

# KNDS

Annual Report 2023

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## Directors' report

The Board of Directors of KNDS N.V. (the "Company") hereby presents its financial statements for the year ended 31 December 2023.

## General information

The Company is a public limited liability company under Dutch Law and was incorporated on 2 October 2015 with its corporate seat in Amsterdam, the Netherlands. On June 14<sup>th</sup>, 2023, the Company's statutory name has been changed into "KNDS N.V.". On 14 June 2023, the new name KNDS N.V. was registered with the Dutch Trade Register.

During the fourth quarter of the fiscal year 2015, GIAT Industries S.A. and Wegmann & Co. GmbH formed a joint venture by contributing their businesses (Nexter Group and Krauss-Maffei Wegmann Group or KMW Group) to the Company (at that time called: Honosthor N.V.) on 15 December 2015 in exchange for a 50% interest each in the Company. On July 8<sup>th</sup>, 2016, the name KMW+Nexter Defense Systems N.V. was registered with the Dutch Trade Register.

The Company's principal objective of executing a holding function. The Company's objectives are: (i) to acquire, to participate in, to finance, to hold any other interest in and to conduct the management or supervision of the companies active in the land defense industries; (ii) to provide services to and for the benefit of other group companies.

The Company has 100% shareholdings in two sub groups that are principally active in the development, production, delivery and maintenance and technical support of land defense systems and related services, namely Krauss-Maffei Wegmann Group (Munich, Germany) and Nexter Group (Versailles, France). It is noted that the French State holds 1 share in Nexter Systems S.A., a so-called "Golden Share".

Within the Nexter Group, Nexter Systems designs and integrates complex defense systems: armoured vehicles, artillery systems, information systems and equipment intended mainly for use by land forces, but also supplied to navies and air forces. Nexter Group also provides support services to armed forces to help them ensure the permanent availability for their various missions of their armoured vehicles and artillery systems. Operated under multi-year contracts, this support activity is a significant additional contributor to the Nexters's business.

In addition to Nexter Systems, the Systems business includes three other main companies: Nexter Training, Nexter Robotics and CTA International. Nexter Training designs and produces training materials using virtual technology. Nexter Robotics designs and produces land-based drones. CTA International, jointly owned with BAE Systems, designs and manufactures weapons systems using telescoped ammunition. Within the systems segment other activities provide goods and services among which electronics, mechanics, optical or NBC protection systems.

Furthermore, the Nexter Group company develops and produces munitions to meet the requirements of the French and other nations' armies across the artillery, tank munitions and medium calibre ranges. It also supplies pyrotechnic components and assemblies to missile, rocket, fuse and torpedo manufacturers. The Munitions business activities are carried out by three subsidiaries, i.e. Nexter Munitions SA (France), Mecar SA (Belgium) and Simmel Difesa S.p.A. (Italy).

The KMW Group develops, manufactures and supports a product portfolio ranging from air-transportable, highly protected wheeled vehicles through reconnaissance, anti-aircraft and artillery systems to main battle tanks, infantry fighting vehicles and bridge laying systems. In addition, KMW Group has wide-ranging system competence in the area of civil and military simulation, as well as in command and information systems and remote-controlled weapon stations with reconnaissance and observation equipment for day and night missions. The armed forces of more than 30 nations worldwide rely on tactical systems made by KMW Group.

With its worldwide network of subsidiaries KMW Group is in a position to react fully and promptly on customer requirements.

This includes the ATM Computer Systems active with its products in the field of military communication, management and computer systems, as well as via Hellenic Defense Vehicle Systems, Wegmann USA and KMW do Brasil, creating comprehensive manufacturing structures in Greece, the United States and Latin America. The KMW Schweißtechnik in Hamburg is a centre of excellence for welding technologies; DST Defence Service Tracks is engaged in development and manufacturing of tracks for protected vehicles of all kinds, while DSL Defense Logistic Service is a provider of maintenance service and customer support activities for military vehicles. KMW Hungary provides local support. In addition, KMW Group holds all shares in WFEL Ltd., a company active in the development, production and service of tactical military and logistical bridges in the United Kingdom. BTD Battle Tank Dismantling is a company certified for the demilitarization of defense equipment. Furthermore KMW Asia Pacific is the international office in Asia.

KNDS Group owns locations in e.g. Germany, France, Italy, Belgium, Brazil, Greece, Hungary, the Netherlands, Singapore, India, the United Kingdom, and the USA and the average combined headcount of the Group amounts to 9,491 (2022: 8,952) employees worldwide.

In December 2020, a change in Governance, from a traditional tow-tier system (Board of Directors and an Executive Committee), brought clarity to KNDS' Strategy and Integration. Integration remains a challenging and slow process in the absence of common programs. However, some progress has been made within the Research & Development roadmap with the launch of 'lighthouse projects'. Focus remains on the launch of joint projects (MGCS, EMBT) which would enable further integration.

## **Financial information**

Reference is made to the Company's consolidated and company-only financial statements of KNDS N.V. In relation to cash flow, reference is made to the cash flow statement.

The solvency, liquidity and performance ratios per 31 December 2023 are as follows:

- Solvency ratio (Equity/Balance sheet total): 35% (2022: 38%);
- Liquidity ratio (current assets/current liabilities): 1.35\* (2022: 2.63);
- Gross Profit Margin (Gross Profit/Revenue): 24% (2022: 22%);
- Net Profit Margin (Net Group Result/Revenue): 10.4% (2022: 9.2%).

\*) The change in our liquidity ratio is driven by the reclassification of our contract assets and liabilities, and associated provisions, from non-current to current. The liquidity ratio of 2022 on comparative basis would be 1.40.

In addition, as per 31 December 2023 please find below the following key financial figures for the group:

- Group Revenue: EUR 3,250 million (2022: EUR 3,172 million);
- Order Intake: EUR 7.9 billion (2022: EUR 3.4 billion);
- Order Backlog: EUR 15.7 billion (2022: EUR 11.0 billion);
- Gross Profit: EUR 777 million (2022: EUR 709 million);
- EBIT: EUR 408 million (2022: EUR 389 million);
- Net Group Result: EUR 336 million (2022: EUR 291 million).

Based on the ratios and key financial figures mentioned above, the Group shows a strong financial position as well as a high level of profitability during the financial year 2023.

Moreover, the favourable value of Order Intake / Order Backlog substantiates a future development of the Group on a sound footing.

## **Significant risks and uncertainties**

### **Approach to risk assessment**

The Group's approach to risk management is aimed at the early identification of key risks, mitigating the effect of those risks before they occur and dealing with them effectively if they materialise. The Group is committed to the protection of its assets, which include human, intellectual and physical property, and financial resources, through an effective risk management process, underpinned where appropriate by insurance.

Reporting within the Group is structured so that key issues are escalated through the management teams and ultimately to the Board of Directors where appropriate. The underlying principles of the Group's risk management policy are that risks are monitored on sub-group level continuously, associated action plans reviewed, appropriate contingencies provisioned and this information reported through established management control procedures.

The Group has developed a system of risk management and internal control processes (including financial, operational and compliance controls). The respective auditors of the subgroups have, during their annual audit of the financial statements, assessed certain specific controls relevant for their audit.

As with any system of internal control, the policies and processes in place are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

## **Financial and non-financial risks**

Financial risks expose the Group to potential costs which are quantifiable on the basis that their probability and impact can be understood adequately and related to the financial statements. Non-financial risks cannot be assessed readily in financial terms and, therefore, cannot be reflected reliably in the financial statements.

Identified risks are documented showing: the risks that have been identified; characteristics of the risk; the basis for determining mitigation strategy; and what reviews and monitoring are necessary. Each risk is allocated an owner who has authority and responsibility for assessing and managing it. These risks, together with details of how they are being mitigated and managed, are detailed below.

## **Risk assessment considerations**

The statements in this section describe the significant strategic, operational, financial reporting, legal and regulatory risks to the combined group's business. Such risks have been identified as principal based on the likelihood of occurrence and the potential impact on the Group, and have been identified through the application of the policies and processes outlined above.

It is noted that due to continual changes in the political, economic and social environment, as well as technological and regulatory developments in general it is not possible to predict or identify all risks related to development, production and sale of defense systems. Consequently, the risks and uncertainties outlined below are those considered the most significant to the Group and should not be considered to be a complete discussion of all potential risks or uncertainties.

## Summary of principal risks

The Group's principal risks, including assessed impact and means of risk mitigation are outlined below:

| 1. <u>Defense spending</u> : The Group is dependent on government defense spending, especially in Germany and France                                                                                                                               |                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description                                                                                                                                                                                                                                        | Impact                                                                                                                                                | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| KNDS main activities are in land defense systems and ammunitions and therefore its revenues are almost all defense related.                                                                                                                        | Changing defense spending by the Group's major customers could have a material adverse effect on the Group's future results and financial conditions. | The business is geographically spread across German, French and international defense markets. In the midst of heightened international social and political tensions, Ministry of Defense and governments of several countries are currently reviewing proposed increases of budgets for defense systems, including significant investments in military defense systems, surveillance and reconnaissance capabilities and ongoing support for defense exports licensing, providing more clarity, continuity and stability for the Group business. |
| Defense spending by governments can fluctuate dependent on political considerations, budgetary constraints, and specific threats. There have been constraints on government expenditure in a number of the Group's principal markets.              |                                                                                                                                                       | The diverse products and services portfolio is marketed across a range of land defense markets.                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| With the Eurozone area experiencing financial difficulties, affordability continues to be key a focus for customers, whereas the Ministry of Defense (MoD) in Germany, France and other European countries indicated to increase defense spending. |                                                                                                                                                       | <p>The Group has a potential of achieving synergies in procurement, commercial business and development of products going forward.</p> <p>The Group will further assess whether planned joint growth strategies and product development aligns with government priorities for future funding. Opportunities for development of new products are being explored in certain areas, within the constraints imposed by export control legislation and customer requirements.</p>                                                                       |

## 2. Government customers: The Group's main customers are the German, French and other international governments

| Description                                                                                                                                                                                                                                                                                                                                                | Impact                                                                                                                                                                                                                                                                                                                                                                | Mitigation                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Group has long-standing relationships and security arrangements with a number of its government customers, including its two home market customers, the governments of Germany and France and their agencies. It is important that these relationships and arrangements are maintained, particularly in relation to stringent export license policies. | Deterioration in the Group's principal government relationships resulting in the failure to obtain contracts or expected funding appropriations, adverse changes in the terms of its arrangements with those customers or their agencies, or the termination of contracts could have a material adverse effect on the Group's future results and financial condition. | Government customers have sophisticated procurement and security organisations with which the Group can have long-standing relationships with well-established and understood terms of business.<br><br>In the event of a customer terminating a contract for convenience, the Group would typically be paid for work done and commitments made at the time of termination. |
| The Group's performance on its contracts with some government customers is subject to financial audits and other reviews, which can result in adjustments to prices and costs.                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                       | Pricing and calculation principles are aligned with governmental pricing regulations and policies and are subject to internal reviews to minimize price adjustment risks.                                                                                                                                                                                                   |

## 3. International market: The Group operates in an internationally competitive market

| Description                                                                                                                                                                                                                                                                                                 | Impact                                                                                                                                                                 | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The risks of operating in some countries include: political changes impacting the business environment; economic downturns, political instability and civil disturbances; changes in government regulations and administrative policies; the inability to obtain or maintain the necessary export licences. | The Group's business and future results could be adversely impacted if it is unable to compete adequately and obtain new business in the markets in which it operates. | The Group has a balanced portfolio of businesses across a number of markets internationally.<br>The Group's policy is to hedge all material firm transactional exposures.<br>The Group's contracts are often long-term in nature and, consequently, it may be able to mitigate these risks over the terms of those contracts.<br>Political risk insurance is held in respect of material export contracts. |
| The Group's business plan depends upon its ability to win and contract for high-quality new programmes, which are expected to be in an international market within and outside Europe but also in the home markets in Germany and France respectively.                                                      |                                                                                                                                                                        | The Group continues to invest in research and development, and to reduce its cost base and improve efficiencies and synergies, to increase competitiveness.<br><br>Maximising order intake remains a key objective for the business pursuing long-term, multi-year contracts were possible.                                                                                                                |

| 4. <u>Laws and regulations</u> : The Group is subject to the risk of failure to comply with applicable laws and regulations                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description                                                                                                                                                                                                                                                                                                                                                                                                                                          | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| The Group operates in a highly-regulated environment across many jurisdictions and is subject, without limitation, to regulations relating to import-export controls, and other provisions. It is important that the Group maintains a culture in which it focuses on embedding responsible business behaviours and that all employees act in accordance with the requirements of the Group's policies, including the Code of Conduct, at all times. | Failure by the Group, or its sales representatives, or others acting on its behalf, to comply with these regulations could result in fines and penalties and/or the suspension or debarment of the Group from government contracts or the suspension of the Group's export privileges, which could have a material adverse effect on the Group.                                                                                                                           | The Group has a well-established legal and regulatory compliance structure aimed at ensuring adherence to regulatory requirements and identifying any restrictions that could adversely impact the Group's activities.<br>Internal and external market risk assessments form an important element of ongoing corporate development and training processes.                                                                                                                                                                                                                                                                                                                                                                                            |
| Export restrictions could become more stringent and political factors or changing international circumstances could result in the Group being unable to obtain or maintain necessary export licences.                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Uniform policies and processes for the appointment of advisers engaged in business development are in effect.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| The Group may be subject to product liability and other claims from customers or third parties, in connection with (i) the non-compliance of products or services with the customer's requirements, due to faults in design or production; (ii) the delay or failed supply of the products or the services indicated in the contract; or (iii) possible malfunction or misuse of products.                                                           | Reduced access to export markets could have a material adverse effect on the Group's future results and financial condition.<br><br>Substantial claims could harm the Group's business and its financial position.<br><br>In addition, any accident, product failure, incident or liability, even if fully insured, could negatively affect the Group's reputation among customers and the public, thereby making it more difficult for the Group to compete effectively. | The businesses maintain robust control of their production processes, monitoring critical parameters on a batch or unit basis. Processes are automated to reduce the scope for human error.<br><br>Detailed assessments of incoming components and materials are conducted to ensure compliance with specifications.<br><br>Product liability claims from third parties for damage to property or persons are generally covered by the Group's insurance policies, subject to applicable insurance conditions.                                                                                                                                                                                                                                        |
| The Group is operating in a market with high off-set and local content requirements established in foreign countries applicable for defense related contracts. Non-compliance of those regulations during tender phase might cause loss of the tender or if offered requirements cannot be met during contract phase high penalties might occur.<br><br>KMW Group and Nexter Group occasionally use third party agents to obtain business.           | Material breaches in the performance of contractual obligations may also lead to contract termination and the calling of performance bonds.                                                                                                                                                                                                                                                                                                                               | At the level of both subgroups a compliance organisation is in place managed by a compliance officers for each subgroup reporting to the Board of Directors of the subgroups as well as KNDS and the Audit and Compliance Committee on a regular basis.<br><br>Pursuant to commitments concerning ongoing regulatory compliance is in progress to establish common compliance regulations at KNDS level. Strict policies and controls are in place for the selection, monitoring of activities and payment of these agents.<br><br>Off-set and local content requirements are read very carefully by a department dedicated to handle these issues; where appropriate and possible costs related thereto are calculated and covered by project costs. |

| <p>5. <u>Contract risks and finance management</u>: The Group has many contracts, including a small number of large contracts as well as fixed-price contracts, increasing dependency on award timing and cash management</p>                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description                                                                                                                                                                                                                                                                                                                                                                                                                                     | Impact                                                                                                                                                                                                                                                                                                                                                                                     | Mitigation                                                                                                                                                                                                                                                                 |
| <p>The activity of the Group is mainly driven by long term contracts.</p>                                                                                                                                                                                                                                                                                                                                                                       | <p>The inability of the Group to deliver on its contractual commitments, the loss, expiration, suspension, cancellation or termination of any one of its large contracts or its failure to anticipate technical problems or estimate accurately and control costs on fixed-price contracts could have a material adverse effect on the Group's future results and financial condition.</p> | <p>The two sub-groups have a very long experience in managing long term contracts (more than 100 years).</p> <p>Active monitoring of suppliers is in place in the two sub-groups. Anticipation of production need is considered in the Financial Plan of the Company.</p>  |
| <p>A significant portion of the Group's revenue is derived from fixed-price contracts. Actual costs may exceed the projected costs on which the fixed prices are agreed and, since these contracts can extend over many years, it can be difficult to predict the inflation and ultimate outturn costs.</p> <p>Given the steep anticipated ramp up, production and supply chain are stretched and could result on delays and cost overruns.</p> |                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                            |
| <p>The Group's profits and cash flows are dependent, to a significant extent, on the timing of, or failure to receive, award of land defense contracts and the profile of cash receipts on its contracts.</p>                                                                                                                                                                                                                                   | <p>Amounts receivable under the Group's defense contracts can be substantial and, therefore, the timing of, or failure to receive, awards and associated cash advances and milestone payments could materially affect the Group's profits and cash flows for the periods affected.</p>                                                                                                     | <p>Robust bid preparation and approval processes are well established throughout the Group, with decisions required to be taken at the appropriate level in line with clear delegations of authority.</p>                                                                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                            | <p>The Group's balance sheet continues to be managed to ensure operating flexibility.</p> <p>The Group monitors a rolling forecast of its liquidity requirements to ensure that there is sufficient cash to meet its operational needs and maintain adequate headroom.</p> |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                            | <p>The Group endeavours to negotiate milestone payments and/or price escalation clauses to minimize exposure to significant cash outflows on contracts.</p>                                                                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                            | <p>Wherever possible terms and conditions are mirrored to the sub suppliers of the sub groups to shift risks to the suppliers.</p>                                                                                                                                         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                            | <p>Wherever possible, the business implements financing arrangements, such as letters of credit and advance payments.</p>                                                                                                                                                  |

| 6. <u>Health, Safety &amp; Environment risks</u> : The Group could be negatively impacted by HSE incidents |                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description                                                                                                | Impact                                                                                                                                                                                                                                                                                                                                                    | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| The Group's operations and materials used are subject to inherent HSE risks.                               | <p>Incidents may occur which could result in harm to employees or other disruption to the manufacturing process.</p> <p>The Group may be exposed to financial loss, regulatory action, and potential liabilities for workplace injuries or fatalities or losses through violation of environmental laws or non-compliance with environmental permits.</p> | <p>The Board of Directors believes that responsibility for the delivery of high safety standards is an integral part of operational management accountability.</p> <p>The Board of Directors is committed to ensuring that the Group's leadership operates with health and safety as the top priority, and that the strength of the Group's safety culture and the quality of its protective systems deliver operations where all employees and visitors feel and are safe.</p> |
|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                           | <p>All employees are encouraged to report potential hazards, and to raise any health and safety concerns through the appropriate channels.</p>                                                                                                                                                                                                                                                                                                                                  |
|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                           | <p>The Group continues to invest in process safety systems and equipment. The Group's safety and loss prevention programmes require detailed pre-construction reviews of process changes and new operations, and safety audits of operations are undertaken on a regular basis.</p>                                                                                                                                                                                             |
|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                           | <p>All businesses are expected to pro-actively manage their own risks but, in addition, the most significant site risks at each business and their associated mitigation programmes are reviewed quarterly by site management. Significant findings are reported quarterly to the Board of Directors.</p>                                                                                                                                                                       |
|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                           | <p>Health and safety is included on the agenda at every Board of Directors meeting.</p> <p>LTI is part of the remuneration of the CEO and CFO</p>                                                                                                                                                                                                                                                                                                                               |
|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                           | <p>All of the Group's businesses are in the process of obtaining relevant certification to the environmental management systems, which requires the setting of environmental goals and objectives focused on local aspects and impacts.</p>                                                                                                                                                                                                                                     |
|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                           | <p>The Group has monitoring programs at certain sites, for which appropriate financial provision has been made, taking into account any applicable environmental liability insurance.</p>                                                                                                                                                                                                                                                                                       |

| 7. <u>Fraud risks</u> : The Group could be negatively impacted by Fraud   |                                                                                    |                                                                                                                            |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Description                                                               | Impact                                                                             | Mitigation                                                                                                                 |
| The risk of fraudulent financial reporting due to overstating the revenue | Overstated Financial result by early revenue recognition and/or fictitious entries | Strong contract management with transparent milestones for delivery and payments                                           |
|                                                                           |                                                                                    | Monthly report with bridge analysis per segment                                                                            |
|                                                                           |                                                                                    | Quarterly review of estimated completion                                                                                   |
|                                                                           |                                                                                    | Internal Audit department established                                                                                      |
| The risk of paying bribes and facility payments                           | Negative impact on Group's reputation                                              | Clear process with appropriate level of authority for onboarding third party agents                                        |
|                                                                           |                                                                                    | Compliance check on Fraud policies and Corruption risks                                                                    |
|                                                                           | Risk of losing future business                                                     | Strong payment process with appropriate level of authority, especially for donations, sponsoring and invoices from Agents. |
|                                                                           |                                                                                    | Compliance assessment with respect to Export control and Business partners.                                                |

## Impact of Russian – Ukrainian crises on our business

In February 2022, the Russian – Ukrainian crisis resulted into an armed conflict which has led, amongst others, to sanctions placed on Russia and Belarus. The Group holds no subsidiaries or other investments and has no Tier-1 suppliers domiciled in Russia, Belarus and Ukraine. There have been no sales to customers in Russia and Belarus up to date of this report. The Group however supports its customers, who are providing equipment and materials to the Ukraine. We do not anticipate any significant short term impact of the conflict on KNDS. The overall and long-term effects of this crisis are unclear at this stage. The Group will continue to monitor the developments closely, take measures where needed and will ensure a continued compliance with the legislation around.

## Conclusion on risk assessment

The Board of Directors confirms that it relies on the effectiveness of the Group's systems of internal control and risk management which were in place during the financial year ended 31 December 2023 and it confirms that the principal risks of the group are identified, evaluated and managed at sub-group level. The Board of Directors reviews the internal and risk management systems on a regular basis.

The Board of Directors acknowledges, however, that the internal control systems can only provide reasonable, not absolute, assurance against material mismanagement or loss of the Group's assets. The Board of Directors will therefore continue to monitor the management steps to embed internal control and risk management further into the operations of the Group, and to deal with any areas of improvement which come to the attention of management and the Audit & Compliance Committee.

## Additional information on risks and risk management

In accordance with the provisions laid down in DAS 400.110c and in addition to the information on risks and risk management disclosed above, the Board of Directors has provided below a general description of the willingness to assume risks and uncertainties (the risk appetite). The level of the Group's risk appetite constitutes guidance as to whether the group would or would not take measures to control such risks and uncertainties.

A description of the measures taken to control the main risks and uncertainties has been provided, with a qualitative description of the expected effectiveness of those measures to the extent possible. Furthermore, the Board of Directors has outlined a description of the expected impact on the Group's results and/or financial position if one or more of the main risks and uncertainties were to materialize, if and to the extent possible based on sensitivity analyses.

Clarity on risk appetite, along with the boundaries that determine the freedom of action or choice in terms of risk taking and risk acceptance, is provided. Risk boundaries are set by the Group's strategy, core principles and values, authority schedules, policies and corporate directives. The Group's risk appetite therefore differs per objective area and type of risk:

- **Strategic:** In pursuing our strategic ambitions, we are prepared to take risk related to achieving our performance, innovation and sustainability objectives, e.g. through operating in a wide array of countries. Returns on investment in the development of innovative products and sustainable solutions are never certain. Furthermore, we recognize that for further development of the Group, product portfolio convergence and alignment are required, which includes funds and effort are to be spent on research, development and innovation, even in less certain economic circumstances. The Group's competitiveness increasingly depends upon the ability to develop new and enhanced land defense systems and related products and equipment that is competitively priced and introduced on a timely basis, as well as our ability to protect and defend our intellectual property rights;
- **Operational:** With respect to operational risks, the Group is cautious to adverse risk as we seek to minimize the downside risk from the impact of unforeseen operational failures within our businesses through extensive testing of product performance, IT reliability and continuity plans and recoverability procedures, as well as implementation of appropriate health and safety practices to mitigate significant liabilities risks. HR policies and procedures help mitigate the risk of not having sufficient and/or skilled personnel with required qualifications to run the R&D programs and customer projects in place;
- **Financial:** With respect to financial risks, we have a prudent financing strategy and a strict cash management policy and are committed to maintaining strong investment grade credit ratings. The group is adverse to any risks that could jeopardise the integrity of its reporting, e.g. through implementing common accounting policies for its group companies, monitoring of critical access and segregation of duties conflicts etc.;
- **Compliance:** the Group is adverse to the risk of non-compliance with applicable laws and regulations, as well as any breach of our Codes of Business Conduct. Procedures are in place to help protect against breaches in intellectual property rights. The group seeks appropriate legal advice when defending ourselves against any potential intellectual property claim;
- **Fraud:** The Group is adverse to any risks that could jeopardise the integrity of its reporting, risks that could have a negative impact on the Group's reputation and risks that could have an impact on future business.

Risks and uncertainties that are deemed to have a significant impact during the year, and the consequences thereof for the Group as a whole, are also outlined below, supplemented by a general description of whether improvements have been or will be made to the entity's risk management system and, if so, which measures or action plans.

