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HENSOLDT plans its Initial Public Offering

- Europe's largest pure-play provider of electronic sensor solutions¹ and German champion² offering cutting-edge technologies for the next generation of defence and security equipment
- Addressable defence electronics market of EUR 46 billion in 2019, of which HENSOLDT is focused on a EUR 15 billion highly accessible defense electronics market expected to grow by 6% p.a. from 2019 to 2024³
- Sustained investments in R&D and global footprint with 19 independent sales offices worldwide are reflected in a combined firm and soft order backlog⁴ of approx. EUR 5.4 billion – representing approx. 5x revenue over the 12 months ended June 30, 2020
- HENSOLDT is platform-independent and is confident to leverage its leading position in Germany to win contracts from an additional pipeline⁵ of domestic and international opportunities in the amount of approx. EUR 10 billion from 2021 to 2023
- Offering of existing and newly issued shares expected to be completed by end of 2020, subject to market conditions – proceeds from the new shares to be used to support HENSOLDT's growth trajectory and strengthen its balance sheet
- Intended listing and admission to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange

Taufkirchen, September 8, 2020 – HENSOLDT AG (“HENSOLDT”), Europe's largest pure-play electronic sensor solutions house together with its owner, Square Lux Holding II S.à r.l., a company indirectly owned by funds advised by KKR (“KKR”), intends to apply for admission of its shares to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The planned initial public offering (“IPO”) is expected to be completed by the end of 2020, subject to market conditions, and is anticipated to consist of an offering of existing shares owned by Square Lux Holding II S.à r.l. and newly issued shares from a capital increase. The offering would comprise a public offer to individual and institutional investors in Germany and private placements elsewhere.⁶ HENSOLDT intends to use the estimated net proceeds from the sale of the new shares, amongst other uses, to support its highly visible growth trajectory, sustain its existing investment strategy and strengthen its balance sheet.

¹ Source: Renaissance Strategic Advisors.

² Based on being the “key sensor technology provider for the German government” (as per Renaissance Strategic Advisors).

³ Source: Renaissance Strategic Advisors.

⁴ Sum of the firm order backlog and additionally volume of expected orders that are subject to final approvals and secured contracts as of June 30, 2020.

⁵ Pipeline is defined as total identified opportunities open for tender based on management estimates of total value of contracts addressable over 2021-2023E (unadjusted for win probabilities for HENSOLDT).

⁶ Outside the United States under Regulation S and in the United States to qualified institutional buyers under Rule 144A.

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Thomas Müller, CEO of HENSOLDT, said: “With today’s announcement, we open a new chapter for HENSOLDT. Driven by our highly motivated team and supported by our owner, HENSOLDT has become a successful stand-alone business with strategic and technological leadership positions and a well-established global brand. Our significant contract wins in the first half of 2020 are the result of HENSOLDT’s leadership position in defence electronics. The planned IPO is the next logical step for us to reinforce HENSOLDT as the go-to electronic sensor solutions house in Europe. In doing so, we will use our strong market position in Germany and Europe to leverage our geographical expansion and benefit from a strong and sustainable growth momentum in the global defence industry and our key markets.”

Axel Salzmann, CFO of HENSOLDT, said: “The intended IPO will support HENSOLDT’s ambitious plans to drive future growth while broadening our product portfolio and developing our sales network. Additionally, we will continue to strengthen our balance sheet and intend to foster HENSOLDT’s sustainable profitable growth even further.”

Johannes Huth, Chairman of the Supervisory Board of HENSOLDT and Head of KKR EMEA, said: “The success story of HENSOLDT is proof of our commitment to build industry-leading European champions. I would like to thank everyone involved for their exceptional work, dedication and the spirit of collaboration that have characterised this partnership from day one. HENSOLDT is now ready to take the next step by becoming a publicly listed company.”

Christian Ollig, Partner and Head of KKR in Germany, said: “Since Airbus chose us in 2016 as the preferred partner to develop HENSOLDT as an independent entity, we have supported a strong management team in building a leading defence and security sensor solutions provider headquartered in Germany. Due to substantially increased investments, especially in R&D, HENSOLDT and its customers will continue to benefit from cutting-edge technologies for the next generation of defence and security equipment as a publicly listed company.”

