contributes substantially to an environmental objective and if it does not significantly harm (DNSH) one of the other environmental objectives have been applied for all taxonomy-eligible activities, based on either the technical characteristics of individual assets or national legislation. This screening also involved a detailed climate risk analysis of investments in connection with real estate and vehicles that fall within the scope of activities 6.5 and 7.6. It examined future scenarios based on Representative Concentration Pathway (RCP) 8.5, which is utilized by the Intergovernmental Panel on Climate Change (IPCC). Adaptation solutions were not necessary. The results from the individual assessments according to DNSH criteria can be viewed in the tables below. Individual pieces of evidence were used to assess and document if activities contributed substantially to the achievement of one or more of the article's environmental objectives and if the technical screening criteria were adhered to. The taxonomy-aligned vehicles allocated to activity 6.5 meet the requirements for specifically having carbon emissions under 50 g of CO<sub>2</sub> per kilometer, for Euro VI emissions for light commercial vehicles, and for rolling noise and rolling resistance coefficient in connection with vehicle tires.

Furthermore, compliance with minimum social standards according to the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, ILO Core Labour Standards, and the Universal Declaration of Human Rights was assessed in relation to the individual economic activities. The requirements profile that arises from these minimum-protection frameworks was analyzed and compared against internal documents, including the codes of conduct for the company and for suppliers, the work instructions, and guidelines. Risk analyses were performed in relation to minimum-protection issues at a Group level and corresponding measures were identified based on them.



The following KPIs are applicable for the fiscal year:

## EU-taxonomy 2022

Turnover															
Economic activities	Code(s)	Absolute turnover T€	Proportion of turnover %	Substantial contribution criteria (%)		DNSH criteria (do no significant harm)						Taxonomy-aligned proportion of turnover, year 2022 %	Category (enabling activity) E	Category (transitional activity) T	
				Climate change mitigation %	Climate change adaptation %	Climate change mitigation Yes / n/a	Climate change adaptation Yes / n/a	Water and marine resources Yes / n/a	Circular economy Yes / n/a	Pollution Yes / n/a	Biodiversity and ecosystems Yes / n/a				Minimum safeguards Yes / n/a
<b>A. Eligible activities</b>															
A.1 Eligible taxonomy-aligned activities															
Turnover of eligible taxonomy-aligned activities (A.1)													0.0%		
A.2. Eligible taxonomy-non aligned activities															
Turnover of eligible taxonomy-non aligned activities (A.2)													0.0%	not to be reported	
Total (A1 + A2)													0.0%		
<b>B. Taxonomy-non-eligible activities</b>															
Turnover of taxonomy-non-eligible activities (B)													100.0%		
<b>Turnover Total (A+B)</b>													<b>100.0%</b>		

CapEx															
Economic activities	Code(s)	Absolute CapEx T€	Proportion of CapEx %	Substantial contribution criteria (%)		DNSH criteria (do no significant harm)						Taxonomy-aligned proportion of CapEx, year 2022 %	Category (enabling activity) E	Category (transitional activity) T	
				Climate change mitigation %	Climate change adaptation %	Climate change mitigation Yes / n/a	Climate change adaptation Yes / n/a	Water and marine resources Yes / n/a	Circular economy Yes / n/a	Pollution Yes / n/a	Biodiversity and ecosystems Yes / n/a				Minimum safeguards Yes / n/a
<b>A. Eligible activities</b>															
A.1 Eligible taxonomy-aligned activities															
<b>Traffic</b>															
Transport by motorbikes, passenger cars and light commercial vehicles													0.2%		T
<b>Building and real estate</b>															
Installation, maintenance and repair of renewable energy technologies													0.6%		E
CapEx of eligible taxonomy-aligned activities (A.1)													0.8%		
A.2. Eligible taxonomy-non aligned activities															
<b>Traffic</b>															
Transport by motorbikes, passenger cars and light commercial vehicles													1.3%	not to be reported	
<b>Building and real estate</b>															
Acquisition and ownership of buildings													10.5%		
Taxonomy-non aligned activities (A.2)													11.8%		
Total (A1 + A2)													12.6%		
<b>B. Taxonomy-non-eligible activities</b>															
CapEx of taxonomy-non-eligible activities (B)													87.4%		
<b>CapEx Total (A+B)</b>													<b>100.0%</b>		

OpEx															
Economic activities	Code(s)	Absolute OpEx T€	Proportion of OpEx %	Substantial contribution criteria (%)		DNSH criteria (do no significant harm)						Taxonomy-aligned proportion of OpEx, year 2022 %	Category (enabling activity) E	Category (transitional activity) T	
				Climate change mitigation %	Climate change adaptation %	Climate change mitigation Yes / n/a	Climate change adaptation Yes / n/a	Water and marine resources Yes / n/a	Circular economy Yes / n/a	Pollution Yes / n/a	Biodiversity and ecosystems Yes / n/a				Minimum safeguards Yes / n/a
<b>A. Eligible activities</b>															
A.1 Eligible taxonomy-aligned activities															
OpEx of eligible taxonomy-aligned activities (A.1)													0.0%		
A.2. Eligible taxonomy-non-aligned activities															
<b>Building and real estate</b>															
Acquisition and ownership of buildings													10.1%	not to be reported	
OpEx of eligible taxonomy-non-aligned activities (A.2)													10.1%		
Total (A1 + A2)													10.1%		
<b>B. Taxonomy-non-eligible activities</b>															
OpEx of taxonomy-non-eligible activities (B)													89.9%		
<b>OpEx Total (A+B)</b>													<b>100.0%</b>		



## 2. Business Integrity

# 2.1 Compliance and Anti-corruption

### Our Approach: Strict Tolerance

HENSOLDT's products are, by their technical and physical nature, always given a degree of tolerance, minuscule though as it may be. When it comes to compliance and anti-corruption, however, HENSOLDT takes an entirely different view. We apply a very strict tolerance policy for these matters and combine it with established guidelines and management systems.

Our tolerance policy toward compliance is very strict.

Our business is based on the four principles of cooperation, excellence, responsibility, and innovation. Backed by the unshakable foundation of a comprehensive ethics and compliance programme, these principles represent the basis of all our business activities. They are a core element of our corporate culture, protecting our senior management and employees, our company, its reputation, and our customers. The aim is to ensure legally and ethically correct action at all levels of our business. As a responsible business, we strive to implement measures and processes that stop breaches of the law from occurring. In 2022, the HENSOLDT compliance programme still focuses on the same six core areas.

### 1. Anti-corruption The HENSOLDT Compliance Programme

In HENSOLDT's assessment, there remains a high risk of corruption in the defence segment, which receives particular public scrutiny. HENSOLDT rejects all forms of corruption with its strict tolerance policy.

With a special focus on corruption risks arising from dealings with commercial agents and third parties, we have developed a special system for assessing the risk of non-compliance with anti-corruption specifications and guidelines practically and with due care. This is done in accordance with HENSOLDT's anti-corruption guidelines and through internal, detailed audits, with an aim of minimizing corruption risks at all times. Deals that are irreconcilable with our values are declined, even where this means forgoing (new) business opportunities. Extremely strict prerequisites apply for contingency fee agreements. Last year we completed three of these agreements. The agreements are monitored strictly and avoided wherever possible. The same applies for every form of compensation agreement. All employees must also adhere to identical, clearly defined rules regarding gifts and invitations.



The Partner Review Directive (PRD) forms the basis for all dealings with business partners and contains special rules of conduct and duties of care with respect to the specific regional and transaction-related risks of a case.

As part of the partner review process, the Compliance department conducts a risk assessment of the planned transaction. The relevant business units, consulting even executive management if necessary, then decide if a transaction will be pursued or not. To ensure adherence with all compliance requirements and regulations, including the PRD, HENSOLDT has expanded its internal Compliance team substantially in recent years and provided it with the necessary resources.

## 2. Data Protection

At HENSOLDT, data protection means more than just complying with legal requirements. It consists of morally impeccable and extremely mindful dealings with employees and business partners. Our own, globally valid Data Protection Directive, which complies with the EU General Data Protection Regulation (GDPR), requires all employees to protect data and information systems against attacks. Employees are supported in this by our own data protection officers as the main points of contact for all issues relating to IT and data protection.

The data protection processes currently in place were also analyzed and enhanced in 2022; read more about this in chapter 2.3 Digitalization, Data, and Security.

## 3. Export Compliance

HENSOLDT's international business is subject to numerous sales and export restrictions and controls. To comply with government approval requirements and moratoriums, Group Export Compliance disseminates the generally applicable regulations and monitors the individual transactions from the perspective of export control and risks of economic sanctions on the Group level. Export Compliance forwards individual applications for export permits to the relevant authorities. Compliance with all necessary directives and procedures, including an anti-boycott guideline, an anti-corruption directive, the PRD, and all other compliance regulations and standards for business conduct, ensures successful export business within the parameters of the respectively valid rules.

In September 2022, the news magazine DER SPIEGEL made allegations of unlawful deliveries to and business activities in Saudi Arabia. In response to the report, HENSOLDT has clarified that all its business activities comply with applicable national, European and international regulations.

## 4. Antitrust and Competition Law

HENSOLDT is subject to a wide variety of competition and monopoly laws that protect diverse and free competition and are overseen by national and supranational authorities. Compliance with these laws is the task and duty of all HENSOLDT employees and forms the basis for every business transaction. The Compliance and Legal units have published mandatory requirements and guidelines on this topic. They advise and train all employees continuously so that compliance with all antitrust and competition regulations is ensured.

## 5. Involvement of Our Supply Chain

HENSOLDT also expects and actively demands of all business partners that they comply with the global HENSOLDT standards. The Supplier Code of Conduct serves as the foundation for this; read more about it in chapter 3 Responsible Procurement.

## 6. Focus on the Human Element

HENSOLDT consistently places the focus of all its compliance activities on its employees, as comprehensive integrity can only be achieved when each individual does their part. The aim is to ensure the long-term success of the company, in line with the motto "Only honest business is sustainable business."

## Our Foundation: the HENSOLDT Code of Conduct

**The same Code of Conduct applies to all employees of our group of companies, regardless of their location, position in the enterprise, or division. It sets out their general rights and obligations and defines mandatory basic rules for internal cooperation. As one of its main tenets, the HENSOLDT Code of Conduct calls on all employees to communicate openly. In addition to reporting potentially suspicious activities directly to their supervisors, potentially suspicious activities can also be reported 24 hours a day via HENSOLDT's OpenLine platform, even anonymously if desired. The results of these tips are reported to the Management Board and the Executive Committee.**

All employees regularly receive information and mandatory training as to the content and requirements of the Code of Conduct and other compliance regulations. The Compliance department carries out regular training sessions for this, both face to face and virtually (sometimes via digital platforms).

As in the previous year, the Partner Review Directive was a key topic of compliance training. Compliance's general communication platform, the Q&A Sessions, which was introduced in 2021, was expanded further during the reporting period.

Alongside questions about the partner review process, the biweekly Q&A Sessions were also used to present and discuss the various compliance-related topics (e.g., Code of Conduct, anti-corruption, or export compliance) in terms of their practical relevance. The employees' sense of personal responsibility is boosted as a result and they gain more awareness for the detection of risk. Executives are involved in all facets of our compliance programme and are called on to actively communicate the significance of the programme to their team members. This also includes ongoing developments of the compliance programme, which in 2022 included the rollout of the Conflicts of Interest Policy, for example. This new policy provides specifications for and expands the preexisting regulations regarding conflicts of interest, including rules for conduct.

## 2.2 Human Rights

### Our Approach: Day-to-Day Practice

We place a high priority on complying with our international obligations to protect human rights. As a generally applicable policy, the Code of Conduct asserts our commitment to upholding human rights, both within and outside the company. The values and practices to which HENSOLDT is committed take into account internationally recognized standards as set out in charters, declarations, and guidelines, including the Universal Declaration of Human Rights, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the OECD Guidelines for Multinational Enterprises, and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Since 2021, we have also been a signatory of the UN Global Compact and are thus fully committed to the principles of respecting and upholding human rights.

### The HENSOLDT Human Rights Policy

In keeping with the significance of this topic, HENSOLDT developed a dedicated Human Rights Policy in 2021. Responsibilities and processes are set out and organized in a Human Rights Policy<sup>4</sup>.

The Human Rights Policy corroborates the company's commitment to respecting human rights as it carries out its business activities, and offers a foundation for monitoring and safeguarding its high standards on this matter. What's more, the policy contains specifications for monitoring, due diligence, and training as well as mechanisms for communication and complaints regarding the support and protection of human rights. It incorporates all relevant areas of the company. A "relevant area" includes any department with a scope and activities in which possible risks of human rights violations exist and/or should be considered or evaluated, including for example HR (in relation to employees), Procurement (in relation to suppliers), Compliance (in relation to business partners/opportunities), and ESG and the Human Rights Officer (General Counsel) generally.

The Human Rights Policy is underpinned by the following documents:

- UK Modern Slavery Act Statement<sup>5</sup>
- Annual Report and Group Sustainability Report
- Anti-corruption Policy
- Standards of Business Conduct
- Supplier Code of Conduct
- Sponsorship and Donations Policy

A Human Rights Officer, supported by ESG, Procurement, HR, and Compliance monitors the implementation of the processes and refines the corresponding guidelines and policies on an ongoing basis. This individual is assisted by further officers for Business Compliance and Export Compliance.

It is our aspiration that our business partners also take into account the international standards on human rights. This objective is reflected in our Supplier Code of Conduct in accordance with the International Forum on Business Ethical Conduct (IFBEC), in the purchasing conditions, and in the PRD. IntegrityNext, a cloud-based digital platform for reviewing and managing suppliers, is already in use; read more about this in chapter 3 Responsible Procurement.

<sup>4</sup> The HENSOLDT Human Rights Policy can be found at [www.hensoldt.net](http://www.hensoldt.net)

<sup>5</sup> The UK Modern Slavery Act Statement of HENSOLDT AG can be found at [www.hensoldt.net](http://www.hensoldt.net)

## 2.3 Digitalization, Data, and Security

### Our Approach: Keeping Data Secure.

As part of numerous digitalization initiatives, the role that data and IT infrastructure have at HENSOLDT is growing increasingly large, and in some areas they even have a decisive role. Data leaks are prevented, and the risk of attacks are minimized through our global governance of digitalization and IT, as well as through a robust IT architecture. Sustainability is a core element of the digitalization strategy and contributes considerably to the minimization of HENSOLDT's environmental footprint.

Within a framework of legal obligations, national and international guidelines, and conventions, data security is given top priority. Within the context of a comprehensive data protection management approach, numerous actions contribute to the continual monitoring and documentation of compliance with the defined data protection principles.

### Significant Measures and Results of Data Protection Management in 2022

- **Organizational Structure for Data Protection:** In order to fulfill the objectives of the organizational structure for data protection that has now been established, data protection processes have been set up on the basis of the management processes, e.g., by issuing work instructions, guidelines, and process manuals. These new processes meet the expanded documentation and verification requirements.
- **Data Protection at Global Subsidiaries:** When the Group Data Protection Directive took effect, this represented the formulation of a foundational, global data protection policy and definition of the responsibilities at national, European, and international levels. The establishment of the organizational structure for data protection for the purpose of GDPR-compliant data protection management involved allocating all the relevant roles. Some of these roles are held by local points of contact (e.g., data protection officers in foreign countries or the Data Protection Coordinator) who support the Group Data Protection Officer.
- **Record of Processing Activities:** New and existing processes were recorded and reviewed in a GDPR-compliant manner using the methods of the management system. New processes were reported and evaluated. The record is at the desired level of 95 percent target attainment.



- **2023 Data Protection Planning:** The company continuously drives and executes the ongoing development of the management system for data protection based on the risk-based approach that it uses. It further heightens the employees' awareness of responsible data handling and the new challenges of data-based business models that come with advancing digitalization.

HENSOLDT's data protection guidelines and initiatives are aligned with legal specifications and the EU's General Data Protection Regulation. They provide the foundation for the high standard of global data protection at HENSOLDT.

## New Business Models – New Risks

**Through advancing digitalization and networking, new business models and digitalization concepts are constantly emerging at HENSOLDT. Data enables new products, product applications, and innovative services as well as changed models of working. Remote maintenance and services are increasingly becoming the rule, Industry 4.0 is transforming manufacturing, artificial intelligence is now a core element of numerous products, and remote working has now become the norm for many employees. At the same time, opportunities for enhancing efficiency and improving the use of resources are opening up along the entire value creation and production chain.**

To minimize the resulting potential risk, the organizational structure for data protection management – which is incorporated into Legal – further develops HENSOLDT's data protection management continuously, applying a risk-based approach with an aim of adhering to all regulatory requirements and the company's integrity standards. With oversight from the Management Board, processes and systems have been developed and implemented for the purpose of ensuring secure and efficient data processing. These include the protection objectives and classes as well as HENSOLDT's documentation management. In this way, we are safeguarding the data of all employees and customers as well as those of our other stakeholders.

Our aim is to ensure the protection of data meets the high level of international standards and to prevent or defeat any intrusions.

The cyberattack on our subsidiary NEXEYA in France has highlighted the diverse threats in the cyber sector. The attack by hackers put data at risk. In close cooperation with the responsible authorities, a comprehensive investigation of the incident was immediately initiated. NEXEYA could largely return to normal daily business since the beginning of September. The IT infrastructure and data of other HENSOLDT Group companies were not affected. Together with its international locations, HENSOLDT AG is continuing to work hard in 2023 to ensure that such incidents can no longer occur.

## Digitalization and Sustainability

**Digital technologies present new opportunities for sustainable living and business. Under the leadership of the Chief Information Officer, HENSOLDT is constantly working to promote digital sustainability initiatives. Remote working, for instance, is now firmly integrated into day-to-day enterprise operations. New solutions are continuously developed for remote maintenance and remote customer service as well as for customer education services and presentations. They not only enhance customer service and customer care, but also significantly reduce travel and thereby contribute to lowering carbon emissions.**

Here are some other highlights:

**GRIP<sup>2</sup>:** With the GRIP<sup>2</sup> IT and digitalization strategy, we have embedded ESG in digitalization initiatives across the company. The digitalization of business processes contributes to a minimization of HENSOLDT's environmental footprint as well as an increase in employee satisfaction, which in turn produces efficiency and productivity gains. The focus on secure processes and a global IT architecture, which enables seamless cooperation in highly sensitive areas, supports all employees in the conservation of resources and the risk-free handling of complex projects.

**Ecosia.org:** By using the environmentally friendly and sustainable search engine Ecosia.org, each employee plants trees with each search query and, in doing so, contributes to sustainability.

**Cyber Security Awareness:** To keep employees continually aware of issues around IT system security, HENSOLDT has rolled out a cybersecurity awareness campaign. The security plans were reinforced significantly, and cybersecurity awareness raised at all sites globally after French subsidiary Nexeya became the target of a serious cyberattack on its infrastructure in summer 2022.

**AI:** In addition to reducing its environmental footprint, HENSOLDT also places a high priority on the responsible use of core technologies such as artificial intelligence (AI). AI technologies are in use at HENSOLDT across all divisions. HENSOLDT ensures that ethical principles are complied with in both the development and the application of AI.

**VR:** HENSOLDT uses the opportunities offered by digitalization for training and continuing education, too. At Customer Service in Immenstaad, Germany, for example, customer training is being supported with virtual reality (VR). It lets participants learn maintenance processes virtually before practicing them in real life afterward.

**DASU:** In Ulm, Germany, HENSOLDT supported the foundation of the Transfer Center for Digitization, Analytics, & Data Science Ulm (DASU) in conjunction with the City of Ulm, the Ulm chamber of commerce, and other partners in 2022. The center provides a platform for sharing experience and research findings between industry, business, and academia.

Secure and protected information technology in conjunction with responsible employee conduct form the basis for a HENSOLDT future that is both digital and sustainable. The principle of “keeping data secure” creates scope for added value – to the benefit of our employees, our customers, the company, and the environment.

# 3. Responsible Procurement

## Our Approach: Global Standards for HENSOLDT and All Business Partners

HENSOLDT also expects and actively demands of all its business partners that they comply with the global standards that we have adopted with respect to issues such as human rights and labor law. To this end, the guidelines for the purchasing terms and conditions contain the international regulations and conventions of the OECD and the International Labour Organization (ILO), such as the prohibition of forced labor, child labor, and discrimination. They are complemented by national provisions, such as the United Kingdom Modern Slavery Act 2015<sup>6</sup> to prevent the criminal exploitation of labor. Additional defined, strict requirements apply in the areas of occupational safety, health, environmental protection, and hazardous substances.

The Supplier Code of Conduct is a core element of supply chain management and acts as the basis for supplier evaluation. We screen suppliers on ESG aspects and support their initiatives to adhere to the guidelines. In the year under review, there were no known cases of suppliers being excluded from procurement.

## Our Regulations

### Our Foundation: the HENSOLDT Supplier Code of Conduct

The Supplier Code of Conduct, which was revised in 2021, contains the applicable laws and regulations of the countries in which the supplier in question operates, handles goods, and/or provides services. Compliance with this code of conduct is mandatory for a business relationship with HENSOLDT. Moreover, the code of conduct sets out HENSOLDT's expectations of its suppliers and entire supply chain while recognizing differences in cultures and legal requirements. The content of the Supplier Code of Conduct is based on the supplier code of conduct of the International Forum on Business Ethical Conduct (IFBEC) for the Aerospace and Defence Industry. Further, the code is integrated into all orders and contracts. In 2022, the Supplier Code of Conduct was reviewed, updated, and published digitally in accordance with the requirements of Germany's Supply Chain Due Diligence Act (LkSG).

### Supplier Self-Assessment

In addition to the obligation to comply with the HENSOLDT Supplier Code of Conduct, all relevant suppliers are required to provide an extensive self-assessment. This was expanded further in 2022 and migrated to the IntegrityNext (INX) cloud-based digital supplier platform. All suppliers are also obligated to upload the necessary certificates to the platform. The final risk analysis is conducted based on this data.

The Supplier Screening process manual was additionally rolled out for HENSOLDT Sensors GmbH and HENSOLDT Optronics in 2022.

### Results of the 2022 Supplier Qualification Process and Risk Assessment

Some of the results of the enhanced supplier qualification process and the resulting ESG risk assessment in 2022 are as follows.

<sup>6</sup> The Modern Slavery Act Statement of HENSOLDT AG can be found at [www.hensoldt.net](http://www.hensoldt.net)



## Ongoing Development of ESG Risk Analysis

### IntegrityNext

A cloud-based platform for supplier monitoring and risk analysis has been developed for HENSOLDT through its technology partner IntegrityNext. The platform includes supplier information on issues relating to corporate social responsibility. This not only lets the growing requirements that are placed on suppliers be reviewed and implemented in a timely manner, but also simultaneously provides relief for Procurement in its communication with suppliers.

IntegrityNext boasts extensive experience in the field of ESG analysis and actively supports customers and suppliers alike with implementation.

These are the results:

- The number of suppliers on the platform has more than tripled since May 2021.
- More than 450 suppliers have signed up and entered direct exchange with HENSOLDT. Automated media monitoring on the platform regularly assesses a further 1,100 suppliers.
- The use of the supplier information has been continuously expanded in relation to matters relevant to HENSOLDT; contents with regard to the Supply Chain Due Diligence were concretized, and complemented with informational text and response options about EN 9100 certification for the aerospace and defence industries.
- On an ongoing basis, more and more existing suppliers are simultaneously instructed to register and conduct self-assessment, with priority given to key suppliers and suppliers with expiring EN 91xx certifications.

By late 2022, the 8 business units with the largest share of external procurement at HENSOLDT were already using the IntegrityNext platform (In 2021 this was still two business units). The international rollout of IntegrityNext is going to continue further in 2023. A HENSOLDT Group's Supplier Database, which was developed in 2022, merges all supplier information from IntegrityNext and Dun & Bradstreet (D&B) credit reports. Moreover, HENSOLDT AG and Hensoldt Sensors GmbH have been subject to the Supply Chain Due Diligence Act since January 1, 2023.

## Further Highlights

- A country ranking was set up and introduced for the matters of anti-corruption and human rights.
- The HENSOLDT Group's supplier portfolio and its procurement source countries were surveyed and analyzed.
- Business units for which a further, detailed risk identification is needed were prioritized based on risk.
- An external consultancy was engaged for the implementation of a Group-wide risk analysis process with corresponding follow-up measures in accordance with the Supply Chain Due Diligence Act.

## Digitalization and Harmonization of Supplier Screening

For us, IntegrityNext serves as a future-oriented basis for further digitalization and harmonization in supplier screening. Now expanded to business units in the UK, France, South Africa, and Germany, ESG profiles are regularly created for existing suppliers. The IntegrityNext assessment is obligatory for new, ESG-critical suppliers in these business units.

The criteria for supplier ESG screening remain the fixed core topics of occupational safety and health, environmental protection, human and workers' rights, anti-corruption and antibribery, and responsibility in the supply chain. The embedding of formal criteria further strengthened the importance of ESG risks in supplier selection and supplier self-assessment. Simultaneously, all ESG checks have been able to be recorded centrally across the Group in the new HENSOLDT Supplier Database since late 2022. It monitors them for risk and can generate the GRI reporting format from the data store.

With the new supplier portfolio analysis, we now also have a centralized evaluation tool at our disposal. It covers the top 13 business units, which together represented approximately 659 million euros in external procurement spending in 2021. The analysis showed that only a very small portion went to countries classed as critical. Supplier development meetings in 2022 also further raised awareness among the 85 main suppliers for Sensors and Optics of the role of ESG for the HENSOLDT Group.

## Even More Security in 2023

In 2023, we will continue to expand our responsible procurement on an ongoing basis. This will see the integration of IntegrityNext into additional business units along with the holding of further supplier development meetings. There are also plans to add further suppliers to the platform. Consequently, the data store in the HENSOLDT Supplier Database will grow in size. Critical supplier profiles and warnings can be presented more transparently as a result and uncertainty in ESG reporting reduced further.

In parallel, HENSOLDT will calculate the usage and benefits of its training offering on the Supply Chain Due Diligence Act and update and analyze its supplier portfolio in relation to the transactions in the top 13 business units in 2022.

Based on these results and the planned measures, the supply chain risk management can be implemented in accordance with the Supply Chain Due Diligence Act. The measures also contribute to achieving the pledged objectives of responsible procurement as well as extensive and verifiable responsibility across the HENSOLDT Group's global supply chain, all in a transparent, demonstrable way.

## 4. Human Potential

## 4.1 Employment

HENSOLDT is headquartered in Taufkirchen, an important German center of defence-related innovation not far from Munich. HENSOLDT is present around the world – in Europe, Asia, North and South America, and Australia.

HENSOLDT can strategically serve its growing customer base from more than 40 locations worldwide. Outside Germany, HENSOLDT has production sites mainly in France, South Africa, and the UK.

As of December 31, 2022, the company employed a total of 6,463 people. 73 percent of these employees work at sites in Germany, followed by just under 13 percent in South Africa, approximately 10 percent in France, and just under 3 percent in the UK.

Women account for roughly 23 percent of employees. At management level, in the leadership team, this number is 20 percent (and 9 percent for the Executive Committee).

The employees' age distribution is very balanced: Approximately 27 percent of employees are under 35 and approximately 25 percent are between 35 and 44. 23 percent are aged between 45 and 54, and 24 percent are 55 or over. (All figures as at the reporting date of December 31, 2022, and apply to HENSOLDT AG, including all consolidated companies.)

The facts and figures in the following sections on "Training, Continuing Education, and Talent Promotion" and on "Diversity and Equal Opportunities" relate to all consolidated entities with the exception of the sales offices. (For this and other KPIs, see table in chapter 9.2 GRI Performance Data 2022.)



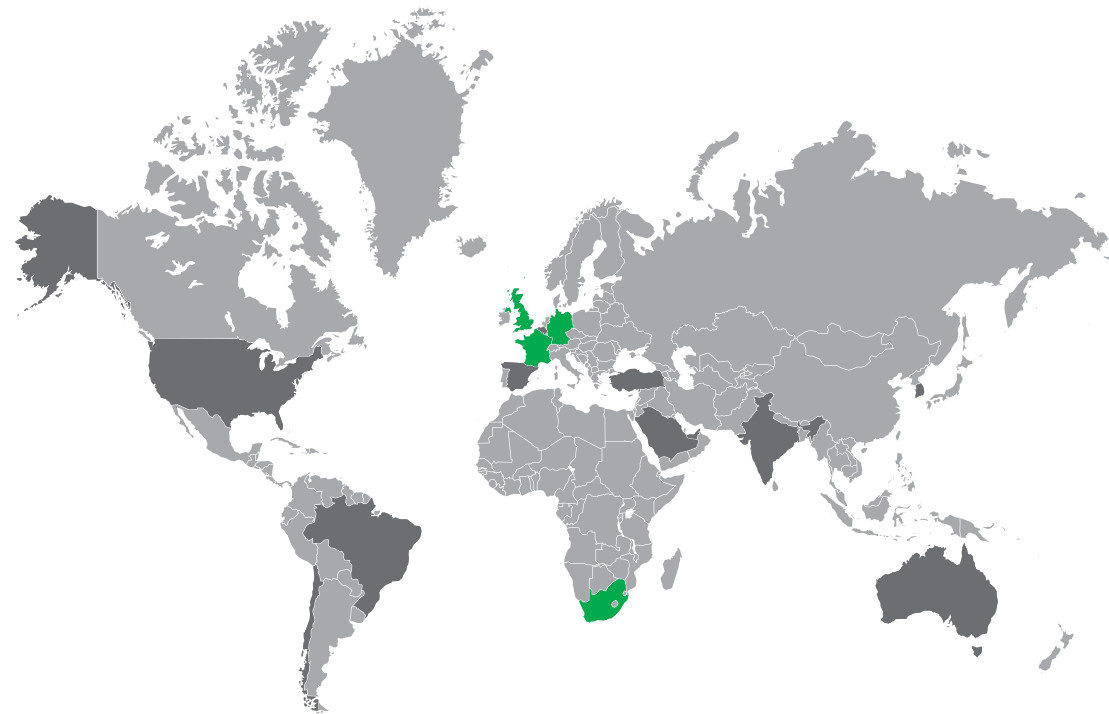
## 4.2 Training, Continuing Education, and Talent Promotion

### Management Approach

The ongoing training, development, and education of employees and the targeted promotion of talents are a dynamic part of our enterprise strategy and philosophy. We ensure this with internal development programmes and the HENSOLDT Academy, which offers a modern, technologically sophisticated portfolio tailored to the purpose of continuing education in the company's departments.

HENSOLDT is striving to master present and future challenges even better. Its emphasis is on recruiting talent in an ever tighter market, new work and flexible working time models, as well as new requirements for employees in general. To this end, HENSOLDT is developing a learning culture based on personal responsibility and self-direction. It is consistently expanding the accessibility and flexibility of the learning programmes, for example with needs-based e-learning and "blended-learning" formats (in-person and e-learning). There are regular reports on the assessment rate and return rate in audits and to the Supervisory Board.

As a part of our strategic human resources planning and development, continuing education and talent promotion at HENSOLDT play a major role in fostering employee loyalty, increasing their satisfaction and performance, and realizing hidden potential. At the same time, this heightens the appeal of HENSOLDT in the labor market.



- HQ/production (industrial sites): Germany, South Africa, France, UK
- Sales representations: Spain, Belgium, US, Chile, Brazil, Singapore, Australia, South Korea, India, UAE, Saudi Arabia, Turkey

HENSOLDT emphatically supports freedom of association and the right to collective bargaining. We expressly respect the right of our employees to join a union or start one themselves. Furthermore, HENSOLDT fosters dialog with and engagement in such unions. Our objective is to take into account, as far as legally possible, applicable collective-bargaining agreements as the basis for our working conditions and contracts. This also encompasses various bonus payments guaranteed by the company and pension programmes that we provide to all employees globally.

The ECHO employee share option programme, which was launched in 2021, went into its second round in 2022. It provides an opportunity to acquire shares in the company in various packages, with a 50 percent subsidy from HENSOLDT. More than 60 percent of all employees already hold a direct stake in the company's growth and success now thanks to the programme. This high rate underscores the strong corporate culture and the trust shown by the workforce in HENSOLDT's strategy. The programme is offered in Germany, France, the UK, and South Africa and is valid for all participating companies.

## Continuous Development in Every Stage of Life and Work

**Our employees are our most important capital and are the focus of our future-oriented human resources policy which centers on life phases and our employees' value. In line with this understanding, we offer our employees a wide range of development formats and continuing education offerings through the HENSOLDT Academy. These include in-depth specialist training in relevant areas such as engineering as well as in soft skills and global leadership, in a manner appropriate to each career and life phase. Specific, topic-based training sessions on integrity, diversity, and integration as well as health help to make the corporate culture even stronger.**

Continuous enhancements increase the quality of the training on an ongoing basis to ensure success and guarantee that people use the skills they have learned. For existing educational offerings, participants are asked to give feedback, which is analyzed and used to adjust the training and education formats. Internal experts are also involved in the development of new educational offerings in order to tailor the formats to the needs of employees. New, digital learning formats such as podcasts and e-books let employees take their self-directed learning to another level. At the same time, the increasingly digital and international nature of the training adds further momentum to the learning portfolio's global rollout.

Last year, approximately 4,700 employees in Germany alone utilized a variety of training and development formats in the form of face-to-face events, virtual live training via Microsoft Teams, or e-learning. More than 110,000 training hours were logged in total.

## Finding and Developing Talent

**To arouse talented people's interest in HENSOLDT, even when they are new to the company, and increase the company's appeal as an employer, HENSOLDT further broadened its partnerships with universities, research organizations, and other higher-education institutions in 2022. These partnerships give students special coaching in development programmes concurrently with their studies, the ability to familiarize themselves with different sites, and become closely integrated with existing teams. All talent relationship management (TRM) activities have been pooled within the new myVeeta TRM platform since 2021. The company plans to continue all existing partnerships with universities, research organizations, and other higher-education institutions in 2023.**

On their subsequent path to executive management at HENSOLDT, talented employees, like all other managers, also have the opportunity to take part in the internal cross-hierarchical and cross-functional iLEAD@HENSOLDT leadership programme. This programme enables agile, constructive communities of managers to emerge.

## Summary of HENSOLDT's Development Programmes

**We respond to demographic change, technological and societal developments, and sociological trends with a human resources policy that is focused on life phases. Tailor-made solutions for all career and life phases, from students to managers, include all employees with training and development programmes that suit them. Because at HENSOLDT, satisfied, healthy, committed, and motivated employees form the capital for our future. Some of our programmes have been successfully established for years, while others only just started in 2022. Here are the main ones:**

- Students Pioneer Club** This development programme, running concurrently with academic studies, integrates particularly talented and motivated students into existing HENSOLDT teams and provides coaching and training to bind talented people to the enterprise early on.
- HENSOLDT Connect** This network connects dedicated employees of all ages and in all divisions with each other and with the directors and other interest groups. This communication fosters an innovation culture in which the participants develop their potential through various projects and coaching.
- Development Center** Employees from different departments can reflect on and further develop their individual skills in special workshops. The focus here is on developing potential that aligns with the company's strategy.
- 180° Feedback** This online tool sends team leaders direct, anonymous feedback from their team. It lets strengths and potential be identified and supported at an early stage. The feedback tool can be used by all teams that have more than five employees.
- Customized Workshops** Workshops that are customized to the requirements of the relevant HENSOLDT teams offer an opportunity for further development on special topics, such as collaboration, communication and reflection, vision development, leadership, and more.
- iDARE** iDARE stands for innovation, digitalization, agility, reflection, and entrepreneurship and is offered in cooperation with the TUM Technology and Entrepreneurship Center. The programme aims for a leadership culture that encourages inspiration, for example by learning digital leadership skills and agile working methods.
- Skills<sup>2</sup>Manage** This management development programme equips new executives with expertise in management and processes in key areas such as finance, business and strategy, procurement, quality, legal basics, compliance, data protection, HR, and more. The individual modules are coordinated by internal coaches who not only share their expertise with the managers, but also engage in a dialog with them. This means that knowledge within the company is passed on and, moreover, the company develops and reinforces its internal networks.



**Executive Education Programmes** HENSOLDT offers its managers special management courses at the TUM School of Management that are adapted to the company's requirements, with training on subjects such as leadership, communication, sustainability, innovation, finance, and change management.

**iLEAD@HENSOLDT** This global, cross-functional leadership programme is for managers from all company divisions and levels of the hierarchy. It is designed to develop "managers" into "leaders" and oversee them on this journey. The programme is based on the old system of "command and control" and is intended to result in shared growth from inspiration, encouragement, and enthusiasm. An international iLEAD Journey took place for the first time in 2022. It had 33 managers from across the world participate, strengthened their leadership, and let them share their experience.

**iLEAD Development Group** This group of dedicated "iLEADers" conveys the HENSOLDT spirit of innovation to the company with innovative activities, provides mutual support and reflection, and visibly practices the company's values. In doing so, it reinforces the company's culture. The group invited other dedicated HENSOLDTians to a new format in 2022: the Culture Tent at the Ulm site in Germany. Over 600 employees had the chance to experience different aspects of the company culture, get involved, and actively influence cultural changes together. In light of the programme's success, there are plans to continue it.

With the continuation of the current People & Leadership programme and additional e-learning offerings, and with the expansion of all offerings to include more countries, ongoing training and talent promotion are continuously being expanded at HENSOLDT and enriched with new elements. Furthermore, an individual development initiative has been introduced for managers and up-and-coming leaders. Called Competence & Career Reflection, it involves further personal development by reflecting on one's own skills as well as personal values.

In order to strengthen the corporate culture in a period of transformation, HENSOLDT launched the new NEXT VISION programme in 2022 in tandem with the Energy Factory led by Professor Bruch. Influenced by current issues in society, the "war for talent," as well as new, flexible working models, employees are increasingly looking for purpose in their work. In starting NEXT VISION, HENSOLDT is seeking to provide guidance for developing and laying out a clear, common direction and common emotional focus.

The NEXT LEADERSHIP PRINCIPLES are planned to contribute to this as well in 2023, after having been developed with the support of the Energy Factory. A new development programme is also planned to integrate talented people into succession planning for leadership team positions in a targeted manner, giving them oversight for their development as leaders.

This not only cements the employees' current motivation and loyalty toward the company, but also boosts the company's employer branding and further raises HENSOLDT's appeal in the jobs market.

## 4.3 Diversity and Equal Opportunities

### Management Approach

**We see diversity management as a wide-ranging duty that is relevant to the company's strategy. We establish structures and practices that create genuinely equal opportunities, with an aim of maximizing the benefits of diversity regardless of gender, nationality, sexual orientation, religion, or culture. A key focus of ours is on promoting women managers, inclusion, and international diversity. In an integrative working environment, uniqueness enhances creativity, inspiration, and the desire to excel. In addition, HENSOLDT is a member of the United Nations Global Compact and the Initiative CHEFSACHE network, which also held a joint "New Work Dialog" on unconscious bias with the Fraunhofer Institute in 2022.**

For its strategic objectives of ensuring competitive working conditions and promoting true diversity and equal opportunity in all its aspects, HENSOLDT has defined three focus areas:

- Creating a work culture that appreciates each individual employee and consciously promotes diversity. With managers acting as role models, this culture is conveyed to all areas of the company through a variety of initiatives. Our diversity awards promote internal and external awareness.
- The establishment of a talent management system that provides for inviting at least one comparably qualified woman to job interviews, especially for typically male-dominated roles, as part of succession planning. In addition, all employees are encouraged to attend diversity trainings. For managers in the Leadership Team, selected diversity trainings are mandatory.
- Increasing the public perception of HENSOLDT as a great place to work that both appreciates diversity and promotes modern, flexible work models such as part-time work, remote working, and an inclusive working environment. Talented women in particular are addressed through targeted image campaigns and participation in joint projects with schools and universities, as well as through private-sector initiatives.

The success of certain actions is reviewed regularly based on defined performance indicators for the increase of the share of female employees in the leadership team,

adapted as necessary, and taken into account in management remuneration. Pursuant to the global goal of increasing the share of women in senior positions in the leadership team to 30 percent by 2026, this indicator, as well as the global share of women in all management positions, is measured on a regular basis. As reported in the chapter on Sustainability Management, all Management Board members are entitled to a multiyear performance-based remuneration component (the “LTI bonus”) (see Remuneration Report). Success parameters for the LTI not only include financial targets and the strong focus on the share price, but also ESG targets. In the current employment contracts for members of the Management Board, these ESG targets are “Diversity” – which is centered around the achievement of specific quotas of women at various levels of the company – and “Climate Impact”<sup>7</sup>. The ESG target Diversity represent an LTI bonus component and is weighted at 15 percent when measuring the LTI bonus.

## Equal Opportunities and Talent Promotion

**As an international enterprise, we have always promoted diversity and equal opportunity for our employees as a matter of course.**

HENSOLDT promotes talent – regardless of age, ethnic and social origin, nationality, religion, ideology, gender/gender identity, or sexual orientation – through numerous initiatives worldwide.

## Elevate – the HENSOLDT Diversity & Inclusion Programme

**We launched the Elevate programme in 2020 to bolster the culture of diversity and equal opportunities and especially to increase the share of women in leadership positions. Elevate takes the form of a company-wide community in which all employees can share their ideas and experiences in respect of equal opportunities, diversity, and an inclusive corporate culture.**

Numerous initiatives took place around the world as part of the programme in 2022. Diversity training and regular events in German and English examined topics such as “Women in Leadership Positions,” “Empowerment for Women,” “Body Language,” “Effect on Women,” as well as “Successful Collaboration in International Teams” and “Conflict in the Workplace.” As part of the STEMPower networking event, a further event for students with a STEM (science, technology, engineering, and mathematics) background was organized jointly with the Ludwig Bölkow Campus at the company’s head office in Taufkirchen, Germany.

An international forum also contributed to the ongoing internationalization of Elevate, with HENSOLDT South Africa inviting employees from Australia and the Middle East to an exchange of thoughts and ideas. Moreover, the Elevate activities were also adapted in line with special, country-specific considerations so that the implementation of national and site plans could proceed further.

The Elevate programme therefore actively contributes to the achievement of HENSOLDT’s target of doubling the share of women in its leadership positions by 2026.

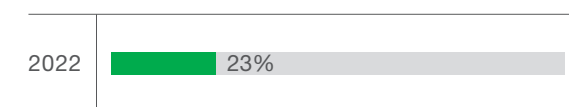
<sup>7</sup> The sub-target on Climate Impact, “Reduction of the Use of Volatile Organic Compounds (VOCs)”, was deleted as it was found to be not meaningful and insufficient for controlling the behaviour.

## Increasing the Share of Women

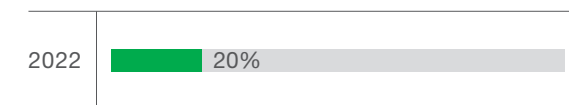
**Women are underrepresented in executive positions, particularly in the traditionally male-dominated defence industry. At HENSOLDT, 23 percent of all current employees are female, and in the leadership team\* 20 percent are women.**

To achieve the target of increasing the share of women in the company, there needs to be a change of mindset within the company and a corporate culture that is much stronger about seeing and promoting diversity as added value. We are working on both these tasks continuously. A strategic career development approach will specifically address women managers, recruit them to our company, and provide them the opportunity to further develop their skills. New, flexible working models and support for families additionally help in overcoming traditional notions of the roles of men and women.

### SHARE OF FEMALE EMPLOYEES

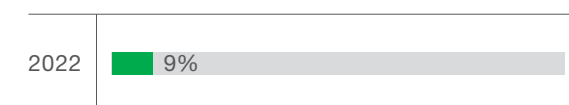


### SHARE OF FEMALE EMPLOYEES IN LEADERSHIP TEAM\*

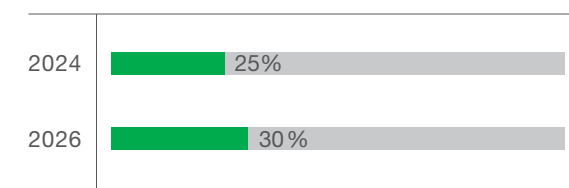


\* Definition: Entire HENSOLDT Group Leadership Team (incl. Leadership Team, Executive Leadership Team, Executive Committee, and Management Board)

### SHARE OF FEMALE EXECUTIVE COMMITTEE



### TARGET SHARE OF FEMALE EMPLOYEES IN LEADERSHIP TEAM





Nexeya, a HENSOLDT company in France, in 2022 provided a good example of the complexity of this subject and the resulting possibilities for increasing the share of women. A monthly working group meeting was held specifically to discuss the promotion of diversity and increasing the share of women and developed new ideas. Agreements for career equality were made, day care services supported, and remote working expanded. The company intends to continue further down this path in 2023 with targeted mentoring services for women, training, and further support for parenting.

## Diversity in Thought and Action

**Back in 2021, we introduced the Unconscious Bias Learning Journey, a programme that is part of Elevate, to get rid of prejudices that may be held by managers and employees and to discover and pave the way to a more inclusive future. We expanded this programme further in 2022. It helps managers and HR employees to become aware of and overcome any unconscious bias in their day-to-day work.**

The Unconscious Bias Learning Journey includes various elements that illustrate the influence of unconscious bias on collaboration, decision-making, goals, and success. It also reveals, for example, the competitive advantages that arise from diversity. Practical exercises and examples from other companies add depth to the lessons learned. The programme was expanded to further manager and employee categories in 2022, rolled out internationally, and made accessible to all employees through an e-learning programme.

Combined with the HENSOLDT Ability Journey for stronger inclusion in the workplace and with Initiative CHEFSACHE, any bias that may be held by managers and among employees will be reduced further in the future and the path cleared for a more inclusive approach to each other.

With the strengthening of awareness for a diverse and inclusive corporate culture, along with the fostering of equal opportunities for all employees, we aim to be a role model of an integrative European company.

# 5. Health and Safety



## Management Approach

In keeping with the company's motto of "Detect and Protect," the health and safety of our employees at HENSOLDT have traditionally held high priority, with the initiatives for them extending considerably further than those required by law. Compliance with the initiatives is continually monitored by the HSE HENSOLDT Group (Health, Safety & Environment; "HSE") and coordinated with Management Board members and the Executive Committee.

The workplace health initiatives at HENSOLDT's German sites are an important cornerstone of the company's efforts and help employees to stay fit and healthy until they reach the age threshold.

Needless to say, all relevant, mandatory environmental protection and work safety obligations must be fulfilled, occupational safety requirements and statutorily mandated working conditions must be complied with, and potential dangers minimized. The target attainment level of all HSE programmes is regularly determined and monitored in internal audits at business unit level, as well as through external certification audits. Health surveys and internal audits help to identify any deficits and eliminate them early on. Management assesses the suitability, appropriateness, and effectiveness of the integrated HSE management system at regular intervals, thus ensuring that it is continually refined (last audit from June 27, 2022, to June 30, 2022). The audit report describes strengths and improvement potential, which leads for instance to extensions of the HSE programme or actions to heighten employee awareness. Employees must also undergo annual HSE training.



## Milestones in 2022

When a company like HENSOLDT is in the business of protecting other people, the health and safety of its own employees naturally also plays a key role.

All employees are continuously encouraged to take personal responsibility for their health with targeted health and screening programmes that focus on both the working environment as well as individual behavior. Gyms, stress reduction courses, and checkups – which in 2022 included an additional focus on the skin – provide further incentives. What results is a “healthy” corporate culture that addresses safety and ergonomics within the workplace as well as individual physical health and even the response to mental stress. The offering of virtual consultations and analyses was additionally expanded in 2022.

Moreover, HENSOLDT Optronics’ sites successfully passed their recertification under the ISO 14001 and 50001 standards as well as their first surveillance audit under ISO 45001, while HENSOLDT Sensors GmbH passed surveillance audits under ISO 14001 and 45001.

## Safety in the Workplace

A comprehensive programme for safety in the workplace is in effect, contributing to the well-being of all our employees. In terms of general well-being, numerous measures are also offered for the management of our employees’ health, with the HSE Notice Laws and Regulations forming the legal framework for this. Elected representatives from the various locations oversee compliance with the HSE policies.

The low lost-time injury frequency rate at HENSOLDT (LTIFR<sup>8</sup> 0.78<sup>9</sup>) emphasizes the measures’ success. Near-miss accidents are also registered, causes analyzed, and potential measures developed using an idea management tool. The intention behind it is to uncover potential vulnerabilities, fix them, and improve employee safety continuously. Consequently, the aim of this is to ensure that safety is also guaranteed in the future.

Country	Number of work-related injuries	Fatalities resulting from work-related injuries	Number of reportable work-related ill-health cases	Lost-time injury frequency rate (LTIFR)
Global	81	0	0	0,78
Germany	51	0	0	0,90
UK	3	0	0	0,00
France	18	0	0	1,27
South Africa	9	0	0	0,12

\* Scope: HENSOLDT, consolidated companies (without sales representative offices and Australia) incl. Cyber GmbH

<sup>8</sup> Lost-time injury frequency rate (LTIFR): number of lost-time injuries (accidents leading to at least one day of absence) x (200,000 ÷ number of hours worked)

<sup>9</sup> HENSOLDT achieved an LTIFR value of 0.78 in 2022 and thus does not yet reach the target of <0.75. However, compared to the previous year 2021 (LTIFR 0.86), a significant improvement can be seen.

## Fit and Healthy at All Times

Regular exercise is one of the keystones of a healthy lifestyle. With a workplace gym in Ulm, Germany and partnerships with local gyms at other sites, we seek to support our employees efforts to exercise. We also hold regular “exercise breaks” for mobility, strength, stretching, and relaxation.

Additionally, we support healthy posture at employees’ desks with our “Ergonomics in the Workplace” project. Regular talks on topics such as “Seeing in Digital Times,” “Modern Addictions and Addictive Behavior,” “Mindfulness-Based Stress Reduction,” as well as living wills and lasting medical powers of attorney serve the purpose of developing knowledge and ensuring prevention. Annual surveys on health in the workplace reveal weak points. In addition to the ongoing health check-ups performed by the company doctor, free back and diabetes check-ups help to identify problems at an early stage.