## **The most significant risks and risk reduction measures taken**

The Group analyses and controls its risks by dividing them into categories (strategic, operational, financial, compliance and fraud). The control measures are subsequently defined for each identified risk. Where possible, a qualitative description is included of the expected effectiveness of the measures taken. The Group has put measures in place for the majority of the risks and uncertainties identified.

An example of a risk that is not in all cases fully covered, is the impact of possible price volatility of raw materials and consumables. As purchases and sales are pre-dominantly in Euros, foreign currency exchange contracts are mitigating the related risk.

## **Appetite for significant risks**

The Group's risk profile is determined on the basis of this risk analysis and the control measures. The current risk profile (designated 'X' in the below risk matrix) is assessed and compared with the desired risk profile (denoted 'Y' in the below risk matrix).

Action plans are drawn up for each risk if the current profile is graded at a higher level than the desired risk profile to further control/reduce the existing exposure:

| Risk area          | Risks                                                                     | Controls                                                                                                                                                       | Low |   | Middle |   | High |
|--------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---|--------|---|------|
| Strategic          | Lack of product innovation (lengthy development) and/or product alignment | Budget and forecast<br>R&D investment<br>PMI plan / synergy monitoring                                                                                         |     | Y | X      |   |      |
| Strategic          | International competitive markets                                         | Balanced portfolio<br>Operational cost reduction                                                                                                               |     | Y | X      |   |      |
| Strategic          | Government / defense dependency                                           | Investment in growth/monitor market relationships                                                                                                              |     |   |        | Y | X    |
| Operational        | Low product quality or performance                                        | Investments in manufacturing inspections / customer approval                                                                                                   | X=Y |   |        |   |      |
| Operational        | Product liability                                                         | HSE and quality control policies, insurance coverage programs                                                                                                  | X=Y |   |        |   |      |
| Operational        | Environmental risks and liabilities                                       | HSE policies<br>Expert reviews<br>Insurance coverage                                                                                                           | X=Y |   |        |   |      |
| Financial          | Cash-flow risks related to large, long-term projects                      | Project and cash flow management controls<br>Ensure project down payments<br>Payment through issued Letter of Credits                                          | Y   | X |        |   |      |
| Financial          | Impairment of (in)tangible assets and goodwill                            | Annual impairment tests<br>Monthly review of operating results                                                                                                 | X=Y |   |        |   |      |
| Legal & Compliance | Non-compliance with in- / external rules and regulation                   | Monitoring of changes in legal and regulatory systems<br>CoC monitoring by Management Board<br>Legal risk review and business partner reviews (e.g. contracts) | X=Y |   |        |   |      |
| Legal & Compliance | Failure to protect IP rights                                              | In- and external legal review                                                                                                                                  | X=Y |   |        |   |      |
| Legal & Compliance | Changes in tax laws could affect future profitability                     | External and internal tax advisors                                                                                                                             | X=Y |   |        |   |      |

Quantification of the impact on the results and financial position if risks would materialize  
The principal strategic, operational, legal and compliance risks and uncertainties described above are generally difficult to quantify, as these may vary depending on the project, product, customer, region etc.

### Dependency on certain large projects

Inherent to the Group's operations, there is possibly a dependency on certain large projects or contracts. Nevertheless also medium size and small contracts are in place ensuring a good level of annual workload (e.g. after sales and spare part deliveries).

## Contingencies and litigation

In connection with proceedings and claims, our management evaluates, based on the relevant facts and legal principles, the likelihood of an unfavourable outcome and whether the amount of the loss can be reasonably estimated. In certain cases, management may determine that either a loss was not probable or was not reasonably estimable. Significant subjective judgments are usually required in these evaluations, including judgements regarding the validity of asserted claims and the likely outcome of legal and administrative proceedings. The outcome of these proceedings, however, is mostly subject to a number of factors beyond the Company's control, notably the uncertainty associated with predicting decisions by courts and administrative agencies. In addition, estimates of the potential costs associated with legal and administrative proceedings frequently cannot be subjected to any sensitivity analysis, as damage estimates or settlement offers by claimants may bear little or no relation to the eventual outcome.

On 14<sup>th</sup> December 2021 and based on the contribution agreement dated 15<sup>th</sup> December 2015 related to the Company's incorporation, the Company has initiated arbitral proceedings against one of its shareholders, GIAT Industries SAS. The purpose of these proceedings is to protect the Company's rights to guarantees and indemnities under the contribution agreement, in connection with the liability for environmental damages incurred by Nexter at production sites in France, Belgium and Italy. The two claims against GIAT Industries are:

- the first claim concerned the liability of GIAT Industries in excess of the agreed upon EUR 20 Million cap, based on an interpretation of the (ambiguous) wording of the Contribution Agreement. This claim has been denied by the Arbitral Tribunal.
- the second claim concerned the liability of GIAT Industries in connection with environmental damages on the sites of Simmel and Mecar, in the event Chemring Plc. (seller of all shares in both Simmel and Mecar to Nexter) would default in its obligation to pay for such costs. This liability was time-barred. The Arbitral Tribunal has granted the second claim made by KNDS, mentioning that no time limits apply to future subsequent proceedings relating to the KNDS claims in this regard.

The Arbitral Tribunal further ruled that each of KNDS and GIAT Industries will bear its own legal costs, and that the arbitration costs are shared 50/50. Based on the outcome described above, the arbitral proceedings will not have an impact on KNDS Group, as it addresses the allocation of risk in a possible future scenario, namely the bankruptcy of Chemring Plc. Taking into account the current financial situation of Chemring Plc., this scenario is not highly likely to materialize in the near future. On 25<sup>th</sup> October, 2023, these arbitral proceedings have been concluded.

Sensitivity analyses for the financial risks and uncertainties described above, e.g. impairment of assets, employee benefits and financial instruments are provided in the Company's financial statements.

## Information regarding financial instruments

### Financial Risk Management

The Company and its subsidiaries are exposed to certain financial risks such as market risk (including foreign currency and interest rate risk), credit risk, liquidity risk and capital risk. The overall objective of the Company's financial risk management program is to focus on the unpredictability of financial markets and seek to minimize potentially adverse effects on our financial performance. The Company manages these financial exposures through operational means and by using various financial instruments. These practices may change as economic conditions change.

The Company's policy is to manage existing foreign exchange exposures and to control receivables and inventory risks through internal policies and procedures.

The Company does not trade in financial derivatives and follows procedures to limit the size of the credit risk with each counterparty and market. Furthermore, none of these transactions are entered into for trading or speculative purposes. If counterparty fails to meet its payment obligations to the Company, the resulting losses are limited to the fair value of the instruments in question.

The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit or market risks.

### **Foreign Exchange Risk**

As substantially most of the Company's invoicing and purchasing transactions are denominated in euros, a limited portion of the Company's revenues and earnings are exposed to changes in foreign exchange rates. The Company seeks to manage its foreign exchange risk in part through operational means, including managing same currency revenues in relation to same currency costs, and same currency assets in relation to same currency liabilities.

Foreign exchange risk is also managed through the use of foreign currency forward-exchange contracts. These contracts are used to offset the potential earnings effects from mostly short-term foreign currency assets and liabilities that arise from operations. As of 31 December 2022 forward exchange contracts in place representing closed hedging positions (micro hedge).

### **Interest Rate Risk**

The Company does not have any foreign currency interest-bearing loans or other borrowings subject to significant interest rate risk. The Company invests and borrows primarily on a short-term or variable-rate basis. From time to time, depending on market conditions, the Company will fix interest rates either through entering into fixed rate borrowings or through the use of derivative financial instruments such as forward foreign exchange contracts.

The Company's primary financial instruments at year-end are limited and do not entail significant sensitivity to interest rate changes. The fair values of these instruments were determined using various methodologies.

### **Credit risk with customers**

This is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from amounts receivable from customers. Trade receivables can consider being concentrated with certain major clients in the industry, e.g. the French and German Ministries of Defense.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk group's customers and the countries in which is operated, as these factors are considered to reduce credit risk compared to, for example, private companies.

Management analysed individually for creditworthiness of a customer before standard payment and delivery terms and conditions are offered. The Company's review includes external ratings,

when available. Customers that fail to meet the Company's creditworthiness requirements may transact with the Company only on a prepayment basis.

On an ongoing basis, the Company reviews the creditworthiness of counterparties to foreign exchange and interest rate agreements and does not expect to incur a significant loss from failure of any counterparties to perform under the agreements. Credit risk is further mitigated through the use of down payments, milestone payments, letters of credit etc.

The fair value of most of the financial instruments stated on balance sheet, including account receivable securities, cash and cash equivalents and current liabilities, is close to the carrying amount.

### **Credit risk with financial institution**

Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. To mitigate the counterparty credit risk, the Group has a policy of only entering into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and maintains strict term limits that correspond to each institution's credit rating. Counterparty credit risk is managed by the Group by limiting the aggregate amount and duration of exposure to any counterparty, taking into account its credit rating. The credit ratings of all counterparties are reviewed regularly. At 31 December 2023, the Group holds EUR 748 million (2022: EUR 379 million) in short-term money market funds. At 31 December 2023, the Group has no deposits with unrated institutions (2022: none).

### **Liquidity risk**

The Group's liquidity needs are affected by many factors, some of which are based on the normal on-going operations of the business, and others that relate to the uncertainties of the global economy and the land defense industry.

Although the Group's cash requirements fluctuate based on the timing and extent of these factors, the Company maintains a strong financial position. Due to its significant operating cash flows, financial assets and available lines of credit and revolving credit agreements, the Company continues to believe that it has, and will maintain, the ability to meet its liquidity needs for the foreseeable future.

As market conditions change, the Group will continue to monitor its liquidity position by means of cash flow budgets and projections. The Company has taken and will continue to take a conservative approach to its financial investments.

At 31 December 2023, the KMW Group had access to unused credit facilities of EUR 250 million (2022: EUR 250 million).

## **Information regarding social aspects of operating the business**

### **Environmental Social & Governance (ESG)**

In 2022, KNDS has formulated a non-financial reporting roadmap to ensure compliance with EU and Dutch ESG reporting requirements in the future. At the subsidiary level (KMW and Nexter), further steps have already been taken and external parties have been engaged (i) to support with the implementation of the ESG reporting framework and (ii) to certify the non-financial KPI's set already in place. Furthermore, KNDS is in the process of finalizing alignment and convergence in order to define a set of KNDS ESG KPI's, with the objective of complying with the upcoming CSRD regulation and draft European Sustainability Reporting Standards (ESRS).

KNDS completed the double materiality assessment (impact materiality and financial materiality) required by the CSRD in 2023, based on the outcomes from KMW and Nexter. The outcome of the double materiality assessment has been discussed and validated by the CEO and CFO of KNDS as well as the CEO and CFOs of KNDS Germany and KNDS France, and has been used to determine the type and scope of the topics to be reported on. In particular, the topic of employee safety at the workplace will continue to be in focus.

KNDS' roadmap to establish a consolidated non-financial reporting, in line with European regulations, is supported at the highest level of the Company, by both senior management and the Board of Directors.

Starting in financial year 2025, KNDS will report on several mandatory and selected environmental topics relating to its operational processes. With regard to water and energy consumption, as well as Scope 1 and Scope 2 emissions, KNDS is documenting the corresponding KPIs in a KPI Handbook. In 2024, the targets for a reduction of water and energy consumption and emissions reduction will be discussed and agreed upon. Also, dry-run reporting is scheduled to take place in 2024, in order to be fully ready to report on ESG starting in financial year 2025. The Group is committed to minimising the environmental impact of our operations, whilst innovating to strive to minimise the environmental impact of our products.

The Group has an average combined headcount of 9,491 (2022: 8,952) employees, across several manufacturing sites internationally, so our focus is to proactively manage the impact of our operations on the environment. Our primary impacts relate to energy used for heating and lighting of our facilities. We do not manufacture raw materials in a huge scale, so have relatively few energy-intensive processes. Each of our businesses sets clear targets to use resources efficiently with a focus on reducing energy and water consumption, and waste generated. Environmental management systems are used to monitor and manage targets and impacts. Reducing these impacts will reduce the Group's environmental footprint and cut costs from purchased energy, raw materials and waste.

From designing vehicles with efficient operating systems to helping Ministry of Defense (MoD's) making tanks last longer, our engineers work to reduce environmental impacts across the product lifecycle. This includes reducing the environmental impacts of our products during design, research and development, minimising waste materials during manufacturing, and helping to reduce the impact of our products when they are re-used or upgraded.

The safety of employees working within the Nexter and the KMW group and all those working on our sites continues to be a key focus area, applying industry-generated, credible, realistic and readily reproducible safety benchmarks allowing the Group to compare its performance relative to other companies in the sector. The Audit & Compliance Committee of the Company will monitor the work being undertaken by each of our businesses as they seek to achieve the high level of safety performance represented by the benchmarks in place. The drive to improve safety will always be with us as we seek to continually improve performance and we recognise that progress needs to be measured over a number of years, but with annual goals to monitor progress towards the agreed benchmark.

In terms of safety, the Group has defined personnel health and safety records, including Recordable Accident Rate and the number of major injuries recorded. These objectives measure performance not only against key safety indicators, but also improvements in behavioural safety and action taken to eliminate safety risks.

The Group also continues carrying out its review of our product safety policy, which is aimed at ensuring that we have a robust approach to product safety across the Group, including compliance with contractual, legal and regulatory requirements.

Corporate responsibility entails that the Company and its subsidiaries ensure that all directors, officers and employee's act ethically and meet evolving governmental requirements.

As a member of today's rapidly changing global community, the Company is striving to adapt to the evolving needs of the military and contribute to the overall protection of military deployed throughout the world.

Both the Nexter and the KMW group are continually reviewing and improving efforts to lessen impact on the environment, nurture a workplace of diversity and inclusion, adopt and monitor continually improved HSE policies, conduct responsible business practices, and uphold the highest ethical standards in everything from research and development to sales and marketing.

Dutch legislation requires large Dutch companies to strive for a balanced gender representation in the Board of Directors. At the moment of this report the entire Board of Directors consists of male representatives. The Company recognizes however the benefits of diversity, including gender balance, and will continue to strive for an adequate, balanced and diverse composition of its Board of Directors. As part of its ESG, the Company is in the process of setting targets for the gender balance along with a plan to achieve this target.

## **Information concerning application of code of conduct**

The first and foremost responsibility of each employee of (a subsidiary company of) the Company is to abide by the Company's policies on business conduct. Each employee must comply not only with the letter of these policies, but also with their spirit. The Company's policies form the foundation of a comprehensive process that includes compliance with policies and procedures, an open relationship among colleagues to foster good business conduct, and a high level of integrity. The Company's policies and procedures cover all major areas of professional conduct, including employment practices, conflicts of interest and the protection of confidential information, and require strict adherence to laws and regulations applicable to the conduct of business. Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Company's policies on business conduct. The Company's directors are required to comply with the Company's business conduct and ethical policies that help foster a culture of honesty and accountability.

The Board of Directors has procedures to retrieve, retain and treat complaints received regarding accounting or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The code of conduct is available on the websites of the subsidiaries.

## **Research and development information**

The discovery and development of effective new products, as well as the development of additional uses for existing products, are necessary for the continued strengthening of our businesses. The opportunities for improving products and related technologies remain abundant, as technological innovation increases daily into new and more complex areas and as the extent of unmet land defense requirements and needs remains high. KMW's and Nexter Group's product

lines must be replenished over time in order to offset revenue losses when products lose their competitive advantages, as well as to provide for growth.

The Group is developing and delivering innovative products that will benefit selected militaries and governments around the world, continuing to make available the investments necessary to serve governmental and military needs to generate long-term growth.

During the financial year 2023 the Group invested EUR 82 million (2022: EUR 71 million) in R&D projects which corresponds to 2.5% (2022: 2.2 %) of the revenues to develop new products as well as improve existing main product lines. These R&D expenditures have not been capitalized where it cannot be distinguished from the cost of developing the business as a whole.

### **Future developments**

The Company continues to operate across all major channels, and is focusing on how it can create synergies and improve mutual product innovation. Consequently, the Company has identified and is pursuing significant growth opportunities within the different product channels. Both subgroups prepared offers not only for small and medium size contracts but also for major projects to possible contractors, both on the European market as well as on the global market. For several important projects a high probability of success in the bidding process is expected.

KNDS Group is affected by the introduction of global minimum taxation and has undertaken work to collect the data necessary to evaluate its impact. Quantitative impacts will be monitored and evaluated at the level of the KNDS Group. As a result of the review, our entities meet the countries Transitional CbCR Safe Harbour. For 2 countries (Mexico and Hungary) the parameters are not met in a first step. For Mexico we are safe, Mexico Company is in liquidation since 2 years and will be closed within Q1 2024. For Hungary, it is expected that Hungarian government will introduce a local top-up tax in order to meet Global Minimum Taxation and to keep tax volume in Hungary.

The integration project continues and is accelerating caused by the before-mentioned KNDS Lighthouse projects and aiming at development of competitive products and solutions, such as:

- Future main armament;
- Precision strike capabilities;
- Tracked versions of infantry combat systems;
- Remotely operated 40mm turret.

## **M&A activities**

Further steps will be taken into account by the Company to enhance future consolidation of the European land defense industry. The Company is not only looking for organic growth but is also exploring possibilities for external growth. The Company has sufficient financial capacities for possible M&A activities.

## **Outlook**

Due to the long term project nature of our business, we do not see any disconcerting developments regarding revenues or EBIT in the first months of 2024. The KNDS Group will reconsider its investments insofar they are not necessary for replacement of assets or fulfilling contracts.

Our mid-term planning shows a strong increase in sales and together with the current order backlog of EUR 15.7 billion this will have a positive effect on the Group's financial position. We also see an increase in spending by governments as a result of the Russia/Ukraine crisis. KNDS is continuously monitoring the current situation and near future, including the potential impact on the raw materials availability, the raise of inflation as well as the potential increased demand.

Based upon the above, we don't see any risk on profitability for the coming years.

## **Subsequent events**

As explained in note 3(d) Going concern and note 31 Subsequent events in the financial statements there were no further significant events after the balance sheet date that could have a significant impact on the financial position for the year ended 31 December 2023.

## **Board of Directors Meetings**

In 2023, the Board of Directors met for 8 physical meeting (2022: 6).

The Board committees (Audit and Compliance Committee, Strategy Committee and Remuneration Committee) also convened regularly and all of the committees regularly reported back on their activities to the full Board of Directors.

The Members of the Board devoted sufficient time to engage (proactively if the circumstances so required) in supervisory responsibilities.

## **Activities of the Board of Directors**

During the year 2023 a number of matters were discussed during the meetings. Below a short overview is given:

- Reviewing strategic options as well as post-merger integration opportunities following the formation of the joint venture by contributing the businesses of Nexter Group and KMW Group respectively by GIAT Industries S.A. and Wegmann & Co. GmbH end of 2015;

- Monitoring and discussing the performance of the Group and its underlying businesses including the financial situation as well as actual figures;
- Discussing and agreeing the forecast, the annual budget and mid-term planning as well as the annual dividend policy of the Group;
- Updates on Bids and Projects of the Group as well as M&A and Financing activities;
- Discussing the Safety and Compliance situation and the overall ESG roadmap of the Group.

## Financial Statements 2023

The financial statements of the Group for the year 2023, as presented by the Board of Directors, have been audited by PricewaterhouseCoopers Accountants N.V. as independent external auditor appointed by the General Meeting. The Board of Directors recommends to the Shareholders that they adopt the 2023 financial statements.

Finally, the Members of the Board of Directors would like to express their thanks to all employees of the Group for their continued contribution during the year.

Amsterdam, April 9, 2024

## The Board of Directors:

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Mr. F. Haun (Executive Director)

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Mr. P.B. Petitcolin (Chairman)

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Mr. F.P. Bode

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Mr. A.F.M. Bouvier

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Dr. W.H. Buechele

---

Dr. J.H. Cammann

---

Mr. W. Frank

---

Mr. P.J.M. Jeannin

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Mr. A.A. Lahousse

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Mr. P.C. Todorov

**KNDS N.V.**

## **2023 Statutory Financial Statements**

## Consolidated statement of profit and loss

### Profit & Loss (EUR 1,000)

|                                                            |      | Year ended 31 December |                |
|------------------------------------------------------------|------|------------------------|----------------|
|                                                            |      | 2023                   | 2022           |
|                                                            | Note |                        |                |
| Revenue                                                    | 6    | 3,250.102              | 3,172.040      |
| Cost of sales of goods and services                        | 7    | (2,473.389)            | (2,463.217)    |
| <b>Gross profit</b>                                        |      | <b>776.713</b>         | <b>708.823</b> |
| Selling expenses                                           | 7    | (130.090)              | (115.774)      |
| Research and development expenses                          | 7    | (82.375)               | (70.935)       |
| Administrative expenses                                    | 7    | (146.328)              | (127.427)      |
| Other income and expenses                                  | 8    | (9.926)                | (5.310)        |
| <b>Profit before finance results and income tax</b>        |      | <b>407.994</b>         | <b>389.378</b> |
| Interest income                                            | 9    | 22.830                 | 8.925          |
| Interest expense                                           | 9    | (16.512)               | (5.427)        |
| Other financial result                                     | 9    | 28.455                 | 558            |
| <b>Total financial result</b>                              |      | <b>34.773</b>          | <b>4.055</b>   |
| Share in income of equity-accounted associates, net of tax | 13   | 4,673                  | 162            |
| <b>Group result before income tax</b>                      |      | <b>447.440</b>         | <b>393.595</b> |
| Income tax expense                                         | 10   | (110.993)              | (102.816)      |
| <b>Net group result for the period</b>                     |      | <b>336.447</b>         | <b>290.779</b> |
| <b>Net group result for the period attributable to:</b>    |      |                        |                |
| • Owners of the Company                                    |      | 336.447                | 290.779        |
| • Non-controlling interests                                |      | (37)                   | (13)           |
|                                                            |      | <b>336.410</b>         | <b>290.766</b> |

## Consolidated Statement of Comprehensive Income

### Consolidated Comprehensive Income (EUR 1,000)

|                                                                                                  |      | Year ended 31 December |                |
|--------------------------------------------------------------------------------------------------|------|------------------------|----------------|
|                                                                                                  |      | 2023                   | 2022           |
|                                                                                                  | Note |                        |                |
| <b>Net group result for the period</b>                                                           |      | <b>336.447</b>         | <b>290.779</b> |
| <b>Other comprehensive income/(expense) net of taxes</b>                                         |      |                        |                |
| <i>Items that will not be reclassified to profit or loss:</i>                                    |      |                        |                |
| Changes in the fair value of equity investments at fair value through other comprehensive income |      | (4.117)                | 2.221          |
| Actuarial gains/(losses) on defined benefit plans                                                |      | (3.142)                | 26.220         |
|                                                                                                  |      | <b>(7.259)</b>         | <b>28.441</b>  |
| <i>Items that may be reclassified to profit or loss:</i>                                         |      |                        |                |
| Exchange differences on translation of foreign operations                                        |      | (111)                  | (454)          |
| Net fair value result on hedging instruments entered into for cash flow hedges                   | 25   | 2.756                  | (2.716)        |
|                                                                                                  |      | <b>2.645</b>           | <b>(3.171)</b> |
| <b>Other comprehensive income/(expense) net of taxes for the period</b>                          |      | <b>(4.614)</b>         | <b>25.270</b>  |
| <b>Total comprehensive income for the period</b>                                                 |      | <b>331.833</b>         | <b>316.050</b> |
| <b>Total comprehensive income/(expense) for the period attributable to:</b>                      |      |                        |                |
| · Owners of the Company                                                                          |      | 331.833                | 316.050        |
| · Non-controlling interests                                                                      |      | (37)                   | (13)           |
|                                                                                                  |      | <b>331.796</b>         | <b>316.036</b> |