Europe’s largest pure-play defence and security electronics house offering state-of-the-art technologies to a broad customer base

HENSOLDT benefits from long-standing and close strategic relationships with the German government and with foreign governments, as well as supranational organizations such as the NATO, and their armed and security forces. As a leading provider of defence and security sensor solutions, HENSOLDT works with leading global aerospace and defence companies such as Airbus, Leonardo, Raytheon and Thales providing platform-independent and mission-critical solutions. Its Radar and IFF (Identification Friend or Foe) systems, Spectrum

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Dominance and Airborne Solutions as well as Optical and Optoelectronic products are deployed on platforms across all domains. Due to platform lifecycles of up to several decades as well as an installed base of more than 63,000 units, HENSOLDT's aftersales business continuously gains significance and provides the company with a recurring source of revenue (approx. 22% of total revenue in 2019).

HENSOLDT is also able to translate innovative technologies into products with promising market potential: for example, the innovative passive radar TwInvis, which exploits existing Radio and TV broadcasting infrastructure to detect agile and low altitude targets. Another example is the drone detection and defeat system Xpeller is a multi-sensor fusion system with military as well as law enforcement applications. Its market potential is estimated at up to EUR 7 billion from 2019 to 2024.⁷

Ideally positioned to benefit from sustainable growth momentum in defence industry

The geopolitical situation, the necessary modernization of armed forces and aging platforms as well as the growing electronic content within defence platforms are expected to lead to an increase in defence spending around the globe. One of the fastest growing sub-segments of this market is HENSOLDT's accessible global defence electronics market, which is expected to grow by 6% p.a. from 2019 to 2024 as electronics and sensor solutions become increasingly pivotal for modern defence and security solutions.⁸ With its focus on high-end electronic solutions, HENSOLDT believes it is ideally positioned to benefit from this trend. Current generations of platforms contain up to twice as many electronic components as their predecessors, and – this portion is expected to further increase in future platforms. The overall global defence electronics market volume amounted to EUR 102 billion in 2019, of which EUR 46 billion are addressable by HENSOLDT. EUR 15 billion of this addressable defence electronics market relate to highly accessible regions that form HENSOLDT's accessible defence electronics market.⁹

HENSOLDT also offers solutions for the increasing demand to protect civil institutions and critical infrastructure such as border security, airport protection, energy supply and wildlife protection. These non-defence markets with an accessible market of EUR 1.3 billion¹⁰ accounted for approx. 16% of HENSOLDT's revenue in 2019. HENSOLDT has, amongst

⁷ Source: Renaissance Strategic Advisors.

⁸ Source: Renaissance Strategic Advisors.

⁹ Source: Renaissance Strategic Advisors.

¹⁰ Source: Renaissance Strategic Advisors.

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others, deployed its anti-drone defence systems to protect major events such as major national events as well as football matches.

Resilient business model with attractive margin and strong growth momentum

HENSOLDT has shown continued growth momentum with regard to revenue, profitability and order intake since its carve-out from Airbus in 2017. Its 2019 revenue of EUR 1.11 billion, translates into an average annual revenue increase of 4.6% since 2017.¹¹ The company also succeeded in increasing its Adjusted EBITDA margin from 15.2% in 2017¹² to 19.3% in 2019. This underlines HENSOLDT's ability to maintain its profitability while growing the business and managing the continuous transformation into a standalone company.

The resilience of the business model has also been demonstrated during the Covid-19 pandemic. In the first half of 2020, HENSOLDT increased its revenue by 6% compared to the first half of 2019 to EUR 440.3 million (H1 2019: EUR 415.6 million), resulting in an Adjusted EBITDA margin of 9.4% (H1 2019: 9.8%). For the full year 2020, HENSOLDT expects to increase its revenue to more than EUR 1.15 billion. For 2021, HENSOLDT strives to increase its revenue to a range of approximately EUR 1.4 billion to EUR 1.6 billion. For 2022, HENSOLDT expects growth in the mid-teens percentage area and, in the medium term, annual growth rates in a mid- to high-single digit percentage range. The Adjusted EBITDA margin (excluding pass-through business) is expected to slightly decline to around 18% starting in the second half of 2020 and continuing into 2021, with effects from the ramp-up in early stages of major projects in the short term. In the medium term, the Adjusted EBITDA margin is expected to recover to approx. 2019 levels.

