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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 2025.

1. Company Profile and Group Structure

1.1 LEGAL FORM AND GENERAL INFORMATION

The Company is a public limited liability company under Dutch Law and was incorporated on 2nd October 2015 with its corporate seat in Amsterdam, the Netherlands.

On 15th December 2015, GIAT Industries S.A. and Wegmann & Co. GmbH formed a joint venture by contributing all of their shares in their subsidiaries, in exchange for a 50% interest each in the Company.

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

The Company's principal objective is to execute a holding function. The Company's objectives are, among other things:

i. to acquire, to participate in, to finance, to hold any other interest in and to conduct the management or supervision of other entities, companies, partnerships and businesses, including in particular entities, companies, partnerships and businesses active in the land defense industry;

ii. to provide services to and for the benefit of other group companies.

The Company has 100% shareholdings in two subgroups 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) (including their respective subsidiaries, the "Group"). It is noted that the French State holds 1 share in KNDS France S.A., a so-called "Golden Share", the objective being to verify that strategic assets, weapons and ammunition are properly maintained year after year. The Company also holds 100% of KNDS Ukraine LLC.

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.

1.2 ACTIVITIES AND BUSINESS MODEL

The Group is a leading integrated European land defense group of companies holding a central position in the defense industry, serving armed forces worldwide. It designs, manufactures and services a broad range of systems (such as main battle tanks, infantry fighting vehicles, armored personnel carriers and artillery systems), ammunition (large and medium caliber notably for artillery, tank, naval, medium caliber and mortar systems, as well as loitering ammunition & pyrotechnics equipment for missiles and space), equipment (including electronic systems, optics, mechanics and CBRN protection), training and simulation solutions, and maintenance and repair services.

The Group is structured around two pillars, systems and ammunition, comprised by three reporting segments: Land Systems Germany, Land Systems France and Ammunition.

KNDS Land Systems Germany (also known as "KNDS Germany") 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, Germany land Systems 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 Germany land Systems. With its worldwide network of subsidiaries, Germany land Systems is in a position to react fully and promptly on customer requirements.

KNDS Land Systems France (also known has "KNDS France Systems") designs and integrates complex defense systems such as armored vehicles, artillery systems, information systems and equipment intended mainly for use by land forces but also supplied to navies and air forces. KNDS Land Systems France also provides support services to armed forces to help them ensure the permanent availability for their various missions of their armored vehicles and artillery systems. Operated under multi-year contracts, this support activity is a significant additional contributor to its land Systems.

KNDS Ammunition (also known has "KNDS France Ammunition") develops and produces ammunition to meet the requirements of the French and other nations' armies across the artillery, tank and medium caliber ranges. It also supplies pyrotechnic components and assemblies to missile, and rocket manufacturers.

1.3 STRATEGY AND OBJECTIVES

The long-term strategy of the Group positions it as a unique pure play and pan-European champion in land defense systems, leveraging its historical role as a dual Franco-German lead systems integrator. This strategic foundation enables the Group to serve as a critical prime contractor for the robust French and German markets, while also establishing itself as a trusted partner to additional European armed forces and NATO allies, as well as key players in the Middle East and Southeast Asia. The Group aims to deliver comprehensive mission solutions through advanced tech-enhanced systems, ensuring deep customer intimacy and access to strategic programs throughout the lifecycle of mission-critical platforms. With a strong emphasis on innovation, the Group is poised to benefit from the rising global defense budgets driven by geopolitical tensions, focusing on self-sufficiency in European defense technology. The anticipated growth in land systems, coupled with a commitment to addressing capability gaps identified by NATO and EU countries, positions the Group for sustained growth. By integrating next-generation technologies and fostering strategic partnerships, the Group is set to lead in the development of future platforms, aiming that its offerings remain at the forefront of the industry.

2. General developments during and subsequent to the Financial Year

Impact of Geopolitical Tensions & overall Ramp-up

The Group's business performance is closely tied to government defense spending, which is influenced by various factors including economic conditions, political leadership changes, foreign policy shifts, and international relations. Recent geopolitical tensions, particularly the war in Ukraine and the Israel-Hamas conflict, have led to increased security concerns and a notable rise in defense spending across Europe and NATO, with global defense expenditures growing since February 2022. Initiatives such as the EU's "Act on Supporting Ammunition Production" and NATO's commitment to increase defense spending to 3.5% of GDP by 2035 further underscore this trend.

This context has a direct impact on the activity of the Group reflected in its increase of it's Backlog (reference is made to Key figures) in 2025.

As part of the support to that Ramp-Up, the Company has increased its in industrial footprint by taking over the site of Görlitz and its highly skilled specialized workforce.

However, the Group also faces challenges from macroeconomic conditions, including elevated inflation and rising costs for raw materials, logistics, and labor, which pressure margins and pricing strategies. Additionally, ongoing monetary policy restrictions and potential trade barriers may impact operational results and customer purchasing power, influencing procurement timelines and budget allocations within the defense sector.

RENK Group AG increase stake

KNDS has reinforces its position during the year to become the first shareholder of a strategic partner, RENK Group AG by exercising an option that led to increase the stake of KNDS from 6,7% to 15,8% in July 2025. A reference is made to the note Financial Investments for more information.

Intention to list

The Group's management has indicated in December 2025 its intention to prepare for an initial public offering of the Group in 2026 to support its long-term Growth Strategy, subject to market conditions. The ambition is to strengthen KNDS's ability to invest in growth, innovation and industrial capacity. The foreseen listing is set to be in Frankfurt and Paris stock exchanges.

Independent investigation

The Board of Directors of the Group commissioned an independent investigation into a potential compliance case after an article was published in January of 2026 that KMW (Krauss-Maffei Wegmann GmbH & Co KG, the Group's German predecessor entity, later renamed to KNDS Deutschland GmbH & Co KG ("KNDS DE") made improper payments to a Qatari company owned by a senior Qatari official and his son pursuant to a 2013 €1.89 billion procurement contract (subsequently expanded by a further €349 million) for the delivery of land defense systems to the Qatar Armed Forces ("QAF") (the "2013 QAF Contract"). While this investigation is ongoing, and although it identified a series of significant red flags, control deficiencies and systemic compliance shortcomings, it concluded, on a preliminary basis, that the available evidence did not sustain a finding that KNDS DE employees, past or present, engaged in criminal misconduct in relation to the 2013 QAF Contract. The Board of Directors of KNDS N.V. is comfortable to rely on the preliminary conclusions of the investigation.

The Group has enhanced its compliance framework over the years to stay aligned with evolving regulations across the defense industry and senior management, under supervision of the Board of Directors, is now implementing measures to further strengthen its compliance function and framework to further reduce the risk of similar issues arising in the future. A reference is made to section 4.2 of the Directors report for further details.

3. Key Financial Figures

Orders	2025	2024
Order intake	13,544 mEUR	11,223 mEUR
Order backlog	33,127 mEUR	23,534 mEUR
Metrics	**2025**	**2024**
Group Revenues	4,404 mEUR	3,800 mEUR
EBIT * (Profit before finance results and income tax)	661 mEUR	500 mEUR
Net group result	996 mEUR	412 mEUR
Free Cash Flow (FCF) * (Net cash generated from operating activities + Net cash used in financing activities)	980 mEUR	764 mEUR
Ratio's	**2025**	**2024**
Solvency ratio (Equity / total Balance sheet)	21%	30%
Current ratio (current assets / current liabilities)	1.06	1.28
EBIT margin * (EBIT / Revenues)	15.0%	13.2%
Net income margin * (Net Group Result / Revenues)	22.6%	10.8%

The main Key Performance Indicators of the Group include financial metrics and Alternative Performance Measures ('APMs')*. These APMs provide a better understanding of the underlying developments of the performance of the business and are defined as follow including their most directly comparable IFRS measures and are defined as the following:

- Order Intake means the total value of binding contractual agreements with customers to deliver goods or services;
- Order Backlog means the total value of the unexecuted portion of all customer orders and contracts that have been recognized in order intake" but not yet fulfilled (i.e., delivered or invoiced);Book to bill ratio means the Order Intake divided by the Revenue.
- EBIT means the IFRS Profit before financial results and income tax;
- EBIT margin means EBIT divided by Revenue;
- Net income margin means Net Group Result divided by Revenue;
- Free Cash Flow (FCF) means net cash generated from / (used in) operating activities less net cash generated used in investing activities.

2025 was a record year of very strong commercial activity with an order intake of EUR 13.5b (book to bill of 3.1) (2024: EUR 11.2b) leading to a EUR 33.1b (2024 EUR: 11,3) order backlog across all our segments.

This increase in order intake is primarily driven by new material contracts above EUR 1b with several Europeans partners.

2025 Revenues increased by 16% vs 2024, reaching EUR 4.4b as a result of overall ramping up increase production across all segments of the Group. Profitability also increased, with EBIT margin arising to 15%.

Net profit margin increased significantly due the impact of the RENK investment over the financial year 2025, generating a profit of EUR 0.5b as a result of the exercise of the option KNDS had to secure a strategic investment in RENK.

Our solvency ratio stands at 21%, down from 30% last year. This is the result of our strategic investments and asset management, ensuring long-term stability, ramp-up investments support and growth.

Meanwhile, our liquidity ratio decreased to 1.06 from 1.28, reflecting working capital policy initiatives with a focus on deployment of assets to support operations and strategic initiatives.

Overall operating Cash flow benefits from revenue growth, EBIT increase and signature of new contracts with material working capital positions benefits due to prepayments.

Employees development

The Group has an average combined headcount of 10,908 (2024: 10,162), across several manufacturing sites internationally, so our focus is to proactively manage the impact of our operations on the environment.

4. Risks and Risk Management

4.1 RISK MANAGEMENT FRAMEWORK

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 materialize. The operational risks are identified by the decentral Boards of Directors of both the French and German groups. At Group level the evaluation is made with regard 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.

4.2 INDEPENDENT INVESTIGATION

Background and scope

In response to a report in *Der Spiegel* in January 2026 describing allegations that Krauss-Maffei Wegmann GmbH & Co KG (the Group's German predecessor entity, later renamed to KNDS Deutschland GmbH & Co KG ("KNDS DE")), made improper payments to a Qatari company owned by a senior Qatari official and his son pursuant to a 2013 €1.89 billion procurement contract (subsequently expanded by a further €349 million) for the delivery of land defense systems to the Qatar Armed Forces ("QAF") (the "2013 QAF Contract"), subsequently followed by another article in April 2026, the Board of Directors of the Group commissioned an independent investigation conducted by the law firm Freshfields PartG mbB ("Freshfields"), together with the forensic accountants of EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft ("EY"). Freshfields and EY provided a preliminary report (the "Preliminary Report") to the Board of Directors of the Group in May 2026.

The scope of the investigation by Freshfields and EY can be summarized as follows:

- in connection with the 2013 QAF Contract, reconstructing the key events, individuals involved, and decisions taken, in order to enable a comprehensive legal assessment of the transactions under any applicable laws, as well as an evaluation of the resulting legal, financial and reputational risks for KNDS;
- to carry out a risk-based assessment of KNDS DE's compliance management system, payment processes, and third-party management processes in relevant risk areas; and
- to conduct a detailed review of individual joint venture arrangements identified as displaying characteristics broadly comparable to patterns observed in connection with the alleged potential corruption matter in Qatar.

Preliminary conclusions

The Preliminary Report identified a series of significant red flags, control deficiencies and systemic compliance shortcomings in connection with the entry into the 2013 QAF Contract in 2013, conduct during its delivery period from 2013 to 2018 and payments made subsequent to that period with respect to (i) the disbursement of approximately €59 million in commissions payable in 2013 and 2014 to a Qatari company acting as sales agent, (ii) €67.2 million in sponsorship fees mainly paid from 2014 to 2022, and (iii) €41.9 million in dividends paid from 2016 to 2025 by certain joint ventures to KNDS DE's joint venture partners , primarily with respect to:

- conflicts of interest among key third-party individuals involved in the transaction, which were not adequately identified, disclosed or approved;
- a lack of proof that the designated Qatari intermediary applied the sponsorship funds for their intended purpose, namely the support of sporting activities in Qatar;
- the progressive erosion of compliance safeguards over time, resulting in a framework that was increasingly unable to mitigate the risks inherent to the 2013 QAF Contract;
- the available documentation not consistently demonstrating the economic substance of the services rendered locally in Qatar or allowing reconciliation between invoiced amounts and actual performance; and
- control deficiencies with respect to third-party compliance reviews, which were conducted and concluded on the basis of incomplete or unverified information (including in connection with the establishment in 2024 of a joint venture in Canada).

Notwithstanding these compliance deficiencies, and based on the available evidence, the Preliminary Report concluded, on the balance of probabilities, that the available evidence did not sustain a finding that KNDS DE employees, whether past or present, engaged in criminal misconduct in relation to the 2013 QAF Contract, including in relation to the execution and performance of the related sponsorship, cooperation and joint venture agreements, nor did it find a basis to question the integrity of the individuals identified as key information providers for purposes of the audit of the 2025 Audited Financial Statements.

As of the date of the issuance of these consolidated financial statements, based on the preliminary results of the investigation, senior management has concluded that the series of significant red flags, control deficiencies and systemic compliance shortcomings did not have a material impact for the year ended 31 of December 2025 as it relates to the historical Qatar transaction as well as to more recent transactions with third parties.

Remediation measures

Senior management, under the supervision of the Board of Directors, has already started taking measures to strengthen the Group's compliance framework in order to reduce the risk of similar issues arising in the future, including, among other things, implementing stronger contractual safeguards, clearer empowerment of the Legal, Compliance, and Finance functions as effective gatekeepers, stronger third-party due diligence, clearer escalation criteria, improved documentation and proof-of-performance requirements, and enhanced second-line oversight.
Additional measures also include consequential management changes, a review of the Group's Compliance organization, a refreshed campaign promoting a culture of compliance, enhanced controls and approval requirements for payments to third parties, and a review of joint venture relationships and organizational structure.

4.3 MAIN RISKS AND UNCERTAINTIES

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. Effectively competing in highly competitive industries

Description	Causes and Impact	Mitigation
The Group may fail to effectively compete in the highly competitive industries in which the Group operates. KNDS faces the risk of failing to establish and maintain its position as a unified pan-European leader in land defense. Despite its strong market position in Europe, particularly in main battle tanks, artillery systems, and armored vehicles, the Group must navigate intense competition from global defense giants, emerging tech companies, and non-traditional entrants. Industry consolidation, regulatory interventions, and shifting customer preferences toward European (rather than Franco-German) solutions further complicate KNDS's ability to compete effectively. If the Group cannot overcome these challenges, its strategic objectives, financial performance, and market reputation could be materially impacted.	KNDS holds a unique position to capitalize on synergies between its French and German divisions, yet it must compete in a rapidly evolving defense landscape. External pressures include growing competition from big tech firms, consolidation among suppliers and competitors, and regulatory actions that may alter market dynamics. Failure to do so could result in missed acquisition opportunities, revenue losses, and reputational damage. Conversely, successful integration of Franco-German capabilities could strengthen KNDS's position as a pan-European leader, enhancing its ability to secure high-value contracts and drive growth.	To mitigate this risk, key initiatives include have been implemented: • CEO-mandated guidelines to break down silos and align priorities; • Pooling expertise in joint tender responses; • Leveraging complementary strengths and working groups and cross-border initiatives to foster a unified corporate culture. KNDS is continuing taking steps to strengthen its pan-European identity and operational cohesion seizing opportunities to expand market share while mitigating competitive threats. By executing these measures, KNDS aims to enhance its competitiveness, secure its leadership position, and deliver on its pan-European vision.

2. Ability to innovate, develop new products and technologies to meet the needs of the customers

Description	Causes and Impact	Mitigation
The Group's future success depends, in part, on its ability to innovate, develop new products and technologies to meet the needs of the Group's customers and keep pace with technological advances in the industry it operates. The Group faces a risk of failing to effectively embed and adopt innovation and new technologies in its operations and offerings. This risk stems from organizational challenges, including insufficient collaboration between its French and German divisions and a corporate culture that does not encourage a risk-taking mindset. Delayed or ineffective innovation could undermine its competitiveness, market share, and ability to meet evolving customer demands, particularly in a defense sector characterized by rapid technological advancements and intense competition.	The current context calls for innovation within the Group to avoid losing business opportunities and damaging its reputation. Delays or insufficient innovation could lead to long-term revenue losses, development cost overruns, and difficulties in attracting talent, especially younger generations.	To mitigate this risk, the Group has implemented several initiatives, including: • partnerships with universities, as well as internal training programs for employees; • Implementation of a dedicated team for emerging technology scouting has been established; • Monthly evaluation committee reviews in place to prioritizes innovative ideas. The Group also fosters exchanges with customers and industry stakeholders while leveraging external collaborations to enhance technological capabilities. These measures aim to accelerate innovation and align the Group's efforts with market trends.

3. Acquisitions and other strategic transactions

Description	Causes and Impact	Mitigation
Acquisitions and strategic transactions, while critical to the Group's growth, carry risks. The failure to integrate newly acquired operations could prevent the realization of strategic and financial objectives, potentially harming the Group's business. Expected synergies (cost and revenue benefits) may not materialize, while additional debt, hidden liabilities, or amortization expenses related to intangible assets could negatively impact performance. Additionally, potential operational and strategic misalignment between the Group's German and French entities (KNDS) could exacerbates these risks.	The Group relies on strategic partnerships and Franco-German alliances (e.g., the MGCS program) to strengthen its position. However, internal factors (lack of shared ambition, divergent interests) and external pressures could intensify these risks. Potential impacts include strategic failure, export strategy misalignment, suboptimal financial guidance, and reputational damage. Conversely, successful collaboration could position KNDS as a European leader by leveraging Franco-German complementarities.	To mitigate these risks, the Group has implemented: • structural and cultural measures. Strengthening governance and fostering a unified vision are key priorities. • Flagship projects enhance cohesion. Additionally; • Rigorous post-acquisition integration processes (comprehensive due diligence, synergy tracking) • the harmonization of financial and IT systems to help align operations. These actions aim to streamline strategies, optimize resources, and safeguard the Group's reputation.

