



H&K AG

QUARTERLY REPORT

Results for the
twelve-month period
to December 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 75 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 twelve-month period ended December 31, 2024

Chief Financial Officer Andreas Schnautz commented:

Sales in 2024 were €343.4 million, an increase of €41.9 million compared to 2023; however, due to changes in the product and customer mix, with an additional difficult market situation in the US commercial sector, the gross profit was €1.9 million lower than in 2023. We generated €63.1 million EBITDA in 2024, slightly higher than in 2023, making 2024 the second-best result in the Group's history.

The Group continues to generate positive earnings after tax. Cash and cash equivalents increased by €50.4 million during 2024; primarily due to significantly higher contract liabilities (advances from customers) at the end of 2024. Cashflows included the effects of the resulting decreased level of net working capital and outflows of €10.0 million for the contractual repayments of Facility A and net €8.8 million due to the acquisition of Chrom-Müller Metallveredelung GmbH ("CMM").

At the end of November 2024, the Group acquired all shares in CMM, 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. Following its acquisition at the end of November 2024, CMM contributed €0.6 million to the Group's revenues.

The Annual General Meeting ("AGM") 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 in line with the directors' proposal. The AGM resolved such dividends totalling €2.1 million relating to 2023 and consequently the hybrid lenders' entitlements to interest relating to 2023 totalling €4.5 million were also recognised in October 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 first deliveries from the end of 2025 onwards.

The continuing conflicts around the world, together with the threat of terrorism, still require a large number of international military interventions and a higher level of police capabilities. This makes it imperative to increase and train personnel, modernise the armed and law enforcement / governmental agency forces' equipment and to ensure continuity of responsible security policies. In addition, there is continuing pressure within NATO to meet the agreed 2% target, or even to significantly exceed it. The amendment to the German constitution ("Grundgesetzänderung") resolved in March 2025 by the 20th German Government ("Bundestag"), under which amongst other things the debt limitation for the area of defence should be eased, makes it possible for the Federal Republic of Germany to significantly increase defence spending. In addition to Germany, it is highly likely that other NATO-members will increase their defence spending and invest more heavily in equipment for their Armed Forces.

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.

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 audited consolidated statements of financial position at December 31, 2024 and 2023 and the related audited consolidated statements of income, comprehensive income, equity and cash flows for the twelve-month periods ended December 31, 2024 and 2023 prepared in accordance with IFRS.

Attached are our

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

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

Consolidated Statement of Financial Position

(€ millions)	31.12.2024	31.12.2023
Property, plant & equipment	92.2	76.5
Intangible assets - goodwill	9.7	5.1
Intangible assets - other	45.3	43.1
Other investments	2.8	2.5
Deferred tax assets	20.3	16.2
Total non-current assets	170.4	143.4
Inventories	170.3	147.7
Prepayments for inventories	2.3	0.5
Prepayments for other current assets	2.3	1.3
Other loans, deposits and derivatives	0.2	1.5
Current tax assets	1.0	1.5
Trade receivables	37.4	35.4
Other receivables	4.3	3.5
Cash & cash equivalents	69.5	19.1
Total current assets	287.3	210.6
Total assets	457.7	353.9
Equity		
Share capital	35.5	35.5
Additional paid in capital	148.6	148.6
Other reserves	(11.3)	(10.9)
Consolidated retained earnings	(53.4)	(78.3)
Total equity attributable to H&K AG shareholders	119.4	94.9
Equity attributable to hybrid capital investors	14.0	9.5
Total equity	133.4	104.4
Liabilities		
Loans & borrowings	85.3	94.7
Lease liabilities	3.7	1.4
Employee defined benefit obligations	45.8	45.3
Provisions	2.2	2.3
Other payables	1.0	0.1
Deferred tax liabilities	26.9	24.7
Total non-current liabilities	164.9	168.4
Loans & borrowings	9.8	9.8
Trade payables	18.2	19.3
Other payables	13.3	13.9
Contract liabilities	88.6	12.9
Lease liabilities	1.2	-
Derivatives	0.5	-
Tax liabilities	14.7	10.1
Other provisions & accruals	12.9	15.1
Total current liabilities	159.3	81.1
Total liabilities	324.3	249.5
Total equity & liabilities	457.7	353.9

