



## **SUPERVISORY BOARD REPORT**

on the consolidated financial statements and annual financial statements of HENSOLDT AG  
(previously: HENSOLDT GmbH)

for the 2020 financial year

Dear Shareholder,

In addition to the challenges posed by the COVID-19 pandemic, the 2020 financial year was characterised for the HENSOLDT Group by the initial public offering (IPO) of HENSOLDT AG.

Based on a resolution passed by the shareholders on 11 August 2020 and registration in the commercial register on 17 August 2020, HENSOLDT AG was established by changing the legal form of HENSOLDT GmbH, which had been founded in September 2019. The shares of HENSOLDT AG were listed for the first time on the Frankfurt Stock Exchange on 25 September 2020 and were included in the SDAX index on 21 December 2020.

In preparation for the IPO, the first supervisory board of HENSOLDT GmbH, now HENSOLDT AG, was established in August 2020: employee representatives were appointed in a decision passed by the Munich Local Court (Amtsgericht München) on 6 August 2020; shareholder representatives were appointed in a resolution passed by the shareholders on 7 August 2020. The supervisory board thus created for HENSOLDT GmbH has been maintained unchanged at HENSOLDT AG after the company's conversion into a joint-stock company as part of a change of its legal form.

### Cooperation with the management board

Since its constitution, the supervisory board of HENSOLDT AG has discharged the tasks incumbent on it by law, the articles of association and the rules of procedure. We have provided the management board with regular advice in the management of the company and monitored its activities. The supervisory board was directly involved at an early stage in all decisions of fundamental importance to the company. The management board informed us regularly,

promptly and comprehensively, both in writing and verbally, on corporate planning, the course of business, strategic developments and the current situation of the group.

Deviations of the actual business development from the plans were explained to us in detail. The management board coordinated the company's strategic orientation with us. We discussed the transactions of major importance to the company in detail on the basis of the reports provided by the management board.

The supervisory board, in particular the chairman of the supervisory board, was in regular contact with the management board, even beyond the supervisory board meetings, and obtained information on the current development of the business situation and major transactions. The supervisory board was hereby always aware of the business policy being pursued, corporate planning including financial, investment and personnel planning, the course of business, the profitability of the company and the situation of the group.

#### Corporate governance and working methods of the supervisory board

Further explanations on corporate governance can be found in the *corporate governance statement (including the corporate governance report)*, which can be accessed on the company's website. This will also give you explanations on the current statement of the management board and supervisory board pursuant to section 161 of the German Stock Corporation Act (AktG), which was approved by the supervisory board on 5 March 2021. In addition, detailed information on the working methods of the supervisory board and its committees can be found there. The members of the supervisory board undergo basic and advanced training on their own responsibility. The company supports the supervisory board in this to an appropriate extent. In the past financial year, the members of the supervisory board received advanced training based on their individual needs, for example, on the subject of annual financial statements and accounting.

#### Deliberations and resolutions in plenary sessions of the supervisory board

The supervisory board of what is now HENSOLDT AG was established in August 2020 (when the company was still HENSOLDT GmbH). In total, one supervisory board meeting of HENSOLDT GmbH and two supervisory board meetings of HENSOLDT AG have taken place since the supervisory board of the current HENSOLDT AG was established. The supervisory board passed its resolutions as part of a written procedure, where necessary.

The constituent meeting of the supervisory board took place on 11 August 2020. At this meeting, the supervisory board issued rules of procedure for itself and its committees, as well as for the management board. In addition, the respective committee members were appointed.

The IPO, including the associated measures and decisions, was the focus of the supervisory board's work over the past financial year, especially in the meetings of 11 August 2020 and 27

August 2020. In this respect, the supervisory board mainly dealt with meeting the requirements placed on HENSOLDT AG's corporate governance in the context of the IPO. For example, the supervisory board appointed the Labour Director (*Arbeitsdirektor*) pursuant to section 33 of the German Co-Determination Act (MitbestG) and approved further management mandates for management board members pursuant to section 88(1) sentence 2 AktG and the service agreements for management board members. In addition, targets were set for the proportion of women on the supervisory and management boards pursuant to section 52(2) of the German Private Limited Companies Act (GmbHG). Moreover, the supervisory board members issued statements on the approval of the formation audit report and on the conversion of HENSOLDT GmbH to HENSOLDT AG as part of a change of the company's legal form. The supervisory board declared its consent to the IPO of HENSOLDT AG and approved further agreements entered into in connection with the IPO.

At the supervisory board meeting of 3 December 2020, the management board reported in detail on business development, the order situation, the status of major orders and M&A activities, the acquisition of engineering capacity and the funding status. In a resolution passed in writing in lieu of a meeting, the shareholder representatives on the supervisory board requested that the gender quota of 30% each for women and men on the supervisory board be separately complied with by both the shareholder and employee representatives in the election of employee representatives to the supervisory board of HENSOLDT AG, to be initiated in 2020.