## Consolidated statement of financial position

(before profit appropriation)

| Balance sheet (EUR 1,000)                          |             | 31 Dec. 2023     | 31 Dec.<br>revised 2022 |
|----------------------------------------------------|-------------|------------------|-------------------------|
| <b>Assets</b>                                      | <i>Note</i> |                  |                         |
| Intangible Assets                                  | 11          | 133.145          | 118.496                 |
| Property, plant and equipment                      | 12          | 650.604          | 580.272                 |
| Equity accounted associates                        | 13          | 32.002           | 27.440                  |
| Deferred tax assets                                | 10          | 101.396          | 75.656                  |
| Contract assets                                    | 6           | -                | -                       |
| Other non-current assets                           | 14          | 29.543           | 88.614                  |
| <b>Non-current assets</b>                          |             | <b>946.690</b>   | <b>890.478</b>          |
| Inventories                                        | 15          | 1.598.180        | 1.291.975               |
| Contract assets                                    | 6           | 369.116          | 328.068                 |
| Advance and down payments to suppliers             | 16          | 303.124          | 221.440                 |
| Trade and other receivables                        | 17          | 804.761          | 773.312                 |
| Current tax assets                                 | 10          | 16.183           | 10.531                  |
| Other assets                                       | 18          | 106.414          | 64.947                  |
| Cash and cash equivalents                          | 19          | 1.699.331        | 1.185.043               |
| <b>Current assets</b>                              |             | <b>4.897.110</b> | <b>3.875.315</b>        |
| <b>Total assets</b>                                |             | <b>5.843.800</b> | <b>4.765.793</b>        |
| <b>Capital reserves &amp; Liabilities</b>          |             |                  |                         |
| Total equity attributable to owners of the Company |             | 2.019.785        | 1.795.018               |
| Non-controlling / minority interests               | 20          | 313              | 350                     |
| <b>Total equity</b>                                |             | <b>2.020.098</b> | <b>1.795.368</b>        |
| Provision for employee benefits                    | 21          | 78.677           | 73.750                  |
| Provisions                                         | 22          | 44.088           | 45.927                  |
| Loans and borrowings                               | 23          | 252              | 200                     |
| Other non-current liabilities and accrued costs    | 24          | 68.575           | 78.556                  |
| Contract liabilities                               | 6           | -                | -                       |
| Deferred tax liabilities                           | 10          | 14.978           | 2.495                   |
| <b>Total non-current liabilities</b>               |             | <b>206.570</b>   | <b>200.928</b>          |
| Trade creditors                                    |             | 432.747          | 380.988                 |
| Contract liabilities                               | 6           | 2.303.769        | 1.530.573               |
| Provision for employee benefits                    | 21          | 13.528           | 14.222                  |
| Provisions                                         | 22          | 461.238          | 489.937                 |
| Loans and borrowings                               | 2           | 27.923           | 26.339                  |
| Other current liabilities and accrued costs        | 24          | 329.854          | 294.267                 |
| Current tax liabilities                            | 10          | 48.073           | 33.170                  |
| <b>Total current liabilities</b>                   |             | <b>3.617.132</b> | <b>2.769.496</b>        |
| <b>Total liabilities</b>                           |             | <b>3.823.702</b> | <b>2.970.424</b>        |
| <b>Total equity and liabilities</b>                |             | <b>5.843.800</b> | <b>4.765.793</b>        |

## Consolidated statement of changes in equity

(before profit appropriation)

|                                                                                | Share capital  | Share Premium  | Special Reserve | Accumulated other comprehensive income/(expense) | Retained earnings | Total Other reserves | Unappropriated result | Total equity attributable to owners of the Company | Non-controlling Interest | Total Equity     |
|--------------------------------------------------------------------------------|----------------|----------------|-----------------|--------------------------------------------------|-------------------|----------------------|-----------------------|----------------------------------------------------|--------------------------|------------------|
| <b>Balance as at 1 January 2022</b>                                            | <b>300.000</b> | <b>589.077</b> | <b>-</b>        | <b>1.679</b>                                     | <b>450.036</b>    | <b>451.715</b>       | <b>216.241</b>        | <b>1.557.033</b>                                   | <b>363</b>               | <b>1.557.397</b> |
| Appropriation of prior year results                                            | -              | -              | -               | -                                                | 216.241           | 216.241              | (216.241)             | -                                                  | -                        | -                |
| Profit for the year                                                            | -              | -              | -               | -                                                | -                 | -                    | 290.779               | 290.779                                            | -                        | 290.779          |
| Other Changes                                                                  | -              | -              | -               | 1                                                | (454)             | (453)                | -                     | (453)                                              | (13)                     | (466)            |
| <i>Other comprehensive income/(expense):</i>                                   |                |                |                 |                                                  |                   |                      |                       |                                                    |                          |                  |
| Changes in the fair value of equity investments at fair value through OCI      | -              | -              | -               | 2.221                                            | -                 | 2.221                | -                     | 2.221                                              | -                        | 2.221            |
| Actuarial gains on defined benefit plans                                       | -              | -              | -               | 26.220                                           | -                 | 26.220               | -                     | 26.220                                             | -                        | 26.220           |
| Exchange differences on translating foreign operations                         | -              | -              | -               | (454)                                            | -                 | (454)                | -                     | (454)                                              | -                        | (454)            |
| Net fair value result on hedging instruments entered into for cash flow hedges | -              | -              | -               | (2.716)                                          | -                 | (2.716)              | -                     | (2.716)                                            | -                        | (2.716)          |
| Other comprehensive expense for the year                                       | -              | -              | -               | 25.270                                           | -                 | 25.270               | -                     | 25.270                                             | -                        | 25.270           |
| <b>Total comprehensive income for the year</b>                                 | <b>-</b>       | <b>-</b>       | <b>-</b>        | <b>25.270</b>                                    | <b>216.241</b>    | <b>241.511</b>       | <b>74.538</b>         | <b>316.050</b>                                     | <b>-</b>                 | <b>316.050</b>   |
| <b>Transactions with owners in their capacity as owners</b>                    |                |                |                 |                                                  |                   |                      |                       |                                                    |                          |                  |
| Reallocation to Special Reserve of Materialized Special Benefits               | -              | -              | 9.332           | -                                                | (9.332)           | (9.332)              | -                     | -                                                  | -                        | -                |
| Distribution of Materialized Special Benefits                                  | -              | (1.872)        | (9.332)         | -                                                | -                 | -                    | -                     | (11.204)                                           | -                        | (11.204)         |
| Dividends Declared                                                             | -              | -              | -               | -                                                | (67.000)          | (67.000)             | -                     | (67.000)                                           | -                        | (67.000)         |
| <b>Balance as at 31 December 2022/ 1 January 2023</b>                          | <b>300.000</b> | <b>587.205</b> | <b>-</b>        | <b>27.543</b>                                    | <b>589.491</b>    | <b>617.034</b>       | <b>290.779</b>        | <b>1.795.019</b>                                   | <b>350</b>               | <b>1.795.369</b> |
| Appropriation of prior year results                                            | -              | -              | -               | -                                                | 290.779           | 290.779              | (290.779)             | -                                                  | -                        | -                |
| Profit for the year                                                            | -              | -              | -               | -                                                | -                 | -                    | 336.447               | 336.447                                            | (37)                     | 336.410          |
| Other Changes                                                                  | -              | -              | 0               | (0)                                              | (9.000)           | (9.000)              | -                     | (9.000)                                            | (0)                      | (9.000)          |
| <i>Other comprehensive income/(expense):</i>                                   |                |                |                 |                                                  |                   |                      |                       |                                                    |                          |                  |
| Changes in the fair value of equity investments at fair value through OCI      | -              | -              | -               | (4.117)                                          | -                 | (4.117)              | -                     | (4.117)                                            | -                        | (4.117)          |
| Actuarial gains on defined benefit plans                                       | -              | -              | -               | (3.142)                                          | -                 | (3.142)              | -                     | (3.142)                                            | -                        | (3.142)          |
| Exchange differences on translating foreign operations                         | -              | -              | -               | (111)                                            | -                 | (111)                | -                     | (111)                                              | -                        | (111)            |
| Net fair value result on hedging instruments entered into for cash flow hedges | -              | -              | -               | 2.756                                            | -                 | 2.756                | -                     | 2.756                                              | -                        | 2.756            |
| Other comprehensive expense for the year                                       | -              | -              | -               | (4.614)                                          | -                 | (4.614)              | -                     | (4.614)                                            | -                        | (4.614)          |
| <b>Total comprehensive income for the year</b>                                 | <b>-</b>       | <b>-</b>       | <b>-</b>        | <b>(4.614)</b>                                   | <b>290.779</b>    | <b>286.165</b>       | <b>45.668</b>         | <b>331.833</b>                                     | <b>(37)</b>              | <b>331.796</b>   |
| <b>Transactions with owners in their capacity as owners</b>                    |                |                |                 |                                                  |                   |                      |                       |                                                    |                          |                  |
| Reallocation to Special Reserve of Materialized Special Benefits               | -              | -              | 14.236          | -                                                | (14.236)          | (14.236)             | -                     | -                                                  | -                        | -                |
| Distribution of Materialized Special Benefits                                  | -              | (1.872)        | (14.236)        | -                                                | -                 | -                    | -                     | (16.108)                                           | -                        | (16.108)         |
| Dividends Declared                                                             | -              | -              | 0               | -                                                | (81.960)          | (81.960)             | -                     | (81.960)                                           | -                        | (81.960)         |
| <b>Balance as at 31 December 2023</b>                                          | <b>300.000</b> | <b>585.333</b> | <b>0</b>        | <b>22.929</b>                                    | <b>775.074</b>    | <b>798.003</b>       | <b>336.447</b>        | <b>2.019.784</b>                                   | <b>313</b>               | <b>2.020.096</b> |

## Consolidated statement of cash flows

### Cash flow statement (EUR 1,000)

|                                                                     |      | 2023             | 2022             |
|---------------------------------------------------------------------|------|------------------|------------------|
|                                                                     | Note |                  |                  |
| <b>Cash flows from operating activities</b>                         |      |                  |                  |
| Net group result                                                    |      | 336.446          | 290.780          |
| Adjustments for:                                                    |      |                  |                  |
| Depreciation and amortization of non-current assets                 | 8    | 70.497           | 62.701           |
| Increase/(Decrease) in provisions                                   | 23   | (31.252)         | 91.673           |
| Income tax expense recognized in profit and loss                    | 11   | 110.993          | 102.816          |
| Others                                                              |      | (88)             | (6.520)          |
| Finance costs recognised in profit and loss                         | 10   | (33.420)         | 2.795            |
| Share in income of equity-accounted investees, net of tax           | 14   | (4.673)          | (162)            |
|                                                                     |      | <b>448.503</b>   | <b>544.082</b>   |
| (Increase)/Decrease in inventories                                  | 16   | (303.443)        | (26.362)         |
| (Increase)/Decrease in Contract Assets                              | 7    | (41.048)         | (23.277)         |
| (Increase)/Decrease in trade and other receivables                  |      | (48.745)         | (96.815)         |
| (Increase)/Decrease in advance and down payments to suppliers       | 18   | (81.684)         | 8.498            |
| Increase/(Decrease) in amounts due contract liabilities             | 25   | 766.860          | 188.385          |
| Increase/(Decrease) in trade and other payables                     |      | 92.169           | (26.338)         |
| Increase/(Decrease) in other current liabilities                    |      | 6.027            | (2.624)          |
|                                                                     |      | <b>838.638</b>   | <b>565.549</b>   |
| <b>Cash generated from operating activities</b>                     |      |                  |                  |
| Income taxes paid                                                   | 11   | (116.471)        | (120.275)        |
| Interest paid                                                       |      | (1.709)          | (957)            |
|                                                                     |      | <b>720.458</b>   | <b>444.317</b>   |
| <b>Net cash generated from / (used in) operating activities</b>     |      |                  |                  |
| <b>Cash flows from investing activities</b>                         |      |                  |                  |
| Cash payments on acquisitions                                       |      | (7.880)          | -                |
| Cash payment on loans issued                                        |      | -                | (1.138)          |
| Investments in non-current assets                                   | 12   | (132.028)        | (108.567)        |
| Proceeds from disposals of assets                                   | 12   | 1.402            | 11.184           |
| Received dividends                                                  |      | 4.708            | 5.073            |
| Interest received                                                   |      | 21.428           | 1.126            |
| Disposal of subsidiaries and or affiliates                          |      | 1.664            | (453)            |
|                                                                     |      | <b>(110.706)</b> | <b>(92.775)</b>  |
| <b>Net cash used in investing activities</b>                        |      |                  |                  |
| <b>Cash flows from financing activities</b>                         |      |                  |                  |
| Distributions to shareholders                                       | 39   | (98.068)         | (78.204)         |
| Proceeds from loans and borrowings                                  | 24   | -                | 1.929            |
| Repayment of loans and borrowings                                   | 24   | (1.086)          | (156)            |
| Payment for the redemption of lease liabilities                     | 28   | (15.485)         | (14.014)         |
| Cost of financial debt and interest paid                            |      | 19.873           | (828)            |
|                                                                     |      | <b>(94.766)</b>  | <b>(91.274)</b>  |
| <b>Net cash used in financing activities</b>                        |      |                  |                  |
| Effects of exchange rate changes on cash held in foreign currencies |      | (698)            | (922)            |
|                                                                     |      | <b>514.287</b>   | <b>259.348</b>   |
| <b>Net increase / (decrease) in cash and cash equivalents</b>       |      |                  |                  |
| Cash and cash equivalents at 1 <sup>st</sup> January                | 20   | 1.185.043        | 925.696          |
|                                                                     |      | <b>1.699.331</b> | <b>1.185.043</b> |
| <b>Cash and cash equivalents at 31 December</b>                     | 20   |                  |                  |

## Notes to the consolidated financial statements

### 1. Reporting entity information

KNDS N.V. (the “Company”) is a public limited liability company under Dutch Law and was incorporated on 2 October 2015 with its corporate seat in Amsterdam, the Netherlands. On June 14<sup>th</sup>, 2023, the Company’s statutory name has been changed into “KNDS N.V.”. On 14 June 2023, the new name KNDS N.V. was registered with the Dutch Trade Register. The company’s registration at the chamber of commerce in Amsterdam is 64277925.

During the fourth quarter of the fiscal year 2015, GIAT Industries S.A. and Wegmann & Co. GmbH formed a joint venture by contributing their businesses (Nexter Group and Krauss-Maffei Wegmann Group or KMW Group) to the Company (at that time called: Honosthor N.V.) on 15 December 2015 in exchange for a 50% interest each in the Company. On July 8<sup>th</sup>, 2016, the name KMW+Nexter Defense Systems N.V. was registered with the Dutch Trade Register.

The Company’s principal objective of executing a holding function. The Company’s objectives are: (i) to acquire, to participate in, to finance, to hold any other interest in and to conduct the management or supervision of the companies active in the land defense industries; (ii) to provide services to and for the benefit of other group companies.

The Company has 100% shareholdings in two sub groups that are principally active in the development, production, delivery and maintenance and technical support of land defense systems and related services, namely Krauss-Maffei Wegmann Group (Munich, Germany) and Nexter Group (Versailles, France). It is noted that the French State holds 1 share in Nexter Systems S.A., a so-called “Golden Share”.

Within the Nexter Group, Nexter Systems designs and integrates complex defense systems: armoured vehicles, artillery systems, information systems and equipment intended mainly for use by land forces, but also supplied to navies and air forces. Nexter Group also provides support services to armed forces to help them ensure the permanent availability for their various missions of their armoured vehicles and artillery systems. Operated under multi-year contracts, this support activity is a significant additional contributor to the Nexters’s business.

In addition to Nexter Systems, the Systems business includes three other main companies: Nexter Training, Nexter Robotics and CTA International. Nexter Training designs and produces training materials using virtual technology. Nexter Robotics designs and produces land-based drones. CTA International, jointly owned with BAE Systems, designs and manufactures weapons systems using telescoped ammunition. Within the systems segment other activities provide goods and services among which electronics, mechanics, optical or NBC protection systems.

Furthermore, the Nexter Group company develops and produces munitions to meet the requirements of the French and other nations’ armies across the artillery, tank munitions and medium calibre ranges. It also supplies pyrotechnic components and assemblies to missile, rocket, fuse and torpedo manufacturers. The Munitions business activities are carried out by three subsidiaries, i.e. Nexter Munitions SA (France), Mecar SA (Belgium) and Simmel Difesa S.p.A. (Italy).

The KMW Group develops, manufactures and supports a product portfolio ranging from air-transportable, highly protected wheeled vehicles through reconnaissance, anti-aircraft and artillery systems to main battle tanks, infantry fighting vehicles and bridge laying systems. In

addition, KMW Group has wide-ranging system competence in the area of civil and military simulation, as well as in command and information systems and remote-controlled weapon stations with reconnaissance and observation equipment for day and night missions. The armed forces of more than 30 nations worldwide rely on tactical systems made by KMW Group.

With its worldwide network of subsidiaries KMW Group is in a position to react fully and promptly on customer requirements.

This includes the ATM Computer Systems active with its products in the field of military communication, management and computer systems, as well as via Hellenic Defense Vehicle Systems, Wegmann USA and KMW do Brasil, creating comprehensive manufacturing structures in Greece, the United States and Latin America. The KMW Schweißtechnik in Hamburg is a centre of excellence for welding technologies; DST Defence Service Tracks is engaged in development and manufacturing of tracks for protected vehicles of all kinds, while DSL Defense Logistic Service is a provider of maintenance service and customer support activities for military vehicles. KMW Hungary provides local support. In addition, KMW Group holds all shares in WFEL Ltd., a company active in the development, production and service of tactical military and logistical bridges in the United Kingdom. BTD Battle Tank Dismantling is a company certified for the demilitarization of defense equipment. Furthermore KMW Asia Pacific is the international office in Asia.

KNDS Group owns locations in e.g. Germany, France, Italy, Belgium, Brazil, Greece, Hungary, the Netherlands, Singapore, India, the United Kingdom, and the USA and the average combined headcount of the Group amounts to 9.491 (2022: 8,952) employees worldwide. Average employees in the Netherlands are 12 (2022:11).

## 2. Changes in significant accounting policies

### IAS1 classification of contract assets and liabilities

It is the view of management that classifying the assets and liabilities as current is more in line with the operating cycle. This change, consistent with the operating cycle specific to long-term contracts executed by the Group, was based in particular on the market practices of players in the sector and aims to improve the comparability of the Group's accounts with its peers.

During the financial year 2023, the Group extended the scope of current operational activity to assets and liabilities related to operational contracts with an expected maturity of more than one year. As a result, contract assets, contract liabilities and all provisions relating to contracts in progress or under guarantee (in particular penalties, guarantees and losses at completion) are now presented within current assets and liabilities in the balance sheet of the Group, including when their expected maturity is more than one year away.

This voluntary change in presentation was applied to the comparative period as of December 31, 2022 in order to facilitate comparability of financial years. The adjustment applied in relation to the accounts published as of December 31, 2023 are detailed per below:

## Balance sheet (EUR 1,000)

|                                                    | 31 Dec. 2022     | Reclassification   | Adjusted 31 Dec. 2022 |
|----------------------------------------------------|------------------|--------------------|-----------------------|
| <b>Assets</b>                                      |                  |                    |                       |
| Intangible Assets                                  | 118.496          | -                  | 118.496               |
| Property, plant and equipment                      | 580.272          | -                  | 580.272               |
| Equity accounted associates                        | 27.440           | -                  | 27.440                |
| Contract assets                                    | 103.918          | (103.918)          | -                     |
| Other non-current assets                           | 164.270          | -                  | 164.270               |
| <b>Non-current assets</b>                          | <b>994.395</b>   | <b>(103.918)</b>   | <b>890.478</b>        |
| Inventories                                        | 1.291.975        | -                  | 1.291.975             |
| Contract assets                                    | 224.150          | 103.918            | 328.068               |
| Advance and down payments to suppliers             | 221.440          | -                  | 221.440               |
| Trade and other receivables                        | 773.312          | -                  | 773.312               |
| Other assets                                       | 75.477           | -                  | 75.477                |
| Cash and cash equivalents                          | 1.185.043        | -                  | 1.185.043             |
| <b>Current assets</b>                              | <b>3.771.397</b> | <b>103.918</b>     | <b>3.875.315</b>      |
| <b>Total assets</b>                                | <b>4.765.793</b> | <b>-</b>           | <b>4.765.793</b>      |
| <b>Capital reserves &amp; Liabilities</b>          |                  |                    |                       |
| Total equity attributable to owners of the Company | 1.795.018        | -                  | 1.795.018             |
| Non-controlling / minority interests               | 350              | -                  | 350                   |
| <b>Total equity</b>                                | <b>1.795.368</b> | <b>-</b>           | <b>1.795.368</b>      |
| Provisions                                         | 449.733          | (330.056)          | 119.677               |
| Loans and borrowings                               | 200              | -                  | 200                   |
| Contract liabilities                               | 1.005.680        | (1.005.680)        | -                     |
| Other non-current liabilities and accrued costs    | 81.051           | -                  | 81.051                |
| <b>Total non-current liabilities</b>               | <b>1.536.664</b> | <b>(1.335.736)</b> | <b>200.928</b>        |
| Trade creditors                                    | 380.988          | -                  | 380.988               |
| Contract liabilities                               | 524.893          | 1.005.680          | 1.530.573             |
| Provisions                                         | 174.102          | 330.056            | 504.158               |
| Loans and borrowings                               | 26.339           | -                  | 26.339                |
| Other current liabilities and accrued costs        | 327.437          | -                  | 327.437               |
| <b>Total current liabilities</b>                   | <b>1.433.760</b> | <b>1.335.736</b>   | <b>2.769.496</b>      |
| <b>Total liabilities</b>                           | <b>2.970.424</b> | <b>-</b>           | <b>2.970.424</b>      |
| <b>Total equity and liabilities</b>                | <b>4.765.793</b> | <b>-</b>           | <b>4.765.793</b>      |

### IAS 12 Global minimum taxation (OECD Pillar Two)

KNDS Group is affected by the introduction of global minimum taxation and has undertaken work to collect the data necessary to evaluate its impact. Quantitative impacts will be monitored and evaluated at the level of the KNDS Group. As a result of the review, our entities meet the countries Transitional CbCR Safe Harbour. For 2 countries (Mexico and Hungary) the parameters are not met in a first step. For Mexico we are safe, Mexico Company is in liquidation since 2 years and will be closed within Q1 2024. For Hungary, it is expected that Hungarian government will introduce a local top-up tax in order to meet Global Minimum Taxation and to keep tax volume in Hungary.

Except for the above are no changes in accounting policies.

### 3. Basis of preparation

#### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements were authorised for issue by the Board of Directors on 9 April 2024.

#### (b) Basis of accounting and measurement

The consolidated financial statements are prepared using the accrual basis of accounting, except for cash flow information. Items in the consolidated financial statements are presented using material classes for segregation and aggregation.

Further, the consolidated financial statements have been prepared applying the historical cost convention except for the following items, which are measured on an alternative basis on each reporting date:

- Derivative financial instruments are measured at fair value;
- The net defined benefit liability (asset) is measured at the fair value of plan assets, less the present value of the defined benefit obligation, limited as explained in note 5(o).

#### (c) Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional and the presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### (d) Going concern

The Board of Directors have assessed during the preparation of the financial statements of the group the going concern assumptions. They believe on based on the liquidity forecasts which are derived and based on the approved budget for 2023 and mid-term planning, which includes consideration of the Group's debt maturity profile, no events or conditions give rise to doubt the ability of the company to continue operations for at least 12 months as of the date of the financial statements. The going concern assumption is consequently been applied as the underlying assumption for preparation of the financial statements.

#### (e) Use of estimates and judgements

In preparing these consolidated financial statements, Group management makes use of judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimations are based on past experience and integrate economic (global and local) conditions included in available information at the date of preparing these consolidated financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

## Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

## Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the period ended 31 December 2023 is included in the following notes:

- Note 6 – Revenues from contracts with customers: timing of recognition of satisfying performance obligations, timing of recognition of special contract conditions applicable;
- Note 10 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used;
- Note 11 – goodwill impairment in intangible assets: business plans, growth rates and discounted cash flow projections;
- Note 21 – measurement of defined benefit obligations: key actuarial assumptions;
- Notes 22 and 28 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

In general, the judgements, estimates and assumptions are based on market information, knowledge, historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

## Project Results

The company's core activities include contracting and construction engineering services on various projects. If the company can demonstrate that a performance obligation is satisfied over time revenue is progressively recognized. The progress is measured based on the input method; contract costs incurred to date as a percentage of total forecast costs. Estimates are an inherent part of the assessment of the project results and actual outcome may deviate from these estimates, specifically for long-term construction contracts.

The level of estimate and uncertainty increases in line with the following factors:

- An agreed contract form that entails more risks for the contractor, such as the design risk that contractors accept in design & construction contracts, plus, for a DBM (design, build & maintain) contract, the responsibility for maintenance and operation;
- A project that is in an early design or implementation stage. When detailing a preliminary or final design, substantial deviations from the preliminary design may arise. This may be because an initial solution turns out in hindsight to be unfeasible, or because the underlying conditions are better or worse than expected, or because the dialogue with stakeholders is far more complicated, and therefore more expensive, than foreseen. Countless risks may also arise in the implementation phases that are for the account of the contractor. These deviations may be positive or negative;
- The term of the contract is longer and hence the forecast for the ending of the work involves inherently more estimate uncertainties; and
- Projects are liable to, additional work, bonuses, penalties and claim situations.

The company manages these estimate uncertainties during the year based on experience and risk assessment models, including variance analysis. In 2023, the current risk management activities are considered robust to ensure that the estimations and assumptions are appropriately determined.

Inherent to the defense industry the company is involved in discussions on the financial settlement of construction projects, including contract variations, the time of completion and the quality level of the work. Most of these discussions are concluded to the satisfaction of all concerned. However, in some cases it is impossible to avoid a discussion ending in legal proceedings.

As mentioned above, when a project is in an early design or implementation stage, the estimate uncertainty is significantly higher. The Group calculates “the remaining costs to complete on construction projects” through its internally developed projections. Factors such as escalations in material prices, labor costs and other costs are included in these projections based on best estimates as of the balance sheet dates. Any unanticipated escalation in the subsequent years will require the reassessment of the remaining costs. Due to changes in the scope of construction projects, time lag between the scope changes and costs incurred and realisation of these projects, there could be significant fluctuations in terms of estimated costs between years.