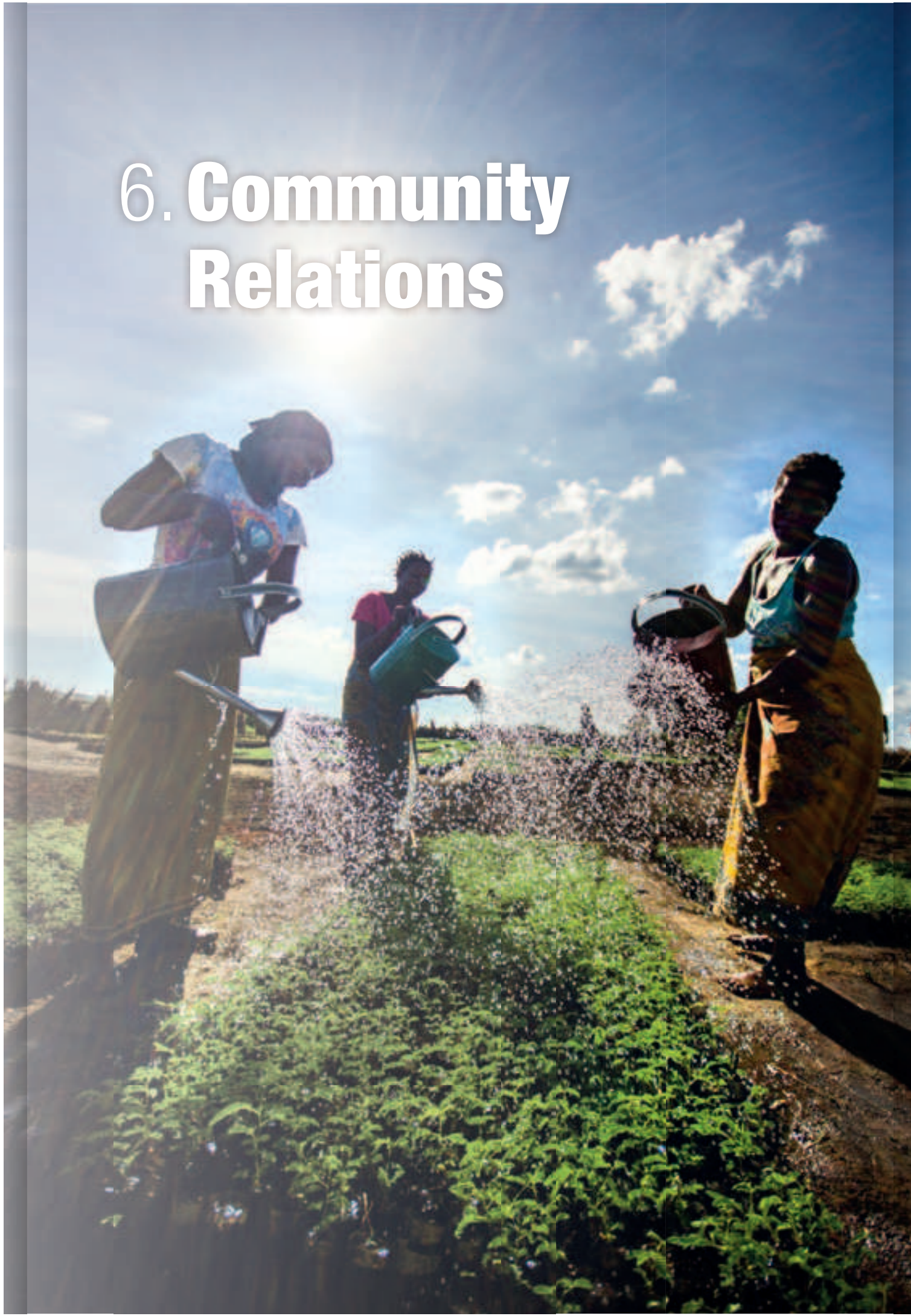
The Health Check programme that was launched at sites in the UK the previous year was additionally implemented at all HENSOLDT sites globally in 2022. A variety of measures are planned to be implemented to improve health and well-being in the workplace based on an online health survey on mental stress factors. A further health survey at HENSOLDT’s sites in Germany provided additional findings.

iManSys, a digital occupational safety and health solution, was also rolled out at German sites in 2022 and acts as a digital process for managing work-related preventive healthcare. Courses on mindfulness and strength were also held at Optronics’ sites. At Sensors, the campaigns ranged from a nutrition and sleep radar to flu shots, a health-themed day for apprentices and trainees, and a series of presentations on various healthcare-related topics.

There has been a particular focus on nutrition. A diet check programme let employees analyze their dietary patterns and gave them tips for optimization and concrete suggestions for a balanced, healthy diet. A diet-themed day in Taufkirchen, Germany also addressed the subject of colorectal cancer screening.

All measures help to actively support the physical and mental health of all our employees and set the standards for this field, too.

# 6. Community Relations



## Our Approach: Help Where Help Is Needed

**We are an international company and take our ensuing social responsibility very seriously at all company sites and at all times. Our focus is on local and regional engagement, helping where help seems needed the most.**

In keeping with traditional German and European beliefs, HENSOLDT's engagement extends far beyond its narrow obligations. The company practices corporate social responsibility, and, in many areas, is a model corporate citizen.

## Local, Regional, and Always Solution-Oriented

**We specifically support initiatives in the regions surrounding our sites around the world. As a consequence, a broad portfolio of individual initiatives has emerged over recent years in close cooperation with non-profit and charitable organizations and public institutions. We have maintained long-standing, friendly partnerships for many years. We support children with their education and give them access to opportunities for it. We spread enthusiasm about technology to adolescents. In emergencies, we try to offer a helping hand quickly and pragmatically.**

Simultaneously, we continually motivate our employees to volunteer their time. Driven by our own corporate values, this creates a harmony of cooperation, excellence, responsibility, and innovation in the area of corporate citizenship.



## Aid Campaigns in 2022

One of the focus points for this year was aid for Ukraine. The Management Board provided a total of 100,000 euros for a corporate-volunteering programme for it. Employees involved in the cause were able to request financial support for their projects from it, and much of this project work comprised spur-of-the-moment aid campaigns on the ground in Ukraine. Another example is the support given to helpers from the Unterföhring municipality near Munich. They welcomed numerous refugees from Ukraine and helped them become accustomed to Germany.

In parallel to the above, we continued many individual campaigns from previous years and even expanded some of them further. In some selected cases, the senior management doubled the amounts raised by employees or the works council. Here are a few of our special social and educational campaigns:

### Social

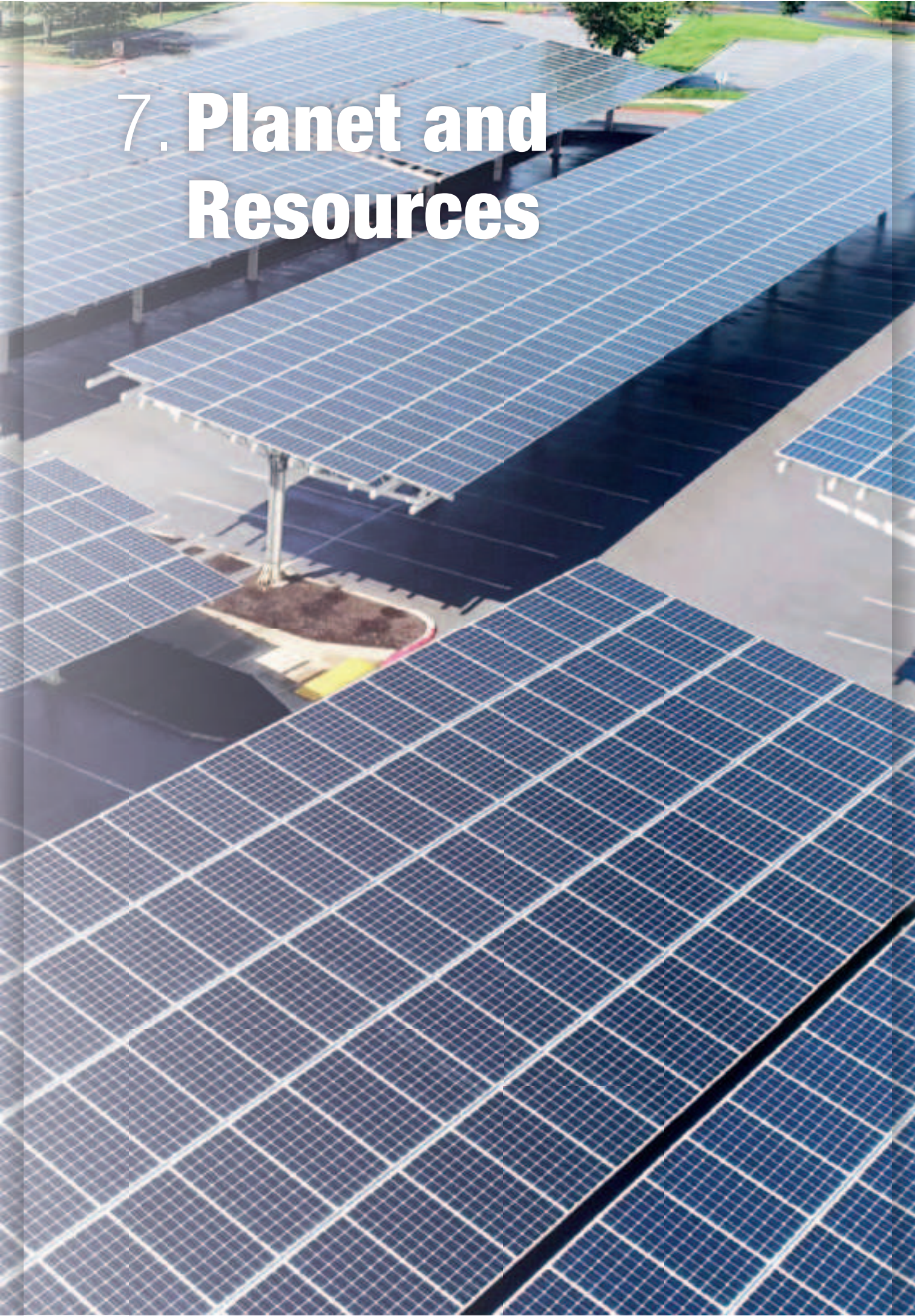
- In **Germany**, donations of 250 euros each were given to food banks in Überlingen and Friedrichshafen, which urgently needed support due to the increases in the cost of food. These food banks help out people who are living in precarious circumstances.
- In Ulm, the employees supported “Kinderhospiz im Allgäu e. V.” with a large raffle for its summer party. In Oberkochen, the fundraising association Startklar was given a donation of 500 euros that went to supporting children with learning difficulties at Stauferschule Bopfingen (a school).
- We also successfully continued our years-long membership in and support for “Lachen helfen e. V.,” a Germany-wide initiative of the Bundeswehr to support children in conflict and crisis regions.
- In the **UK**, we helped former military personnel to return to the civilian workforce, provided leave subsidies for reservists, and supported a children’s hospice through a volunteer programme and financial assistance.
- In **South Africa**, schools for the socially weaker, healthcare facilities, and programmes for supporting young people were again given targeted support. Further donations in the social sector – for instance for children in need or to fund school sports facilities – helped the often less privileged youngest members of society.

### Educational

- In Ulm, Germany, HENSOLDT supported the Elly-Heuss-Realschule (a secondary school) with joint activities, including with parents’ participation, as well as practical exercises in the training workshop, including digital technology basics, electrical connections, and soldering.
- Together with research organizations and higher-education institutions, HENSOLDT also presented the Argus research award for outstanding degree papers by higher-education graduates. This establishes contact between HENSOLDT and the leading researchers and developers of tomorrow, complementing the company’s ongoing sponsorships of the Karlsruhe Institute of Technology (KIT) and the “Jugend forscht” young scientists’ contest.
- In the **UK**, local schools were given the opportunity to let their students take part in various projects, while higher-education graduates were offered targeted internships.
- In **France**, the HENSOLDT company NEXEYA also gave school students an opportunity to learn more about careers at the company. Firstly, school students aged 15 or over have the chance to complete a work experience programme or an internship two or five years after getting their high-school diploma. On top of that, we organize events at our sites where we welcome young people so that they can understand our company, acquaint themselves with our production equipment, and get answers to their questions.
- In **South Africa**, education also represented a special focus. We gave local female engineers and young adults a long-term perspective in their home country – including job and career opportunities with HENSOLDT – by supporting their career training and continuing education.
- Culture is a component of education and major cultural events are an important foundation to increase the appeal of HENSOLDT’s sites to highly qualified staff. For example, the Oberkochen site in Germany provided the Heidenheim opera festival with 20,000 euros in funding. Founded in 1964, it counts among the region’s cultural highlights.

These examples represent just a selection of our extensive relationships with our local communities. We are always particularly delighted by the motivation and dedication that our employees exhibit for social campaigns such as these. All initiatives follow a common goal of nurturing society and communities around HENSOLDT sites all over the world. We seek to help where help is needed the most.





# 7. Planet and Resources

## 7.1 Environmental Management

### Our Approach

Protection of our environment and conservation of natural resources are at the core of our sustainability management. Our environmental management involves tracking energy consumption, resource usage, emissions, waste, and wastewater (For this and other KPIs, see table in chapter 9.2 GRI Performance Data 2022). The assessment is conducted using clearly defined parameters and processes. The resulting overview of all processes at all of the company's sites forms the basis for continuous improvement of our environmental performance. We use stringent national and international requirements (ISO 14001, energy audits DIN 16247) as our guidelines for environmental objectives.

The fulfilment of the relevant obligations in the areas of environmental protection, occupational safety, and energy are laid down in the HSE Group Policy and in the HSE policies of the subsidiaries. The sites translate the content of the Group Policy as well as the subsidiaries' targets into local targets as well as specific measures. At HENSOLDT, environment, health protection, and occupational safety are strategically controlled and centrally coordinated on the Group level and implemented operationally by local HSE teams worldwide. The Head of HSE (see chapter 5 Health and Safety) reports directly to the Management Board and the Executive Committee on attainment of the HSE targets and compliance with the policies.

We aim for consistent improvement with respect to environmental impacts, protecting natural resources, product-related environmental aspects, and the overarching sustainability strategy. These concerns are key indicators that help to sustainably achieve profitable and long-lasting growth in harmony with the environment.

All Management Board members receive an entitlement to a multiyear performance-related remuneration component (long-term incentive, LTI) (see chapter 1 Sustainability Management and the Remuneration Report). The ESG targets also include success parameters from the fields of environment, social, and governance along with financial targets and a strong focus on the share price. In the current LTI bonus agreement (2021–2024), these ESG targets include a “Diversity” target (including an increase in the share of women in the company) and a “Climate Impact”<sup>10</sup> target (increase in the share of renewables in the HENSOLDT Group's energy consumption and reduction of carbon emissions).

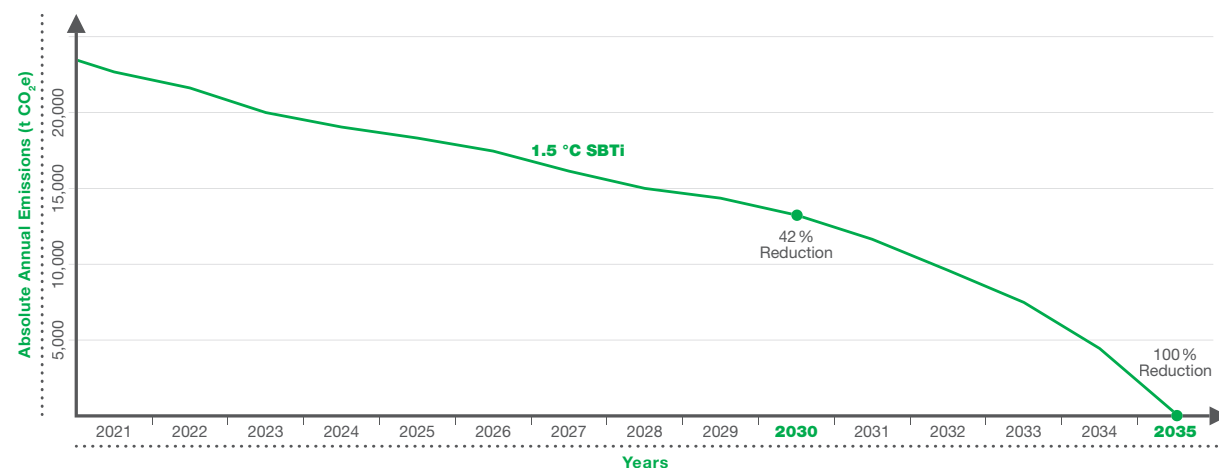
<sup>10</sup> The sub-target on Climate Impact, “Reduction of the Use of Volatile Organic Compounds (VOCs)”, was deleted as it was found to be not meaningful and insufficient for controlling the behaviour.



## Current Highlights

In Germany, HENSOLDT has committed itself to increasing the proportion of renewable energy to 70 percent by 2024 and reducing carbon emissions and the use of VOCs by at least 20 percent each compared to 2019. In addition, in 2021 HENSOLDT has defined an interim target of reducing its carbon footprint by at least 42 percent from 2020 levels by 2030. The company aims to be carbon neutral by 2035. To this end, its targets in respect of the Group-wide reduction of greenhouse gases have been based on the standard of the Science Based Targets initiative (SBTi). As an internationally recognized standard, this partnership between the CDP, the UN Global Compact, World Resources Institute (WRI), and World Wide Fund for Nature (WWF) supports companies in reducing emissions in order to minimize the impacts of climate change. Drawing on science-based carbon reduction targets, HENSOLDT devises cross-site action plans that form the future framework for HENSOLDT's emission targets. In the future, we intend to roll out and consolidate these plans at an international level through a newly created task force. The SBTi will therefore be a core part of HENSOLDT's ESG strategy and, at the same time, will also form part of the overarching corporate strategy.

Group CO<sub>2</sub> Targets



Beyond that, the requirements of our HSE policies apply. They define the HSE governance at the top level of company leadership and, among other things, commit to:

- Complying with the applicable (legal) requirements to which our organization has committed, and which relate to its environmental aspects.
- Creating a framework for defining and reviewing environmental targets and individual objectives as a continuous improvement programme. The targets and individual objectives are documented and updated on a regular basis.
- Applying design standards that promote the use of environmentally friendly processes and materials. Our aim here is to promote the development of products that can be reused, recycled, or safely disposed of.

- Reducing carbon emissions by increasing the proportion of renewable energy, optimizing energy efficiency, and avoiding business travel and business flights as far as possible.
- Promoting the reduced consumption of all materials and concurrently their reuse and recycling, as well as the use of recycled materials wherever possible.
- Increasing the energy efficiency of new products, services, and facilities and the efficiency of energy use in all divisions.
- Promoting environmental awareness, responsibility, and the use of appropriate technologies among all employees and other persons working on behalf of HENSOLDT and including these topics in training programmes throughout the enterprise (including by means of suitable e-learning).
- Mitigating the impact of our enterprise on the local environment and striving to be a good neighbor in our communities at all times.
- Largely avoiding waste that must be disposed of in landfills, as well as appropriate handling of hazardous substances.
- Developing a comprehensive environmental awareness among all employees.

A key contribution is made in this regard by regional and local HSE processes and procedures, such as the revised HSE Handbook for HENSOLDT Germany, which is valid for the German companies. It sets out occupational, health, environmental, and energy management procedures based on international management standards (ISO 14001, 45001, and 50001) in all divisions. An energy audit pursuant to DIN 16247 was also started in November 2022.

On top of that, HENSOLDT will further expand its HSE programme in 2023 with measures such as:

- Creating a consistent Group-wide HSE approach (ONE HENSOLDT).
- Verifying legal compliance by means of audits, compliance checks, and ongoing improvements.
- Identifying potential optimizations in occupational, environmental, and health protection, and harmonizing existing HSE structures across sites.
- Defining and implementing Group-wide HSE standards and requirements, including reporting to senior management.

We believe that our motto, "Detect and Protect," applies not only to protecting people, but equally to protecting our environment and nature as the basis for all life.

# 7.2 Resource Protection

## Less Is More

**Climate change is one of the greatest challenges of our time and has major consequences worldwide. That is why for us, too, the efficient use of our earth's natural resources and a reduction of carbon emissions are key tasks for limiting global warming and its impacts. Detailed concepts and innovative ideas result in numerous individual initiatives.**

Many measures have already been implemented in Germany. The German sites, for example, already purchase green electricity. In future, we want to apply this to the entire company. All employees are encouraged to use public transportation and receive fare subsidies. The transition to electric vehicles is promoted by a mobility concept that encompasses the entire fleet. A further incentive has been created through the provision of electric charging stations that are available for employees' private vehicles at the sites in Ulm, Taufkirchen, and Immenstaad. Charging stations are planned to be constructed at the Kiel site, too, in 2023. When new company cars are purchased, the choice of hybrid or electric vehicles is encouraged. Lighting continued to be modernized with energy-efficient LED bulbs in 2022. The carbon footprint will be reduced further thanks to e-bike charging stations, the installation of which started at German sites in 2022.

HENSOLDT has also committed to reducing carbon emissions in the United Kingdom. Employees are asked to avoid business travel wherever possible. The company prefers local suppliers, which reduces the transportation of goods. The installation of LED lighting, increased use of electric vehicles, and the transition to hybrid working have also led to reduced carbon emissions in this country.

The requirement to minimize business travel and flights as much as possible applies in France as well. This, combined with reduced energy consumption, has lowered greenhouse gas emissions measurably. At the same time, HENSOLDT France is acting as a role model for the use of green electricity from hydrogen with the technologies of NEXEYA and MAHYTEC (see Green Energy below).

Additionally, we have taken actions to substantially reduce the use of natural resources in production and administration at all our sites around the world.

## Green Energy

**Solar panels that are used for self-supply make an important contribution to the lowering of energy consumption. The 80 photovoltaic modules installed at the Ulm site in Germany provide over 20,000 kWh per year, while the more than 300 modules in Taufkirchen provide up to 120,000 kWh per year. In 2023, we are also planning to install 450 modules at our Kiel site.**

The Kiel site has run entirely on power from renewable sources of energy since 2019, making it a role model for the entire company. Using photovoltaic modules, green power will be generated on-site in the future. An intelligent energy management system will also predict weather and consumption data. By combining photovoltaics with a hydrogen storage system from HENSOLDT's subsidiary NEXEYA, the Kiel site will be able to operate autonomously in the future.

The enhanced hydrogen technology – which was developed by NEXEYA, a HENSOLDT subsidiary since 2019, with the know-how of MAHYTEC, another HENSOLDT subsidiary since 2021 – theoretically makes it possible to operate buildings with 100 percent autonomy and carbon neutrality. The power demand is met entirely with locally installed photovoltaic systems, the surplus solar power is converted to hydrogen and put in interim storage, and this energy can be accessed as needed, including to charge electric vehicles.

The Wetzlar site is also planning to support its newly constructed building with a leased photovoltaic system of 400,000 kWh and make it more than 90 percent carbon neutral with the help of further technical and structural measures.

On top of that, work will start on the new head office for Optronics in Oberkochen, Germany, in 2023 and will see a total investment of roughly 100 million euros over the coming years. Sustainability will be a major focus for it and photovoltaic modules will be installed on about 60 percent of the rooftop space. Overall, a comprehensive energy concept comprising electric boilers, chillers, heat pumps, and additional systems such as cooling and heating buffer modules is intended to achieve a certain autonomy level for electricity, heating, and cooling. Additional power demand will be met with sustainably generated electricity from renewable sources through the municipal power grid. In the long term, all the power needed to operate the site is planned to be generated on-site.

In its efforts to preserve natural resources and minimize consumption, we pursue a holistic approach to protect our environment and preserve it for future generations.



# 7.3 Further Environmental Activities

## The Basis of All Life and Our Enterprise

**Responsible stewardship of the environment is one of our key, core, and undisputed principles. In particular, preventing waste and hazardous substances and saving energy contribute greatly to sustainable business.**

We regard the protection of our environment as a self-evident obligation to future generations and an act of entrepreneurial reason, without which long-term business would not be possible. In addition to mandatory directives and requirements for all business units and employees, we currently consider the prevention of waste and hazardous substances and the reduction of energy consumption in particular as powerful levers for sustainable, environmentally friendly business activity. There is a wide range of individual measures that contribute to this.

In recent years, for instance, we have replaced the coolants in our active electronically scanned array (AESA) antennae with environmentally friendly variants. Optimized production results in reduced hazardous substances. Strict waste sorting is just as much standard procedure as energy-aware behavior on the part of our employees.

Extensive, ongoing consumption analyses at the German sites contribute to further optimization, as demonstrated by some of the improvements and their outcomes at the Optronics sites in Oberkochen and Aalen in 2022. For example:

- By converting the supply of nitrogen to clean dry air (CDA), nitrogen consumption has gone down.
- Swapping fluorescent lights for LEDs will reduce power consumption at the Aalen site in the future.

- Replacing the plastic bags in order picking processes with reusable Raaco bins has brought down plastic bag consumption by about 70 percent.

HENSOLDT Optronics' other sites in Germany have set similarly high environmental targets, using the HSE targets as a point of reference. Energy efficiency is also already a key criterion for the development of new products and services.

The requirements set out in the directives of the HSE Group Policy additionally apply at all our sites around the globe. As a responsible company, this lets us reduce potential environmental impacts and protect the environment. What's more, the outstanding dedication of all our people means that we can ensure compliance with all legal specifications as well as monitoring of that compliance.

# 8. Product Responsibility

## Management Approach

**As a supplier of high-quality electronic sensors and solutions in the defence and security sector, we take our product responsibility extremely seriously. We analyze the risks associated with the usage of our products and strive to mitigate these risks by taking appropriate actions. Product development is guided by HENSOLDT's understanding of sustainability and a commitment to minimizing negative impacts (see chapter 1 Sustainability Management).**

HENSOLDT works strenuously on matters relating to product responsibility. A particular focus of these efforts is product safety. Our duty is to minimize product risk in accordance with applicable regulatory requirements, laws, and standards. We believe it is greatly important that we do not compromise on product safety when we integrate ESG criteria into our business. We take our responsibility very seriously. Simultaneously, our customers impose requirements in relation to the speed of market availability and product costs, and we seek to fulfill these requirements as far as possible.

As part of HENSOLDT's ESG Strategy 2026 (see chapter 1 Sustainability Management), the company pursues with its products overarching goals of promoting new technologies and innovation, developing guidelines for responsible usage of artificial intelligence, and further expanding projects for biodiversity and wild-animal conservation. Furthermore, HENSOLDT has an interest in continuously optimizing its product portfolio to reflect a wide variety of sustainability-related factors, including in cooperation with universities and research organizations. Low output numbers and the careful use of commodities and energy already signify the focus that is put on sustainable business activities. As a responsible aerospace and defence enterprise, we have implemented corresponding measures and processes with a purpose of ensuring that we can comply with the strict material requirements that we are subject to.

In quarterly meetings under the motto ESG in the product roadmap, the business units report on their successes and plan strategic improvements on ESG aspects in the products. The company's departments and teams also maintain a regular exchange of best practices on these matters. A new working group established in 2022 looks at sustainable product design that takes into account a product's entire life cycle.

Internal guidelines, processes, and an in-house export control unit help us to ensure that our products are exported in accordance with applicable national, European, and international export regulations. By means of end-user declarations, it should be ensured that HENSOLDT products are only passed on to authorized recipients approved by the respective authorities.

Governed by our understanding that our business success depends primarily on the superior quality of our products, we use advanced technologies. We continuously review and adapt our product portfolio with a focus on our customers' requirements. The compliance of each and every product with product safety requirements is monitored and reviewed throughout the entire development process. HENSOLDT's long-term, sustainable technology strategy is driven by the ongoing evaluation of the necessary core technologies of the enterprise. Responsible technology managers anticipate future developments, define development requirements, and monitor their implementation in technology development projects.



The product development process regularly includes a hazard analysis and risk assessment. The analyses take place regularly, including in September 2022. Moreover, a System Safety & Product Environmental Compliance Framework is established that determines the necessary process steps and documents, along with roles and responsibilities.

A variety of applications around the world affirm that HENSOLDT's various products are able to protect nature and the environment, even beyond their originally intended purpose.

## Protecting People, Animals, and Nature

**Requirements with regard to product safety are increasing throughout our society. The acceptance of potential risk is steadily declining, particularly in aviation. We seek to continually respond to these trends through employee training and by making the appropriate adjustments to all related processes in the company – from development through production down to feedback from customers during the normally long product lifetimes. We develop all products and solutions according to the requirement that they comply with all applicable laws and regulations. We endeavor to ensure the well-being of the people who use our products and of those who are protected by them.**

Products developed by HENSOLDT for the purposes of intelligence and security can also actively help to protect nature.

The protection of threatened species represents a further focus of ours and has now developed into a new cornerstone of our business. We use products that have been adapted accordingly from their original intended purposes of intelligence and security. Long-standing projects have been successfully continued, too. Here are a few examples:

**Oceans, Seas, and Coasts** HENSOLDT is actively involved in the protection of all sectors and industries that are connected to oceans, seas, and coasts, i.e., the "blue economy." This can be seen in the company's support for South Africa's Table Mountain National Park in its efforts to stop the illegal exploitation of marine resources and preserve the natural world heritage of the Cape Peninsula. HENSOLDT's commitment is also on display at mussel farms and national parks in Costa Rica and the Hangklip Conservancy near Cape Town, which are monitored and protected against poaching and overfishing using HENSOLDT radar systems originally developed for border protection.

**Polar Bears** Polar bears are synonymous with climate change, being driven more and more frequently to human-populated regions due to the loss of their natural food sources. To prevent encounters with humans, HENSOLDT developed and tested the Polar Bear Warning Radar (PoWR) in cooperation with Polar Bears International (PBI), an NGO. The radar automatically detects polar bears from multiple kilometers' distance and sends early SMS warnings of approaching animals to the residents in Arctic villages.

**Rhinoceroses and Wild Animals** The Buffalo Dream Ranch in South Africa, a rhinoceros conservation area, is monitored with HENSOLDT's ultramodern, high-tech sensor systems. They successfully put a stop to poaching. The technologies utilized there are now also used in other private reserves, NGOs, and national parks across South Africa.

**Birds** The extraction of oil sands in Canada leaves behind large quantities of contaminated water, which is impounded in tailing ponds. Using HENSOLDT's radar systems, flocks of birds are detected and driven off by deterrent devices, preventing the birds from landing on the oil-contaminated surface of the water. Climate-friendly technologies such as wind farms can pose a threat to birds and bats, too. HENSOLDT's radar systems track the flight path of threatened bird species so that wind turbines can be deactivated if danger arises.

Accordingly, HENSOLDT's solutions and products detect threats to people, animals, and nature, ensure safety and security, and protect those who dedicate themselves to protecting us.

## Safety in Production and Products

**We ensure security by continuously monitoring our products as well as production processes and materials. Our aim in this is to minimize the impacts that production and products have on people and the environment. A dedicated competence team was established in the company in April 2021 to make sure that sustainable compliance with environmentally relevant legal requirements can be guaranteed, a process known as product environmental compliance (PEC). The team tracks the development of global legislation and supports HENSOLDT employees with its knowledge of environmentally relevant issues. Measures and processes to enable the feasible implementation of resulting regulatory requirements are devised and rolled out within the company accordingly.**

A body of specialists from different departments at HENSOLDT Sensors GmbH, known as the PEC Impact Evaluation Group, contributes to the above as well. The group continuously analyzes products and production processes to identify the presence of chemical substances that are potentially hazardous to the environment and people's health. The results are communicated to the affected areas of the company so that any arising legal obligations can be satisfied. It simultaneously promotes the implementation of non-toxic technologies. Initiatives such as the PEC Impact Evaluation also serve as best practices for rollouts at other HENSOLDT entities. The PEC impact evaluation is established in this form in the development process at Hensoldt Sensors GmbH.

## More Security from and in AI

**With the usage of artificial intelligence growing, security plays an exceptional role. We employ these technologies to develop increasingly higher-performing sensor systems.**

Security in this context primarily means that a human remains involved in controlling the AI. However, it is still important to take advantage of the high degree of automation that is needed for contemporary actions that have optimized impact, conserve resources, and minimize collateral effects.

To sufficiently safeguard the integrity of the outcomes, we committed to the principles of the European Commission's High-Level Expert Group on Artificial Intelligence in 2020. This expert group set out its principles in relation to trustworthy AI systems in its Assessment List for Trustworthy Artificial Intelligence (ALTAI) for Self-Assessment<sup>11</sup>. It addresses the following subjects:

1. Human agency and oversight
2. Technical robustness and safety
3. Privacy and data governance
4. Transparency
5. Diversity, non-discrimination, and fairness
6. Environmental and societal well-being
7. Accountability

We strive for our products to meet these requirements to the extent that is technologically possible. HENSOLDT also firmly believes that one of the reasons for its company's solutions offering the superior competitiveness that is expected by the Bundeswehr, allied militaries, and partners is crucially its use of advanced artificial-intelligence technologies and methods.

<sup>11</sup> <https://futurium.ec.europa.eu/en/european-ai-alliance/pages/altai-assessment-list-trustworthy-artificial-intelligence>

## Lightweight Construction to Conserve Resources

**Innovation is essential in order to operate sustainably, which is why we regularly invest in technology. Innovative lightweight-construction technologies illustrate this well. They make it possible to conserve resources when manufacturing products as well as when using them and recycling them later on. They add value for customers thanks to the advantages and savings when the technologies are applied.**

For this reason, we are increasingly integrating lightweight construction into our development and design processes on a step-by-step basis. We are cooperating with research organizations to do things such as establish specifications for suitable materials for targeted, secure usage in lightweight-construction products. In addition, we are using virtual design and modern construction methods so that we can offer increasingly lighter, and therefore more sustainable, products. Additional, specialized training programmes and the designation of "lightweight-construction specialists" are designed to increase their acceptance. A focus area for these efforts is 3D printing for multimaterial design and high-frequency components and systems. Lightweight construction not only increases the sustainability of our existing products, but also enables entirely new applications and solutions.

The SferiRec Lightweight Crash Recorder is an example of this. Developed by HENSOLDT, it weighs just one kilogram, has EASA ED-155 and ETSO-2C197 certifications, and is readily available on the market. As one of the most lightweight crash recorders available anywhere in the world, it can be used in light aircraft just as much as it can in helicopters, business jets, and UAMs/eVTOLs.

## Sustainable across the Product Life Cycle

**We study our products' sustainability not only in relation to their production and application, but also in terms of their life cycle.**

Waste in production is being reduced and/or consistently recycled, as with aluminum for example. Raw materials are also chosen based on their later recyclability. An additional study of our product range by an external specialist should also identify further potential for optimization.

At the same time, we also want to replace the frequently applied practice of scheduled maintenance (based on usage time) with intelligent on-demand maintenance (based on necessity). This conserves resources, lowers expenses, and reduces possible downtime for customers.

The incorporation of all aspects of a product's life, from manufacturing to usage and subsequent recycling, creates new possibilities for decreasing the use of raw materials, results in better environmental protection, and provides benefits for HENSOLDT as well as its customers.



# 9. GRI Content Index and Data

## 9.1 GRI Content Index

Statement of use: HENSOLDT has reported in accordance with the GRI Standards for the period 01/01/2022-12/31/2022.

### GRI 1 (2021): Foundations

GRI Indicator	GRI Standard	Page Number/URL/Explanation
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### GRI 2 (2021): General Disclosures

General Disclosures		
GRI 2-1	Organizational details	Hensoldt AG; Hensoldt AG, which is entered in the Commercial Register of the Munich Local Court (HRB 258711), has its registered office in Taufkirchen, Germany; Combined management report (2022) chapter I. 2.1-2.2, and Notes to the consolidated financial statements (2022) chapter II.6.; Combined management report (2022) chapter I.2.1, and Notes to the consolidated financial statements (2022) chapter II.6.
GRI 2-2	Entities included in the organization's sustainability reporting	Combined management report (2022) I. 2.1, and Notes to the consolidated financial statements (2022) II.6; GRI Performance Data.
GRI 2-3	Reporting period, frequency and contact point	Sustainability Report (2022) chapter 1.2 p. 8-9; annually, April 2023; Bianca Rupert, bianca.rupert@hensoldt.net
GRI 2-4	Restatement of information	GRI Performance Data.
GRI 2-5	External assurance	Sustainability Report (2022) chapter 10 p. 82-84.
GRI 2-6	Activities, value chain and other business relationships	Sustainability Report (2022) chapter 3 p. 35-37; Combined management report (2022) chapter I.1; Combined management report (2022) chapter I.3. Information on the legal structure: Combined management report (2022) chapter I.2.1
GRI 2-7	Employees	Sustainability Report (2022) chapter 4.1 p. 39-40; and Combined management report (2022) I.2.2.; GRI Performance Data.
GRI 2-8	Workers who are not employees	In FY 2022, HENSOLDT engaged 125 workers who were not employees. These individuals were predominantly temporary workers in Germany. The engagement takes place indirectly via the respective personnel service provider. These workers perform work comparable to that of other HENSOLDT employees. This figure is calculated in full-time equivalent, (FTE) and was recorded at the end of the reporting period. Interns, trainees and student trainees are recorded as salaried employees. There was no significant turnover in the number of non-employees during the reporting period or between the reporting periods.
GRI 2-9	Governance structure and composition	Sustainability Report (2022) chapter 1.3 p. 10-12; Combined management report (2022) chapter VII.5.
GRI 2-10	Nomination and selection of the highest governance body	Combined management report (2022) chapter VII.5.1.
GRI 2-11	Chair of the highest governance body	Combined management report (2022) chapter VII.5.
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Report (2022) chapter 1.3 p. 10-12; Combined management report (2022) chapter I; chapter VII.5.
GRI 2-13	Delegation of responsibility for managing impacts	Sustainability Report (2022) chapter 1.3 p. 10-12; chapter 1.4 p. 13; Combined management report (2022) chapter IV.; VII.5.
GRI 2-14	Role of the highest governance body in sustainability reporting	Sustainability Report (2022) chapter 1.3 p. 10-12; Combined management report (2022) chapter VII.5.
GRI 2-15	Conflicts of interest	Sustainability Report (2022) chapter 2.1 p. 27-29; Combined management report (2022) chapter VII.5.2; Report of the Supervisory Board.
GRI 2-16	Communication of critical concerns	Sustainability Report (2022) chapter 2.1 p. 27-29; Combined management report (2022) chapter VII.4, VII.5; Report of the Supervisory Board. No critical concerns as defined by GRI 2-16 were reported to the Supervisory Board in fiscal year 2022.
GRI 2-17	Collective knowledge of the highest governance body	Combined management report (2022) chapter I.3; chapter VII.5.
GRI 2-18	Evaluation of the performance of the highest governance body	Notes to the Consolidated Financial Statements (2022) chapter 31; Compensation Report.
GRI 2-19	Remuneration policies	Sustainability Report (2022) chapter 1.3 p. 10-12; Combined management report chapter VII.3; Compensation Report.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
GRI 2-20	Process to determine remuneration	Sustainability Report (2022); chapter 1.3 p. 10-12; chapter 4.1 p. 39-40; Combined management report (2022) chapter VII 3; chapter VIII 2.3; chapter VIII 9.3; Compensation Report.
GRI 2-21	Annual total compensation ratio	The total annual compensation of the highest paid person in the organization is 16 times the median total annual compensation of all employees (excluding the highest paid person). The median total annual remuneration of all employees increased by 1.89% compared to the previous year, while the total annual remuneration of the highest paid person decreased by -8.54%. The total annual remuneration for the highest paid person has decreased in relation to the median increase in total annual remuneration for all employees. The calculation of the information on the median total annual remuneration of all employees is based on the contractually agreed total annual remuneration and the annual total remuneration in cash.
GRI 2-22	Statement on sustainable development strategy	Sustainability Report (2022) chapter 1.4 p. 13-18; Combined management report I.3.
GRI 2-23	Policy commitments	Sustainability Report (2022) chapter 1.2 p. 8-9; chapter 2.1 p. 27-29; chapter 2.2 p. 30; chapter 2.3 p. 31-33; chapter 3 p. 35-37
GRI 2-24	Embedding policy commitments	Sustainability Report (2022) chapter 1.2 p. 8-9; chapter 2.1 p. 27-29; chapter 2.2 p. 30; chapter 3 p. 35-37; Combined management report (2022) chapter IV.1; chapter VII.4.
GRI 2-25	Processes to remediate negative impacts	Sustainability Report (2022) chapter 2.1 p. 27-29; chapter 2.2 p. 30; Combined management report chapter IV.1.4; chapter VII.4; chapter VII.5
GRI 2-26	Mechanisms for seeking advice and raising concerns	Sustainability Report (2022) chapter 2.1 p. 27-29; chapter 2.2 p. 30; Combined management report chapter IV.1.4; chapter VII.4; chapter VII.5
GRI 2-27	Compliance with laws and regulations	Combined management report (2022) chapter IV.1.4; chapter VII.5; Notes to the consolidated financial Statements (2022) chapter 24
GRI 2-28	Membership associations	HENSOLDT is active in the CSR groups of the BDSV (Bund deutscher Sicherheits- und Verteidigungsindustrie) and ASD (Aerospace and Defense), as well as being involved in other associations and interest groups.
GRI 2-29	Approach to stakeholder engagement	Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 2-30	Collective bargaining agreements	98.8% of the workforce at HENSOLDT is covered by collective bargaining or similar agreements.

**GRI 3: Material topics**

GRI 3-1	Process to determine material topics	Sustainability Report (2022) chapter 1.4 p. 13-18.
GRI 3-2	List of material topics	Sustainability Report (2022) chapter 1.2 p. 15-18.

**Business Integrity – Compliance and Anti-Corruption**

GRI 3-3	Management of material topics	Requirement 3-3a to d: Sustainability Report (2022) chapter 2.1 p. 27-29. Requirement 3-3e: For HENSOLDT, the topic of sustainability has a high priority. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
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**GRI 205 (2016): Anti-Corruption**

GRI 205-1	Operations assessed for risks related to corruption	Sustainability Report (2022) chapter 2.1 p. 27-29.
GRI 205-2	Communication and training about anti-corruption policies and procedures	Sustainability Report (2022) chapter 2.1 p. 27-29.
GRI 205-3	Confirmed incidents of corruptions and action taken	There were no confirmed cases of corruption during the fiscal year.

**GRI 206 (2016): Anti-competitive Behavior**

GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In the reporting period, there were no legal proceedings due to anti-competitive behavior and violations of antitrust and monopoly law in which HENSOLDT is an involved party.
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GRI Indicator	GRI Standard	Page Number/URL/Explanation
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**Planet and Resources – Energy**

GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 7.1 p. 59-61. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
<b>GRI 302 (2016): Energy</b>		
GRI 302-1	Energy consumption within the organization	Requirement 302-1 a to e: Sustainability Report (2022) chapter 7.2 p. 62-63; GRI Performance Data. Requirement 302-1 f and g: HENSOLDT collects this data using the software tool of a certified software partner of the Global Reporting Initiative.
GRI 302-2	Energy consumption outside of the organization	Currently, however, the information required by GRI 302-2 is not yet available, as it has not yet been systematically collected. HENSOLDT is currently working on collecting this data in the future and being able to report it for FY 2024.
GRI 302-3	Energy intensity	GRI Performance Data.
GRI 302-4	Reduction of energy consumption	Sustainability Report (2022) Chapter 7.2 p. 62-63; Further measures to reduce energy consumption are also continuously implemented at the sites.
GRI 302-5	Reduction in energy requirements of products and services	HENSOLDT has set up a cross-site team that deals with the reduction of the energy demand of products and services. Data regarding the reduction of energy demand for sold products and services achieved in the reporting period is currently not collected and can therefore not yet be reported.

**Planet and Resources – Emissions**

GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 7.1 p. 59-61. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
<b>GRI 305 (2016): Emissions</b>		
GRI 305-1	Direct (Scope 1) GHG emissions	Requirement 305-1 a: GRI Performance Data. Requirement 305-1 b: All greenhouse gases required by GRI 305-1 were reported in the calculation of the data. Requirement 305-1 c: Data regarding biogenic CO2 emissions in CO2 equivalent is not currently available for reporting. Work is underway to be able to report this information in the future. Requirement 305-1 e and g: HENSOLDT collects this data using the software tool of a certified software partner of the Global Reporting Initiative. Requirement 305-1 f: GRI Performance Data.
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Requirement 305-2 a to b: GRI Performance Data. Requirement 305-2 c: All greenhouse gases required by GRI 305-1 were reported in the calculation of the data. Requirement 305-2 e and g: HENSOLDT collects this data using the software tool of a certified software partner of the Global Reporting Initiative. Requirement 305-2 f: GRI Performance Data.
GRI 305-3	Other indirect (Scope 3) GHG emissions	Currently, the information required by GRI 305-3 is not yet available, as it has not yet been systematically collected. HENSOLDT is currently working on collecting this data in the future and being able to report it for FY 2024.
GRI 305-4	GHG emissions intensity	GRI Performance Data.
GRI 305-5	Reduction of GHG emissions	Sustainability Report (2022) chapter 7.1 p. 59-61.
GRI 305-6	Emissions of ozone-depleting substances (ODS)	GRI Performance Data.
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	GRI Performance Data.



GRI Indicator	GRI Standard	Page Number/URL/Explanation
<b>Responsible sourcing – Supplier Environmental Assessment</b>		
GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 3 p. 35-37. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
<b>GRI 308 (2016): Supplier Environmental Assessment</b>		
GRI 308-1	New suppliers that were screened using environmental criteria	In 2022, HENSOLDT started the harmonized assessment of new suppliers against environmental criteria for the Group. In 2022, the top 8 business units (by purchasing volume) used the Integrity Next platform for this purpose. An expansion of the assessment is currently taking place. Risk analysis and reporting is planned for 2023.
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	See GRI 308-1.
<b>Human potential – Employment</b>		
GRI 3-3	Management of material topics	Requirement 3-3a to d: Sustainability Report (2022) chapter 4.1 p. 39-40. Requirement 3-3e: For HENSOLDT, the topic of sustainability has a high priority. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
<b>GRI 401 (2016): Employment</b>		
GRI 401-1	New employee hires and employee turnover	Sustainability Report (2022) chapter 4.1 p. 39-40; GRI Performance Data. A breakdown of data by age group is not currently available; inclusion of data in future reporting is currently under discussion.
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not reported. Reason: Not applicable. We adhere to collective bargaining agreements and do not differentiate between benefits for full-time, temporary, and part-time employees.
GRI 401-3	Parental leave	Requirement 401-3a: In Germany, all employees are entitled to parental leave. The entitlement in the other countries in which HENSOLDT operates is not currently recorded and therefore cannot be reported due to the lack of data availability for fiscal year 2022. Work is underway to capture the data so that the information can be reported in the future. Requirement 401-3b: GRI Performance Data. Requirement 401-3c to e: The required information is not currently captured centrally and therefore cannot be reported for fiscal year 2022 due to lack of availability. Work is underway to capture the data so that the information can be reported in the future. However, it was noted that most employees who have taken parental leave generally return to work and remain with the company. HENSOLDT tries to encourage this by offering extensive part-time scheduling.
<b>Health and Safety – Occupational Health and Safety</b>		
GRI 3-3	Management of material topics	Requirement 3-3a to d: Sustainability Report (2022) chapter 5 p. 51. Requirement 3-3e: The topic of sustainability is a high priority for HENSOLDT. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
<b>GRI 403 (2018): Occupational health and safety</b>		
GRI 403-1	Occupational health and management system	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-3	Occupational health services	Sustainability Report (2022) chapter 5 p. 51-53.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-5	Worker training on occupational health and safety	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-6	Promotion of worker health	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-7	Avoidance and mitigation of occupational health and safety impacts directly related to business relationships	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-8	Employees covered by a management system for occupational health and safety.	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-9	Work-related injuries	Sustainability Report (2022) chapter 5 p. 51-53; GRI Performance Data. Not all of the information required in 403-9 was collected for fiscal year 2022 and therefore cannot be reported. Discussions are underway to capture this data in the future.
GRI 403-10	Work-related diseases	Sustainability Report (2022) chapter 5 p. 51-53; GRI Performance Data. Not all of the information required in 403-9 was collected for fiscal year 2022 and therefore cannot be reported. Discussions are underway to capture this data in the future.

<b>Human Potential – Training and Education</b>		
GRI 3-3	Management of material topics	Requirement 3-3a to d: Sustainability Report (2022) chapter 4.2 p. 41-44. Requirement 3-3e: For HENSOLDT, the topic of sustainability has a high priority. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p.13-14.
<b>GRI 404 (2016): Training and education</b>		
GRI 404-1	Average hours of training per year per employee	GRI Performance Data. A breakdown by employee category is not possible at this stage, as this data is not yet collected centrally. Work is underway to collect and publish this data centrally in the future.
GRI 404-2	Programs to improve the competences of employees and to provide transitional assistance	Sustainability Report (2022) chapter 4.2 p. 41-44.
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	GRI Performance Data. There is no breakdown by gender and employee category. HENSOLDT places a high value on equal treatment of its employees regardless of gender and seeks to provide as many employees as possible with a regular assessment of their performance and professional development regardless of gender.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
<b>Human Potential – Diversity and Equal Opportunities</b>		
GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 4.3 p. 45-48 Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14
<b>GRI 405 (2016): Diversity and equal opportunities</b>		
GRI 405-1	Diversity of governance bodies and employees	Sustainability Report (2022) chapter 4.3 p. 45-48; GRI Performance Data; Diversity and equal opportunities are top priorities for HENSOLDT. However, due to the current data collection, it is currently not yet possible to show the proportions of age groups. Work is underway to collect and publish this data centrally in the next reporting year.
GRI 405-2	Ratio of basic salary and remuneration of women to men	Sustainability Report (2022) chapter 4.3 p. 45-48; For HENSOLDT it is a matter of course that the collectively agreed regulations as well as the remuneration principles are independent of gender and that there are no systematic differences. In the companies covered by collective agreements, the respective collective pay agreements are applied. An analysis of remuneration will be carried out in 2023.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
<b>Responsible Sourcing – Supplier Social Assessment</b>		
GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 3 p. 35-37. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
<b>GRI 414 (2016): Supplier social assessment</b>		
GRI 414-1	New suppliers that were screened using social criteria	In 2022, HENSOLDT started the harmonized assessment of new suppliers against social criteria for the Group. In 2022, the top 8 business units (by purchasing volume) used the Integrity Next platform for this purpose. An expansion of the assessment is currently taking place. The implementation of risk analysis and reporting is planned for 2023.
GRI 414-2	Negative social impacts in the supply chain and actions taken	
<b>Further Topics – Not Covered by the GRI Topic Standards</b>		
<b>Community relations</b>		
GRI 3-3	Management of material topics	Sustainability Report (2022) chapter 6 p. 55-57. Requirement 3-3a to d: Sustainability Report (2022) chapter 6 p. 55-57. Requirement 3-3e: For HENSOLDT, the topic of sustainability has a high priority. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4, S. 13-14.
<b>Product responsibility</b>		
GRI 3-3	Management of material topics	Sustainability Report (2022) chapter 8 p. 67-71. Requirement 3-3a to e: Sustainability Report (2022) chapter 8 p. 67-71. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.

## 9.2 GRI Performance Data 2022

GRI Standards	Indicator	Performance 2022	Performance 2021	Performance 2020	
<b>Environment</b>					
<b>Energy</b>	<b>302-1</b>	<b>Energy consumption within the organization</b>			
		<b>Scope 1 emissions<sup>1)</sup></b>			
		Diesel [kWh]	2,677,014 <sup>2)</sup>	216,934	100,695
		Fuel oil [kWh]	62,411	45,660	68,988
		Natural gas [kWh]	550,359	463,712	450,888
		<b>Scope 2 emissions</b>			
		Electricity (non-renewable energies) [kWh]	8,785,336	8,482,518	8,329,921 <sup>3)</sup>
		Electricity (renewable energies) [kWh]	28,637,267	27,932,158	26,956,388 <sup>3)</sup>
		Total electricity consumption [kWh]	37,422,603	36,414,676	35,286,309
		District heating [kWh]	25,291,207	28,977,091	28,220,534 <sup>3)</sup>
		Cooling [kWh]	5,191,777	5,339,145	4,951,297
		Steam [kWh]	2,515,885	2,837,231	0
		<b>Total</b>			
		Total energy consumption within the organization	73,711,256	74,294,449	69,078,712
	<b>302-3</b>	Energy intensity Intensity in kWh/ Revenue in T €	43 kWh/tEUR	50 kWh/tEUR	57 kWh/tEUR
<b>Water</b>	<b>303-5</b>	Water consumption [m <sup>3</sup> ]	86,253	86,479	81,527
<b>Emissions</b>	<b>305-1</b>	Direct GHG emissions (Scope 1, market-based approach) [tCO <sub>2</sub> e] <sup>1,3)</sup>	5,621	8,149	11,162
	<b>305-2</b>	Indirect GHG emissions (Scope 2, market-based approach) [tCO <sub>2</sub> e] <sup>1,3)</sup>	10,385	10,016	11,610
	<b>305-4</b>	Intensity of THG-Emissions GHG emissions Scope 1 + Scope 2 in gCO <sub>2</sub> e / revenue in €	9 gCO <sub>2</sub> e/EUR	12 gCO <sub>2</sub> e/EUR	19 gCO <sub>2</sub> e/EUR
	<b>305-6</b>	Emissions of ozone-depleting substances (ODS) [kg] <sup>4)</sup>	235.6	414.7	382.4
	<b>305-7</b>	<b>Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions</b>			
		Nitrogen oxides (NOx)	0	0	0
		Sulfur oxides (SOx)	0	0	0
		Persistent organic pollutants	0	0	0
		Volatile organic compounds (VOC) [kg]	2,509	3,239	5,168
		Hazardous air pollutants	0	0	0
		Particulate matter	0	0	0
<b>Waste</b>	<b>306-2</b>	<b>Waste</b>			
		Non-hazardous waste [metric tons]	950	1,119	1,135
		Hazardous waste [metric tons]	132	79	113

Scope: HENSOLDT, consolidated companies (without sales representative offices and Australia) incl. Cyber GmbH

Material non-financial content as specified in HGB section 315c in conjunction sections 289c to 289e was audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an ISAE 3000 (Revised) audit and is highlighted in light green in the GRI Performance table.

