Quarterly Release for the first nine months of 2022

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

HENSOLDT
Detect and Protect.

A Earnings release

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1 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, business and on the people. The "watershed" in security policy proclaimed by the government of the Federal Republic of Germany, the main customer of the HENSOLDT Group (hereinafter also referred to as "HENSOLDT" or "the Group") holds extensive opportunities for HENSOLDT. The medium and long-term consequences are not yet reliably assessable and are being analysed by the Group on an ongoing basis. During the first nine months of 2022, there were no significant effects for HENSOLDT's project business from this. Nevertheless, the "focus areas"[1] defined by HENSOLDT based on the initiatives of the German Federal Government are becoming more specific, so that more stable planning is possible. Orders from the "focus area 1"[1] have already been recorded insofar as the running fourth quarter sees initial short-notice deliveries to Ukraine from the programmes of the Radar & Naval Solutions division.

We continued to monitor the situation around the COVID-19 pandemic at all our sites to protect the health and well-being of all our employees, customers and partners as well as our business. The COVID-19 pandemic has still not significantly influenced the business of HENSOLDT as a provider of defence and security electronic solutions.

In the previous year, 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 (hereinafter also referred to as "the Company"). 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.

After the complete withdrawal of Square Lux as a major shareholder at the beginning of April 2022, HENSOLDT now has two strong and long-term major shareholders on its side, the Federal Republic of Germany ("Bund") and Leonardo, each holding 25.1 % of the shares. HENSOLDT and Leonardo are exploring a collaboration or respectively an expansion of the existing collaborations in the joint development and production of radars and self-protection systems for the Eurofighter, combat command systems for next-generation frigates, networked sensor solutions for ground systems and next-generation air defence systems including hypersonic missile defence.

In the voting rights notification dated 5 April 2022, the institutional investor Lazard Asset Management LLC reported that it had exceeded the 5 % threshold on 1 April 2022, and thus ranks among the Company's major shareholders with a share of 5.3 % as of 30 September 2022. On this basis, the free float is around 44.5 %.

HENSOLDT AG held its annual general meeting on 13 May 2022. Due to the pandemic, the meeting was again held virtually. Based on the decision of the annual general meeting, a total amount of €26.25 million was distributed as dividend to the shareholders of HENSOLDT AG. Likewise, based on a resolution of the annual general meeting, Giovanni Soccodato (Chief Strategic Equity Officer of Leonardo S.p.A.), Letizia Colucci (General Manager of the Med-Or Leonardo Foundation) and Reiner Winkler (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 each resigned from their mandates at the end of the annual general meeting on 13 May 2022. With effect from the end of 21 September 2022, Prof. Burkhard Schwenker resigned from the Supervisory Board of HENSOLDT AG. With effect from 22 September 2022, this position was immediately taken over by Hiltrud Werner, who was appointed as a member of the Supervisory Board by the Bund.

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 left 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, has taken over the position as the CHRO with effect from 1 October 2022.

[1] "focus area 1": Ongoing support for Ukraine by German Federal Government in alignment with EU initiatives and Ukraine Defence Contact Group
"focus area 2": Special procurement projects and upcoming NATO/European initiatives
"focus area 3": Special fund ("Sondervermögen Bundeswehr")

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. According to our current state of knowledge, neither the IT infrastructure nor any data of other HENSOLDT Group companies were affected by the attack.

Overall, HENSOLDT’s operating business continued its positive development in the first nine months of 2022 and strong order intakes were recorded. These include in particular a major order relating to the Eurofighter (service contract C3) with a contract value of €270 million, orders for the equipment of the multi-purpose frigates F126 with four TRS-4D radars having a total value of €168 million and order intakes with a volume of €175 million relating to the Eurofighter Halcon programme in the Sensors segment. Compared to the previous year period, revenue increased significantly by 29.5 % (€1,100 million; previous year: €850 million). The ramp up of key programmes developed as expected and significant milestones could be achieved as planned. The increase in adjusted EBITDA (€126 million; previous year: €110 million) mainly resulted from volume and project mixture effects. These effects were partly compensated by lower project margins with higher revenue from pass-through businesses.

The revolving credit facility, which was fully drawn in 2020, was repaid by another €100 million in October 2022.

