



H&K AG

QUARTERLY REPORT

Results for the
nine-month period
to September 30, 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 nine-month period ended September 30, 2024

Chief Financial Officer Andreas Schnautz commented:

Sales in the first nine months of 2024 were €253.6 million, an increase of €38.2 million compared to the first nine months of 2023; due to changes in the product and customer mix, the gross profit was €3.3 million higher than in the first nine months of 2023. We generated €42.9 million EBITDA in the same period, an increase of €1.9 million in comparison to the first nine months of 2023, primarily due to higher sales and a one-time effect in 2023 with the retirement of certain previously capitalised development costs, partially offset by higher personnel expenses and overheads.

The Group continues to generate positive earnings after tax. Cash and cash equivalents decreased by €10.9 million during the first nine months of 2024; cashflows included the effects of the increased level of net working capital and an outflow of €10.0 million for the second and third contractual repayments of Facility A.

The Annual General Meeting (“AGM”) on July 2, 2024 had to be cancelled as the required 50% of ordinary shareholders was not reached so the meeting was not quorate. The AGM finally took place on October 1, 2024. The hybrid lenders’ entitlement to interest only applies if the AGM of H&K AG resolves to distribute dividends to ordinary shareholders relating to the corresponding business year. The AGM in October 2024 resolved dividends totalling €2.1 million relating to 2023 in line with the directors’ proposal and consequently the hybrid lenders’ entitlements to interest relating to 2023 totalling €4.5 million were also recognised in October 2024. These transactions will be shown in the Q4 report.

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 first deliveries from the end of 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.

As requested by the German Government, H&K is involved in various projects for Ukraine, bringing the Group order intake and sales during 2024 and this is currently expected to continue into 2025 and beyond.

At the end of November 2024, the Group acquired all shares in Chrom-Müller Metallveredelung GmbH, based in Oberndorf a.N., together with various associated properties. The acquisition is of strategic importance for the Group, as we have secured the expertise of chrome-plating of parts for military products, and we have also used the opportunity to diversify into commercial, sustainable applications, as the chrome-plating of product parts can also be carried out to extend the life of products for companies in the automotive industry, mechanical and plant engineering and the aviation industry.

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 September 30, 2024 and 2023 and the related unaudited, interim, consolidated statements of income, comprehensive income, equity and cash flows for the nine-month periods ended September 30, 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 nine-month periods to September 30, 2024 and 2023.

Unaudited, Interim, Consolidated Statement of Financial Position

(€ millions)	30.09.2024	31.12.2023
Property, plant & equipment	81.3	76.5
Intangible assets - goodwill	5.1	5.1
Intangible assets - other	44.5	43.1
Other investments	2.5	2.5
Deferred tax assets	15.7	16.2
Total non-current assets	149.2	143.4
Inventories	158.7	147.7
Prepayments for inventories	1.6	0.5
Prepayments for other current assets	2.1	1.3
Other deposits and derivatives	0.5	1.5
Current tax assets	1.2	1.5
Trade receivables	50.5	35.4
Other receivables	3.2	3.5
Cash & cash equivalents	8.1	19.1
Total current assets	226.0	210.6
Total assets	375.1	353.9
Equity		
Share capital	35.5	35.5
Additional paid in capital	148.6	148.6
Other reserves	(10.8)	(10.9)
Consolidated retained earnings	(61.2)	(78.3)
Total equity attributable to H&K AG shareholders	112.1	94.9
Equity attributable to hybrid capital investors	9.5	9.5
Total equity	121.6	104.4
Liabilities		
Loans & borrowings	85.2	94.7
Lease liabilities	3.5	1.4
Employee defined benefit obligations	44.1	45.3
Provisions	2.0	2.3
Other payables	-	0.1
Deferred tax liabilities	24.8	24.7
Total non-current liabilities	159.7	168.4
Bank overdraft	0.1	-
Loans & borrowings	9.8	9.8
Trade payables	25.9	19.3
Other payables	13.7	13.9
Contract liabilities	19.4	12.9
Tax liabilities	12.0	10.1
Other provisions & accruals	12.9	15.1
Total current liabilities	93.9	81.1
Total liabilities	253.6	249.5
Total equity & liabilities	375.1	353.9

Unaudited, Interim, Consolidated Income Statement for the period from January 1 to September 30

