Semi-annual financial report for the First Half Year **2024**

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In case of discrepancies between the English and the German report, the German report shall prevail.

HENSOLDT
Detect and Protect.

A Interim Group Management Report

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1 Business development and key events

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

Overall, HENSOLDT`s operating business continued its positive development in the first half year of 2024 and strong order intake could be recorded again. With a contract volume of € 1,359 million, the high order intake of the previous year’s period amounting to € 1,071 million was exceeded. The main drivers were in particular orders for the German short-range and very short-range air defence system (LVS NNbS) and order intake for further TRML-4D radars to support Ukraine as well as within the context of the European Sky Shield Initiative (ESSI) for Latvia and Slovenia. Revenue, which contained significantly lower revenue from pass-through business compared to the previous year period, increased by 17.0 % (€ 849 million; previous year: € 726 million) compared to the previous year period. The ESG Group contributed € 82 million to this growth. The core business, adjusted for the business activities of the ESG Group, grew by 10 % compared to the previous year period. Especially the TRML-4D radars contributed to this dynamic growth in the core business. The most important key projects developed as expected. The strong increase in adjusted EBITDA by 26.2 % (€ 103 million; previous year: € 82 million) mainly resulted from an increased revenue volume, driven primarily by the core business and the resulting economies of scale, as well as from the first-time inclusion of the ESG Group.

Oliver Dörre has taken over as CEO of the HENSOLDT Group with effect from 1 April 2024. As a member of the Management Board, Oliver Dörre had already worked closely with his predecessor Thomas Müller since the beginning of the year to ensure a smooth transition. As part of a new allocation of tasks, Oliver Dörre as CEO will be directly responsible for all HENSOLDT divisions as well as for external and customer relations and the internationalisation strategy. Together with Oliver Dörre, Chief Financial Officer (CFO) Christian Ladurner, Chief Human Resources Officer (CHRO) Dr. Lars Immisch and Chief Operating Officer (COO) Celia Pelaz Perez form HENSOLDT's Management Board. On 10 July 2024, it was announced that Celia Pelaz Perez will resign from her position as a member of the Management Board of HENSOLDT AG effective on 31 August 2024.

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

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

2 Economic conditions

General economic conditions

According to the World Bank's latest report on the global economic outlook published in June 2024, the global economy will stabilize in 2024 for the first time in three years despite geopolitical tensions and high interest rates - at a low level though. The World Bank predicted global growth of 2.6 % in 2024, rising to an average of 2.7 % by 2025/2026 while the International Monetary Fund (IMF) predicted global economic growth of 3.2 % for the current year in its study published in April 2024. The Banks's forecast is therefore still well below the forecast of IMF. According to the World Bank, potential downside risks are in particular due to the conflicts in the Middle East and Ukraine. In the worst case, the conflicts might block the progress made in combating global inflation and cause uncertainty on the commodity markets. Global inflation is expected to decline to 3.5 % in 2024 and to 2.9 % in 2025, but at a slower pace than predicted a few months ago. Given the ongoing inflationary pressures, the World Bank expects central banks to maintain their tight monetary policies and restrictive credit conditions for the time being. Consequently, the average key interest rate will be about twice the average between 2000 and 2019 in the upcoming years.

In its spring forecast, the EU Commission predicts gross domestic product (GDP) growth of 1.0 % for the European economy in 2024 and 1.6 % for 2025, while investment growth is increasingly declining. According to the Brussels authority, inflation in the EU is expected to decline from 6.4 % in 2023 to 2.7 % in 2024 and to 2.2 % in 2025. The acceleration of economic growth is expected to be driven primarily by a steady increase in private consumption, supported by sustained real wage and employment growth and an associated increase in real disposable income. However, the spring forecast also highlights the uncertainties and downside risks to the economic outlook, which have continued to increase in recent months. In addition to global geopolitical tensions and conflicts, the risks associated with climate change are also increasingly weighing on the outlook.

According to the latest outlook published by the IFO Institute in June 2024, German GDP will grow by 0.4 % in 2024 and by 1.5 % in 2025, while the inflation rate is expected to fall noticeably from 5.9 % in 2023 to 2.2 % in 2024 and to 1.7 % in 2025. The German economy is therefore showing signs of recovery. According to the experts, the gradual improvement in the climate on the German sales markets and the associated expectation of increasing new orders in the manufacturing sector are likely to contribute to this change. In addition, energy costs for industrial companies continued their downward trend and reached the level of 2020. Consequently, the production in Germany gets more profitable again. Companies can increasingly work off their high order backlogs and energy-intensive industries can further expand their production.

Conditions in the defence and security sector

Russia's war of aggression against Ukraine and the conflicts in the Middle East continue to determine the security policy environment in Germany, the EU and NATO.

Since 23 May 2024, the new procurement process of the German Bundeswehr has been valid under the term "General Regulation on Project-Related Requirements Coverage and Use (PBN)". In light of the turning point, market-available solutions are preferred. The factor time is the guiding factor. In July 2024, the German Federal Government presented its cabinet draft for the 2025 federal budget and the medium-term financial planning up to 2028. In addition to an increase in the defence budget (Section 14) by approximately € 1,2 billion to € 53,2 billion for 2025, a significant increase of Section 14 to approximately € 80 billion in 2028 was announced. With the planned expenditure from the special fund of around € 22 billion in 2025 and the regular budget, Germany intends to continue to meet NATO's 2 % target in the upcoming years. In the first half of 2024, the Budget Committee of the German Bundestag approved 42 so-called 25-million-euro-proposals with a total value of around € 27 billion. This essentially corresponds to the planning of the Federal Ministry of Defence (BMVg), according to which 43 of such proposals have originally been planned for the first half of 2024. Numerous further proposals are also to be approved by parliament in the second half of 2024.

Defence spending within NATO and EU member states will continue to rise in 2024. NATO expects its member states to spend an average of 2.1 % of their GDP on defence in 2024. In total, 23 of the 32 member states are expected to achieve the 2 % target. On average, NATO members also exceed the required quota of 20 % of defence spending on armaments with an average proportion of around 30 %. According to NATO estimates. European NATO members and Canada are expected to increase their defence spending by approximately 18 % in 2024 compared to 2023, This continued significant increase in defence spending is also reflected in the procurement of major programmes. In addition to national procurement, cooperation programmes will continue to be the focus. Additionally, strategic industrial defence cooperation will be further strengthened.

Further concrete progress has been made in European as well as in bilateral and multilateral procurement cooperation. Poland plans to become the 22nd country to join the European Sky Shield Initiative (ESSI). HENSOLDT is already benefiting from ESSI's core competencies in the radar sector. At German-Polish government consultations in July 2024, an action plan was drawn up to intensify cooperation in procurement, armaments projects and research and development programmes.

At the armaments trade fair “Eurosatory 2024”, the managing directors of KNDS Deutschland, KNDS France, Rheinmetall Landsysteme and Thales signed a letter of intent on June 18, agreeing to establish a project company for the targeted implementation of development work on the German-French armaments project Main Ground Combat System (MGCS). The relevant contracts for the implementation of the programme are to be finalized by the end of 2024 and signed in 2025. Italy could become another European partner in the MGCS project. This results in various opportunities for HENSOLDT to participate in the so-called pillars in the programme with a strong focus on the Pillar 6 for sensor technology, comparable to the FCAS programme. In addition to this core competency in the field of sensor technology and sensor fusion, there is also potential in protection or logistics.