2 Economic conditions

General economic conditions

Despite economic growth slowing down, interest rates continuing to rise and the energy crisis caused by Russia’s war on Ukraine continuing, the World Trade Organization (“WTO”) assumes, based on its current forecast for global economic growth for 2022, that growth will amount to 2.8 %, i.e. there are no changes compared to its last forecast in summer 2022. The greatest problems plaguing exporters, such as e.g. supply bottlenecks and strong increases in transport costs and times, also persist unchanged. These result in particular from the necessary detours and port closures due to Russia’s war on Ukraine as well as the current lockdowns in China, the world’s second largest economy, as a result of which many supply chains continue to be disrupted. For the subsequent year, the WTO expects the global economy to grow by only 2.3 %. The demand for imports in the larger economies was falling according to the WTO due to several reasons: high energy prices in Europe, which are causing consumer spending to fall, rise in interest rates in the United States and production disruptions caused by COVID-19 outbreaks in China.

The latest economic forecasts for autumn indicate that the leading German economic research institutes expect German economy to slow down even further. While the gross domestic product in Germany is expected to increase by 1.6 % this year, researchers believe to see a decline of 0.3 % in the subsequent year. A major driver of this development consists in decreasing private consumer spending related to the energy costs which continue to rise. Forecasts indicate that inflation this year will amount to 8.1 % on average and that we will see its peak at approx. 11.0 % in the first quarter of 2023. It is only in 2024 that the German economy is expected to gradually return to normal levels.

Compared to the economic forecast for the summer of 2022, the growth forecast for the upcoming year in particular was significantly reduced once again, while the inflation forecast was raised sharply.

Conditions in the defence and security sector

The development of Russia’s war on Ukraine continues to significantly shape the international security landscape. Countries around the world have set up short- or long-term plans to significantly increase their national defence budgets and have already announced numerous armament procurements.

Until the end of November 2022, the parliamentary consultations on the German federal budget including the economic plan for the Bundeswehr’s special fund for 2023 take place. In September 2022, the German Bundestag also elected a special committee referred to as “Bundeswehr Special Fund”, which consists of 13 members of the Bundestag from the parties in government and the Christian Democrats party (CDU/CSU). This committee’s task is to provide advice on the management of the special fund.

The German Federal Ministry of Defence critically reviewed the overall situation and took comprehensive measures to increase combat readiness and to increasingly focus on defending the country and the alliance. Restructuring measures for the German army as a whole and additional commitments to provide troops at the NATO eastern flank have significant influence on the plans for procurement for the upcoming years.

Support of the Ukraine with military equipment is maintained or strengthened in many EU member states and thus also influences potential replenishment or modernisation decisions for equipment in the respective countries. In addition to the agreement on multilateral exchanges with the Czech Republic, Slovakia and Greece, Germany has also completed the exchange process with Slovenia.

In addition to the EU's initiatives adopted by the Commission in May 2022 to promote joint armaments procurement and development[2] by the member states, the focus continues to be on bilateral and multilateral cooperation programmes. In his speech on 29 August 2022 at the Charles University in Prague, the German chancellor Olaf Scholz also talked about an air defence system for Europe to be jointly established by the member states. Not long after, on 13 October 2022, the Federal Minister of Defence Christine Lambrecht and 14 other states signed a letter of intent at the NATO headquarters on the establishment of a European air defence system within the context of the "European Sky Shield Initiative (ESSI)". Germany agreed to take responsibility for coordinating this initiative. The goal of ESSI is to further strengthen Europe as an important pillar of the NATO defence alliance.

3 Results of operations

Order intake, Revenue, Book-to-Bill ratio and Order backlog

	Order intake			**Revenue**			**Book-to-Bill**			**Order backlog**		
	First nine months			First nine months			First nine months			30 Sep.	31 Dec.	
in € million	2022	2021	% Delta	2022	2021	% Delta	2022	2021	% Delta	2022	2021	% Delta
Sensors	1,198	2,516	-52.4%	919	661	39.1%	1.3	3.8	<-200%	4,699	4,420	6.3%
Optronics	185	309	-40.2%	184	191	-3.9%	1.0	1.6	-61.0%	681	676	0.8%
Elimination/ Transversal/ Others	-6	-4		-3	-2					-7	-4	
HENSOLDT	**1,377**	**2,821**	**-51.2%**	**1,100**	**850**	**29.5%**	**1.3**	**3.3**	**<-200%**	**5,372**	**5,092**	**5.5%**

Order intake

- *Sensors:* Order intake during the first nine months of 2022 was driven by the service contract C3 for the Eurofighter in the Services & Aerospace Solutions division. The Radar & Naval Solutions division also made a significant contribution with orders for the equipment of the frigate 126. In addition the Radar & Naval Solutions and the Spectrum Dominance & Airborne Solutions divisions recorded in September 2022 contracts in the context of the Eurofighter Halcon programme. The previous year period 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.

