KNDS

Financial Report 2024

PricewaterhouseCoopers
Accountants N.V.
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Contents

Directors' Report

The Board of Directors of KNDS N.V. ("KNDS N.V." or the "Company") hereby presents its consolidated financial statements for the year ended 31 December 2024.

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 14th, 2023, the Company's statutory name has been changed into "KNDS N.V." and registered with the Dutch Trade Register.

On 15th December 2015, GIAT Industries S.A. and Wegmann & Co. GmbH formed a joint venture by contributing their businesses (at that time called Nexter Group and Krauss-Maffei Wegmann Group or KMW Group) to the Company (at that time called: Honosthor N.V.), in exchange for a 50% interest each in the Company. On July 6th, 2016, the Company's name was changed into KMW+Nexter Defense Systems N.V. and subsequently registered with the Dutch Trade Register.

KNDS N.V. 's principal objective is 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 KNDS Deutschland (Munich, Germany) and KNDS France (Versailles, France). It is noted that the French State holds 1 share in KNDS France S.A., a so-called "Golden Share".

KNDS France 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. KNDS France 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 KNDS France's business.

In addition, the Systems business includes three other main companies: KNDS France Training, KNDS France Robotics and CTA International. KNDS France Training designs and produces training materials using virtual technology. KNDS France 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, KNDS France develops and produces ammunitions to meet the requirements of the French and other nations' armies across the artillery, tank and medium calibre ranges. It also supplies pyrotechnic components and assemblies to missile, and rocket manufacturers. The ammunitions business activities are carried out by three subsidiaries, i.e. KNDS Ammo France, KNDS Belgium and KNDS Italy.

KNDS Deutschland 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, KNDS Deutschland 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 KNDS Deutschland.

With its worldwide network of subsidiaries, KNDS Deutschland is in a position to react fully and promptly on customer requirements.

This includes the KNDS Deutschland Mission Electronics active with its products in the field of military communication, management and computer systems, as well as via KNDS Hellas, KNDS USA and KNDS do Brasil, creating comprehensive manufacturing structures in Greece, the United States and Latin America. The KNDS Deutschland Steel Constructions in Hamburg is a centre of excellence for welding technologies; KNDS Deutschland Tracks is engaged in development and manufacturing of tracks for protected vehicles of all kinds, while KNDS Deutschland Maintenance is a provider of maintenance service and customer support activities for military vehicles. KNDS Hungary provides local support. In addition, KNDS Deutschland holds all shares in KNDS UK, a company active in the development, production and service of tactical military and logistical bridges in the United Kingdom. KNDS Deutschland Battle Tank Dismantling is a company certified for the demilitarization of defense equipment. Furthermore, KNDS Singapore is the international office in Asia.

KNDS N.V. 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 10,162 (2023: 9,491) employees worldwide.

Since December 2020, KNDS N.V. has adopted a one-tier system (Board of Directors comprising Executive and Non-Executive Directors). The Company's Executive Director and CEO is supported by an Executive Committee. Integration remains a challenging and slow process in the absence of common programs. However, some progress is being 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.

1. Key Financial Figures

Orders	2024	2023
Order intake	11,223 mEUR	7,846 mEUR
Order backlog	23,534 mEUR	15,682 mEUR
Metrics	**2024**	**2023**
Group Revenues	3,800 mEUR	3,250 mEUR
EBIT (Profit before finance results and income tax)	500 mEUR	408 mEUR
Net group result	412 mEUR	336 mEUR
Ratio's	**2024**	**2023**
Solvency ratio (Equity / total Balance sheet)	30%	35%
Liquidity ratio (current assets / current liabilities)	1.28	1.35
ROS (EBIT / Revenues)	13.2%	12.6%
Net profit margin (Net Group Result / Revenues)	10.8%	10.3%

2024 was another year of very strong commercial activity with an order intake of EUR 11.2b (book to bill of 3) leading to a record EUR 23.5b order backlog.

2024 Revenues increased by +17% vs 2023, reaching EUR 3.8b as we are ramping up production. Profitability also increased, with ROS rising to 13.2%.

Our solvency ratio stands at 30%, down from 35% last year. This change reflects our strategic investments and asset management, ensuring long-term stability and growth. Meanwhile, our liquidity ratio decreased to 1.28 from 1.35, indicating a more efficient deployment of assets to support operations and strategic initiatives.

2. 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 operational risks are identified by the decentral Boards of Director of both the French and German groups. At Group level the evaluation is made with regards to the impact of the identified risks on the Group as a whole. 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.

Reporting within the Group is structured so that key issues are escalated through the management teams and ultimately to the Board of Directors of the Group 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.

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.

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.

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. The risk assessment is an ongoing-process, the risks detailed below only present the most significant risk, thus not an extensive list of all 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.		The Group has a potential of achieving synergies in procurement, commercial business and development of products going forward.
		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.

2. <u>Government customers:</u> 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	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.
		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.	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.	Pricing and calculation principles are aligned with governmental pricing regulations and policies and are subject to internal reviews to minimize price adjustment risks.

3. <u>International market:</u> 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. The Group's policy is to hedge all material firm transactional exposures. 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. 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. 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	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. 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.	government contracts or the suspension of the Group's export privileges, which could have a material adverse effect on the Group.	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. Substantial claims could harm the Group's business and its financial position.	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. Detailed assessments of incoming components and materials are conducted to ensure compliance with specifications. 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. KNDS Deutschland Group and KNDS France Group occasionally use third party agents to obtain business.	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. 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 officer 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. 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. 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.

5. Contract risks and finance management: 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

Description	**Impact**	**Mitigation**
The activity of the Group is mainly driven by long term contracts.	The inability of the Group to deliver on its contractual commitments, the loss, expiration, suspension, cancellation or termination of any one of its large	The two sub-groups have a very long experience in managing long term contracts (more than 100 years). 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.
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. Given the steep anticipated ramp up, production and supply chain are stretched and could result on delays and cost overruns.	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.	
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.	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.	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.
		The Group's balance sheet continues to be managed to ensure operating flexibility. 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.
		The Group endeavours to negotiate milestone payments and/or price escalation clauses to minimize exposure to significant cash outflows on contracts.
		Wherever possible terms and conditions are mirrored to the sub suppliers of the sub groups to shift risks to the suppliers. Wherever possible the Group attempts to manage its supply chain risks.
		Wherever possible, the business implements financing arrangements, such as letters of credit and advance payments.

6. <u>Health, Safety & 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.	Incidents may occur which could result in harm to employees or other disruption to the manufacturing process. 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.	The Board of Directors believes that responsibility for the delivery of high safety standards is an integral part of operational management accountability. 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.
		All employees are encouraged to report potential hazards, and to raise any health and safety concerns through the appropriate channels.
		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.

		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.
		Health and safety is included on the agenda at every Board of Directors meeting. LTI is part of the remuneration of the Board of Directors.
		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.
		The Group has monitoring programs at certain sites, for which appropriate financial provision has been made, taking into account any applicable environmental liability insurance.

7. Fraud risks: 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
		Implementation of IT controls and cyber security watch-tower monitoring
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.

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 considerable 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 considerable 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 R&D investment PMI plan / synergy monitoring		Y	X		
Strategic	International competitive markets	Balanced portfolio 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 Expert reviews Insurance coverage	X=Y				
Financial	Cash-flow risks related to large, long-term projects	Project and cash flow management controls Ensure project down payments Payment through issued Letter of Credits	Y	X			
Financial	Impairment of (in)tangible assets and goodwill	Annual impairment tests 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 CoC monitoring by Management Board 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).

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 2024, 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.

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 2024, the KNDS Deutschland Group had access to unused credit facilities of EUR 350 million (2023: EUR 250 million).

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 2024 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.

3. Social aspects of operating the business

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 (KNDS Deutschland and KNDS France), 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 2024, based on the outcomes from KNDS Deutschland and KNDS France. 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 2025, 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 2025, 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.

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 KNDS France and the KNDS Deutschland 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 KNDS France and the KNDS Deutschland 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 Board of Directors comprises 9 male Directors and one female Director. 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. The Company is in the process of setting targets for the gender balance along with a plan to achieve this target.

Conclusion and Outlook for 2025

Although KNDS does not yet have to present a full ESG report in 2024, we are proactively preparing for a comprehensive report aligned with CSRD and ESRS rules and regulations in 2025. This future report will provide stakeholders with a detailed account of our ESG performance.

4. Looking ahead

Impact of Geopolitical Tensions

In February 2022, the Russian-Ukrainian conflict escalated into an armed conflict, leading to sanctions against Russia and Belarus. KNDS does not have subsidiaries, investments, or Tier-1 suppliers in these countries, and there have been no sales to customers in Russia and Belarus up to this report's date. However, the Group supports its customers who are supplying equipment and materials to Ukraine. In 2024, KNDS expanded its presence by opening a sales office in Ukraine, reflecting our commitment to supporting the region.

While we do not foresee any significant short-term impact of the conflict on KNDS, the overall and long-term effects remain uncertain. Geopolitical tensions have also heightened in other regions, such as the Middle East, further complicating the global landscape. The Group will continue to monitor developments closely and take necessary actions to ensure compliance with relevant legislation.

Contingencies and litigations

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.

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 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 defence requirements and needs remains high. The product lines of the Group 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. Research and development is focussing on products, such as:

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

During the financial year 2024 the Group invested EUR 86 million (2023: EUR 82 million) in R&D projects which corresponds to 2.3 % (2023: 2.5 %) 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.

Employees development
The Group has an average combined headcount of 10,162 (2023: 9,491) employees, across several manufacturing sites internationally, so our focus is to proactively manage the impact of our operations on the environment.

Latest taxation regulation
KNDS N.V. 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 N.V.. As a result of the review, our entities meet the countries Transitional CbCR Safe Harbour.

M&A activities

The Company has acquired 6,67% of RENK shares in February 2024 for EUR 100 million. Based on KNDS' intentions and its business model, the Company has chosen the classification of FVOCI which can be elected for long-term strategic investments. As part of the initial transaction, KNDS also acquired a call option providing it with the possibility to increase its shareholding in RENK. As of the 31st of December 2024, the option value was considered to be nil as it was out of the money. In addition, the option was not readily exercisable due to timing constraints from the regulatory approval processes both in Germany and in the United States of America.

