



H&K AG

QUARTERLY REPORT

Results for the
three-month period
to March 31, 2024

About HK

We are a leading defence contractor in the small arms sector of the European NATO defence industry. We design, produce and distribute small arms, including rifles, side arms, fully automatic weapons and grenade launchers, and a variety of other related products. We supply the armed forces of NATO and its allies and many law enforcement agencies. We have been in operation for more than 70 years and have a strong history of design innovation. We have a strong management team and a highly skilled work force. Our brand name, Heckler & Koch, is well respected and our products are widely considered to be of the highest quality.

Our sales strategy remains focussed on so-called "Green Countries"; the "Green Country Strategy" is a self-imposed filter to the member countries of NATO, the EU and the NATO-equivalent countries (Switzerland, New Zealand, Australia, Japan). In addition to these, for countries that are classed as partners by the German government, deliveries may be approved on a case-by-case basis. This "Green Country Strategy" is not only fully in line with the laws, regulations, requirements and restrictions that the German Government has issued for defence exports but goes significantly further. The focus on "Green Countries" since 2016 has stabilised the Group's forecasting and delivery capabilities.

For more information, please visit our web site:

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Note regarding forward-looking statements

This report includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology, or by discussions of strategy, plans or intentions. These forward-looking statements include statements that are not statements of historical facts and relate to our current intentions, beliefs or expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risk and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this report, in statements made by HK representatives in their presentations or in a "Question and Answer" period following such presentations. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

We undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the above cautionary statements.

Results as at and for the three-month period ended March 31, 2024

Chief Executive Officer Dr Jens Bodo Koch commented:

Sales in Q1 2024 were €75.0 million, an increase of €1.8 million compared to Q1 2023 but due to a change in product and customer mix the gross profit was lower than Q1 2023. We generated €9.2 million EBITDA in the quarter, a decrease of €9.1 million compared to Q1 2023, primarily due to lower contributions from sales as a consequence of a different product and customer mix, together with higher personnel expenses.

The Group continues to generate positive earnings after tax. Cash and cash equivalents decreased by €9.7 million during the quarter; cashflows included the effects of the increased level of net working capital, an outflow of €5.0 million for the second contractual repayment of Facility A and net inflows of €4.5 million from utilisation of Facility C ancillary overdrafts.

The hybrid lenders' entitlement to interest only applies if the Annual General Meeting ("AGM") of H&K AG resolves to distribute dividends to ordinary shareholders relating to the corresponding business year. The executive directors and supervisory board will propose to the AGM that a dividend relating to 2023 should be distributed so, if this is resolved, the hybrid lenders' entitlements to interest relating to 2023 will be recognised following the AGM in 2024.

The first test weapons for the "System Assault Rifle Bundeswehr", a new assault rifle from Heckler & Koch GmbH based on the HK416 A8 that will replace the G36 as the standard assault rifle for the German Armed Forces were made available in 2023 and we currently expect main deliveries from 2025 onwards.

As we commented in previous reports, the Russian invasion of Ukraine in February 2022 made it clear that the defence industry is crucial when it comes to maintaining and defending democracy, liberty and human rights. The German 2024 defence budget is planned to meet the NATO target of two percent of the gross domestic product. Other nations have similar programmes to improve their defence capabilities. Inflation is affecting our suppliers and consequently their prices to us; we are able to pass on some of these effects to our customers where we have price escalation clauses in our existing sales contracts and are taking this into account when pricing new contracts.

Note regarding presentation of financial information

Some financial information in this report has been rounded and, as a result, the totals in this report may vary slightly from the exact arithmetic aggregation of the figures that precede them.

Certain financial information in this release has been derived from our unaudited, interim, consolidated statements of financial position at March 31, 2024 and 2023 and the related unaudited, interim, consolidated statements of income, comprehensive income, equity and cash flows for the three-month periods ended March 31, 2024 and 2023 prepared in accordance with IFRS, subject only to normal year-end audit adjustments and the absence of notes.