4. Mismatch between the Group's product portfolio

Description	Causes and Impact	Mitigation
The Group's ability to achieve its growth and strategic objectives depends on its capacity to align its product portfolio with evolving customer needs, operational requirements, and market trends in the defense sector. While the Group offers a broad range of platforms, systems, and munitions, including main battle tanks, infantry fighting vehicles, and advanced ammunition, shifting strategic priorities, technological advancements, and geopolitical events can alter market demand. Additionally, may not fully align with export market demands, limiting its ability to secure international contracts.	The Group's diversified portfolio, with multiple product lines requiring self-financed R&D, complicates its ability to adapt quickly. Misalignment with market expectations could lead to financial losses, strategic setbacks, and a decline in market notoriety, as competitors with more agile and export-friendly offerings gain an advantage. Failure to anticipate or adapt our portfolio could result in misaligned product development, reduced competitiveness, and missed growth opportunities.	To mitigate this risk, the Group has implemented following measures including: • Fostering closer collaboration with customers and industry stakeholders; • leveraging external expertise (e.g., think tanks) to stay ahead of market trends. Additionally, some initiative identifies growth levers and key triggering factors to ensure strategic alignment. By enhancing agility in decision-making and R&D prioritization, the Group aims to maintain competitiveness, secure contracts, and sustain long-term growth in both domestic and export markets.

5. Limited number of specialist suppliers for critical components

Description	Causes and Impact	Mitigation
The Group faces supply chain risks due to its reliance on a limited number of specialized suppliers for critical components, including armor-grade alloys, engine systems, electronics, and explosives. Disruptions in supply chains, whether caused by operational failures, geopolitical tensions, or raw material shortages, could delay production, force costly substitutions, and jeopardize contractual obligations, ultimately impacting revenue and profitability.	The rapid obsolescence of components and long-term service commitments (spanning 30-40 years) create challenges in maintaining supply chain continuity. Failure to mitigate these risks could lead to missed delivery deadlines, financial losses, reputational damage, and a loss of market competitiveness, particularly in export markets where clients demand reliability and compliance with evolving regulations.	To mitigate these risks, the Group has implemented several strategies, including: • qualifying alternative suppliers, • double-sourcing critical components where possible, • maintaining backup stocks for high-risk parts and managing the obsolescence risks. The Group also engages in proactive discussions with clients to address obsolescence through redesign, stockpiling, or alternative sourcing. These measures aim to enhance supply chain resilience, reduce dependency on single suppliers, and ensure long-term operational continuity despite market volatility.

<table>
<tr><th colspan="3">6. Developing, producing and delivering its products in accordance with its customers' requirements</th></tr>
<tr><th>Description</th><th>Causes and Impact</th><th>Mitigation</th></tr>
<tr><td>The Group faces risks in its ability to develop, produce, and deliver defense systems that meet customers' stringent quality, cost, and lead time requirements. As a supplier of complex land defense systems to armed forces worldwide, the Group must adhere to demanding contractual specifications, performance guarantees, and penalty clauses for delays or non-compliance. Failures in any stage of the value chain, from engineering to delivery, can result in defective products, delayed shipments, or cost overruns, particularly during periods of supply chain stress or rapid production scaling. The current geopolitical and economic environment, including the war in Ukraine and rising demand for defense equipment, has intensified pressure on the Group to ramp up production while maintaining quality and timeliness.</td><td>Operational challenges, such as outdated production equipment, just-in-time manufacturing constraints, and workforce limitations, compound these risks. Delays or failures in meeting contractual obligations could lead to financial penalties, reputational damage, and loss of customer trust, particularly among key government clients like France, Germany, and NATO allies. Long-term contracts help mitigate some volatility, but systemic failures could still undermine strategic objectives and market position.</td><td>To mitigate these risks, the Group is:
modernizing production resources,
increasing automation,
and enhancing workforce versatility to improve productivity.
It has established standardized contract templates with liability limitation clauses and maintains insurance coverage.
Additionally, the Group leverages existing manufacturing expertise and long-term contracts to smooth production demands. By investing in infrastructure, digitization, and supplier diversification, the Group aims to strengthen its ability to meet customer requirements while minimizing operational disruptions and financial exposure.</td></tr>
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<table>
<tr><th colspan="3">7. The Group depends on its ability to recruit and retain qualified personnel</th></tr>
<tr><th>Description</th><th>Causes and Impact</th><th>Mitigation</th></tr>
<tr><td>The Group's ability to achieve its strategic and operational objectives depends on its capacity to attract, retain, and effectively manage qualified personnel, particularly in specialized areas such as land defense systems. The defense sector faces intense global competition for skilled talent, with a limited pool of candidates meeting the required technical expertise and security clearance requirements.</td><td>The current hiring landscape presents significant challenges, including a competitive job market, and transformation initiatives that increase workload pressure. Poor resource allocation, inadequate training, and lengthy approval processes could exacerbate recruitment and retention difficulties. These factors could lead to production delays, contract non-compliance, and reputational damage as an employer. Financial pressures may arise from increased hiring costs, temporary staffing, or lost business opportunities, while operational risks include burnout, workplace accidents, and reduced employee motivation. The Group's ability to maintain production capacity and meet customer commitments hinges on its success in managing these workforce challenges.</td><td>To mitigate these risks, the Group is implementing several initiatives

Including:
structured onboarding programs to transmit corporate culture and technical knowledge, as well as a dynamic skills management system.
Leadership is actively engaged in employer branding efforts and industry networks to enhance the Group's attractiveness. Temporary hiring of freelancers for specialized skills helps bridge gaps during peak demand. By streamlining recruitment processes and fostering a culture of continuous improvement, the Group aims to ensure workforce stability, maintain operational efficiency, and sustain its competitive position in the defense sector.</td></tr>
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8. Damage by activists or terrorists		
Description	**Causes and Impact**	**Mitigation**
As a defense sector company, the Group faces heightened security risks to its employees, facilities, and supply chain from potential attacks by activists, extremists, or terrorist groups. The nature of its business, manufacturing military equipment and handling classified information, makes it a target for sabotage, violence, or other malicious acts. While the Group maintains robust security protocols and cooperates with authorities, such threats cannot be entirely eliminated. Any successful attack could result in operational disruptions, reputational damage, legal liabilities, and increased security costs, potentially impacting the Group's ability to fulfill contractual obligations.	The security landscape has become increasingly volatile, with rising attacks on European industrial sites supporting Ukraine and growing radicalization among activists and foreign-backed actors. The Group's visibility as a defense contractor makes it a prime target for protests, sabotage, or espionage. Operational disruptions, reputational harm, and legal penalties could arise from security breaches, while psychological and physical impacts on employees may further strain the organization. The Group's ability to maintain production continuity and attract talent could be compromised if security incidents escalate.	To mitigate these risks, the Group has implemented a multi-layered security strategy, which includes: • annual employee awareness campaigns, • access control systems, • video surveillance, • and intrusion detection. Regular security exercises assess protection levels and personnel readiness, while continuous monitoring and coordination with state authorities help preempt threats. Firefighting protocols and legal protections for designated areas further enhance resilience. By maintaining vigilance, investing in technical safeguards, and fostering a culture of security awareness, the Group aims to minimize vulnerabilities and ensure business continuity despite evolving threats.

9. Environmental incidents, contamination risks, industrial and mechanical accidents, and occupational and health hazards.		
Description	**Causes and Impact**	**Mitigation**
The Group faces operational and safety risks stemming from its industrial activities, which involve hazardous materials, heavy machinery, and complex manufacturing processes. These risks include environmental incidents, workplace accidents, occupational health hazards, and mechanical failures that could result in substantial financial liabilities, regulatory penalties, and reputational damage. Incidents could lead to operational shutdowns, remediation costs, litigation, and potential harm to employees, all of which could adversely affect the Group's business performance and financial condition.	The current operational environment presents heightened risks due to increased production demands, a growing workforce with varying safety awareness, and the complexity of managing multiple configurations and sites. The potential consequences of serious accidents include business interruptions, legal sanctions, and reputational harm, which could erode stakeholder trust and hinder the Group's ability to attract and retain talent. Psychological and physical impacts on employees may also strain workforce relations and productivity.	The Group has implemented a comprehensive safety management framework, which includes: • systematic prevention plans with subcontractors, • incident analysis, • and the development of action plans shared across the Risk Prevention community. Job descriptions specify necessary protections, and safety procedures are standardized and enforced at all industrial sites. Leadership commitment to health and safety, along with a dedicated prevention network, ensures continuous monitoring and improvement of safety practices. By fostering a strong safety culture, investing in training, and maintaining rigorous compliance with regulations, the Group aims to minimize operational disruptions.

10. Technology systems and networks may be subject to intentional and unintentional disruption

Description	Causes and Impact	Mitigation
As a defense contractor, it is a prime target for sophisticated cyber threats including cyber-espionage, ransomware, and data manipulation by state-linked actors, cybercriminals, and activist groups. Past incidents have demonstrated the persistent nature of these threats, with potential consequences. Despite robust security measures, the evolving threat landscape and interconnected systems create vulnerabilities that could lead to substantial financial, reputational, and legal consequences.	The current geopolitical environment and digital transformation have intensified cyber risks, with attacks becoming more frequent and sophisticated. The Group's high visibility in the defense sector makes it an attractive target. A successful cyberattack could result in prolonged operational disruptions, loss of intellectual property, and reputational damage, undermining stakeholder trust. Regulatory non-compliance, particularly under GDPR, could lead to significant fines and outsourced IT services further expand the attack surface.	To mitigate these risks, the Group has implemented a multi-layered cybersecurity strategy, including: • a four-tier defense system (prevention, containment, detection, and recovery) • and continuous monitoring capabilities. Employee training, phishing simulations, and awareness campaigns are conducted regularly to strengthen the human firewall. These measures, combined with regular risk assessments and incident response exercises, aim to enhance resilience against evolving cyber threats.

11. Bribery & Corruption

Description	Causes and Impact	Mitigation
The Group operates in a highly regulated environment subject to stringent anti-bribery, anti-corruption, antitrust, and sanctions laws, including the U.S. Foreign Corrupt Practices Act, UK Bribery Act, and EU/UN sanctions regimes. As a defense contractor dealing with government entities and state-owned enterprises, particularly in high-risk jurisdictions, it faces significant exposure to compliance risks. Violations or perceived non-compliance could lead to severe penalties, criminal charges, contract debarment, and reputational damage, potentially undermining the Group's market position and operational capabilities. Despite robust compliance programs, the complexity of international operations and evolving regulations create inherent risks that could result in legal, financial, and strategic consequences.	The Group's business model, relying heavily on government contracts and interactions with public officials, exacerbates compliance risks, particularly when third-party agents (e.g., sales partners) act on its behalf. Financial impacts include fines, damages, and exclusion from public tenders, while reputational harm could erode stakeholder trust and partnerships.	To mitigate these risks, the Group has implemented a multi-layered compliance framework, which includes: • systematic training for employees, particularly new hires in high-risk roles, • and annual audits of anti-corruption controls with oversight from the Audit and Compliance Committee. First-level controls evaluate third-party relationships, monitor gifts/hospitality, and assess conflicts of interest, while second-level controls ensure anti-corruption accounting compliance. Policies on anti-corruption, gifts, sponsorship, and donations are reinforced through training and contractual obligations for sales intermediaries, who must adhere to the KNDS Ethics Charter. These measures aim to preemptively identify and address compliance risks, ensuring alignment with global regulatory standards and safeguarding the Group's integrity and market position. These mitigating measures are being strengthened following the preliminary conclusions of the compliance investigation case. A reference is made to section 4.2 of the Director's report for further details where specific remediation measures have been outlined.

12. Fraud		
Description	**Causes and Impact**	**Mitigation**
The Group faces risks related to the effectiveness of its internal controls, particularly in its complex international operations involving diverse legal environments, information systems, and varying levels of control maturity. While management periodically evaluates and enhances these controls, inherent limitations, such as human error, fraud, or management override, mean that risks of financial misreporting, fraud, or regulatory non-compliance persist.	The Group's ongoing organizational transformation and the complexity of its operations increase the risk of fraud and control failures. Internal collusion, external fraud, and breaches in payment controls could lead to financial losses, regulatory penalties, and reputational harm. Strategic consequences include loss of supplier relationships, delayed investments, and reduced stakeholder confidence in financial reporting. Reliance on third-party suppliers and the evolving regulatory landscape further amplify these risks, potentially threatening its financial sustainability and credibility with investors, lenders, and other stakeholders.	To mitigate these risks, the Group has implemented: • a comprehensive governance framework, • formalized signature delegations, • and a separation of duties within its ERP system. Key controls include: • monthly financial reporting to the board, • mandatory contract approvals for payments, • and a supplier referencing system to prevent fraudulent engagements. Employee awareness programs and anti-fraud insurance coverage further strengthen resilience. External audits and the "four-eyes principle" for critical financial processes ensure additional oversight. By continuously improving internal controls and fostering a culture of compliance, the Group aims to minimize financial and reputational risks while maintaining regulatory adherence. These mitigating measures are being strengthened following the preliminary conclusions of the compliance investigation case. A reference is made to section 4.2 of the Director's report for further details where specific remediation measures have been outlined.

4.4 RISK APPETITE

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:** The group is willing to take some calculated risk when establishing new programs, while mitigating the impact of the risk when they occur. When exploring new markets, sufficient effort is put in the risk assessment of the political and market risk of the market. Also, we focus on efficiency and reliability, open to moderate changes and improvements. Operational risks are managed through established procedures, with disruptions swiftly addresses, and control monitoring and reporting are key recurring activities. However, the group is adverse to any risks on IT and health and safety that could jeopardize the integrity of employees and assets. We prioritize the health and safety of our employees. We focus on mitigating risks rising from production to a minimum. Furthermore, we prioritize IT risk mitigation through significant investments in robust cybersecurity, comprehensive data management, and stringent governance, focusing on maximum security and compliance, also at the expense of higher control costs and limited innovation;
- **Financial:** the Group is tolerant to the financial risks, we are taking calculated risks to achieve our investment strategy and financing strategy based on analyses to optimize our financial performance. Calculated risks are also takin regarding cash management, credit risk and financial reporting. A risk assessment for all activities shows whether we stay within risk appetite;
- **Legal and Compliance:** the Group is adverse to the risk of non-compliance with applicable internal and external laws and regulations. Code of conduct, intellectual property rights protection and employee behavior are strict and well-documented. Audits are performed frequently. KNDS implements mandatory compliance training for all employees. 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.

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.

4.5 MEASURES TO MANAGE RISKS

The most significant risks and risk reduction measures taken

The Group analyses and controls its risks by dividing them into categories (strategic, operational, financial, legal and compliance). 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 the risk analysis and the control measures. Some prevention and protection actions 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 or the gravity in case of the risk occurs.

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).

Potential claims

In connection with proceedings and claims, our management evaluates, based on the relevant facts and legal principles, the likelihood of an unfavorable 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.

Conclusion on risk assessment

The ongoing compliance investigation revealed certain key findings in terms of significant red flags, control deficiencies and systemic compliance shortcomings on which senior management, under the supervision of the Board of Directors has initiated mitigation measures to strengthen its internal control system (A reference to section 4.2 of the Directors' report is made for further details). Considering the mitigating measures currently being put in place to address the recent findings of the ongoing compliance investigation, which mainly relates to an historical case, the Board of Directors can confirm that it continues to rely 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 2025. In addition, 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.

4.6 IMPROVEMENTS TO RISK MANAGEMENT

Based on the current findings of the ongoing compliance investigation, senior management, under the supervision of the Board of Directors, has started the implementation of several improvement measures related to the compliance management system. A reference is made to section 4.2 Compliance investigation for further details.

Additionally, an implementation of a common Enterprise Risk Management process within the group with consolidation at group level is in progress. A Head of ERM has been nominated for the group, reporting to the CFO.

5. Financial Instruments – Risk Management Policy

5.1 OBJECTIVES AND POLICY

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 material 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 financial 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.

5.2 KEY FINANCIAL 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.

Interest Rate Risk

The Company does not have any foreign currency interest-bearing loans. For loans and borrowings subject to potential significant interest rate risk, the Company enters in agreements to hedge the 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 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 analyzed 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 and cash-flow risks

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.

The cash-flow risk is related to the Group's ability to rely on predictable future cash-flow. Due to its structural significant operating cash-flow and strong cash positions, the cash-flow risk is deemed limited.

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.

5.3 ADDITIONAL RISKS FROM INSTRUMENTS

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 2025, forward exchange contracts in place representing closed hedging positions (micro hedge).

6. Codes 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 of KNDS N.V at https://knds.com/en/about-us/compliance.

7. Funding

Funding is primarily secured through internally generated resources, due to the Company profitable working-capital-driven business model and robust operating cash flows. This self-funded approach has enabled disciplined growth while maintaining a strong balance sheet and financial independence. As a consequence of the Ramp-up the Company's funding needs are expected to rise accordingly. Management will continue to ensure that financing remains aligned with operational requirements, through its budgeting and planning procedures, evaluating both internal and external funding sources where appropriate, while safeguarding the Company's long-standing commitment to prudent financial management.

8. Research and Development

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

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

During the financial year 2025 the Group invested EUR 87 million (2024: EUR 88 million) in R&D projects which corresponds to 2.0% (2024: 2.3 %) 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.

9. Future Outlook

The Company continues to operate across all major channels and is focusing on supporting its operation to support demand growth (or "Ramp Up"), and execute a growth sales plan. Consequently, the Company has identified and is pursuing significant growth opportunities within the different product channels.

Additionally, the Company intends to list in Paris and Frankfurt in 2026 to support its long-term growth strategy, subject to market conditions.

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 2026.

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 33.1 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 global geopolitical tensions.

KNDS N.V. is continuously monitoring the current situation and near future, including the potential impact on the raw materials availability, the rise 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.

10. Corporate Social Responsibility (CSR) & Non-Financial Performance

In 2025, KNDS continued its preparation for the CSRD reporting framework. Its non-financial reporting roadmap was adapted to maintain compliance with EU and Dutch ESG reporting requirements, integrating the OMNIBUS "Stop the Clock" Directive. For KNDS, this implies that the first full CSRD report is expected:

On 2026 data if KNDS is listed;
On 2027 data if KNDS is not listed.
In 2025, KNDS updated its Double Materiality Assessment (DMA). The DMA was reviewed and approved by the CEO of KNDS Group, the CEOs of KNDS Deutschland and KNDS France and the Board. The DMA was also preliminary reviewed by the KNDS auditor.

Based on insights to date, this updated DMA establishes the list of ESG material topics for KNDS and that we continue to assess:

- E1 - Climate change
  - Climate change mitigation
  - Climate change adaptation
  - Energy
- S1 - Own Workforce
  - Working conditions
  - Diversity and equal treatment
- S2 - Workers in the value chain
  - Working conditions
  - Other labor-related human rights
  - S4 - Consumers and End-users
  - Personal safety of end-users
- G1 - Business Conduct
  - Corporate Culture, including anti-corruption and bribery and the protection of whistle-blowers
  - Management of relationships with suppliers, including payment practices.