The Company plans to take further steps to support the future consolidation of the European land defense industry. KNDS is pursuing not only organic growth but also exploring opportunities for external expansion. The Company has sufficient financial resources to support potential mergers and acquisitions.

Going concern

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 2025.

KNDS N.V. 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 23.5 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 N.V. 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, the board of directors did not identify any risks with regards to the going concern.

Subsequent events

On February 11, KNDS N.V. announced that it exercised its option to increase its shareholding in RENK from 6.7% to 25.0% plus one share. KNDS N.V is currently going through the various regulatory approval processes in Germany, Austria, the United Kingdom and the United States.

There was no further significant event after the balance sheet date that could have had a significant impact on the financial position for the year ended 31 December 2024.

5. Board of Directors

Board of Directors Meetings

In 2024, the Board of Directors met for 5 physical meeting(s) (2023: 8).

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 2024 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 KNDS Germany and KNDS France.
- Monitoring the Risk Implementation Program on Group level.
- 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.

Changes of the Board of Directors

- The CEO F. Haun left on the 15th December, 2024;
- New Interim CEO Ph. Balducchi per 16th December, 2024;
- New Board Member I. Jaegering per 16th December, 2024;
- Board Member P.C. Todorov left on the 15th December, 2024.

Financial Statements 2024

The financial statements of the Group for the year 2024, 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 2024 financial statements.

La Chapelle, March 27, 2025

The Board of Directors:

Mr. Ph. Balducchi (Executive Director)

Dr. W.H. Buechele (Chairman)

Mr. F.P. Bode

Mr. A.F.M. Bouvier

Dr. J.H. Cammann

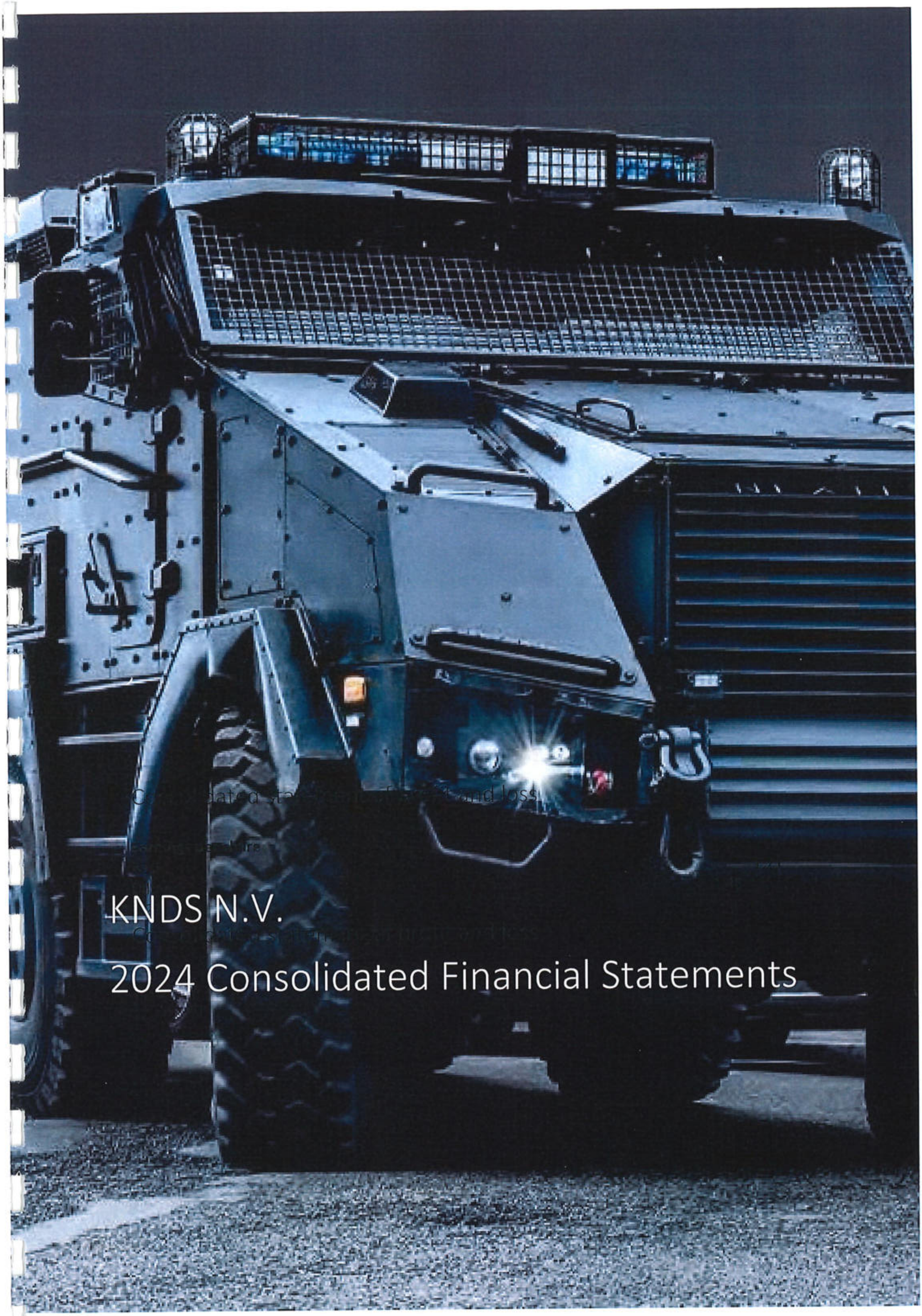
Mr. W. Frank

Mrs. I. Jaegering

Mr. P.J.M. Jeannin

Mr. A.A. Lahousse

Mr. P.B. Petitcolin



KNDS N.V.

2024 Consolidated Financial Statements

Consolidated statement of profit and loss

Profit & Loss (EUR 1,000)		**Year ended 31 December**	
		2024	**2023**
	Note		
Revenues	*6*	**3,799,516**	**3,250,102**
Cost of sales of goods and services	*7*	(2,892,914)	(2,473,389)
Gross profit		**906,602**	**776,713**
Selling expenses	*7*	(134,834)	(130,090)
Research and development expenses	*7*	(85,824)	(82,375)
Administrative expenses	*7*	(168,432)	(146,328)
Share in income of equity-accounted associates, net of tax	*13*	5,041	4,673
Other income and expenses	*8*	(22,102)	(9,926)
Profit before finance results and income tax		**500,451**	**412,667**
Interest income	*9*	30,927	22,830
Interest expense	*9*	(28,221)	(16,512)
Other financial result	*9*	53,212	28,455
Total financial result		**55,918**	**34,773**
Group result before income tax		**556,370**	**447,440**
Income tax expense	*10*	(144,514)	(110,993)
Net group result for the period		**411,856**	**336,447**
Net group result for the period attributable to:			
· Owners of the Company		411,074	336,484
· Non-controlling interests		781	(37)
		411,856	336,447

Consolidated statement of financial position

(before profit appropriation)

Balance sheet (EUR 1,000)	Note	31 Dec. 2024	31 Dec. 2023
Assets			
Intangible Assets	11	131,845	133,145
Property, plant and equipment	12	747,902	650,604
Equity accounted associates	13	32,261	32,002
Deferred tax assets	10	140,973	101,396
Other non-current assets	14	183,124	29,543
Non-current assets		**1,236,105**	**946,690**
Inventories	15	2,209,727	1,598,180
Contract assets	6	325,552	369,116
Advance and down payments to suppliers	16	450,268	303,124
Trade and other receivables	17	1,032,077	804,761
Current tax assets	10	10,245	16,183
Other assets	18	73,567	106,414
Cash and cash equivalents	19	2,313,286	1,699,331
Current assets		**6,414,722**	**4,897,110**
Total assets		**7,650,827**	**5,843,800**
Capital reserves & Liabilities			
Total equity attributable to owners of the Company		2,313,899	2,019,785
Non-controlling / minority interests	20	1,094	313
Total equity		**2,314,994**	**2,020,098**
Provision for employee benefits	21	77,035	78,677
Provisions	22	58,548	44,088
Loans and borrowings	23	148	252
Other non-current liabilities and accrued costs	24	98,319	68,575
Deferred tax liabilities	10	20,484	14,978
Total non-current liabilities		**254,534**	**206,570**
Trade creditors		492,354	432,747
Contract liabilities	6	3,660,322	2,303,769
Provision for employee benefits	21	8,193	13,528
Provisions	22	512,488	461,238
Loans and borrowings	23	29,346	27,923
Other current liabilities and accrued costs	24	328,715	329,854
Current tax liabilities	10	49,882	48,073
Total current liabilities		**5,081,299**	**3,617,132**
Total liabilities		**5,335,833**	**3,823,702**
Total equity and liabilities		**7,650,827**	**5,843,800**

Consolidated statement of changes in equity

(before profit appropriation)

Consolidated statement of changes in equity for the year ended 31 December 2024

Attributable to owners of the Company

Consolidated statement of changes in equity (EUR 1,000)	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
(before profit appropriation)										
Balance as at 31 December 2022 / 1 January 2023	300,000	587,205	-	27,543	589,491	617,034	290,779	1,795,019	350	1,795,369
Appropriation of prior year results	-	-	-	-	290,779	290,779	(290,779)	-		-
Profit for the year	-	-	-	-	-	-	336,446	336,446	(37)	336,409
Other Changes	-	-	-	-	(9,000)	(9,000)		(9,000)	-	(9,000)
Other comprehensive income/(expense):										
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)
Total comprehensive income for the year	-	-	-	(4,614)	-	(4,614)	336,446	331,832	(37)	331,795
Transactions with owners in their capacity as owners										
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	-		-	-	(81,960)	(81,960)	-	(81,960)	-	(81,960)
Balance as at 31 December 2023 / 1 January 2024	300,000	585,333	-	22,929	775,075	798,004	336,446	2,019,784	313	2,020,097
Appropriation of prior year results	-	-	-	-	336,446	336,446	(336,446)	-	-	-
Profit for the year	-	-	-	-	-	-	411,856	411,856	781	412,637
Other Changes	-	-	-	-	(20)	(20)		(20)		(20)
Other comprehensive income/(expense):										
Changes in the fair value of equity investments at fair value through OCI	-	-	-	21,256	-	21,256	-	21,256	-	21,256
Actuarial gains on defined benefit plans	-	-	-	1,434	-	1,434	-	1,434	-	1,434
Exchange differences on translating foreign operations	-	-	-	3,089	-	3,089	-	3,089	-	3,089
Net fair value result on hedging instruments entered into for cash flow hedges	-	-	-	(754)	-	(754)	-	(754)	-	(754)
Other comprehensive expense for the year	-	-	-	25,025	-	25,025	-	25,025	-	25,025
Total comprehensive income for the year	-	-	-	25,025	(20)	25,005	411,856	436,861	781	437,642
Transactions with owners in their capacity as owners										
Reallocation to Special Reserve of Materialized Special Benefits	-		11,095	-	(11,095)	(11,095)	-	0	-	-
Distribution of Materialized Special Benefits	-	(1,872)	(11,095)	-	-	-	-	(12,967)	-	(12,967)
Dividends Declared	-	-		-	(129,778)	(129,778)	-	(129,778)	-	(129,778)
Balance as at 31 December 2024	300,000	583,461	-	47,955	970,627	1,018,582	411,856	2,313,899	1,094	2,314,994