Attached are our

- Unaudited, Interim, Consolidated Statement of Financial Position
- Unaudited, Interim, Consolidated Income Statement
- Unaudited, Interim, Consolidated Statement of Comprehensive Income
- Unaudited, Interim, Consolidated Statement of Changes in Equity, and
- Unaudited, Interim, Consolidated Statement of Cash Flows

with figures determined according to IFRS as at and for the three-month periods to March 31, 2024 and 2023.

Unaudited, Interim, Consolidated Statement of Financial Position

(€ millions)	31.03.2024	31.12.2023
Property, plant & equipment	76.7	76.5
Intangible assets - goodwill	5.1	5.1
Intangible assets - other	43.6	43.1
Other investments	2.5	2.5
Deferred tax assets	16.2	16.2
Total non-current assets	144.1	143.4
Inventories	153.7	147.7
Prepayments for inventories	1.7	0.5
Prepayments for other current assets	2.2	1.3
Other deposits and derivatives	0.5	1.5
Current tax assets	1.6	1.5
Trade receivables	44.4	35.4
Other receivables	3.0	3.5
Cash & cash equivalents	9.3	19.1
Total current assets	216.4	210.6
Total assets	360.6	353.9
Equity		
Share capital	35.5	35.5
Additional paid in capital	148.6	148.6
Other reserves	(10.5)	(10.9)
Consolidated retained earnings	(75.9)	(78.3)
Total equity attributable to H&K AG shareholders	97.8	94.9
Equity attributable to hybrid capital investors	9.5	9.5
Total equity	107.3	104.4
Liabilities		
Loans & borrowings	89.9	94.7
Lease liabilities	1.3	1.4
Employee defined benefit obligations	44.9	45.3
Provisions	2.2	2.3
Other payables	0.4	0.1
Deferred tax liabilities	24.5	24.7
Total non-current liabilities	163.2	168.4
Bank overdraft	4.5	-
Loans & borrowings	9.8	9.8
Trade payables	20.4	19.3
Other payables	16.4	13.9
Contract liabilities	16.3	12.9
Tax liabilities	9.0	10.1
Other provisions & accruals	13.7	15.1
Total current liabilities	90.1	81.1
Total liabilities	253.3	249.5
Total equity & liabilities	360.6	353.9

Unaudited, Interim, Consolidated Income Statement for the period from January 1 to March 31

(€ millions)	2024	2023
Revenue	75.0	73.2
Cost of sales	(52.9)	(43.6)
Gross profit	22.2	29.6
Research & development expenses	(1.7)	(1.8)
Sales, marketing & distribution expenses	(7.8)	(6.8)
Administration expenses	(6.4)	(5.8)
Other operating income	0.1	0.4
Other operating expenses	(0.3)	(0.2)
Impairment loss on trade receivables, net of reversals	(0.0)	0.0
Results from operating activities	6.1	15.5
Interest income	0.1	0.0
Gains on valuation of derivative financial instruments	-	1.2
Gains on translation of foreign currencies	0.7	0.1
Total financial income	0.8	1.4
Interest expense	(2.1)	(1.7)
Accretion of non-current liabilities	(0.7)	(0.8)
Losses on valuation of derivative financial instruments	(1.1)	-
Losses on translation of foreign currencies	0.4	(1.1)
Other financial expense	(0.0)	(0.0)
Total financial expense	(3.5)	(3.7)
Net financial result	(2.8)	(2.4)
Profit / (loss) before income tax	3.4	13.1
Income tax expense	(1.0)	(3.1)
Profit / (loss) for the period	2.4	10.0
Attributable to:		
H&K AG shareholders	2.4	10.0
H&K AG hybrid capital investors	-	-
Earnings per share (€) *	0.07	0.28
* 2023 numbers adjusted to include dividend rights of new shares issued in May 2023		
Weighted average number of shares with dividend rights for the period	35,482,784	35,482,784

Unaudited, Interim, Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period from January 1 to March 31