<sup>1)</sup> Since reporting period 2021: Adaption of allocation of scope 1 sub-indicators (also retrospectively for 2020 reporting period, incl. impact on GHG emissions).

<sup>2)</sup> The increase in diesel consumption is mainly due to the locations in South Africa. Consumption there increased due to problems experienced with the sub-station providing electricity to the site as well as the load shedding implemented within South Africa.

<sup>3)</sup> Corrected values after verification with landlord, incl. impact on GHG emissions. This correction was already reported in last years, report.

<sup>4)</sup> ODS includes HFC-23, HFC-134, HFC 134-a, R-404a, R-407c, R-410a. 2020 ODS values were corrected in 2021 due to downstream consumption analysis.



GRI Standards	Indicator	Performance 2022	Performance 2021	Performance 2020
<b>Social</b>				
<b>Employment</b>	<b>GRI 401-1 New employee hires and employee turnover</b>			
	New hires	590	715	502
	Voluntary turnover	254	222	147
	Non voluntary turnover <sup>5)</sup>	160	125	152
	<b>GRI 401-3 Parental leave</b>			
	Paternity/maternity leave taken in the reporting period	261	370	214
	Total female paternity/maternity leave taken	108	144	87
Total male paternity/maternity leave taken	153	226	127	
<b>Occupational Health &amp; Safety</b>	<b>GRI 403-9 Work-related injuries<sup>6)</sup></b>			
	Number of work-related injuries	81	74 <sup>7)</sup>	48 <sup>8)</sup>
	Number for employees	81	74	48
	Number for workers who are not employees	0	0	0
	Rate of work-related injuries (Injuries per 1,000,000 hours worked)	9.00	8.51	5.92
	Total workforce working hours	8,999,972	8,696,334	8,109,869
	Los-time injury frequency rate (LTIFR) <sup>9)</sup>	0.78	0.86 <sup>7)</sup>	0.49
	Fatalities	0	0	0
	<b>GRI 403-10 Work-related ill health<sup>6)</sup></b>			
	Number of cases of recordable work-related ill health	0	2	1
	Number for employees	0	2	1
Number for workers who are not employees	0	0	0	
Number of fatalities as a result of work-related ill health	0	0	0	
<b>Training &amp; Education</b>	<b>GRI 404-1 Average hours of training per year per employee</b>			
	Average hours of training that the organization's employees have undertaken during the reporting period	19.93	17.94	9.97
	Average for female employees	21.53	19.34	10.78
	Average for male employees	19.45	17.54	9.74
	Total number of training hours	110,199	97,387	47,868
	<b>GRI 404-3 Percentage of employees receiving regular performance and career development reviews</b>			
Percentage of employees receiving regular performance and career development reviews	93%	95%	94%	
<b>Diversity &amp; Equal Opportunity</b>	<b>GRI 405-1 Diversity in governance bodies and among employees</b>			
	Percentage of women in the active workforce	23%	23%	22%
	Percentage of women in management positions (senior manager positions)	10%	10%	10%
	Percentage of women in management positions (executive positions)	16%	10%	13%
	Percentage of women in the Leadership Team <sup>10)</sup>	20%	15%	14%
	Percentage of women in the Executive Committee (incl. Board)	9%	8%	22%

Scope: HENSOLDT, consolidated companies (without sales representative offices and Australia) incl. Cyber GmbH, excl. students and interns  
Material non-financial content as specified in HGB section 315c in conjunction sections 289c to 289e was audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an ISAE 3000 (Revised) audit and is highlighted in light green in the GRI Performance table.

<sup>5)</sup> Including pension, end of partial retirement, mutual agreement, early termination, end of fixed-term contract, death.  
<sup>6)</sup> Information under GRI 403 refers to the employee groups that are significant for us (HENSOLDT employees and temporary workers).  
<sup>7)</sup> Increase due to COVID-19 cases in the workforce (which are reported as work-related injuries).  
<sup>8)</sup> Adjustment due to breakdown of occupational accidents and accidents at work with lost time.  
<sup>9)</sup> LTIFR formula: The injury severity rate represents the number of lost workdays experienced per 100 workers. Injury severity rate = (number of workdays lost + light duty days lost) x 200,000/total hours worked.  
<sup>10)</sup> Definition (also retroactive for 2020): entire HENSOLDT Group Leadership Team (incl. Leadership Team, Executive Leadership Team, Executive Committee, and Management Board).

GRI Standards	Indicator	Performance				
<b>General Disclosures</b>						
<b>General Disclosures</b>	<b>GRI 2-7 Employees</b>					
		Reporting period 2022				
		<b>2022</b>				
		<b>Sum</b>	Female	Male		
	Number of employees (head count / FTE) <sup>11)</sup>	<b>5,768</b>	1,333	4,435		
	Number of permanent employees (head count / FTE)	<b>5,539</b>	1,277	4,262		
	Number of temporary employees (head count / FTE)	<b>229</b>	56	173		
	Number of non-guaranteed hours employees (head count / FTE)	<b>0<sup>12)</sup></b>	0 <sup>12)</sup>	0 <sup>12)</sup>		
	Number of full-time employees (head count / FTE)	<b>5,207</b>	1,057	4,150		
	Number of part-time employees (head count / FTE)	<b>332</b>	220	112		
		Reporting period 2022				
		<b>Sum</b>	Germany	France	South Africa	UK
	Number of employees (head count / FTE) <sup>11)</sup>	<b>5,768</b>	4,149	657	807	155
	Number of permanent employees (head count / FTE)	<b>5,539</b>	4,004	641	739	155
	Number of temporary employees (head count / FTE)	<b>229</b>	145	16	68	0
	Number of non-guaranteed hours employees (head count / FTE)	<b>0<sup>12)</sup></b>	0	-	-	-
	Number of full-time employees (head count / FTE)	<b>5,207</b>	3,737	597	721	152
	Number of part-time employees (head count / FTE)	<b>332</b>	267	44	18	3

Scope: HENSOLDT, consolidated companies (without sales representative offices and Australia) incl. Cyber GmbH, excl. students and interns  
Material non-financial content as specified in HGB section 315c in conjunction sections 289c to 289e was audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an ISAE 3000 (Revised) audit and is highlighted in light green in the GRI Performance table.

Retroactive adjustments to consumption data are not part of KPMG's 2022 audit scope.

<sup>11)</sup> FTE refers to full-time equivalent.  
<sup>12)</sup> In FY 2022, this information was only recorded for Germany.

## Limited Assurance Report of the Independent Auditor regarding the Separate Non-Financial Group Report<sup>1</sup>

To the Supervisory Board of HENSOLDT AG, Taufkirchen

We have performed an independent limited assurance engagement on the separate non-financial group report of HENSOLDT AG, Taufkirchen (further the “Company”) for the period from January 1 to December 31, 2022.

It was not part of our engagement to review references to external websites and information sources.

### Management’s Responsibility

The legal representatives of the Company are responsible for the preparation of the separate non-financial group report in accordance with §§ 315b, 315c in conjunction with §§ 289c to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further „EU Taxonomy Regulation“) and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section “EU Taxonomy” of the separate non-financial group report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the separate non-financial group report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the separate non-financial group report that is free of – intended or unintended – material misstatements.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section “EU Taxonomy” of the separate non-financial group report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

### Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

### Practitioner’s Responsibility

It is our responsibility to express a conclusion on the separate non-financial group report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by IAASB.

Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the separate non-financial group report of the Company for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section “EU Taxonomy” of the separate non-financial group report. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor’s own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for HENSOLDT AG
- A risk analysis, including media research, to identify relevant information on HENSOLDT AG’s sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters

- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in Ulm/Germany and Toulouse/France via videoconference
- Assessment of the overall presentation of the disclosures
- Inquiries of responsible employees at Group level to obtain an understanding of the approach to identify relevant economic activities in accordance with EU taxonomy
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures on turnover, capital expenditures and operating expenditures for the taxonomy-relevant economic activities for the environmental objectives of climate change mitigation and adaptation
- Assessment of data collection, validation and reporting processes and reliability of reported data for the taxonomy-aligned economic activities in relation to the assurance on the Technical Screening Criteria (substantial contribution for the environmental objective, DNSH criteria) and minimum safeguards

<sup>1</sup> Our engagement applied to the German version of the separate non-financial group report 2022. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.



The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

**Conclusion**

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate non-financial group report of HENSOLDT AG for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section “EU Taxonomy” of the separate non-financial group report.

.....  
Nürnberg, March 17, 2023

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

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Koeplin  
Wirtschaftsprüfer  
[German Public Auditor]

**Restriction of Use/General Engagement Terms**

This assurance report is issued for purposes of the Supervisory Board HENSOLDT AG, Taufkirchen only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of HENSOLDT AG, Taufkirchen, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ([https://www.kpmg.de/ bescheinigungen/lib/aab\\_english.pdf](https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf)). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

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Brokof  
Wirtschaftsprüferin  
[German Public Auditor]

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# Detect and Protect





Annual Report  
Combined  
Management Report  
and Consolidated  
Financial Statements  
**2022**



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# HENSOLDT

## Key Figures

in € million	2022	2021
<b>Order intake</b>	<b>1,993</b>	<b>3,171</b>
Sensors	1,675	2,774
Optronics	333	405
Elimination/Transversal/Others	-15	-8
<b>Order backlog</b>	<b>5,366</b>	<b>5,092</b>
Sensors	4,688	4,420
Optronics	692	676
Elimination/Transversal/Others	-13	-4
<b>Book-to-Bill</b>	<b>1.2x</b>	<b>2.2x</b>
<b>Revenue</b>	<b>1,707</b>	<b>1,474</b>
Sensors	1,404	1,148
Optronics	310	332
Elimination/Transversal/Others	-7	-5
<b>Revenues per region</b>	<b>1,707</b>	<b>1,474</b>
Europe	1,452	1,191
<i>thereof Germany</i>	<i>1,016</i>	<i>861</i>
Middle East	135	136
APAC	82	58
North America	39	45
Africa	22	57
LATAM	6	16
Other regions/consolidation	-28	-29
<b>Adjusted EBIT</b>	<b>224</b>	<b>199</b>
Sensors	183	151
Optronics	41	50
Elimination/Transversal/Others	-	-2
<b>Adjusted EBITDA</b>	<b>292</b>	<b>261</b>
Sensors	233	194
Optronics	59	68
Elimination/Transversal/Others	-	-2
<b>Adjusted pre-tax unlevered free cash flow</b>	<b>219</b>	<b>252</b>

# Foreword

**Christian Ladurner**  
CFO  
HENSOLDT AG



Dear shareholders,

The 2022 financial year was a special year not only for HENSOLDT AG, but also for me. Russia's unprecedented war of aggression against Ukraine has put our company in the public eye. As the new Chief Financial Officer, I share responsibility for protecting our free society.

It was important to us from the beginning to prepare the finance function optimally for the future. To do this, we also have to change ourselves and have launched the „Finance Vision“ programme. The three pillars „data-driven corporate financial management“, „strong finance community“ and „talent development“ pave the way for us to do this.

The self-image of a finance function can range from pure „master of the numbers“ to „business enabler“ to „navigator for the company“. My aspiration is to act as a navigator and my vision is that we, as a team, lead and navigate our company through calm, but also through rough seas and through uncharted waters that lie ahead. After my first months as CFO, I can say one thing: we are on course!

In the 2022 business year, we were able to further increase our growth rate. With a plus of 16 %, our turnover has increased significantly. Our order book has increased significantly by a factor of 2.4 over the last three years to currently 5.4 billion euros. We were able to book groundbreaking projects such as Eurofighter Mk1 and PEGASUS, each with a business volume of more than EUR 1 billion. Against the background of structural market growth and the long project cycles in our industry, we see excellent conditions for sustainable growth for HENSOLDT. This puts us in a position to allow our shareholders to continue to participate in the company's success. At EUR 0.30 per share, the dividend is around 20 % above the previous year's figure.

In the coming years, we must shape our growth with a sense of proportion. I attach great importance to this. In the next few years, we want to become not only bigger, but also more customer-oriented, more effective, faster and more efficient. In this way, we will create more value.

The growth of our company is like a jigsaw puzzle: we receive orders, design and develop, manufacture and integrate, qualify and finally deliver our products. In my opinion, the finance function must contribute and ensure that the pieces of the puzzle fit together well. With the Operational Excellence program **HENSOLDT GO!** we have been driving these end-to-end processes in recent years and will also roll them out globally in 2023. The SAP S/4HANA transformation, which will be a driver of our digital processes, will also help us in this.

Dear shareholders, one thing is particularly close to our hearts. The dialogue with investors and analysts often provides valuable insights for our discussions in the Management Board. That is why I am pleased that we were able to continue our dialogue at our Capital Markets Day in London in December 2022. We not only want to maintain this exchange, but intensify it and make it even closer.

At the event, we also announced the raising of our short- and medium-term guidance. For 2023, we anticipate the first budget increases and orders from the special fund in Germany, which is why we expect accelerated growth in order intake and an increase in core revenues. Specifically, we expect revenue growth of between 7 and 10 %. Together with all HENSOLDT employees, we are pulling together to achieve our goals.

I am happy that we are walking this path together!

Your  
Christian Ladurner

# Combined Management Report of

HENSOLDT AG

for the year ended

31 December 2022

## References:

The contents of websites referred to in the combined management report are not part of the combined management report and have not been audited but 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.



# I Group fundamentals

## 1 Business model

The HENSOLDT Group (the "Group", "HENSOLDT") is a German Champion and specialised provider of defence and security sensor solutions in the defence and security industry. HENSOLDT develops innovative and customised solutions in the fields of radars, electronic warfare, avionics and optronics. The product portfolio as of 31 December 2022, included a variety of products with a lifecycle of ten years or more. HENSOLDT is constantly striving to increase and improve its current product offering through its own developments, industrial cooperations and acquisitions, in order to increase its competitiveness and expand into new markets.

## 2 Organisation and group structure

### 2.1 Legal structure

The HENSOLDT Group consists of HENSOLDT AG (the "Company") with statutory seat in Taufkirchen, Germany, (registered office: Willy-Messerschmitt-Str. 3, 82024 Taufkirchen, Germany, under file 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 significant subsidiaries directly and indirectly controlled by HENSOLDT AG. 30 entities including the parent company (previous year: 33) were fully consolidated.

The reporting for HENSOLDT AG is included in the Combined Management Report in the chapter "IX HENSOLDT AG".

### 2.2 Locations and employees

HENSOLDT's headquarters are located in Taufkirchen near Munich, an important innovation centre of the defence industry in Germany. In addition, business activities in Germany are conducted in Ulm, Oberkochen and Pforzheim in particular. Other locations in Germany include Wetzlar, Immenstaad and Kiel. As per 31 December 2022, of the 6,463 employees (previous year: 6,316) of HENSOLDT, among them 611 trainees, interns, etc. (previous year: 587), approx. 4,700 (previous year: approx. 4,600) were employed in Germany. HENSOLDT's larger locations outside Germany are mainly based in France, South Africa and the UK.

### 2.3 Operating segments

The HENSOLDT Group's segmentation corresponds to its internal steering, controlling and reporting structures. In accordance with IFRS 8, HENSOLDT has identified the reportable segments Sensors and Optronics.

#### Sensors segment

The Sensors segment provides system solutions and comprises the three divisions Radar & Naval Solutions, Spectrum Dominance & Airborne Solutions, and Services & Aerospace Solutions as well as Elimination/Transversal/Others.

The products of the Radar & Naval Solutions and the Spectrum Dominance & Airborne Solutions divisions are complementary in the value chain, resulting in synergies between the two such as 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 two divisions of the Sensors segment.

#### Radar & Naval Solutions

In this 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 Frigate 125 and the US Navy's Littoral Combat Ship. 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 land, sea and air applications, the product range is being extended to include defensive cyber-solutions. Furthermore, the Group offers electronic self-protection systems integrating missile, laser and radar warning sensors with countermeasures for air, sea and ground platforms and provides military and civil avionics systems such as situational awareness systems, mission computers and flight data recorders. Systems from the Spectrum Dominance & Airborne Solutions division are used in fighter aircraft such as the Eurofighter and Tornado, the Airbus A400M transport aircraft and various helicopter models.

#### Services & Aerospace Solutions

The division "Services & Aerospace Solutions" which was renamed in the fiscal year (formerly: "Customer Services & Space Solutions") essentially comprises a range of customer support and service activities, as well as maintenance over the entire lifecycle of the platforms and systems developed in the other two divisions of the Sensors segment. Simulation solutions, training courses and special services are also offered within 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, weather and environmental monitoring, scientific research of space and for laser communication in space.

Elimination/Transversal/Others comprises the other section which mainly contains components for anti-aircraft missile defence systems, funded military studies and funding projects, and the elimination section, comprising the elimination/transversal of intra-segment revenue between the three divisions of the Sensors segment.

#### Optronics segment

The Optronics segment comprises the division Optronics and Land solutions and includes optronics as well as optical instruments and precision instruments for military, security relevant 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 segment. Furthermore, support and services for Optronics products forms part of the Optronics segment.

## 3 Goals and strategies

In 2022, HENSOLDT made further important progress toward its goal of becoming Europe's leading platform-independent provider of sensor solutions in the defence and security sector with global reach. Existing growth and efficiency plans were followed up in the fiscal year 2022 and important goals were achieved.

HENSOLDT's strategy is based on four vectors and five strategic pillars. The vectors describe the objectives which illustrate the strategic pillars that show how such objectives should be achieved.



The four strategic objectives in the form of vectors remained unchanged during the fiscal year 2022:

- HENSOLDT wants to evolve from a pure sensor house to a holistic sensor solutions house
- HENSOLDT wants to further expand its innovative power and strengthen its role as innovation champion
- HENSOLDT wants to extend its international reach and presence, based on its success on its European home markets
- HENSOLDT wants to further expand its business beyond the defence industry by gaining market share in the security area

The description of the achievement of the strategic goals through the five strategic pillars also remained unchanged.

- Drive digital and innovative portfolio
- Convince customers with our capabilities
- Become ESG<sup>1</sup> sector benchmark
- Live strong company culture
- Improve operational efficiency

### 3.1 Drive digital and innovative portfolio

With its about 2,000 engineering staff, HENSOLDT stands for high-performance sensor electronics. In order to further expand this core competence and further increase its competitiveness, the Group relies above all on a digital and innovative product portfolio. The continuous development of products and technologies enables HENSOLDT to enhance its competitiveness and to meet the operative challenges and concepts of its customers. For this purpose, HENSOLDT is continuously expanding its self-funded research and development expenditure (“R&D”). Compared to 2021, HENSOLDT increased its self-funded R&D expenditure recognised in expenses in the reporting year by 13.9 % to € 36 million. In total, HENSOLDT’s self-financed R&D expenses in 2022 (consisting of R&D costs recognised as expenses and additions to capitalised development costs) amounted to € 91 million (previous year: € 97 million). In addition, HENSOLDT builds up its own competencies within the framework of customer-financed projects and enters into strategic partnerships to enable its own portfolio additions and expansions. An M&A strategy strongly focused on growth and innovation (with company acquisitions, joint ventures or minority shareholdings) rounds off the strategic portfolio development.

The evolution of products into complete solutions led to a more innovative and competitive portfolio. From the Management Board’s point of view, the further dovetailing of the divisions of the HENSOLDT Group and the intensified orientation according to customer segments once again brought about an increase in innovative strength in the reporting year 2022 through cross-divisional cooperation and intensive exchange between employees.

The success of the further development of the digital and innovative portfolio is reflected in numerous products, such as the newly launched airborne reconnaissance system MissionGrid or the first modular sensor fusion platform (MUV<sup>2</sup>), demonstrated on an IVECO vehicle.

### 3.2 Convince customers with our capabilities

HENSOLDT has established itself as a trustworthy and long-term partner for its customers. This pillar includes various strategic measures, such as understanding the market, developing country strategies, our international presence and partnerships, or understanding our clients’ operational concepts and the circumstances relevant to their sovereignty and economic growth. We know what our clients need and who our best partners are.

With regards to the Group’s home markets, the long-term growth strategy continues to focus on positioning HENSOLDT in new European programmes and capturing the anticipated increases in defence spending and, simultaneously benefiting from the anticipated shift in such spending towards a higher share of electronic components. This approach will further enhance HENSOLDT’s status as a premium provider of innovative technologies and ensures the attractiveness of its products for leading defence companies, public contractors as well as governments.

HENSOLDT has focused its export strategy on leveraging home country technologies for worldwide distribution. To this end, the Group is positioning itself in the most attractive markets for HENSOLDT, creates local proximity and continuously expands its international business operations as well as local partnerships to support sales campaigns.

In order to achieve the goal of developing customer relationships domestically and abroad, HENSOLDT built up a Business Development Organisation which as of 31 December 2022 has around 200 employees, distributed among the sales centres in Europe, the Middle East, Asia-Pacific, Africa, North America and Latin America.

### 3.3 Become ESG sector benchmark

As one of the pillars of its corporate strategy, it is HENSOLDT’s vision to not only become the benchmark in ESG in the defence and security industry but also to ensure that the company remains committed to its high standards in this area in the long term by continuously adapting and improving HENSOLDT’s ESG performance and strategy. To this end, the “ESG Strategy program 2026” was launched and 15 goals, over 100 measures and 120 key figures were defined.

The “ESG Strategy program 2026” is the basis for HENSOLDT not only fulfilling its responsibility towards its customers, employees, investors and, above all, towards society and the environment, but also for exceeding expectations in this area for HENSOLDT. This responsibility is also reflected in the Group’s accession to the UN Global Compact<sup>3</sup>, a United Nations initiative. HENSOLDT is thus committed to the ten universal sustainability principles in the areas of human rights, labour standards, the environment and corruption prevention.

The extensive ESG activities contributed once again significantly to HENSOLDT’s excellent performance in the ESG rating by Sustainalytics. HENSOLDT was again ranked first in the “Aerospace & Defence” sector.

<sup>1</sup> Environmental Social Governance

<sup>2</sup> Multi-Utility-Vehicle

<sup>3</sup> The UN Global Compact is the world’s largest initiative for sustainable and responsible corporate governance.



Further information on the topic of sustainability or ESG can be found on the website of HENSOLDT at <https://investors.hensoldt.net> in the "Sustainability" section. For information on the goals underlying the Management Board remuneration, refer to the Remuneration report which can also be found on the website of HENSOLDT at <https://investors.hensoldt.net> in the "Corporate Governance" section.

### 3.4 Live strong company culture

One of the most important success factors for HENSOLDT is a strong and lived corporate culture. This is the only way the Group can ensure that joint success and the employee appreciation will continue to be guaranteed in the future.

Here, HENSOLDT can build on a strong foundation. One of many measures, for example, is the "Echo" employee share programme. Under this programme, employees have the opportunity to participate like shareholders in the economic development of HENSOLDT AG and to benefit from a discounted price compared to buying HENSOLDT AG shares on the stock exchange. The Echo programme was once again a great success in the fiscal year 2022 from the Management Board's point of view with a participation of more than 60 % of all employees eligible to participate. It reflects the already strong and distinctive corporate culture, but above all the commitment and trust of the employees towards HENSOLDT.

HENSOLDT runs an initiative to strengthen the global corporate culture with a focus on HENSOLDT's mission and leadership development. The aim is to ensure and develop an outstanding corporate culture that attracts and retains talents and ensures that HENSOLDT's success story continues and that the Group can expand its attractiveness for existing and future employees.

### 3.5 Improve operational efficiency

Since the introduction of the comprehensive efficiency programme called "HENSOLDT GO!", HENSOLDT has already achieved a number of improvements. In the current fiscal year, important progress was made through further improved operational project execution. The establishment of a culture of continuous improvements resulted in the fiscal year to constant improvements in operating and development efficiency as well as in the purchasing organisation.

In the future, HENSOLDT intends to focus on improving production, further increasing its development efficiency through organisational measures and improving supply chain management. Also other measures for efficiency improvements in the general administrative functions will be in focus again. A strong focus is placed on optimising the cash conversion cycle and working capital.

## 4 Financial performance indicators

HENSOLDT uses certain key performance indicators ("KPIs") to measure performance, identify trends and make strategic decisions. To make these indicators comparable over a multi-annual period and within the industry, adjusted key performance indicators are used as well. Besides revenue, the most important KPIs are order intake, the book-to-bill ratio<sup>4</sup> and adjusted EBITDA<sup>5</sup>. In addition, HENSOLDT uses another performance indicator, the order backlog and two non-IFRS performance indicators, the adjusted pre-tax unlevered free cash flow<sup>6</sup> and the adjusted EBIT<sup>7</sup>. These are intended to provide a better understanding of the HENSOLDT Group's financial position by excluding items that are not classified as part of ongoing operations.

<sup>4</sup> Defined as ratio of order intake to revenue in the relevant fiscal year.

<sup>5</sup> Defined as EBIT adjusted for depreciation and amortisation (including effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, follow-up expenses in 2021 for the IPO in 2020, OneSAPnow-related non-recurring effects as well as other non-recurring effects.

<sup>6</sup> Defined as free cash flow adjusted for non-recurring effects as well as interest, tax and M&A activities. The free cash flow is defined as sum of the cash flows from operating and investing activities as reported in the consolidated statement of cash flows.

<sup>7</sup> Defined as EBIT, adjusted for certain non-recurring effects relating to effects on earnings from purchase price allocations, transaction costs, follow-up expenses in 2021 for the IPO in 2020, OneSAPnow-related non-recurring effects as well as other non-recurring effects.

Adjusted EBITDA is used as a key indicator of the economic performance of the Group, in particular to illustrate the non-recurring effects from acquisitions and other non-recurring effects on the operating results. In addition, non-financial performance indicators are partly used to manage the Group. To this end, an additional remuneration element geared towards long-term, sustainable success of the HENSOLDT Group has also been included in the Management Board remuneration. The Long-Term Incentive bonus components for the Management Board members and other executives of the Group are determined, inter alia, according to the target achievement of the ESG targets "Diversity" and "Climate Impact" (refer to the "Corporate Governance" section on the website of HENSOLDT at <https://investors.hensoldt.net>).

in € million	Fiscal year		
	2022	2021	% Delta
<b>Performance indicators</b>			
Revenue	1,707	1,474	15.8 %
Adjusted EBITDA	292	261	12.0 %
Adjusted EBIT	224	199	13.0 %
Adjusted pre-tax unlevered free cash flow	219	252	-13.2 %
Order intake	1,993	3,171	-37.2 %
Order backlog	5,366	5,092	5.4 %
Book-to-bill-ratio	1.2x	2.2x	-1.0x

## 5 Research and development

Research and development 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.

R&D costs amounted to € 36 million in fiscal year 2022 (previous year: € 31 million). This corresponds to 2.1 % of revenue (previous year: 2.1 %). The expenses are divided between product lines and basic research.

Not included are additions in the fiscal year for development costs capitalised during the fiscal year of € 55 million (previous year: € 66 million), with the main focus of capitalised development costs in the Sensors segment being on naval and ground radar programmes as well as on the Identification Friend or Foe area. In the Optronics segment, the additions are mainly due to land and sea programmes. This reflects a capitalisation rate of 60.6 % (previous year: 67.8 %) in terms of total research and development spend of € 91 million (previous year: € 97 million). Amortisation of capitalised development costs amounted to € 21 million in the fiscal year (previous year: € 16 million) and are included in this amount in the cost of sales.

## 6 HENSOLDT on the capital market<sup>8</sup>

The HENSOLDT AG share price rose significantly in the fiscal year 2022 compared to the previous year and reached a new all-time high at € 30.25 in the meantime. At the end of 2022, the share was trading at € 22.10 and thus 76.5 % above the share price at the end of the previous year.

<sup>8</sup> The chapter „HENSOLDT on the capital market“ includes voluntary information and is thus unaudited.

## 6.1 Stock markets and price development of the HENSOLDT share

The 2022 stock market year was generally characterised by various burdening factors. Russia's war against Ukraine, uncertainties in Europe's energy supply, high inflation rates, more restrictive central bank monetary policies, and concerns about a global recession had a decisive influence on stock market developments. Thus, the German indices DAX and SDAX came under great pressure at the beginning of the war in Ukraine and declined noticeably until the beginning of March. In the following months, the price development of the indices remained volatile with rebounds in the meantime. Continued worries about the economy and interest rate hikes by central banks led to further noticeable declines between June and October, particularly in the SDAX. Driven by slightly falling inflation rates, the indices started to recover at the end of the year and thus somewhat contained losses over the year. In the fiscal year 2022, the DAX suffered a price decrease of 12.3 %, the SDAX declined by 28.9 %.

The HENSOLDT AG share started the year 2022 with a price of € 12.42 per share and initially experienced a side-stepping in the first trading days within a very tight range. The low for the year at € 11.56 in the middle of February was only slightly below the opening price. At the end of February, the share price rose sharply. The "watershed" proclaimed by chancellor Scholz in response to the start of the war on Ukraine, the announcement of the creation of a special fund of € 100 billion for the equipment of the German Military ("German Bundeswehr") and the commitment of the German government to invest more than 2 % of the gross domestic product in the defence budget on a sustainable basis, led, according to an estimate by HENSOLDT to a massive increase in the share price within a short period of time. At the end of March HENSOLDT shares reached a new all-time high of € 30.25. Subsequently, the share price developed during the rest of the year mainly in a trading range between around € 20.00 and € 27.00. The HENSOLDT share thus escaped the general, negative market trend and went out of trading at the end of the year at a price of € 22.10. This corresponds to a price increase of 76.5 % compared to the previous year's closing price.

Other relevant milestones for the HENSOLDT share in the fiscal year 2022 were the acquisition of shares in HENSOLDT AG by the Italian aerospace and defence group Leonardo S.p.A. on 3 January 2022 and the complete withdrawal of the investment company KKR as major shareholder of HENSOLDT AG at the beginning of April 2022.

As part of the regular review of the index composition, HENSOLDT AG was included in the SDAX index and the TecDAX index by Deutsche Börse on 20 June 2022. The main reason was the increase in market capitalisation based on free float compared to other companies.

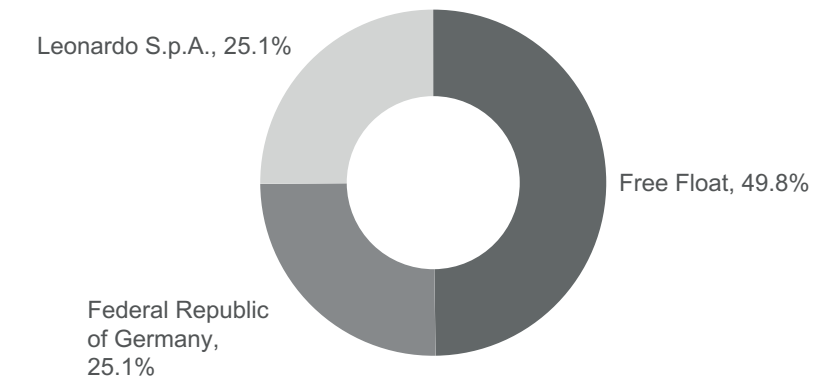
## 6.2 Shareholder structure

The Federal Republic of Germany is a shareholder of HENSOLDT AG through the Kreditanstalt für Wiederaufbau ("KfW") with a share of 25.1 % on 31 December 2022 as well as Leonardo S.p.A., Italy, which also holds 25.1 % in HENSOLDT AG.

With a share of more than 5.0 %, the institutional investor Wellington Lazard Asset Management (5.5 % as per voting rights notification of 4 April 2022) is one major shareholder of the Company.

Free float was around 49.8 % at the end of the year. The definition of free float refers to the guidelines for the stock indices of Deutsche Börse AG.

## Shareholder structure of HENSOLDT AG as of 31 December 2022



In the year 2021, the Italian aerospace and defence group Leonardo S.p.A., Italy, ("Leonardo") and the company Square Lux Holding II S.à. R.l., Luxembourg, ("Square Lux") a portfolio company controlled by funds advised by Kohlberg Kravis & Roberts & Co. L.P. or their affiliated companies ("KKR"), concluded a share purchase agreement to acquire 25.1 % of the shares of HENSOLDT AG. The share purchase agreement dated 24 April 2021 was executed on 3 January 2022 after the conditions precedent had been fulfilled. The corresponding voting rights notifications were published on 4 January 2022. On 2 March 2022, Square Lux reduced its share to about 8.3 %. After the sale of the remaining shares on 1 April 2022, Square Lux completely exited shareholdership of HENSOLDT AG.

## 6.3 Analyst coverage

At the end of 2022, the following well-known national and international banks and local research houses were monitoring and evaluating the HENSOLDT share:

- Agency Partners
- Bank of America Securities
- Citigroup
- Deutsche Bank
- J.P. Morgan
- Kepler Cheuvreux
- ODDO BHF
- Warburg Research

At the end of 2022, a total of five of the eight analysts issued a "buy" recommendation. Three analysts rated the share a "hold" and none of the analysts issued a "sell" recommendation. The average target price was € 27.29 per share corresponding to a possible price potential of 23.5 % compared with the year-end price of € 22.10 per share. The analysts considered the further growth prospects in the medium and long term as well as the current development of the security and defence industry to be 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>.



## 6.4 Investor Relations – communication with the capital market

HENSOLDT strives to maintain a transparent and continuous dialogue with capital market participants. Therefore, it is an important concern of HENSOLDT to constantly deepen the relationship with investors, analysts and financial journalists through individual meetings, telephone calls, roadshows, conferences as well as company visits (if possible) and to expand the confidence of capital market participants in the Group. In the fiscal year 2022, the Management Board held an analyst and investor call following the publication of the preliminary financial figures for the fiscal year 2021, the results for the first quarter, the first half year and the first nine months and presented both the recent strategic developments of the Group, the current business performance and the growth prospects to the capital market participants.

The management of HENSOLDT organised a Capital Markets Day on 14 December 2022. During this event, HENSOLDT presented a comprehensive insight into the strategic orientation and medium-term planning and gave the participants the opportunity to hold personal discussions with the management of HENSOLDT.

## 6.5 General meeting

The second ordinary general meeting of HENSOLDT AG was held on 13 May 2022. Due to the COVID-19 pandemic, the event was held as a purely virtual meeting without the physical presence of any shareholders. A shareholder portal was made available so that participants were able to follow the event live on the internet via video transmission, exercise their voting rights and submit questions in advance of the meeting. All questions submitted were answered by the Management Board of HENSOLDT AG. The shareholders approved all agenda items with large majorities. On this occasion, Giovanni Soccodato (Chief Strategic Equity Officer of Leonardo S.p.A.), Letizia Colucci (General Manager of the Med-Or Leonardo Foundation) and Reiner Winkler (until 31 December 2022 CEO of MTU Aero Engines AG) were elected to the Supervisory Board. They immediately succeed the previous Supervisory Board members Prof. Wolfgang Ischinger, Christian Ollig and Claire Wellby who had each declared their resignation from their mandates at the end of the annual general meeting on 13 May 2022. The shareholders also approved the proposal of the Supervisory Board and Management Board to pay a dividend of € 0.25 per share. All voting results are made available on the website of HENSOLDT at <https://investors.hensoldt.net> in the "Investors" section.

## 6.6 Basic information and key data on the HENSOLDT share in 2022

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 SDAX and TecDAX share index
Designated Sponsor:	Oddo BHF
Number of shares:	105,000,000
Share type:	Bearer shares without par value (no par value share)
Highest share price in Xetra-trading in €:	30.25 (25 March 2022)
Lowest share price in Xetra-trading in €:	11.56 (22 February 2022)
Closing share price in Xetra-trading (30 December 2022) in €:	22.10
Market capitalisation (30 December 2022) in €:	2,321 billion
Free float (31 December 2022):	49.8 %

# II Economic report

## 1 Economic conditions

### 1.1 General economic conditions

In its press release on the economic situation in Germany in January 2023, the German Federal Government published a price-adjusted increase of the German gross domestic product (shortly: "GDP") of 1.9 % for 2022. Despite Russia's war against Ukraine and the energy crisis, the German economy continued to recover in the third year of the COVID-19 pandemic. GDP growth in 2022 was almost sufficient to reach pre-COVID-19 pandemic levels in 2019. The economic development in 2022 was mainly characterised by Russia's war against Ukraine and the associated extreme energy price increases. This was compounded by material and supply bottlenecks, massively rising prices for other goods such as food, as well as the shortage of skilled workers and the ongoing, albeit weakening, COVID-19 pandemic. Based on the knowledge available to date, the GDP has declined again in 4th quarter of 2022 compared to the previous quarter. The supply and transport bottlenecks also continued to be reflected in sharp price increases in production and imports of intermediate goods.

In 2022, added value increased in almost all economic sectors compared to the previous year. On the demand side, price-adjusted private consumer spending in 2022 was significantly above the low level of the previous year and thus the most important growth support of the German economy. Government consumption expenditure increased comparatively moderately in 2022 after two years marked by the COVID-19 pandemic. Investments in equipment also went up compared to the previous year. Foreign trade increased compared to the previous year, with both exports and imports of goods and services increasing. At the same time, a positive development in the labour market could be recorded in 2022. Compensation of employees increased significantly in 2022, whereas corporate and property income declined slightly.

In an international comparison, the growth of the German economy was probably lower than in the other European countries. Overall, economic growth in 2022 was more resilient than expected, given the large negative shock from Russia's war against Ukraine. The global measures to curb inflation and Russia's war against Ukraine will continue to be decisive factors for further economic development in 2023. Despite these factors, real GDP was surprisingly strong in many economies. This is mainly due to stronger than expected growth in private consumption, investment in the face of tight labour markets and high government support. In addition, the partial decline of bottlenecks and of transport costs reduced the pressure on commodity prices.

The International Monetary Fund's ("IMF") World Economic Outlook from January 2023 projects the global economy to grow by 2.9 % in 2023 (2022: 3.4 %), an increase of 0.2 percentage points compared to the October 2022 forecast.

The decline in global growth in 2023 is likely to be influenced by advanced economies, mainly in the wake of fighting inflation and the Ukraine war. While a slight increase is expected for emerging and developing countries in the medium term, a decline in growth is forecast for advanced economies in 2023. The growth in the USA is expected to be at 1.4 % in 2023 (2022: 2.0 %). A rise by 0.7 % (2022: 3.5 %) is expected for the Euro zone in 2023. In China, the growth is assumed to rise to 5.2 % (2022: 3.0 %).

### 1.2 Conditions in the defence and security sector

Russia's war of aggression against Ukraine continues to determine the security policy environment in Germany, of the EU and NATO. For the future equipment of the German Military ("German Bundeswehr") the necessary derivations and conclusions are drawn and in the current and the following planning cycles a special focus will be placed on the targeted use of the findings from the Ukrainian war. In accordance with the NATO planning objectives, the capability planning of the German Bundeswehr is once again increasingly oriented towards the national and the alliance defence. In order to fulfil the planning objectives, the "Bundeswehr Special Fund" and other comprehensive measures to increase the combat readiness were approved and the focus was placed on the national and the alliance defence in the context of a critical stock-taking.

For 2023, the German Bundestag approved the defence budget of approximately € 50.1 billion in November 2022. In 2023, an additional € 8.4 billion will flow from the special fund. In the subsequent years, more funds from the special fund will be spent and a large number of projects will be released by the budget committee of the German Bundestag. The defence budget has been set at € 50.1 billion for the next years up to 2026 as part of the medium-term financial planning. In his press statement during his visit to HENSOLDT on 16 January 2023, Chancellor Olaf Scholz confirmed that long-term cooperation with the defence industry should be established for the consistent implementation of the turnaround. The new Federal Minister of Defence, Boris Pistorius, has also spoken out in favour of strengthening the national defence industry, in a concerted effort in Europe.

After lengthy negotiations, the Future Combat Air System (FCAS) programme involving three nations achieved an important milestone in December 2022 with the launch of Phase 1B. Overall, cooperation with the European partners France, Great Britain, the Netherlands and Norway was continued within the framework of the ongoing armament projects. Arms relations with Finland and Sweden have been intensified. Both countries continue planning to become members of the NATO.

In view of the security situation, bilateral and multilateral arms cooperation has received an additional boost. The "European Sky Shield Initiative" was established under German coordination on 13 October 2022 for the area of ground-based air defence. Objective of the initiative is to strengthen the European pillar in NATO's common air defence. To this end, existing abilities should be expanded and existing capability gaps closed. 15 countries have joined forces for this purpose. Sweden also acceded the initiative in January 2023. These countries want to procure, use and maintain the corresponding systems together.

The Federal Republic of Germany continues to support Ukraine militarily. The total value of the individual licenses for the export of arms issued by the German Federal Government in the period from January to 5 December 2022 amounts to just under € 2 billion. At the Berlin Security Conference on 30 November 2022, Chancellor Olaf Scholz had promised to continue providing economic, financial, humanitarian and military assistance to Ukraine. The funds for the upgrading initiative are to total € 2.2 billion for the year 2023. Shortly after the decision to deliver battle tanks from German Bundeswehr stocks to Ukraine, the new Federal Minister of Defence, Boris Pistorius, announced his intention to fill the gaps in the German Bundeswehr caused by all deliveries as quickly as possible and to hold talks with the defence industry to this end.

For HENSOLDT, the security policy situation, the special assets and the investment resources of section 14 offer a wide range of business opportunities in all military dimensions. Nevertheless, current conditions such as limited production capacities, unstable supply chains, high international demand with limited supply, high inflation and significant exchange rate changes have a potentially negative impact on the procurement of armaments.

## 2 Business development

Russia's war on Ukraine represents a turning point the likes of which we have not seen in Europe since the Cold War. This upheaval in the global order will leave a lasting mark – on the worlds of politics and business and on the people. The 'watershed' in security policy proclaimed by the government of the Federal Republic of Germany, the main customer of HENSOLDT Group, holds extensive opportunities for HENSOLDT.

For the year 2022, there were no significant effects for HENSOLDT's project business. Of the "focus areas"<sup>9</sup> defined by HENSOLDT and based on initiatives of the German Federal Government, orders from "focus area 1" have already been recorded insofar as in the second half of 2022, among other things, the first deliveries of, for example, TRML-4D radars for the IRIS-T SLM air defence system to Ukraine were completed at short notice. Further deliveries should be made swiftly in 2023.

The COVID-19 pandemic has still not significantly influenced the business of HENSOLDT as a provider of electronic defence and security solutions.

As part of a long-term succession planning, the Supervisory Board approved the early consensual termination of the appointment of Axel Salzmann (CFO) and Peter Fieser (CHRO) as members of the Management Board in March 2022. Axel Salzmann left the Management Board on 30 June 2022. Christian Ladurner, formerly Head of Group Controlling & Investor Relations has taken over as CFO on 1 July 2022. Peter Fieser resigned from the Management Board on 30 September 2022. Dr. Lars Immisch, the former Executive Vice President HR at the Defence and Space division of the Airbus Group, took over the position as the CHRO with effect from 1 October 2022.

<sup>9</sup> "Focus Area 1": Continuous support of Ukraine by the German Federal Government in coordination with EU initiatives and the "Ukraine Defence Contact Group"

"Focus Area 2": Specific procurement projects and upcoming projects in the context of NATO/European initiatives

"Focus Area 3": Bundeswehr special fund

HENSOLDT Nexeya France S.A.S. ("Nexeya"), a French subsidiary of HENSOLDT AG, and part of its subsidiaries were the target of a serious cyber-attack on its IT infrastructure in mid-August 2022. A comprehensive investigation of the incident was launched immediately, in close cooperation with the relevant authorities. Nexeya was largely able to return to its normal day-to-day business operations at the beginning of September. This attack affected neither the IT infrastructure nor any data of other HENSOLDT Group companies.

Overall, HENSOLDT's operating business continued its positive development in the fiscal year 2022 and strong order intakes were recorded. The Sensors segment benefited in particular from orders relating to the Eurofighter (C3 service contract), with a total contract value of € 270 million as well as orders in the context of the Eurofighter Halcon programme (€ 175 million), orders for equipping the F126 multi-purpose frigates with four TRS-4D radar systems having a total value of € 168 million and incoming orders for the FCAS programme with a total volume of € 96 million. In the Optronics segment, orders for lasers for the M1 Abrams, among others, were booked in the amount of € 29 million. On a year-on-year basis, revenue increased significantly by 15.8 % (€ 1,707 million; previous year: € 1,474 million). The Group was able to ramp up key projects as expected and to achieve significant milestones as planned. The increase in adjusted EBITDA (€ 292 million; previous year: € 261 million) mainly resulted from volume and project mix effects. These effects were partly compensated by lower project margins from increased pass-through revenue. As expected, the book-to-bill ratio was below the previous year's value due to the excellent order intake in the 2021 fiscal year, but at 1.2 it remained at a high level.

Given the positive development, the revolving credit facility, which had been utilised in 2020, was repaid by another € 150 million and thus in full in the fiscal year 2022.

## 3 Net assets, financial position and results of operations

### 3.1 Results of operations

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

in € million	Order intake			Revenue			Book-to-bill			Order backlog		
	Fiscal year			Fiscal year			Fiscal year			31 Dec.	31 Dec.	
	2022	2021	% Delta	2022	2021	% Delta	2022	2021	% Delta	2022	2021	% Delta
Sensors	1,675	2,774	-39.6 %	1,404	1,148	22.3 %	1.2x	2.4x	-1.2x	4,688	4,420	6.0 %
Optronics	333	405	-17.8 %	310	332	-6.7 %	1.1x	1.2x	-0.1x	692	676	2.3 %
Elimination/ Transversal/ Others	-15	-8		-7	-5					-13	-4	
<b>HENSOLDT</b>	<b>1,993</b>	<b>3,171</b>	<b>-37.2 %</b>	<b>1,707</b>	<b>1,474</b>	<b>15.8 %</b>	<b>1.2x</b>	<b>2.2x</b>	<b>-1.0x</b>	<b>5,366</b>	<b>5,092</b>	<b>5.4 %</b>

#### Order intake

Order intake remained at a very high level. Further significant orders were received in the fiscal year 2022. Given the outstanding order intake in the previous year, especially through the key project PEGASUS, the order intake of the HENSOLDT Group in 2022 was behind the previous year.

The order intake in the Sensors segment was characterised by the service contract C3 for the Eurofighter in the Services & Aerospace Solutions division and by orders in the context of the Eurofighter Halcon programme in the Radar & Naval Solutions and the Spectrum Dominance & Airborne Solutions divisions. The Radar & Naval Solutions division also made a significant contribution with orders for the equipment of the frigate 126. In addition, orders were received in connection with Demonstrator Phase 1B in the FCAS (Future Combat Air System) programme, in which all Divisions are involved. The previous year included record orders relating to the airborne electronic signals intelligence system PEGASUS with a contract value of € 1.25 billion in the Spectrum Dominance & Airborne Solutions division and the Eurofighter Quadriga programme in the Radar & Naval Solutions and the Spectrum Dominance & Airborne Solutions divisions. Within the Sensors segment, the Radar & Naval Solutions accounted for 44.0 % (previous year: 29.2 %). The Spectrum Dominance & Airborne Solutions division accounted for 21.4 % (previous year: 60.0 %) of order intake and 34.6 % (previous year: 10.8 %) was attributable to the Services & Aerospace Solutions division.



The order intake in the Optronics segments in the fiscal year 2022 was characterised by order intakes in the Ground Based Systems, Naval and Industrial Commercial Solutions product lines and in the South African unit. The previous year period included high order intake levels in the Ground Based Systems and Naval product lines which, in total, resulted in a decline of the order intake year-on-year.

### Revenue

Revenue increased significantly, mainly due to the key project PEGASUS and the increased core business in the Sensors segment.

The strong growth in the Sensors segment was achieved in all divisions. The main drivers were the PEGASUS airborne electronic signals intelligence system in the Spectrum Dominance & Airborne Solutions division and the Eurofighter radars in the Radar & Naval Solutions division. In these key projects significant milestones could be achieved as planned. The Radar & Naval Solutions division contributed 38.3 % (previous year: 41.6 %) and the Spectrum Dominance & Airborne Solutions division contributed 40.4% (previous year: 33.2%) to revenue. The Services & Aerospace Solutions division accounted for 21.3 % (previous year: 25.2 %) of revenue.

In the Optronics segment, the main drivers in revenue were the Ground Based Systems and Industrial Commercial Solutions product lines and the South African unit. The decrease compared to the previous year is mainly due to temporary restrictions in the supply chains and time delays in the supply of production material, especially for ground-based systems. This resulted in a shift in revenue recognition.

### Book-to-bill ratio

As expected, the book-to-bill ratio was below the previous year's value due to the excellent order intake in the 2021 business year, but at 1.2 it remained at a high level.

In the Sensors segment, a book-to-bill ratio of 1.2 was achieved. A decrease in the Spectrum Dominance & Airborne Solutions and Radar & Naval Solutions divisions was partly compensated by increases in the Services & Aerospace Solutions division. The high book-to-bill ratio in the previous year period was characterised by orders relating to the airborne electronic signals intelligence system PEGASUS in the Spectrum Dominance & Airborne Solutions division.

The book-to-bill ratio in the Optronics segment was 1.1, albeit at a lower order intake and revenue level. The slight decline compared to the previous year resulted in particular from high order intakes in the fiscal year 2021 in the Ground Based Systems and Naval product lines.

### Order backlog

Order backlog at group level increased due to a book-to-bill ratio of 1.2 in the Sensors segment and 1.1 in the Optronics segment.

In the Sensors segment further growth compared to 31 December 2021 was mainly driven by the order intakes in the Radar & Naval Solutions and the Services & Aerospace Solutions divisions. Within the Sensors segment, 54.4 % (previous year: 53.0 %) of order backlog was attributable to the Radar & Naval Solutions division. Approx. 32.3 % (previous year: 39.0 %) relate to the Spectrum Dominance & Airborne Solutions division. The Services & Aerospace Solutions division accounted for about 13.3 % (previous year: 8.0 %).

The increase in the Optronics segment compared to 31 December 2021 resulted primarily from the order intake in the product lines Ground Based Systems, Naval, Industrial Commercial Solutions and the South African unit.

## Income<sup>10</sup>

in € million	Profit			Profit margin	
	Fiscal year			Fiscal year	
	2022	2021	% Delta	2022	2021
Sensors	233	194	20.0 %	16.6 %	16.9 %
Optronics	59	68	-14.2 %	18.9 %	20.5 %
Elimination/Transversal/Others	–	-2			
<b>Adjusted EBITDA</b>	<b>292</b>	<b>261</b>	<b>12.0 %</b>	<b>17.1 %</b>	<b>17.7 %</b>
Depreciation and amortisation	-103	-126	17.9 %		
Non-recurring effects	-22	-9	-146.8 %		
<b>Earnings before finance result and income taxes (EBIT)</b>	<b>166</b>	<b>126</b>	<b>32.2 %</b>	<b>9.7 %</b>	<b>8.5 %</b>
Finance result	-37	-41	10.2 %		
Income taxes	-49	-22	-122.6 %		
<b>Group result</b>	<b>80</b>	<b>63</b>	<b>27.8 %</b>	<b>4.7 %</b>	<b>4.3 %</b>
<b>Earnings per share (in €; basic/diluted)</b>	<b>0.75</b>	<b>0.60</b>	<b>24.3 %</b>		

### Adjusted EBITDA

The adjusted EBITDA of the Group increased significantly compared to the previous year, mainly due to volume effects and a favourable project mix. These effects were partly compensated by lower project margins from increased pass-through revenue and for projects in early stage of life-cycle as well as by higher research and development costs and functional costs.

The Sensors segment had a significant impact on the development of adjusted EBITDA of the Group. The volume effects in the Sensors segment were the result of higher revenues for PEGASUS and the increased baseline business. At the same time, the key project PEGASUS showed an increase in pass-through business in the fiscal year 2022. The favourable project mix was mainly reported in the Radar & Naval Solutions division.

The Optronics segment experienced a decline compared to the previous year. This was due, among other aspects, to time delays in material supply. These delays resulted in time shifts in revenue recognition, which had a corresponding impact on adjusted EBITDA. Furthermore, the decline was due to the development of new business areas and the corresponding higher functional costs.

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

Depreciation and amortisation experienced a decrease, mainly related to lower amortisation of acquired intangible assets compared to the previous year. This decrease was partly offset by higher amortisation of capitalised development costs.

The increase of non-recurring effects<sup>11</sup> resulted mainly from expenses in the context of the long-term succession planning for the Management Board and expenses for coping with the cyber-attack on the French subsidiary Nexeya.