Thanks to its strategy of heavily investing in R&D and making investments ready to win large orders, HENSOLDT has been able to win step-changing contracts in recent months. These large volume orders include a milestone contract worth more than EUR 1.4 billion to jointly develop and produce a new active electronically scanned array for the German and Spanish Eurofighter fleet. HENSOLDT also believes it is well placed to receive a prime contract for Pegasus, an approx. EUR 1 billion German signal intelligence aircraft program. The combined firm and soft order backlog increased to approx. EUR 5.4 billion as of June 30, 2020 –

¹¹ 2017 revenue is based on sum of 10 months audited financials post Airbus carveout and 2 months unaudited management accounts pre-Airbus carveout.

¹² 2017 Adjusted EBITDA is based on sum of 10 months audited financials post Airbus carveout and 2 months unaudited management accounts pre-Airbus carveout.

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representing approx. a 5x coverage of HENSOLDT's revenue over the 12 months ended June 30, 2020.¹³

Growth prospects based on cutting-edge technologies and strong home market position

HENSOLDT intends to continue to drive future growth and broaden its addressable market by continued and heavy investments into R&D. From 2017 to 2019, HENSOLDT's self-funded R&D spend¹⁴ almost doubled to EUR 86 million, which represents about 8% of its revenue in 2019 (up from 5% in 2017). Particularly encouraging is HENSOLDT's strong track record in translating R&D efforts into market-ready products: In 2019, based on management estimates, approx. 80% of HENSOLDT's revenue was related to sales of and aftersales for products that were newly introduced or updated within the past five years.

The company also intends to leverage its strong home market position in Germany for future growth. In its role as a strategic supplier for its most important end-customer Germany, accounting for slightly more than two fifths of its revenue in 2019, HENSOLDT believes to be well positioned to win contracts from a pipeline of domestic and international opportunities with a volume of approx. EUR 10 billion from 2021 to 2023. HENSOLDT also prepares to position itself for participation in all three joint European next-gen platforms defence systems: Future Combat Aircraft System (FCAS), Main Ground Combat System (MGCS) and Maritime Airborne Warfare System (MAWS).

With its visible order backlog, a global footprint in 19 key accessible defence markets as of December 31, 2019 and a strong track record in developing and capitalizing on cutting-edge technologies, HENSOLDT believes to offer an excellent profile for future growth.

BofA Securities, J.P. Morgan, KKR Capital Markets, and Deutsche Bank are acting as Joint Global Coordinators in connection with the planned transaction. Citigroup, COMMERZBANK, UniCredit Bank AG, and Crédit Agricole CIB will support the transaction as Joint Bookrunners, with Mizuho International acting as Co-Manager.

¹³ Including pass-through business that is assigned to our partners and suppliers, reflecting the shared risk and contributions.

¹⁴ Including R&D costs and additions to capitalized development costs.

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About HENSOLDT

HENSOLDT is a pioneer of technology and innovation in the field of defence and security electronics with more than 150 years of heritage from companies like Carl Zeiss, Airbus, Dornier, Messerschmitt and Telefunken. Based in Taufkirchen near Munich, the company is a German Champion with strategic leadership positions in the field of sensor solutions for defence and non-defence applications. HENSOLDT develops new products to combat a wide range of threats based on innovative approaches to data management, robotics and cyber security. With more than 5,400 employees as of December 31, 2019, HENSOLDT generated revenues of EUR 1.11 billion in 2019.

www.hensoldt.net

About KKR

KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, credit and real assets, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. Inc. (NYSE: KKR), please visit KKR's website at www.kkr.com and on Twitter @KKR_Co.

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