The work carried out jointly by the ESG and ERM team confirms that the KNDS DMA and the risk matrix are aligned.

In 2025, KNDS carried out a CSRD dry-run covering all ESRS standards related to the material topics identified in its initial 2023 DMA.

In 2026, KNDS intends to perform a consolidated sustainability statement dry-run, based on 2025 ESG data and aligned with the final reviewed DMA list. This exercise will allow KNDs to assess (i) its ability to meet expected ESRS standards requirements and (ii) its readiness to produce a complete CSRD-compliant issued in 2027 with limited assurance, based on 2026 performance.

In 2026, KNDS also intends to define its ESG governance, ambition and targets, with these elements to be approved by the Executive Committee and the Board across 2026.

To deliver this roadmap, KNDS has engaged external parties at Group-level (i) to support the development of the DMA (ii) to strengthen the ESG data-collection and consolidation processes and (iii) to review the updated DMA and an initial set of CSRD metrics for which a dry-run has already been performed.

KNDS' roadmap for establishing a consolidated non-financial reporting framework, aligned with European regulatory requirements, is supported at the highest level of the Company, by both senior management and the Board of Directors.

To assess the Group's exposure to climate change, a climate resilience study has been initiated in 2025 to identify the most critical sites and determine the measures required to prevent future supply chain or operational disruptions.

The Group is committed to minimizing the environmental impact of our operations, whilst innovating to strive to minimize 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, minimizing 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 recognize 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 again key safety indicators, but also improvements in behavioral 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 2026

Although KNDS is not yet required to publish a full ESG report in 2025 due to the OMNIBUS "Stop the clock" Directive, we are proactively preparing a comprehensive test report aligned with CSRD and ESRS requirements for 2026. This preparatory report will ensure that KNDS will be fully ready to issue its first complete CSRD-compliant report in 2027.

11. Result Appropriation and Closing

11.1 APPROPRIATION OF RESULT

Financial Statements 2025

The financial statements of the Group for the year 2025, 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 2025 financial statements.

11.2 SUBSEQUENT EVENTS

As of the date of this report, the Board of Directors confirms that there have been no other subsequent events than the ones disclosed in Note 34 of the 2025 consolidated financial statements. Management will continue to monitor any future developments.

11.3 MANAGEMENT BOARD

Board of Directors Meetings

In 2025, the Board of Directors met for 7 meetings (2024: 5).

The Board committees (Audit and Compliance Committee, Strategy Committee and Remuneration Committee) also convened regularly and all of the committees regularly reported back and advised 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 2025 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;
- 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 , Financing activities and strategic investments;
- Discussing the Safety and Compliance situation and the overall ESG roadmap of the Group;
- Pursuing the option of a potential listing for the Group.

Changes of the Board of Directors

- Mr. Jean-Paul Alary was appointed as per 1 April 2025 as Executive Director / CEO;
- Dr Wolfgang Buechele resigned as per 31 May 2025 from his Chairman position of the Board;
- Mr. Frank Werner acted as Chairman of the Board from 1 June 2025 to 6 October 2025;
- Mr. Tom Enders was appointed as Non-Executive Director and new Chairman as per 7 October 2025;
- Mr. Alexandre Lahousse resigned as per 20 October 2025;
- Mr. Benoit Laroche de Roussane was appointed as per 13 November 2025 as Non-Executive Director;
- Mr. Frank Werner resigned as per 31 December 2025;
- Mr. Christian Schutlz was appointed as per 1 January 2026 as Non-Executive Director.

Amsterdam, 23 May 2026

The Board of Directors:

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Mr. J.P. Alary (CEO)

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Mr. T. Enders (Chairman)

____________________________	____________________________
Mr. F.P. Bode	Mr. A.F.M. Bouvier
____________________________	____________________________
Dr. J.H. Cammann	Mr. B.J.D.M. Laroche de Roussane
____________________________	____________________________
Mrs. I. Jaegering	Mr. P.J.M. Jeannin
____________________________	____________________________
Mr. C. Schulz	Mr. P.B. Petitcolin

2025
CONSOLIDATED
FINANCIAL
STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(EUR 1,000)	Notes	2025	2024*
Revenues	6	4,403,661	3,799,516
Cost of sales of goods and services*	7	(3,345,380)	(2,911,702)
Gross profit		**1,058,281**	**887,814**
Selling expenses*	7	(126,636)	(135,744)
Research and development expenses*	7	(86,532)	(88,350)
Administrative expenses*	7	(201,989)	(169,878)
Share of profit from investments accounted for under the equity method	8	14,066	5,041
Other income	8	3,892	2,230
Other expenses*	8	(3,307)	(2,662)
Other income from financial investments	8	2,800	2,000
Profit before finance results and income tax		**660,575**	**500,451**
Interest income	9	28,372	30,927
Interest expenses	9	(47,039)	(28,221)
Other financial result	9	478,110	53,212
Total financial result		**459,442**	**55,918**
Group result before income tax		**1,120,017**	**556,370**
Income tax expense	10	(123,824)	(144,514)
Net group result for the period		**996,194**	**411,856**
Net group result for the period attributable to:			
Owners of the Company		996,116	411,074
Non-controlling interest		78	781
Basic earnings per share attributable to owners of the Company	11	**3.22**	**1.29**
Diluted earnings per share attributable to owners of the Company	11	**3.22**	**1.29**

* Reference is made to 2.5 changes in presentation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	Note	2025	2024
Net group result for the period		996,194	411,856
Other comprehensive income/(expense) net of taxes			
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity investments at fair value through other comprehensive income	*27*	84,055	21,256
Revaluation of land and buildings		-	-
Actual gains/(losses) on defined benefit plans	*23*	6,853	1,434
		90,908	**22,690**
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	*27*	(3,928)	3,089
Net fair value result on hedging instruments entered into cash flow hedges	*27*	1,211	(754)
		(2,717)	**2,335**
Other comprehensive income/(expense) net of taxes for the period		**88,192**	**25,025**
Total comprehensive income for the period		**1,084,385**	**436,881**
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		1,084,307	436,100
Non-Controlling interests		78	781

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1,000)		31 December 2025	31 December 2024*
Assets	*Note*		
Intangible Assets	*12*	136,248	131,845
Property, plant and equipment and Right of Use	*13,29*	878,856	747,902
Investments accounted for under the equity method	*14*	39,828	32,261
Deferred tax assets	*10*	228,857	140,973
Financial investments	*15*	853,712	120,999
Other non-current assets	*16*	17,604	62,125
Total non-current assets		**2,155,106**	**1,236,105**
Inventories	*17*	3,250,858	2,209,727
Contract assets	*6*	435,751	325,552
Advance and down payments to suppliers	*18*	927,416	450,268
Trade and other receivables	*19*	1,171,807	1,032,077
Current tax assets	*10*	26,508	10,245
Other assets	*20*	127,348	73,567
Cash and cash equivalents	*21*	2,308,057	2,313,286
Total current assets		**8,247,744**	**6,414,722**
Total assets		**10,402,851**	**7,650,827**
Equity and liabilities			
Share Capital	*22*	300,000	300,000
Share Premium	*22*	581,257	583,461
Retained earnings		1,238,438	1,390,612
Other reserves	*22*	124,762	39,825
Total equity attributable to owners of the Company		**2,244,457**	**2,313,899**
Non-controlling / minority interests	*22*	1,025	1,094
Total equity		**2,245,482**	**2,314,994**
Provision for employee benefits	*23*	68,801	77,035
Provisions	*24*	58,020	58,548
Loans and borrowings	*25*	133,427	148
Other non-current liabilities and accrued costs	*26*	98,427	98,319
Deferred tax liabilities	*10*	29,484	20,484
Total non-current liabilities		**388,158**	**254,534**
Trade creditors*	*27*	723,750	569,344
Contract liabilities*	*6*	5,880,246	3,583,332
Provision for employee benefits	*23*	9,300	8,193
Provisions	*24*	600,569	512,488
Loans and borrowings	*25*	100,168	29,346
Other current liabilities and accrued costs	*26*	371,000	328,715
Current tax liabilities	*10*	84,176	49,882
Total current liabilities		**7,769,210**	**5,081,299**
Total liabilities		**8,157,369**	**5,335,833**
Total equity and liabilities		**10,402,851**	**7,650,827**

* Reference is made to 2.5 changes in presentation

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity (EUR 1,000)	Share capital	Share Premium	*Special Reserve*	*Accumulated other comprehensive income/(expense)*	Other reserves	Retained earnings	Total equity attributable to owners of the Company	Non-controlling Interest	Total Equity
(before profit appropriation)									
Balance as at 31 December 2023 / 1 January 2024	**300,000**	**585,333**	**-**	***22,929***	**22,929**	***1,111,521***	**2,019,784**	**313**	**2,020,097**
Profit for the year	-	-	-	-	**-**	411,074	**411,074**	781	**411,856**
Other comprehensive income (loss)	-	-	-	25,025	**25,025**	-	**25,025**	-	**25,025**
Total comprehensive income for the year	**-**	**-**	**-**	**25,025**	**25,025**	**411,074**	**436,100**	**781**	**436,881**
Reallocation to Special Reserve of Materialized Special Benefits	-	-	11,095	-	**11,095**	(11,095)	**-**	-	**-**
Distribution of Materialized Special Benefits	-	(1,872)	(11,095)	-	**(11,095)**	-	**(12,967)**	-	**(12,967)**
Dividends Declared	-	-	-	-	**-**	(129,778)	**(129,778)**	-	**(129,778)**
Other changes*	-	-	-	(8,129)	**(8,129)**	8,889	**760**	-	**760**
Balance as at 31 December 2024 / 1 January 2025	**300,000**	**583,461**	**-**	**39,825**	**39,825**	**1,390,612**	**2,313,899**	**1,094**	**2,314,994**
Profit for the year	-	-	-	-	**-**	996,116	**996,116**	78	**996,194**
Other comprehensive income (loss)	-	-	-	88,192	**88,192**	-	**88,192**	-	**88,192**
Total comprehensive income for the year	**-**	**-**	**-**	**88,192**	**88,192**	**996,116**	**1,084,308**	**78**	**1,084,385**
Reallocation to Special Reserve of Materialized Special Benefits	-	-	22,133	-	**22,133**	(22,133)	**-**	-	**-**
Distribution of Materialized Special Benefits	-	(2,204)	(22,133)	-	**(22,133)**	-	**(24,337)**	-	**(24,337)**
Dividends Declared	-	-	-	-	**-**	(1,129,364)	**(1,129,364)**	-	**(1,129,364)**
Other changes	-	-	-	(3,255)	**(3,255)**	3,205	**(50)**	(147)	**(197)**
Balance as at 31 December 2025	**300,000**	**581,257**	**-**	**124,762**	**124,762**	**1,238,438**	**2,244,457**	**1,025**	**2,245,482**

* Reference is made to 2.5 changes in presentation

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1,000)		31 December 2025	31 December 2024*
Cash flows from operating activities	*Note*		
Net group result		**996,194**	**411,856**
Adjustments for:			
Depreciation and amortization of non-current assets	*12,13*	95,478	80,092
Increase/(Decrease) in provisions	*24*	98,240	60,591
Income tax expense recognized in profit and loss	*10*	123,800	144,514
Others		(3,455)	4,139
Finance costs (Profit) recognized in profit or loss	*9*	(459,672)	(40,444)
Share in income of equity-accounted investees, net of tax	*14*	(14,066)	(5,041)
		836,518	**655,707**
(Increase)/Decrease in inventories	*17*	(1,041,131)	(612,120)
(Increase)/Decrease in Contract Assets	*6*	(110,198)	43,564
(Increase)/Decrease in trade and other receivables	*19*	(150,108)	(214,693)
(Increase)/Decrease in advance and down payments to suppliers	*18*	(476,390)	(147,581)
Increase/(Decrease) in amounts due contract liabilities*	*27*	2,271,636	1,320,034
Increase/(Decrease) in trade and other payables*	*27*	146,418	41,144
Increase/(Decrease) in other current liabilities		(1,383)	8,459
Cash generated from operating activities*		**1,475,363**	**1,094,515**
Income taxes paid	*10*	(184,759)	(169,688)
Interest paid		(5,173)	(6,101)
Net cash generated from / (used in) operating activities*		**1,285,431**	**918,725**
Cash flows from investing activities			
Proceeds from disposals of assets	*13*	11,838	3,335
Investments in non-current assets*	*13*	(181,330)	(126,183)
Investment in Financial investments*	*15*	(189,503)	(100,000)
Received dividends		10,516	4,965
Interest received*	*15*	43,787	62,920
Disposals/(Addition) of subsidiaries and or affiliates		(1,211)	552
Net cash used in investing activities		**(305,903)**	**(154,411)**
Cash flows from financing activities			
Distributions to shareholders	*22*	(1,153,850)	(142,745)
Proceeds from loans and borrowings	*25*	205,078	4,004
Repayment of loans and borrowings	*25*	(92)	9,914
Payment of principal portion of lease liabilities	*29*	(26,878)	(20,101)
Interest paid*		(5,631)	(4,128)
Net cash used in financing activities*		**(981,373)**	**(153,056)**
Effects of exchange rate changes on cash held in foreign currencies		(3,384)	2,697
Net increase / (decrease) in cash and cash equivalents		**(5,229)**	**613,956**
Cash and cash equivalents at 1st January	*21*	2,313,286	1,699,331
Cash and cash equivalents at 31 December	*21*	**2,308,057**	**2,313,286**

* Reference is made to 2.5 changes in presentation

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

1 General information

KNDS N.V. ("KNDS" or the "Company") is a public limited liability company incorporated and registered under Dutch law, with its head office at Gustav Mahlerlaan 1017, Amsterdam, the Netherlands and was established and incorporated on 2 October 2015. The Company is registered in the Dutch commercial register under number 64277925. The consolidated financial statements of KNDS N.V. and its subsidiaries (collectively the "Group") for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the directors on 23 May 2026.

The Company has 100% shareholdings in two sub-groups, KNDS Deutschland (Munich, Germany) and KNDS France (Versailles, France), that are principally active in the development, production, delivery and maintenance, and technical support of land defense systems and related services. It is noted that the French State holds 1 share in KNDS France Systems S.A., a so-called "Golden Share". The share has economic rights to participate in distributions in the same manner as the ordinary A and B shares (in addition to its entitlement to the Special Reserve).

The principal activities of the Group and the nature of the Group's operations are described further in the revenue recognition paragraph.

2 Basis of preparation, new Accounting Standards and policies and material accounting policies

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2025 have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, except when stated otherwise. The reporting year corresponds with the calendar year. The presentation and functional currency of these consolidated financial statements is Euro ("EUR" or "€").

2.2 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 and have not identified any events or conditions that may cast significant doubt on the ability to continue as a going concern. The assessment was based on several factors, including approved budget and plan reflecting current and future performance, historical financial results including revenue and margin trends as well as working capital requirements. Furthermore, we have performed sensitivity analyses assessing the impact of reasonably adverse scenarios on liquidity and covenant compliance. In addition, we have assessed the macroeconomic environment influencing our industry.

2.3 CHANGES IN MATERIAL ACCOUNTING POLICIES

During 2025, the accounting policies applied in preparation of the 2025 year-end Consolidated Financial Statements are the same as applied for the previous year. Amendments, improvements to and interpretations of standards effective from 1 January 2025 have no material impact on the Consolidated Financial Statements.

The following amendment applies for the first time in 2025, but does not have an impact on the consolidated financial statements of the Group:

Lack of exchangeability - Amendments to IAS 21

The amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT ADOPTED BY THE GROUP

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

The Group assesses for the potential impact of any changes to the IFRS Accounting Standards and interpretations thereof not yet in force or not yet applicable. The following new and amended standards for which application is mandatory are not expected to have a significant impact, excluding IFRS 18, on the Group’s consolidated financial statements. Standards, amendments and improvements that have been issued but are not yet effective and where early adoption is not planned by the Group include the following:

Standards and related amendments	Effective date for annual reporting periods beginning on or after
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	1 January 2026
Contracts Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	1 January 2027

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. Early adoption is not planned by the Group.

2.5 CHANGES IN PRESENTATION

During the year ended 31 December 2025, the Group made certain changes to the presentation of its consolidated financial statements to enhance clarity and consistency with industry practice.

In the statement of profit or loss

The line item previously titled "Share in income of equity-accounted associates, net of tax" has been renamed "Share of profit from investments accounted for under the equity method". This change in wording was made to align with the terminology used in IFRS 12 Disclosures of Interests in Other Entities and does not represent a change in accounting policy or measurement.

The line item "Other income and expenses" has been split into two separate lines, "Other income" and "Other expenses", to provide more transparent information about the nature of income and costs not directly related to operating activities. Comparative figures have been reclassified accordingly to ensure consistency with the current year's presentation.

In the statement of financial position

The line item "Equity Accounted associates" has been renamed Investments accounted for under the equity method under IAS 28 terminology;

The line item "Financial Investments" has been separated from the non-current asset line item, previously included in it.

The line item "Equity" has been further detailed into "Share Capital", "Share premium", "Retained Earnings" and "Other reserves".

In the statement of changes in Equity

The column item “unappropriated result” has been merged with the Retained earning column still showing the amount of result allocated to retained earnings in the Profit/ (loss) for the period;

The column item “Total other reserves” has been renamed to “Other reserves”;

The line item “allocation of materialized special benefits” has been allocated to the line “Distribution of materialized special benefits”;

The line items related to Other Comprehensive Income have been merged into a line “other comprehensive income / (loss)” and the breakdown of OCI has been disclosed in the statement of OCI;

The line items “Other changes” has been added and relates to reconciliation items between balances in the statement of financial position and statement of changes in Equity.

In the statement of Cash flows

The line item “Payment for the redemption of lease liabilities” has been renamed “Payment of principal portion of lease liabilities”;

The line item “Investment in non-current assets” has been divided into “Investment in financial investments” and “Investment in non-current assets”.

Interest received presentation

During the reporting period, management has implemented a reclassification of “interest received” classified in the line item “interest paid” in the financing activities category. These balances relate to interests received from Cash & Cash Equivalent short term investments on which the Company had made the policy choice to disclose them as an Investing activity. 2024 balances and underlying subtotal were adjusted according for an amount of EUR 34 million.

Refund liability presentation

During the reporting period, management has implemented a reclassification of certain refund liabilities balances previously presented as contract liabilities to align to the current year presentation. These balances relate to amounts received from customers for deliveries or services where the Group expects to refund a portion of the consideration. Such refunds may arise from contract penalties due to late delivery or from adjustments to contract prices following government price audits.