- *Optronics*: The first nine months of 2022 were characterised by new contracts in the Naval and Industrial Commercial Solutions product lines. The previous year period included high order intakes in the Ground Based Systems and Naval product lines.

Revenue

- *Sensors:* The significant increase compared to the previous year period 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 programmes major milestones could be achieved as planned.

- *Optronics:* The decrease in the Ground Based Systems product line was partly compensated by the South African unit. The other product lines remained at the previous year's level. The main driver of revenue consisted in the Industrial Commercial Solutions product line. The Optronics segment is currently affected by delays due to the prevailing difficulties in material procurement.

Book-to-Bill ratio[3]

The book-to-bill ratio remained at a high level, but was below the previous year period due to the outstanding order intake in the first nine months of 2021.

2 "Defence Joint Procurement Task Force", "European Defence Industry Reinforcement through Common Procurement Act" and "European Defence Investment Program"

3 Defined as ratio of order intake to revenue in the relevant reporting period.

- *Sensors:* In the Sensors segment, a book-to-bill ratio of significantly above 1.0 was achieved once again. 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.

- *Optronics:* The book-to-bill ratio was at 1.0, but was declining compared to the previous year period. This resulted particularly from high order intake levels in the first nine months of 2021 in the Ground Based Systems and Naval product lines.

Order backlog

- *Sensors:* The increase compared to year-end 2021 was mainly driven by the order intakes in the Services & Aerospace Solutions and Radar & Naval Solutions divisions.

- *Optronics:* The slight increase compared to the year-end 2021 resulted primarily from the order intakes in the Naval and Industrial Commercial Solutions product lines.

Income

	Profit			Profit margin	
	First nine months			First nine months	
in € million	2022	2021	% Delta	2022	2021
Sensors	105	89	18.5%	11.4%	13.4%
Optronics	21	24	-11.5%	11.4%	12.4%
Elimination/Transversal/Others	–	-2			
Adjusted EBITDA	**126**	**110**	**14.3%**	**11.5%**	**13.0%**
Depreciation and amortisation	-78	-91	15.0%		
Non-recurring effects	-13	-7	83.0%		
Earnings before finance result and income taxes (EBIT)	**35**	**12**	**194.8%**	**3.2%**	**1.4%**
Finance result	-21	-28	22.3%		
Income taxes	-15	1	<-200%		
Group result	**-1**	**-15**	**95.4%**	**-0.1%**	**-1.8%**
Earnings per share (in €; basic/diluted)	**0.00**	**-0.13**	**101.5%**		

Adjusted EBITDA

- *Sensors:* The significant increase compared to the previous year period was mainly due to volume and project mix effects. These effects were partly compensated by lower project margins for higher revenue from pass-through business and from projects in an early stage of their life-cycle.

- *Optronics*: Compared to the previous year period a decrease was recorded. This was due to the ramp-up of the production line in the South African unit as well as the development of new business fields and the corresponding higher functional costs.

Earnings before finance result and income taxes (EBIT)

- *Depreciation and amortisation:* The decrease was mainly related to lower amortisation of acquired intangible assets compared to the previous year period. This decrease was partly offset by higher amortisation of capitalised development costs.

- *Non-recurring effects*[4]: The increase resulted mainly from expenses in the context of long-term succession planning for the Management Board and expenses for coping with the cyber-attack on the French subsidiary Nexeya.

[4] Defined as transaction costs, expenses for the IPO and other non-recurring effects

Group result

- *Finance result*: The improvement in the finance result was mainly due to positive effects from the valuation of exchange rate hedges and lower interest expenses due to improvements of the capital structure.

- *Income taxes:* Tax expense reflects the mostly positive development of the HENSOLDT Group companies' results. The year-on-year change is due to both the development of the results presented above and the development of deferred taxes.