Financial claims that the company has pending against third parties are generally not capitalised unless it is highly probable that the amount in question will be paid. It may turn out at a later stage that actual results differ from the estimates.

IFRS 15 requires significant judgements and estimates such as the identification of performance obligations, assessment of probability of customer approval of variations and acceptance of claims, estimation of project completion date and assessment of the probability of contractual penalties and bonuses.

#### **(f) Comparatives**

Where necessary certain presentation adjustments have been made to prior-year financial information and the related notes to conform to the current year presentation and to improve insights. These presentation adjustments have had no impact on the shareholders' equity and the profit for the year.

#### **4. New standards and interpretations not yet adopted**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

##### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of the financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. Effective date 1 January 2023.

We expect that the above amendments will have no significant impact for the Company.

## 5. Significant accounting policies

The consolidated financial statements are presented in euros, the Group's presentation currency.

The consolidated financial statements are based upon historical cost to the extent that IFRS does not prescribe another accounting method for specific items. Preparing financial statements means that estimates and assumptions made by the management partially determine the recognized amounts under assets, liabilities, revenues and costs.

The Group has considered whether new standards, amendments in standards or new forthcoming requirements will impact the financial statements (see under 4.). There are no such changes in 2023 which materially impact the Group's financial statements of 2023.

In addition to the elements already explained in the explanatory notes to the financial statements, there are no other critical valuation judgements in the application of the principles that need further explanation. The estimates made and the related assumptions are based on management's experience and understanding and the development of external factors that can be considered reasonable under the given circumstances. Estimates and assumptions are subject to alterations as a result of changes to facts and understanding and may have different outcomes per reporting period. Any differences are recognized in the balance sheet or income statement, depending on the nature of the item.

The actual results may deviate from results reported previously on the basis of estimates and assumptions. Unless stated otherwise, all amounts in the notes in these financial statements are stated in thousands of euros.

### (a) Basis of consolidation

The Group consolidates companies over which control is exercised, when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns. Subsidiaries are included in the consolidation for 100%, taking into account any minority share.

Under IFRS 11 Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

In general, investments in associated companies are accounted for using the equity method.

### (b) Joint operations

If and when the Group has joint control over and is entitled to the rights to the assets and is liable for the liabilities of an entity the entity is classified as a joint operation. Joint control has been laid down in a contract and strategic decisions on financial and operational policy are taken by unanimous agreement. Joint operations are mainly related to project driven construction consortiums. Joint operations are included in the consolidated financial statements on a pro rate basis in accordance with the participation interest of the Group in the joint operation, also referred to as proportionate consolidation.

### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a)(iii)).

Control exists when the Group has:

- The ability to direct relevant activities by its voting power;
- The exposure or rights to variable returns from its involvement with the investee;
- The ability to affect those returns.
- When the Group acquires the majority of the voting rights or similar rights in an entity, all relevant facts and circumstances will be involved in the assessment whether the Group has power over the investee. In assessing whether control exists, the Group takes into consideration potential voting rights that are exercisable at the reporting date.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognized amount (generally fair value) of the identified assets acquired and liabilities assumed.

Any goodwill that arises is tested annually for impairment (see (i) (i)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to any issuance of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

## **(ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognized in the income statement. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

### **(iii) Non-controlling interests (NCI)**

Acquisitions of NCI are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions.

NCI are measured at either their proportionate share of the acquirer's identifiable net assets at the acquisition date, or the fair value of the consideration paid or received, determined per transaction.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### **(iv) Interest in equity-accounted associates**

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence on, but not control over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and equity of equity-accounted investees, until the date on which significant influence or joint control ceases.

### **(v) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **(c) Revenue from Contracts with Customers**

IFRS 15 – The standard IFRS 15 “Revenue from Contracts with Customers” compiles all regulations on the recognition of revenue from contracts with customers. Accounting for performance obligations of a customer contract application in accordance with IFRS 15 result in revenue being recognized at a different time, revenue recognition over time versus at a point in time. As such contracts are always negotiated with customers individually, an individual analysis is required. The overall result of a contract is not affected.

Interest effects can arise on customer projects with large order volumes and a long production phase. In particular, this is the case when an extended period passes between customer payments being received and performance being rendered. Revenue must be adjusted for the calculated time value of money in such cases. At the Group, the payment terms for long-term customer contracts are often designed such that several milestone payments are agreed so that services are rendered at approximately the same time as customer payments.

## **(i) Recognition**

The group recognizes revenue from contracts with customers when (or as) goods or services are transferred to the customer by satisfying the related performance obligation as stipulated in the contract and or agreement with the customer. In general this takes place at the moment when the customer obtains control of an asset.

The revenue in respect to systems is typically recognised over time upon rendering the services. Performance obligations can be satisfied over time when the following criteria are met:

- Simultaneous receipt and consuming the provided benefits by the customer when completing the performance obligations;
- Creation of or enhancement of an asset (work in progress) where the customer controls the asset whilst it is created or enhanced;
- A created asset has no alternative use; and
- There is an existence of enforceable payment for completed performance on the customer.
- When the above criteria are not met, it is considered by the management of the Group the revenue are to be recognized at a point in time. This primarily applies to ammunition for which the revenue is recognised typically on delivery.

## **(ii) Measurement**

The Group recognizes revenue for the amount of the transaction price allocated to the relevant performance obligation satisfied. The transaction price is based on the allocation of the contractual considerations and may include fixed amounts, variable amounts or both. In determining the transaction price the Group considers effects to the transaction price, when applicable, of:

- Variable considerations;
- Constraining elements in the considerations;
- Existence of significant financing components;
- Non-cash considerations;
- Consideration payables to the customer;
- Assumption that the goods or services will be transferred to the customer without changing the initial contract.

## **(d) Financing components**

Assessment of existence and significance of a financing component shall be made on contract level following (IFRS 15:BC234) and per year. KNDS makes use of the option under IFRS15:63 to waive the financing components for short-term (less than a year) advance payments. If a significant financing component exists, the amount of revenue recognized will differ from the amount of cash received from the customer. In transactions where payment is received in advance of the performance obligation, the selling entity will recognize interest expense until performance occurs.

## **(i) Estimates and judgement**

Group management makes several estimates and judgement relating recognition of (contract) revenue. These estimates and judgement relate to:

- Timing of satisfying performance obligations;
- Allocation of considerations to the performance obligations;
- Timing of when a good or service is transferred into the control of the customer.

Some of the estimates and judgement is covered by regulatory constraints in the contract (e.g. acceptance of the goods after final inspection by the customer at a predefined location or offering procedures). Other estimates and judgement are covered by experience and professional knowledge of key-management involved with the contract.

## **(e) Leases**

For all leases, assets must be recognized for the rights of use acquired in addition to corresponding financial liabilities.

These rights of use relate in particular to land, buildings, technical equipment, machinery and vehicles. The value of the rights of use is the present value of the leases at the time of initial adoption of the standard. This is essentially calculated from the contractual lease payments, the respective remaining terms and the interest rate on which the lease is based. The rights of use are amortized over the shorter of the remaining term of the lease and the remaining useful life. The lease liability is reduced by the repayment portion of the lease payment until the lease expires.

For short-term leases and leases of low-value assets, the agreed lease installments and rent are recognized as an expense.

### ***(i) Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## **(f) Personnel expenses**

Personnel expenses consist of wages and salaries for own personnel and the related social security charges and pension costs, including paid and accrued contributions for defined contribution pension plans, long service awards and the movement in the assets and liabilities from defined benefit plans, excluding actuarial gains and losses and the limitation on net pension plan assets that are added or charged directly to group equity.

## **(g) Share in result of associated companies**

Share in result of associated companies comprises the share in the results after taxation of the participating interests not included in the consolidation, and, if applicable, (the reversal of) impairment losses recognized in the reporting period.

## **(h) Finance income and finance costs**

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- Dividend income;

- Foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

**(k) Foreign currency**

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. The consolidated financial statements are presented in Euro.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

**(ii) Translation to the presentation currency**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euros at an average exchange rate for the period.

Foreign currency differences are recognised in Other Comprehensive Income and accumulated in equity, except to the extent that the translation difference is allocated to Non-Controlling Interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**(l) Income tax**

Taxation is calculated on the basis of the result before taxation for the reporting period, taking into account the applicable tax provisions and tax rates, and also includes adjustments on taxation from previous reporting periods and movements in deferred taxes recognized in the reporting period.

Taxation is included in the income statement unless it relates to items directly recognized in equity, in which case taxation is included in equity.

Temporary differences are accounted for in deferred tax assets and/or deferred tax liabilities.

Deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available for realization in the foreseeable future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## **(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

## **(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Taxable temporary differences arising on the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of the transaction affects neither the accounting nor the taxable profit or loss; and
- Temporary differences related to investments in subsidiaries, associates and joint arrangements whereas the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are recognized at nominal value. Deferred tax assets and liabilities are offset only if certain criteria are met.

**(i) Intangible assets**

**(i) Recognition and measurement**

Goodwill

Goodwill is recognized as a separate asset.

Goodwill is initially measured at the moment of acquisition as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value at acquisition date of any previously held equity interest in the acquire over the fair value amount of the identifiable net assets acquired.

After initial recognition, Goodwill is tested annually for impairment or if there is an indication to impair. For the purposes of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Any impairment results are recognized in the profit and loss statement.

On goodwill no amortization is applicable.

Software, patents & other rights

Software, patents & other rights, which are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. The cost is based on the purchase price and/or the internally generated cost based on directly attributable expenses. The depreciation is straight-lined and calculated over the estimated useful lives.

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets

Other intangible assets, which are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

**(iii) Amortisation**

Amortisation is calculated to write-down the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

- Patents and trademarks: 5 - 10 years;
- Software: 5 - 10 years.
- Other intangibles: 5 -10 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## **(j) Property, plant and equipment**

### ***(i) Recognition and measurement***

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost price is based on the purchase price and/or the internally generated cost based on directly attributable expenses. The depreciation, taking into account an assumed residual value, is straight-lined and calculated over the estimated remaining useful lives assigned to the various categories of assets. Modifications and capacity enhancing investments are also capitalized at cost and depreciated over the remaining useful life of the related asset.

Expenditure on property, plant and equipment under construction property, plant and equipment under construction is capitalised under property, plant and equipment according to nature. When construction is completed, it is transferred to the relevant class of property, plant and equipment. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

### ***(ii) Subsequent expenditure***

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and the cost of the item can be measured reliably.

### ***(iii) Depreciation***

Depreciation is calculated to write-down the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Land and Assets under construction are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

- Office and Factory buildings: 15-50 years;
- Equipment: 5-20 years;
- Fixtures and fittings: 3-15 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

## **(k) Inventories**

Inventories, which mainly consist of auxiliary materials and spare parts, work in production and intermediate and finished product, are measured at the lower of cost and net realisable value.

The cost of materials and goods are valued at their purchase cost using the weighted average cost method. In the case of manufactured finished products and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make that sale. Any write-down or loss of inventory to the net realisable value is recognised as an expense in the period it occurs.

## **(l) Contract assets and contract liabilities**

Depending on the relationship between the performance of the Group and the payment by the customer contracts are presented either as a contract asset or as a contract liability.

When unconditional rights to considerations on customers do exist, these are presented as a receivable.

### **Contract liability – receivable from customers**

Advance payment of contract considerations or when a right on a contract consideration becomes unconditional and the goods or services have not been transferred to the customer, are recognized as a contract liability upon the moment payment is received or is due (whatever comes first).

### **Contract asset – receivable on customers**

When performances by the Group relate to transferring goods or services to their customers before payment of a consideration is made or becomes due, the performance is recognized as contract asset.

Contract assets are assessed for impairment as financial asset in accordance with IFRS 9 applying the methods applicable.

## **(m) Trade and other receivables**

Trade and other receivables are states at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable.

## **(n) Cash and cash equivalents**

Cash and cash equivalents consist of cash, bank balances and deposits. The explanatory notes disclose the extent to which cash and cash equivalents are not freely available as a result of transfer restrictions, joint control or other legal restrictions. Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

## **(o) Employee benefits**

The Group offers several benefits to employees, these comprise short term benefits and long term benefits (pension). Pension (post-employment) benefits include both defined benefit and defined contribution plans.

**(i) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the undiscounted amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) Defined contribution plan**

A defined contribution pension plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (in general being an independent insurance company). The entity will have no legal or constructive obligation to pay further amounts if the pension fund has insufficient funds to pay employee benefits in connection with services rendered by the employee in the current or prior periods. Obligations for contributions to defined contribution pension plan are recognized as an expense in the income statement when incurred.

**(iii) Defined benefit plan**

A defined benefit pension plan is every post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations and the related current service cost and, where applicable, past service cost is performed annually by an independent qualified actuary using the projected unit credit method. Actuarial gains and losses, including any movements in limitations on the net pension assets, are recognized in the unrecognized results within the consolidated statement of recognized and unrecognized income and expenses. If plan benefits are changed or when a plan is constrained, past service costs or a resulting curtailment profit or loss is recognized directly in the income statement.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**(iv) Other long-term employee benefits**

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods and mainly consists of jubilee benefits. The calculation of these benefits is executed according to the 'projected unit credit' method using the actuarial assumptions for the

predominant defined benefit plan. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

## **(v) Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within twelve months of the end of the reporting period, then they are discounted.

## **(p) Provisions**

Provisions are recognized when the Group has a present obligation arising from past events, it is probable that the settlement of the obligation will result in outflow of resources, and a reliable estimate can be made of the amount to settle the obligation.

The amounts recognized as provisions are the current best estimate of the expenditure required to settle the present obligation at the statement of financial position date taking into consideration the risks and uncertainties surrounding the obligations. When the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditure expected to be required to settle the obligation.

Provisions can relate:

- Warranties;
- Contract risks;
- Others.

Provisions for warranties are recognized for warranty claims relating to completed projects with agreed warranty periods applying to some of the consolidated/proportionally consolidated entities. The book value of these provisions is estimated based on common practice in the industry and the Company's experience with warranty claims for relevant projects.

A provision for onerous contracts is recognized on a full cost basis when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

## **(q) Interest-bearing borrowings**

Interest-bearing borrowings are liabilities to financial institutions. At initial recognition, interest-bearing borrowings are stated at fair value less transaction costs.

Subsequently, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

## **(r) Trade and other payables**

Trade and other payables are recognized initially at fair value and subsequently at amortized cost.

## **(s) Financial instruments**

The Group classifies non-derivative financial assets and financial liabilities into the following categories of measurement as defined under IFRS 9:

- At amortized cost (AC);
- Fair value through Other Comprehensive Income (FVTOCI); and

- Fair value through Profit & Loss (FVTPL).

**(i) Non-derivative financial assets and financial liabilities – recognition and de-recognition**

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

**(ii) Non-derivative financial assets – measurement**

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**(iii) Non-derivative financial liabilities – measurement**

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**(iv) Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Hedges are initially measured at fair value and subsequent measurement is also at fair value.

Non-hedging derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group does apply hedge accounting for certain transactions denominated in foreign currencies based on a case by case evaluation.

Where a derivative financial instrument is determined as a hedge of cash flows relating to a highly probable forecast transaction, the effective portion of any change in the fair value of the instrument is recognized in other comprehensive income and presented in the equity. Amounts recognized in equity are allocated from reserves to cost of the underlying transaction and recognized in the income statement when this results into a profit or a loss. The ineffective

portion of any change in the fair value of the financial instrument is recognized in the income statement immediately.

**(t) Impairment**

**(i) *Non-derivative financial assets***

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment. These include for example trade and other receivables and contract assets.

Objective evidence that financial assets are impaired includes:

- Default by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security;
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

## **(ii) Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped at the levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from assets or other group of assets (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **(u) Consolidated statement of cash flows**

### **(i) Basis**

The consolidated statement of cash flows is drawn up using the indirect method. Cash is defined as cash and cash equivalents as presented in the explanatory notes to the cash and cash equivalents and the interest-bearing borrowings. Cash flows are presented separately in the statement of cash flows as cash flows from operating activities, investing activities and financing activities.

### **(ii) Cash flows from operating activities**

Cash flows from operating activities are adjusted for items and expenses that are not cash flows and for autonomous movements in operating working capital (excluding impact from acquisitions and foreign currency differences). Cash flows from operating activities include payments to employees and suppliers, paid financing costs of operating activities, acquisition and divestment related costs, spending on restructuring provisions and corporate income taxes paid on operating activities.

### *iii) Cash flows from investing activities*

Cash flows from investing activities include net capital expenditure, acquisition and sale of subsidiaries and business activities.

### *(iv) Cash flows from financing activities*

Cash flows from financing activities comprise cash receipts and payments from dividends paid, debt instruments and short term financing.

## 6. Revenues from contracts with customers

### *(i) Disaggregation of revenues*

For the year 2023 revenues is disaggregated by primary geographical market, products and service line category and timing of revenue recognition.

| Revenues (EUR 1,000)                   | 2023<br>Munitions | 2023<br>Systems  | 2023<br>Total    | 2022<br>Munitions | 2022<br>Systems  | 2022<br>Total    |
|----------------------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|
| <b>Geographical market</b>             |                   |                  |                  |                   |                  |                  |
| Europe                                 | 297.159           | 2.572.761        | 2.869.920        | 143.636           | 2.384.318        | 2.527.953        |
| Americas                               | 1.562             | 54.720           | 56.281           | 79                | 51.645           | 51.725           |
| Asia Africa and Middle East            | 145.361           | 178.539          | 323.900          | 269.066           | 323.295          | 592.362          |
|                                        | <b>444.082</b>    | <b>2.806.020</b> | <b>3.250.102</b> | <b>412.781</b>    | <b>2.759.258</b> | <b>3.172.040</b> |
| <b>Major products and service line</b> |                   |                  |                  |                   |                  |                  |
| Combat systems                         | -                 | 926.107          | 926.107          | -                 | 1.612.015        | 1.612.015        |
| Support systems                        | -                 | 429.292          | 429.292          | -                 | 286.875          | 286.875          |
| Artillery                              | -                 | 378.970          | 378.970          | -                 | -                | -                |
| After sales                            | -                 | 555.130          | 555.130          | -                 | 512.813          | 512.813          |
| Digital & Technology                   | -                 | 114.546          | 114.546          | -                 | -                | -                |
| Ammunition                             | 444.082           | -                | 444.082          | 412.781           | -                | 412.781          |
| Others                                 | -                 | 401.973          | 401.973          | -                 | 347.555          | 347.555          |
|                                        | <b>444.082</b>    | <b>2.806.020</b> | <b>3.250.102</b> | <b>412.781</b>    | <b>2.759.258</b> | <b>3.172.040</b> |
| <b>Timing of revenue recognition</b>   |                   |                  |                  |                   |                  |                  |
| Products service at a point of time    | 393.701           | 1.723.835        | 2.117.536        | 372.953           | 1.726.269        | 2.099.222        |
| Products and service over time         | 50.381            | 1.082.185        | 1.132.566        | 39.828            | 1.032.989        | 1.072.817        |
|                                        | <b>444.082</b>    | <b>2.806.020</b> | <b>3.250.102</b> | <b>412.781</b>    | <b>2.759.258</b> | <b>3.172.040</b> |

### *(ii) Contract balances*

For the year 2023 the following information about receivables, contract assets and contract liabilities with customers is provided.

| Contract balances (EUR 1,000)                                                                  | 2023      | 2022      |
|------------------------------------------------------------------------------------------------|-----------|-----------|
| Receivables from contract with customers, that are included in the Trade and other receivables | 815.965   | 770.943   |
| Contract assets                                                                                | 369.116   | 328.068   |
| Contract liabilities                                                                           | 2.303.769 | 1.530.573 |

The contract assets primarily relate to the Group's rights on the consideration for completed contract work that not have been invoiced at 31 December 2023. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues the invoices to the customer/when the customer accepts the products/services. The contract liabilities primarily include the advance payments received from customers for the production of the products/services.

The amount of revenue recognized in the period ended per 31 December 2023 and per 31 December 2022 from performance obligations satisfied (or partially satisfied) in previous periods is not significant.

### **(iii) Seasonality of operations**

The Group's Munitions segment is subject to fluctuations of weather conditions. In particular transport of goods in key geographic areas can be adversely affected during the months April to October, having a peak during summer. The impact can lead to a shift from year to year in revenues on orders completed for this segment. The Group attempts to minimize the seasonal impact by planning order intake and order delivery (being revenues) in its optimum.

### **(iv) Backlog**

At 31 December 2023 the backlog of orders amounts to EUR 15.7 billion (2022: EUR 11.0 billion). The order backlog amounts EUR 6.3 billion for Nexter and to EUR 9.4 billion for KMW.

## **7. Operating costs by nature**

For the year 2023 cost of sales, selling expenses, R&D expenses and administrative expenses (including depreciation expense) can be presented by category as follows:

| <b>Operating cost (EUR 1,000)</b>           | <b>2023</b>      | <b>2022</b>      |
|---------------------------------------------|------------------|------------------|
| Materials, inventories and consumables used | 1.552.546        | 1.572.255        |
| Depreciation and amortizations              | 70.525           | 62.742           |
| Personnel expenses                          | 851.481          | 769.184          |
| Other expenses                              | 357.631          | 373.171          |
|                                             | <b>2.832.182</b> | <b>2.777.352</b> |

| <b>Personnel expenses include the following:</b>       | <b>2023</b>    | <b>2022</b>    |
|--------------------------------------------------------|----------------|----------------|
| Wages and salaries                                     | 656.953        | 588.998        |
| Social security contributions                          | 161.750        | 149.383        |
| Expenses for pensions under defined contribution plans | 32.778         | 30.803         |
|                                                        | <b>851.481</b> | <b>769.184</b> |

For the remuneration of the Board of Directors, reference is made to notes 30. For the pension costs for defined benefit schemes, reference is made to note 22.

| <b>Average number of employees</b> | <b>2023</b>  | <b>2022</b>  |
|------------------------------------|--------------|--------------|
| White collar                       | 4.064        | 4.018        |
| Blue collar                        | 5.428        | 4.935        |
|                                    | <b>9.491</b> | <b>8.952</b> |
| Employees in the Netherlands       | 12           | 11           |
| Employees outside the Netherlands  | 9.479        | 8.941        |

## 8. Other income and expenses

Other income and expenses for the total amount of expense EUR 10 million (2022: EUR 5 million) includes the loss on sale of assets, potential claims and profit sharing.

## 9. Financial result

| Financial result (EUR 1,000)                           | 2023            | 2022           |
|--------------------------------------------------------|-----------------|----------------|
| Interest income from banks                             | 20.239          | 502            |
| Interest income on taxes                               | 41              | -              |
| Other interest/finance income                          | 2.550           | 8.423          |
| <b>Total interest income</b>                           | <b>22.830</b>   | <b>8.925</b>   |
| Interest expenses loans                                | (1.431)         | (310)          |
| Interest expenses lease liabilities                    | (1.084)         | (697)          |
| Interest expense from banks                            | -               | -              |
| Interest expenses on taxes                             | -               | -              |
| Interest expenses on provisions                        | (6.188)         | (1.157)        |
| Other interest expenses                                | (7.809)         | (3.263)        |
| <b>Total interest expense</b>                          | <b>(16.512)</b> | <b>(5.427)</b> |
| Net gain or net losses on derivatives held for trading | (830)           | (489)          |
| Net gain or net losses on hedging instruments          | 1.826           | (1.826)        |
| (Losses)/Gains from foreign currency translations      | (615)           | (1.095)        |
| Other income from investments                          | 21.808          | 1.474          |
| Other financial (expense)/income                       | 6.266           | 2.493          |
| <b>Other financial results</b>                         | <b>28.455</b>   | <b>558</b>     |
| <b>Total financial result</b>                          | <b>34.773</b>   | <b>4.055</b>   |

## 10. Income tax expense

Taxation in the consolidated income statement is built up as follows:

| Tax expense (EUR 1,000)                         | 2023             | 2022             |
|-------------------------------------------------|------------------|------------------|
| <b>Actual tax expense</b>                       |                  |                  |
| Current year                                    | (126.746)        | (123.799)        |
| Adjustments for prior years                     | (338)            | 1.046            |
| <b>Total of actual tax expense</b>              | <b>(127.085)</b> | <b>(122.753)</b> |
| <b>Deferred tax expense</b>                     |                  |                  |
| Changes of the recognition of deferred taxes    | 16.092           | 19.937           |
| <b>Total of deferred tax expense</b>            | <b>16.092</b>    | <b>19.937</b>    |
| <b>Total of actual and deferred tax expense</b> | <b>(110.993)</b> | <b>(102.816)</b> |

Other comprehensive income includes deferred tax income on actuarial income/expense of EUR 1,806 thousand (2022: expense EUR 6,693 thousand) and deferred tax expense on changes in fair value of derivatives of EUR 772 thousand (2022: income EUR 510 thousand).