### Group result

The improvement in the finance result was mainly due to lower interest expenses thanks to improvements in the capital structure. This was partly offset by the reversal of deferred transaction costs for the revolving credit facility as part of the adjustment to the credit agreement.

<sup>10</sup> The profit margins are calculated in relation to the corresponding revenue.

<sup>11</sup> Defined as "transaction costs, follow-up expenses in 2021 for the IPO in 2020, OneSAPnow-related non-recurring effects as well as other non-recurring effects".

This was offset by an increase in income tax expense of € 27 million to € 49 million as at 31 December 2022 (previous year: € 22 million). It includes current income tax expenses of € 13 million (previous year: € 20 million) and an increase in deferred tax expenses of € 34 million (previous year: € 2 million). Main drivers for deferred taxes were the reversal of deferred tax assets on loss carryforwards and respectively the addition to deferred tax liabilities in connection with intangible assets as well as further valuation differences. The lower current tax expense is due to the use of loss carry forwards and the different results within the tax group.

### Earnings per share

Earnings per share improved from € 0.60 to € 0.75 compared to the previous year, mainly due to the increased EBITDA, lower amortisation/depreciation and a slightly improved finance result.

The Management Board intends to propose to the Supervisory Board the distribution of a dividend of € 0.30 per share to shareholders entitled to such dividends. This corresponds to an expected total payment of around € 31.5 million. The payment of the proposed dividend is subject to the approval of the general meeting.

## 3.2 Net assets

	31 Dec.	31 Dec.	
in € million	2022	2021	% Delta
<b>Non-current assets</b>	<b>1,335</b>	<b>1,326</b>	<b>0.6 %</b>
<i>therein: Goodwill<sup>1</sup></i>	<i>658</i>	<i>658</i>	<i>0.0 %</i>
<i>therein: Intangible assets</i>	<i>384</i>	<i>385</i>	<i>-0.1 %</i>
<i>therein: Property, plant and equipment</i>	<i>121</i>	<i>108</i>	<i>12.0 %</i>
<i>therein: Deferred tax assets</i>	<i>6</i>	<i>11</i>	<i>-43.7 %</i>
<b>Current assets</b>	<b>1,644</b>	<b>1,629</b>	<b>0.9 %</b>
<i>therein: Inventories</i>	<i>516</i>	<i>444</i>	<i>16.1 %</i>
<i>therein: Contract assets</i>	<i>182</i>	<i>170</i>	<i>7.3 %</i>
<i>therein: Trade receivables</i>	<i>323</i>	<i>309</i>	<i>4.5 %</i>
<i>therein: Other current financial assets</i>	<i>20</i>	<i>7</i>	<i>163.5 %</i>
<i>therein: Other current assets</i>	<i>133</i>	<i>167</i>	<i>-20.1 %</i>
<i>therein: Cash and cash equivalents</i>	<i>460</i>	<i>529</i>	<i>-13.1 %</i>
<b>Total assets</b>	<b>2,979</b>	<b>2,956</b>	<b>0.8 %</b>

<sup>1</sup> Adjustment of previous year's figures due to a purchase price adjustment after the measurement period by €+6 million

As at 31 December 2022, the Group's assets remained almost unchanged with a slight increase by 0.8 % to € 2,979 million. The slight increase resulted in particular from the rise in inventories by € 72 million or 16.1 % and was compensated to a large extent by the decline of cash and cash equivalents of € 69 million and the other current assets by € 33 million.

The slight increase in non-current assets from € 1,326 million as at 31 December 2021 to € 1,335 million as at 31 December 2022 was largely due to an increase of property, plant and equipment, in particular investments in test, simulation and demonstration devices. Intangible assets remained almost unchanged since the increases in the fiscal year 2022 which comprised mainly capitalised development costs of € 55 million (previous year: € 66 million) were slightly overcompensated by the amortisation of assets from acquisitions and capitalised development costs totalling € 59 million (previous year: € 82 million).

Current assets rose in the fiscal year 2022 by € 15 million from € 1,629 million as of 31 December 2021 to € 1,644 million as of 31 December 2022.

The increase in inventories, contract assets, trade receivable and other current financial assets was partly offset by the decline in cash and cash equivalents and other current assets. The increase in contract assets and trade receivables resulted mainly from the scheduled achievement of milestones in key projects and the associated realisation of a significant volume of business in the fourth quarter of the fiscal year. Likewise, inventories were built up especially against the backdrop of the high order backlog as well as the current, temporary supply chain disruptions. The increase in other current financial assets is due in particular to loans granted to non-consolidated companies as well as further foreign currency derivatives concluded in connection with ongoing key projects. Other current assets amounting to € 133 million compared to € 167 million as of 31 December 2021, fell mainly due to lower advance payments to suppliers. The decline in cash and cash equivalents of € 69 million was, on the one hand, primarily due to the full repayment of the revolving credit facility raised in 2020 by € 150 million, the dividend payment to shareholders of HENSOLDT AG of € 26 million and scheduled payments from the passing on of due amounts from factoring agreements to the factor of € 5 million. This effect was compensated, on the other hand, partly by the positive free cash flow of € 143 million.

## 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 the 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 the HENSOLDT Group enables it to maintain financial room for manoeuvre in order to take advantages of business and investment opportunities.

### Capital structure of the Group

In connection with the IPO, HENSOLDT replaced its existing debt financing with a new facilities agreement comprising a long-term loan of € 600 million and a revolving credit facility of € 350 million. In the fiscal year 2021, both the long-term loan and the revolving credit facility were increased by € 20 million each. The revolving credit facility was repaid by a total of € 150 million in the fiscal year 2022 and was therefore no longer utilised at the reporting date. In 2022, the credit conditions were adjusted selectively, see note "36.2 Financing liabilities" in the consolidated financial statement.

The availability and conditions of the long-term syndicated loan are tied to the compliance with a financial covenant, which refers to the ratio of net debt to adjusted EBITDA as defined in the Senior Financing Agreement. In the fiscal year 2022, the financial covenants were complied with at all times. In the event of a breach, the financing partners are authorized to terminate the syndicated loan. There are currently no indications that the covenant will not be complied with in the near future.



	31 Dec.	31 Dec.	
in € million	2022	2021	% Delta
<b>Equity</b>	<b>616</b>	<b>417</b>	<b>48.0 %</b>
<i>therein: Share capital / Capital reserve<sup>3</sup></i>	<i>577</i>	<i>642</i>	<i>-10.1 %</i>
<i>therein: Other reserves<sup>1</sup></i>	<i>82</i>	<i>-65</i>	<i>&gt; 200 %</i>
<i>therein: Retained earnings<sup>1,2,3</sup></i>	<i>-55</i>	<i>-171</i>	<i>67.7 %</i>
<b>Non-current liabilities</b>	<b>1,160</b>	<b>1,284</b>	<b>-9.7 %</b>
<i>therein: Non-current provisions</i>	<i>282</i>	<i>497</i>	<i>-43.2 %</i>
<i>therein: Non-current financing liabilities</i>	<i>619</i>	<i>622</i>	<i>-0.6 %</i>
<i>therein: Non-current lease liabilities</i>	<i>140</i>	<i>139</i>	<i>0.3 %</i>
<i>therein: Deferred tax liabilities</i>	<i>94</i>	<i>4</i>	<i>&gt; 200 %</i>
<b>Current liabilities</b>	<b>1,203</b>	<b>1,255</b>	<b>-4.1 %</b>
<i>therein: Current provisions</i>	<i>181</i>	<i>188</i>	<i>-4.0 %</i>
<i>therein: Current financing liabilities</i>	<i>12</i>	<i>166</i>	<i>-92.6 %</i>
<i>therein: Current contract liabilities</i>	<i>488</i>	<i>500</i>	<i>-2.3 %</i>
<i>therein: Trade payables</i>	<i>379</i>	<i>269</i>	<i>40.9 %</i>
<i>therein: Other current financial liabilities</i>	<i>4</i>	<i>10</i>	<i>-64.1 %</i>
<i>therein: Other current liabilities</i>	<i>101</i>	<i>94</i>	<i>7.3 %</i>
<b>Total equity and liabilities</b>	<b>2,979</b>	<b>2,956</b>	<b>0.8 %</b>

<sup>1</sup> Adjustment of previous year's figures: Cash flow-hedges by €+5 million in other reserves and by €-5 million in retained earnings

<sup>2</sup> Adjustment of previous year's figures due to a purchase price adjustment after the measurement period by €+6 million

<sup>3</sup> Adjustment of previous year's figures: Release of Capital reserves €- 60 million and addition to retained earnings €+ 60 million. In contrast to previous year, the dividend payment of € 14 million is expensed to retained earnings

As of 31 December 2022, equity and liabilities increased only slightly by € 23 million or 0.8 % to € 2,979 million compared to € 2,956 million as of 31 December 2021.

This rise was primarily due to an increase in equity by € 200 million to € 616 million. The main reason for this increase was the increase in other reserves by € 148 million, which was mainly due to the adjustment of the provisions for post-employment benefits on the reporting date in accordance with the actuarial calculations. In addition, the negative retained earnings were reduced as a result of the positive group result attributable to HENSOLDT AG in the amount of € 78 million and by € 65 million from the release of the capital reserve. This was partly offset by the dividend payment of € 26 million.

Non-current liabilities decreased by € 125 million from € 1,284 million as of 31 December 2021 to € 1,160 million as of 31 December 2022, which is mainly attributable to the reduction in non-current provisions. The main driver consisted in the reduction of the provisions for post-employment by € 204 million to € 241 million due to higher interest rates. This was associated with a contrary development – the increase in deferred tax liabilities by € 90 million to € 94 million resulting in particular from the reversal of deferred tax assets and the resulting lower offsetting potential.

Current liabilities decreased by € 52 million from € 1,255 million as of 31 December 2021 to € 1,203 million as of 31 December 2022. The main reason for this decline was the full repayment of the revolving credit facility of € 150 million. In addition, current contract liabilities, current provisions and other current financial liabilities decreased. These decreases were partly offset by an increase in trade payables in the amount of € 110 million.

## Investment and liquidity analysis

	Fiscal Year		
in € million	2022	2021	Delta
<b>Cash flows from operating activities</b>	<b>244</b>	<b>299</b>	<b>-55</b>
<i>therein: Group result</i>	<i>80</i>	<i>63</i>	<i>17</i>
<i>therein: Financial expenses (net)</i>	<i>27</i>	<i>33</i>	<i>-6</i>
<i>therein: Income tax expense (+) / income (-)</i>	<i>49</i>	<i>22</i>	<i>27</i>
<i>therein: Inventories</i>	<i>-75</i>	<i>-44</i>	<i>-31</i>
<i>therein: Contract balances</i>	<i>-25</i>	<i>111</i>	<i>-136</i>
<i>therein: Trade receivables</i>	<i>-13</i>	<i>-22</i>	<i>9</i>
<i>therein: Trade payables</i>	<i>110</i>	<i>107</i>	<i>3</i>
<i>therein: Other assets and liabilities</i>	<i>42</i>	<i>-83</i>	<i>124</i>
<b>Cash flows from investing activities</b>	<b>-101</b>	<b>-117</b>	<b>16</b>
<i>therein: Acquisition / addition of intangible assets and property, plant and equipment</i>	<i>-95</i>	<i>-102</i>	<i>7</i>
<i>therein: Acquisition of subsidiaries net of cash acquired</i>	<i>-1</i>	<i>-12</i>	<i>11</i>
<b>Free cash flow</b>	<b>143</b>	<b>182</b>	<b>-39</b>
Non-recurring effects	35	12	23
Interest, income taxes and M&A activities	41	58	-17
<b>Adjusted pre-tax unlevered free cash flow</b>	<b>219</b>	<b>252</b>	<b>-33</b>
<b>Cash flows from financing activities</b>	<b>-214</b>	<b>-297</b>	<b>83</b>
<i>therein: Repayment from financing liabilities to banks</i>	<i>-150</i>	<i>-210</i>	<i>60</i>
<i>therein: Change in other financing liabilities</i>	<i>-19</i>	<i>-84</i>	<i>65</i>
<i>therein: Dividend payments</i>	<i>-26</i>	<i>-14</i>	<i>-13</i>
<b>Cash and cash equivalents</b>	<b>460</b>	<b>529</b>	<b>-69</b>

## Free cash flow

The cash flows from operating activities were once again at a very high level due to the operating performance. The main effects in working capital due to the change in the balance of contract assets and contract liabilities and an increase in other assets and liabilities are mainly related to the scheduled execution of the key projects PEGASUS and Eurofighter Common Radar System Mk1. Significant milestones were achieved in the fiscal year 2022, which led to customer payments and corresponding payments to suppliers. Furthermore, preparations were made to handle the increased business volume.

Regarding cash flows from investing activities, there was a decline of cash outflows year-on-year. Lower payments for M&A activities and lower investments in intangible assets were compensated, in part, by higher investments in property, plant and equipment.

Investments include capital expenditure used to acquire, upgrade and maintain physical assets such as property, plant and equipment as well as intangible assets, such as software or licenses. In addition, investments include development costs which were capitalised as internally generated intangible assets. The decrease in investments was mainly caused by lower capitalised development costs (refer to chapter "1.5 Research and development").

### Adjusted pre-tax unlevered free cash flow

The adjusted pre-tax unlevered free cash flow was once again at a very high level with € 219 million. Compared to the exceptionally strong cash performance of the previous year, there was a decrease of € 33 million. The non-recurring effects<sup>12</sup> were mainly connected with the allocation to plan assets as well as payments in the context of long-term succession planning for the Management Board. The decrease in the items for interest<sup>13</sup>, income tax<sup>14</sup> and M&A activities<sup>15</sup> was mainly related to lower outflows from M&A activities and lower interest rate payments which were partly compensated by higher income tax in the current reporting period.

### Cash flows from financing activities

Cash flows from financing activities were characterised by the full repayment of the revolving credit facility in the amount of € 150 million and improved compared to the previous year. The comparative period of the previous year included the partial repayment of the revolving credit facility in the amount of € 200 million as well as cash outflows due to the reduction of other financing liabilities. The latter related mainly to scheduled payments of € 86 million to a factoring company for payments received from factoring contracts that were not yet due for forwarding to the factor as of 31 December 2020. Furthermore, the dividend payment to the shareholders of HENSOLDT AG at € 0.25 per share during the fiscal year 2022 exceeded the dividend payment of the previous year period at € 0.13 per share.

### Cash and cash equivalents

As of 31 December 2022, cash and cash equivalents were composed of bank balances amounting to € 310 million (previous year: € 529 million) and short-term time deposits of € 150 million (previous year: € 0 million). The decrease compared with the previous year resulted mainly from the full repayment of the revolving credit facility and dividend payments to the shareholders of HENSOLDT AG. This decline was partly compensated by the positive free cash flow.

## 3.4 Overall assessment

The Management Board assesses the economic performance of the HENSOLDT Group as being overall positive. Despite the temporarily challenging environment due to the consequences of the Ukraine war, revenue targets were fully achieved. Order intake remained at a very high level. The Group's order intake is below the order intake of the comparative period due to the outstanding order intake in the previous year. Due to the achieved increase in business volume and the consequent implementation of efficiency improvement measures, adjusted EBITDA fully met the expectations.

The forecasted key performance indicators order intake, revenue and adjusted EBITDA were achieved in the Group as well as in the Sensors segment. In the Optronics segment, temporary supply chain limitations resulted in time shifts in revenue recognition, which had a corresponding impact on adjusted EBITDA, with the result that the forecasted key performance indicators were not achieved. There were also time shifts in order intake to the following year.

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.

<sup>12</sup> Defined as "transaction costs, follow-up expenses in 2021 for the IPO in 2020, OneSAPnow-related non-recurring effects as well as other non-recurring effects".

<sup>13</sup> Defined as "Interest paid" (including interest on leases), as disclosed in the consolidated statement of cash flows.

<sup>14</sup> Defined as "payments/repayments of income tax" as disclosed in the consolidated statement of cash flows.

<sup>15</sup> Defined as sum of "Share of profit in entities recognised according to the equity method", "Payments received from the sale of intangible assets and property, plant and equipment", "Acquisition of associates, other investments and other non-current financial investments", "Disposal 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.

## III Forecast

### 1 Development of overall economic conditions

The IMF still expects an increase of the global economic performance of 3.4 % in the fiscal year 2022. For 2023, the IMF forecasts a global economic growth of 2.9 %. This forecast, which has been revised upwards by 0.2 percentage points compared to October 2022, reflects in particular the reopening of the economy in China. The IMF's latest World Economic Outlook predicts that the fight against inflation and the war in Ukraine will continue to weigh on economic activity in 2023.

For the Euro area, the IMF projects a declining growth compared to previous years of 0.7 % on average. Compared to the last forecast, there was an upward revision of 0.2 percentage points, due in particular to faster interest rate hikes by the European Central Bank and additional announcements of measures to support purchasing power in the form of energy price controls. For 2024, the IMF expects a growth of 1.6 % on average.

The existing risk balance is still on the downside, but the adverse risks have decreased since the last forecast in October 2022. A stronger stimulus from pent-up demand in many economies or a faster decline in inflation is conceivable. On the other hand, serious health problems in China could slow down the recovery, an escalation of the war in Ukraine as well as a change in global financial conditions could exacerbate the debt problem. Capital markets could be reassessed in response to negative inflation news and economic progress could be affected by further geopolitical fragmentation.

In most economies, sustained disinflation remains a priority in the face of the cost-of-living crisis. With restrictive monetary conditions and lower economic growth potentially affecting financial and debt stability, there is a need to use tools to stabilize the financial system as a whole and strengthen the debt restructuring framework. Closer multilateral cooperation is essential to preserve the achievements of the rules-based multilateral system, mitigate climate change by limiting emissions and promote green investment.

### 2 Development in the defence and security sector

Global military spending rose for the seventh year in a row in 2021, reaching more than 2 trillion US-Dollar ("USD") for the first time. That corresponded to 2.2 % of the global GDP. According to information provided by NATO, all NATO member states have increased their defence spending further in 2022 as a result of the Russian war of aggression. At the NATO summit in Madrid in June 2022, the Heads of State and Government agreed to reach the NATO 2 % target as early as 2024. For 2022, NATO states that only 9 out of the 29 members will reach this level.

In its Defence Data Report 2020/2021, published on 8 December 2022, the European Defence Agency (EDA) also confirmed the long-term trend of higher defence expenditure in its 26 Member States even before Russia's war against Ukraine. The total expenditure of the members exceeded € 200 billion for the first time in 2021. In 2021, defence spending grew by almost € 52 billion, an increase of about 32 % compared to the historic low of 2014. This trend is expected to be further reinforced with Russia's war against Ukraine. The European Commission itself also wants to discuss with the Member States a possible increase in the EVF budget as part of the mid-term review of the European Defence Fund (EDF) 2023/2024.

Like in Germany, other NATO and EU Member States have derived their future military equipment from NATO planning objectives and the existing war scenario. The new strategic concept adopted by NATO at the 2022 NATO summit identifies Russia as the greatest threat to the security of the Allies, addresses the threat from China for the first time and continues to include challenges such as organised transnational terrorism, cyber-attacks and hybrid conflicts. NATO will also play a stronger role in the field of innovation with the establishment of the NATO Innovation Fund and will invest € 1 billion in start-ups with a focus on dual use over the next 15 years.

Chinas hegemonic claims in the Indo-Pacific region have increased security provision and cooperation among states in the region. At the same time, the states are looking for cooperation with NATO members in the defence industry. Australia plans to gradually increase its defence spending from approximately 48.6 billion AUS-Dollar ("AUD") in 2022/23 to approximately AUD 55.5 billion in the years to 2025/26. The investment portion increases from approximately AUD 16.2 billion to AUD 19.4 billion. Australia has also provided significant military support to Ukraine.



Japan, too, began opening up to defence industrial cooperation even before Russia's war against Ukraine. This opening has reached a climax with the cooperation officially announced in December 2022 in the trilateral Global Combat Air Program together with Great Britain and Italy. The aim is to develop a sixth-generation fighter aircraft by 2035 in parallel to the current FCAS programme. In addition, the defence budget in Japan is expected to increase from 5.2 trillion JPN-Yen ("JPY") to around JPY 6.5 trillion in 2023. The Japanese government plans to increase defence spending to a total of JPY 43 trillion by 2027 and to increase the annual budget to around JPY 9 trillion, which is about 2 % of GDP.

The trilateral fighter programme will continue to receive significant funding from Italy. Approximately € 220 million is expected to be spent on the project in 2022 and € 345 million in 2023, all from the Italian defence budget. Up to 50 % of the system components should be based on electronic components.

France and the UK announced a significant defence budget increase in their long-term budget plans even before Russia's war against Ukraine.

In France, plans for the new military planning law for the period from 2023 to 2030 have started. The law is to be presented to parliament in March 2023 and will include a significant increase in defence spending to a total of € 413 billion for the entire period. Here, too, the derivations from Russia's war against Ukraine for the considerations of future focus are in the foreground besides ammunition supplies and a focus on strengthening the defence industrial base and the deterrence capability. Procurement processes are also to be accelerated. Britain's new Prime Minister Rishi Sunak has announced that he will review the "integrated review" of previous governments before the next budget approval. Nevertheless, he committed to meeting the NATO 2 % target.

In addition to conventional elements, the significance of digitised weapons systems as well as data-driven information superiority and electronic warfare is evident in the Ukrainian war. In addition to the nearly worldwide increasing defence budgets, HENSOLDT's portfolio meets current and future requirements for modern armed forces. Future developments in the above mentioned segments, including space, coupled with the closing of elementary capability gaps in the field of air defence, personal equipment with e.g. night vision goggles and the purchase of additional units in all military dimensions – in particular ships, submarines, armoured vehicles, helicopters, fighter planes – will result in extraordinary growth potential for HENSOLDT in line with its global strategy. The global security situation and new industrial and political cooperation, especially in the Indo-Pacific region, and in the European region provide for additional market opportunities.

The EU Member States have implemented further measures to strengthen the defence industrial base. As an immediate measure, the EU Commission, the European Defence Agency and the European External Action Service established the "Defence Joint Procurement Task Force" (DJPTF) to assist member states in procuring short-term equipment in selected product categories. This is complemented by the EU draft regulation "European Defence Industry Reinforcement through common Procurement Act" (EDIRPA), which aims at promoting joint procurement by EU member states with EU funds of up to € 500 million. The EDIRPA Regulation is due to be adopted in January 2023 and the draft European "Defence Investment Programme" (EDIP) Regulation is due to be presented in the first half of 2023.

The German Federal Government plans to introduce an arms export control law in 2023. This could entail risks of increased restrictions on exports to certain third countries. At the same time, however, it is also planned to include third countries such as e.g. South Korea, Singapore or Chile in the privileged countries of the EU/NATO states, which would lead to simplified and faster approval decisions.

### 3 Outlook

For the fiscal year 2023, the management expects moderate growth in order intake due to budget increases and initial orders from the special fund.

In the business planning for the Group, the management expects a moderate organic growth in revenue for the fiscal year 2023 between 7 % and 10 % mainly due to the order backlog which remains still on a high level.

The management expects a total book-to-bill ratio on the previous year's level of between 1.1 and 1.2.

Adjusted EBITDA is expected to increase moderately in the fiscal year 2023.

For the Optronics segment, the management expects stronger percentage growth in revenue, order intake and adjusted EBITDA in relation to the Sensors segment due to catch-up effects resulting from temporary supply chain disruptions in the fiscal year 2022.

This assumes that geopolitical tensions from Russia's war against Ukraine will not increase further and that challenges due to temporary supply chain limitations and the COVID-19 pandemic will continue to recede.

The forecast strongly 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 \$1.13/€1.00 and an average inflation rate of 2.5 % in Germany and France for the planning period. Furthermore, a 4.0 % increase in personnel costs is forecast for Germany, a 4.0 % increase for France and 4.5 % for Great Britain. In addition, the forecast volumes for revenue and order intake highly depend on the reliability and stability of the political situation.

Overall, the Management Board is confident that HENSOLDT can build on the successful fiscal year 2022 and expects another positive development for 2023.

# IV Opportunities and risks report

## 1 Risk report

### 1.1 Essential principles of the risk and control management

At HENSOLDT Group, measures and systems have been implemented with the objective to enable stable business processes and allow an 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, such as COSO<sup>16</sup>. This also includes sustainability aspects.

The HENSOLDT risk and control management system represents an integral part of the systems and instruments, which the HENSOLDT Management Board is using for a value- and success-oriented 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, which are applicable for all entities, are defined on 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. The 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 (ICS). The HENSOLDT risk management team permanently monitors the HENSOLDT risk management system to support a continuous improvement process and communicates principles and their changes. HENSOLDT has an extensive, integrated methodology with a standardized procedure according to which risks are identified at an early stage, necessary controls are defined and documented according to consistent requirements.

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. Due to changes in the organization or acquisitions, new processes may become part of the scope of the ICS or existing processes may fall out of the scope.

The ICS is reviewed by Internal Audit as part of planned and special audits. The results are reported to the audited units, the Management Board and the Supervisory Board. The Management Board regularly convinces itself the appropriateness of the processes, identifies potential weaknesses and initiates appropriate measures to resolve them.

#### Enterprise Risk Management (ERM)

The Group policy "Enterprise Risk Management (ERM)" issued by the Management Board defines the methodical and organisational standards dealing with risks and opportunities. This Group policy also takes into account the requirements for risk-bearing capacity, risk appetite and the requirements of the revised version of the audit standard IDW PS 340. The risk management system remained unchanged during the fiscal year.

An 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, the HENSOLDT identifies, manages and reports risks and opportunities on a group- and segment specific-basis and thus differentiates between the two segments, Sensors and Optronics.

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,
- Annual validation and confirmation of 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 measures,
- Consolidation and aggregation of individual risks by considering the interactions at corporate level,
- Monitoring the effectiveness of these response measures,
- Regular preparation of risk management reports.

For the identification and assessment of risks, the responsible persons in the various group companies and departments have to follow the predefined procedures of the ERM team.

For the assessment of risks and opportunities on a group level, HENSOLDT is using a predefined evaluation matrix, which includes the following levels of probability and impact.

Probability (%)	Min	Max	Risk Matrix (Chapter IV 1.3)
Very unlikely	– %	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 on group Level (€ million)	Min	Max	Risk Matrix (Chapter 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 a group level. 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 (operative) 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 measures to support the realisation of opportunities. This results accordingly in the net assessment of the risks and opportunities. The HENSOLDT risk management system provides four response action 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 opportunity by increasing the likelihood and/or the impact 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 the HENSOLDT Group and the ERM Point of Contact in each legal entity are responsible for providing their risk portfolio to the ERM Officer at the group level in time for the quarterly risk reporting. Besides, the risk information related to health and safety (HSE<sup>17</sup>) must also be submitted in time for the reporting.

<sup>16</sup> Committee of Sponsoring Organizations of the Treadway Commission

<sup>17</sup> 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. Risk contingencies are independently of the above valuation matrix calculated and secured accordingly for operative 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 in relation to these risks are fully taken into account. These risks with a probability of occurrence above 50.0 % 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 over 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 to cover the variety of risks related to group accounting effectively.

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 the preparation of the financial reporting, HENSOLDT has issued detailed instructions on how and when to prepare and submit reporting packages to ensure a consistent quality over all reporting entities. Preparer and reviewer of these reporting packages are different persons to support an adequate segregation of duties.

Such segregation of duties is also constant practice within the accounting department and its various functions. Here, for example, master data maintenance is separated from transaction processing on the basis of a 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, and thus ensures 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 operative and functional risks, whereas the latter includes the two subgroups of risks related to strategy & planning and compliance risks. This categorisation of risks and opportunities is applied in the same way for the two segments Sensors and Optronics.

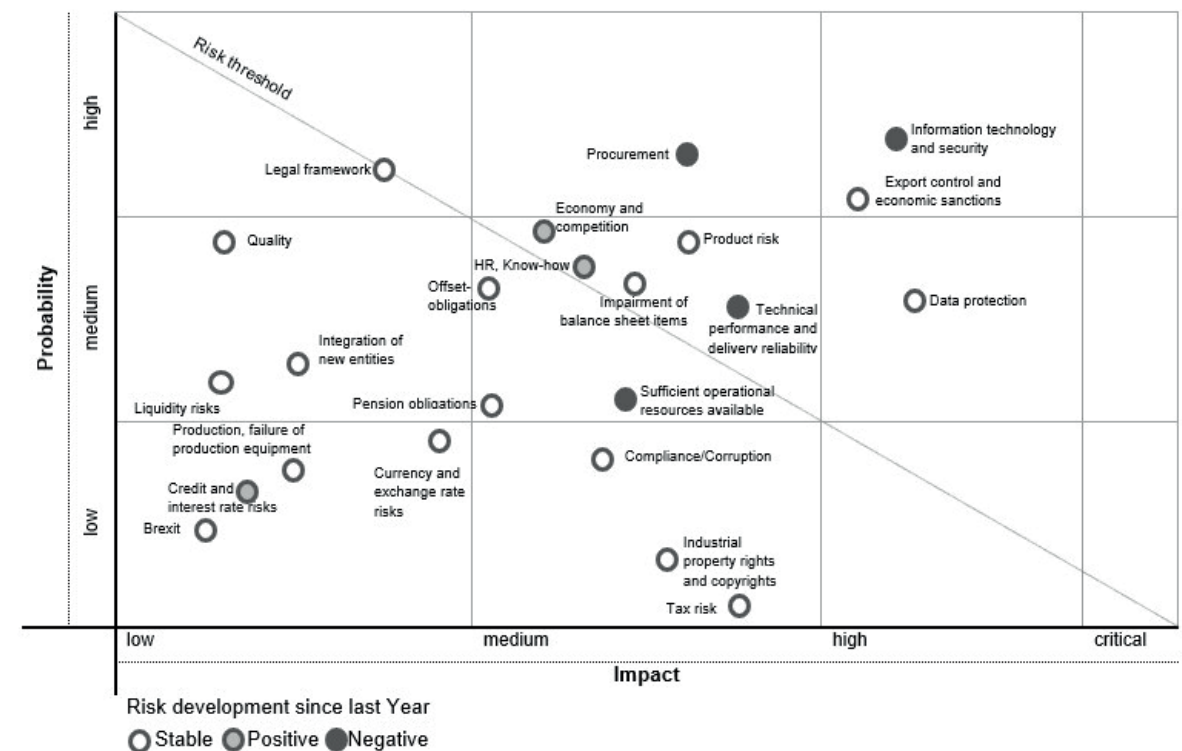
All those risks that are not directly project-related are summarised under functional risks for the HENSOLDT Group. Risk categories within the group of functional risks such as strategic risks and compliance risks are independent from HENSOLDT's operational activities.

Operative risks result from operational activities in particular in the context of HENSOLDT's project business. HENSOLDT has defined further sub-categories of operative risks; these are project specific. At HENSOLDT, sustainability risks are managed with 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 of 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 taken.

Functional risks and opportunities	Operative risks and opportunities	Financial risks and opportunities
<b>Strategic risks and opportunities</b>	Construction/Technology	Currency and exchange rate risks
Strategy	HR	Credit and interest rate risks
M&A	Information management/Security	Liquidity risks
Controlling	Legal	Impairment of assets
<b>Compliance risks and opportunities</b>	Operational quality	Taxes
Compliance/Corruption	Procurement	
Data protection	IP rights	
Export control	Production/Product risk	
Health, safety, environment	Sale/Offset obligations	
Sustainability to external		

As risks and opportunities can be both functional and operative and as interactions exist additionally 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, e.g. by implementing measures on operational level. Vice versa, operative risks might require an assessment and management on a segment, entity or even group level. Therefore, and to avoid a duplication of risks, the management of both functional and operative risks follows the same procedures of the HENSOLDT Group risk management system as described above.

The result of the aggregation of all functional and operational risks existing 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 subgroup strategy and planning covers any risks that have an impact on the strategic goals of the HENSOLDT Group, such as reputation and brand risks or risks resulting from market and industry changes and developments.

### *Risks related to strategy*

As in any industry, the business activities of HENSOLDT entails 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 the revenue and earnings development of the entire HENSOLDT Group. The international geopolitical situation as well as the 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 the risk export controls and economic sanctions. The geopolitical situation, particularly in 2022, 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 measures, a strategy workshop is held annually. The aim is to identify growth options and to recognise the relevant influencing factors as well as resulting risks beforehand through a comprehensive PESTEL analysis<sup>18</sup> and to counteract with adequate measures. Given the increased political complexity, the strategy workshop with the Management Board of HENSOLDT AG took place twice in the reporting year. This was explicitly a result of the rapidly changing global political situation, in particular due to the war in Ukraine.

Innovative power and technical progress in the industry are fundamental for the opening up of new sales opportunities and customers or markets. For this reason, the HENSOLDT Group considers research and development as fundamental to its business and sales opportunities and makes considerable resources available for this area. 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 mid-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 competitors a competitive edge.

The HENSOLDT Group counters these competitive risks on the market with partnerships and M&A activities, which are always implemented in compliance with the legal framework. For this purpose, the management conducts cross-industry surveys of the market for leading technology providers and evaluates the extent to which companies offer strategic added value. M&A transactions may entail further risks. These are adequately controlled by a professional and standardised process within the HENSOLDT Group.

## *Risks related to compliance*

As an internationally acting group, the HENSOLDT Group is subject to a range of compliance requirements in all countries in which it operates or sells its products and in particular to the ongoing changes in the legal framework relevant to the Group's business activities. Breaches of compliance in general can have a number of severe consequences for HENSOLDT and its staff, such as damages in reputation, loss of customers, exclusions from orders, sanctions, skimming of profits in profits, compensation for damages as well as civil and criminal prosecution. The financial expenditure of compliance breaches, should they occur despite all precautionary measures, on consolidated results is difficult to gauge and is highly dependent on individual circumstances. The assurance of compliance with relevant legal requirements as well as internal rules is therefore a key principle for HENSOLDT, even though the risk posed by individual exceptions can never be fully eliminated. In view of the industry and the markets in which HENSOLDT operates, the avoidance or control of risks concerning corruption, competition law, export controls, economic sanctions and data protection are in focus. To address these risks, HENSOLDT Group has set up a compliance organisation that ensures the lawful conduct of HENSOLDT Group and its employees through a compliance management system, as well as an appropriate response to potential or actual violations of external and internal rules. All business units of HENSOLDT are thus responsible for compliance with applicable laws and regulations in the course of their work. Should any suspected cases occur, such are actively investigated. HENSOLDT will cooperate with the relevant authorities in the event of any investigation proceedings. In the event that misconduct is identified despite all measures, this will result in both consequences for those involved and a review of the processes.

HENSOLDT has implemented a number of preventive measures to identify currently relevant laws and regulations on an ongoing basis and ensure they are taken into account in all decisions and operative processes. One of these measures is the regular compliance risk assessment across the Group. With the risk assessment, systemic and company-specific compliance risks can be identified, evaluated and necessary measures can be taken. In relation to this, there are also regular training and Q&A sessions. HENSOLDT 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. To further minimise compliance risks, HENSOLDT introduced processes and procedures (e.g., for dealing with third parties, including sales representatives, gifts and invitations as well as memberships and donations, conflicts of interest, compliance with export controls provisions and international sanctions).

In relation to the internal directives, HENSOLDT employees are obliged to promptly report all compliance violations to their supervisors, their contacts in the HENSOLDT compliance team, the head of the compliance department or any other employee of the HENSOLDT compliance team. In addition, employees have the option of reporting, also anonymously, violations to the "OpenLine" (telephone and email hotline).

### *Data protection risks*

HENSOLDT has a data protection management system across the Group, which is particularly intended to ensure a uniform level of data protection while taking into account the General Data Protection Regulation (GDPR) introduced by the EU. The goal is to enable a sustainable data-based business model as well as to ensure a responsible treatment of data in the interest of customers and employees. A variety of measures are fundamentally developed and implemented in order to achieve the goals mentioned above. The focus is always on a continuous review and improvement of the data protection management system. For this, HENSOLDT adheres to a risk-based approach. Specific data protection risks based on the GDPR may be punishable with a fine of up to 4 % of the 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 sensitises its employees for a responsible handling of data and the new challenges of data-based business models. The legal department continuously updates the regulatory requirements and integrity standards for the data protection management system. As a result, HENSOLDT wants to offer its employees and customers as well as other stakeholders new services alongside safe processing of data. HENSOLDT offers an operational framework for the treatment of data for 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 powerful 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.

## Operative risks

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

<sup>18</sup> PESTEL: Analysis of political, economic, socio-cultural, technical, environmental and legal factors of influence



HENSOLDT Group has to manage complex and long-running projects with demanding technical requirements and high volumes. Due to various uncertainties regarding calculations, unexpected technical problems or underestimated levels of complexity, which could have an impact on the adherence to the agreed-upon delivery dates, there are a number of risks to take into account. In addition, failure to meet its offset obligations may result in penalties and have a negative effect on project margins. Utilising experienced employees, technical know-how, and professional project, quality and contract management, these risks can be minimised but not totally avoided.

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 technical, economic and temporal coordination and coordination of the 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 a company dependent on the sales of innovative and complex technological products to a relatively small number of customers, the success of the HENSOLDT 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.

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

The HENSOLDT Group has initiated a number of measures to be regarded as 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 times or various incentive programmes. Against the background of the current labour market situation, HENSOLDT expects increased challenges in the future with regard to attracting and retaining highly qualified employees.

In the area of operational quality, the HENSOLDT Group is required to perform with 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, the HENSOLDT Group implemented a number of quality assurance measures such as an enhanced customer review and feedback process, single quality points of contact for "A-parts" and joined problem solving with suppliers as well as clear requirements to the provision of conformity certificates. Other measures in this area are dynamic sampling as part of the incoming goods inspection or an improved first sample inspection for so-called "B-parts".

Risks related to production, such as e.g. failure of production facilities or equipment are addressed through regular maintenance and investments. This ensures consistent product quality. A continuous improvement process in production is established for the continuous development of production. This includes employees and managers trained in lean methods, as well as the organisation of improvement workshops along the value chain. In these workshops, optimisations are systematically identified, measures and goals for increasing efficiency in production are derived and then implemented, with the aim of improving production costs and times.

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. A variety of different materials at low volumes characterises the supply chain. In addition, these materials are also used in other industries, which is why the HENSOLDT Group only purchases small fractions of the suppliers' total output. The 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, moreover, suppliers are selected on the basis of fact- and competition-oriented factors. There is also a management system in place for supplier relationships. Compliance with the Supply Chain Sourcing Obligations Act is essential for HENSOLDT. A crucial part of complying with the law is engaging our suppliers via a web-based IT platform 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 have been further strengthened and focused under the continuous monitoring and analysis of global pandemic- and crisis-related shortages of certain materials in the fiscal year 2022. A dedicated process for the efficient handling of brokerware, including the necessary technical evaluation, has been defined and introduced. Potential effects for HENSOLDT are regularly assessed in purchasing and the operational business units in order to counteract them with appropriate measures. At this point in time, there is therefore a moderately increasing risk for the Sensors segment in terms of impact and a medium risk for the Optronics segment as well as the possibility of time-related revenue shifts.

As a company in the security and defence industry, HENSOLDT is particularly vulnerable to cyberattacks in the area of information technologies and security, as well as the misappropriation or compromise of its intellectual property or other confidential (project-related) information, including that of its customers. To mitigate this risk, several measures, including employee awareness campaigns and trainings, have been initiated. In order to deal with the increased risk of cyber-attacks worldwide due to the war in Ukraine and the associated sanctions against Russia, a task force has been set up and is defining and implementing appropriate measures. Furthermore, the HENSOLDT Group expanded its cyber security measures, including by expanding its cybersecurity team and their budget, by security monitoring, a group-wide security operations team, penetration testing, and regular internal IT audits as well as external assessments. HENSOLDT Nexeya France S.A.S. ("Nexeya"), a French subsidiary of HENSOLDT AG, and part of its subsidiaries was the target of a serious cyberattack on its IT infrastructure in mid-August 2022. Nexeya was largely able to return to its normal day-to-day business operations at the beginning of September. As a result of these events and the much higher global frequency of attacks on IT networks to be expected due to the deteriorating geopolitical situation, particularly between Russia, China, the United States and Europe, the likeliness of successful cyber-attacks is generally estimated to be higher than in the past.

### **Financial risks**

In the context of ensuring group-internal and external financing, the HENSOLDT Group is exposed to a range of financial risks. Above all, these are currency and exchange rate risks, interest rate risks, liquidity risks, risks related to pension commitments and risks of impairment of assets.

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

The Treasury department is centrally responsible for the management of the HENSOLDT Group's financing and liquidity and sets out guidelines in this function. 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 covenants of loan agreements.

### **Currency and exchange rate risks**

As a globally operating company, 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 U.S. Dollar, South African Rand and British Pound 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 forward exchange transactions. Exchange rate risks which arise from various customer or supplier contracts are concluded centrally as a matter of principle. Corresponding foreign exchange forward and 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 operation, 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 hedges. The aim of interest rate management is to limit the impact of interest rates on the financial performance as well as on assets and liabilities of the Group. For this purpose, interest rate hedges were concluded in the fiscal year 2022 to the extent of existing long-term loan amounting to € 620 million (nominal value) for the period from the first quarter of 2023 to the first quarter of 2027.

In conjunction with the IPO in the third quarter of 2020, HENSOLDT replaced its existing debt financing with a new credit facility agreement, consisting, among others, of a new term loan amounting to € 600.0 million (nominal value). The long-term loan was increased by € 20 million in the fourth quarter of 2021 under the aspect of diversifying the banking landscape. In the second quarter of 2022, the debt financing was adjusted by means of an amendment and a restatement agreement. The long-term syndicated loan is tied to compliance with a financial covenant (see note 36.1). In the event of a breach, the financing partners are authorised to terminate the syndicated loan. There are no indications that the covenant cannot be fully complied with in the foreseeable future.

### **Liquidity risks**

The liquidity of the HENSOLDT Group is dependent on its credit rating. Liquidity risk is the risk that a company may be unable to meet short-term financial demands. 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. Risk and opportunities related to liquidity arise in connection with potential downgrades or upgrades of credit ratings by the rating agencies.

In the fiscal year 2020, the IPO proceeds were used by the HENSOLDT Group to improve liquidity and reduce debt. To ensure the liquidity of the Group, HENSOLDT replaced the existing revolving credit facility with a new revolving credit facility amounting to € 350 million in the context of the IPO. The revolving credit facility was increased by € 20 million in the fourth quarter of 2021 and adjusted for various points in the second quarter of 2022 by means of an amendment and restatement agreement (see note 36.2). The revolving credit facility which had been fully used in 2020 was repaid in the amount of € 150 million in the fiscal year 2022 and was therefore not utilised at the reporting date. 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 to changes in fair values as well. 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 as applicable in the EU ("IFRS"), 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. Particularly, 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 a restructuring, other corporate actions or the non-recognition of tax consolidation options (e.g. by tax authorities or a tax court).

### **COVID-19**

Since the beginning of the fiscal year 2020, HENSOLDT has continuously tracked the situation around the COVID-19 pandemic at all sites to protect the health and well-being of all employees, customers, partners as well as the business itself. The local business continuity management teams have reviewed and updated their plans to enable maximum resilience of business activities. Key processes were tested and changed where necessary to not only ensure ongoing operations but also minimise the potential spread of the virus. The situation around COVID-19 was continued to be monitored also in the fiscal year 2022. The Company provided its employees with recommendations which are adapted to the new version of the German Infection Protection Act and to measures the Company has been consistently implementing in the past. Preparations have been made to be able to react to any potential changes in the situation.

So far, the COVID-19 pandemic has not significantly affected the business of HENSOLDT as a supplier of defence and security electronics. In the fiscal year 2022, there have also been neither formal cancellations of large orders from defence sector customers nor significant effects on the order backlog or future prospects in the defence sector due to the pandemic. Potential effects of further waves of infection and lockdowns due to the global COVID-19 pandemic have not been considered.

### **Risks from current supply chain situation**

In addition to the situation regarding COVID-19, HENSOLDT increasingly and consistently monitors the impact of the war in Ukraine. The consequences thereof particularly include delivery bottlenecks of materials, increasing prices of energy products, but also of other goods and services and, not least, inflation. These consequences represent influencing factors for the risk situation of HENSOLDT in the functional and operational area. The procurement risk and possible consequences due to changing circumstances, high energy prices and material shortages on the world market continue to increase. They leave their marks on the supply chains and result in rising cost of production. Since the start of the changed situation, HENSOLDT's established task forces consistently analyse the impact on costs of production, supply chains and contracts with customers at HENSOLDT and reduce or avoid possible effects as early as possible by concrete and detailed measures.

## **1.4 Overall risk assessment**

HENSOLDT is not aware of any single or aggregated risk that could endanger the continuity of its business operations. Due to the changed situation and the tense situation in particular due to price increases for energy products as well as material availability on the world market, there has been an increase in procurement risk and possible consequences. The risks related to supply chain issues and to inflation are moderately increasing for the companies in the Sensors segment, while in the Optronics segment the risks related to supply issues increased in the fiscal year 2022 and are now stable, whereas the risks concerning inflation are increasing. Still, this does not represent a significant risk for HENSOLDT according to the Management Board's point of view. Specially established task forces are continuously analysing and monitoring in detail potential further effects from the risks mentioned above. This includes also the geopolitical situation, which is currently deteriorating further, and possible other consequences for HENSOLDT. These risks are contrasted by opportunities arising from the special fund for the German Bundeswehr and HENSOLDT's contribution to security and sustainability. Therefore, the Management Board currently assesses the overall opportunity and risk situation of HENSOLDT as essentially stable compared to the previous year.

## **2 Opportunity report**

### **2.1 Opportunities**

Despite increasing international competition, HENSOLDT, with its strong market position and product portfolio, is well positioned to take advantage of existing and new business opportunities in all domestic and global markets. HENSOLDT is thus in an increased competitive situation in core markets in Europe, while at the same time increased business potential in other markets, which correspond to the company's globalisation strategy.

Being a national key technology company whose products are represented in all military branches and as an essential player in the European consolidation of the defence electronic industry, HENSOLDT is in a very good position for the upcoming years.

In addition to conventional elements, the significance of digitised weapons systems as well as data-driven information superiority and electronic warfare is evident in Russia's war against Ukraine. In addition to the nearly worldwide increasing defence budgets, HENSOLDT's portfolio meets current and future requirements for modern armed forces.

Future developments in all military dimensions – land, air, space, sea and cyber – coupled with the closing of elementary capability gaps will result in extraordinary growth potential for HENSOLDT in line with its global strategy. HENSOLDT sees the capability gaps to be closed for example in the field of air defence, personal equipment with night vision goggles and the purchase of additional units in all military dimensions – in particular ships, submarines, armoured vehicles, helicopters, fighter planes. The global security situation and new industrial and political cooperation, especially in the Indo-Pacific region, and in the European region provide for additional market opportunities.

### **Functional opportunities**

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



Given the Russian war of aggression against Ukraine and the dynamic geopolitical security situation, the most important development on a global level is the increase in defence spending by NATO member countries and many other countries. NATO member states are stepping up and accelerating their efforts to spend at least 2.0 % of national GDP on defence – as agreed at the 2022 NATO Summit.

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 2022. The decision to deliver battle tanks and infantry fighting vehicles from Bundeswehr stocks to Ukraine or to replace material from other supplier states with more modern material from Bundeswehr stocks within the framework of ring exchanges promotes the need to replenish Bundeswehr stocks. That applies to all other supply countries. This results in additional opportunities for HENSOLDT.

More funds are supposed to be spent from the special fund in 2023 and 2024 and a large number of projects will be released by the budget committee of the German Bundestag. The German Federal Government also plans to publish a National Security Strategy. The consideration of a national key technology industry for defence could further strengthen HENSOLDT's position in Germany and Europe. The importance of a strong national security and defence industrial base is also highlighted politically by Russia's war against Ukraine.

In addition to classic military programmes, there are further opportunities in the dual-use sector, for example in the field of unmanned aviation and the defence of critical infrastructure against threats from the air.

Additional opportunities for the Sensors and Optronics segments result from the integration of newly acquired or formed group companies. This could result in synergies, for instance through the centralization of functions.

Currently the main aim of HENSOLDT is to generate additional business volume. To achieve this, the Management Board, among other things, initiated the aforementioned program "HENSOLDT GO!".

## Operative 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, robotics and cyber security by crosslinking existing expertise with software solutions. HENSOLDT pursues the goal to become Europeans leading, platform-independent provider of defence and security sensor solutions with global reach. Diversification of its products is considered key to increasing opportunities in this context.

As a consequence, the HENSOLDT Group started expanding its product offering, for example, through surveillance and protection solutions utilised for a number of high-profile events. This allows the entry into new markets, which may both facilitate future growth as well a diversification of risks.

Within the defence applications, the Group currently expands its customer services, including for example technical assistance, commissioning and instalment. These services can lead to an increase in profitability and – at the same time – a decrease of risks concerning fluctuations of future cash flows.

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

The HENSOLDT Group has co-operations with many renowned universities and research institutes, especially in Germany, for nearly all early-stage technological developments in the radar and optronics sectors. Through this intense collaboration between the universities and research institutes, the HENSOLDT Group lays the foundation for maximizing its opportunities as an innovative organization. Both business units benefit from this. In addition, cooperations with other market participants to exploit operational opportunities are an essential part of the strategy. In the fiscal year, among other things, a partnership was entered into with ELTA Systems Ltd. for a joint maritime long-range radar for a German customer.

## 2.2 Overall opportunity assessment

Drawings from the war in Ukraine, the focus of NATO in its new strategic concept and changed operational doctrines of armed forces worldwide additionally strengthen the development of HENSOLDT's opportunities in connection with the defence technology. The rapid creation of a comprehensive situational picture, the distribution of information in a network of connected sensors and effectors in a mission-oriented manner and the control over the electromagnetic spectrum are highly demanded capabilities for which HENSOLDT is extremely well positioned with its portfolio.

Increases in defence budgets and growing military investment worldwide are creating significant opportunities for HENSOLDT. What remains is the opportunity of the diversification of the product range and the expansion of the service business as well as HENSOLDT's ability to act as a leading innovator within its industry which will act as multipliers.

## V Non-financial group statement

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Sustainability (Environment Social Governance or “ESG”) is integral part of HENSOLDT’s business strategy. In 2021, the group-wide ESG Strategy 2026 was rolled out for this purpose, which tangibly defines the goals, measures and performance indicators in the area of sustainability in seven categories. The seven thematic areas include our “Corporate Integrity”, “Product Responsibility”, “Human Potential”, “Occupational Health and Safety”, “Social Engagement“, “Responsible Sourcing”, as well as “Planet and Resources“.

HENSOLDT prepares a sustainability report, which will be compliant with the requirements for capital market-oriented companies, which describes the sustainability-related activities and extensively deals with the Group’s influence on the environment and society. For this purpose, current initiatives and relevant KPIs, especially, regarding relevant topic areas will be included and a forecast for future measures and initiatives will be given. Business integrity and health and safety have been identified as key issues for the fiscal year 2022. In addition, product responsibility and further development of employees as well as diversity in the company (topic area “human potential”) are further focal points. The subjects of social commitment as well as plant and resources gained in importance.

The sustainability report contains the non-financial declaration pursuant to sections 315b and 315c of the German Commercial Code (HGB). The sustainability report for the fiscal year 2022 is published simultaneously with the annual report and can be found on the website of HENSOLDT at <https://investors.hensoldt.net> in the “publications” section.

## VI Takeover-relevant information and explanatory report

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The takeover-relevant information and the explanatory report for the fiscal year 2022 are made in accordance with sections 289a and 315a HGB.

### 1 Composition of share capital

As of 31 December 2022, the share capital of HENSOLDT AG amounts to € 105.0 million and is divided into 105,000,000 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 arise in detail from 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 annual general meeting and is decisive for 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) 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 Energy (“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 (Ausserwirtschaftsverordnung), 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. If section 60 of the German Foreign Trade and Payments Ordinance is not applicable, the BMWK may nevertheless prohibit or restrict the acquisition if this would probably endanger public order or security in Germany or in another EU member state or in relation to projects or programmes that are of interest to the Union (cross-sectoral examination, sections 55 et. seq. of the German Foreign Trade and Payments Ordinance).