Consolidated statement of cash flows

Cash flow statement (EUR 1,000)	Note	2024	2023
Cash flows from operating activities			
Net group result		**411,856**	**336,446**
Adjustments for:			
Depreciation and amortization of non-current assets		80,092	70,497
Increase/(Decrease) in provisions	22	60,591	(31,252)
Income tax expense recognized in profit and loss	10	144,514	110,993
Others		4,139	(88)
Finance costs recognised in profit and loss		(40,444)	(33,420)
Share in income of equity-accounted investees, net of tax	13	(5,041)	(4,673)
		655,708	**448,503**
(Increase)/Decrease in inventories	15	(612,120)	(303,443)
(Increase)/Decrease in Contract Assets	6	43,564	(41,048)
(Increase)/Decrease in trade and other receivables		(214,693)	(48,745)
(Increase)/Decrease in advance and down payments to suppliers	16	(147,581)	(81,684)
Increase/(Decrease) in amounts due contract liabilities	25	1,342,375	766,860
Increase/(Decrease) in trade and other payables		18,803	92,169
Increase/(Decrease) in other current liabilities		8,459	6,027
Cash generated from operating activities		**1,094,515**	**838,638**
Income taxes paid	10	(169,688)	(116,471)
Interest paid		(6,101)	(1,709)
Net cash generated from / (used in) operating activities		**918,725**	**720,458**
Cash flows from investing activities			
Cash payments on acquisitions		(100,000)	(7,880)
Investments in non-current assets	12	(126,183)	(132,028)
Proceeds from disposals of assets	12	3,335	1,402
Received dividends		4,965	4,708
Interest received		29,021	21,428
Disposal of subsidiaries and or affiliates		552	1,664
Net cash used in investing activities		**(188,310)**	**(110,706)**
Cash flows from financing activities			
Distributions to shareholders	20	(142,745)	(98,068)
Proceeds from loans and borrowings	23	4,004	-
Repayment of loans and borrowings	23	9,914	(1,086)
Payment for the redemption of lease liabilities	27	(20,101)	(15,485)
Cost of financial debt and interest paid		29,771	19,873
Net cash used in financing activities		**(119,157)**	**(94,766)**
Effects of exchange rate changes on cash held in foreign currencies		2,697	(698)
Net increase / (decrease) in cash and cash equivalents		**613,956**	**514,287**
Cash and cash equivalents at 1st January	19	1,699,331	1,185,043
Cash and cash equivalents at 31 December	19	**2,313,286**	**1,699,331**

Notes to the consolidated financial statements

General information

KNDS N.V. (the "Company") is a company limited by shares incorporated and registered in The Netherlands on 2 October 2015 with its corporate seat in Amsterdam. The company's corporate seat is Amsterdam, where the company is registered at the chamber of commerce under number 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 tome called: Honosthor N.V.) on 15 December 2015 in exchange for a 50% interest each in the Company. On July 8th, 2016 , the name KMW+Nexter Defense Systems N.V. was registered with the Dutch Trade Register.

The principal activities of the Company and its subsidiaries (e.g. the group) and the nature of the group's operations are set out in the revenue recognition paragraph within these financial statements. 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 KNDS Deutschland (Munich, Germany) and KNDS France (Versailles, France). It is noted that the French State holds 1 share in Nexter Systems S.A., a so-called "Golden Share".

Basis of Preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (EU-IFRSs) and with Title 9 of Book 2 of the Netherlands Civil Code.

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

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.

Changes in material accounting policies

During 2024, no significant change has been applied to the accounting policies.

Changes in presentation

In order to ensure that information is presented in a relevant and reliable manner, the shares in income of equity-accounted associates that are considered to be integral vehicles to conduct group operations and strategy, net of tax have been reclassified between line items in the Consolidated Statement of Profit or Loss. As a result, an amount of EUR 5,041.3 million (2023: EUR 4,673.0 million) has been included in the profit before finance results and income tax instead of after the total financial result. Prior period numbers have been restated accordingly.

As a result of the reclassification the profit before finance results and income tax in 2023 changed from EUR 407,994 thousand to EUR 412,667 thousand. In 2024, without the restatement the profit before finance results and income tax EUR 495,410 thousand, and including the restatement it is EUR 500,451 thousand.

During 2024, no other significant change has been applied to the accounting policies.

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 (if applicable). The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The Group has reached the conclusion that there is no such change in 2024 which materially impacts the Group's financial statements of 2024.

Summary of Material Accounting Policies

Going concern

The Board of Directors has assessed, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus, the group has applied the going concern basis of accounting in preparing its financial statements.

Basis for Consolidation

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the group made up to 31 December each year. Control is achieved when the group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The group considers all relevant facts and circumstances in assessing whether or not the group's voting rights in an investee are sufficient to give it power, including:

- the size of the group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the group gains control until the date when the group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

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 market information, knowledge, historical experience and other factors that management believes to be reasonable under the circumstances 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 assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the period ended 31 December 2024 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 21 and 23 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

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.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Investments in associates and joint ventures

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate or joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When an investor does not have control (IFRS 10) or significant influence (IAS 28.3-4), the investment is accounted for under IFRS 9 Financial Instruments. The classification of the financial assets is based on both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. (IFRS 9.4.1.1). Equity instruments are normally measured at fair value through profit or loss (IFRS 9.5.7.1). The investment is remeasured to fair value at each reporting period, with gains or losses recognized in profit or loss (IFRS 9.4.1.4). On initial recognition, an entity may make an irrevocable election (on an instrument-by-instrument basis) to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option only applies to instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies (IFRS 9.5.7.1(b), IFRS 9.5.7.5).

Under this classification:

- The investment is remeasured to fair value at each reporting period (IFRS 9.5.7.1).
- Unrealized gains and losses are recorded in Other Comprehensive Income (OCI) instead of profit or loss (IFRS 9.5.7.5).
- Only dividends that represent a return on investment are recognized in profit or loss (IFRS 9.5.7.6).

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- Gains or losses recognized in OCI are not recycled to profit or loss upon disposal; instead, they remain in equity (IFRS 9.5.7.5).

Foreign currencies

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.

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.

Consolidated statement of cash flows

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.

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

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

Revenue Recognition

Project Results

The company's core activities include contracting and construction engineering services on various projects. 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. 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. Risks may 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 2024, 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.

Revenue from Contracts with Customers

Accounting for performance obligations of a customer contract application in accordance with IFRS 15 results 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.

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.

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.

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 payments are received in advance of the performance obligation, the selling entity will recognize interest expense until performance occurs.

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.

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.

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.

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.

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.

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.

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.

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 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.

Intangible fixed assets

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. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of an associate is described below.

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.

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.

Amortization

Amortization 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:

- Software, patents &other rights: 5-10 years;
- Research and development: 5-10 years;
- Other intangible assets: 5-10 years.

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

Property, plant and equipment

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.

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.

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.

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.

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.

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.

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 of prior periods. Obligations for contributions to defined contribution pension plan are recognized as an expense in the income statement when incurred.

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.

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.

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.

Trade and other payables

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

Financial instruments

Non-derivative financial assets and financial liabilities

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.

Non-derivative financial assets – measurement

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.

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.

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 applies 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.

Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

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 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.

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.

Disclosure notes to the financial statements

6. Revenues from contracts with customers

Disaggregation of revenues

For the year 2024 revenues is disaggregated by primary geographical market, products and service line category and timing of revenue recognition.

Revenues (EUR 1,000)	2024 Munitions	2024 Systems	2024 Total	2023 Munitions	2023 Systems	2023 Total
Geographical market						
Europe	366,670	3,110,565	3,477,235	297,159	2,572,761	2,869,920
Americas	-	74,965	74,965	1,562	54,720	56,281
Asia Africa and Middle East	124,475	122,841	247,316	145,361	178,539	323,900
	491,145	**3,308,371**	**3,799,516**	**444,082**	**2,806,020**	**3,250,102**
Major products and service line						
Combat systems	-	1,288,885	1,288,885	-	926,107	926,107
Support systems	-	489,192	489,192	-	429,292	429,292
Artillery	-	310,937	310,937	-	378,970	378,970
After sales	-	656,771	656,771	-	555,130	555,130
Digital & Technology	-	108,433	108,433	-	114,546	114,546
Ammunition	491,145	-	491,145	444,082	-	444,082
Others	-	454,154	454,154	-	401,973	401,973
	491,145	**3,308,371**	**3,799,516**	**444,082**	**2,806,020**	**3,250,102**
Timing of revenue recognition						
Products service at a point of time	429,301	2,108,732	2,538,032	393,701	1,723,835	2,117,536
Products and service over time	61,839	1,199,645	1,261,483	50,381	1,082,185	1,132,566
	491,140	**3,308,376**	**3,799,516**	**444,082**	**2,806,020**	**3,250,102**

Contract balances

For the year 2024 the following information about receivables, contract assets and contract liabilities with customers is provided.

Contract balances (EUR 1,000)	2024	2023
Receivables from contract with customers, that are included in the Trade and other receivables	1,032,761	815,965
Contract assets	325,552	369,116
Contract liabilities	3,660,322	2,303,769

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 2024. 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 2024 and per 31 December 2023 from performance obligations satisfied (or partially satisfied) in previous periods is not significant.