Earnings per share

- Earnings per share improved from €-0.13 to €0.00 compared to the previous year period mainly due to improved earnings before finance result and income taxes (EBIT).

4 Assets, liabilities and financial position

Assets and capital structure

	30 Sep.	31 Dec.	
in € million	2022	2021	% Delta
Non-current assets	1,323	1,326	-0.3%
therein: Intangible assets	*386*	*385*	*0.4%*
therein: Right-of-use assets	*131*	*141*	-7.0%
therein: Property, plant and equipment	*113*	*108*	*4.4%*
therein: Deferred tax assets	*8*	*11*	*-23.9%*
Current assets	1,612	1,629	-1.1%
therein: Inventories	*562*	*444*	*26.5%*
therein: Contract assets	*233*	*170*	*36.9%*
therein: Trade receivables	*254*	*309*	*-17.8%*
therein: Cash and cash equivalents	*385*	*529*	*-27.3%*
Total assets	**2,935**	**2,956**	**-0.7%**
Equity	569	417	36.6%
therein: Capital reserve	*557*	*583*	*-4.5%*
therein: Other reserves	*109*	*-70*	*>200%*
therein: Retained earnings[1]	*-212*	*-212*	*0.0%*
Non-current liabilities	1,136	1,284	-11.6%
therein: Non-current provisions	*277*	*497*	*-44.3%*
therein: Non-current contract liabilities	*23*	*12*	*91.3%*
therein: Deferred tax liabilities	*81*	*4*	*>200%*
Current liabilities	1,230	1,255	-2.0%
therein: Current provisions	*166*	*188*	*-11.7%*
therein: Current contract liabilities	*467*	*500*	*-6.6%*
therein: Trade payables	*313*	*269*	*16.5%*
Total equity and liabilities	**2,935**	**2,956**	**-0.7%**

[1] Adjustment of previous year's figures to a purchase price adjustment after the measurement period: Retained earnings €+6 million

Total assets

- *Non-current assets:* The slight net increase in property, plant and equipment and intangible assets due to capitalised development costs was over-compensated by the decrease of right-of-use assets and of deferred tax assets.

- *Current assets*: The decrease in cash and cash equivalents was mainly caused by the negative free cash flow and the dividend payment made to the shareholders of HENSOLDT AG. Trade receivables decreased in particular in connection with the major projects, while the inventories and contract assets were built up in the context of the planned realisation of significant business volumes during the fourth quarter.

Total equity and liabilities

- *Equity:* The increase in equity was primarily related to the increase of other reserves which was mainly due to the valuation of pension obligations. This effect was partially offset by the reduction of the capital reserve due to the dividend payment. The net loss for the reporting period was €1 million.

- *Non-current liabilities:* The decrease was primarily due to the reduction of non-current provisions. The main driver consisted in the reduction in pension provisions due to higher interest rates. This was associated with a contrary development – the increase in deferred tax liabilities.

- *Current liabilities:* The slight decrease mainly resulted from the reduction of current contract liabilities relating to major projects, and a decrease in current provisions. The latter mainly decreased due to seasonality of personnel provisions, particularly resulting from provisions for variable remuneration elements, and due to changes in project-related provisions within the usual project lifecycles. These decreases were partly offset by an increase in trade payables.

Financial position

	First nine months		
in € million	2022	2021	€ Delta
Cash flow from operating activities	-15	-16	2
Cash flow from investing activities	-70	-88	18
Free cash flow	**-85**	**-105**	**20**
Non-recurring effects	9	11	-2
Interest, income taxes and M&A activities	27	46	-19
Adjusted pre-tax unlevered free cash flow	**-49**	**-48**	**-1**
Cash flow from financing activities	**-62**	**-313**	**251**

Free cash flow

- *Cash flow from operating activities:* Cash flow from operating activities was on the level of the previous year period, whereas effects on working capital were partly compensated by the execution of major projects as planned.

- *Cash flow from investing activities:* The decrease of cash outflows was primarily a result of lower payments for M&A activities.

Adjusted pre-tax unlevered free cash flow

- *Non-recurring effects[5]:* The decrease compared to the previous year period was mainly due to lower deferred other non-recurring effects in connection with the IPO of HENSOLDT AG. This decline was partly offset by payments in the context of long-term succession planning for the Management Board.