HENSOLDT is represented on almost all flying, floating and mobile platforms of the Bundeswehr and benefits from large-volume procurement of platforms in Germany. With the PBN's focus on products that are quickly available on the market, by ensuring access to key technologies and by participating in national and cooperative development projects such as the Future Combat Air System (FCAS) and MGCS, HENSOLDT's product and competence portfolio offers a wide range of business opportunities for products and development solutions. These arise in the context of an increasingly improving market environment in all military dimensions and numerous future technologies, especially in the context of a growing European market.

3 Results of operations

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

	Order intake			Revenue			Book-to-bill			Order backlog		
	First half year			First half year			First half year			30 June	31 Dec.	
in € million	2024	2023	% Delta	2024	2023	% Delta	2024	2023	Delta	2024	2023	% Delta
Sensors	1,253	817	53.4 %	744	603	23.4 %	1.7x	1.4x	0.3x	5,714	4,693	21.8 %
thereof: ESG	*166*			*82*			*2.0x*			*579*		
Optronics	139	257	-46.0 %	108	125	-13.7 %	1.3x	2.0x	-0.7x	884	852	3.8 %
Elimination/ Transversal/ Others	-33	-3		-3	-3					-45	-15	
HENSOLDT	**1,359**	**1,071**	**26.9 %**	**849**	**726**	**17.0 %**	**1.6x**	**1.5x**	**0.1x**	**6,553**	**5,530**	**18.5 %**

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

Order intake

- *Sensors*: Order intake during the first half year 2024 amounted to € 1,253 million. This exceeded the strong order intake of the previous year period by 53.4 %. Order intake in the first half year 2024 was primarily driven by the short-range and very short-range air defence system (LVS NNbS) commissioned for the German Bundeswehr in which almost all divisions - Radar & Naval Solutions, Optronics & Land Solutions and Services & Aerospace Solutions - are involved. Furthermore, order intake for further TRML-4D radars to support Ukraine and order intake under ESSI for Latvia and Slovenia have been recorded in the Radar & Naval Solutions division. The previous year period included mainly orders for TRML-4D radars to support Ukraine. From the second quarter of 2024, the order intake of the ESG division amounting to € 166 million was included for the first time within the Sensors segment for three months. The previous year period included, inter alia, orders for TRML-4D radars to support Ukraine and the German Bundeswehr.

- *Optronics*: At € 139 million, order intake in the first half of 2024, were significantly below the strong order intake in the previous year period. The first half of 2024 mainly included orders for the laser rangefinder for the M1 Abrams main battle tank, an order for the LVS NNbS project in the Ground Based Systems product line, as well as orders in the Industrial Commercial Solutions product line in connection with Final Focus Metrology (FFM). The previous year, however, was inter alia characterized by order intake for Leopard 2 platform in the Ground Based Systems product line.

Revenue

- *Sensors*: In the Sensors segment, revenue amounted to € 744 million in the first half of 2024. Compared to the previous year period, this represents an increase of 23.4 % or € 141 million, of which € 82 million resulted from additional revenues from the ESG division's business activities. TRML-4D radars for air defence in the Radar & Naval Solutions division in particular contributed to dynamic growth in the core business in the first half of 2024. The two key projects PEGASUS (airborne electronic signals intelligence system) in the Spectrum Dominance & Airborne Solutions division and the Eurofighter radars in the Radar & Naval Solutions division developed as expected, revenue from pass-through business were significantly below the previous year's figure.

- *Optronics*: The decrease in revenue of -13.7 % to € 108 million was mainly due to a lower revenue volume in the South African unit, due to market refocusing and restructuring of the product portfolio through investments in digitalization. The decrease was partly offset by an increase in revenue in the Ground Based Systems product line of the German unit.

Book-to-bill ratio[1]

The book-to-bill ratio remained at a high level and was slightly above the previous year period at 1.6x.

- *Sensors*: In the Sensors segment, a book-to-bill ratio of 1.7x was achieved. The increase by 0.3x compared to the previous year period was mainly due to the high order intake, particularly for the LVS NNbS project and for further TRML-4D radars in the Radar & Naval Solutions division. In addition, the first-time inclusion of the order intake of the ESG division amounting to € 166 million contributed to the increase.

- *Optronics*: The book-to-bill ratio of 1.3x was well below the strong book-to-bill ratio of 2.0x in the previous year period. This decrease was especially due to lower order intake in the Ground Based Systems product line compared to the previous year period.

Order backlog

- *Sensors:* Due to the high level of order intake, especially in the Radar & Naval Solutions division and the first-time inclusion of the order backlog of the ESG division of € 579 million, the order backlog increased in the first half of 2024 by 21.8 % to € 5,714 million as per 30 June 2024.

- *Optronics:* The increase in order backlog by 3.8 % to € 884 million compared to year-end 2023 primarily resulted from the order intake in the Ground Based Systems product line.

Income

	Profit			**Profit margin**[1]	
	First half year			First half year	
in € million	2024	2023	% Delta	2024	2023
Sensors	117	86	36.3 %	15.7 %	14.2 %
thereof: ESG	*9*			*11.5 %*	
Optronics	-14	-4	>-200 %	-12.6 %	-3.2 %
Adjusted EBITDA	**103**	**82**	**26.2 %**	**12.2 %**	**11.3 %**
Depreciation and amortisation	-72	-52	-37.5 %		
Special items[2]	-27	-16	-76.0 %		
Earnings before finance result and income taxes (EBIT)	**4**	**14**	**-70.0 %**	**0.5 %**	**2.0 %**
Finance result	-13	-27	53.0 %		
Income taxes	-18	-3	>-200 %		
Group result	**-26**	**-16**	**-61.5 %**	**-3.1 %**	**-2.2 %**
Earnings per share (in €; basic/diluted)	**-0.21**	**-0.16**	**-34.3 %**		

[1] The profit margins are calculated in relation to the corresponding revenue.
[2] Special items are "non-regularly recurring and extraordinary" effects.

Adjusted EBITDA

- *Sensors*: The significant increase in adjusted EBITDA compared to the previous year period resulted from the ESG division with a contribution of € 9 million as well as from further growth in the core business and a lower share of revenue from pass-through business in the key projects. A further positive effect on adjusted EBITDA resulted from the realisation of economies of scale due to increased production.

- *Optronics*: Adjusted EBITDA decreased compared to the previous year period. This decrease was mainly due to a higher decrease in revenues in the South African unit, due to market refocusing and restructuring of the product portfolio through investments in digitalization.

[1] Defined as ratio of order intake to revenue in the relevant reporting period.

Earnings before finance result and income taxes (EBIT)

- *Depreciation and amortisation:* Depreciation and amortisation increased mainly due to higher amortisation on capitalized development costs and higher depreciation on right-of-use assets, which increased as a result of the initial consolidation of the ESG Group.