In 2024, these amounts were presented as contract liabilities. Management concluded that in accordance with IFRS 15, where an entity expects to refund part of the consideration received, a financial liability (refund liability) should be recognized. These balances do not represent a performance obligation and therefore do not meet the definition of contract liabilities.

Accordingly, the Group has reclassified these balances from contract liabilities to other liabilities in the statement of financial position, with the comparative information re-presented in accordance with IAS 8 as per below:

	2024 As previously reported	Reclassification	2024 As currently reported
Refund Liability			
Consolidated statement of financial position as at 31 December 2024			
Contract liabilities	3.660.322	-76.990	3.583.332
Trade creditors	492.354	76.990	569.344
Consolidated statement of Cashflow position as at 31 December 2024			
Increase/(Decrease) in amounts due contract liabilities	1.342.375	-22.341	1.320.034
Increase/(Decrease) in trade and other payables	18.803	22.341	41.144

Profit sharing presentation

The Company is subject to mandatory and voluntary profit sharing scheme in France (respectively "Participation" and "Intéressement" schemes).

During the reporting period, management has implemented a reclassification of the presentation of these profit sharing schemes in its statement of profit and loss to align to the current year presentation. A reference is made to also to 7 Operating cost by nature. Note Profit sharing amounts were historically accounted as a "other operating expenses". Considering that in substance, profit sharing to employees are recurring employee benefit expenses, the group decided to re-allocate the amount of profit sharing to the different function of the statement of profit and loss to which they pertain.

Accordingly, the Group has reclassified these balances from "other operating expenses" to "cost of goods and services", "selling expenses", "Research and development expenses" and "Administrative expenses", in the statement of profit and loss, with the comparative information re-presented in accordance with IAS 8 as per below:

	2024 As previously reported	Reclassification	2024 As currently reported
Profit Sharing reclassification			
2024 Consolidated statement of profit & loss			
Revenues	3.799.516		3.799.516
Cost of sales of goods and services	-2.892.914	-18.788	-2.911.702
Gross profit	**906.602**	**-18.788**	**887.814**
Selling expenses	-134.834	-910	-135.744
Research and development expenses	-85.824	-2.526	-88.350
Administrative expenses	-168.432	-1.446	-169.878
Share of profit from investments accounted for under the equity method	5.041		5.041
Other income	2.230		2.230
Other expenses	-26.332	23.670	-2.662
Other income from financial investments	2.000		2.000
Profit before finance results and income tax	**500.451**	**0**	**500.451**

The accompanying notes such as Cost by nature have been adjusted accordingly.

No other changes were made to the face of the financial statements. These changes in presentation have no impact on the Group's total assets, liabilities, equity, profit or loss, or cash flows for any period presented.

Two voluntary disclosures have been added in the 2025 consolidated financial statements of the group:

- The presentation of segment information in accordance with IFRS 8 Operating Segments;
- The presentation of earning per share in accordance with IAS 33 Earning per Share.

3 Summary of material accounting policies

The Company describes the accounting policies applied and avoids repeating the text of the standard, unless this is considered relevant to the understanding of the content applicable to the Group.

3.1 BASIS FOR CONSOLIDATION

The consolidated financial statements include the financial statements of KNDS, its subsidiaries and the Group's interests in associates and joint ventures.

Subsidiaries are all companies to which KNDS has power over the relevant activities of the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The principal subsidiaries are listed in note 28.

3.2 BUSINESS COMBINATIONS AND GOODWILL

Acquisitions qualifying as business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and recognized in profit or loss.

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. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

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 recognized immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.3 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. 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. Significant influence is presumed to exist when the Group holds 20% to 50% of the outstanding shares and related voting rights of the investee.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investment in its associates and joint ventures are accounted for using the equity method.

The aggregate of the Group’s share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

Under the equity method, the investment in an associate or a joint venture is recognized initially at cost and adjusted to recognize the Group's share of the net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. Such amounts are presented separately between items that will not be reclassified subsequently to profit or loss and items that will be reclassified to profit or loss when specific conditions are met. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries 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 recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within 'Share of profit from investments accounted for under the equity method' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

3.4 FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3.5 CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is drawn up using the indirect method. 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 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 flow from interest expenses can be recognized either in operating or financing activities depending on the underlying nature of the interests. Interests derived from operating cash management activities are recognized as an operating activities when interests derived from external long term funding are recognized in the financing activities.

Other cash flows from financing activities comprise dividends paid and interest paid on debt instruments.

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

3.6 REVENUE RECOGNITION

Revenue is recognized when the Group transfers control of the promised goods or services to the customer. The Group measures revenue, for the consideration to which the Company is expected to be entitled in exchange for transferring promised goods or services. Variable considerations are included in the transaction price when it is highly probable that there will be no significant reversal of the revenue in the future. The Company identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations. Advances and pre-delivery payments (contract liabilities) are received in the normal course of business and are intended to protect the Company from the customer failing to complete its contractual obligations.

When control of produced goods or rendered services is transferred over time to the customer, revenue is recognized over time, i.e. under the percentage of completion method ("PoC" method). Please refer further to details in significant judgements and estimates. The Group transfers control over time when it produces:

- a good with no alternative use and the Company has an irrevocable right to payment (including a reasonable margin) for the work completed to date, in the event of contract termination at the convenience of customers;
- or it creates a good which is controlled by the customer as the good is created or enhanced;
- or the customer simultaneously receives and consumes the benefits provided by the Group.

For the application of the overtime method (PoC method), the measurement of progress towards complete satisfaction of a performance obligation is based on inputs (i.e. cost incurred).

The revenues in respect to Systems (Systems, Spare Parts sales included in After Sales) and Ammunition are primarily recognized at point in time as usually the systems produced have an alternative use and the remaining criteria are not met either.

In certain instances, performance obligations can be also satisfied over time. This is generally the case for the development of specific systems for a particular customer and maintenance.

Payment terms are contractually agreed upon and vary by client and market situation. Generally, customer payments are received in advance, resulting in the recognition of a contract liability.

For prepayments, the existence and significance of a financing component is assessed at contract level and reassessed annually. KNDS makes use of the option 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 an interest expense until performance occurs.

For point-in-time contracts, invoices are usually issued once the performance obligations are fulfilled meaning products have been delivered and accepted by the customer.

Regarding over-time contracts invoices are usually issued when agreed milestones are met , correlated to the overall progress of the contract.

The Group may be subject to contractual penalties that are included in the variable consideration over the transaction price. Revenue is only recognized to the extent that it is not highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

Contract assets and contract liabilities

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

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

Contract liability – prepayment from customers

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

Contract asset – rights to consideration for work performed

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

Contract assets are assessed for impairment applying the methods applicable as described under financial assets above.

Refund liability

In certain instances, KNDS can be liable to refund certain amounts to customers. Such refunds may arise from contract penalties due to late delivery or from adjustments to contract prices and are recorded as a financial liability.

3.7 LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings 3 to 10 years

Motor vehicles, lift trucks and other equipment 3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease. If the implicit rate cannot be readily determined the Group uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3.8 FINANCE INCOME AND FINANCE COSTS

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Borrowing and related interest expenses are recognized in profit or loss and expensed as incurred.

Foreign currency gains and losses are recognized on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.9 TAXES

Income tax

Taxation is calculated on the basis of the result before taxation for the reporting period, taking into account the applicable tax amounts 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 statement of profit or loss 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.

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 recognized 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 recognized 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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.

Pillar Two

KNDS has determined that the global minimum top-up tax, which is required to be paid under Pillar Two legislation, is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax and accounts for Pillar Two taxes as a current tax when it is incurred.

3.10 INTANGIBLE FIXED ASSETS

Software, patents and other rights

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

Research and development

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized 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 recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

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 recognized in profit or loss.

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

- Software, patents and other rights: 5-10 years;
- Other intangible assets: 5-10 years;
- The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Goodwill is considered to have an indefinite useful life and is therefore not amortized. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment testing is performed at the cash-generating unit (CGU) level to which the goodwill is allocated.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3.11 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 incurred on property, plant and equipment under construction is capitalized within property, plant and equipment based on the nature of the underlying asset. 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 recognized in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized 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 recognized in profit or loss. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Land and Assets under construction are not depreciated.

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

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

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

3.12 INVENTORIES

Inventories, which mainly consist of auxiliary materials and spare parts, work in production and intermediate and finished product, are measured at the lower of cost and net realizable value. The cost of materials and goods are valued at their purchase cost using the weighted average cost method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured finished products and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are valued at amortized cost. The carrying amount of cash and cash equivalents approximates their fair value due to the short-term nature of these instruments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

3.14 EMPLOYEE BENEFITS

The Group offers several benefits to employees, these comprise short term benefits and long term benefits (pension). The plans are regarded as either defined benefit plans or defined contribution plans depending on whether the Group has a 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.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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

For defined contribution pension plans, the Group recognizes contributions as an expense in the statement of profit or loss when the related service is provided. Any repaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. The Group has no further obligations beyond these contributions.

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 within other comprehensive income or expense. 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 statement of profit or loss.

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 recognized 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 recognized in profit or loss.

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

3.15 PROVISIONS & CONTINGENT LIABILITIES

Provisions are recognized when the Group has a present obligation (legal or constructive) 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. 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.

Provisions can relate to:

- Warranties;
- Contract risks;
- Environmental risks;
- Other provisions relating to employee contract litigation and other miscellaneous items.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or present obligations that are not recognised because an outflow of economic benefits is not probable or the amount cannot be measured reliably.

Contingent liabilities are not recognised in the statement of financial position. The Group discloses in the notes unless the possibility of an outflow of resources embodying economic benefits is considered remote. The disclosures include a description of the nature of the contingent liability and, where practicable, an estimate of its financial effect, uncertainties relating to the amount or timing of any outflow, and the possibility of any reimbursement.

3.16 FINANCIAL INSTRUMENTS

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Debt securities recognized as current financial assets such as government bonds are classified at amortized cost as they comply with the SPPI test, and are held to maturity to collect contractual cash flows.

Marketable securities classified at fair value through profit or loss are recognized initially at fair value, with transaction costs expensed as incurred.

For financial instruments measured at fair value through profit or loss, the day one fair-value gain or loss is recognized in other financial results on the statement of profit or loss.

Call option contracts recognized as derivatives are measured at fair value through profit or loss.

Subsequent measurement

Financial assets at amortized cost

Trade receivable & other receivables of the group are measures at amortized costs

Debt instruments qualifying as financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value

Financial investments are measured at FVOCI at each reporting date.

Marketable securities and call option contracts are measured at FVPL at each reporting date. Changes in fair value, including realized and unrealized gains and losses, are recognized in profit or loss in the period in which they arise.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

The rights to receive cash flows from the asset have expired; or

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, material financial liabilities are only Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognized in the statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.17 IMPAIRMENT OF NON-FINANCIAL ASSETS (PROPERTY, PLANT, AND EQUIPMENT, INTANGIBLE ASSETS, AND RIGHT-OF-USE ASSETS)

The Group assesses whether there is an indication that an asset may be impaired at each reporting date. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on the most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group assesses where climate and environmental risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase manufacturing costs. These risks in relation to climate and environmental related matters are included as key assumptions where they materially impact the measure of recoverable amount. These assumptions have been included in the cash-flow forecasts in assessing value-in-use amounts.

3.18 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability; or

In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Group measures derivatives at fair value at each balance sheet date.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in note 27.

Significant accounting judgements, estimates and assumptions

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 recognized prospectively.

The most critical accounting policies involve a higher degree of judgment and complexity in applying these principles and therefore changes in the assumptions and estimates could result in significantly different results than those recorded in the financial statements. The following are the critical accounting policies:

Revenues from contracts with customers

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

Timing of satisfying performance obligations for over time contracts;

The cost estimation of long-term contracts.

For the determination of the progress of the performance obligations on over time contracts, significant estimates include total contract costs, remaining costs to completion, total contract revenue and contract risks supported by management assessment.

Regarding long-term projects, the company's core activities include contracting and construction engineering services entailing certain specific estimate 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 can be liable to, additional work, penalties and claim situations linked to regulatory constraints.

The Company relies for those estimates on the experience and professional knowledge of key-management to accurately determine and monitor them.

Income taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimates are required in determining the groupwide for income taxes positions. The Group recognizes its income taxes positions based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Estimates are also required to determine the impact of the Pillar Two legislation as the Pillar Two income taxes are closely linked to the provision of income taxes and the final outcome of tax audits for which an uncertain tax position is recognized.

Provisions and contingencies

Provisions are to be recognized if there is an expected outflow of resources and if the cost of these outflows can be estimated reliably. Accordingly, management exercises considerable judgment in determining whether it is more likely than not that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that there will be an outflow of resources and whether the amount of the obligation can be reliably estimated. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments related to the matter. Revisions to estimates may significantly impact future profit or loss. Upon resolution, the Group may incur charges in excess of the recorded provisions for such matters.

Related to contingencies, management applies significant judgment, including assessing the probability of an outflow and it’s potential magnitude and timing based on available information, management experience and when necessary external advisors.

Impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash-Flow model. The cash flows are derived from the four-year business plan. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 12.

Defined benefit obligations

The Company accounts for pension and other post-retirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other estimate assumptions such as discount rates, mortality tables or actuary rates in order to anticipate future events. The estimation embedded actuarial assumptions may differ materially from actual developments mainly due to changing market and economic conditions and therefore result in a significant change in post-retirement employee benefit obligations and the related future expenses

Financial claims that the company has pending against third parties are generally not capitalized unless it is highly probable that the amount in question will be paid.

4 Alternative Performance Measurements (APMs)

A reference is made to the section 3 of the Director's report for a definition of the APMs used by the Company.

Disclosure notes to the financial statements

5 Segment information

KNDS has segmented its operations by operating segments from which revenues are earned and expenses incurred. These operating segments are regularly reviewed and monitored by the CEO, KNDS's Chief Operating Decision Maker (CODM), to make decisions about resources to be allocated to the operating segments and assess their performance. Main performance indicators of the Company are disclosed in section 3 of the Director's report and include EBIT and EBIT margin.

There are no material inter-segment transactions adjusted from the Consolidated Financial Statements.

KNDS is structured around the three following operating segments:

KNDS Land Systems Germany – (also known as "KNDS Germany") 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, Land Systems Germany 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 Land Systems Germany. With its worldwide network of subsidiaries, Land Systems Germany is in a position to react fully and promptly on customer requirements.

KNDS Land Systems France – (also known as "KNDS France Systems") designs and integrates complex defense systems such as armored vehicles, artillery systems, information systems and equipment intended mainly for use by land forces but also supplied to navies and air forces. KNDS France Systems also provides support services to armed forces to help them ensure the permanent availability for their various missions of their armored vehicles and artillery systems. Operated under multi-year contracts, this support activity is a significant additional contributor to the KNDS France's Systems business.

KNDS Ammunition – (also known as "KNDS France Ammunition") develops and produces ammunitions to meet the requirements of the French and other nations' armies across the artillery, tank and medium caliber ranges. It also supplies pyrotechnic components and assemblies to missile, and rocket manufacturers.

Those three operating segments constitute the reportable segments of the Company.

The Corporate headquarter ("HC") and elimination includes Group service companies, mainly head office activities of the holding company (KNDS N.V)

The following tables present revenue and profit information for the Group's reportable segments for the period ended 31 December 2025 and 2024, respectively:

	2025						
(EUR 1,000)	KNDS Land Systems Germany	KNDS Land Systems France	Total KNDS Land Systems	KNDS Ammunition	Total segments	HQ and eliminations	Consolidated KNDS
Revenue	**2.495.139**	**1.296.194**	**3.791.333**	**612.328**	**4.403.661**		**4.403.661**
Profit before finance costs and income taxes (EBIT)*	**455.523**	**142.709**	**598.232**	**86.792**	**685.024**	**(24.449)**	**660.575**
*EBIT Margin**	*18,3%*	*11,0%*	*15,8%*	*14,2%*	*15,6%*		*15,0%*
Thereof							
Of which							
Materials and consumables used	*(1.168.080)*	*(630.458)*	*(1.798.537)*	*(254.521)*	*(2.053.058)*	*-*	*(2.053.058)*
Personnel expenses	*(580.742)*	*(362.574)*	*(943.317)*	*(107.054)*	*(1.050.371)*	*(13.684)*	*(1.064.055)*
Depreciation & Amortization	*(51.792)*	*(27.449)*	*(79.241)*	*(16.522)*	*(95.762)*	*(507)*	*(96.269)*

	2024						
(EUR 1,000)	KNDS Land Systems Germany	KNDS Land Systems France	Total KNDS Land Systems	KNDS Ammunition	Total segments	HQ and eliminations	Consolidated KNDS
Revenue	**2.125.899**	**1.182.472**	**3.308.371**	**491.145**	**3.799.516**		**3.799.516**
Profit before finance costs and income taxes (EBIT)*	**345.679**	**95.714**	**441.393**	**73.033**	**514.426**	**(13.975)**	**500.451**
*EBIT Margin**	*16,3%*	*8,1%*	*13,3%*	*14,9%*	*13,5%*		*13,2%*
Of which							
Materials and consumables used	*(1.020.823)*	*(572.625)*	*(1.593.448)*	*(240.519)*	*(1.833.967)*	*-*	*(1.833.967)*
Personnel expenses	*(514.205)*	*(325.698)*	*(839.903)*	*(90.741)*	*(930.644)*	*(37.517)*	*(968.161)*
Depreciation & Amortization	*(40.222)*	*(24.173)*	*(64.395)*	*(14.150)*	*(78.545)*	*(457)*	*(79.002)*

APM measures – A reference is made to note 4.

The Company doesn't monitor its assets per the different reportable segments and are not reported to the CODM. The following tables reports the allocation of non-current assets (excluding deferred tax assets) per main countries:

(EUR 1,000)	France	Germany	Rest of Europe	Rest of World	Total
31 December 2025	**384.227**	**499.887**	**169.983**	**17.505**	**1.071.602**
31 December 2024	384.227	448.215	140.788	19.165	973.230

Assets in other European countries primarily relate to assets located in Belgium, Italy, and the UK.

For further information on revenue per operating segments, a reference is made to note 6. Revenue.

6 Revenue

Disaggregation of revenues

For the period ended 31 December 2025, revenue is disaggregated by primary geographical market, product line category and timing of revenue recognition.