- *Interest[6], income taxes[7] and M&A activities[8]:* The decrease was mainly caused by lower cash outflows from M&A activities and lower interest payments.

[5] Defined as transaction costs, expenses for the IPO and other non-recurring effects
[6] Defined as “Interest paid” (including interest on lease liabilities) as reported in the Consolidated Statement of Cash Flow
[7] Defined as “Income tax payments / refunds” as reported in the Consolidated Statement of Cash Flow
[8] Defined as sum of “Share of profit in entities recognised for using the equity method”, “Acquisition of associates, other investments and other non-current financial assets”, “Proceeds from the sale of intangible assets and property, plant and equipment”, “Acquisition of subsidiaries net of cash acquired” and “Other cash flow from investment activities” as reported in the Consolidated Statement of Cash Flow

Cash flow from financing activities

The cash flow from financing activities improved compared to the previous year period. The previous year period was characterised by a partial repayment of the revolving credit facility and from cash outflows due to the reduction of other financing liabilities. The latter related mainly to scheduled payments in the first nine months of 2021 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 2022 reporting period exceeded the dividend payment of the previous year period at €0.13 per share.

5 Outlook

The Management Board continues to expect a strong revenue growth on group-level for the fiscal year 2022. This will primarily result from the Sensors segment, while the share of the Optronics segment will be proportionately lower due to temporary effects from supply chain disruptions. For order intake in the fiscal year 2022, the management expects a normalisation after the high order intake in the previous year. Overall the management expects a book-to-bill ratio between 1.1 and 1.2. For the adjusted EBITDA, a strong increase is expected on group level for the fiscal year 2022 whereby the Optronics segment is expected to make a smaller contribution to the increase due to the aforementioned revenue development.

Our outlook is subject to the assumption that there will be no significant further waves and lockdowns in the context of the global COVID-19 pandemic.

Furthermore, we are currently unable to conclusively estimate the impact of the war in Ukraine for HENSOLDT. It is assumed that the war in Ukraine will not have any significant impact on HENSOLDT in the fiscal year 2022. The special fund of €100 billion is to be used in particular to finance significant and complex multi-year equipment projects of the German Bundeswehr. The concrete design and implementation of possible procurement programmes as well as focal points in procurement are still open so that HENSOLDT expects only minor effects on the order intakes in the fiscal year 2022. Nevertheless, HENSOLDT takes this as a basis for its analysis of medium- and long-term focus areas.

HENSOLDT continuously reviews the effects of inflation, higher energy costs and supply bottlenecks on the operating business to anticipate possible negative effects and to mitigate or avoid them at an early stage.

Apart from the aforementioned concretisations and the concretisation regarding the book-to-bill ratio[9] which was already provided on 30 June 2022, the outlook remains unchanged compared to year-end 2021.

6 Opportunities and risks

In HENSOLDT's combined management report for the year ended 31 December 2021, we described the principles of the HENSOLDT risk management system, certain risks which could have an adverse impact on HENSOLDT as well as our most significant opportunities.

In the last months, HENSOLDT continued to track 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 employees were provided with recommendations which are adapted to the new version of the German Infection Protection Act and to those measures that have been consistently implemented in the past. HENSOLDT also took measures to be able to react to possible changes in the situation in autumn and the coming winter.

In addition to the COVID-19 pandemic, HENSOLDT increasingly and consistently monitors the impact of the war in Ukraine. The consequences thereof particularly include material shortages, increasing prices of energy products, but also of other goods and services and, not least, inflation. The procurement risk and possible consequences due to the changing circumstances as well as the tense situation in energy prices and material shortages on the world market continue to increase and impact the supply chains. HENSOLDT's established task forces continue to consistently analyse the impact on supply chains and contracts with customers at HENSOLDT and to mitigate or avoid possible effects as early as possible by concrete and detailed measures.

[9] As at 30 June 2022, the expectation for the book-to-bill ratio was concretised to a value between 1.1 and 1.2.

In order to deal with the increased risk of cyber-attacks worldwide due to the war on Ukraine and the associated sanctions against Russia, a task force has been set up and is preparing and implementing more measures since the first quarter to prevent such attacks and their effects. As a result of the events that have occurred at the subsidiary Nexeya in August 2022 and the much higher global frequency of attacks on IT networks to be expected due to the deteriorating geopolitical situation, particularly between Russia, the United States, China and Europe, the likeliness of successful cyber-attacks is generally estimated to be higher than in the past. For this reason, the task force was enhanced once again.