- *Special items*[2]: The increase compared to the previous year period was due, inter alia, to expenses for consulting services and transaction costs incurred in connection with the acquisition and integration of the ESG Group. In addition, expenses incurred in connection with setting up new infrastructure for HENSOLDT's research and development (R&D), production and logistics, such as for relocations and initial setups as well as due to OneSAPnow-related expenses in connection with the business transformation for SAP S/4HANA . These expenses are mainly included in the general administrative expenses. The previous year period included impairments of acquired intangible assets from the purchase price allocation of HENSOLDT Cyber GmbH.

Group result

- *Finance result*: The significant improvement in the finance result mainly resulted from income from the valuation of interest rate swaps on the reporting date as well as from higher interest income on investments.

- *Income taxes*: The increase in income taxes consisted of both higher current tax expenses and higher deferred tax expenses.

Earnings per share

- The decrease in the group result is reflected accordingly in decreased earnings per share of € -0.21 (previous year: € -0.16).

[2] Defined as "transaction costs, effects on earnings from purchase price allocations, OneSAPnow-related special items as well as other special items".

4 Assets, liabilities and financial position

Assets and capital structure[3]

	30 June	31 Dec.	
in € million	2024	2023	% Delta
Non-current assets	2,238	1,405	59.3 %
Current assets	2,000	2,155	-7.2 %
Total assets	**4,238**	**3,560**	**19.0 %**
Equity	759	824	-7.9 %
Non-current liabilities	1,907	1,266	50.7 %
Current liabilities	1,572	1,470	6.9 %
Total equity and liabilities	**4,238**	**3,560**	**19.0 %**

As of 30 June 2024, total assets amounted to € 4,238 million. This corresponds to an increase of 19.0 % compared to 31 December 2023, which is especially due to the acquisition of 100% of the shares in ESG GmbH. Changes in the assets, liabilities and financial position resulting from the initial consolidation of the ESG Group as of 2 April 2024 are presented separately in the Notes to the Condensed Consolidated Interim Financial Statements under “4. Acquisitions”.

Total assets

- *Non-current assets*: The increase in non-current assets by € 834 million to € 2,238 million was mainly due to the initial consolidation of the ESG Group. The preliminary purchase price allocation for the ESG Group resulted, inter alia, in the recognition of a goodwill of € 463 million and intangible assets such as for customer relationships of € 182 million.

- *Current assets*: The decrease in current assets by € 156 million resulted primarily from the reduction in cash and cash equivalents, which was mainly due to the cash outflows in connection with the payment of the fixed purchase price component of € 635 million and the payment of the first tranche of the variable purchase price of € 32.5 million for the acquisition of the ESG Group. In addition, the dividend for the fiscal year 2023 was paid in the amount of € 46 million. This was offset by the drawdown of the loan (“Term Facility”) to partially finance the purchase price for the acquisition of the shares in the ESG Group in the amount of € 450 million and the cash and cash equivalents of € 125 million taken over from the ESG Group upon transfer of control. Following the usual seasonal pattern, trade receivables decreased while contract assets increased, especially due to the takeover of contract assets from customer contracts of the ESG Group and the key projects in the first half of 2024. In addition to the usual seasonal build-up of inventories, investments for securing and increasing the production of, inter alia, TRML-4D radars, played a role.

Total equity and liabilities

- *Equity*: The decrease mainly resulted from the decline of retained earnings due to the dividend payment as well as from the net loss for the period. An amount of € 140 million was withdrawn from the capital reserve and transferred to retained earnings.

- *Non-current liabilities*: In addition to the acquisition of the ESG Group, the increase in non-current liabilities was primarily due to the drawdown of the loan under the syndicated loan agreement (“Term Facility”) concluded in December 2023.

- *Current liabilities*: The increase in current liabilities was mainly due to current contract liabilities and trade payables which increased especially due to the acquisition of the ESG Group. The increase in current contract liabilities also rose in connection with advance payments for TRML-4D radars. The increase in current liabilities was partially offset by a decrease in current financing liabilities and current other liabilities. The latter resulted especially from the settlement of a VAT liability in the first half of 2024. The increase in current provisions as a result of the takeover of the ESG Group's obligations was almost completely offset by the bonus payments to employees made in the second quarter of 2024.

[3] Only significant changes to the Consolidated Statement of Financial Position are explained.

Financial position

	First half year		
in € million	2024	2023	Delta
Cash flows from operating activities	-151	-120	-31
Cash flows from investing activities	-620	-51	-569
Free cash flow	**-772**	**-172**	**-600**
Transaction cost	11	–	11
OneSAPnow-related special items	18	3	15
M&A activities	574	3	570
Other special items[1]	24	9	16
Adjusted free cash flow	**-145**	**-157**	**12**
Cash flows from financing activities	**366**	**-41**	**408**

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

Free cash flow

- *Cash flows from operating activities*: The slightly higher negative cash flows from operating activities compared to the previous year period mainly included cash inflows from the settlement of trade receivables and from contract balances as well as investments in working capital in order to cope with the expected business volume in the following quarters.

- *Cash flows from investing activities*: The significant increase in cash outflows primarily resulted from the purchase price payment for the acquisition of 100% of the shares in the ESG Group. In addition, investments were made in property plant and equipment, in development services as well as for the business transformation for SAP S/4HANA.

Adjusted free cash flow

- *Transaction cost*: The cash outflows for transaction costs in the first half of 2024 were mainly incurred in connection with the acquisition of the shares in the ESG Group.

- *OneSAPnow-related special items:* The increased cash outflows reflect increased investments due to the progress of the business transformation within the framework of SAP S/4HANA

- *M&A activities*[4]: In the first half of 2024, cash outflows in connection with the payment of the purchase price for the acquisition of the shares in the ESG Group are mainly included.

- *Other special items*: The increase in other special items compared to the previous year period was mainly due to cash outflows in connection with setting up new infrastructure for HENSOLDT’s research and development (R&D), production and logistics, such as for relocations and initial setups.

Cash flows from financing activities

The strong increase in cash flows from financing activities was due to the cash inflows from the drawdown of the loan under the syndicated loan agreement (“Term Facility”) to finance the purchase price for the acquisition of the ESG Group. This increase was offset by the cash outflows for the dividend payment of € 46.2 million to the shareholders of HENSOLDT AG in the first half of 2024.

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

5 Outlook

Due to the acquisition of the shares in ESG GmbH with effect from 2 April 2024, the outlook takes into account the inclusion of the ESG Group from the beginning of the second quarter for nine months in the fiscal year 2024. Based on these assumptions, the Management Board continues to expect strong growth in order intake, revenue and adjusted EBITDA, with the ESG group contributing more than half of this growth in each case. Management continues to expect a book-to-bill ratio at the previous year's level between 1.1x and 1.2x.

These expectations assume unchanged underlying conditions compared to year-end 2023.

The outlook depends heavily on the circumstances mentioned in the opportunities and risks report and is based despite the described macroeconomic developments on the Group's multi-year business plan. The latter was described in the combined management report of HENSOLDT AG for the fiscal year ended 31 December 2023.