The operational activities of the Group are subject to various tax regimes with varying applicable tax rates. These different tax rates, together with fiscal facilities in various countries and the

treatment of tax losses, results not subject to taxation and non-deductible costs, lead to an effective tax rate in the reporting period of 26.1% (2022: 26.1%). The effective tax rate is higher than the Dutch nominal tax rate mainly due to higher nominal tax rates in Germany and France since the company's main activities are located in Germany and France. The effective tax rate is calculated as the tax charge divided by the profit before tax, as shown in the consolidated income statement.

| <b>Reconciliation Dutch nominal tax rate and effective tax rate (EUR 1,000)</b> | <b>2023</b>      | <b>2022</b>      |
|---------------------------------------------------------------------------------|------------------|------------------|
| Group result before tax                                                         | 447.440          | 393.595          |
| Nominal tax in the Netherlands                                                  | -                | -                |
| Nominal (blended) tax in Germany and France                                     | (136.193)        | (121.170)        |
| Nominal (blended) tax in other countries                                        | (383)            | 3                |
| Non-deductible expenses and non-taxable income                                  | 11.379           | 2.085            |
| Effect of changes in deferred tax assets/liabilities                            | 7.536            | 13.422           |
| Effect of previously unrecognized tax losses                                    | 6.808            | 2.160            |
| Adjustments in respect of prior years                                           | (338)            | 1.046            |
| Other effects                                                                   | 199              | (362)            |
| <b>Income tax expense</b>                                                       | <b>(110.993)</b> | <b>(102.816)</b> |

The current tax assets EUR 16.183 thousand (31 December 2022: EUR 10.531 thousand) and current tax liabilities EUR 48.073 thousand (31 December 2022: EUR 33.170 thousand) relate to the fiscal positions of the respective group companies.

## Deferred income tax assets and liabilities

Net deferred tax assets and liabilities are included in the Group's statement of financial position as follows:

| <b>Deferred tax (EUR 1,000)</b> | <b>31 Dec.<br/>2023</b> | <b>31 Dec.<br/>2022</b> |
|---------------------------------|-------------------------|-------------------------|
| Deferred tax assets             | 101.396                 | 75.656                  |
| Deferred tax liabilities        | (14.978)                | (2.495)                 |
|                                 | <b>86.418</b>           | <b>73.161</b>           |

The changes in deferred taxes in the total amount of EUR 13,257 thousand (2022: EUR 13,461 thousand) relate mainly to temporary differences on employee benefits, provisions and liabilities.

The Group assesses its ability to realize deferred tax assets on a jurisdiction-by-jurisdiction basis. The assessment is based upon the weight of all available evidence, including factors such as the recent earnings history and expected future taxable income. Deferred tax assets are not recognized as long as it is not probable that economic benefits can be expected in future periods. Deferred tax assets and liabilities within fiscal entities are offset in the balance sheet. Actual recognition of deferred tax assets depends on the generation of future taxable income during the period in which temporary differences become deductible.

| Deferred tax assets and liabilities (EUR 1,000)  | Net balance at<br>31 Dec. 2023                  | Net balance at<br>31 Dec. 2023                          | Net balance at<br>31 Dec. 2022                  | Net balance at<br>31 Dec. 2022                          |
|--------------------------------------------------|-------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------|
|                                                  | Total deferred<br>tax assets and<br>liabilities | Recognized<br>deferred tax<br>assets and<br>liabilities | Total deferred<br>tax assets and<br>liabilities | Recognized<br>deferred tax<br>assets and<br>liabilities |
| Employee benefits, provisions and liabilities    | 84.242                                          | 52.690                                                  | 91.221                                          | 46.327                                                  |
| Movement temporary differences on:               |                                                 |                                                         |                                                 |                                                         |
| Intangible fixed assets                          | (2.509)                                         | (2.509)                                                 | (894)                                           | (894)                                                   |
| Tangible assets                                  | (25.018)                                        | (25.036)                                                | (20.801)                                        | (20.826)                                                |
| Financial assets                                 | 2.733                                           | 415                                                     | 702                                             | 702                                                     |
| Inventories                                      | 36.965                                          | 23.889                                                  | 28.748                                          | 16.018                                                  |
| Other assets/(liabilities)                       | 668                                             | 16                                                      | 80                                              | (251)                                                   |
| Total temporary differences                      | 97.081                                          | 49.465                                                  | 99.056                                          | 41.076                                                  |
| Carry forward of unused tax losses               | 115.711                                         | 36.953                                                  | 129.620                                         | 32.084                                                  |
| <b>Total deferred tax assets and liabilities</b> | <b>212.792</b>                                  | <b>86.418</b>                                           | <b>228.676</b>                                  | <b>73.160</b>                                           |

## Unrecognized deferred income tax assets

Unrecognised deferred tax assets regarding tax losses carried forward of group companies' amount to EUR 79 million (31 December 2022: EUR 98 million). These deferred tax assets are not recognised in the balance sheet as long as recovery through taxable profit or deductible temporary differences before expiration is not probable. These losses can be carried forward indefinitely. At 31 December 2023, deferred tax assets for tax losses carried forward attributable to Nexter sub-group and recognized in the balance sheet amounts to EUR 37 million (31 December 2022: EUR 32 million). The deferred tax assets remains capped for the French subsidiaries at the level of expected profits under the Medium-Term Plan 2024-2027 taking into account profitability linked to the firm orders received.

## OECD Pillar 2 rules

The group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in main countries where KNDS is operating and will come into effect from (1 January 2025). Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure.

The group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. All entities within the group have an effective tax rate that exceeds 15%, except for one subsidiary that operates in Hungary. For 2023, the average effective tax rate (calculated in accordance with paragraph 86 of IAS 12) of the entity operating in Hungary is below 15%.

We are in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates for Hungary that the average effective tax rate based on accounting profit is 8.3% for the annual reporting period to 31 December 2023. However, although the average effective tax rate is below 15%, the group might not be exposed to paying Pillar Two income taxes in relation to Hungary. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to

those calculated in accordance with paragraph 86 of IAS 12. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. We are currently engaged with tax specialists to assist us with applying the legislation.

## 11. Intangible assets

Intangible assets consist of goodwill on previous acquisitions (by Nexter or KMW), brands and expertise, software, patents and trademarks and other intangibles.

No assets were pledged as collateral as of 31 December 2023.

| Intangible assets (EUR 1,000)                               | Goodwill      | Software, patents and other rights | Other intangibles | Total           |
|-------------------------------------------------------------|---------------|------------------------------------|-------------------|-----------------|
| <b>Cost</b>                                                 |               |                                    |                   |                 |
| <b>Balance at 1 Jan 2022</b>                                | <b>87.149</b> | <b>44.828</b>                      | <b>33.893</b>     | <b>165.870</b>  |
| Additions and acquisitions                                  | -             | 1.243                              | 8.213             | 9.456           |
| Effect of movements in exchange rates                       | -             | 1                                  | -                 | 1               |
| Cost of disposals and/or write offs                         | -             | (1.085)                            | (115)             | (1.201)         |
| Reallocation                                                | -             | 2.307                              | (2.397)           | (90)            |
| <b>Balance at 31 Dec 2022 - 1 Jan 2023</b>                  | <b>87.149</b> | <b>47.294</b>                      | <b>39.594</b>     | <b>174.037</b>  |
| Additions and acquisitions                                  | 608           | 6.988                              | 12.566            | 20.161          |
| Effect of movements in exchange rates                       | -             | 1                                  | -                 | 1               |
| Cost of disposals and/or write offs                         | -             | (1.930)                            | -                 | (1.930)         |
| Reallocation                                                | -             | 15.988                             | (15.661)          | 327             |
| <b>Balance at 31 Dec 2023</b>                               | <b>87.757</b> | <b>68.342</b>                      | <b>36.498</b>     | <b>192.597</b>  |
| <b>Accumulated amortisation and impairment losses</b>       |               |                                    |                   |                 |
| <b>Balance at 1 Jan 2022</b>                                | <b>-</b>      | <b>(30.835)</b>                    | <b>(21.285)</b>   | <b>(52.120)</b> |
| Amortisation                                                | -             | (4.612)                            | (176)             | (4.788)         |
| Impairment loss                                             | -             | -                                  | -                 | -               |
| Accumulated amortization and impairment losses on disposals | -             | 1.085                              | -                 | 1.085           |
| Effect of movements in exchange rates                       | -             | (1)                                | -                 | (1)             |
| Reallocation                                                | -             | 282                                | -                 | 282             |
| <b>Balance at 31 Dec 2022 - 1 Jan 2023</b>                  | <b>-</b>      | <b>(34.081)</b>                    | <b>(21.461)</b>   | <b>(55.541)</b> |
| Amortisation                                                | -             | (5.490)                            | (215)             | (5.705)         |
| Impairment loss                                             | -             | -                                  | (103)             | (103)           |
| Accumulated amortization and impairment losses on disposals | -             | 1.898                              | -                 | 1.898           |
| Effect of movements in exchange rates                       | -             | (1)                                | -                 | (1)             |
| Reallocation                                                | -             | -                                  | -                 | -               |
| <b>Balance at 31 Dec 2023</b>                               | <b>-</b>      | <b>(37.673)</b>                    | <b>(21.779)</b>   | <b>(59.452)</b> |
| <b>Carrying amounts</b>                                     |               |                                    |                   |                 |
| At 31 December 2022                                         | 87.149        | 13.214                             | 18.133            | 118.496         |
| <b>At 31 December 2023</b>                                  | <b>87.757</b> | <b>30.669</b>                      | <b>14.720</b>     | <b>133.145</b>  |

The Goodwill disclosed is attributable to the acquisition of shares in the WFEL Holdings Limited, BTD Battle Tank Dismantling GmbH and FWH Stahlguss GmbH EUR 17,797 thousand (2022: EUR 17,189 thousand) in the systems segment and Mecar (Belgium) and Simmel Difesa (Italy) in the ammunition segment EUR 69,690 thousand (2022: EUR 69,690 thousand).

## Impairment testing of Goodwill

The value of goodwill in use is determined by discounting the future cash flows from the continuing use of the CGU. Value in use was determined as per year was consistent with 2021 goodwill impairment testing, and based on the following key assumptions:

- For the purpose of goodwill impairment testing, the Group represents two single cash generating units, KMW Systems and Nexter Munitions, as this is the lowest level at which goodwill is monitored by the chief operating decision maker;
- A pre-tax discount rate is used of 9.2% (2022: 8.0%). This discount rate is based on the 10 year risk free rate + (market risk premium \* Aerospace/Defence sector beta) and in the same currency as the cash flow to the related segment, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU;
- The recoverable amount is computed as the value in use based on the four-year business plan for 2024-2027 (2022: BP 2023-2026) approved by management for both segments Systems and Munitions applying cash flow projections using the inflows from contract matched to all other cash outflows more or less directly linked to the respective cash inflows;
- Cash inflows are supported by expected contracts taking into account the past contracts and customer gathered experiences;
- Cash outflow projections are based on the cost of past successfully handled orders, applying to the current project calculations reviewed at intervals in time or from cost estimations for future projects;
- After the four-year business plan, the Group sets a growth rate aligned with the long-term growth rate of the cash generating unit. The growth rate applied to extrapolate the terminal value is 1% for the KMW-group and 2% for the Nexter-group (2022: same rates were used).

Further to impairment testing of goodwill, CGUs are subject to sensitivity analyses. These analyses assume scenarios changing to a higher discounts rate of 9.2% and lower growth rate by 1%. Further the sensitivity analyses include calculation of terminal values by using cash flows.

As there were no impairment indicators at 31 December 2023 and the sensitivity analyses outcome were positive, no goodwill impairment charges were recognized as of 31 December 2023 (2022: no goodwill impairment charges).

## Research & Development

Given the nature of the Group's business, development expenditures relate to highly specific contracts involving a limited number of parties. As of 31 December 2023, the Group did not capitalise any development costs, as the criteria for recognition were not met and the unavailability of evidence for the marketability criteria in particular (2022: EUR 0). Development expenditures related to specific contracts for customers and paid by customers are accounted for as contract assets.

## 12. Property, plant and equipment

| Tangible assets (EUR 1,000)                           | Land, Office and Factory Buildings | Equipment        | Fixtures & Fittings | Assets Under construction | Right of-Use    | Total            |
|-------------------------------------------------------|------------------------------------|------------------|---------------------|---------------------------|-----------------|------------------|
| <b>Cost</b>                                           |                                    |                  |                     |                           |                 |                  |
| <b>Balance at 1 Jan 2022</b>                          | <b>465,272</b>                     | <b>363,116</b>   | <b>225,543</b>      | <b>41,166</b>             | <b>90,440</b>   | <b>1,185,537</b> |
| Additions and acquisitions                            | 15,936                             | 8,923            | 13,308              | 60,792                    | 12,109          | 111,068          |
| Effect of movements in exchange rates                 | 102                                | (27)             | (73)                | (98)                      | (76)            | (171)            |
| Disposals and/or write offs                           | (4,251)                            | (7,206)          | (5,171)             | (812)                     | (7,393)         | (24,833)         |
| Reallocation                                          | 30,988                             | 5,777            | 4,918               | (46,731)                  | (215)           | (5,263)          |
| <b>Balance at 31 Dec 2022 / 1 Jan 2023</b>            | <b>508,047</b>                     | <b>370,583</b>   | <b>238,526</b>      | <b>54,318</b>             | <b>94,866</b>   | <b>1,266,339</b> |
| Additions and acquisitions                            | 9,871                              | 18,031           | 18,874              | 76,440                    | 13,467          | 136,683          |
| Effect of movements in exchange rates                 | 975                                | 350              | (19)                | 39                        | (299)           | 1,046            |
| Disposals and/or write offs                           | (4,168)                            | (3,704)          | (10,704)            | (281)                     | (4,305)         | (23,162)         |
| Reallocation                                          | 32,153                             | 18,714           | 11,477              | (62,671)                  | -               | (327)            |
| <b>Balance at 31 Dec 2023</b>                         | <b>546,878</b>                     | <b>403,974</b>   | <b>258,154</b>      | <b>67,845</b>             | <b>103,729</b>  | <b>1,380,579</b> |
| <b>Accumulated amortisation and impairment losses</b> |                                    |                  |                     |                           |                 |                  |
| <b>Balance at 1 Jan 2022</b>                          | <b>(222,910)</b>                   | <b>(246,506)</b> | <b>(150,811)</b>    | <b>(30)</b>               | <b>(31,927)</b> | <b>(652,184)</b> |
| Depreciation                                          | (13,224)                           | (17,084)         | (14,062)            | -                         | (13,584)        | (57,955)         |
| Impairment loss/(gain)                                | 12                                 | 30               | -                   | -                         | -               | 41               |
| Effect of movements in exchange rates                 | (631)                              | 43               | (135)               | -                         | 626             | (97)             |
| Disposals                                             | 3,633                              | 5,938            | 4,906               | -                         | 6,102           | 20,578           |
| Reallocation                                          | (97)                               | 2,688            | 837                 | -                         | 122             | 3,550            |
| <b>Balance at 31 Dec 2022 / 1 Jan 2023</b>            | <b>(233,218)</b>                   | <b>(254,892)</b> | <b>(159,266)</b>    | <b>(30)</b>               | <b>(38,661)</b> | <b>(686,067)</b> |
| Depreciation                                          | (15,529)                           | (18,904)         | (15,151)            | -                         | (15,136)        | (64,720)         |
| Impairment loss/(gain)                                | 10                                 | 21               | -                   | -                         | -               | 31               |
| Effect of movements in exchange rates                 | (157)                              | (484)            | 145                 | -                         | (300)           | (796)            |
| Disposals                                             | 3,654                              | 3,503            | 10,158              | -                         | 4,262           | 21,577           |
| Reallocation                                          | -                                  | -                | -                   | -                         | -               | -                |
| <b>Balance at 31 Dec 2023</b>                         | <b>(245,239)</b>                   | <b>(270,756)</b> | <b>(164,115)</b>    | <b>(31)</b>               | <b>(49,835)</b> | <b>(729,975)</b> |
| <b>Carrying amounts</b>                               |                                    |                  |                     |                           |                 |                  |
| At 31 December 2022                                   | 274,829                            | 115,691          | 79,259              | 54,288                    | 56,205          | 580,272          |
| At 31 December 2023                                   | <b>301,638</b>                     | <b>133,218</b>   | <b>94,039</b>       | <b>67,814</b>             | <b>53,894</b>   | <b>650,604</b>   |

Property, plant and equipment in progress mainly relate to improvements to buildings and investment in improving existing means of production and safety systems at the group's facilities. No assets were pledged as collateral as of 31 December 2023.

Property, plant and equipment are tested for impairment at the level of the CGUs that independently generates cash inflows which are largely independent of the cash inflows from assets or other group of assets (CGUs). The Group did not recognize any significant or material impairment losses up to 31 December 2023.

## 13. Equity-accounted associates

| Equity accounted associates (EUR 1,000) | 2023    | 2022    |
|-----------------------------------------|---------|---------|
| Balance as at January 1                 | 27,440  | 20,336  |
| Addition                                | -       | 1.138   |
| Share in result                         | 4.673   | 162     |
| Other Variation                         | 4.597   | 9.770   |
| Dividend distributions                  | (4.708) | (3.966) |
| Balance as at December 31               | 32,002  | 27,440  |

As at 31 December 2023, Equity-accounted associates mainly relate to the Group's equity interest of 34% in Cime Bocuze SA, France. Cime Bocuze's line of business includes the smelting and refining of nonferrous metals, primarily tungsten. Cime Bocuze SA is not publicly listed. The other variation relates to Artec 36%, PSM 50% and KMWQ 10%, for which management determined in preparing the current year's financial statements to account for the investment as equity-accounted investment, instead of a subsidiary which was proportionally consolidated as per 31 December 2022. The adjustment made on 2023 actuals were EUR 4,597 thousand booked as equity accounted associates, and EUR 13,550 thousand adjusted in investments in non-current assets which resulted in a net equity adjustment of EUR 8,953 thousand.

The following summarized financial information for the associates of material importance to the group are:

| Summarized financial information for the associates (EUR 1,000) | 31 Dec. 2023  | 31 Dec. 2022  |
|-----------------------------------------------------------------|---------------|---------------|
| Total current assets                                            | 225.999       | 57.188        |
| Total non-current assets                                        | 194.884       | 72.447        |
| Total current liabilities                                       | (331.140)     | (67.140)      |
| Total non-current liabilities                                   | (27.086)      | (14.834)      |
| <b>Net Assets</b>                                               | <b>62.657</b> | <b>47.661</b> |
| Revenues                                                        | 593.231       | 79.776        |
| Profit from continuing operations                               | 13.436        | 935           |
| <b>Profit for the period</b>                                    | <b>13.436</b> | <b>935</b>    |
| Other comprehensive income                                      | -             | -             |
| <b>Total comprehensive income</b>                               | <b>13.436</b> | <b>935</b>    |
| Dividends received                                              | 4.708         | 3.966         |

## 14. Other non-current assets

| Other non-current assets (EUR 1,000)          | 31 Dec. 2023  | 31 Dec. 2022  |
|-----------------------------------------------|---------------|---------------|
| Prepayments and other non-current receivables | 21.519        | 24.591        |
| Investments                                   | 7.138         | 24.805        |
| Long-term loans, deposits and guarantees      | 886           | 39.218        |
|                                               | <b>29,543</b> | <b>88,614</b> |

The year on year change relates to settlement of a promisory note in KNDS France, see further in note 18.

## 15. Inventories

| <b>Inventories (EUR 1,000)</b>                  | <b>31 Dec. 2023</b> | <b>31 Dec. 2022</b> |
|-------------------------------------------------|---------------------|---------------------|
| Raw materials and consumables                   | 749.088             | 678.726             |
| Finished goods                                  | 283.690             | 198.738             |
| Work in progress                                | 731.655             | 572.150             |
| Obsolescence and slow-moving inventory reserves | (166.253)           | (157.640)           |
| <b>Total balance</b>                            | <b>1.598.180</b>    | <b>1.291.975</b>    |

The write down of inventories to the lower net realizable value recognized as an expense amounts to EUR 11.6 million (2022: EUR 12.5 million). In 2023 cost of inventories recognized in the income statement as an expense total to EUR 2,473 million (2022: EUR 2,463 million). The inventories include a reversal of write-downs for EUR 1,888 thousand (2022: EUR 15,137 thousand).

No inventories were pledged as collateral as of 31 December 2023 and 2022.

## 16. Advance & Down payments to suppliers

Advance & down payments to suppliers at 31 December 2023 amount to EUR 303.124 thousand (2022: EUR 221.440 thousand).

## 17. Trade and other receivables

| <b>Trade and other receivables (EUR 1,000)</b> | <b>31 Dec. 2023</b> | <b>31 Dec. 2022</b> |
|------------------------------------------------|---------------------|---------------------|
| Gross trade receivables                        | 804.694             | 774.723             |
| Provision for doubtful receivables             | (5.012)             | (4.086)             |
|                                                | <b>799.682</b>      | <b>770.637</b>      |
| Prepayments                                    | 292                 | 145                 |
| Other receivables                              | 4.788               | 2.530               |
| <b>Total balance</b>                           | <b>804.761</b>      | <b>773.312</b>      |

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in note 26.

## 18. Other assets

| <b>Other assets (EUR 1,000)</b>               | <b>31 Dec. 2023</b> | <b>31 Dec. 2022</b> |
|-----------------------------------------------|---------------------|---------------------|
| VAT and other tax receivables                 | 20.310              | 16.710              |
| Prepaid expenses                              | 23.842              | 14.293              |
| Loans – due within 1 year                     | 4.042               | 6.806               |
| Positive market value of currency derivatives | 2.087               | 130                 |
| Promissory note loan (Derivative)             | 40.002              | -                   |
| Other                                         | 16.132              | 27.008              |
| <b>Total balance</b>                          | <b>106.414</b>      | <b>64.947</b>       |

The promissory note loan, prior year reported on Other non-current assets, receivable was against the Uni-credit bank with a term of 2 years. The promissory note loan from the year 2021

was settled in January 2023. The line Other under Other assets contains mainly guarantees received against Environmental risks.

## 19. Cash and cash equivalents

| Cash and cash equivalents (EUR 1,000) | 31 Dec. 2023     | 31 Dec. 2022     |
|---------------------------------------|------------------|------------------|
| Cash                                  | 951.061          | 806.158          |
| Marketable securities                 | 748.271          | 378.884          |
| <b>Total balance</b>                  | <b>1.699.331</b> | <b>1.185.043</b> |

Cash and cash equivalents are at the free disposal of the Group as at 31 December 2023 and 2022.

## 20. Capital and reserves

In May 2023 KNDS NV a dividend was declared of EUR 81,960 thousand, paid to GIAT Industries S.A. for an amount of EUR 40,980 thousand in May 2023 and an amount of EUR 40,980 thousand paid to Wegmann & Co GmbH in May 2023.

The non-controlling interests (NCI) relate to minority stakes held by one shareholder in the consolidated subsidiaries of the group. The total NCI at 31 December 2023 amounted to EUR 313 thousand (31 December 2022: EUR 350 thousand).

## 21. Employee benefits

| Employee benefits (EUR 1,000)            | 31 Dec. 2023  | 31 Dec. 2022  |
|------------------------------------------|---------------|---------------|
| Net defined benefit liability            | 72.755        | 69.830        |
| Provisions for early retirement benefits | 2.792         | 2.379         |
| Provisions for jubilee benefits          | 5.702         | 5.575         |
| Provisions for other employee benefits   | 10.957        | 10.189        |
| <b>Employee benefits</b>                 | <b>92.205</b> | <b>87.972</b> |
| Current                                  | 13.528        | 14.222        |
| Non-current                              | 78.677        | 73.750        |

## Retirement benefit plans

Within the group several and different retirement benefit plans do exist having different risk profiles. Besides defined benefit and defined contributions, the Group has both collective and individual retirement benefit plans, as well as that plans are initiated under several jurisdictions having different regulatory frameworks applied. The majority are within Germany and France.

The retirement benefit plans within the Group in general provide for old-age pensions, early old-age pensions, disability pensions and survivor pensions. Additional the Group has also commitments for capital payments. The majority of the retirement commitments and obligations as well as the management of the benefit plans of the Group are outsourced to or with external fund and/or service providers.

The risks related to the direct commitments are primarily the interest risk, inflation risk and biometric risk.

The following table provides the probable payments to beneficiaries:

| Probable payments to beneficiaries (EUR 1,000) | 31 Dec. 2023  | 31 Dec. 2022  |
|------------------------------------------------|---------------|---------------|
| Up to one year                                 | 5.379         | 7.308         |
| More than one year and up to five years        | 16.102        | 15.467        |
| More than five years and up to ten years       | 18.987        | 18.717        |
| <b>Total</b>                                   | <b>40.468</b> | <b>41.492</b> |

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 12.0 years (31 December 2022: 14.8 years).