Furthermore, the effects on HENSOLDT of the resolution passed by the German Bundestag to establish a special fund for the German Bundeswehr in the amount of €100 billion and of the increase in German defence spending to 2 % of the gross domestic product are being examined. The special fund is to be used in particular to finance significant and complex multi-year equipment projects of the German Bundeswehr. The concrete design and implementation of possible procurement programmes as well as the focal points in procurement are still open.

Therefore, the Management Board currently assesses the overall opportunity and risk situation of HENSOLDT as mainly unchanged compared to the year-end 2021. There is still an increase in procurement risks and possible consequences due to the changed situation and the tense environment, in particular due to price increases for energy products as well as material availability on the world market. The overall situation for the companies in the Sensors segment is largely stable, while the possible impacts on the Optronics segment are increasing. Still, this does not represent a significant risk for HENSOLDT. Slightly increasing trends in risk probability and in the effects are still expected in isolated cases; these are only assumed in a few circumstances arising from the acute geopolitical situation and its consequences. Specially established task forces are currently analysing and monitoring in detail possible further effects from the risks mentioned above. This also includes the geopolitical situation, which is currently deteriorating further, and possible further consequences on HENSOLDT. These risks are contrasted by opportunities arising from the special fund for the German Bundeswehr and HENSOLDT’s contribution to security and sustainability.

B Financial results

1 Consolidated Income Statement

	First nine months	
in € million	2022	2021
Revenue	1,100	850
Cost of sales	-896	-694
Gross profit	**205**	**156**
Selling and distribution expenses	-80	-73
General administrative expenses	-66	-59
Research and development costs	-25	-21
Other operating income	15	23
Other operating expenses	-14	-12
Share of profit/loss from investment accounted for using the equity method	–	-2
Earnings before finance result and income taxes (EBIT)	**35**	**12**
Interest income	4	6
Interest expense	-32	-35
Other finance income/costs	6	2
Finance result	**-21**	**-28**
Earnings before income taxes (EBT)	**14**	**-16**
Income taxes	-15	1
Group result	**-1**	**-15**
thereof attributable to the owners of HENSOLDT AG	*0*	*-13*
thereof attributable to non-controlling interests	*-1*	*-2*
Earnings per share		
Basic and diluted earnings per share (in €)	0.00	-0.13

2 Consolidated Statement of Comprehensive Income

	First nine months	
in € million	2022	2021
Group result	**-1**	**-15**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Measurement of defined benefit plans	247	40
Tax on items that will not be reclassified to profit or loss	-70	-11
Subtotal	**177**	**29**
Items that will be reclassified to profit or loss		
Difference from currency translation of financial statements	4	2
Cash flow hedge - unrealised gains/losses	-1	–
Cash flow hedge - reclassification to profit or loss	-0	–
Tax effect on unrealised gains/losses	0	0
Subtotal	**3**	**3**
Other comprehensive income net of tax	**180**	**32**
Total comprehensive income	**179**	**17**
thereof attributable to the owners of HENSOLDT AG	*180*	*18*
thereof attributable to non-controlling interests	*-0*	*-1*

3 Consolidated Statement of Financial Position

ASSETS	30 Sep.	31 Dec.
in € million	2022	2021
Non-current assets	**1,323**	**1,326**
Goodwill[1]	658	658
Intangible assets	386	385
Property, plant and equipment	113	108
Right-of-use assets	131	141
Other investments and other non-current financial assets	21	21
Non-current other financial assets	2	1
Other non-current assets	3	3
Deferred tax assets	8	11
Current assets	**1,612**	**1,629**
Other non-current financial assets, due on short-notice	0	1
Inventories	562	444
Contract assets	233	170
Trade receivables	254	309
Other current financial assets	22	7
Other current assets	152	167
Income tax receivables	3	2
Cash and cash equivalents	385	529
Total assets	**2,935**	**2,956**

[1] Adjustment of previous year's figures due to a purchase price adjustment after the measurement period by €+6 million