(€ millions)	2024	2023
Revenue	253.6	215.4
Cost of sales	(173.7)	(138.7)
Gross profit	80.0	76.7
Research & development expenses	(5.3)	(8.2)
Sales, marketing & distribution expenses	(22.1)	(20.4)
Administration expenses	(19.2)	(15.8)
Other operating income	0.6	0.8
Other operating expenses	(0.6)	(0.7)
Impairment loss on trade receivables, net of reversals	(0.0)	0.1
Results from operating activities	33.2	32.4
Interest income	0.3	0.1
Gains on valuation of derivative financial instruments	-	0.9
Gains on translation of foreign currencies	0.9	1.6
Total financial income	1.1	2.7
Interest expense	(5.5)	(5.7)
Accretion of non-current liabilities	(1.9)	(2.4)
Losses on valuation of derivative financial instruments	(1.0)	-
Losses on translation of foreign currencies	(1.3)	(1.8)
Other financial expense	(0.1)	(0.1)
Total financial expense	(9.8)	(10.1)
Net financial result	(8.6)	(7.4)
Profit / (loss) before income tax	24.5	25.0
Income tax expense	(7.5)	(4.9)
Profit / (loss) for the period	17.0	20.1
Attributable to:		
H&K AG shareholders	17.0	10.6
H&K AG hybrid capital investors	-	9.5
Earnings per share (€) *	0.48	0.30
* 2023 numbers adjusted to include dividend rights of new shares issued in May 2023		
* 2024 numbers do not yet reflect the amount attributable to the hybrid capital investors following the AGM in October		
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 September 30

(€ millions)	2024	2023
Profit / (loss) for the period	17.0	20.1
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	0.1	0.2
Items that are or may be reclassified to profit or loss	0.1	0.2
Other comprehensive income / (expense), net of tax	0.1	0.2
Total comprehensive income for the period	17.2	20.4
Attributable to:		
H&K AG shareholders	17.2	10.9
H&K AG hybrid capital investors *	-	9.5

* 2024 numbers do not yet reflect the amount attributable to the hybrid capital investors following the AGM in October

Unaudited, Interim, Consolidated Statement of Changes in Equity for the period from January 1, 2023 to September 30, 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
Total recognised income & expense	-	-	0.2	-	10.5	10.7	0.0	10.7
As of 30.06.2024	35.5	148.6	0.5	(10.7)	(65.4)	108.5	9.5	118.0
Total recognised income & expense	-	-	(0.5)	-	4.1	3.6	-	3.6
As of 30.09.2024	35.5	148.6	(0.1)	(10.7)	(61.2)	112.1	9.5	121.6

Unaudited, Interim, Consolidated Statement of Cash Flows

for the period from January 1 to September 30

(€ millions)	2024	2023
Cash flows from operating activities		
Profit / (loss) for the period	17.0	20.1
Adjustments for:		
Depreciation of property, plant & equipment	7.7	6.7
Amortisation of intangible assets	2.0	1.9
(Reversal of) impairment losses on intangible assets	-	2.7
Net interest expense	7.2	8.1
Change in fair value of derivatives	1.0	(0.9)
(Gain) / loss on disposal of property, plant & equipment	0.0	(0.0)
Income tax expense	7.5	4.9
	42.5	43.5
Change in inventories	(11.2)	(26.4)
Change in trade & other receivables	(15.0)	(7.3)
Change in prepayments	(1.8)	(0.7)
Change in trade & other payables	12.5	(8.9)
Change in provisions & employee defined benefit obligations	(4.8)	(3.8)
	22.3	(3.7)
Income tax paid	(4.8)	(5.4)
Net cash flows due to operating activities	17.4	(9.1)
Cash flows from investing activities		
Interest received	0.3	0.2
Proceeds from sale of property, plant & equipment	0.0	0.0
Acq'n of property, plant, equipment and intangibles	(10.5)	(10.2)
Investments in other financial assets	(0.0)	(0.0)
Movement in deposits with terms >3 months	0.0	2.2
Capitalised development expenditure	(3.0)	(2.8)
Net cash flows due to investing activities	(13.2)	(10.5)
Cash flows from financing activities		
Cash proceeds from issue of new shares	-	10.1
Transaction costs for share issue	-	(2.3)
Proceeds from loans & overdrafts	0.1	1.3
Repayment of loans	(10.0)	(5.0)
Interest paid	(5.0)	(4.5)
Repayment of lease liabilities	(0.5)	(0.3)
Dividends paid	-	(1.4)
Net cash flows due to financing activities	(15.3)	(2.1)
Net cashflows	(11.1)	(21.8)
Cash & cash equivalents at 1st January	19.1	35.8
Effect of exchange rate fluctuations on cash held	0.1	0.1
Cash & cash equivalents at September 30	8.1	14.2