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.

At 31 December 2024 the backlog of orders amounts to EUR 23.5 billion (2023: 15.7 billion). The order backlog amounts to EUR 8.6 billion (2023: EUR 6.3 billion) for KNDS France and EUR 14.9 billion (2023: EUR 9.4 billion) for KNDS Deutschland.

7. Operating costs by nature

For the year 2024 cost of sales, selling expenses, R&D expenses and administrative expenses (including depreciation expense) can be presented by category as follows:

Operating cost (EUR 1,000)	**2024**	**2023**
Materials, inventories and consumables used	1,833,967	1,552,546
Depreciation and amortizations	79,003	70,525
Personnel expenses	944,491	851,481
Other expenses	424,543	357,631
	3,282,004	**2,832,182**

Personnel expenses include the following:	**2024**	**2023**
Wages and salaries	730,922	656,953
Social security contributions	176,756	161,750
Expenses for pensions under defined contribution plans	36,813	32,778
	944,491	**851,481**

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.

Average number of employees	**2024**	**2023**
White collar	4,357	4,064
Blue collar	5,805	5,428
	10,162	**9,491**
Employees in the Netherlands	13	12
Employees outside the Netherlands	10,149	9,479

8. Other income and expenses

Other income and expenses for the total amount of expense EUR 22 million (2023: EUR 10 million) includes the loss on sale of assets, potential claims and profit sharing. Dividends are received from financial assets measured at FVOCI. Dividends are recognised when the right to receive payment is established in profit or loss, unless they clearly represent a recovery of part of the cost of an investment. The group presents dividends recognised in profit or loss as other income. In 2024 we received EUR 2 million in dividend from our investments in Renk.

9. Financial result

Financial result (EUR 1,000)	2024	2023
Interest income from banks	28,487	20,239
Interest income on taxes	-	41
Other interest/finance income	2,440	2,550
Total interest income	**30,927**	**22,830**
Interest expenses loans	(2,489)	(1,431)
Interest expenses lease liabilities	(2,369)	(1,084)
Interest expense from banks	-	-
Interest expenses on taxes	-	-
Interest expenses on provisions	(4,126)	(6,188)
Other interest expenses	(19,238)	(7,809)
Total interest expense	**(28,221)**	**(16,512)**
Net gain or net losses on derivatives held for trading	(218)	(830)
Net gain or net losses on hedging instruments	1,260	1,826
(Losses)/Gains from foreign currency translations	2,622	(615)
Other income from investments	33,899	21,808
Other financial (expense)/income	15,649	6,266
Other financial results	**53,212**	**28,455**
Total financial result	**55,918**	**34,773**

10. Income tax expense

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

Tax expense (EUR 1,000)	2024	2023
Actual tax expense		
Current year	(161,640)	(126,746)
Adjustments for prior years	(17,388)	(338)
Total of actual tax expense	**(179,027)**	**(127,085)**
Deferred tax expense		
Changes of the recognition of deferred taxes	34,514	16,092
Total of deferred tax expense	**34,514**	**16,092**
Total of actual and deferred tax expense	**(144,514)**	**(110,993)**

Other comprehensive income includes deferred tax income on actuarial income/expense of EUR 1,858 thousand (2023: expense EUR 1,806 thousand) and deferred tax expense on changes in fair value of derivatives of EUR 118 thousand (2023: income EUR 772 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 25.9% (2023: 24.8%). 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.

Reconciliation Dutch nominal tax rate and effective tax rate (EUR 1,000)	**2024**	**2023**
Group result before tax	556,369	447,440
Nominal tax in the Netherlands	-	-
Nominal (blended) tax in Germany and France	(169,589)	(136,193)
Nominal (blended) tax in other countries	253	(383)
Non-deductible expenses and non-taxable income	(6,240)	11,379
Effect of changes in deferred tax assets/liabilities	14,761	7,536
Effect of previously unrecognized tax losses	33,284	6,808
Adjustments in respect of prior years	(17,388)	(338)
Other effects	404	199
Income tax expense	**(144,514)**	**(110,993)**

The current tax assets EUR 10.245 thousand (31 December 2023: EUR 16.183 thousand) and current tax liabilities EUR 49.882 thousand (31 December 2023: EUR 48.073 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:

Deferred tax (EUR 1,000)	**31 Dec. 2024**	**31 Dec. 2023**
Deferred tax assets	140,973	101,396
Deferred tax liabilities	(20,484)	(14,978)
	120,489	**86,418**

The changes in deferred taxes in the total amount of EUR 34,071 thousand (2023: EUR 13,257 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 31 Dec. 2024	Net balance at 31 Dec. 2024	Net balance at 31 Dec. 2023	Net balance at 31 Dec. 2023
	Total deferred tax assets and liabilities	Recognized deferred tax assets and liabilities	Total deferred tax assets and liabilities	Recognized deferred tax assets and liabilities
Employee benefits, provisions and liabilities	109,296	79,832	84,242	52,690
Movement temporary differences on:				
Intangible fixed assets	(2,461)	(2,461)	(2,509)	(2,509)
Tangible assets	(31,458)	(31,486)	(25,018)	(25,036)
Financial assets	5,565	1,999	2,733	415
Inventories	40,451	29,894	36,965	23,889
Other assets/(liabilities)	301	88	668	16
Total temporary differences	121,695	77,865	97,081	49,465
Carry forward of unused tax losses	96,728	42,623	115,711	36,953
Total deferred tax assets and liabilities	**218,423**	**120,488**	**212,792**	**86,418**

Unrecognized deferred income tax assets

Unrecognised deferred tax assets regarding tax losses carried forward of group companies' amount to EUR 54 million (31 December 2023: EUR 79 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 2024, deferred tax assets for tax losses carried forward attributable to KNDS France sub-group and recognized in the balance sheet amounts to EUR 43 million (31 December 2023: EUR 37 million). The deferred tax assets remains capped for the French subsidiaries at the level of expected profits under the Medium-Term Plan 2025-2028 taking into account profitability linked to the firm orders received.

Unrecognized deferred tax liabilities

A deferred tax liability is recognized for taxable temporary differences related to investments in subsidiaries, branches and associates and interests in joint arrangements, to the extent that it is probable that these will reverse in the foreseeable future.

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).

On 20 December 2021, the jurisdictions of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ('OECD BEPS') released the so-called Pillar Two Model Rules (also referred to as the "Global Anti-Base Erosion" or "GloBE" Rules) which are designed to ensure that large multinational enterprises ('MNE's) pay a minimum level of tax of 15% on the aggregated qualifying income arising in each jurisdiction where they operate ('Pillar Two'). On 15 December 2022, the EU Member States unanimously adopted an EU directive ensuring a global minimum level of taxation and agreed to apply these rules for fiscal years starting on or after 31 December 2023. A taxpayer will fall within the scope of Pillar Two if it has more than EUR 750 million in consolidated revenues and is not listed as an excluded entity. A taxpayer in scope of Pillar Two calculates its effective tax rate for the aggregated activities in each jurisdiction where it operates and pays top-up tax for the difference between its effective tax rate per jurisdiction and the global minimum tax rate of 15%. Any resulting top-up tax is generally charged in the jurisdiction of the ultimate parent of the MNE (KNDS N.V.), unless their domestic Pillar two top-up tax is leviable in the jurisdiction of operation. KNDS N.V. operates in the Netherlands, which has enacted new legislation to implement the global minimum top-up tax as per 1 January 2024. However, based on the Pillar Two Safe Harbor provisions, there is no current tax impact with respect to the continuing operations of KNDS N.V. related to the year ended 31 December 2024.

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% and therefore there is no Pillar 2 financial consequence.

11. Intangible assets

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

No assets were pledged as collateral as of 31 December 2024.

Intangible assets (EUR 1,000)	Goodwill	Software, patents and other rights	Other intangibles	Total
Cost				
Balance at 1 Jan 2023	**87,149**	**47,295**	**39,594**	**174,038**
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
Balance at 31 Dec 2023 - 1 Jan 2024	**87,757**	**68,342**	**36,498**	**192,597**
Additions and acquisitions	-	2,334	4,463	6,796
Effect of movements in exchange rates	-	(3)	-	(3)
Cost of disposals and/or write offs	(400)	(124)	-	(524)
Reallocation	-	3,183	(4,409)	(1,227)
Balance at 31 Dec 2024	**87,357**	**73,730**	**36,552**	**197,638**
Accumulated amortisation and impairment losses				
Balance at 1 Jan 2023	**-**	**(34,081)**	**(21,461)**	**(55,541)**
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	-	-	-	-
Balance at 31 Dec 2023 - 1 Jan 2024	**-**	**(37,673)**	**(21,779)**	**(59,452)**
Amortisation	-	(6,466)	(254)	(6,720)
Impairment loss	-	-	-	-
Accumulated amortization and impairment losses on disposals	-	124	254	378
Effect of movements in exchange rates	-	3	-	3
Reallocation	-	-	-	-
Balance at 31 Dec 2024	**-**	**(44,014)**	**(21,779)**	**(65,793)**
Carrying amounts				
At 31 December 2023	87,757	30,669	14,720	133,145
At 31 December 2024	**87,357**	**29,716**	**14,773**	**131,845**

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 17,401 thousand (2023: EUR 17,797 thousand) in the systems segment and Mecar (Belgium) and Simmel Difesa (Italy) in the ammunition segment EUR 69,955 thousand (2023: 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 2023 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, KNDS Deutschland Systems and KNDS France 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 9.7% (2023: 9.2%). 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 2025-2028 (2023: BP 2024-2027) 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 KNDS Deutschland-group and 2% for the KNDS France -group (2023: 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 9.7% 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 2024 and the sensitivity analyses outcome were positive, no goodwill impairment charges were recognized as of 31 December 2024 (2023: 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 2024, 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 (2023: 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 construc-tion	Right of-Use	Total
Cost						
Balance at 1 Jan 2023	**508,047**	**370,583**	**238,526**	**54,319**	**94,866**	**1,266,340**
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)
Balance at 31 Dec 2023 / 1 Jan 2024	**546,878**	**403,974**	**258,154**	**67,845**	**103,729**	**1,380,579**
Additions and acquisitions	5,153	20,718	25,237	67,495	56,916	175,519
Effect of movements in exchange rates	81	1,311	502	110	(14)	1,990
Disposals and/or write offs	(3,414)	(9,477)	(3,607)	(1,272)	(18,852)	(36,621)
Reallocation	35,448	22,687	16,862	(73,764)	(3)	1,229
Balance at 31 Dec 2024	**584,147**	**439,181**	**296,967**	**60,413**	**141,776**	**1,522,484**
Accumulated amortisation and impairment losses						
Balance at 1 Jan 2023	**(233,218)**	**(254,892)**	**(159,266)**	**(31)**	**(38,661)**	**(686,068)**
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	-	-	-	-	-	-
Balance at 31 Dec 2023 / 1 Jan 2024	**(245,239)**	**(270,756)**	**(164,115)**	**(31)**	**(49,835)**	**(729,975)**
Depreciation	(16,696)	(19,562)	(19,314)	-	(18,985)	(74,558)
Impairment loss/(gain)	60	222	-	(993)	-	(711)
Effect of movements in exchange rates	115	(681)	(249)	-	20	(795)
Disposals	1,739	8,843	3,411	-	17,253	31,245
Reallocation	-	7	(7)	212	-	212
Balance at 31 Dec 2024	**(260,022)**	**(281,928)**	**(180,274)**	**(812)**	**(51,547)**	**(774,582)**
Carrying amounts						
At 31 December 2023	301,638	133,218	94,039	67,814	53,894	650,604
At 31 December 2024	**324,125**	**157,253**	**116,693**	**59,602**	**90,229**	**747,902**

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 2024.