EQUITY AND LIABILITIES	30 Sep.	31 Dec.
in € million	2022	2021
Share capital	105	105
Capital reserve	557	583
Other reserves	109	-70
Retained earnings[1]	-212	-212
Equity held by shareholders of HENSOLDT AG	**559**	**406**
Non-controlling interests	10	11
Equity, total	**569**	**417**
Non-current liabilities	**1,136**	**1,284**
Non-current provisions	277	497
Non-current financing liabilities	616	622
Non-current contract liabilities	23	12
Non-current lease liabilities	130	139
Other non-current financial liabilities	0	0
Other non-current liabilities	8	10
Deferred tax liabilities	81	4
Current liabilities	**1,230**	**1,255**
Current provisions	166	188
Current financing liabilities	160	166
Current contract liabilities	467	500
Current lease liabilities	18	16
Trade payables	313	269
Other current financial liabilities	11	10
Other current liabilities	85	94
Tax liabilities	9	11
Total equity and liabilities	**2,935**	**2,956**

[1] Adjustment of previous year's figures due to a purchase price adjustment after the measurement period by €+6 million

4 Consolidated Statement of Cash Flow

	First nine months	
in € million	2022	2021
Group result	**-1**	**-15**
Depreciation and amortisation	78	91
Impairments (+) / reversals of impairments (-) of inventories, trade receivables and contract assets	1	-5
Share of profit in entities recognized according to the equity method	–	2
Financial expenses (net)	23	25
Other non-cash expense / income	-7	-7
Change in		
Provisions	4	2
Inventories	-122	-108
Contract balances	-84	21
Trade receivables	59	31
Trade payables	44	28
Other assets and liabilities	1	-48
Interest paid	-19	-27
Income tax expense (+) / income (-)	15	-1
Income tax payments (-) / refunds (+)	-6	-6
Cash flow from operating activities	**-15**	**-16**
Acquisition / addition of intangible assets and property, plant and equipment	-68	-73
Proceeds from sale of intangible assets and property, plant and equipment	0	2
Acquisition of associates, other investments and other non-current financial assets	-2	-9
Acquisition of subsidiaries net of cash acquired	-1	-8
Other	0	–
Cash flow from investing activities	**-70**	**-88**
Repayment from financing liabilities to banks	–	-200
Change in other financing liabilities	-22	-83
Payment of lease liabilities	-14	-12
Dividend payments	-26	-14
Dividends on non-controlling interests	-0	-0
Transaction costs paid on issue of equity	–	-3
Other	0	–
Cash flow from financing activities	**-62**	**-313**
Effects of movements in exchange rates on cash and cash equivalents	2	-0
Net changes in cash and cash equivalents	**-145**	**-418**
Cash and cash equivalents		
Cash and cash equivalents on 1 January	**529**	**646**
Cash and cash equivalents on 30 September	**385**	**228**

5 Consolidated Statement of Changes in Equity

in € million	Attributable to the owners of the HENSOLDT AG								
				Other reserves					
	Share capital	Capital reserve	Retained earnings	Remea-surement of pensions	Cash flow hedge	Currency translation	**Subtotal**	Non-controlling interests	**Total**
As of 1 January 2022	**105**	**583**	**-212**	**-51**	**-5**	**-14**	**406**	**11**	**417**
Group Result	–	–	0	–	–	–	**0**	-1	**-1**
Other comprehensive income	–	–	–	177	-1	4	**180**	0	**180**
Total comprehensive income	**–**	**–**	**0**	**177**	**-1**	**4**	**180**	**-0**	**179**
Transactions with non-controlling interests and acquisitions through business combinations	–	–	–	–	–	–	**–**	-0	**-0**
Dividend payments	–	-26	–	–	–	–	**-26**	–	**-26**
Dividends on non-controlling interests	–	–	–	–	–	–	**–**	-0	**-0**
As of 30 September 2022	**105**	**557**	**-212**	**126**	**-6**	**-10**	**559**	**10**	**569**

in € million	Attributable to the owners of the HENSOLDT AG								
				Other reserves					
	Share capital	Capital reserve	Retained earnings	Remea-surement of pensions	Cash flow hedge	Currency translation	**Subtotal**	Non-controlling interests	**Total**
As of 1 January 2021	**105**	**597**	**-282**	**-67**	**-5**	**-15**	**334**	**13**	**347**
Group Result	–	–	-13	–	–	–	**-13**	-2	**-15**
Other comprehensive income	–	–	–	29	0	2	**31**	0	**32**
Total comprehensive income	**–**	**–**	**-13**	**29**	**0**	**2**	**18**	**-1**	**17**
Transactions with non-controlling interests and acquisitions through business combinations	–	–	1	–	–	–	**1**	-1	**-1**
Dividend payments	–	-14	–	–	–	–	**-14**	–	**-14**
Dividends on non-controlling interests	–	–	–	–	–	–	**—**	-0	**-0**
Others[1]	–	0	6	–	–	–	**6**	–	**6**
As of 30 September 2021	**105**	**583**	**-288**	**-38**	**-4**	**-13**	**345**	**10**	**355**