Overall, the Management Board is confident that HENSOLDT can build on the successful fiscal year 2023 and expects another positive development for 2024.

The outlook therefore remains unchanged compared to the year-end 2023.

6 Opportunities and risks

The combined management report of HENSOLDT AG for the fiscal year ended 31 December 2023 contains an explanation of the essential properties of HENSOLDT’s risk and control management. The detailed explanations included accounting-related internal controls, risk management, certain risks that could have a negative impact on HENSOLDT and the main opportunities.

The acquisition of the shares in ESG GmbH is associated with various risks that may arise from both the integration as well as from the operational business. Possible risks such as the loss of know-how in the ESG Group or lower synergy effects in combination with a reduced operational business are countered by a structured integration process as part of an Integration Management Office with various functional and operational workstreams involving both sides.

HENSOLDT has to manage complex and long-running projects with high technical requirements and large volumes. The corresponding operational risks reported in the combined management report of HENSOLDT AG for the fiscal year ended 31 December 2023 remained essentially unchanged. The status of the key projects is regularly reported to the Supervisory Board. If necessary, external audits with different focal points are also commissioned.

The challenges in the labour market of attracting and retaining highly qualified technical personnel for both segments as well as qualified sales employees and efficient management continue to represent a risk for HENSOLDT, which shows a slight increase compared to year-end 2023.

Based on the expected global increase of attack attempts on IT networks due to the still deteriorating geopolitical situation, particularly between Russia, the USA, China and Europe, the likeliness of successful cyber-attacks is generally estimated to be higher than in the past. Such increased risk from cyber-attacks worldwide also represents an increased risk for HENSOLDT. To counter this, appropriate measures are defined and implemented. Furthermore, the HENSOLDT Group is constantly expanding its cyber security measures. This includes the expansion of its cybersecurity team, the expansion of the budget, security monitorings, a Group-wide security team, penetration testing, and regular internal IT audits as well as external assessments.

HENSOLDT continuously monitors the effects of the war in Ukraine and in the Middle East. The ongoing consequences thereof still include possible effects on supply bottlenecks of materials and rising prices for specific components. These consequences constitute influential factors for HENSOLDT’s risk situation in the functional and operating area, can leave their marks on the supply chains and result in rising cost of production. The procurement risk and possible consequences due to the changed situation and the materials situation on the world market still exist - but with a decreasing trend: The consequences of inflation have been declining in both segments since the end of 2023 and are now at a low level. The risks from the supply chain situation have also been declining in both segments since the end of 2023. Nevertheless, in order to continue to counteract the effects of the supply chain situation, close monitoring continues so that appropriate measures can be taken if necessary.

Specially established working and expert groups continuously analyse and monitor in detail potential further effects of the continuing deterioration of the geopolitical situation and possible consequences for HENSOLDT. For example, the desired consolidation of the armaments and defence industry offers opportunities to participate in major programmes, products and development solutions.

For HENSOLDT, opportunities in all military dimensions and numerous future technologies arise from increasing military investments worldwide and from a growing and continuously improving European market environment. The implications of geopolitical developments, increases in defence budgets and increasing military investments worldwide, NATO's priorities in its strategic concept and changed military doctrines, in conjunction with defence technology developments, further strengthen HENSOLDT's opportunities. The rapid creation of a comprehensive situation report, the distribution of information in a network of connected sensors and effectors in a mission-oriented manner and the control of the electromagnetic spectrum are highly sought-after skills for which HENSOLDT is extremely well positioned with its portfolio. The opportunity to diversify the product range, the expansion of the service business as well as HENSOLDT's ability to act as an innovation leader within its industry remain and will act as a multiplier.

The Management Board currently assesses the overall opportunity and risk situation of HENSOLDT mainly as stable, and thus unchanged compared to year-end 2023.

B Condensed Consolidated Interim Financial Statements

1 Consolidated Income Statement

		First half year	
in € million	Note	2024	2023
Revenue	7	849	726
Cost of sales		-689	-602
Gross profit		**160**	**124**
Selling and distribution expenses		-62	-55
General administrative expenses		-74	-48
Research and development costs		-17	-13
Other operating income	8	8	10
Other operating expenses	8	-10	-9
Other result from investments	9	-1	5
Earnings before finance result and income taxes (EBIT)		**4**	**14**
Interest income		28	11
Interest expense		-45	-31
Other finance income / costs		4	-7
Finance result	**10**	**-13**	**-27**
Earnings before income taxes (EBT)		**-8**	**-13**
Income taxes	11	-18	-3
Group result	**12**	**-26**	**-16**
thereof attributable to the owners of HENSOLDT AG		*-25*	*-17*
thereof attributable to non-controlling interests		*-1*	*1*
Earnings per share			
Basic and diluted earnings per share (in €)		-0.21	-0.16

2 Consolidated Statement of Comprehensive Income

		First half year	
in € million	Note	2024	2023
Group result	12	**-26**	**-16**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Measurement of post-employment benefit plans / plan assets	16	31	-15
Tax on items that will not be reclassified to profit or loss		-9	4
Subtotal		**22**	**-11**
Items that will be reclassified to profit or loss			
Difference from currency translation of financial statements		3	-9
Subtotal		**3**	**-9**
Other comprehensive income net of tax		**25**	**-20**
Total comprehensive income		**-1**	**-37**
thereof attributable to the owners of HENSOLDT AG		*-0*	*-35*
thereof attributable to non-controlling interests		*-1*	*-1*

3 Consolidated Statement of Financial Position

ASSETS		30 June	31 Dec.
in € million	Note	2024	2023
Non-current assets		**2,238**	**1,405**
Goodwill		1,128	658
Intangible assets		638	380
Property, plant and equipment		162	140
Right-of-use assets		266	189
Other investments and other non-current financial assets	13	29	25
Non-current other financial assets	17	3	1
Other non-current assets	18	3	3
Deferred tax assets		9	9
Current assets		**2,000**	**2,155**
Other non-current financial assets, due on short-notice		1	0
Inventories	14	749	625
Contract assets	15	375	196
Trade receivables	15	304	382
Other current financial assets	17	7	19
Other current assets	18	163	116
Income tax receivables		6	15
Cash and cash equivalents		395	802
Total assets		**4,238**	**3,560**

EQUITY AND LIABILITIES		30 June	31 Dec.
in € million	Note	2024	2023
Share capital		116	116
Capital reserve		473	613
Other reserves		56	32
Retained earnings		100	48
Equity held by shareholders of the HENSOLDT AG		**744**	**808**
Non-controlling interests		15	16
Equity, total		**759**	**824**
Non-current liabilities		**1,907**	**1,266**
Non-current provisions	16	408	357
Non-current financing liabilities	19	1,073	621
Non-current contract liabilities		6	–
Non-current lease liabilities		262	191
Other non-current financial liabilities	17	0	10
Other non-current liabilities	18	14	14
Deferred tax liabilities		145	74
Current liabilities		**1,572**	**1,470**
Current provisions	16	219	211
Current financing liabilities	19	8	23
Current contract liabilities		658	578
Current lease liabilities		28	20
Trade payables		485	457
Other current financial liabilities	17	13	7
Other current liabilities	18	125	136
Tax liabilities		37	39
Total equity and liabilities		**4,238**	**3,560**