The movement for 2023 and 2022 in the defined benefit obligation is the following:

| Movement defined benefit obligation (EUR 1,000) | Defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|-------------------------------------------------|----------------------------|---------------------------|-------------------------------|
| <b>Balance at 1 January 2023</b>                | <b>105.974</b>             | <b>(36.145)</b>           | <b>69.830</b>                 |
| Current service cost                            | 3.859                      | -                         | 3.859                         |
| Interest cost                                   | 3.501                      | (1.389)                   | 2.112                         |
| Revised measurement (gains)/losses:             |                            |                           |                               |
| Other actuarial gains and losses                | 4.769                      | 179                       | 4.948                         |
| Benefits paid                                   | (9.648)                    | 2.326                     | (7.323)                       |
| Others                                          | (671)                      | -                         | (671)                         |
| <b>Balance per 31 December 2023</b>             | <b>107.784</b>             | <b>(35.029)</b>           | <b>72.754</b>                 |

| Movement defined benefit obligation (EUR 1,000) | Defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|-------------------------------------------------|----------------------------|---------------------------|-------------------------------|
| <b>Balance at 1 January 2022</b>                | <b>136.386</b>             | <b>(38.277)</b>           | <b>98.109</b>                 |
| Current service cost                            | 6.993                      | -                         | 6.993                         |
| Interest cost                                   | 1.482                      | (342)                     | 1.140                         |
| Revised measurement (gains)/losses:             |                            |                           |                               |
| Other actuarial gains and losses                | (32.909)                   | (304)                     | (33.213)                      |
| Benefits paid                                   | (6.257)                    | 671                       | (5.586)                       |
| Others                                          | 2.386                      | -                         | 2.386                         |
| <b>Balance per 31 December 2022</b>             | <b>108.080</b>             | <b>(38.252)</b>           | <b>69.828</b>                 |

The fair value of the plan assets as of 31 December 2023 and 31 December 2022 by category solely consists of insurance contracts with two leading life assurance companies and is limited to the French subgroup. For the German subgroup the defined benefit obligation is unfunded, and no movement in the fair value of the plan assets in the current year is presented nor a breakdown of the plan assets at the end of the reporting period per category. No additional obligations exist for the Nexter sub-group and the KMW sub-group.

## Comprehensive income

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

| Comprehensive income/(expense) (EUR 1,000)                                             | 2023          | 2022            |
|----------------------------------------------------------------------------------------|---------------|-----------------|
| Service cost:                                                                          |               |                 |
| Current service cost                                                                   | 3.859         | 6.993           |
| Past service cost and (gain)/loss from settlements                                     | -             | -               |
| Net interest expense                                                                   | 2.112         | 1.140           |
| Components of defined benefit costs recognised in profit or loss                       | 5.971         | 8.133           |
| Measurement of the net defined benefit liability:                                      |               |                 |
| Actuarial gains & losses from changes in demographic assumptions                       | -             | -               |
| Actuarial gains & losses arising from changes in financial assumptions                 | 5.140         | (32.767)        |
| Actuarial gains & losses arising from experience adjustments                           | (192)         | (446)           |
| Other actuarial (gains) & losses                                                       | -             | -               |
| Components of defined benefit costs recognised in other comprehensive income/(expense) | 4.948         | (33.213)        |
| <b>Total</b>                                                                           | <b>10.918</b> | <b>(25.080)</b> |

The revised measurement of the net defined benefit liability is included in other comprehensive income.

## Actuarial assumptions

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2022 by Towers Watson GmbH for the German benefit plans and by Optimind for French benefit plans.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages) showing the minimum and maximum applicable to all plans:

|                                | 2023 | 2023 | 2022 | 2022 |
|--------------------------------|------|------|------|------|
|                                | Min  | Max  | Min  | Max  |
| Discount rate                  | 3,15 | 3,15 | 3,65 | 3,90 |
| Pension (future salary) growth | 2,25 | 3,00 | 2,25 | 3,00 |
| Life expectancy                | 79   | 85   | 79   | 85   |

Assumptions regarding future mortality have been based on published statistics and mortality tables:

- For Germany, the rates are obtained from the 2018 G Heubeck mortality tables;
- For France, the rates are obtained from the TGH05 and TGF05 mortality tables.

## Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| Sensitivity analysis (EUR 1,000)           | 31 Dec. 2023     | 31 Dec. 2022     |
|--------------------------------------------|------------------|------------------|
|                                            | Impact provision | Impact provision |
| Discount rate +1%                          | (9.470)          | (10.399)         |
| Discount rate -1%                          | 16.298           | 12.809           |
| Pension (future salary) growth +0.25%      | 3.456            | 2.643            |
| Pension (future salary) growth -0.25%      | (1.344)          | (2.536)          |
| Increase in life expectancy by up 1 year   | 4.874            | 2.405            |
| Increase in life expectancy by down 1 year | 1.910            | 48               |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognized in the Consolidated Statement of Financial Position.

## Other long-term employee benefits

Other long-term employee benefits include the Time Savings Account (TSA) and jubilee awards. Time savings relate to overtime and untaken holidays.

The Time Savings Account is evaluated in accordance with rights established within the Group (projected consumption over future years and limitations on the use of the days acquired). Consumption is broken down by year, based on a certain number of economic, financial and employment assumptions.

Provisions for jubilee awards are made each year to cover probable payments to Group employees. This provision reflects length of service and the probability of reaching the length of service trigger points (staff churn and mortality tables).

In view of the fact that these benefits fall due in more than one year, such benefits are indexed and discounted. The discount rate used by the Group is the average of the Bloomberg and IBOXX rates (for bonds issued by first rank companies) with a maturity equivalent to the residual duration of obligations.

## 22. Provisions

| Provisions (EUR 1,000)                      | Warranties        | Contract risks        | Environment risks        | Others        | Total          |
|---------------------------------------------|-------------------|-----------------------|--------------------------|---------------|----------------|
| <b>Balance at 1 Jan 2023</b>                | <b>65.044</b>     | <b>384.090</b>        | <b>38.954</b>            | <b>47.777</b> | <b>535.864</b> |
| Additions during the year                   | 14.628            | 137.368               | 1.002                    | 10.566        | 163.563        |
| Expenditure during the year (amortizations) | (10.197)          | (101.053)             | (8.843)                  | (11.151)      | (131.244)      |
| Releases during the year                    | (6.155)           | (48.926)              | (1.334)                  | (6.607)       | (63.022)       |
| Effect of movements in exchange rates       | 3                 | 48                    | -                        | (1)           | 50             |
| Other movements                             | 73                | 2.658                 | -                        | (2.616)       | 114            |
| <b>Balance at 31 Dec 2023</b>               | <b>63.397</b>     | <b>374.185</b>        | <b>29.779</b>            | <b>37.966</b> | <b>505.326</b> |
| Non-current                                 | -                 | -                     | 25.374                   | 18.714        | 44.088         |
| Current                                     | 63.397            | 374.184               | 4.405                    | 19.252        | 461.238        |
| <b>Provisions (EUR 1,000)</b>               | <b>Warranties</b> | <b>Contract risks</b> | <b>Environment risks</b> | <b>Others</b> | <b>Total</b>   |
| <b>Balance at 1 Jan 2022</b>                | <b>66.474</b>     | <b>308.801</b>        | <b>44.931</b>            | <b>40.769</b> | <b>460.976</b> |
| Additions during the year                   | 16.490            | 148.195               | 911                      | 14.976        | 180.572        |
| Expenditure during the year (amortizations) | (9.735)           | (60.394)              | (6.066)                  | (6.415)       | (82.610)       |
| Releases during the year                    | (3.689)           | (11.579)              | (822)                    | (1.617)       | (17.707)       |
| Effect of movements in exchange rates       | 7                 | (167)                 | -                        | 63            | (97)           |
| Other movements                             | (4.502)           | (767)                 | -                        | -             | (5.269)        |
| <b>Balance at 31 Dec 2022</b>               | <b>65.044</b>     | <b>384.089</b>        | <b>38.954</b>            | <b>47.777</b> | <b>535.864</b> |
| Non-current                                 | 36.248            | 293.807               | 27.621                   | 18.307        | 375.983        |
| Current                                     | 28.796            | 90.282                | 11.333                   | 29.470        | 159.881        |

### Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, unless the time value of money is not material. In this present value calculation, inflation in the cash flows and the discount rate are taken into account. Where the effect of the time value of money is not material, provisions are measured at their nominal value. If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

### Warranties

The provision for warranties relates mainly to systems sold by KMW and Nexter during 2022-2023. The provision has been estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability after 2024.

### Contract risks

The provision for contract risks mainly includes onerous contracts and other risks from purchase and sales transactions.

The release of provisions on contract risks in 2023 is caused by a discontinuance in previous years identified risks based on realisations of indicators related to various projects recognized during the year 2023 resulting in revision of these risks estimations.

## Environment risks

The provision for environmental risks mainly include amounts related to environmental clean-up.

## Others

Other provisions relate to employee contract litigation and other miscellaneous items.

## 23. Loans and borrowings

| Non-current liabilities (EUR 1,000)    | 31 Dec.        | 31 Dec.        |
|----------------------------------------|----------------|----------------|
| Other financial debt                   | 252            | 200            |
| <b>Balance</b>                         | <b>252</b>     | <b>200</b>     |
| <b>Current liabilities (EUR 1,000)</b> | <b>31 Dec.</b> | <b>31 Dec.</b> |
| Current portion of bank loans          | 69             | 89             |
| Other financial debts                  | 27.854         | 26.250         |
| <b>Balance</b>                         | <b>27.923</b>  | <b>26.339</b>  |

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in note 26. The other financial debts concern a loan between CTAI and Nexter Systems. As of FY22, the CTAI investment is accounted for as a joint venture, as described in note 14, which results in the inclusion of this loan in other financial debt. The loans is in place for funding purposes and is renewed on a yearly basis.

| Net debt reconciliation (EUR 1,000)    | 31 Dec.<br>2023  | 31 Dec.<br>2022  |
|----------------------------------------|------------------|------------------|
| Cash and Cash equivalents              | 1.699.331        | 1.185.043        |
| Borrowings – repayable within one year | (27.923)         | (23.681)         |
| Borrowings – repayable after one year  | (252)            | (2.858)          |
| <b>Net debt</b>                        | <b>1.671.157</b> | <b>1.158.504</b> |
| Cash                                   | 1.699.331        | 1.185.043        |
| Borrowings – fixed interest rates      | -                | -                |
| Borrowings – variable interest rates   | (22.933)         | (23.881)         |
| Borrowings – interest free             | (5.241)          | (2.658)          |
| <b>Net debt</b>                        | <b>1.671.157</b> | <b>1.158.504</b> |

| Net debt movement (EUR 1,000)                     | Other<br>assets         | Liabilities from financing<br>activities |                           | Total            |
|---------------------------------------------------|-------------------------|------------------------------------------|---------------------------|------------------|
|                                                   | Cash/Bank<br>overdrafts | Repayable<br>within 1 year               | Repayable<br>after 1 year |                  |
| <b>Net debt as of January 1<sup>st</sup> 2022</b> | <b>925.696</b>          | <b>(258)</b>                             | <b>(273)</b>              | <b>925.164</b>   |
| Cash flows                                        | 260.265                 | -                                        | -                         | 260.265          |
| Foreign exchange adjustments                      | (918)                   | -                                        | -                         | (918)            |
| Other changes                                     | -                       | (23.423)                                 | (2.585)                   | (26.007)         |
| <b>Net debt as of 31 Dec 2022 / 1 Jan 2023</b>    | <b>1.185.043</b>        | <b>(23.681)</b>                          | <b>(2.858)</b>            | <b>1.158.504</b> |
| Cash flows                                        | 514.288                 | -                                        | -                         | 514.288          |
| Foreign exchange adjustments                      | (693)                   | -                                        | -                         | (693)            |
| Other changes                                     | -                       | (4.241)                                  | 2.606                     | (1.635)          |
| <b>Net debt as of 31 December 2023</b>            | <b>1.699.331</b>        | <b>(27.923)</b>                          | <b>(252)</b>              | <b>1.671.157</b> |

## Credit facilities

As per year ending 31 December 2023, an unsecured revolving credit facility is in place at KMW group with a total credit line of EUR 250 million of which EUR 0 million is utilized.

The terms and conditions of outstanding loans are as follows:

The credit facility agreement has unchanged conditions in 2023 and has a variable interest rate based on EURIBOR plus 0.4% p.a. margin, with a margin step-up of 0.075% p.a. if not more than 33.33% of the credit line is utilized, 0.15% p.a. if 33.33% and more but less than 66.67% of the credit line is utilized and 0.30% p.a. if 66.67% or more is utilized. This is in line with common industry standards and additional fees apply.

The credit line was granted as of 18 December 2019, with a duration of three years and can be amended from time to time. The credit line was extended until 18 December 2024 (2<sup>nd</sup> Extension). This represents a duration period of 5 years.

## Compliance with covenant

The credit facility contains a financial covenant stating that KMW KG has to ensure a minimum equity as well as minimum EBIT (adjusted) both as shown in the financial statements of KMW KG (German GAAP) with an increasing amount from 31 December 2019 to 31 December 2024.

As of 31 December 2023, all financial covenants are met with a minimum equity: EUR 420 million (2022: EUR 420 million) and minimum adjusted EBIT: EUR 75 million (2022: EUR 75 million).

## 24. Other liabilities

| Other liabilities (EUR 1,000)                                                                           | 31 Dec. 2023   | 31 Dec. 2022   |
|---------------------------------------------------------------------------------------------------------|----------------|----------------|
| Accrued personnel expenses, including social security contribution, vacation and other benefits payable | 160.876        | 147.157        |
| Liabilities for outstanding invoices                                                                    | 5.322          | 6.455          |
| VAT and real estate tax payables                                                                        | 86.003         | 95.280         |
| Lease liabilities                                                                                       | 55.511         | 56.698         |
| Other accrued expenses                                                                                  | 90.718         | 67.233         |
| <b>Balance</b>                                                                                          | <b>398.430</b> | <b>372.823</b> |
| Non-current                                                                                             | 68.575         | 78.556         |
| Current                                                                                                 | 329.854        | 294.267        |
| <b>Balance</b>                                                                                          | <b>398.430</b> | <b>372.823</b> |

## 25. Financial instruments

### Carrying amounts of financial instruments according to categories

| Carrying amount financial instruments (EUR 1,000)        | Carrying amount        | Amortised cost        | Fair value through OCI        | Fair value through P&L            |
|----------------------------------------------------------|------------------------|-----------------------|-------------------------------|-----------------------------------|
|                                                          | 31 Dec. 2023           | 31 Dec. 2023          | 31 Dec. 2023                  | 31 Dec. 2023                      |
| <b>Financial assets</b>                                  |                        |                       |                               |                                   |
| Other financial assets                                   |                        |                       |                               |                                   |
| <i>Derivatives</i>                                       | 1.532                  | -                     | 460                           | 1.072                             |
| <i>Loans</i>                                             | 3.916                  | 3.916                 | -                             | -                                 |
| <i>Promissory loan note</i>                              | 40.002                 | -                     | -                             | 40.002                            |
| <i>Other</i>                                             | 12.407                 | 4.714                 | 7.693                         | -                                 |
| Trade receivables                                        | 815.434                | 815.434               | -                             | -                                 |
| Other receivables                                        | 344.232                | 344.232               | -                             | -                                 |
| Marketable securities                                    | 748.271                | -                     | -                             | 748.271                           |
| <b>Financial liabilities</b>                             |                        |                       |                               |                                   |
| Loans and borrowings                                     | 22.933                 | 22.933                | -                             | -                                 |
| Trade creditors                                          | 426.564                | 426.564               | -                             | -                                 |
| Other payables                                           | 334.250                | 334.250               | -                             | -                                 |
| Other financial liabilities                              |                        |                       |                               |                                   |
| <i>Derivatives</i>                                       | 130                    | -                     | -                             | 130                               |
| <i>Other</i>                                             | 29.192                 | 29.192                | -                             | -                                 |
| <b>Carrying amount financial instruments (EUR 1,000)</b> | <b>Carrying amount</b> | <b>Amortised cost</b> | <b>Fair value through OCI</b> | <b>Fair value through P&amp;L</b> |
|                                                          | <b>31 Dec. 2022</b>    | <b>31 Dec. 2022</b>   | <b>31 Dec. 2022</b>           | <b>31 Dec. 2022</b>               |
| <b>Financial assets</b>                                  |                        |                       |                               |                                   |
| Other financial assets                                   |                        |                       |                               |                                   |
| <i>Derivatives</i>                                       | 16                     | -                     | -                             | 16                                |
| <i>Loans</i>                                             | 6.687                  | 6.687                 | -                             | -                                 |
| <i>Promissory loan note</i>                              | 38.258                 | -                     | -                             | 38.258                            |
| <i>Other</i>                                             | 29.360                 | 4.476                 | 24.884                        | -                                 |
| Trade receivables                                        | 770.638                | 770.638               | -                             | -                                 |
| Other receivables                                        | 278.322                | 278.322               | -                             | -                                 |
| Marketable securities                                    | 378.884                | -                     | -                             | 378.884                           |
| <b>Financial liabilities</b>                             |                        |                       |                               |                                   |
| Loans and borrowings                                     | 23.881                 | 23.881                | -                             | -                                 |
| Trade creditors                                          | 371.122                | 371.122               | -                             | -                                 |
| Other payables                                           | 301.449                | 301.449               | -                             | -                                 |
| Other financial liabilities                              |                        |                       |                               |                                   |
| <i>Derivatives</i>                                       | 2.792                  | -                     | 2.578                         | 215                               |
| <i>Other</i>                                             | 23.955                 | 23.955                | -                             | -                                 |

Due to the short-term maturities of cash and cash equivalents, other financial assets and liabilities, loans and borrowings, trade receivable and payable as well as other receivables and payables, their respective fair values equal their carrying amounts.

## Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis per 31 December 2023

| Financial assets / liabilities (EUR 1,000) | Fair Value                                                     | Hierarchy | Valuation technique(s) and key input(s)                                                                                                                                                                                                                                                                                                                            | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|--------------------------------------------|----------------------------------------------------------------|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------|
| Foreign currency forward contracts         | Assets<br>1,532 (2022: 0) and liabilities<br>130 (2022: 2,792) | Level 2   | Discounted cash flow.<br><br>The market value of financial assets and financial liabilities measured at fair value is determined on the basis of input factors observed directly or indirectly on the market. The foreign exchange rates applicable on the balance sheet date and yield curves are key input factors in calculating the fair value of derivatives. | N/A                             | N/A                                               |

### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The finance & accounting teams at KMW and Nexter group level, respectively, that has overall responsibility for overseeing all significant fair value measurements and reports directly to the respective CFO's.

The finance & accounting teams regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation teams assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## **Financial risk management**

The Group has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;
- Capital management risk.

## **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has agreed their assessment with the Audit & Compliance Committee, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

## **Credit risk with customers**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Due to the customer structure, non-payment rarely occurs and there is only the need to post defaults. Trade receivables can consider being concentrated with certain major clients in the industry, e.g. the French and German Ministries of Defense.

At 31 December 2023 and 2022, the ageing of contracts assets, trade and other receivables against third parties that were impaired and not impaired was as follows:

|                                                           | 2023<br>Contract assets<br>Gross Amount        | 2023<br>Impairment<br>Provision | 2022<br>Contract assets<br>Gross Amount        | 2022<br>Impairment<br>Provision |
|-----------------------------------------------------------|------------------------------------------------|---------------------------------|------------------------------------------------|---------------------------------|
| <b>Impairment Contract assets (EUR 1,000)</b>             |                                                |                                 |                                                |                                 |
| Not due                                                   | 369.116                                        | -                               | 328.068                                        | -                               |
| Past due up to 90 days                                    | -                                              | -                               | -                                              | -                               |
| Past due 90 – 180 days                                    | -                                              | -                               | -                                              | -                               |
| More than 180 days                                        | -                                              | -                               | -                                              | -                               |
|                                                           | <b>369.116</b>                                 | <b>-</b>                        | <b>328.068</b>                                 | <b>-</b>                        |
|                                                           |                                                |                                 |                                                |                                 |
|                                                           | Trade and other<br>Receivables Gross<br>Amount | Impairment<br>Provision         | Trade and other<br>Receivables Gross<br>Amount | Impairment<br>Provision         |
| <b>Impairment Trade and other receivables (EUR 1,000)</b> |                                                |                                 |                                                |                                 |
| Not due                                                   | 390.888                                        | -                               | 353.417                                        | -                               |
| Past due up to 90 days                                    | 254.264                                        | -                               | 254.860                                        | -                               |
| Past due 90 – 180 days                                    | 21.028                                         | -                               | 40.089                                         | -                               |
| More than 180 days                                        | 143.189                                        | (5.012)                         | 129.080                                        | (4.086)                         |
|                                                           | <b>809.369</b>                                 | <b>(5.012)</b>                  | <b>777.446</b>                                 | <b>(4.086)</b>                  |

With respect to the contract assets no impairments were recognised.  
The carrying amount of financial assets represents the maximum credit exposure.

| Movement provisions in receivables (EUR 1,000) | 2023         | 2022         |
|------------------------------------------------|--------------|--------------|
| <b>Balance 1 January</b>                       | <b>4.086</b> | <b>3.950</b> |
| Impairment losses recognised                   | 1.124        | 671          |
| Written off balances                           | -            | (64)         |
| Reversal of impairments                        | (198)        | (472)        |
| Amounts recovered                              | -            | -            |
| Other                                          | -            | -            |
| <b>Balance 31 December</b>                     | <b>5.012</b> | <b>4.086</b> |

## Credit risk with financial institutions

Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. To mitigate the counterparty credit risk, the Group has a policy of only entering into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and maintains strict EURO and term limits that correspond to each institution's credit rating. Counterparty credit risk is managed by the Group by limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating. The credit ratings of all counterparties are reviewed regularly. At 31 December 2023, the Group holds EUR 748,27 million (31 December 2022: EUR 378,88 million) in short-term money market funds. The Group has no deposits with unrated institutions.

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Sufficient liquidity at all times is ensured by a cash budget and forecast over a specified time horizon as well as through existing credit lines granted by banks.

At 31 December 2023, the Group had access to unused credit facilities of approximately EUR 250 million (31 December 2022: EUR 250 million).

## Exposure to liquidity risk

At period ending 31 December 2023 the group does not recognize any significant liquidity risk to occur in the next 12 months based on the surplus on cash exceeding the short term obligations. Also the group does not have a high liquidity risk as there is no significant difference between the nominal values and discounted values or their carrying amounts of the financial liabilities.

## Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

## Currency risk

Due to the international nature of the Group's business, certain operational currency risks arise from the fluctuating exchange rates between the functional currencies of Group companies and other currencies. The group uses derivative instruments to reduce currency risks. Such instruments are acquired only for underlying transactions that are planned or already recognized on the balance sheet; no such derivatives may be acquired for speculation. All transactions involving derivatives are subject to stringent monitoring, which is particularly ensured through the strict separation of the contracting, settlement and control functions.

The total of foreign currencies positions in EUR value are recognized at year end.

| Foreign Currency positions (EUR 1,000) | 31-Dec-23     | 31-Dec-22     |
|----------------------------------------|---------------|---------------|
| USD                                    | 4.374         | 1.150         |
| GBP                                    | (208)         | 23.537        |
| CAD                                    | 3.630         | 115           |
| CHF                                    | 2.496         | 1.374         |
| AED                                    | -             | (756)         |
| SEK                                    | 72            | -             |
| NOK                                    | 377           | -             |
| SGD                                    | -             | -             |
| QAR                                    | 3.467         | 2.779         |
| <b>Total</b>                           | <b>14.208</b> | <b>28.199</b> |

## Cash flow hedges

The Company operating units apply hedge accounting for certain significant forecast transactions and firm commitments denominated in foreign currencies. Particularly, the company has entered into foreign currency exchange contracts to reduce the risk of variability of future cash flows resulting from forecast sales and purchases. The risk results mainly from contracts denominated in US Dollar.