	2025				
(EUR 1,000)	KNDS Land Systems Germany	KNDS Land Systems France	Total KNDS Land Systems	KNDS Ammunition	Total
Total Revenues	**2.495.139**	**1.296.194**	**3.791.333**	**612.328**	**4.403.661**
By geographical Markets					
Germany	1.108.242	10.607	**1.118.849**	10.910	**1.129.759**
France	295	878.127	**878.422**	181.439	**1.059.861**
Rest of Europe	1.148.402	312.916	**1.461.318**	330.831	**1.792.150**
Rest of World	238.199	94.545	**332.744**	89.148	**421.892**
By main products					
Systems	2.036.416	911.885	**2.948.301**	-	**2.948.301**
After Sales	458.723	384.309	**843.033**	-	**843.033**
Ammunition	-	-	-	612.328	**612.328**
Timing of revenue recognition					
At point in time	2.018.044	435.262	**2.453.307**	586.418	**3.039.725**
Over time	477.095	860.932	**1.338.027**	25.910	**1.363.937**

	2024				
(EUR 1,000)	KNDS Land Systems Germany	KNDS Land Systems France	Total KNDS Land Systems	KNDS Ammunition	Total
Total Revenues	**2.125.899**	**1.182.472**	**3.308.370**	**491.145**	**3.799.516**
By geographical Markets					
Germany	821.692	2.942	**824.634**	22.088	**846.722**
France	801	887.337	**888.138**	234.705	**1.122.843**
Rest of Europe	1.169.212	222.984	**1.392.196**	105.573	**1.497.769**
Rest of World	134.194	69.209	**197.806**	128.779	322.281
By main products					
Systems	1.818.271	833.329	**2.651.600**	-	2.651.600
After Sales	307.628	349.143	**656.771**	-	**656.771**
Ammunition				491.145	
Timing of revenue recognition					
At point in time	1.847.365	261.366	**2.108.732**	429.301	**2.538.032**
Over time	278.533	921.111	**1.199.645**	61.839	**1.261.483**

Revenue by geographies discloses the revenue by destination considering the location of the final end-user of the products and services.

The French and the German Governments account respectively for more than 10% of the total revenues of the Group. Additionally, the Group can have non-recurring material sales amounting for more than 10% of its total revenues with other countries.

Ukraine in 2025 generated a total revenue of EUR 499 million (2024: EUR 279 million) between KNDS Land Systems France (EUR 205 million), KNDS Systems Germany (EUR 190 million) and KNDS Ammunition (EUR 104 million).

In 2025, Hungary generated a total revenue of EUR 407 million (2024: EUR 569 million) almost exclusively with KNDS Land Systems Germany.

For the French Government revenues, a reference is also made to the note 31 Related Parties in which the contracted revenues are disclosed.

Contract balances

For the period ended 31 December 2025 the following information about receivables, contract assets and contract liabilities with customers is provided.

Contract Balances (EUR 1,000)	31 December 2025		31 December 2024*	
	Systems	Ammunition	Systems*	Ammunition
Receivables from contracts with customers, that are included in the Trade and other receivables	957,506	212,258	884,863	147,898
Contract assets	372,750	63,001	281,301	44,252
Contract Liabilities*	5,083,543	796,703	2,925,170	658,162

* A reference is made to 2.5 changes in presentation

The contract assets primarily relate to the Group's rights on the consideration for completed contract work that have not been invoiced at 31 December 2025. 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 reporting period that was included in the contract liability balance at the beginning of the period amounted to EUR 813 million in 2025 (2024: EUR 649 million).

The performance obligations from customer contracts that have been partially fulfilled or not yet fulfilled are equivalent to the Backlog amounting at of 31 December 2025 EUR 33,128 million (2024: EUR 23,534 million).

(EUR 1,000)	2026 -2027	2028 -2029	> 2029	Total
31 December 2025	**12.135**	**9.237**	**11.756**	**33.128**
(EUR 1,000)	**2025 -2026**	**2027 -2028**	**> 2028**	**Total**
31 December 2024	8.117	9.866	5.551	23.534

7 Operating costs by nature

For the year 2025 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)	2025	2024*
Materials and consumables used	2,053,059	1,833,967
Depreciation and amortizations	96,270	79,003
Personnel expenses*	1,064,055	968,161
Other expenses	546,179	424,543
Total	**3,759,562**	**3,305,674**

Personnel expenses include the following:	2025	2024*
Wages and salaries	794,085	730,922
Social security contributions	197,650	176,756
Expenses for pensions under defined contribution plans	37,492	36,813
Profit sharing arrangements*	34,828	23,670
Total	**1,064,055**	**968,161**

* A reference is made to the section 2.5 changes in presentation

For the remuneration of the Board of Directors, reference is made to note 31. For the pension costs for defined benefit schemes, reference is made to note 23. For the depreciation and amortization, reference is made to notes 12 and 13.

Research and development (R&D)

Given the nature of the Group's business, research and development expenditure relates to highly specific contracts covering governmental and military needs and involving a limited number of parties. Research and development is mainly focused on:

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

During the period to 31 December 2025 the Group invested EUR 87 million in research and development projects related to the development of new products and existing main product line enhancements, corresponding to 2.0% of the revenue. Compared to the amount invested in the period to 31 December 2024 Amounting to EUR 86 million and corresponding to 2.3% of the revenue.

8 Other income and expenses

	2025	2024*
Other Income and expenses (EUR 1,000)		
Other Income		
Shares of profit from investments accounted for under the equity method	14,066	5,041
Income from financial investments	2,800	2,000
Others	3,892	2,230
Total other income	**20,758**	**9,271**
Other Expenses		
Loss on disposals of assets	(555)	(726)
Others*	(2,752)	(1,936)
Total other expenses*	**(4,910)**	**(2,662)**

* Reference is made to 2.5 changes in presentation

9 Financial Result

Financial result (EUR 1,000)	2025	2024
Interest Income		
Interest income from banks	21,504	28,487
Interest income on taxes	936	-
Interest income on discounted provisions	3,646	1,647
Other interest income	2,286	793
Total interest income	**28,372**	**30,927**
Interest Expenses		
Interest expenses loans	(4,467)	(2,489)
Interest expenses on lease liabilities	(4,117)	(2,369)
Interest expenses on provisions	(7,755)	(4,126)
Other interest expenses	(30,700)	(19,238)
Total interest expenses	**(47,039)**	**(28,221)**
Other Financial Results		
Net gain / (Net losses) on derivatives	457,055	(218)
Net gain / (Net losses) on hedging instruments	-	1,260
Gains/(losses) from foreign currency translations	(9,438)	2,622
Financial income from cash equivalent investments	16,983	33,899
Other financial (expense)/income	13,510	15,649
Other financial results	**478,110**	**53,212**
Total financial result	**459,442**	**55,918**

The other interest expenses primarily relate to the financing component effect of prepayment from contract with customers amounting in 2025 EUR 27 million (2024 EUR 14 million) following the signature of new contracts with material prepayments.

The net gain on derivatives is primarily related to the RENK option with a net gain of EUR 458 million as a result of the exercise of that option. A reference is made to the Note 15 Financial investments for more details.

Other financial income primarily relates to benefits of short term cash management.

10 Income tax

Taxation in the consolidated statement of profit or loss is built up as follows:

Tax expense (EUR 1,000)	**2025**	**2024**
Actual tax expense		
Current year	(213,097)	(161,640)
Adjustments for prior years	8,703	(17,387)
Total of actual tax expense	**(204,394)**	**(179,027)**
Deferred tax expense		
Movement on deferred taxes	80,571	34,514
Total of deferred tax expense	**80,571**	**34,514**
Total of actual and deferred tax expense	**(123,823)**	**(144,514)**

The tax reconciliation has been presented as follows:

Reconciliation Dutch nominal tax rate and effective tax rate (EUR 1,000)	**2025**	**2024***
Result before tax	1,120,017	556,368
Expected tax expense at Dutch Statutory rate (25.8%)*	**(288,965)**	**(143,543)**
Effect of deviating rates*	(36,662)	(22,172)
Non-deductible expenses and non-taxable income	119,906	(6,240)
Effect of changes in deferred tax assets	69,473	14,761
Effect of (previously) unrecognized tax losses	6,847	33,469
Adjustments in respect of prior years	11,310	(17,388)
Other effects*	(5,732)	(3,400)
Income tax expense	**(123,823)**	**(144,514)**

* The format of the reconciliation Dutch nominal tax rate has been adjusted with the 2024 “nominal tax rate” line split between “Expected tax expenses at Dutch Statutory rate” and “Effect of deviating rates”. Reclassification differences have been presented in “Other effects”.

The effective tax rate is calculated as the tax charge divided by the profit before tax, as shown in the consolidated statement of profit or loss.

Operational activities of the Group are subject to various tax regimes with varying applicable tax rates primarily located in France and Germany while the Group's holding is subject to Dutch tax rate.

In 2025, the effective tax rate in the reporting period amounts 11,1% (2024: 25.9%). Compared to prior year, the effective tax rate is positively impacted by non-taxable income on financial investments in the Netherlands, a reference is made to note 15.Financial investments. The effective tax rate is also positively impacted by the recognition of previously unrecognized deferred tax assets on temporary differences and tax losses in France mitigated by higher income tax rates in Germany and France.

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 December 2025**	**31 December 2024**
Deferred tax assets	228,857	140,973
Deferred tax liabilities	(29,484)	(20,484)
	199,373	**120,489**

Roll forward of deferred tax:	**2025**	**2024**
Net deferred tax assets at 1 January	120,489	86,418
Deferred tax expense in statement of profit or loss	80,571	35,514
Deferred tax recognized directly in OCI including		
Deferred tax on remeasurement of the net defined benefit pension plans	(1,868)	(424)
Others	182	(19)
Net deferred tax at 31 December	**199,373**	**120,489**

The changes in deferred taxes in the total amount of EUR 79 million (2024: EUR 34 million) relate mainly to changes on temporary differences on employee benefits, provisions and liabilities, inventories and recognition of losses carried forward.

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.

(EUR 1,000)	Net balance at 31 Dec. 2025	Net balance at 31 Dec. 2025	Net balance at 31 Dec. 2024	Net balance at 31 Dec. 2024
	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	101,426	99,248	109,296	79,832
Intangible fixed assets	(2,244)	(2,244)	(2,461)	(2,461)
Tangible assets	(31,373)	(31,373)	(31,458)	(31,486)
Financial assets	5,730	5,730	5,565	1,999
Inventories	53,539	53,539	40,451	29,894
Other assets/(liabilities)	345	345	301	88
Net Total temporary differences	**127,423**	**125,245**	**121,695**	**77,865**
Carry forward of unused tax losses	89,127	74,127	96,728	42,623
Total deferred tax assets and liabilities	**216,550**	**199,373**	**218,423**	**120,488**

Unrecognized deferred income tax assets

Unrecognized deferred tax assets regarding tax losses carried forward of group companies' amount to EUR 15 million (31 December 2024: EUR 54 million) and are located in the Netherlands. These deferred tax assets are not recognized 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.

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

On 19 December 2023, the government of the Netherlands, where the Company is incorporated, enacted the Pillar Two income tax legislation effective from 1 January 2024. However, based on the Pillar Two Safe Harbor provisions, there is no material current tax impact with respect to the continuing operations of KNDS N.V. related to the periods ended 31 December 2025 and 2024. 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 material entities within the group have an effective tax rate that exceeds 15% and therefore there is no Pillar 2 financial consequence.

11 Earnings per share

(EUR 1,000)	**2025**	**2024**
Net group result for the period attributable to equity holders of the Company	996,116	411,074
Materialized Special Benefits	(29,415)	(24,337)
Net EPS adjusted group result of the year	**966,701**	**386,737**
Weighted average number of ordinary shares for basic EPS	**300,000**	**300,000**
Dilution effect	-	-
Weighted average number of ordinary shares for diluted EPS	**300,000**	**300,000**
(EUR)		
Basic / Diluted earning per share	3.22	1.29

Materialized Special Benefits are assimilated under IAS 33 as cumulative preference shares considering that these dividends do not expire and must be satisfied, prior to the distribution of ordinary dividends. A reference is made to the Equity note 42 of the Company's only financial statements for further details on Materialized Special Benefits.

The Company has no instruments that could potentially dilute basic earnings per share; therefore, diluted earnings per share is equal to basic earnings per share. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

12 Intangible Assets

Intangible assets consist of goodwill on previous acquisitions (related to the Ammunitions and Germany land systems CGUs) brands and expertise, software, patents and trademarks and other intangibles.

No assets were pledged as collateral as at 31 December 2025.

Intangible assets (EUR 1,000)	**Goodwill**	**Software, patents and other rights**	**Other intangibles**	**Total**
Cost				
Balance at 1 January 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 December 2024	**87,357**	**73,730**	**36,552**	**197,638**
Additions and acquisitions	-	6,331	4,268	10,599
Effect of movements in exchange rates	-	-	-	-
Cost of disposals and/or write offs	-	(271)	-	(271)
Reallocation	-	11,833	(10,903)	930
Balance at 31 December 2025	**87,357**	**91,623**	**29,916**	**208,895**
Accumulated amortization and impairment losses				
Balance at 1 January 2024	**-**	**(37,673)**	**(21,779)**	**(59,452)**
Amortization	-	(6,466)	(254)	(6,720)
Impairment loss/(gain)	-	-	-	-
Accumulated amortization and impairment losses on disposals	-	124	254	378
Effect of movements in exchange rates	-	3	-	3
Reallocation	-	-	-	-
Balance at 31 December 2024	**-**	**(44,014)**	**(21,779)**	**(65,793)**
Amortization	-	(7,247)	(313)	(7,560)
Impairment loss	-	-	-	-
Accumulated amortization and impairment losses on disposals	-	110	-	110
Effect of movements in exchange rates	-	-	-	-
Reallocation	-	585	10	595
Balance at 31 December 2025	**-**	**(50,565)**	**(22,082)**	**(72,647)**
Carrying amounts				
At 31 December 2024	87,357	29,716	14,773	131,845
At 31 December 2025	**87,357**	**41,058**	**7,835**	**136,248**

Goodwill

Goodwill disclosed is attributable to the following acquisition of shares per the following cash generating units (CGUs):

Germany land systems: acquisition of the WFEL Holdings Limited, BTD Battle Tank Dismantling GmbH and FWH Stahlguss GmbH with an allocated goodwill amounting to EUR 17 million (2024: EUR 17 million)

Ammunitions: acquisition of Mecar (Belgium) and Simmel Difesa (Italy) entities with allocated goodwill amounting to EUR 70 million (2024: EUR 70 million)

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 for the year and was consistent with the 2024 goodwill impairment testing, and is based on the following key assumptions:

- For the purpose of goodwill impairment testing, the Group represents two relevant single cash generating units, Germany land systems with allocated goodwill amounting to EUR 17,401 thousand (2024: EUR 17,401 thousand) and Ammunitions segment with allocated goodwill amounting to EUR 69,955 thousand (2024: EUR 69,955 thousand), as this is the lowest level at which goodwill is monitored for internal management purposes.
- A pre-tax discount rate is used of 9.5% (2024: 9.7%) by both. This discount rate is based on the 10-year risk free rate + (market risk premium * Aerospace/Defense sector beta) and in the same currency as the cash flow to the related CGU, adjusted for a risk premium to reflect both the increased risk of investing in equities generally, as a result of higher uncertainty and volatility of equity investments compared with risk-free assets, and the systematic risk of the specific CGU.
- The recoverable amount is determined as the value in use based on the four-year business plan for 2026-2029 (2024: BP 2025-2028) approved by management for both Systems and Ammunitions applying cash flow projections using the inflows from contract matched to all other cash outflows 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 German land systems and 2% for Ammunitions (2024: same rates were used).

Further to impairment testing of goodwill, CGUs are subject to sensitivity analyses. These analyses, however, given the significant headroom there is no reasonably possible change to key assumptions that would result in impairment.

Based on the results of the 2025 annual impairment test, no goodwill impairment was recognized for the current year. Sensitivity analyses on CGUs were performed to assess whether reasonably possible changes in key assumptions including change of perpetuity growth rate (2% to 0%) and WACC sensitivity (+/-2%); these analyses did not indicate a need for additional disclosures.

Research and Development (R&D)

Given the nature of the Group's business, development expenditures relate to highly specific contracts involving a limited number of parties. As at 31 December 2025, the Group did not capitalize the relevant R&D costs where:

- It could not be distinguished from the cost of developing the business as a whole;
- The criteria for recognition were not met; mainly due to the lack of evidence for the marketability criteria.

Development expenditures related to specific contracts for customers and paid by customers are accounted for as contract assets.

13 Property, plant and equipment and Right of Use

Tangible assets (EUR 1,000)	Land, office and factory buildings	Equipment	Fixture & fitting	Assets Under construction	Right-of-use assets	Total
Cost						
Balance at 1 January 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	56,917	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 December 2024	**584,147**	**439,181**	**296,967**	**60,413**	**141,776**	**1,522,484**
Additions and acquisitions	8,632	21,059	34,942	108,447	52,402	225,482
Effect of movements in exchange rates	(896)	(2,479)	(708)	(105)	(722)	(4,911)
Disposals and/or write offs	(3,147)	(5,765)	(2,180)	(235)	(5,681)	(17,008)
Reallocation	23,691	26,562	14,796	(66,074)	(38)	(1,063)
Balance at 31 December 2025	**612,427**	**478,558**	**343,816**	**102,447**	**187,737**	**1,725,197**
Accumulated depreciation and impairment losses						
Balance at 1 January 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 and/or write offs	1,739	8,843	3,411	-	17,253	31,245
Reallocation	-	7	(7)	212	-	212
Balance at 31 December 2024	**(260,022)**	**(281,928)**	**(180,274)**	**(812)**	**(51,547)**	**(774,582)**
Depreciation	(18,700)	(24,868)	(20,803)	-	(24,338)	(88,710)
Impairment loss/(gain)	15	9	-	768	-	792
Effect of movements in exchange rates	179	1,291	196	-	327	1,993
Disposals and/or write offs	3,146	5,023	2,040	-	4,943	15,153
Reallocation	-	(458)	(528)	-	-	(986)
Balance at 31 December 2025	**(275,382)**	**(300,932)**	**(199,369)**	**(44)**	**(70,614)**	**(846,341)**
Carrying amounts						
At 31 December 2024	324,125	157,253	116,693	59,602	90,229	747,902
At 31 December 2025	**337,045**	**177,627**	**144,448**	**102,403**	**117,122**	**878,856**

Assets under construction 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 2025.

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 defined at the CGUs levels. A reference is made to note 13. Property Plant and Equipment and note 29 Leases and Right of Use.