4 Consolidated Statement of Cash Flows

	First half year	
in € million	2024	2023
Group result	**-26**	**-16**
Depreciation, amortisation and impairments of non-current assets	72	58
Impairments (+) / reversals of impairments (-) of inventories, trade receivables and contract assets	-1	3
Financial expenses (net)	11	15
Other non-cash expense / income	-2	2
Change in		
Provisions	-31	26
Inventories	-116	-121
Contract balances	-75	-127
Trade receivables	111	55
Trade payables	7	18
Other assets and liabilities	-92	-16
Interest paid	-27	-19
Interest received	13	3
Income tax expense (+) / income (-)	18	3
Income tax payments (-) / refunds (+)	-11	-5
Cash flows from operating activities	**-151**	**-120**
Acquisition / addition of intangible assets and property, plant and equipment	-75	-48
Proceeds from sale of intangible assets and property, plant and equipment	1	0
Proceeds from disposals of associates, other investments and non-current financial assets	-1	1
Acquisition of associates, other investments and other non-current financial assets	-2	-4
Acquisition of subsidiaries net of cash acquired	-543	-1
Other	-0	–
Cash flows from investing activities	**-620**	**-51**
Proceeds from financing liabilities to banks	450	–
Transaction cost paid from refinancing	-2	–
Change in other financing liabilities	-19	0
Payment of lease liabilities	-15	-10
Dividend payments	-46	-32
Transaction costs paid on issue of equity	-1	–
Other	-0	–
Cash flows from financing activities	**366**	**-41**
Effects of changes in exchange rates on cash and cash equivalents	-2	0
Net changes in cash and cash equivalents	**-408**	**-212**
Cash and cash equivalents		
Cash and cash equivalents on 1 January	**802**	**460**
Cash and cash equivalents on 30 June	**395**	**247**

5 Consolidated Statement of Changes in Equity

in € million	Share capital	Capital reserve	Retained earnings	Remea-surement of pensions	Currency translation	Subtotal	Non-controlling interests	Total
	Attributable to the owners of the HENSOLDT AG							
				Other reserves				
As of 1 January 2024	**116**	**613**	**48**	**52**	**-21**	**808**	**16**	**824**
Group Result	–	–	-25	–	–	**-25**	-1	**-26**
Other comprehensive income	–	–	–	22	2	**24**	1	**25**
Total comprehensive income	**–**	**–**	**-25**	**22**	**2**	**-0**	**-1**	**-1**
Release Capital reserve	–	-140	140	–	–	**–**	–	**–**
Dividend payments	–	–	-46	–	–	**-46**	–	**-46**
Changes in the scope of consolidation	–	–	-15	–	–	**-15**	–	**-15**
Other	–	–	-3	–	–	**-3**	–	**-3**
As of 30 June 2024	**116**	**473**	**100**	**75**	**-19**	**744**	**15**	**759**

in € million	Share capital	Capital reserve	Retained earnings	Remea-surement of pensions	Currency translation	Subtotal	Non-controlling interests	Total
	Attributable to the owners of the HENSOLDT AG							
				Other reserves				
As of 1 January 2023	**105**	**472**	**-55**	**96**	**-14**	**604**	**13**	**616**
Group Result	–	–	-17	–	–	**-17**	1	**-16**
Other comprehensive income	–	–	–	-11	-8	**-19**	-2	**-20**
Total comprehensive income	**–**	**–**	**-17**	**-11**	**-8**	**-35**	**-1**	**-37**
Dividend payments	–	–	-32	–	–	**-32**	–	**-32**
Other	**–**	**–**	**-3**	**–**	**–**	**-3**	**3**	**–**
As of 30 June 2023	**105**	**472**	**-106**	**85**	**-21**	**534**	**14**	**548**

C Notes to the Condensed Consolidated Interim Financial Statements

1 The Company

HENSOLDT is a platform-independent provider of sensor solutions and system integrator in the defense and security sector based in Taufkirchen, Germany.

The Condensed Consolidated Interim Financial Statements include the financial statements of HENSOLDT AG and all financial statements of material direct and indirect subsidiaries controlled by HENSOLDT AG for the period from 1 January to 30 June 2024.

As of 2 April 2024, the material companies of the ESG Group and, as of 30 June 2024, HENSOLDT Analytics GmbH were fully consolidated in the HENSOLDT Group. This means that 36 (previous year: 30) companies, including the parent company, were fully consolidated.

2 Accounting policies

The Condensed Consolidated Interim Financial Statements for the first half year 2024 were prepared in accordance with IAS 34 and related interpretations issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") for interim financial reporting as at 30 June 2024.

The Condensed Consolidated Interim Financial Statements were authorised for issue by HENSOLDT AG's Management Board on 22 July 2024.

These Condensed Consolidated Interim Financial Statements include all information and disclosures required by the International Financial Reporting Standards ("IFRS") to be presented in Condensed Consolidated Interim Financial Statements and should be read in conjunction with the IFRS Consolidated Financial Statements for the fiscal year ended 31 December 2023.

The accounting policies applied to the Condensed Consolidated Interim Financial Statements are fundamentally based upon the same accounting policies and same methods of computation used in the Consolidated Financial Statements as at 31 December 2023. Exceptions are new or revised standards required to be applied for the first time in the fiscal year 2024. They had no material influence on the Condensed Consolidated Interim Financial Statements.

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

3 Judgements and estimates

The preparation of the Condensed Consolidated Interim Financial Statements in accordance with IAS 34 requires the management to exercise judgement and make estimates and assumptions that affect the application of accounting policies in the Group and the presentation of its assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The results obtained in the first half year 2024 are not necessarily an indication of how the Group will develop in the future.

The judgements, estimates and assumptions are basically unchanged compared to the circumstances described in the Consolidated Financial Statements as at 31 December 2023. For the actuarial valuation of provisions for pensions, an adjustment was made to the interest rate applicable on the reporting date. For an explanation of the change in provisions for pensions as of 30 June 2024, please refer to the chapter "16. Provisions".

4 Acquisitions

HENSOLDT has acquired 100 % of the shares and voting rights in ESG Elektroniksystem- und Logistik-GmbH Fürstenfeldbruck, Germany, (‘ESG GmbH’ or ‘ESG Group’ together with the subsidiaries of ESG GmbH) with effect from 2 April 2024.

The ESG Group is a platform- and manufacturer-independent system integrator and technology and innovation partner for defence and security. The acquisition strengthens the Group's presence in Germany in particular, improves customer access and enables the expansion of the product portfolio. Furthermore, HENSOLDT expects the acquisition to generate cost synergies and sales synergies from the joint positioning on the market.

The purchase price consists of a fixed component totalling € 635 million and a variable component of up to € 55 million. The payment of the fixed purchase price component was financed by the capital increase against cash contributions carried out on 7 December 2023, which was entered in the commercial register on 8 December 2023, and by drawing down a loan (‘term facility’) of € 450 million in accordance with the syndicated loan agreement concluded in December 2023.