In connection with article 19 (11) of the Regulation (EU) No. 596/2014 (Market Abuse Regulation) and on the basis of internal rules for members of the Management Board and Supervisory Board, several restrictions exist for the purchase and sale of shares of HENSOLDT AG, in particular in the temporal context with the publication of financials, as well as acquisition and holding obligations in connection with the compensation of the Management Board.

The Company launched an employee share program in October 2021 and issued a first tranche of shares to its employees. A second tranche under this programme was issued in October 2022. The shares underlying this programme are acquired and held centrally by a service provider in its own name, but internally in trust for the participating employees. According to the regulations of the employee share programme, there is 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 KfW 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 regarding a 25.1 % shareholding in HENSOLDT AG and that, with this agreement, the acquisition rights of the Federal Republic have been transferred, in full, from the Federal Republic to KfW. In relation to the share capital of HENSOLDT AG, which is divided into 105,000,000 shares, this represents a share of 25.1 % of the voting rights.

With voting rights notification dated 27 May 2021 (date of threshold contact: 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) of the German Securities Trading Act (WpHG) dated 14 June 2021, the Federal Republic of Germany reported on that 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, 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 notification duties intend to influence the filling of administrative, management and mainly supervisory positions in HENSOLDT AG.

With voting rights notification dated 30 April 2021 (date of threshold contact: 24 April 2021), Leonardo S.p.A. with registered office in Rome, Italy, additionally reported the conclusion of a share purchase agreement with Square Lux in relation to instruments relating to a total of 26,355,000 shares and the relating voting rights, where the share purchase agreement was subject to conditions precedent. In relation to the share capital of HENSOLDT AG, which is divided into 105,000,000 shares, this corresponds to a share of 25.1 % of the voting rights. The share purchase agreement dated 24 April 2021 between Leonardo S.p.A., Italy, and Square Lux Holding II S.à r.l., Luxembourg, regarding a shareholding in HENSOLDT AG of 25.1 % was executed on 3 January 2022 after the conditions precedent had been fulfilled. The corresponding voting rights notification was published on 4 January 2022.

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 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 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, the number of members of the Management Board shall 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 chairman of the Management Board.

Pursuant to sections 119 (1) no. 6, 179 AktG, any amendment of the articles of association requires a resolution of the annual general meeting. The authority to make amendments that only affect the wording is delegated to the Supervisory Board, according to section 10 (9) of the articles of association. Further, the Supervisory Board has been authorised by resolutions of the shareholders' 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.

According to section 179 (2) AktG, resolutions of the shareholders' 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 annual 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 unaffected. 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 as well as 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 shareholders' 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 and to grant or impose option rights or obligations on the holders or creditors of bonds with warrants or participatory certificates with warrants or participating bonds with warrants, or grant or impose 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 Euro or in the legal currency of a member country of the Organization for Economic Cooperation and Development ("OECD"), limited to the equivalent value in Euro. 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 mathematics 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 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.

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. 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 new 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 € 36.0 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 mergers;

- 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 may 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 upper 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 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.

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.

## 7.3 Share buyback

By resolution of the shareholders' 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) may 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) may 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 shareholders' 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 may not exceed a total of 10.0 % of the share capital, either at the time the resolution is adopted by the shareholders' 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 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 annual 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 annual 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 annual 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 annual 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 annual general meeting on 18 August 2020 may be retired without any further resolution by the annual 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. In the 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 rules. This credit agreement contains a so-called "change of control" clause, which is triggered if a person other than the person specified in the agreement directly or indirectly acquires more than 50.0 % of voting rights in HENSOLDT AG. In the case 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

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 HGB. It also includes the Declaration of conformity pursuant to section 161 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 auditor's examination of the statements pursuant to section 289f (2) and (5) and section 315d HGB is limited to 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 promoting 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 ("Code") as amended on 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 in resolutions dated on 28 November / 8 December 2022:

„The Management Board and the Supervisory Board declare that since the submission of the last Declaration of Compliance on 8/11 March 2022, 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, with the following exceptions.

Recommendation G.12 and G.13 were not complied with in 2022, as Axel Salzmann and Peter Fieser received compensation payments as part of the mutually agreed premature termination of their Management Board service contracts, each of which exceeded the value of two years' remuneration as defined in the remuneration system. In addition, the compensation payments were paid out immediately in a lump sum in accordance with the respective service contracts. The compensation granted under the termination agreements is presented in detail in the remuneration report for the fiscal year 2022.

Taufkirchen, 28 November / 8 December 2022

**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 the future, the respective declarations of conformity for the last five fiscal years will be available.

## 3 Remuneration of Management Board and Supervisory Board

The remuneration report for the fiscal year 2022 was prepared jointly by the Management Board and the Supervisory Board and will be published together with the auditor's certificate 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 note for 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 Financial Statements of HENSOLDT Group 2022 and the notes to the Financial Statements 2022 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. The resolution on the remuneration and the remuneration system of the Supervisory Board pursuant to section 113 AktG was also adopted at the annual general meeting of 18 May 2021 with a majority of 99.99 % of the valid votes cast. 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 developed 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 with the following exceptions:

At the time of this statement, it is unclear whether, in the event of a takeover bid, the Management Board would convene an extraordinary annual meeting at which the shareholders would discuss the takeover bid and, if necessary, decide on measures under company law (suggestion A.8). The Management Board would make this decision depending on the content of any takeover bid and the specific need for discussion and decision in each individual case, taking into account the expense of an extraordinary general meeting.

### 4.3 Standards of Business Conduct

HENSOLDT is committed to the core values of integrity, quality, trust and innovation, thus securing tomorrow's success. Regardless in which business area HENSOLDT is active or which professional tasks HENSOLDT performs – HENSOLDT gains the trust of colleagues and stakeholders not only with what HENSOLDT does, but also with how HENSOLDT does it. "Doing the right thing" is not always easy, especially in the complex, international and highly regulated business environment in which HENSOLDT operates. The Standards of Business Conduct provide valuable guidance on key ethical and compliance issues and explain the mutual rights and obligations of employees and the HENSOLDT Group. 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.

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 developed and implemented a comprehensive compliance programme specifically designed for the individual risk profile. If business proposals are submitted, which HENSOLDT believes involve compliance risks that are inconsistent with its values and zero-tolerance policy, we do not hesitate to reject these business opportunities.

One of the focal points of the compliance system is the prevention of corruption; to this end, HENSOLDT has developed an anti-corruption policy and has devoted particular attention and resources to dealing with the risk of engaging commercial agents and other third parties. HENSOLDT has implemented several compliance policies and procedures for this purpose, including a Partner Review Directive, directives on the subjects of Gifts and Hospitality, anti-corruption, conflicts of interest, internal investigation, a privacy policy and an offset compliance policy. HENSOLDT's compliance process is further supported by the internal audit department, which is involved in conducting regular compliance-focused audits. HENSOLDT additionally conducts regular risk analysis to update risk assessments and improve compliance processes.

Furthermore, HENSOLDT has established a whistleblower system, which allows employees and external parties to report violations in person or anonymously via an "OpenLine" (anonymous telephone and e-mail hotline). HENSOLDT's compliance organisation includes twelve employees as of 31 December 2022. The compliance organisation reports directly to the general counsel who reports to the CEO. The Head of Compliance also reports regularly to the Compliance Committee of HENSOLDT's Supervisory Board. In addition to the Head of Compliance, nine Compliance Officers (full-time) are currently employed. Besides, there are compliance contacts in subordinate companies who report to the central compliance organisation. Training courses are held both virtually and in person, IT tools are being used for this purpose as well. In addition, regular Q&A sessions are offered, where various compliance topics are discussed and employees can ask questions about all compliance topics. Other IT tools are used in particular as part of due diligence to screen potential business partners. The Compliance Organisation and Management Board of HENSOLDT regularly communicates on the compliance organisation via internal communication media.

More information on the compliance organisation is available on the website of HENSOLDT at <https://investors.hensoldt.net> in the "Compliance" section.

## 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 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 chapter "IV Opportunities and risks report".

The Management Board has no indications or information that the internal control system and the risk management system were inadequate in any material respect in the fiscal year. Various analyses and checks were carried out in the fiscal year without calling into question this assessment by the Management Board. Nevertheless, further measures to optimize documentation will also be initiated in the future.

## 4.6 Sustainability

HENSOLDT is aware of the special responsibility and knows the impact of the activities on society and the environment. HENSOLDT is committed to conducting its business sustainably and responsibly at all times. HENSOLDT has defined seven categories in its ESG Strategy 2026. These include our Corporate Integrity, Product Responsibility, Health and Safety, Human Potential, Social Engagement, Responsible Sourcing, as well as Planet and Resources. The Long-Term Incentive bonus components for the Management Board members are among other criteria based on the achievement of the ESG targets "Diversity" and "Climate Impact". Further information on the topic of sustainability (ESG) can be found in chapter "V Non-financial Group Statement" and on the website of HENSOLDT at <https://investors.hensoldt.net> in the "Sustainability" section.

## 4.7 Shareholders and general meeting

The shareholders of HENSOLDT AG exercise their rights at the annual general meeting. The annual general meeting decides on all matters assigned to it by law, including the appropriation of profits, the discharge of the Management Board and the Supervisory Board, and the election of the auditor. The annual general meeting also elects the Supervisory Board members representing the shareholders.

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 third ordinary general meeting of HENSOLDT AG will take place on 12 May 2023. The Management Board and the Supervisory Board decided to conduct this in presence early in 2022.

## 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> 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> in the "Investors" section. 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 on 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. In addition, the Chairman of the Supervisory Board participates to an appropriate extent in investor meetings in close consultation with the Management Board, to the extent in which such meetings relate to the work and tasks of the Supervisory Board. 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, the report of the Supervisory Board from the fiscal year 2020, the Declaration of Conformity from the fiscal year 2020, and the Corporate Governance Report, from the 2020 fiscal year, are available on the website of HENSOLDT at <https://investors.hensoldt.net> in the "Corporate Governance" section.

## 5 Working methods of Management Board and Supervisory Board

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 is characterised by 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.

## 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. 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 HGB ("subsidiaries" and the Company together with its subsidiaries the "HENSOLDT Group"). They work together as colleagues and inform each other on an ongoing basis about important measures and events within their respective areas of responsibility. Irrespective of the overall responsibility, each member of the Management Board is responsible for managing the area of responsibility assigned to them. As far as measures and transactions of one area of responsibility simultaneously affect another or several other areas of responsibility, the respective member of the Management Board must first reach an agreement with the other member(s) involved. If no agreement can be reached, each member of the Management Board involved is obliged to bring about a resolution by the Management Board.

The current Management Board has four functional responsibilities, namely the position of Chief Executive Officer (CEO), Chief Financial Officer (CFO), the Chief Strategy Officer (CStO) 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 in regular intervals and adjusted as necessary. At present, the CEO's portfolio includes, inter alia, responsibility for the Optronics & Land Solutions division, the Radar & Naval Solutions division and the Services & Aerospace Solutions division. The CEO is also responsible for Corporate Sections (Corp. Sec.)/Chief Legal Officer (CLO), Communication, Governmental Relation, Supply Chain management (Production, Procurement and Quality). 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, Information Management and "HENSOLDT GO!"). In addition to Human Resources, the CHRO is also responsible for Security and Corporate Social Responsibility, Facility Management and Health, Safety and Environment. The CStO is responsible for the Spectrum Dominance & Airborne Solutions division, HENSOLDT Ventures, Corporate Development and M&A, Governmental Business Development (including Public Affairs) and International Business Development. 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 is 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 Chairman 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 Chairman 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 until 30 June 2022, the Management Board comprised four members: Thomas Müller as Chairman (CEO), Axel Salzmann as CFO, Peter Fieser as CHRO and Celia Pelaz as CStO. Axel Salzmann resigned as member of the Management Board and CFO with effect from 30 June 2022. Christian Ladurner, formerly Head of Central Controlling & Investor Relations, was appointed as a member of the Management Board and CFO effective 1 July 2022. Peter Fieser resigned as a member of the Management Board and CHRO with effect from 30 September 2022. Dr. Lars Immisch, formerly Executive Vice President HR Airbus Defence & Space, was appointed as his successor and member of the Management Board and CHRO effective 1 October 2022. The appointments of Christian Ladurner and Dr. Lars Immisch to the Management Board were made by resolution of the Supervisory Board dated 16 March 2022.

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. It also contains information on other mandates held by members of the Management Board. 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 Executive 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 retain a certain degree of flexibility to the Supervisory Board in its appointment decisions.

For further information on the representation of women in the Boards of HENSOLDT AG, please refer to the chapter "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 Chairman of the Supervisory Board, who is also the Chairman of the Executive Committee, regularly discusses suitable internal candidates with the Management Board and involves the Executive Committee in the considerations or discussions. In addition, the Executive 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 advice 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, the combined management report including the separate non-financial group statement and the report of the Management Board on relations with affiliated companies (dependency 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 Chairman has two votes. In the past fiscal year, various Management Board matters were discussed at the Supervisory Board meeting on 16 March 2022 that required the Supervisory Board to meet without the Management Board being present, including the resolution on the variable remuneration of the Management Board for 2021 and the targets for variable remuneration in the year 2022. Furthermore, the Supervisory Board held a meeting on 22 March 2022 without the Management Board to propose a replacement candidate for election to the Supervisory Board by the Annual General Meeting in May 2022. On 13 May 2022, the Supervisory Board met to pass a resolution on the appointment of members of the standing committees without the presence of the Management Board. The Supervisory Board has adopted rules of procedure for itself, which are published on the website of HENSOLDT 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. In October and November 2022, the members of the Audit Committee, the Compliance Committee and the Executive Committee assessed the effectiveness of the committees' work. The assessment was made using an anonymised questionnaire. The competence profile was expanded to include expertise on sustainability issues that are significant for the company.

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. In the past fiscal year, the members of the Supervisory Board received further training according to their individual needs on the topics of news in supervisory board law as well as innovations in the German Corporate Governance Code and current developments in the area of risk management and the internal control system. To support the Supervisory Board in the induction of any new members, an induction process has been established in which the members of the Supervisory Board are familiarised 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 the fiscal year 2022, are provided within 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 the fiscal year 2022, the Supervisory Board comprised the following members:

Name	Born	Member since	Appointed until	Profession
Johannes P. Huth (Chairman)	1960	2017	2025	Partner at KKR and Head of KKR in EMEA
Armin Maier-Junker <sup>1</sup> (Vice Chairman)	1962	2017	2026	Chairman of the Works Council of HENSOLDT Sensors GmbH, Ulm; Chairman of the General Works Council of HENSOLDT Sensors GmbH and Chairman of the Group Works Council
Dr. Jürgen Bestle <sup>1</sup>	1966	2021	2026	Head of Engineering Governance of HENSOLDT AG and Head of Design Organisation of HENSOLDT Sensors GmbH
Jürgen Bühl <sup>1</sup>	1969	2017	2026	Head of Sector Policy Coordination in the Executive Board of IG Metall
Letizia Colucci (since 13 May 2022)	1962	2022	2025	General Manager at the Med-Or Leonardo-Foundation
Achim Gruber <sup>1</sup>	1963	2021	2026	Chairman of the Works Council of HENSOLDT Optronics GmbH, Oberkochen
Prof. Wolfgang Ischinger (until 13 May 2022)	1946	2017	2022	Chairman of the Munich Security Conference Foundation; Senior Professor of Security Policy and Diplomatic Practice at the Hertie School of Governance in Berlin; Honorary Professor at the University of Tübingen
Ingrid Jägering	1966	2017	2025	Member of the management board, CFO of Stihl AG
Marion Koch <sup>1</sup>	1978	2020	2026	Member of the Works Council of HENSOLDT Sensors GmbH, Immenstaad, and member of the Group Works Council; Project Manager in the Airborne, Space & ISR Radars business unit of HENSOLDT Sensors GmbH
Christian Ollig (until 13 May 2022)	1977	2017	2022	Partner at KKR and Head of KKR in Germany; Managing Director of Traviata B.V.
Prof. Dr. Burkhard Schwenker (until 21 September 2022)	1958	2017	2022	Senior Fellow at Roland Berger; Academic Co-Director of the HHL Center for Scenario-Planning
Giovanni Soccodato (since 13 May 2022)	1961	2022	2025	Chief Strategic Equity Officer at Leonardo S.p.A.
Julia Wahl <sup>1</sup>	1987	2019	2026	Press Officer at IG Metall Baden-Württemberg
Claire Wellby (until 13 May 2022)	1988	2020	2022	Member of KKR's private equity team; Vice President of KKR Show Aggregator GP Limited
Hiltrud Werner (since 22 September 2022)	1966	2022	2025	Management Consultant
Reiner Winkler (since 13 May 2022)	1961	2022	2025	CEO at MTU Aero Engines AG

<sup>1</sup> Representative of the employees

Their mandates in 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
Johannes P. Huth	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Axel Springer SE</li> <li>Member of the Board of Coty Inc.</li> </ul>
Armin Maier-Junker	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of HENSOLDT Sensors GmbH* until 31 August 2022</li> </ul>
Dr. Jürgen Bestle	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of HENSOLDT Sensors GmbH* since 1 September 2021</li> </ul>
Jürgen Bühl	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of HENSOLDT Sensors GmbH*</li> <li>Member of the Supervisory Board of Airbus Defence &amp; Space GmbH</li> </ul>
Letizia Colucci	<ul style="list-style-type: none"> <li>Member of the Board of Directors of Avio S.p.A.</li> <li>Chairwoman of the Board of Directors of MBDA Italia S.p.A.</li> <li>Member of the Board of Directors of e-GEOS S.p.A.</li> </ul>
Achim Gruber	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of HENSOLDT Optronics GmbH* since 1 September 2022</li> </ul>
Ingrid Jägering	<ul style="list-style-type: none"> <li>Independent member of the Board of Directors of SAF Holland SE</li> <li>Member of the Advisory Board of Wegmann Group</li> </ul>
Christian Ollig	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of ETL AG Steuerberatungsgesellschaft</li> <li>Member of the Supervisory Board of Rainbow UK BidCo Limited</li> <li>Member of the Supervisory Board of Upfield Holdings B.V.</li> </ul>
Prof. Dr. Burkhard Schwenker	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Hamburger Hafen und Logistik AG</li> <li>Member of the Supervisory Board of Hamburger Sparkasse AG</li> <li>Member of the Supervisory Board of Flughafen Hamburg GmbH</li> <li>Member of the Supervisory Board of M.M. Warburg &amp; Co. KGaA</li> <li>Member of the Administrative Board of HASPA Finanzholding</li> </ul>
Giovanni Soccodato	<ul style="list-style-type: none"> <li>Chairman of the Supervisory Board of Thales Alenia Space</li> <li>Deputy Chairman of the Board of Directors of Telespazio S.p.A.</li> <li>Deputy Chairman of the Management Board of MBDA B.V..</li> <li>Member of the Board of Directors of GEM Elettronica S.r.l.</li> <li>Member of the Board of Directors of Elettronica S.p.A.</li> <li>Member of the Board of AIAD</li> <li>Member of the Management Board of AMSH B.V.</li> <li>Member of the Board of G.I.E. Avions de Transport Regional (ATR)</li> </ul>
Julia Wahl	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of HENSOLDT Sensors GmbH*</li> </ul>
Claire Wellby	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of LEONINE Licensing AG</li> </ul>
Hiltrud Werner	<ul style="list-style-type: none"> <li>Chairwoman of the Supervisory Board of Mitteldeutsche Flughafen AG</li> </ul>
Reiner Winkler	<ul style="list-style-type: none"> <li>Chairman of the Supervisory Board of MTU Maintenance Hannover GmbH (Group Company)</li> </ul>

The time of initial appointment mentioned above is disclosed on the basis of the first appointment to the Supervisory Board of the HENSOLDT Holding GmbH respectively HENSOLDT GmbH, which means before the change of the legal form of the company into 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 the General Meeting on 13 May 2022, Prof. Wolfgang Ischinger, Christian Ollig and Claire Wellby resigned as shareholder representatives on the Supervisory Board. In their place, Reiner Winkler, Giovanni Soccodato and Letizia Colucci were elected to the Supervisory Board as shareholder representatives by election of the General Meeting on 13 May 2022. With effect from the end of 21 September 2022, Prof. Dr. Burkhard Schwenker resigned as shareholder representative on the Supervisory Board. As of 22 September 2022, Hiltrud Werner was appointed as shareholder representative by the Federal Republic of Germany to the Supervisory Board in accordance with Sec. 8 (2) sentence 5 and 6 of the articles of association of HENSOLDT.

According to the competence profile drawn up by the Supervisory Board, in view of the areas of activity of HENSOLDT Group, the essential competences 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. In 2022, the Supervisory Board expanded the competence profile to include expertise in sustainability issues that are significant for the company. 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 digitalization 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. 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 competence 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 up to date, the Supervisory Board has gained the impression that, on an overall basis, the competencies which are considered essential for the board's work relating HENSOLDT AG and the HENSOLDT Group are represented on the Supervisory Board. 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 internationally operating company, Corporate Governance and Compliance, and Human Resources issues.

With the Chairwoman 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 Chairman of the Supervisory Board as well as Giovanni Soccodato 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 competence profile is disclosed below in the form of a qualification matrix:

	Johannes P. Huth	Armin Maier-Junker	Dr. Jürgen Bestle	Jürgen Bühl	Letizia Colucci	Achim Gruber
Representative of the employees		●	●	●		●
Independence <sup>1</sup>	●				●	
Industry Expertise		●	●	●	●	●
Accounting	●			●	●	●
Audit	●	●		●	●	●
Corporate Governance, Compliance	●	●	●	●	●	●
Capital Markets	●			●	●	
Risk Management	●	●	●	●	●	●
International Security Policy			●	●	●	
Antitrust law					●	
International Experience	●		●	●	●	●
Leadership international company					●	
Digitalisation / IT		●	●	●	●	●
Human Resource Management	●		●	●	●	●
Sustainability	●	●	●	●	●	●



	Ingrid Jägering	Marion Koch	Giovanni Soccodato	Julia Wahl	Hiltrud D. Werner	Reiner Winkler
Representative of the employees		●		●		
Independence <sup>1</sup>	●		●		●	●
Industry Expertise	●	●	●		●	●
Accounting	●	●	●	●	●	●
Audit	●	●	●	●	●	●
Corporate Governance, Compliance	●	●	●	●	●	●
Capital Markets	●	●	●		●	●
Risk Management	●	●	●	●	●	●
International Security Policy	●	●	●			
Antitrust law	●	●	●		●	
International Experience	●	●	●	●	●	●
Leadership international company	●	●	●		●	●
Digitalisation / IT	●	●	●	●	●	●
Human Resource Management	●	●	●	●	●	●
Sustainability	●	●	●	●	●	●

<sup>1</sup> 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 in the Boards of HENSOLDT AG, please refer to the chapter "5.4 Disclosure on the representation of women in 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 competence 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. 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 previous fiscal year and their handling is provided in the "Report of the Supervisory Board".

The Supervisory Board assessed by taking into account the ownership structure of HENSOLDT AG, that an appropriate number of shareholder representatives are independent by definition of the Code. On the shareholder representative's side, the Supervisory Board considers Johannes Huth, Letizia Colucci, Ingrid Jägering, Giovanni Soccodato, Hiltrud Werner and Reiner Winkler to be independent of the Company, its Management Board, thus all six shareholder representatives. Consequently recommendation C.9 (1) of the Code is complied with.

The right of delegation of the Federal Republic of Germany provided for in section 8 (2) sentence 3 of the articles of association and the sole right of delegation of the Federal Republic of Germany provided for in section 8 (2) sentence 5 of the articles of association for a further member of the Supervisory Board have been exercised. Ingrid Jägering was appointed by the Federal Republic of Germany to the Supervisory Board in accordance with section 8 (2) sentence 1 and 2 of the articles of association effective on 14 April 2022. Prof. Dr. Schwenker was appointed by the Federal Republic of Germany to the Supervisory Board in accordance with section 8 (2) sentence 5 and 6 of the articles of association effective on 14 April 2022. As Prof. Dr. Burkhard Schwenker resigned his office effective at the end of 21 September 2022, Hiltrud Werner was appointed by the Federal Republic of Germany to the Supervisory Board in accordance with section 8 (2) sentence 5 and 6 of the articles of association on 22 September 2022. These appointments do usually not affect the independence of a Supervisory Board member, according to the assessment of the Supervisory Board. On the one hand, the articles of association stipulate that such a Supervisory Board member who was delegated pursuant to section 8 (2) sentence 3 of the Articles of Association, may not be a civil servant or employee of the Federal Republic of Germany, another regional authority or an institution under public law. On the other hand, in the opinion of the Supervisory Board, the Federal Republic of Germany is not a controlling shareholder in line with the meaning of recommendation C.9 of the Code, as no control agreement has been concluded with the Federal Republic of Germany, nor does the Federal Republic of Germany hold an absolute majority of votes or any other sustainable majority at the general meeting.

With regard to recommendation C.9 of the Code, the Supervisory Board classifies Giovanni Soccodato and Letizia Colucci as employee of Leonardo ("Leonardo") or companies affiliated with Leonardo and as independent. With a 25.1 % 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 Giovanni Soccodato does not exercise any board function or advisory duties at Leonardo within the meaning of recommendation C.12 of the Code. There is also no personal relation of Giovanni Soccodato to Leonardo in terms of recommendation C. 12 of the Code. Of the other companies in which Giovanni Soccodato was a member of a governing body in the reporting year 2022, only the mandate at Elettronica S.p.A. would have been classified as a function on the executive body of a significant competitor. However, the mandate ended in June 2022. Here, too, it is to be assumed that, despite the membership in a body of Elettronica S.p.A., which formally continues for a few weeks, there is no function in a body of a significant competitor within the meaning of recommendation C. 12 of the Code.

### 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 Chairpersons 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 current 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 meetings, can be found in the "Report of the Supervisory Board".

## Executive Committee

The Executive Committee is composed of the Chairman of the Supervisory Board, his deputy and one further member from both the employee and shareholder sides. In the reporting period, Johannes P. Huth (chairman), Jürgen Bühl<sup>19</sup>, Prof. Wolfgang Ischinger (until the end of the general meeting on 13 May 2022), Reiner Winkler (from the end of the general meeting 13 May 2022) as well as Armin Maier-Junker<sup>19</sup> were members of the committee. The Executive 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 Executive Committee is responsible for concluding, amending, extending and terminating 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 Executive Committee makes proposals to the Supervisory Board for resolutions on existing or anticipated conflicts of interest of members of the Management Board. Furthermore, the Executive 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 hand, unless the Committee for Related Party Transactions is responsible.

## Audit Committee

The Audit Committee is composed of two shareholder representatives and two employee representatives. In the reporting period, Ingrid Jägering (chairwoman), Marion Koch<sup>19</sup>, Christian Ollig (until the end of the general meeting on 13. Mai 2022), Giovanni Soccodato (from the end of the general meeting on 13 May 2022) as well as Julia Wahl<sup>19</sup> were members of the committee. The Chairwoman 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 Chairwoman of the Supervisory Board and has expertise in the fields of accounting and auditing due to her long years of work as CFO in different companies. Giovanni Soccodato has managed projects and programmes with responsibility for accounting, controlling and profitability. His role in M&A projects not only included this responsibility, but also the evaluation of targets or companies to be acquired or sold by Leonardo. This included the assessment and analysis of business plans and business activities. In his various functions, he has acquired skills in balance sheet and P&L analysis as well as in various accounting standards and is familiar with the different positions. He has a clear understanding of all positions of the asset, financial situation and result of operations of any company. Giovanni Soccodato is familiar with financial matters in the broadest sense and, due to his many years of experience with mergers and acquisitions, is also able to interpret audit reports, expert opinions and similar reports. HENSOLDT AG thus meets the requirements of section 100 (5) AktG in conjunction with section 107 (4) sentence 3 AktG in the audit committee.

The Audit Committee is tasked with reviewing the financial statements 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, the sustainability report, the report of the Management Board on relations with affiliated companies (dependency report) 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 annual 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 chairman of the Supervisory Board as chairman of the committee, his deputy elected in accordance with the German Codetermination Act, and one additional representative for each shareholders and employees. In the reporting period, Johannes P. Huth (chairman), Jürgen Bühl<sup>19</sup>, Armin Maier-Junker<sup>19</sup> and Christian Ollig (until the end of the general meeting on 13 May, 2022) and Reiner Winkler (from the end of the general meeting on May 13, 2022) 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, Prof. Dr. Burkhard Schwenker (chairman until 21 September 2022), Hiltrud Werner (member from 21 September 2022 chairwoman from 27 September 2022), Christian Ollig (until the end of the general meeting on 13 May 2022), Letizia Colucci (from the end of the general meeting on 13 May 2022), Dr. Jürgen Bestle<sup>19</sup> and Achim Gruber<sup>19</sup> were members of this committee. The Compliance 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, Prof. Dr. Burkhard Schwenker (chairman until 21 September 2022), Reiner Winkler (member from the end of the general meeting on 13 May, 2022 and chairman from 27 September 2022), Jürgen Bühl<sup>19</sup>, Prof. Wolfgang Ischinger (until the end of the general meeting on 13 May 2022), Hiltrud Werner (from 27 September 2022) as well as Armin Maier-Junker<sup>19</sup> were members of this committee. Task of the Related Party Transactions Committee is 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. Furthermore, the Committee is responsible for the approval of 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, Johannes P. Huth (chairman), Prof. Wolfgang Ischinger (until the end of the general meeting on 13 May 2022), Reiner Winkler (from the end of the general meeting on 13 May 2022), Ingrid Jägering as well as Christian Ollig (until the end of the general meeting on 13 May 2022) and Giovanni Soccodato (from the end of the general meeting on 13 May 2022) 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 competence profile, reviewing the existing competence profile, and recommending any adjustments.

<sup>19</sup> Employee representative



## 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 in the Supervisory Board

The legally required gender quota of 30.0 % in accordance with section 96 (2) AktG applies to the Supervisory Board. To prevent possible 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 both shareholder side and two women on employee side. The legally required gender quota was therefore complied with in the previous year.

### Representation of women in the Management Board of HENSOLDT AG

The Supervisory Board of HENSOLDT AG has set a target for the proportion of women in the Management Board in accordance with section 111 (5) 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. The proportion of women in the Management Board was 0 % at the time the target was set for the first time. Since the appointment of Celia Pelaz as the fourth member of the Management Board in 2021, the proportion of women is 25.0 %.

According to the German Stock Corporation Act (AktG) 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 four persons, one of whom was a woman, so that the minimum participation requirement is already met.

### 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. As of 31 December 2020, HENSOLDT AG, as an individual entity, did not have any management levels below the Management Board. After this changed during fiscal year 2021, the Management Board has now 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 done.

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 Final declaration on the dependency report

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Until 3 January 2022, HENSOLDT AG was a dependent company of KKR Square Aggregator L.P., Canada, and its subsidiaries within the meaning of section 312 AktG. The Management Board of HENSOLDT AG therefore prepared a dependency report according to section 312 (1) AktG, which contains the following final declaration:

"No events liable to be reported occurred in the reporting period."

# IX HENSOLDT AG

The annual financial statements 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 2022, HENSOLDT AG was the parent company of the HENSOLDT Group.

## 1 Result of operations of HENSOLDT AG

For the fiscal year 2022, the income statement for HENSOLDT AG was as follows.

in million €	Fiscal year		
	2022	2021	% Delta
Revenue	41.5	36.7	13.2 %
Cost of sales	-41.8	-36.7	-13.8 %
<b>Gross profit</b>	<b>-0.2</b>	<b>-0.0</b>	<b>&gt; 200 %</b>
Selling expenses	-2.0	-0.4	> 200 %
General administrative expenses	-28.3	-13.9	103.4 %
Other operating income	5.4	5.3	0.6 %
Other operating expenses	-5.2	-5.3	0.3 %
<b>Operating result</b>	<b>-30.4</b>	<b>-14.2</b>	<b>113.8 %</b>
<b>Finance result</b>	<b>-22.0</b>	<b>-21.6</b>	<b>-1.9 %</b>
Income taxes	-0.0	-	n/a
<b>Result after taxes</b>	<b>-52.5</b>	<b>-35.8</b>	<b>46.5 %</b>
Other taxes	-0.0	-0.0	-25.1 %
<b>Net loss for the fiscal year</b>	<b>-52.5</b>	<b>-35.9</b>	<b>46.4 %</b>
Profit carry-forward	6.0	3.1	-92.7 %
Withdrawal from the capital reserve	85.0	65.0	30.8 %
<b>Balance sheet profit</b>	<b>38.5</b>	<b>32.3</b>	<b>19.4 %</b>

Revenue consisted exclusively of internal recharges and were slightly overcompensated by cost of sales which is reflected accordingly in the gross profit. The increase of revenue compared to the previous year resulted from higher charges passed on to subsidiaries and affiliated companies. The general administrative expenses include the expenses for the further strategic development of the HENSOLDT Group as well as central administrative expenses of HENSOLDT AG, which were not recharged to the operating companies of the HENSOLDT Group. The significant increase was mainly due to expenses for the premature termination of Management Board activities and higher consulting fees, amongst others, within the scope of efficiency improvement and IT-related projects. The other operating income and other operating expenses included mainly the costs for the employee share program and their recharging to the participating companies of the HENSOLDT Group. The finance result consisted predominantly of interest paid for the syndicated loan, interest expenses and income of affiliated companies from cash pooling, interest expenses from the revaluation of the pension provisions as well as bank commissions and charges.

The balance sheet profit mainly results from the withdrawal from the capital reserve made in the context of the preparation of the annual financial statements. As of 31 December 2022, HENSOLDT AG had 118 employees.

## Overall assessment

In the forecast for the fiscal year 2022, the Management Board assumed for the most important financial key performance indicators of HENSOLDT AG a slight increase in revenue and a moderate reduction in the net loss for the fiscal year. Due to the transfer of group functions to HENSOLDT AG and the resulting increase in internal recharges, the revenue forecast was exceeded with a strong increase in revenue. Contrary to the forecast, the net loss for the fiscal year recorded a strong increase, which was mainly the result of one-off effects.

## 2 Net assets and financial position of HENSOLDT AG

The net assets and the financial position of HENSOLDT AG on 31 December 2021 were as follows:

in million €	31 Dec. 2022	31 Dec. 2021	% Delta
Property, plant and equipment and intangible assets	0.4	0.2	143.8 %
Financial assets	2,670.0	2,670.0	- %
<b>Fixed assets</b>	<b>2,670.4</b>	<b>2,670.2</b>	<b>- %</b>
Accounts receivable, other assets and advance payments made	88.8	36.3	144.4 %
Cash and cash equivalents	168.1	43.7	> 200 %
<b>Current assets</b>	<b>256.9</b>	<b>80.0</b>	<b>&gt; 200 %</b>
Prepaid expenses and deferred charges	7.2	7.6	-5.4 %
<b>Total assets</b>	<b>2,934.5</b>	<b>2,757.8</b>	<b>6.4 %</b>
Share capital	105.0	105.0	- %
Capital reserve	1,635.0	1,720.0	-4.9 %
Balance sheet profit	38.5	32.3	19.4 %
<b>Equity</b>	<b>1,778.5</b>	<b>1,857.3</b>	<b>-4.2 %</b>
Provisions	27.2	19.3	41.0 %
Liabilities	1,128.7	881.2	28.1 %
<b>Total equity and liabilities</b>	<b>2,934.5</b>	<b>2,757.8</b>	<b>6.4 %</b>

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 is mainly due to higher accounts receivable from cash pooling. Bank balances consist of a short-term time deposit of € 100 million and cash balances of € 68 million resulting from the strong increase of cash pooling. Prepaid expenses mainly included directly attributable transaction costs in connection with the first-time raising of a long-term syndicated loan ("Term Loan") in the amount of € 5 million (previous year: € 5 million) and a revolving credit facility ("RCF") of € 1 million (previous year: € 3 million).

As of 31 December 2022, the share capital of HENSOLDT AG amounted to € 105 million, divided into 105 million ordinary bearer shares with no nominal value (no-par value shares). Net loss as of 31 December 2022 amounted to € 52 million. In connection with the preparation of the annual financial statements, an amount of € 85 million (previous year: € 65 million) was withdrawn from the capital reserve and allocated to balance sheet profit. The provisions mainly comprised provisions for pension obligations and provisions for personnel expenses. The increase compared to the previous year resulted mainly from the increase of pension provisions due to a partial adjustment of the calculation assumptions used as well as the increase of the provision for non-current variable remuneration components relating to the issue of further tranches (Long-Term Incentive Bonus). Liabilities mainly included liabilities to banks and liabilities from cash pooling. The significant increase compared to the previous year is mainly due to higher liabilities from cash pooling. The revolving credit facility, which had been utilised in 2020 by € 350 million, was repaid in the fiscal year 2021 by € 200 million and was fully repaid in the fiscal year 2022 by another € 150 million. The long-term loan amounts to € 620 million nominal on the reporting date.



### 3 Opportunities and risks

The business development of HENSOLDT AG is subject to the same opportunities and risks as the HENSOLDT Group because of its role as a holding company. The most significant risks for the Company are the worsening of operative performance of subsidiaries and the associated 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 meaningful opportunities for HENSOLDT AG result from the current increase of defence budgets and a higher earnings power of the operating subsidiaries which might result from that. The diversification of the product range and the extension of the service business as well as the ability of the HENSOLDT Group and thus the group companies to act as the innovation leader in their industry present further opportunities.

### 4 Forecast

Within the Company's operational planning, the Management Board assumes a moderate increase in revenue and a moderate rise of the net loss for the fiscal year 2023. The moderate increase in revenue will be driven by further planned growth in the HENSOLDT Group's business and the associated increase in future charges of group services to the subsidiaries, which also includes OneSAPnow-related non-recurring effects in connection with the business-transformation for S/4HANA. The moderate increase in the net loss for the fiscal year 2023 is based on rising financing costs, which are partly offset by declining non-recurring effects.

This assumes that geopolitical tensions from Russia's war against Ukraine will not increase further and that challenges due to temporary supply chain limitations and the COVID-19 pandemic will continue to recede.

# IFRS Consolidated Financial Statements of

HENSOLDT AG

for the year ended

31 December 2022

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

Furthermore 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



## CONSOLIDATED INCOME STATEMENT

in € million	Note	Fiscal year	
		2022	2021
Revenue	11	1,707	1,474
Cost of sales	11	-1,314	-1,144
<b>Gross profit</b>		<b>393</b>	<b>330</b>
Selling and distribution expenses		-107	-99
General administrative expenses		-92	-83
Research and development costs	12	-36	-31
Other operating income	13	21	29
Other operating expenses	13	-21	-18
Share of profit / loss from investment accounted for using the equity method	8	-	-2
Other result from investments	9.2	8	-
<b>Earnings before finance result and income taxes (EBIT)</b>		<b>166</b>	<b>126</b>
Interest income	14	9	4
Interest expense	14	-44	-42
Other finance income / costs	14	-1	-3
<b>Finance result</b>		<b>-37</b>	<b>-41</b>
<b>Earnings before income taxes (EBT)</b>		<b>130</b>	<b>85</b>
Income taxes	15	-49	-22
<b>Group result</b>		<b>80</b>	<b>63</b>
<i>thereof attributable to the owners of HENSOLDT AG</i>		78	63
<i>thereof attributable to non-controlling interests</i>		2	-0
<b>Earnings per share</b>			
Basic and diluted earnings per share (EUR)	16	0.75	0.60

The below disclosures in these Notes form an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € million	Note	Fiscal year	
		2022	2021
<b>Group result</b>		<b>80</b>	<b>63</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Measurement of defined benefit plans / plan assets	33	206	23
Tax on items that will not be reclassified to profit or loss		-58	-8
<b>Subtotal</b>		<b>147</b>	<b>15</b>
<b>Items that will be reclassified to profit or loss</b>			
Difference from currency translation of financial statements		0	1
Cash flow-hedge - unrealised gains / losses	37.3	-	-1
Cash flow-hedge - reclassification to profit or loss		-0	1
Tax effect on unrealised gains / losses		-0	0
<b>Subtotal</b>		<b>0</b>	<b>1</b>
<b>Other comprehensive income net of tax</b>		<b>147</b>	<b>16</b>
<b>Total comprehensive income in the fiscal year</b>		<b>227</b>	<b>79</b>
<i>thereof attributable to the owners of HENSOLDT AG</i>		226	79
<i>thereof attributable to non-controlling interest</i>		2	-0

The below disclosures in these Notes form an integral part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<b>ASSETS</b>		31 Dec.	31 Dec.
in € million	Note	2022	2021
<b>Non-current assets</b>		<b>1,335</b>	<b>1,326</b>
Goodwill <sup>1</sup>	17	658	658
Intangible assets	17	384	385
Property, plant and equipment	18	121	108
Right-of-use assets	28	140	141
Other investments and other non-current financial assets	19	22	21
Non-current other financial assets	26	1	1
Other non-current assets	27	2	3
Deferred tax assets	15	6	11
<b>Current assets</b>		<b>1,644</b>	<b>1,629</b>
Other non-current financial assets, due on short-notice	19	0	1
Inventories	20	516	444
Contract assets	11	182	170
Trade receivables	21	323	309
Other current financial assets	26	20	7
Other current assets	27	133	167
Income tax receivables	15	10	2
Cash and cash equivalents	36.1	460	529
<b>Total assets</b>		<b>2,979</b>	<b>2,956</b>

<sup>1</sup> Adjustment of previous year's figures due to a purchase price adjustment after the measurement period by €+6 million

The below disclosures in these Notes form an integral part of these Consolidated Financial Statements.

<b>EQUITY AND LIABILITIES</b>		31 Dec.	31 Dec.
in € million	Note	2022	2021
Share capital	34.1	105	105
Capital reserve <sup>3</sup>		472	537
Other reserves <sup>1</sup>		82	-65
Retained earnings <sup>1,2,3</sup>		-55	-171
<b>Equity held by shareholders of HENSOLDT AG</b>		<b>604</b>	<b>406</b>
Non-controlling interests		13	11
<b>Equity, total</b>	<b>34</b>	<b>616</b>	<b>417</b>
<b>Non-current liabilities</b>		<b>1,160</b>	<b>1,284</b>
Non-current provisions	23	282	497
Non-current financing liabilities	36.2	619	622
Non-current contract liabilities	11	11	12
Non-current lease liabilities	28	140	139
Other non-current financial liabilities	26	3	0
Other non-current liabilities	27	11	10
Deferred tax liabilities	15	94	4
<b>Current liabilities</b>		<b>1,203</b>	<b>1,255</b>
Current provisions	23	181	188
Current financing liabilities	36.2	12	166
Current contract liabilities	11	488	500
Current lease liabilities	28	18	16
Trade payables	22	379	269
Other current financial liabilities	26	4	10
Other current liabilities	27	101	94
Tax liabilities	15	19	11
<b>Total equity and liabilities</b>		<b>2,979</b>	<b>2,956</b>

<sup>1</sup> Adjustment of previous year's figures: Cash flow-hedges by €+5 million in other reserves and by €-5 million in retained earnings

<sup>2</sup> Adjustment of previous year's figures due to a purchase price adjustment after the measurement period by €+6 million

<sup>3</sup> Adjustment of previous year's figures: Release of Capital reserves €- 60 million and addition to Retained earnings €+ 60 million. In contrast to previous year, the dividend payment of € 14 million is expensed to retained earnings.

The below disclosures in these Notes form an integral part of these Consolidated Financial Statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

in € million	Note	Fiscal year	
		2022	2021
<b>Group result</b>		<b>80</b>	<b>63</b>
Depreciation and amortisation	17/18/28	103	126
Impairments (+) / reversals of impairments (-) of inventories, trade receivables and contract assets		2	3
Profit / loss from disposals of non-current assets		0	-1
Share of profit in entities recognised according to the equity method		-	2
Financial expenses (net)		27	33
Other non-cash expense / income		1	-4
Change in			
Provisions		-22	31
Inventories		-75	-44
Contract balances		-25	111
Trade receivables		-13	-22
Trade payables		110	107
Other assets and liabilities		42	-83
Interest paid		-24	-36
Income tax expense (+) / income (-)		49	22
Income tax payments (-) / refunds (+)		-11	-9
<b>Cash flows from operating activities</b>		<b>244</b>	<b>299</b>
Acquisition / addition of intangible assets and property, plant and equipment	17/18	-95	-102
Proceeds from sale of intangible assets and property, plant and equipment	17/18	0	3
Acquisition of associates, other investments and other non-current financial assets	19	-5	-7
Disposal of associates, other investments and other non-current financial assets		-0	-
Acquisition of subsidiaries net of cash acquired	7	-1	-12
Other		0	1
<b>Cash flows from investing activities</b>		<b>-101</b>	<b>-117</b>

in € million	Note	Fiscal year	
		2022	2021
Repayment from financing liabilities to banks	36.3	-150	-210
Proceeds from financing liabilities to banks	36.3	-	30
Change in other financing liabilities	36.3	-19	-84
Payment of lease liabilities	36.3	-19	-16
Dividend payments	36.3	-26	-14
Dividends on non-controlling interests	36.3	-0	-0
Transaction costs paid on issue of equity	36.3	-	-3
Others		0	-
<b>Cash flows from financing activities</b>		<b>-214</b>	<b>-297</b>
Effects of changes in exchange rates on cash and cash equivalents		2	-1
<b>Net changes in cash and cash equivalents</b>		<b>-69</b>	<b>-116</b>
<b>Cash and cash equivalents</b>			
<b>Cash and cash equivalents on 1 January</b>		<b>529</b>	<b>645</b>
<b>Cash and cash equivalents on 31 December</b>		<b>460</b>	<b>529</b>

The below disclosures in these Notes form an integral part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € million	Attributable to the owners of the HENSOLDT AG							Non-controlling interests	Equity
	Share capital	Capital reserve <sup>3</sup>	Retained earnings <sup>1,3</sup>	Other reserves			Subtotal		
				Remeasurement of pensions	Cash flow-hedge <sup>1</sup>	Currency translation			
<b>As of 1 Jan. 2021</b>	<b>105</b>	<b>597</b>	<b>-286</b>	<b>-67</b>	<b>-</b>	<b>-15</b>	<b>334</b>	<b>13</b>	<b>347</b>
Group Result	-	-	63	-	-	-	63	-0	63
Other comprehensive income	-	-	-	15	-0	1	16	-0	16
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>15</b>	<b>-0</b>	<b>1</b>	<b>79</b>	<b>-0</b>	<b>79</b>
Transactions with non-controlling interests and acquisitions through business combinations	-	-	0	-	-	-	0	-2	-1
Employee share program	-	3	-	-	-	-	3	-	3
Settlement of employee share program	-	-3	-	-	-	-	-3	-	-3
Release Capital reserve	-	-60	60	-	-	-	-	-	-
Dividend payments	-	-	-14	-	-	-	-14	-	-14
Dividends on non-controlling interests	-	-	-	-	-	-	-	-0	-0
Other <sup>2</sup>	-	0	6	-	0	-	6	-	6
<b>As of 31 Dec. 2021</b>	<b>105</b>	<b>537</b>	<b>-171</b>	<b>-51</b>	<b>-</b>	<b>-14</b>	<b>406</b>	<b>11</b>	<b>417</b>
Group Result	-	-	78	-	-	-	78	2	80
Other comprehensive income	-	-	-	147	-	0	148	-0	147
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>78</b>	<b>147</b>	<b>-</b>	<b>0</b>	<b>226</b>	<b>2</b>	<b>227</b>
Transactions with non-controlling interests and acquisitions through business combinations	-	-	-	-	-	-	-	-0	-0
Employee share program	-	3	-	-	-	-	3	-	3
Settlement of employee share program	-	-3	-	-	-	-	-3	-	-3
Release Capital reserve	-	-65	65	-	-	-	-	-	-
Dividend payments	-	-	-26	-	-	-	-26	-	-26
Dividends on non-controlling interests	-	-	-	-	-	-	-	-0	-0
Other	-	-	-1	-	-	-	-1	-	-1
<b>As of 31 Dec. 2022</b>	<b>105</b>	<b>472</b>	<b>-55</b>	<b>96</b>	<b>-</b>	<b>-14</b>	<b>604</b>	<b>13</b>	<b>616</b>

<sup>1</sup> Adjustment of previous year's figures: Cash flow-hedges by €+5 million in other reserves and by €-5 million in retained earnings as per 1 Jan. 2021

<sup>2</sup> Addition due to a purchase price adjustment after the measurement period by €+6 million

<sup>3</sup> Adjustment of previous year's figures: Release of Capital reserves €- 60 million and addition to Retained earnings €+ 60 million. In contrast to previous year, the dividend payment of € 14 million is expensed to retained earnings

The below disclosures in these Notes form an integral part of these Consolidated Financial Statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## I Basis of presentation

### 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 corporation active in the defence and security electronics market with its headquarters based in Germany. The range of products and services includes the development, manufacturing, operation and distribution of electro-technical systems, optronic devices and software solutions for military and non-military use.

### 2 Significant 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 important accounting policies are described in note 4.

These Consolidated Financial Statements were prepared by the Management Board on 10 March 2023 and passed on to the Supervisory Board for approval.

The Consolidated Financial Statements are presented in Euro ("€"), which is the Group's functional currency. Unless otherwise stated, all financial figures presented herein in € are rounded to the nearest million €. Amounts below € 500,000 and greater than zero € are represented as 0.

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 significant accounting policies are set out below.



## 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.

### Non-controlling interests

Non-controlling interests are valued at the date of acquisition at the relevant share in the acquired company's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### Investments accounted for using the equity method

Interests of the Group accounted for using the equity method comprise interests in associates and joint ventures.

Associates are companies in which the Group has a significant influence, but no control or joint control in respect to financial and business policies. A joint venture is a cooperation, over which the Group exercises joint control and in which it has rights to the net assets of the cooperation rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which also includes transaction costs. After initial recognition, the Consolidated Financial Statements contain the Group's share in the total comprehensive income of the equity-accounted investee until the date at which significant influence or joint management ends. If the losses of an associate or joint venture attributable to HENSOLDT equal or exceed the value of its interest in such entity, no further share of losses is recognised unless HENSOLDT has incurred obligations or made payments on behalf of the entity. The interest in an associate or joint venture is the carrying amount of the investment plus any and all financial assets that are, in substance, attributable to HENSOLDT's net investment in the entity such as, e.g. a loan under certain circumstances.

### Consolidation of intra-group transactions

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains on transactions with equity-accounted investees are derecognised against the investment according to the Group's share in the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only if there are no indications of impairment.

## 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. 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. Variable considerations such as e.g. price escalations, contractual penalties, revisions following price audits are reflected in the transaction price if it is highly probable that such variable consideration may be achieved or when the uncertainty associated with such variable consideration no longer exists. The amount of the variable consideration is determined either according to the expected value method or using the most likely amount, depending on which method better predicts the 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 estimates these in an appropriate amount. If no observable prices exist, particularly as the goods and services offered by HENSOLDT 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 the 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 services create or enhance an asset and the customer gains control over the asset as the asset is created or enhanced; or
- It produces an asset with no alternative use for the company and the company 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 it best reflects the measure of progress towards the satisfaction of the performance obligation, according to the HENSOLDT group. If costs are incurred that do not contribute to the progress of the service provision, such as e.g. 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 or upon acceptance of the goods or services by the customer.

### Performance obligations

The following break-down sets forth the significant performance obligations 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 and 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 between 30 and 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 maintenance and training services. 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 between 30 and 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.

### **Contract assets, contract liabilities and trade receivables**

If one of the contract parties has met its contractual obligations, depending on whether or not the HENSOLDT Group has performed its contractual obligations or the customer has paid the agreed consideration at the same time, a contract asset, contract liabilities or a receivable is recognised.

If HENSOLDT satisfies its contractual obligations by transferring goods and services to a customer but before the customer pays a consideration or is required to pay pursuant to the contractual terms, the Group recognises a contract asset to the amount of the satisfied performance less any amounts recognised as receivable.

A receivable is recognised for a consideration that is unconditional due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

A contract liability is recognised if a payment is received or a payment is due – whichever is earlier – from a customer before HENSOLDT Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract (i.e., transfers control of the related goods or services to the customer).

## **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 to 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 costs for intangible assets are recognised as a part of cost of sales.