Consolidated Income Statement

for the period from January 1 to December 31

(€ millions)	2024	2023
Revenue	343.4	301.4
Cost of sales	(229.3)	(185.5)
Gross profit	114.1	115.9
Research & development expenses	(9.3)	(10.4)
Sales, marketing & distribution expenses	(30.3)	(30.8)
Administration expenses	(24.6)	(25.2)
Other operating income	1.0	1.9
Other operating expenses	(1.2)	(1.0)
Impairment loss on trade receivables, net of reversals	(0.1)	(0.0)
Results from operating activities	49.5	50.4
Interest income	0.5	0.2
Gains on valuation of derivative financial instruments	-	2.8
Gains on translation of foreign currencies	3.2	1.0
Total financial income	3.7	4.0
Interest expense	(7.0)	(7.9)
Accretion of non-current liabilities	(2.5)	(3.2)
Losses on val'n of derivative financial instruments	(1.9)	-
Losses on translation of foreign currencies	(0.5)	(3.7)
Other financial expense	(0.1)	(0.1)
Total financial expense	(11.9)	(14.8)
Net financial result	(8.2)	(10.8)
Profit / (loss) before income tax	41.3	39.6
Income tax expense	(9.8)	(10.9)
Profit / (loss) for the period	31.5	28.7
Attributable to:		
H&K AG shareholders	27.0	19.2
H&K AG hybrid capital investors	4.5	9.5
Earnings per share (€)	0.76	0.54

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the period from January 1 to December 31

(€ millions)	2024	2023
Profit / (loss) for the period	31.5	28.7
Other comprehensive income		
DBO actuarial gains / (losses)	(2.1)	(1.5)
Related deferred tax	0.6	0.4
Items that will never be reclassified to profit or loss	(1.5)	(1.1)
Forex translation differences for foreign operations	1.2	(0.5)
Items that are or may be reclassified to profit or loss	1.2	(0.5)
Other comprehensive income / (expense), net of tax	(0.3)	(1.6)
Total comprehensive income for the period	31.1	27.1
Attributable to:		
H&K AG shareholders	26.6	17.6
H&K AG hybrid capital investors	4.5	9.5

Consolidated Statement of Changes in Equity

for the period from January 1, 2023 to December 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
Issuance of new shares	7.8	97.2	-	-	(0.0)	105.1	(95.0)	10.1
Transaction costs for share issuance	-	(2.3)	-	-	-	(2.3)	-	(2.3)
Deferred tax effects	-	0.6	-	-	-	0.6	-	0.6
Total recognised income & expense	-	-	(0.5)	(1.1)	19.2	17.6	9.5	27.1
Dividends declared	-	-	-	-	(1.4)	(1.4)	-	(1.4)
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	-	-	1.2	(1.5)	27.0	26.6	4.5	31.1
Dividends declared	-	-	-	-	(2.1)	(2.1)	-	(2.1)
As of 31.12.2024	35.5	148.6	1.0	(12.2)	(53.4)	119.4	14.0	133.4

Consolidated Statement of Cash Flows

for the period from January 1 to December 31

(€ millions)	2024	2023
Cash flows from operating activities		
Profit / (loss) for the period	31.5	28.7
Adjustments for:		
Depreciation of property, plant & equipment	10.8	9.1
Amortisation of intangible assets	2.8	2.7
(Reversal of) impairment losses on intangible assets	-	2.7
Net interest expense	9.0	10.9
Change in fair value of derivatives	1.9	(2.8)
(Gain) / loss on disposal of property, plant & equipment	0.0	0.0
Income tax expense	9.8	10.9
	65.8	62.2
Change in inventories	(20.3)	(31.3)
Change in trade & other receivables	(1.7)	(4.6)
Change in prepayments	(2.7)	(1.6)
Change in trade & other payables	71.1	(6.6)
Change in provisions & employee defined benefit obligations	(5.5)	(2.7)
	106.7	15.5
Income tax paid	(6.2)	(7.1)
Net cash flows due to operating activities	100.5	8.4
Cash flows from investing activities		
Interest received	0.5	0.4
Proceeds from sale of property, plant & equipment	0.0	0.0
Acq'n of property, plant, equipment and intangibles	(18.0)	(18.9)
Investments in other financial assets	(9.0)	(0.1)
Movement in deposits with terms >3 months	(0.1)	2.3
Capitalised development expenditure	(4.1)	(3.5)
Net cash flows due to investing activities	(30.8)	(19.8)
Cash flows from financing activities		
Cash proceeds from issuance of new shares	-	10.1
Transaction costs for share issuance	-	(2.3)
Repayment of loans	(10.1)	(5.0)
Interest paid	(7.7)	(6.2)
Repayment of lease liabilities	(0.7)	(0.5)
Dividends paid	(1.2)	(1.4)
Net cash flows due to financing activities	(19.8)	(5.3)
Net cashflows	50.0	(16.7)
Cash & cash equivalents January 1	19.1	35.8
Effect of exchange rate fluctuations on cash held	0.5	(0.1)
Cash & cash equivalents at December 31	69.5	19.1