The variable portion of the purchase price is also payable in cash and is due in two tranches. The first tranche was payable in the first half of the fiscal year 2024, while the second tranche is due in the first half of the fiscal year 2025. The first instalment of the variable purchase price has already been paid and amounted to € 32.5 million. The range of the second tranche is between € 0 million and € 22.5 million and is reported under current financial liabilities as of 30 June 2024. The main factor influencing the respective variable purchase price component is the order intake of the ESG Group. The fair value of the estimated variable purchase price component at the time of acquisition was € 44 million and was determined by calculating the present value of the expected future cash flows.

The acquisition-related costs amounted to € 10 million in the first half of the fiscal year 2024. These costs were recognised in the income statement under administrative expenses.

The carrying amounts or fair values of the identifiable assets of the ESG Group at the acquisition date were as follows:

	Carrying amount	Fair value
in € million		
Assets		
Intangible assets	1	250
Property, plant and equipment	10	10
Right-of-use assets	69	69
Financial assets	9	9
Inventories	6	6
Contract assets	67	67
Receivables and other assets	87	87
Cash and cash equivalents	125	125
Total assets	**375**	**624**
Liabilities	**-349**	**-356**
Deferred taxes	19	-52
Total identifiable net assets	**45**	**216**
Goodwill		463
Consideration transferred		**679**

The temporary purchase price allocation resulted primarily in the capitalisation of customer relationships in the amount of € 182 million, an order backlog of € 43 million, the capitalisation of certifications in the amount of € 8 million and technology-related assets in the amount of € 16 million.

The remaining amount corresponds to Goodwill in the amount of € 463 million. This mainly represents the expected future prospects from the market position and the expertise of the employees of the acquired ESG Group as well as the expected synergies that are to be achieved through the integration of the ESG Group into the existing business of the HENSOLDT Group. None of the goodwill recognised is tax deductible.

At the time of the transfer of control, the acquired group had cash and cash equivalents totalling € 125 million and gross trade receivables of € 31 million, of which € 0.1 million was estimated to be likely to be uncollectible.

In the three months from 2 April 2024 (date of acquisition) to 30 June 2024, the ESG Group contributed revenue of € 82 million and net income of € 1 million to the result of the HENSOLDT Group. Without the additional amortisation of assets resulting from the provisional purchase price allocation in the amount of € -8 million, the result contribution after taxes would have been € -7 million. If the takeover had taken place on 1 January 2024, the Management Board estimates that this would have led to a further increase in revenue of € 67 million and a lower group result of € 14 million including the amortisation of assets from the purchase price allocation of € 8 million. When calculating these amounts, the Management Board assumed that the fair value adjustments determined at the time of acquisition would also have been valid in the event of an acquisition on 1 January 2024.

5 Transactions with related parties

Related party transactions with entities

The Company has entered into various transactions with related entities carried out in the normal course of business.

Revenue and other income, purchases of goods and services as well as other expenses with related parties for the period ended on 30 June:

	First half year	
in € million	2024	2023
Revenue and other income	299	295
thereof with entities with significant influence	*234*	*256*
Purchases of goods and services and other expenses	34	39
thereof from entities with significant influence	*20*	*26*

Receivables from and liabilities to related entities as per the reporting date:

	30 June	31 Dec.
in € million	2024	2023
Receivables	132	146
thereof from entities with significant influence	*56*	*59*
thereof from joint ventures	*39*	*64*
thereof from non-consolidated affiliated companies	*24*	*12*
Liabilities	47	52
thereof to entities with significant influence	*10*	*11*
thereof to joint ventures	*4*	*5*
thereof to non-consolidated affiliated companies	*24*	*26*

Relationships with related parties are presented in the Consolidated Financial Statements as of 31 December 2023 and remain unchanged as of 30 June 2024. Changes in the group of non-consolidated affiliated subsidiaries as well as the Group's associates and joint ventures are presented in section "1 The Company".

Related party transactions with persons

Relationships with related parties are presented in the remuneration report for the fiscal year 2023. The changes to the Management Board and Supervisory Board are described in the interim Group management report in section "1 Business development and key events".

6 Segment information

The Group operates in two operating segments, Sensors and Optronics. From the second quarter onwards, the activities of the ESG-Group will be reported as a separate division within the Sensors segment.

				First half year
				2024
in € million	Sensors	Optronics	Elimination/ Transveral/ Others	Group
Order intake	1,253	139	-33	**1,359**
Order backlog	5,714	884	-45	**6,553**
Book-to-bill-ratio	1.7x	1.3x		**1.6x**
Segment revenue	744	108	-3	**849**
Revenue from external customers	*744*	*106*	–	***849***
Intersegment revenue	*0*	*2*	*-3*	***–***

				First half year
				2024
in € million	Sensors	Optronics	Elimination/ Transveral/ Others	Group
Material non-cash items other than depreciation and amortisation:				
Additions to other provisions	-41	-21	–	**-62**
Reversals of other provisions	5	5	–	**10**

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First half year 2024 Group
EBITDA	**106**	**-14**	**-16**	**76**
Transaction cost	–	–	2	**2**
OneSAPnow-related special items[1]	1	0	5	**6**
Other special items[2]	11	1	8	**19**
Adjusted EBITDA	**117**	**-14**	**–**	**103**
Adjusted EBITDA margin[3]	*15.7 %*	*-12.6 %*		***12.2 %***
EBITDA	**106**	**-14**	**-16**	**76**
Depreciation and amortisation	-63	-9	-0	**-72**
EBIT	**43**	**-23**	**-16**	**4**
Effects on earnings from purchase price allocations	18	2	–	**20**
Transaction cost	–	–	2	**2**
OneSAPnow-related special items[1]	1	0	5	**6**
Other special items[2]	11	1	8	**19**
Adjusted EBIT	**72**	**-20**	**–**	**52**
Adjusted EBIT margin[3]	*9.7 %*	*-18.7 %*		***6.1 %***

[1] OneSAPnow-related special items include expenses associated with the business transformation for SAP S/4HANA.

[2] Other special items include expenses for consulting services incurred in connection with the acquisition and integration of the ESG Group as well as in connection with setting up new infrastructure for HENSOLDT's R&D, production and logistics, such as for relocations and initial setups.