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 recognized a EUR 993k impairment loss up to 31 December 2024, in KNDS France sub-group.

13. Equity-accounted associates

Equity accounted associates (EUR 1,000)	2024	2023
Balance as at January 1	32,002	27,440
Addition	183	-
Share in result	5,041	4,673
Other Variation	-	4,597
Dividend distributions	(4,965)	(4,708)
Balance as at December 31	32,261	32,002

As at 31 December 2024, Equity-accounted associates mainly relate to the Group's equity interest of 34% in Cime Bocuze SA and interest of 50% in CTAI, 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 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. 2024	31 Dec. 2023
Total current assets	466,128	225,999
Total non-current assets	91,867	194,884
Total current liabilities	(444,730)	(331,140)
Total non-current liabilities	(55,009)	(27,086)
Net Assets	**58,256**	**62,657**
Revenues	726,271	593,231
Profit from continuing operations	10,435	13,436
Profit for the period	**10,435**	**13,436**
Other comprehensive income	-	-
Total comprehensive income	**10,435**	**13,436**
Dividends received	**4,965**	**4,708**

14. Other non-current assets

Other non-current assets (EUR 1,000)	31 Dec. 2024	31 Dec. 2023
Prepayments and other non-current receivables	19,993	21,519
Investments	120,999	7,138
Long-term loans, deposits and guarantees	42,133	886
	183,124	29,543

The Company has acquired 6,67% of RENK shares in February 2024 for EUR 100 million. Based on KNDS' intentions and its business model, the Company has chosen the classification of FVOCI which can be elected for long-term strategic investments. As part of the initial transaction, KNDS also acquired a call option providing it with the possibility to increase its shareholding in RENK. As of the 31st of December 2024, the option value was considered to be nil as it was out of the money. In addition, the option was not readily exercisable due to timing constraints from the regulatory approval processes in Germany, Austria, the United Kingdom and in the United States of America.

15. Inventories

Inventories (EUR 1,000)	31 Dec. 2024	31 Dec. 2023
Raw materials and consumables	1,097,193	749,088
Finished goods	301,050	283,690
Work in progress	999,641	731,655
Obsolescence and slow-moving inventory reserves	(188,157)	(166,253)
Total balance	**2,209,727**	**1,598,180**

The write down of inventories to the lower net realizable value recognized as an expense amounts to EUR 24.9 million (2023: EUR 11.6 million). In 2024 cost of inventories recognized in the income statement as an expense total to EUR 2,893 million (2023: EUR 2,473 million). The inventories include a reversal of write-downs for EUR 8,610 thousand (2023: EUR 1,888 thousand). No inventories were pledged as collateral as of 31 December 2024 and 2023.

16. Advance and down payments to suppliers

Advance & down payments to suppliers at 31 December 2024 amount to EUR 450.268 thousand (2023: EUR 303.124 thousand).

17. Trade and other receivables

Trade and other receivables (EUR 1,000)	31 Dec. 2024	31 Dec. 2023
Gross trade receivables	1,031,264	804,694
Provision for doubtful receivables	(3,679)	(5,012)
	1,027,585	**799,682**
Prepayments	320	292
Other receivables	4,172	4,788
Total balance	**1,032,077**	**804,761**

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in note 25.

18. Other assets

Other assets (EUR 1,000)	**31 Dec. 2024**	**31 Dec. 2023**
VAT and other tax receivables	29,463	20,310
Prepaid expenses	19,677	23,842
Loans – due within 1 year	4,452	4,042
Positive market value of currency derivatives	2,031	2,087
Promissory note loan (Derivative)	-	40,002
Other	17,944	16,132
Total balance	**73,567**	**106,414**

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. 2024**	**31 Dec. 2023**
Cash	1,284,253	951,061
Marketable securities	1,029,033	748,271
Total balance	**2,313,286**	**1,699,331**

Cash and cash equivalents are at the free disposal of the Group as at 31 December 2024 and 2023.

20. Capital and reserves

In May 2024 KNDS NV a dividend was declared of EUR 109,778 thousand (2023: EUR 81,960 thousand), paid to GIAT Industries S.A. for an amount of EUR 54,889 thousand (2023: EUR 40,980 thousand) in May 2023 and an amount of EUR 54,889 thousand (2023: EUR 40,980 thousand) paid to Wegmann & Co GmbH in May 2024. In addition, an interim dividend was paid in August 2024 for an amount of EUR 10,000 thousand to GIAT Industries S.A. and for an amount of EUR 10,000 thousand to Wegmann & Co GmbH. The dividend per share is EUR 0,43 (2023: EUR 0,27).

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 2024 amounted to EUR 1,094 thousand (31 December 2023: EUR 313 thousand).

21. Employee benefits

Employee benefits (EUR 1,000)	31 Dec. 2024	31 Dec. 2023
Net defined benefit liability	70,072	72,755
Provisions for early retirement benefits	2,833	2,792
Provisions for jubilee benefits	6,533	5,702
Provisions for other employee benefits	5,789	10,957
Employee benefits	**85,227**	**92,205**
Current	8,193	13,528
Non-current	77,035	78,677

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 those 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. Additionally, 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. 2024	31 Dec. 2023
Up to one year	5,218	5,379
More than one year and up to five years	16,466	16,102
More than five years and up to ten years	19,278	18,987
Total	**40,962**	**40,468**

At 31 December 2024, the weighted-average duration of the defined benefit obligation was 13.4 years (31 December 2023: 12.0 years).

The movement for 2024 and 2023 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
Balance at 1 January 2024	**107,784**	**(35,029)**	**72,755**
Current service cost	4,677	-	4,677
Interest cost	3,164	(1,066)	2,098
Revised measurement (gains)/losses:			
Other actuarial gains and losses	(1,443)	(415)	(1,858)
Benefits paid	(9,286)	2,055	(7,230)
Others	(369)	-	(369)
Balance per 31 December 2024	**104,527**	**(34,455)**	**70,072**

Movement defined benefit obligation (EUR 1,000)	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at 1 January 2023	**105,974**	**(36,145)**	**69,830**
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)
Balance per 31 December 2023	**107,784**	**(35,029)**	**72,754**

The fair value of the plan assets as of 31 December 2024 and 31 December 2023 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 KNDS France sub-group and the KNDS Deutschland 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)	2024	2023
Service cost:		
Current service cost	4,677	3,859
Past service cost and (gain)/loss from settlements	-	-
Net interest expense	2,098	2,112
Components of defined benefit costs recognised in profit or loss	6,775	5,971
Measurement of the net defined benefit liability:		
Actuarial gains & losses from changes in demographic assumptions	-	-
Actuarial gains & losses arising from changes in financial assumptions	(3,798)	5,140
Actuarial gains & losses arising from experience adjustments	1,940	(192)
Other actuarial (gains) & losses	-	-
Components of defined benefit costs recognised in other comprehensive income/(expense)	(1,858)	4,948
Total	**4,917**	**10,918**

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 2024 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:

	2024	2024	2023	2023
	Min	Max	Min	Max
Discount rate	3.35	3.45	3.15	3.15
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. 2024	31 Dec. 2023
	Impact provision	Impact provision
Discount rate +1%	(4,914)	(9,470)
Discount rate -1%	6,425	16,298
Pension (future salary) growth +0.25%	1,501	3,456
Pension (future salary) growth -0.25%	(1,435)	(1,344)
Increase in life expectancy by up 1 year	2,678	4,874
Increase in life expectancy by down 1 year	(22)	1,910

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
Balance at 1 Jan 2024	**63,397**	**374,185**	**29,779**	**37,966**	**505,326**
Additions during the year	15,514	194,107	26	13,543	223,191
Expenditure during the year (amortizations)	(16,658)	(97,747)	(2,754)	(972)	(118,131)
Releases during the year	(5,192)	(27,110)	(342)	(8,797)	(41,441)
Effect of movements in exchange rates	1	1	-	56	58
Other movements	-	2,033	-	-	2,033
Balance at 31 Dec 2024	**57,061**	**445,470**	**26,709**	**41,797**	**571,036**
Non-current	-	-	25,602	32,946	58,548
Current	57,061	445,470	1,107	8,850	512,488

Provisions (EUR 1,000)	Warranties	Contract risks	Environment risks	Others	Total
Balance at 1 Jan 2023	**65,044**	**384,090**	**38,954**	**47,777**	**535,864**
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
Balance at 31 Dec 2023	**63,397**	**374,185**	**29,779**	**37,966**	**505,326**
Non-current	-	-	25,374	18,714	44,088
Current	63,397	374,184	4,405	19,252	461,238

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 KNDS Deutschland and KNDS France during 2023-2024. 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 2025.

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 2024 is caused by a discontinuance in previous years identified risks based on realisations of indicators related to various projects recognized during the year 2024 resulting in revision of these risks estimations.