Periods in which the hedged transaction or the firm commitments denominated in foreign currency are expected to impact profit or loss:

| Hedge transactions per period (EUR 1,000)                                                                     | 2024                   |                      | 2025                   |                      | Total |
|---------------------------------------------------------------------------------------------------------------|------------------------|----------------------|------------------------|----------------------|-------|
| Expected gain/loss to be reclassified from line item Other comprehensive income into revenue or cost of sales | 460                    |                      | -                      |                      | 460   |
| Hedges in currency futures (EUR 1,000) per 31-Dec                                                             | 2023<br>Nominal amount | 2023<br>Market Value | 2022<br>Nominal amount | 2022<br>Market Value |       |
| Sale USD                                                                                                      | 18.552                 | 460                  | 19.231                 | -                    |       |
| Purchase USD                                                                                                  | -                      | -                    | 942                    | (2.642)              |       |
| Purchase GBP                                                                                                  | 1.297                  | 10                   | 704                    | (11)                 |       |
| Purchase CHF                                                                                                  | 1.695                  | 28                   | -                      | 6                    |       |
| Purchase NOK                                                                                                  | 1.332                  | 53                   | -                      | -                    |       |
| Purchase AED                                                                                                  | 1.128                  | 81                   | 2.146                  | 187                  |       |
| Purchase Other                                                                                                | 9.464                  | 383                  | 163                    | (3)                  |       |

The movement of the cash flow hedge reserve over 2023 and 2022 is as follows:

| Movement of the cashflow hedge reserve (EUR 1,000)                                        | 2023    | 2022    |
|-------------------------------------------------------------------------------------------|---------|---------|
| Balance 1 January                                                                         | (1.995) | 128     |
| The amount that was recognized in the equity during the period                            |         |         |
| · Currency derivatives                                                                    | 3.528   | (2.633) |
| · Deferred taxes on currency derivatives                                                  | (772)   | 510     |
| The amount that was removed from equity and included in the profit or loss for the period |         |         |
| · Currency derivatives                                                                    | -       | -       |
| · Deferred taxes on currency derivatives                                                  | -       | -       |
| Balance 31 December                                                                       | 762     | (1.995) |

## Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR, and GBP, against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

For monetary (receivables and payables) positions the following applies:

| Monetary (receivables and payables) position (EUR 1,000)<br>31 December | 2023             |           | 2022             |           |
|-------------------------------------------------------------------------|------------------|-----------|------------------|-----------|
|                                                                         | Impact on Equity |           | Impact on Equity |           |
|                                                                         | Strengthening    | Weakening | Strengthening    | Weakening |
| USD (10 % movement)                                                     | (397)            | 487       | (104)            | 128       |
| CAD (10 % movement)                                                     | (330)            | 403       | (10)             | 13        |
| GBP (10 % movement)                                                     | 19               | (23)      | (2.140)          | 2.615     |
| SGD (10 % movement)                                                     | -                | -         | -                | -         |
| SEK (10 % movement)                                                     | -                | -         | -                | -         |
| NOK (10 % movement)                                                     | (34)             | 42        | -                | -         |
| CHF (10 % movement)                                                     | (227)            | 277       | (125)            | 153       |
| QAR (10 % movement)                                                     | (315)            | 385       | (253)            | 309       |

For derivative positions the following applies:

| Derivate position (EUR 1,000)<br>31 December | 2023             |           | 2022             |           |
|----------------------------------------------|------------------|-----------|------------------|-----------|
|                                              | Impact on Equity |           | Impact on Equity |           |
|                                              | Strengthening    | Weakening | Strengthening    | Weakening |
| USD (10 % movement)                          | 1.921            | (1.849)   | 2.111            | (2.421)   |
| GBP (10 % movement)                          | 141              | (121)     | 58               | (81)      |
| CAD (10% movement)                           | (590)            | 692       | -                | -         |
| CHF (10 % movement)                          | 345              | (1.277)   | 57               | (283)     |
| AED (10% movement)                           | 202              | (40)      | 6                | 6         |
| NOK (10% movement)                           | (1.376)          | 4.621     | 355              | (1)       |
| SEK (10% movement)                           | 1.306            | (489)     | 13               | (19)      |
| QAR (10 % movement)                          | -                | -         | -                | -         |

## **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations with floating interest rates.

## **Capital management risk**

The capital management risk for the Group focusses on the following areas in relation to its current capital structure:

- Safeguarding the going concern continuum to provide returns for shareholders and benefits for other stakeholders; and
- Maintain a close to optimal capital structure to reduce cost of capital (both internal and external).

In order to maintain or adjust the capital structure, the group has dividend policies and rules in place as well as rules relating issuance of new shares and plans to increase or reduce debt accordingly.

As external financing is complex in the current social environment the main focus of the group structure is to have sufficient cash covering the working-capital balances as well as having sufficient equity set-off to any debt.

The basis of the gearing for monitoring the Group's capital is the solvency ratio as well as current ratio.

Strategy of the group is to have this ratio balanced at a minimum of 30%.

The current ratio (short term assets + cash/ short term liabilities) of the Group for per December 2023 is 1.35 (2022: 2.63). Strategy of the group is to have this ratio balanced at a minimum of 0.7 or higher.

Further the Group and/or subsidiaries can be subject to financial covenants that require numeric criteria to meet. In the evaluation of the Group and the subsidiaries compliance to the criteria, management evaluates the criteria on a regular basis and implements actions when indicators are present at moment of review that covenants are to be breached within the year from review.

As per 31<sup>st</sup> December 2023 no indicators were present, as in 2022, that the covenants criteria would be breached. Further information on the covenants is included in note 24.

## **26. List of subsidiaries**

Set out below is a list of material subsidiaries, joint operations and associates of the Group as at 31 December 2023.

Consolidated financial statements consolidate and/or proportionally consolidate the financial statements of those subsidiaries over which the Group exercises exclusive control, joint control or significant influence. All subsidiaries have closed their accounts on 31 December 2023.

| Company name                                               | CGU       | Country       | 31 Dec<br>2023 %<br>share | Method | 31 Dec<br>2022 %<br>share | Method |
|------------------------------------------------------------|-----------|---------------|---------------------------|--------|---------------------------|--------|
| Honosthor KMW Holding GmbH                                 | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| Krauss-Maffei Wegmann GmbH & Co. KG                        | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| Krauss-Maffei Wegmann Verwaltungs GmbH                     | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| ATM ComputerSysteme GmbH                                   | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| DST Defence Service Tracks GmbH                            | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| DSL Defence Service Logistics GmbH                         | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| KMW Beteiligungs GmbH                                      | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| KMW Schweißtechnik GmbH                                    | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| VPS Vehicle Protection Systems GmbH                        | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| Battle Tank Dismantling GmbH                               | Systems   | Germany       | 100                       | FC     | 100                       | FC     |
| Hellenic Defence Vehicle Systems Single Member S.A.        | Systems   | Greece        | 100                       | FC     | 100                       | FC     |
| Wegmann USA, Inc.                                          | Systems   | USA           | 100                       | FC     | 100                       | FC     |
| KMW Asia Pacific Pte Ltd.                                  | Systems   | Singapore     | 100                       | FC     | 100                       | FC     |
| KMW do Brasil Sistemas de Defesa Ltda.                     | Systems   | Brazil        | 100                       | FC     | 100                       | FC     |
| VPS Vehicle Protection Systems de Mexico S.A. de C.V. (IL) | Systems   | Mexico        | 100                       | FC     | 100                       | FC     |
| WFEL Holdings Limited                                      | Systems   | Great Britain | 100                       | FC     | 100                       | FC     |
| WFEL Limited                                               | Systems   | Great Britain | 100                       | FC     | 100                       | FC     |
| KMW Hungary, Kft.                                          | Systems   | Hungary       | 100                       | FC     | 100                       | FC     |
| FWH Stahlguss GmbH                                         | Systems   | Germany       | 100                       | FC     | -                         | -      |
| CE Mülheim Verwaltungs GmbH                                | Systems   | Germany       | 100                       | FC     | -                         | -      |
| Milrem AS                                                  | Systems   | Estonia       | 24.9                      | AU     | 24.9                      | AU     |
| EuroTrophy GmbH                                            | Systems   | Germany       | 30                        | AU     | 30                        | AU     |
| UAB Lithuania Defense Services                             | Systems   | Lithuania     | 50                        | JV     | 50                        | JV     |
| PSM Projekt System & Management GmbH                       | Systems   | Germany       | 50                        | AU     | 50                        | *      |
| Artec GmbH                                                 | Systems   | Germany       | 36                        | AU     | 36                        | *      |
| KMWQ Services Company LLC (formerly known as KLS)          | Systems   | Qatar         | 10                        | AU     | 10                        | *      |
| Nexter Systems SA                                          | Systems   | France        | 100                       | FC     | 100                       | FC     |
| Nexter Emarat Ltd                                          | Systems   | UAE           | 100                       | FC     | 100                       | FC     |
| Nexter Training SAS                                        | Systems   | France        | 100                       | FC     | 100                       | FC     |
| CTA International SAS                                      | Systems   | France        | 50                        | AU     | 50                        | AU     |
| TNS-Mars SAS                                               | Systems   | France        | 37.5                      | AU     | 37.5                      | AU     |
| SCI La Ceronne                                             | Systems   | France        | 55                        | FC     | 55                        | FC     |
| Nexter Robotics SAS                                        | Systems   | France        | 100                       | FC     | 100                       | FC     |
| Nexter Services SAS                                        | Systems   | France        | 100                       | FC     | 100                       | FC     |
| Nexter Systems India Private Limited                       | Systems   | India         | 0                         | D      | 0                         | D      |
| Newco 10 SAS                                               | Systems   | France        | 100                       | FC     | 100                       | FC     |
| Nexter Mechanics SA                                        | Systems   | France        | 100                       | FC     | 100                       | FC     |
| Optsys SAS                                                 | Systems   | France        | 100                       | FC     | 100                       | FC     |
| NBCsys SAS                                                 | Systems   | France        | 100                       | FC     | 100                       | FC     |
| Nexter Munitions SA                                        | Munitions | France        | 100                       | FC     | 100                       | FC     |
| Mecar SA                                                   | Munitions | Belgium       | 100                       | FC     | 100                       | FC     |
| Base de Baronville SA                                      | Munitions | Belgium       | 46                        | JV     | 46                        | JV     |
| Simmel Difesa SPA                                          | Munitions | Italy         | 100                       | FC     | 100                       | FC     |
| Cime Bocuze SAS                                            | Munitions | France        | 34                        | AU     | 34                        | AU     |

FC = Fully consolidated

JO = joint operations proportionally consolidated

JV = joint venture

AU = associate undertaking

D = dissolved without liquidation

F = simplified merger

iL = in Liquidation

W = withdrawal

\* = valued through OCI

## 27. Leases

### Group as a lessee

The Group has lease contracts for some production locations e.g. land, offices and construction, vehicles, lift trucks and other equipment used in its operations. Leases of buildings generally have lease terms for a period of 3-6-9 years or 5 years with an option to extend the leasing period of further 5 years, while vehicles, lift trucks and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. The total amount for 2023 is EUR 7.342 thousand (2022: EUR 6,504).

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| Carrying amounts Right on use assets (EUR 1,000)      | Land & Buildings | Vehicles       | Lift trucks    | Others       | Total           |
|-------------------------------------------------------|------------------|----------------|----------------|--------------|-----------------|
| <b>Cost</b>                                           |                  |                |                |              |                 |
| Balance at 1 January 2023                             | <u>75.108</u>    | <u>8.343</u>   | <u>11.341</u>  | <u>74</u>    | <u>94.866</u>   |
| Additions and acquisitions                            | 7.385            | 3.938          | 1.712          | 431          | 13.467          |
| Effect of movements in exchange rates                 | (330)            | (21)           | 52             | -            | (299)           |
| Disposals and/or write offs                           | (1.773)          | (1.207)        | (1.325)        | -            | (4.305)         |
| Reallocation                                          | -                | -              | -              | -            | -               |
| Balance at 31 December 2023                           | <u>80.391</u>    | <u>11.053</u>  | <u>11.780</u>  | <u>505</u>   | <u>103.729</u>  |
| <b>Accumulated depreciation and impairment losses</b> |                  |                |                |              |                 |
| Balance at 1 January 2023                             | <u>(27.361)</u>  | <u>(5.559)</u> | <u>(5.706)</u> | <u>(35)</u>  | <u>(38.661)</u> |
| Depreciation                                          | (10.326)         | (2.491)        | (2.209)        | (110)        | (15.136)        |
| Effect of movements in exchange rates                 | (172)            | 10             | (138)          | -            | (300)           |
| Disposals                                             | 1.773            | 1.207          | 1.282          | -            | 4.262           |
| Reallocation                                          | -                | -              | -              | -            | -               |
| Balance at 31 December 2023                           | <u>(36.086)</u>  | <u>(6.833)</u> | <u>(6.770)</u> | <u>(146)</u> | <u>(49.835)</u> |
| <b>Carrying Amounts</b>                               |                  |                |                |              |                 |
| At 31 December 2023                                   | <u>44.305</u>    | <u>4.220</u>   | <u>5.010</u>   | <u>359</u>   | <u>53.894</u>   |
| <b>Cash out for Right of use assets (EUR 1,000)</b>   | <b>2023</b>      | <b>2022</b>    |                |              |                 |
| Repayment of lease obligations                        | 15.485           | 14.088         |                |              |                 |
| Interest expense (included in finance costs)          | 1.084            | 697            |                |              |                 |
| Expense relating to short-term and low value leases   | 7.342            | 6.504          |                |              |                 |
| <b>Total cash out</b>                                 | <u>23.911</u>    | <u>21.289</u>  |                |              |                 |

| Carrying amounts Right on use assets (EUR 1,000)      | Land & Buildings       | Vehicles              | Lift trucks           | Others             | Total                  |
|-------------------------------------------------------|------------------------|-----------------------|-----------------------|--------------------|------------------------|
| <b>Cost</b>                                           |                        |                       |                       |                    |                        |
| Balance at 1 January 2022                             | <u>72.341</u>          | <u>7.309</u>          | <u>10.684</u>         | <u>106</u>         | <u>90.440</u>          |
| Additions and acquisitions                            | 8.952                  | 2.201                 | 956                   | -                  | 12.109                 |
| Effect of movements in exchange rates                 | (75)                   | 38                    | (6)                   | (32)               | (76)                   |
| Disposals and/or write offs                           | (5.924)                | (1.215)               | (253)                 | -                  | (7.393)                |
| Reallocation                                          | (185)                  | 10                    | (40)                  | -                  | (215)                  |
| <b>Balance at 31 December 2022</b>                    | <u><b>75.108</b></u>   | <u><b>8.343</b></u>   | <u><b>11.341</b></u>  | <u><b>74</b></u>   | <u><b>94.866</b></u>   |
| <b>Accumulated depreciation and impairment losses</b> |                        |                       |                       |                    |                        |
| Balance at 1 January 2022                             | <u>(23.453)</u>        | <u>(3.078)</u>        | <u>(5.343)</u>        | <u>(53)</u>        | <u>(31.927)</u>        |
| Depreciation                                          | (9.118)                | (2.393)               | (2.059)               | (14)               | (13.584)               |
| Effect of movements in exchange rates                 | 500                    | (5)                   | 132                   | -                  | 626                    |
| Disposals                                             | 4.604                  | 1.213                 | 253                   | 32                 | 6.102                  |
| Reallocation                                          | 105                    | (1.295)               | 1.312                 | -                  | 122                    |
| <b>Balance at 31 December 2022</b>                    | <u><b>(27.361)</b></u> | <u><b>(5.559)</b></u> | <u><b>(5.706)</b></u> | <u><b>(35)</b></u> | <u><b>(38.661)</b></u> |
| <b>Carrying Amounts</b>                               |                        |                       |                       |                    |                        |
| At 31 December 2022                                   | <u><b>47.746</b></u>   | <u><b>2.785</b></u>   | <u><b>5.635</b></u>   | <u><b>39</b></u>   | <u><b>56.205</b></u>   |

Set out below are the carrying amounts of lease liabilities (included under other liabilities and accrued expenses) and the movements during the period:

| Carrying amounts (EUR 1,000)  | 2023                 | 2022                 |
|-------------------------------|----------------------|----------------------|
| <b>As at 1 January</b>        | <b>56.684</b>        | <b>60.268</b>        |
| Additions                     | 14.290               | 12.598               |
| Repayment                     | (15.485)             | (14.088)             |
| Other                         | -                    | (1.991)              |
| Foreign Currency variations   | 22                   | (89)                 |
| <b>Balance at 31 December</b> | <u><b>55.511</b></u> | <u><b>56.698</b></u> |
| Current                       | 14.358               | 12.436               |
| Non-current                   | 41.152               | 44.262               |
| <b>As at 31 December</b>      | <u><b>55.511</b></u> | <u><b>56.698</b></u> |

| The maturity of the lease liabilities (EUR 1,000) | 2023                 | 2022                 |
|---------------------------------------------------|----------------------|----------------------|
| Within one year                                   | 14.358               | 12.436               |
| Between 1 and 4 years                             | 31.465               | 31.740               |
| More than 5 years                                 | 9.688                | 12.508               |
| <b>Balance at 31 December</b>                     | <u><b>55.511</b></u> | <u><b>56.684</b></u> |

## 28. Commitments and contingencies

The group is subject to laws and regulations that protect health and the environment, which includes limits to emissions and waste and regulation on handling and restoration of

contaminates sites. The group operates industrial facilities and could therefore be exposed to accidental environmental risks that may require environmental assessment and remediation for restoration of contaminated sites if obligating events have taken place. The group has a well-established legal and regulatory compliance structure to ensure adherence to regulatory requirements and identification of any restrictions that could adversely impact the Group's activities. Recognition of estimated costs for environmental assessment and restoration will take place if obligating events have taken place and the costs can be reliably measured.

On 14<sup>th</sup> December 2021 and based on the contribution agreement dated 15<sup>th</sup> December 2015 related to the Company's incorporation, the Company has initiated arbitral proceedings against one of its shareholders, GIAT Industries SAS. The purpose of these proceedings is to protect the Company's rights to guarantees and indemnities under the contribution agreement, in connection with the liability for environmental damages incurred by Nexter at production sites in France, Belgium and Italy. On 25<sup>th</sup> October, 2023, these arbitral proceedings have been concluded, for further details refer to the Directors' report.

The total contingencies relating to bank guarantees amount to EUR 1,356 million at 31 December 2023 (2022: EUR 938 million). These bank guarantees mostly relate to advance payments from customers.

Contractual commitments in 2023 to be settled in 2024 for the acquisition of property, plant and equipment amount to EUR 24.7 million (2022: EUR 22.3 million).

Further, the KMW sub-group and Nexter sub-group have each signed a single, joint and several liability parent company guarantee/letter of comfort. These guarantees/letters of comfort were granted to ensure the proper technical and industrial execution of the contracts entered into and relate to ARTEC and PSM (KMW) and CTAI (Nexter). No cash-outflows are expected.

## 29. Related parties

### Parent and ultimate controlling party

During December 2015, the Company's shares were acquired by GIAT Industries SA and Wegmann & Co on a 50-50% basis. As a result, both joint venture partners own an equal, jointly controlling shareholding in the Group as of 15 December 2015.

### Transactions with key management personnel

#### Loans to directors

During 2023, no unsecured loans to directors were issued (2022: no loans).

### Key management personnel compensation

Annual remunerations Key Management (EUR 1,000)

|                                  | 2023         | 2022         |
|----------------------------------|--------------|--------------|
| Short term employee benefits     | 5.180        | 4.647        |
| Post-employment benefits         | 296          | 257          |
| Other long term benefits         | -            | -            |
| Termination benefits             | -            | -            |
| Share-based payment benefits     | -            | -            |
| <b>Total cost Key Management</b> | <b>5.475</b> | <b>4.904</b> |

## Key management personnel transactions

No member of key management personnel, or their related parties, holds positions in other companies that result in them having control or significant influence over these companies.

If and to the extent these companies transacted with the Group during the year, terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence amounts to EUR 0 as at 31 December 2023 (2022: EUR 0).

## Other related party transactions

All related party transactions were made at terms equivalent to those that prevail in arm's length transactions. The group identifies the following related party transactions for 2023 and 2022:

| Other related party transactions (EUR 1,000)   | 31 Dec. 2023     | 31 Dec. 2022     |
|------------------------------------------------|------------------|------------------|
| <b>Sale of goods and services</b>              | <b>1.140.046</b> | <b>1.214.888</b> |
| Government                                     | 779.000          | 852.001          |
| Companies controlled by shareholders           | 99.068           | 44.291           |
| Associates                                     | 261.979          | 318.596          |
| <b>Purchase of goods</b>                       | <b>144.757</b>   | <b>150.715</b>   |
| Government                                     | 689              | 1.062            |
| Companies controlled by shareholders           | 93.439           | 107.235          |
| Associates                                     | 50.629           | 33.853           |
| Others                                         | -                | 8.565            |
| <b>Trade receivables and contract assets</b>   | <b>1.026.266</b> | <b>879.417</b>   |
| Government                                     | 783.857          | 739.421          |
| Companies controlled by shareholders           | 98.145           | 40.472           |
| Associates                                     | 144.264          | 99.417           |
| Others                                         | -                | 107              |
| <b>Trade payables and contract liabilities</b> | <b>1.089.857</b> | <b>838.533</b>   |
| Government                                     | 997.180          | 785.937          |
| Companies controlled by shareholders           | 74.420           | 27.657           |
| Associates                                     | 18.257           | 24.939           |

The amount presented under Trade payables and Trade receivables are before netting of contract assets and liabilities on an individual contract base

No interest is charged on Trade Receivables and Trade Payables, except for Trade Receivables from the French State (8%)

## 30. Fees of the independent auditor

With reference to Section 2:382a(1) and (2) of the Dutch Civil Code, the following fees for 2023 have been charged by PricewaterhouseCoopers Accountants N.V., its member firms and affiliates to the Company, its subsidiaries and other consolidated entities:

## PWC cost (EUR 1,000)

|                                   | Pricewaterhouse Coopers<br>Accountants NV<br>2023 | Pricewaterhouse Coopers<br>Other network<br>2023 | Pricewaterhouse Coopers<br>Total<br>2023 |
|-----------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------|
| Audit of the financial statements | 181                                               | 1,050                                            | 1,231                                    |
| Tax related advisory services     | -                                                 | -                                                | -                                        |
| Other audit procedures            | -                                                 | 55                                               | 55                                       |
| Other non-audit services          | 8                                                 | 26                                               | 34                                       |
| <b>Total</b>                      | <b>189</b>                                        | <b>1,131</b>                                     | <b>1,320</b>                             |

## PWC cost (EUR 1,000)

|                                   | Pricewaterhouse Coopers<br>Accountants NV<br>2022 | Pricewaterhouse Coopers<br>Other network<br>2022 | Pricewaterhouse Coopers<br>Total<br>2022 |
|-----------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------|
| Audit of the financial statements | 170                                               | 806                                              | 976                                      |
| Tax related advisory services     | -                                                 | -                                                | -                                        |
| Other audit procedures            | 25                                                | 16                                               | 41                                       |
| Other non-audit services          | 25                                                | -                                                | 25                                       |
| <b>Total</b>                      | <b>220</b>                                        | <b>822</b>                                       | <b>1,042</b>                             |

### 31. Subsequent events

There were no significant events after the balance sheet date that could have a significant impact on the financial position as at and for the year ended 31 December 2023.

### 32. Other notes

The subsidiary Krauss-Maffei Wegmann GmbH und Co. KG, Munich, Germany included in these consolidated financial statements makes use of § 264b HGB (German Commercial Code).

In accordance with that rule, the financial statements of Krauss-Maffei Wegmann GmbH und Co. KG as of 31 December 2023 were not published.