[1] Addition due to a purchase price adjustment after the measurement period by €+6 million

6 Segment information

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

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First nine months 2022 Group
Order intake	1,198	185	-6	1,377
Order backlog	4,699	681	-7	5,372
Book-to-Bill ratio	1.3	1.0		1.3
Revenue from external customers	918	182	–	1,100
Intersegment revenue	1	1	-3	–
Segment revenue	**919**	**184**	**-3**	**1,100**

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First nine months 2022 Group
Material non-cash items other than depreciation and amortisation:				
Additions to other provisions	-54	-34	–	-88
Reversals of other provisions	8	4	0	12

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First nine months 2022 Group
EBITDA	**104**	**21**	**-12**	**113**
Transaction cost	0	–	–	0
Other non-recurring effects	1	–	12	13
Adjusted EBITDA	**105**	**21**	**–**	**126**
Adjusted EBITDA margin	*11.4%*	*11.4%*		*11.5%*
Depreciation and amortisation	-61	-17	0	-78
EBIT	**43**	**5**	**-12**	**35**
Effects on earnings from purchase price allocations	24	3	–	27
Transaction cost	0	–	–	0
Other non-recurring effects	1	–	12	13
Adjusted EBIT	**68**	**8**	**–**	**76**
Adjusted EBIT margin	*7.4%*	*4.1%*		*6.9%*

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First nine months 2022 Group
EBIT	**43**	**5**	**-12**	**35**
Finance result	–	–	–	-21
EBT				**14**

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First nine months 2021 Group
Order intake	2,516	309	-4	2,821
Order backlog	4,646	719	-3	5,363
Book-to-Bill ratio	3.8	1.6		3.3
Revenue from external customers	660	190	–	850
Intersegment revenue	1	1	-2	–
Segment revenue	**661**	**191**	**-2**	**850**

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First nine months 2021 Group
Material non-cash items other than depreciation and amortisation:				
Additions to other provisions	-44	-33	-1	-78
Reversals of other provisions	6	17	0	23
Adjustments to the fair value of existing shares in entities now subject to consolidation	10	–	–	10
Interest in the profit or loss of associated entities and joint ventures accounted for using the equity method	–	–	-2	-2

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First nine months 2021 Group
EBITDA	**89**	**24**	**-9**	**103**
Transaction cost	0	–	0	0
IPO related cost	–	–	1	1
Other non-recurring effects	0	–	6	6
Adjusted EBITDA	**89**	**24**	**-2**	**110**
Adjusted EBITDA margin	*13.4%*	*12.4%*		*13.0%*
Depreciation and amortisation	-72	-20	0	-91
EBIT	**17**	**4**	**-9**	**12**
Effects on earnings from purchase price allocations	40	8	–	48
Transaction cost	0	–	0	0
IPO related cost	–	–	1	1
Other non-recurring effects	0	–	6	6
Adjusted EBIT	**57**	**12**	**-2**	**67**
Adjusted EBIT margin	*8.7%*	*6.1%*		*7.9%*

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First nine months 2021 Group
EBIT	**17**	**4**	**-9**	**12**
Finance result	–	–	–	-28
EBT				**-16**

7 Revenue

The Group's operations and major categories for revenue recognition are described in the Consolidated Financial Statements 2021.

During the first nine months 2022, revenue increased overall by nearly €250 million to €1,100 million compared to €850 million in the first nine months 2021.

Revenue (geographical information)

	First nine months	
in € million	2022	2021
Europe	935	702
(thereof Germany)	*694*	*496*
Middle East	75	67
APAC	34	30
North America	27	27
Africa	36	30
LATAM	4	11
Other regions / Consolidation	-10	-17
Total	**1,100**	**850**

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