### **Goodwill**

Goodwill arising from business combinations is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or if an objective indication of impairment exists. For the purpose of impairment testing, goodwill acquired in a business combination is, starting from the acquisition date, allocated to the Group's cash generating units (CGUs) that are expected to benefit from the combination. This applies irrespective of whether other assets or liabilities of the entity acquired are assigned to these CGUs.

### **Research and development**

Research costs are recognised in the consolidated income statement as incurred.

Development costs are capitalised if they can be reliably estimated, the product or process is technically and commercially feasible, future benefit is probable and the Group intends and has sufficient resources to be able to complete development and use or sell the asset.

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 measured at cost less accumulated amortisation and accumulated impairment losses. HENSOLDT reviews capitalised development for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test. Impairment testing of other intangible assets involves the use of estimates in determining the assets' recoverable amount which can have a material impact on the respective values and ultimately the amount of any impairment. 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:

Fixtures and buildings	5 to 50 years
Technical equipment and machinery	4 to 10 years
Other equipment, operating and office equipment	3 to 13 years

## **2.6 Inventories**

Inventories are measured at the lower of cost (generally the average cost) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of to sell.

Manufacturing costs include all costs directly attributable to the manufacturing process, such as material costs, wage and production-related overheads (based on normal operating capacity and normal use of materials, labour and other production costs) 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**

In substance, the Group only engages in lease activities as a lessee. The Group leases various assets including property, technical equipment, IT equipment and vehicles.

At inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



At commencement or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its stand-alone price. This policy applies to lease contracts concerning buildings. Due to materiality, the Group has elected not to separate non-lease components for all other classes of lease contracts.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. Such comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are 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.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or an interest rate, initially measured using the index or interest rate prevailing as of the commencement date;
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or 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 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 (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

### Short-term employee benefits

Obligations under short-term employee benefits are recognised as an expense once the employee rendered the corresponding service. If the Group has a legal or constructive obligation to make a payment, it recognises a liability for the expected amount to be paid, when and only when a liable estimate of the obligation can be made.

### Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense as soon as the related services are provided.

### 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 assets. 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 a plan amendment or gain or loss on curtailment is recognised directly in the consolidated income statement.

### Other long-term employee benefits

The Group's net obligations for other long-term employee benefit obligations is the amount of future benefits that employees have earned in return for their services in the current and in previous periods. This benefit is discounted to determine their present value. Remeasurements are recognised in the consolidated income statement in the period in which they occur.

### 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 incentive programme (LTI) is accounted for as a cash-settled share-based payment transaction according to 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.

The employee share programme is accounted for as an equity-settled share-based payment transaction according to IFRS 2. The Group recognises the grant date fair value of the award as an expense with a corresponding increase of equity. The equity instruments used to settle the share-based payment transaction are acquired on the capital market. Consequently, the capital reserve is relieved accordingly. The fair value of the services rendered by the beneficiaries cannot be reliably measured, therefore, the fair value of the granted subscription rights is used. The value of an equity-settled share-based payment transaction is determined as at the grant date and corresponds to the increase in equity recognised for this share-based payment transaction.

## 2.9 Other provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is presented as finance cost.

### 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. They comprise both

- the additional cost caused by performing the contract – such as direct wage costs and cost of materials; and

- other costs directly attributable to the performance of the contract – such as e.g. the pro-rata depreciation of property, plant or equipment used for performing the contract.

The provision is measured at the lower amount of expected costs for terminating the contract and the expected net costs from performing the contract. Before a provision for onerous contracts is recognised, the associated inventories are written down.

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 project progression.

If the warranty is classified as a separate service, a separate performance obligation is identified for the warranty.

## 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 entity becomes a party according to the contractual provisions of the instrument.

A financial asset (except for a trade receivable without financing component) or a financial liability is initially measured at fair value on initial recognition plus or minus, for an item not measured at FVtPL, 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, 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 at FVtOCI if both of the following conditions are met and it was not designated at FVtPL:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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 business model “held to collect and sale”. 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 37).

At initial recognition the Group can irrevocably elect to designate financial assets, which meet the conditions for measurements at amortised cost or at FVtOCI, at FVtPL if measurement and recognition inconsistencies (“accounting mismatch”) that arise are 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. Derivatives designated as hedging instruments in an effective hedge are measured at FVtOCI, refer to note 37.

Financial assets 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 2.14.

Certain equity investments, especially immaterial other investments or interests in joint ventures or associates that are not consolidated using the at-equity method due to materiality, are measured at amortised cost.

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 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 of a part of 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 or at 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, the financial asset is 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.

## Netting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group has a current, legally enforceable right to offset the amounts and intends either to settle them on a net basis, or to realise the asset and settle the related liability simultaneously.

## Derivative financial instruments and hedge accounting

### Derivative financial instruments

The Group carries out some of its transactions in foreign currency, such as e.g. customer or supplier contracts. HENSOLDT enters into forward exchange 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, and changes therein are generally recognised in the consolidated income statement.

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.

Hedge accounting ensures that derivative gains or losses are recorded through profit or loss (primarily as a part of revenue) in the same period in which the hedged items or transactions are recognised through profit or loss. In contrast, changes in the value of derivative contracts are recognised in total comprehensive income if the hedged items or transactions have not yet been recognised in the consolidated income statement.

At the inception of the designated hedge, the Group documents the risk management objectives and strategies that it is pursuing in respect of hedging. The Group also documents the financial relationship between the hedged item and the hedging instrument and whether there is an expectation that the changes in cash flows of the hedged item and the hedging instrument will offset each other.

For the purpose of assessing whether there is an economic relationship between the hedged items and the hedging instruments, the Group assumes that the reference interest rate will not change as a result of the reform of the interest rate benchmark.

The Group continues to apply the existing accounting policies of IAS 39 for hedging transactions.

The fair value of derivative financial instruments, that are designated in a hedge accounting relationship as well as the development of the hedging reserve are shown in note 37.3.

### Cash flow-hedges

If a derivative is designated as a cash flow-hedge, the effective portion of changes in the fair value is recognised in other comprehensive income and the cumulative change is transferred to the hedging reserve. Any ineffective portion of changes in fair value of the derivative is recognised in the consolidated income statement. For all other hedged forecast transactions, the accumulated amount, which was transferred to the hedging reserve, is reclassified in the consolidated income statement in the period or periods in which the hedged forecast future cash flows affect the consolidated income statement.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, terminated or exercised, then hedge accounting is discontinued prospectively. If the hedged future cash flows are no longer forecast, the amounts that were transferred to the hedging reserve are directly reclassified in the consolidated income statement.

Changes in the fair value of derivatives used as cash flow-hedges that were not designated in a hedging relationship are directly recognised in the consolidated income statement.

## 2.11 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

Applying the liability method of IAS 12 Income taxes, deferred taxes are calculated on the basis of temporary differences between the tax and financial reporting valuation approaches including differences from consolidation, loss and interest carryforwards as well as tax credits. The calculation uses the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The amount is calculated on the basis of the tax rates and tax laws applicable as of the reporting date or will be applicable in the near future.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of

- deferred tax liabilities from the initial recognition of goodwill; or
- deferred tax liabilities of an asset or liability from a transaction which is not a business combination and at the date of the transaction affects neither the income (loss) for the period nor taxable profit (taxable loss); or
- deferred tax liabilities from all taxable temporary differences associated with investments in subsidiaries, associates, interests in joint ventures, where HENSOLDT is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that sufficient taxable earnings will be available against which the deferred tax asset could be offset. Deferred tax assets that are not recognised are reviewed at each reporting date and recognised to the extent to which it has become likely that future taxable earnings will permit the realisation of the deferred tax asset. Each uncertain tax treatment is considered individually or together as a group, depending on which approach better predicted the resolution of the uncertainty. The Group uses either the most likely amount or the expected value method to measure such uncertainty. The decision is based on which method better predicts the resolution of the uncertainty.

Deferred taxes relating to items recognised directly in equity are also posted directly in equity. Deferred taxes are recognised either in other comprehensive income or directly in equity, depending on the underlying business transaction involved.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current taxes assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 2.12 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 cost 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.

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 OCI 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 € at the exchange rates on the reporting date. Income and expenses of foreign operations are translated into euros at yearly average exchange rates. Foreign currency differences are recognised in OCI and presented in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

### 2.13 Statement of cash flows

Under the indirect determination of the cash flows from operating activities, the changes in items in the statement of financial position related to operating activities are adjusted by currency translation effects and by changes in the scope of consolidation. For this reason, they cannot be directly reconciled with the relevant changes on the basis of the published consolidated statement of financial position.

### 2.14 Impairment

#### Non-derivative financial assets

The Group recognises allowances for expected credit losses ("ECL") for:

- financial assets measured at amortised cost;
- contract assets.

HENSOLDT measures its impairment allowances on trade receivables and contract assets using the simplified approach. In accordance with the simplified approach, HENSOLDT measures the loss allowance at an amount equal to lifetime expected credit losses. Consequently, no review is required as to whether a significant increase in credit risk occurred requiring a transfer from Level 1 to Level 2.

For all other financial assets within the scope of IFRS 9 impairment requirements, no allowance for impairment losses is recognised for reasons of materiality. This assumption is reviewed on a regular basis.

To assess whether the credit risk of a financial asset since initial recognition has significantly increased and for the assessment of 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, inclusive of 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 allowance for losses on loans and advances) (Level 3).

#### **Presentation of impairment for expected credit losses in the statement of financial position**

Impairment losses on 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 situation of more than 90 days; or
- it is probable that the borrower will become insolvent or enter into other bankruptcy proceedings.

#### **Impairment**

The gross carrying amount of a financial asset is impaired when according to 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 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.

To determine if an impairment has occurred, assets are combined into the smallest group of assets that generate cash inflows from continuing use and are largely independent from the cash inflows of other assets or CGUs. Goodwill acquired from a business combination is allocated to the CGUs or group of CGUs which are expected to benefit from the synergies of the combination. This applies irrespective of whether other assets or liabilities of the entity acquired are assigned to these CGUs.

Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount. The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs of disposal.

To assess the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the present market assessment of the time value of money and the specific risks relating to an asset or a CGU.

The calculation of fair value less costs of disposal is based on available data from binding sale transactions for similar assets or observable market prices less directly attributable costs of disposal the asset. If insufficient information is available to determine the fair value less costs of disposal of an asset or CGU, the value in use of the asset or CGU is used instead.

Impairment losses are recognised in the consolidated income statement. Impairment losses recognised on CGUs are initially allocated to any goodwill allocated to the CGU, and subsequently to the carrying amounts of the other assets of the CGU or group of CGUs on a pro rata basis.

An impairment loss on goodwill cannot be reversed. Impairment losses on other assets can only be reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that, less depreciation or amortisation, would have been determined if no impairment had been recognised.

### 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 an asset would be sold or a liability transferred 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 following hierarchy to determine and present fair value of the financial instruments for each valuation method:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly



- Level 3: Methods by which input parameters that substantially impact the fair value determination are not based on observable market data

If an asset or liability measured at fair value has a bid or ask price, then the Group measures assets or long positions at the bid price and liabilities and short positions at the ask price.

The best indication of the fair value at initial recognition of a financial instrument is generally the transaction price, i.e. the fair value of the consideration paid or received. If the Group determines that at initial recognition the fair value is different to the transaction price and the fair value is evidenced neither (i) by a quoted price in an active market for an identical asset or liability nor (ii) based on a measurement technique for which all unobservable inputs can be considered insignificant in relation to the measurement, then this financial instrument is initially measured at fair value. This amount is adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, this difference is recognised in the consolidated income statement on an appropriate basis over the life of the instrument, however no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The significant, non-observable input factors and the measurement adjustments are regularly reviewed at the balance sheet date. If information from third parties, such as price quotations from brokers or price information services, is used to determine the fair values, the evidence obtained from third parties is examined to determine whether such measurements fulfil the requirements of IFRS, including the classification in the fair value hierarchy.

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 forward exchange 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 forward exchange 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 forwards 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 futures, 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 futures. 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. The fair value of the written put option granted to minority shareholders is based on a discounted cash flow model using a 3-year business plan.

### 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 Key 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 key 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 costs, the Group makes estimates regarding the development costs 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 significant 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 2.14 and note 17.2 for further information on the significant estimates and judgments in regard to 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 33).

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 obligation and the plan assets is significantly affected by the discount rate used. In general, the defined benefit obligation is sensitive to movements in interest rates which leads to volatile results of 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 as of December 31 are as follows:

	Pension plans in Germany	
	31 Dec. 2022	31 Dec. 2021
Assumptions in %		
Discount rate	4.2 %	1.5 %
Wage increase rate (until age 35)	3.0 %	3.0 %
Wage increase rate (until age 36)	2.0 %	2.0 %
Pension increase rate	2.0 %	1.0 %

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 salary growth rates are based on long-term expectations of the respective employer that are derived from the inflation rate assumed. For the years 2023, 2024 and 2025, a wage increase rate for employees aged 36 and over was applied on a staggered basis of 4.0 %, 3.0 % and 3.0 %. From 2026 onwards, a linear wage increase rate of 2.0 % has been included in the calculation. Payments for pension growth rates are derived from the respective inflation rate for the plan. An adjustment guarantee of 2.0 % p.a. is assured for the most important pension plans in Germany for the pension increase rate. In addition, higher pension increase rates were used as a basis for the valuation for the next three years as follows: 2023: 4.0 %, 2024: 4.0 %, 2025: 3.0 %.

Moreover, an assumption is made as to what extent the employees choose a one-off payment, instalment payment or pension when the benefit falls due. In light of the exercise of the payout options upon retirement that has actually been observed, management once again adapted its demographic assumptions regarding the payout behaviour of the beneficiaries in the fiscal year 2022. This resulted in an increase in pension liability.

The calculation of pension obligations is based on the current 2018 G biometric reference tables provided by Heubeck.

### 3.7 Contingent legal liabilities

Group companies can be parties to legal disputes in a variety of ways (refer to note 24). The outcome of these issues can have a material impact on the Group's financial position, operating profit and cash flows. Management regularly analyses current information on these issues and recognises provisions in the amount of likely cash outflows, including estimated legal costs. In deciding on the need for provisions, management takes into account the degree of probability of an unfavourable outcome and the possibility of reliably estimating the amount of damage. Filing an action or formally exercising damage claims against group companies or the announcement of such an action or exercising of damage claims does not automatically mean that a provision is appropriate.

### 3.8 Income tax

In terms of income taxes, material estimates and assessments arise in respect of deferred tax assets. The assessment of whether deferred tax assets are recoverable 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. On the basis of individual company planning and taking into account tax adjustment effects, the Group assumes that the benefits of deferred tax assets can be realised within the next four years on the basis of sufficient, future taxable income. The factors for the origination of loss carry-forwards were mainly one-off transformation-related effects, as well as IPO-related legal restructuring and refinancing costs.

### 3.9 Lease term

#### Determining the lease term of a contract with renewal and termination options – 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 considers all relevant factors that create economic incentives to exercise either the renewal or termination. After the 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.

HENSOLDT includes the extension period as part of the lease term for certain property leases when HENSOLDT is reasonably certain it will exercise the option. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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.



### 3.10 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, key estimates and assessments need to be determined. HENSOLDT Group regularly reviews significant unobservable inputs and valuation adjustments. Please refer to note 2.15.

## 4 Changes in significant 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 37: Onerous contracts	1 January 2022	Confirmed	No
Amendments to IFRS 3: Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2022	Confirmed	No
Amendments to IAS 16: Property, Plant and Equipment, Proceeds before intended use	1 January 2022	Confirmed	No
Amendments to IFRS 1 / IFRS 9 / IFRS 16 / IAS 41: Annual improvement project 2018-2020	1 January 2022	Confirmed	No

## 5 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 2022, 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 the 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 1 and IFRS Practice Statement: Disclosure of accounting policies	1 January 2023	Confirmed	No
Amendments to IAS 8: Definition of accounting estimates	1 January 2023	Confirmed	No
Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023	Confirmed	No
Amendments to IAS 1: Classification of Liabilities as current or non-current	1 January 2024	Not yet confirmed	No
Amendments to IFRS 16: Lease liability in a Sale and Leaseback	1 January 2024	Not yet confirmed	No

## II Group structure

### 6 Consolidated group

The shareholdings as of 31 December 2022, are listed in the following table:

Company	Registered Office	Share of capital	Consolidation method
HENSOLDT AG	Taufkirchen / Germany	–	PC
HENSOLDT Holding GmbH	Taufkirchen / Germany	<100.0 % <sup>1</sup>	FC
HENSOLDT Holding Germany GmbH	Taufkirchen / Germany	<100.0 % <sup>1</sup>	FC
HENSOLDT Sensors GmbH	Taufkirchen / Germany	<100.0 % <sup>1</sup>	FC
HENSOLDT Optronics GmbH	Oberkochen / Germany	<100.0 % <sup>1</sup>	FC
HENSOLDT Avionics Holding GmbH	Pforzheim / Germany	100.0 %	FC
HENSOLDT Avionics GmbH	Pforzheim / Germany	100.0 %	FC
HENSOLDT Cyber GmbH	Taufkirchen / Germany	90.6 %	FC
EuroAvionics UK Ltd.	Slinfold / United Kingdom	100.0 %	FC
EuroAvionics Schweiz AG <sup>2</sup>	Sissach / Switzerland	100.0 %	FC
HENSOLDT Avionics US HoldCo. Inc.	Sarasota / USA	100.0 %	FC
HENSOLDT Avionics USA LLC	Sarasota / USA	100.0 %	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 UK Limited	Enfield / United Kingdom	100.0 %	FC
KH Finance No.2	Enfield / United Kingdom	100.0 %	FC
KH Finance Ltd.	Enfield / United Kingdom	100.0 %	FC
Kelvin Hughes Ltd.	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.	Paris / France	100.0 %	FC
Kite Holding France S.A.S.	Paris / France	100.0 %	FC
HENSOLDT Nexeya France S.A.S. <sup>3</sup>	Toulouse / France	100.0 %	FC
HENSOLDT Space Consulting S.A.S.	Toulouse / France	100.0 %	FC
Midi Ingénierie S.A.S.	Toulouse / France	85.0 %	FC
Nexeya Canada Inc.	Markham / Canada	100.0 %	FC
HENSOLDT Australia Pty Ltd.	Hobart / Australia	100.0 %	FC

PC = parent company; FC = fully consolidated affiliated company

<sup>1</sup> Interest of Federal Republic of Germany with a nominal value of € 1 each

<sup>2</sup> in liquidation

<sup>3</sup> In the fiscal year, Antycip Technologies S.A.S., Massy / France and Penser Maitriser Technicité Logistique - P.M.T.L S.A.S., Cologne / France, were merged into HENSOLDT Nexeya France S.A.S

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. 30 (previous year: 33) were fully consolidated. Two companies were merged in the reporting year, and Kelvin Hughes LLC/USA was deconsolidated.

The 21 (previous year: 16) companies listed below were not consolidated due to materiality.

Company	Registered Office	Equity in € million	Profit/loss in € million	Share of capital	Consolidation method
Atlas Optronics LLC	Abu Dhabi / UAE	n/a	n/a	49.0 %	AC
EURO-ART Advanced Radar Technology GmbH <sup>2</sup>	Munich / Germany	0.2	-0.0	25.0 %	AC
EURO-ART International EWIV <sup>1</sup>	Munich / Germany	1.1	0.0	50.0 %	AC
EUROMIDS S.A.S. <sup>1</sup>	Paris / France	3.6	0.2	25.0 %	AC
LnZ Optronics Co. Ltd. <sup>1</sup>	Seoul / South Korea	1.4	-0.1	50.0 %	AC
PMTL-Peinture Composite S.A.S. <sup>3</sup>	L'Isle-Jourdain / France	0.1	0.0	49.8 %	AC
Deutsche Elektronik Gesellschaft für Algerien mbH <sup>1</sup>	Ulm / Germany	11.1	0.1	66.7 %	JV
J.A.M.E.S. GmbH <sup>1</sup>	Taufkirchen / Germany	1.3	-0.1	50.0 %	JV
Société Commune Algérienne de Fabrication de Systèmes Electroniques SPA <sup>1</sup>	Sidi Bel Abbès / Algeria	24.4	1.0	49.0 %	JV
Antycip Iberia SL <sup>1</sup>	Barcelona / Spain	0.0	0.0	100.0 %	NC
HENSOLDT Analytics GmbH <sup>1</sup>	Vienna / Austria	-2.4	-1.0	100.0 %	NC
HENSOLDT do Brasil Segurança e Defesa Eletrônica e Optica Ltda <sup>1</sup>	São Paulo/ Brazil	-0.1	-0.0	99.9 %	NC
HENSOLDT Inc. <sup>1</sup>	Wilmington / USA	-6.0	0.5	100.0 %	NC
HENSOLDT Private Ltd. <sup>4</sup>	Bangalore / India	0.4	0.1	100.0 %	NC
MaHyTec S.A.S. <sup>1</sup>	Dole / France	0.5	-0.1	100.0 %	NC
Nexeya USA Inc. <sup>3</sup>	Beaufort / USA	0.0	0.0	100.0 %	NC
HENSOLDT Nexeya Belgium <sup>5</sup>	Mouscron / Belgium	n/a	n/a	100.0 %	NC
Kelvin Hughes LLC <sup>1</sup>	Alexandria / USA	0.0	0.0	100.0 %	NC
HENSOLDT Middle East Limited Company <sup>5</sup>	Riad / KSA	n/a	n/a	100.0 %	NC
HENSOLDT Theon NightVision GmbH <sup>5</sup>	Wetzlar / Germany	n/a	n/a	100.0 %	NC
21strategies GmbH <sup>1</sup>	Hallbergmoos / Germany	0.2	-0.3	11.4 %	NC

NC: non-consolidated affiliated company valued at cost for reasons of immateriality

AC: associated company valued at cost for reasons of immateriality

JV: joint venture pursuant to IFRS 11 valued at cost for reasons of immateriality

n/a: no financial data available

<sup>1</sup> Equity and result 31/12/2021

<sup>2</sup> Equity and result 30/09/2021

<sup>3</sup> Equity and result 30/06/2021

<sup>4</sup> Equity and result 31/03/2022

<sup>5</sup> New establishment in the fiscal year 2022, annual financial statements not yet prepared

## 7 Acquisitions

### 7.1 Company acquisitions and other changes during the fiscal year

#### HENSOLDT Cyber GmbH

With effect from June 2021, HENSOLDT gained control over HENSOLDT Cyber GmbH ("HENSOLDT Cyber") which had been consolidated using the equity method, so that it is now included in the Consolidated Financial Statements as a fully consolidated company.

Agreements made with the joint venture partner resulted in potential voting rights associated with conversion rights that are related to the loans granted to HENSOLDT Cyber. Under consideration of the potential voting rights, HENSOLDT held 70.0 % of the voting rights of HENSOLDT Cyber as at 31 December 2021.

With the implementation of the conversion rights under civil law, the shares from which the potential voting rights resulted were acquired in September 2022. In the further course of the fiscal year, the share in HENSOLDT Cyber was increased again so that the interest amounts to 90.6 % as of 31 December 2022.

In addition, the preliminary valuation underlying the existing shares was finalised after the valuation period. The goodwill of € 14 million reported in the previous year was increased by € 6 million after the end of the reporting period, increasing the profit reserves reported in the previous year.

### 7.2 Determination of fair values

The valuation methods used to determine the fair value of the acquired essential 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 Company'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 June 2021, the share attributable to HENSOLDT Holding Germany GmbH in HENSOLDT Cyber increased from 51.0 % to 70.0 %. Accordingly, HENSOLDT Cyber's accounting method was switched from the equity method to full consolidation starting June 2021 (refer to note 7).

The reported net income of the previous year comprises the period from 1 January 2021 until 30 May 2021.



## 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 persons of HENSOLDT AG.

#### Members of the Management Board

- Thomas Müller, CEO
- Christian Ladurner, CFO (since 1 July 2022)
- Axel Albert Hans Salzmann, CFO (until 30 June 2022)
- Dr. Lars Immisch, CHRO (since 1 October 2022)
- Peter Fieser, CHRO (until 30 September 2022)
- Celia Pelaz, CStO

#### Members of the Supervisory Board

- Johannes P. Huth, Chairman of the Supervisory Board
- Armin Maier-Junker, Chairman of the Works Council and the General Works Council of HENSOLDT Sensors GmbH, Deputy Chairman of the Supervisory Board
- Dr. Jürgen Bestle, Deputy Chairman of the Company Spokesperson Committee of senior management
- Jürgen Bühl, Trade Union Secretary of the IGM Management Board
- Letizia Colucci (since 13 May 2022)
- Achim Gruber, Chairman of the Works Council of HENSOLDT Optronics GmbH
- Prof. Wolfgang Ischinger (until 13 May 2022)
- Ingrid Jägering
- Marion Koch, Member of the Works Council of HENSOLDT Sensors GmbH
- Christian Ollig (until 13 May 2022)
- Prof. Dr. Burkhard Schwenker (until 21 September 2022)
- Giovanni Soccodato (since 13 May 2022)
- Julia Wahl, Union Secretary of IGM
- Claire Wellby (until 13 May 2022)
- Hiltrud D. Werner (since 22 September 2022)
- Reiner Winkler (since 13 May 2022)

### Related entities

Square Lux Holding II S.à r.l., Luxembourg, (hereinafter also: "Square Lux") held a share of approx. 42.94 % of the voting rights in HENSOLDT AG from the beginning of the reporting period until 3 January 2022. Based on an attendance during the annual general meeting of 74.07 % and a shareholding of 42.94 %, Square Lux had a de facto majority in the annual general meeting and is thus considered a controlling company in this period. Through other parent companies of Square Lux, HENSOLDT AG is also indirectly majority-owned by KKR Square Aggregator L.P., Canada, ("KKR") and its subsidiaries. KKR is a holding company of investment funds indirectly held by Kohlberg Kravis Roberts & Co L.P. and its affiliates.

The share purchase agreement concluded in the previous year to purchase 25.1 % of the shares in HENSOLDT AG from KKR's holdings by the Italian aerospace and defence group Leonardo S.p.a., Italy, ("Leonardo") was executed on 3 January 2022 after the fulfilment of the conditions precedent. 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, in a business relationship with Leonardo and the companies controlled by Leonardo.

Kreditanstalt für Wiederaufbau ("KfW"), executing the acquisition rights of the Federal Republic of Germany ("Federal Government"), holds 25.1 % of HENSOLDT AG's shares. Therefore, the Federal Government is considered 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.

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.

HENSOLDT AG prepares the Consolidated Financial Statements for the smallest and largest group of companies.

### 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.

in € million	Fiscal year	
	2022	2021
<b>Revenue</b>		
Entities with significant influence	688	283
Joint ventures	15	30
Associated companies	24	20
Non-consolidated companies	31	34
<b>Other income and cost reimbursements</b>		
Parent company	–	0
Entities with significant influence	1	–
Joint ventures	0	0
Associated companies	8	–
Non-consolidated companies	0	0
Other related parties	14	12

in € million	Fiscal year	
	2022	2021
<b>Goods and services received</b>		
Entities with significant influence	61	4
Joint ventures	0	0
Associated companies	3	3
Non-consolidated companies	3	2
Other related parties	16	15

in € million	31 Dec.	31 Dec.
	2022	2021
<b>Receivables</b>		
Entities with significant influence	87	54
Joint ventures	54	84
Associated companies	10	10
Non-consolidated companies	13	12
Other related parties	0	0
<b>Liabilities</b>		
Entities with significant influence	6	4
Joint ventures	4	0
Associated companies	6	7
Non-consolidated companies	5	6
Other related parties	3	4

In the previous year, in the context of the cost sharing and compensation agreement concluded with Square Lux in the context of HENSOLDT AG's IPO, HENSOLDT AG has charged pro-rated expenses in an amount of € 53 thousand to Square Lux – after having set off opposing claims.

In the reporting year, the Group received a share of profits amounting to € 8 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 € 16 million (previous year: € 15 million).

Receivables from and liabilities to related entities in the fiscal year 2022 mainly relate to trade receivables and trade liabilities.

For further information regarding the financing of pension plans of the Group which are considered related parties, refer to note 33.

### 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 € 4.0 million for the fiscal year (previous year: € 4.5 million). Expenses associated with share-based remunerations recognised in the consolidated income statement during the reporting year amounted to € 1.5 million (previous year: € 0.3 million). Past-service cost of € 0.2 million (previous year: € 0.3 million) arose as benefits after the employment for pension obligations of active members of the Management Board. Payments to former Management Board members on the occasion of termination of employment amounted to € 4.9 million. The total expenses recognised for the members of the Management Board in the reporting year (according to IAS 24.17) were thus a total of € 10.6 million (previous year: € 5.1 million).

The committed present value of the pension commitments to former members of the Management Board and their surviving dependants amounted to € 2.6 million.

The total remuneration of the Management Board pursuant to Section 314 (1) No. 6a, sentence 1 to 3 HGB amounted to € 6.6 million in the fiscal year 2022 (previous year: € 6.5 million). This figure includes the fair value at grant for share-based compensation of € 2.6 million (previous year: € 2.0 million) for the award of 117,092 (previous year: 142,754) 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 compensation pursuant to Section 314 (1) No. 6b HGB amounting to € 4.9 million.

HENSOLDT AG has made pension provisions of € 3.3 million for pension commitments to former members of the Management Board and their surviving dependants according to HGB.

#### Remuneration of the Supervisory Board

The compensation of the members of the Supervisory Board comprised a general compensation and an additional remuneration for committee activities amounting in total to € 0.7 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>.

#### Management participation

The Management Board members of HENSOLDT AG as well as other executives and executive board members of HENSOLDT Group held indirect shares issued by Square Lux Midco 1 & Co S.C.A. until Square Lux Holding II S.à r.l. retired as shareholder of HENSOLDT AG at the beginning of April 2022 and were thus indirectly invested in HENSOLDT AG. In the absence of a monetary benefit granted by companies of the Group at the time of the entry or exit of the participants, no expense was recognised in the Consolidated Financial Statements at any time – neither in the event of an exit nor in the event of the resignation of the manager.



# III Group performance

## 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 segment

The Sensors segment provides system solutions and comprises the three divisions Radar & Naval Solutions, Spectrum Dominance & Airborne Solutions, and Services & Aerospace Solutions as well as Elimination/Transversal/Others.

The products of the Radar & Naval Solutions and the Spectrum Dominance & Airborne Solutions divisions are complementary in the value chain, resulting in synergies between the two such as 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 two divisions of the Sensors segment.

#### 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 civil surveillance, reconnaissance, air traffic control (ATC) and air defence. These systems are deployed on various platforms, including the Eurofighter, the German Navy's Frigate 125 and the US Navy's Littoral Combat Ship. 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 land, sea and air applications, the product range is being extended to include defensive cyber-solutions. Furthermore, the Group offers electronic self-protection systems integrating missile, laser and radar warning sensors with countermeasures for air, sea and ground platforms and provides military and civil avionics systems such as situational awareness systems, mission computers and flight data recorders. Systems from the Spectrum Dominance & Airborne Solutions division are used in fighter aircraft such as the Eurofighter and Tornado, the Airbus A400M transport aircraft and various helicopter models.

#### Services & Aerospace Solutions

The division "Services & Aerospace Solutions", which was renamed in the second quarter of 2022 (formerly: "Customer Services & Space Solutions"), encompasses a range of customer support and service activities, as well as maintenance over the entire lifecycle of the platforms and systems developed in the other two 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.

Elimination/Transversal/Others comprises the other section which mainly contains components for anti-aircraft missile defence systems, funded military studies and funding projects, and the elimination section comprising the elimination/transversal of intra-segment revenue between the three divisions of the Sensors segment.

### Optronics segment

The Optronics segment comprises the Optronics & Land Solutions division and includes 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 stabilizers 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 segment. Furthermore, support and services for optronics products forms part of the Optronics segment.

### 10.2 Segment information

The operating segments of the HENSOLDT Group are internally steered and controlled by the means of its most important KPIs, revenue, order intake, book-to-bill ratio and adjusted EBITDA. In addition, HENSOLDT uses adjusted EBIT as a further key performance indicator as well as order backlog as an additional key operating metric.

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 non-recurring effects of non-operational group entities as well as consolidation measures. Transactions between the Sensors and Optronics segments are only of minor importance.

				Fiscal year 2022
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
Order intake	1,675	333	-15	1,993
Order backlog	4,688	692	-13	5,366
Book-to-bill-ratio	1.2x	1.1x		1.2x
Revenue from external customers	1,400	308	-	1,707
Intersegment revenue	4	2	-7	-
<b>Segment revenue</b>	<b>1,404</b>	<b>310</b>	<b>-7</b>	<b>1,707</b>

				Fiscal year 2022
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
Material non-cash items other than depreciation and amortisation:				
Additions to other provisions	-84	-37	-	-121
Reversals of other provisions	11	7	0	18

				Fiscal year 2022
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>EBITDA</b>	<b>230</b>	<b>58</b>	<b>-18</b>	<b>270</b>
Transaction cost	0	–	–	<b>0</b>
OneSAPnow-related non-recurring effects	–	–	1	<b>1</b>
Other non-recurring effects	3	1	18	<b>21</b>
<b>Adjusted EBITDA</b>	<b>233</b>	<b>59</b>	<b>–</b>	<b>292</b>
<i>Adjusted EBITDA margin<sup>1</sup></i>	<i>16.6 %</i>	<i>18.9 %</i>		<i>17.1 %</i>
Depreciation and amortisation	-82	-21	0	<b>-103</b>
<b>EBIT</b>	<b>148</b>	<b>36</b>	<b>-18</b>	<b>166</b>
Effect on earnings from purchase price allocations	32	4	–	<b>36</b>
Transaction cost	0	–	–	<b>0</b>
OneSAPnow-related non-recurring effects <sup>2</sup>	–	–	1	<b>1</b>
Other non-recurring effects <sup>3</sup>	3	1	18	<b>21</b>
<b>Adjusted EBIT</b>	<b>183</b>	<b>41</b>	<b>–</b>	<b>224</b>
<i>Adjusted EBIT margin<sup>1</sup></i>	<i>13.0 %</i>	<i>13.4 %</i>		<i>13.1 %</i>

<sup>1</sup> Based on segment revenues

<sup>2</sup> OneSAPnow-related non-recurring effects comprise expenses in connection with the business-transformation for SAP S/4HANA.

<sup>3</sup> Non-recurring effects in the fiscal year 2022 include mainly expenses in the context with the efficiency programmes ("HENSOLDT GO!"), expenses in the context of long-term succession planning for the Management Board and expenses for counteracting the cyber-attack on the French subsidiary Nexeya.

				Fiscal year 2022
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>EBIT</b>	<b>148</b>	<b>36</b>	<b>-18</b>	<b>166</b>
Finance result				<b>-37</b>
<b>EBT</b>				<b>130</b>

				Fiscal year 2021
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
Order intake	2,774	405	-8	<b>3,171</b>
Order backlog	4,420	676	-4	<b>5,092</b>
Book-to-bill-ratio	2.4x	1.2x		<b>2.2x</b>
Revenue from external customers	1,145	329	–	<b>1,474</b>
Intersegment revenue	2	3	-5	<b>–</b>
<b>Segment revenue</b>	<b>1,148</b>	<b>332</b>	<b>-5</b>	<b>1,474</b>

				Fiscal year 2021
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
Material non-cash items other than depreciation and amortisation:				
Additions to other provisions	-79	-57	-1	<b>-137</b>
Reversals of other provisions	11	22	0	<b>33</b>
Adjustments to the fair value of existing shares in entities now subject to consolidation	10	–	–	<b>10</b>
Interest in the profit or loss of associated entities and joint ventures accounted for using the equity method	–	–	-2	<b>-2</b>

				Fiscal year 2021
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>EBITDA</b>	<b>194</b>	<b>68</b>	<b>-10</b>	<b>252</b>
Transaction cost	0	–	0	<b>0</b>
IPO related cost	–	–	1	<b>1</b>
Other non-recurring effects	0	0	8	<b>8</b>
<b>Adjusted EBITDA</b>	<b>194</b>	<b>68</b>	<b>-2</b>	<b>261</b>
<i>Adjusted EBITDA margin<sup>1</sup></i>	<i>16.9 %</i>	<i>20.5 %</i>		<i>17.7 %</i>
Depreciation and Amortisation	-97	-29	–	<b>-126</b>
<b>EBIT</b>	<b>97</b>	<b>39</b>	<b>-10</b>	<b>126</b>
Effect on earnings from purchase price allocations	54	10	–	<b>64</b>
Transaction cost	0	–	0	<b>0</b>
IPO related cost	–	–	1	<b>1</b>
Other non-recurring effects <sup>2</sup>	0	0	7	<b>8</b>
<b>Adjusted EBIT</b>	<b>151</b>	<b>50</b>	<b>-2</b>	<b>199</b>
<i>Adjusted EBIT margin<sup>1</sup></i>	<i>13.1 %</i>	<i>15.0 %</i>		<i>13.5 %</i>

<sup>1</sup> Based on segment revenues

<sup>2</sup> Other non-recurring effects in 2021 include expenses in connection with efficiency programmes ("HENSOLDT GO!"), post-merger-integration and structural development of the HENSOLDT Group.



				Fiscal year 2021
in € million	Sensors	Optronics	Elimination/ Transversal/ Others	Group
<b>EBIT</b>	<b>97</b>	<b>39</b>	<b>-10</b>	<b>126</b>
Finance result				<b>-41</b>
<b>EBT</b>				<b>85</b>

### 10.3 Geographical information

			Fiscal year	
in € million	2022	2021		
<b>Revenue</b>				
Europe	1,452	1,191		
<i>thereof Germany</i>	<i>1,016</i>	<i>861</i>		
Middle East	135	136		
APAC	82	58		
North America	39	45		
Africa	22	57		
LATAM	6	16		
Other regions/consolidation	-28	-29		
<b>Total</b>	<b>1,707</b>	<b>1,474</b>		

			31 Dec.	31 Dec.
in € million	2022	2021		
<b>Non-current assets<sup>1</sup></b>				
Germany <sup>2</sup>	1,172	1,159		
Other regions	131	132		
<b>Total</b>	<b>1,304</b>	<b>1,291</b>		

<sup>1</sup> Non-current assets other than financial instruments, deferred tax assets, post-employment benefits and rights arising under insurance contracts

<sup>2</sup> Adjustment of the previous year's values due to a purchase price adjustment after the valuation period by € +6 million

### 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 € 544 million (previous year: € 314 million), the revenue with the second customer amounted to € 306 million (previous year: € 319 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	2022	
<b>Revenue from contracts with customers</b>				
Sales	1,111	280	<b>1,391</b>	
Aftersales	305	28	<b>334</b>	
Exchange rate differences	-17	-0	<b>-17</b>	
<b>Total</b>	<b>1,399</b>	<b>308</b>	<b>1,707</b>	

				Fiscal year
in € million	Sensors	Optronics	2022	
<b>Timing of revenue recognition</b>				
Revenue recognition at a point in time	580	267	<b>847</b>	
Revenue recognition over time	836	42	<b>878</b>	
Exchange rate differences	-17	-0	<b>-17</b>	
<b>Total</b>	<b>1,399</b>	<b>308</b>	<b>1,707</b>	

				Fiscal year
in € million	Sensors	Optronics	2021	
<b>Revenue from contracts with customers</b>				
Sales	865	292	<b>1,157</b>	
Aftersales	283	36	<b>319</b>	
Exchange rate differences	-3	1	<b>-2</b>	
<b>Total</b>	<b>1,145</b>	<b>329</b>	<b>1,474</b>	

				Fiscal year
in € million	Sensors	Optronics	2021	
<b>Timing of revenue recognition</b>				
Revenue recognition at a point in time	530	301	<b>830</b>	
Revenue recognition over time	619	27	<b>646</b>	
Exchange rate differences	-3	1	<b>-2</b>	
<b>Total</b>	<b>1,145</b>	<b>329</b>	<b>1,474</b>	

## 11.2 Contract assets and contract liabilities

in € million	Contract assets	Contract liabilities
<b>As of 1 Jan. 2021</b>	<b>204</b>	<b>433</b>
Revenue recognised in the reporting period included in the contract liability balance at the beginning of the period	–	-233
Increases due to cash received, except amounts recognised as revenue during the reporting period	–	311
Reclassifications from contract assets, recognised at the beginning of the period, to receivables	-65	–
Increases due to changes in the determination of stage of completion	30	–
Changes in the estimate of the transaction price or contract modification	–	1
Other	0	0
<b>As of 31 Dec. 2021</b>	<b>170</b>	<b>512</b>
Revenue recognised in the reporting period included in the contract liability balance at the beginning of the period	–	-185
Increases due to cash received, except amounts recognised as revenue during the reporting period	–	172
Reclassifications from contract assets, recognised at the beginning of the period, to receivables	-61	–
Increases due to changes in the determination of stage of completion	69	–
Changes in the estimate of the transaction price or contract modification	–	1
Other	5	-0
<b>As of 31 Dec. 2022</b>	<b>182</b>	<b>500</b>

An allowance for impairment of € 0.3 million (previous year: € 0.3 million) is included in the carrying amount of the contract assets.

Proceeds from performance obligations which had been (partly) fulfilled in previous periods of € 1 million (previous year: € 1 million) were recognised in the fiscal year.

## 11.3 Transaction price for remaining performance obligations

As of 31 December 2022, the total amount of the transaction price allocated to remaining performance obligations amounted to € 5,366 million (previous year: € 5,092 million). Management expects that 26.3 % (previous year: 24.7 %) of this transaction price will be recognised as revenue in the next fiscal year and a further 33.7 % (previous year: 33.2 %) in the period between 2024 and 2025. The remaining 40.0 % (previous year: 42.2 %) will be recognised in fiscal year 2026 and subsequent years.

## 11.4 Cost of sales

Cost of sales includes amortisation from adjustments to the fair values of assets as part of the purchase price allocations of € 36 million (previous year: € 64 million).

Inventories recognised as an expense in the reporting period amount to € 1,163 million (previous year: € 972 million).

## 12 Research and development costs

Research and development costs amount to € 36 million (previous year: € 31 million). Regarding the capitalisation of development costs, refer to note 17.

## 13 Other operating income and expenses

### 13.1 Other operating income

in € million	Fiscal year	
	2022	2021
Recharged services	20	17
Adjustments to the fair value of existing shares in entities now subject to consolidation	–	10
Others	1	2
<b>Other operating income</b>	<b>21</b>	<b>29</b>

Other operating income mainly relates to recharged investment costs and maintenance costs to buildings as well as facility- and administrative services. Another component is the energy price flat rate in 2022. In the previous year, income from the adjustment to the fair value of existing shares in HENSOLDT Cyber amounting to € 10 million was included.

### 13.2 Other operating expenses

in € million	Fiscal year	
	2022	2021
Recharged costs	18	16
Other	2	3
<b>Other operating expenses</b>	<b>21</b>	<b>18</b>

Other operating expenses mainly relate to facility and administrative services.



## 14 Finance result

in € million	Fiscal year	
	2022	2021
Interest income from plan assets	3	3
Other interest income	0	0
Interest income from swap transactions	5	-
Other	1	1
<b>Interest income</b>	<b>9</b>	<b>4</b>
Loan (Term Loan)	-12	-15
Revolving Credit Facility	-2	-5
Interest expense from swap transactions	-1	-4
Interest expense on provisions for pension benefits	-11	-7
Interest expense on lease liabilities	-9	-10
Other	-9	-1
<b>Interest expense</b>	<b>-44</b>	<b>-42</b>
Bank fees	-2	-4
Foreign currency translation of monetary items	-2	2
Other	2	-1
<b>Other finance income / costs</b>	<b>-1</b>	<b>-3</b>
<b>Finance result</b>	<b>-37</b>	<b>-41</b>

## 15 Income taxes

Income taxes are broken down as follows:

in € million	Fiscal year	
	2022	2021
Current tax expense	-13	-20
<i>thereof income tax attributable to the previous year</i>	1	-1
Deferred taxes	-36	-2
<i>thereof changes in temporary differences</i>	-26	6
<b>Recognised tax</b>	<b>-49</b>	<b>-22</b>
Deferred tax recognised directly in equity	-58	-8

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 2022:

in € million	Fiscal year	
	2022	2021
Earnings before income tax	130	85
<i>Income tax rate</i>	28.3 %	28.3 %
Expected income taxes	-37	-24
Effects deriving from differences to the expected tax rate	1	2
Change in the tax rate and tax laws	-0	-0
Taxes for previous years	0	1
Non-deductible interest expenses	-1	-1
Other non-deductible expenses and taxes as well as effects from changes from permanent balance sheet differences	-1	2
Tax-exempt income	2	2
Changes in the realisation of deferred tax assets	-14	-3
Other	0	-1
<b>Income tax according to the consolidated income statement</b>	<b>-49</b>	<b>-22</b>
<i>Effective tax rate in %</i>	38.2 %	26.2 %

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.	31 Dec.
	2022	2021
<b>Deferred tax assets</b>		
<b>Assets</b>		
Intangible assets	0	-
Property, plant and equipment	1	1
Financial assets	1	1
Inventories and contract assets	5	2
Receivables and other assets	2	2
<b>Liabilities</b>		
Provisions	24	96
Liabilities	167	167
<b>Loss carryforwards</b>	<b>11</b>	<b>21</b>
<b>Tax credits and interest carry-forwards</b>	<b>13</b>	<b>14</b>
<b>Deferred tax assets (gross)</b>	<b>224</b>	<b>303</b>
Netting	-217	-292
<b>Deferred tax assets (net)</b>	<b>6</b>	<b>11</b>

	31 Dec.	31 Dec.
in € million	2022	2021
<b>Deferred tax liabilities</b>		
<b>Assets</b>		
Intangible Assets	143	137
Property, plant and equipment	3	3
Financial assets	2	4
Inventories and contract assets	60	77
Receivables and other assets	3	0
<b>Liabilities</b>		
Provisions	39	39
Liabilities	61	36
<b>Deferred tax liabilities (gross)</b>	<b>312</b>	<b>296</b>
Netting	-217	-292
<b>Deferred tax liabilities (net)</b>	<b>94</b>	<b>4</b>
<b>Excess of deferred tax liabilities (py: tax assets)</b>	<b>-88</b>	<b>7</b>

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 2022 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, for the time being, the profits of its subsidiaries 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).

As of 31 December 2022, the following loss and interest carryforwards were recognised (gross):

	31 Dec.	31 Dec.
in € million	2022	2021
Corporation tax loss carry-forwards	127	143
Trade tax loss carry-forwards	109	133
Interest carry-forwards	198	180
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	2022	2021
Corporation tax loss carry-forwards	93	72
Trade tax loss carry-forwards	85	62
Interest carry-forwards	145	126

The tax loss carryforwards for which no deferred tax assets were recognised are indefinitely usable.

## 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	2022	2021
Group result attributable to the owners of HENSOLDT AG	78	63
Weighted average number of ordinary shares (in million)	105	105
<b>Basic and diluted earnings per share (in €)</b>	<b>0.75</b>	<b>0.60</b>



## IV Operating assets and liabilities

### 17 Intangible assets

Intangible assets (excluding goodwill) consist of the following:

in € million	Licences, patents and other rights	Other intangible assets	Capitalised development cost	Customer relationship, technology, order backlog, brand	Advance payments and construction in progress	Total
<b>Acquisition Cost</b>						
<b>As of 1 Jan. 2021</b>	<b>13</b>	<b>0</b>	<b>165</b>	<b>541</b>	<b>3</b>	<b>722</b>
Acquisition through business combinations	–	–	–	9	–	9
Additions	2	0	66	–	3	71
Disposals	-0	–	–	–	-0	-0
Reclassifications	0	–	–	–	-0	0
Currency translation	0	–	1	–	–	1
<b>As of 31 Dec. 2021</b>	<b>15</b>	<b>1</b>	<b>232</b>	<b>550</b>	<b>5</b>	<b>803</b>
Additions	3	0	55	–	1	60
Disposals	-1	–	–	–	-0	-1
Reclassifications	3	–	–	–	-3	-0
Currency translation	0	–	-1	-0	–	-1
<b>As of 31 Dec. 2022</b>	<b>21</b>	<b>1</b>	<b>286</b>	<b>550</b>	<b>3</b>	<b>861</b>
<b>Accumulated amortisation</b>						
<b>As of 1 Jan. 2021</b>	<b>-10</b>	<b>-0</b>	<b>-21</b>	<b>-305</b>	<b>–</b>	<b>-336</b>
Additions	-3	-0	-16	-63	–	-82
Disposals	0	–	–	–	–	0
Currency translation	–	–	0	–	–	-0
<b>As of 31 Dec. 2021</b>	<b>-12</b>	<b>-1</b>	<b>-37</b>	<b>-369</b>	<b>–</b>	<b>-418</b>
Additions	-2	-0	-21	-36	–	-59
Disposals	1	–	–	–	–	1
Reclassifications	–	0	–	-0	–	–
Currency translation	–	–	0	0	–	0
<b>As of 31 Dec. 2022</b>	<b>-14</b>	<b>-1</b>	<b>-57</b>	<b>-405</b>	<b>–</b>	<b>-477</b>
<b>Carrying amount</b>						
<b>As of 31 Dec. 2021</b>	<b>3</b>	<b>0</b>	<b>196</b>	<b>181</b>	<b>5</b>	<b>385</b>
<b>As of 31 Dec. 2022</b>	<b>7</b>	<b>0</b>	<b>229</b>	<b>145</b>	<b>3</b>	<b>384</b>

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 as of 31 December 2022 (previous year: € 55 million). In the fiscal year 2022, no impairment losses were recognised.

### 17.1 Development costs

In 2022, the Group capitalised development costs of € 55 million (previous year: € 66 million) as internally generated intangible assets, primarily in the field of navy and ground radar programmes and the Identification Friend/Foe area in the Sensors segment and the ground and navy programmes in the Optronics segment.

In the fiscal year 2022, one (previous year: two) development project(s) worth 1 million (previous year: € 2 million) was fully impaired. The project related to the Sensors segment (previous year: € 1 million). There was no impairment in the fiscal year 2022 in the Optronics segment (previous year: € 1 million). The impairment loss was recognised in the cost of sales.

### 17.2 Goodwill

For impairment testing, goodwill is allocated to the CGUs Sensors and Optronics, which are also operating and reportable segments.

in € million	Sensors	Optronics	Total
<b>As of 1 Jan. 2021</b>	<b>553</b>	<b>84</b>	<b>637</b>
Additions HENSOLDT Cyber GmbH	14	–	14
Additions Tellumat (Pty) Ltd.	0	–	0
<b>As of 31 Dec. 2021</b>	<b>568</b>	<b>84</b>	<b>651</b>
Adjustment due to a purchase price adjustment after the valuation date <sup>1</sup>	6	–	6
<b>As of 31 Dec. 2021 after adjustment</b>	<b>574</b>	<b>84</b>	<b>658</b>
<b>As of 31 Dec. 2022</b>	<b>574</b>	<b>84</b>	<b>658</b>

<sup>1</sup> see note 7.1

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. The carrying amount of both CGUs was determined to be lower than their value in use. 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 as of 30 September is based on a DCF model. 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 do, 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.

The following essential assumptions were made when estimating the useful lives:

Assumptions in %	31 Dec. 2022		31 Dec. 2021	
	Sensors	Optronics	Sensors	Optronics
Discount rate (post-tax)	6.0 %	6.1 %	5.5 %	5.5 %
Sustainable growth rate	1.0 %	1.0 %	1.0 %	1.0 %
Projected sustainable EBIT margin	12.2 %	12.2 %	11.9 %	15.1 %

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 on 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 8.3 % (previous year: 7.6 %) for the CGU Sensors and 8.3 % (previous year: 7.5 %) 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 assumes a further significant revenue growth in both operating segments for the detailed planning horizon.