[3] Based on segment revenues

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First half year 2024 Group
EBIT	**43**	**-23**	**-16**	**4**
Finance result				**-13**
EBT				**-8**

in € million	Sensors	Optronics	Elimination/ Transveral/ Others	First half year 2023 Group
Order intake	817	257	-3	**1,071**
Order backlog	4,884	802	-14	**5,671**
Book-to-bill-ratio	1.4x	2.0x		**1.5x**
Segment revenue	603	125	-3	**726**
Revenue from external customers	*602*	*124*	–	***726***
Intersegment revenue	*1*	*1*	*-3*	**–**

				First half year
				2023
in € million	Sensors	Optronics	Elimination/ Transveral/ Others	Group
Material non-cash items other than depreciation and amortisation:				
Impairments	-6	–	–	**-6**
Additions to other provisions	-44	-25	–	**-69**
Reversals of other provisions	3	1	–	**5**

				First half year
				2023
in € million	Sensors	Optronics	Elimination/ Transveral/ Others	Group
EBITDA	**79**	**-4**	**-9**	**66**
Effects on earnings from purchase price allocations	6	–	–	**6**
OneSAPnow-related special items[1]	–	–	3	**3**
Other special items	1	–	6	**6**
Adjusted EBITDA	**86**	**-4**	**–**	**82**
Adjusted EBITDA margin[2]	*14.2 %*	*-3.2 %*		***11.3 %***
EBITDA	**79**	**-4**	**-9**	**66**
Depreciation and amortisation	-43	-9	-0	**-52**
EBIT	**36**	**-13**	**-9**	**14**
Effects on earnings from purchase price allocations	20	1	–	**22**
OneSAPnow-related special items[1]	–	–	3	**3**
Other special items	1	–	6	**6**
Adjusted EBIT	**57**	**-12**	**–**	**45**
Adjusted EBIT margin[2]	*9.5 %*	*-9.5 %*		***6.2 %***

[1] OneSAPnow-related special items include expenses associated with the business transformation for SAP S/4HANA.
[2] Based on segment revenues

				First half year
				2023
in € million	Sensors	Optronics	Elimination/ Transveral/ Others	**Group**
EBIT	**36**	**-13**	**-9**	**14**
Finance result				**-27**
EBT				**-13**

7 Revenue

The Group’s operations and major categories for revenue recognition are described in the Consolidated Financial Statements as of 31 December 2023.

During the first half year 2024, revenue increased overall by € 123 million to € 849 million compared to € 726 million in the first half year 2023.

Revenue (sales / aftersales)

			First half year
in € million	Sensors	Optronics	2024
Revenue from contracts with customers			
Sales	645	88	**734**
Aftersales	102	18	**120**
Exchange rate differences	-3	-1	**-4**
Total	**744**	**106**	**849**

			First half year
in € million	Sensors	Optronics	2023
Revenue from contracts with customers			
Sales	463	108	**571**
Aftersales	137	16	**153**
Exchange rate differences	1	0	**2**
Total	**602**	**124**	**726**

Revenue (geographical information)

	First half year	
in € million	2024	2023
Europe	770	627
thereof Germany	*520*	*417*
Middle East	19	62
APAC	28	27
North America	19	16
Africa	24	7
LATAM	4	0
Other regions / consolidation	-14	-14
Total	**849**	**726**

Revenue (timing of revenue recognition)

in € million	Sensors	Optronics	First half year 2024
Timing of revenue recognition from contracts with customers			
Revenue recognition at a point in time	214	92	**306**
Revenue recognition over time	533	15	**548**
Exchange rate differences	-3	-1	**-4**
Total	**744**	**106**	**849**

in € million	Sensors	Optronics	First half year 2023
Timing of revenue recognition from contracts with customers			
Revenue recognition at a point in time	165	112	**277**
Revenue recognition over time	435	12	**447**
Exchange rate differences	1	0	**2**
Total	**602**	**124**	**726**

Seasonality and cyclicality of operations

A significant volume of the regular annual revenue for both reporting segments, Sensors and Optronics, is typically recorded in the last months of the year - apart from ongoing key projects - due to the timing of many budgetary decisions by the governmental customers. The first half of our fiscal year is usually characterised by a build-up of inventories and corresponding cash outflows. This is offset by a reduction in trade receivables and corresponding cash inflows due to customer payments.

8 Other operating income and expenses

The other operating income of € 8 million and the other operating expenses of € 10 million (including the ESG Group from the second quarter) are mainly unchanged in comparison to the previous year period and essentially contain recharged services and costs.

9 Other result from investments

In the first half of the previous year, the Group received a share of profits amounting to € 4 million from an associated company, which was recognised in other result from investments.

10 Finance result

The finance result decreased from € -27 million in the first half of 2023 to € -13 million in the first half of 2024. This mainly results from higher interest income on investments and from the valuation of interest rate swaps. This effect has been partially compensated by higher interest expenses in connection with the drawdown of the loan (term loan and term facility). Higher income from foreign currency effects and from the valuation of foreign currency forwards on the reporting date was recorded in the other finance result.

11 Income taxes

The recognised income tax expense was calculated by multiplying the result for the interim reporting period by the management's best estimate of the weighted average annual income tax expected for the full fiscal year. It was adjusted for the tax effect of certain items recognised, in full, in the interim financial period. As such, the effective tax rate in the reporting period may differ from the estimate of the effective tax rate for the entire fiscal year.

The income tax expense in the first half of 2024 of € 18 million (previous year: € 3 million) resulted from current tax expense of € 7 million (previous year: € 5 million), in particular of the largest operating company. Additional tax expense resulted from deferred tax expense of € 10 million (previous year: € 2 million deferred tax income).

HENSOLDT is currently analysing the potential effects of international minimum taxation (Pillar 2). According to the current status, this is not expected to have a significant impact on the Consolidated Financial Statements.

12 Group result

The negative Group result amounts to € -26 million in the first half of 2024. Compared to the previous year period, the Group result increased by € -10 million.

13 Other investments and other non-current financial assets

	30 June	31 Dec.
in € million	2024	2023
Other investments	29	25
Other non-current financial assets	0	0
Other investments and other non-current financial assets	**29**	**25**
Other non-current financial assets, due at short-notice	**1**	**0**
Total	**30**	**25**

The other investments mainly relate to the investment in Deutsche Elektronik Gesellschaft für Algerien mbH and subsidiaries not consolidated for materiality reasons.

14 Inventories

Inventories increased by € 124 million to € 749 million compared to € 625 million as of 31 December 2023, which on the one hand was the result of the usual build-up of unfinished services and products due to seasonal patterns and on the other hand of increased investments for securing and increasing the production of, for example, TRML-4D radars as well as further advance payments in connection with the expected procurements.

15 Contract assets and trade receivables

Contract assets increased by € 179 million to € 375 million in the first half of 2024, especially due to the acquisition of contract assets from customer contracts of the ESG Group and the key projects, while Trade receivables decreased by € 79 million to € 304 million, following the usual seasonal trend.

16 Provisions

	30 June	31 Dec.
in € million	2024	2023
Provisions for post-employment benefits	348	304
Other provisions	279	263
Total	**626**	**567**
thereof non-current	*408*	*357*
thereof current	*219*	*211*

Despite the slight increase in interest rates to 3.86 %, provisions for post-employment benefits increased by € 44 million to € 348 million, mainly due to the initial recognition of the ESG Group's obligations.

The other provisions which essentially include provisions for other risks and costs, warranties as well as personnel-related provisions increased by € 15 million to € 279 million as at 30 June 2024 and were almost at the level as of 31 December 2023.