**KNDS N.V.**  
**Company Financial Statement**  
**for the period ended 31 December 2023**

## Company income statement

Profit & Loss (EUR 1,000)

|                                                     | Year ended 31 December |                |
|-----------------------------------------------------|------------------------|----------------|
|                                                     | 2023                   | 2022           |
| Administrative expenses                             | (18.442)               | (14.504)       |
| Other income and expenses                           | 6.411                  | 5.004          |
| <b>Profit before finance results and income tax</b> | <b>(12.031)</b>        | <b>(9.501)</b> |
| Interest expense                                    | (18)                   | (53)           |
| <b>Total financial result</b>                       | <b>(18)</b>            | <b>(53)</b>    |
| Dividend from subsidiaries                          | 135.457                | 101.943        |
| <b>Group result before income tax</b>               | <b>123.408</b>         | <b>92.390</b>  |
| <b>Net result</b>                                   | <b>123.408</b>         | <b>92.390</b>  |
| Other comprehensive income                          | -                      | -              |
|                                                     | <b>123.408</b>         | <b>92.390</b>  |

## Company balance sheet (Before result appropriation)

| Balance sheet (EUR 1,000)                       |             | 2023             | 2022             |
|-------------------------------------------------|-------------|------------------|------------------|
| <b>Assets</b>                                   | <i>Note</i> |                  |                  |
| Software and licenses                           | 36          | 79               | -                |
| Property, plant and equipment                   | 37          | 823              | 1.102            |
| Participating interest in group companies       | 38          | 915.145          | 915.145          |
| <b>Non-current assets</b>                       |             | <b>916.048</b>   | <b>916.247</b>   |
| Receivables from group companies                | 40          | 121.074          | 93.865           |
| Trade receivables and prepayments               |             | 395              | 222              |
| Cash and cash equivalents                       |             | 807              | 741              |
| <b>Current assets</b>                           |             | <b>122.276</b>   | <b>94.827</b>    |
| <b>Total assets</b>                             |             | <b>1.038.324</b> | <b>1.011.075</b> |
| <b>Capital reserves &amp; Liabilities</b>       |             |                  |                  |
| Issued share capital                            | 39          | 300.000          | 300.000          |
| Share premium                                   | 39          | 585.333          | 587.205          |
| Other reserves                                  | 39          | 20.050           | 23.857           |
| Unappropriated result                           | 39          | 123.408          | 92.390           |
| <b>Total equity</b>                             |             | <b>1.028.792</b> | <b>1.003.452</b> |
| Other non-current liabilities and accrued costs |             | 350              | 694              |
| <b>Total non-current liabilities</b>            |             | <b>350</b>       | <b>694</b>       |
| Trade payables                                  |             | 675              | 129              |
| Payables to group companies                     |             | 725              | -                |
| Other current liabilities                       |             | 7.781            | 6.800            |
| <b>Total current liabilities</b>                |             | <b>9.181</b>     | <b>6.928</b>     |
| <b>Total equity and liabilities</b>             |             | <b>1.038.324</b> | <b>1.011.075</b> |

## Company only statement of cash flows

| Cash flow statement (EUR 1,000)                                     | 2023            | 2022            |
|---------------------------------------------------------------------|-----------------|-----------------|
|                                                                     | Note            |                 |
| <b>Cash flows from operating activities</b>                         |                 |                 |
| Net group result                                                    | 123.408         | 92.390          |
| Adjustments for:                                                    |                 |                 |
| Depreciation and amortization of non-current assets                 | 374             | 360             |
| Increase/(Decrease) in provisions                                   | -               | -               |
| Income tax expense recognized in profit and loss                    | -               | -               |
| Others                                                              | -               | -               |
| Finance costs recognised in profit and loss                         | 18              | 53              |
| Dividend from subsidiaries                                          | 40 (135.457)    | (101.943)       |
|                                                                     | <b>(11.657)</b> | <b>(9.141)</b>  |
| (Increase)/Decrease in inventories                                  | -               | -               |
| (Increase)/Decrease in Contract Assets                              | -               | -               |
| (Increase)/Decrease in trade and other receivables                  | (649)           | (815)           |
| (Increase)/Decrease in advance and down payments to suppliers       | -               | -               |
| Increase/(Decrease) in amounts due contract liabilities             | -               | -               |
| Increase/(Decrease) in trade and other payables                     | 1.276           | (350)           |
| Increase/(Decrease) in other current liabilities                    | 972             | 1.005           |
| <b>Cash generated from operating activities</b>                     | <b>(10.058)</b> | <b>(9.301)</b>  |
| Income taxes paid                                                   | -               | -               |
| Interest paid                                                       | (8)             | (39)            |
| <b>Net cash generated from / (used in) operating activities</b>     | <b>(10.066)</b> | <b>(9.340)</b>  |
| <b>Cash flows from investing activities</b>                         |                 |                 |
| Cash payments on acquisitions                                       | -               | -               |
| Cash payment on loans issued                                        | -               | -               |
| Investments in non-current assets                                   | (174)           | (35)            |
| Proceeds from disposals of assets                                   | -               | -               |
| Received dividends                                                  | 108.719         | 84.334          |
| Interest received                                                   | -               | -               |
| Disposal of subsidiaries and or affiliates                          | -               | -               |
| <b>Net cash used in investing activities</b>                        | <b>108.545</b>  | <b>84.299</b>   |
| <b>Cash flows from financing activities</b>                         |                 |                 |
| Distributions to shareholders                                       | (98.068)        | (78.204)        |
| Proceeds from loans and borrowings                                  | -               | -               |
| Repayment of loans and borrowings                                   | -               | -               |
| Payment for the redemption of lease liabilities                     | (335)           | (313)           |
| Cost of financial debt and interest paid                            | (10)            | (14)            |
| <b>Net cash used in financing activities</b>                        | <b>(98.413)</b> | <b>(78.531)</b> |
| Effects of exchange rate changes on cash held in foreign currencies | -               | -               |
| <b>Net increase / (decrease) in cash and cash equivalents</b>       | <b>66</b>       | <b>(3.572)</b>  |
| Cash and cash equivalents at 1 <sup>st</sup> January                | 741             | 4.313           |
| <b>Cash and cash equivalents at 31 December</b>                     | <b>807</b>      | <b>741</b>      |

## Company only statement of changes in equity

|                                                                  | Issued<br>Share capital | Share<br>Premium | Other reserves | Special<br>Reserve | Unappropriate<br>d result | Total            |
|------------------------------------------------------------------|-------------------------|------------------|----------------|--------------------|---------------------------|------------------|
| <b>Balance as at 1 January 2022</b>                              | <b>300.000</b>          | <b>589.077</b>   | <b>18.647</b>  |                    | <b>81.542</b>             | <b>989.266</b>   |
| Appropriation of prior year results                              | -                       | -                | 81.542         | -                  | (81.542)                  | -                |
| Profit for the year                                              | -                       | -                | -              | -                  | 92.390                    | <b>92.390</b>    |
| Dividend                                                         | -                       | -                | (67.000)       | -                  | -                         | <b>(67.000)</b>  |
| Reallocation to Special Reserve of Materialized Special Benefits | -                       | -                | (9.332)        | 9.332              | -                         | -                |
| Distribution of Materialized Special Benefits                    | -                       | (1.872)          | -              | (9.332)            | -                         | <b>(11.204)</b>  |
| Others                                                           | -                       | -                | -              | -                  | -                         | -                |
| <b>Balance as at 31 December 2022/ 1 January 2023</b>            | <b>300.000</b>          | <b>587.205</b>   | <b>23.857</b>  |                    | <b>92.390</b>             | <b>1.003.452</b> |
| Appropriation of prior year results                              | -                       | -                | 92.390         | -                  | (92.390)                  | -                |
| Profit for the year                                              | -                       | -                | -              | -                  | 123.408                   | <b>123.408</b>   |
| Dividend                                                         | -                       | -                | (81.960)       | -                  | -                         | <b>(81.960)</b>  |
| Reallocation to Special Reserve of Materialized Special Benefits | -                       | (1.872)          | (14.236)       | 14.236             | -                         | <b>(1.872)</b>   |
| Distribution of Materialized Special Benefits                    | -                       | -                | -              | (14.236)           | -                         | <b>(14.236)</b>  |
| Others                                                           | -                       | -                | -              | -                  | -                         | -                |
| <b>Balance as at 31 December 2023</b>                            | <b>300.000</b>          | <b>585.333</b>   | <b>20.050</b>  |                    | <b>123.408</b>            | <b>1.028.791</b> |

## Notes to the company financial statements

### 33. General

The company financial statements are part of the 2023 statutory financial statements of KNDS N.V. (the 'Company'), registered Amsterdam the Netherlands. The company's registration at the chamber of commerce in Amsterdam is 64277925.

Unless stated otherwise, all amounts in these explanatory notes are stated in thousands of euros. The Company balance sheet is drawn up before profit appropriation.

### 34. Basis of preparation

The company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code. The aggregate cost of the company's participating interests in group companies recognized their deemed cost in the company financial statements.

Valuation of assets and liabilities and determination of result takes place under the historical cost convention. Unless indicated otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Income and expenses are accounted for on an accrual basis and recorded in the period in which they originate.

### 35. Significant accounting policies

#### Software and licenses

##### *(i) Recognition and measurement*

Software and licenses are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost price is based on the purchase price. The depreciation, taking into account an assumed residual value, is straight-lined and calculated over the estimated remaining useful lives assigned to the various categories of assets. Modifications and capacity enhancing investments are also capitalized at cost and amortized over the remaining life of the asset.

If significant parts of an item of software and licenses have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal or impairment of an item of software and licenses is recognised in profit or loss.

##### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

##### *(iii) Depreciation*

Depreciation is calculated to write off the cost of items of software and licenses less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful life of software and licenses is as follows:

- Software: 4-5 years;
- Software licenses 4-5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## **Property, plant and equipment**

### ***(i) Recognition and measurement***

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost price is based on the purchase price. The depreciation, taking into account an assumed residual value, is straight-lined and calculated over the estimated remaining useful lives assigned to the various categories of assets. Modifications and capacity enhancing investments are also capitalized at cost and amortized over the remaining life of the asset.

Property, plant and equipment under construction are included in the balance sheet on the basis of instalments paid. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

### ***(ii) Subsequent expenditure***

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

### ***(iii) Depreciation***

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment is as follows:

- Fixtures and fittings: 4-5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

### ***(iv) Leases (IFRS 16)***

Right-of-use assets are generally depreciated over the shorter of the asset's full life and the lease term on a straight-line basis. If the company is reasonable certain to exercise a purchase option, the right-of-use asset is depreciated over the asset's useful life, with consideration of the purchase option.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the profit and loss.

## **Participating interests in group companies**

Participating interests in group companies are accounted for in the company financial statements at historic cost price, less any accumulated impairment losses. Dividends are recognized when the shareholder's right to receive payment is established.

The Company has decided to deviate from the net equity method stipulated in article 389.1 and 389.2 of the Dutch Civil code due to international entanglement of its foreign subsidiaries as well as its foreign shareholders (article 389.9 of the Dutch Civil code). The net equity value of aforementioned foreign subsidiaries is fully consolidated in the consolidated financial statements set out on pages 24 to 81.

## **Corporate income taxes**

Corporate income tax is calculated at the applicable rate on the financial year, taking into account permanent differences between result calculated according to the financial statements and result calculated for taxation purposes.

## 36. Software and Licenses

| Intangible assets (EUR 1,000)                               | Software,<br>patents and<br>other rights | Total       |
|-------------------------------------------------------------|------------------------------------------|-------------|
| <b>Cost</b>                                                 |                                          |             |
| <b>Balance at 1 Jan 2022</b>                                | <b>42</b>                                | <b>42</b>   |
| Additions and acquisitions                                  | -                                        | -           |
| Effect of movements in exchange rates                       | -                                        | -           |
| Cost of disposals and/or write offs                         | -                                        | -           |
| Reallocation                                                | -                                        | -           |
| <b>Balance at 31 Dec 2022 - 1 Jan 2023</b>                  | <b>42</b>                                | <b>42</b>   |
| Additions and acquisitions                                  | 86                                       | 86          |
| Effect of movements in exchange rates                       | -                                        | -           |
| Cost of disposals and/or write offs                         | -                                        | -           |
| Reallocation                                                | -                                        | -           |
| <b>Balance at 31 Dec 2023</b>                               | <b>128</b>                               | <b>128</b>  |
| <b>Accumulated amortisation and impairment losses</b>       |                                          |             |
| <b>Balance at 1 Jan 2022</b>                                | <b>(41)</b>                              | <b>(41)</b> |
| Amortisation                                                | (1)                                      | (1)         |
| Impairment loss                                             | -                                        | -           |
| Accumulated amortization and impairment losses on disposals | -                                        | -           |
| Effect of movements in exchange rates                       | -                                        | -           |
| Reallocation                                                | -                                        | -           |
| <b>Balance at 31 Dec 2022 - 1 Jan 2023</b>                  | <b>(42)</b>                              | <b>(42)</b> |
| Amortisation                                                | (7)                                      | (7)         |
| Impairment loss                                             | -                                        | -           |
| Accumulated amortization and impairment losses on disposals | -                                        | -           |
| Effect of movements in exchange rates                       | -                                        | -           |
| Reallocation                                                | -                                        | -           |
| <b>Balance at 31 Dec 2023</b>                               | <b>(50)</b>                              | <b>(50)</b> |
| <b>Carrying amounts</b>                                     |                                          |             |
| At 31 December 2022                                         | -                                        | -           |
| <b>At 31 December 2023</b>                                  | <b>79</b>                                | <b>79</b>   |

## 37. Property, Plant and Equipment

### Tangible assets (EUR 1,000)

#### Cost

#### Balance at 1 Jan 2022

Additions and acquisitions  
Effect of movements in exchange rates  
Disposals and/or write offs  
Reallocation

#### Balance at 31 Dec 2022 / 1 Jan 2023

Additions and acquisitions  
Effect of movements in exchange rates  
Disposals and/or write offs  
Reallocation

#### Balance at 31 Dec 2023

### Accumulated amortisation and impairment losses

#### Balance at 1 Jan 2022

Depreciation  
Impairment loss/(gain)  
Effect of movements in exchange rates  
Disposals  
Reallocation

#### Balance at 31 Dec 2022 / 1 Jan 2023

Depreciation  
Impairment loss/(gain)  
Effect of movements in exchange rates  
Disposals  
Reallocation

#### Balance at 31 Dec 2023

### Carrying amounts

At 31 December 2022

#### At 31 December 2023

|                                            | Fixtures & Fittings | Right of-Use   | Total          |
|--------------------------------------------|---------------------|----------------|----------------|
| <b>Balance at 1 Jan 2022</b>               | <b>1.023</b>        | <b>2.212</b>   | <b>3.235</b>   |
| Additions and acquisitions                 | 35                  | -              | 35             |
| Effect of movements in exchange rates      | -                   | -              | -              |
| Disposals and/or write offs                | -                   | -              | -              |
| Reallocation                               | -                   | -              | -              |
| <b>Balance at 31 Dec 2022 / 1 Jan 2023</b> | <b>1.058</b>        | <b>2.212</b>   | <b>3.271</b>   |
| Additions and acquisitions                 | 88                  | -              | 88             |
| Effect of movements in exchange rates      | -                   | -              | -              |
| Disposals and/or write offs                | -                   | -              | -              |
| Reallocation                               | -                   | -              | -              |
| <b>Balance at 31 Dec 2023</b>              | <b>1.146</b>        | <b>2.213</b>   | <b>3.359</b>   |
| <b>Balance at 1 Jan 2022</b>               | <b>(863)</b>        | <b>(948)</b>   | <b>(1.811)</b> |
| Depreciation                               | (42)                | (316)          | (358)          |
| Impairment loss/(gain)                     | -                   | -              | -              |
| Effect of movements in exchange rates      | -                   | -              | -              |
| Disposals                                  | -                   | -              | -              |
| Reallocation                               | -                   | -              | -              |
| <b>Balance at 31 Dec 2022 / 1 Jan 2023</b> | <b>(905)</b>        | <b>(1.264)</b> | <b>(2.169)</b> |
| Depreciation                               | (51)                | (316)          | (367)          |
| Impairment loss/(gain)                     | -                   | -              | -              |
| Effect of movements in exchange rates      | -                   | -              | -              |
| Disposals                                  | -                   | -              | -              |
| Reallocation                               | -                   | -              | -              |
| <b>Balance at 31 Dec 2023</b>              | <b>(956)</b>        | <b>(1.580)</b> | <b>(2.536)</b> |
| <b>At 31 December 2022</b>                 | <b>153</b>          | <b>948</b>     | <b>1.102</b>   |
| <b>At 31 December 2023</b>                 | <b>191</b>          | <b>633</b>     | <b>823</b>     |

## 38. Participating interests in group companies

KNDS N.V. is an active management holding company under Dutch law and has the following participating interests in group companies:

| Name consolidated participating interests | Location        | Share in issued capital<br>% |
|-------------------------------------------|-----------------|------------------------------|
| Nexter Systems SA                         | Roanne, France  | 100%                         |
| Honosthor KMW Holding GmbH                | Munich, Germany | 100%                         |

Reference is made to note 27 of the consolidated financial statements for the group companies included in Nexter Systems S.A. and Honosthor KMW Holding GmbH at 31 December 2023.

For the sake of completeness, it is noted that the French State holds 1 share in Nexter Systems S.A., a so-called “Golden Share”, which contains a consultation right with regard to the discontinuation of strategic assets within the Nexter Group.

The movement in participating interests in group companies is as follows:

| Participating interest in group companies (EUR 1,000) | Participating interest |
|-------------------------------------------------------|------------------------|
| Balance as at January 1 2022                          | <u>915.145</u>         |
| Addition                                              | -                      |
| Disposals                                             | -                      |
| Impairments                                           | -                      |
| Balance as at 31 Dec. 2022 - 1 Jan. 2023              | <u>915.145</u>         |
| Addition                                              | -                      |
| Disposals                                             | -                      |
| Impairments                                           | -                      |
| Balance as at 31 Dec. 2023                            | <u>915.145</u>         |

At balance sheet date, the accumulated impairments on participating interests in group companies amounted to EUR 0 thousand (2022: EUR 0 thousand).

## 39. Shareholders' equity

### Ordinary shares and preference shares

At 31 December 2023, the authorised share capital amounts to 1.2 billion shares, each share having a nominal value of one euro (EUR 1).

At 31 December 2023, the issued and paid up share capital related to GIAT Industries S.A. comprised 149,999,999 ordinary registered A shares, each having a nominal value of one euro (EUR 1) and one (1) special share with a nominal value of one euro (EUR 1) mirroring a distributions right from a special reserve which exclusively belong to GIAT Industries S.A. (per article 35.2 of the Articles of Association).

The issued and paid up share capital related to Wegmann comprised 150,000,000 ordinary registered B shares, each having a nominal value of one euro (EUR 1). This has not changed compared to 2022.

## **Share premium reserve**

At 31 December 2023, the share premium reserve can be considered as freely distributable share premium for the purpose of the 2001 Income Tax Act.

## **Dividend**

In May 2023, a dividend was declared of EUR 81,960 thousand, paid to GIAT Industries S.A. for an amount of EUR 40,980 thousand in May 2023 and an amount of EUR 40,980 thousand paid to Wegmann & Co GmbH in May 2023.

## **Reallocation to Special Reserve and distribution of materialized special benefits**

Upon formation of the Group in 2015, the shareholders of the Company entered into a contribution agreement and shareholders agreement, which governs the distribution to shareholders of certain contingent rights and obligations existing in Nexter Systems S.A. and Honosthor KMW Holding GmbH prior to formation of the Company ('special benefits') which exclusively belong to GIAT Industries SA and Wegmann & Co GmbH respectively. Part of these special benefits is linked to the deferred tax assets position included in the financial statements continuing from the formation of the Company. These special benefits are recognized when the rights and obligations materialize and all other conditions have been met ('materialized special benefits'). Decision on the pay out of materialized special benefits, if any, is at the discretion of the Board of Directors.

In accordance with provisions governing the articles of association, materialised special benefits are distributed through utilisation of Share Premium and Special Reserves, under Equity accounts. In 2023 materialized special benefits were recognized and paid respectively to GIAT Industries S.A. for an amount of EUR 14,236 (2022: EUR 9,332) thousand and to Wegmann & Co GmbH for an amount of EUR 1,872 (2022: EUR 1,872) thousand.

## **Proposal for profit appropriation**

The Company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the legal reserves and statutory reserves under the articles of association to be maintained.

Pending the decision of the General Meeting, the net result for the year 2023 is presented as unappropriated result in equity. The Board of Directors proposes to add the result for the year to the other reserves. The financial statements do not reflect this proposal.

## Reconciliation of Shareholder's Equity and result of the Company to Shareholder's Equity and result of the Group

### Reconciliation of Shareholders Equity (EUR 1,000)

|                                                                                  | Issued<br>Share capital | Share Premium | Other<br>comprehensive<br>income | Other reserves | Special Reserve | Unappropriated<br>result | Total     |
|----------------------------------------------------------------------------------|-------------------------|---------------|----------------------------------|----------------|-----------------|--------------------------|-----------|
| <i>Company only</i> Equity as at 31 December 2022                                | 300.000                 | 587.205       |                                  | 23.857         |                 | 92.390                   | 1.003.452 |
| Prior consolidated year result appropriation by applying IAS 27 for company only | -                       | -             | -                                | 565.634        | -               | -                        | 565.634   |
| Recognition of other comprehensive income at consolidated level                  | -                       | -             | 27.543                           | -              | -               | -                        | 27.543    |
| Difference in result for the year by applying IAS 27 for company only            | -                       | -             | -                                | -              | -               | 198.389                  | 198.389   |
| Foreign exchange difference translation result from group companies              | -                       | -             | -                                | -              | -               | -                        | -         |
| Consolidated Equity as at 31 December 2022 excluding non-controlling interest    | 300.000                 | 587.205       | 27.543                           | 589.491        |                 | 290.779                  | 1.795.019 |
| <i>Company only</i> Equity as at 31 December 2023                                | 300.000                 | 585.333       |                                  | 20.050         |                 | 123.408                  | 1.028.792 |
| Prior consolidated year result appropriation by applying IAS 27 for company only | -                       | -             | -                                | 755.023        | -               | -                        | 755.023   |
| Recognition of other comprehensive income at consolidated level                  | -                       | -             | 22.929                           | -              | -               | -                        | 22.929    |
| Difference in result for the year by applying IAS 27 for company only            | -                       | -             | -                                | -              | -               | 213.039                  | 213.039   |
| Foreign exchange difference translation result from group companies              | -                       | -             | -                                | -              | -               | -                        | -         |
| Consolidated Equity as at 31 December 2023 excluding non-controlling interest    | 300.000                 | 585.333       | 22.929                           | 775.074        | 0               | 336.447                  | 2.019.784 |

## 40. Financial risk management

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has agreed their assessment with the Audit & Compliance Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

At 31 December 2023, the ageing of dividend, EUR 119,349 (2022: EUR 92,611), and other intercompany receivables that were impaired and not impaired was as follows:

| Ageing of intercompany receivables (EUR 1,000) | Gross          | Impairment Provision |
|------------------------------------------------|----------------|----------------------|
| <b>At 31 December 2023</b>                     |                |                      |
| Not due                                        | 121.074        | -                    |
| Past due up to 90 days                         | -              | -                    |
| Past due 90 – 180 days                         | -              | -                    |
| More than 180 days                             | -              | -                    |
|                                                | <b>121.074</b> | <b>-</b>             |

| Ageing of intercompany receivables (EUR 1,000) | Gross         | Impairment Provision |
|------------------------------------------------|---------------|----------------------|
| <b>At 31 December 2022</b>                     |               |                      |
| Not due                                        | 93.865        | -                    |
| Past due up to 90 days                         | -             | -                    |
| Past due 90 – 180 days                         | -             | -                    |
| More than 180 days                             | -             | -                    |
|                                                | <b>93.865</b> | <b>-</b>             |

## Credit risk with financial institutions

Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. To mitigate the counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and maintains strict EURO and term limits that correspond to each institution's credit rating. Counterparty credit risk is managed by the Company by limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating. The credit ratings of all counterparties are reviewed regularly. At 31 December 2023, the Company holds EUR 0 million (31 December 2022: EUR 0 million) in short-term money market funds. The Company has no deposits with unrated institutions.

## Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Sufficient liquidity at all times is ensured by a cash budget and forecast over a specified time horizon as well as through existing credit lines granted by banks through its subsidiaries.

## Exposure to liquidity risk

At period ending 31 December 2023 the Company does not recognize any significant liquidity risk to occur in the next 12 months based on the expected cash flow, under the reasonable assumption that the dividends receivable from the company's subsidiaries will be collected, and will not exceed the short term obligations.

Also the Company has a limited risk as there is no significant difference between the nominal values and discounted values or their carrying amounts of the financial liabilities.

## Currency risk

No operational currency risks arise from the fluctuating exchange rates between the functional currencies of Company and other currencies.

## Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At KNDS Stand-alone level there is no interest rate risk.

## Capital management risk

The capital management risk for the Company focusses on the following areas in relation to its current capital structure:

- Safeguarding the going concern continuum to provide returns for shareholders and benefits for other stakeholders; and
- Maintain a close to optimal capital structure to reduce cost of capital (both internal and external).

In order to maintain or adjust the capital structure, the Company has dividend policies and rules in place as well as rules relating issuance of new shares and plans to increase or reduce debt accordingly.

## 41. Commitments and contingencies

The Company issued payment guarantees in favour of third parties for the total amount of EUR 60 (2022: EUR 60) thousand.

## 42. Subsequent events

Reference is made to note 31 of the consolidated financial statements. No further items noted.

## 43. Employee information

Salary and salary related expenses are as follows:

| Salary and related expenses (EUR 1,000) | 2023         | 2022         |
|-----------------------------------------|--------------|--------------|
| Salaries                                | 8.447        | 8.372        |
| Social security charges                 | 184          | 162          |
| Pension cost                            | 238          | 218          |
| <b>Total</b>                            | <b>8.868</b> | <b>8.752</b> |

The Company offers a defined contribution pension plan. A defined contribution pension plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

During the 2023 financial year, the average number of staff employed, converted into full-time equivalents, amounted to 12 (2022: 11).

#### 44. Remuneration of Key management and Related party transactions

Reference is made to disclosure 30. of the KNDS Consolidated Financial Statements 2023.

#### Other related party transactions

Transactions with related parties were made at terms equivalent to those that prevail in arm's length transactions. The company identifies the following related party transactions for 2023 and 2022:

| Other related party transactions (EUR 1,000)            | 2023           | 2022           |
|---------------------------------------------------------|----------------|----------------|
| <b>Dividend and other income</b>                        | <b>141.869</b> | <b>106.947</b> |
| Companies controlled by KNDS                            | 141.869        | 106.947        |
| <b>Purchase of goods and service and other expenses</b> | <b>1.065</b>   | <b>623</b>     |
| Companies controlled by KNDS                            | 1.065          | 623            |
| <b>Receivables</b>                                      | <b>121.074</b> | <b>93.865</b>  |
| Companies controlled by KNDS                            | 121.074        | 93.865         |
| <b>Payables</b>                                         | <b>726</b>     | <b>-</b>       |
| Companies controlled by KNDS                            | 726            | -              |

No interest is charged on receivable or payable balances with related parties.

Amsterdam, 9 April 2024

Board of Directors:

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Mr. F. Haun (CEO)

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Mr. P.B. Petitcolin (Chairman)

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Mr. F.P. Bode

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Mr. A.F.M. Bouvier

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Dr. W.H. Buechele

---

Dr. J.H. Cammann

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Mr. W. Frank

---

Mr. P.J.M. Jeannin

---

Mr. A.A. Lahousse

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Mr. P.C. Todorov

## Other information

### Provisions in the Articles of Association governing the appropriation of result

Under article 37.2 of the company's Articles of Association, the result is at the disposal of the General Meeting of Shareholders, which can allocate said result either wholly or partly to the formation of – or addition to – or deduction from – one or more general or special reserve funds.

## Independent Auditor's report