When performing the impairment test for both CGUs, HENSOLDT conducted sensitivity analyses for the sustainable EBIT margin, the discount rate and the sustainable EBIT margin, the discount rate and the 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
<b>Acquisition cost</b>					
<b>As of 1 Jan. 2021</b>	<b>14</b>	<b>107</b>	<b>43</b>	<b>16</b>	<b>180</b>
Acquisition through business combinations	–	0	0	–	0
Additions	1	8	8	13	30
Disposals	-0	-3	-2	-0	-4
Reclassifications	1	10	2	-10	2
Currency translation	0	-0	0	-0	0
<b>As of 31 Dec. 2021</b>	<b>16</b>	<b>122</b>	<b>52</b>	<b>18</b>	<b>208</b>
Additions	0	9	9	17	36
Disposals	–	-1	-1	-0	-2
Reclassifications	1	4	2	-6	0
Currency translation	-0	-0	-0	0	-1
<b>As of 31 Dec. 2022</b>	<b>17</b>	<b>134</b>	<b>61</b>	<b>29</b>	<b>241</b>
<b>Accumulated depreciation</b>					
<b>As of 1 Jan. 2021</b>	<b>-2</b>	<b>-52</b>	<b>-23</b>	<b>–</b>	<b>-77</b>
Additions	-1	-15	-8	–	-23
Disposals	0	1	1	–	2
Reclassifications	–	-2	-0	–	-2
Currency translation	-0	0	-0	–	-0
<b>As of 31 Dec. 2021</b>	<b>-2</b>	<b>-67</b>	<b>-31</b>	<b>–</b>	<b>-100</b>
Additions	-1	-14	-7	–	-22
Disposals	–	1	1	–	2
Reclassifications	–	–	–	–	–
Currency translation	0	0	0	–	0
<b>As of 31 Dec. 2022</b>	<b>-3</b>	<b>-80</b>	<b>-37</b>	<b>–</b>	<b>-120</b>
<b>Carrying amount</b>					
<b>As of 31 Dec. 2021</b>	<b>14</b>	<b>55</b>	<b>21</b>	<b>18</b>	<b>108</b>
<b>As of 31 Dec. 2022</b>	<b>14</b>	<b>54</b>	<b>24</b>	<b>29</b>	<b>121</b>

In the fiscal years 2022 and 2021, no impairment losses were recognised.



## 19 Other investments and other non-current financial assets

	31 Dec.	31 Dec.
in € million	2022	2021
Other investments	22	21
Other non-current financial assets	0	0
<b>Other investments and other non-current financial assets</b>	<b>22</b>	<b>21</b>
<b>Other non-current financial assets, due at short-notice</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>22</b>	<b>21</b>

Other investments relate mainly to the investment in Deutsche Elektronik Gesellschaft für Algerien mbH of € 9 million (previous year: € 9 million) and HENSOLDT Analytics GmbH of € 6 million (previous year: € 6 million). Other investments also include an 11.4 % interest in 21strategies GmbH, Hallbergmoos, acquired by HENSOLDT on 27 December 2022. In connection with the acquisition, there was a cash contribution obligation to the capital reserve in the amount of € 1.5 million, which was paid on 12 January 2023.

## 20 Inventories

	Gross amount	Impairment	Net carrying amount	Net carrying amount
			31 Dec.	31 Dec.
in € million			2022	2021
Raw materials and supplies	284	-47	237	187
Work in progress	285	-37	247	231
Finished goods and parts for resale	45	-14	32	26
<b>Total</b>	<b>614</b>	<b>-98</b>	<b>516</b>	<b>444</b>

Expenses associated with impairments recognised in the consolidated income statement during the fiscal year 2022 amount to € 12 million (previous year: € 13 million). No significant reversal of impairment losses was recognised as reduction of material cost in the fiscal year.

## 21 Trade receivables

	31 Dec.	31 Dec.
in € million	2022	2021
Receivables from sales of goods and services	332	319
Impairment	-9	-10
<b>Total</b>	<b>323</b>	<b>309</b>

Trade receivables totalling € 59 (previous year: € 100 million) were transferred to a factor on the reporting date and were derecognised (so-called "non-recourse factoring"). Other trade receivables of € 8 million (previous year: € 3 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	2022	2021
<b>As of 1 Jan.</b>	<b>10</b>	<b>12</b>
Addition	2	4
Utilisation	-1	-3
Reversal	-2	-4
Currency translation	-0	-0
<b>As of 31 Dec.</b>	<b>9</b>	<b>10</b>

For information on the credit and market risks as well as impairment losses refer to note 37.

Contract assets and liabilities are presented in note 11.2.

## 22 Trade payables

As of 31 December 2022, all trade payables are due within one year, like in the year before.

## 23 Provisions

The measurement of provisions, e.g. for contract losses and warranties, is based on best available estimates.

	31 Dec.	31 Dec.
in € million	2022	2021
Provisions for post-employment benefits (note 33)	241	444
Other provisions	222	240
<b>Total</b>	<b>463</b>	<b>685</b>
<i>thereof non-current</i>	282	497
<i>thereof current</i>	181	188

Other provisions developed as follows:

in € million	Warranties	Personnel-related provisions	Contract losses	Outstanding costs	Other risks and costs	Total
<b>As of 1 Jan. 2022</b>	<b>81</b>	<b>57</b>	<b>3</b>	<b>26</b>	<b>74</b>	<b>240</b>
Utilisation	-24	-39	-4	-9	-40	-115
Reversal	-10	-2	0	-1	-5	-18
Additions	24	47	3	11	36	121
Exchange rate differences	-0	-0	-	-0	0	-0
Unwinding of discount	-3	-	-	-	-1	-3
Reclassifications	-	-2	-	-	-	-2
<b>As of 31 Dec. 2022</b>	<b>68</b>	<b>60</b>	<b>1</b>	<b>27</b>	<b>65</b>	<b>222</b>
<i>thereof current</i>	37	38	1	27	54	158
<i>thereof non-current</i>	31	21	-	-	11	64

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 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 2 to 5 years.

## 24 Legal disputes and damage claims

Legal disputes and damage claims include various proceedings, official investigations and proceedings as well as damage claims that are pending or will be initiated or claimed against the Group in the future. These proceedings are subject to much uncertainty, the result of individual issues cannot be reliably predicted. 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. The arbitration proceedings mentioned in previous publications were terminated in June 2022 by a confidential arbitration award without further material effects.

Beyond that, the HENSOLDT Group is not currently 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 significantly impacted on 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, the 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):

	31 Dec.	31 Dec.
in € million	2022	2021
Loan guarantees / sureties	33	33
Contractual guarantees / sureties	530	484
Other guarantees and sureties	37	41
<b>Total</b>	<b>600</b>	<b>558</b>

The line item loan guarantees/sureties shows to what extent the 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, the HENSOLDT Group guarantees the fulfilment of its own contractual obligations, mainly due to advance payments and performance guarantees/sureties. If the HENSOLDT Group does not meet its contractual obligations, the 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 10 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

	31 Dec.	31 Dec.
in € million	2022	2021
Positive fair values of derivative financial instruments <sup>1</sup>	0	0
Miscellaneous other non-current financial assets	1	1
<b>Total other non-current financial assets</b>	<b>1</b>	<b>1</b>
Positive fair values of derivative financial instruments <sup>1</sup>	8	2
Receivables from employees	1	1
Loans to non-consolidated companies	8	4
Miscellaneous other current financial assets	2	1
<b>Total other current financial assets</b>	<b>20</b>	<b>7</b>
<b>Total</b>	<b>21</b>	<b>8</b>

<sup>1</sup> see note 37

### 26.2 Other financial liabilities

	31 Dec.	31 Dec.
in € million	2022	2021
Liabilities for derivative financial instruments <sup>1</sup>	3	0
Miscellaneous other non-current financial liabilities	0	0
<b>Total other non-current financial liabilities</b>	<b>3</b>	<b>0</b>
Liabilities for derivative financial instruments <sup>1</sup>	3	4
Liabilities from factoring contracts <sup>2</sup>	0	6
<b>Total other current financial liabilities</b>	<b>4</b>	<b>10</b>
<b>Total</b>	<b>6</b>	<b>10</b>

<sup>1</sup> see note 37

<sup>2</sup> Liabilities from factoring contracts result from the fact that the collection of payments by the factoring party was not yet due as of the balance sheet date.



## 27 Other assets and liabilities

### 27.1 Other assets

	31 Dec.	31 Dec.
in € million	2022	2021
Other	2	3
<b>Total other non-current assets</b>	<b>2</b>	<b>3</b>
Advance payments	109	147
VAT	20	17
Miscellaneous other current assets	5	3
<b>Total other current assets</b>	<b>133</b>	<b>167</b>
<b>Total</b>	<b>135</b>	<b>169</b>

### 27.2 Other liabilities

	31 Dec.	31 Dec.
in € million	2022	2021
Liabilities to employees	11	10
Other	0	0
<b>Total other non-current liabilities</b>	<b>11</b>	<b>10</b>
Tax liabilities (without income tax)	48	47
Liabilities to employees	33	32
Liabilities to social security agencies	9	7
Other	11	9
<b>Total other current liabilities</b>	<b>101</b>	<b>94</b>
<b>Total</b>	<b>112</b>	<b>104</b>

## 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 rights-of-use assets:

	31 Dec.	31 Dec.
in € million	2022	2021
Land and buildings	135	135
Technical equipment and machinery	1	3
Other equipment, operating and office equipment	4	3
<b>Total</b>	<b>140</b>	<b>141</b>

Additions to right-of-use assets in the fiscal year 2022 were 22 million (previous year: € 16 million).

The following table discloses the carrying amounts of lease liabilities:

	31 Dec.	31 Dec.
in € million	2022	2021
Current	18	16
Non-current	140	139
<b>Total</b>	<b>158</b>	<b>156</b>

For information on the maturity analysis of the lease liabilities refer to note 37.1.

### 28.2 Amounts recognised in the consolidated income statement

Depreciation charge for right-of-use assets:

	Fiscal year	
in € million	2022	2021
Land and buildings	19	18
Technical equipment and machinery	1	1
Other equipment, operating and office equipment	2	2
<b>Total depreciation charge</b>	<b>22</b>	<b>21</b>

Other amounts recognised in the consolidated income statement:

	Fiscal year	
in € million	2022	2021
Interest on lease liabilities	9	10
Income from sub-leasing right-of-use assets presented in other revenue	-0	-0
Expenses related to short-term leases	2	1
Expenses for leases of an asset of low-value that are not short-term leases	4	3
<b>Total other amounts recognised in the consolidated income statement</b>	<b>15</b>	<b>13</b>

The total cash outflows for lease payments in the fiscal year 2022 amounted to € 28 million (previous year: € 26 million).

HENSOLDT 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's business needs. The management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see note 3.9).

## V Expenses and benefits for employees

### 29 Number of employees

	Fiscal year	
	2022	2021
Production, research and development, service	4,455	4,382
Sales and distribution	226	222
Administration and general services	1,117	1,012
Apprentices, trainees, etc.	608	577
<b>Total<sup>1,2</sup></b>	<b>6,406</b>	<b>6,193</b>

<sup>1</sup> Average figures on a per capita basis

<sup>2</sup> Adjusted allocation of previous year's figures

### 30 Personnel expenses

in € million	Fiscal year	
	2022	2021
Wages, salaries	513	466
Social security contributions	80	74
Net periodic pension expenses <sup>1</sup>	17	35
<b>Total</b>	<b>610</b>	<b>575</b>

<sup>1</sup> Includes past service cost in the amount of € 3 million in the previous year

### 31 Share-based payment

#### 31.1 Long-Term Incentive Plan (LTIP)

In 2021, a virtual share programme for a long-term performance-based remuneration ("Long-Term Incentive Plan, "LTIP") was established for Board members and selected executives. 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 cash settlement at the end of the four-year assessment period. The final number of virtual shares and their value is determined on the basis of the terms and conditions of the plan.

The objectives to be fulfilled for the LTI bonus in the performance period 2021 to 2024 ("Tranche 2021-2024") and the performance period 2022 to 2025 ("Tranche 2022-2025") comprise the relative total shareholder return compared to the MDAX, the order intake of HENSOLDT Group and the ESG-based objectives "diversity" and "climate impact". Further information on the goals underlying the Management Board remuneration, refer to the Remuneration report can be found on the website of HENSOLDT at <https://investors.hensoldt.net> in the "Corporate Governance" section.

The individual components are weighted as follows:

- 40.0 % relative total shareholder return ("TSR")
- 30.0 % order intake
- 15.0 % ESG objective "Diversity"
- 15.0 % ESG objective "Climate Impact"

The target achievement of the above criteria can range from 0.0 % to 150.0 %. The value determined on the basis of the weighting and the target achievement of the individual components is multiplied by the number of initially granted virtual shares 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 LTI bonus is capped at a limit of 200.0 % 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.

The virtual shares of LTIP underwent the following changes in the current fiscal year:

Number of virtual shares	Tranche 2021-2024	Tranche 2022-2025	Total
Virtual shares outstanding at the beginning of the reporting period 2022 (1/1/2022)	307,423	–	<b>307,423</b>
Virtual shares granted in the reporting period	–	264,290	<b>264,290</b>
Virtual shares forfeited in the reporting period	-3,766	–	<b>-3,766</b>
Virtual shares settled in the reporting period	-2,618	–	<b>-2,618</b>
Virtual shares outstanding at the end of the reporting period (31/12/2022)	301,039	264,290	<b>565,329</b>

The following parameters were used as basis of the fair value measurement on 31 December 2022:

	Tranche 2021-2024	Tranche 2022-2025
Remaining term (in years)	2	3
Volatility	41.34 %	45.07 %
Risk-free interest rate	-0.67 %	2.28 %
HENSOLDT share price at the valuation date (€)	12.52	22.25

The period from the measurement date to the end of the relevant contract was used as term. The share price was determined via Bloomberg using the closing price of XETRA trading platform on 31 December 2022. 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 € 4 million (thereof € 4 million non-current; previous year: € 1 million) was recognised under other provisions as of 31 December 2022 in the context of the LTIPs. The expense for the period from 1 January to 31 December 2022 is € 3 million (previous year: € 1 million).



## 31.2 Employee share program (Echo)

In the fiscal year 2021, HENSOLDT introduced the employee share programme "Echo" to enable employees of HENSOLDT Group to participate like shareholders in HENSOLDT AG's economic development and to benefit from a favourable price compared to buying shares of HENSOLDT AG at the stock exchange. This should establish a shareholder culture in the HENSOLDT Group and promote entrepreneurial thinking. In October 2021, a first tranche of shares was issued to employees. A second tranche under this programme was issued in October 2022.

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 the investment was determined upon the selection of the Echo packages. The entity employing the participant grants a surcharge 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 scope of 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 program "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 program and no further valuation models are required. It is thus not necessary to use an actuarial valuation model.

In the fiscal year 2022, a total of 245,227 shares were acquired by employees at a weighted average price of € 21.54 as part of the employee share programme.

The employer's contribution to the employee share programme for the period from 1 January to 31 December 2022 is € 3 million (previous year: € 3 million).

## 32 Personnel-related provisions

Several German group entities offer models for lifetime working accounts, which represent defined benefit plans due to a guaranteed interest on contributions or nominal contributions and are to be classified as post-employment benefits in accordance with IAS 19. Obligations totalling € 20 million (previous year: € 20 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 will be recognised under personnel expenses.

Personnel-related provisions changed as follows:

in € million	Long service awards/bonuses	Partial retirement	Total
<b>As of 1 Jan. 2022</b>	<b>54</b>	<b>3</b>	<b>57</b>
Utilisation	-35	-4	-39
Reversal	-2	-	-2
Additions	39	8	47
Reclassifications	-	-2	-2
<b>As of 31 Dec. 2022</b>	<b>56</b>	<b>4</b>	<b>60</b>

## 33 Post-employment benefits

	31 Dec. 2022	31 Dec. 2021
in € million		
Provisions for pension obligations	120	258
Provisions for deferred compensation	121	186
<b>Total</b>	<b>241</b>	<b>444</b>

### 33.1 Provisions for pension obligations

Provisions for German pension obligations (defined benefit obligations, "DBO") are recognised based on defined benefit plans 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 Plan", which 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 significant accounting policies and significant estimates and assessments, e.g. actuarial assumptions, please refer to the note 2.8 and note 3.6.

### Development of the defined benefit obligations and plan assets

in € million	DBO		Plan assets		Total	
	2022	2021	2022	2021	2022	2021
<b>As of 1 Jan.</b>	<b>481</b>	<b>488</b>	<b>223</b>	<b>212</b>	<b>258</b>	<b>276</b>
Expenses for pension benefit entitlements	17	26	-	-	17	26
Interest expenses / income	7	5	3	2	4	3
Payments	-6	-6	-3	-5	-3	-0
Contributions to plan assets	-	-	19	-	-19	-
Actuarial gains / losses deriving from:						
Changes in demographic assumptions	9	-1	-	-	9	-1
Changes in financial assumptions	-157	-33	-	-	-157	-33
Experience-based adjustments	7	4	-	-	7	4
Plan assets	-	-	-6	14	6	-14
Other changes in consolidation, transfers	-2	-2	-	-	-2	-2
<b>As of 31 Dec.</b>	<b>355</b>	<b>481</b>	<b>235</b>	<b>223</b>	<b>120</b>	<b>258</b>

The weighted average term of the DBO for pensions and defined benefit obligations under the pension plan (P3) is 16 years.

As of 31 December reported as:

	Pension plans	
	31 Dec.	31 Dec.
in € million	2022	2021
Defined benefit obligation	355	481
Plan assets	-235	-223
<b>Total</b>	<b>120</b>	<b>258</b>

The breakdown of the defined benefit obligation for pension plans between obligations for active, former and retired members for the most important plans is as follows:

	31 Dec.	31 Dec.
in %	2022	2021
Active employees	70.0 %	75.9 %
Former employees with vested benefits	6.4 %	5.8 %
Pensioners	23.5 %	18.3 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

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 the fiscal year 2022 amount to € 32 million (previous year: € 31 million).

The expected employer's contribution to defined benefit plans for the fiscal year 2023 amounts to € 17 million (previous year: € 15 million).

### 33.2 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. The changes of DBO and plan assets are as follows:

#### Development of the defined benefit obligations and plan assets

in € million	DBO		Plan assets		Total	
	2022	2021	2022	2021	2022	2021
<b>As of 1 Jan.</b>	<b>201</b>	<b>167</b>	<b>15</b>	<b>14</b>	<b>186</b>	<b>153</b>
Expenses for pension benefit entitlements	1	8	–	–	1	8
Interest expenses / income	3	2	0	0	3	2
Payments	-2	-2	–	0	-2	-2
Actuarial gains / losses deriving from						
Changes in demographic assumptions	-0	31	–	–	-0	31
Changes in financial assumptions	-78	-14	–	–	-78	-14
Experience-based adjustments	5	4	–	–	5	4
Plan assets	–	–	-2	1	2	-1
Other changes in consolidation, transfers	-3	-1	–	–	-3	-1
Contributions of participants	6	6	–	–	6	6
<b>As of 31 Dec.</b>	<b>134</b>	<b>201</b>	<b>13</b>	<b>15</b>	<b>121</b>	<b>186</b>

As of 31 December reported as:

	31 Dec.	31 Dec.
in € million	2022	2021
Defined benefit obligation	134	201
Plan assets	-13	-15
<b>Total</b>	<b>121</b>	<b>186</b>

The weighted average term of the DBOs for defined benefit obligations under the deferred compensation is 16 years.

The breakdown of the defined benefit obligation for pension plans between obligations for active, former and retired members for the most important plans is as follows:

	31 Dec.	31 Dec.
in %	2022	2021
Active employees	72.7 %	76.7 %
Former employees with vested benefits	8.2 %	8.4 %
Pensioners	19.1 %	14.9 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

### 33.3 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 2022:

in € million	Change	31 Dec. 2022		31 Dec. 2021	
		Increase	Decrease	Increase	Decrease
Discount rate	by 0.5 percentage points	-35	40	-62	72
Wage increase rate	by 0.25 percentage points	0	0	1	-1
Pension increase rate	by 0.25 percentage points	8	-6	10	-0
Life expectancy	by 1 year	10	-10	17	-17
Exercising the pension option	by 10 percentage points	11	-11	32	-32

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 as described above. If the assumptions change in different levels, the effects on the defined benefit obligation are not necessarily linear.

#### Asset-liability matching strategy (investment of plan assets)

The 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 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 pensions and deferred compensation can be allocated to the following classes:

in € million	Quoted prices		Unquoted prices		Total	
	31 Dec.		31 Dec.		31 Dec.	
	2022	2021	2022	2021	2022	2021
Other investments	–	–	208	188	<b>208</b>	<b>188</b>
Pooled investment instruments	41	50	–	–	<b>41</b>	<b>50</b>
<b>Total</b>	<b>41</b>	<b>50</b>	<b>208</b>	<b>188</b>	<b>249</b>	<b>238</b>

Other investments 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

### 34 Equity

#### 34.1 Equity attributable to owners of the parent company

As of 31 December 2022, the parent company is HENSOLDT AG.

As of 31 December 2022, the subscribed capital of HENSOLDT AG still amounts to € 105 million as in the previous year and is divided into 105,000,000 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 € 36 million (Authorised Capital 2020/I). The Company has not used the Authorised Capital 2020/I until 31 December 2022. Accordingly, the Authorised Capital 2020/I amounts to € 36 million on 31 December 2022.

In addition, 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 has not used the Conditional Capital 2020/I until 31 December 2022. Accordingly, the Conditional Capital 2020/I amounts to € 16 million on 31 December 2022.

Other reserves include cumulative other comprehensive income.

Retained earnings contain earnings of the companies included in the Consolidated Financial Statements including earnings in the current fiscal year, provided these have not been distributed. The previous year's value was increased by € 6 million due to a purchase price adjustment (see note 7.1) and due to the release of the capital reserves of HENSOLDT AG by € 60 million (in fiscal year 2022: € 65 million). In contrast to previous year, the dividend payment of € 26 million (previous year: € 14 million) is expensed to retained earnings. Furthermore, the value for cash flow hedges in other reserves was adjusted by € 5 million at the expense of retained earnings as at 1 January 2021.

## 34.2 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 Technologies (Pty) Ltd.	Midi Ingénierie S.A.S.	HEN-SOLDT Cyber GmbH <sup>1</sup>	Total	Intra-group eliminations/adjustments	31 Dec. 2022
<b>Percentage of non-controlling interests</b>	<b>30 %</b>	<b>6.7 %</b>	<b>15.0 %</b>	<b>9.4 %</b>			
Non-current assets	18	8	0	1	27	–	27
Current assets	77	48	3	1	129	–	129
Non-current liabilities	-3	-1	-0	-0	-4	–	-4
Current liabilities	-48	-26	-1	-1	-76	–	-76
<b>Net assets</b>	<b>44</b>	<b>29</b>	<b>2</b>	<b>1</b>	<b>76</b>	<b>–</b>	<b>76</b>
<b>Net assets of non-controlling interests</b>	<b>13</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>-3</b>	<b>13</b>
Revenue	88	33	3	1	125	–	125
Profit / loss	8	-0	0	-2	6	–	6
Other comprehensive income / loss	-0	-1	–	0	-2	–	-2
<b>Total comprehensive income / loss</b>	<b>7</b>	<b>-1</b>	<b>0</b>	<b>-2</b>	<b>4</b>	<b>–</b>	<b>4</b>
<b>Profit attributable to non-controlling interests</b>	<b>2</b>	<b>-0</b>	<b>0</b>	<b>-0</b>	<b>2</b>	<b>–</b>	<b>2</b>
<b>Other comprehensive income / loss attributable to non-controlling interests</b>	<b>-0</b>	<b>-0</b>	<b>–</b>	<b>0</b>	<b>-0</b>	<b>–</b>	<b>-0</b>
Cash flows from operating activities	20	-12	-0	-11	-3	–	-3
Cash flows from investing activities	-7	-2	-0	0	-9	–	-9
Cash flows from financing activities	-12	-0	-1	11	-2	–	-2
<i>thereof dividends of non-controlling interests</i>	–	–	-0	–	-0	–	-0
Effects of movements in exchange rates on cash and cash equivalents	-0	1	–	–	1	–	1
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1</b>	<b>-14</b>	<b>-1</b>	<b>0</b>	<b>-13</b>	<b>–</b>	<b>-13</b>

<sup>1</sup> HENSOLDT Cyber GmbH 9,4 % from 2 December 2022, 12,2 % from 1 September 2022, previously 30,0 %

in € million	HEN-SOLDT South Africa (Pty) Ltd.	GEW Technologies (Pty) Ltd.	Midi Ingénierie S.A.S.	HEN-SOLDT Cyber GmbH <sup>1</sup>	Total	Intra-group eliminations/adjustments	31 Dec. 2021
<b>Percentage of non-controlling interests</b>	<b>30.0 %</b>	<b>6.7 %</b>	<b>15.0 %</b>	<b>30.0 %</b>			
Non-current assets	15	7	0	1	24	–	24
Current assets	71	48	3	1	123	–	123
Non-current liabilities	-3	-0	-0	-13	-17	–	-17
Current liabilities	-47	-24	-1	-1	-73	–	-73
<b>Net assets</b>	<b>36</b>	<b>31</b>	<b>2</b>	<b>-12</b>	<b>57</b>	<b>–</b>	<b>57</b>
<b>Net assets of non-controlling interests</b>	<b>11</b>	<b>2</b>	<b>0</b>	<b>-4</b>	<b>10</b>	<b>1</b>	<b>11</b>
Revenue	63	30	3	4	100	–	100
Profit / loss	2	-0	0	-3	-0	–	-0
Other comprehensive income / loss	-0	-0	0	–	-1	–	-1
<b>Total comprehensive income / loss</b>	<b>2</b>	<b>-1</b>	<b>1</b>	<b>-3</b>	<b>-1</b>	<b>–</b>	<b>-1</b>
<b>Profit attributable to non-controlling interests</b>	<b>1</b>	<b>-0</b>	<b>0</b>	<b>-1</b>	<b>-0</b>	<b>–</b>	<b>-0</b>
<b>attributable to non-controlling interests</b>	<b>-0</b>	<b>-0</b>	<b>0</b>	<b>–</b>	<b>-0</b>	<b>–</b>	<b>-0</b>
Cash flows from operating activities	4	7	2	-1	12	–	12
Cash flows from investing activities	-9	-2	-0	0	-10	–	-10
Cash flows from financing activities	6	-0	-1	1	6	–	6
<i>thereof dividends of non-controlling interests</i>	–	-0	-0	–	-0	–	-0
Effects of movements in exchange rates on cash and cash equivalents	-0	-0	–	–	-0	–	-0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>7</b>	<b>–</b>	<b>7</b>

<sup>1</sup> HENSOLDT Cyber GmbH from 1 June 2021

Under corporate law, the non-controlling shareholder of GEW Technologies (Pty) Ltd. has a 6.7 % interest in GEW Technologies (Pty) Ltd. and its subsidiary GEW Integrated Systems (Pty) after having exercised a put option in the fiscal year 2022 in favour of the non-controlling shareholder. Until the put option was exercised, the minority shareholder held a 25.0 % interest, however was treated economically as holding a 6.7 % interest due to outstanding conversion rights.

## 35 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 being targeted. The Group is not subject to any statutory capital requirements.

The non-current syndicated loan agreement (Term Loan) is, like the previous loan, 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 syndicated loan (Senior Facility Agreement). In the fiscal year 2022, the financing conditions were fulfilled at all times. The availability and conditions of the loan are tied to this financial covenant. In the event of a non-compliance with the financial covenant, the financing partners are authorised to terminate the syndicated loan. There are no indications that the covenant cannot be fully complied with in the foreseeable future (see note 37).

In order to hedge against changes in exchange rates, the Group concludes derivative hedging contracts for loans in foreign currency.

The Group has interest rate swap agreements on the reporting date to hedge the variable-rate term loan which are, however, only effective for the subsequent interest rate period.



## 36 Net debt

	31 Dec.	31 Dec.
in € million	2022	2021
Cash and cash equivalents	460	529
Non-current financing liabilities	-619	-622
Current financing liabilities	-12	-166
<b>Total</b>	<b>-171</b>	<b>-259</b>

### 36.1 Cash and cash equivalents

Cash and cash equivalents consist of the following items:

	31 Dec.	31 Dec.
in € million	2022	2021
Cash and cash equivalents	460	529
<b>Total</b>	<b>460</b>	<b>529</b>

As at 31 December 2022, there were short-term time deposits in the amount of € 150 million. Of this amount, € 50 million were invested for a period of two months until 22 February 2023 at an interest rate of 1.91 %, and a further € 100 million were invested for a period of one month until 20 January 2023 at an interest rate of 1.70 %.

### 36.2 Financing liabilities

Financing liabilities consist of current and non-current loans.

The conditions and repayment schedules of the loans as of 31 December 2022, are as follows:

Loans	Capital amount in € million	Issue date	Coupon or interest rate	Interest	Effective interest rate	Due date
Loan (Term Loan)	620.0	30/9/2020	3M Euribor + 1.75 %	variable	3.71 %	14/4/2027
Revolving Credit Facility	–	30/9/2020	3M Euribor + 1.50 %	variable	n/a	14/4/2027
Loan (CM Nexeya)	2.5	30/4/2021	0.71 %	fix	2.09 %	30/4/2026
Loan (BNP Nexeya)	6.4	30/4/2021	0.75 %	fix	0.91 %	23/4/2026
Loan (BPI France)	0.4	12/8/2017	1.31 %	fix	1.64 %	30/6/2025
Loan (HENSOLDT Avionics)	0.0	27/7/2020	2.78 %	fix	4.84 %	30/6/2023
Loan (Nexeya Belgium)	1.2	21/12/2022	3.43 %	fix	3.43 %	31/3/2023
Overdraft Facility (HENSOLDT South Africa)	–	31/10/2018	SARB Prime Rate	variable	n/a	31/7/2023

The conditions and repayment schedules of the loans as of 31 December 2021, are as follows:

Loans	Capital amount in € million	Issue date	Coupon or interest rate	Interest	Effective interest rate	Due date
Loan (Term Loan)	620.0	30/9/2020	3M Euribor + 2.25 %	variable	2.65 %	29/9/2025
Revolving Credit Facility	150.1	30/9/2020	3M Euribor + 2.00 %	variable	2.00 %	29/9/2025
Loan (CM Nexeya)	3.0	30/4/2021	0.71 %	fix	2.09 %	30/4/2026
Loan (BNP Nexeya)	7.3	30/4/2021	0.75 %	fix	0.91 %	23/4/2026
Loan (BPI France)	0.6	12/8/2017	1.31 %	fix	1.64 %	30/6/2025
Loan (HENSOLDT Avionics)	0.1	27/7/2020	2.78 %	fix	4.84 %	30/6/2023
Overdraft Facility (HENSOLDT South Africa)	11.1	31/10/2018	7.00 %	fix	7.00 %	31/3/2022

In connection with the IPO, HENSOLDT AG has restructured its liabilities as of 30 September 2020. For this purpose, a new syndicated loan agreement ("Senior Facility Agreement") consisting of a term loan in the amount of € 600 million and a revolving credit facility ("RCF") in the amount of € 350 million was concluded. In November 2021, the loan and the revolving credit line of the syndicated loan were increased by € 20 million each to a total of € 990 million. In the fiscal year 2022, the original credit agreement was adjusted in terms of various points by means of an amendment and restatement agreement. The maturity was extended from September 2022 to April 2027 and the margin grid was adjusted. For drawing in USD and GBP, the LIBOR has been replaced by so-called risk free rate rules.

At the reporting date, the revolving credit facility, which is repayable at short notice, had not been utilised (previous year: € 150 million).

The post-IPO 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.

The transaction costs which 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.

For the South African subsidiary HENSOLDT South Africa (Pty) Ltd., the existing credit line was prolonged. It amounts to ZAR 240 million and had not been utilised as at 31 December 2022.

In addition, the French subsidiary HENSOLDT Nexeya France S.A.S. repaid the government-guaranteed loans in 2021 with a total value of € 10 million which it had raised in the course of the COVID-19 pandemic and raised, in return, new loans totalling € 10 million. These loans have been repaid on schedule since 2022. A further loan in the amount of € 1 million exists since 2017. The loans are unsecured.

The total amounts of financial liabilities to banks as of 31 December 2022, amount to:

in € million	< 1 year	1 to 5 years	> 5 years	Total
Liabilities to banks	11	619	–	<b>630</b>
<b>As of 31 Dec. 2022</b>	<b>11</b>	<b>619</b>	<b>–</b>	<b>630</b>

It includes liabilities from recourse factoring amounting to € 8 million (previous year: € 3 million). No essential current other financial liabilities existed on the reporting date from cash receipts for assigned receivables which shall be forwarded to the factor on the due date (previous year: € 6 million). Moreover, there are current liabilities to the non-consolidated subsidiary HENSOLDT Nexeya Belgium amounting to € 1 million (previous year: € 0 million).

in € million	< 1 year	1 to 5 years	> 5 years	Total
Liabilities to banks	166	622	–	<b>788</b>
<b>As of 31 Dec. 2021</b>	<b>166</b>	<b>622</b>	<b>–</b>	<b>788</b>

### 36.3 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.

in € million	Non-cash changes					31 Dec. 2022
	1 Jan. 2022	Net cash changes	Change in Consol. group	Changes in fair value	Other changes	
<b>Non-current borrowing</b>						
Loan (Term Loan)	613	–	–	–	-1	<b>612</b>
Bank loans (net)	9	-2	–	–	–	<b>7</b>
<b>Current borrowing</b>						
Current borrowing	166	-161	–	–	7	<b>12</b>
Other financial liabilities	6	-5	–	–	–	<b>0</b>
<b>Change in financing liabilities due to financing activities</b>	<b>794</b>	<b>-169</b>	–	–	<b>6</b>	<b>631</b>
<b>Change in lease liabilities</b>	<b>156</b>	<b>-19</b>	–	–	<b>22</b>	<b>158</b>
Share capital	105	–	–	–	–	<b>105</b>
Capital reserve	537	–	–	–	-65	<b>472</b>
Other reserves	-65	–	–	–	148	<b>82</b>
Retained earnings	-171	-26	–	–	142	<b>-55</b>
Non-controlling interests	11	-0	–	–	2	<b>13</b>
<b>Change in equity due to financing activities</b>	<b>417</b>	<b>-26</b>	–	–	<b>226</b>	<b>616</b>
Change in assets (-) and liabilities (+) to hedge non-current borrowing	1	–	–	-5	–	<b>-4</b>
<b>Cash flows from financing activities</b>		<b>-214</b>				

in € million	Non-cash changes					31 Dec. 2021
	1 Jan. 2021	Net cash changes	Change in Consol. group	Changes in fair value	Other changes	
<b>Non-current borrowing</b>						
Loan (Term Loan)	592	20	–	–	1	<b>613</b>
Bank loans (net)	10	-1	–	–	–	<b>9</b>
<b>Current borrowing</b>						
Current borrowing	363	-197	–	–	–	<b>166</b>
Other financial liabilities	92	-89	–	–	3	<b>6</b>
<b>Change in financing liabilities due to financing activities</b>	<b>1,056</b>	<b>-267</b>	–	–	<b>5</b>	<b>794</b>
<b>Change in lease liabilities</b>	<b>154</b>	<b>-16</b>	<b>1</b>	–	<b>17</b>	<b>156</b>
Share capital	105	–	–	–	–	<b>105</b>
Capital reserve <sup>3</sup>	597	–	–	–	-60	<b>537</b>
Other reserves <sup>1</sup>	-82	–	–	–	16	<b>-65</b>
Retained earnings <sup>1,2,3</sup>	-286	-14	–	–	129	<b>-171</b>
Non-controlling interests	13	-0	–	–	-2	<b>11</b>
<b>Change in equity due to financing activities</b>	<b>347</b>	<b>-14</b>	–	–	<b>84</b>	<b>417</b>
Change in assets (-) and liabilities (+) to hedge non-current borrowing	6	–	–	-4	–	<b>1</b>
<b>Cash flows from financing activities</b>		<b>-297</b>				

<sup>1</sup> Adjustment of previous year's figures for cash flow-hedges by €+5 million in other reserves and by €-5 million in retained earnings as of 1 January 2021

<sup>2</sup> Adjustment of retained earnings due to a purchase price adjustment after the measurement period by €+6 million as of 31 December 2021

<sup>3</sup> Adjustment of previous year's figures: Release of capital reserve by €-60 million and addition to retained earnings by €+60 million. In contrast to previous year, the dividend payment of € 14 million is expensed to retained earnings

## 37 Information on financial instruments

### 37.1 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"). The Group applies hedge accounting for a minor part of its hedging portfolio which expired during the fiscal year.



## 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 concludes forward exchange transactions in order to rule out or minimise foreign exchange risks. The necessary measures and rules related to the hedging of orders not invoiced in € are set out in the Group-wide treasury policy.

The Group uses mainly forward exchange transactions as hedging instruments.

The cash flow-hedge accounting used by the Group in South Africa to hedge its foreign currency transactions expired in the fiscal year.

In the fiscal year, a loss on foreign currency translation of € 20 million (previous year: gain of € 2 million) was recognised in the consolidated income statement. Income of € 3 million (previous year: € 10 million) were opposed to expenses of € 23 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) and pound sterling (GBP).

The following disclosures describe the Group's view of the sensitivity of an increase or decrease in the USD, ZAR and GBP 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 the HENSOLDT Group's main financial instruments outstanding on the reporting date.

If the Euro had appreciated/depreciated by 20.0 % against the USD, ZAR and GBP as of 31 December 2022 or 2021, the group result would have changed in the manner shown below:

in € million	Changes in the amount of	31 Dec. 2022	Changes in the amount of	31 Dec. 2021
EUR/GBP	+/- 20.0 %	-4.8 / 7.2	+/- 20.0 %	-5.4 / 8.1
EUR/ZAR	+/- 20.0 %	-13.1 / 19.6	+/- 20.0 %	-8.7 / 13.1
EUR/USD	+/- 20.0 %	-2.3 / 3.5	+/- 20.0 %	-8.1 / 12.2

The changes compared to the reported group result mainly from financial instruments that are denominated in a foreign currency. 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 cash flows from financing 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 an increasing negative cash flows from financing activities, and vice versa.

Interest rate swaps were concluded for the variable interest-bearing syndicated 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 result by € -2.3 million or € 0.7 million (previous year: € 0.0 million or € 0.0 million). In the previous year, the Euribor did not exceed -50 basis points, so the interest rate floor was used at 0.0 % in all shock scenarios. 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					
Banks	630	729	24	705	–
Other	381	381	381	–	–
Derivative financial liabilities					
Interest rate swaps	–	–	–	–	–
Forward exchange transactions	6	6	3	3	–
Lease liabilities	158	213	29	96	88
<b>As of 31 Dec. 2022</b>	<b>1,175</b>	<b>1,328</b>	<b>436</b>	<b>804</b>	<b>88</b>

in € million	Carrying amount	Contractual cash flows	< 1 year	1 to 5 years	> 5 years
Non-derivative financial liabilities					
Banks	788	836	167	669	–
Other	275	275	275	–	–
Derivative financial liabilities					
Interest rate swaps	1	1	–	1	–
Forward exchange transactions	3	3	3	0	–
Lease liabilities	156	200	26	91	83
<b>As of 31 Dec. 2021</b>	<b>1,223</b>	<b>1,315</b>	<b>471</b>	<b>762</b>	<b>83</b>

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, which in the course of the restructuring under company laws and refinancing caused by the IPO, was renegotiated.

The Senior Facility Agreement defines one specified financial covenant. In case of non-compliance with the covenant, the lenders are entitled to terminate the loan. This could result in a going concern risk for the 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 ratios are monitored on an ongoing basis.

The 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 a revolving credit facility ("RCF") of € 370 million.

## 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, provided that 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 2022:

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 %	308	-0	No
Rating 7-9: moderate risk	BB- to BB+	0.3 %	206	-1	No
Rating 10: below average	B- to CCC-	6.4 %	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				-8	Yes
<b>As of 31 Dec. 2022</b>			<b>514</b>	<b>-9</b>	

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 2021:

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 %	230	-0	No
Rating 7-9: moderate risk	BB- to BB+	0.4 %	258	-1	No
Rating 10: below average	B- to CCC-	3.5 %	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				-9	Yes
<b>As of 31 Dec. 2021</b>			<b>489</b>	<b>-10</b>	

The changes of the loss rates compared to the previous year are due to an increase or decrease of the default risks in different classifications.

	31 Dec. 2022	31 Dec. 2021
in € million	2022	2021
Contract assets	182	170
Trade receivables	323	309
<b>Total</b>	<b>506</b>	<b>479</b>

Expected credit losses for other financial assets in the scope of the IFRS 9 impairment requirements have not been recognised due to materiality.

## 37.2 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.

Within the HENSOLDT Group, derivatives that are not designated as hedging relationship pursuant to IFRS, are classified as "FVtPL".

The 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 2022 and 2021:

in € million	Category	Fiscal year 2022		
		Carrying amount	Fair value	Level
<b>Assets</b>				
Other investments and other non-current financial assets <sup>1</sup>	FVtOCI	22	22	-
Other non-current financial assets, due on short-notice	AC	0	0	-
Trade receivables	AC	265	265	-
Trade receivables (designated for factoring) <sup>1</sup>	FVtOCI	59	59	-
Other financial assets				
Other derivative instruments	FVtPL	9	9	2
Non-derivative instruments <sup>1</sup>	AC	12	12	-
Cash and cash equivalents	AC	460	460	1
<b>Total financial assets</b>		<b>826</b>	<b>826</b>	
<b>Liabilities</b>				
Financing liabilities				
Liabilities to banks	FLAC	630	549	2
Trade payables	FLAC	379	379	-
Other financial liabilities				
Derivative instruments for cash flow-hedges	FVtOCI	-	-	2
Other derivative instruments	FVtPL	6	6	2
Other miscellaneous financial liabilities	FLAC	2	2	-
<b>Total financial liabilities</b>		<b>1,017</b>	<b>936</b>	

<sup>1</sup> Fair value corresponds to amortised cost of acquisition for materiality considerations



in € million	Category	Carrying amount	Fiscal year 2021	
			Fair value	Level
<b>Assets</b>				
Other investments and other non-current financial assets <sup>1</sup>	FVtOCI	21	21	–
Other non-current financial assets, due on short-notice	AC	1	1	–
Trade receivables	AC	257	257	–
Trade receivables (designated for factoring) <sup>1</sup>	FVtOCI	52	52	–
Other financial assets				
Other derivative instruments	FVtPL	3	3	2
Non-derivative instruments <sup>1</sup>	AC	6	6	–
Cash and cash equivalents	AC	529	529	1
<b>Total financial assets</b>		<b>868</b>	<b>868</b>	
<b>Liabilities</b>				
Financing liabilities				
Liabilities to banks	FLAC	788	791	2
Trade payables	FLAC	269	269	–
Other financial liabilities				
Derivative instruments for cash flow-hedges	FVtOCI	0	0	2
Other derivative instruments	FVtPL	4	4	2
Liability from put option	FVtPL	–	–	3
Other miscellaneous financial liabilities	FLAC	6	6	–
<b>Total financial liabilities</b>		<b>1,067</b>	<b>1,070</b>	

<sup>1</sup> Fair value corresponds to amortised cost of acquisition for materiality considerations

One put option (market value 0 €) existed as of 31 December 2021 in favour of the minority shareholder GEW Technologies (Pty) Ltd. (see note 34.2).

The nominal values of the derivative financial instruments were as follows:

in € million	Remaining term nominal amounts					
	under 1 year		over 1 year		total	
	2022	2021	2022	2021	2022	2021
Interest rate futures						
Swaps	–	920	620	–	<b>620</b>	<b>920</b>
Forward exchange transactions	178	133	95	50	<b>273</b>	<b>183</b>
Average EUR:USD forward rate	1.08	1.18	1.09	1.14	–	–
Average EUR:GBP forward rate	0.87	0.86	0.86	–	–	–
Average EUR:CAD forward rate	–	1.46	–	–	–	–

The fair values of the derivative financial instruments were as follows:

in € million	Assets		Liabilities	
	31 Dec.		31 Dec.	
	2022	2021	2022	2021
Foreign exchange contracts				
Cash flow-hedges	–	–	–	0
not designated in a hedging relationship	5	3	6	3
Interest rate derivatives				
not designated in a hedging relationship	4	–	–	1
<b>Total</b>	<b>9</b>	<b>3</b>	<b>6</b>	<b>4</b>

### 37.3 Disclosures on hedge accounting

The development of hedging instruments for foreign exchange risks recorded in other comprehensive income as of 31 December 2021 and 2022 is as follows:

in € million	Equity attributable to the owners of the HENSOLDT AG	Non-controlling interests	Total
<b>As of 1 Jan. 2021<sup>1</sup></b>	-0.0	–	<b>-0.0</b>
<b>Unrealised valuation gains (+) and losses (-)</b>	<b>-0.5</b>	<b>-0.0</b>	<b>-0.5</b>
Reclassification to consolidated income / loss	0.5	0.0	<b>0.5</b>
Deferred taxes on unrealised valuation gains / losses	–	–	–
<b>Change</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>As of 31 Dec. 2021</b>	<b>-0.0</b>	<b>–</b>	<b>-0.0</b>
Reclassification to consolidated income / loss	0.1	0.0	<b>0.1</b>
Deferred taxes on unrealised valuation gains / losses	–	–	–
<b>Change</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>
<b>As of 31 Dec. 2022</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1</sup> Adjustment of values for cash flow-hedges by +5 Mio. €

As at the balance sheet date, there were no derivatives used as hedges whose change was recognised in other comprehensive income. The carrying amount of the derivatives used as hedging instruments is € -0.3 million and was disclosed in other financial liabilities.

In the fiscal year, an amount of € 0.1 million (previous year: € 0.5 million) under due cash flow hedges was reclassified mainly from equity to revenue. There were no material inefficiencies from hedging relationships in both the fiscal year 2022 and the previous year.

The nominal value of derivative financial instruments used as hedging instruments amounted to € 5.4 million in the previous year and had a maturity of less than one year.

### 37.4 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 in the fiscal year 2022 and the previous year:

in € million	From subsequent valuation				Fiscal year	
	From interest and dividends	Fair value	Impairment	Currency translation	2022	2021
Financial assets or liabilities at fair value through profit or loss	–	3	–	-1	2	-5
Financial assets at amortised costs	1	–	0	1	2	-4
Financial liabilities at amortised costs	-25	–	–	-20	-45	-17
<b>Total</b>	<b>-24</b>	<b>3</b>	<b>0</b>	<b>-20</b>	<b>-41</b>	<b>-26</b>

### 37.5 Impairment losses

The following impairment losses on financial assets were recognised in profit or loss in fiscal year 2022 and in the previous year:

in € million	Category	Fiscal year	
		2022	2021
Impairment losses for other investments and other non-current financial assets	FVtOCI	–	0
<b>Impairment losses for:</b>			
Trade receivables and contract assets (level 1 + 2)	AC	0	0
Trade receivables and contract assets (level 3)	AC	2	4
<b>Impairment losses (gross) on financial assets and contract assets</b>		<b>2</b>	<b>4</b>
Reversals of impairment losses		-2	-4
<b>Impairment losses (net) on financial assets and contract assets</b>		<b>-0</b>	<b>1</b>

## VII Additional Notes

### 38 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 for the fiscal year 2022 and the previous year:

in € million	Parent company		Subsidiaries		Total	
	Fiscal year 2022	Fiscal year 2021	Fiscal year 2022	Fiscal year 2021	Fiscal year 2022	Fiscal year 2021
Audit services	0.9	0.8	0.5	0.5	1.4	1.3
Other assurance services	0.3	0.1	–	–	0.3	0.1
Tax advisory services	–	0.0	–	–	–	0.0
Other services	–	0.0	0.1	–	0.1	0.0
<b>Total</b>	<b>1.2</b>	<b>0.9</b>	<b>0.6</b>	<b>0.5</b>	<b>1.8</b>	<b>1.4</b>

The fees for the audit services provided by KPMG AG were mainly 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 financial statements of its subsidiaries including statutory extensions of the engagement.

Other assurance services mainly relate to the audit of the Group's non-financial report.

Other services relate to the issuance of an expert opinion.

### 39 Future payment obligations

There were purchase commitments especially for inventories and services in the amount of € 1,418 million as of 31 December 2022 (previous year: € 1,457 million).



## 40 Events after the reporting date

The Management Board and the Supervisory Board propose the distribution of a dividend of € 0.30 (previous year: € 0.25) per share to holders entitled to dividends. This corresponds to an expected total payment of around € 31.5 million (previous year: € 26.3 million). The payment of the proposed dividend is subject to the approval of the annual general meeting.

There were no other significant events after the reporting date.

HENSOLDT AG

Management Board

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Thomas Müller

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Christian Ladurner

\_\_\_\_\_  
Dr. Lars Immisch

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Celia Pelaz Perez

# Responsibility statement for the consolidated financial statements and the combined management report of HENSOLDT AG

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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, 10 March 2023

HENSOLDT AG

Management Board

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Thomas Müller

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Christian Ladurner

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Dr. Lars Immisch

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Celia Pelaz Perez



Note: This is a translation of the German original. Solely the original text in German language is authoritative.

## 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, 2022, 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, 2022, 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, 2022.

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, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our 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 combined management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

#### Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

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#### Cut-off of revenue recognition in the project business of the Sensors operating segment

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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 11. Revenue and cost of sales)” in the notes to the consolidated financial statements.

#### RISKS FOR THE FINANCIAL STATEMENTS

Group revenue totaled EUR 1,707 million in the financial year 2022. The Sensors operating segment accounted for EUR 1,399 million of this amount, including EUR 580 million recognized on the basis of a point in time and EUR 836 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.

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#### Measurement of provisions for post-employment benefits

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With regard to the accounting policies applied, please refer to section “I. Basis of presentation (notes 2.8. Employee Benefits and 3.6. Employee Benefits)” in the notes to the consolidated financial statements.

Further information is provided in section “V. Expenses and benefits for employees (note 33. Post-employment benefits)” in the notes to the consolidated financial statements.



## RISKS FOR THE FINANCIAL STATEMENTS

Provisions for retirement benefits amounting to EUR 241 million are recognized in the consolidated financial statements as at December 31, 2022, representing the net liability arising by setting off the defined benefit obligation (DBO) relating to pension plans (EUR 355 million) and deferred compensation (EUR 134 million) against the fair value of plan assets amounting to EUR 235 million and EUR 13 million respectively. The present value of obligations under these defined benefit plans is measured using the projected unit credit method, the outcome of which depends significantly on the judgement applied when determining various assumptions such as the discount rate, the future salary trend, life expectancy and the exercise of options relating to the disbursement of pensions. The measurement of retirement obligations was based on actuarial reports commissioned by HENSOLDT.

A significant proportion of plan assets relates to an investment in HENSOLDT Real Estate GmbH & Co. KG, which primarily holds investments in real estate. The determination of the fair value of these assets depends on the judgement applied when determining various assumptions such as the amount of future rental income to be generated and the discount rate. HENSOLDT commissioned an external expert to determine the fair values of the main properties.

There is a risk for the financial statements that inappropriate assumptions are used both in the measurement of the retirement obligations and of the plan assets, which could result in the provision for retirement benefits being measured at an incorrect amount

Furthermore, there is a risk that the disclosures in the notes to the consolidated financial statements relating to the measurement of the provision for the provision for retirement benefits are not appropriate.

## OUR AUDIT APPROACH

Within the scope of our audit, we evaluated amongst other things the actuarial reports obtained as well as the professional qualifications of the external expert. We were assisted in this evaluation by our own internal actuarial specialists. We tested the appropriateness of the actuarial assumptions and valuation methodology applied. Based on this, we reconciled the amounts recognized in the consolidated financial statements as well as disclosures in the notes with the relevant actuarial reports.

For the purposes of auditing the fair values of plan assets, we assessed the valuation of the main properties as well as the professional qualifications of the external expert. In light of the specific features of real estate valuation, we were assisted in this matter by our own internal real estate specialists. We tested the appropriateness of the valuation methodology and of the underlying parameters and premises applied, as well as assessed the key assumptions used in the valuation reports, and agreed them to the underlying records and contracts.

Based on this, we agreed the amounts recognized in the consolidated financial statements and the disclosures made in the notes to the consolidated financial statements.

## OUR CONCLUSIONS

The assumptions and data used by the company to measure its retirement benefit obligations and plan assets are, in each case, considered appropriate overall. The notes to the consolidated financial statements contain the necessary information on assumptions underlying the valuation.

## 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 separate non-financial group report to which reference is made in 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 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 for one 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 related safeguards.