Environment risks

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

Others

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

23. Loans and borrowings

Non-current liabilities (EUR 1,000)	**31 Dec. 2024**	**31 Dec. 2023**
Other financial debt	148	252
Balance	**148**	**252**

Current liabilities (EUR 1,000)	**31 Dec. 2024**	**31 Dec. 2023**
Current portion of bank loans	132	69
Other financial debts	29,214	27,854
Balance	**29,346**	**27,923**

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in note 25. The other financial debts concern a loan between CTAI and KNDS France Systems. As of 2022, 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 loan is in place for funding purposes and is renewed on a yearly basis.

Net debt reconciliation (EUR 1,000)	**31 Dec. 2024**	**31 Dec. 2023**
Cash and Cash equivalents	2,313,286	1,699,331
Borrowings – repayable within one year	(29,346)	(27,923)
Borrowings – repayable after one year	(148)	(252)
Net debt	**2,283,792**	**1,671,157**
Cash	2,313,286	1,699,331
Borrowings – fixed interest rates	-	-
Borrowings – variable interest rates	(26,897)	(22,933)
Borrowings – interest free	(2,597)	(5,241)
Net debt	**2,283,792**	**1,671,157**

Net debt movement (EUR 1,000)	Other assets	Liabilities from financing activities		Total
	Cash/Bank overdrafts	Repayable within 1 year	Repayable after 1 year	
Net debt as of January 1st 2023	1,185,043	(23,681)	(2,858)	1,158,504
Cash flows	514,288	-	-	514,288
Foreign exchange adjustments	(693)	-	-	(693)
Other changes	-	(4,241)	2,606	(1,635)
Net debt as of 31 Dec 2023 / 1 Jan 2024	1,699,331	(27,923)	(252)	1,671,157
Cash flows	613,954	-	-	613,954
Foreign exchange adjustments	2,622	-	-	2,622
Other changes	-	(1,423)	104	(1,320)
Net debt as of 31 December 2024	2,313,286	(29,346)	(148)	2,283,792

Credit facilities

As per year ending 31 December 2024, an unsecured revolving credit facility is in place at KNDS Deutschland group with a total credit line of EUR 350 million (2023: 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 the following conditions in 2024 - a variable interest rate based on EURIBOR plus 0.4% p.a. margin, with a margin step-up of 0.10% p.a. if not more than 33.33% of the credit line is utilized, 0.20% 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 November 2024, with a duration of three years and can be amended from time to time with a duration of three years and the possibility to extend the credit line until 18 November 2028 (1st Extension) or 18 November 2029 (2nd Extension).

Compliance with covenant

The credit facility contains a financial covenant stating that KNDS Deutschland KG has to ensure a minimum equity as well as minimum EBIT (adjusted) both as shown in the financial statements of KNDS Deutschland KG (German GAAP). with an increasing amount from 31 December 2024 to 31 December 2027.

As of 31 December 2024, all financial covenants are met with a minimum equity: EUR 500 million (2023: EUR 450 million) and minimum adjusted EBIT: EUR 100 million (2023: EUR 80 million).

24. Other liabilities

Other liabilities (EUR 1,000)	31 Dec. 2024	31 Dec. 2023
Accrued personnel expenses, including social security contribution , vacation and other benefits payable	187,647	160,876
Liabilities for outstanding invoices	3,607	5,322
VAT and real estate tax payables	71,175	86,003
Lease liabilities	92,003	55,511
Other accrued expenses	72,602	90,718
Balance	427,034	398,430
Non-current	98,319	68,575
Current	328,715	329,854
Balance	427,034	398,430

25. Financial instruments

Carrying amounts of financial instruments according to categories

Carrying amount financial instruments (EUR 1,000)	Carrying amount 31 Dec. 2024	Amortised cost 31 Dec. 2024	Fair value through OCI 31 Dec. 2024	Fair value through P&L 31 Dec. 2024
Financial assets				
Other financial assets				
Derivatives	1,877	-	-	1,877
Loans	4,340	4,340	-	-
Promissory loan note	41,260	-	-	41,260
Other	137,282	16,129	121,153	-
Trade receivables	1,028,344	1,028,344	-	-
Other receivables	459,212	459,212	-	-
Marketable securities	1,029,033	-	-	1,029,033
Financial liabilities				
Loans and borrowings	26,897	26,897	-	-
Trade creditors	489,966	489,966	-	-
Other payables	313,191	313,191	-	-
Other financial liabilities				
Derivatives	2,500	-	-	2,500
Other	29,153	29,153	-	-

Carrying amount financial instruments (EUR 1,000)	Carrying amount 31 Dec. 2023	Amortised cost 31 Dec. 2023	Fair value through OCI 31 Dec. 2023	Fair value through P&L 31 Dec. 2023
Financial assets				
Other financial assets				
Derivatives	1,532	-	460	1,072
Loans	3,916	3,916	-	-
Promissory loan note	40,002	-	-	40,002
Other	12,407	4,714	7,693	-
Trade receivables	815,434	815,434	-	-
Other receivables	344,232	344,232	-	-
Marketable securities	748,271	-	-	748,271
Financial liabilities				
Loans and borrowings	22,933	22,933	-	-
Trade creditors	426,564	426,564	-	-
Other payables	334,250	334,250	-	-
Other financial liabilities				
Derivatives	130	-	-	130
Other	29,192	29,192	-	-

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 2024

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 1,877 (2023: 1,532) and liabilities 2,500 (2023: 130)	Level 2	Discounted cash flow. 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 KNDS Deutschland and KNDS France 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 2024 and 2023, the ageing of contracts assets, trade and other receivables against third parties that were impaired and not impaired was as follows:

Impairment Contract assets (EUR 1,000)	2024 Contract assets Gross Amount	2024 Impairment Provision	2023 Contract assets Gross Amount	2023 Impairment Provision
Not due	325,552	-	369,116	-
Past due up to 90 days	-	-	-	-
Past due 90 – 180 days	-	-	-	-
More than 180 days	-	-	-	-
	325,552	-	369,116	-

Impairment Trade and other receivables (EUR 1,000)	Trade and other Receivables Gross Amount	Impairment Provision	Trade and other Receivables Gross Amount	Impairment Provision
Not due	615,903	-	390,888	-
Past due up to 90 days	275,361	-	254,264	-
Past due 90 – 180 days	13,889	-	21,028	-
More than 180 days	130,605	(3,679)	143,189	(5,012)
	1,035,757	(3,679)	809,369	(5,012)

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)	2024	2023
Balance 1 January	5,012	4,086
Impairment losses recognised	223	1,124
Written off balances	(53)	-
Reversal of impairments	(1,503)	(198)
Amounts recovered	-	-
Other	-	-
Balance 31 December	3,679	5,012

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 2024, the Group holds EUR 1,029.0 million (31 December 2023: EUR 748.3 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 2024, the Group had access to unused credit facilities of approximately EUR 350 million (31 December 2023: EUR 250 million).

Exposure to liquidity risk

At period ending 31 December 2024 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-24**	**31-Dec-23**
USD	507	4,374
GBP	5,471	(208)
CAD	4,835	3,630
CHF	4,720	2,496
AED	-	-
SEK	652	72
NOK	(338)	377
SGD	-	-
QAR	5,230	3,467
Total	**21,077**	**14,208**

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.

Hedges in currency futures (EUR 1,000) per 31-Dec	2024 Nominal amount	2024 Market Value	2023 Nominal amount	2023 Market Value
Sale USD	-	-	18,552	460
Purchase USD	-	-	-	-
Purchase GBP	1,448	19	1,297	10
Purchase CHF	2,017	(7)	1,695	28
Purchase NOK	-	-	1,332	53
Purchase AED	-	-	1,128	81
Purchase Other	17,517	142	9,464	383

The movement of the cash flow hedge reserve over 2024 and 2023 is as follows:

Movement of the cashflow hedge reserve (EUR 1,000)	2024	2023
Balance 1 January	762	(1,995)
The amount that was recognized in the equity during the period		
- Currency derivatives	882	3,528
- Deferred taxes on currency derivatives	-	(772)
The amount that was removed from equity and included in the profit or loss for the period		
- Currency derivatives	(944)	-
- Deferred taxes on currency derivatives	236	-
Balance 31 December	897	762

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)	2024 Impact on Equity		2023 Impact on Equity	
31 December	Strengthening	Weakening	Strengthening	Weakening
USD (10 % movement)	(46)	56	(397)	487
CAD (10 % movement)	(440)	537	(330)	403
GBP (10 % movement)	(497)	608	19	(23)
SGD (10 % movement)	-	-	-	-
SEK (10 % movement)	(60)	72	-	-
NOK (10 % movement)	31	(38)	(34)	42
CHF (10 % movement)	(429)	525	(227)	277
QAR (10 % movement)	(475)	581	(315)	385

Derivate position (EUR 1,000)	2024 Impact on Equity		2023 Impact on Equity	
31 December	Strengthening	Weakening	Strengthening	Weakening
USD (10 % movement)	(104)	925	1,921	(1,849)
GBP (10 % movement)	1,016	(1,621)	141	(121)
CAD (10% movement)	(529)	497	(590)	692
CHF (10 % movement)	542	(803)	345	(1,277)
AED (10% movement)	-	-	202	(40)
NOK (10% movement)	(3,928)	3,881	(1,376)	4,621
SEK (10% movement)	1,908	(1,624)	1,306	(489)
QAR (10 % movement)	-	-	-	-

For derivative positions the following applies:

Derivate position (EUR 1,000) 31 December	2024 Impact on Equity Strengthening	Weakening	2023 Impact on Equity Strengthening	Weakening
USD (10 % movement)	(104)	925	1,921	(1,849)
GBP (10 % movement)	1,016	(1,621)	141	(121)
CAD (10% movement)	(529)	497	(590)	692
CHF (10 % movement)	542	(803)	345	(1,277)
AED (10% movement)	-	-	202	(40)
NOK (10% movement)	(3,928)	3,881	(1,376)	4,621
SEK (10% movement)	1,908	(1,624)	1,306	(489)
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 2024 is 1.26 (2023: 1.35). 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 31st December 2024 no indicators were present, as in 2023, 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 2024.

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 2024.