(€ millions)	2024	2023
Profit / (loss) for the period	2.4	10.0
Other comprehensive income		
DBO actuarial gains / (losses)	-	-
Related deferred tax	-	-
Items that will never be reclassified to profit or loss	-	-
Forex translation differences for foreign operations	0.5	(0.3)
Items that are or may be reclassified to profit or loss	0.5	(0.3)
Other comprehensive income / (expense), net of tax	0.5	(0.3)
Total comprehensive income for the period	2.8	9.7
Attributable to:		
H&K AG shareholders	2.8	9.7
H&K AG hybrid capital investors	-	-

Unaudited, Interim, Consolidated Statement of Changes in Equity for the period from January 1 to March 31, 2024

(€ millions)	Share capital	Additional paid in capital	Translation reserve	Reserve for defined benefit obligations	Consolidated retained earnings	Shareholders' equity	Equity attributable to hybrid capital investors	Total equity
As of 01.01.2023	27.6	53.0	0.3	(9.6)	(96.0)	(24.7)	95.0	70.3
Total recognised income & expense	-	-	(0.3)	-	10.0	9.7	-	9.7
As of 31.03.2023	27.6	53.0	(0.0)	(9.6)	(86.0)	(15.0)	95.0	80.0
Issue of new shares	7.8	95.6	-	-	-	103.4	(95.0)	8.4
Total recognised income & expense	-	-	0.1	-	(2.0)	(1.8)	9.5	7.7
Dividends declared	-	-	-	-	(1.4)	(1.4)	-	(1.4)
As of 30.06.2023	35.5	148.6	0.1	(9.6)	(89.4)	85.2	9.5	94.7
Total recognised income & expense	-	-	0.4	-	2.5	3.0	-	3.0
As of 30.09.2023	35.5	148.6	0.6	(9.6)	(86.8)	88.2	9.5	97.7
Total recognised income & expense	-	-	(0.8)	(1.1)	8.6	6.7	-	6.7
As of 31.12.2023	35.5	148.6	(0.2)	(10.7)	(78.3)	94.9	9.5	104.4
Total recognised income & expense	-	-	0.5	-	2.4	2.8	-	2.8
As of 31.03.2024	35.5	148.6	0.2	(10.7)	(75.9)	97.8	9.5	107.3

Unaudited, Interim, Consolidated Statement of Cash Flows

for the period from January 1 to March 31

(€ millions)	2024	2023
Cash flows from operating activities		
Profit / (loss) for the period	2.4	10.0
Adjustments for:		
Depreciation of property, plant & equipment	2.5	2.1
Amortisation of intangible assets	0.7	0.6
Net interest expense	2.7	2.6
Change in fair value of derivatives	1.1	(1.2)
(Gain) / loss on disposal of property, plant & equipment	-	(0.0)
Income tax expense	1.0	3.1
	10.3	17.3
Change in inventories	(5.2)	(10.4)
Change in trade & other receivables	(8.3)	(1.5)
Change in prepayments	(2.1)	(1.4)
Change in trade & other payables	6.1	(1.7)
Change in provisions & employee defined benefit obligations	(2.3)	(3.2)
	(1.5)	(1.1)
Income tax paid	(2.3)	0.0
Net cash flows due to operating activities	(3.8)	(1.1)
Cash flows from investing activities		
Interest received	0.1	0.0
Proceeds from sale of property, plant & equipment	-	0.0
Acq'n of property, plant, equipment and intangibles	(2.5)	(4.1)
Investments in other financial assets	(0.0)	0.0
Movement in deposits with terms >3 months	(0.0)	1.4
Capitalised development expenditure	(1.0)	(1.1)
Net cash flows due to investing activities	(3.5)	(3.7)
Cash flows from financing activities		
Proceeds from loans & overdrafts	4.5	-
Repayment of loans	(5.0)	-
Interest paid	(1.9)	(1.3)
Repayment of lease liabilities	(0.1)	(0.1)
Net cash flows due to financing activities	(2.6)	(1.4)
Net cashflows	(9.9)	(6.2)
Cash & cash equivalents at 1st January	19.1	35.8
Effect of exchange rate fluctuations on cash held	0.2	(0.1)
Cash & cash equivalents at March 31	9.3	29.6