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 combined management report (hereinafter the "ESEF documents") contained in the electronic file "13.03.23\_hensoldtag-2022-12-31-de.zip" (SHA256 hash value: c8aedff123d1695fe3be88e4b104e4794bd59222e86094ac8192613755371891) 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 consoli-



dated financial statements and the combined 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, 2022 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)) and the *International Standard on Assurance Engagements 3000 (Revised)*. 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 group auditor by the annual general meeting on May 13, 2022. We were engaged by the supervisory board on September 29, 2022. We have been the group auditor of HENSOLDT AG (in its capacity as a capital-market-oriented entity) without interruption since the financial year 2020.

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 published in the German Federal Gazette – 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 Matthias Koeplin.

Munich, March 17, 2023

KPMG AG  
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Koeplin  
Wirtschaftsprüfer  
[German Public Auditor]

Schieler  
Wirtschaftsprüfer  
[German Public Auditor]

# REPORT OF THE SUPERVISORY BOARD

on the consolidated financial statements  
and the financial statements of

HENSOLDT AG

for the fiscal year 2022

Dear shareholders,

HENSOLDT AG continued its growth course in 2022 and further strengthened its strategic position in the European security and defence industry.

Looking back at 2022, it is clear that we have experienced an incisive, historic year. The peace order in Europe has been shaken. This has fundamentally changed the global geopolitical context - with far-reaching effects also on global economic development and the living conditions of many people. Above all, however, Russia's war of aggression has made many people aware of the task of defending freedom and democracy, and with it the relevance of a vital and innovative defense industry. This is what HENSOLDT stands for as a high-tech company in the field of defense electronics.

Economic stability based on healthy, robust business models - the value of economic resilience is also more evident than ever in crisis-ridden times like these. In 2022, HENSOLDT remained on track for success in a challenging environment characterized by inflation, macroeconomic volatility and dislocations in global supply chains, and once again significantly increased sales and EBITDA while maintaining high profitability.

In the 2022 financial year, the strategic further development of the HENSOLDT Group was the particular focus of the Management Board and Supervisory Board. In particular, we monitored HENSOLDT's steps towards the execution of major projects on the basis of reports from the Management Board and external consultants, and supported the Management Board with our expertise and knowledge in an advisory capacity.

Other focal points of our work were in the areas of technology and innovation as well as in sustainability issues along the dimensions of environment, society and corporate governance and the further development of the corresponding activities in the company. We received regular reports on these issues and obtained an overview of the progress made and the opportunities and risks for the company.

In addition to the large number of topics discussed during the Supervisory Board year, we also keep an eye on the further development of our work as a body and work continuously on increasing the effectiveness and efficiency of our activities and on our contribution to monitoring and advising the Management Board of HENSOLDT AG. Thus, the self-assessment of the committees of the Supervisory Board was on our agenda this year.

## Cooperation with the Management Board

In the fiscal year 2022, the Supervisory Board of HENSOLDT AG performed the duties incumbent upon it according to the law, the Articles of Association and the Rules of Procedure diligently and dutifully. We continuously advised the Management Board on the management of the company and continuously monitored its activities. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance for the company. The Management Board informed us regularly, both in writing and verbally, promptly and comprehensively about all essential processes: the corporate plans, the course of business, the strategic development and the current situation of the Group were the focus of attention. Cooperation between the Supervisory Board and the Management Board was constructive, open and trusting at all times.

The Management Board coordinated the strategic orientation of the company with us. We discussed, in detail, the business transactions that were significant for the company on the basis of the reports of the Management Board.

The Supervisory Board, in particular the chairman of the Supervisory Board, was in regular contact with the Management Board beyond the Supervisory Board meetings and kept itself informed about the current development of the business situation and significant business transactions. In this way, 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 situation of the Group.

In addition, as Chairwoman of the Audit Committee, Ingrid Jägering regularly exchanged information on current developments with the Chief Financial Officer, the auditor and selected central Group functions.



## Corporate Governance and functioning of the Supervisory Board

Further explanations 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 detailed information on the working methods of the Supervisory Board and its committees. In addition, you will find explanations on the current declaration of the Management Board and the Supervisory Board pursuant to section 161 AktG (German Stock Corporation Act) which the Supervisory Board approved on 8 December 2022. The current declaration of the Management Board and the Supervisory Board pursuant to section 161 AktG is also made permanently available to shareholders on the website of HENSOLDT at <https://investors.hensoldt.net> in the Corporate Governance section.

The members of the Supervisory Board are responsible for their own training and further education. The company supports the Supervisory Board in this effort to an appropriate extent. In the past fiscal year, the members of the Supervisory Board received further training according to their individual needs on the topics of news in supervisory board law as well as innovations in the German Corporate Governance Code and current developments in the area of risk management and the internal control system.

## Deliberations and resolutions in the plenary session of the Supervisory Board

The Supervisory Board of HENSOLDT AG held a total of seven meetings in the last fiscal year.

The meeting on 16 March 2022 focused on the preparation of the second annual general meeting of HENSOLDT AG and the adoption of resolutions on the annual financial statements of HENSOLDT AG and the consolidated financial statements as of 31 December 2021, the combined management report, the dependency report and the non-financial reporting of HENSOLDT Group. In addition, after receiving reports from the Presidial Committee, the Supervisory Board decided on the target values achieved for the fiscal year 2021 and the determination of the target values for 2022 for the variable remuneration of the Management Board. The Supervisory Board also resolved to appoint Mr Christian Ladurner as Chief Financial Officer with effect from 1 July 2022. Mr Ladurner succeeds Mr Axel Salzmann, who left the Management Board on 30 June 2022. The Supervisory Board also appointed Dr Lars Immisch as Chief Human Resources Officer with effect from 1 October 2022. Dr Immisch succeeds Mr Peter Fieser, who left the Management Board at the end of 30 September 2022. The Supervisory Board also discussed the adjustment of the financing of the HENSOLDT Group and the conclusion of contracts with two Japanese trading houses.

On 22 April 2022, the Supervisory Board dealt with the proposal of a replacement candidate for election to the Supervisory Board by the general meeting in May 2022.

At the Supervisory Board meeting held on 13 May 2022, the Supervisory Board dealt with the appointment of new members to the standing committees of the Supervisory Board following the resignations of Mr Christian Ollig and Prof. Wolfgang Ischinger.

At the Supervisory Board meeting on 28 June 2022, the Supervisory Board also dealt in particular with the planned risk assessment of the major projects in terms of project organisation and project status as part of the usual reporting from the committees. Other topics were the securing of the construction project in Oberkochen and the liquidation of a subsidiary of the HENSOLDT Group in Switzerland. In addition, the Supervisory Board again dealt with the conclusion of a contract with a trading house.

At its meeting on 27 September 2022, the Supervisory Board discussed the appointment of a new member to the Compliance Committee and the Committee for Related Party Transactions after Prof. Burkhard Schwenker's resignation from these committees. The Supervisory Board informed itself about a cyber-attack on a French subsidiary of the HENSOLDT Group, the amendments to the German Corporate Governance Code and discussed the reporting on HENSOLDT in the news magazine "DER SPIEGEL" with the Management Board. Mrs Pelaz also reported to the Supervisory Board on the strategy of the HENSOLDT Group.

At the meeting on 8 December 2022, the Supervisory Board dealt with the approval of the budget (including the annual investment, finance and personnel plan), the planned introduction of S4HANA, cyber security and the mandate to the Executive Committee to prepare the targets for the variable remuneration of the Management Board.

Where necessary, the Supervisory Board also adopted resolutions by written procedure. This mainly concerned the resolution on the remuneration report for the fiscal year 2021 and the declaration of compliance, the referral to the consultancy agreement with Agora Strategy Group AG and the approval of the securities for the construction project in Oberkochen already presented at the meeting on 28 June 2022.

The members of the Management Board regularly attended Supervisory Board and committee meetings. Consultations of the Audit Committee with the auditor and deliberations on internal matters of the Supervisory Board took place without the Management Board being present.

Measures that require the approval of the Supervisory Board according to the Articles of Association, the Rules of Procedure for the Supervisory Board or the Rules of Procedure for the Management Board were submitted to the Supervisory Board for decision with the appropriate lead time. The Supervisory Board approved each of the Management Board's proposed resolutions after thorough examination and consultation. Apart from the individual measures already explained, there were no other transactions requiring approval to report in the last fiscal year.

## Committees of the Supervisory Board

The Supervisory Board has established an Executive Committee and five other committees to efficiently perform its duties. These 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 corresponding committees.

Five meetings of the **Presidial Committee** took place in the last fiscal year.

In its meeting on 16 March 2022, the Presidial Committee assessed the target values achieved for the fiscal year 2021 and prepared a proposal to the Supervisory Board on the Management Board's bonus and the Management Board's targets for 2022. The Presidial Committee discussed the personnel planning of the Management Board, the conditions for the early termination of the Management Board service agreements of Mr Axel Salzmann and Mr Peter Fieser as well as the conditions of the Management Board service agreements of Mr Christian Ladurner and Dr Lars Immisch.

At the meetings on 28 June 2022, 27 September 2022 and 8 December 2022, the Presidial Committee again discussed the long-term succession planning of the Management Board. On 22 April 2022, the security concept for the Management Board was the focus of discussions.

The Presidial Committee also passed a resolution by written procedure on the amendment agreement to the termination agreement of Mr Axel Salzmann.

The **Audit Committee** held eight meetings.

A significant part of its work was the discussion of the preliminary key financial figures for the fiscal year 2021, the dividend proposal and the financials during the year (quarterly announcement 3M2022, half-yearly financial report 6M2022 and quarterly announcement 9M2022). With regard to the key financial figures, the Audit Committee consulted with the CFO and, with regard to the half-yearly financial report, with the auditor to explain the results of the audit review.

The representatives of the auditors KPMG also took part in the discussion of the annual and consolidated financial statements. In addition, the Audit Committee made recommendations to the Supervisory Board on the appointment of the auditor. In urgent cases, the Audit Committee adopted resolutions by circular resolution.

At each meeting of the Audit Committee, the Chairwoman of the Audit Committee reported on her regular exchanges with the Management Board, the auditors and key functions in the Company. The Chief Financial Officer also reported on current issues in the finance department and other areas of responsibility.

The Committee received regular reports from those responsible for the main control functions on current developments and the effectiveness and further development of the control systems.

In the presence of the Head of Internal Auditing, the committee also discussed the audit results for 2022 and the audit planning for fiscal 2023.

This year, the Audit Committee dealt with the effects of the publication of the new version of the German Corporate Governance Code on its work. As in previous years, the Audit Committee again focused on monitoring the quality of the audit. In this fiscal year, a review was carried out of the implementation status of the recommendations for action from the previous year's survey and an exchange was also held with the auditors on further improvements to audit quality. The positive maturity of the audit was again confirmed.

The content of the meetings was presented to the Supervisory Board in the oral reports from the committee meetings and - where necessary - submitted for decision.

In addition, the Chairwoman of the Audit Committee is in regular contact with the auditors - also outside meetings. The auditors inform the Audit Committee without delay of all findings and events of importance to their duties which come to their attention during the performance of the audit. They shall inform the Audit Committee and make a note in the audit report if, during the performance of the audit, they ascertain facts which show a misstatement in the declaration on the German Corporate Governance Code issued by the Board of Management and Supervisory Board. The auditors have declared to the Audit Committee that there are no circumstances giving reason to suspect their partiality. The Audit

Committee has obtained the required independence agreement from the auditors, reviewed their qualifications and concluded a fee agreement with them. The Audit Committee approves any non-audit services provided by the auditors.

The Audit Committee includes two proven financial experts, Ingrid Jägering and Giovanni Soccodato. Expertise in sustainability issues is also ensured in the Audit Committee and is continuously developed further.

With a view to the second general meeting of HENSOLDT AG, the Audit Committee prepared the Supervisory Board's resolution on the financial statements, combined management report and other reporting, including non-financial reporting, in its meeting on 16 March 2022 and made a recommendation to the Supervisory Board on the appropriation of the balance sheet profit.

On 4 May 2022, in addition to dealing with the quarterly announcement, a discussion took place on the current market expectation; the Audit Committee was satisfied that the company saw no reason to adjust the forecast.

On 28 June 2022, the Audit Committee assured itself of the quality of the audit and addressed the major projects risk assessment project.

A detailed report was given by the company on the risk assessment of the major projects also at the meeting on 3 August 2022. The Audit Committee also engaged KPMG to audit the non-financial statement.

On 27 September 2022, the Supervisory Board dealt with the audit plan for the consolidated and annual financial statements for the fiscal year 2022 and defined a catalogue of pre-approved non-audit services.

On 9 November 2022, the Audit Committee discussed the financial information during the year and again addressed potential risks from the cyber-attack in France.

On 8 December 2022, the Audit Committee again discussed the risk assessment for major projects with the Management Board, assured itself of the status of the audit of the annual and consolidated financial statements for the year 2022 and prepared the Supervisory Board's resolution on the business plan, the introduction of S4HANA and the submission of the declaration of compliance with the German Corporate Governance Code. The members of the Audit Committee also discussed the results of the Audit Committee's self-assessment and agreed to deepen the discussion at the beginning of 2023.

In its regular meetings during the year, the Audit Committee also received regular reports from senior staff and the head of internal audit on audit activities and investigations as well as on current risk management issues. The Audit Committee verified that all identified potential risks were adequately addressed.

The Audit Committee also passed a resolution by written procedure on non-audit services provided by the auditor.

Regular consultations were conducted 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 six meetings in the last fiscal year.

On 23 February 2022, 15 March 2022 and 29 March 2022, the Supervisory Board dealt with the consultancy agreement concluded with Agora Strategy Group AG and proposed to the Supervisory Board to approve it as a matter of utmost precaution. In the meetings held on 28 June 2022, 27 September 2022 and 8 December 2022, the Compliance Committee received regular reports from the Head of Compliance and the General Counsel on the Compliance Dashboard, the status of e-learning, the compliance risk assessment and the Open Line cases. There was also a regular exchange with the Head of Internal Audit and with the data protection officer of the HENSOLDT Group. On 8 December 2022, the Compliance Committee also received a report on the status of the measures implemented internally to comply with export controls and discussed the results of the Compliance Committee's self-assessment.

The **Nomination Committee** held four meetings in the last fiscal year.

At the meeting on 10 March 2022, the Nomination Committee prepared the decision of the Supervisory Board on the proposals of replacement candidates for election to the Supervisory Board by the general meeting in May 2022.

On 22 April 2022, the members of the Nomination Committee passed a resolution to propose to the Supervisory Board that Mr Giovanni Soccodato be elected to the Supervisory Board as a replacement candidate for the initially nominated Mr Norman Bone.

In its meetings on 27 September 2022 and 8 December 2022, the Nomination Committee dealt with succession planning for the Supervisory Board.

The chairpersons of the Presidial Committee, the Nomination Committee and the Audit Committee as well as the Compliance Committee reported on the work of the committees in the plenary sessions.

The **mediation committee** and the related party transactions committee were not convened during the fiscal year.

## Presence of the members of the Supervisory Board at the meetings

Below is information on the participation of the Supervisory Board members in the meetings of the Supervisory Board and the committees that took place in the fiscal year under review. With the exception of the meetings of the Supervisory Board and its committees held in June 2022 as purely face-to-face meetings, the meetings were held in hybrid form as face-to-face meetings with the participation of individual or several Supervisory Board members via video conference.

	Supervisory Board plenary		Audit Committee		Compliance Committee		Presidial Committee		Nomination Committee	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
<b>(Number of meetings / Attendance in %)</b>										
<b>Johannes P. Huth Chairman</b>	5/6	83.3	-	-	-	-	5/5	100	3/4	75
<b>Armin Maier-Junker<sup>1</sup> Vice Chairman</b>	4/6	66.7	-	-	-	-	4/5	80	-	-
<b>Dr. Jürgen Bestle<sup>1</sup></b>	6/6	100	-	-	6/6	100	-	-	-	-
<b>Jürgen Bühl<sup>1</sup></b>	5/6	83.3	-	-	-	-	4/5	80	-	-
<b>Letizia Colucci</b>	4/4	100	-	-	3/3	100	-	-	-	-
<b>Achim Gruber<sup>1</sup></b>	5/6	83.3	-	-	6/6	100	-	-	-	-
<b>Prof. Wolfgang Ischinger</b>	1/2	50	-	-	-	-	1/2	50	1/2	50
<b>Ingrid Jägering</b>	5/6	83.3	8/8	100	-	-	-	-	4/4	100
<b>Marion Koch<sup>1</sup></b>	5/6	83.3	8/8	100	-	-	-	-	-	-
<b>Christian Ollig</b>	1/2	50	1/3	33.3	3/3	100	-	-	-	-
<b>Prof. Dr. Burkhard Schwenker</b>	4/4	100	-	-	4/4	100	-	-	-	-
<b>Giovanni Soccodato</b>	4/4	100	5/5	100	-	-	-	-	2/2	100
<b>Julia Wahl<sup>1</sup></b>	6/6	100	7/8	87.5	-	-	-	-	-	-
<b>Claire Wellby</b>	0/2	0	-	-	-	-	-	-	-	-
<b>Hiltrud Werner</b>	2/2	-	-	-	2/2	100	-	-	-	-
<b>Reiner Winkler</b>	4/4	100	-	-	-	-	3/3	100	2/2	100
		<b>73,95</b>		<b>84,16</b>		<b>100</b>		<b>82</b>		<b>80</b>

Attendance at the meetings of the Supervisory Board was therefore 73.95% in the past fiscal year .

<sup>1</sup>Representative of the employees

## Conflict of interest in the Supervisory Board

Conflicts of interest of Management Board or Supervisory Board members that should have been disclosed to the Supervisory Board were not reported in the past fiscal year.



## Changes in the Management Board and Supervisory Board

Two changes occurred in the Management Board during the fiscal year. Mr Axel Salzmänn resigned from the Management Board with effect from the end of 30 June 2022. Mr Christian Ladurner was appointed as a member of the Management Board/CFO with effect from 1 July 2022. Mr Peter Fieser resigned from the Management Board with effect from the end of 30 September 2022. Dr Lars Immisch was appointed as a member of the Management Board with effect from 1 October 2022.

With effect from the end of 13 April 2022, Ms Ingrid Jägering resigned her mandate as a member of the Supervisory Board. Ms Ingrid Jägering was appointed by the Federal Republic of Germany to the Supervisory Board in accordance with sec. 8 (2) sentence 1 and 2 of the articles of association of HENSOLDT AG on 14 April 2022. With effect from the end of the General Meeting on 13 May 2022, Prof. Wolfgang Ischinger, Mr Christian Ollig and Ms Claire Wellby resigned as shareholder representatives on the Supervisory Board. By resolution of the general meeting of 13 May 2022, Ms Letizia Colucci, Mr Giovanni Soccodato and Mr Reiner Winkler were elected to the Supervisory Board as shareholder representatives. With effect from the end of 21 September 2022, Prof Dr Burkhard Schwenker resigned his mandate on the Supervisory Board. As of 22 September 2022, Ms Hiltrud Werner was appointed by the Federal Republic of Germany to the Supervisory Board in accordance with section 8 (2) sentence 5 and 6 of the articles of association of HENSOLDT AG.

## Audit of the financial statements and the consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed auditor for the fiscal year 2022 by resolution of the general meeting on 13 May 2022. Previously, KPMG AG Wirtschaftsprüfungsgesellschaft had confirmed that there were no circumstances that could impair its independence as auditor or cast doubt on its independence. KPMG AG Wirtschaftsprüfungsgesellschaft also explained the extent to which services outside of the audit of the financial statements were provided to all companies of the HENSOLDT Group in the previous fiscal year.

The Management Board of HENSOLDT AG has prepared the financial statements, the combined management report of HENSOLDT AG and of the Group as well as the consolidated financial statements for the fiscal year 2022.

KPMG AG Wirtschaftsprüfungsgesellschaft audited the financial statements and the combined management report of HENSOLDT Group and the consolidated financial statements for the fiscal year 2022 and issued an unqualified audit opinion in each case dated 17 March 2023. The consolidated financial statements were prepared on the basis of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary German statutory regulations pursuant to section 315e (1) HGB (German Commercial Code). The financial statements and the combined management report were prepared in accordance with the provisions set forth in the German commercial code.

The auditor conducted the audit of the annual and consolidated financial statements in accordance with section 317 HGB and the German generally accepted 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 dealt with intensively in the Audit Committee meeting on 20 March 2023. The members of the Audit Committee reported, in detail, on these deliberations to the plenary session at the balance sheet meeting on 20 March 2023. The plenary session 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 main results of their audit. Part of the presentation were the scope, focus and costs of the audit.

We agreed with the results of the final audit. According to the final result of the audit by the Audit Committee and our own audit, no objections needed 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 financial statements are thus adopted. The Management Board proposes to use € 38,521,928.48 of the balance sheet profit totalling € 31,500,000.00 to distribute a dividend of € 0.30 per no-par value share entitled to dividend. We agreed with this proposal.

As part of its review, the Supervisory Board also examined the non-financial group declaration as part of the sustainability report, which was to be prepared in accordance with section 315b HGB, and came to the conclusion that it meets the existing requirements and that no objections are to be raised. An external review by KPMG AG Wirtschaftsprüfungsgesellschaft had previously confirmed that no matters had come to the attention of the auditors that caused them to believe that the non-financial group statement had not been prepared, in all material respects, in accordance with section 315c HGB.

In addition, the Supervisory Board and the Management Board have prepared the remuneration report for the 2022 financial year. KPMG AG Wirtschaftsprüfungsgesellschaft also reviewed the content of the remuneration report beyond

the statutory audit as to whether the remuneration report contains all legally required disclosures and issued an unqualified review opinion.

## Audit of the report of the Management Board on relations with affiliated companies

The Management Board of HENSOLDT AG prepared a report on relations with affiliated companies (dependency report) for the fiscal year 2022 in accordance with section 312 AktG and submitted it to the Supervisory Board in due time. The dependency report was audited by the auditor in accordance with section 313 AktG. Since there were no objections to be raised after the final result of their audit, the auditor issued the following unqualified audit certificate in accordance with section 313 (3) AktG: "Having conducted a proper audit and assessment, we confirm that the factual statements made in the report are correct."

The dependency report and the auditor's report were submitted to the Audit Committee and the Supervisory Board in good time or were available for inspection at the Supervisory Board meeting on 21 March 2023 and were examined by them. The audit did not result in any objections. According to the final result of the preliminary examination by the Audit Committee and our own examination, the Supervisory Board has no objections to the Management Board's declaration on relationships with affiliated companies. The result of the audit of the dependency report by the auditor is approved.

## Thanks to the Management Board and the employees

The Supervisory Board thanks the members of the Management Board, the employees and the employee representatives of all Group companies for their work. You contributed to a very successful year for the HENSOLDT Group in economic terms.

For the Supervisory Board

Chairman of the Supervisory Board

# Remuneration Report

## HENSOLDT AG

for the year ended

31 December 2022

# Remuneration report 2022

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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 2021 was adopted at the annual general meeting in 2022 with 79.1%.

This remuneration report will be submitted to the annual general meeting on 12 May 2023 for approval.

The remuneration report 2022 was audited by KPMG AG Wirtschaftsprüfungsgesellschaft beyond the requirements of section 162 (3) of the German Stock Corporation Act (AktG) according to both formal and content criteria. The audit certificate is attached to the remuneration report 2022.

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 2022

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 in the version adopted by the Government Commission on 28 April 2022 ("GCGC"), 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 has been in effect since the fiscal year 2021 and was submitted to the annual general meeting on 18 May 2021 for voting in accordance with section 120a (1) AktG and approved with a majority of 97.98%.

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, the economic and financial situation and success of the HENSOLDT Group. The compensation 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 to review the appropriateness of the Management Board remuneration in terms of amount and structure. In addition, the proportion of the Management Board remuneration to the remuneration of the senior management and the workforce is considered. 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 a 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. That way, it should be avoided that the Management Board makes decisions for reasons of short-term optimisation of its remuneration that do not promise sustainable business success. Furthermore, the members of the Management Board are incentivised by a share acquisition and shareholding obligation.

### Fixed remuneration components

The members of the Management Board receive a fixed annual base salary for their services and fringe benefits from the Company. 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, reimbursement of home travel expenses<sup>1</sup>, and a housing cost subsidy for a secondary residence<sup>2</sup> as well as security expenses, e.g. for constructional measures at private apartments to protect the members of the Management Board. 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. 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 (apart from contributions to a term life insurance policy, which are part of the fringe benefits). 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 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 each equally weighted, i.e. one third of each is included in the calculation of the target achievement for the STI annual bonus. 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 the determination of the annual budget. The STI annual bonus is payable within thirty workdays after the approval of the consolidated financial statements for the past fiscal year.

<sup>1</sup> This concerns the Management Board member Axel Salzmann (who resigned in the reporting year).

<sup>2</sup> This concerns the Management Board members Axel Salzmann (who resigned in the reporting year), Celia Pelaz and Dr. Lars Immisch.

The target setting for the STI annual bonus follows the following logic:

Bonus component	Disbursement % of target bonus					
	weighting	<80% of target value	>80% and <100% of target value <sup>1</sup>	target value	>100% and <120% of target value <sup>1</sup>	>120% of target value <sup>2</sup>
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 %

<sup>1</sup> If the respective target value for an STI bonus component is not reached, 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.

<sup>2</sup> The linear increase in the bonus component only occurs if a target value of more than 80% for all three STI bonus components has been achieved.

### LTI bonus

All members of the Management Board are entitled to a multi-year performance-related 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 might amount to 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 evaluation period of an LTI bonus tranche, the Supervisory Board shall determine at its reasonable discretion the terms and conditions for each LTI bonus component and the corresponding target values of the relevant bonus tranche. The LTI bonus is measured according to the following LTI bonus components: (i) 40 % based on the relative Total Shareholder Return<sup>3</sup> (TSR) of the company compared to the MDAX, (ii) 30 % based on the order intake of the HENSOLDT Group, and (iii) 15.0% each based on two ESG targets ("Diversity" and "Climate Impact"). In addition, the LTI bonus is linked to the development of the share price during the performance period (Performance Share Plan). At the end of the respective measurement period, an overall target achievement level 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 total 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 even 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 assessment period, the number of stock rights calculated at the beginning of the measurement period is multiplied by the total target achievement of the LTI bonus components determined from the target achievement of the individual LTI bonus components.

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.

<sup>3</sup> 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 overall degree of target achievement is determined according to the following logic:

Bonus component	weighting	Disbursement % of target bonus				
		<80% of target value	>80% and <100% of target value <sup>1</sup>	target value	>100% and <120% of target value <sup>1</sup>	>120% of target value
Relative total shareholder return compared with MDAX	40 %	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	30 %	0 %	linear reduction in the ratio 1:5	100 %	linear increase in the ratio 1:2.5	150 %
ESG-target: Diversity	15 %			100 %		150 % <sup>2</sup>
ESG-target: Climate Impact	15 %	0 %	linear reduction in the ratio 1:5	100 %	linear increase in the ratio 1:2.5	150 % <sup>2</sup>

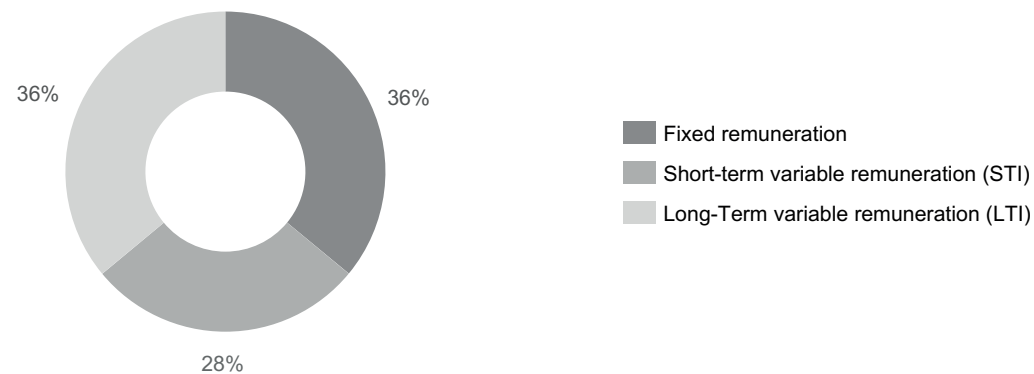
<sup>1</sup> If the respective target value for an LTI bonus component is not reached, the respective bonus component is reduced on a linear basis in the ratio 1:5. If one target value for an LTI bonus component is exceeded, the respective bonus component increases on a linear basis in the ratio 1:2.5.

<sup>2</sup> 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, in doing so, shall compare the actual value achieved with the targeted objectives at its reasonable discretion and may, at its reasonable discretion, 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 target direct remuneration for the average of all Management Board members will thus comprise basic remuneration and variable remuneration as follows (assuming that each of the targets have been achieved to 100%):



### Clawback

The STI annual bonus and the LTI bonus have been subject to a clawback regulation since the conclusion of the Management Board contracts concluded in the context of the change of the company's legal form to a stock corporation. 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<sup>4</sup> in terms of section 87a (1) sentence 2 no. 1 AktG for the members of the Management Board<sup>4</sup> in office as of 31 December 2022 was determined by the Supervisory Board as follows:

- for the CEO: € 3.5 million
- for any other ordinary member of the Management Board<sup>5</sup>: € 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 program

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 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 Company 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 employment

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 Management Board members are subject to a post-contractual non-competition clause for a period of one year. During this period the Management Board member is entitled to a compensation of monthly 50% (gross) of the proportional annual basic remuneration most recently received by the Management Board member on a monthly basis. The severance payment will be offset in the full amount against the entitlement.

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.

<sup>4</sup> The annual maximum remuneration for Axel Salzmann amounted to € 3.3 million, for Peter Fieser to € 2.5 million.

<sup>5</sup> According to the remuneration system, the maximum remuneration for the CFO is € 3.3 million.



## 1.2 Remuneration of the members of the Management Board in the fiscal year

### Composition of the Management Board in the fiscal year 2022

In the fiscal year 2022, the Management Board of HENSOLDT AG comprised the following members:

- Thomas Müller, chairman of the Management Board since 11 August 2020
- Peter Fieser, member of the Management Board since 11 August 2020, resigned on 30 September 2022
- Dr. Lars Immisch, member of the Management Board since 1 October 2022
- Christian Ladurner, member of the Management Board since 1 July 2022
- Celia Pelaz, member of the Management Board since 1 July 2021
- Axel Salzmann, member of the Management Board since 11 August 2020, resigned on 30 June 2022

### Fixed remuneration components

#### Application in the fiscal year

The following table shows the fixed remuneration components granted to the acting and resigned members of the Management Board in the fiscal year 2022.

Active members of the Management Board as per 31 December 2022 (amounts in €)	Thomas Müller (CEO)	Christian Ladurner (CFO) <sup>1</sup>	Dr. Lars Immisch (CHRO) <sup>2</sup>	Celia Pelaz (CStO)
Annual basic remuneration	600,000	150,000	85,000	340,000
Additional benefits	37,573	9,296	8,563	34,898
<b>Fixed remuneration 2022</b>	<b>637,573</b>	<b>159,296</b>	<b>93,563</b>	<b>374,898</b>
Resigned members of the Management Board during the fiscal year (amounts in €)			Axel Salzmann (CFO) <sup>3</sup>	Peter Fieser (CHRO) <sup>4</sup>
Annual basic remuneration			300,000	300,000
Additional benefits			86,814	19,053
<b>Fixed remuneration 2022</b>			<b>386,814</b>	<b>319,053</b>

<sup>1</sup> Pro rata since 1 July 2022; the fixed annual basic salary of Christian Ladurner amounts to € 300.000.

<sup>2</sup> Pro rata since 1 October 2022; the fixed annual basic salary of Dr. Lars Immisch amounts to € 340.000.

<sup>3</sup> Pro rata until 30 June 2022; the fixed annual basic salary of Axel Salzmann amounts to € 600.000.

<sup>4</sup> Pro rata until 30 September 2022; the fixed annual basic salary of Peter Fieser amounts to € 400.000.

#### Contribution of the remuneration system to the long-term development of the HENSOLDT Group

For the contribution of the remuneration system to the long-term development of the company, please refer to the general remarks under 1.1. The purpose of the fixed remuneration is to attract and retain suitable personalities for management duties in the Group by means of an attractive fixed salary in line with customs in the market.

## STI annual bonus

### Application in the fiscal year

In the reporting year 2022, the STI was granted to the Management Board members for the fiscal year 2021 (shortly: "STI 2021") and is thus attributed to the remuneration granted and owed to the Management Board members in the fiscal year 2021 within the meaning of section 162 (1) sentence 1 AktG and consequently reported in this remuneration report. The Supervisory Board issued corresponding target values for the parameters defined in the remuneration system – free cash flow, EBITDA and consolidated revenue – whereby each criterion was included in the overall assessment to 33 %.

For the STI 2021, the Supervisory Board has made use of the option provided in the remuneration system to adjust the key figures for special and one-off effects, so that the underlying parameters correspond to the adjusted key figures reported in the annual report for 2021. Furthermore, against the backdrop of the COVID-19 pandemic and the change in shareholders (exit of KKR; entry of the German government and Leonardo) as well as the achievement of further financial and non-financial targets, in particular the conclusion of another major contract, the Supervisory Board additionally adjusted the overall target achievement level, which had already been adjusted for under-/overachievement in accordance with the remuneration system, for the fiscal year 2021. The Supervisory Board is convinced that this has resulted in a performance-based correction of the STI payout amounts.

Target achievement for the STI 2021 (amounts in T€)	weighting	target value	actual	target achievement	adjustment in case of under/overrun	adjustment	total target achievement
Consolidated Sales	33 %	1,549	1,474	95 %	76 %		
EBITDA <sup>1</sup>	33 %	252	261	104 %	109 %		
Free Cashflow <sup>2</sup>	33 %	122	207	170 %	150 %		
<b>Total target goal</b>				<b>123 %</b>	<b>112 %</b>	<b>23 %</b>	<b>135 %</b>

<sup>1</sup> Adjusted key figure as per reconciliation in Chapter II Economic Report 3.1 Result of operations in the Combined Management Report for the year ended 31 December 2021.

<sup>2</sup> Adjusted key figure as per reconciliation in Chapter II Economic Report 3.3 Financial position in the Combined Management Report for the year ended 31 December 2021.

The table below shows, for each Management Board member, who was in office in the fiscal year 2022, 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 the fiscal year 2022 in accordance with the due date stipulated in the remuneration system.

STI-annual bonus paid in 2022 for 2021	target value in €	degree of achievement in %	disbursement amount in €
<b>Active members of the Management Board as of December 2022</b>			
Thomas Müller (CEO)	550,000	135 %	742,500
Christian Ladurner (CFO) <sup>1</sup>	–	–	–
Dr. Lars Immisch (CHRO) <sup>2</sup>	–	–	–
Celia Pelaz (CStO) <sup>3</sup>	255,000	135 %	172,125
<b>Resigned members of the Management Board</b>			
Axel Salzmann (CFO) <sup>4</sup>	500,000	135 %	675,000
Peter Fieser (CHRO) <sup>5</sup>	300,000	135 %	405,000

<sup>1</sup> Management Board member from 1 July 2022

<sup>2</sup> Management Board member from 1 October 2022

<sup>3</sup> Management Board member from 1 July 2021 (STI pro-rated)

<sup>4</sup> Management Board member until 30 June 2022

<sup>5</sup> Management Board member until 30 September 2022

The STI for 2022 will be due within thirty working days after the approval of the consolidated financial statements of HENSOLDT AG for the fiscal year 2022 in 2023 and is therefore considered neither granted nor owed remuneration in the fiscal year 2022 within the meaning of section 162 (1) sentence 1 AktG. The STI for 2022 – including target achievement – will therefore be reported in the remuneration report for the fiscal year 2023.

### Contribution to the long-term development of the HENSOLDT Group

For the contribution of the remuneration system to the long-term development of the company, 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 company.

### LTI bonus

#### Application in the fiscal year

The overall degree of target achievement is determined from the degree of target achievement of the targets for the four LTI bonus components set by the Supervisory Board for the respective performance period. These are for the performance period 2021 to 2024 and for the performance period 2022 to 2025 the relative Total Shareholder Return of HENSOLDT AG compared to the MDAX, the order intake of HENSOLDT Group and the ESG objectives diversity and climate impact. Details and definitions as well as general information on the remuneration system can be found under 1.1.

The number of virtual shares of LTIP underwent the following changes in the current fiscal year:

Virtual shares (Tranche 2021-2024)	Thomas Müller	Axel Salzmann	Peter Fieser	Celia Pelaz <sup>1</sup>
Target value (in €)	650,000	600,000	400,000	170,000
Share price (in €)	13.94	13.94	13.94	13.94
Number of granted virtual shares in 2021	46,628	43,042	28,694	12,195

Virtual shares (Tranche 2022-2025)	Thomas Müller	Christian Ladurner <sup>1</sup>	Dr. Lars Immisch <sup>1</sup>	Celia Pelaz	Axel Salzmann <sup>1</sup>	Peter Fieser
Target value (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 the reporting period	39,538	9,124	5,170	20,681	18,248	24,331

<sup>1</sup> Pro-rata assignment value (target amount)

### Contribution to the long-term development of the HENSOLDT Group

For the contribution of the remuneration system to the long-term development of the company, please refer to the general remarks under 1.1. The LTI should be a reward for achieving the long-term objectives, measured over multi-year periods. That way, it should be avoided that the Management Board makes decisions for reasons of short-term optimisation of its remuneration that do not promise sustainable business success. For the purpose of the LTI, success parameters from the areas of environment, social and governance are added as so-called ESG targets to the financial performance targets and the strong alignment on the share price. In the current Management Board employment contracts, these ESG goals include the "Diversity" target, which is aimed at achieving certain quotas of women at various company levels, as well as the "Climate Impact" target<sup>6</sup>, through which an increase in the share of renewable energy in the energy consumed by the HENSOLDT Group and a reduction in CO2 emissions are targeted.

### Share retention program

Currently, the four-year build-up phase for the share retention program has not expired for any of the members of the Management Board who were in office in the fiscal year 2022. Details of the share retention program are available in the remuneration system on the website of HENSOLDT at <https://investors.hensoldt.net>.

### Overview table of the remuneration granted and owed in terms of section 162 (1) sentence 1 AktG

The following tables show the total remuneration granted and owed individually to the members of the Management Board in office and those resigned in the fiscal year 2022, in accordance with section 162 (1) sentence 1 AktG.

<sup>6</sup> The sub-target "Reduction of the use of Volatile Organic Compounds (VOCs)" was deleted for the 2022-2025 tranche as it was found to be not meaningful and insufficient for controlling the behaviour.

All amounts that were actually received by the individual members of the Management Board in the fiscal year 2022 are reported as remuneration granted within the meaning section 162 (1) sentence 1 AktG. Amounts that were due in the fiscal year 2022 but were not received by the members of the Management Board are reported as remuneration owed within the meaning of section 162 (1) sentence 1 AktG. The STI earned in the fiscal year 2022, if any, is considered neither a granted nor owed remuneration for the fiscal year 2022 and will therefore only be reported in the remuneration report for the fiscal year 2023. Since no performance period has yet expired, the LTI will not result in any remuneration granted or owed in the fiscal year 2022. Reports on the respective performance periods will be made accordingly after their expiry. Compensations are included insofar as they were already due in the fiscal year 2022.

Active members of the Management Board as of 31 December 2022 (values in €)	Thomas Müller (CEO)	in %	Christian Ladurner (CFO) <sup>1</sup>	in %	Dr. Lars Immisch (CHRO) <sup>2,3</sup>	in %	Celia Pelaz (CSTO)	in %
Annual basic remuneration	600,000	43 %	150,000	94 %	85,000	17 %	340,000	62 %
Additional and other benefits	37,573	3 %	9,296	6 %	408,563	83 %	34,898	6 %
<b>Total</b>	<b>637,573</b>	<b>46 %</b>	<b>159,296</b>	<b>100 %</b>	<b>493,563</b>	<b>100 %</b>	<b>374,898</b>	<b>69 %</b>
<b>STI annual bonus 2021</b>	<b>742,500</b>	<b>54 %</b>	–	–	–	–	<b>172,125</b>	<b>31 %</b>
<b>LTI bonus</b>	–	–	–	–	–	–	–	–
<b>Total compensation awarded and due in the fiscal year 2022</b>	<b>1,380,073</b>	<b>100 %</b>	<b>159,296</b>	<b>100 %</b>	<b>493,563</b>	<b>100 %</b>	<b>547,023</b>	<b>100 %</b>

<sup>1</sup> Management Board member from 1 July 2022

<sup>2</sup> Management Board member from 1 October 2022

<sup>3</sup> The additional benefits and other benefits of Dr Lars Immisch include benefits upon taking up his position on the Management Board as compensation for the forfeiture of benefits from his previous employer with the obligation to invest the resulting net inflow directly in HENSOLDT shares within the framework of the Shareholder Ownership Guidelines in the amount of € 400 thousand.

Resigned members of the Management Board during the fiscal year (values in €)	Axel Salzmann (CFO) <sup>1</sup>	in %	Peter Fieser (CHRO) <sup>2</sup>	in %
Annual basic remuneration	300,000	28 %	300,000	41 %
Additional benefits	86,814	8 %	19,053	3 %
<b>Total</b>	<b>386,814</b>	<b>36 %</b>	<b>319,053</b>	<b>44 %</b>
<b>STI annual bonus 2021</b>	<b>675,000</b>	<b>64 %</b>	<b>405,000</b>	<b>56 %</b>
<b>LTI bonus</b>	–	–	–	–
<b>Total compensation awarded and due in the fiscal year 2022</b>	<b>1,061,814</b>	<b>100 %</b>	<b>724,053</b>	<b>100 %</b>

<sup>1</sup> Management Board member until 30 June 2022

<sup>2</sup> Management Board member until 30 September 2022

In addition, Axel Salzmann received a one-off payment of € 3,120,000 in June 2023 as compensation for his remuneration when he left the company.

In addition, Peter Fieser continued to receive all contractually agreed benefits from his employment relationship until the end of 31 December 2022 after leaving the Management Board on 30 September 2022. This includes € 100,000 from the continued payment of his base salary. In settlement of his remuneration, Peter Fieser received a one-off payment of € 1,825,000 in January 2023.

### Review of the maximum amount of remuneration (cap)

The compensation granted to Axel Salzmann in the reporting year, including the one-time payment, amounted to € 4,181,814 and was thus apparently higher than the maximum compensation envisaged for him; however, the compensation granted included not only the compensation components granted for the reporting year but also the settlement of future compensation entitlements granted to him contractually per se beyond the reporting year. This settlement amount is not to be taken into account for the purpose of calculating the maximum compensation in the reporting year.

As the amount for the LTI bonus is not available until the third year after the end of the reporting year due to the four-year performance period, compliance with the maximum remuneration for the fiscal year 2022 can only be reported conclusively as part of the remuneration report for the fiscal year 2025.



### **Granted or promised shares and share options**

In accordance with the remuneration system, no shares or share options were granted or promised to the members of the Management Board who were in office 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**

In the reporting year, benefits were agreed upon on the occasion of the premature termination of Management Board activities which exceed the limits provided for in the remuneration system (severance payment cap). The temporary deviation from the remuneration system of the Management Board is, in the opinion of the Supervisory Board, necessary in the interest of the long-term well-being of the company.

Apart from this, 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 activity, including changes to these commitments agreed during the last fiscal year**

The appointment as well as the employment contract of Axel Salzmann as a member of the Management Board of HENSOLDT AG were terminated prematurely by mutual agreement with effect from 30 June 2022. To settle the claims for the period from the termination date on 30 June 2022 until the regular end of his appointment and employment contract on 30 September 2024, a compensation payment in the gross amount of € 3,120,000 was agreed with Axel Salzmann, which was due on the termination date on 30 June 2022. The pro-rata STI bonus for the fiscal year 2022 will be determined and paid out in 2023 after the financial statements for 2022 have been adopted. The pro-rata LTI bonus for the fiscal year 2022 will be determined and paid out in 2026 after the financial statements for 2025 have been adopted.

The appointment of Peter Fieser as a member of the Management Board of HENSOLDT AG was terminated prematurely by mutual agreement with effect from 30 September 2022. This did not affect his employment relationship which continued until the end of 31 December 2022. All contractually promised benefits continued to be granted until the termination date of 31 December 2022. In settlement of the claims for the period from the termination date of 31 December 2022 until the regular end of his appointment and employment contract on 30 September 2024, a compensation payment in the gross amount of € 1,825,000 was agreed with Peter Fieser, which was due on 2 January 2023. The STI bonus for the fiscal year 2022 will be determined and paid out in 2023 after the financial statements for 2022 have been adopted. The LTI bonus for the fiscal year 2022 will be determined and paid out in 2026 after the financial statements for 2025 have been adopted.

### **Pension benefits**

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	
	commitments	service cost	commitments	service cost
Active members of the Management Board as of 31 December 2022 (values in €)				
Thomas Müller	1,357,956	–	–	–
Christian Ladurner	154,327	21,388	–	–
Dr. Lars Immisch	20,043	20,043	–	–
Celia Pelaz	431,101	28,600	12,769	–
Resigned members of the Management Board during the fiscal year (values in €)				
Axel Salzmann	1,050,213	–	–	–
Peter Fieser	610,881	121,361	987,622	–

## 2 Remuneration of the members of the Supervisory Board

### 2.1 Remuneration system for the members of the Supervisory Board

The remuneration system for the members of the Supervisory Board was submitted to the annual general meeting on 18 May 2021, for voting and approved by a majority of 99.99% of the valid votes cast. In the fiscal year 2022, 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 € 40,000. The chairman of the Supervisory Board receives twice the amount, thus € 80,000, the vice chairman receives one and a half times this amount, thus € 60,000. For their work on the Executive Committee, Nominating Committee, Audit Committee, Compliance Committee, the members receive an additional fixed remuneration amounting to € 10,000. The chairpersons of these Committees receive € 15,000 each. No remuneration is paid for activities in 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 chairperson of a committee for only part of the fiscal year, receive a 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 in favour of the members of the Supervisory Board, which covers the 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 a purely fixed remuneration of the Supervisory Board members is best suited to strengthen the independence of the Supervisory Board, to take into account the advisory and supervisory function of the Supervisory Board to be fulfilled independently of the company's success and to avoid potential wrong incentives in the process. The granting of a fixed remuneration is also in line with the current predominant practice in other listed companies and the suggestion G.18 sentence 1 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 HENSOLDT Group.

More details of 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 the fiscal year 2022

The following table shows the remuneration granted and owed to current and former members of the Supervisory Board in the fiscal year 2022 within the meaning of section 162 AktG. The remuneration earned in 2022 is reported as the remuneration granted in the reporting period within the meaning of section 162 AktG.

in €	fixed remuneration	in %	committee remuneration	in %	total 2022
<b>Active members of the Supervisory Board as of 31 December 2022</b>					
Johannes P. Huth (Chairman)	80,000	73 %	30,000	27 %	110,000
Armin Maier-Junker <sup>1,2</sup> (Vice Chairman)	60,000	86 %	10,000	14 %	70,000
Jürgen Bühl <sup>1</sup>	40,000	80 %	10,000	20 %	50,000
Dr. Jürgen Bestle <sup>1,2</sup>	40,000	80 %	10,000	20 %	50,000
Letizia Colucci (since 13 May 2022)	25,000	80 %	6,250	20 %	31,250
Achim Gruber <sup>1,2</sup>	40,000	80 %	10,000	20 %	50,000
Ingrid Jägering	40,000	62 %	25,000	38 %	65,000
Marion Koch <sup>1,2</sup>	40,000	80 %	10,000	20 %	50,000
Giovanni Soccodato (since 13 May 2022)	25,000	67 %	12,500	33 %	37,500
Julia Wahl <sup>1</sup>	40,000	80 %	10,000	20 %	50,000
Hiltrud D. Werner (since 22 September 2022)	10,867	73 %	4,075	27 %	14,942
Reiner Winkler (since 13 May 2022)	25,000	67 %	12,500	33 %	37,500
<b>Retired members of the Supervisory Board in the fiscal year 2022</b>					
Christian Ollig <sup>3</sup> (until 13 May 2022)	–	–	–	–	–
Claire Wellby (until 13 May 2022)	15,000	100 %	–	–	15,000
Prof. Wolfgang Ischinger (until 13 May 2022)	15,000	67 %	7,500	33 %	22,500
Prof. Dr. Burkhard Schwenker (until 21 September 2022)	29,000	73 %	10,875	27 %	39,875

<sup>1</sup> Representative of the employees

<sup>2</sup> Employees of HENSOLDT AG or one of the group companies

<sup>3</sup> Member of the Supervisory Board waived his remuneration

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 result of operation 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 the presentations 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 for the year from the individual financial statements of HENSOLDT AG according to 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 (without apprentices, trainees, etc.) is used, insofar as it 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.

Remuneration granted and owed acc. to section 162 AktG in €	Fiscal Year		% Delta
	2022	2021	
<b>Management Board compensation</b>			
<b>Members in office</b>			
Thomas Müller (Chairman)	1,380,073	1,534,345	-10.1 %
Christian Ladurner (since 1 July 2022)	159,296	–	–
Dr. Lars Immisch (since 1 October 2022)	493,563	–	–
Celia Pelaz	547,023	199,497	174.2 %
<b>Retired Members</b>			
Axel Salzmann (until 30 June 2022)	1,061,814	1,577,504	-32.7 %
Peter Fieser (until 30 September 2022)	724,053	893,816	-19.0 %

Remuneration granted and owed acc. to section 162 AktG in €	Fiscal Year		% Delta
	2022	2021	
<b>Supervisory Board compensation</b>			
<b>Members in office</b>			
Johannes P. Huth (Chairman)	110,000	110,000	–
Armin Maier-Junker (Vice Chairman)	70,000	70,000	–
Jürgen Bühl	50,000	50,000	–
Dr. Jürgen Bestle	50,000	31,250	60.0 %
Letizia Colucci (since 13 May 2022)	31,250	–	–
Achim Gruber	50,000	31,250	60.0 %
Ingrid Jägering	65,000	65,000	–
Marion Koch	50,000	50,000	–
Giovanni Soccodato (since 13 May 2022)	37,500	–	–
Julia Wahl	50,000	50,000	–
Hiltrud D. Werner (since 22 September 2022)	14,942	–	–
Reiner Winkler (since 13 May 2022)	37,500	–	–
<b>Retired members</b>			
Dr. Frank Döngi	–	18,750	–
Ingo Zeeh	–	18,750	–
Christian Ollig <sup>1</sup> (until 13 May 2022)	–	–	–
Claire Wellby (until 13 May 2022)	15,000	40,000	-62.5 %
Prof. Wolfgang Ischinger (until 13 May 2022)	22,500	60,000	-62.5 %
Prof. Dr. Burkhard Schwenker (until 21 September 2022)	39,875	55,000	-27.5 %

<sup>1</sup> Member of the Supervisory Board waived his remuneration.

Key earnings figures in € million	Fiscal Year		% Delta
	2022	2021	
Net result (annual financial statement acc. to German commercial code)	-52	-36	46.4 %
Net result (Group)	80	63	27.6 %
Revenue (Group)	1,707	1,474	15.8 %
EBITDA (Group) <sup>1</sup>	292	261	12.0 %
Order Intake (Group)	1,993	3,171	-37.2 %
Free Cashflow (Group) <sup>2</sup>	219	252	-13.2 %

<sup>1</sup> Adjusted key figure as per reconciliation in Chapter II Economic Report 3.1 Results of Operations in the Combined Management Report for the fiscal year ended on 31 December 2022.

<sup>2</sup> Adjusted key figure as per reconciliation in Chapter II Economic Report 3.3 Financial Situation in the Combined Management Report for the fiscal year ended on 31 December 2022.

Workforce information	Fiscal Year		2020
	2022	2021	
Employee compensation in €	91,946	91,218	90,956
Change compared to previous year in %	0.8 %	0.3 %	

# Independent Auditor's 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, 2022, including the related disclosures, prepared to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporation Act].

### Responsibilities of Management 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, 2022, 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 aforesaid 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 2017. 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 21, 2023

KPMG AG  
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Koeplin  
Wirtschaftsprüfer  
[German Public Auditor]

Schieler  
Wirtschaftsprüfer  
[German Public Auditor]



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