17 Other financial assets and other financial liabilities

Other financial assets

in € million	30 June 2024	31 Dec. 2023
Positive fair values of derivative financial instruments	2	0
Miscellaneous other non-current financial assets	1	1
Total other non-current financial assets	**3**	**1**
Positive fair values of derivative financial instruments	3	2
Receivables from employees	2	1
Loans to non-consolidated companies	2	15
Miscellaneous other current financial assets	1	1
Total other current financial assets	**7**	**19**
Total	**10**	**20**

Other financial liabilities

in € million	30 June 2024	31 Dec. 2023
Liabilities for derivative financial instruments	0	10
Miscellaneous other non-current financial liabilities	0	0
Total other non-current financial liabilities	**0**	**10**
Liabilities for derivative financial instruments	2	4
Liabilities from factoring contracts[1]	–	2
Miscellaneous other current financial liabilities	11	–
Total other current financial liabilities	**13**	**7**
Total	**13**	**16**

[1] The liabilities from factoring contracts resulted from the fact that the collection of payments by the factoring party was not yet due as of the balance sheet date.

18 Other assets and other liabilities

Other assets

in Mio. €	30 June 2024	31 Dec. 2023
Miscellaneous other non-current assets	3	3
Total other non-current assets	**3**	**3**
Advance payments	112	88
Tax receivables (without income tax)	44	22
Miscellaneous other current assets	7	5
Total other current assets	**163**	**116**
Total	**166**	**119**

Other liabilities

in € million	30 June 2024	31 Dec. 2023
Liabilities to employees	10	14
Miscellaneous other non-current liabilities	3	0
Total other non-current liabilities	**14**	**14**
Tax liabilities (without income tax)	31	75
Liabilities to employees	63	38
Liabilities relating to social security	7	7
Miscellaneous other current liabilities	23	16
Total other current liabilities	**125**	**136**
Total	**138**	**150**

19 Financial instruments

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. For some current financial assets and liabilities, the carrying amount is a reasonable approximation of the fair value.

	30 June 2024			
in € million	Category	Carrying amount	Fair value	Level
Assets				
Other investments and other non-current financial assets[1]	FVtOCI	29	29	–
Other non-current financial assets, due on short-notice	AC	1	1	–
Trade receivables	AC	258	258	–
Trade receivables (available for factoring)[1]	FVtOCI	46	46	–
Other financial assets				
Other derivative instruments	FVtPL	5	5	2
Non-derivative instruments	AC	6	6	–
Cash and cash equivalents	AC	395	395	1
Total financial assets		**738**	**738**	
Liabilities				
Financing liabilities				
Liabilities to banks	FLAC	1,081	1,105	2
Trade payables	FLAC	485	485	–
Other financial liabilities				
Other derivative instruments	FVtPL	2	2	2
Other miscellanous financial liabilities	FLAC	11	11	–
Total financial liabilities		**1,579**	**1,603**	

[1] Measured at amortised cost due to materiality considerations

The liabilities to banks include the loan ("term facility") of € 450 million which has been drawn due to the acquisition of the shares in ESG GmbH.

in € million	Category	31 Dec. 2023 Carrying amount	Fair value	Level
Assets				
Other investments and other non-current financial assets[1]	FVtOCI	25	25	–
Other non-current financial assets, due on short-notice	AC	0	0	–
Trade receivables	AC	284	284	–
Trade receivables (available for factoring)[1]	FVtOCI	99	99	–
Other financial assets				
Other derivative instruments	FVtPL	2	2	2
Non-derivative instruments	AC	17	17	–
Cash and cash equivalents	AC	802	802	1
Total financial assets		**1,230**	**1,230**	
Liabilities				
Financing liabilities				
Liabilities to banks	FLAC	643	659	2
Trade payables	FLAC	457	457	–
Other financial liabilities				
Other derivative instruments	FVtPL	14	14	2
Other miscellaneous financial liabilities	FLAC	3	3	–
Total financial liabilities		**1,118**	**1,133**	

[1] Fair value corresponds to amortised cost due to materiality considerations

Fair value measurement

The input factors used and the measurement methods applied are described in the Consolidated Financial Statements as at 31 December 2023.

20 Legal disputes and claims

The companies of the Group are, from time to time, involved in various legal and arbitration proceedings in the ordinary course of their business. Beyond that, the Group is not aware of any essential official, judicial or arbitration proceedings (including pending and threatened proceedings) that might have or have had in the reporting period a significant impact on the Group's financial position or profitability and financial performance.

21 Number of employees

	First half year	
	2024[2]	2023
Production, research and development, service	5,407	4,543
Sales and distribution	220	229
Administration and general services	1,505	1,190
Apprentices, trainees, etc.	747	602
Total[1]	**7,879**	**6,564**

[1] Average figures on a per capita basis

[2] The employee numbers as of 30 June 2024 include the employees of the ESG Group.

22 Events after the reporting date

On 10 July 2024, it was announced that Celia Pelaz Perez will resign from her position as a member of the Management Board of HENSOLDT AG effective 31 August 2024.

There were no other significant events after the reporting date.

D Responsibility statement

The Management Board of HENSOLDT AG hereby declares that, to the best of their knowledge:

the Condensed Interim Financial Statements provide, according to the accounting principles to be applied to semi-annual financial reports, a true and fair view of the net assets, financial position and result of operations of the Group and that the course of operations, including the business results and the position of the Group, are presented in the Interim Group Management Report such that it presents a true and fair view of the position and that it describes the essential risks and opportunities of the Group's probable development in the remaining fiscal year.

Taufkirchen, 22 July 2024

HENSOLDT AG

Management Board

Oliver Dörre   Christian Ladurner   Dr. Lars Immisch   Celia Pelaz Perez

E Review report

To HENSOLDT AG, Taufkirchen, District of Munich,

We have reviewed the condensed interim consolidated financial statements of HENSOLDT AG, Taufkirchen, District of Munich – comprising the Consolidated Income Statement, Consolidated Statement Of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement Of Cash Flow, Consolidated Statement of Changes in Equity and the Notes to the Condensed Consolidated Interim Financial Statements – together with the interim group management report of HENSOLDT AG, Taufkirchen, District of Munich for the period from 1 January to 30 June 2024 that are part of the semi annual report according to § 115 WpHG ["Wertpapierhandelsgesetz“: "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 25 July 2024

KPMG AG Wirtschaftsprüfungsgesellschaft

Koeplin	Schieler
Wirtschaftsprüfer	Wirtschaftsprüfer

F Legal information and contact

HENSOLDT AG

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Management Board: Oliver Dörre (Chairman), Christian Ladurner, Dr. Lars Immisch and Celia Pelaz Perez

Registry court: District court of Munich, HRB 258711

Disclaimer

This report contains forecasts based on assumptions and estimates by the management of HENSOLDT. These statements based on assumptions and estimates are in the form of forward-looking statements using terms such as “believe”, “assume”, “expect” and the like. Even though the management believes that these assumptions and estimates are correct, it is possible that actual results in the future may deviate materially from such assumptions and estimates due to a variety of factors. The latter may include changes in the macroeconomic environment, in the statutory and regulatory framework in Germany and the EU, and changes within the industry. HENSOLDT does not provide any guarantee or accept any liability or responsibility for any divergence between future developments and actual results, on the one hand, and the assumptions and estimates expressed in this semi-annual financial report.

HENSOLDT has no intention and undertakes no obligation to update forward-looking statements in order to adjust them to actual events or developments occurring after the date of this report.

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

This report is a semi-annual financial report according to Sec. 52 of the Exchange Rules for the Frankfurter Wertpapierbörse.

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