The members of the management board regularly attended supervisory board and committee meetings. In the past financial year, there were no discussions on personnel matters or internal supervisory board matters that would have required a discussion without the management board from the supervisory board's point of view.

Measures for which the provisions of the articles of association, the rules of procedure for the supervisory board or the rules of procedure for the management board require the supervisory board's approval were submitted to the supervisory board for a decision, allowing sufficient intervening time. The supervisory board approved each of the management board's resolution proposals after thorough examination and discussion. Apart from the individual measures outlined above, no other transactions requiring approval are reported for the past financial year.

#### Committees of the supervisory board

To perform its duties efficiently, the supervisory board has established an executive committee, as well as five other permanent committees and one temporary committee. These committees prepare the resolutions of the supervisory board and the topics to be dealt with in a plenary session. The supervisory board's decision-making powers have been transferred to the corresponding committees to the extent permitted by law.

There was no **executive committee** meeting in the past financial year.

The **audit committee** held two meetings. On 3 November 2020, the audit committee discussed the interim financial information (9M2020 quarterly statement) with the HENSOLDT Group's CFO, as well as the pre-approval of the assurance services in connection with the non-financial statement in the sustainability report by KPMG AG Wirtschaftsprüfungsgesellschaft as a permissible non-audit service. At its meeting of 1 December 2020, in the presence of the auditor and the CFO, the audit committee dealt with the planning of the audit of the 2020 annual and consolidated financial statements and the update on the current status of the audit. In addition, the audit intensity (limited assurance) and the audit scope requested by the audit committee were determined with regard to the sustainability report. Moreover, a report concerning the internal audit was presented. The audit committee issued rules of procedure for the internal audit department. In a resolution passed in writing in lieu of a meeting, the members of the audit committee also approved permissible non-audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft. The **compliance committee** held one meeting in the past financial year. On 1 December 2020, the compliance committee dealt with the compliance organisation of HENSOLDT AG in general and, in particular, with a benchmarking audit, which had been requested for HENSOLDT's compliance systems, and an update on the implementation of the HENSOLDT Anti-Corruption Compliance Programme.

The chairpersons of the committees reported on the committees' work in the plenary session of 3 December 2020.

The **mediation committee, the committee for transactions with related parties** and the **nomination committee** did not need to be convened during the financial year.

The **IPO committee**, established for a limited period of time, held four meetings in September 2020. The IPO committee dealt with the preparation and implementation of the IPO (in particular with regard to the further implementation of the prospectus approval procedure and the preparation of the admission of HENSOLDT AG shares to trading on the stock exchange), as well as the planned capital increase and the contracts to be entered into in this context. The IPO committee existed over the period from 11 August 2020 to 31 October 2020.

#### Attendance of the supervisory board members at the meetings

The following section provides information on the supervisory board members' attendance at the supervisory board and committee meetings, which were actually held during the period since the resolution to change the company's legal form was passed on 11 August 2020:

<b>Supervisory board plenary session</b>	<b>IPO committee</b>	<b>Audit committee</b>	<b>Compliance committee</b>
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<i>(Number of meetings / attendance in %)</i>	<i>Number</i>	<i>in %</i>						
<b>Johannes P. Huth</b> Chairman of the Supervisory Board	3/3	100	3/3	100	-	-	-	-
<b>Armin Maier-Junker<sup>1</sup></b> Deputy Chairman of the Supervisory Board	3/3	100	3/3	100	-	-	-	-
Jürgen Bühl <sup>1</sup>	3/3	100	3/3	100	-	-	-	-
Dr Frank Döngi <sup>1</sup>	3/3	100	-	-	-	-	1/1	100
Winfried Fetzer <sup>1</sup>	3/3	100	-	-	-	-	1/1	100
Prof. Wolfgang Ischinger	3/3	100	-	-	-	-	-	-
Ingrid Jägering	3/3	100	-	-	2/2	100	-	-
Marion Koch <sup>1</sup>	3/3	100	-	-	2/2	100	-	-
Christian Ollig	3/3	100	3/3	100	2/2	100	1/1	100
Prof. Dr Burkhard Schwenker	2/3	66.67	-	-	-	-	1/1	100
Julia Wahl <sup>1</sup>	3/3	100	-	-	2/2	100	-	-
Claire Wellby	3/3	100	-	-	-	-	-	-
		<b>97.2</b>		<b>100</b>		<b>100</b>		<b>100</b>

In addition, the supervisory board held a meeting as the supervisory board of the then HENSOLDT GmbH before the shareholders passed the resolution to change the company's legal form. This meeting was attended by all of the supervisory board members who were in office in the 2020 financial year.

During the period after the resolution on the change of the company's legal form, the meetings of the supervisory board in the past financial year were thus attended by 97.2% and those of the committees by 100% (without exception) of the members. Over the course of the reporting year, no supervisory board member attended only half or fewer meetings of the supervisory board and the committees to which the given member belonged.