14 Investments accounted for under the equity method

The Company's interests in associates and joint ventures, accounted for under the equity method, are stated in aggregate in the following table:

(In EUR 1,000)	31 December 2025	31 December 2024
Balance at 1 January	**32,261**	**32,002**
Addition	1,217	183
Share in result	14,066	5,041
Dividend distributions	(7,716)	(4,965)
Other variation	-	-
Balance at 31 December	**39,828**	**32,261**

A reference is made to the note 28.List of subsidiaries for the list of investments accounted under the equity method. The following table summarizes financial information for material associates and joint ventures based on their Consolidated Financial Statements prepared in accordance with IFRS:

Cime Bocuze is associates in which the group has a 34% stake. Cime Bocuze manufactures composite materials and a component provider for KNDS.

	Cime Bocuze	
(In EUR 1,000)	2025	2024
Revenues	48,193	44,170
Profit from conintuing operations	8,370	5,382
Profit for the period	8,370	5,382
Other comprehensive income	-	-
Total comprehensive income	**8,370**	**5,382**
Dividends received	1,700	1,020
Total current assets	24,394	20,529
Total non-current assets	12,567	10,509
Total current liabilities	(9,557)	(7,097)
Total non-current liabilities	(371)	(277)
Net assets	**27,033**	**23,663**

Investment in Joint

CTAI is a joint-venture between KNDS France and BAE specialized in key armament systems.

	CTAI France	
(In EUR 1,000)	**2025**	**2024**
Revenues	54,060	49,158
Profit from cointuing operations	11,507	9,808
Profit for the period	11,507	9,808
Other comprehensive income	-	-
Total comprehensive income	**11,507**	**9,808**
Dividends received	3,922	2,995
Total current assets	23,910	22,280
Total non-current assets	62,323	52,337
Total current liabilities	(59,296)	(47,127)
Total non-current liabilities	-	(4,217)
Net assets	**26,937**	**23,273**

15 Financial investments

Financial Investments (EUR 1,000)	**31 December 2025**	**31 December 2024**
RENK Group AG	852,000	120,999
Others	1,712	-
	853,712	**120,999**

The Company acquired 6,67% of RENK Group AG (“RENK”) shares in February 2024 for EUR 100 million, valued at EUR 121 million as at 31 December 2024, classified as an investment at FVTOCI based on KNDS’ intentions, business model, control analysis and accounting policy choice.

As part of the initial transaction, the Group also acquired a call option providing it with the possibility to increase its shareholding in RENK. Following the exercise of that option in February 2025 and negotiations with the owners, KNDS increased its financial investment in RENK from 6,67% to 15,8% in July 2025.

As a result of the completion of the exercise of the option this increase in RENK shareholding generated a profit of EUR 458 million recognized as a gain on Financial Instrument derivatives in other financial income for a cash amount paid of EUR 188 million. A reference to note 9 and to the consolidated statement of Cash Flows is made.

This increase didn’t change the control assessment under IFRS over RENK.

The RENK investment is valued at EUR 852 million at the end of December 2025 with a revaluation impact in OCI for the year 2025 of EUR 84 million (24: EUR 21 million).

16 Other non-current assets

Other non-current assets (EUR 1,000)	**31 December 2025**	**31 December 2024**
Prepayments and other non-current receivables	16,669	19,993
Long-term loans, deposits and guarantees	935	42,133
	17,604	**62,126**

17 Inventories

Inventories (EUR 1,000)	**31 December 2025**	**31 December 2024**
Raw materials and consumables	1,751,904	1,097,193
Finished goods	366,365	301,050
Work in progress	1,349,895	999,641
Obsolescence and slow-moving inventory reserves	(217,306)	(188,157)
Total Inventories	**3,250,858**	**2,209,727**

Write down of inventories amounted in 2025 EUR 29 million (2024: EUR 25 million) while reversals amounted in 2025 EUR 7 million (2024: EUR 9 million). The cost of inventories recognized in 2025 in the statement of profit or loss amounted EUR 3,315 million (2024: EUR 2,893 million). No inventories were pledged as collateral as of 31 December 2025 or 2024.

18 Advance and down payments to suppliers

Advance & down payments to suppliers at 31 December 2025 amount to EUR 927 million (2024: EUR 450 million) reflecting the activity increase across all segments.

19 Trade and other receivables

Trade and other receivables (EUR 1,000)	**31 December 2025**	**31 December 2024**
Gross trade receivables	1,173,962	1,031,264
Allowance for expected credit losses	(4,725)	(3,679)
	1,169,238	**1,027,585**
Prepayments	-	320
Other receivables	2,569	4,172
Total balance	**1,171,806**	**1,032,077**

Information about the Group’s exposure to credit and market risks and impairment losses for trade and other receivables is included in note 27.

20 Other Assets

Other assets (EUR 1,000)	**31 December 2025**	**31 December 2024**
VAT and other tax receivables	25,828	29,463
Prepaid expenses	30,965	19,677
Loans – due within 1 year	6,935	4,452
Positive market value of currency derivatives	2,273	2,031
Promissory loan	40,000	-
Accrued income	5,765	7,783
Others	15,582	10,161
Total balance	**127,348**	**73,567**

The line Others includes primarily accrued income and other miscellaneous amounts. The Promissory loan was presented as a non-current in 2024, a reference is made to note 16 other non-current assets.

21 Cash and cash equivalents

Cash and cash equivalents (EUR 1,000)	**31 December 2025**	**31 December 2024**
Cash	1,740,738	1,284,253
Marketable securities	567,319	1,029,033
Total balance	**2,308,057**	**2,313,286**

The Group's cash and cash equivalents are fully available for use and are not subject to any restrictions.

22 Capital and reserves

In May and November 2025 KNDS N.V. paid a declared total dividend of EUR 129,364 thousand and EUR 1,000,000 thousand, respectively, (2024: EUR 129,778 thousand) to its shareholders. The dividend per share is EUR 3,76 (2024: EUR 0,43).

KNDS N.V. paid also EUR 24,486 thousand (2024: EUR 4,004 thousand) of Materialized Special Benefits. A reference is made to Note 42 Shareholders Equity off the Company's only financial statements for MSBs and other statutory equity disclosures.

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 2025 amounted to EUR 1 million (31 December 2024: EUR 1 million).

23 Provisions for Employee Benefits

Employee benefits (EUR 1,000)	31 December 2025	31 December 2024
Net defined benefit liability	62,290	70,072
Provisions for early retirement benefits	2,832	2,833
Provisions for jubilee benefits	6,337	6,533
Provisions for other short-term employee benefits	6,642	5,789
Employee benefits	**78,101**	**85,227**
Current	9,300	8,193
Non-current	68,801	77,035

Retirement benefit plans

Within the group several and different retirement benefit plans do exist having different risk profiles. Plans include defined benefit and defined contributions plans initiated under several jurisdictions having different regulatory frameworks applied. The plans are subject to the regulatory frameworks of the respective countries with the majority being within Germany and France.

The retirement benefit plans in Germany is a closed plan and provides 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 defined benefit plan in France (“PIDR”) is an open plan, and provides retirement indemnities based on final salary and years of service, operating within the French labor law framework. The plan is a funded plan overseen by management with the support of independent actuaries and fund managers. The obligation exposes the Group to actuarial risks, including salary growth, longevity and discount rate sensitivity, as well as concentration risk due to all benefits relating to employees in France. During the year, the Group recognized the impact of plan amendments and curtailments.

For both type of plans, the risks related to the direct commitments are primarily the actuarial, interest and biometric risk.

The following table provides the probable payments to beneficiaries:

Probable payments to beneficiaries (EUR 1,000)	31 December 2025	31 December 2024
Up to one year	4,269	5,218
More than one year and up to five years	17,554	16,466
More than five years and up to ten years	19,577	19,278
Total	**41,400**	**40,962**

At 31 December 2025, the weighted-average duration of the defined benefit obligation was 12.1 years (31 December 2024: 13.4 years).

The movement for 2025 and 2024 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)**	**72,754**
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 2025	**104,527**	**(34,455)**	**70,072**
Current service cost	4,529	-	4,529
Interest cost	3,406	(1,153)	2,254
Revised measurement (gains)/losses:			
Other actuarial (gains)/losses	(8,607)	2	(8,605)
Benefits paid	(7,305)	382	(6,923)
Others	2,569	(1,607)	962
Balance per 31 December 2025	**99,120**	**(36,830)**	**62,290**

The fair value of the plan assets as of 31 December 2025 and 31 December 2024 by category solely consists of insurance contracts with two leading life assurance companies and is limited to the French entities. For the German entities the defined benefit obligation is unfunded. No additional obligations exist for the KNDS France sub-group and the KNDS Deutschland sub-group.

Fair value of Plan asset allocation (EUR 1,000)	31 December 2025	31 December 2025	31 December 2024	31 December 2024
	Quoted (Level 1)	Unquoted (Level 2&3)	Quoted (Level 1)	Unquoted (Level 2&3)
Bonds	28,342	-	25,273	-
Pooled investments vehicles	-	-	-	-
Real Estate	-	2,210	-	2,067
Cash and money funds	1,114	-	1,662	-
Equity Securities	-	5,165	-	5,452
Balance at 31 December	**29,455**	**7,375**	**26,935**	**7,519**

Contributions to defined contribution plans

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. A reference is made to note 7 Operating cost by nature for the amount paid as defined contribution plans.

Comprehensive income

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

Comprehensive income/(expense) (EUR 1,000)	2025	2024
Service cost:		
Current service cost	4,529	4,677
Past service cost and (gain)/loss from settlements	-	-
Net interest expense	2,254	2,098
Components of defined benefit costs recognized in profit or loss	**6,783**	**6,775**
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts in net interest expense)		
Actuarial (gains) & losses arising from changes in demographic assumptions	-	-
Actuarial (gains) & losses arising from changes in financial assumptions	(10,043)	(3,798)
Actuarial (gains) & losses arising from experience adjustments	1,436	1,940
Other actuarial gains & losses	-	-
Adjustments for restrictions on the declined benefit asset		
Components of defined benefit costs recognized in other comprehensive income	**(8,607)**	**(1,858)**
Total	**(1,824)**	**4,917**

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

Actuarial assumptions

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

Actuarial assumptions	2025		2024	
	Min	Max	Min	Max
Discount rate	3.85%	4.35%	3.35%	3.45%
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 December 2025	31 December 2024
	Impact provision	Impact provision
Discount rate +1%	(3,486)	(4,914)
Discount rate -1%	4,478	6,425
Pension (future salary) growth +0.25%	797	1,501
Pension (future salary) growth -0.25%	(762)	(1,435)
Life expectancy + 1 year	2,347	2,678
Life expectancy - 1 year	21	(22)

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.

24 Provisions

Provisions (EUR 1,000)	Warranties	Contract risks	Environment risks	Others	Total
Balance at 1 January 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 period	(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 December 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 January 2025	**57,061**	**445,470**	**26,709**	**41,797**	**571,036**
Additions during the year	22,580	305,841	1,329	26,267	356,016
Expenditure during the period (amortizations)	(6,149)	(190,998)	(7,915)	(1,640)	(206,703)
Releases during the year	(4,812)	(63,894)	(59)	(451)	(69,216)
Effect of movements in exchange rates	(56)	(117)	-	(135)	(308)
Other movements	-	11,375	3,042	(6,654)	7,764
Balance at 31 December 2025	**68,623**	**507,677**	**23,105**	**59,184**	**658,589**
Non-current	-	35,977	2,065	19,978	58,020
Current	68,623	471,700	21,040	39,205	600,569

Warranties

The provision for warranties relates mainly to systems sold by KNDS Germany and KNDS France during 2024-2025. This provision is a general warranty type of provision, estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability during 2026.

Contract risks

The provision for contract risks mainly cover risks related to:

- Specific Assurance warranty type of provisions on specific identified contracts and risks with expected outstanding costs;
- Onerous contracts for contracts where unavoidable costs of meeting the performance obligation exceed the economic benefits expected from the contract.

Contracts risk provisions are generally expected to materialize within a year depending on the nature of the risk.

Environmental 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. For the Company, most of environmental risks are short term in nature.

Others

Other provisions relates primarily to contract litigation and certain related risks, employee related provisions and other miscellaneous items. Those provisions are expected to materialize within a year due to the heterogeneity of the different risks.

25 Loans and borrowings:

Non-current liabilities (EUR 1,000)	31 December 2025	31 December 2024
Non-current portion of bank loans	133,427	148
Balance	**133,427**	**148**
Current liabilities (EUR 1,000)		
Current portion of bank loans	67,382	132
Other financial debts	32,786	29,214
Balance	**100,168**	**29,346**

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in note 27.

Net debt reconciliation (EUR 1,000)	**31 December 2025**	**31 December 2024**
Cash and Cash equivalents	2,308,057	2,313,286
Borrowings – repayable within one year	(100,169)	(29,346)
Borrowings – repayable after one year	(133,427)	(148)
Net debt	**2,074,462**	**2,283,792**
Cash and Cash equivalents	2,308,057	2,313,286
Borrowings – fixed interest rates	-	-
Borrowings – variable interest rates	(232,364)	(26,897)
Borrowings – interest free	(1,231)	(2,597)
Net debt	**2,074,462**	**2,283,792**

Net debt movement (EUR 1,000)	**Cash**	**Borrowings**		**Total**
		Repayable within 1 year	Repayable after 1 year	
Net debt as of 1st January 2024*	**1,699,331**	**(27,923)**	**(252)**	**1,669,837**
Cash flows*	611,259	-	-	611,259
Foreign exchange adjustments*	2,696	-	-	2,696
Other changes*	-	(1,423)	104	(1,320)
Net debt as of 31 December 2024 / 1 January 2025	**2,313,286**	**(29,346)**	**(148)**	**2,283,792**
Cash flows	(1,845)	(70,822)	(133,427)	(206,094)
Foreign exchange adjustments	(3,384)	-	-	(3,384)
Other changes	**-**	**-**	148	148
Net debt as of 31 December 2025	**2,308,057**	**(100,168)**	**(133,427)**	**2,074,462**

* 2024 net debt calculation adjusted following immaterial deviations

Credit facilities

As per year ending 31 December 2025, an unsecured revolving credit facility is in place at KNDS Deutschland group with a total credit line of EUR 350 million (2024: EUR 350 million) of which EUR 0 million is utilized. The credit facility includes an option to draw additional EUR 350 million next to already existing revolving credit facility under the same conditions:

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).

Covenant stating that Consolidated Net debt ratio (Consolidated Net Debt amounts / Consolidated EBITDA amounts) cannot exceed 3.5.

As of 1 April 2025, KNDS France signed also an unsecured revolving credit facility, in place as per year ending 31 December 2025 with a total credit line of EUR 300 million of which EUR 0 is utilized. The terms and conditions are identical to the terms & conditions of KNDS Deutschland with same duration (three years), amendment possibilities and covenants requirements.

Loans

The Company obtained a financing facility from UniCredit amounting to EUR 200,000,000 on 24 September 2025, bearing interest at 3-month EURIBOR + 0.70% per annum, maturing on 31 August 2028. The loan is unsecured and repayable in three annual instalments. The effective interest rate at inception was approximately 2.66% per annum. Interest expense for the year ended 31 December 2025 will be recognized based on the applicable floating rate.

Other financial debts

The other financial debts concern a loan between CTAI and KNDS France Systems for an amounts of EUR 32 million (2024: EUR 27 million) bearing interest at Euro Short Term Rates (STR) + 0.25% per annum . 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.

Compliance with covenants

For its external loan, the Company is required to maintain a minimum of an adjusted consolidated Earnings Before Interest and Taxes (EBIT) as of each financial year-end. The threshold for the 31 December 2025 is set at EUR 175 million. As of 31 December 2025 the financial covenant is met.

For its 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 2025, all financial covenants are met with a minimum equity: EUR 500 million (2024: EUR 500 million) and minimum adjusted EBIT: EUR 100 million (2024: EUR 100 million).

26 Other liabilities and accrued cost

Other liabilities (EUR 1,000)	**31 December 2025**	**31 December 2024**
Accrued personnel expenses, including social security contribution, vacation, pension and other benefits payable	184,138	187,647
Liabilities for outstanding invoices	14,449	3,607
VAT and real estate tax payable	100,745	71,175
Lease liabilities (note 29)	117,112	92,003
Other accrued expenses	52,983	72,602
Total	**469,427**	**427,034**
Non-current	98,427	98,319
Current	371,000	328,715
Total	**469,427**	**427,034**

Other accrued expenses primarily relate to accrued expenses on contracts.

27 Financial instruments

Carrying amounts of financial instruments according to categories:

	31 December 2025			
	Carrying amount	Amortized cost	Fair value through OCI	Fair value through P&L
Financial assets				
Trade receivables*	1,171,807	1, 171,807	-	-
Other Receivables*	57,317	57,317	-	-
Marketable securities	567,319	-	-	567,319
Other financial assets*	4,883	4,883		
Financial Investments	853,700	-	853,700	-
Derivatives	2,273	-	1,365	908
Loans	6,534	6,534	-	-
Promissory loan note	40,835	-	-	40,835
Total	**2,704,667**	**1,240,540**	**855,065**	**609,062**
Financial liabilities				
Loans and borrowings	233,595	233,595	-	-
Trade creditors*	604,092	604,092	-	-
Other payables*	424,055	424,055	-	-
Derivatives	1,178	-	-	1,178
Other financial liabilities*	14,349	14,349	-	-
Total	**1,277,269**	**1,276,091**	**-**	**1,178**

	31 December 2024			
	Carrying amount	Amortized cost	Fair value through OCI	Fair value through P&L
Financial assets				
Trade receivables*	1,027,584	1,027,584	-	-
Other Receivables*	356,630	356,630	-	-
Marketable securities	1,029,033	-	-	1,029,033
Financial Investments	121,153	-	121,153	-
Derivatives	1,877	-	-	1,877
Loans	4,340	4,340	-	-
Promissory loan note	41,260	-	-	41,260
Other financial assets*	16,129	16,129		-
Total	**2,598,006**	**1,404,684**	**121,153**	**1,072,170**
Financial liabilities				
Loans and borrowings	26,897	26,897	-	-
Trade creditors	489,792	489,792	-	-
Other payables*	313,191	313,191	-	-
Derivatives	2,500	-	-	2,500
Other financial liabilities*	29,153	29,153	-	-
Total	**861,534**	**859,033**	**-**	**2,500**

* Amounts disclose only the portion of that are eligible to the definition of financials assets and liabilities (primarily prepaid costs, accrued revenue and tax payable & receivables excluded).

The 2024 Financial assets and liabilities disclosure has been adjusted to disclose only the financial assets and liabilities portion of those financial statements line items.

Trade creditors primarily exclude refund liabilities that do not qualify as financial liabilities.

Other receivables primarily relates to receivables from suppliers.

Marketable Securities

The line item “Marketable securities” primarily includes financial assets measured at fair value through profit or loss, notably in the amount of EUR 567 million (31. December 2024: EUR 1,029 million), from KNDS France.