Company name	CGU	Country	31 Dec 2024 % share	Method	31 Dec 2023 % share	Method
KNDS Deutschland Holding GmbH	Systems	Germany	100	FC	100	FC
KNDS Deutschland GmbH & Co. KG	Systems	Germany	100	FC	100	FC
KNDS Deutschland Verwaltungs GmbH	Systems	Germany	100	FC	100	FC
KNDS Mission Electronics GmbH	Systems	Germany	100	FC	100	FC
KNDS Deutschland Tracks GmbH	Systems	Germany	100	FC	100	FC
KNDS Deutschland Maintenance GmbH	Systems	Germany	100	FC	100	FC
KNDS Deutschland Beteiligungs GmbH	Systems	Germany	100	FC	100	FC
KNDS Deutschland Steel Constructions GmbH	Systems	Germany	100	FC	100	FC
VPS Vehicle Protection Systems GmbH	Systems	Germany	-	FC	100	FC
KNDS Deutschland Battle Tank Dismantling GmbH	Systems	Germany	100	FC	100	FC
KNDS Hellas Single Member S. A.	Systems	Greece	100	FC	100	FC
KNDS USA Inc.	Systems	USA	100	FC	100	FC
KNDS Singapore Platforms Pte Ltd.	Systems	Singapore	100	FC	100	FC
KNDS do Brasil Sistemas de Defesa Ltda.	Systems	Brazil	100	FC	100	FC
VPS Vehicle Protection Systems de Mexico S.A. de C.V.	Systems	Mexico	-	FC	100	FC
KNDS UK Holdings Ltd.	Systems	Great Britain	100	FC	100	FC
KNDS Defence UK Ltd.	Systems	Great Britain	100	FC	100	FC
KNDS Hungary Kft.	Systems	Hungary	100	FC	100	FC
KNDS FWH Castings GmbH	Systems	Germany	100	FC	100	FC
KNDS Canada Inc.	Systems	Canada	51	FC		
CE Mülheim Verwaltungs GmbH	Systems	Germany	-	FC	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	AU	50	JV
PSM Projekt System & Management GmbH	Systems	Germany	50	AU	50	AU
Artec GmbH	Systems	Germany	36	AU	36	AU
KDI Limited Liability Company	Systems	Ukraine	50	AU		
KMWQ Services Company LLC	Systems	Qatar	10	AU	10	AU
KNDS FRANCE	Systems	France	100	FC	100	FC
KNDS EMIRATES LTD	Systems	UAE	100	FC	100	FC
KNDS FRANCE TRAINING	Systems	France	100	FC	100	FC
CTAI	Systems	France	50	AU	50	AU
TNS MARS	Systems	France	37.5	AU	37.5	AU
SCI LA CERONE	Systems	France	55	FC	55	FC
KNDS FRANCE ROBOTICS	Systems	France	100	FC	100	FC
KNDS FRANCE SERVICES	Systems	France	100	FC	100	FC
Nexter Systems India Private Limited	Systems	India	0	D	0	D
KNDS FRANCE NEWCO 10	Systems	France	100	FC	100	FC
KNDS FRANCE MECHANICS	Systems	France	100	FC	100	FC
KNDS OPTRONICS	Systems	France	100	FC	100	FC
KNDS CBRN	Systems	France	100	FC	100	FC
KNDS AMMO FRANCE	Munitions	France	100	FC	100	FC
KNDS BELGIUM	Munitions	Belgium	100	FC	100	FC
BARONVILLE	Munitions	Belgium	46	JV	46	JV
KNDS AMMO ITALY	Munitions	Italy	100	FC	100	FC
CIME BOCUZE	Munitions	France	34	AU	34	AU
KNDS Ukraine LLC	Systems	Ukraine	100	FC		

AU = associate undertaking
D = dissolved without liquidation
F = simplified merger
FC = Fully consolidated
JV = joint venture proportional consolidated

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 2024 is EUR 6,774 thousand (2023: EUR 7,342 thousand).

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**
Cost					
Balance at 1 January 2024	80,391	11,053	11,780	505	103,729
Additions and acquisitions	50,536	5,294	1,030	57	56,917
Effect of movements in exchange rates	62	(61)	(27)	12	(14)
Disposals and/or write offs	(13,491)	(4,824)	(538)	-	(18,853)
Reallocation	(2)	0	-	-	(2)
Balance at 31 December 2024	**117,495**	**11,462**	**12,246**	**573**	**141,777**
Accumulated depreciation and impairment losses					
Balance at 1 January 2024	**(36,086)**	**(6,833)**	**(6,770)**	**(146)**	**(49,835)**
Depreciation	(13,222)	(3,348)	(2,242)	(173)	(18,985)
Effect of movements in exchange rates	(32)	52	1	(1)	20
Disposals	11,892	4,823	538	-	17,253
Reallocation	-	-	-	-	-
Balance at 31 December 2024	**(37,448)**	**(5,306)**	**(8,474)**	**(320)**	**(51,547)**
Carrying Amounts					
At 31 December 2024	**80,048**	**6,157**	**3,772**	**254**	**90,230**

Cash out for Right of use assets (EUR 1,000)	2024	2023
Repayment of lease obligations	18,574	15,485
Interest expense (included in finance costs)	2,376	1,084
Expense relating to short-term and low value leases	6,774	7,342
Total cash out	**27,724**	**23,911**

Carrying amounts Right on use assets (EUR 1,000)	Land & Buildings	Vehicles	Lift trucks	Others	Total
Cost					
Balance at 1 January 2023	**75,108**	**8,343**	**11,341**	**74**	**94,866**
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	**80,391**	**11,053**	**11,780**	**505**	**103,729**
Accumulated depreciation and impairment losses					
Balance at 1 January 2023	**(27,361)**	**(5,559)**	**(5,706)**	**(35)**	**(38,661)**
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	**(36,086)**	**(6,833)**	**(6,770)**	**(146)**	**(49,835)**
Carrying Amounts					
At 31 December 2023	**44,305**	**4,220**	**5,010**	**359**	**53,894**

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 Lease Liabilities (EUR 1,000)	2024	2023
As at 1 January	**55,511**	**56,684**
Additions	56,917	14,290
Repayment	(18,853)	(15,485)
Other	(3,388)	-
Foreign Currency variations	44	22
Balance at 31 December	**90,230**	**55,511**
Current	18,398	14,358
Non-current	71,833	41,152
As at 31 December	**90,230**	**55,511**

The maturity of the lease liabilities (EUR 1,000)	2024	2023
Within one year	18,398	14,358
Between 1 and 4 years	47,893	31,465
More than 5 years	23,939	9,688
Balance at 31 December	**90,230**	**55,511**

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.

The total contingencies relating to bank guarantees amount to EUR 1,640 million at 31 December 2024 (2023: EUR 1,356 million). These bank guarantees mostly relate to advance payments from customers.

Contractual commitments in 2024 to be settled in 2025 for the acquisition of property, plant and equipment amount to EUR 40.0 million (2023: EUR 24.7 million).

Further, the KNDS Deutschland sub-group and KNDS France 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 (KNDS Deutschland) and CTAI (KNDS France). 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 2024, no unsecured loans to directors were issued (2023: no loans).

Key management personnel compensation

Annual remunerations Key Management (EUR 1,000)	**2024**	**2023**
Short term employee benefits	5,877	5,180
Post-employment benefits	296	296
Other long term benefits	-	-
Termination benefits	-	-
Share-based payment benefits	-	-
Total cost Key Management	**6,172**	**5,475**

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 2024 (2023: 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 2024 and 2023:

Other related party transactions (EUR 1,000)	31 Dec. 2024	31 Dec. 2023
Sale of goods and services	**1,537,008**	**1,140,046**
Government	1,158,136	779,000
Companies controlled by shareholders	71,369	99,068
Associates	307,503	261,979
Purchase of goods	**148,226**	**144,757**
Government	110	689
Companies controlled by shareholders	69,778	93,439
Associates	78,338	50,629
Others	-	-
Trade receivables and contract assets	**1,044,423**	**1,026,266**
Government	734,825	783,857
Companies controlled by shareholders	102,352	98,145
Associates	207,246	144,264
Others	-	-
Trade payables and contract liabilities	**1,371,977**	**1,089,857**
Government	1,253,467	997,180
Companies controlled by shareholders	79,861	74,420
Associates	38,648	18,257

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 2024 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)	PricewaterhouseCoopers Accountants NV	PricewaterhouseCoopers Other network	PricewaterhouseCoopers Total
	2024	2024	2024
Audit of the financial statements	181	1,008	1,189
Tax related advisory services	-	-	-
Other audit procedures	9	36	44
Other non-audit services	-	82	82
Total	**190**	**1,126**	**1,315**

PWC cost (EUR 1,000)	PricewaterhouseCoopers Accountants NV	PricewaterhouseCoopers Other network	PricewaterhouseCoopers Total
	2023	2023	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
Total	**189**	**1,131**	**1,320**

31. Subsequent events

On February 11, KNDS N.V. announced that it exercised its option to increase its shareholding in RENK from 6.7% to 25.0% plus one share. KNDS N.V is currently going through the various regulatory approval processes in Germany, Austria, the United Kingdom and the United States.

There was no further significant event after the balance sheet date that could have had a significant impact on the financial position for the year ended 31 December 2024.

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 2024 were not published.

KNDS N.V.