<sup>1</sup> Employee representative

#### Conflicts of interest on the supervisory board

There were no conflicts of interest of management board or supervisory board members that should have been disclosed to the supervisory board in the past financial year.

#### Changes to the management board and supervisory board

There were no changes to the management board – or, prior to the change of the company's legal form, to the management team – in the past financial year.

Mr Winfried Fetzner resigned from the supervisory board with effect from the day after 31 December 2020. In his place, Mr Ingo Zeeh was appointed to the supervisory board by decision of the register court of 12 January 2021.

#### Audit of the annual and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditor for the 2020 financial year by a resolution passed by the shareholders in their meeting of 11 August 2020. KPMG AG Wirtschaftsprüfungsgesellschaft had previously confirmed that there were no circumstances that might compromise its independence or cast doubt on its independence as an auditor. KPMG AG Wirtschaftsprüfungsgesellschaft also provided information on the extent to which non-audit services were provided to all HENSOLDT Group companies in the previous financial year. KPMG AG Wirtschaftsprüfungsgesellschaft and Mr Martin Leistner, as the responsible audit partner, have audited HENSOLDT AG according to the provisions of section 319a(1) sentence 4 of the German Commercial Code (HGB) since it was founded in 2019 as HENSOLDT GmbH, and the HENSOLDT Group since the first preparation of consolidated financial statements by HENSOLDT Holding GmbH in 2017.

The management board of HENSOLDT AG prepared the annual financial statements, the combined management report of HENSOLDT AG and the group and the consolidated financial statements for the 2020 financial year.

KPMG AG Wirtschaftsprüfungsgesellschaft audited the annual financial statements and the combined management report of HENSOLDT AG and the consolidated financial statements for the 2020 financial year, and issued an unqualified audit opinion dated 8 March 2021 in each case. The consolidated financial statements were prepared pursuant to section 315a HGB on the basis of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary German statutory regulations applicable pursuant to section 315e(1) HGB. The annual financial statements and the combined management report were prepared in accordance with the provisions of German commercial law.

The auditor audited the annual financial statements and consolidated financial statements pursuant to section 317 HGB and the German Generally Accepted Standards on Auditing, as promulgated by the German Institute of Public Auditors (IDW), while additionally auditing the consolidated financial statements in accordance with the International Standards on Auditing (ISA).

The aforementioned documents were distributed to us by the management board in good time. They were discussed in depth in the audit committee on 19 March 2021. The auditor's report was available to all members of the supervisory board and was discussed in detail at the supervisory board's financial statement meeting on 19 March 2021 in the presence of the auditor, who reported on the main results of his audit. At this meeting, the annual financial statements and the consolidated financial statements were discussed with the management board and the scope, focus and costs of the audit were presented.

We agree with the results of the audit. No objections are to be raised based on the final result of the audit by the audit committee and our own audit. The supervisory board approved the annual financial statements and the consolidated financial statements, which were both prepared by the management board. The annual financial statements have thus been adopted. The management board proposed using EUR 13,650,000.00 of the total accumulated profits of EUR 16,774,423.65 for distribution of a dividend of EUR 0.13 per no-par value share eligible for dividends. We have agreed to this proposal.

As part of its examination, the supervisory board also reviewed the group's non-financial statement in the sustainability report, which was to be prepared pursuant to section 315b HGB, and reached the conclusion that it meets the existing requirements and that no objections were to be raised. An external audit by KPMG AG Wirtschaftsprüfungsgesellschaft had previously confirmed that no matters had come to the attention of the auditors that would cause them to believe that the group's non-financial statement had not been prepared pursuant to the provisions of section 315c HGB in all material respects.

#### Review of the management board's report on relations with affiliated companies

The management board of HENSOLDT AG prepared a report on the relations with affiliated companies (dependency report) pursuant to section 312 AktG for the period from 17 August to 31 December 2020 and submitted it to the supervisory board in due time. The dependency report was reviewed by the auditor pursuant to section 313 AktG. As there were no objections to be raised in view of the final result of his audit, the auditor issued the following unqualified audit opinion pursuant to section 313(3) AktG: "Having duly examined and assessed the report in accordance with our professional duties, we confirm that (1) the factual statements made in the report are correct; (2) the consideration given by the company for the legal transactions listed in the report was not unreasonably high; (3) there are no circumstances that would support a materially different assessment of the measures listed in the report than that made by the management board."

The dependency report and the auditor's report were submitted to and reviewed by the audit committee and the supervisory board. This review did not lead to 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 statement on the relations

with affiliated companies. The result of the examination of the dependency report by the auditor has been approved.

Thanks to the management board and staff

The supervisory board would like to thank the members of the management board, the employees and the employee representatives of all group companies for their work and especially for their contribution to the successful IPO of HENSOLDT AG. They have contributed to a very successful business year for the HENSOLDT Group.

On behalf of the Supervisory Board

The Chairman of Supervisory Board