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 approximate their carrying amounts.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis per 31 December 2025

Financial assets / liabilities	Fair Value	Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Marketable Securities	Assets 567 million (2024: 1,029 million)	Level 1	Short term maturity cash equivalent	N/A	N/A
Financial Investments	Assets 854 million (2024: 121 million)	Level 1	RENK Investment quoted on the German stock exchange on the Deutsch Borse in Frankfurt.	N/A	N/A
Foreign currency forward contracts	Assets 1 million (2024: 2 million) and liabilities 1 million (2024: 3 million)	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
Promissory Notes	Assets 40 million (2024: 41 million)	Level 2	Structured bond from UniCredit Bank AG with a term until January 20, 2026 and an interest rate of 3.01% p.a ., with a credit default swap (CDS) in respect of a reference bond traded on the market as derivative component.	N/A	N/A

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 analyze 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.

Default credit risk on Financial assets

Default credit on financials assets is the consequence of the other contractual party doesn't fulfil its obligation. Default risks can be primarily from two nature within KNDS, credit risk with customers and with financial institutions.

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 the default risk, defined as a 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 2025 and 2024, the ageing of contracts assets, trade and other receivables against third parties that were impaired and not impaired was as follows:

	31 December 2025	31 December 2025	31 December 2024	31 December 2024
Contract assets (EUR 1,000)	**Gross Amount**	**Impairment Provision**	**Gross Amount**	**Impairment Provision**
Not due	435,751	-	325,552	-
Total Contract assets	**435,751**	**-**	**325,552**	**-**
Trade and other receivables (EUR 1,000)				
Not due	746,302	-	615,903	-
Past due up to 90 days	289,952	-	275,361	-
Past due 90 – 180 days	19,013	-	13,889	-
More than 180 days	121,264	(4,725)	130,605	(3,679)
Total Trade and Other receivable	**1,176,531**	**(4,725)**	**1,035,757**	**(3,679)**

Given the nature of its customer base, which primarily comprises government and defense institutions with strong credit profiles, the resulting expected credit losses were determined to be immaterial for all reporting periods.

With respect to the contract assets no impairments were recognized. The carrying amount of financial assets represents the maximum credit exposure, as no collateral is held as security.

Movement in provisions in Receivables (EUR 1,000)	2025	2024
Balance 1 January	**3,679**	**5,012**
Impairment losses recognized	1,792	223
Written off balances	-	(53)
Reversal of impairments	(736)	(1,503)
Amounts recovered	(1)	-
Other	(10)	-
Balance 31 December	**4,725**	**3,679**

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 2025, the Group holds EUR 567 million (31 December 2024: EUR 1,029 million) in short-term money market funds. The Group has no deposits with unrated institutions.

KNDS, as part of its cash management, can invest during the year liquidities on short-term German government bonds with maturities typically between 120 and 345 interest days prior to the year-end date.

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 2025, the Group had access to unused credit facilities of approximately EUR 350 million (31 December 2024: EUR 350 million).

Collateral

The Group has not pledged any collateral in 2025.

Exposure to liquidity risk

At 31 December 2025 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.

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 optimizing the return.

The Group's exposure to market risk arises primarily from:

- Foreign exchange risk – resulting from transactions and balances denominated in currencies other than the functional currency;
- Interest rate risk – arising from exposure to variable interest rate instruments; and
- Price risk – relating mainly to the fair value of marketable securities and Financial Investments measured at fair value through other comprehensive income (FVOCI).

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 December 2025**	**31 December 2024**
USD	2,059	507
GBP	9,531	5,471
CAD	4,158	4,835
CHF	3,433	4,720
SEK	540	652
NOK	(1,433)	(338)
QAR	6,959	5,230
Total	**25,247**	**21,077**

Cash flow hedges

The Company operating units entered hedging contracts 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 December	**2025**		**2024**	
	Nominal amount	**Market Value**	**Nominal amount**	**Market Value**
Sale USD	-	-	-	-
Purchase USD	21,373	21,418	-	-
Purchase GBP	36,002	36,777	1,448	19
Purchase CHF	-	-	2,017	(7)
Purchase NOK	569	576	-	-
Purchase AED	-	-	-	-
Purchase Other	7,970	8,509	17,517	142

The movement of the cash flow hedge reserve over 2025 and 2024 is as follows:

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)	**2025**		**2024**	
	Impact on Equity		**Impact on Equity**	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
USD (10 % movement)	(154)	188	(46)	56
CAD (10 % movement)	(411)	504	(440)	537
GBP (10 % movement)	(866)	1,059	(497)	608
SGD (10 % movement)	(49)	60	-	-
SEK (10 % movement)	-	-	(60)	72
AED (10% movement)	-	-	-	-
NOK (10 % movement)	57	(70)	31	(38)
CHF (10 % movement)	(239)	292	(429)	525
QAR (10 % movement)	(633)	773	(475)	581

Derivative position (EUR 1,000)	2025 Impact on Equity		2024 Impact on Equity	
Deer	Strengthening	Weakening	Strengthening	Weakening
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
USD (10 % movement)	1,594	(1,754)	(104)	925
CAD (10% movement)	-	-	(529)	497
GBP (10 % movement)	4,181	(2,577)	1,016	(1,621)
SGD (10 % movement)	-	-	-	-
SEK (10% movement)	1,099	351	1,908	(1,624)
AED (10% movement)	(125)	120	-	-
NOK (10% movement)	(2,237)	(47,749)	(3,928)	3,881
CHF (10 % movement)	-	-	542	(803)
QAR (10 % movement)	-	-	-	-

For derivative positions the following applies:

Interest rate risk

Interest rate risk arises from variable-rate borrowings and cash balances earning variable interest.

The Group does not have material exposure to variable interest rate risk as most of the loans are with the fixed interest rates. Therefore, the sensitivity analysis is not relevant for the Group.

Price risk

Price risk relates mainly to fluctuations in the market value of marketable securities (€567 million) and other financial assets (€896 million) measured at fair value.

A ±10% change in the relevant market prices of marketable securities at 31 December 2025 would have changed the Group's profit before tax by approximately ±€57 million (2024: ±€102 million) and ±10% change of Financial Investments valued through other comprehensive income would have changed the Group's profit before tax by approximately ±€86 million (2024: ±€12 million).

This analysis is based on the fair value of instruments held at the reporting date and assumes all other variables remain constant.

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 a solvency ratio balanced (as per December 2025 is 21% (2024: 30%). The current ratio (short term assets + cash/ short term liabilities) of the Group for per December 2025 is 1.06 (2024: 1.26). Strategy of the group is to have this ratio balanced at a minimum of 0.7 or higher. Ratios decreased due to additional investments in 2025 and increased activity which led to higher profitability.

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 2025 no indicators were present, as in 2024, that the covenants criteria would be breached. Further information on the covenants is included in note 25.

28 List of subsidiaries

Set out below is a list of material subsidiaries, joint ventures and associates of the Group as at 31 December 2025.

Consolidated financial statements consolidate the financial statements of those subsidiaries over which the Group exercises exclusive control. Entities on which KNDS exercises a joint control or a significant influence are accounted under the Equity method. All subsidiaries have closed their accounts on 31 December 2025.

Refer to Note 14 for summarized financial information for the Group's material joint ventures and associates.

Company name	Country	2025 Effective ownership (in %)	2025 Method	2024 Effective ownership (in %)	2024 Method
KNDS Deutschland Holding GmbH	Germany	100	FC	100	FC
KNDS Deutschland GmbH & Co. KG	Germany	100	FC	100	FC
KNDS Deutschland Verwaltungs GmbH	Germany	100	FC	100	FC
KNDS Deutschland Mission Electronics GmbH	Germany	100	FC	100	FC
KNDS Deutschland Tracks GmbH	Germany	100	FC	100	FC
KNDS Deutschland Maintenance GmbH	Germany	100	FC	100	FC
KNDS Deutschland Beteiligungs GmbH	Germany	100	FC	100	FC
KNDS Deutschland Steel Constructions GmbH	Germany	100	FC	100	FC
VPS Vehicle Protection Systems GmbH	Germany	-	FC	-	FC
KNDS Deutschland Battle Tank Dismantling GmbH	Germany	100	FC	100	FC
KNDS Hellas Single Member S. A.	Greece	100	FC	100	FC
KNDS USA Inc.	USA	100	FC	100	FC
KNDS Singapore Platforms Pte Ltd.	Singapore	100	FC	100	FC
KNDS do Brasil Sistemas de Defesa Ltda.	Brazil	100	FC	100	FC
KNDS UK Holdings Ltd.	Great Britain	100	FC	100	FC
KNDS Defence UK Ltd.	Great Britain	100	FC	100	FC
KNDS Hungary Kft.	Hungary	100	FC	100	FC
KNDS FWH Castings GmbH	Germany	100	FC	100	FC
KNDS Canada Inc.	Canada	51	FC	51	FC
Milrem AS	Estonia	24,9	AU	24,9	AU
EuroTrophy GmbH	Germany	30	AU	30	AU
UAB Lithuania Defense Services	Lithuania	50	AU	50	AU
PSM Projekt System & Management GmbH	Germany	50	AU	50	AU
Artec GmbH	Germany	36	AU	36	AU
Artec Boxer UK Ltd	Great Britain	100	FC	-	-
KDI Limited Liability Company	Ukraine	50	AU	50	AU
KMWQ Services Company LLC(*)	Qatar	10	AU	10	AU
KNDS FRANCE	France	100	FC	100	FC
KNDS EMIRATES LTD	UAE	100	FC	100	FC
KNDS FRANCE TRAINING	France	100	FC	100	FC

CTAI	France	50	JV	50	JV
TNS MARS	France	37,5	AU	37,5	AU
SCI LA CERONE	France	55	FC	55	FC
KNDS FRANCE ROBOTICS	France	100	FC	100	FC
KNDS FRANCE SERVICES	France	100	FC	100	FC
KNDS FRANCE NEWCO 10	France	100	FC	100	FC
KNDS FRANCE MECHANICS	France	100	FC	100	FC
KNDS OPTRONICS	France	100	FC	100	FC
KNDS CBRN	France	100	FC	100	FC
KNDS Ukraine LLC	Ukraine	100	FC		
KNDS AMMO FRANCE	France	100	FC	100	FC
KNDS BELGIUM	Belgium	100	FC	100	FC
BARONVILLE	Belgium	46	JO	46	JO
KNDS AMMO ITALY	Italy	100	FC	100	FC
CIME BOCUZE	France	34	AU	34	AU
MGCS Project Company GmbH	Germany	25	JV	-	-
WAHAJ-NEXTER Industries LLC	France	49	JV	-	-
KNDS Arabia Regional Headquarter LLC	Saudi Arabia	100	FC	-	-
Leopard Hungary MRO Kft	Hungary	49	AU	-	-

FC = fully consolidated
JO = joint operation (proportionate recognition
JV = joint venture under the equity method
AU = associate undertaking under the equity method
W = withdrawal
D = dissolved without liquidation
F = simplified merger

29 Leases and Right of Use

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.

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 recognized in P&L for 2025 is EUR 6,830 thousand (2024: EUR 6,774 thousand). For further details on interest expense relating to lease, please refer to note 9.

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

Carrying amounts Right of use assets (EUR 1,000)

(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)	-	-	-	(2)
Balance at 31 December 2024	**117,495**	**11,462**	**12,246**	**573**	**141,777**
Additions and acquisitions	44,292	6,153	535	1,422	52,402
Effect of movements in exchange rates	(604)	(24)	(26)	(68)	(722)
Disposals and/or write offs	(3,208)	(1,324)	(1,108)	(40)	(5,681)
Reallocation	-	-	-	(38)	(38)
Balance at 31 December 2025	**157,975**	**16,267**	**11,647**	**1,849**	**187,737**
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
Balance at 31 December 2024	**(37,448)**	**(5,306)**	**(8,474)**	**(320)**	**(51,547)**
Depreciation	(17,404)	(3,760)	(2,589)	(585)	(24,338)
Effect of movements in exchange rates	125	188	11	2	327
Disposals	2,470	1,324	1,108	40	4,943
Balance at 31 December 2025	**(52,256)**	**(7,553)**	**(9,944)**	**(862)**	**(70,615)**
Carrying Amounts					
At 31 December 2024	**80,048**	**6,157**	**3,772**	**254**	**90,230**
At 31 December 2025	**105,719**	**8,714**	**1,703**	**987**	**117,122**

Cash out for Right of use assets (EUR 1,000)	31 December 2025	31 December 2024
Repayment of lease obligations	23,095	18,574
Interest expense (included in finance costs)	4,117	2,376
Expense relating to short-term and low value leases	6,830	6,774
Total cash out	**34,042**	**27,724**

Lease liabilities

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

Carrying amounts (EUR 1,000)	2025	2024
As at 1 January	**90,230**	**55,511**
Additions	52,208	56,917
Repayment	(23,430)	(18,853)
Other	(1,375)	(3,388)
Effect of movements in exchange rates	(511)	44
Balance at 31 December	**117,122**	**90,230**
Current	23,081	18,398
Non-current	94,041	71,833
As at 31 December	**117,122**	**90,230**

The maturity of the lease liabilities (EUR 1,000)	2025	2024
Within one year	23,081	18,398
Between 1 and 4 years	59,233	47,893
More than 5 years	34,808	23,939
Balance at 31 December	**117,122**	**90,230**

30 Contingent assets and liabilities and off-balance sheet commitments

Ongoing independent investigation

In response to a report in Der Spiegel in January 2026 describing allegations that Krauss-Maffei Wegmann GmbH & Co KG (the Group's German predecessor entity, later renamed to KNDS Deutschland GmbH & Co KG ("KNDS DE"), made improper payments to a Qatari company owned by a senior Qatari official and his son pursuant to a 2013 €1.89 billion procurement contract (subsequently expanded by a further €349 million) for the delivery of land defense systems to the Qatar Armed Forces ("QAF") (the "2013 QAF Contract"), subsequently followed by another article in April 2026, the Board of Directors of the Group commissioned an independent investigation conducted by the law firm Freshfields PartG mbB ("Freshfields"), together with forensic accountants of EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft ("EY"). Freshfields and EY provided a preliminary report (the "Preliminary Report") to the Board of Directors of the Group in May 2026.

While this investigation is ongoing, and although it identified a series of significant red flags, control deficiencies and systemic compliance shortcomings, it concluded, on a preliminary basis, that the available evidence did not sustain a finding that KNDS DE employees, past or present, engaged in criminal misconduct in relation to the 2013 QAF Contract.

As of the date of the issuance of these consolidated financial statements, based on the preliminary results of the investigation, senior management has concluded that the series of significant red flags, control deficiencies and systemic compliance shortcomings did not have a material impact for the year ended 31 of December 2025 as it relates to the historical Qatar transaction as well as to more recent transactions with third parties.

The investigation is ongoing, and further communication, documentary reviews and interviews will be conducted to verify and clarify the current understanding of the facts and circumstances to fully conclude on the review of all historical data, on the discharge of oversight responsibilities, on the remediation and disciplinary measures and hence, leave no aspect subject to assumptions so as to corroborate the preliminary conclusions.

As a result of the ongoing investigation or events outside of the control of the company, it cannot be ruled out that new facts come to light or that conduct could be identified that could have a material impact on the financial statements as a result of administrative fines, confiscation, exclusion from public procurement, revocation of licenses to operate or other damage to the Group’s business or reputation via negative publicity adversely affecting the Group’s prospects in the commercial market place. The magnitude and impact of any of these consequences cannot be fully assessed but could be material.

Health and environment laws and regulations

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.

Bank guarantees

The total contingencies relating to bank guarantees amount to EUR 2,839 million at 31 December 2025 (2024: EUR 1,640 million). These bank guarantees mostly relate to advance payments from customers.

Contractual commitments in 2025 to be settled in 2026 for the acquisition of property, plant and equipment amount to EUR 39 million (2024: EUR 40 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.

Claims

In November 2025, KNDS Germany (formerly KMW) received two claims from a European government customer arising from supply contracts dating back more than ten years, prior to the incorporation of the KNDS N.V. Group. The claims concern defective or non-functional systems and amount to a total of EUR 182 million. KNDS considers these claims unfounded and has therefore rejected them. Supported by an external legal assessment the Group considers an outflow of economic resources not probable and as a consequence, did not recognize any provisions in its consolidated financial statements as of December 31, 2025. Due to the inherent uncertainties, any information on potential future financial impacts and timing is unknown.

In connection with the incorporation of the Group in 2015, KNDS N.V. entered into an indemnification agreement mechanism with the former shareholders of KMW. Under this agreement, the former shareholders are required to indemnify and hold the Group harmless against any losses, damages or liabilities arising from certain specifically identified contracts, including the contracts to which these claims relate. Accordingly, any potential outflow of economic resources resulting from these claims would be contractually recoverable from the former shareholders.

31 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

Key Management personnel are defined as members of the Board of Directors of KNDS N.V.

During the period to 31 December 2025, no loans, advances or guarantees have been granted to, nor are outstanding in respect of, current or former members of the Management Board – similarly to the period ended at 31 December 2024.

Key management personnel compensation

Annual remunerations Key Management (EUR 1,000)	**2025**	**2024**
Short term employee benefits	4,441	5,877
Post-employment benefits	16	296
Other long term benefits	-	-
Termination benefits	-	-
Share-based payment benefits	-	-
Total cost Key Management	**4,457**	**6,172**

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.

The aggregate value of transactions and outstanding balances related to key management personnel entities over which they have control or significant influence amounts to EUR 0 for the period ended 31 December 2025 (31 December 2024: 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 following tables provide the total amount of transactions that have been entered into with related parties:

Other related party transactions (EUR 1,000)	2025	2024
Sale of goods and services	**1,808,880**	**1,537,008**
French Government	1,246,576	1,158,136
Companies controlled by shareholders	87,232	71,369
Associates	475,072	307,503
Joint ventures	-	-
Purchase of goods	**285,328**	**148,226**
French Government	47,578	110
Companies controlled by shareholders	163,956	69,778
Associates	73,794	78,338
Joint ventures	-	-
Others	-	-
	31 December 2025	**31 December 2024**
Trade receivables and contract assets	**1,310,657**	**1,044,423**
French Government	837,236	734,825
Companies controlled by shareholders	190,577	102,352
Associates	282,844	207,246
Joint ventures	-	-
Others	-	-
Trade payables and contract liabilities	**2,214,124**	**1,371,977**
French Government	1,575,353	1,253,467
Companies controlled by shareholders	66,487	79,861
Associates	572,284	38,648
Joint ventures	-	-
Others	-	-

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 Government.