Company Financial Statement

for the period ended 31 December 2024

Company income statement

Profit & Loss (EUR 1,000)	Note	Year ended 31 December 2024	2023
Administrative expenses		(24,048)	(18,442)
Other income and expenses		10,077	6,411
Profit before finance results and income tax		(13,971)	(12,031)
Interest income		257	-
Interest expense		(2,008)	(18)
Other financial result		-	-
Total financial result		(1,751)	(18)
Dividend from subsidiaries	34	254,387	135,457
Group result before income tax		238,665	123,408
Net result		238,665	123,408
Net group result for the period attributable to:			
Other comprehensive income		20,987	-
		259,652	123,408

Company balance sheet

(Before result appropriation)

Balance sheet (EUR 1,000)	Note	31 Dec. 2024	31 Dec. 2023
Assets			
Software and licenses		156	79
Property, plant and equipment		954	823
Participating interest in group companies	33	915,145	915,145
Other non-current assets		120,987	-
Non-current assets		**1,037,242**	**916,048**
Receivables from group companies	35	125,391	121,074
Trade receivables and prepayments		320	395
Current tax assets		438	-
Cash and cash equivalents		5,586	807
Current assets		**131,735**	**122,276**
Total assets		**1,168,978**	**1,038,324**
Capital reserves & Liabilities			
Issued share capital	34	300,000	300,000
Share premium	34	583,461	585,333
Other reserves	34	23,572	20,050
Unappropriated result	34	238,666	123,408
Total equity		**1,145,699**	**1,028,792**
Other non-current liabilities and accrued costs		(4)	350
Total non-current liabilities		**(4)**	**350**
Trade payables		583	675
Payables to group companies		11,036	725
Current tax liabilities		768	-
Other current liabilities		10,895	7,781
Total current liabilities		**23,282**	**9,181**
Total equity and liabilities		**1,168,978**	**1,038,324**

Company only statement of changes in equity for the year ended 31 December 2024

Company only Statement of changes in equity (EUR 1,000)	Issued Share capital	Share premium	Special reserve	Other Reserves	Unapprop-riated result	Total
Balance as at 31 December 2022 / 1 January 2023	300,000	587,205	-	23,857	92,390	1,003,452
Appropriation of result of prior period				92,390	(92,390)	-
Result for the period					123,408	123,408
Dividend				(81,960)		(81,960)
Reallocation to Special Reserve of materialized special benefits		(1,872)	14,236	(14,236)		(1,872)
Distribution of materialized special benefits			(14,236)			(14,236)
Others						-
Balance as at 31 December 2023/ 1 January 2024	300,000	585,333	-	20,050	123,408	1,028,792
Appropriation of result of prior period				123,408	(123,408)	-
Result for the period					238,666	238,666
Changes in the fair value of equity investments at fair value through OCI				20,987		20,987
Dividend				(129,778)		(129,778)
Reallocation to Special Reserve of materialized special benefits		(1,872)	11,095	(11,095)		(1,872)
Distribution of materialized special benefits			(11,095)			(11,095)
Others						-
Balance as at 31 December 2024	300,000	583,461	-	23,572	238,666	1,145,699

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Company only statement of cash flow

Cash flow statement (EUR 1,000)	Note	2024	2023
Cash flows from operating activities			
Net group result		**238,666**	**123,408**
Adjustments for:			
Depreciation and amortization of non-current assets		457	374
Increase/(Decrease) in provisions		-	-
Income tax expense recognized in profit and loss		-	-
Others		-	-
Finance costs recognised in profit and loss		1,751	18
Dividend from subsidiaries	34	(254,387)	(135,457)
		(13,513)	**(11,657)**
(Increase)/Decrease in inventories		-	-
(Increase)/Decrease in Contract Assets		-	-
(Increase)/Decrease in trade and other receivables		395	(649)
(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
Increase/(Decrease) in other current liabilities		2,557	972
Cash generated from operating activities		**(10,561)**	**(10,058)**
Income taxes paid		-	-
Interest paid		(2,008)	(8)
Net cash generated from / (used in) operating activities		**(12,570)**	**(10,066)**
Cash flows from investing activities			
Cash payments on acquisitions		(100,000)	-
Cash payment on loans issued		-	-
Investments in non-current assets		(350)	(174)
Proceeds from disposals of assets		-	-
Received dividends		250,444	108,719
Interest received		-	-
Disposal of subsidiaries and or affiliates		-	-
Net cash used in investing activities		**150,094**	**108,545**
Cash flows from financing activities			
Distributions to shareholders		(142,745)	(98,068)
Proceeds from loans and borrowings		110,000	-
Repayment of loans and borrowings		(100,000)	-
Payment for the redemption of lease liabilities		0	(335)
Cost of financial debt and interest paid		-	(10)
Net cash used in financing activities		**(132,745)**	**(98,413)**
Effects of exchange rate changes on cash held in foreign currencies		-	-
Net increase / (decrease) in cash and cash equivalents		**4,779**	**66**
Cash and cash equivalents at 1st January		807	741
Cash and cash equivalents at 31 December		**5,586**	**807**

estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The area involving a higher degree of judgment or complexity, or area where assumptions and estimates are significant to the company financial statements, is the impairment of the investments in subsidiaries.

Valuation of investments in subsidiaries

At each balance sheet date, the Company reviews whether there is an indication that its investments in subsidiaries might be impaired. An indication for impairment of the investments in subsidiaries may include, respectively, management's downward adjustment of the strategic plan. Further indications for impairments of its investments may include other areas where observable data indicates that there is a measurable decrease in the estimated future cash flows. These determinations require significant judgment. In making this judgment, management evaluates, among other factors, the financial performance of, and business outlook for, its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. If any indication for impairment exists, the recoverable amount of the investment is estimated in order to determine the extent, if any, of the impairment loss. An investment is impaired if the recoverable amount is lower than the carrying amount. The recoverable amount is defined as the higher of an investment's fair value less costs to sell and its value in use. The investment's fair value less costs to sell represents the best estimate of the amount OCI would receive if it sold its investment. The determination of the investment's value in use is based on calculations using post-tax cash flow projections based on financial budgets approved by management covering a 4-year period and the terminal value period.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognized immediately in the statement of profit or loss. Impairment losses recognized in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognized. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

33. 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 %
KNDS France Systems SA	Roanne, France	100%
Honosthor KNDS Deutschland Holding GmbH	Munich, Germany	100%

Reference is made to note 27 of the consolidated financial statements for the group companies included in KNDS France Systems S.A. and Honosthor KNDS Deutschland Holding GmbH at 31 December 2024.

For the sake of completeness, it is noted that the French State holds 1 share in KNDS France Systems S.A., a so-called "Golden Share", which contains a consultation right with regard to the discontinuation of strategic assets within the KNDS France 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 2023	915,145
Addition	-
Disposals	-
Impairments	-
Balance as at 31 Dec. 2023 - 1 Jan. 2024	915,145
Addition	-
Disposals	-
Impairments	-
Balance as at 31 Dec. 2024	915,145

At balance sheet date, the accumulated impairments on participating interests in group companies amounted to EUR 0 thousand (2023: EUR 0 thousand).

34. Shareholders' equity

Ordinary shares and preference shares

At 31 December 2024, the authorised share capital amounts to 1.2 billion shares, each share having a nominal value of one euro (EUR 1).

At 31 December 2024, 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 2023.

Share premium reserve

At 31 December 2024, the share premium reserve can be considered as freely distributable share premium for the purpose of the 2001 Income Tax Act.

Dividend

In May 2024 KNDS NV a dividend was declared of EUR 109,778 thousand (2023: EUR 81,960 thousand), paid to GIAT Industries S.A. for an amount of EUR 54,889 thousand (2023: EUR 40,980 thousand) in May 2023 and an amount of EUR 54,889 thousand (2023: EUR 40,980 thousand) paid to Wegmann & Co GmbH in May 2024. In addition, an interim dividend was paid in August 2024 for an amount of EUR 10,000 thousand to GIAT Industries S.A. and for an amount of EUR 10,000 thousand to Wegmann & Co GmbH. The dividend per share is EUR 0,43 (2023: EUR 0,27).

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 KNDS France Systems S.A. and Honosthor KNDS Deutschland 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 2024 materialized special benefits were recognized and paid respectively to GIAT Industries S.A. for an amount of EUR 11,095 thousand (2023: EUR 14,236) and to Wegmann & Co GmbH for an amount of EUR 1,872 thousand (2023: EUR 1,872).

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 2024 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)	2024 Equity	2024 Profit / Loss	2023 Equity	2023 Profit / Loss
Consolidated equity attributable to owners of the Company	2,314,994	411,856	2,020,097	336,446
Difference in profit or loss	(173,190)	(173,190)	(213,038)	(213,038)
Other comprehensive income	(26,968)		(22,929)	
Other equity movements	(968,042)		(755,023)	
Parent company equity attributable to owners	**1,145,699**	**238,666**	**1,028,792**	**123,408**

35. Ageing of intercompany receivables and 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 2024, the ageing of dividend receivables that were impaired and not impaired was as follows:

Ageing of intercompany receivables (EUR 1,000)	Gross	Impairment Provision
At 31 December 2024		
Not due	123,292	-
Past due up to 90 days	-	-
Past due 90 – 180 days	-	-
More than 180 days	-	-
	123,292	**-**

Ageing of intercompany receivables (EUR 1,000)	Gross	Impairment Provision
At 31 December 2023		
Not due	121,074	-
Past due up to 90 days	-	-
Past due 90 – 180 days	-	-
More than 180 days	-	-
	121,074	**-**

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 2024, the Company holds EUR 0 million (31 December 2023: 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 2024 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.

36. Commitments and contingencies

The Company issued payment guarantees in favour of third parties for the total amount of EUR 0 thousand (2023: EUR 60 thousand).

37. Subsequent events

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

38. Employee information

Salary and salary related expenses are as follows:

Salary and related expenses (EUR 1,000)	**2024**	**2023**
Salaries	11,644	8,447
Social security charges	363	184
Pension cost	251	238
Total	**12,258**	**8,868**

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 2024 financial year, the average number of staff employed, converted into full-time equivalents, amounted to 13 (2023: 12).

39. Remuneration of key management and related party transactions

Reference is made to disclosure 29. of the KNDS Consolidated Financial Statements 2024.

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

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 2024 and 2023:

Other related party transactions (EUR 1,000)	**2024**	**2023**
Dividend and other income	**262,464**	**141,869**
Companies controlled by KNDS	262,464	141,869
Purchase of goods and service and other expenses	**680**	**1,065**
Companies controlled by KNDS	680	1,065
Receivables	**125,391**	**121,074**
Companies controlled by KNDS	125,391	121,074
Payables	**11,036**	**726**
Companies controlled by KNDS	11,036	726

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

La Chapelle, 27 March 2025

Board of Directors:

Mr. Ph. Balducchi (Executive Director)

Dr. W.H. Buechele (Chairman)

Mr. F.P. Bode	Mr. A.F.M. Bouvier
Dr. J.H. Cammann	Mr. W. Frank
Mrs. I. Jaegering	Mr. P.J.M. Jeannin
Mr. A.A. Lahousse	Mr. P.B. Petitcolin

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.

Pending the decision of the General Meeting, the net result for the year 2024 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.