32 Number of employees

Average number of employees	2025	2024
White collar	4,586	4,357
Blue collar	6,322	5,805
	10,908	**10,162**
Employees in the Netherlands	11	11
Employees outside the Netherlands	10,897	10,151

33 Fees of the independent auditor

With reference to Section 2:382a (1) and (2) of the Dutch Civil Code, the following fees for 2025 and 2024 have been charged by PricewaterhouseCoopers Accountants N.V., its member firms and affiliates to the Company, its subsidiaries and other consolidated entities:

(EUR 1000)	PricewaterhouseCoopers Accountants NV	PricewaterhouseCoopers Other network	PricewaterhouseCoopers Total
	2025	2025	2025
Audit of the financial statements	441	1,365	1,806
Tax related advisory services	-	-	-
Other audit procedures	10	17	27
Other non-audit services	-	47	47
Total	**451**	**1,429**	**1,880**

EUR 1000)	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	45
Other non-audit services	-	82	82
Total	**190**	**1,126**	**1,315**

34 Subsequent events

Subsequently to a report in Der Spiegel in mid-January 2026 related to a historic Qatar transaction, KNDS initiated an independent investigation in early March resulting in a disclosure of a contingent liability included in Note 30 Contingent assets and liabilities and off-balance sheet commitments.

In July 2025, KNDS entered into an agreement concerning the acquisition of the defense business of the Texelis company; a French company whose Defense business specializes in land mobility and design of cutting-edge solutions for armored land vehicles. This acquisition was subject to competition authority approval, granted in December 2025 with an effective acquisition date of 02 April 2026. KNDS completed the acquisition of 100% of the shares of Texelis Defense SAS (carved-out from Texelis) for a cash consideration consisting of a fixed part of EUR 65 million and an earn out up to EUR 15 million. The definitive cash consideration amount and the preparation of the purchase price allocation ("PPA") will be completed within the next 12 months. This acquisition will be reported through the Land Systems France segment where KNDS believes that it will strengthen its industrial capabilities and control of key technologies and will support its ramp-up in production.

On 19 May 2026, KNDS sold 5.8 million of RENK shares, representing approximately 5.80% of RENK's total issued share capital, for a total amount of EUR 261 million settled on 22 May 2026. The proceeds from the sale will be utilized to further optimize KNDS's capital structure. Following this transaction, KNDS holds approximately 10% of RENK's share capital.

No other significant events were identified after the reporting date that could have a material impact on the financial position for the year ended 31 December 2025.

COMPANY ONLY FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2025

COMPANY ONLY STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2025

(EUR 1,000)	Note	2025	2024*
Dividend from subsidiaries*	*42*	987,060	254,387
Administrative expenses	*45*	(32,730)	(23,619)
Other income		6,142	8,077
Other expenses		(567)	(429)
Other income from financial investments		2,800	2,000
Profit before financial result and income tax*		**962,705**	**240,416**
Interest income		3,768	257
Interest expense		(2,692)	(2,008)
Other financial result	*15*	458,333	-
Total financial result		**459,409**	**(1,751)**
Group result before income tax		**1,422,114**	**238,665**
Income tax		-	-
Net result		**1,422,114**	**238,665**
Net group result for the period attributable to:			
Changes in the fair value of equity instruments at FVOCI	*15*	84,055	20,987
Total comprehensive income for the period		**1,506,169**	**259,652**

* A Reference is made to note 37 – Changes in presentation

COMPANY ONLY STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 31 DECEMBER 2025

(Before result appropriation)

(EUR 1,000)		31 December 2025	31 December 2024*
Assets	*Note*		
Intangible Assets		254	156
Property, plant and equipment		177	954
Participating interest in group companies	*39*	915,197	915,145
Financial investments	*40*	853,700	120,987
Non-current assets		**1,769,328**	**1,037,242**
Receivables from group companies	*43*	140,467	125,391
Trade receivables and prepayments		446	320
Current tax assets		391	438
Cash and cash equivalents		1,816	5,586
Current assets		**143,120**	**131,735**
Total assets		**1,912,449**	**1,168,978**
Capital reserves & Liabilities			
Share capital	*42*	300,000	300,000
Share premium	*42*	581,257	583,461
Other reserves	*42*	(805,204)	23,572
Unappropriated result	*42*	1,422,115	238,666
Total equity		**1,498,167**	**1,145,699**
Loans and borrowings	*41*	133,333	(4)
Total non-current liabilities		**133,333**	**(4)**
Trade creditors payables		2,029	583
Payables to group companies*		400	680
Provisions		7,763	-
Loans and borrowings*	*41*	267,961	10,356
Current tax liabilities		54	768
Other current liabilities and accrued costs		2,742	10,895
Total current liabilities		**280,948**	**23,282**
Total equity and liabilities		**1,912,449**	**1,168,978**

*A reference is made to note 37 Material accounting policies, section changes in presentation

COMPANY ONLY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 31 DECEMBER 2025

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 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**
Other comprehensive income (loss)				20,987		**20,987**
Total comprehensive income for the year	-	-	-	**144,395**	**115,258**	**259,653**
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)**
Dividends Declared				(129,778)		**(129,778)**
Balance as at 31 December 2024 / 1 January 2025	**300,000**	**583,461**	**-**	**23,572**	**238,666**	**1,145,699**
Appropriation of result of prior period				238,666	(238,666)	-
Result for the period				-	1,422,114	**1,422,114**
Other comprehensive income (loss)				84,055		**84,055**
Total comprehensive income for the year	-	-	-	**322,721**	**1,183,448**	**1,506,169**
Reallocation to Special Reserve of materialized special benefits		(2,204)	22,133	(22,133)		**(2,204)**
Distribution of materialized special benefits			(22,133)			**(22,133)**
Dividends Declared				(1,129,364)		**(1,129,364)**
Balance as at 31 December 2025	**300,000**	**581,257**	**-**	**(805,204)**	**1,422,114**	**1,498,167**

COMPANY ONLY STATEMENT OF CASH FLOWS

(EUR 1,000)		31 December 2025	31 December 2024
Cash flows from operating activities	*Note*		
Net group result		**1,422,114**	**238,666**
Adjustments for:			
Depreciation and amortization of non-current assets		507	457
Increase/(Decrease) in provisions		7,763	-
Income tax expense recognized in profit and loss		-	-
Others		(2,800)	-
Finance costs recognized in profit or loss	*9*	(459,409)	1,751
Dividend from subsidiaries	*42*	(987,060)	(254,387)
		(18,885)	**(13,513)**
(Increase)/Decrease in trade and other receivables		46	395
(Increase)/Decrease in advance and down payments to suppliers		(125)	-
Increase/(Decrease) in trade and other payables		(7,422)	-
Increase/(Decrease) in other current liabilities		651	2,557
Cash generated from operating activities		**(25,735)**	**(10,562)**
Income taxes paid		-	-
Interest paid		(730)	(2,008)
Net cash generated from / (used in) operating activities		**(26,465)**	**(12,570)**
Cash flows from investing activities			
Investments in financial investments	*15*	(189,503)	(100,000)
Investments in non-current assets		(800)	(350)
Proceeds from disposals of assets		-	-
Received dividends	*42*	972,931	250,444
Interest received		3,768	-
Disposal of subsidiaries and or affiliates		-	-
Net cash used in investing activities		**786,396**	**150,094**
Cash flows from financing activities			
Distributions to shareholders	*42*	(1,153,701)	(142,745)
Proceeds from loans and borrowings	*41*	400,000	110,000
Repayment of loans and borrowings	*41*	(10,000)	(100,000)
Payment of principal portion of lease liabilities		-	-
Interest paid		-	-
Net cash used in financing activities		**(763,701)**	**(132,745)**
Effects of exchange rate changes on cash held in foreign currencies		-	-
Net increase / (decrease) in cash and cash equivalents		**(3,770)**	**4,779**
Cash and cash equivalents at 1st January		5,586	807
Cash and cash equivalents at 31 December		**1,816**	**5,586**

NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS

NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS

35 General

KNDS N.V. (“KNDS” or the “Company”) is a public limited liability company incorporated and registered under Dutch law, with its head office at Gustav Mahlerlaan 1017, Amsterdam, the Netherlands and was established and incorporated on 2 October 2015. The Company is registered in the Dutch commercial register under number 64277925.

36 Basis of preparation

The financial year of KNDS N.V. commences on 1 January and ends on 31 December. The Company’s functional currency is the Euro (‘EUR’). The company financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The parent company financial statements have been prepared on the historical cost basis, except when otherwise indicated.

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

The company financial statements have been authorized for issue by the Company’s Board of Directors on 23 May 2026. The financial statements are subject to adoption of the Annual General Meeting of Shareholders.

37 Material accounting policies

In the company financial statements, the same accounting policies have been applied as set out in the notes to the consolidated financial statements, except for the measurement of the subsidiaries as presented under 'Investments in subsidiaries' in the parent company financial statements. These policies have been consistently applied to all years presented. For the amendments that became applicable and the new standards not yet applicable to KNDS N.V., reference is made to the consolidated financial statements.

Participating interests in group companies

In the company financial statements, investments in subsidiaries are recorded at cost less impairment. In the parent company statement of profit or loss and other comprehensive income, dividend received from investments in subsidiaries is recorded as dividend income. Capital repayments received from investments in subsidiaries are recorded as a reduction in the cost of investments. The carrying value of the investment is derecognized upon sale of the subsidiary.

Due to this application, the company equity and net result are not equal to the consolidated equity and net result. A reconciliation for total equity attributable to owners of the company and for total comprehensive income are presented in note 42 to the company financial statements.

Changes of presentation of the Company's only financial statements

During the reporting period, management has implemented a reclassification of an intercompany loan. Accordingly, the Group has reclassified the balance from "payable to group companies" to "loans and borrowings" for an amount of EUR 10,3 million in the 2024 Company's only financial statements.

Management has aslo implemented during the reporting period a reclassification in the statement of profit or loss of "dividend income from subsidiaries" . It was presented in the 2024 Company's only financial statements after the "total financial result" and is now presented as revenue, considering that the dividends are the primary source of revenue of the Company and ensures that they are reported as part of the Profit before financial result and income tax.

38 Significant accounting judgment, estimates and assumptions

The preparation of the company financial statements requires management to exercise judgment and make estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these 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 participating interest in group companies

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 the Company 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.

39 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%**
KNDS Deutschland Holding GmbH	Munich, Germany	**100%**
KNDS Ukraine LLC	Kyiv, Ukraine	**100%**

Reference is made to note 28 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 2025.

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 2024	**915,145**
Addition	-
Disposals	-
Impairments	-
Balance as at 31 Dec. 2024 - 1 Jan. 2025	**915,145**
Addition	-
Disposals	-
Impairments	-
Other	52
Balance as at 31 Dec. 2025	**915,197**

At balance sheet date, the accumulated impairments on participating interests in group companies amounted to EUR 0 thousand (2024: EUR 0 thousand).

40 Financial Investments

in EUR 1,000	31 December 2025	31 December 2024
Investments	853,700	120,987
	853,700	**120,987**

Please refer to note 15 of the consolidated financial statements for further details on financial investments.

41 Loans and Borrowings

Non-current liabilities (EUR 1,000)	**31 December 2025**	**31 December 2024***
Bank loans	133,333	-
Balance	**133,333**	**-**
Current liabilities (EUR 1,000)		
Bank loans	67,182	
Intercompany loan*	200,779	10,356
Balance	**267,961**	**10,356**

* A reference is made to note 37 Material Accounting policies, section changes of presentation

The Company obtained a financing facility from UniCredit amounting to EUR 200,000,000 on 24 September 2025, bearing interest at 3-month EURIBOR + 0.70% per annum, maturing on 31 August 2028. The loan is unsecured and repayable in three annual instalments. The effective interest rate at inception was approximately 2.66% per annum. Interest expense for the year ended 31 December 2025 will be recognized based on the applicable floating rate.

The Company obtained a loan from KNDS France amounting to EUR 200,000,000 on 3 November 2025, bearing interest at 12-month EURIBOR + 0.40%. The loan is unsecured and repayable after 1 year from date of disbursement and considered a fixed loan. The effective interest rate at inception was approximately 2.60% per annum. Interest expense for the year ended 31 December 2025 will be recognized based on the applicable floating rate.

For covenant ratios, a reference is made to the note 25. Loans and borrowings.

Net debt reconciliation (EUR 1,000)	**31 December 2025**	**31 December 2024**
Cash and Cash equivalents	1,816	5,586
Borrowings – repayable within one year	(267,961)	(10,356)
Borrowings – repayable after one year	(133,333)	-
Net debt	**(399,478)**	**(4,770)**
Cash and Cash equivalents	1,816	5,586
Borrowings – fixed interest rates	(200,779)	(10,356)
Borrowings – variable interest rates	(200,515)	-
Borrowings – interest free	-	-
Net debt	**(399,478)**	**(4,770)**

Net debt movement (EUR 1,000)	**Cash**	**Borrowings**		**Total**
		Repayable within 1 year	Repayable after 1 year	
Net debt as of 1st January 2024	**807**	**-**	**-**	**807**
Cash flows	4,779	-	-	4,779
Foreign exchange adjustments	-	-	-	-
Other changes	-	(10,356)	-	(10,356)
Net debt as of 31 December 2024 / 1 January 2025	**5,586**	**(10,356)**	**-**	**(4,770)**
Cash flows	(3,770)	(257,605)	(133,333)	(394,708)
Foreign exchange adjustments	-	-	-	-
Other changes	-	-	-	-
Net debt as of 31 December 2025	**1,816**	**(267,961)**	**(133,333)**	**(399,478)**

* A reference is made to note 37 Material accounting policies and the changes of the accounting policies for the intercompany loan.

42 Shareholders' equity

Ordinary shares and preference shares

At 31 December 2025, the authorised share capital amounts to 1.2 billion shares, each share having a nominal value of one euro (EUR 1).

At 31 December 2025, 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 2024.

Dividend

In May and November 2025 KNDS N.V. paid a declared total dividend of EUR 129,364 thousand and EUR 1,000,000 thousand, respectively, (2024: EUR 129,778 thousand) to its shareholders. The dividend per share is EUR 3,76 (2024: EUR 0,43).

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').

In accordance with provisions governing the articles of association, materialized special benefits are distributed through repayment of Share Premium and Special Reserves, under Equity accounts.

In 2025 materialized special benefits were recognized and paid respectively to GIAT Industries S.A. for an amount of EUR 22,133 thousand (2024: EUR 11,095) and to Wegmann & Co GmbH for an amount of EUR 2,204 thousand (2024: EUR 1,872).

At the end of 31 December 2025, Wegmann & Co GmbH do not have remaining MSBs rights derived from deferred tax positions. GIAT Industries SA has potential maximum remaining MSBs rights of up to EUR 79 million.

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.

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)	2025 Equity	2025 Profit / Loss	2024 Equity*	2024 Profit / Loss
Consolidated equity attributable to owners of the Company*	2.244.457	996.116	2.313.899	411.856
Difference in profit or loss	425.998	425.998	(173.190)	(173.190)
Other comprehensive income	(136.098)		(26.968)	
Other equity movements	(1.036.190)		(968.042)	
Parent company equity attributable to owners	**1.498.167**	**1.422.114**	**1.145.699**	**238.666**

* The 2024 amount of consolidated equity attributable to the owners of the company disclosed in the 2024 consolidated financial statements included the NCI amounts. The 2024 amount disclosed in this set of consolidated financial statements has been adjusted to reflect the amount without NCIs.

The differences between the Company's Equity and the Consolidated Equity is primarily driven by the accumulation of the different profit differences between the Group's net result and the Company's only net result. In 2025, the difference in profit or loss decreased by EUR 426 million, when the difference increased by EUR 173 million in 2024.

43 Aging 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 analyze 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 2025, 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 2025		
Not due	140,467	-
	140,467	-

Ageing of intercompany receivables (EUR 1,000)	Gross	Impairment provision
At 31 December 2024		
Not due	123,292	-
	123,292	-

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 2025, the Company holds EUR 0 million (31 December 2024: EUR 0 million) in short-term money market funds. The Company has no deposits with unrated institutions. Further reference is made to note 27 in the notes to the consolidated financial statements.

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. Further reference is made to note 27 in the notes to the consolidated financial statements.

Exposure to liquidity risk

At period ending 31 December 2025 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. Further reference is made to note 27 in the notes to the consolidated financial statements.

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. Further reference is made to note 27 in the notes to the consolidated financial statements.

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.

44 Commitments and contingencies

The Company issued payment guarantees in favor of third parties for the total amount of EUR 0 thousand (2024: EUR 0 thousand).

45 Subsequent events

Reference is made to note 34 of the consolidated financial statements. No further items noted.

46 Cost by Nature

The Company's cost are primarily related to external administrative expenses amounting EUR 19 million in 2025 (2024: EUR 9 million). The remaining portion of the costs relate to employee benefits costs. A reference is made to note 47. Employee information.

47 Employee information

Salary and salary related expenses are as follows:

Salary and related expenses (EUR 1,000)	2025	2024
Salaries	13,073	11,644
Social security charges	307	363
Pension cost	304	251
Total	**13,684**	**12,258**

Administrative expenses relate to the employee's salaries of the company.

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 2025 financial year, the average number of staff employed, converted into full-time equivalents, amounted to 13 (2024: 13) with 2 employees employed outside of the Netherlands (2024: 2 employees).

48 Remuneration of key management and related party transactions

Reference is made to disclosure 31. of the KNDS Consolidated Financial Statements 2025.

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 2025 and 2024:

Other related party transactions (EUR 1,000)	2025	2024
Dividend and other income	**993,051**	**262,464**
Companies controlled by KNDS	993,051	262,464
Dividends paid	**1,153,701**	**129,778**
Shareholders	1,153,701	129,778
Purchase of goods and service and other expenses	**2,471**	**680**
Companies controlled by KNDS	2,471	680
Receivables	**140,467**	**125,391**
Companies controlled by KNDS	140,467	125,391
Payables & Loans	**201,705**	**11,036**
Companies controlled by KNDS	201,705	11,036

49 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 2025 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.

Amsterdam, 23 May 2026

Board of Directors:

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Mr. J.P. Alary (CEO)

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Mr. T. Enders (Chairman)

________________________________	________________________________
Mr. F.P. Bode	Mr. A.F.M. Bouvier
________________________________	________________________________
Dr. J.H. Cammann	Mr. B.J.D.M. Laroche de Roussane
________________________________	________________________________
Mrs. I. Jaegering	Mr. P.J.M. Jeannin
________________________________	________________________________
Mr. C. Schulz	Mr. P.B. Petitcolin